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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number 001-36686

Forward Pharma A/S
(Exact name of Registrant as specified in its charter)

Forward Pharma A/S
(Translation of Registrant's name into English)

Denmark
(Jurisdiction of incorporation or organization)

Østergade 24A, 1st floor
1100 Copenhagen K
Denmark
(Address of principal executive offices)

Claus Bo Svendsen
Chief Executive Officer
Østergade 24A, 1st floor
1100 Copenhagen K
Denmark
Tel: +45 3344 4242
E-mail: investors@forward-pharma.com
(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Ordinary shares, nominal value 0.01 DKK(1)	FWP	The Nasdaq Capital Market

(1) Each ADS represents fourteen ordinary shares

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not Applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares: 95,073,864

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. o Yes ☒ No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☒ Emerging growth company o

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. o

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o	International Financial Reporting Standards as issued by the International Accounting Standards Board ☒	Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

o Yes o No

Forward Pharma A/S

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Unless otherwise indicated or the context otherwise requires, all references in this Annual Report on Form 20-F, or the Annual Report, to "Forward Pharma A/S" or the "Parent" refer to Forward Pharma A/S and all references in this report to the "Group" refer to Forward Pharma A/S, together with its subsidiaries. All references in this report to "Forward Pharma," the "Company," "we," "our," "ours," "us" or similar terms refer to Forward Pharma A/S or Forward Pharma A/S together with its subsidiaries, as required by the context.

References to "FP USA" refer to Forward Pharma USA, LLC, a Delaware corporation and wholly-owned subsidiary of Forward Pharma A/S. References to "Operations" refer to Forward Pharma Operations ApS, a Danish corporation and wholly-owned subsidiary of Forward Pharma A/S. References to "FP GmbH" refer to Forward Pharma GmbH, a German corporation and wholly-owned subsidiary of Operations. References to "FA" refer to Forward Pharma FA ApS, a Danish corporation and wholly-owned subsidiary of Operations.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this Annual Report can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "may," "should," "plan," "intend," "estimate," "will," "would," and "potential," among others.

Forward-looking statements appear in a number of places in this Annual Report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors. These risks and uncertainties include, but are not limited to, factors relating to:

- whether and when we will receive any additional payments under our Settlement and License Agreement with two subsidiaries of Biogen Inc.;
- the timing, outcome and impact of administrative, court and other proceedings, including any appeals, related to the patents and intellectual property associated with the Company, including the European Patent Office opposition proceeding with Biogen Inc. relating to EP2801355;
- our ability to defend our tax filing position in any ongoing tax audits;
- our ability to successfully protect, defend and enforce the intellectual property associated with the Company;
- the impact of the novel coronavirus 2019, or COVID-19, on our business and stock price;
- our estimates regarding expenses, future revenues, capital requirements and the need for additional financing;
- our ability to hire and retain qualified personnel;
- our ability to continue as a going concern; and
- other risk factors identified under "Risk Factors."

Forward-looking statements speak only as of the date they are made, and except as required by law, we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Information

The selected financial information set forth below for the years ended December 31, 2019, 2018 and 2017, and as of December 31, 2019 and 2018, is derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected financial information set forth below for the years ended December 31, 2016 and 2015, and as of December 31, 2017, 2016 and 2015, is derived from our audited consolidated financial statements not included in this Annual Report. We prepare our audited consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. This financial information should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements, including the notes thereto, included in this Annual Report.

Consolidated Statement of Profit or Loss Data

	Year ended December 31,				
(USD in thousands, except per share data)	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue from the Settlement License Agreement	—	—	1,250,000	—	—
Cost of the Aditech Pharma AG patent agreement	—	—	(25,000)	—	—
Research and development costs	(1,049)	(2,748)	(20,496)	(41,052)	(33,727)
General and administrative costs	(4,234)	(9,535)	(17,107)	(14,382)	(15,852)
Operating (loss) income	(5,283)	(12,283)	1,187,397	(55,434)	(49,579)
Exchange rate gain (loss), net	759	2,713	(241)	598	11,933
Interest income from available-for-sale financial assets	—	—	227	389	438
Other finance income (expense)	303	644	(2,895)	(92)	(132)
(Loss) income before tax	(4,221)	(8,926)	1,184,488	(54,539)	(37,340)
Income tax benefit (expense)	—	204	(267,395)	21,203	336
Net (loss) income for the year	(4,221)	(8,722)	917,093	(33,336)	(37,004)
Net (loss) income per share(1)					
Basic	(0.04)	(0.09)	2.41	(0.06)	(0.07)
Dilutive	(0.04)	(0.09)	2.30	(0.06)	(0.07)
Weighted-average shares outstanding used to calculate net (loss) income per share					
Basic	95,074	94,671	380,133	540,650	537,614
Dilutive	95,074	94,671	398,943	540,650	537,614

(1) During August 2017, the Company's shareholders approved a 10 for 1 share split, or the Share Split. All share and per share information disclosed above, as well as throughout this Annual

Report, has been adjusted to reflect the Share Split as if it had occurred at the beginning of the earliest period presented. Following the Share Split, the nominal value of an ordinary share of the Company is 0.01 DKK. In addition, as discussed in more detail elsewhere in this Annual Report, there was a capital reduction that was effected by the annulment of 80% of the ordinary shares outstanding and was deemed, for IFRS purposes, to have been at a 15% premium, or 15% Premium. For purposes of computing the per share amounts only, the 15% Premium has been accounted for in a manner similar to the Share Split and reflected in the above per share amounts as if it had occurred at the beginning of the earliest period presented. The combined effect of the Share Split and the 15% Premium is as if a 11.5 for 1 share split had occurred at the beginning of the earliest period presented. See Notes 3.5 and 5.1 of the audited consolidated financial statements of the Company for additional information.

Consolidated Statement of Financial Position Data

	As of December 31,				
(USD in thousands)	**2019**	**2018**	**2017**	**2016**	**2015**
Cash, cash equivalents and available-for-sale financial assets	77,598	82,542	109,554	138,723	176,652
Working capital(2)	77,567	82,212	89,706	132,465	93,590
Total assets	78,165	83,332	111,008	163,143	182,904
Accumulated deficit	(8,432)	(5,686)	(2,373)	(147,400)	(131,175)
Total shareholders' equity	77,569	82,214	89,680	155,802	176,693

(2) Working capital is defined as total current assets less total current liabilities.

Exchange Rate Information

Our business is primarily conducted in Denmark. The functional currency of Forward Pharma A/S is the Danish Kroner, or DKK, the functional currency of FA is the DKK, the functional currency of Operations is the DKK, the functional currency of FP GmbH is the Euro and the functional currency of FP USA is the United States, or U.S., Dollar. Forward Pharma A/S reports its consolidated financial statements in U.S. Dollars.

B. Capitalization

Not applicable.

C. Reason for the Offering

Not applicable.

D. Risk Factors

Our business faces significant risks and uncertainties. You should carefully consider all of the information set forth in this Annual Report on Form 20-F and other documents we file with or furnish to the SEC, including the following risk factors, before deciding to invest or making any decision with respect to your investment in any of our securities. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs. This Annual Report also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors.

Risks Related to Our Business and Industry

There can be no assurance that we will prevail in the opposition proceeding involving our EP2801355 patent after any appeals or, if we do prevail, that the resulting claims of our EP2801355 patent will be royalty bearing under the Settlement and License Agreement with Biogen.

We are involved in an opposition proceeding regarding EP2801355, or EP'355 patent, with several opponents including a subsidiary of Biogen Inc. (all subsidiaries of Biogen Inc., together with Biogen Inc., hereafter collectively referred to as "Biogen"), or the Opposition Proceeding. On January 29, 2018, the European Patent Office, or EPO, revoked the EP'355 patent following the oral hearing in the Opposition Proceeding. On March 22, 2018, the Opposition Division issued its written decision with detailed reasons for the decision. On May 7, 2018, the Company submitted its notice of appeal, and on August 1, 2018, the Company submitted the detailed grounds for the appeal. On July 8, 2019, we received notice from the EPO that the appeal will be heard by the Technical Board of Appeal, or TBA, of the EPO on June 18, 2020, or the 2020 Hearing. However, the 2020 Hearing may be delayed as a result of the ongoing COVID-19 pandemic and, if the 2020 Hearing is delayed, a new hearing date is currently unknown. Management expects the TBA to issue a ruling on the same day as the hearing with a fully-argued decision to follow approximately two months after the 2020 Hearing.

If we receive a favorable ruling following the 2020 Hearing, it is expected that the TBA will remit the case to the Opposition Division, in order for the Opposition Division to resolve the remaining elements of the original opposition. Management estimates that the Opposition Division would take approximately two to three years to resolve the remaining elements of the original opposition in the event of a remittal. However, delays can occur that would extend the time needed for the Opposition Division to reach a conclusion on the remaining elements of the original opposition. We are not entitled to any royalty payments from our Settlement and License Agreement, dated as of January 17, 2017, or the License Agreement, with two subsidiaries of Biogen that became effective on February 1, 2017, until and unless all remaining elements of the original opposition are resolved in our favor. As such, the earliest time we may expect to receive any revenues from the License Agreement, if at all, is 2023.

If we receive an unfavorable ruling in the 2020 Hearing, it would, for all practical purposes, represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalties being due to us from Biogen based on Biogen's future net sales outside the United States, as defined in the License Agreement. We may request a rehearing of the 2020 Hearing with the Enlarged Board of Appeal of the EPO in an effort to overturn the unfavorable outcome, but the likelihood of getting a rehearing is low. The denial of a request to rehear would end the Opposition Proceeding in favor of the opponents.

There can be no assurance that we will be successful in the Opposition Proceeding after any appeals. Even if we receive a favorable ruling following the 2020 Hearing, the Opposition Division may not resolve the remaining elements of the original opposition in our favor. If we are not ultimately successful in the Opposition Proceeding, we would not be entitled to any future revenues resulting from the License Agreement.

Even if we prevail, after any appeals, in the Opposition Proceeding, there can be no assurance that we will receive additional payments under the License Agreement with Biogen.

Even if we prevail, after any appeals, in the Opposition Proceeding, there can be no assurance that any of the conditions for payment of a royalty under the License Agreement will be satisfied or that we will receive any additional payments. For example, we could prevail in the Opposition Proceeding, after any appeals, but fail as a result of that proceeding to obtain issuance of a patent with a claim that covers treatment for multiple sclerosis, or MS, by orally administering 480 mg per day of dimethyl fumarate, or DMF, in which case we would not be entitled to any royalties from Biogen with respect to sales outside of the United States. Moreover, even if we prevail, after any appeals, in the Opposition

Proceeding, we will only be eligible to receive royalties outside of the United States if one or more of our patent(s) remains valid and would (but for the License Agreement) be infringed, at relevant times and on a country-by-country basis, by Biogen's sales outside the United States of DMF-containing products indicated for treating MS and other conditions of the License Agreement are satisfied.

In addition, we may be required in any arbitration or suit brought in the County of New York in the State of New York according to the dispute resolution provisions of the License Agreement, to incur significant expense to prove, on a country-by-country basis, that any DMF-containing products indicated for treating MS sold by Biogen would (but for the License Agreement) infringe our patent(s) existing at that time. Additionally, among the conditions that need to be satisfied for any royalty to be payable by Biogen to the Company in a particular country is the absence of generic entry in that country having a particular impact as defined in the License Agreement. Even if our royalty-eligible patents were to remain valid, there can be no assurance that we would obtain royalties beyond 20 years from their effective filing date. In particular, there can be no assurance that we will receive or maintain Supplementary Protection Certificates, or SPCs, for any of our European patents.

We are likely to derive all or a significant portion of our future revenues, if any, from Biogen and our future success depends on continued market acceptance of Tecfidera® as well as continued performance by Biogen of its obligations under the License Agreement.

We anticipate that all or a significant portion of our future revenues, if any, may consist of royalties from Biogen from sales of Tecfidera® outside of the United States. We have no control over the sales efforts of Biogen, and its future marketing of Tecfidera® might not be successful. Reductions in the sales volume or average selling price of Tecfidera® for any reason could have a material adverse effect on our business. We also depend on Biogen to perform all of its non-royalty payment obligations under the License Agreement.

Failure to materially comply with the terms and conditions of the License Agreement could result in a loss of future royalty revenues.

Under the terms of the License Agreement, we are required to perform certain obligations, including maintaining sufficient capital to continue the Company's operations as a going concern and solvent entity. Failure by the Company to materially comply with its obligations under the License Agreement could cause the Company to lose its potential right to royalties from Biogen under the License Agreement.

We may face business disruption and related risks resulting from the recent outbreak of COVID-19, which could have an adverse effect on our business.

Our business and its operations could be disrupted and adversely affected by the recent outbreak of COVID-19. The spread of COVID-19 throughout the world has resulted in the Director General of the World Health Organization declaring the outbreak of COVID-19 as a Public Health Emergency of International Concern. As a result of measures imposed by the governments in affected regions, including throughout Europe, businesses and government agencies have been suspended due to quarantines intended to contain this outbreak. Such measures will likely negatively impact the expected timelines for the resolutions of our ongoing joint tax audit and the Opposition Proceeding, each described elsewhere in this Annual Report. Additionally, if the COVID-19 outbreak continues to spread, we may need to limit our operations or implement limitations, including work-from-home policies.

In addition, international stock markets have begun to reflect the uncertainty associated with the slowdown in the global economy and the significant decline in the Dow Industrial Average was largely attributed to the effects of COVID-19. Our stock price may be negatively affected as a result.

The ultimate impact of the COVID-19 outbreak is highly uncertain and subject to rapid changes. We do not yet know the full extent of potential disruptions or impacts on our business, our ongoing joint tax audit, the Opposition Proceeding, or the global economy as a whole, and any such disruptions could have a material adverse effect on our operating results and financial condition.

Our future growth and ability to compete depend on retaining our key personnel and recruiting additional qualified personnel.

Our success depends upon the continued contributions of our management. These individuals currently include the members of our board of directors, consisting of our Chairman, Florian Schönharting, as well as Torsten Goesch, Grant Hellier Lawrence, Jakob Mosegaard Larsen, and Duncan Moore. Additionally, our Chief Executive Officer, Claus Bo Svendsen, and our Vice President, Finance and Controller, FP USA, Thomas Carbone.

The loss of directors or key executives could have a material adverse effect on our business. In addition, the competition for qualified personnel in the biopharmaceutical field is intense, and our future success may depend upon our ability to attract, retain and motivate managerial employees and consultants. We face competition for personnel from other companies, universities, public and private research institutions and other organizations. If our recruitment and retention efforts are unsuccessful, it may be difficult for us to implement our business strategy, which could have a material adverse effect on our business.

Changes in privacy laws could have an adverse effect on our business.

The regulatory framework for privacy and cybersecurity issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. In May 2016, the European Union adopted the General Data Protection Regulation, or GDPR, which imposes more stringent data protection requirements and will provide for greater penalties for noncompliance. We may be required to incur significant costs to comply with privacy and data security laws, rules and regulations, including the GDPR. Any inability to adequately address privacy and security concerns or comply with applicable privacy and data security laws, rules and regulations could have an adverse effect on our business prospects, results of operations and/or financial position.

Our business and operations may be materially adversely affected in the event of computer system failures or security breaches.

Despite the implementation of security measures, our internal computer systems, and those of any third-party vendor on which we rely from time to time, are vulnerable to damage from computer viruses, unauthorized access, cyber-attacks, natural disasters, fire, terrorism, war and telecommunication and electrical failures. If such an event were to occur and interrupt our operations, it could result in a material disruption to our operations. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, loss of trade secrets or inappropriate disclosure of confidential or proprietary information, including protected health information or personal data of employees or former employees, we could incur liability. We may also be vulnerable to cyber-attacks by hackers or other malfeasance. This type of breach of our cybersecurity may compromise our confidential information or our financial information and adversely affect our business or result in legal proceedings.

Risks Related to Intellectual Property

We no longer have full control over the licensed intellectual property associated with the Company.

Pursuant to the License Agreement, in 2017 we effected a corporate restructuring whereby we transferred our intellectual property to FWP IP ApS, or FWP IP, a Danish limited liability company.

The capital stock of FWP IP was subsequently transferred to and is now held by FWP HoldCo ApS, or HoldCo, a Danish limited liability company, which is owned and controlled by FWP Fonden, or the Foundation, a newly formed independent Danish foundation. The boards of directors of the Foundation, HoldCo and FWP IP are identical and each consist of three members, comprised of one independent member and one member appointed by each of Forward Pharma and Biogen. All actions of the Foundation, HoldCo and FWP IP require the unanimous approval of their respective boards of directors. As a result, we no longer have full control over the licensed intellectual property associated with the Company. Even though we have agreed with Biogen and FWP IP that FWP IP will be required to take actions with respect to the transferred intellectual property, which now consists only of the non-U.S. intellectual property associated with the Company, in accordance with the provisions of the License Agreement, there can be no assurance that it will do so or that the prosecution of the intellectual property will be pursued in a manner that maximizes the value of the intellectual property over time. Further, in the event that FWP IP, which holds the transferred intellectual property, would materially breach its obligations under the License Agreement, Biogen would have a right to purchase all of the issued and outstanding shares of FWP IP at a price corresponding to its intrinsic value at the time of exercise. Finally, in the event the Foundation were to file for bankruptcy, a bankruptcy trustee would have substantial discretion to transfer or sell the assets of the foundation. In either such event, we could lose any right to control the transferred intellectual property, which could have a material adverse effect on our business.

There can be no assurance that even if we are successful in the opposition and appeal proceedings involving the patents associated with the Company currently pending before the EPO, we will not be subject to subsequent or parallel invalidity proceedings involving these same or other patents associated with the Company before a national court in any of the European Patent Convention member states where the patents were validated, which subsequent or parallel proceedings could result in the challenged patents being subject to continued uncertainty as to their validity until such proceedings have been fully concluded. We cannot at this time anticipate how long any such proceedings may last or when, if at all, the patents currently under challenge will finally be declared to be valid or not.

The possibility of parallel validity proceedings in national courts and in the EPO is inherent in the legal arrangements under the European Patent Convention under which the EPO was established. If a third party files an opposition to a European patent with the EPO and also, in parallel, initiates a revocation action (also called a "nullity action" or "validity proceeding") against the same patent before a national court, certain national courts may exercise their discretion to either (i) stay the national proceedings, in order to await the outcome of the EPO opposition proceedings, or (ii) allow the revocation proceedings to go ahead, without awaiting the outcome of the EPO proceedings. The rules and practices differ from country to country within the member states of the European Patent Convention. For example, certain countries will stay the main proceeding until a final decision has been reached by the EPO whereas in other countries a stay is not automatic, and in such cases the courts may continue the proceedings notwithstanding the opposition. In Germany, for example, national nullity proceedings cannot be started before the German Federal Patent Court until the EPO opposition proceedings have been concluded or the opposition period has expired. As a result, it is possible that certain of the patents now subject to opposition proceedings before the EPO will, even if we are ultimately successful before the EPO, again become subject to a revocation action in a country like Germany, which means the challenged patents could be subject to continued uncertainty in the EU as to their validity until such proceedings have been fully concluded. We cannot at this time anticipate how long any such proceedings may last or when, if at all, the patents currently under challenge will finally be declared to be valid or not. Furthermore, even if we are successful in the Opposition Proceeding, we will only be eligible to receive royalties outside of the United States if the patent(s) remain valid at relevant times on a country-by-country basis, provided that other conditions of the License Agreement are satisfied.

We rely on Biogen for the filing, prosecution and maintenance of certain of the non-U.S. licensed intellectual property and if Biogen fails to adequately protect such intellectual property, our rights to the intellectual property associated with the Company and our ability to receive future royalties from Biogen may be harmed.

Under the License Agreement, Biogen has assumed the filing, prosecution and maintenance of all of the non-U.S. licensed intellectual property associated with the Company, except for the EP'355 patent. While Biogen is obligated to take all reasonable measures to diligently file, prosecute and maintain the non-U.S. licensed intellectual property for which it is responsible, there can be no assurances that Biogen will protect the intellectual property to the same degree as the Company. If Biogen fails to adequately protect the non-U.S. licensed intellectual property, the Company could lose such intellectual property rights. Additionally, if the non-U.S. licensed intellectual property is harmed, any future royalty payments from Biogen on the non-U.S. licensed intellectual property may be negatively impacted.

We may be required to pay significant fees to the EPO and our attorneys to file, prosecute, maintain and defend certain of the licensed intellectual property with no assurance of receiving future royalties from Biogen.

In certain circumstances under the License Agreement, the Company may assume the filing, prosecution and maintenance of certain of the Company's non-U.S. licensed intellectual property in order to protect its interests in such intellectual property, including participating in European opposition proceedings, unless and until Biogen either re-assumes the filing, prosecution and maintenance of such non-U.S. licensed intellectual property or exercises its option to purchase all of the Company's non-U.S. licensed intellectual property. To do so, the Company would have to incur significant fees, including attorneys' fees, to file, prosecute and maintain such non-U.S. licensed intellectual property and may not be entitled to receive any royalties from Biogen.

We may become involved in lawsuits to protect, defend and enforce the patents or other intellectual property associated with the Company, which could be expensive, time-consuming and, if unsuccessful, could result in issued patents covering our product candidate being found invalid or unenforceable.

Competitors may infringe the patents or other intellectual property associated with the Company. To counter such infringement, we may file claims or be required to join or assist claims filed by Biogen, and any related litigation and/or prosecution of such claims may be expensive and time-consuming. Any claims asserted against perceived infringers could provoke these parties to assert claims alleging that we infringe their intellectual property. In addition, in a patent infringement proceeding, or a parallel opposition, nullity or cancellation proceeding, it may be decided that a patent associated with the Company is invalid in whole or in part, unenforceable, or construes the patent's claims narrowly allowing the other party to commercialize competing products on the grounds that the patents associated with the Company do not cover such products.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our personnel from their normal responsibilities. Such litigation or proceedings could substantially increase our operating expenses. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. The effects of patent litigation or other proceedings could, therefore, have a material adverse effect on our ability to compete in the marketplace.

Third parties may claim rights including ownership rights in the intellectual property associated with the Company.

None of the named inventors on the patent and patent applications associated with the Company were our employees at the time of the filing of the Core Composition Patent family that we acquired from Aditech Pharma AB (together with its successor-in-interest, Swiss company Aditech Pharma AG, or Aditech). Two of the named inventors of the priority applications in the Core Composition Patent family were consultants of Aditech and, while obligated under their consulting agreements to assign their rights in the Core Composition Patent family to Aditech, were employed by other institutions at the time they were named as inventors. While such institutions have not made any claims to ownership, there can be no assurance they will not do so in the future.

Later-filed patent families were filed by us, but some of the named inventors were acting only in a consultant capacity to us. Some of these consultants, while obligated under their consulting agreements to assign their rights in such patent families to us, were employed by other institutions prior to or at the time they made their inventions. While such institutions have not made any ownership claims to the inventions disclosed in the later-filed patent families, there can be no assurance they will not do so in the future.

Named inventors on our patent applications, whether filed by us or acquired from Aditech, could also challenge whether their property rights were properly assigned. Further, other individuals (including persons not known to us or their employers) could make claims or assertions that they are inventors and/or owners of the intellectual property associated with the Company.

Under mandatory Danish law, a salaried employee having made a patentable invention (and products that may be registered as utility models) through his service with an employer has the rights to such invention, provided, however, that the rights to the patentable invention upon the employer's request must be transferred to the employer, to the extent not otherwise agreed, provided that the use of such patentable invention falls within the "working area" of the employer or it is a result of a specific assignment given by the employer to the employee. Following notification from the employee of the invention, the employer has four months to decide whether to acquire the rights to the invention. Such a transfer of the invention to the employer entitles the employee to a "reasonable compensation." The fee will be fixed considering the value of the invention and its consequences for the employer, the employee's terms of employment and the impact that the employee's service has had for the invention. In the event that the value of the invention does not exceed what the employee, taking his working conditions as a whole into account, reasonably could be expected to achieve, the employee is not entitled to any fee. The compensation payable by the employer is not subject to any maximum amount and may be paid either as a lump sum or as a continuing royalty payment based on, for example, the number of items produced based on the invention. An employee's claim for compensation may become time-barred or forfeited due to the employee's passive behavior. The general relative time-barring deadline under Danish law is five years with respect to claims based on employment matters, whereas the general absolute deadline for such claims is 10 years.

Some of the named inventors on the newer applications associated with the Company (not the Core Composition Patent family) are or were employees of our German subsidiary, FP GmbH, and thus are subject to German employment law. German employment law governs the transfer/assignment of any intellectual property rights generated by such employees. In particular, any inventions eligible for patent protection made by such employees are subject to the provisions of the German Act on Employees' Inventions (Gesetz über Arbeitnehmererfindungen), which regulates the ownership of, and compensation for, inventions made by employees. The law provides for a formal procedure for the transfer of an employee's rights to patentable inventions which result from performance of the tasks the employee is charged with at the employer or which are based to a significant extent on the experiences

or works of the employer, upon the employer's request within a certain period of time after notification by the employee.

We believe that all inventive contributions made by employees of FP GmbH were made after the amended version of the German Act on Employees' Inventions came into force on October 1, 2009, and thus the amended version of the law exclusively applies to such inventions. Prior to October 1, 2009, such formal procedure had been susceptible to faults. The amendments to the law facilitate the transfer of rights in employees' inventions to the employer by replacing the former opt-in approach with an opt-out approach.

Following the transfer of rights, an employee is entitled to a claim for "reasonable compensation" to be calculated on an individual basis (e.g., revenue achieved through protection of the patent). In addition, the German Act on Employees' Invention provides for certain obligations on the employer including the obligation to apply for patent protection in Germany, the obligation to release the invention for application in those countries where the employer does not want to apply for a patent and the obligation to offer to the employee granted patents or pending patent applications if the employer intends to abandon rights in any country.

We face the risk that disputes can occur between us and employees or ex-employees of FP GmbH pertaining to alleged non-adherence to the provisions of this act. Such disputes may be costly to defend and take up our management's time and efforts whether we prevail or fail in such dispute. If we are required to pay additional compensation or face other disputes under the German Act on Employees' Inventions, in particular in case of a failed transfer of rights, our results of operations could be adversely affected.

Intellectual property rights have limitations and may not adequately protect our business.

The degree of future protection afforded by the intellectual property rights associated with the Company is uncertain because intellectual property rights have limitations and may not adequately protect our business. The following examples are illustrative:

- Others may be able to commercialize DMF-containing products that are not covered by the claims of the patents or patent applications associated with the Company.
- Others may independently develop similar or alternative technologies or otherwise circumvent any of our technologies without infringing the patents or patent applications that we own, license or will own or license.
- We might not have been the first to conceive and reduce to practice the inventions covered by the patents or patent applications that we own, license or will own or license.
- We might not have been the first to file patent applications on the inventions disclosed in those applications.
- It is possible that the pending patent applications associated with the Company will not lead to issued patents.
- Issued patents that we own, license or will own or license may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors.
- Our competitors might conduct research and development activities in countries where we do not have patent rights, or in countries where research and development safe harbor laws exist, and then use the information learned from such activities to develop competitive products for sale in our major commercial markets.

- Ownership of the patents or patent applications associated with the Company may be challenged by third parties.

- The patents of third parties or pending or future applications of third parties, if issued, may have an adverse effect on our business.

Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our products or product candidates.

The complexity and uncertainty of European patent laws have increased in recent years. In Europe, a new unitary patent system may soon be introduced, which would significantly impact European patents, including those granted before the introduction of such a system. In addition, the European patent system is relatively stringent in the type of amendments that are allowed during prosecution and opposition proceedings. Changes in patent law or patent jurisprudence could limit our ability or the ability of FWP IP to obtain new patents in the future that may be important for our business.

We may not be able to adequately prevent disclosure of trade secrets and protect other proprietary information.

We may rely on trade secrets and/or confidential know-how to protect proprietary technology, especially where patent protection is believed by us to be of limited value. However, trade secrets and/or confidential know-how can be difficult to maintain as confidential.

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. However, current or former employees, consultants, contractors and advisors may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party obtained illegally and is using trade secrets and/or confidential know-how is expensive, time-consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction.

Failure to obtain or maintain trade secrets and/or confidential know-how could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of trade secrets and/or confidential know-how.

Risks Related to Our Financial Position and Capital Needs

With the exception of 2017, we have a history of operating losses and we may not achieve or sustain profitability.

Since the Company's inception, with the exception of 2017 when we received a nonrecurring cash fee of $1.25 billion, or the Non-refundable Fee, from Biogen in connection with the License Agreement, we have incurred net losses and negative cash flows from operations. We expect to incur net losses and negative cash flows from operations through at least 2022 and possibly longer. There is no assurance that we will ever have operating revenues, net income or positive cash flows from operations in the future. The Group's ability to generate future operating revenue is currently limited to royalties that are contingently due to the Company under the License Agreement only if we prevail, including all appeals, in the Opposition Proceeding. If we fail to prevail in the Opposition Proceeding, it is highly unlikely we will have operating revenues and our ability to continue as a going concern long-term would be uncertain.

Historically, we have financed our operations through our initial public offering completed in October 2014, private placements of equity securities, a government grant, and debt financing arrangements. We have never generated and do not anticipate generating any revenues from our own product sales. We believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements beyond the next twelve months. Should the Company experience unforeseen expenses or other usages of cash, the effect would negatively impact management's ability to fund operations and continue as a going concern. In addition, the Danish and German tax authorities have commenced tax audits of the Group's Danish and German tax returns covering multiple years through the year ended December 31, 2017. Management has determined, based on consultations with the Group's tax advisors, that it is not probable (i.e., more likely than not) that the Group will be required to pay additional taxes to the German tax authorities upon the conclusion of the joint tax audit. However, such determination is inherently subjective and, if it is incorrect, then the Group may be subject to significant additional tax levies. The imposition of additional taxes, interest and/or penalties by the taxing authorities could have a material adverse effect on the Group. If the Company were to need to raise capital to fund ongoing operations, there can be no assurances that such funding would be available on acceptable terms, if at all. The long-term success of the Company will be based on successfully defending the intellectual property associated with the Company in the Opposition Proceeding. There can be no assurance that the Company will successfully defend the intellectual property, achieve or sustain positive cash flows from operations or become profitable.

Even if we do generate revenue, including from future royalties on sales, we may never achieve or sustain profitability on a consistent basis or at all. Our failure to sustain profitability could depress the market price of our ordinary shares and American Depositary Shares, or ADSs, and could impair our ability to raise capital or continue our operations. A decline in the market price of our ordinary shares and ADSs also could cause you to lose all or a part of your investment.

Negative results from ongoing tax audits could result in additional taxes, interest and penalties becoming due that could negatively impact our financial position, results of operations and cash holdings.

The Company's Danish, German and United States tax returns are subject to periodic audit by the local tax authorities and are subject to ongoing audits in Germany and Denmark. Such audits could result in the tax authorities disagreeing with the tax filing positions taken by the Group. If the Group is unable to defend the tax filing positions taken, additional taxes, interest and penalties would be assessed against the Group and such amounts could have a material adverse effect on our financial position, results of operations and cash holdings.

Currently, the Danish and German tax authorities are conducting a joint tax audit of our Danish and German tax returns covering multiple years through the year ended December 31, 2017. To date, the joint tax audit has focused on whether cross-border intercompany transactions were conducted at arm's length and in accordance with tax regulations. Management believes that the intercompany transactions that are the focus of the joint tax audit were conducted at arm's length and are in accordance with tax regulations; however, the Danish and German tax authorities may decide to allocate a greater portion of the Group's total 2017 taxable income to Germany. The corporate income tax rate is higher in Germany than in Denmark and therefore any reallocation of the Group's 2017 taxable income from Denmark to Germany will have a negative effect on our financial position, results of operations and cash holdings that could be material.

Management has determined, based on consultations with the Group's tax advisors, that it is not probable (i.e., more likely than not) that the Group will be required to pay additional taxes to the German tax authorities upon the conclusion of the joint tax audit. However, such determination is inherently subjective and, if it is incorrect, then the Group may be subject to significant additional tax levies. The ultimate resolution of the joint tax audit may require that the Group incur a material

outflow of cash that would negatively affect the Group's financial position, results of operations and cash holdings. The timing of the completion of the joint tax audit by the tax authorities is currently unknown.

The Company made certain cash payments to equity award holders during the year ended December 31, 2017 that totaled 36.2 million EUR ($43.4 million based on the December 31, 2017 exchange rate). Management believes these payments are tax deductible expenses; however, the tax authorities could disagree. Management believes that appropriate tax filing provisions have been taken by the Company and its subsidiaries regarding these payments; however, if the Group is unable to defend the tax filing positions taken, additional taxes, interest and penalties would be assessed against the Group and such amounts could have a material adverse effect on our financial position, results of operations and cash holdings.

There is no assurance that the joint tax audit being conducted by the Danish and German tax authorities will not result in double taxation.

The Danish and German tax authorities may conclude their joint tax audit of the Group's Danish and German tax returns without reaching an agreement as to whether intercompany transactions were conducted at arm's length and whether each tax jurisdiction was allocated an equitable portion of the Group's taxable income. In the event of such a conclusion, we believe that one, or possibly both, tax jurisdictions would assess additional taxes on the Company and/or FP GmbH, which would result in double taxation of the Group's taxable income. If double taxation were to occur, the Group would experience a higher effective tax rate, which could be material to and would negatively affect the Group's financial position, operating results and cash holdings.

In the event that the joint tax audit results in double taxation, the Group may choose to enter into a Mutual Agreement Procedure, or MAP, and/or commence litigation against the tax authorities in order to avoid or mitigate the negative effect of double taxation. A MAP is a government-to-government dispute resolution mechanism, which would enable the relevant authorities to resolve the tax dispute on a mutually agreeable basis. A MAP may also follow an independent arbitration procedure to secure a successful resolution. If litigation were pursued, it would likely be time-consuming and costly and there remains a high uncertainty as to whether we would successfully avoid or mitigate the double taxation. If a MAP were pursued, it would also be time-consuming and potentially costly and, while double taxation would be eliminated, there remains a high uncertainty whether we would get relief from an increase to the Group's tax obligation, since the outcome of a MAP could be that a greater portion of the Group's total 2017 taxable income is allocated to Germany. We currently estimate that litigation could take up to five years and a MAP could take up to three years to conclude and could be further prolonged by other factors, including in respect of a MAP the addition of an arbitration procedure. The cost to pursue a MAP and/or litigation and any potential taxes, interest and penalties due at the conclusion of the MAP and/or litigation could each have a material adverse effect on the Group's financial position, operating results and cash holdings.

We may be required to raise additional capital to fund our operations, and we may not be able to do so on terms acceptable to us, or at all.

We are required under the terms of the License Agreement to maintain sufficient capital to continue the Company as a going concern and a solvent entity, plus an additional $5.0 million until such time as the Company has complied with certain obligations under the License Agreement. While we currently believe we have sufficient resources to enable us to comply with our obligations under the License Agreement and continue as a going concern beyond the next twelve months, unforeseen events could negatively affect our estimates and assumptions about how much capital will be required for us to meet our near and long-term obligations under the License Agreement and to continue as a going concern. If our current estimates and assumptions prove to be wrong and we need to raise additional

capital to meet our obligations under the License Agreement and remain a going concern, we cannot assure you that we will be able to raise additional working capital as needed on terms acceptable to us, if at all. If we are unable to raise capital as needed, we may be required to reduce the scope of our operations, which could harm our financial condition and operating results, or cease our operations entirely. In addition, if we fail to prevail in the Opposition Proceeding, including all appeals, future revenues are unlikely and the Company's ability to continue as a going concern long-term would be uncertain.

In the event we need to seek additional funds, we may raise additional capital through the sale of equity or convertible debt securities. In such an event, the ownership interests of our existing equity holders will be diluted, and the terms of any new securities may include liquidation or other preferences that adversely affect the rights of our existing equity holders. In addition, the issuance of additional equity securities by us, or the possibility of such issuance, may cause the market price of our ADSs to decline. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as, but not limited to, incurring additional debt, making capital expenditures, declaring and paying dividends or making capital reductions.

Exchange rate fluctuations or abandonment of the Euro currency may materially affect our results of operations and financial condition.

Due to the international scope of our operations and the fact that a substantial amount of our cash is currently denominated in U.S. Dollars and Euros, fluctuations in exchange rates, particularly between the Danish Kroner, the Euro and the U.S. Dollar, may adversely affect us. Although we are based in Denmark, we have sourced many services from several countries outside Denmark where the transactions are settled in currencies that are not the Danish Kroner. Further, potential future revenue may be derived from abroad. As a result, our business is affected by fluctuations in foreign exchange rates between the Danish Kroner, the Euro, the U.S. Dollar or other currencies, and the effects could have a significant impact on our reported results of operations and cash flows from period to period. For example, in the years ended December 31, 2019, 2018 and 2017 we recognized foreign exchange gains (losses) of $759,000, $2.7 million and ($241,000) respectively. While the we benefited from changes in foreign exchange rates in 2019 and 2018, it is possible that the foreign exchange losses we experienced in 2017 could reoccur. Any reoccurrences of foreign exchange losses would negatively affect the Group and the effect could be material. Currently, we do not have any exchange rate hedging arrangements in place and do not currently have plans to implement any hedging arrangements. Losses incurred by the Company, including those caused by foreign exchange, could have a negative effect on the trading price of the ADSs.

Developments relating to Biogen, Tecfidera®, our competitors or their products could materially and adversely affect our business, results of operations, business prospects and the market price of our ADSs.

In the event that our competitors or others in the pharmaceutical industry, including Biogen, experience developments relating to their business, products or product candidates, our business, results of operations, business prospects and the market price of our ADSs could suffer. In particular, if we are eligible to receive royalties on sales of Tecfidera®, our future success will depend on the continued market acceptance of Tecfidera® and adverse events, or the perception of adverse events, relating to Biogen or Tecfidera® would have material adverse effects on us. As a result of entering into the License Agreement, we expect that the market price of our ADSs will become more significantly affected by announcements made by Biogen, over which we have no control. Additionally, cases of progressive multifocal leukoencephalopathy have been reported in patients being treated with Tecfidera®, which could raise safety concerns and harm the market profile of DMF-containing treatments for MS, including Tecfidera®. Similarly, developments relating to other competitors of Biogen and their products could have significant adverse effects on our business prospects and the

market price of our ADSs. For example, competitors may offer their products at reduced prices or with discounts or rebates that increase pricing pressure with respect to therapies for the treatment of MS.

Related party transactions may be challenged by tax authorities.

The jurisdictions in which we conduct or will conduct business, and in particular Denmark, Germany and the United States, have detailed transfer pricing rules which require that all transactions with related parties be priced using arm's-length pricing principles. The taxation authorities in these jurisdictions could challenge our arm's-length related-party transfer pricing practices. For example, prior to the consummation of the License Agreement with Biogen, FP GmbH and the Company terminated their internal license agreement and agreed that FP GmbH should be paid an arm's-length compensation for said termination. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment. The Danish and German tax authorities have commenced a joint tax audit of the Group's Danish and German tax returns covering multiple years through the year ended December 31, 2017 and, to date, the joint tax audit has focused on whether cross-border intercompany transactions were conducted at arm's length and in accordance with tax regulations. It is uncertain when, or if, a tax audit will commence in the United States. If such a tax audit were to occur, we expect that the U.S. tax authorities will also focus on the intercompany recognition of revenue and expense to ensure that such transactions were conducted at arm's length. There is no assurance that the Group will successfully defend that intercompany transactions were conducted in accordance with arm's length pricing principles and that any additional taxes, interest or penalties, which could be material, will not be incurred. There is also the risk that the tax authorities could impose additional taxable income or disallow the deductibility of expenses on intercompany cross-border transactions resulting in higher tax obligations in one or more tax jurisdictions. Management's experience has been that the tax authorities can be aggressive in taking positions that would increase taxable income and/or disallow deductible expenses reported. If the tax authorities are successful in increasing taxable income and/or disallowing the deduction of expenses in one or more jurisdictions, it would result in the Group experiencing a higher effective tax rate that could be material. The imposition of additional taxes, interest and/or penalties resulting from a tax audit would negatively impact the Company's financial position, operating results and cash flows and the impact could be material.

Management has determined, based on consultations with the Group's tax advisors, that it is not probable (i.e., more likely than not) that the Group will be required to pay additional taxes to the German tax authorities upon the conclusion of the joint tax audit. However, such determination is inherently subjective and, if it is incorrect, then the Group may be subject to significant tax levies. The ultimate resolution of the joint tax audit may require that the Group incur a material outflow of cash that would negatively affect the Group's financial position, results of operations and cash holdings.

We may need to return the proceeds of a government grant if it is found that we did not fully comply with all terms and conditions.

As part of the project for the development of new or innovative products and procedures in the Free State of Saxony, Germany, the Sächsische Aufbaubank—Förderbank, or SAB, awarded FP GmbH a grant, or the Grant, of €3.8 million ($4.3 million based on the December 31, 2019 exchange rate) that subsidized certain product development costs incurred by FP GmbH, during the period from March 2007 to December 2008. While the SAB has conducted an audit of the use of proceeds and confirmed that FP GmbH had complied with all the terms and conditions of the Grant, the SAB maintains the right to revoke the Grant and demand repayment of the Grant, plus interest, in the event the SAB in the future determines that FP GmbH failed to fully comply with all the terms and conditions of the Grant. While we believe that FP GmbH is in full compliance with all the terms and conditions of the Grant, there is always a risk that the SAB in the future could disagree and demand repayment of the

Grant plus interest. If we were required to repay the Grant, it would have a material negative effect on our financial position and operating results.

If we fail to retain accounting and financial staff with appropriate experience, our ability to maintain the financial controls required of a public company may be adversely affected.

We currently rely on employed and third-party accounting professionals to assist us with our financial accounting and compliance obligations. If we are unable to retain financial professionals with appropriate experience to maintain our financial control and reporting obligations as a public company, our business may be adversely impacted.

Risks Related to Our Ordinary Shares and ADSs

Holders of our ADSs have different rights than holders of our ordinary shares.

