

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934**

For the month of September 2015

Commission File Number: 001-36686

Forward Pharma A/S

Østergade 24A, 1
1100 Copenhagen K, Denmark

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes

No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

[Table of Contents](#)

Included in this Report of Foreign Private Issuer on Form 6-K is information regarding Forward Pharma A/S's financial results for the fiscal quarter ended June 30, 2015 as well as recent developments. Unless otherwise indicated or the context otherwise requires, all references in this report to "Forward Pharma A/S" refer to Forward Pharma, and all references to "we," "us," "our," "Forward Pharma," the "Company" or similar terms refer to Forward Pharma A/S or Forward Pharma A/S and its wholly owned subsidiaries, Forward Pharma GmbH and Forward Pharma USA, LLC, as the context may require.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this report may constitute "forward-looking statements" of the Company within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to: statements which contain language such as: "believe," "expect," "hope," "would" and "potential." Forward-looking statements are predictions only which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed in such statements. Many such risks, uncertainties and other factors are taken into account as part of our assumptions underlying these forward-looking statements and include, among others, the following: the Company's ability to obtain issued patents with protective claims; the commencement of any patent interference or infringement action; the Company's ability to prevail in or obtain a favorable decision in any such action; and the Company's ability to recover damages in any such action; uncertainties relating to our development plans; risks and uncertainties related to the scope, validity; and the enforceability of our intellectual property rights in general and the impact on us of patents and other intellectual property of third parties. Given the uncertainties, assumptions and risk factors associated with this type of information, including those described above, investors are cautioned that the information may not be appropriate for other purposes.

[Table of Contents](#)

Table of Contents

Item 1		
	Unaudited Interim Condensed Consolidated Financial Statements and Notes thereto	4
Item 2		
	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
	Recent Developments	29
Signature		31

Item 1. Unaudited Interim Condensed Consolidated Financial Statements and Notes thereto**Interim Condensed Consolidated Statement of Financial Position**

as of June 30, 2015, Unaudited, and December 31, 2014

Assets

	<u>Notes</u>	<u>June 30, 2015 (Unaudited) USD '000</u>	<u>December 31, 2014 USD '000</u>
Equipment		138	10
Available-for-sale financial assets	4.2	126,762	131,899
Other non-current assets		5	5
Total non-current assets		126,905	131,914
Other receivables	3.1, 4.2	1,176	780
Income tax receivable		122	320
Prepayments		1,440	710
Available-for-sale financial assets	4.2	44,551	46,236
Cash and cash equivalents	2.2, 4.2	31,218	45,349
Total current assets		78,507	93,395
Total assets		205,412	225,309

Equity and Liabilities

	<u>Notes</u>	<u>June 30, 2015 (Unaudited) USD '000</u>	<u>December 31, 2014 USD '000</u>
Share capital		796	791
Share premium		339,845	339,695
Other components of equity:			
Fair value adjustment available-for-sale financial assets		330	(238)
Foreign currency translation reserve	2.3	(28,333)	(10,142)
Accumulated deficit		(113,117)	(107,712)
Equity attributable to shareholders of the parent		199,521	222,394
Total equity		199,521	222,394
Trade and other payables	3.2, 4.2	5,891	2,915
Current liabilities		5,891	2,915
Total liabilities		5,891	2,915
Total equity and liabilities		205,412	225,309

See accompanying notes to these interim condensed consolidated financial statements

Unaudited Interim Condensed Consolidated Statement of Profit or Loss
for the three month periods ended June 30, 2015 and 2014
amounts in thousands except per share amounts

	Notes	Three Month Period Ended June 30,	
		2015 USD	2014 USD
Research and development costs		(9,999)	(2,476)
General and administrative costs		(3,547)	(719)
Operating loss		(13,546)	(3,195)
Fair value adjustment to net settlement obligation to shareholder warrants	4.2	—	(1)
Foreign exchange rate (loss) gain	2.3	(4,259)	2
Interest income		115	—
Other finance costs		(1)	—
Net loss before tax		(17,691)	(3,194)
Income tax benefit	2.4	—	28
Net loss for the period		(17,691)	(3,166)
Net loss for the period attributable to:			
Equity holders of the Parent		(17,691)	(3,166)
Net loss per share basic	2.1	(0.38)	(0.10)
Net loss per share diluted	2.1	(0.38)	(0.10)

See accompanying notes to these interim condensed consolidated financial statements

Unaudited Interim Condensed Consolidated Statement of Profit or Loss**for the six month periods ended June 30, 2015 and 2014****amounts in thousands except per share amounts**

	Notes	Six Month Period Ended June 30,	
		2015 USD	2014 USD
Research and development costs		(14,319)	(4,821)
General and administrative costs		(7,616)	(2,618)
Operating loss		(21,935)	(7,439)
Fair value adjustment to net settlement obligation to shareholder warrants	4.2	—	(1,005)
Foreign exchange rate gain	2.3	10,051	17
Interest income		223	—
Other finance costs		(4)	(125)
Net loss before tax		(11,665)	(8,552)
Income tax benefit	2.4	—	57
Net loss for the period		(11,665)	(8,495)
Net loss for the period attributable to:			
Equity holders of the Parent		(11,665)	(8,495)
Net loss per share basic	2.1	(0.25)	(0.27)
Net loss per share diluted	2.1	(0.25)	(0.27)

See accompanying notes to these interim condensed consolidated financial statements

Unaudited Interim Condensed Consolidated Statement of Other Comprehensive Income (Loss)
for the three month periods ended June 30, 2015 and 2014

	<u>Notes</u>	<u>Three Month Period Ended</u>	
		<u>June 30,</u>	
		<u>2015</u>	<u>2014</u>
		<u>USD `000</u>	<u>USD `000</u>
Net loss for the period		(17,691)	(3,166)
Other comprehensive income (loss)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of available-for-sale financial assets		(75)	—
Exchange differences on translation of foreign operations	2.3	8,216	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		8,141	—
Other comprehensive income		8,141	—
Total comprehensive loss		(9,550)	(3,166)
Attributable to:			
Equity holders of the Parent		(9,550)	(3,166)

See accompanying notes to these interim condensed consolidated financial statements

Unaudited Interim Condensed Consolidated Statement of Other Comprehensive Income (Loss)**for the six month periods ended June 30, 2015 and 2014**

	Notes	Six Month Period Ended	
		June 30,	
		2015	2014
		USD `000	USD `000
Net loss for the period		(11,665)	(8,495)
Other comprehensive income (loss)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of available-for-sale financial assets		568	—
Exchange differences on translation of foreign operations	2.3	(18,191)	167
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		(17,623)	167
Other comprehensive income (loss)		(17,623)	167
Total comprehensive loss		(29,288)	(8,328)
Attributable to:			
Equity holders of the Parent		(29,288)	(8,328)

See accompanying notes to these interim condensed consolidated financial statements

Unaudited Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
for the six month periods ended June 30, 2015 and 2014

	Notes	Share capital	Share premium	Foreign currency translation reserve	Fair value adjustment available-for-sale financial assets	Accumulated deficit	Total equity
	4.1	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
At January 1, 2015		791	339,695	(10,142)	(238)	(107,712)	222,394
Net loss for the period		—	—	—	—	(11,665)	(11,665)
Other comprehensive income (loss)	2.3	—	—	(18,191)	568	—	(17,623)
Total comprehensive income (loss)		—	—	(18,191)	568	(11,665)	(29,288)
Issuance of deferred shares		2	—	—	—	—	2
Exercise of warrants		3	150	—	—	—	153
Share-based payment costs		—	—	—	—	6,260	6,260
Transactions with owners		5	150	—	—	6,260	6,415
At June 30, 2015		796	339,845	(28,333)	330	(113,117)	199,521