We have issued to our security holders ADSs and ordinary shares, each of which afford their holders different rights. Currently, only our ADSs are publicly traded (on The Nasdaq Capital Market). An ADS holder will not be treated as one of our shareholders and will not have shareholder rights. Danish law governs shareholder rights. Our depositary, Bank of New York Mellon, is the holder of the ordinary shares underlying outstanding ADSs. Holders of ADSs only have ADS holder rights. The deposit agreement among us, the depositary, and ADS holders sets out ADS holder rights as well as the rights and obligations of the depositary.

The market price of the ADSs may be volatile and may fluctuate due to factors beyond our control.

The price of equity securities of publicly traded emerging biopharmaceutical and drug discovery and development companies has been highly volatile and is likely to remain highly volatile in the future. The market price of the ADSs may fluctuate significantly due to a variety of factors, including:

- developments in the Opposition Proceeding;
- developments regarding our ongoing tax audits;
- developments concerning proprietary rights, including patents and litigation matters;
- technological innovations or commercial product introductions by our competitors;
- changes in government regulations;
- public concern relating to the commercial value or safety of Tecfidera®;
- financing or other corporate transactions;
- publication of research reports or comments by securities or industry analysts;
- general market conditions in the pharmaceutical industry or in the economy as a whole; or
- other events and factors beyond our control.

In addition, the stock market in general has recently experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of individual companies. Broad market and industry factors may materially affect the market price of companies' equity securities, including ours, regardless of actual operating performance.

If we fail to maintain the listing of our ADSs with a U.S. national securities exchange, the liquidity of our ADSs could be adversely affected.

Our ADSs are currently listed for trading on The Nasdaq Capital Market. In order to maintain our listing on The Nasdaq Capital Market, we must comply with certain Nasdaq listing rules. In June

2019, we received written notices from Nasdaq indicating that we were not in compliance with two of the requirements for continued listing on The Nasdaq Global Select Market, which was our listing venue at the time.

Nasdaq Listing Rule 5450(b)(1)(C) requires that issuers maintain a minimum Market Value of Publicly Held Shares, or MVPHS, of $5,000,000 for continued listing on The Nasdaq Global Select Market. In August 2019, we transferred our listing venue from The Nasdaq Global Select Market to The Nasdaq Capital Market and, as a result, gained compliance with the minimum MVPHS required by The Nasdaq Capital Market of $1,000,000.

Nasdaq Listing Rule 5450(a)(1) requires that we maintain a minimum bid price of our ADSs of $1.00 per ADS for continued listing. In December 2019, we changed the ADS ratio from one ADS per two ordinary shares to one ADS per fourteen ordinary shares through a reduction of the number of outstanding ADSs and, as a result, regained compliance with the minimum bid price required for continued listing.

While the trading price of our ADSs has been above $1.00 since the ADS ratio change was effected, there is no assurance that the trading price will stay above $1.00. We actively monitor the price of our ADSs and will consider available options, including, but not limited to, changing the ADS ratio, to maintain compliance with the continued listing standards of Nasdaq. We cannot assure that we will stay in compliance with Nasdaq's continued listing standards. If we fail to comply with the continued listing standards of Nasdaq, we will not be able to remain listed on that stock exchange, which could have a material adverse effect on the price of our ADSs.

If our ADSs are delisted by Nasdaq, our ADSs may be eligible to trade on the OTC Bulletin Board or another over-the-counter market. Any such alternative would likely result in it being more difficult for us to raise additional capital through the public or private sale of equity securities and for investors to dispose of, or obtain accurate quotations as to the market value of, our ADSs. In addition, there can be no assurance that our ADSs would be eligible for trading on any such alternative exchange or markets.

There may be a lack of liquidity and market for our ordinary shares and ADSs.

A lack of liquidity in the markets for our ADSs could negatively affect the ability of the holders to sell our ADSs or the price at which holders of our ADSs will be able to sell them. As a result of the ADS ratio change that we effected in December 2019, there are fewer ADSs outstanding, which could have a negative impact on liquidity for such ADSs. Future trading prices of our ADSs will depend on many factors including, among other things, prevailing interest rates, our operating results and the market for similar securities.

Our ordinary shares underlying the ADSs are not listed on any public securities exchange. Future sales by our existing shareholders could limit the ability of an ADS holder to sell the ADSs at the price and time such holder desires. Any such limited trading market may also increase the price volatility of the ADSs or the ordinary shares underlying the ADSs.

Our ordinary shares are controlled by insiders, who could have significant influence over the outcome of corporate actions requiring board and shareholder approval.

Our Chairman, Florian Schönharting, and director, Torsten Goesch, indirectly beneficially own approximately 73% of our ordinary shares, of which approximately 54% is beneficially owned by Mr. Schönharting. With such concentrated control, Messrs. Schönharting and Goesch, acting individually or in concert, have significant influence over the outcome of corporate actions requiring board and shareholder approval, including the election of directors, certain decisions relating to our capital structure, amendments to our Articles of Association, and the approval of mergers and other

significant corporate actions or transactions. The interests of these insiders may not always coincide with our interests or the interests of our other shareholders or holders of the ADSs and those other shareholders and holders of the ADSs may have no effective voice in the management of the Company.

Certain of our principal shareholders as well as NB FP Investment II K/S have entered into a shareholders' agreement under which they have agreed to take certain actions that may be adverse to the interests of other shareholders and holders of ADSs.

Certain of our principal shareholders as well as NB FP Investment II K/S have entered into a shareholders' agreement, under which they have agreed to take certain actions, including with respect to the ability of certain principal shareholders to nominate directors to the board of directors and the obligation to increase share capital in certain circumstances. The shareholders that are party to the shareholders' agreement control a majority of the voting power of our ordinary shares, and the actions taken under or pursuant to the shareholders' agreement may conflict with the interests of other shareholders and holders of ADSs.

ADS holders may not be able to exercise their right to vote the ordinary shares underlying the ADSs.

Holders of ADSs may exercise voting rights with respect to the ordinary shares represented by the ADSs only in accordance with the provisions of the deposit agreement and not as direct shareholders in the Company. The deposit agreement provides that, upon receipt of notice of any meeting of holders of our ordinary shares, the depositary will fix a record date for the determination of ADS holders who shall be entitled to give instructions for the exercise of voting rights. Upon timely receipt of notice from us, if we so request, the depositary shall distribute to the holders as of the record date (1) the notice of the meeting or solicitation of consent or proxy sent by us and (2) a statement as to the manner in which instructions may be given by the holders. However, we may not request the depositary to distribute this information, which could effectively limit the ability of ADS holders to direct the voting of the ordinary shares underlying their ADSs.

ADS holders may instruct the depositary of their ADSs to vote the ordinary shares underlying their ADSs. Otherwise, ADS holders will not be able to exercise their right to vote, unless they withdraw the ordinary shares underlying the ADSs. However, ADS holders may not know about the meeting far enough in advance to withdraw those ordinary shares. If we ask for ADS holders' instructions, the depositary, upon timely notice from us, will notify ADS holders of the upcoming vote and arrange to deliver our voting materials to ADS holders. We cannot guarantee ADS holders that they will receive the voting materials in time to ensure that they can instruct the depositary to vote the ordinary shares underlying the ADSs held by them or to withdraw the ordinary shares underlying the ADSs so that the ADS holder can vote them. If the depositary does not receive timely voting instructions from the ADS holder, it may give a proxy to a person designated by us to vote the ordinary shares underlying the ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that ADS holders may not be able to exercise any right to vote, and there may be nothing ADS holders can do if the ordinary shares underlying their ADSs are not voted as requested.

ADS holders' rights to participate in any future preferential subscription rights or to elect to receive dividends in shares may be limited, which may cause dilution to their holdings.

According to Danish law, if we issue additional securities for cash, current shareholders will have preferential subscription rights for these securities on a pro rata basis unless (i) they waive those rights at a meeting of our shareholders (if issued at market value, by at least two-thirds of the votes cast and the share capital represented at such meeting), (ii) such rights are waived individually by each shareholder, or (iii) the additional securities are issued pursuant to an authorization granted to our board of directors including a waiver of preemptive rights. However, our ADS holders in the United

States will not be entitled to exercise or sell such rights related to the ordinary shares which they represent unless we register the rights and the securities to which the rights relate under the Securities Act of 1933, as amended, or the Securities Act, or an exemption from the registration requirements is available. In addition, the deposit agreement provides that the depositary will not make rights available to our ADS holders unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act or exempted from registration under the Securities Act. Further, if we offer holders of our ordinary shares the option to receive dividends in either cash or shares, under the deposit agreement the depositary may require satisfactory assurances from us that extending the offer to holders of ADSs does not require registration of any securities under the Securities Act before making the option available to holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, ADS holders may be unable to participate in our rights offerings or to elect to receive dividends in shares and may experience dilution in their holdings. In addition, if the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case our ADS holders will receive no value for these rights.

ADS holders may be subject to limitations on the transfer of their ADSs and the withdrawal of the underlying ordinary shares.

ADSs, which may be evidenced by American Depositary Receipts, or ADRs, are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason subject to each ADS holder's right to cancel such holder's ADSs and withdraw the underlying ordinary shares. Temporary delays in the cancellation of ADSs and withdrawal of the underlying ordinary shares may arise because the depositary has closed its transfer books or we have closed our transfer books, the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on our ordinary shares. In addition, ADS holders may not be able to cancel their ADSs and withdraw the underlying ordinary shares when they owe money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

Future sales, or the perception of future sales, of a substantial number of our ordinary shares or ADSs could adversely affect the price of the ADSs, and actual sales of our equity will dilute shareholders and ADS holders.

Future sales of a substantial number of our ordinary shares or ADSs, or the perception that such sales will occur, could cause a decline in the market price of the ADSs. If shareholders sell substantial amounts of shares or ADSs in the public market, or the market perceives that such sales may occur, the market price of the ADSs and our ability to raise capital through an issue of equity securities in the future could be adversely affected. We have entered into a registration rights agreement pursuant to which we have agreed under certain circumstances to file a registration statement to register the resale of the shares held by certain of our existing shareholders, as well as to cooperate in certain public offerings of such shares. In addition, we have registered ordinary shares and ADSs that we may issue under our 2014 Omnibus Equity Incentive Plan and may register shares under other equity compensation plans. As a result, these ordinary shares can be freely sold in the public market or otherwise upon issuance, subject to volume limitations applicable to affiliates and lock-up agreements.

We do not expect to pay dividends or other shareholder distributions in the foreseeable future.

While we distributed the proceeds from a capital reduction of EUR 917.7 million, or $1.1 billion, to our ADS holders and shareholders in September 2017, we do not expect to pay dividends or other shareholder distributions in the foreseeable future. Even if future operations lead to significant levels of distributable profits, any earnings may be reinvested in our business and dividends or other shareholder distributions, if any, may not be paid until we have an established revenue stream to support such continuing dividends or other shareholder distributions. Payment of future dividends or other shareholder distributions, if at all, will effectively be at the discretion of our board of directors, after taking into account various factors including our business prospects, cash requirements and financial performance. In addition, payment of future dividends may be made only if our shareholders' equity exceeds the sum of share capital plus the reserves required to be maintained by the License Agreement, Danish law or by our Articles of Association. Accordingly, investors cannot rely on income from dividends or other shareholder distributions and any returns on an investment in the ADSs may depend entirely upon any future appreciation in the price of the ADSs.

We are a foreign private issuer and, as a result, we will not be subject to U.S. proxy rules and will be subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

We will report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; (ii) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are non-accelerated filers are required to file their annual report on Form 10-K within 90 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, our shareholders and ADS holders may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter. Accordingly, we will next make a determination with respect to our foreign private issuer status on June 30, 2020. There is a risk that we will lose our foreign private issuer status in the future.

We would lose our foreign private issuer status if, for example, more than 50% of our assets are located in the United States and we continue to fail to meet additional requirements necessary to maintain our foreign private issuer status. As of December 31, 2019, approximately $182,000 of our assets were located in the United States, although this may change if we expand our operations in the United States. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly greater than the costs we incur as a foreign private issuer. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S.

domestic issuer forms with the SEC, which are more detailed and extensive in certain respects than the forms available to a foreign private issuer. We would be required under current SEC rules to prepare our financial statements in accordance with U.S. GAAP and modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers. Such conversion and modifications would involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers, which could also increase our costs.

If we fail to establish and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of the ADSs.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, is designed to detect and/or prevent errors and fraud. Any failure to maintain current controls or implement on a timely basis, new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002 or work performed by our independent registered accounting firm as part of their audit of our financial statements may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of the ADSs.

We are required to disclose changes made in our internal control over financial reporting and procedures and our management is required to assess the effectiveness of these controls annually. An independent assessment of the effectiveness of our internal control over financial reporting could detect problems that our management's assessment might not. Undetected material weaknesses in our internal control over financial reporting could lead to financial statement restatements and require us to incur the expense of remediation and could adversely affect the price of our ADSs.

Failure to maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could negatively impact the price of our ADSs.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2019, we carried out an evaluation of the effectiveness of our internal controls over financial reporting and concluded that our previously identified material weakness still exists, as described in "Item 15. Controls and Procedures" herein. We cannot assure you that our internal control over financial reporting will be effective in the future or that additional material weakness will not be discovered.

As a consequence of this material weakness, management concluded that our internal control over financial reporting and, consequently, our disclosure controls and procedures, were not effective as of December 31, 2019. Our management believes that the consolidated financial statements included in this annual report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

We have taken actions, or Actions, to remediate the causes of the material weakness; However, since the material weakness was associated with specific transactions that did not occur subsequent to implementing the Actions, there has been no opportunities for us to monitor and test that the Actions taken were sufficient to mitigate the material weakness. The lack of objective evidence to support that the material weakness has been remediated, necessitates that we continue to report that the material weakness has not been remediated. Failure to effectively remediate the causes of this material weakness or establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements or a failure to meet our reporting obligations. This, in turn, could negatively impact the Company's financial position, operating results and cash flows, the market price of our ADSs and our ability to remain listed on The Nasdaq Capital Market.

Failure to comply with Section 404 of the Sarbanes-Oxley Act could negatively affect our business including the price of our ADSs.

Under the Sarbanes-Oxley Act, we are required to maintain effective disclosure controls and procedures and internal control over financial reporting and to make a formal assessment of the effectiveness of our internal control over financial reporting. We concluded that our disclosure controls and procedures and internal controls over financial reporting were not effective as of December 31, 2019, and there is no assurance that we will be able remediate the material weakness and maintain adequate disclosure controls and procedures and internal controls in the future. We may experience situations in the future where our evaluation and testing processes required by Section 404 of the Sarbanes-Oxley Act, or work performed by independent registered accountants, may identify one or more material weaknesses in our internal controls over financial reporting that will result in our inability to assert that our internal control over financial reporting is effective. If we cannot maintain adequate internal controls over financial reporting that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, fail to meet our public reporting requirements by providing timely and accurate financial statements, be required to restate our prior period financial statements, or we may be unable to comply with applicable stock exchange listing requirements, any of which could adversely affect the price of our ADSs.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research about our business, the price of the ADSs and our trading volume could decline.

The trading market for the ADSs depends in part on the research and reports that securities or industry analysts publish about us or our business. Presently, the Company is not covered by any analysts. If we are covered by securities or industry analysts in the future and such analysts downgrade our ADSs or publish inaccurate or unfavorable research about our business, the price of our ADSs would likely decline. If one or more such analysts ceased coverage of our company or failed to publish reports on us regularly, demand for the ADSs could decrease, which might cause the price of our ADSs and trading volume to decline.

We believe that we were classified as a passive foreign investment company, or a PFIC, from 2014 to 2019 and may be classified as a PFIC in future years. If we are a PFIC for any taxable year, this could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs.

Under the U.S. Internal Revenue Code of 1986, as amended, or the Code, we will be a PFIC for any taxable year in which, after the application of certain "look-through" rules with respect to subsidiaries, either (i) 75% or more of our gross income consists of "passive income," or (ii) 50% or more of the average quarterly value of our assets consists of assets that produce, or are held for the production of, "passive income." Passive income generally includes interest, dividends, rents, certain non-active royalties and capital gains. We believe that we were a PFIC for each of the six years preceding December 31, 2019, and may be classified as a PFIC in future years. Whether we will be a PFIC in any year depends on the composition of our income and assets, and the relative fair market value of our assets from time to time, which we expect may vary substantially over time. Because (i) we currently own a substantial amount of passive assets, including cash, and (ii) the value of our assets, including our intangible assets, that generate non-passive income for PFIC purposes, is uncertain and may vary substantially over time, it is uncertain whether we will be or will not be a PFIC in future years.

If we are a PFIC for any taxable year during which a U.S. Holder, as defined below, holds ADSs, a U.S. Holder may be subject to adverse tax consequences, including (i) if a mark-to-market election or a qualified electing fund, or QEF, election has not been made with respect to its ADSs, a U.S. Holder may incur significant additional U.S. federal income taxes on income resulting from distributions on, or

any gain from the disposition of, such ADSs, as such income generally would be allocated over the U.S. Holder's holding period for its ADSs and would be subject to tax at the highest rates of U.S. federal income taxation in effect for such years, with an interest charge then imposed on the resulting taxes in respect of such income, and (ii) dividends paid by us would not be eligible for preferential individual rates of U.S. federal income tax. In addition, U.S. Holders that own an interest in a PFIC are required to comply with certain reporting requirements.

A U.S. Holder may in certain circumstances mitigate adverse tax consequences of the PFIC rules by filing an election to treat the PFIC as a QEF, or, if shares of the PFIC are "marketable stock" for purposes of the PFIC rules, by making a mark-to-market election with respect to the shares of the PFIC. However, we are not obligated to comply with the reporting requirements necessary to permit U.S. Holders to elect to treat us as a QEF and accordingly U.S. Holders may not be able to make QEF elections to avoid the adverse tax consequences of the PFIC rules. While we have complied with the reporting requirements to permit U.S. Holders to elect to treat us as a QEF in the past, we reserve the right to discontinue such reporting in the future for any reason at any time. Furthermore, if a U.S. Holder were able to make a mark-to-market election with respect to its ADSs, the U.S. Holder would be required to include annually in its U.S. federal taxable income an amount reflecting any year-end increase in the value of its ADSs (which may not be matched by cash distributions). Mark-to-market elections will not be available for any of our subsidiaries that are also PFICs. For further discussion of the adverse U.S. federal income tax consequences of our classification as a PFIC, see "Item 10. Additional Information—Taxation—U.S. Federal Income Tax Considerations for U.S. Holders."

Risks Related to Danish Law and Our Operations in Denmark

Preemptive rights may not be available to non-Danish shareholders, and any inability of non-Danish shareholders to exercise preemptive rights in respect of shares issued in any offering by us will cause their proportionate interests to be diluted.

Under Danish law, existing shareholders will have preemptive rights to participate on the basis of their existing share ownership in the issuance of any new shares for cash consideration, unless those rights are waived by a resolution of the shareholders or the shares are issued pursuant to an authorization granted to the board of directors including a waiver of preemptive rights. The preemptive rights of the shareholders may be waived by two-thirds of the votes cast and of the share capital represented at the general meeting if the share capital increase is made at market price, or, if the share capital increase is made at below market price, by nine-tenths of the votes cast and of the share capital represented at the general meeting. Certain non-Danish shareholders may not be able to exercise preemptive rights for their shares due to restrictions included in securities laws of certain countries, including those applicable in the United States. To the extent that shareholders are not able to exercise their preemptive rights in respect of the shares in any offering by us, such shareholders' proportional interests will be diluted.

We are a Danish company with limited liability. The rights of our shareholders may be different from the rights of shareholders in companies governed by the laws of U.S. jurisdictions.

We are a Danish company with limited liability. Our corporate affairs are governed by our Articles of Association and by the laws governing companies incorporated in Denmark. The rights of shareholders and the responsibilities of members of our board of directors may be different from the rights and obligations of shareholders and boards of directors in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, our board is required by Danish law to consider the interests of our Company, its shareholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of our shareholders.

We are, as a foreign private issuer, not obligated to and do not comply with all the corporate governance requirements of Nasdaq. This may affect the rights of our shareholders.

We are a foreign private issuer for purposes of U.S. federal securities laws. As a result, in accordance with the listing requirements of Nasdaq, we rely on home country governance requirements and certain exemptions thereunder rather than relying on the corporate governance requirements of Nasdaq. In accordance with Danish law and generally accepted business practices, our Articles of Association do not provide quorum requirements generally applicable to general meetings of shareholders. To this extent, our practice varies from the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting shares. Although we must provide shareholders with an agenda and other relevant documents in advance of a general meeting of shareholders, Danish law does not have an applicable regulatory regime for the solicitation of proxies, and thus our practice will vary from the requirement of Nasdaq Listing Rule 5620(b). Accordingly, our shareholders may not have the same protections afforded to shareholders of companies that are subject to these Nasdaq requirements.

As a Danish company we must comply with the Danish Companies Act, or DCA. The DCA contains binding provisions for the board of directors, shareholders and general meetings of shareholders; and financial reporting, auditor, disclosure, compliance and enforcement standards. Certain provisions apply to our board of directors (e.g., in relation to role, composition, conflicts of interest requirements and remuneration), shareholders and the general meeting of shareholders (e.g., regarding our obligations to provide information to our shareholders). Further, certain sections of the DCA only apply to Danish companies listed on a regulated market within the European Economic Area, or EEA, and accordingly do not apply to us. This may affect the rights of our shareholders.

We have historically filed our Danish tax returns on a standalone basis; however, due to certain changes to our ownership structure made at the start of 2013, as of January 2013, we began to file our Danish tax returns as part of joint taxation schemes.

During the period January 19, 2013 to December 31, 2015, we were subject to a Danish joint taxation scheme with Tech Growth Invest ApS and entities under Tech Growth Invest ApS's control, collectively referred to hereafter as Tech Growth. From the establishment of FA on December 3, 2015, FA was part of the joint taxation scheme with Tech Growth. A subsidiary of Tech Growth Invest ApS experienced a change in ownership on December 31, 2015. The effect of the change in ownership resulted in the year ended December 31, 2015 being the final year that the Company and FA were part of the joint taxation group with Tech Growth. On January 1, 2016, the Company and FA became members of a new Danish joint taxation group with NB FP Investment General Partner ApS (collectively the "2016 Tax Group"). Upon their inception during 2017, Operations and FWP IP (through the date of the sale of FWP IP (November 22, 2017) to HoldCo, which is owned and controlled by the Foundation) became members of the 2016 Tax Group. The Company remains liable with other entities in the joint taxation group with Tech Growth Invest ApS for Tech Growth's Danish tax liabilities that can be allocated to the period January 19, 2013 to December 31, 2015 and the Company is liable with other entities in the 2016 Tax Group for Danish tax liabilities that can be allocated to the four-year period ended December 31, 2019.

All members of a Danish tax group are jointly and severally liable for the group's Danish tax liabilities. However, Danish law requires taxing authorities to look primarily to the administration company and its wholly-owned entities to satisfy Danish tax liabilities and to look to partially owned entities (such as us) only on a secondary basis. While we do not believe Tech Growth, NB FP Investment General Partner ApS or any other member of the joint taxation scheme has any material Danish tax liabilities, there can be no assurance that it does not have any such material liabilities, that it will not incur such material liabilities in the future, or that it will fulfill any such obligations. If Tech

Growth Invest ApS, NB FP Investment General Partner ApS or any other entity that is a member of any of the joint taxation groups has any material Danish tax liabilities that are not satisfied by them or if they, while being members of the respective joint taxation group, incur any such liabilities in the future, we may be responsible for the payment of such taxes, which could have an adverse effect on our results of operations.

U.S. federal and/or state income tax may apply to us in the future.

We have taken the position that we are not currently subject to U.S. federal or state income tax. Our Vice President, Finance and Controller, Thomas Carbone, is employed by FP USA. Pursuant to the U.S. tax laws and the income tax treaty between Denmark and the United States, we will not be subject to U.S. tax in connection with any of such employees' activities unless there is a U.S. trade or business being conducted in connection with a permanent establishment. While we have taken the position that the functions such employees fulfill do not give rise to U.S. tax liability for us, there can be no assurance that the U.S. tax authorities will agree with such position. If the U.S. Internal Revenue Service disagrees with our position, and/or if the functions of such employees are expanded in the future, and/or we engage additional personnel located in the United States whose functions are sufficiently broad, we may be or may become subject to U.S. federal and/or state income tax, which might have a material adverse effect on us and our results of operations.

Claims of U.S. civil liabilities may not be enforceable against us.

Forward Pharma A/S is incorporated under the laws of Denmark, and three of its subsidiaries, Operations, FP GmbH and FA, are incorporated under the laws of Denmark, Germany and Denmark, respectively. Substantially all of our assets are located outside the United States. On a combined basis, the majority of our directors and officers reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments against them or us in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

The United States does not have a treaty with Denmark or Germany providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a final judgment for the payment of money rendered by a U.S. court based on civil liability will not be directly enforceable in Denmark or Germany. However, if the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Denmark, that party may submit to the Danish court the final judgment that has been rendered in the United States. A judgment by a federal or state court in the United States will neither be recognized nor enforced by a Danish court, but such judgment may serve as evidence in a similar action in such court. In addition, the final judgment of a U.S. court may be recognized and enforced in Germany in compliance with certain requirements including petitioning a German court to recognize and declare such judgment enforceable. Also, general reciprocity in respect of the mutual recognition of judgments between Germany and the U.S. court that rendered the concerned judgment must be guaranteed, and the judgment must not violate German (international) public policy.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Forward Pharma A/S is a Danish biopharmaceutical company whose operations previously consisted of developing FP187®, a proprietary formulation of DMF, for the treatment of MS and other inflammatory and neurological indications. DMF is an immunomodulator that can be used as a therapeutic to improve the health of patients with MS and immune disorders.

On February 1, 2017, our License Agreement with Biogen became effective. Pursuant to the License Agreement, Biogen paid us a non-refundable cash fee of $1.25 billion. The License Agreement provided Biogen with a co-exclusive license in the United States and an exclusive license outside the United States, to the Company's intellectual property.

Under the terms of the License Agreement, we effected a corporate restructuring in 2017. For more, see "—B. Business Overview—Our Company—Restructuring."

On March 25, 2019, we received notice from Biogen of their exercise of the option to purchase the intellectual property in the United States associated with the Company pursuant to the License Agreement. The Foundation and Biogen consummated the assignment of the U.S. intellectual property to Biogen upon the execution of assignment agreements and the payment of a nominal amount by Biogen to FWP IP, and Biogen has assumed ownership and responsibility for the assigned U.S. intellectual property. In addition, we are no longer able to develop or commercialize any therapy for the treatment of any human disease or condition using DMF, including FP187®. For more, see "—B. Business Overview—Our Company—License Agreement with Biogen." As discussed throughout this Annual Report, we have permanently discontinued our development of DMF formulations, including FP187®.

We are a Danish public limited liability company founded in 2005. Our principal executive offices are located at Østergade 24A, 1st Floor, 1100 Copenhagen K, Denmark. Our telephone number at this address is +45 33 44 42 42.

In 2004, Aditech, controlled by Nordic Biotech General Partner ApS (an affiliate of one of our largest shareholders), assessed the potential for DMF to become a significant global product. Aditech specifically focused on the development of an improved DMF formulation, with the goal of simplifying the product compared to then-existing DMF-containing treatments and limiting the side effects typically associated with such treatments.

We were founded for the purpose of developing such an improved DMF formulation while protecting, defending and enforcing a patent family Aditech filed relating to, among other things, formulations and dosing regimens of DMF. In 2010, we acquired this patent family from Aditech. Under our agreement with Aditech, we obtained, among other things, Aditech's patents and associated know-how related to formulations and dosing regimens of DMF. For more, see "—Material Agreements—Aditech Agreements."

We have not made any significant capital expenditures or divestures during the last three financial years, and do not have any significant capital expenditures or divestitures currently in progress.

B. Business Overview

Our Company

We have focused on DMF's potential as an immunomodulating drug to improve the health of patients with immune disorders for over 10 years, during which time we assembled a significant intellectual property portfolio. As a result of entering into the License Agreement, combined with the unsuccessful outcome in the Interference Proceeding and Biogen's purchase of the intellectual property in the United States associated with the Company, we have permanently discontinued our development of a DMF formulation, except for maintaining our files and records for previously completed research and development work. We completed an organizational realignment in 2017 to focus on the deliverables under the License Agreement and reduce operating expenses.

In June 2019, we received written notices from Nasdaq indicating that we were not in compliance with two of the requirements for continued listing on The Nasdaq Global Select Market, which was our listing venue at the time. On August 26, 2019, we transferred our listing venue from The Nasdaq

Global Select Market to The Nasdaq Capital Market and, as a result, gained compliance with the minimum Market Value of Publicly Held Shares required by The Nasdaq Capital Market of $1,000,000. On December 6, 2019, we changed the ADS ratio from one ADS per two ordinary shares to one ADS per fourteen ordinary shares through a reduction of the number of outstanding ADSs and, as a result, regained compliance with the minimum bid price required for continued listing. See the risk factor entitled "If we fail to maintain the listing of our ADSs with a U.S. national securities exchange, the liquidity of our ADSs could be adversely affected" for additional information.

License Agreement with Biogen

On February 1, 2017, our License Agreement with Biogen and certain additional parties became effective. The License Agreement provided Biogen with a co-exclusive license in the United States, and an exclusive license outside the United States, to the Company's intellectual property, effective as of February 9, 2017.

In accordance with the License Agreement, Biogen paid the Company the Non-refundable Fee of $1.25 billion and could be obligated to pay the Company royalties in the future subject to the outcome of certain matters discussed below.

The License Agreement did not resolve the Interference Proceeding or the Opposition Proceeding. The Company and Biogen entered into the License Agreement with the intention to permit the PTAB and the Federal Circuit, as applicable, and the EPO, the TBA and the Enlarged Board of Appeal, as applicable, to make final determinations in the proceedings before them.

Because the Company was unsuccessful in the Interference Proceeding after all appeals, pursuant to the License Agreement, Biogen had the option to elect to obtain an exclusive license to the intellectual property in the United States associated with the Company or to purchase the intellectual property in the United States associated with the Company for a nominal price.

On March 25, 2019, we received notice from Biogen of their exercise of the option to purchase the intellectual property in the United States associated with the Company pursuant to the License Agreement. The Foundation and Biogen consummated the assignment of the U.S. intellectual property to Biogen upon the execution of assignment agreements and the payment of a nominal amount by Biogen to FWP IP, and Biogen has assumed ownership and responsibility for the assigned U.S. intellectual property. In addition, we are no longer able to develop or commercialize any therapy for the treatment of any human disease or condition using DMF, including FP187®. Because we were unsuccessful in the Interference Proceeding after all appeals, the Company will not be entitled to future royalties on Biogen's net sales in the United States. Therefore, sources of revenue derived from customers in the United States, including product sales of any DMF formulation, are not expected.

If the Company is successful in the Opposition Proceeding (i.e., the Company obtains, as a result of the Opposition Proceeding, and any appeals therefrom, a patent with a claim covering oral treatment of MS with 480 mg per day of DMF), it will be eligible to collect a 10% royalty from January 1, 2021 to December 31, 2028 and a 20% royalty from January 1, 2029 until the earlier of the expiration or invalidation of the patents defined in the License Agreement, on a country-by-country basis on Biogen's net sales outside the United States of DMF-containing products indicated for treating MS that, but for the rights granted under the License Agreement, would infringe a Company patent, provided that other conditions of the License Agreement are satisfied within the time period set forth in the License Agreement. Among the conditions that need to be satisfied for any royalty to be payable by Biogen to the Company is the absence of generic entry in a particular country having a particular impact as defined in the License Agreement. Given the expected timeline for the resolution of the Opposition Proceeding, including any appeals, the earliest time we may expect to receive any royalty income from the License Agreement, if at all, is 2023. If the Company is unsuccessful in the Opposition Proceeding, the Company would not be entitled to future royalties on Biogen's net sales outside the United States.

See the risk factor entitled "There can be no assurance that we will prevail in the opposition proceeding involving our EP2801355 patent after any appeals or, if we do prevail, that the resulting claims of our EP2801355 patent will be royalty bearing under the Settlement and License Agreement with Biogen." for additional information.

Restructuring

Under the terms of the License Agreement, the Company restructured its operations on June 30, 2017 whereby the Company transferred to Operations (a newly created and wholly-owned Danish limited liability company) certain assets and liabilities, including the legal and beneficial rights, title and interest to defined intellectual property, and Operations transferred the intellectual property to FWP IP (a newly created and wholly-owned Danish limited liability company). The final step in the restructuring was completed on November 22, 2017 when the capital stock of FWP IP was sold to HoldCo, a newly formed Danish limited liability company that is owned and controlled by the Foundation, a newly formed independent Danish foundation. HoldCo paid Operations ApS 336,000 DKK ($54,000 based on the December 31, 2017 exchange rate) as consideration for the capital stock of FWP IP. The Foundation's three-member board includes one independent director and one director appointed from each of the Company and Biogen. Accordingly, the Company does not control the Foundation. During the year ended December 31, 2017, the Company contributed 5 million DKK ($805,000 based on the December 31, 2017 exchange rate) as the initial capitalization of the Foundation and is obligated to pay 100,000 DKK ($15,000 based on the December 31, 2019 exchange rate) annually to FWP IP in exchange for FWP IP agreeing to hold, prosecute and maintain the transferred intellectual property, which now consists only of the non-U.S. intellectual property associated with the Company, in accordance with certain agreements. In the future, the Company is only obligated to remit the annual funding of 100,000 DKK to FWP IP through the last to expire, or invalidation of, the licensed patents underlying the transferred intellectual property; however, the Company's obligation to remit the annual funding would be discontinued earlier if certain events, as defined in the License Agreement, occur. In addition to its annual funding obligations, the License Agreement requires the Company to fund the cost to file, prosecute and maintain European patent EP 2801355 (until the date on which the Opposition Proceeding has reached a final, unappealable conclusion) and to participate in an intellectual property advisory committee. The Company was required to fund the cost to file, prosecute and maintain the U.S. patents associated with the Company prior to Biogen purchasing such intellectual property.

Key Intellectual Property Involved in Interference Proceeding

One of the key patent applications previously associated with the Company in the United States is the '871 application. The '871 application claims the use of 480 mg of DMF per day as a treatment for MS. On April 13, 2015, an administrative patent judge at the PTAB, declared an interference between our '871 application and Biogen's '514 patent, which has claims that also cover a method of treating MS using about a 480 mg daily dose of DMF. The oral argument for the Interference Proceeding took place on November 30, 2016. On March 31, 2017, the PTAB issued a decision in the Interference Proceeding in favor of Biogen. The PTAB ruled that the claims of the '871 application are not patentable due to a lack of adequate written description. The Company appealed the decision to the Federal Circuit. The Federal Circuit appeal was concluded in Biogen's favor on January 9, 2019, thereby ending the Interference, and resulting in the termination of the prosecution of the '871 application, as all options for appeal according to the License Agreement have been exhausted.

Key Intellectual Property Involved in Opposition Proceeding

European patent EP2801355, or the EP'355 patent, covers, among other things, the treatment of MS with 480 mg per day of DMF using pH-controlled compositions that have an enteric coating. The

EPO completed their review of this application and issued this patent on May 20, 2015. This patent was opposed by several parties in an opposition proceeding, which is a special proceeding heard by the EPO where one or more third parties request that the patent, or a part thereof, be revoked. On January 29, 2018, the EPO revoked the EP'355 patent on one of the alleged grounds of invalidity following the oral hearing in the Opposition Proceeding. On March 22, 2018, the Opposition Division issued its written decision with detailed reasons for the decision. On May 7, 2018, the Company submitted its notice of appeal, and on August 1, 2018, the Company submitted detailed grounds for the appeal. On July 8, 2019, the Company received notice from the EPO that the appeal will be heard by the TBA of the EPO on June 18, 2020, or the 2020 Hearing. However, the 2020 Hearing may be delayed as a result of the ongoing COVID-19 pandemic and, if the 2020 Hearing is delayed, a new hearing date is currently unknown. Management expects the TBA to issue a ruling on the same day as the hearing with a fully-argued decision to follow approximately two months after the 2020 Hearing.

If the Company receives a favorable ruling following the 2020 Hearing, it is expected that the TBA will remit the case to the Opposition Division, in order for the Opposition Division to resolve the remaining elements of the original opposition. Management estimates that the Opposition Division would take approximately two to three years to resolve the remaining elements of the original opposition in the event of a remittal. However, delays can occur that would extend the time needed for the Opposition Division to reach a conclusion on the remaining elements of the original opposition and thereby the conclusion of the ongoing appeal process. We are not entitled to any royalty payments from the License Agreement until and unless all remaining elements of the original opposition are resolved in our favor. As such, the earliest time we may expect to receive any revenues from the License Agreement, if at all, is 2023.

There can be no assurance that we will be successful in the Opposition Proceeding after any appeals. If the Company is unsuccessful in the Opposition Proceeding, the Company would not be entitled to future royalties on Biogen's net sales outside the United States. While the appeal and any remitted issues to the Opposition Division have not been resolved, the decision of the Opposition Division to revoke the EP'355 patent is "frozen." Assuming that the patent is ultimately maintained following the final conclusion of the Opposition Proceeding, including any appeals, the EP'355 patent currently has a maximum duration until October 2025 (subject to possible SPC extension—see below).

Our Product Development Strategy

Historically, the Company's product development efforts were focused on advancing unique formulations and dosing regimens of DMF, an immunomodulator, as a therapeutic to improve the health of patients with immune disorders, including psoriasis and MS. Prior to entering into the License Agreement, we were actively developing FP187®, a proprietary formulation of DMF, for the treatment of MS patients. On March 1, 2017, we announced plans to complete the research and development work that was in process prior to the effective date of the License Agreement and pursue an organizational realignment to reduce personnel and operating expenses, including the suspension of further development of FP187®. This organizational realignment was substantially completed by September 30, 2017. We do not currently have any commercialized products on the market nor under development. As a result of entering into the License Agreement, combined with the unsuccessful outcome in the Interference Proceeding and Biogen's purchase of the intellectual property in the United States associated with the Company, our research and development efforts involving DMF products, including FP187®, have been permanently discontinued.

Our Intellectual Property Strategy

We believe the patents and patent applications associated with the Company are valuable assets. To the extent required or permitted by the License Agreement, we intend to protect, defend and/or

enforce the intellectual property associated with the Company. The intellectual property associated with the Company includes patents and patent applications in Europe and certain countries in Asia.

The Core Composition Patent family, based on international application PCT/DK2005/000648, filed on October 7, 2005, with priority to October 8, 2004, discloses, among other things, formulations and dosing regimens of DMF, including the use of a dose of 480 mg of DMF per day to treat MS. As described under "Risk Factors" and elsewhere in this Annual Report, whether the Core Composition Patent family discloses the use of a dose of 480 mg of DMF per day to treat MS has been challenged in some European Opposition Proceedings.

The following table highlights key aspects of the current status of certain applications and patents within the Core Composition Patent family:

Patent / Application	Status
EP2801355	Revoked on January 29, 2018 by the EPO Opposition Division. The Company has appealed this decision (see below). Contains claims directed to the treatment of MS with 480 mg per day of DMF using pH-controlled compositions that have an enteric coating.
EP1799196	Revoked on September 18, 2018 by the EPO Opposition Division. Currently on appeal to the TBA.
EP2965751	Pending (contains claims directed to compositions containing DMF wherein the daily dosage is from 480 to 600 mg and the DMF is released depending on pH for the treatment of a number of diseases). The EPO issued notices of intention to grant this patent on June 26, 2018 and April 9, 2019. A request for further processing was granted on December 12, 2019.
EP2801354	Revoked on May 7, 2019 by the EPO Opposition Division (contains claims directed to controlled-release compositions that release DMF according to a specific *in vitro* release profile). Currently on appeal to the TBA.
EP2792349	Pending (contains claims directed to controlled-release compositions containing DMF wherein the daily dosage is 480 mg for use in treatment of a number of diseases). The EPO has issued notices of intention to grant this patent on September 13, 2017, May 30, 2018, February 27, 2019, and November 29, 2019.
EP2316430	Revoked by TBA on May 3, 2018.
EP3093012	Pending (contains claims directed to pharmaceutical compositions comprising DMF in an amount of 50 to 90% by weight of the composition). The EPO has issued notices of intention to grant this patent on May 8, 2017, February 15, 2018, November 21, 2018, August 12, 2019, and April 23, 2020.
JP2018-017332	Pending (contains claims directed to controlled-release pharmaceutical compositions comprising one or more of fumaric acid esters such as DMF and/or MMF).

Core Composition Patent Family

European Patent EP2801355. The EP'355 patent covers, among other things, the treatment of MS with 480 mg per day of DMF using pH-controlled compositions that have an enteric coating. The EPO completed its review of this application and issued this patent on May 20, 2015. This patent was opposed by several parties in opposition proceedings, which are special proceedings heard by the EPO

where one or more third parties request that the patent, or a part thereof, be revoked. On January 29, 2018, the Opposition Division of the EPO revoked the EP'355 patent on one of the alleged grounds of invalidity following the oral hearing in the Opposition Proceeding. On March 22, 2018, the Opposition Division issued its written decision with detailed reasons for the decision, on May 7, 2018, the Company submitted its notice of appeal, and on August 1, 2018, the Company submitted the detailed grounds for the appeal. On July 8, 2019, the Company received notice from the EPO that the 2020 Hearing will occur on June 18, 2020. However, the 2020 Hearing may be delayed as a result of the ongoing COVID-19 pandemic and, if the 2020 Hearing is delayed, a new hearing date is currently unknown. Management expects the TBA to issue a ruling on the same day as the hearing with a fully-argued decision to follow approximately two months after the 2020 Hearing. If the Company receives a favorable ruling following the 2020 Hearing, it is expected that the TBA will remit the case to the Opposition Division, in order for the Opposition Division to resolve the remaining elements of the original opposition. Management estimates that the Opposition Division would take approximately two to three years to resolve the remaining elements of the original opposition in the event of a remittal. However, delays can occur that would extend the time needed for the Opposition Division to reach a conclusion on the remaining elements of the original opposition. We are not entitled to any royalty payments from our Settlement and License Agreement, dated as of January 17, 2017, or the License Agreement, with two subsidiaries of Biogen that became effective on February 1, 2017, until and unless all remaining elements of the original opposition are resolved in our favor. As such, the earliest time we may expect to receive any revenues from the License Agreement, if at all, is 2023. There can be no assurance that we will be successful in the Opposition Proceeding after any appeals. If the Company is unsuccessful in the Opposition Proceeding, the Company would not be entitled to future royalties on Biogen's net sales outside the United States. While the appeal and any remitted issues to the Opposition Division have not been resolved, the decision of the Opposition Division to revoke the EP'355 patent is "frozen." Assuming that the patent is ultimately maintained following the final conclusion of the Opposition Proceeding, including any appeals, the EP'355 patent currently has a maximum duration until October 2025 (subject to possible SPC extension—see below). This is the first issued patent associated with the Company covering the use of 480 mg per day of DMF to treat MS. Although Biogen may not challenge the validity of the EP'355 patent in national proceedings, the validity of the national parts of the EP'355 patent could be challenged by other third parties in the respective national courts, and in some countries these validity challenges can run in parallel with EPO opposition and appeal proceedings. See "Risk Factors—Risks Related to Intellectual Property—There can be no assurance that even if we are successful in the opposition and appeal proceedings involving the patents associated with the Company currently pending before the EPO, we will not be subject to subsequent or parallel invalidity proceedings involving these same or other patents associated with the Company before a national court in any of the European Patent Convention member states where the patents were validated, which subsequent or parallel proceedings could result in the challenged patents being subject to continued uncertainty as to their validity until such proceedings have been fully concluded. We cannot at this time anticipate how long any such proceedings may last or when, if at all, the patents currently under challenge will finally be declared to be valid or not."