	Notes	Share capital	Share premium	Foreign currency translation reserve	Accumulated deficit	Total equity/(deficit)
	4.1	USD '000	USD '000	USD '000	USD '000	USD '000
At January 1, 2014		287	26,697	(1,486)	(51,913)	(26,415)
Net loss for the period		—	—	—	(8,495)	(8,495)
Other comprehensive income		—	—	167	—	167
Total comprehensive income		—	—	167	(8,495)	(8,328)
Issue of share capital for cash		2	1,910	—	—	1,912
Costs related to capital increases		—	(6)	—	—	(6)
Exercise of warrants		25	29,483	—	—	29,508
Share-based payment costs		—	—	—	1,519	1,519
Transactions with owners		27	31,387	—	1,519	32,933
At June 30, 2014		314	58,084	(1,319)	(58,889)	(1,810)

See accompanying notes to these interim condensed consolidated financial statements

Unaudited Interim Condensed Consolidated Statement of Cash Flows
for the six month periods ended June 30, 2015 and 2014

	Notes	Six Month Period Ended June 30,	
		2015 USD '000	2014 USD '000
Net loss before tax		(11,665)	(8,552)
<i>Adjustments to reconcile net loss before tax to net cash flow:</i>			
Fair value adjustment to net settlement obligation shareholder warrants	4.2	—	1,005
Foreign exchange gain	2.3	(10,051)	(17)
Other, net		(48)	125
Share-based payment costs		6,260	1,519
Depreciation expense		3	1
Increase in other receivables and prepayments		(1,090)	(2,041)
Increase in trade and other payables		3,407	3,344
Net cash flows used in operating activities		(13,184)	(4,616)
Investing activities			
Purchase of equipment		(131)	—
Net cash flows used in investing activities		(131)	—
Financing activities			
Shares issued for cash		155	1,916
Transaction costs of capital increase		—	(6)
Net cash flows from financing activities		155	1,910
Net decrease in cash and cash equivalents		(13,160)	(2,706)
Net foreign exchange differences		(971)	(5)
Cash and cash equivalents at January 1		45,349	2,955
Cash and cash equivalents at June 30		31,218	244

See accompanying notes to these interim condensed consolidated financial statements

Corporate information

Forward Pharma A/S (the “Company” or “Parent”) is a limited liability company incorporated and domiciled in Denmark. The registered office is located in Copenhagen, Denmark. The interim condensed consolidated financial statements include the Company’s wholly-owned German and United States of America subsidiaries Forward Pharma GmbH and Forward Pharma USA, LLC, respectively. The Company and its subsidiaries are collectively referred to as the “Group”. The Company’s Board of Directors authorized the issuance of the interim condensed consolidated financial statements included herein on September 8, 2015.

The Company is a biopharmaceutical company preparing to initiate a Phase 3 clinical trial using FP187, a proprietary formulation of dimethyl fumarate (“DMF”) for the treatment of multiple sclerosis (“MS”) patients. Since the Company’s founding in 2005, it has worked to advance unique formulations of DMF, an immune modulator, as a therapeutic to improve the health and well-being of patients with immune disorders including MS. FP187, the Company’s clinical candidate, is a DMF formulation in a delay and slow release oral dose that the Company plans to advance for the treatment of relapsing remitting MS (“RRMS”) and other immune disorders, such as psoriasis.

Public listing of American Depositary Shares representing Ordinary Shares

During the fourth quarter of 2014, the Company completed the initial public offering (“IPO”) of American Depositary Shares (“ADS”) representing ordinary shares of the Company in the United States and issued 11.2 million ADSs, at a price per ADS of \$21.00 to investors. Each ADS represents one ordinary share with a per share nominal value of 0.10 DKK or Danish Kroner. Immediately prior to the IPO, Class A shares were issued to the Class B shareholders (“Class B Award”) in consideration for amendments to certain contractual rights held by the Class B shareholders, all of the Company’s outstanding Class A and Class B shares were converted into ordinary shares on a 1 for 1 basis (“Share Conversion”), and additional ordinary shares (“Proportional Shares”) were issued to all shareholders in proportion to their respective ownership. In addition, a share split of 10 for 1 (“Share Split”) was completed immediately prior to the IPO. All share and per share information included herein has been adjusted to reflect the issuance of the Proportional Shares and the Share Split as if they had occurred as of the beginning of the earliest period presented, unless otherwise stated, since the issuance of the Proportional Shares and the Share Split resulted in no additional consideration received by the Company nor did it change the individual ownership percentages of individual shareholders of the Company. The Share Conversion is reflected herein on the date such conversion occurred except for the per share information disclosed in the unaudited interim condensed consolidated statement of profit and loss and Note 2.1 where the Share Conversion is assumed to have occurred at the beginning of the earliest period presented.

Section 1—Basis of Preparation

1.1 Accounting policies and basis of preparation

The interim condensed consolidated financial statements as of June 30, 2015 and for the three and six month periods ended June 30, 2015 and 2014 have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements included in the Company’s 2014 Annual Report on Form 20-F (“Annual Report”) filed with the United States Securities and Exchange Commission on March 25, 2015. In the opinion of management, the interim condensed consolidated financial statements as of June 30, 2015 and for the three and six month periods ended June 30, 2015 and 2014 include adjustments considered necessary for a fair presentation of the results of the interim periods presented. The statement of financial position as of December 31, 2014 included herein was derived from the audited consolidated financial statements but does not include all disclosures required by International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies applied in the accompanying interim condensed consolidated financial statements are consistent with those disclosed in the Company’s audited consolidated financial statements included in the Annual Report. The results of operations for the three and six month periods ended June 30, 2015 are not necessarily indicative of the results expected for the full year.

[Table of Contents](#)

Unless otherwise stated, all amounts disclosed herein are in United States Dollars (“USD”).

1.2 New and Amendments to Accounting Standards

Standards effective in 2015:

The IASB issued new standards and amendments to standards and interpretations that are effective in 2015. None of these new or amended standards affected the Group’s financial statements.

Section 2—Results for the Period

2.1 Loss per share

As discussed within “Public listing of American Depositary Shares representing Ordinary Shares,” the Company completed its IPO in 2014 and in connection therewith implemented a number of corporate actions that included:

1. **Class B Award.** Amending the Class B shareholders’ right to a distribution preference in consideration for approximately 114,000 Class A shares (approximately 2 million ordinary shares after the Share Conversion, Proportional Share and Share Split adjustments.)
2. **Share Conversion.** All outstanding Class A and Class B shares were converted to a single class of ordinary shares on a 1 for 1 basis.
3. **Proportional Shares.** In order to achieve a fixed number of ordinary shares outstanding prior to the IPO, approximately 1.5 million ordinary shares were issued to all shareholders in proportion to their ownership percentage.
4. **Share Split.** A 10 for 1 share split was effectuated.