SPC Applications. In a number of countries in the EU, we have applied for national SPCs in reliance on the EP'355 patent and the EU marketing authorization for Biogen's product Tecfidera®. If these applications are successful, the resultant SPCs will effectively extend the duration of the EP'355 patent, insofar as it covers Tecfidera®, from October 2025 until January 2029. So far, the SPC applications have been granted in Austria, Cyprus, France, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Slovenia, Spain, and Sweden. This is possible because the case law of the Court of Justice for the European Union currently allows patent holders to obtain SPCs in reliance on marketing authorizations held by third parties. If the case law were to change such that this is no longer a possibility, we would expect any such SPCs granted in our favor to be revoked. Further, if an EU

national court were to hold (subject to any appeal) that the claims of the EP'355 patent do not cover Tecfidera®, we would expect the national court to revoke any SPC granted in our favor in that country.

European Patent EP1799196. The European patent EP1799196 associated with the Company, or the EP'196 patent, covers, among other things, controlled release compositions that release DMF according to a specific *in vitro* release profile. The patent was granted on June 22, 2016. Oppositions to this patent have been filed by third parties with the EPO. On September 18, 2018, the EPO revoked the EP'196 Patent following an oral hearing in the opposition proceedings. The written decision was received on February 15, 2019 and a notice of appeal was filed against that decision on April 13, 2019. The Company expects the appeal to be heard by the TBA within two to three years.

European Patent Application EP2965751. Another key patent application in the EU is EP2965751, formerly EP15166243.4, or the EP'751 application. The EP'751 application covers, among other things, compositions containing DMF where the daily dosage is 480 to 600 mg and the DMF is released depending on pH. The EPO has completed its initial review of this application and issued a negative search report on January 13, 2016. We responded to the search report on July 13, 2016. A third-party observation was filed on September 20, 2016. We responded to the third-party observation on November 16, 2016. A negative office action was issued on February 10, 2017, which we understood to have been the result of a clerical error. We responded on August 10, 2017 to correct the error. The EPO issued a notice of intention to grant this patent on June 26, 2018. A request for further processing was granted on March 13, 2019.

European Patent EP2801354. A key patent in the EU is EP2801354, or the EP'354 patent. The EP'354 patent covers, among other things, controlled-release compositions that release DMF according to a specific in vitro release profile. The patent was granted on February 8, 2017. Oppositions to this patent have been filed by third parties with the EPO. On May 7, 2019, the EPO revoked the EP'354 patent following an oral hearing in the Opposition Proceedings. The written decision was received on September 9, 2019 and a notice of appeal was filed against that decision on November 8, 2019. The Company expects the appeal to be heard by the TBA within two to three years.

European Patent Application EP2792349. Another key patent application in the EU is EP2792349, formerly EP14172396.5, or the EP'349 application. The EP'349 application covers, among other things, controlled-release compositions containing DMF where the daily dosage is 480mg for use in treatment of a number of diseases. The EPO has issued notices of intention to grant this patent on September 13, 2017, May 30, 2018, February 27, 2019 and November 19, 2019.

European Patent EP2316430. The European patent EP2316430 associated with the Company covered DMF formulations with certain in vitro dissolution profiles. By a decision issued in July 2015, the Opposition Division of the EPO revoked EP2316430, in particular, for the reason that the claims allegedly contain subject matter not directly and unambiguously derivable from the original application as filed. The Opposition Division of the EPO did not adjudicate on the issues of novelty or inventive step. This patent was revoked by the TBA on May 3, 2018. No further appeal is possible.

European Patent Application EP3093012. Another key patent application in the EU is EP3093012, formerly EP16001391.8, or the EP'012 application. The EP'012 application covers, among other things, controlled-release pharmaceutical compositions comprising DMF in an amount of 50 - 90% by weight of the composition. The EPO has issued notices of intention to grant this patent on May 8, 2017, February 15, 2018, November 21, 2018, August 12, 2019, and April 23, 2020.

Clinical Development Summary

Since inception, the focus of our clinical development was on a DMF formulation for the treatment of MS. As a result of entering into the License Agreement, combined with the unsuccessful outcome in the Interference Proceeding and Biogen's purchase of the intellectual property in the United States associated with the Company, we have permanently discontinued our development of a DMF formulation, except for maintaining our files and records for previously completed research and development work.

Material Agreements

Biogen License Agreement

As discussed above, on February 1, 2017, our License Agreement with Biogen and certain additional parties became effective. The License Agreement provided Biogen with a co-exclusive license in the United States, and an exclusive license outside the United States, to the Company's intellectual property, effective as of February 9, 2017.

In accordance with the License Agreement, Biogen paid the Company a non-refundable cash fee of $1.25 billion and could be obligated to pay the Company royalties provided that other conditions of the License Agreement are satisfied. See "—Our Company—License Agreement with Biogen."

On March 25, 2019, we received notice from Biogen of their exercise of the option to purchase the intellectual property in the United States associated with the Company pursuant to the License Agreement. The Foundation and Biogen consummated the assignment of the U.S. intellectual property to Biogen upon the execution of assignment agreements and the payment of a nominal amount by Biogen to FWP IP, and Biogen has assumed ownership and responsibility for the assigned U.S. intellectual property. In addition, we are no longer able to develop or commercialize any therapy for the treatment of any human disease or condition using DMF, including FP187®.

Aditech Agreements

In 2004, Aditech, controlled by Nordic Biotech General Partner ApS (an affiliate of one of our largest shareholders), began developing and filing patents for, among other things, formulations and dosing regimens of DMF. In 2005, we entered into a patent license agreement with Aditech to license this patent family from Aditech. In 2010, we acquired this patent family from Aditech pursuant to a patent transfer agreement, or the Transfer Agreement, that replaced the patent license agreement. Under our agreement with Aditech, we obtained, among other things, Aditech's patents and associated know-how related to formulations and dosing regimens of DMF.

In connection with our execution of the License Agreement, we entered into an addendum to the Transfer Agreement with Aditech, or the Addendum, which clarifies the royalties payable to Aditech in connection with any proceeds received by the Company from Biogen under the License Agreement. The Addendum specifies that Aditech is entitled to 2% of the Non-refundable Fee (or $25.0 million). This was paid to Aditech in 2017. The Addendum further specifies that Aditech is entitled to additional compensation should the Company receive royalties from Biogen under the License Agreement. If royalties are paid to the Company in accordance with the License Agreement, Aditech will be entitled to receive a cash payment equal to 2% of the same base amount with respect to which the Company's royalty percentage is calculated, accruing from the same period of time as any royalty payment payable by Biogen to the Company (prior to taking into account taxes, duties and VAT, if any).

Competition

We are engaged in segments of the pharmaceutical and biotechnological industries that are highly competitive and rapidly changing. Large pharmaceutical, specialty pharmaceutical and biotechnology

companies, academic institutions, governmental agencies and other public and private research organizations are commercializing or pursuing the development of products that target MS. Our future success may depend on the continued market acceptance of Tecfidera®. We expect approved MS treatments, such as Tecfidera®, will continue to face intense and increasing competition as new and improved products enter the MS markets and advanced technologies become available. Competition from any newly-approved products (whether branded, generics or biosimilars), including Bristol Meyer Squibb's ozanimod, may reduce Tecfidera® sales, which in turn may reduce possible royalties payable by Biogen to us. Several companies are developing additional treatments for multiple sclerosis, and late-stage clinical candidates include, but are not limited to, generic versions of existing medications. Competition among products approved for sale is based, among other things, on safety and effectiveness, the timing and scope of regulatory approvals, the availability and cost of supply, marketing and sales capabilities, reimbursement coverage, price, patent position and other factors.

Environmental, Health and Safety

Our operations are subject to a number of environmental acts and regulations. We believe that we are materially in compliance with all applicable environmental laws and regulations. Currently, there are no pending environmental issues that we believe could reasonably be expected to have a material adverse effect on our business, financial position, results of operations or future growth prospects.

We consider it important to maintain a good working environment and comply with the regulatory requirements regarding working environment. This consists of the physical and psychological working environment, including heating, ventilation, air conditioning and air circulation and exhaust systems, as well as office furniture and equipment design and functionality, and other general health and safety systems, including control of the facility. We are from time to time subject to inspections by the Danish Working Environment Authority for compliance with the Danish Working Environment Act.

Facilities

Our corporate headquarters are located at Østergade 24A, 1st floor, 1100 Copenhagen K, Denmark where we lease approximately 2,400 square feet of office space from Nordic Biotech Advisors ApS, an affiliate of certain of our principal shareholders, for administrative activities. In 2019, we paid 611,000 DKK (approximately $91,000), including value added tax, or VAT, for such premises. FA and Operations, our Danish subsidiaries, are also located at Østergade 24A, 1st floor, 1100 Copenhagen K, Denmark. For more information, see "—Related Party Transactions—Leased Premises."

FP USA, our U.S. subsidiary, is located in Suffern, New York and has office space of approximately 140 square feet. In 2019, we paid $14,000 for such premises.

The Company's long-term office lease commitments are not material.

Employees

As of March 31, 2020, we had four employees. At each date shown, we had the following employees, broken out by department and geography:

	At December 31,			At March 31,
	2017	2018	2019	2020
Function:				
Engineering and production	1	1	0	0
Management and administration	4	4	5	4
Total	5	5	5	4
Geography:				
Germany	2	1	1	1
Denmark	2	3	3	2
United States	1	1	1	1
Total	5	5	5	4

One of our employees is represented by a labor union. We have never experienced any work stoppages.

All other operational tasks are or have been outsourced to consultant experts or consulting service companies, such as patent and legal experts. We engage approximately 15 individuals and firms as consultants and experts.

In the United States, our activities and personnel are focused on U.S. public company accounting, reporting and compliance, and related administrative functions to support Forward Pharma A/S.

Insurance

We maintain all insurance coverage required under applicable law, including in relation to our previous research and pre-clinical and clinical development.

We believe that we currently maintain appropriate insurance coverage, and that our current insurance coverage is in line with insurance coverage for comparable companies.

Legal Proceedings

We may, from time to time, become involved in legal proceedings in the ordinary course of business. Except for the Opposition Proceeding, we are not currently a party to, and have not been in the recent past subject to any material legal proceeding (including proceedings pending or threatened) that we believe could have an adverse effect on our business, operating results or financial condition. See "Item 5. Operating and Financial Review and Prospects—Operating Results Overview—Intellectual Property Proceedings and the License Agreement—Interference Proceeding" for more information on the Interference Proceeding.

Opposition proceedings and appeals therefrom against two of the key European patents associated with the Company are currently ongoing and in addition we are involved in the Opposition Proceeding concerning EP'355, including any appeals. There can be no assurance that these patent proceedings or other future legal proceedings will not have an adverse effect on our business, operating results or financial condition. See "Item 5. Operating and Financial Review and Prospects—Operating Results Overview—Intellectual Property Proceedings and the License Agreement—Opposition Proceeding" for more information on the Opposition Proceeding.

C. Organizational Structure

The registrant corporation, Forward Pharma A/S, has two wholly-owned subsidiaries, FP USA, incorporated in the state of Delaware, and Operations, incorporated in Denmark. Operations has two wholly-owned subsidiaries, FA, incorporated in Denmark, and FP GmbH, incorporated in Germany. A liquidation of our German subsidiary, FP GmbH, was initiated on January 29, 2020. All of our operations are conducted within Forward Pharma A/S or one of our directly or indirectly owned subsidiaries.

D. Property, Plant and Equipment

See "—Business Overview—Facilities" for a description of our leased premises. We have no material office equipment or manufacturing equipment. None of our equipment is leased and there are no liens or encumbrances on our equipment.

We currently do not have any material commitments to acquire fixed assets nor are there plans to acquire fixed assets in the future; however, we may, from time to time, need to replace office equipment such as computers. The estimated cost to replace office equipment, if needed, is not expected to be significant. We currently do not have any long-term supply agreements with our vendors.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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 information under "Selected Financial Information" and our audited consolidated financial statements, including the notes thereto, included in this Annual Report. The following discussion is based on our consolidated financial information prepared in accordance with IFRS as issued by the 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 these forward-looking statements as a result of many factors, including but not limited to those described under "Risk Factors" and elsewhere in this Annual Report.

A. Operating Results Overview

Overview

Forward Pharma A/S is a Danish biopharmaceutical company that was founded in 2005 to advance unique formulations and dosing regimens of DMF, an immunomodulator, as a therapeutic to improve the health of patients with immune disorders, including MS. We are a company with a limited number of employees and outsource the majority of our activities to external service providers. We are currently composed of a Danish incorporated parent company, Forward Pharma A/S, its two wholly-owned subsidiaries, FP USA, incorporated in the state of Delaware, and Operations, incorporated in Denmark, and two wholly-owned subsidiaries of Operations, FP GmbH, incorporated in Germany, and FA, incorporated in Denmark. During 2017, as part of the restructuring that is discussed below, FWP IP was established on June 30, 2017 as a wholly-owned subsidiary of Operations and sold on November 22, 2017.

As discussed in more detail elsewhere herein, the Company entered into the License Agreement with Biogen that became effective on February 1, 2017. Prior to entering into the License Agreement, the Company was actively developing FP187®, a proprietary formulation of DMF, for the treatment of MS. On March 1, 2017, the Company announced plans to complete the remaining research and development efforts of FP187® and pursue an organizational realignment to reduce personnel and operating expenses by mid-year 2017. The organizational realignment was substantially completed by September 30, 2017. As a result of entering into the License Agreement, combined with the unsuccessful outcome in the Interference Proceeding and Biogen's purchase of the intellectual property in the United States associated with the Company, or the U.S. IP, we have permanently discontinued our development of DMF formulations, including FP187®. Therefore, sources of revenue derived from customers in the United States, including product sales of a DMF formulation, are not expected.

The Group's current business activities are limited to maximizing the benefit of the License Agreement, which requires the Company to prevail in the Opposition Proceeding. If the Company does not prevail in the Opposition Proceeding, including all appeals, future revenues are unlikely, the Company's ability to continue as a going concern long term would be uncertain and management would consider, amongst other things, an orderly wind-down of operations. A successful outcome of the Opposition Proceeding is highly uncertain and even if there is a successful outcome in the Opposition Proceeding, future revenues from the License Agreement would only be realized if other conditions defined be the License Agreement are met. For more information, see "Item 3. D. Risk Factors," "Item 4. Information on the Company" and the Group's consolidated financial statements.

At December 31, 2019, the Group had cash and cash equivalents and working capital amounting to $77.6 million and $77.6 million, respectively. The Group has no material long-term obligations. Management currently believes there is adequate liquidity to fund the Group's operations beyond the next twelve months; however, unforeseen events could negatively affect management's estimate. In

addition, as discussed in more detail below, the Danish and German tax authorities have commenced tax audits of the Group's Danish and German tax returns covering multiple years through the year ended December 31, 2017. There is a risk that at the conclusion of the tax audits, the Danish and/or German tax authorities could assess additional taxes, interest and/or penalties on the Group. The imposition of additional taxes, interest and/or penalties by the taxing authorities could have a material adverse effect on the Group. For more information, see the risk factor entitled "There is no assurance that the joint tax audit being conducted by the Danish and German tax authorities will not result in double taxation" and the Group's consolidated financial statements.

Restructuring

In June 2017, under the terms of the License Agreement, the Company restructured its operations, or the Restructuring, whereby the Company transferred to Operations (a newly-created, wholly-owned Danish limited liability company) certain assets and liabilities, including the legal and beneficial rights, title and interest to defined intellectual property, or the IP, and Operations transferred the IP to FWP IP (a newly-created, wholly-owned Danish limited liability company). The final step in the Restructuring was completed on November 22, 2017 when the capital stock of FWP IP was sold to HoldCo (a newly-formed Danish limited liability company) owned and controlled by the Foundation (a newly-formed independent Danish foundation). In consideration for the capital stock of FWP IP, HoldCo paid Operations 336,000 DKK ($54,000 based on the December 31, 2017 exchange rate). The Foundation's three-member board includes one independent director and one director appointed by each of the Company and Biogen. Accordingly, the Company does not control, nor does it have exposure or rights to variable returns from the Foundation, HoldCo or FWP IP. In November 2017, the Group contributed 5 million DKK ($805,000 based on the December 31, 2017 exchange rate) as the initial capitalization of the Foundation and is obligated to pay 100,000 DKK ($15,000 based on the December 31, 2019 exchange rate) annually, or the Annual Funding, to FWP IP in exchange for FWP IP agreeing to hold, prosecute and maintain the IP in accordance with certain agreements. The Group is only obligated to remit the Annual Funding through the last to expire, or invalidation of, the licensed patents underlying the IP; however, the Company's obligation to remit the Annual Funding would be discontinued earlier if certain events, as defined in the License Agreement, occur.

Shareholder Distribution

On August 2, 2017, the Company's shareholders approved a capital reduction of EUR 917.7 million, or $1.1 billion, which was effected in September 2017.

Currently, there are no plans for future distributions of funds to our shareholders.

Amendment to the Company's Articles of Association

In November 2017, the shareholders of the Company approved an amendment to the Company's articles of association, which modified the terms of certain outstanding options and warrants granted by the Company to mitigate the dilution to such awards caused by the Shareholder Distribution. In November 2017, a similar amendment was approved by the board of directors of the Company in respect to certain deferred share awards granted by the Company (the amended options, warrants and deferred shares are collectively referred to as the "Awards" and the amendments of the Awards are collectively referred to as the "Amendment"). The overall effect of the Amendment provided for cash payments to Award holders of EUR 36.2 million ($43.4 million based on the December 31, 2017 exchange rate) and a reduction in the number of outstanding Awards by 28.8 million. As a result of the Amendment, the Company recognized during 2017 compensation expense of $11.7 million, or the Award Compensation, and a reduction to shareholder equity of $32.2 million. See Note 3.3 in the accompanying financial statements for additional information.

License Agreement

On February 1, 2017, the License Agreement with Biogen and certain additional parties became effective. The License Agreement provided Biogen with a co-exclusive license in the United States, and an exclusive license outside the United States, to the IP, effective as of February 9, 2017. In accordance with the License Agreement, Biogen paid the Company a non-refundable fee of $1.25 billion, or the Non-refundable Fee, in February 2017.

Trend Information

We do not have any commercialized products on the market. As a result of entering into the License Agreement, combined with the unsuccessful outcome in the Interference Proceeding and Biogen's purchase of the U.S. IP, we have permanently discontinued our development of DMF formulations, including FP187®. At this time, the Company's only potential source of future revenue is contingent on a favorable outcome of the Opposition Proceeding. A successful outcome in the Opposition Proceeding is highly uncertain, but if it were to occur, and provided other conditions set forth in the License Agreement are met, the Company would be entitled to royalties based on Biogen's net sales of Tecfidera® outside the United States, as defined by the License Agreement. Accordingly, should we be entitled to royalties based on Biogen's net sales of Tecfidera® outside the United States, we expect trends in the biopharmaceutical market to have an impact on our business, particularly, trends that effect the market for, or price of, Tecfidera® sales outside the United States.

Financial Operations Overview

Revenue

As discussed further below, the Company's only source of operating revenue to date has come from the License Agreement and we will likely not generate operating revenue in the future unless we prevail in the Opposition Proceeding. The Company's ability to generate operating revenues in the future is highly uncertain and it is possible that we may never recognize operating revenue in the future.

The Company elected to adopt IFRS 15 *Revenue from Contracts with Customer*, or IFRS 15, on January 1, 2017. Under IFRS 15 the Company recognizes revenue to reflect the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to receive in exchange for such goods or services. Prior to entering to the License Agreement, the Company did not have revenue from contracts with customers that were within the scope of IFRS 15 and therefore the initial adoption of IFRS 15 had no effect on previously reported financial statements nor was an adjustment made to the Company's accumulated deficit at January 1, 2017. The only contract that the Company is party to that is within the scope of IFRS 15 is the License Agreement.

Management concluded that the Non-refundable Fee should be recognized as revenue in full in 2017. In reaching this conclusion, various judgments were made, including the identification of the Company's performance obligations within the License Agreement and whether these performance obligations are distinct. Management concluded that the performance obligations in the License Agreement were related to the right granted to Biogen to use the licensed intellectual property both in the United States as well as in the rest of the world and concluded that these performance obligations were met at the time the License Agreement was consummated, as Biogen was granted full use of the licensed intellectual property whether under a co-exclusive license or an exclusive license. At the time the License Agreement became effective, the Company was required to (i) to fund the cost to file, prosecute and maintain the United States patents and European patent EP 2801355 associated with the Company, (ii) to participate in an intellectual property advisory committee and (iii) to provide the Annual Funding of 100,000 DKK (collectively referred to as "Defense Costs"). The period the Company is obligated to fund the Defense Costs is defined in the License Agreement and could

include the period from the effective date of the License Agreement through the last to expire, or invalidation of, the licensed patents; however, the Company's obligation to fund Defense Costs would be discontinued earlier if certain events, as defined in the License Agreement, occur. Management concluded that the Company's obligation to defend the intellectual property does not represent a separate performance obligation as such activities are deemed to be costs to protect the value of the license granted to Biogen. Since Biogen received full unrestricted use of the Company's intellectual property at the time the License Agreement was consummated and since the Company currently has no plans to nor is it obligated to further develop the underlying licensed intellectual property, the License Agreement is deemed to provide Biogen with a right to use the Company's intellectual property upon the consummation of the License Agreement and accordingly, the Non-refundable Fee was recognized as revenue in February 2017.

Effective upon Biogen purchasing the U.S. IP, the Company is no longer required to fund Defense Costs associated with the U.S. IP.

The License Agreement does not obligate Biogen to remit additional amounts to the Company unless the Company prevails in the Opposition Proceeding, including any appeals, and certain other conditions of the License Agreement are satisfied. It is highly uncertain whether the Company will prevail in the Opposition Proceeding and therefore it is possible that additional revenues may not be realized from the License Agreement or any other source. In the event the Company does prevail in the Opposition Proceeding, Biogen would be obligated to remit future royalties to the Company as defined in the License Agreement, provided that other conditions of the License Agreement are satisfied. If the Company fails to prevail in the Opposition Proceeding, future revenues are unlikely and the long-term ability of the Company to continue as a going concern is uncertain. See Notes 1.2 and 1.5 in the accompanying financial statements for additional information.

Research and development costs

For the years ended December 31, 2018 and 2017, our research and development costs consisted primarily of:

- salaries for research and development staff and fees to consultants, as well as expenses incurred by all such personnel; expenses related to share-based compensation to employees and others; the costs of our extensive use of external third-party experts (e.g., consultants for the relapsing forms of MS indication) for our product development efforts; and the outsourcing of specific development tasks to contract manufacturing organizations, or CMOs;

- costs for formulation, development and production of tablets in new doses for use in clinical trials; and production of DMF by our external CMOs, including the costs of testing related to increasing the batch sizes and manufacturing capability of our CMOs in order for us to be able to scale to anticipated next level or later commercial production levels and the costs of limited initial testing of new tablet strengths and forms for the treatment of relapsing forms of MS;

- fees and other costs paid to clinical research organizations, or CROs, in connection with pre-clinical testing, formulation and product testing of tablets; and the fees and costs associated with the performance of clinical trials in relapsing forms of MS and psoriasis, that were outsourced to CROs, in anticipation of planning and running the clinical trials for us, and helping us to gather and maintain all required clinical data for regulatory purposes; and

- fees and expenses incurred to prepare and file patent applications and other intellectual property claims, responding to patent office actions, and conducting patent opposition and interference proceedings and other activities aimed at enhancing and protecting our intellectual property estate provided such fees and expenses relate to intellectual property-related activities that reside within the USPTO, EPO or other country-specific patent registry offices (collectively referred to

as "Patent Fees"). If expenses incurred are associated with the Company's intellectual property-related activities carried out in the courts to protect, defend and enforce granted patent rights against third parties (not residing within the USPTO, EPO or other country-specific patent registry offices) they are classified within general and administrative expenses.

As a result of entering into the License Agreement, combined with the unsuccessful outcome in the Interference Proceeding and Biogen's purchase of the U.S. IP, we permanently discontinued our research and development efforts involving DMF products, including FP187®.

For the year ended December 31, 2019, our research and development costs relate to activities being conducted at the EPO to defend and protect our non-U.S. IP. Accordingly, our research and development costs are primarily Patent Fees associated with our non-U.S. IP and we estimate that our research and development costs in the future will be limited to Patent Fees associated with our non-U.S. IP; however, we may incur minor costs to meet remaining regulatory requirements associated with the wind-down of our research and development efforts.

General and administrative costs

Our general and administrative costs consist primarily of:

- salaries and expenses for employees other than research and development staff, as well as expenses related to share-based compensation awards granted to certain employees;
- professional fees for auditors, legal counsel and other consulting expenses not related to research and development activities;
- information technology related expenses;
- cost of facilities, communication and office expenses;
- investor relations and other costs associated with our public listing of our ADSs on Nasdaq; and
- in 2017, costs of the Restructuring and expenses associated with intellectual property-related activities carried out in the courts to protect, defend and enforce patent rights granted against third parties (not residing within the USPTO, EPO or other country-specific patent registry offices).

We incur significant costs as the result of our public listing including the cost to maintain and enhance our infrastructure in order to comply with regulatory requirements including disclosure controls and procedures. Such costs include maintaining an organization of internal and external professionals who have the necessary experience and skills to address the complex rules and regulations we are required to comply with. The professionals we engage include legal and accounting advisors, auditors and investor relations firms amongst others. There are many other costs we incur to maintain our public listing such as liability insurance and depositary and stock exchange fees.

Non-operating income and (expenses)

Components of non-operating income and (expenses) consisted primarily of:

- gains/losses from changes in foreign exchange rates related to certain financial assets and liabilities;
- interest income earned on available-for-sale financial assets and USD cash holdings; and
- bank fees, including negative interest on Euro and DKK cash holdings.

Results of Operations

Comparison of the years ended December 31, 2019 and 2018

	Year ended December 31,		
	2019	2018	Change favorable (unfavorable)
	(USD in thousands)		
Research and development costs	(1,049)	(2,748)	1,699
General and administrative costs	(4,234)	(9,535)	5,301
Operating (loss)	(5,283)	(12,283)	7,000
Exchange rate gains (losses)	759	2,713	(1,954)
Other finance costs	303	644	(341)
(Loss) before tax	(4,221)	(8,926)	4,705
Income tax benefit (expense)	—	204	(204)
Net (loss)	(4,221)	(8,722)	4,501

Research and development costs for the years ended December 31, 2019 and 2018

Research and development costs for the years ended December 31, 2019 and 2018 were $1.0 million and $2.7 million, respectively. The decrease in research and development costs for the year ended December 31, 2019 of $1.7 million is the result of lower costs incurred in connection with the Opposition Proceedings, lower share-based compensation and the wind down of our development efforts of FP187®. Fees to patent advisors and other patent-related costs incurred in connection with the Opposition Proceeding decreased from $826,000 in the year ended December 31, 2018 to $322,000 in the year ended December 31, 2019. The decrease is the result of reduced activities subsequent to the conclusion of the oral proceeding before the Opposition Division of the EPO concerning patent EP2801355 where the Opposition Division revoked patent EP2801355 on January 29, 2018. Share-based compensation decreased from $1.5 million in the year ended December 31, 2018 to $625,000 in the year ended December 31, 2019. The decrease in share-based compensation resulted from equity awards that were issued prior to December 31, 2017 that included graded vesting provisions resulting in expense recognition that decreases in the latter years of vesting combined with an increased number of equity awards where the underlying expense was fully recognized prior to the year ended December 31, 2019 as performance and/or service conditions were fulfilled prior to December 31, 2018. The balance of the decrease in research and development cost during the year ended December 31, 2019 is the result of the downward trend in year-to-year costs incurred to wind down FP187® development activities. As of December 31, 2019, the wind down of FP187® development activities is complete.

We currently expect that our research and development costs will decrease or remain at current levels in the future; however, considering the high level of uncertainty associated with estimating the nature and timing of costs to be incurred to continue the Opposition Proceeding, including any appeals, it is possible that unforeseen events could occur that could have a material effect on our estimated expenditures. Prospectively, research and development activities will primarily relate to Patent Fees. We may experience significant fluctuations in our expenses, period-to-period, as the result of the varying nature of the services expected to be provided by our patent advisor in connection with the Opposition Proceeding.

General and administrative costs for the years ended December 31, 2019 and 2018

General and administrative costs for the years ended December 31, 2019 and 2018 were $4.2 million and $9.5 million, respectively. The decrease in general and administrative costs in the year

ended December 31, 2019 of $5.3 million resulted primarily from a decrease in legal and accounting costs, lower patent advisory fees incurred in connection with the Interference Proceeding, lower share-based compensation and an overall reduction in overhead costs. Legal and accounting fees were $2.2 million in the year ended December 31, 2018 compared to $964,000 for the year ended December 31, 2019. Our legal and accounting costs are significantly affected by material non-recurring transactions, such as the License Agreement, and the nature, volume and complexity of our business activities. Subsequent to entering into and complying with the License Agreement, the implementation of our organizational realignment, which included staff and cost reductions, and the Interference Proceeding's unfavorable outcome, our business activities require less legal and accounting support and accordingly such costs have diminished during the year ended December 31, 2019. Patent advisory fees incurred in connection with the Interference Proceeding were $453,000 in the year ended December 31, 2018 compared to $3,000 in the year ended December 31, 2019. The reduction in patent advisory fees is the direct result of the conclusion of the Interference Proceeding in January 2019 as such advisors were not needed after that date. Share-based compensation decreased from $4.6 million in the year ended December 31, 2018 to $1.5 million in the year ended December 31, 2019. The decrease in share-based compensation resulted from equity awards that were issued prior to December 31, 2017 that included graded vesting provisions resulting in expense recognition that decreases in the latter years of vesting combined with an increased number of equity awards where the underlying expense was fully recognized prior to the year ended December 31, 2019 as performance and/or service conditions were fulfilled prior to December 31, 2018. The balance of the decrease in general and administrative cost during the year ended December 31, 2019 is the result of cost-cutting measures put in place.

We currently expect that our general and administrative costs will remain at current levels; however, unforeseen events could occur that could have a material effect on our estimated expenditures.

Non-operating income (expense) for the years ended December 31, 2019 and 2018

During each of the years ended December 31, 2019 and 2018, the Group recognized foreign exchange gains of $759,000 and $2.7 million respectively. The foreign exchange gain in each year resulted primarily from 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 cash is converted to the functional currency of the Company and Operations (the DKK) at year end.

Other finance income (expense) primarily includes interest income on USD cash deposits net of bank fees, or negative interest, on EUR and DKK cash deposits.

Income tax (benefit) expense for the years ended December 31, 2019 and 2018

For the year ended December 31, 2019, the Group incurred a loss for tax purposes. The tax loss combined with the Group not meeting the requirements to recognize deferred tax assets, resulted in no income tax benefit (expense) being recognized for the year ended December 31, 2019. The tax benefit recognized during the year ended December 31, 2018 of $204,000 results in part from a change in estimate of $161,000 and the balance relates to changes in deferred tax balances during the year. The effective tax rates for each of the years ended December 31, 2019 and 2018, were 0.0% and 2.3% respectively. The effective tax rates in 2019 and 2018, differ from the Danish statutory tax rate of 22.0%, as the result of unrecognized deferred tax assets.

Since there is significant uncertainty as to whether the Group will have taxable income in the future, deferred tax assets that are available at December 31, 2019 do not meet the criteria for financial statement recognition and accordingly have not been recognized in the accompanying consolidated financial statements.

There is an ongoing joint tax audit being conducted by the Danish and German tax authorities of the Group's Danish and German tax returns. While management believes the tax filing positions taken were correct, there is always the risk that the tax authorities could disagree resulting in additional taxes, interest and penalty being assessed and the amount could be material. See below as well as Note 3.4 to the financial statements for additional information.

Comparison of the years ended December 31, 2018 and 2017

	Year ended December 31,		
	2018	2017	Change favorable (unfavorable)
	(USD in thousands)		
Revenue from the License Agreement	—	1,250,000	(1,250,000)
Cost of the Aditech Transfer Agreement	—	(25,000)	25,000
Research and development costs	(2,748)	(20,496)	17,748
General and administrative costs	(9,535)	(17,107)	7,572
Operating (loss) income	(12,283)	1,187,397	(1,199,680)
Exchange rate gains (losses)	2,713	(241)	2,954
Interest income from available-for-sale financial assets	—	227	(227)
Other finance costs	644	(2,895)	3,539
(Loss) income before tax	(8,926)	1,184,488	(1,193,414)
Income tax benefit (expense)	204	(267,395)	267,599
Net (loss) income	(8,722)	917,093	(925,815)

Revenue from License Agreement for the years ended December 31, 2018 and 2017

During the year ended December 31, 2017, the Company recognized as revenue the $1.25 billion nonrecurring Non-refundable Fee that was received during February 2017. During the year ended December 31, 2018, the Group did not earn any revenues under the License Agreement nor from other sources. Accordingly, there were no revenues recognized during the year ended December 31, 2018.

The License Agreement does not obligate Biogen to remit additional amounts to the Company unless the Company prevails in the Opposition Proceeding, including any appeals, and certain other conditions of the License Agreement are satisfied. It is highly uncertain whether the Company will prevail in the Opposition Proceeding and therefore it is possible that additional revenues may not be realized from the License Agreement or any other source. If the Company fails to prevail in the Opposition Proceeding, future revenues are unlikely and the long-term ability of the Company to continue as a going concern is uncertain. See Notes 1.2 and 1.5 to the accompanying financial statements for additional information.

Cost of the Aditech Transfer Agreement for the years ended December 31, 2018 and 2017

The terms of the Transfer Agreement between Aditech and the Company, including the addendum to the agreement, or the Addendum, executed in January 2017, provided for Aditech to receive a royalty equal to 2% of the Non-refundable Fee, which equaled $25 million. During the year ended December 31, 2018, there were no amounts due to Aditech.

Should the Company prevail in the Opposition Proceeding, additional compensation may be due to Aditech. Such additional compensation will equal 2% of the same base amount with respect to which the Company's royalty percentage is calculated, accruing from the same period of time as any royalty payment payable by Biogen to the Company (prior to taking into account taxes, duties and VAT, if any). See Note 6.2 to the financial statements for additional information.

Research and development costs for the years ended December 31, 2018 and 2017

Research and development costs for the years ended December 31, 2018 and 2017 were $2.7 million and $20.5 million, respectively. The decrease in research and development costs for the year ended December 31, 2018 of $17.7 million is the result of lower costs incurred in connection with the Interference and Opposition Proceedings, lower share-based compensation and the wind-down of our development efforts of FP187®. Fees to patent advisors and other patent-related costs decreased from $2.7 million in the year ended December 31, 2017 to $826,000 in the year ended December 31, 2018. The decrease is the result of reduced activities subsequent to the PTAB's issuance of the decision in the Interference Proceeding in favor of Biogen on March 31, 2017 and the conclusion of the oral proceeding before the Opposition Division of the EPO concerning patent EP2801355 where the Opposition Division revoked patent EP2801355 on January 29, 2018. Non-cash, share-based compensation of $4.9 million combined with $9.5 million of Award Compensation incurred in connection with the Amendment of Awards, as discussed above, decreased from $14.4 million in the year ended December 31, 2017 to $1.5 million in the year ended December 31, 2018. The decrease in share-based compensation resulted in part from the non-reoccurrence of $9.5 million of Award Compensation recognized in 2017 in connection with the Amendment of Awards, the nonrecurring benefit of $1.8 million recognized in 2017 in connection with equity awards that were forfeited by terminated employees and the balance relates to equity awards that were issued during the years ended December 31, 2017, 2016 and 2015 that included graded vesting provisions resulting in expense recognition that decreases in the latter years of vesting. The balance of the decrease in research and development cost during the year ended December 31, 2018 is the result of winding down FP187 ® development activities including all preclinical, clinical and contract manufacturing activities that were in process prior to the effective date of the License Agreement.

General and administrative costs for the years ended December 31, 2018 and 2017

General and administrative costs for the years ended December 31, 2018 and 2017 were $9.5 million and $17.1 million, respectively. The decrease in general and administrative costs in the year ended December 31, 2018 of $7.6 million resulted primarily from a decrease in legal and accounting costs, lower patent advisory fees incurred in connection with the Interference Proceeding, the absence in 2018 of nonrecurring costs incurred in connection with the formation of FWP IP in 2017 and an overall reduction in overhead costs. Legal and accounting fees were $6.9 million in the year ended December 31, 2017 compared to $2.2 million for the year ended December 31, 2018. During the year ended December 31, 2017, the Company had significant nonrecurring needs for legal and accounting advice in connection with entering into and complying with the License Agreement. There was no similar need for such services during the year ended December 31, 2018. Patent advisory fees incurred in connection with the Interference Proceeding were $1.2 million in the year ended December 31, 2017 compared to $453,000 for the year ended December 31, 2018. The reduction in patent advisory fees reflects less demand for such services in 2018. During the year ended December 31, 2017, we incurred a nonrecurring charge of $759,000 in connection with the formation of FWP IP as discussed above. Non-cash share-based compensation of $2.2 million combined with $2.2 million of Award Compensation incurred in connection with the Amendment of Awards, as discussed above, increased from $4.4 million in the year ended December 31, 2017 to $4.6 million in the year ended December 31, 2018. The increase in share-based compensation resulted from a number of offsetting items, including the nonrecurring benefit of $5.8 million recognized in 2017 in connection with equity awards that were forfeited by terminated employees, net of the non-reoccurrence of $2.2 million of Award Compensation recognized in 2017 in connection with the Amendment of Awards and the impact of equity awards that were issued during the years ended December 31, 2017, 2016 and 2015 that included graded vesting provisions resulting in expense recognition that decreases in the latter years of vesting. The balance of the decrease in general and administrative cost during the year ended December 31, 2018 is the result of cost-cutting measures put in place.

Non-operating income (expense) for the years ended December 31, 2018 and 2017

During the year ended December 31, 2018, the Group recognized a foreign exchange gain of $2.7 million. The $2.7 million foreign exchange gain resulted primarily from 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 cash is converted to the functional currency of the Company and Operations (the DKK) at December 31, 2018. During the year ended December 31, 2017, the Company recognized a foreign exchange loss of $241,000. The $241,000 foreign exchange loss resulted primarily from the negative effect of the weakening of the USD to the DKK during the period that is reflected as a non-cash foreign exchange loss when the USD cash and cash equivalents are converted to DKK at December 31, 2017.

During the year ended December 31, 2017, the Company recognized interest income from available-for-sale financial assets of $227,000. During the year ended December 31, 2018, the Company did not hold available-for-sale financial assets.

Other finance income (expense) primarily includes interest income on USD cash deposits net of bank fees, or negative interest, on EUR and DKK cash deposits. The favorable change during the year ended December 31, 2018 is the result of lower bank fees incurred in 2018 on lower EUR cash holdings during 2018 subsequent to the capital reduction in September 2017 and increased interest income on USD cash deposits resulting from higher rates in 2018.

Income tax (benefit) expense for the years ended December 31, 2018 and 2017

The tax benefit recognized during the year ended December 31, 2018 of $204,000 results in part from a change in estimate of $161,000 and the balance relates to changes in deferred tax balances during the year. The effective tax rate for the year ended December 31, 2018 was 2.3%, which is lower than the Danish statutory tax rate of 22.0%. The lower effective tax rate in 2018 is primarily the result of unrecognized deferred tax assets that do not meet the recognition requirement as discussed below. The income tax expense for the year ended December 31, 2017 totaled $267.4 million. The tax expense for the year ended December 31, 2017 resulted from the receipt of the Non-refundable Fee, partially offset by operating expense, resulting in pretax income of $1.2 billion. The effective tax rate for the year ended December 31, 2017 was 22.6%, which is slightly higher than the Danish statutory tax rate of 22.0%. The difference between the effective tax rate and the statutory tax rate is primarily derived from a higher tax rate in Germany, where the Group has taxable nexus in addition to Denmark, and certain nondeductible items related to share-based compensation and the Shareholder Distribution.

Since there is significant uncertainty as to whether the Group will have taxable income in the future, deferred tax assets that are available at December 31, 2018 do not meet the criteria for financial statement recognition and accordingly have not been recognized in the accompanying consolidated financial statements.

Government, Economic, Fiscal, Monetary or Political Initiatives That May Materially Affect Our Operations

We have not identified any current government, economic, fiscal, monetary or political initiatives that would be expected to materially affect our operations.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which we have prepared in accordance with IFRS as issued by the IASB. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent

assets and liabilities at the date of the financial statements, as well as the revenues and expenses reported during each period. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in the notes to our audited consolidated financial statements appearing elsewhere in this Annual Report, we believe that the following accounting policies are the most critical to aid you in understanding and evaluating our financial condition and results of operations.