Since the Share Conversion, the Proportional Shares and the Share Split (collectively referred to as “Recapitalization”) resulted in no additional consideration received by the Company nor did it change the individual ownership percentages of individual shareholders of the Company, for purposes of computing the per share amounts for the three and six month periods ended June 30, 2014, the Recapitalization was deemed to have occurred as of the beginning of 2014. Therefore previously reported per share information for 2014 has been retrospectively adjusted to reflect the Recapitalization. The Recapitalization occurred in 2014 and was fully effected at the beginning of 2015 and therefore retrospective adjustment was not necessary in computing per share information for the three and six month periods ended June 30, 2015.

[Table of Contents](#)

The following reflects the net loss attributable to ordinary shareholders and share data used in the basic and diluted net loss per share computations for each of the three and six month periods ended June 30, 2015 and 2014:

	Three Month Periods Ended	
	June 30,	
	2015	2014
	USD	USD
Net loss attributable to ordinary shareholders of the Parent used for computing basic and diluted per share amounts	(17,691)	(3,166)
Weighted average number of ordinary shares used for basic per share amounts	46,733	31,976
Dilutive effect of outstanding options, warrants and deferred shares	—	—
Weighted average number of ordinary shares used for diluted per share amounts	46,733	31,976
Net loss per share basic	(0.38)	(0.10)
Net loss per share diluted	(0.38)	(0.10)
	Six Month Periods Ended	
	June 30,	
	2015	2014
	USD	USD
Net loss attributable to ordinary shareholders of the Parent used for computing basic and diluted per share amounts	(11,665)	(8,495)
Weighted average number of ordinary shares used for basic per share amounts	46,624	30,894
Dilutive effect of outstanding options, warrants and deferred shares	—	—
Weighted average number of ordinary shares used for diluted per share amounts	46,624	30,894
Net (loss) per share basic	(0.25)	(0.27)
Net (loss) per share diluted	(0.25)	(0.27)

Amounts within the tables above are in '000 except per share amounts

Basic per share amounts are calculated by dividing the net income (loss) for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. The diluted per share amounts are calculated by dividing the net income (loss) for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period increased by the dilutive effect of the assumed issuance of deferred shares and exercise of outstanding options and warrants. The dilutive effect of the assumed issuance of deferred shares and exercise of outstanding options and warrants includes adjustments for the proceeds to be received upon the exercise of outstanding options and warrants and share-based compensation associated with unvested deferred shares, options and warrants. As a result of the Company incurring net losses for the three and six month periods ended June 30, 2015 and 2014, the potential shares issuable related to outstanding equity awards, convertible debt or shareholder warrants have been excluded from the calculation of diluted loss per share as the effect of such shares is anti-dilutive.

2.2 Consolidated statement of cash flow

The interim condensed consolidated statement of cash flows is presented using the indirect method. The condensed consolidated statement of cash flows shows cash flows used in operating activities, cash flows used in investing activities, cash flows from financing activities, and the Group's cash and cash equivalents at the beginning and end of the periods.

For the six month period ended June 30, 2015, the Group's cash inflows for interest income totaled \$340,000 and the Group's cash outflows for interest expense was zero. For the six month period ended June 30, 2014, the Group's cash inflows for interest income was immaterial and the Group's cash outflows for interest expense totaled \$192,000.

2.3 Foreign currency gains and losses

During the six month period ended June 30, 2015, the Group recognized a non-cash foreign exchange gain of \$10.1 million within the statement of profit and loss and a non-cash loss on the translation of foreign operations of \$18.2 million within the statement of other comprehensive income (loss).

The \$10.1 million non-cash foreign exchange gain included in the statement of profit and loss for the six month period ended June 30, 2015 resulted primarily from the Parent holding over \$100 million in cash, cash equivalents and available-for-sale financial assets that are denominated in USD (collectively "USD Assets") while the Parent's functional currency is the DKK. The gain is the direct result of the strengthening of the USD compared to the DKK during the period that is reflected as a non-cash foreign exchange gain when the USD Assets are converted to DKK at June 30, 2015. During the three month period ended June 30, 2015 the USD weakened compared to the DKK and, therefore, a foreign exchange loss was recognized of \$4.3 million. The Parent also holds available-for-sale financial assets with a face value of £5.4 million issued by the government of the United Kingdom that favorably impacted the non-cash foreign exchange gain during the period as the British Pound strengthened against the DKK.

The \$18.2 million non-cash loss on translation of foreign operations recognized in other comprehensive loss for the six months ended June 30, 2015 results from the Group electing to use the USD as its reporting currency whereby all the Group's assets, liabilities, income and expense items that are denominated in DKK or Euros are translated to USD as of the reporting date for assets and liabilities and at the average rate for the three and six month periods ended June 30, 2015 for income and expense. The translation of the Group's assets, liabilities, income and expense from DKK or Euros to USD has the reverse effect from the foreign exchange gain included in the statement of profit and loss discussed above as the DKK and the Euro have weakened against the USD during the six month period ended June 30, 2015. During the three month period ended June 30, 2015 the USD weakened compared to the DKK and the Euro and, therefore, a non-cash gain on translation of foreign operations was recognized in other comprehensive loss for the three months ended June 30, 2015 of \$8.2 million.

2.4 Income taxes

As of March 31, 2015 the Company estimated that for the full year 2015 there would be taxable income in Denmark. The estimate did not reflect an expected tax deduction, and accordingly the annual effective tax rate that was used to determine the income tax expense for the three months ended March 31, 2015 was overstated. In the financial statements herein the income tax expense of \$764,000 recognized for the three months ended March 31, 2015 has been retrospectively adjusted for, thereby increasing net income in this period to \$6 million. The net income per share basic increased from \$0.11 as originally reported to \$0.13 after the retrospective adjustment and net income per share diluted increased from \$0.11 as originally reported to \$0.12 after the retrospective adjustment. The effect of the retrospective adjustment on the consolidated statement of financial position at March 31, 2015 and the consolidated statement of cash flows for the three months ended March 31, 2015 was not material. The

[Table of Contents](#)

adjustment of the income tax expense had no effect on the Company's consolidated financial statements as of and for the three and six month periods ended June 30, 2015 included herein.

As of June 30, 2015, the Group recorded no benefit from its tax losses as the criteria to recognize a deferred tax asset was not met.

During the three and six month periods ended June 30, 2014, the Company accrued a tax benefit of \$28,000 and \$57,000, respectively, that represented the estimated amount due to the Company from the joint taxation scheme. No tax benefit was accrued for estimated amounts due from the joint taxation scheme during 2015 as the result of the uncertainty of realizing such amounts.

Section 3—Operating Assets and Liabilities

3.1 Other receivables (current)

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>USD `000</u>	<u>USD `000</u>
Value added tax ("VAT") receivables	456	390
Accrued interest income	705	365
Other receivables	15	25
Total	<u>1,176</u>	<u>780</u>

3.2 Trade payables and other payables (current)

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>USD `000</u>	<u>USD `000</u>
Trade payables	3,087	1,658
Accrued expenses	2,804	1,257
Total	<u>5,891</u>	<u>2,915</u>

Section 4—Capital Structure and Related Items

4.1 Equity and share-based payments

Deferred Shares

As of December 31, 2014, the Company had 569,000 outstanding deferred shares that were awarded under the 2014 Omnibus Equity Incentive Plan (the "2014 Plan"). During April 2015, 142,000 deferred shares vested and were issued to the Company's Chief Financial Officer. Proceeds received upon vesting of the deferred shares were \$2,000.

Options and warrants

During the six months ended June 30, 2015, the Company's Board of Directors approved the granting of 662,000 stock options to certain employees and consultants. The exercise prices per share are \$28.26 for 250,000 stock options, \$30.54 for 43,000 stock options \$32.03 for 120,000 stock options and the balance have an exercise price of \$141.30. Vesting terms are pro rata over either a three year term, a four year term or a five year term, however, each award contains a provision whereby the option holder cannot exercise prior to a defined date. Vesting and exercise periods are accelerated in the event there is a change in control, as defined in the option award

[Table of Contents](#)

agreements. Stock option expiration dates vary with the latest expiration date being six years from the date of grant. 500,000 of the stock options were granted under the 2014 Plan. The remaining stock options were granted outside the 2014 Plan but are governed in all material respects as if they were awarded under the 2014 Plan.

In order to provide employees, consultants and a board member of the Company with the ability to forgo exercising 1.7 million warrants or share options that were set to expire on or before January 1, 2016 (“Expiring Awards”), (i) our board of directors, during the six months ended June 30, 2015, approved the granting of 1,365,000 share options or warrants (“Replacement Awards”) to replace 1,405,000 Expiring Awards and (ii) our shareholders, at our ordinary general meeting in April 2015, approved the extension of the period during which holders may exercise 334,000 Expiring Awards (“Extended Awards”). Further, in order to incentivize holders of Expiring Awards to remain engaged with the Company, our board of directors, during the six months ended June 30, 2015, approved the granting of additional share options or warrants to holders of Expiring Awards to subscribe for an aggregate of 362,000 ordinary shares, 22,000 of which are at an exercise price of \$24.13, and the balance of which are at an exercise price of \$30.54 (“Additional Awards”). The Replacement Awards have substantially similar terms as the Expiring Awards, except the expiration date for 85,000 Replacement Awards was extended to March 2017, the expiration date for 22,000 Replacement Awards was extended to December 2020 and expiration date for the balance of the Replacement Awards was extended to March 2021. The expiration date for 167,000 of the Extended Awards was extended to June 2018, while the expiration date for the balance of the Extended Awards was extended to November 2018. If individual holders exercise their Expiring Awards, then the Replacement Awards and the Additional Awards held by such holders provide for immediate expiration and cancellation of such Replacement Awards and the Additional Awards for no compensation. Replacement Awards have the same exercise price as Expiring Awards ranging from \$0.67 to \$1.43 per share. Replacement Awards are fully vested on the date of grant while Additional Awards vest over a period of three years. Replacement Awards and Additional Awards (except for those Replacement Awards that were only extended to March 2017) cannot be exercised prior to March 2018; however, Replacement Awards and Additional Awards vest and can be exercised immediately in the event there is a change in control, as defined in the award agreements. The Company granted 153,000 of the Replacement Awards and Additional Awards under the 2014 Plan. The remaining Replacement Awards and Additional Awards, totaling 1.6 million, were granted outside the 2014 Plan but are governed in all material respects as if they were awarded under the 2014 Plan.

During the three months ended June 30, 2015, 216,000 warrants were exercised yielding proceeds to the Company of \$153,000. The 216,000 ordinary shares underlying the warrants exercised were registered with the Danish Business Authority during July 2015.

As of June 30, 2015, the Company has outstanding warrants and stock options to purchase 3.6 million ordinary shares, net of Expiring Warrants.

The aggregate share-based compensation expense included in operating results for each of the three month periods ended June 30, 2015 and 2014 and for each of the six month periods ended June 30, 2015 and 2014 was \$4.1 million, \$1.3 million, \$6.3 million and \$1.5 million, respectively.

4.2 Financial assets and liabilities

Recognized financial instruments

The Group has recognized the following categories of financial assets and liabilities.

Financial assets:

Loans and receivables as of June 30, 2015 and December 31, 2014

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	USD `000	USD `000	USD `000	USD `000
Other receivables	1,176	1,176	780	780
Total	1,176	1,176	780	780

Available-for-Sale Financial Assets as of June 30, 2015 and December 31, 2014

Included in current assets (Level 1)	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	USD `000	USD `000	USD `000	USD `000
Germany	17,652	17,652	19,351	19,351
United Kingdom	1,896	1,896	1,915	1,915
United States	25,003	25,003	24,970	24,970
Total	44,551	44,551	46,236	46,236

The face values of the German, United Kingdom and United States available-for-sale financial assets are 15.7 million Euros, 1.2 million British Pounds and 25 million USDs, respectively.

Included in non-current assets (Level 1)	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	USD `000	USD `000	USD `000	USD `000
Germany	62,435	62,435	67,862	67,862
United Kingdom	6,760	6,760	6,769	6,769
United States	57,567	57,567	57,268	57,268
Total	126,762	126,762	131,899	131,899

The face values of the German, United Kingdom and United States available-for-sale financial assets are 54.8 million Euros, 4.2 million British Pounds and 57.5 million USDs, respectively.

Financial Liabilities:

Financial liabilities at amortized cost as of June 30, 2015 and December 31, 2014

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	USD '000	USD '000	USD '000	USD '000
Trade and other payables	5,891	5,891	2,915	2,915
Total	5,891	5,891	2,915	2,915

Fair value of trade payables is deemed to be their carrying amount based on payment terms that are generally 30 days.

Cash, cash equivalents and available-for-sale financial assets:

The Company's cash and cash equivalents are held primarily at one bank in Denmark with a Moody's credit rating of Aa3. The Company's available-for-sale financial assets are invested in government instruments with maturities not exceeding three years that are carried at fair value based on price quotations at the reporting date. Moody's credit rating of each of the individual governments is Aa1 or better.

Valuation hierarchy:

Financial instruments recognized at fair value are allocated to one of the following valuation hierarchy levels:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. The Company's available-for-sale financial assets meet the definition of Level 1.

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group does not have financial instruments allocated to this level as of June 30, 2015 or December 31, 2014.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The financial instruments that the Group has allocated to this level comprise net settlement obligations to shareholders warrants that are discussed below. The Group does not have financial instruments allocated to this level as of June 30, 2015 or December 31, 2014.

For all periods presented there were no transfers of financial instruments between Levels 1, 2 or 3.

Interest bearing convertible loan

As of January 1, 2014, the Group's borrowing consisted of a convertible loan denominated in DKK held by Nordic Biotech Opportunity Fund K/S, a related party. The loan was due on October 31, 2018 and was carried at amortized cost. Interest accrued at an annual rate of 20%. The convertible loan contained various terms and conditions including provisions for mandatory conversion, under certain defined circumstances, as well as optional conversion provisions, into Company shares. The lender had a put option that provided for immediate repayment of the convertible loan that was exercisable based on conditions that were not within the control of the Company and, therefore the convertible loan was classified as a current liability until March 17, 2014 when the convertible loan was cancelled in consideration for exercising shareholder warrants that are discussed below. The carrying value of

[Table of Contents](#)

the convertible loan was \$2.5 million at the time of cancellation and was transferred from liability classification to share premium. Interest expense recognized on the convertible loan during the six month period ended June 30, 2014 totaled \$125,000.