Share-based compensation

The fair value of equity awards (the share-based compensation arrangements we have historically used have included deferred shares, share options and warrants) issued to our employees, board members, consultants and non-employee consultants in connection with their services provided to the Group are recognized as compensation expense over the applicable service period which is also the vesting period.

The Company determines the initial fair value and subsequent accounting for equity awards granted to the Company's employees, consultants, directors and non-employee consultants using an option pricing model (Black-Scholes) that requires management to use many subjective assumptions. The subjective nature of the assumptions requires management to use significant judgment, and small changes in any individual assumption or in combination with other assumptions may yield significantly different results. The most significant assumptions used to fair value equity awards included the expected period an equity award will be outstanding and the volatility of the Company's ADSs. As a public listed company there is objective evidence of the fair value of an ordinary share on the date an equity award is granted.

Income taxes

Management uses subjective judgments, estimates, and assumptions to determine current and deferred tax provisions as well as current and deferred tax assets and liabilities. The judgments, estimates, and assumptions used by management can change over time as the result of new information becoming available or as facts and circumstance change. Any change will affect our reported assets, liabilities and operating results and the effect could be material. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters could differ from the amounts initially estimated, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made, and the effect could be material.

When we recognize deferred tax assets, including the tax base of tax loss carryforwards, management assesses that these taxes can be offset against positive taxable income within a foreseeable future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies. Such a judgment will be made on an ongoing basis and is based on historical results of operations, budgets, and business plans, including any planned commercial activities. This judgment is made periodically after considering current facts, circumstances, budgets, and business plans as well as the risks and uncertainty associated with the operations of the Group. As facts and circumstances change, adjustments to previously made estimates will be made that could result in volatility in reported operating results and the occurrence of unforeseen events could have a material favorable or unfavorable effect on the financial statements of the Group. Taxable profits are not assured beyond December 31, 2019; therefore, temporary differences that will be available to offset taxable profits after December 31, 2019 do not meet the criteria for financial statement recognition and therefore the related deferred tax assets have not been recognized.

Tax uncertainties

The Group's Danish, German, and United States tax returns are subject to periodic audit by the local tax authorities and are subject to ongoing audits in Germany and Denmark. Such audits could result in the tax authorities disagreeing with the tax filing positions taken by the Group, which would expose the Group to additional taxes being assessed, including interest and penalties that could be material. The Group exercises significant judgment when determining tax filing positions. The tax rules and regulations are very complex and there can be no assurance that management's interpretation and application of these rules and regulations to determine tax filing positions will be accepted by the tax authorities. If the tax authorities reject a tax filing position taken by a Group company, it would likely have a material adverse effect on the Group's financial position and operating results. See "Joint tax audit in Denmark and Germany" below.

To date, the ongoing tax audits have focused on the intercompany recognition of revenue and expenses to ensure that such transactions were conducted at arm's length. There is a risk that the tax authorities could impose additional taxable income or disallow the deductibility of expenses on intercompany cross-border transactions resulting in higher tax obligations in one or more tax jurisdictions. Management's experience has been that the tax authorities can be aggressive in taking positions that would increase taxable income and/or disallow deductible expenses. If the tax authorities are successful in increasing taxable income and/or disallowing deductible expenses in one or more jurisdictions, it would result in the Group experiencing a higher effective tax rate that could be material. Management consulted with professional tax advisors when establishing tax filing positions and believes that the tax filing positions taken with regards to intercompany transactions are in accordance with tax regulations; however, there is always a risk that the tax authorities could disagree with the tax filing positions taken resulting in additional taxes, interest and penalty becoming due and such amount could be material. See also "Joint tax audit in Denmark and Germany" below.

Joint tax audit in Denmark and Germany

Currently, the Danish and German tax authorities are conducting a joint tax audit of the Group's Danish and German tax returns covering multiple years through the year ended December 31, 2017. Conducting a joint tax audit is expected to reduce the burden and cost to the Group of undergoing two audits that address similar transactions and to accelerate the resolution of disagreements.

To date, the joint tax audit has focused on the intercompany recognition of revenue and expenses to ensure that such transactions were conducted at arm's length. It is possible that the ongoing joint tax audit could result in the Danish and German tax authorities mutually agreeing to allocate a greater portion of the Group's total 2017 taxable income to FP GmbH (referred to as the "Reallocation of Taxable Income"). If such Reallocation of Taxable Income were to occur, it could trigger a net increase in the Group's total income tax expense caused by the higher statutory tax rate in Germany of 31.9% versus Denmark's statutory tax rate of 22.0%. Effectively, the Reallocation of Taxable Income would shift taxable income to Germany that would be taxed at 31.9% while reducing taxable income in Denmark that was taxed at 22.0%. FP GmbH has available tax loss carryforwards of 12.0 million EUR ($13.4 million based on the December 31, 2019 exchange rate) that could be used to mitigate an increase in income tax expense resulting from a Reallocation of Taxable Income. Any Reallocation of Taxable Income that is not covered by FP GmbH's tax loss carryforwards and not subject to minimum taxation rules in Germany would result in an increase in income tax expense at a rate of approximately 10 percentage points.

The Danish and German tax authorities may currently be discussing a Reallocation of Taxable Income; however, Management has determined, based on consultations with the Group's tax advisors, that it is not probable (i.e., more likely than not) that the Group will be required to pay additional taxes to the German tax authorities upon the conclusion of the joint tax audit. However, such

determination is inherently subjective and, if it is incorrect, then the Group may be subject to significant additional tax levies. The ultimate resolution of the joint tax audit may require that the Group incur a material outflow of cash that would negatively affect the Group's financial position, results of operations and cash holdings. If the Danish and German tax authorities mutually agree to a Reallocation of Taxable Income, the Group's only option to mitigate the increase in income tax expense would be to seek relief through litigation in Germany. If litigation in Germany were pursued, it would be time-consuming and costly and there is no assurance that the outcome of such litigation would be successful.

If the Danish and German tax authorities do not mutually agree to a Reallocation of Taxable Income, the German tax authorities could unilaterally increase the taxable income of FP GmbH, which could lead to double taxation and an increase in the Group's total income tax expense. In such case, the Group's only option to mitigate the increase in income tax expense would be to seek relief through entering into a MAP comprising a government-to-government dispute resolution mechanism and/or commence litigation against the tax authorities. If relief is sought through a MAP, double taxation will be eliminated; however, there is no assurance that a MAP and/or litigation in Germany would eliminate a net increase in the Group's total income tax expense caused by a Reallocation of Taxable Income, which could be material and could result in a material outflow of cash that would negatively impact the Group's financial position, operating results, and cash holdings.

The cost to pursue litigation in Germany and/or a MAP individually, or in combination with any potential taxes, interest, and penalties due at the conclusion of the litigation and/or MAP, could have a material adverse effect on the Group's financial position, operating results and cash holdings.

The timing of the completion of the joint tax audit by the tax authorities is currently unknown.

For more, see "Risk Factors—Risks Related to Our Financial Position and Capital Needs" and Note 3.4 in the accompanying financial statements for additional information.

Recent Accounting Pronouncements

Standards effective in 2019:

The IASB issued new standards and amendments to standards and interpretations that became effective in 2019, or the 2019 New Standards. None of the 2019 New Standards, including IFRS 16 *Leasing*, or IFRS 16, as discussed below, had an impact on the Group's financial statements.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 became effective on January 1, 2019. The Group does not have long-term leases and therefore the adoption of IFRS 16 had no effect on the Group's consolidated financial statements.

Standards issued but not yet effective:

The IASB issued new standards, amendments to standards and interpretations that become effective on or after January 1, 2020, or the New Standards. None of the New Standards are currently expected to have a material effect on the Group's financial statements.

JOBS Act Exemptions

Until December 31, 2018, we were an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. The JOBS Act contains provisions that, among other

things, reduce certain reporting requirements for an emerging growth company. As an emerging growth company, we elected to take advantage of the following exemptions:

- not providing an auditor attestation report on our internal control over financial reporting; and
- not providing all of the compensation disclosure that is required of non-emerging growth public companies under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The JOBS Act also permits an emerging growth company to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We chose to "opt out" of this provision and, as a result, we complied with new or revised accounting standards as required when they were adopted. This decision to opt out of the extended transition period under the JOBS Act was irrevocable.

B. Liquidity and Capital Resources

Comparison of the Years ended December 31, 2019 and 2018

The table below summarizes our consolidated statement of cash flows for each of the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
	(USD in thousands)	
Net cash flows (used in) operating activities	(2,231)	(14,787)
Net cash flows provided by investing activities	—	3
Net cash flows (used in) financing activities	(799)	(8,120)
Net (decrease) in cash and cash equivalents	(3,030)	(22,904)
Net foreign exchange differences	(1,914)	(4,108)
Cash and cash equivalents beginning of year	82,542	109,554
Cash and cash equivalents end of year	77,598	82,542

Net cash flows used in operating activities for the year ended December 31, 2019 totaled $2.2 million compared to net cash flows used in operating activities for the year ended December 31, 2018 of $14.8 million. The cash flows used in operating activities for the year ended December 31, 2019 were due to the loss incurred for the year offset by non-cash share-based compensation of $2.1 million. The cash flows used in operating activities for the year ended December 31, 2018 were due to the loss incurred for the year combined with the payment of liabilities recognized at the end of 2017, including tax obligations, offset by non-cash share-based compensation of $6.2 million.

The cash inflow provided by investing activities of $3,000 for the year ended December 31, 2018 is the receipt of a rent security deposit associated with vacated office space.

Cash flows used in financing activities for each of the years ended December 31, 2019 and 2018 totaled $799,000 and $8.1 million respectively. Such uses of cash were the result of cash outflows for the repurchase of equity awards.

Comparison of the Years ended December 31, 2018 and 2017

The table below summarizes our consolidated statement of cash flows for each of the years ended December 31, 2018 and 2017:

	Year ended December 31,	
	2018	2017
	(USD in thousands)	
Net cash flows (used in) provided by operating activities	(14,787)	939,947
Net cash flows provided by investing activities	3	85,365
Net cash flows (used in) financing activities	(8,120)	(1,118,691)
Net (decrease) in cash and cash equivalents	(22,904)	(93,379)
Net foreign exchange differences	(4,108)	145,035
Cash and cash equivalents beginning of year	109,554	57,898
Cash and cash equivalents end of year	82,542	109,554

Net cash flows used in operating activities for the year ended December 31, 2018 totaled $14.8 million compared to net cash flows provided by operating activities for the year ended December 31, 2017 of $939.9 million. The cash flows used in operating activities for the year ended December 31, 2018 were due to the loss incurred for the year combined with the payment of liabilities recognized at the end of 2017, including tax obligations, offset by non-cash share-based compensation of $6.2 million. The cash flows provided by operating activities for the year ended December 31, 2017 were due to the receipt of the nonrecurring Non-refundable Fee of $1.25 billion offset by operating costs and income taxes.

The cash inflow provided by investing activities of $3,000 for the year ended December 31, 2018 is the receipt of a rent security deposit associated with vacated office space. The net cash flows provided by investing activities of $85.4 million for the year ended December 31, 2017 reflects the cash inflows from the maturity of available-for-sale financial assets of $85.4 million offset by the purchase of equipment of $3,000.

Cash flows used in financing activities for the year ended December 31, 2018 totaled $8.1 million. Such use of cash was the result of cash outflows for the repurchase of equity awards, of $8.1 million, offset by the receipt of $1,000 in connection with the exercise of warrants. Cash flows used in financing activities for the year ended December 31, 2017 totaled $1.1 billion. Such use of cash was the result of cash outflows for the Shareholder Distribution, of $1.1 billion, and the repurchase of equity awards, of $24.8 million, offset by the receipt of $49,000 in connection with the exercise of warrants.

Funding Requirements and Capital Resources

We believe that our cash and cash equivalents will enable us to fund our operating expenses beyond the next twelve months. We currently have no plans to acquire capital assets except for immaterial purchases of office equipment. We currently estimate that our use of cash for the year ending December 31, 2020 will range from $4 million to $6 million. 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. There is a high level of uncertainty in estimating the costs we will incur to continue the Opposition Proceeding and to defend and protect the intellectual property associated with the Company. There are other uncertainties that could negatively affect our estimated cash spend in 2020 including, but not limited to, the level of support needed from professional tax advisors to defend tax filing positions and an unforeseen negative outcome of the joint tax audit in process in Denmark and Germany (see Note 3.4 to the accompanying financial statements for additional information). Accordingly, our estimated use of cash for the year ending December 31, 2020 could change near-term

and the change could be material. 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:

- the outcome of the Opposition Proceeding, including any appeals;
- our efforts to secure and protect the intellectual property associated with the Company with the objective of obtaining and maintaining royalty-bearing patents;
- the outcome and associated costs, fees, and expenses of the joint tax audit of our Danish and German tax returns; and
- the costs to maintain the infrastructure necessary for a publicly listed company.

Except for the capital reduction in September 2017, the Company has never distributed funds to shareholders in any form, including dividends, and currently there are no plans to distribute funds to shareholders in the future.

Capital Expenditures

Our capital expenditures in the past have not been significant and we currently do not have any significant capital expenditures planned for 2020 or thereafter.

C. Research and Development and Patents

See "Item 4. Information on the Company—B. Business Overview" and "Item 5.A. Operating results."

D. Trend Information

See "Item 5.A. Operating results."

E. Off-balance Sheet Arrangements

In 2004, Aditech (a related party), 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 the Transfer Agreement that replaced the patent license agreement. Under the Transfer Agreement, the Company obtained, among other things, Aditech's patents and associated know-how related to DMF formulations and delivery systems, or the Aditech IP. In connection with the License Agreement, the Company and Aditech executed the Addendum to the Transfer Agreement. The Addendum clarified certain ambiguities with respect to the compensation due to Aditech in the event the Company would enter into the License Agreement and also provided for Aditech to waive certain rights under the Transfer Agreement. The Addendum specifies that Aditech receives 2% of the Non-refundable Fee (or $25 million) and is entitled to additional compensation should the Company receive royalties from Biogen under the License Agreement. If royalties are paid to the Company in accordance with the License Agreement, Aditech will be entitled to receive a cash payment equal to 2% of the same base amount with respect to which the Company's royalty percentage is calculated, accruing from the same period of time as any royalty payment payable by Biogen to the Company (prior to taking into account taxes, duties and VAT, if any).

Under the terms of the License Agreement, and as discussed in more detail elsewhere herein, the Company restructured its operations on June 30, 2017. The restructuring provided for, among other

things, the transfer of certain assets and liabilities to Operations, including the legal and beneficial rights, title and interest to certain intellectual property, for Operations to transfer such intellectual property to FWP IP and for Operations to sell FWP IP to FWP HoldCo. In connection therewith, a number of agreements were executed between the Company, Biogen, Operations and FWP IP including the IPR Services, Administration, Funding and Novation Agreement, or IPR Agreement.

The IPR Agreement requires Operations to pay an annual fee to FWP IP of 100,000 DKK ($15,000 based on the December 31, 2019 exchange rate) as consideration for FWP IP agreeing to hold, prosecute and maintain the transferred intellectual property. Operations is obligated to remit the annual fee through the last to expire, or invalidation of, the licensed patents underlying the transferred intellectual property; however, Operations' obligation to remit the annual fee would be discontinued early if certain events occur as defined in the License Agreement.

FP USA has an office lease that expires on September 30, 2020. The monthly rent during the three-month period ending March 31, 2020 is $1,150 and the monthly rent during the six-month period ending September 30, 2020 is $1,276.

The Company has entered into a lease with Nordic Biotech Advisors ApS for certain office space that houses the Company's corporate headquarters in Copenhagen, Denmark. The amount payable under the lease is variable based on a defined formula and the agreement can be cancelled by either party with six months' prior written notice. For the year ended December 31, 2019, we paid 611,291 DKK (approximately $92,000 based on the December 31, 2019 exchange rate), including VAT, for the use of such premises and we estimate that amounts due under the lease for 2020 will not be materially different.

F. Tabular Disclosure of Contractual Obligations

Contractual Obligations and Commitments

The table below sets forth our contractual obligations and commercial commitments as of December 31, 2019.

	Payments due by period				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	(USD in thousands)				
Non-cancellable contractual obligations*	17	17	45	75	154
Operating lease obligations	48	—	—	—	48
Total	65	17	45	75	202

(*) Includes the annual fee of 100,000 DKK due to FWP IP assuming a conversion rate to U.S. Dollars of 6.6759 as quoted by the Danish National Bank for December 31, 2019. The annual fee has been estimated through the end of 2029; however, such obligation to fund could be terminated earlier or later as defined in the License Agreement.

The table above does not include amounts that would be payable to Aditech if we collect royalties from Biogen in accordance with the License Agreement. The amount, if any, and timing of potential payments to Aditech cannot be estimated at this time but could be material. See Note 6.2 in the accompanying financial statements for additional information.

The table above excludes $278,000 that is contingently payable to certain employees, including the CEO, directors and a consultant if certain service requirements are met as defined in the underlying agreements. If the service requirements are met, the amounts due accrue pro rata through May 2020 and under certain conditions, the amounts could be paid sooner. In addition, the table also excludes

$870,000 that is contingently payable, as defined in the underlying agreements, to the CEO and a consultant if there is a favorable outcome in the Opposition Proceeding and certain service requirements are met. We are unable to estimate when or if there will be favorable outcome of the Opposition Proceeding. See Note 3.3 in the accompanying financial statements and the disclosure above regarding the Amendment for additional information.

G. Safe Harbor

Refer to the information set forth under the heading "Cautionary Note Regarding Forward-Looking Statements" on page 1.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our board of directors and senior management. Unless otherwise stated, the business address for our executive officers and directors is Østergade 24A, 1st floor, 1100 Copenhagen K, Denmark.

Name	Age	Position
Florian Schönharting	51	Chairman
Claus Bo Svendsen	43	Chief Executive Officer
Thomas Carbone	62	Vice President, Finance and Controller, FP USA
Torsten Goesch	60	Director
Grant Hellier Lawrence	58	Director
Jakob Mosegaard Larsen	47	Director
Duncan Moore	61	Director

Florian Schönharting, Chairman

Mr. Schönharting is currently the chairman of our board of directors and has served on the board since our incorporation in July 2005. Mr. Schönharting is our co-founder. He has also founded or co-founded several other biopharmaceutical companies, including Genmab A/S, Veloxis A/S (f/k/a Life Cycle Pharma A/S), Zealand Pharma A/S and Acadia Pharmaceuticals Inc. Mr. Schönharting has more than 25 years of investment executive experience in public and private equity funds involved in the biopharmaceutical industry. He actively managed BI Healthcare SICAV and BI Bioteknologi SICAV for eight years. Mr. Schönharting currently manages the following funds and certain affiliates of these funds: NB Public Equity K/S, Nordic Biotech K/S, Nordic Biotech Opportunity Fund K/S, NB FP Investment K/S and NB FP Investment II K/S. Mr. Schönharting has an M.Sc. (Econ) from Copenhagen Business School.

Claus Bo Svendsen, Chief Executive Officer (Principal Executive Officer & Principal Financial Officer)

Dr. Svendsen has served as our Chief Executive Officer since March 2017. Within Forward Pharma, his previous role as Executive Vice President included responsibility for corporate functions, portfolio strategy, regulatory interactions and medical and scientific input across all phases of clinical trials. Prior to joining Forward Pharma in 2015, he held positions of increasing seniority in the Danish pharmaceutical company Novo Nordisk A/S, including roles of Global Medical Director for Victoza® (liraglutide) and for Saxenda® in its regulatory and pre-launch phase for weight management. From 2007 to 2009, he worked as a Medical Analyst in Nordic Biotech Advisors ApS, dealing with due diligence of potential investment opportunities. He received a M.D. from University of Copenhagen in 2003, and additionally completed a Ph.D. in sarcoidosis pathobiology in 2009. He has worked in several countries with a clinical background mainly in internal medicine, and is a recipient of a Young

Investigator Award from the Foundation for Sarcoidosis Research in 2009. Dr. Svendsen is an author of 27 publications in international, peer-reviewed journals and over 50 abstracts presented at international congresses on pathobiology of sarcoidosis, methods in molecular biology, and medical treatment of diabetes and obesity.

Thomas Carbone, Vice President, Finance and Controller, FP USA (Principal Accounting Officer)

Mr. Carbone has served as the Vice President, Finance and Controller of FP USA since August 2014. Prior to joining us, he spent over 30 years providing auditing and accounting services to a diversified client base of public and private companies, including many in the biotechnology and pharmaceutical industries. Mr. Carbone has extensive experience with the reporting requirements for publicly listed companies and the complex rules and regulations that public companies must comply with. He has been involved in numerous public offerings of debt and equity securities, including many initial public offerings. His most recent role was Partner at a nationally recognized public accounting firm.

Torsten Goesch, Director

Dr. Goesch has served on our board of directors since June 2006. He has also been the director of Rosetta Capital I, LP a secondary life sciences investor since 2002. In this function, Dr. Goesch is responsible for the management of several Rosetta Capital I, LP investments and has served as a member of the board of directors of many biopharmaceutical companies, including Enobia Ltd and Cytochroma Ltd. Dr. Goesch is also the founder and former Managing Director of TRG Invest, a Munich-based consulting business serving companies in the life science sector. Additionally, Dr. Goesch served as the General Manager for the German Speaking Countries at Biogen from 1997 to 1999, and before that was the Commercial Head of Merck KGaA's worldwide generics drug business, Merck Generics. He practiced as a physician of internal medicine at the University Hospital Hamburg-Eppendorf from 1988 to 1990, focusing on nephrology, immunology and oncology. Dr. Goesch has a Master of Management from the J.L. Kellogg Graduate School of Management at Northwestern University, as well as an M.D. and Ph.D. from Heinrich Heine University Dusseldorf.

Grant Hellier Lawrence, Director

Mr. Lawrence has served on our board of directors since July 2015. Mr. Lawrence is currently Managing Director and CFO at Nunc A/S, a Thermo Fisher Scientific company. He has more than 15 years of financial and information technology management experience within global Life Science manufacturing and commercial companies, where he has provided overall leadership and strategic direction with a proven record of driving sustained business and financial performance. Prior to joining Thermo Fisher Scientific, Mr. Lawrence worked for FMC and Pioneer Electronic Corporation. Mr. Lawrence holds a Diploma in Mechanical Engineering (1984) and graduated from the University of South Africa with a Bachelor of Commerce Degree in Accounting and Business Administration (1989).

Jakob Mosegaard Larsen, Director

Mr. Larsen has served on our board of directors since July 2015. Mr. Larsen is currently a partner at Copenhagen-based law firm Mazanti-Andersen Korsø Jensen Law Firm LLP. Prior to January 1, 2016, Mr. Larsen was a Partner at Copenhagen-based the law firm Nielsen Nørager Law Firm LLP. Mr. Larsen serves as a trusted advisor of Danish and international private equity and venture fund managers. He has several years of experience acting as a legal adviser of biotech and life science companies. Mr. Larsen is chairman of the Danish Venture Capital and Private Equity Association's (DVCA) Legal Committee and serves as DVCA's representative on Invest Europe's Legal and Regulatory Committee. He graduated from Copenhagen University with a Master's Degree in Law and

holds an executive MBA from Copenhagen Business School. From 2005 to December 31, 2015 (or for those entities that were established after 2005, since their inception), Nielsen Nørager Law Firm LLP acted as our Danish legal counsel and legal counsel to the Nordic Biotech funds that currently are our shareholders, and the advisory company and the general partners of those funds. Subsequent to December 31, 2015, Mazanti-Andersen Korsø Jensen Law Firm LLP has become our Danish legal counsel and legal counsel to the Nordic Biotech funds, the advisory company and the general partners of those funds. As a former partner in Nielsen Nørager Law Firm LLP and now as a partner at Mazanti-Andersen Korsø Jensen, Mr. Larsen has been and remains extensively involved in the provision of these legal services. Since 2011, Mr. Larsen has also served as a member of the board of directors of the advisory company of two of the Nordic Biotech funds that currently are our shareholders. Mr. Larsen serves on our board of directors in his individual capacity and not as a representative of any of the law firms.

Duncan Moore, Director

Dr. Moore has served on our board of directors since May 2016. Dr. Moore is a partner at East West Capital Partners since May 2008. Previously, Dr. Moore was a top-ranked pharmaceutical analyst at Morgan Stanley from 1991 to 2008 and was a Managing Director from 1997 to 2008 leading the firm's global healthcare equity research team. Whilst at the University of Cambridge, he co-founded a medical diagnostics company called Ultra Clone with two colleagues which led to the beginnings of a 20-year career in healthcare capital markets analysis. In 1986, he was involved in setting up the BankInvest biotechnology funds and was on its scientific advisory board. Dr. Moore was educated in Edinburgh and went to the University of Leeds where he studied Biochemistry and Microbiology. He has a M.Phil. and Ph.D. from the University of Cambridge where he was also a post-doctoral research fellow. Currently, he is an active investor in biomedical companies as Chairman of Lamellar Biomedical and Oncology Venture A/S. In addition, he has a board position at Cycle Pharma and Braidlock Limited. He is also the Chairman of the Scottish Life Sciences Association and serves on the Board of Governors of Merchiston Castle School in Edinburgh and the International School in Shenzhen in the People's Republic of China.

Composition and Practices of the Board of Directors

The board of directors has the overall responsibility for our corporate management. The board of directors determines our policies regarding business strategy, organization, accounting and finance, and the board of directors appoints and supervises our executive officers. The majority of the members of the board of directors must be directors who are not executive officers, and no executive officer may be chairman or vice-chairman of the board of directors. The chairman is elected among and by the directors.

According to the Articles of Association, the board of directors must consist of not less than three and no more than seven members. The board of directors currently consists of five members. All members of the board of directors are elected by our shareholders at the general meeting for one-year terms. At the end of each term, they are eligible for re-election. The board of directors plans to meet at least two times each year, and meetings can be called when deemed necessary by any of our directors or executive officers or by our auditor.

Under the shareholders' agreement that certain of our shareholders entered into prior to our initial public offering, the shareholders party to such agreement have agreed that NB FP Investment K/S will have the right to nominate four directors, Nordic Biotech K/S and Nordic Biotech Opportunity Fund K/S will jointly have the right to nominate one director, and NB FP Investment II K/S shall have the right to nominate one director to the board.

The Danish Companies Act requires granting employees in Danish companies a right of representation on the board of directors in companies with at least 35 employees. This requirement does not currently apply to us because, as of March 31, 2020, we only have 4 employees.

The board of directors conducts its business in accordance with the Danish Companies Act and its own rules of procedure. The rules of procedure set out, among other things, that the board of directors shall establish our strategy, policies and activities to achieve its objective in accordance with the Articles of Association. It also establishes the responsibilities of the board of directors, e.g., that the board of directors shall ensure that our bookkeeping, accounting, asset management, information technology systems, budgeting and internal controls are properly organized. The rules of procedure also provide guidelines for the division of responsibilities between the board of directors, the executive officers and the audit committee. The rules of procedure may be amended by a simple majority vote of the board.

A majority of the directors, including our chairman, must be present to constitute a quorum. Unless otherwise set forth in our Articles of Association, decisions of the board of directors are decided by a simple majority of votes cast. In the event of a tie vote of the members of the board of directors, the chairman shall have a casting vote.

Executive Officer

Our Chief Executive Officer Dr. Claus Bo Svendsen is responsible for our day-to-day business and operations.

Board Committees

Audit Committee

We have an audit committee, which consists of Mr. Grant Hellier Lawrence and Dr. Duncan Moore. Mr. Grant Hellier Lawrence has served on the audit committee since his election to the board of directors in July 2015, and Dr. Duncan Moore has served on the audit committee since his election to the board of directors in May 2016. Since there are no specific requirements under Danish law on the composition of our audit committee, we do not comply with Rule 5605(c) of the Nasdaq Marketplace Rules that requires the audit committees of U.S. companies to have a minimum of three independent directors. Mr. Grant Hellier Lawrence and Dr. Duncan Moore satisfy the director and audit committee "independence" requirements of each of the Nasdaq Marketplace Rules and Section 10A(m)(3)(B)(i) of the Exchange Act.

The board has adopted a written charter for the audit committee, a copy of which is available on our website at *www.forward-pharma.com*. As set forth in the written charter, the principal duties and responsibilities of our audit committee are as follows:

- making recommendations on the appointment and retention of our independent registered public accounting firm which will audit our consolidated financial statements, overseeing the independent registered accounting firm's work and advising on the determination of the independent registered accounting firm's compensation;
- reviewing in advance all audit services and non-audit services to be provided to us by our independent registered accounting firm;
- recommending procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, auditing or compliance matters, as well as for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- reviewing and discussing with management and our independent registered accounting firm the results of the annual audit;

- conferring with management and our independent registered accounting firm about the scope, adequacy and effectiveness of our internal accounting controls, the objectivity of our financial reporting and our accounting policies and practices;
- overseeing regulatory compliance and related matters; and
- reviewing related party transaction matters.

We do not have a compensation committee or a nominations committee, nor is independent director involvement required in the selection of director nominees or in the determination of executive compensation. Our home country practice differs from Rule 5605 of the Nasdaq Marketplace Rules regarding independent directors' involvement in these areas, because there are no specific requirements under applicable Danish law on the establishment of compensation committees or nominations committees, and neither are there any requirements under applicable Danish law on independent directors' involvement in the selection of director nominees nor in the determination of executive compensation.

Scientific Advisors

We have historically engaged a number of scientific advisors, and we have regularly sought advice and input from these experienced scientific leaders on matters related to our research and development programs and may continue to do so in the future in relation to our business. Our scientific advisors are experts across a range of key disciplines relevant to our programs and science.

Code of Business Conduct

We have adopted a written code of business conduct, or code of conduct, which outlines the principles of legal and ethical business conduct under which we do business. The code of conduct applies to all of our board members and employees. The full text of the code of conduct is available on our website at *www.forward-pharma.com*. Any amendments or waivers from the provisions of the code of conduct will be made only after approval by our audit committee and will be disclosed on our website promptly following the date of such amendment or waiver.

Exemptions from Certain Corporate Governance Requirements of Nasdaq

- As a foreign private issuer, we are not required to have an audit committee comprised of at least three members. Our audit committee is comprised of two members.
- As a foreign private issuer, we are not required to have a board the majority of which is comprised of independent directors.
- As a foreign private issuer, we are not required to adopt a formal written charter or board resolution addressing the process for the nomination of directors. We do not have a nominations committee, nor have we adopted a board resolution addressing the nominations process.
- As a foreign private issuer, we are not required to hold regularly scheduled board meetings at which only independent directors are present.
- As a foreign private issuer, no quorum requirement will apply to our meetings of shareholders.
- As a foreign private issuer, we are not required to obtain shareholder approval for material revisions to our share-based incentive plans.
- As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Danish law. Consistent with Danish law and as provided in our Articles of Association, we will notify holders of our ordinary shares of meetings with at least two weeks' but not more than four weeks' notice. This notification will

contain, among other things, information regarding business to be transacted at the meeting. In addition, our Articles of Association provide that shareholders must give us not less than six weeks' advance notice to properly introduce any business at an annual meeting of shareholders.

Other than as noted above, we are in compliance with other Nasdaq corporate governance standards applicable to U.S. domestic issuers.

B. Compensation

Compensation of Executive Officers and Board

For the year ended December 31, 2019, the aggregate compensation paid to our executive officer and members of our board of directors (including share-based compensation) was $2,083,000. This amount includes $316,000 that was deemed to be the repurchase of equity awards for financial reporting purposes and accounted for as a reduction in shareholders' equity. During the years ended December 31, 2018 and December 31, 2019, there were no equity awards granted to our executive officer or members of our board of directors.

None of our directors are employees of Forward Pharma A/S or its wholly-owned subsidiaries, FP USA and Operations, or Operations' wholly-owned subsidiaries, FP GmbH and FA, and accordingly, we do not have any written agreements with them providing for benefits upon termination.

Mr. Larsen, a member of our board of directors, acts as our Danish legal counsel. See "—Director and Officer Awards Granted Under the Share Plan and Outside the Share Plan" and "Related Party Transactions—Legal Services Provided by Mazanti-Andersen Korsø Jensen Law Firm LLP."

Service and Employment Agreements

We have entered into a written service agreement with our Chief Executive Officer Dr. Claus Bo Svendsen, which contains provisions that we believe are standard for a company in our industry regarding non-competition, confidentiality of information and assignment of inventions.

We, through our wholly-owned subsidiary FP USA, have also entered into a written service agreement with our Vice President, Finance and Controller, Thomas Carbone, which contains, among other things, provisions regarding non-competition, confidentiality of information, and assignment of inventions.

Warrant and Other Equity Incentive Programs

Our employees, consultants and non-employee directors are eligible to participate in our warrant and other equity incentive programs, including our 2014 Omnibus Equity Incentive Compensation Plan described below. Most of our award agreements have specific provisions intended to protect the participant from any dilution to the financial value of his or her ownership interest that may occur as a result of a distribution or dividend. In some cases, this may cause or require us to pay cash compensation to the holders of such awards. In addition, we may choose to pay cash compensation to holders of other awards that do not include such provisions in connection with a distribution or dividend.

2014 Omnibus Equity Incentive Compensation Plan

Our 2014 Omnibus Equity Incentive Compensation Plan, or Share Plan, was approved by our board of directors and shareholders on July 24, 2014, and certain technical amendments to the Share Plan were subsequently approved by our board and shareholders on August 11, 2014. Our employees, consultants and non-employee directors are eligible to receive awards under the Share Plan.

Share Reserve and Limitations. The maximum number of ordinary shares currently available for awards pursuant to the Share Plan is 9,936,057 ordinary shares, of which a maximum of 50% may be granted to an individual participant during a single year. The ordinary shares available for awards under the Share Plan may be new shares that we issue and/or existing shares, if any, we acquire.

Administration. The Share Plan is administered by our board of directors or, if and when established, a compensation committee appointed by our board of directors. The board of directors (or the committee, if applicable) has the power to: (i) select the employees, consultants and non-employee directors who will receive awards pursuant to the Share Plan; (ii) determine the type or types of awards to be granted to each participant; (iii) determine the number of ordinary shares to which an award will relate, the terms and conditions of any award granted under the Share Plan (including, but not limited to, restrictions as to vesting, transferability or forfeiture, exercisability or settlement of an award and waivers or accelerations thereof, and waivers of or modifications to performance conditions relating to an award, based in each case on such considerations as the board of directors (or the committee, if applicable) determines) and all other matters to be determined in connection with an award; (iv) determine whether, to what extent, and under what circumstances an award may be canceled, forfeited, or surrendered; (v) determine whether, and to certify that, the performance goals to which the settlement of an award is subject are satisfied; (vi) correct any defect or supply any omission or reconcile any inconsistency in the Share Plan, and adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Share Plan; and (vii) construe and interpret the Share Plan and make all other determinations as it may deem necessary or advisable for the administration of the Share Plan. It may delegate some or all of its powers to any executive officer of our company or any other person, other than its authority to grant awards to certain specified executives.

Types of Awards. Awards that can be granted under the Share Plan include ordinary shares, deferred shares, restricted shares and options.

Ordinary Shares. For awards of ordinary shares, a participant receives or subscribes for a grant of ordinary shares that are not subject to any restrictions on transfer or other vesting conditions. Upon the grant date, the participant will have all of the customary rights of a shareholder with respect to such shares, including the right to vote such shares and to receive dividends with respect to such shares.

Deferred Shares. For awards of deferred shares, we agree to deliver, subject to certain conditions, a fixed number of our ordinary shares to the participant or allow the participant to subscribe for such fixed number of our ordinary shares at the end of a specified deferral period or periods. During such period or periods, the participant will have no rights as a shareholder with respect to any such shares. Except as provided in an award agreement, no dividends will be paid with respect to deferred shares during the applicable deferral period, and the participant will have no future right to any dividend paid during such period. However, most of our award agreements have specific provisions requiring the board of directors (or the committee, if applicable) to adjust the number of shares and exercise or grant price relating to those awards in the event of a dividend which are intended to protect the participant from any dilution of the financial value of his or her ownership interest that may occur as a result of a distribution or dividend.

Restricted Shares. For awards of restricted shares, a participant receives or subscribes for a grant of our ordinary shares that are subject to certain restrictions, including forfeiture of such shares upon the occurrence of certain events. During the restriction period, holders of restricted shares will have the right to vote such shares. During the restriction period, any dividends or distributions paid with respect to any restricted shares are subject to the same restrictions as apply to such restricted shares and will be paid to the participant only if and when the applicable restriction period lapses.

Share Options. Share options granted under the Share Plan may be either incentive stock options or non-qualified options. The exercise price of an option (whether to subscribe for new shares or purchase existing shares we hold) will be determined by the board of directors (or the committee, as applicable), but, except as provided in an award agreement, must be at least 100% of the fair market value of our ordinary shares on the date of the grant (110% in the case of an incentive stock option granted to a 10% shareholder). Except as provided in an award agreement, no dividends will be paid with respect to share options, and the participant will have no future right to any dividend paid prior to exercise of the share options. However, most of our award agreements have specific provisions requiring the board of directors (or the committee, as applicable) to adjust the number of shares and exercise or grant price relating to those awards in the event of a dividend which are intended to protect the participant from any dilution to the financial value of his or her ownership interest that may occur as a result of a distribution or dividend.

Effects of a Change in Control. Upon the occurrence of a change in control, the board of directors (or the committee, as applicable) may, in its discretion: (i) cancel any outstanding options in exchange for a cash payment of an amount (including zero) equal to the difference between the then fair market value of the option less the applicable option price; (ii) after having given the participant a chance to exercise any vested outstanding options, terminate any or all of the participant's unexercised options; (iii) cause the surviving corporation to assume all outstanding options or replace all outstanding options with economically comparable awards; or (iv) take such other action as the board of directors (or the committee, as applicable) determines appropriate; provided that such action substantially preserves the economic value of such options determined as of immediately prior to such change in control.

Effects of Certain Corporate Transactions. In the event of a recapitalization, forward or reverse stock split, reorganization, dissolution, division, merger, consolidation, spin-off, combination, share exchange, or other corporate transaction or event that affects our ordinary shares, the board of directors (or the committee, as applicable) will adjust, recapitalize or modify (i) the number and kind of shares, including any ADRs and ADSs in respect of any such shares, which may thereafter be issued in connection with awards, (ii) the number and kind of ordinary shares, including any ADRs and ADSs in respect of any such shares, issuable in respect of outstanding awards, (iii) the aggregate number and kind of ordinary shares, including any ADRs and ADSs in respect of any such shares, available under the Share Plan, and (iv) the exercise or grant price relating to any award. Notwithstanding the foregoing, no such adjustment will take place merely as a result of the issuance of awards pursuant to the Share Plan in the normal course (even if, to the extent permitted by the Share Plan, such awards have an exercise price less than fair market value of the underlying shares, or other shares, including, without limitation, any ADRs and ADSs in respect of any such shares, on the grant date). In the event of a change in our capital structure by reason of (i) a capital increase (including, without limitation, the issuance of additional ordinary shares or other shares in us, warrants to subscribe for our shares, or awards under the Share Plan), (ii) a capital decrease (including, without limitation, any repurchase of our shares or the cancellation or termination of warrants to subscribe for our shares or the cancellation or termination of awards under the Share Plan), (iii) our issuance of bonus or compensatory shares, (iv) our issuance of convertible debt instruments or (v) dividends, neither the purchase price or exercise price of awards under the Share Plan nor the number of shares which may be subscribed or purchased pursuant to the Awards under the Share Plan may be adjusted unless otherwise specifically provided for in an award agreement, in all cases, even if the transaction giving rise to such change in our capital structure takes place at a price below the fair market value of our shares at time of the transaction. However, most of our award agreements have specific provisions requiring the board of directors (or the committee, if applicable) to adjust the number of shares and exercise or grant price relating to those awards in the event of a dividend or the issuance of bonus shares to all of the Company's shareholders on a pro rata basis which are intended to protect the participant from any dilution of the

financial value of his or her ownership interest that may occur as a result of a change in the Company's capital structure.

Clawback. Any award granted under the Share Plan, including an award of ordinary shares, will be subject to mandatory repayment by the participant to our company pursuant to the terms of any company "clawback" or recoupment policy that is directly applicable to the Share Plan and set forth in an award agreement or required by law to be applicable to the participant.

Transfer Restrictions. No award or other right or interest of a participant under the Share Plan may be pledged, encumbered, or hypothecated to, or in favor of, or subject to any lien, obligation, or liability of such participant to, any party, other than us, or assigned or transferred by such participant otherwise than by will or the laws of descent and distribution, and such awards and rights will be exercisable during the lifetime of the participant only by the participant or his or her guardian or legal representative. Notwithstanding the foregoing, the board of directors, in its discretion, may provide that awards or other rights or interests of a participant granted pursuant to the Share Plan be transferable, without consideration, to immediate family members, to trusts for the benefit of such immediate family members and to partnerships in which such family members are the only partners. In addition, a participant may, in the manner established by the board of directors, designate a beneficiary to exercise the rights of the participant, and to receive any distribution, with respect to any award upon the death of the participant.

Insurance and Indemnification

We have entered into indemnification agreements with our executive officers, certain other employees and members of our board of directors, undertaking to indemnify them, including with respect to liabilities resulting from our initial public offering to the extent that these liabilities are not covered by insurance. In addition, we have entered into insurance policies that insure our directors, executive officers and certain other employees for certain actions taken in their professional capacity and a separate insurance policy insuring our directors and officers against liabilities resulting from our initial public offering, subject to specified exceptions.

C. Board Practices

See "Item 6. Directors, Senior Management and Employees—A. Executive Officers and Directors" and "—B. Compensation."

D. Employees

As of December 31, 2019, we had five employees of which four are in Europe and one is in the United States. One employee holds an M.D. and a Ph.D. degree. One of our employees is represented by a labor union while none of our employees are covered under a collective bargaining agreement. We consider our relations with our employees to be good.

E. Share ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares and ADSs by our directors and executive officers as of April 1, 2020.

Directors and Executive Officers	# of Shares	% of issued Shares(1)
Florian Schönharting(2)	51,647,900	54.32%
Torsten Goesch(3)	17,576,400	18.49%
Jakob M. Larsen(4)	178,280	*
Grant H. Lawrence(5)	178,280	*
Duncan Moore(6)	265,662	*
Claus Bo Svendsen(7)	240,000	*

* Represents less than 1%.

(1) Ordinary shares which may be acquired upon exercise of options or warrants which are currently exercisable or which become exercisable within 60 days after April 1, 2020 (i.e., May 31, 2020) are deemed beneficially owned by the holders of such options or warrants and are deemed outstanding for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage of ownership of any other person. As of April 1, 2020, we had 95,073,864 ordinary shares outstanding.

(2) Consists of ordinary shares held by Nordic Biotech K/S, Nordic Biotech Opportunity Fund K/S, NB FP Investment K/S and NB FP Investment II K/S. Through his ownership of Holdingselskabet af 1 januar 2016 ApS and Tech Growth Invest ApS, Mr. Schönharting controls 45% of the ownership interests in Nordic Biotech General Partner ApS (which is the general partner of both Nordic Biotech K/S and Nordic Biotech Opportunity Fund K/S). In addition, he is the sole member of the Investment Committee of NB FP Investment K/S and NB FP Investment II K/S, and therefore Mr. Schönharting may be deemed to share beneficial ownership of the securities beneficially owned by Nordic Biotech K/S, Nordic Biotech Opportunity Fund K/S, NB FP Investment K/S and NB FP Investment II K/S. Mr. Schönharting disclaims beneficial ownership of such securities except to the extent of his pecuniary interest therein.

(3) Consists of ordinary shares held by Rosetta Capital I, LP. Mr. Goesch has full investment and voting power over all of the shares held by Rosetta Capital I, LP (an affiliate of BioScience Managers Limited), and so may be deemed to share beneficial ownership of the securities owned by the fund. The address for Rosetta Capital I, LP is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware, U.S. Mr. Goesch disclaims beneficial ownership of such securities except to the extent of his pecuniary interest therein.

(4) Includes options to purchase up to 178,280 shares at an exercise price of $6.92 per share that may be exercised during the period from July 1, 2018 to June 30, 2021 (absent a discontinuation of service). Excludes options to purchase up to 50,000 shares at an exercise price of 0.01 DKK per share that may be exercised only during the period from June 20, 2020 to June 19, 2023 (absent a change in control of the Company or discontinuation of service).

(5) Includes options to purchase up to 178,280 shares at an exercise price of $6.92 per share that may be exercised during the period from July 1, 2018 to June 30, 2021 (absent a discontinuation of service). Excludes options to purchase up to 50,000 shares at an

exercise price of 0.01 DKK per share that may be exercised only during the period from June 20, 2020 to June 19, 2023 (absent a change in control of the Company or discontinuation of service).

(6) Includes options to purchase up to 265,662 shares at an exercise price of 0.01 DKK per share that may be exercised during the period from May 1, 2019 to April 30, 2022 (absent a discontinuation of service). Excludes options to purchase up to 50,000 shares at an exercise price of 0.01 DKK per share that may be exercised only during the period from June 20, 2020 to June 19, 2023 (absent a change in control of the Company or discontinuation of service). Also excludes 121,207 deferred shares that will not become exercisable until October 10, 2020 (absent a change in control of the Company).

(7) Includes options to purchase 240,000 shares at an exercise price of $4.51 per share that may be exercised during the period June 1, 2019 to May 31, 2021 (absent a discontinuation of service). Excludes options to purchase 469,519 shares at an exercise price of 0.01 DKK per share that, to the extent they become exercisable by continued service, may be exercised only during the period from November 30, 2020 to November 29, 2022 (absent a change in control of the Company or discontinuation of service) and options to purchase 120,000 shares at an exercise price of $2.24 per share that, to the extent they become exercisable by continued service, may be exercised only during the period from March 1, 2021 to February 28, 2023 (absent discontinuation of service). Also excludes options to purchase 600,000 shares at an exercise price of 0.01 DKK per share that may be exercised only during the period from June 20, 2020 to June 19, 2023 (absent a change in control of the Company or discontinuation of service) and 40,000 deferred shares that will not become exercisable before May 31, 2020.

See "Item 6. Directors, Senior Management and Employees—B. Compensation" above for information with respect to the 2014 Omnibus Equity Incentive Compensation Plan and options held by our directors and executive officers.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our ordinary shares and ADSs by our major shareholders, which means shareholders that beneficially own 5% or more of our ordinary shares, as of April 1, 2020, April 1, 2019 and April 1, 2018, each being the most

recent practicable date before reporting for the last three fiscal years based on information available to the Company.

	2018		2019		2020	
Name	# of Shares	% of issued Shares	# of Shares	% of issued Shares	# of Shares	% of issued Shares*
Nordic Biotech K/S(1)	24,250,680	25.70%	24,250,680	25.51%	24,250,680	25.51%
Nordic Biotech Opportunity Fund K/S(1)	21,177,980	22.44%	21,177,980	22.28%	21,177,980	22.28%
NB FP Investment K/S(2)	5,014,720	5.31%	5,014,720	5.27%	5,014,720	5.27%
Rosetta Capital I, LP	17,576,400	18.63%	17,576,400	18.49%	17,576,400	18.49%
The Bank of New York Mellon(3)	22,968,570	24.34%	22,968,570	24.16%	22,968,570	24.16%
BVF Partners L.P. and its affiliates(4)	10,642,834	11.30%	18,092,758	19.03%	14,092,736	14.82%
Newtyn Management, LLC(5)	—		—		5,973,800	6.28%

* Based on 95,073,864 ordinary shares outstanding as of April 1, 2020.

(1) Nordic Biotech General Partners ApS is the general partner of Nordic Biotech K/S and Nordic Biotech Opportunity Fund K/S and has voting and dispositive power with respect to, and may be deemed to be the beneficial owner of, the shares held by Nordic Biotech K/S and Nordic Biotech Opportunity Fund K/S. Florian Schönharting controls 45% of the ownership interests in Nordic Biotech General Partner ApS and therefore may be deemed to share beneficial ownership of the securities beneficially owned by Nordic Biotech General Partners ApS, including the shares held by Nordic Biotech K/S and Nordic Biotech Opportunity Fund K/S.

(2) Mr. Schönharting is the sole member of the Investment Committee of NB FP Investment K/S, and as such has voting and dispositive power with respect to, and may be deemed to be the beneficial owner of, shares held by NB FP Investment K/S.

(3) The Bank of New York Mellon is acting as depositary bank in our ADS-program and is holding the shares in such capacity. Shares represented by ADSs that are beneficially owned by other major holders are also included in The Bank of New York Mellon's reported ownership.

(4) The information in the table and this note is derived from a Schedule 13G/A filed jointly by BVF Partners L.P. ("Partners"), BVF Inc., Mark N. Lampert, Biotechnology Value Fund, L.P. ("BVF"), BVF I GP LLC ("BVF GP"), Biotechnology Value Fund II, L.P. ("BVF2"), BVF II GP LLC ("BVF2 GP"), Biotechnology Value Trading Fund OS LP ("Trading Fund OS"), BVF Partners OS Ltd. ("Partners OS") and BVF GP Holdings LLC ("BVF GPH" and together with Partners, BVF, BVF GP, BVF2, BVF2 GP, Trading Fund OS and Partners OS, the "BVF Entities") with the SEC on February 14, 2020. Based on information contained in the Schedule 13G/A, as of December 31, 2019 (i) BVF beneficially owned 6,719,416 shares, of which 457,472 are represented by ADSs, (ii) BVF2 beneficially owned 5,370,319 shares, of which 371,919 are represented by ADSs, and (iii) Trading Fund OS beneficially owned 930,692 shares, of which 66,478 are represented by ADSs. BVF GP, as the general partner of BVF, may be deemed to beneficially own the 6,719,416 shares beneficially owned by BVF. BVF2 GP, as the general partner of BVF2, may be deemed to beneficially own the 5,370,319 shares beneficially owned by BVF2. Partners OS, as the general partner of Trading Fund OS, may be deemed to beneficially own the 930,692 shares beneficially owned by Trading Fund OS. BVF GPH, as the sole member of each of BVF GP and BVF2 GP, may be deemed to beneficially own the 12,089,735 shares beneficially owned in the aggregate by BVF and BVF2. Partners, as the investment manager of BVF, BVF2 and Trading Fund OS, and the sole member of Partners OS, may be deemed to beneficially own the 14,092,736

shares beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners managed accounts (the "Partners Managed Accounts"), including 1,072,309 shares, of which 29,855 are represented by ADSs, held in the Partners Managed Accounts. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 14,092,736 shares beneficially owned by Partners. Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 14,092,736 shares beneficially owned by BVF Inc. BVF GP disclaims beneficial ownership of the shares beneficially owned by BVF. BVF2 GP disclaims beneficial ownership of the shares beneficially owned by BVF2. Partners OS disclaims beneficial ownership of the shares beneficially owned by Trading Fund OS. BVF GPH disclaims beneficial ownership of the shares beneficially owned by BVF and BVF2. Each of Partners, BVF Inc. and Mr. Lampert disclaims beneficial ownership of the shares beneficially owned by BVF, BVF2, Trading Fund OS, and the Partners Managed Accounts. The ordinary shares underlying the ADSs are held by The Bank of New York Mellon as depositary and are also included within this table as shares held by The Bank of New York Mellon. The business address of each of BVF, BVF GP, BVF2, BVF2 GP, BVF GPH, Partners, BVF Inc. and Mark N. Lampert is 44 Montgomery St., 40th Floor, San Francisco, California 94104. The business address of each of Trading Fund OS and Partners OS is PO Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(5) The information in the table and this note is derived from a Schedule 13G filed by Newtyn Management, LLC ("Newtyn") with the SEC on February 14, 2020. Based on information contained in the Schedule 13G, as of December 31, 2019, (i) Newtyn Partners, LP ("NP") beneficially owned 247,499 ADSs, representing 3,464,986 ordinary shares, and (b) Newtyn TE Partners, LP ("NTE") beneficially owned 179,201 ADSs, representing 2,508,814 ordinary shares. Newtyn, as the investment manager to NP and NTE, may be deemed to beneficially own the ADSs beneficially owned by NP and NTE. The ordinary shares underlying these ADSs are held by The Bank of New York Mellon as depositary and are also included within this table as shares held by The Bank of New York Mellon. The business address of each of Newtyn, NP and NTE is 60 East 42nd Street, Suite 960, New York, New York 10165.

As of April 1, 2020, there were a total of 17 holders of record of our ordinary shares, including the Bank of New York Mellon who is acting as depositary bank for our ADS program. Eight holders of record of our ordinary shares had addresses in the United States, representing 44.46% of our ordinary shares. As of April 1, 2020, there were a total of two holders of record of our ADSs, both of which had addresses in the United States.

Our shareholders do not have different voting rights. We are not aware of any arrangement that may, at a subsequent date, result in a change in control of our company.

B. Related Party Transactions

The following is a description of the related party transactions that we have entered into since January 1, 2018 with any of the members of our board of directors, our executive officers, our major shareholders or our affiliates.

Leased Premises

We sublease our headquarters in Copenhagen, Denmark from the management company of two of our major shareholders, Nordic Biotech Advisors ApS. In 2019 and 2018, we paid 611,000 DKK ($92,000 based on the average exchange rate for the year) and 601,000 DKK ($95,000 based on the average exchange rate for the year), including VAT, respectively, for such premises.

Employment Agreements and Equity Grants

We have entered into employment agreements with our executive officers, and issued warrants, deferred shares and share options to our executive officers and members of our board of directors. See "Item 6. Directors, Senior Management and Employees" for more information.

Indemnification Agreements

We have entered into indemnification agreements with members of our board of directors and our officers.

Legal Services Provided by Mazanti-Andersen Korsø Jensen Law Firm LLP

Mazanti-Andersen Korsø Jensen Law Firm LLP acts as our Danish legal counsel and legal counsel to the Nordic Biotech funds that currently are our shareholders, and the advisory company and the general partners of those funds. Mr. Larsen, a member of our board of directors, is a partner at Mazanti-Andersen Korsø Jensen Law Firm LLP. Mazanti-Andersen Korsø Jensen Law Firm LLP charged us for services it rendered on an hourly basis and expenses incurred. For the year ended December 31, 2019, we incurred legal expenses for services rendered by Mazanti-Andersen Korsø Jensen Law Firm LLP of 1,557,000 DKK (approximately $233,000 based on the exchange rate for the year ended December 31, 2019). Mr. Larsen is also a member of the board of directors of the advisory company of two of the Nordic Biotech funds that currently are our shareholders.

Consulting Agreements with Certain Directors

We have entered into a consulting agreement with Dr. Duncan Moore who is a member of our board of directors. Pursuant to the consulting agreement with Dr. Moore, Dr. Moore will act as an advisor for the chairman of the board of directors and will perform director-level consulting services as requested by the board of directors from time to time. The consulting agreement with Dr. Moore expires on October 10, 2020. As compensation for the consulting services, the Company granted Dr. Moore a deferred share award with respect to 121,207 shares. The deferred shares vest over a period of four years, with 25% of the shares vesting on the first four anniversaries of October 10, 2016. In addition, subject to Dr. Moore's continuing service to the Company as a consultant, 100% of the unvested deferred shares will vest and be issued to Dr. Moore immediately prior to a change in control.

Dr. Moore is not entitled to any compensation under his consulting agreement other than the deferred share awards discussed above.

Aditech Agreements

In 2010, we entered into a Transfer Agreement with Aditech, and in January 2017, we entered into the Addendum to this agreement. See "Item 4. Information on the Company—Business Overview—Material Agreements" for more information.

IPR Agreement.

The IPR Agreement requires Operations, our wholly-owned subsidiary, to pay an annual fee to FWP IP, which was a wholly-owned subsidiary of Operations until November 22, 2017, of 100,000 DKK ($15,000 based on the December 31, 2019 exchange rate) as consideration for FWP IP agreeing to hold, prosecute and maintain the transferred intellectual property. Operations is obligated to remit the annual fee through the last to expire, or invalidation of, the licensed patents underlying the transferred intellectual property; however, Operations' obligation to remit the annual fee would be discontinued early if certain events occur as defined in the License Agreement.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements," which contains our financial statements prepared in accordance with IFRS.

B. Significant Changes

No matters to report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See "Item 9. C. Markets" for information regarding our ADSs.

B. Plan of Distribution

Not applicable.

C. Markets

ADSs representing our ordinary shares are listed on The Nasdaq Capital Market under the symbol "FWP." Effective as of December 6, 2019, the Company changed the ADS ratio from one ADS per two ordinary shares to one ADS per fourteen ordinary shares.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Since October 14, 2014, our Articles of Association were amended as follows:

- on November 14, 2014, the Company's nominal share capital was increased from 4,581,376 DKK to 4,651,374 DKK;
- on March 24, 2015, to add the terms applicable to warrants previously granted to certain of our directors and employees;

- on April 13, 2015, to increase the share capital in connection with the issuance of 142,150 shares to Joel Sendek;
- on April 20, 2015, to extend the exercise period for warrants that allow for the subscription of 333,720 shares and to increase the board of directors' authorization to issue warrants to employees and consultants by 1.7 million warrants and underlying shares;
- on June 23, 2015, to implement the terms applicable to warrants granted to a number of persons engaged or employed with the Company or a subsidiary of the Company, issue of shares to two warrant holders that had exercised their warrants and amendments due to lapse of certain warrants;
- on November 24, 2015, to implement the terms applicable to warrants granted to a number of persons engaged or employed with the Company or a subsidiary of the Company;
- on May 6, 2016, to increase the allowable maximum number of board members, to increase and amend the board of directors' authorization to issue warrants and to reduce the board of directors' authorization to increase the company's share capital;
- on June 1, 2016, to implement the terms applicable to warrants granted to a number of persons engaged or employed with the Company or a subsidiary of the Company, to issue shares to a warrant holder that had exercised its warrants and amendments due to lapse of certain warrants;
- on July 29, 2016, to increase the share capital in connection with the issuance of 142,155 shares to Joel Sendek;
- on August 30, 2016, to implement the terms applicable to warrants granted to a person employed with the Company;
- on March 29, 2017, to implement the terms applicable to warrants granted to Claus Bo Svendsen and to issue shares to a warrant holder that had exercised its warrants;
- on May 3, 2017, to reflect that the Company's statutory Danish annual report is prepared and presented in English;
- on August 2, 2017, to make a share split in the ratio $^{1}/_{10}$ (the Share Split);
- on September 1, 2017, to decrease the share capital at a premium rate and pay the proceeds to the shareholders at a rate of EUR 19.45 per share of nominally 0.10 DKK (corresponding to EUR 2.43125 per share of nominally 0.01 DKK that was annulled);
- on November 21, 2017, to adopt principles for the adjustment of certain award terms and compensation of certain award holders due to the changes in the Company's capital structure etc. resolved on the Company's extraordinary general meeting on August 2, 2017;
- on November 28, 2017, to implement the terms applicable to warrants granted to employees, board members and a consultant of the Company;
- on April 4, 2018, to implement the terms applicable to warrants granted to Claus Bo Svendsen;
- on June 12, 2018, to issue shares to two warrant holders that had exercised their warrants, include Jan van de Winkel, a former director of the Company;
- on September 18, 2018, to implement the terms applicable to warrants granted to an employee of the Company and to issue shares to a warrant holder that had exercised its warrants;
- on May 8, 2019, to extend until May 1, 2024 the authorizations of the board of directors pursuant to articles 3.2, 3.4, 3.6 and 4.2 in our Articles of Association to (a) issue warrants and corresponding shares to employees, members of the executive management, members of the

board of directors and consultants, (b) issue shares to employees, members of the executive management, members of the board of directors and consultants, (c) issue shares without pre-emption rights of the existing shareholders, and (d) have the Company acquire its own shares; and

- on November 26, 2019, to implement the terms applicable to warrants granted two employees of the Company, including Claus Bo Svendsen.

Except as set forth above, the description of our Articles of Association as in effect upon the closing of our IPO contained in the prospectus dated October 14, 2014 that forms part of our registration statement on Form F-1 (File No. 333-198013) originally filed with the SEC on August 11, 2014, as amended, is incorporated by reference into this Annual Report on Form 20-F. Such description sets forth a summary of certain provisions of our Articles of Association as currently in effect.

C. Material Contracts

Except for the agreements and contracts described below and elsewhere in this Annual Report, including under the sections "Item 4. Information on the Company—B. Business Overview—Material Agreements" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," we are not currently, and have not been in the last two years, party to any material contract, other than contracts entered into in the ordinary course of business.

Registration Rights

Certain holders of our ordinary shares are entitled to certain rights with respect to registration of such shares under the Securities Act. These shares are referred to as Registrable Securities. The holders of these Registrable Securities possess the registration rights pursuant to the terms of a registration rights agreement dated as of September 11, 2014.

The registration of ordinary shares pursuant to the exercise of registration rights would enable the holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. Unless our ordinary shares are listed on a national securities exchange or trading system and a market for our ordinary shares not held in the form of ADSs exists, any Registrable Securities sold pursuant to an exercise of the registration rights will be sold in the form of ADSs. Subject to any limitations under Danish law, we will pay the registration expenses, other than underwriting discounts, selling commissions and share transfer taxes, of the shares registered pursuant to the demand, piggyback and Form F-3 registrations provided for in the registration rights agreement.

September 2014 Shareholders' Agreement

In connection with the consummation of our initial public offering, Nordic Biotech K/S, Nordic Biotech Opportunity Fund K/S, NB FP Investment K/S and NB FP Investment II K/S, which were holders of approximately 55% of our ordinary shares outstanding after consummation of our initial public offering, entered into a new shareholders' agreement dated September 8, 2014.

The key terms of the shareholders' agreement are as follows:

- Appointment of the Board: Providing NB FP Investment K/S with the right to nominate four directors (including the chairman), Nordic Biotech Opportunity Fund K/S and Nordic Biotech K/S, collectively with the right to nominate one director, and NB FP Investment II K/S with the right to nominate one director;

- Veto rights of NB FP Investment K/S: Prohibiting the other parties to the shareholders' agreement from voting in favor of certain key decisions without the approval of NB FP Investment K/S;
- No dividends: Providing that dividends are not expected to be paid prior to an exit event as set forth in the shareholders' agreement;
- Drag-along rights: Providing NB FP Investment K/S with drag-along and exit rights in certain situations; and
- Capital increases: Providing NB FP Investment K/S with the right to cause the other parties to approve an increase in share capital in certain situations.

D. Exchange Controls

There are no governmental laws, decrees, regulations or other legislation in the Kingdom of Denmark that affect or restrict the import or export of capital (including foreign exchange control), the remittance of dividends, interest or other payments to non-resident holders of our ordinary shares or ADSs, except for any legislation restricting the remittance of dividends, interest and other payments in compliance with United Nations and European Union sanctions.

E. Taxation

The following summary contains a general description of certain Danish and U.S. federal income tax consequences of the acquisition, ownership and disposition of the ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire or dispose of ADSs. The summary is based upon the tax laws of Denmark and regulations thereunder and on the tax laws of the United States and regulations thereunder as of the date hereof, which are subject to change.

Danish Tax Considerations

The following discussion is a summary of the material Danish tax considerations relating to the purchase, ownership and disposition of the ADSs.

Taxation in Denmark

This summary is for general information only and does not purport to constitute exhaustive tax or legal advice. The information is summarized based on the tax laws of Denmark in effect and applied as at the date hereof and is subject to change as a result of changes in Danish legislation, including legislation that could have a retroactive effect, or new legislation. It is specifically noted that the description does not address all possible tax consequences of an investment in our ADSs. Therefore, this summary may not be relevant, for example, to investors subject to the Danish Act on Pension Investment Return Taxation (i.e. pension savings) and professional investors, certain institutional investors, insurance companies, pension companies, banks, stockbrokers and individuals and companies carrying on business of purchasing and selling shares to whom special tax rules apply. The summary only sets out the tax position of the direct owners of the ADSs and further assumes that the direct owners are the beneficial owners of the ADSs and any dividends thereon. Sales are assumed to be sales to a third party.

Current and prospective investors in our ADSs are advised to consult their tax advisers regarding the applicable tax consequences of acquiring, holding and disposing of our ADSs based on their circumstances. Current and prospective investors who may be affected by the tax laws of other jurisdictions should also consult their tax advisers with respect to the tax consequences applicable to

their particular circumstances as such consequences may differ significantly from those described herein.

The following summary is based on the Danish tax law as applied and interpreted by Danish tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "Danish Taxes" means taxes of whatever nature levied by or on behalf of Denmark or any of its subdivisions or taxing authorities.

Taxation of Shareholders Resident in Denmark

When considering the taxation of Danish tax resident holders of the ADSs (companies and individuals), it is assumed that for tax purposes Danish resident holders of the ADSs should be treated as holders of unlisted shares in Forward Pharma A/S. It is currently not clear under the Danish tax legislation or case law how the listed ADSs are to be treated for tax purposes. For the purpose of the below comments, it is assumed that the ADSs listed in the United States should be treated as non-listed shares.

Purchase of ADSs

The purchase of ADSs has no tax effect.

Sale of ADSs—Individuals

Gains on the sale of shares are taxed at a rate of 27% on the first 54,000 DKK in 2019 (for cohabiting spouses a total of 108,000 DKK), and at a rate of 42% on share income over 54,000 DKK (for cohabiting spouses a total of 108,000 DKK). In 2020, the sale of shares will be taxed as share income at a rate of 27% on the first 55,300 DKK (for cohabiting spouses a total of 110,600 DKK), and at a rate of 42% on share income over DKK 55,300 (for cohabiting spouses a total of 110,600 DKK). All amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively.

Gains and losses on the sale of shares are made up as the difference between the purchase price and the sales price. The purchase price is based on the average purchase price for the shares in that particular company. Losses on non-listed shares may be offset against other share income derived by the individual and must be offset against cohabiting spouses' share income before the share income becomes negative. In case the share income becomes negative, a negative tax on the share income will be calculated and offset against the individual's other final taxes. Unused negative tax on share income will be offset against a cohabiting spouse's final taxes. If the negative tax on share income cannot be offset against a cohabiting spouse's final taxes, the negative tax can be carried forward indefinitely and offset against future year's taxes.

Sale of ADSs—Companies

A distinction is made between "Subsidiary Shares," "Group Shares," "Tax-exempt Portfolio Shares" and "Taxable Portfolio Shares" with respect to taxation of capital gains derived from the sale of the ADSs.

- "Subsidiary Shares" are generally defined as shares held by a shareholder with a direct holding of 10% or more of the share capital of a company.

- "Group Shares" are generally defined as shares held in a company in which the shareholder of the company and the company are subject to Danish joint taxation or meet the criteria for

international taxation under Danish law, usually implying that they control, directly or indirectly, more than 50% of the votes.

- "Tax-exempt Portfolio Shares" are shares of unlisted companies not falling within the definitions of "Subsidiary Shares" or "Group Shares" (for example, if the shareholder holds less than 10% and the Shares are not Group Shares), provided that the shares are not owned by a life insurance company.

- "Taxable Portfolio Shares" are shares that do not qualify as Subsidiary Shares, Group Shares or Tax-exempt Portfolio Shares.

It is noted that the above ownership thresholds are applied on the basis of the nominal value of all shares issued by Forward Pharma A/S, and not on the basis of the nominal value of ADSs issued.

Capital gains derived from the sale of Subsidiary Shares, Group Shares and Tax-exempt Portfolio Shares are exempt from taxation, irrespective of the holding period.

Losses on Subsidiary Shares, Group Shares and Tax-exempt Portfolio Shares are not tax deductible.

Special anti-avoidance rules apply to certain holding companies holding Subsidiary Shares, Group Shares or Tax-exempt Portfolio Shares. Further, certain anti-avoidance rules apply to the treatment of Tax-exempt Portfolio Shares, in case the assumed nature of the Portfolio Shares changes. These rules are not described herein.

Capital gains from the sale of Taxable Portfolio Shares are taxable at the corporate income tax rate of 22% irrespective of ownership periods. Losses on such shares are deductible only against gains on taxable Portfolio Shares unless the mark-to-market principle is applied.

Dividends—Individuals

Dividends paid to private individuals who are tax residents of Denmark are taxed as share income at the applicable rates. It must be noted that all share income must be included when calculating whether the amounts mentioned above in "Sale of ADSs—Individuals" are exceeded.

Dividends paid to individuals are generally subject to withholding tax, which is the responsibility of the company, at a rate of 27%.

Dividends—Companies

The distinction described above among "Subsidiary Shares," "Group Shares," "Tax-exempt Portfolio Shares" and "Taxable Portfolio Shares" as set forth in "Sale of Offer ADSs—Companies" above, is also made with respect to taxation of dividends on shares.

Dividends paid to companies are generally subject to corporate tax at a current rate of 22%. However, no corporate tax is levied on dividends derived from Subsidiary Shares and Group Shares. The 22% rate applies to dividends derived from Taxable Portfolio Shares and Tax-exempt Portfolio Shares. However, only 70% of dividends from Tax-exempt Portfolio Shares are taxable whereby the effective tax rate is 15.4%.

Dividends paid to companies are generally subject to withholding tax, which is the responsibility of the recipient, at a rate of 22%. Certain options to lower this rate exist dependent on the shareholder status.

Taxation of Shareholders Resident Outside Denmark

Purchase of ADSs

The purchase of ADSs has no tax effect.

Sale of ADSs

A non-resident of Denmark, irrespective of whether the non-resident is a private individual or corporate shareholder, will normally not be subject to Danish tax on any capital gains realized on the sale of shares irrespective of the holding period. Where a non-resident of Denmark holds shares that can be attributed to a permanent establishment in Denmark, such gains are taxable pursuant to the rules applying to a Danish tax resident.

Dividends

Under Danish law, dividends paid in respect of shares are generally subject to Danish withholding tax at a rate of 27%, irrespective of whether the non-resident shareholder is a private individual or a company. Non-residents of Denmark are not subject to additional Danish income tax in respect of dividends received on the shares.

With respect to dividends distributed to a foreign company as the beneficial owner, no tax is withheld on dividends derived from Subsidiary Shares or Group Shares as defined in "Taxation of Shareholders Resident in Denmark—Sale of ADSs—Companies" above. In respect of subsidiary shares, the 0% withholding tax rate on dividends is conditional upon that tax must be eliminated or reduced according to Council Directive 2011/96/EEC (EU Parent Subsidiary Directive) or a double tax treaty with the jurisdiction in which the dividend receiving company is tax resident. With respect to Group Shares, it is a requirement that the company receiving the dividends is a resident of an EU or EEA country and that withholding taxes on dividends would have been eliminated or reduced according to Council Directive 2011/96/EEC (EU Parent Subsidiary Directive) or a double tax treaty with the jurisdiction in which the dividend receiving company is resident, if Group Shares had been Subsidiary Shares.

Corporate shareholders of Taxable or Tax-exempt Portfolio Shares and individuals who receive dividends are subject to Danish tax on such dividends at a rate of 27%. In respect of companies the effective tax rate is 22%, i.e. 5% can be reclaimed. If the shareholder (corporate or individual) holds less than 10% of the nominal share capital in the company and the shareholder is resident in a jurisdiction that has a double taxation treaty convention or other agreement on exchange of information in tax cases, dividends are generally subject to a tax rate of 15% (a lower rate may be applicable under the double taxation treaty in question). If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15% tax rate that the shareholder (together with affiliates shareholders) holds less than 10% of the nominal share capital of the company. As a result of the 27% withholding, shareholders eligible for the 15% tax rate would need to claim a refund on the excess amount withheld.

If a foreign corporate shareholder is a tax resident within the EU/EEA or in a country that has a double tax treaty with Denmark, and the shares held by the company are allocated to a Danish permanent establishment, then the dividends should be tax-exempt if the shares held fall within the definition of Group Shares and Subsidiary Shares as defined in "Taxation of Shareholders Resident in Denmark—Sale of ADSs—Companies" above. If a foreign shareholder is not a tax resident within the EU/EEA or in a country that has a double tax treaty with Denmark, or if the dividends are derived from Taxable Portfolio Shares and Tax-exempt Portfolio Shares, the 22% rate applies. However, only 70% of any dividends from Tax-exempt Portfolio Shares are taxable, resulting in an effective tax rate of 15.4%.

Denmark has executed double tax treaties with approximately 90 countries, including the United States and almost all members of the EU (excluding France and Spain). If Denmark has entered into a double tax treaty with the country in which the shareholder is resident, the shareholder may, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the tax (typically 15%) to which Denmark is entitled under the relevant tax treaty, by

completing the relevant online request to the Danish tax authorities. The treaty between Denmark and the United States generally provides for a 15% rate.

Share Transfer Tax

No Danish share transfer tax is payable.

U.S. Federal Income Tax Considerations for U.S. Holders

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of the ADSs. It is not a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire or dispose of securities. This discussion applies only to a U.S. Holder that holds the ADSs as capital assets for tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

- insurance companies;
- banks or certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- governmental organizations;
- persons holding the ADSs as part of a hedging transaction, "straddle," wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ADSs;
- regulated investment companies;
- real estate investment trusts, grantor trusts or other trusts;
- persons whose "functional currency" for U.S. federal income tax purposes is not the U.S. Dollar;
- brokers or dealer in securities or currencies;
- individuals who are former U.S. citizens or former long-term residents;
- tax-exempt entities, including "individual retirement accounts" and "Roth IRAs" and other tax-deferred accounts;
- partnerships, S corporations or other entities or arrangements classified as partnerships for U.S. federal income tax purposes or persons holding ADSs through any such entities;
- persons liable for alternative minimum tax;
- persons that own or are deemed to own either 10% or more of our voting shares or 10% of the value of our shares; and
- persons holding the ADSs in connection with a trade or business conducted outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding the ADSs and partners in such partnerships are encouraged to consult their own tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the ADSs.

The discussion is based on the Code, its legislative history, administrative pronouncements and published rulings, judicial decisions, final, temporary and proposed U.S. Treasury Regulations, and the income tax treaty between Denmark and the United States, or the Treaty, all as of the date hereof, changes to any of which may affect the tax consequences described herein—possibly with retroactive effect.

A "U.S. Holder," for purposes of the U.S. federal income tax discussion below, is a beneficial owner of the ADSs as capital assets within the meaning of Section 1221 of the Code, who is eligible for the benefits of the Treaty and is:

(1) an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;

(2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;

(3) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

(4) a trust, if (A) a U.S. court is able to exercise its primary supervision over the trust's administration and one or more U.S. persons (as such term is defined under the Code) have authority to control all substantial decisions of the trust, or (B) the trust has a valid election in place under all applicable U.S. Treasury Regulations to treat the trust as a U.S. person (as such term is defined under the Code).

For U.S. federal income tax purposes, U.S. Holders of ADSs will be treated as the beneficial owners of the underlying shares represented by the ADSs and an exchange of ADSs for our ordinary shares will not be subject to U.S. federal income tax.

U.S. Holders are encouraged to consult their own tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of the ADSs in their particular circumstances.

Taxation of Distributions

Subject to the PFIC rules described below, distributions paid on the ADSs, other than certain pro rata distributions of the ADSs, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to U.S. Holders as dividends. Under certain situations, subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be taxable at preferential rates applicable to long-term capital gains. The amount of a dividend will include any amounts withheld by us in respect of Danish income taxes. The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date the U.S. Holder receives the dividend. The amount of any dividend income paid in Euros will be the U.S. Dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. Dollars. If the dividend is converted into U.S. Dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. Dollars after the date of receipt.

Subject to applicable limitations, some of which vary depending upon the U.S. Holder's particular circumstances or how long the ADSs have been held, Danish income taxes withheld from dividends on

the ADSs (or ordinary shares underlying the ADSs) at a rate not exceeding the rate provided by the Treaty will be creditable against the U.S. Holder's U.S. federal income tax liability. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisers regarding their particular circumstances. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct foreign taxes, including any Danish income tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year.

Corporations will not be entitled to claim a dividends-received deduction with respect to distributions made by us. Dividends may constitute foreign source passive income for purposes of the U.S. foreign tax credit rules. U.S. Holders should consult their own tax advisors as to their ability, and the various limitations on their ability, to claim foreign tax credits in connection with the receipt of dividends.

Sale or Other Taxable Disposition of the ADSs

Subject to the PFIC rules described below, gain or loss realized on the sale or other taxable disposition of the ADSs will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the ADSs for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. Dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

Under the Code, we will be a PFIC for any taxable year in which, after the application of certain "look-through" rules with respect to subsidiaries, either (i) 75% or more of our gross income consists of "passive income," or (ii) 50% or more of the average quarterly value of our assets consist of assets that produce, or are held for the production of, "passive income." Passive income generally includes interest, dividends, rents, certain non-active royalties and capital gains. Whether we will be a PFIC in any year depends on the composition of our income and assets, and the relative fair market value of our assets from time to time, which we expect may vary substantially over time. Because (i) we currently own a substantial amount of passive assets, including cash, and (ii) the values of our assets, including our intangible assets, that generate non-passive income for PFIC purposes, is uncertain and may vary substantially over time, it is uncertain whether we will be a PFIC in any year. We believe, however, that we were a PFIC for each of the six years preceding December 31, 2019, and may be classified as a PFIC in future years. If we are a PFIC for any year during which a U.S. Holder holds the ADSs, we generally would continue to be treated as a PFIC with respect to that U.S. Holder for all succeeding years during which the U.S. Holder holds the ADSs, unless we ceased to meet the threshold requirements for PFIC status and that U.S. Holder made a qualifying "deemed sale" election with respect to the ADSs. If such election is made, the U.S. Holder will be deemed to have sold the ADSs it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described below. After the deemed sale election, the ADSs with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds the ADSs, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized upon a disposition (including, under certain circumstances, a pledge) of the ADSs by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such ADSs. The amounts allocated to the taxable year of disposition and to years before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and would be increased by an

additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year. Further, to the extent that any distribution received by a U.S. Holder on its ADSs exceeds 125% of the average of the annual distributions on such ADSs received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner described immediately above with respect to gain on disposition.

If we are a PFIC for any taxable year during which any of our non-U.S. subsidiaries is also a PFIC, a U.S. Holder of ADSs during such year would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules to such subsidiary. U.S. Holders should consult their tax advisers regarding the tax consequences if the PFIC rules apply to any of our subsidiaries.

Alternatively, if we are a PFIC and if our ADSs are "regularly traded" on a "qualified exchange," a U.S. Holder may be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment described above. Our ADSs would be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter. Nasdaq is a qualified exchange for this purpose. Additionally, because a mark-to-market election cannot be made for equity interests in any lower-tier PFIC that we may own, a U.S. Holder that makes a mark-to-market election with respect to us may continue to be subject to the PFIC rules with respect to any indirect investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. If a U.S. Holder makes the mark-to-market election, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of the ADSs at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the ADSs will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election).

If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are urged to consult their tax advisers about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Alternatively, a U.S. Holder of stock in a PFIC may make a so-called "Qualified Electing Fund" election to avoid the PFIC rules regarding distributions and gain described above. U.S. Holders should be aware, however, that we are not required to satisfy the record- keeping and other requirements that would permit U.S. Holders to make qualified electing fund elections.

In addition, if we are a PFIC or, with respect to particular U.S. Holders, are treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the preferential rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

U.S. Holders should consult their tax advisers regarding the potential application of the PFIC rules.

Net Investment Income Tax

In general, a U.S. Holder that is an individual, an estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of

individuals will be between $125,000 and $250,000, depending on the individual's filing status). A holder's net investment income will include its gross dividend income and its net gains from the disposition of ADSs, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). **If you are a U.S. Holder that is an individual, estate or trust, you are encouraged to consult your tax advisers regarding the applicability of the net investment income tax to your income and gains in respect of your investment in the ADSs.**

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds received on the sale of other distributions of ADSs that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding, and otherwise complies with the applicable backup withholding rules.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

If a U.S. Holder owns ADS during any year in which we are a PFIC, such U.S. Holder (including, potentially, indirect holders) generally must file an IRS Form 8621 with such holder's federal income tax return for that year. Certain U.S. Holders who are individuals may be required to report information relating to their ownership of an interest in certain foreign financial assets, including shares of a non-U.S. person, generally on Form 8938, subject to exceptions (including an exception for shares held through a U.S. financial institution).

U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the ADSs.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A CURRENT OR PROSPECTIVE INVESTOR. EACH CURRENT OR PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ADSs IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR NON-U.S. JURISDICTION AND INCLUDING ESTATE, GIFT, AND INHERITANCE LAWS.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K in limited circumstances; however, we may elect to make additional information available on Form 6-K. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that

website is *www.sec.gov*. We make our reports available on our internet website, free of charge, as soon as reasonably practicable after such material is electronically filed with the SEC. The address of our website is *www.forward-pharma.com*. No portion of our website is incorporated by reference into this Annual Report.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of financial risks: foreign exchange 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 and the Euro.

Forward Pharma A/S's, Operations', and FA's functional currency is the DKK, FP GmbH's functional currency is the Euro, and FP USA's functional currency is the USD. Our expenses to date have been largely denominated in USD, DKK, and in Euro and therefore we are impacted by changes in foreign currency exchange rates. Our revenue from the License Agreement and our obligation to Aditech were denominated in USD. It is very common for a group company to conduct cross-border transactions where the functional currency is not always used, including purchases from vendors in the United Kingdom, where the GBP is used, and the United States, where the USD is used. In addition, the Company and Operations, who each use the DKK as their functional currency, have large cash holdings in Euros and USD. Accordingly, future changes in the exchange rates of the DKK, the Euro and/or the USD will expose us to currency gains or losses that will impact the reported amounts of assets, liabilities, income and expenses and the impact could be material. For the years ended December 31, 2019, 2018 and 2017, we recognized foreign exchange gains (losses) of $759,000, $2.7 million and ($241,000) respectively. While we benefited from changes in foreign exchange rates in 2019 and 2018, it is possible that a foreign exchange loss as experienced in 2017 could reoccur. Any reoccurrences of foreign exchange losses would negatively affect us and the effect could be material.

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 U.S. Dollar relative to the Euro and the DKK would have decreased our net loss for the year ended December 31, 2019 by $455,000. A 10% decrease in the value of the U.S. Dollar relative to the Euro and the DKK would have increased our net loss for the year ended December 31, 2019 by a similar amount.

Credit Risk

As of December 31, 2019, our cash and cash equivalents are held primarily at two banks that have Moody's long-term debt ratings of Aa3 or better. We do not invest in equity instruments or derivatives. Our investment criteria require preservation of capital and diversification in high credit rated financial institutions.

Liquidity Risk

As of December 31, 2019, we held cash and cash equivalents totaling $77.6 million, which we believe will be sufficient to provide adequate funding to allow us to meet our planned operating activities in the normal course of business beyond the year ending December 31, 2019.

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. There is a high level of uncertainty in estimating the costs we will incur to continue the Opposition Proceeding and to defend and protect the intellectual property associated with the Company. There are other uncertainties that could negatively affect our estimated cash spend in 2020 including, but not limited to, the level of support needed from professional tax advisors to defend tax filing positions and an unforeseen negative outcome of the joint tax audit in process in Denmark and Germany (see Note 3.4 to the financial statements for additional information). Accordingly, our estimated use of cash for the year ending December 31, 2020 could change near-term and the change could be material.

We currently estimate that there will be adequate liquidity to continue as a going concern beyond the next twelve months; however, if we do not prevail in the Opposition Proceeding, including all appeals, future revenues are unlikely and our ability to continue as a going concern long-term would be uncertain and management would consider, amongst other things, an orderly wind-down of operations.

We currently have no significant planned capital expenditures nor are there plans to make cash distributions to shareholders.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Pursuant to the terms of the deposit agreement, the holders of ADSs will be required to pay the following fees:

Persons depositing or withdrawing ordinary shares or ADSs must pay:	For:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Issue of ADSs, including issues resulting from a distribution of ordinary shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$0.05 (or less) per ADS	• Any cash distribution to the holder
A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the shares had been deposited for issue of ADSs	• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to the holder
$0.05 (or less) per ADS per calendar year	• Depositary services
Registration or transfer fees	• Transfer and registration of ordinary shares on our share register to or from the name of the depositary or its agent when a holder deposits or withdraws shares
Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. Dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, share transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide for-fee services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. Defaults

No matters to report.