Net settlement obligation to shareholder warrants

On May 31, 2011, Nordic Biotech Opportunity Fund K/S, one of the Company's shareholders, was granted 138,000 shareholder warrants that entitled the holder to acquire an equal number of Class A ordinary shares (or 2.5 million ordinary shares after the Proportional Shares and the Share Split adjustments) at an exercise price of approximately \$1.07 per ordinary share after the Proportional Share and Share Split adjustments. The terms of the shareholder warrants allowed the holder to net settle in shares whereby the holder could exercise all the shareholder warrants and receive fewer Class A shares with a fair value equal to the intrinsic value of the shareholder warrants without remitting the exercise price.

The shareholder warrants were classified as a derivative financial instrument due to the fact that the holder could elect net share settlement and were recorded within current liabilities in the statement of financial position. All the warrants were exercised on March 17, 2014 in a single transaction in which 5,000 Class A shares (after the issuance of Proportional Shares and the Share Split adjustments) were issued for cash consideration of \$5,000 and the balance in consideration for the cancellation of a convertible loan discussed above. The fair value of the shareholder warrants as of the exercise date was \$27 million and was transferred from liability classification to share premium within shareholders' equity as of that date. The fair value of the shareholder warrants as of January 1, 2014 was \$26 million. The fair value of the shareholder warrants was computed based on unobservable inputs (Level 3.)

Reconciliation of fair value measurement of shareholder warrants:

	Six months ended June 30, 2014
	USD '000
Carrying amount at January 1, 2014	26,124
Fair value adjustment recognized in financial expense	1,005
Exchange differences	(160)
Fair value upon exercise	(26,969)
Carrying amount at June 30, 2014	—

Section 5—Other Disclosures

5.1 Related party disclosures

The Company is controlled by Nordic Biotech K/S and affiliates (collectively "NB"). The ultimate controlling party of the Company is Mr. Florian Schönharting who controls NB.

[Table of Contents](#)

The following tables provide the total amount of transactions that have been entered into with NB for the relevant periods and the amounts due to from NB.

	Three months ended	
	June 30,	
	2015	2014
	USD '000	USD '000
Purchase of services	21	16

	Six months ended	
	June 30,	
	2015	2014
	USD '000	USD '000
Purchase of services	45	31

	June 30,	December
	2015	31, 2014
	USD '000	USD '000
Amounts owed to related parties	45	31
Amounts owed by related parties	—	—

The above tables exclude the related party transactions disclosed in Notes 4.2, 5.2 and 5.3.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Amounts due to or from related parties are uncollateralized and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the six month periods ended June 30, 2015 and 2014, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Transactions with key management

The Group has not granted any loans, guarantees, or other commitments to or on behalf of any of the members of the board of directors or key management personnel.

Other than the remuneration including share-based payment relating to key management personnel, no other significant transactions have taken place with key management personnel during the periods presented herein.

5.2 Contingent liabilities

Contingent liabilities are liabilities that arose from past events but whose existence will only be confirmed by the occurrence or non-occurrence of future events that in some situations are beyond the Groups' control.

[Table of Contents](#)

The Group received a government grant totaling approximately \$5.2 million that subsidized certain development costs incurred by the Group during the period from March 2007 to December 2012. The grant must be repaid with an amount up to the revenue arising from sales of the product developed or from sale of the intellectual property rights associated with the product development if a production site has not been established in Saxony, Germany no later May 31, 2017. As of June 30, 2015, management has not decided whether to establish production facilities in Saxony. Further, it is management's assessment that as of June 30, 2015, there is uncertainty in respect of future revenue from the development project or alternatively proceeds from sale of the intellectual property rights if the Group ceases development. On this basis, management has determined that it is not appropriate to recognize a liability for the contingent repayment of the grant at this time.

As of January 19, 2013, the Company became part of a tax group with its parent company Tech Growth Invest ApS and its subsidiaries and is jointly and severally liable for the tax liabilities in those entities.

During the three months ended June 30, 2015, the German tax authorities commenced an audit of the tax returns of Forward Pharma GmbH ("FP GmbH") for each of the years in the three year period ended December 31, 2012. The audit is ongoing and no assessment has been received from the German tax authorities. As of June 30, 2015 and December 31, 2014, the Group has not recognized within the consolidated financial statements either a deferred tax asset in connection with FP GmbH's unused tax loss carryforwards or a provision for any potential loss resulting from the completion of the tax audit (if any) as the criteria for recognition of a deferred tax assets or any tax liability has not been met.

Aditech Pharma AG is considered to be a related party of the Company due to control over Aditech Pharma AG by NB. In 2004, a private Swedish company Aditech Pharma AB (together with its successor-in-interest, a Swiss company Aditech Pharma AG, "Aditech"), controlled by NB, began developing and filing patents for, among other things, formulations and dosing regimens of DMF. In 2005, the Company entered into a patent license agreement with Aditech to license this patent family from Aditech. In 2010, the Company acquired this patent family from Aditech pursuant to a patent transfer agreement which replaced the patent license agreement. Under the Company's agreements with Aditech, the Company obtained, among other things, Aditech's patents and associated know-how related to DMF formulations and delivery systems, subject to both diligence and minimum annual expenditure (€1 million per year) obligation on the part of the Company. Aditech has the option to receive back, for no consideration, all of the Company's DMF related assets (which include patent and other rights related to DMF, including FPI 87) should the Company fail to satisfy these obligations. The Company is required to pay Aditech up to 2% of net sales generated from the Company's DMF products and processes, regardless of whether such net sales are generated by the Company or its affiliates, assignees or licensees. Included in the determination of the Company's payment to Aditech is any cash or non-cash consideration generated from the Company's DMF products and processes and received by the Company or its assignees, affiliates and licensees. Further, the Company's agreement with Aditech gives Aditech a 90-day right of first offer to acquire non-DMF related intellectual property assets that the Company might choose to sell.

5.3 Events after the reporting period

Subsequent to June 30, 2015 there were no events that were required to be reported, except that on July 20, 2015 the shareholders of the Company voted in favor of the election of two new members to the Board of Directors. In connection with his election to the Board, one of the new Directors received 89,140 options that have a per option exercise price of \$36.85. The options vest pro rata over a three year term, expire on June 30, 2021 and contain a provision whereby the option holder cannot exercise the option prior to July 1, 2018. Vesting and exercise periods are accelerated in the event there is a change in control as defined in the option award agreement. The second newly elected Director is a partner in the law firm that provides Danish legal services to the Company and is expected to receive 89,140 options with the same terms and conditions as discussed above. The second newly elected Director serves on the Company's Board of Directors in his individual capacity and not as a representative of the law firm. Amounts accrued for services rendered by the law firm to the Company for the three and six months ended June 30, 2015 were \$305,000 and \$592,000, respectively. The comparative amounts for 2014 were \$273,000 and \$584,000, respectively. Included in accounts payable at June 30, 2015 and December 31, 2014 were amounts payable to the law firm of \$297,000 and \$336,000, respectively.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the unaudited condensed consolidated interim financial statements, including the notes thereto, included elsewhere herein as well as our Annual Report on form 20-F filed with the Securities Exchange Commission on March 25, 2015 that includes our audited consolidated financial statements as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012, risk factors as well as other important information about the Company. The following discussion is based on our unaudited condensed consolidated financial information prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which might differ in material respects from generally accepted accounting principles in other jurisdictions. The following discussion includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in forward-looking statements.