B. Arrears and Delinquencies

No matters to report.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

No matters to report.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain a set of disclosure controls and other procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified and in accordance with the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our principal executive and financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive and financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019.

It should be noted that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment and makes assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based on the evaluation of our disclosure controls and procedures as of December 31, 2019, our principal executive and financial officer concluded that, as of such date, our disclosure controls and procedures were not effective, as a result of the material weakness in internal controls over financial reporting described below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was not effective as of December 31, 2019 due to the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Based on the evaluation performed as of December 31, 2017, in accordance with the COSO criteria, management identified a material weakness in our internal control over financial reporting due to the ineffective design of review controls in place related to the appropriate accounting treatment of complex, non-routine transactions and ineffective segregation of duties over the recording of non-routine transactions primarily as a result of limited resourcing. While management took actions to remediate the material weakness, or Actions, during the years ended December 31, 2019 and 2018, as discussed below, no complex non-routine transactions occurred during the years ended December 31, 2019 and 2018. Therefore, management was not able to monitor and test whether the Actions taken were sufficient to remediate the material weakness. As a result of the lack of objective evidence that the Actions taken were sufficient to remediate the material weakness, management must conclude that the material weakness has not been remediated. Accordingly, based on the evaluation performed as December 31, 2019, in accordance with the COSO criteria, management continues to disclose a material weakness in our internal control over financial reporting due to the ineffective design of review controls in place related to the appropriate accounting treatment of complex, non-routine transactions and ineffective segregation of duties over the recording of non-routine transactions.

After considering the Company's current situation and expectations of future operations, management does not expect that a complex non-routine transaction will occur in the foreseeable future. Without a complex non-routine transaction, management will be unable to monitor or test that the Actions taken were sufficient to remediate the material weakness. Consequently, it is likely that the material weakness reported herein will continue to be reported in future periods.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of our registered public accounting firm as the result of the Company meeting the definition of a non-accelerated filer and therefore such report is not required under applicable rules and regulations of the SEC.

Changes in Internal Control Over Financial Reporting

As discussed above, management took actions during the years ended December 31, 2019 and 2018 to remediate the material weakness, including the hiring of an outside advisor, or the Advisor, to evaluate the current design of our internal control environment and suggest steps to enhance processes. The Advisor's suggestions have been implemented. In addition, we also hired an experienced professional who has many years of financial reporting experience working at a subsidiary of a U.S. listed company as well as over ten years of experience working at a large, international accounting firm. The professional holds a senior position within the Company's finance department and is involved in overseeing all the activities of the finance department in Denmark. The professional reports to the Vice President, Finance and Controller and has direct access to the Company's Chief Executive Officer. Should the Group enter into a complex non-routine transaction in the future, the professional will independently evaluate the technical aspects, in accordance with IFRS, and financial statement implications of such transaction, and ensure that such transaction is correctly accounted for and disclosed in the Company's consolidated financial statements. The professional's role within our system of internal control over financial reporting affords management the ability to enhance segregation of duties by redefining roles and responsibilities of staff to increase oversight and review capabilities.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Grant Hellier Lawrence is an audit committee financial expert, as that term is defined by the SEC, and is independent in accordance with Nasdaq rules.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics, which applies to all of our board members and employees, including our principal executive and financial officer, Claus Bo Svendsen, and principal accounting officer, Thomas Carbone. Our Code of Business Conduct and Ethics is intended to meet the definition of "code of ethics" under Item 16B of Form 20-F under the Exchange Act.

Our Code of Business Conduct and Ethics is available on our website at *www.forward-pharma.com*. The information contained on our website is not incorporated by reference in this Annual Report.

Any amendments or waivers from the provisions of our Code of Business Conduct and Ethics will be made only after approval by our audit committee and will be disclosed on our website promptly following the date of such amendment or waiver.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our auditors, Ernst & Young P/S, have performed the following services for the Company during the past two years:

	2019	2018
	(USD in thousands)	
Audit	$ 250	$ 333
Audit related	—	—
Total	$ 250	$ 333

All services provided to the Company by Ernst & Young P/S are reviewed and approved by our audit committee in advance of commencement of services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2019, no purchases of our equity securities were made by or on behalf of the Company or any affiliated purchaser.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Our ADSs are listed on The Nasdaq Capital Market. However, as a foreign private issuer, we are permitted to follow the corporate governance practices of our home country in lieu of certain provisions of the Nasdaq Listing Rules.

The material ways in which our corporate governance practices differ from those applicable to U.S. companies under the Nasdaq Listing Rules are:

- We are not required to have an audit committee comprised of at least three members, and our audit committee is currently comprised of only two members.

- A majority of the members of our board of directors are not required to be "independent directors" as defined in the Nasdaq Listing Rules, and a majority of the members of our board of directors are not "independent directors."

- We are not required to adopt a formal written charter or board resolution addressing the process for the nomination of directors. We do not have a nominations committee, nor have we adopted a board resolution addressing the nominations process.

- We are not required to hold regularly scheduled board meetings at which only independent directors are present.

- No quorum requirement applies to our meetings of shareholders.

- We are not required to obtain shareholder approval for material revisions to our share-based incentive plans.

- We are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Danish law. Consistent with Danish law and as provided in our Articles of Association, we will notify our holders of our ordinary shares of meetings with at least two weeks' but not more than four weeks' notice. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our Articles of Association provide that shareholders must give us not less than six weeks' advance notice to properly introduce any business at an annual meeting of shareholders.

Other than as noted above, we are in compliance with other Nasdaq Listing Rules applicable to U.S. domestic issuers.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

The Financial Statements filed as part of this Annual Report begin on page F-1.

ITEM 19. EXHIBITS

Exhibit Index

Exhibit Number	Description
1.1(9)	English translation of Amended and Restated Articles of Association, dated November 26, 2019.
2.1(2)	Registration Rights Agreement, dated September 11, 2014, between Forward Pharma A/S and each of the investors listed on Schedule A thereto.
2.2(3)	Deposit Agreement between the Registrant and The Bank of New York Mellon, as depositary, dated October 14, 2014.
2.3	Letter Agreement between the Registrant and The Bank of New York Mellon, as depositary, dated May 29, 2019.
2.4(3)	Form of American Depositary Receipt (included in Exhibit 2.2).
2.5(2)	Shareholders' Agreement, dated September 8, 2014, between Nordic Biotech K/S, Nordic Biotech Opportunity Fund K/S, NB FP Investment K/S and NB FP Investment II K/S.
2.6	Description of Securities.
4.1(1)	Patent Transfer Agreement, dated May 4, 2010, between Forward Pharma A/S and Aditech Pharma AG.
4.2(6)	Addendum to Patent Transfer Agreement, dated January 17, 2017, between Forward Pharma A/S and Aditech Pharma AG.
4.3(1)	Form of Director and Officer Indemnification Agreement.
4.4(4)	Forward Pharma A/S 2014 Omnibus Equity Incentive Compensation Plan.
4.5(5)	Settlement and License Agreement, dated January 17, 2017, between Forward Pharma A/S, Biogen Swiss Manufacturing GmbH, Biogen International Holding Ltd. and certain other parties named therein.
4.6(8)	Call Option Agreement, dated as of November 22, 2017, by and among Forward Pharma A/S, FWP HoldCo ApS and Biogen Swiss Manufacturing GmbH.
4.7(8)	Pledge Agreement, dated as of November 22, 2017, by and among Forward Pharma A/S, FWP HoldCo ApS and Biogen Swiss Manufacturing GmbH.
4.8(8)	Share Purchase Agreement, dated as of November 22, 2017, by and between Forward Pharma Operations ApS and FWP HoldCo ApS.
4.9(7)	Asset Contribution Agreement, dated as of June 30, 2017, by and between Forward Pharma A/S and Forward Pharma Operations ApS.

Exhibit Number	Description
4.10(7)	IPR Services, Administration, Funding and Novation Agreement, dated as of June 30, 2017, by and among Forward Pharma A/S, Forward Pharma Operations ApS, FWP IP ApS, Biogen Swiss Manufacturing GmbH and Biogen International Holding Limited.
8.1	List of Subsidiaries.
12.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
12.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
13.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Ernst & Young P/S, Independent Registered Public Accounting Firm.
101.1	Interactive Data Files (XBRL-Related Documents).

(1) Incorporated by reference from the Registrant's Registration Statement on Form F-1 (Registration No. 333-198013) filed with the SEC on August 11, 2014.

(2) Incorporated by reference from the Registrant's Amendment No. 1 to Registration Statement on Form F-1 (Registration No. 333-198013) filed with the SEC on September 12, 2014.

(3) Incorporated by reference from the Registrant's Annual Report on Form 20-F filed with the SEC on March 25, 2015.

(4) Incorporated by reference from the Registrant's Registration Statement on Form S-8 (Registration No. 333-203312) filed with the SEC on April 9, 2015.

(5) Incorporated by reference from the Registrant's Annual Report on Form 20-F filed with the SEC on April 18, 2017.

(6) Incorporated by reference from the Registrant's Current Report on Form 6-K filed with the SEC on January 17, 2017.

(7) Incorporated by references from the Registrant's Current Report on Form 6-K filed with the SEC on September 26, 2017.

(8) Incorporated by references from the Registrant's Current Report on Form 6-K filed with the SEC on November 22, 2017.

(9) Incorporated by references from the Registrant's Current Report on Form 6-K filed with the SEC on December 13, 2019.

SIGNATURE

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

FORWARD PHARMA A/S

By: /s/ CLAUS BO SVENDSEN

Name: Claus Bo Svendsen
Title: *Chief Executive Officer*

Date: April 24, 2020

Forward Pharma A/S

Index to the Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Forward Pharma A/S

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Forward Pharma A/S (the Company) as of December 31, 2019 and 2018, the related consolidated statements of profit or loss, other comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young P/S

We have served as the Company's auditor since 2005.

Copenhagen, Denmark
April 24, 2020

Consolidated Statement of Financial Position

as of December 31, 2019 and 2018

	Notes	December 31, 2019 USD '000	December 31, 2018 USD '000
Assets			
Other non-current asset	6.2	2	2
Total non-current assets		2	2
Prepayments	4.2	292	340
Other receivables	4.3	95	266
Income tax receivable	3.4	178	182
Cash and cash equivalents	5.2	77,598	82,542
Total current assets		78,163	83,330
Total assets		78,165	83,332

	Notes	December 31, 2019 USD '000	December 31, 2018 USD '000
Equity and Liabilities			
Share capital	5.1	152	152
Other components of equity:			
Foreign currency translation reserve		85,849	87,748
Accumulated deficit		(8,432)	(5,686)
Equity attributable to shareholders of the Parent		77,569	82,214
Total equity		77,569	82,214
Trade payables	5.4	82	428
Income tax payable	3.4	—	68
Accrued liabilities	4.4	514	622
Total current liabilities		596	1,118
Total equity and liabilities		78,165	83,332

See accompanying notes to these consolidated financial statements

Consolidated Statement of Profit or Loss

for the years ended December 31, 2019, 2018 and 2017

amounts in thousands except per share amounts

	Notes	Year ended December 31, 2019 USD	2018 USD	2017 USD
Revenue from settlement and license agreement	1.2	—	—	1,250,000
Cost of the Aditech Pharma AG agreement	1.2, 6.2	—	—	(25,000)
Research and development costs	3.2, 3.3, 4.1	(1,049)	(2,748)	(20,496)
General and administrative costs	3.2, 3.3, 4.1, 6.1	(4,234)	(9,535)	(17,107)
Operating (loss) income		(5,283)	(12,283)	1,187,397
Exchange rate gain (loss), net		759	2,713	(241)
Interest income from available-for-sale financial assets		—	—	227
Other finance income (expense)	5.3	303	644	(2,895)
(Loss) income before tax		(4,221)	(8,926)	1,184,488
Income tax benefit (expense)	3.4	—	204	(267,395)
Net (loss) income for the year		(4,221)	(8,722)	917,093
Net (loss) income for the year attributable to:				
Equity holders of the Parent		(4,221)	(8,722)	917,093
Per share amounts:				
Net (loss) income per share basic	3.5	(0.04)	(0.09)	2.41
Net (loss) income per share diluted	3.5	(0.04)	(0.09)	2.30

See accompanying notes to these consolidated financial statements

Consolidated Statement of Other Comprehensive (Loss) Income

for the years ended December 31, 2019, 2018 and 2017

	Notes	Year ended December 31, 2019 USD '000	2018 USD '000	2017 USD '000
Net (loss) income for the year		(4,221)	(8,722)	917,093
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:				
Change in fair value of available-for-sale financial assets	2.1	—	—	(218)
Exchange differences on translation of foreign operations	2.1	(1,899)	(4,154)	129,673
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		(1,899)	(4,154)	129,455
Other comprehensive (loss) income		(1,899)	(4,154)	129,455
Total comprehensive (loss) income		(6,120)	(12,876)	1,046,548
Attributable to:				
Equity holders of the parent		(6,120)	(12,876)	1,046,548

See accompanying notes to these consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity

for the years ended December 31, 2017, 2018 and 2019

	Notes	Share capital	Share premium	Foreign currency translation reserve	Fair value adjustment available-for-sale financial assets	Accumulated deficit	Total equity
		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
At January 1, 2017		800	339,955	(37,771)	218	(147,400)	155,802
Net income for the year		—	—	—	—	917,093	917,093
Other comprehensive income (loss)		—	—	129,673	(218)	—	129,455
Total comprehensive income (loss)		—	—	129,673	(218)	917,093	1,046,548
Shareholder distribution	5.1	(650)	(340,003)	—	—	(753,274)	(1,093,927)
Distribution to equity award holders	3.3	—	—	—	—	(32,208)	(32,208)
Exercise of warrants	5.1	1	48	—	—	—	49
Share-based payment costs	3.3	—	—	—	—	7,082	7,082
Tax benefit resulting from share-based payment costs	3.4	—	—	—	—	6,334	6,334
Transactions with owners		(649)	(339,955)	—	—	(772,066)	(1,112,670)
At December 31, 2017		151	—	91,902	—	(2,373)	89,680
At January 1, 2018		151	—	91,902	—	(2,373)	89,680
Net loss for the year		—	—	—	—	(8,722)	(8,722)
Other comprehensive (loss)		—	—	(4,154)	—	—	(4,154)
Total comprehensive (loss)		—	—	(4,154)	—	(8,722)	(12,876)
Exercise of warrants	5.1	1	—	—	—	—	1
Distribution to equity award holders	3.3	—	—	—	—	(761)	(761)
Share-based payment costs	3.3	—	—	—	—	6,170	6,170
Transactions with owners		1	—	—	—	5,409	5,410
At December 31, 2018		152	—	87,748	—	(5,686)	82,214
At January 1, 2019		152	—	87,748	—	(5,686)	82,214
Net loss for the year		—	—	—	—	(4,221)	(4,221)
Other comprehensive (loss)		—	—	(1,899)	—	—	(1,899)
Total comprehensive (loss)		—	—	(1,899)	—	(4,221)	(6,120)
Distribution to equity award holders	3.3	—	—	—	—	(670)	(670)
Share-based payment costs	3.3	—	—	—	—	2,145	2,145
Transactions with owners		—	—	—	—	1,475	1,475
At December 31, 2019		152	—	85,849	—	(8,432)	77,569

See accompanying notes to these consolidated financial statements

Consolidated Statement of Cash Flows

for the years ended December 31, 2019, 2018 and 2017

	Notes	Year ended December 31, 2019 USD '000	2018 USD '000	2017 USD '000
Operating activities:				
(Loss) income before tax		(4,221)	(8,926)	1,184,488
Adjustments to reconcile (loss) income before tax to net cash flows (used in) provided by operating activities:				
Share-based payment costs	3.3	2,145	6,170	7,082
Depreciation expense	4.1	1	4	227
Other including foreign exchange rate gain (loss)		—	6	4,217
Cash inflow from interest on available-for-sale financial assets		—	—	571
Cash inflow for taxes		—	472	—
Cash (outflow) for taxes		(67)	(7,089)	(255,453)
Decrease in other receivables and prepayments		200	384	71
(Decrease) in trade payables and accrued liabilities		(289)	(5,808)	(1,256)
Net cash flows (used in) provided by operating activities		(2,231)	(14,787)	939,947
Investing activities:				
Proceeds from the maturity of available-for-sale financial assets		—	—	85,368
Reduction in non-current asset		—	3	—
Purchase of equipment	4.1	—	—	(3)
Net cash flows provided by investing activities		—	3	85,365
Financing activities:				
Shares issued for cash	5.1	—	1	49
Shareholder distribution	5.1	—	—	(1,093,927)
Repurchase of equity awards	3.3	(799)	(8,121)	(24,813)
Net cash flows (used in) financing activities		(799)	(8,120)	(1,118,691)
Net (decrease) in cash and cash equivalents		(3,030)	(22,904)	(93,379)
Net foreign exchange differences		(1,914)	(4,108)	145,035
Cash and cash equivalents at January 1		82,542	109,554	57,898
Cash and cash equivalents at December 31		77,598	82,542	109,554

See accompanying notes to these consolidated financial statements

Notes to Consolidated Financial Statements

Section 1—Corporate information

1.1 Organization

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 consolidated financial statements include the Company's directly, and indirectly, owned German, United States and two Danish subsidiaries, identified as follows: Forward Pharma GmbH ("FP GmbH"), Forward Pharma USA, LLC ("FP USA"), Forward Pharma FA ApS ("FA") and Forward Pharma Operations ApS ("Operations"), respectively (also see Restructuring below). The Company and its subsidiaries are collectively referred to as the "Group." The Company's board of directors authorized the issuance of the financial statements included herein on April 24, 2020.

As discussed in more detail in Note 1.2, effective as of February 1, 2017, the Company entered into a Settlement and License Agreement (the "License Agreement") with two wholly owned subsidiaries of Biogen Inc. (collectively "Biogen"). Prior to entering into the License Agreement, the Company was actively developing FP187®, a proprietary formulation of dimethyl fumarate ("DMF"), for the treatment of multiple sclerosis ("MS") patients. The Company announced on March 1, 2017 plans to complete the remaining research and development efforts of FP187® and pursue an organizational realignment to reduce personnel and operating expenses by mid-year 2017. The organizational realignment was substantially completed by September 30, 2017. As discussed in Note 1.2, the Company has permanently discontinued the development of DMF formulations, including FP187®.

Under the terms of the License Agreement, the Parent restructured its operations (the "Restructuring") on June 30, 2017 whereby the Parent transferred to Operations (a newly created wholly owned Danish limited liability company) certain assets and liabilities, including the legal and beneficial rights, title and interest to defined intellectual property (the "IP"), and Operations transferred the IP to FWP IP ApS ("FWP IP") (a newly created wholly owned Danish limited liability company). The final step in the Restructuring was completed on November 22, 2017 when the capital stock of FWP IP was sold (the "Sale") to a newly formed Danish limited liability company (FWP HoldCo ApS, referred to as "HoldCo") owned and controlled by a newly formed independent Danish foundation (FWP Fonden, referred to as the "Foundation"). In consideration for the capital stock of FWP IP, HoldCo paid Operations 336,000 Danish Kroner ("DKK") ($54,000 based on the December 31, 2017 exchange rate).

The Foundation's three-member board includes one independent director and one director appointed by each of the Parent and Biogen. Accordingly, the Parent does not control, nor does it have exposure or rights to variable returns from the Foundation, HoldCo or FWP IP. During November 2017, the Group contributed 5 million DKK ($805,000 based on the December 31, 2017 exchange rate) as the initial capitalization of the Foundation and is obligated to pay 100,000 DKK ($15,000 based on the December 31, 2019 exchange rate) annually (the "Annual Funding") to FWP IP in exchange for FWP IP agreeing to hold, prosecute and maintain the IP in accordance with certain agreements. The Group is only obligated to remit the Annual Funding through the last to expire, or invalidation of, the licensed patents underlying the IP; however, the Company's obligation to remit the Annual Funding would be discontinued earlier if certain events, as defined in the License Agreement, occur.

On August 2, 2017, the Company's shareholders approved a 10-for-1 share split (the "Share Split"). Except if disclosed otherwise, all share and per share information contained in the accompanying financial statements has been adjusted to reflect the Share Split as if it had occurred at the beginning of the earliest period presented. Subsequent to the Share Split, the nominal value of an

Notes to Consolidated Financial Statements (Continued)

Section 1—Corporate information (Continued)

ordinary share of the Parent is 0.01 DKK. See Note 3.5 for additional information regarding share and per share information.

On August 2, 2017, the Company's shareholders approved a capital reduction with a corresponding shareholder distribution of 917.7 million Euros ("EUR") ($1.1 billion) (the "Capital Reduction"). The funds for the Capital Reduction were distributed to shareholders during September 2017. The Capital Reduction was executed through the annulment of 80% of the ordinary shares outstanding post Share Split. Currently, there are no plans to distribute funds to shareholders in the future.

1.2 Intellectual Property Proceedings and the Settlement and License Agreement

On February 1, 2017, the License Agreement with Biogen and certain additional parties became effective. The License Agreement provided Biogen with a co-exclusive license in the United States, and an exclusive license outside the United States, to the IP, effective as of February 9, 2017. In accordance with the License Agreement, Biogen paid the Company a non-refundable fee of $1.25 billion ("Non-refundable Fee") in February 2017.

Background

On April 13, 2015, an administrative patent judge at the United States Patent Trial and Appeal Board ("PTAB") declared Patent Interference No. 106,023 (the "Interference Proceeding") between the Company's United States Patent Application No. 11/567,871 and United States Patent No. 8,399,514B2 held by a subsidiary of Biogen, Inc. The License Agreement did not resolve the Interference Proceeding between the Company and Biogen or the pending opposition proceeding against the Company's European patent EP2801355 (the "Opposition Proceeding"). The License Agreement allows for the PTAB and the United States Court of Appeals for the Federal Circuit (the "Federal Circuit"), as applicable, and the Opposition Division, the Technical Board of Appeal (the "TBA") and the Enlarged Board of Appeal of the European Patent Office (the "EPO"), as applicable, to make final determinations in the proceedings before them. As discussed further below, the final determinations in the proceedings would determine whether future royalties are due to the Company in accordance with the License Agreement. An unsuccessful outcome in the Interference Proceeding would result in the Company not being entitled to royalties based on Biogen's future net sales in the United States, as defined in the License Agreement, and an unsuccessful outcome in the Opposition Proceeding would result in the Company not being entitled to royalties on Biogen's future net sales outside the United States, as defined in the License Agreement.

Interference Proceeding

On March 31, 2017, the PTAB issued a decision in the Interference Proceeding in favor of Biogen. The PTAB ruled that the claims of the Company's United States Patent Application No. 11/567,871 are not patentable due to a lack of adequate written description. On May 30, 2017, the Company filed a notice of appeal with the Federal Circuit seeking to have the PTAB's decision overturned and the Interference Proceeding reinstated. On October 24, 2018, the Federal Circuit affirmed the PTAB's decision. On November 21, 2018, the Company filed a petition for rehearing of the Federal Circuit's decision. The rehearing request was denied on January 2, 2019 and the Federal Circuit's decision became final on January 9, 2019. The Federal Circuit's final decision ended the Interference Proceeding in favor of Biogen. As a result of the unsuccessful outcome of the Interference Proceeding,

Notes to Consolidated Financial Statements (Continued)

Section 1—Corporate information (Continued)

the Company will not receive royalties from Biogen based on Biogen's future net sales in the United States, as defined in the License Agreement.

On March 25, 2019, the Company received notice from Biogen of their exercise of the option to purchase the intellectual property in the United States associated with the Company (the "U.S. IP") pursuant to the License Agreement. The Foundation and Biogen have consummated the assignment of the U.S. IP to Biogen upon the execution of assignment agreements and the payment of a nominal amount by Biogen to FWP IP, and Biogen has assumed ownership and responsibility for the assigned U.S. IP. In addition, the Company will not be able to develop or commercialize any therapy for the treatment of any human disease or condition using DMF, including FP187®.

As a result of entering into the License Agreement, combined with the unsuccessful outcome in the Interference Proceeding and Biogen's exercise of its option to purchase the U.S. IP, the Company has permanently discontinued the development of DMF formulations, including FP187®. Therefore, sources of revenue derived from customers in the United States are not expected.

Opposition Proceeding

If the Company is successful in the Opposition Proceeding (i.e., the Company obtains, as a result of the Opposition Proceeding, and any appeals therefrom, a patent with a claim covering oral treatment of MS with 480 mg/day of DMF), it would be eligible to collect a 10% royalty from January 1, 2021 to December 31, 2028 and a 20% royalty from January 1, 2029 until the earlier of the expiration or invalidation of the patents defined in the License Agreement, on a country-by-country basis on Biogen's net sales outside the United States of DMF-containing products indicated for treating MS that, but for the license granted under the License Agreement, would infringe a Company patent, provided that other conditions of the License Agreement are satisfied. Among the conditions that need to be satisfied for any royalty to be payable by Biogen to the Company is the absence of generic entry in a particular geography having a particular impact as defined in the License Agreement. Given the expected timeline for the resolution of the Opposition Proceeding, including any appeals, the earliest time the Company may expect to receive any royalty income from the License Agreement, if at all, is 2023. If the Company is unsuccessful in the Opposition Proceeding and any appeals therefrom, the Company would not be entitled to future royalties on Biogen's net sales outside the United States, as defined in the License Agreement.

On January 29, 2018, the Opposition Division of the EPO concluded the oral proceeding concerning patent EP2801355 and issued an initial decision in the Opposition Proceeding. The Opposition Division revoked patent EP2801355 after considering third-party oppositions from several opponents. On March 22, 2018, the Opposition Division issued its written decision with detailed reasons for the decision, on May 7, 2018, the Company submitted its notice of appeal, and on August 1, 2018, the Company submitted the detailed grounds for the appeal. On July 8, 2019, the Company received notice from the EPO that the appeal will be heard by the TBA of the EPO on June 18, 2020 (the "2020 Hearing"). However, the 2020 Hearing may be delayed as a result of the ongoing novel coronavirus 2019 ("COVID-19") pandemic and, if the 2020 Hearing is delayed, a new hearing date is currently unknown. Management expects the TBA to issue a ruling on the same day as the hearing with a fully-argued decision to follow approximately two months after the 2020 Hearing.

If the Company receives a favorable ruling following the 2020 Hearing, it is expected that the TBA will remand the case to the Opposition Division, in order for the Opposition Division to resolve the remaining elements of the original opposition. Management estimates that the Opposition Division

Notes to Consolidated Financial Statements (Continued)

Section 1—Corporate information (Continued)

would take approximately two to three years to resolve the remaining elements of the original opposition. However, delays can occur that would extend the time needed for the Opposition Division to reach a conclusion on the remaining elements of the original opposition. The Company is not entitled to any royalty payments from the License Agreement until and unless all remaining elements of the original opposition are resolved in its favor. As such, the earliest time the Company may expect to receive any revenues from the License Agreement, if at all, is 2023.

If the Company receives an unfavorable ruling in the 2020 Hearing, it would, for all practical purposes, represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalties being due to the Company from Biogen based on Biogen's future net sales outside the United States, as defined in the License Agreement. The Company may request a rehearing of the 2020 Hearing with the Enlarged Board of Appeal of the EPO in an effort to overturn the unfavorable outcome, but the likelihood of getting a rehearing is low. The denial of a request to rehear would end the Opposition Proceeding in favor of the opponents.

Aditech Pharma AG

The receipt of the Non-refundable Fee in February 2017 triggered a $25 million obligation payable to Aditech Pharma AG in accordance with the addendum to the patent transfer agreement between the Company and Aditech Pharma AG. See Note 6.2.

1.3 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. The IPO proceeds totaled $235.2 million before deducting the underwriters' commission and other direct and incremental costs associated with the IPO.

Prior to the Share Split, each ADS represented one ordinary share. At the time of the Share Split and after the subsequent Capital Reduction, each ADS represented ten ordinary shares and two ordinary shares, respectively. In addition, on December 6, 2019, an ADS ratio change was implemented that resulted in each ADS representing fourteen (14) ordinary shares (see Note 1.4).

1.4 Nasdaq's Continued Listing Requirements

Prior to August 26, 2019, the Company's ADSs were listed on the Nasdaq Stock Market ("Nasdaq") Global Select Exchange ("GSE"). Nasdaq has continued listing requirements ("Continued Listing Requirements" or "CLR") that the Company must maintain in order to remain listed on the GSE. The CLRs include, amongst others, maintaining a minimum market value, as defined by the CLR, ("Minimum Market Value") and maintaining a minimum bid price of at least $1.00 per ADS, as defined by the CLR, ("Minimum Bid Price"). The Company's ADSs, during 2019, did not maintain the Minimum Market Value nor did it maintain the Minimum Bid Price requirements as required by the CLR to remain listed on the GSE. As the result of not maintaining the Minimum Market Value and the Minimum Bid Price, the Company received noncompliance letters from Nasdaq regarding the Minimum Market Value on June 21, 2019 and the Minimum Bid Price on June 25, 2019. Each noncompliance letter provided for a 180-day grace period for the Company to regain compliance with the CLR.

Notes to Consolidated Financial Statements (Continued)

Section 1—Corporate information (Continued)

On August 22, 2019, the Company received approval ("Approval Letter") from Nasdaq that the Company's application to transfer its listing from the GSE to Nasdaq's Capital Market ("CM") had been approved. The Company's ADSs commenced trading on the CM on August 26, 2019. As the result of the Company's listing being transferred to the CM, which has a less onerous Minimum Market Value than the GSE, it has gained compliance with Minimum Market Value as stated in the Approval Letter.

Effective on December 6, 2019, the Company implemented an ADS ratio change (the "Ratio Change") in order to regain compliance with Nasdaq's Minimum Bid Price. The ADS ratio was changed from two ordinary shares per ADS to fourteen (14) ordinary shares per ADS through a reduction of the number of outstanding ADSs. On December 20, 2019, the Company received acknowledgement from Nasdaq that it had regained compliance with the Minimum Bid Price requirement. The Ratio Change had no effect on the total outstanding ordinary shares of the Company.

In the future, if the Company fails to maintain compliance with the CLR, the Company's ADSs would likely be delisted from the CM and begin trading on the over-the-counter market (pink sheets).

The Parent's ADSs traded under the symbol "FWP" while listed on the GSE and continue to be traded under the symbol "FWP" while listed on the CM.

1.5 Going Concern

The Group currently estimates that there will be adequate liquidity to continue as a going concern beyond the next twelve months; however, if the Company fails to prevail in the Opposition Proceeding, including all appeals, as discussed in Note 1.2, future revenues are unlikely, the Company's ability to continue as a going concern long-term would be uncertain, and management would consider, amongst other things, an orderly wind-down of operations.

Section 2—Basis of Preparation

2.1 Accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States Dollars ("USD"), and all values are rounded to the nearest thousand (USD '000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017.

FP GmbH, FP USA, and FA have been consolidated for all periods presented herein. Operations has been consolidated since its inception on June 30, 2017. FWP IP was consolidated from its inception on June 30, 2017 through November 22, 2017 when the capital stock of FWP IP was sold to HoldCo.

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

The Parent's consolidation of each subsidiary will continue until the date the Company no longer controls the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances and transactions are eliminated in consolidation.

Translation from functional currencies to presentation currency

The Group's consolidated financial statements are presented in USD, which is not the functional currency of the Parent. The Group's financial statements are presented in USD as the result of the Parent publicly listing the ADSs in the United States see Note 1.4. The Parent, Operations, FWP IP and FA's functional currency is the DKK, FP GmbH's functional currency is the EUR and FP USA's functional currency is the USD.

Except for the specific income and expense transactions noted below, the translation to the presentation currency for entities with a functional currency different from the USD, their assets and liabilities are translated to USD using the closing rate as of the date of the statements of financial position while income and expense items for each statement presenting profit or loss and other comprehensive income are translated into USD at an average exchange rate for the period. Exchange differences arising from such translation are recognized directly in other comprehensive (loss) income and presented in a separate reserve in equity.

As a result of the magnitude of the Non-refundable Fee, the amounts due per the Amendment (as defined in Note 3.3), and the amount due Aditech Pharma AG (see Note 6.2) combined with the weakening of the USD compared to the DKK during the year ended December 31, 2017, the Parent used the spot rate to translate such transactions to the presentation currency (USD). The spot rate was used to avoid the distortion of operating results that would have been caused had the average exchange rate been used. In addition, for the same reason, the average exchange rate for the three-month period ended March 31, 2017 was used to translate the income tax provision to the presentation currency.

Foreign currencies transactions and balances

The Company and each of its subsidiaries determine their respective functional currency based on facts and circumstances and the technical requirements of IFRS. Items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded by the Group entities in their respective functional currency using the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at each reporting date. Differences arising on settlement or translation of monetary items denominated in foreign currency are recognized in the statement of profit or loss.

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

For each of the years ended December 31, 2019, 2018 and 2017, the amounts reflected as "Exchange rate gain (loss), net," within operating results include the following:

	Year Ended December 31,		
	2019	2018	2017
	USD '000	USD '000	USD '000
Total foreign exchange rate gains	798	2,940	9,043
Total foreign exchange rate loses	(39)	(227)	(9,284)
Net foreign exchange rate gain (loss)	759	2,713	(241)

Revenue recognition

The Group recognized the Non-refundable Fee in accordance with IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 addresses the accounting and disclosure requirements for revenue contracts with customers. The mandatory effective date for adopting IFRS 15 was January 1, 2018; however, the Group elected to adopt IFRS 15 early on January 1, 2017. In accordance with IFRS 15, the Group recognizes revenue to reflect the transfer of goods or services to customers in an amount that reflects the consideration that the Group expects to receive in exchange for such goods or services.

Prior to entering to the License Agreement, the Group did not have revenue from contracts with customers that were within the scope of IFRS 15 and therefore the adoption of IFRS 15 had no effect on previously reported financial statements nor was an adjustment made to the Group's accumulated deficit at January 1, 2017.

The only contract that the Group is party to that is within the scope of IFRS 15 is the License Agreement. In concluding when the Non-refundable Fee should be recognized as revenue, various judgments were made, including the identification of the Company's performance obligations within the License Agreement and whether these performance obligations are distinct. Management concluded that the performance obligations in the License Agreement were related to the right granted to Biogen to use the licensed IP both in the United States as well as in the rest of the world and concluded that these performance obligations were met at the time the License Agreement was consummated, as Biogen was granted full use of the licensed IP whether under a co-exclusive license or an exclusive license. At the time the License Agreement became effective, the Company was required (i) to fund the cost to file, prosecute and maintain the licensed IP as defined and to the extent set forth, in the License Agreement, (ii) to participate in an intellectual property advisory committee and (iii) to provide the Annual Funding (collectively "Defense Costs" or "Defend the IP"). The period the Company is obligated to fund the Defense Costs is defined in the License Agreement and could include the period from the effective date of the License Agreement through the last to expire, or invalidation of, the licensed patents; however, the Company's obligation to fund Defense Costs would be discontinued earlier if certain events, as defined in the License Agreement, were to occur. Management concluded that the Company's obligation to Defend the IP does not represent a separate performance obligation as such activities are deemed to be costs to protect the value of the license granted to Biogen. Since Biogen received full unrestricted use of the licensed IP at the time the License Agreement was consummated and since the Company currently has no plans to nor is it obligated to further develop the underlying licensed IP, the License Agreement is deemed to provide Biogen with a right to use the licensed IP upon the consummation of the License Agreement. Based on

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

the facts and circumstance discussed herein, the Non-refundable Fee was recognized as revenue when the performance obligations were satisfied.

As the result of Biogen's purchase of the U.S. IP, as discussed in Note 1.2, the Company is no longer required to fund Defense Costs associated with the U.S. IP.

The License Agreement provides for Biogen to remit to the Company royalties (as defined in Note 1.2) only if the Company is successful in the Opposition Proceeding, including all appeals, and provided that other conditions of the License Agreement are satisfied. Should the Company be entitled to receive royalties from Biogen in the future, such amounts will be recognized as revenue in the period the underlying sales occur. As described above, the Federal Circuit's final decision has ended the Interference Proceeding in favor of Biogen and as a result the Company will not receive royalties from Biogen based on Biogen's future net sales in the United States. If the Company is unsuccessful in the Opposition Proceeding and any appeals therefrom, the Company would not be entitled to future royalties on Biogen's net sales outside the United States.

Share-based payments

Employees, board members and consultants (who provide services similar to employees) of the Group receive remuneration in the form of equity settled awards whereby services are rendered as consideration for equity awards (warrants, deferred shares or options). The fair value of these equity-settled awards is determined at the date of grant resulting in a fixed fair value at grant date that is not adjusted for future changes in the fair value of the equity awards that may occur over the service period. Fair value of warrants and options is determined using the Black-Scholes model while fair value of deferred shares is determined as the fair value of the underlying shares less the present value of expected dividends.

Non-employee consultants of the Group have received equity settled awards in the form of share options as remuneration for services. The fair value of these equity-settled awards is measured at the time services are rendered using the Black-Scholes model. Under this method, the fair value is determined each quarter over the service period until the award vests.

The Company has never granted cash settled awards. Generally, equity awards have a term of six years with none exceeding ten years from the date of grant. Equity awards generally vest over a three to five-year service period and certain equity awards vest contingently on the occurrence of defined events.

The cost of share-based payments is recognized as an expense together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled. For equity instruments that are modified or replaced, the incremental value, if any, that results from the modification or replacement is recognized as an expense over the period in which performance and/or service conditions are fulfilled or immediately if there are no performance and/or service conditions to be fulfilled.

The fair value of equity-settled awards is reported as compensation expense pro rata over the service period to the extent such awards are estimated to vest. No cost is recognized for awards that do not ultimately vest.

As discussed in more detail in Note 3.3, in order to mitigate the dilution to holders of warrants, deferred shares or options caused by the Capital Reduction, the Parent's shareholders and board of

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

directors approved adjustments to the terms and conditions governing certain warrants, deferred shares or options. The adjustments resulted in a combination of cash payments to the holders of the equity awards, reductions in the exercise prices of equity awards and a decrease in the total number of ordinary shares that may be subscribed for or purchased pursuant to outstanding equity awards.

Employee benefits

Employee benefits are primarily made up of salaries, share-based payments, Group-provided health insurance and Group contributions to a defined employee contribution retirement plan. The cost of these benefits is recognized as expenses as services are delivered. The Group's contributions to the employee defined contribution retirement plan have not been material.

Operating Expenses in the Statement of Profit or Loss

Research and development costs

Research and development costs primarily comprise salary and related expenses, including share-based payment expense, license, patent and other intellectual property-related costs incurred in connection with patent claims and other intellectual property rights conducted at the patent registry offices (for example the United States Patent and Trademark Office ("USPTO"), the EPO or other country-specific patent registry offices), manufacturing costs of pre-commercial product used in research, clinical costs, and depreciation of equipment, to the extent that such costs are related to the Group's research and development activities. As discussed in Notes 1.1 and 1.2, the Group began winding-down development activities of FP187® in March 2017 and in early 2019, the Company announced that all development activities of DMF formulations, including FP187®, were being permanently discontinued. Accordingly, beginning in 2019, research and development costs primarily relate to intellectual property-related costs incurred in connection with patent claims and other intellectual property rights conducted at the patent registry offices as discussed herein.

If expenses incurred are associated with the Group's intellectual property-related activities carried out in the courts to protect, defend and enforce granted patent rights against third parties (excluding activities and proceedings conducted within the USPTO, EPO or other country-specific patent registry offices) ("Court Expenses") they are classified within general and administrative expenses. Court Expenses incurred during the years ended December 31, 2018 and 2017 totaled $453,000, and $1.2 million, respectively. Court Expenses incurred during the year ended December 31, 2019 were immaterial.

Capitalized patent and development costs

The Group's research and development activities have concentrated on the development of unique formulations of DMF for the treatment of immune disorders and include all patent office-related activities regarding the Company's patent estate development (e.g., interference proceeding, oppositions and new patent development). For all periods presented herein, the Group did not capitalize patent costs or FP187® development costs and consequently expensed such costs as incurred given the inherent uncertainty in drug development and commercialization.

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

General and administrative costs

General and administrative costs relate to the administration of the Group and comprise salaries and related expenses, including share-based payment expense, investor relations, legal and accounting fees, other costs associated with our public listing of ADSs in the United States and depreciation of equipment, to the extent such expenses are related to the Group's administrative functions as well as Court Expenses. For the year ended December 31, 2017, general and administrative costs include the expenses associated with the Restructuring.

Government grants

Income from government grants is recognized when there is reasonable assurance that the grant will be received, all contractual conditions have been complied with, and where contingent repayment obligations remain, avoidance of such obligations are within the control of the Group and not probable to occur. When the grant is intended to subsidize costs incurred by the Group, it is recognized as a deduction in reporting the related expense on a systematic basis over the periods to which the costs relate. When the grant subsidizes a capital asset, it is recognized as income in equal amounts over the expected useful life of the related asset. For more information regarding government grants, see Note 6.2.

Current and deferred income taxes

Current income tax

Tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities within one year from the date of the statement of financial position. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation or "uncertainty" and establishes provisions where appropriate. The IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23") in May 2017. IFRIC 23 clarifies the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 was adopted by the Group effective January 1, 2019. The adoption of IFRIC 23 had no effect on the Company's consolidated financial statements.

Deferred income tax

Deferred tax is provided based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. Deferred tax assets and deferred tax liabilities of the same tax jurisdiction are offset if a legally enforceable right exists to set off.

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside the profit or loss are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Equipment

Historically equipment included computers, office equipment, furniture and manufacturing equipment. Equipment is reflected in the accompanying financial statements at cost net of accumulated depreciation. Manufacturing equipment owned by the Group was placed in service for the use of Group vendors that provided contract manufacturing services to the Group.

Depreciation is calculated on a straight-line basis over the expected useful lives of the underlying assets of two to eight years. The residual values of equipment are not material. Except as discussed in Note 4.1, there have been no impairment losses recognized by the Group since the inception of the Company.

The useful life of and method of depreciation of equipment are reviewed by management at least annually or more often based on changes in facts or circumstances that may result and are adjusted prospectively as changes in accounting estimates. For all periods presented herein, the effect of changes in accounting estimates for equipment were immaterial.

Financial Instruments and the adoption of IFRS 9 Financial Instruments

Effective January 1, 2018, the Group adopted IFRS 9 *Financial Instruments* ("IFRS 9") retrospectively; however, IFRS 9 does not require restatement of prior periods but allows for the cumulative effect of adopting IFRS 9 to be reflected as an adjustment to the Group's accumulated deficit at January 1, 2018. At the adoption date, and subsequent thereto, the Group did not hold financial instruments where the accounting for such financial instruments changed as the result of adopting IFRS 9. Accordingly, the adoption of IFRS 9 had no effect on the accompanying consolidated financial statements nor was an adjustment made to the Group's accumulated deficit at January 1, 2018.

For all periods presented herein, the Group did not hold derivative financial instruments nor has there been a change in classification of a financial asset after initial recognition and measurements. Financial instruments are not acquired for trading or speculative purposes.

The basis of presentation of financial assets prior to the adoption of IFRS 9 on January 1, 2018

Initial recognition and measurement

The Group's financial assets were recognized initially at fair value plus transaction costs that were attributable to the acquisition of the financial asset, if any. Transaction costs were applicable only to the Company's available-for-sale financial assets.

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

Subsequent measurement

The Group held financial assets within the following measurement categories:

- Cash, cash equivalents and other receivables.
- Available-for-sale financial assets comprising government issued debt instruments.

Receivables were measured at amortized cost using the effective interest rate method. Available-for-sale financial assets were carried at fair value with changes in fair value from period to period recognized in other comprehensive income. Interest income was reported using the effective interest rate method with foreign exchange gains or losses recognized in the consolidated statement of profit and loss within foreign exchange rate gain (loss). Subsequent to October 15, 2017, the Group did not hold available-for-sale financial assets.

Financial asset impairment

The Group assessed at the end of each reporting period whether there had been objective evidence that a financial asset or group of financial assets was impaired. Impairment losses would have been incurred if there was objective evidence of impairment and the evidence indicated that estimated future cash flows would be negatively impacted. For the year ended December 31, 2017, the Group did not experience an impairment of a financial asset.

The basis of presentation of financial assets subsequent to the adoption of IFRS 9 on January 1, 2018

Initial recognition and measurement

The Group's financial assets are recognized initially at fair value. For financial assets acquired that will not be measured at fair value through profit and loss, the initial measure of fair value will include transaction costs.

Subsequent measurement

Financial assets are classified as either financial assets measured at amortized cost, measured at fair value through profit or loss or measured at fair value through other comprehensive income. The classification will depend on the facts and circumstances at the measurement date and the technical requirements of IFRS 9.

As of and for the years ended December 31, 2019 and 2018, the only financial assets held by the Group were cash, cash equivalents and receivables. Cash and cash equivalents represent funds available on demand that are measured at cost. Historically, the Group's receivables are due within a short period of time and Group holds its receivables to collect contractual cash flows, accordingly, the fair value of receivables are based on the undiscounted amount due.

Financial asset impairment

IFRS 9 requires the use of the expected credit loss model (the "Model") to determine the amount of credit losses. Under the Model, the Group calculates the allowance for losses on a discounted basis based on different default scenarios probability weighted. For the years ended December 31, 2019 and 2018, credit losses incurred by the Group were insignificant.

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

Financial Liabilities

The Group's financial liabilities for all periods presented herein include only trade payables. Trade payables relate to the Group's purchase of products and services from various vendors in the normal course of business with payment terms generally not exceeding 30 days. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method in the event a vendor has provided extended payment terms to the Group. Historically none of the Group's vendors have provided extended payment terms and therefore the effective interest method has not been used. The adoption of IFRS 9 had no effect on the Group's accounting for financial liabilities.

Consolidated statement of cash flow

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

Cash flows used in operating activities primarily comprise the operating results, before tax, for the year adjusted for non-cash items, such as share-based compensation, foreign exchange gains and losses, depreciation, changes in working capital and cash flows for interest and taxes.

Cash flows from investing activities are comprised primarily of cash received in connection with the maturity of available-for-sale financial assets.

Cash flows from financing activities are comprised of proceeds from the repurchase of equity awards, share issuances and the Capital Reduction see Notes 3.3 and 5.1.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions (collectively "Judgments") that affect the reported amounts of income, expenses, assets and liabilities, as well as the accompanying disclosures. Management basis its Judgments on the facts and circumstances known at the time the consolidated financial statements are prepared. In the future, if facts and circumstances change and/or new information becomes available, it is possible that these Judgments will need to be revised resulting in adjustments to the carrying value of Group's assets and liabilities. Any adjustment to the carrying value of the Group's assets or liabilities will affect the Group's operating results and such effect could be material.

For additional information regarding the Judgments that have the most significant impact on the consolidated financial statements of the Group, see the following:

Revenue recognition of the Non-refundable Fee	Note 2.1
Valuation of equity awards and the computation of share-based compensation	Note 3.3
Income taxes including accounting for tax contingencies	Note 3.4
Deferred tax accounting	Note 3.4

Notes to Consolidated Financial Statements (Continued)

Section 2—Basis of Preparation (Continued)

2.3 New and amendments to accounting standards

Standards effective in 2019:

The IASB issued new standards and amendments to standards and interpretations that became effective in 2019 (collectively "2019 New Standards"). None of the 2019 New Standards, including IFRS 16 *Leasing* ("IFRS 16") as discussed below, had an impact on the Group's financial statements.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 became effective on January 1, 2019. The Group does not have leases with a term of more than twelve months and therefore the adoption of IFRS 16 had no effect on the Group's consolidated financial statements. For additional information about the Group's leases, see Note 6.2.

Standards issued but not yet effective:

The IASB issued new standards, amendments to standards and interpretations that become effective on or after January 1, 2020 (collectively "New Standards"). None of the New Standards are currently expected to have a material effect on the Group's financial statements.

Section 3—Results for the Year

3.1 Segment information

For management purposes, the Group is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate lines of business or separate business entities have been identified with respect to any product candidate or geographical market and no segment information is currently disclosed in the Group's internal reporting. Accordingly, it has been concluded that it is not relevant to include segment disclosures in the financial statements as the Group's business activities are not organized into business units, products or geographical areas.

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

3.2 Staff costs

	Year ended December 31		
	2019	2018	2017
	USD '000	USD '000	USD '000
Compensation to all personnel of the Group			
Wages and salaries	825	1,123	2,166
Social taxes and benefits	46	27	197
Share-based payments (Note 3.3)(a)	2,145	6,170	7,082
Total	3,016	7,320	9,445
Staff costs are included in the statement of profit or loss as follows:			
Research and development costs	664	1,721	5,712
General and administrative costs	2,352	5,599	3,733
Total	3,016	7,320	9,445
Compensation to senior management personnel of the Group(b)			
Wages and salaries(c)	324	342	622
Severance benefits	—	—	117
Share-based payments(d)	1,266	3,088	223
Total compensation paid to senior management personnel	1,590	3,430	962

(a) The amount disclosed for the year ended December 31, 2017 includes the effect of the reversal of previously recognized share-based compensation of $7.6 million in connection with the termination of certain employees as well as an expense of $2.7 million related to certain terminated employees being allowed to hold vested options.

(b) Senior management consisted of the Company's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer. The Company's Chief Operating Officer and Chief Financial Officer were terminated during 2017 and have not been replaced.

(c) As discussed in more detail in Note 3.3, during each of the years ended December 31, 2019, 2018 and 2017, certain amounts were paid to warrant and option holders, including senior management, that were deemed to be a repurchase of equity awards and accounted for as a reduction of shareholders' equity. The amounts disclosed exclude $253,000, $265,000 and $7.2 million, respectively, that was paid to senior management and accounted for as a repurchase of equity awards.

(d) The amount disclosed for the year ended December 31, 2017 includes the effect of the reversal of previously recognized share-based compensation of $5.3 million in connection with the termination of certain members of senior management as well as an expense of $1.3 million related to certain terminated members of senior management being allowed to hold vested options.

See Note 6.1 for compensation paid to the members of the board of directors.

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

3.3 Share-based payment

Unless otherwise stated, all amounts disclosed in this Note, including the quoted share prices, have been revised to reflect the Share Split as if it had occurred at the beginning of the earliest period presented. In addition, per share amounts in DKK have been updated as the result of changes in exchange rates. Accordingly, the information reported herein may differ from the amounts previously reported.

The Group has entered into various share-based payment arrangements through the granting of equity awards in the form of warrants, options or deferred shares (collectively "equity awards") to employees, consultants (who provide services similar to employees), non-employee consultants and members of the board of directors. Equity awards have been granted under either the Company's 2014 Omnibus Equity Incentive Compensation Plan (the "Equity Plan") or outside the Equity Plan. Outstanding warrants and options have exercise prices stated in DKK or USD. Equity awards that have exercise prices in DKK have been translated to USD.

Prior to the Share Split in 2017, each ADS represented one (1) ordinary share. At the time of the Share Split and after the subsequent Capital Reduction, each ADS represented ten (10) ordinary shares and two (2) ordinary shares, respectively. On December 6, 2019, a further ADS ratio change was implemented, which resulted in each ADS representing fourteen (14) ordinary shares (see Note 1.4). The per share amounts disclosed herein are based on one ordinary share and therefore, the ADS ratio change on December 6, 2019 has no effect on the amounts disclosed.

The terms of the Equity Plan provide for the board of directors, or a committee appointed by the board of directors, to grant equity awards to employees, consultants and directors of the Group. Subsequent to the Share Split and the Capital Reduction, the Equity Plan currently provides for the granting of an aggregate of 9.9 million ordinary shares. Awards can be in the form of ordinary shares, deferred shares, restricted shares or share options with terms and vesting conditions determined by the board of directors. The Equity Plan contains antidilution provisions in the event of a stock split or certain other corporate transactions. As of December 31, 2019, 3.2 million shares were available for future grant under the Equity Plan. In addition, at December 31, 2019, under Danish Corporate Law, the board of directors has available for the future grant 2.1 million warrants and 17 million deferred shares (inclusive of the shares available for future grant under the Equity Plan).

During April 2019, 7,200 options (the "2019 Option") were granted to one employee at an exercise price per share of $0.60. The 2019 Option vests monthly over 36 months commencing on April 1, 2019.; however, the 2019 Option contains a provision whereby the holder cannot exercise prior to a defined date. Vesting and the exercise period are accelerated in the event there is a change in control, as defined in the award agreement. The terms of the 2019 Option include antidilution protection to the holder in the event there is a distribution to the shareholders as defined in the underlying award agreement. The 2019 Option expires on April 1, 2025. At the date of grant, the aggregate fair value of the 2019 Option was not material.

During September 2018, 7,200 options (the "2018 Option") were granted to one employee at an exercise price per share of $1.40. The 2018 Option vests in increments as defined through September 1, 2021; however, the 2018 Option contains a provision whereby the holder cannot exercise prior to a defined date. Vesting and the exercise period are accelerated in the event there is a change in control, as defined in the award agreement. The terms of the 2018 Option include antidilution protection to the holder in the event there is a distribution to the shareholders as defined in the underlying award

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

agreement. The 2018 Option expires on August 31, 2024. At the date of grant, the aggregate fair value of the 2018 Option was not material.

During the second half of 2018, the Company's board of directors allowed two former employees to continue to hold 105,000 vested options (collectively the "2018 Vested Options") that would have otherwise been forfeited shortly after each former employee's termination date if not exercised. The exercise prices of the 2018 Vested Options ranging from 0.01 DKK to $3.77 and the expiration dates, as stated in the underlying awards agreements, do not exceed June 19, 2023. For financial reporting purposes, allowing the former employees to hold the 2018 Vested Options to their stated expiration dates was accounted for as a modification. The financial statement impact of allowing the former employees to hold the 2018 Vested Options to their stated expiration date was not material.

During the year ended December 31, 2018, a total of 706,000 warrants were exercised yielding proceeds to the Company of $1,000. The quoted fair values of an ordinary share of the Company on the dates of exercise were $1.36 with respect to 334,000 warrants and $1.49 for the remaining warrants.

During March 2017, the Company granted 60,000 options (600,000 after the Share Split) to the Company's Chief Executive Officer with an exercise price of $27.49 ($2.75 after the Share Split). Vesting is monthly over 48 months commencing on March 1, 2017; however, each award contains a provision whereby the Chief Executive Officer 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 agreement. Stock options expire six years from the date of grant. At the date of grant, the aggregate fair value of options granted in March 2017 totaled $913,000.

During June 2017, the Company granted 825,000 options (8.3 million after the Share Split) (the "June 2017 Options"), including 300,000 (3 million after the Share Split) that were granted to the Company's Chief Executive Officer and 75,000 (750,000 after the Share Split) that were granted to members of the Company's Board of Directors, that have an exercise price of $20.35 ($2.04 after the Share Split). Vesting is monthly over 36 months commencing on June 1, 2017; however, each award contains a provision whereby the option holder cannot exercise prior to a defined date. Vesting and/or exercise periods are accelerated under certain defined situations, including a change in control. The terms of the June 2017 Options include antidilution protection to the holders in the event there is a distribution to the shareholders as defined in the underlying award agreements. As a result of the Capital Reduction and the antidilution protection, the exercise price of the June 2017 Options has been decreased to the nominal value of an ordinary share, the number of shares that may be subscribed for pursuant to the June 2017 Options has been reduced by 80% (6.6 million options after the Share Split) (referred to as the "June 2017 Award Adjustment") and the holders could be due a total cash payment of 1.9 million EUR ($2.2 million based on the December 31, 2017 exchange rate) if all of the June 2017 Options vest.

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

The table below summarizes the amount paid in EUR (and USD equivalent) during each of the years ended December 31, 2019, 2018 and 2017 to the holders of the June 2017 Options as provided for by the June 2017 Award Adjustment:

	Year Ended December 31,		
	2019	2018	2017
	EUR '000	EUR '000	EUR '000
Total paid in EUR in accordance with June 2017 Award Adjustment	596	650	361
	USD '000	USD '000	USD '000
USD equivalent converted at the prevailing conversion rate	670	761	430

As of December 31, 2019, the remaining cash payment due to the holders of the June 2017 Options, if vesting occurs in full, is 248,000 EUR ($278,000 based on the December 31, 2019 exchange rate). Such amount is payable on pro rata basis over the remaining vesting period that ends on May 31, 2020. Since the June 2017 Option award agreements contain antidilution terms, payments made to the holders as the result of such terms are treated as a reduction to shareholder equity. The June 2017 Options expire six years from the date of grant. At the date of grant, the aggregate fair value of options granted in June 2017 Options totaled $8.9 million.

During June 2017, the Company granted 90,000 deferred shares (900,000 after the Share Split) (the "June 2017 Deferred Shares"), including 45,000 (450,000 after the Share Split) granted to the Company's Chief Executive Officer. Subject to meeting defined employment provisions, 50,000 of the June 2017 Deferred Shares (500,000 after the Share Split), including 25,000 (250,000 after the Share Split) held by the Company's Chief Executive Officer, vest in the event there would have been a successful outcome of the Interference Proceeding, as defined in the award agreements, and, subject to meeting defined employment provisions, the balance vest in the event there is a successful outcome of the Opposition Proceeding as defined in the award agreements. The deferred shares that vest in the event there is a successful outcome to the Interference Proceeding expire five years from the date of grant, or earlier, in the event of an unsuccessful outcome in the Interference Proceeding, while the remaining deferred shares expire five years from date of grant, or earlier, in the event of an unsuccessful outcome of the Opposition Proceeding. At the date of grant, the aggregate fair value of the deferred shares totaled $1.8 million. The fair value of the June 2017 Deferred Shares will be recognized as an expense within the statement of profit and loss only if such deferred shares vest. In addition, the award agreements underlying the June 2017 Deferred Shares contain provisions similar to the antidilution provisions included in the June 2017 Options. Accordingly, the number of shares that may be subscribed for pursuant to the June 2017 Deferred Shares awards agreements has been reduced by 80% (720,000 deferred shares after the Share Split) (referred to as the "Deferred Share Adjustment") and the antidilution provisions would have obligated the Company to remit an aggregate of 1.7 million EUR ($2.0 million based on the December 31, 2019 exchange rate) to the holders, payable upon vesting, if all the June 2017 Deferred Shares had vested. Subsequent to the Deferred Share Adjustment, there were 180,000 deferred shares outstanding of which 100,000 would have vested upon a successful outcome of the Interference Proceeding and the balance vest in the event there is a successful outcome of the Opposition Proceeding as defined in the award agreements. As a result of the unsuccessful outcome of the Interference Proceeding, as discussed in Note 1.2, 100,000 deferred shares expired on January 9, 2019 when the Federal Circuit's decision became final. The potential antidilution payment due to the holders of the June 2017 Deferred Shares should the Company by successful in the Opposition Proceeding, as defined, totals 777,000 EUR ($870,000 based on the December 31, 2019 exchange rate).

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

During the year ended December 31, 2017, a number of employees, including the Company's former Chief Executive and Operating Officer, Chief Financial Officer, and two board members terminated roles with the Company (collectively "Former Employees"). At the time of termination, unvested equity awards held by the Former Employees were forfeited resulting in the reversal of previously recognized share-based compensation of $7.6 million. The equity awards forfeited included 284,000 deferred shares (2.8 million after the Share Split) and 564,000 options or warrants (5.6 million after the Share Split). The Company's board of directors allowed ("Allowance") the Former Employees to continue to hold 1.1 million vested options or warrants (11.1 million after the Share Split) that would have otherwise been forfeited shortly after each Former Employee's termination date if not exercised. As the result of the Allowance, the Company, during the year ended December 31, 2017, recognized share-based compensation of $2.7 million.

In November 2017, the shareholders of the Company approved an amendment to the Company's articles of association. The amendment modified the terms of certain outstanding options and warrants granted by the Company before June 2017 to mitigate the dilution to such awards caused by the Capital Reduction. In November 2017, a similar amendment was approved by the board of directors of the Company in respect of certain deferred share awards granted by the Company before June 2017 (the amended options, warrants and deferred shares are collectively referred to as the "Awards" and the amendments of the Awards are collectively referred to as the "Amendment"). For financial reporting purposes, the Amendment was accounted for as a modification whereby any increase in the fair value of an Award resulting from the Amendment is deemed to be additional compensation to the Award holder and accounted for as discussed below. The Amendment was designed to apply a set of principles (the "Principles") consistently across all Awards; however, since the Awards affected by the Amendment had a wide range of different terms, the Amendment's effect on individual Awards varied resulting in certain Awards increasing in fair value while others decreased in fair value. The Principles employed were modelled off the Capital Reduction including, but not limited to, the per share cash distributed to shareholders and the 80% annulment of shares (see Note 5.1). The overall effect of the Amendment provided for cash payments to Award holders of 36.2 million EUR ($43.4 million based on the December 31, 2017 exchange rate) and a reduction in the number of outstanding Awards of 28.8 million. In situations where the Amendment favorably affected the fair value of an Award, such effect was deemed to be additional compensation to the Award holder that will be expensed over the remaining vesting period for unvested Awards and expensed immediately in connection with vested Awards. In situations where the fair value of an Award was negatively affected by the Amendment, no expense will be recognized. Cash payments made to Award holders were deemed to be a partial repurchase of the Award and accounted for as a reduction to shareholder equity except in situations where the cash payment to an Award holder increased the fair value of an Award. In situations where the cash payment to an Award holder increased the fair value of an Award, such increase was deemed to be additional compensation and expensed, as discussed above, based on the Award's vesting status. As a result of the Amendment, the Group recognized compensation of $11.7 million and a reduction to shareholder equity of $32.2 million. Subsequent to the Amendment, the exercise prices of options and warrants range from 0.01 DKK (or $0.0015 based on the December 31, 2019 exchange rate) to $14.13 per share and the holders of deferred shares need to remit 0.01 DKK (or $0.0015 based on the December 31, 2019 exchange rate) per share upon the issuance.

During March 2017, 40,000 warrants (401,000 after the Share Split) were exercised yielding proceeds to the Company of $49,000. The quoted fair value of an ordinary share of the Company on the date of exercise was $27.95 ($2.80 after the Share Split).

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

During the year ended December 31, 2015 a total of 500,000 stock options (5 million after the Share Split) were granted to non-employee consultants of the Group ("Consultant Options"). 250,000 Consultant Options (2.5 million after the Share Split) have an exercise price of $28.26 ($2.83 after the Share Split) and the balance have an exercise price of $141.30 ($14.13 after the Share Split). The Consultant Options expire on May 15, 2020 and vesting is over five years; however, the Consultant Options can only be exercised during the period from April 2, 2020 to May 15, 2020. Vesting and exercise are accelerated in the event there is a change in control as defined in the option award agreements. The Company's board of directors holds a unilateral right to terminate the Consultant Options for any reason at any time prior to vesting. The fair value of the Consultant Options is measured using the Black-Scholes model with inputs not materially different from those discussed below. The fair value of the Consultant Options is determined as services are rendered. As of December 31, 2019 (after the Share Split), 4 million of the Consultant Options have vested including 2 million with an exercise price of $2.83 (after the Share Split). The fair value of the Consultant Options was computed using the Black-Scholes method and not based on the value of the services received. In reaching the decision to use the value of the Consultant Options and not the value of the services, management considered the variability in the nature, timing and extent of services to be provided by the non-employee consultants that will be significantly affected by actions taken by parties who are not under the control of the Group. Accordingly, the value and timing of the services to be received over the service period cannot be estimated reliably and therefore the value of the Consultant Options was deemed to be a more accurate measure of the consideration paid to the non-employee consultants for services rendered. The total expense recognized during each of the years ended December 31, 2019, 2018 and 2017 was $3,000, $96,000 and $615,000, respectively.

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

The table below summarizes the activity for each of the years ended December 31, 2019, 2018 and 2017 for equity awards in the form of options and warrants and the weighted average exercise price ("WAEP"):

	Share Options and Warrants Adjusted for the Share Split				
	Key Management Personnel(*)	Employees and Consultants	Non-Employee Consultants	Total Awards	WAEP
	No. '000	No. '000	No. '000	No. '000	
Outstanding at January 1, 2017	15,623	26,276	4,996	46,895	$ 2.08
Granted	4,350	4,500	—	8,850	$ 2.08
Exercised	—	(401)	—	(401)	$ 0.12
Forfeited	(2,976)	(2,773)	—	(5,749)	$ 1.86
Effect of the Amendment and the June 2017 Award Adjustment	(12,801)	(22,603)	—	(35,404)	$ 1.33
Outstanding at December 31, 2017	4,196	4,999	4,996	14,191	$ 3.45
Granted	—	7	—	7	$ 1.40
Exercised	(123)	(583)	—	(706)	Nil
Expired	(333)	(179)	—	(512)	Nil
Outstanding at December 31, 2018	3,740	4,244	4,996	12,980	$ 3.77
Granted	—	7	—	7	$ 0.60
Expired	—	(89)	—	(89)	Nil
Outstanding at December 31, 2019	3,740	4,162	4,996	12,898	$ 3.80
Exercisable at December 31, 2019	3,493	4,034	3,997	11,524	

(*) Includes current and former senior management and current and former members of the board of directors.

The weighted average remaining contractual life of equity awards in the form of options and warrants outstanding as of December 31, 2019, 2018 and 2017 was 1.4 years, 2.4 years and 3.2 years, respectively.

The table below summarizes the range of exercise prices, after converting, where applicable, exercise prices that are stated in DKK to USD, for outstanding equity awards in the form of options and warrants as of December 31, 2019, 2018 and 2017.

	Adjusted for the Share Split		
Range of exercise prices (per share)	2019	2018	2017
	No. '000	No. '000	No. '000
$0.0015	6,318	6,407	7,625
$0.60 to $1.26	193	186	179
$2.24 to $2.83	2,618	2,618	2,618
$3.77	674	674	674
$4.51 to $6.92	597	597	597
$14.13	2,498	2,498	2,498
Total	12,898	12,980	14,191

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

The tables below summarize the inputs to the model used to value equity awards, including modifications of equity awards, as well as the average fair value per option or warrant awarded or modified for each of the years ended December 31, 2019, 2018 and 2017:

Year ended December 31, 2019	
Dividend yield (%)	Zero
Expected volatility (%)	85
Risk-free interest rate (%)	2.3
Expected life of the equity award (years)	3
Share price	0.60 USD
Exercise price	0.60 USD
Model used	Black-Scholes
Basis for determination of share price	Quote on Nasdaq
Average fair value per option or warrant granted	0.33 USD

Year ended December 31, 2018	
Dividend yield (%)	Zero
Expected volatility (%)	73 - 86
Risk-free interest rate (%)	2.8 to 2.9
Expected life of the equity award (years)	2.3 to 3.3
Share price	0.53 USD to 1.30 USD
Exercise price	1.40 USD to 3.77 USD
Model used	Black-Scholes
Basis for determination of share price	Quote on Nasdaq
Average fair value per option or warrant granted	0.21 USD

Year ended December 31, 2017	
Dividend yield (%)	Zero
Expected volatility (%)	64 - 79
Risk-free interest rate (%)	(0.7) to 2.1
Expected life of the equity award (years)	0.5 to 7
Share price	2.04 USD to 2.74 USD
Exercise price	0.0016 USD to 6.92 USD
Model used	Black-Scholes
Basis for determination of share price	Quote on Nasdaq
Average fair value per option or warrant granted	10.90 USD

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

The table below summarizes the deferred share activity for each of the years ended December 31, 2019 and 2017 (there were no deferred shares granted, issued or forfeited during the year ended December 31, 2018):

	Deferred Shares Adjusted for the Share Split		
	Key Management Personnel(a)	Employees and Consultants	Total Awards
	No. '000	No. '000	No. '000
Outstanding at January 1, 2017	3,217	300	3,517
Granted	450	450	900
Forfeited(b)	(2,842)	—	(2,842)
Effect of the Amendment and the Deferred Share Adjustment	(419)	(456)	(875)
Outstanding at December 31, 2017 and 2018	406	294	700
Forfeited	(50)	(50)	(100)
Outstanding at December 31, 2019(c)	356	244	600
Vested and unissued at December 31, 2019	285	205	490

(a) Includes current and former senior management and current and former members of the board of directors. Also see Note 6.1.

(b) During 2014, 5.7 million deferred shares were granted to the Company's Chief Financial Officer ("CFO"). The deferred shares vested annually over four years. The CFO was terminated during 2017 and 2.8 million unvested deferred shares were forfeited.

(c) At December 31, 2019, each deferred share has an exercise price of 0.01 DKK or $0.0015 based on the December 31, 2019 exchange rate.

Share-based compensation expense included within operating results for each of the years ended December 31, 2019, 2018 and 2017 is as follows:

	Year Ended December 31,		
	2019	2018	2017
	USD '000	USD '000	USD '000
Research and development costs	625	1,547	4,852
General and administrative costs	1,520	4,623	2,230
Total	2,145	6,170	7,082

Significant Judgments

Determining the fair value of equity awards, whether at grant date, modification date or the date of the Amendment, and the subsequent accounting for equity awards requires significant judgment regarding expected life and volatility of an equity award; however, as a public listed company there is objective evidence of the fair value of an ordinary share on the date an equity award is granted or modified. The expected life of an equity award is based on the assumption that the holder will not exercise until after the equity award is fully vested and all restrictions on the holders' ability to dispose

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

of the underlying ordinary shares expire. Actual exercise patterns may differ from the assumption used herein. The volatility rate used to value equity awards has been based on either peer group volatility, where the expected life of an equity award exceeds the Company's historical trading data, or the Company's volatility rate where historical trading activity of the Company equals or exceeds the expected life of an equity award. Using historical volatility rates to project future trends is a highly subjective estimate that may not necessarily be the actual outcome. The peer group consists of listed companies that management believes are similar to the Company in respect to industry and stage of development. Even with objective evidence of the fair value of an ordinary share, small changes in any other individual assumption or in combination with other assumptions could have yielded significantly different results.

3.4 Income tax

The major components of income tax benefit (expense) reported in the consolidated statement of profit and loss for the years ended December 31, 2019, 2018 and 2017 are as follows:

	Year Ended December 31,		
	2019	2018	2017
	USD '000	USD '000	USD '000
Current income tax benefit (expense)	—	161	(244,288)
Deferred income tax benefit (expense)	—	43	(23,107)
Total income tax benefit (expense)	—	204	(267,395)

The tax benefit recognized during the year ended December 31, 2018 of $204,000 results in part from an adjustment relating to the prior year of $161,000 and the balance relates to changes in deferred tax balances during the period. During the year ended December 31, 2019, no tax benefit (expense) was recognized as the result of the tax loss incurred combined with no deferred tax asset recognition.

Taxable profits are not assured beyond the year ended December 31, 2017; therefore, temporary differences that will be available to offset taxable profits after December 31, 2017 do not meet the criteria for financial statement recognition and therefore the related deferred tax assets have not been recognized.

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

The income tax benefit (expense) recorded for the years ended December 31, 2019, 2018 and 2017 is reconciled as follows:

	2019 USD '000	2018 USD '000	2017 USD '000
(Loss) income before tax	(4,221)	(8,926)	1,184,488
Tax benefit (expense) at the Company's statutory income tax rate (1)	929	1,964	(260,587)
Adjustments:			
Non-deductible expenses for tax purposes	—	(2)	(1,780)
Effect of higher tax rate in Germany (2)	(6)	(7)	(4,980)
(Unrecognized) recognized deferred tax assets	(923)	(1,912)	(48)
Adjustment related to prior year	—	161	—
Income tax benefit (expense) reported in the statement of profit and loss	—	204	(267,395)
Effective tax rate	0.0%	2.3%	22.6%

(1) The statutory Danish tax rate for each of the years presented is 22%.

(2) The statutory German tax rate for each of the years presented is 31.9%.

For Danish and United States tax purposes, FP USA does not conduct a trade or business and is therefore deemed to be a disregarded entity ("Disregarded Entity"). Accordingly, FP USA is not subject to income taxes in the United States. Recently enacted tax legislation in the United States had no impact on the Group.

The income tax receivable at December 31, 2019 and 2018 of $178,000 and $182,000, respectively, is related to the Company's Danish tax return for the year ended December 31, 2017. Such amount is expected to be received upon the completion of the tax audit in Denmark that is discussed further below. The income tax payable at December 31, 2018 of $68,000 is related to FP GmbH's German tax return for the year ended December 31, 2017, which was settled during the year ended December 31, 2019.

Deferred tax

The unrecognized deferred tax assets at December 31, 2019 and 2018 are as follows:

	2019 USD '000	2018 USD '000
Tax effect of tax loss carry forwards	5,770	5,344
Share-based payments	631	503
Other	6	(39)
Unrecognized deferred tax assets, net	6,407	5,808

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

The Group has the following unrecognized deductible temporary differences as of December 31, 2019, 2018 and 2017:

	Denmark			Germany		
	2019	2018	2017	2019	2018	2017
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Unused tax losses	6,768	4,276	—	13,409	13,793	14,805
Other temporary differences primarily share-based payments	2,896	2,107	10,474	—	—	—

The Danish and German tax loss carry forwards have no expiry date. For Danish tax purposes, the Company's ability to use tax loss carry forwards in any one year is limited to 100% of the first 8.4 million DKK ($1.3 million based on the December 31, 2019 exchange rate) of taxable income plus 60% of taxable income above 8.4 million DKK. For German tax purposes, FP GmbH's ability to use tax loss carry forwards in any one year is limited to 100% of the first 1.0 million EUR ($1.1 million based on the December 31, 2019 exchange rate) of taxable income plus 60% of taxable income above 1.0 million EUR. Other deductible temporary differences are not subject to any restrictions.

During the year ended December 31, 2017, the Company recognized a tax benefit within the consolidated statement of changes in shareholders' equity of $6.3 million. This tax benefit resulted from the exercise of equity awards where the Company's tax filing provided a tax deduction in excess of the corresponding share-based compensation recognized within reported operating results.

Joint Taxation Groups

During the period from January 19, 2013 to December 31, 2015, the Parent was part of a Danish joint taxation group with Tech Growth Invest ApS and entities under Tech Growth Invest ApS's control (collectively "Tech Growth"). An entity that was part of Tech Growth experienced a change in ownership on December 31, 2015. As a result of the change in ownership, the year ended December 31, 2015 was the final year that the Parent was part of the Danish joint taxation group with Tech Growth. On January 1, 2016, the Parent became part of a new Danish joint taxation group ("2016 Tax Group") with NB FP Investment General Partner ApS and FA. Effective June 30, 2017, Operations became a member of the 2016 Tax Group and FWP IP was a member of the 2016 Tax Group for the period from June 30, 2017 through the date of the Sale (November 22, 2017). The Parent, Operations and FA continue to be members of the 2016 Tax Group.

The Company remains jointly and severally liable with other entities in the Tech Growth joint taxation group for Tech Growth's Danish tax liabilities during each of the years ended December 31, 2015, 2014 and 2013. The Company, Operations and FA are jointly and severally liable under the 2016 Tax Group for Danish tax liabilities incurred by members of the 2016 Tax Group while being a member of the 2016 Tax Group.

Significant Judgments

The Group recognizes deferred tax assets, including the tax base of tax loss carry-forwards, if management assesses that these tax assets can be offset against future positive taxable income. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. This judgment is made periodically after considering current facts,

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

circumstances, budgets and business plans as well as the risks and uncertainty associated with the operations of the Group. As facts and circumstances change, adjustments to previously made estimates will be made that could result in volatility in reported operating results and the occurrence of unforeseen events could have a material favorable or unfavorable effect on the financial statements of the Group.

Further, the Group exercises judgments in evaluating the appropriateness of tax filing positions under applicable tax laws that may be complex. When exercising such judgments, Management consults with professional tax advisors when establishing tax filing positions and further consults with professional tax advisors on a current basis in evaluating tax uncertainties as further described below.

Tax uncertainties

The Group's Danish, German and United States tax returns are subject to periodic audit by the local tax authorities and are subject to ongoing audits in Germany and Denmark. Such audits could result in the tax authorities disagreeing with the tax filing positions taken by the Group, which would expose the Group to additional taxes being assessed, including interest and penalties that could be material. The Group exercises significant judgment when determining tax filing positions. The tax rules and regulations are very complex and there can be no assurance that management's interpretation and application of these rules and regulations to determine tax filing positions will be accepted by the tax authorities. If the tax authorities reject a tax filing position taken by a Group company, it would likely have a material adverse effect on the Group's financial position and operating results. There is a risk that the tax authorities could impose additional taxable income or disallow the deductibility of expenses on intercompany cross-border transactions resulting in higher tax obligations in one or more tax jurisdictions. Management's experience has been that the tax authorities can be aggressive in taking positions that would increase taxable income and/or disallow deductible expenses. If the tax authorities are successful in increasing taxable income and/or disallowing deductible expenses in one or more jurisdictions, it would result in the Group experiencing a higher effective tax rate that could be material. Management consulted with professional tax advisors when establishing tax filing positions and believes that the tax filing positions taken are in accordance with tax regulations; however, there is always a risk that the tax authorities could disagree with the tax filing positions taken resulting in additional taxes, interest and penalty becoming due and such amount could be material. See also "Joint tax audit in Denmark and Germany" below.

The Company has taken the position that since FP USA meets the definition of a Disregarded Entity, it is not subject to United States federal or state income tax. In reaching this conclusion, significant judgment was used in evaluating the nature of the operations in the United States, the interpretation of the Unites States and Danish tax laws, and the income tax treaty between the Unites States and Denmark. Management believes that the tax filing positions taken in the United States and Denmark regarding FP USA are correct; however, there is always a risk that the United States or Danish tax authorities could disagree with the tax filing positions taken resulting in additional taxes, interest and penalty becoming due and such amount could be material.

During the year ended December 31, 2017, the Company made certain cash payments (the "Deduction") to equity award holders in accordance with amendments to the Company's article of association that were approved by the Company's shareholders and board of directors (see Note 3.3). The Company believes the Deduction, that totaled 36.2 million EUR ($43.4 million based on the December 31, 2017 exchange rate), represents, for tax reporting purposes, compensation for services

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

rendered to the Company and is tax deductible for Danish tax purposes in the year ended December 31, 2017. Management believes that the tax filing position taken with regards to the Deduction is in accordance with tax regulations and that appropriate tax provisions have been made in the accompanying financial statements; however, there is always a risk that the Danish authorities could disagree with the tax filing positions taken resulting in additional taxes, interest and penalty becoming due and such amount could be material. There were similar cash payments made to equity award holders during the years ended December 31, 2019 and 2018 that totaled 596,000 EUR ($670,000 based on the December 31, 2019 exchange rate) and 650,000 EUR ($761,000 based on the December 31, 2018 exchange rate), respectively; however, such amounts are reflected herein as unrecognized deductible temporary differences at December 31, 2019 and 2018 and disclosed above as unused tax losses in Denmark.

As of December 31, 2019, the tax years that remain open for audit by the Danish, German, and United States tax authorities include 2013 through 2019 in Germany and 2014 through 2019 in Denmark and the United States.

Joint tax audit in Denmark and Germany

Currently, the Danish and German tax authorities are conducting a joint tax audit of the Group's Danish and German tax returns covering multiple years through the year ended December 31, 2017. Conducting a joint tax audit is expected to reduce the burden and cost to the Group of undergoing two audits that address similar transactions and to accelerate the resolution of disagreements.

To date, the joint tax audit has focused on the intercompany recognition of revenue and expenses to ensure that such transactions were conducted at arm's length. It is possible that the ongoing joint tax audit could result in the Danish and German tax authorities mutually agreeing to allocate a greater portion of the Group's total 2017 taxable income to FP GmbH (referred to as the "Reallocation of Taxable Income"). If such Reallocation of Taxable Income were to occur, it could trigger a net increase in the Group's total income tax expense caused by the higher statutory tax rate in Germany of 31.9% versus Denmark's statutory tax rate of 22.0%. Effectively, the Reallocation of Taxable Income would shift taxable income to Germany that would be taxed at 31.9% while reducing taxable income in Denmark that was taxed at 22.0%. FP GmbH has available tax loss carryforwards of 12.0 million EUR ($13.4 million based on the December 31, 2019 exchange rate) that could be used to mitigate an increase in income tax expense resulting from a Reallocation of Taxable Income. Any Reallocation of Taxable Income that is not covered by FP GmbH's tax loss carryforwards and not subject to minimum taxation rules in Germany would result in an increase in income tax expense at a rate of approximately 10 percentage points.

The Danish and German tax authorities may currently be discussing a Reallocation of Taxable Income; however, Management has determined, based on consultations with the Group's tax advisors, that it is not probable (i.e., more likely than not) that the Group will be required to pay additional taxes to the German tax authorities upon the conclusion of the joint tax audit. However, such determination is inherently subjective and, if it is incorrect, then the Group may be subject to significant additional tax levies. The ultimate resolution of the joint tax audit may require that the Group incur a material outflow of cash that would negatively affect the Group's financial position, results of operations and cash holdings. If the Danish and German tax authorities mutually agree to a Reallocation of Taxable Income, the Group's only option to mitigate the increase in income tax expense would be to seek relief through litigation in Germany. If litigation in Germany were pursued, it would

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

be time-consuming and costly and there is no assurance that the outcome of such litigation would be successful.

If the Danish and German tax authorities do not mutually agree to a Reallocation of Taxable Income, the German tax authorities could unilaterally increase the taxable income of FP GmbH, which could lead to double taxation and an increase in the Group's total income tax expense. In such case, the Group's only option to mitigate the increase in income tax expense would be to seek relief through entering into a Mutual Agreement Procedure ("MAP") comprising a government-to-government dispute resolution mechanism and/or commence litigation against the tax authorities. If relief is sought through a MAP, double taxation will be eliminated; however, there is no assurance that a MAP and/or litigation would eliminate a net increase in the Group's total income tax expense caused by a Reallocation of Taxable Income, which could be material and could result in a material outflow of cash that would negatively impact the Group's financial position, operating results, and cash holdings.

The cost to pursue litigation in Germany and/or a MAP individually, or in combination with any potential taxes, interest, and penalties due at the conclusion of the litigation and/or MAP, could have a material adverse effect on the Group's financial position, operating results, and cash holdings

The timing of the completion of the joint tax audit by the tax authorities is currently unknown.

3.5 Net (loss) income per share

Basis for preparing per share amounts

The amounts disclosed below have been prepared to reflect the Share Split, as discussed in Note 1.1, as if it had occurred at the beginning of the earliest period presented. In addition, the Capital Reduction was effected by the annulment of 80% of the ordinary shares outstanding and was deemed, for IFRS purposes, to have been at a 15% premium (the "15% Premium") based on the trading price of an ADS immediately before the Capital Reduction was executed. The 15% Premium, as per IAS 33 *Earnings per Share*, is accounted for in a manner similar to the Share Split (as the outflow of resources was greater than the reduction in the number of shares outstanding) and reflected in the below amounts as if it had occurred at the beginning of the earliest period presented. The combined effect of the Share Split and the 15% Premium is as if a 11.5 for 1 share split had occurred at the beginning of the earliest period presented.

Notes to Consolidated Financial Statements (Continued)

Section 3—Results for the Year (Continued)

Net (loss) income per share

The following reflects the net (loss) income attributable to ordinary shareholders and share data used in the basic and diluted net (loss) income per share computations for each of the years ended December 31, 2019, 2018 and 2017:

	2019 USD	2018 USD	2017 USD
Net (loss) income attributable to ordinary shareholders of the Parent used for computing basic and diluted net (loss) income per share	(4,221)	(8,722)	917,093
Weighted average number of ordinary shares used for basic per share amounts	95,074	94,671	380,133
Dilutive effect of outstanding options, warrants and deferred shares	—	—	18,810
Weighted average number of ordinary shares used for diluted per share amounts	95,074	94,671	398,943
Net (loss) income per share basic	(0.04)	(0.09)	2.41
Net (loss) income per share diluted	(0.04)	(0.09)	2.30

Amounts within the table above are in thousands except per share amounts

Basic (loss) income per share amounts are calculated by dividing the net (loss) income for the year attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year. The diluted per share amounts are calculated by dividing the net income for the year 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. As the result of the Group incurring losses for each of the years ended December 31, 2019 and 2018, the potential shares issuable related to outstanding deferred shares, options and warrants have been excluded from the calculation of diluted per share amounts as the effect of such shares is anti-dilutive. As of December 31, 2019, 2018 and 2017, options, warrants and deferred shares that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted amounts per share because they are anti-dilutive, were 13.5 million, 13.7 million and 8.2 million, respectively. See Note 3.3.