Overview

The Company is a Danish biopharmaceutical company preparing to initiate a Phase 3 clinical trial using FP187, a proprietary formulation of dimethyl fumarate ("DMF"), for the treatment of multiple sclerosis ("MS") patients. Since our founding in 2005, we have worked to advance unique formulations of DMF, an immune modulator, as a therapeutic to improve the health and well-being of patients with immune disorders including MS. FP187, our clinical candidate, is a DMF formulation in a delayed and slow release oral dose, which we plan to advance for the treatment of relapsing remitting MS ("RRMS") and other immune disorders, such as psoriasis.

We are a company with a limited number of employees and outsource the majority of our activities to external consultants and suppliers. We are comprised of a Danish incorporated parent company, Forward Pharma A/S, a wholly owned subsidiary incorporated in Germany, Forward Pharma GmbH, and a wholly owned subsidiary formed in the state of Delaware, Forward Pharma USA, LLC.

Unless otherwise stated, all amounts disclosed herein are in United States Dollars ("USD").

Public Listing of American Depositary Shares Representing Ordinary Shares

During 2014, the Company completed the initial public offering ("IPO") of American Depositary Shares ("ADS") representing ordinary shares of the Company in the United States and issued 11.2 million ADSs at a price per ADS of \$21.00 to investors. Immediately prior to the IPO, Class A shares were issued to the Class B shareholders in consideration for amendments to certain contractual rights held by the Class B shareholders, all of the Company's outstanding Class A and Class B shares were converted into ordinary shares on a 1 for 1 basis, and additional ordinary shares were issued to all shareholders in proportion to their respective ownership. Lastly, a share split of 10 for 1 was completed immediately prior to the IPO. See Note 2.1 in the Notes to our Unaudited Interim Condensed Consolidated Financial Statements included elsewhere herein for additional information.

Liquidity

As of June 30, 2015, the Company had \$202.5 million in cash, cash equivalents and available-for-sale financial assets. The Company has experienced recurring operating losses and negative cash flow from operations and expects these conditions to continue for the foreseeable future. Management believes, based on current estimates, that cash, cash equivalents and available-for-sale financial assets held at June 30, 2015 will provide adequate funding to allow the Company to meet its planned operating activities, including increased levels of research and development activities, in the normal course of business beyond the next twelve months. Unforeseen expenses or other usages of cash could negatively impact management's expected operating results and liquidity. The Company will need to raise funds to complete the development and commercialization of FP187. Such funding could be in the form of either additional equity or debt financing or in exchange for product rights in all or certain

[Table of Contents](#)

markets. There can be no assurances that the Company will be able to obtain additional financing if needed in the future. The long-term success of the Company will be based on successfully commercializing FP187 and defending its intellectual property. There can be no assurance that the Company will commercialize a product, achieve or sustain positive cash flows from operations or become profitable. See “Funding Requirements” below for additional information.

Results of Operations

Comparison of the three month periods ended June 30, 2015 and 2014

	Three month periods ended June 30,		
	2015	2014	Change
	(USD in thousands)		
Research and development costs	(9,999)	(2,476)	(7,523)
General and administrative costs	(3,547)	(719)	(2,828)
Operating loss	(13,546)	(3,195)	(10,351)
Fair value adjustment to net settlement obligations to shareholder warrants	—	(1)	1
Foreign exchange rate (loss) gain	(4,259)	2	(4,261)
Interest income	115	—	115
Other finance costs	(1)	—	(1)
Net loss before tax	(17,691)	(3,194)	(14,497)
Income tax benefit	—	28	(28)
Net loss for the period	(17,691)	(3,166)	(14,525)

Research and development costs for the three month periods ended June 30, 2015 and 2014

Research and development related costs for the three month periods ended June 30, 2015 and 2014 were \$10.0 million and \$2.5 million, respectively. The increase in research and development costs in 2015 of \$7.5 million was attributable in part to an increase in our clinical and pre-clinical activities that rose from \$300,000 in 2014 to \$4.6 million in 2015. Clinical and pre-clinical costs increased during the quarter ended June 30, 2015 as we expanded our activities to include several pre-clinical studies, Phase 1 trials as well as preparation for the Phase 3 trial of FP187 in RRMS. Such increased costs related to services provided by clinical research organizations who conduct trials on our behalf and contract manufacturers which are responsible for supplying DMF as well as the formulation and finishing of FP187 tablets to be used for research purposes. In addition, expenses for patent advisers and other patent-related costs incurred to register our intellectual property and to conduct the interference case at the U. S. Patent and Trademark Office (“USPTO”) involving Biogen, Inc.’s U.S. Patent No. 8,399,514, as well as opposition proceedings with the European Patent Office in Europe, increased from \$650,000 in 2014 to \$2.8 million in 2015. Share based compensation increased in 2015 to \$2.4 million from \$1.3 million in 2014 as the result of equity awards granted or modified during the six months ended June 30, 2015 to employees and consultants involved in research and development activities. We anticipate that our rate of spend for research and development will increase significantly in future periods as our clinical programs advance.

General and administrative costs for the three month periods ended June 30, 2015 and 2014

The general and administrative costs for the three month periods ended June 30, 2015 and 2014 were \$3.5 million and \$719,000, respectively. The increase in general and administrative costs in 2015 of \$2.8 million resulted principally from an increase in share-based compensation from zero in 2014 to \$1.7 million in 2015 in connection with equity awards issued or modified during the second half of 2014 and the three months ended June 30, 2015. In addition, during August 2014, we formed a subsidiary in the United States that hired additional personnel and engaged an investor relations firm that resulted in additional expenses in 2015 of \$366,000. We have also experienced increased costs associated with becoming a publicly listed company in the United States including increases in insurance, legal

[Table of Contents](#)

and accounting costs. Offsetting these items was a reduction in costs that were incurred during the three month period ended June 30, 2014 related to our IPO that totaled \$500,000. No IPO costs were incurred in 2015. We continue to expect our quarterly rate of general and administrative spend will increase in the future as we expand our business and advance our intellectual property portfolio.

Non-operating income (expense) for the three month periods ended June 30, 2015 and 2014

During the three month period ended June 30, 2015, the Group recognized a non-cash foreign exchange loss of \$4.3 million. The \$4.3 million non-cash foreign exchange loss resulted primarily from the Parent holding over \$100 million in cash, cash equivalents and available-for-sale financial assets that are denominated in USD (collectively "USD Assets") while the Parent's functional currency is the Danish Kroner ("DKK"). The loss is the direct result of the weakening of the USD compared to the DKK during the period that is reflected as a non-cash foreign exchange loss when the USD Assets are converted to DKK at June 30, 2015. Offsetting the non-cash foreign exchange loss from the USD Assets is a non-cash foreign exchange gain resulting from the Parent holding available-for-sale financial assets with a face value of £5.4 million issued by the government of the United Kingdom ("UK Assets"). During the three month period ended June 30, 2015 the British Pound ("GBP") strengthened against the DKK resulting in a non-cash foreign exchange gain of \$180,000. During the three month period ended June 30, 2014, the Parent did not hold a significant amount of USD Assets or UK Assets and therefore the foreign exchange gain recognized during 2014 was not material.

During the three month period ended June 30, 2015, the Company recognized interest income from available-for-sale financial assets of \$115,000. The Company did not hold available-for-sale financial assets during the three month period ended June 30, 2014 and therefore no interest income was recognized.

Income tax benefit

As of March 31, 2015 the Company estimated that for the full year 2015 there would be taxable income in Denmark. The estimate did not reflect an expected tax deduction, and accordingly the annual effective tax rate that was used to determine the income tax expense for the three months ended March 31, 2015 was overstated. In the financial statements herein the income tax expense of \$764,000 recognized for the three months ended March 31, 2015 has been retrospectively adjusted, thereby increasing net income in this period to \$6 million. The net income per share basic increased from \$0.11 as originally reported to \$0.13 after the retrospective adjustment and net income per share diluted increased from \$0.11 as originally reported to \$0.12 after the retrospective adjustment. The effect of the retrospective adjustment on the consolidated statement of financial position at March 31, 2015 and the consolidated statement of cash flows for the three months ended March 31, 2015 was not material. The adjustment of the income tax expense had no effect on the Company's consolidated financial statements as of and for the three month period ended June 30, 2015 included herein.

During the three month period ended June 30, 2014, the Parent accrued a tax benefit of \$28,000 that represented the amount due to the Parent from the joint taxation scheme. No tax benefit was accrued for estimated amounts due from the joint taxation scheme during 2015 as the result of the uncertainty of realizing such amounts.

Comparison of the six month periods ended June 30, 2015 and 2014

	Six month periods ended June 30,		
	2015	2014	Change
	(USD in thousands)		
Research and development costs	(14,319)	(4,821)	(9,498)
General and administrative costs	(7,616)	(2,618)	(4,998)
Operating loss	(21,935)	(7,439)	(14,496)
Fair value adjustment to net settlement obligations to shareholder warrants	—	(1,005)	1,005
Foreign exchange rate gain	10,051	17	10,034
Interest income	223	—	223
Other finance costs	(4)	(125)	121
Net loss before tax	(11,665)	(8,552)	(3,113)
Income tax benefit	—	57	(57)
Net loss for the period	(11,665)	(8,495)	(3,170)

Research and development costs for the six month periods ended June 30, 2015 and 2014

Research and development related costs for the six month periods ended June 30, 2015 and 2014 were \$14.3 million and \$4.8 million, respectively. The increase in research and development costs in 2015 of \$9.5 million was attributable in part to an increase in our clinical and pre-clinical activities that rose from \$2.0 million in 2014 to \$7.6 million in 2015. Clinical and pre-clinical costs increased during the six months ended June 30, 2015 as we expanded our activities to include several pre-clinical studies, Phase 1 trials as well as preparation for the Phase 3 trial of FP187 in RRMS. Such increased costs related to services provided by clinical research organizations who conduct trials on our behalf and contract manufacturers which are responsible for supplying DMF as well as the formulation and finishing of FP187 tablets to be used for research purposes. In addition, expenses for patent advisers and other patent-related costs incurred to register our intellectual property and to conduct the interference case at the USPTO involving Biogen's U.S. Patent No. 8,399,514, as well as opposition proceedings with the European Patent Office in Europe, increased from \$1.2 million in 2014 to \$3.9 million in 2015. Share based compensation increased in 2015 to \$2.5 million from \$1.5 million in 2014 as the result of equity awards granted or modified during the six month period ended June 30, 2015 to employees and consultants involved in research and development activities. We anticipate that our rate of spend for research and development will increase significantly in future periods as our clinical programs advance.

General and administrative costs for the six month periods ended June 30, 2015 and 2014

The general and administrative costs for the six month periods ended June 30, 2015 and 2014 were \$7.6 million and \$2.6 million, respectively. The increase in general and administrative costs in 2015 of \$5.0 million principally resulted from an increase in share-based compensation from zero in 2014 to \$3.8 million in 2015 in connection with equity awards issued or modified during the second half of 2014 and the three months ended June 30, 2015. In addition, during August 2014 we formed a subsidiary in the United States that hired additional personnel and engaged an investor relations firm that resulted in additional expenses in 2015 of \$766,000. We have also experienced increased costs associated with becoming a publicly listed company in the United States including increases in insurance, legal and accounting costs. Offsetting these items was a reduction in costs that were incurred during the six month period ended June, 30 2014 related to our IPO that totaled \$1.8 million. No IPO costs were incurred in 2015. We continue to expect our quarterly rate of general and administrative spend will increase in the future as we expand our business and advance our intellectual property portfolio.

Non-operating income (expense) for the six month periods ended June 30, 2015 and 2014

During the six month period ended June 30, 2015, the Group recognized a non-cash foreign exchange gain of \$10.1 million. The \$10.1 million non-cash foreign exchange gain resulted primarily from the Parent holding over \$100 million USD Assets while the Parent's functional currency is the DKK. The gain is the direct result of the strengthening of the USD compared to the DKK during the period that is reflected as a non-cash foreign exchange gain when USD Assets are converted to DKK at June 30, 2015. The Parent also holds UK Assets with a face value of £5.4 that favorably impacted the non-cash foreign exchange gain during the period as the GBP strengthened against the DKK. During the six month period ended June 30, 2014, the Parent did not hold a significant amount of USD Assets or UK Assets and therefore the foreign exchange gain recognized during 2014 was not material.

During the six month period ended June 30, 2015, the Company recognized interest income from available-for-sale financial assets of \$223,000. The Company did not hold available-for-sale financial assets during the six month period ended June 30, 2014 and therefore no interest income was recognized.

The fair value adjustment to the settlement obligation of our shareholder warrants was a cost of \$1 million for the six month period ended June 30, 2014. The shareholder warrants were settled on March 17, 2014; and, therefore, there is no corresponding gain or loss to be recorded in 2015. The increase in the fair value of the shareholder warrants was primarily the result of the underlying value of Company's shares increasing in value from December 31, 2013 to March 17, 2014 the settlement date.

Other finance costs for the six month period ended June 30, 2014 consisted of interest expense on convertible debt that was cancelled in connection with the settlement of the shareholder warrants discussed above on March 17, 2014. During the six month period ended June 30, 2015, the Company did not have any outstanding interest bearing obligations.

Income tax benefit

As of March 31, 2015 the Company estimated that for the full year 2015 there would be taxable income in Denmark. The estimate did not reflect an expected tax deduction, and accordingly the annual effective tax rate that was used to determine the income tax expense for the three months ended March 31, 2015 was overstated. In the financial statements herein the income tax expense recognized for the three months ended March 31, 2015 has been retrospectively adjusted to reduce the over accrual. The retrospective adjustment of the income tax expense had no effect on the Company's consolidated financial statements as of and for the six month period ended June 30, 2015 included herein.

As of June 30, 2015, the Group recorded no benefit from its tax losses as the criteria to recognize a deferred tax asset was not met.

During the six month period ended June 30, 2014, the Company accrued a tax benefit of \$57,000 that represented the estimated amount due the Company from the joint taxation scheme. No tax benefit was accrued for estimated amounts due from the joint taxation scheme during 2015 as the result of the uncertainty of realizing such amounts.

[Table of Contents](#)

Liquidity and Capital Resources

Cash flows

Comparison of the six month periods ended June 30, 2015 and 2014

Our cash and cash equivalents as of June 30, 2015 and 2014 were \$31.2 million and \$244,000, respectively. The table below summarizes our consolidated statement of cash flows for each of the six month periods ended June 30, 2015 and 2014:

	Six month periods ended June 30,	
	2015	2014
	(USD in thousands)	
Net cash flows used in operating activities	(13,184)	(4,616)
Net cash flows used in investing activities	(131)	—
Net cash flows from financing activities	155	1,910
Net decrease in cash and cash equivalents	(13,160)	(2,706)
Net foreign exchange differences	(971)	(5)
Cash and cash equivalents beginning of period	45,349	2,955
Cash and cash equivalents end of period	31,218	244

Net cash flows used in operating activities increased to \$13.2 million in the six month period ended June 30, 2015 from \$4.6 million in the six month period ended June 30, 2014. The increase in 2015 in cash used in operating activities is primarily due to an increase in research, development, general and administrative costs as discussed above.

Net cash flows used in investing activities in 2015 related to the purchase of equipment totaling \$131,000. During the six month period ended June 30, 2014, there were no cash flows related to investing activities.

Net cash flows from financing activities for the six month periods ended June 30, 2015 and 2014 were \$155,000 and \$1.9 million, respectively. The \$155,000 cash inflow for the six month period ended June 30, 2015 was the result of proceeds received in connection with the issuance of deferred shares and the exercise of warrants. The \$1.9 million cash inflow for the six month period ended June 30, 2014 resulted from the issuance of 157,000 Class B shares.

Funding requirements

We believe that the cash, cash equivalents and available-for-sale financial assets will enable us to fund our operating expenses and capital expenditure requirements beyond the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. We have no long-term financial commitments, such as lines of credit or guarantees, which are expected to affect our liquidity, other than an office rental lease, which we consider immaterial.

Our present and future funding requirements will depend on many factors, including, among other things:

- successful planning and implementation of the required clinical development programs for FP187;
- our efforts to secure and protect our intellectual property;

[Table of Contents](#)

- our product development and need to increase production capacity to commercial scale through our contract manufacturing organizations;
- technology transfer in connection with our efforts to identify additional contract manufacturing organizations;
- the scope and timing of our pre-clinical and clinical testing programs; and
- the continued growth and development our internal organization and structure needed for a public company, including the hiring of additional personnel and developing appropriate policies and procedures.

Capital Expenditures

We use outside contractors and service providers extensively to meet our operating needs and, therefore, we incur very little cost to build and maintain our infrastructure. Accordingly, our capital expenditures to date have not been significant, and we currently do not have any significant capital expenditures planned for the foreseeable future.

Critical Accounting Policies

There have been no significant changes to the critical accounting policies as disclosed in our Annual Report on Form 20-F that was filed with the Securities and Exchange Commission on March 25, 2015.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Market risk

Foreign currency exchange rate risk

We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, GBP, and the Euro. The Company's functional currency is the DKK, our wholly owned subsidiary Forward Pharma GmbH's functional currency is the Euro, and our wholly owned subsidiary Forward Pharma USA, LLC's functional currency is the USD. Our expenses to date have been largely denominated in GBP, in USD, in DKK, and in Euros and, therefore, we are impacted by changes in foreign currency exchange rates.

As of June 30, 2015, we have invested \$171.3 million in interest bearing available-for-sale financial assets issued by the governments of Germany, the United Kingdom and the United States with maturities not exceeding three years. While we intended to structure the currencies and maturities of these investments to be consistent with our projected cash requirements, strengthening or weakening of the USD, the DKK, the GBP or the Euro could have a material impact, which could be negative, on our financial position and results of operations. Included in operating results for the six month period ended June 30, 2015 was a foreign exchange gain of \$10.1 million that resulted from the strengthening of the USD and the GBP compared to the DKK and the Euro. During the three month period ended June 30, 2015, the USD weakened compared to the DKK and the Euro resulting in the recognition in operating results of a foreign exchange loss of \$4.3 million. Future foreign exchange rate changes will likely result in volatility in our reported profits and losses that potentially could result in material losses.

[Table of Contents](#)

We do not believe there is currently a need to enter into specific contracts to reduce the exposure to changes in foreign exchange rates, such as by entering into options or forward contracts. We may in the future consider using options or forward contracts to manage currency transaction exposures.

We estimate a 10% increase in the value of the USD relative to the Euro and the DKK would have decreased our net loss for the six months ended June 30, 2015 by \$1.1 million. A 10% decrease in the value of the USD relative to the Euro and the DKK during the six months ended June 30, 2015 would have increased our net loss by \$1.1 million.

Interest rate risk

Our investment strategy is to protect principal and accordingly, we invest in only highly rated financial instruments with maturities not exceeding three years. We do not use financial instruments for trading or speculative purposes and plan to hold our investments until they mature. If interest rates rise in the future it could, however, negatively impact our financial position and could result in realized losses if we need to dispose of an investment before it matures.

Credit Risk

Our investment criteria require preservation of capital by investing in a diversified group of highly rated debt instruments. The Company's cash and cash equivalents are held primarily at one bank in Denmark with a Moody's credit rating of Aa3. The Company's available-for-sale financial assets are invested in government instruments with maturities not exceeding three years that are carried at fair value based on price quotations at the reporting date. Moody's credit rating of each of the individual governments is Aa1 or better.

Liquidity Risk

We believe that our cash, cash equivalents and available-for-sale financial assets held at June 30, 2015, will enable us to fund our operating expenses and capital expenditure requirements beyond the next twelve months.

RECENT DEVELOPMENTS

Recent IP progress and outlook

In the second quarter, we have made significant progress in advancing our intellectual property portfolio. The following summarizes the current status of and recent developments concerning several of our most important U.S. and European patents and patent applications:

- In April 2015, the USPTO declared an interference between the Company and Biogen, Inc. regarding claims to the treatment of MS, with a 480 mg daily dose of DMF, the active ingredient in Tecfidera®. We received senior party status based on having an earlier benefit date of our U.S. Patent Application No. 11/576,871, and Biogen was deemed the junior party with respect to its U.S. Patent No. 8,399,514. On August 19, 2015, the USPTO redeclared the interference, confirming the Company as the senior party and ruling in the Company's favor that Biogen is not entitled to benefit of its U.S. provisional application filing date of February 8, 2007. Biogen has requested reconsideration of the USPTO decision. In August 2015, the parties filed priority statements and motions related to validity and benefit.

[Table of Contents](#)

- On May 20, 2015, the European Patent Office issued one of our patent applications in Europe covering the treatment of MS with the 480 mg daily dose of DMF. This patent application issued with the patent number EP2801355 ('355 patent). This patent could be opposed by the filing of an opposition proceeding in the EPO within nine months of the date of grant, or February 20, 2016.
- On May 26, 2015, we expanded an existing lawsuit filed by us against Biogen in the Regional Court of Dusseldorf, to include an allegation of infringement of our European '355 patent by Biogen's marketing of Tecfidera® in Germany with a label instructing a daily dose of 480 mg for the treatment of MS. We seek damages for Biogen's sales of Tecfidera® in Germany. The court has scheduled oral proceedings for March 24, 2016.
- Our European patent EP2316430, which covers DMF formulations with certain in vitro dissolution profiles, was revoked by the Opposition Division of the European Patent Office in July 2015 for the reason that the claims contain subject matter not derivable from the original application as filed. The Opposition Division has not decided on novelty or inventive step. We have filed an appeal against this decision, which will only become effective if and when confirmed by the Board of Appeal.

Clinical progress and outlook

Our development plan for our lead drug, FP187, includes preparation for Phase 3 programs in RRMS and psoriasis. We are currently continuing our pre-clinical regulatory program and conducting additional Phase 1 clinical studies. We expect to commence a Phase 3 RRMS trial in the first half of 2016.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 8, 2015

FORWARD PHARMA A/S
By: /s/Joel Sendek
Joel Sendek
Chief Financial Officer