Section 4—Operating Assets and Liabilities

4.1 Equipment

Depreciation expense included within operating results for each of the years ended December 31, 2019, 2018 and 2017 is as follows:

	Year Ended December 31,		
	2019 USD '000	2018 USD '000	2017 USD '000
Research and development costs	—	2	224
General and administrative costs	1	2	3
Total	1	4	227

Notes to Consolidated Financial Statements (Continued)

Section 4—Operating Assets and Liabilities (Continued)

As discussed in Note 1.1, the Company announced on March 1, 2017 a plan to reduce costs and wind-down research and development efforts of FP187®. In connection with winding down of research and development efforts, certain equipment that had been used in the development of FP187 ® was deemed impaired. Accordingly, during the year ended December 31, 2017, the Group recognized an impairment expense of $208,000 that is included in the above table within research and development costs.

At December 31, 2019 and 2018, the cost of the Group's equipment and the corresponding accumulated depreciation was not material.

4.2 Prepaid expenses

	December 31,	
	2019	2018
	USD '000	USD '000
Insurance	286	313
Other	6	27
Total	292	340

4.3 Other receivables

	December 31,	
	2019	2018
	USD '000	USD '000
Value added tax receivables ("VAT")	94	265
Other receivables	1	1
Total	95	266

4.4 Accrued liabilities

	December 31,	
	2019	2018
	USD '000	USD '000
Professional advisors	294	318
Other	220	304
Total	514	622

Notes to Consolidated Financial Statements (Continued)

Section 5—Capital Structure and Financial Risk and Related Items

5.1 Equity and Capital Management

Share capital

The following table summarizes the Parent's ordinary share activity for each of the years ended December 31, 2018 and 2017:

	Ordinary shares(a) No. '000
January 1, 2017	471,439
Exercise of warrants for cash	401
Capital Reduction	(377,472)
December 31, 2017	94,368
Exercise of warrants for cash	706
December 31, 2018 and 2019(b)	95,074

(a) Amounts reflect the Share Split as if it had occurred at the beginning of the earliest period presented. Subsequent to the Share Split, the nominal value of an ordinary share of the Parent is 0.01 DKK.

(b) There were no share issuances during the year ended December 31, 2019

Holders of ADSs are not entitled to vote while holders of ordinary shares are entitled to one vote per share.

During the year ended December 31, 2018, a total of 706,000 warrants were exercised yielding proceeds to the Company of $1,000. See Note 3.3.

On August 2, 2017, the Company's shareholders approved the Capital Reduction of 917.7 million EUR ($1.1 billion). The funds for the Capital Reduction were distributed to shareholders during September 2017. The Capital Reduction was executed through the annulment of 80% of the ordinary shares outstanding post Share Split or 377.5 million ordinary shares. The Capital Reduction resulted in a payment of 2.43125 EUR per ordinary share ($2.92 per share based on the December 31, 2017 exchange rate), which was annulled (post Share Split).

During March 2017, 401,000 warrants (post Share Split) were exercised yielding proceeds to the Company of $49,000. See Note 3.3.

Except for the Capital Reduction, the Company has never distributed funds to shareholders in any form, including dividends, and currently there are no plans to distribute funds to shareholders in the future.

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Group's capital management is to maximize shareholder value. The board of directors' policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence that the Group will continue as a going concern. Cash, cash equivalents and financial assets are monitored

Notes to Consolidated Financial Statements (Continued)

Section 5—Capital Structure and Financial Risk and Related Items (Continued)

on a regular basis by management and the board of directors in assessing current and long-term capital needs of the Group. As of December 31, 2019, the Group held cash and cash equivalents totaling $77.6 million that will be sufficient to provide adequate funding to allow the Group to meet its planned operating activities in the normal course of business beyond the year ending December 31, 2020. Unforeseen events could negatively affect the Group's ability to fund planned operations in the future. The Group currently has no significant planned capital expenditures nor are there plans to make cash distributions to shareholders.

5.2 Financial risk factors

The Group's activities expose it to a number of financial risks whereby future events, which can be outside the control of management, could have a material effect on the Group's financial position and operating results. The known risks include foreign currency and credit risk and there could be other risks currently unknown to management. The Group historically has not hedged its financial risks and has no plans to do so in the future.

Foreign Currency

The Group maintains operations in Denmark, Germany and the United States that use the DKK, the EUR and the USD as their functional currencies, respectively. The Group conducts cross border transactions where the functional currency is not always used. The Parent and Operations, whose functional currency is the DKK, hold significant cash deposits denominated in EUR and USD. Accordingly, future changes in the exchange rates of the DKK, the EUR and/or the USD will expose the Group to currency gains or losses that will impact the reported amounts of assets, liabilities, income and expenses and the impact could be material. For each of the years ended December 31, 2019, 2018 and 2017, the impact on the Group's statement of profit or loss of possible changes in the USD and EUR exchange rates against the Group's functional currencies, USD, DKK and EUR, would be as follows.

Currency	Possible change	2019	2018	2017
		USD '000	USD '000	USD '000
USD	+/–10%	+2,853/–2,853	+3,064/–3,064	+5,625/–5,625
EUR	+/–2%	+934/–934	+985/–985	+506/–506

Credit Risk

The Group's management manages credit risk on a group basis. The Group's credit risk is associated with cash and cash equivalents held in banks. The Group's investment policy is to collect contractual cash flows and preserve capital by either maintaining cash deposits in highly rated banks or investing in a diversified group of highly rated debt instruments. The Group does not trade financial assets for speculative purposes.

As of December 31, 2019 and 2018, the cash and cash equivalents of the Group are held primarily at two banks that currently have Moody's long-term deposit ratings of Aa2 and Aa3, respectively.

Notes to Consolidated Financial Statements (Continued)

Section 5—Capital Structure and Financial Risk and Related Items (Continued)

5.3 Other finance income (expense)

Other finance income (expense) primarily include interest income on USD cash holdings offset by bank charges (negative interest) related to DKK and EUR cash holdings.

5.4 Financial assets and liabilities

The Group's financial assets and liabilities include other receivables and trade payables, respectively. Such amounts are carried at amortized costs using the effective interest rate method. The carrying value of other receivables and trade payables is deemed to be their fair value based on payment terms that generally do not exceed 30 days.

Section 6—Other Disclosures

6.1 Related party disclosures

The Company is controlled by NB FP Investment K/S and its affiliates (collectively "NB"). The ultimate controlling party of the Company is Mr. Florian Schönharting who controls NB. See Note 6.2 for an additional related party.

A director of the Company is a partner at the law firm that provides Danish legal services to the Group. Remuneration paid to the law firm is referred to below as "Danish Legal Services." The director serves on the Company's board of directors in his individual capacity and not as a representative of the law firm.

Two directors of the Company, who were elected to the board of directors on May 6, 2016, each entered into a four-year consulting agreement with the Company. One of the consulting agreements commenced in September 2015 and the second during October 2016. The consulting agreements provided for the granting of 25,000 (250,000 after the Share Split) and 12,500 (125,000 after the Share Split) deferred shares, respectively, as full compensation for services to be rendered. The deferred shares vest in equal increments annually over four years from the date of grant. Unvested deferred shares vest immediately in the event there is a change in control as defined in the award agreement. The board member who holds 25,000 deferred shares did not stand for re-election and accordingly the consultant's role as a board member terminated at the time of the Company's Annual Shareholder meeting on May 3, 2017. Subsequent to the Amendment, the consultant who remains on the Company's board of directors holds 121,000 deferred shares and the consultant whose role as a board member terminated at the time of the Company's Annual Shareholder meeting on May 3, 2017 holds 194,000 deferred shares. Share-based remuneration paid to the consultants while the consultants were members of the Company's board of directors is referred to in the table below as "Consulting Services."

Beginning in 2013, the Company was part of a Danish joint tax group with Tech Growth Invest ApS and subsidiaries of Tech Growth Invest ApS. The Company's participation in the Tech Growth Invest ApS Danish joint tax group ceased on January 1, 2016. On January 1, 2016, the Company became part of a new Danish joint taxation group with NB FP Investment General Partner ApS, Operations, FA and FWP IP. See Note 3.4 for additional information.

Notes to Consolidated Financial Statements (Continued)

Section 6—Other Disclosures (Continued)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant year or as of yearend. All amounts disclosed in the table below exclude VAT:

	Year ended or as of December 31,		
	2019	2018	2017
	USD '000	USD '000	USD '000
Purchase of services from NB	73	76	68
Danish Legal Services	233	396	1,454
Consulting Services	35	71	188
Amounts owed to related parties	Nil	113	283
Amounts owed by related parties	—	—	—

The above table excludes the related party transaction disclosed in Note 6.2.

Terms and conditions of transactions with related parties

Amounts due to related parties represents trade payables that are uncollateralized, interest free and payable within 30 days of receipt of invoice. There have been no guarantees provided or received for any related party receivables or payables.

Transactions with key management

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

Other than the remuneration including share-based payment relating to key management personnel described in Notes 3.2 and 3.3, no other transactions have taken place with key management personnel during the periods presented herein.

Compensation paid to the members of the board of directors

Compensation to members of the Company's board of directors, excluding non-cash share-based compensation, for each of the years ended December 31, 2019, 2018 and 2017 totaled $60,000, $60,000 and $373,000, respectively. Share-based compensation paid to members of the Company's board of directors for each of the years ended December 31, 2019, 2018 and 2017 totaled $117,000, $495,000 and $1.3 million, respectively. As discussed in more detail in Note 3.3, during the years ended December 31, 2019 2018 and 2017, certain amounts were paid to warrant and option holders, including members of the board of directors, that were deemed to be a partial repurchase of equity awards and accounted for as a reduction to shareholders' equity. The amounts disclosed above exclude $63,000, $65,000 and $864,000 that was paid to members of the board of directors that were deemed to be a repurchase of equity awards for the years ended December 31, 2019, 2018 and 2017, respectively.

6.2 Commitments and contingent liabilities

Commitments

As discussed in Note 2.3, the Group adopted IFRS 16 effective January 1, 2019. In connection with the adoption of IFRS 16, the Group has made a policy election to not recognize a right-to-use asset and lease liability for short-term leases and leases for which the underlying asset is of low value.

Notes to Consolidated Financial Statements (Continued)

Section 6—Other Disclosures (Continued)

As the result of this policy election, combined with the Group's leases being all short-term, the provisions of IFRS 16 have no effect on the accompanying financial statements.

For each of the years ended December 31, 2019, 2018 and 2017, the Group recognized expenses of $88,000, $102,000 and $128,000, respectively, in connection with the Leases. For each of the years ended December 31, 2019, 2018 and 2017, the cash outflow for Leases was equal to the recognized expense for the respective year. As of December 31, 2019, the remaining obligation under the Leases totaled $48,000 which is payable during the year ending December 31, 2020.

The Company has a non-cancellable service agreement that requires annual payments of $2,000 through May 2022.

See Note 1.1 regarding the Annual Funding obligation to FWP IP.

As of December 31, 2019 and 2018, the other non-current asset is the rent security deposit on leased office space.

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. See Note 3.4 for tax contingencies.

In 2004, a private company Aditech Pharma AB (together with its successor-in-interest 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 (the "Transfer Agreement") that replaced the patent license agreement. Under the Transfer Agreement, the Company obtained, among other things, Aditech's patents and associated know-how related to DMF formulations and delivery systems (the "Aditech IP"). In connection with the License Agreement, the Company and Aditech executed an addendum to the Transfer Agreement (the "Addendum"). The Addendum clarified certain ambiguities with respect to the compensation due to Aditech in the event the Company would enter into the License Agreement and also provided for Aditech to waive certain rights under the Transfer Agreement. The Addendum specifies that Aditech receives 2% of the Non-refundable Fee (or $25 million) and is entitled to additional compensation should the Company receive royalties from Biogen under the License Agreement. If royalties are paid to the Company in accordance with the License Agreement, Aditech will be entitled to receive a cash payment equal to 2% of the same base amount with respect to which the Company's royalty percentage is calculated, accruing from the same period of time as any royalty payment payable by Biogen to the Company (prior to taking into account taxes, duties and VAT, if any). Aditech is considered to be a related party of the Company due to control over Aditech by NB. The $25 million due to Aditech in accordance with the Addendum and in connection with the Company's receipt of the Non-refundable Fee was paid during May 2017.

As part of the project for the development of new or innovative products and procedures in the Free State of Saxony, Germany, the Sächsische Aufbaubank—Förderbank ("SAB") awarded FP GmbH a grant ("Grant") of €3.8 million ($4.3 million based on the December 31, 2019 exchange rate) that subsidized certain product development costs incurred by FP GmbH during the period from March 2007 to December 2008. In June 2012, the SAB concluded the proceeding of proof of correct use of the Grant and determined that FP GmbH was in compliance with the terms of the Grant. In January

Notes to Consolidated Financial Statements (Continued)

Section 6—Other Disclosures (Continued)

2017, the SAB informed the Company that FP GmbH had no further obligation to perform under the Grant or to repay the Grant. The SAB maintains the right to revoke the Grant and demand repayment of the Grant plus interest in the event the SAB in the future determines that FP GmbH failed to comply with the terms of the Grant.

6.3 Events after the reporting period

Subsequent to December 31, 2019, there are no events that are required to be reported except the outbreak of COVID-19. The Group's business and operations could be disrupted and adversely affected by the outbreak of COVID-19. The Group is currently unable to estimate whether, or to what extent, COVID-19 will disrupt or impact the Group's business or operations, including any effect on the joint tax audit, discussed in Note 3.4, and/or the Opposition Proceeding. Any disruption of the Group's business or operations caused by COVID-19 could have a material adverse impact on the Group's operating results and financial condition.

Exhibit 2.3

Depositary Receipts
240 Greenwich Street
22nd Floor
New York, NY 10286

May 29, 2019

Claus Bo Svendsen, MD, PhD
Chief Executive Officer
Forward Pharma A/S
Ostergade 24A,1
1100 Copenhagen K
Denmark

Dear Dr. Svendsen,

This letter agreement (the "Agreement") confirms our fees and expenses for depositary services between The Bank of New York Mellon as Depositary (the "Depositary") and by Forward Pharma A/S (the "Company) in connection with its Depositary Receipt facility (the "Facility") provided pursuant to the Deposit Agreement among the Company, the Depositary and the owners and holders of the Company's American Depositary Shares, dated October 14, 2014 (the "Deposit Agreement"). Our services for the Facility, including the services available to the Company and its registered Depositary Receipt ("DR") holders, and the applicable fees and expenses (including those paid by us), are included in Exhibit I.

This Agreement will become effective October 20, 2019 (the "Effective Date") for a period of (5) years through October 19, 2024 (the "Term").

Our annual administration charge for the Facility (the "Annual Administration Charge") is $50,000 for as long as the ordinary shares are not listed locally. The Company will be billed on an annual basis.

In consideration of acting hereof, the Depositary agrees to make certain payments to the Company. The Depositary is prepared to assess a Depositary Service Fee ("DSF) of up to $0.02 per DR on a specific record date, per annum and revenue share 50% of the fee collected with the Company during the Term. Such an amount will be paid to the Company within 60 days of collection. The Depositary will waive the Annual Administration Charge in any Contract year that it collects a DSF of at least $0.01 per DR. Payments to the Company will be paid in accordance with the wire instruction details provided on the Company's Certificate of Authorized Persons ("CAP").

The Depositary agrees to pay its standard out-of-pocket administrative, maintenance and shareholder services expenses for providing services to the registered DR holders. Such standard out-of-pocket expenses include, but are not limited to the services to be paid by the Depositary listed in Exhibit I.

All documented non-standard out-of-pocket administration and maintenance fees and expenses, including but not limited to, any and all reasonable legal fees and disbursements incurred by the Depositary (including legal opinions, and any fees and expenses incurred by or waived to third-parties), and any expenses incurred by the Depositary for the servicing of non-registered DR holders and for any special service(s) performed

by the Depositary, will be paid by the Company. The Depositary agrees to consult with the Company when practicable prior to incurring any of the aforementioned non-standard out-of-pocket expenses.

The Depositary's performance hereunder is subject to applicable law and it shall not be responsible or liable for any failure or delay arising out of any circumstances beyond its reasonable control, including by reason of any act of God, war or terrorism, or any provision of present or future law, or governmental or regulatory authority action. The Depositary is subject to U.S. federal laws, including the Customer Identification Program (CIP) requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which the Depositary must obtain, verify and record information that allows it to identify clients, including DR issuers. Accordingly, the Depositary will ask the Company to confirm or provide certain organizational identifying information and documentation, including the Company's full legal name, physical address and tax identification number, documentation, such as organizational documents, and other pertinent identifying information.

The Company shall ensure that any payments from the Depositary to the Company hereunder will not, directly or indirectly, be used, contributed or otherwise made available by itself or to any subsidiary, joint venture partner or other person or entity, in furtherance of any business activity with any entity or person, or in any country that is now or hereafter the target of sanctions maintained by the U.S. Treasury Department's Office of Foreign Assets Control or similar sanctions, restrictions or embargoes imposed by other applicable regional or country regulators. The Company shall further ensure that any payments hereunder are not prohibited under anti-money laundering, counter-terrorist financing, anti-bribery or anti-corruption laws or similar government or regulatory authority requirements applicable to the Company.

All payments by the Depositary referenced in the preceding paragraphs are subject to: the receipt by the Depositary of a signed original copy of this Agreement; a completed and accepted Form W-8BEN-E (if applicable); and an original Certificate of Authorized Persons. Any payments from the Depositary to the Company will be netted for any applicable taxes, and reduced by any balances (including applicable taxes applied) that are past due to the Depositary of ninety (90) days or later.

The Company makes commercially reasonable efforts to comply with applicable tax laws in all jurisdictions where such laws are applicable to the Company and/or its business and will ensure that all applicable taxes payable by the Company are paid in respect of payments made by the Depositary to the Company or on its behalf pursuant to this Agreement; the Company will maintain policies and compliance measures designed to ensure compliance with applicable tax laws in all material respects and to prevent the evasion of taxes or the facilitation of tax evasion.

The Depositary and the Company shall comply with all applicable laws relating to the privacy and data protection ("Data Protection Laws") and each shall ensure that where it collects personal data which it transfers to the other party: (i) it has collected the personal data fairly and lawfully; and (ii) the disclosure of such personal data for the purposes set out in the Agreement and in the privacy notice on the corporate website of BNY Mellon ("Permitted Purposes") is fair and lawful and is provided for in its fair processing notices. Where consent is required by Data Protection Laws, each party shall obtain all necessary consents from relevant data subjects, in order to disclose that personal data and facilitate its use for the Permitted Purposes, and shall promptly notify the other party in writing if a data subject withdraws its consent. The parties shall promptly notify, consult and co-operate with each other in relation to a personal data breach and when responding to any communication, complaint, notice or access request, relating to personal data processed pursuant to this Agreement.

The terms "data subject", "personal data", "personal data breach" and "process" used in this paragraph shall have the meaning prescribed by Data Protection Laws.

The Bank of New York Mellon is a global financial organization that operates in and provides services and products through its affiliates, branches, representative offices and/or subsidiaries (the "BNYM entities") located in multiple jurisdictions. The Depositary may use one or more of the BNYM entities and third party service providers for certain activities, including audit, accounting, administration, risk management, credit, legal, compliance, operations, sales and marketing, relationship management, information technology and the storage, maintenance, aggregation, processing and analysis of Company information. The BNYM entities and our third party service providers are required to maintain the confidentiality of such Company information. The Company agrees to such disclosure and use, as well as to governmental regulatory authorities in jurisdictions where we operate or as otherwise required by law.

The terms and conditions of this Agreement are confidential and shall not be disclosed except as required by law or any regulatory authority.

The terms of this Agreement shall govern the matters set forth herein and shall not be superseded or modified by the terms of the Deposit Agreement as of the Effective Date or as it may be amended. The Company and the Depositary agree that the terms and conditions of this Agreement shall be governed by New York law and consent to the exclusive jurisdiction of the New York state or federal courts located in the Borough of Manhattan for any actions hereunder. The Company waives personal service of process upon it for any actions relating hereto and consents to service made by certified or registered mail, return receipt requested, directed to the Company and service so made shall be deemed completed ten (10) days after the same shall have been so mailed. The provisions of this Agreement are solely for the Depositary and the Company and their respective successors and assigns. The Company and the Depositary each represent and warrant that this Agreement constitutes the legal, valid and binding obligations of the Company and the Depositary, respectively, in accordance with its terms. If any provision of this Agreement is invalid, illegal or unenforceable, the remaining provision will not be affected.

If these terms are acceptable, please sign two copies of this letter, keep one for your files and return one to the Depositary at your earliest convenience.

Very truly yours,

Confirmed and Accepted:

Forward Pharma A/S		The Bank of New York Mellon	
By:	/s/ Florian Schönharting	By:	/s/ Robert W. Goad
Name:	Florian Schönharting	Name:	Robert W. Goad
Title:	Chairman	Title:	Managing Director
Date:	June 11, 2019	Date:	June 6, 2019
By:	/s/ Claus Bo Svendsen		
Name:	Claus Bo Svendsen		
Title:	CEO		
Date:	June 11, 2019		

Exhibit 2.6

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Set forth below is a summary of certain information concerning our share capital as well as a description of certain provisions of our Articles of Association and relevant provisions of the Danish Companies Act ("DCA"). Because the following is only a summary, it does not contain all of the information that may be important to you. The summary includes certain references to and descriptions of material provisions of our Articles of Association and Danish law in effect as of the date of our Annual Report on Form 20-F. The summary below does not purport to be complete and is qualified in its entirety by reference to applicable Danish law and our Articles of Association, a copy of which is incorporated by reference into our Annual Report on Form 20-F. Further, please note that American Depositary Shares ("ADS") holders are not treated as our shareholders and do not have rights as a shareholder. For more information regarding the rights of ADS holders, see the section of this exhibit titled "American Depositary Shares."

General

Forward Pharma A/S was incorporated on July 1, 2005 as a limited liability company under Danish law. We are registered with the Danish Business Authority under company registration number 28865880. Our corporate seat is in Copenhagen, Denmark, and our registered office is Østergade 24A, 1, 1100 Copenhagen K, Denmark.

Our authorized share capital is nominally DKK 950,738.64, divided into shares of DKK 0.01 each.

Our ADSs are listed on the Nasdaq Capital Market under the symbol "FWP." The transfer agent and registrar for the ADSs is The Bank of New York Mellon.

Articles of Association

Below is a summary of relevant information concerning material provisions of our Articles of Association and applicable Danish law. This summary does not constitute legal advice regarding those matters and should not be regarded as such.

See the section entitled "Comparison of Danish Corporate Law and Our Articles of Association and U.S. Corporate Law—Shareholder Rights—Voting Rights" for a description of the voting requirements for a resolution to amend the Articles of Association.

Since October 14, 2014, our Articles of Association were amended as follows:

- on November 14, 2014, the Company's nominal share capital was increased from 4,581,376 DKK to 4,651,374 DKK;
- on March 24, 2015, to add the terms applicable to warrants previously granted to certain of our directors and employees;
- on April 13, 2015, to increase the share capital in connection with the issuance of 142,150 shares to Joel Sendek;
- on April 20, 2015, to extend the exercise period for warrants that allow for the subscription of 333,720 shares and to increase the board of directors' authorization to issue warrants to employees and consultants by 1.7 million warrants and underlying shares;
- on June 23, 2015, to implement the terms applicable to warrants granted to a number of persons engaged or employed with the Company or a subsidiary of the Company, issue of shares to two warrant holders that had exercised their warrants and amendments due to lapse of certain warrants;
- on November 24, 2015, to implement the terms applicable to warrants granted to a number of persons engaged or employed with the Company or a subsidiary of the Company;
- on May 6, 2016, to increase the allowable maximum number of board members, to increase and amend the

board of directors' authorization to issue warrants and to reduce the board of directors' authorization to increase the company's share capital;

- on June 1, 2016, to implement the terms applicable to warrants granted to a number of persons engaged or employed with the Company or a subsidiary of the Company, to issue shares to a warrant holder that had exercised its warrants and amendments due to lapse of certain warrants;
- on July 29, 2016, to increase the share capital in connection with the issuance of 142,155 shares to Joel Sendek;
- on August 30, 2016, to implement the terms applicable to warrants granted to a person employed with the Company;
- on March 29, 2017, to implement the terms applicable to warrants granted to Claus Bo Svendsen and to issue shares to a warrant holder that had exercised its warrants;
- on May 3, 2017, to reflect that the Company's statutory Danish annual report is prepared and presented in English;
- on August 2, 2017, to make a share split in the ratio 1/10;
- on September 1, 2017, to decrease the share capital at a premium rate and pay the proceeds to the shareholders at a rate of EUR 19.45 per share of nominally 0.10 DKK (corresponding to EUR 2.43125 per share of nominally 0.01 DKK that was annulled);
- on November 21, 2017, to adopt principles for the adjustment of certain award terms and compensation of certain award holders due to the changes in the Company's capital structure etc. resolved on the Company's extraordinary general meeting on August 2, 2017;
- on November 28, 2017, to implement the terms applicable to warrants granted to employees, board members and a consultant of the Company;
- on April 4, 2018, to implement the terms applicable to warrants granted to Claus Bo Svendsen;
- on June 12, 2018, to issue shares to two warrant holders that had exercised their warrants, include Jan van de Winkel, a former director of the Company;
- on September 18, 2018, to implement the terms applicable to warrants granted to an employee of the Company and to issue shares to a warrant holder that had exercised its warrants;
- on May 8, 2019, to extend until May 1, 2024 the authorizations of the board of directors pursuant to articles 3.2, 3.4, 3.6 and 4.2 in our Articles of Association to (a) issue warrants and corresponding shares to employees, members of the executive management, members of the board of directors and consultants, (b) issue shares to employees, members of the executive management, members of the board of directors and consultants, (c) issue shares without pre-emption rights of the existing shareholders, and (d) have the Company acquire its own shares; and
- on November 26, 2019, to implement the terms applicable to warrants granted two employees of the Company, including Claus Bo Svendsen.

Company's shareholders' register

Our shareholders' register is maintained by Computershare A/S who has been elected to act as our local share registrar.

Corporate Objective

Our corporate objectives are, directly or indirectly through subsidiaries, to conduct business within development, manufacturing, distribution and sale of drugs and medicaments, as well as any other related activities at the discretion of the board of directors. Furthermore, we may, within our line of business, participate in partnerships or co-operate with other businesses, including by licensing out rights within our line of business.

Limitation on Liability and Indemnification Matters

Under Danish law, members of the board of directors and executive officers may be held liable for damages in the event of improper or negligent conduct in breach of their fiduciary duties. They may be held jointly and severally liable for losses incurred by the Company and third parties due to their improper or negligent conduct. In certain circumstances, they may also incur additional criminal liabilities. The members of our board of directors and executive officers are insured under an insurance policy protecting them against liability resulting from the conduct of our directors and such certain officers when acting in their capacities as such. Each year at the annual general meeting of shareholders, the discharge of the board of directors and the executive officers of certain responsibilities is an item on the agenda. We have entered into indemnification agreements with members of our board of directors and our executive officers.

General Meetings

See below "Comparison of Danish Corporate Law and Our Articles of Association and U.S. Corporate Law—Shareholder Rights—Shareholder Proposals" for a description of the rules on time and venue of general meetings under Danish law. See below "Description of American Depositary Receipts—Voting Rights" for a description of the rules and procedures for ADS holders in connection with general meetings.

Under our Articles of Association, general meetings shall be convened by our board of directors with at least two weeks' and not more than four weeks' notice. Notice of general meetings must be published on our website and in form and substance in accordance with the requirements of any stock exchange on which our shares are listed. Further, written notice of the general meeting must be mailed to all of our shareholders who have requested such notice be sent. The notice shall specify the time and place of the general meeting and the agenda containing the business to be transacted at the general meeting. If a proposal to amend our Articles of Association is to be considered at the general meeting, a summary of such proposal must be set out in the notice. For certain material amendments, the specific wording must be set out in the notice. The right of a shareholder to attend a general meeting is determined by shares held by such shareholder at the record date, which is the day one week prior to the date of the general meeting.

Quorum and Voting Requirements

Each ordinary share carries one vote at the general meeting of shareholders. Shareholders may vote by proxy. The voting rights of any shares we hold in treasury are suspended as long as they are so held. Shares held in treasury will not be taken into account for the purpose of determining the number of shareholders that vote and that are present or represented, or the number of shares that are represented at our general meetings.

In accordance with Danish law and generally common business practices, the Articles of Association do not provide for a quorum generally applicable to general meetings of shareholders. See below "Comparison of Danish Corporate Law and Our Articles of Association and U.S. Corporate Law—Shareholder Rights—Voting Rights" for a description of the rules on voting requirements under Danish law.

Members of the Board of Directors and Executive Officers

Under our Articles of Association, members of the board of directors are elected at the general meeting of shareholders. Candidates are usually nominated by our existing board of directors or shareholders, but any shareholders are entitled to nominate other candidates. The members of the board of directors are elected for one year terms. Directors are not subject to term limits. Only persons who are younger than 70 years at the time of election may be elected to the board of directors. The board of directors appoints our executive officers.

See below "Comparison of Danish Corporate Law and Our Articles of Association and U.S. Corporate Law—Corporate Governance—Duties of Directors" for a description of the general rules on duties and liabilities of the members of the board of directors under Danish law.

Obligation to Disclose Significant Shareholdings and Transactions

Pursuant to the DCA, shareholders must notify a Danish company once they hold in excess of 5% of the company's share capital or voting rights, and must also provide notice to the company upon exceeding or falling below 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50%, 66 2/3%, 90% and 100% of the company's share capital or voting rights. Such information must be registered with the Danish Business Authority by the company and is published by the Danish Business Authority. This obligation does not apply to ADS holders.

Additionally, the beneficial owners (in Danish: reelle ejere) of a company must be registered with the Danish Business Authority by the company. A beneficial owner is a natural person whom ultimately owns or controls a sufficient amount (construed by the Danish Business Authority usually as in excess of 25 percent) of the shares or voting rights or exercises control through other means of a Danish company. The identity of the beneficial owners is published by the Danish Business Authority. Anyone who directly or indirectly owns or controls a Danish company is upon request of the company obliged to provide the company with the information necessary for identification of the company's beneficial owners. If a company does not have beneficial owners or no beneficial owners can be identified, the executive management will be registered as beneficial owners. A Danish company must at least once a year investigate whether there are any changes to the registered beneficial owners of the company.

Comparison of Danish Corporate Law and Our Articles of Association and U.S. Corporate Law

The following summary provides a comparison between Danish corporation law and our Articles of Association, which applies to us, and Delaware corporation law, the law under which many publicly listed corporations in the United States are incorporated. Although we believe this summary is materially accurate, the summary is subject to Danish law, including the DCA, and Delaware corporation law, including the Delaware General Corporation Law ("DGCL"). This summary does not constitute legal advice regarding those matters and should not be regarded as such. Further, please note that an ADS holder will not be treated as one of our shareholders and will not have any shareholder rights.

Corporate Governance

Duties of Directors

Denmark. The board of directors is responsible for overall and strategic management. In addition to performing overall management duties and strategic management duties and ensuring proper organization of the company's business, the board must ensure that:

1. the bookkeeping and financial reporting procedures are satisfactory, having regard to the circumstances of the limited liability company;

2. adequate risk management and internal control procedures have been established;

3. the board of directors receives ongoing information as necessary about the limited liability company's financial position;

4. the executive board performs its duties properly and as directed by the board of directors; and that

5. the financial resources of the limited liability company are adequate at all times, and that the company has sufficient liquidity to meet its current and future liabilities as they fall due. The limited liability company is therefore required to continuously assess its financial position and ensure that the existing capital resources are adequate.

The board of directors must appoint an executive board to be responsible for the day-to-day management of the company. The executive board must either consist of one or more persons who are also members of the board of directors, or consist of persons who are not members of the board of directors. In both cases, persons in charge of day-to-day management will be designated as executive officers, and together they form the executive board of the limited liability company. The majority of the members of the board of directors of public limited companies must be non-executive directors. No executive officer in a public limited company may be chairman or vice-chairman of the board of directors of that company.

Delaware. The board of directors bears the ultimate responsibility for managing the business and affairs of a corporation. In discharging this function, directors of a Delaware corporation owe fiduciary duties of care and loyalty to the corporation and to its shareholders. Delaware courts have decided that the directors of a Delaware

corporation are required to exercise informed business judgment in the performance of their duties. Informed business judgment means that the directors have informed themselves of all material information reasonably available to them. Delaware courts have also imposed a heightened standard of conduct upon directors of a Delaware corporation who take any action in connection with a change in control of the corporation. In addition, under Delaware law, when the board of directors of a Delaware corporation approves the sale or break-up of a corporation, the board of directors may, in certain circumstances, have a duty to obtain the highest value reasonably available to the shareholders. There is no prohibition on executive officers of Delaware companies serving as chairman or vice-chairman of their board of directors.

Director Terms

Denmark. Under Danish law, directors are elected by the general meeting for the terms set out in the company's articles of association, provided however that the term shall expire with the closing of an annual general meeting held no later than four years after their election. Directors are usually elected for one-year terms. There is no limit in the number of terms a director may serve.

Delaware. The DGCL generally provides for a one-year term for directors, but permits directorships to be divided into up to three classes with up to three-year terms, with the years for each class expiring in different years, if permitted by the certificate of incorporation, an initial bylaw or a bylaw adopted by the shareholders. A director elected to serve a term on a "classified" board may not be removed by shareholders without cause. There is no limit in the number of terms a director may serve.

Director Vacancies

Denmark. Under Danish law, if there is no alternate member to replace a resigning member, the other members of the board of directors must arrange for the election of a new member to replace the resigning member during the remainder of his term of office. However, if the election is to be held at the general meeting, it may be postponed until the next annual general meeting for the election of members of the board of directors, provided that the number of remaining members and alternate members of the board of directors corresponds to the interval set out in the articles of association and amounts to at least three members.

Delaware. The DGCL provides that vacancies and newly created directorships may be filled by a majority of the directors then in office (even though less than a quorum) unless (i) otherwise provided in the certificate of incorporation or bylaws of the corporation or (ii) the certificate of incorporation directs that a particular class of shares is to elect such director, in which case any other directors elected by such class, or a sole remaining director elected by such class, will fill such vacancy.

Conflict-of-Interest Transactions

Denmark. Under the DCA, no member of management may participate in the transaction of business that involves any agreement between the limited liability company and that member, or legal proceedings against that member, or the transaction of business that involves any agreement between the limited liability company and a third-party, or legal proceedings against a third-party, if the member has a material interest in such business and that material interest could conflict with the interests of the limited liability company.

Delaware. The DGCL generally permits transactions involving a Delaware corporation and an interested director of that corporation if:

- the material facts as to the director's relationship or interest are disclosed and a majority of disinterested directors consent;
- the material facts are disclosed as to the director's relationship or interest and a majority of shares entitled to vote thereon consent; or
- the transaction is fair to the corporation at the time it is authorized by the board of directors, a committee of the board of directors or the shareholders.

Proxy Voting by Directors

Denmark. A director of a Danish corporation may issue only to another director a proxy representing the director's voting rights at board meetings as a director.

Delaware. A director of a Delaware corporation may not issue a proxy representing the director's voting rights as a director.

Shareholder Rights

Voting Rights

Denmark. Under Danish law each share is entitled to one vote unless otherwise provided for by the articles of association. Our Articles of Association provide for one class of shares, ordinary shares, and each ordinary share shall be entitled to one vote.

A nominee shareholder is entitled to receive dividends and to exercise all subscription and other financial rights attached to the shares held in its name. The administrative rights attached to the shares (e.g., voting rights), however, cannot be exercised by the nominee unless (i) the beneficial owner of the shares discloses its identity and is registered by name in our register of shareholders and/or (ii) the nominee can present a valid power of attorney relating to this effect originating from the beneficial owner of the shares.

The relationship between the nominee shareholder and the beneficial owner is governed solely by an agreement between the parties, and the beneficial owner must disclose its identity, if any of the aforementioned administrative rights are to be exercised directly by the beneficial owner.

The right to appoint a nominee does not eliminate a shareholder's obligation to notify us of a major shareholding.

All business transacted by the general meeting shall be decided by a simple majority of votes, unless otherwise provided by the DCA or by the Articles of Association.

A resolution to amend the Articles of Association requires that the resolution be adopted by at least two-thirds of the votes cast as well as the share capital represented at the general meeting, unless the DCA or the Articles of Association requires a larger majority.

Delaware. Under the DGCL, each shareholder is entitled to one vote per share, unless the certificate of incorporation provides otherwise. In addition, the certificate of incorporation may provide for cumulative voting at all elections of directors of the corporation, or at elections held under specified circumstances. Either the certificate of incorporation or the bylaws may specify the number of shares and/or the amount of other securities that must be represented at a meeting in order to constitute a quorum, but in no event will a quorum consist of less than one third of the shares entitled to vote at a meeting.

Shareholders as of the record date for the meeting are entitled to vote at the meeting, and the board of directors may fix a record date that is no more than 60 nor less than 10 days before the date of the meeting, and if no record date is set then the record date is the close of business on the day next preceding the day on which notice is given, or if notice is waived then the record date is the close of business on the day next preceding the day on which the meeting is held. The determination of the shareholders of record entitled to notice or to vote at a meeting of shareholders shall apply to any adjournment of the meeting, but the board of directors may fix a new record date for the adjourned meeting.

Shareholder Proposals

Denmark. The shareholders' rights to pass resolutions are exercised at the general meetings of the limited liability company. All shareholders, irrespective of voting rights, are entitled to attend and speak at general meetings.

General meetings must be held at the registered office of the limited liability company, unless the articles of association specify another place at which the meetings must or can be held. If special circumstances require it, a general meeting may, in isolated cases, be held elsewhere.

The annual general meeting must be held in time for the annual report adopted by the board of directors and the general meeting to reach the Danish Business Authority within five months from the end of the financial year, the time limit specified in the Financial Statements Act. For financial years ending between 31 October 2019 and 30 April 2020 (both days included) this deadline has been extended by three months due to the special circumstances arising as a result of the COVID-19 virus. The annual report must be submitted to the general meeting.

Extraordinary general meetings must be held upon request from the board of directors or the auditor elected by the general meeting. Shareholders that hold 5% of the share capital can request an extraordinary general meeting in writing. Extraordinary general meetings to consider specific issues must be convened within two weeks of receipt of a request to such effect.

Delaware. Delaware law does not specifically grant shareholders the right to bring business before an annual or special meeting. However, if a Delaware corporation is subject to the SEC's proxy rules, a shareholder who owns at least $2,000 in market value, or 1% of the corporation's securities entitled to vote, may include a shareholder proposal in the corporation's proxy materials relating to an annual or special meeting in accordance with those rules.

Action by Written Consent

Denmark. Under Danish law, shareholders can, subject to certain exemptions, pass resolutions at a general meeting without complying with the requirements as to form and notice in the DCA and the company's articles of association, provided that all shareholders agree to do so. Further, unless otherwise provided by the company's articles of association, the board of directors may determine that in addition to a right to physically attend general meetings, shareholders may be given the right to attend electronically, including using electronic voting that does not require physical attendance at the meeting, so that the general meeting will be partly electronic. Moreover, the general meeting may resolve to hold general meetings electronically without any opportunity for parties to physically attend, so that the meeting is held by electronic means alone. A resolution to that effect must be recorded in the company's articles of association. Due to the special circumstances arising as a result of the COVID-19 virus, the board of directors may in the period from 7 April 2020 and until 8 weeks after the termination of the ban on holding and participating in larger gatherings in Denmark, resolve to hold general meetings electronically without any opportunity for parties to physically attend, so that the meeting is held by electronic means alone, without a resolution to that effect being approved by the general meeting or recorded in the company's articles of association.

Delaware. Although permitted by Delaware law, publicly listed companies do not typically permit shareholders of a corporation to take action by written consent.

Appraisal Rights

Denmark. The DCA provides for certain shareholder appraisal rights in connection with certain mergers and demergers, and in relation to certain cross-border mergers and demergers also the right to demand redemption of the shareholder's shares.

Delaware. The DGCL provides for shareholder appraisal rights, or the right to demand payment in cash of the judicially determined fair value of the shareholder's shares, in connection with certain mergers and consolidations.

Shareholder Suits

Denmark. Under Danish law, any resolution that the company should take legal action against its promoters, members of management, valuation experts, auditors, scrutinizers, keepers of the register of shareholders or shareholders under must be passed by the general meeting. Proceedings may be commenced notwithstanding any previous resolutions passed at a general meeting granting exemption from liability or waiving the right to take legal action if the information concerning the resolution or the subject matter of the proceedings provided to the general meeting before the resolution was passed was not essentially correct or complete. If shareholders that represent no

less than one-tenth of the share capital oppose any resolution to grant exemption from liability or waive the right to take legal action, any shareholder can commence legal proceedings to recover damages for the company from the person(s) liable for the loss suffered. Shareholders who commence such proceedings must pay the legal costs involved, but may have such costs reimbursed by the company to the extent that they do not exceed the amount recovered by the company as a result of the proceedings. If the company is declared bankrupt, and the date of presentation of the bankruptcy petition is no later than 24 months after the date on which the general meeting resolved to grant exemption from liability or waive the right to take legal action, the bankrupt estate may, however, bring an action for damages without regard to the resolution passed at the general meeting. If a shareholder has suffered a loss, which is not an indirect loss due to a loss suffered by the company, such shareholder can commence legal proceedings to recover such loss independently and regardless of the above.

Delaware. Under the DGCL, a shareholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. An individual also may commence a class action suit on behalf of himself and other similarly situated shareholders where the requirements for maintaining a class action under Delaware law have been met. A person may institute and maintain such a suit only if that person was a shareholder at the time of the transaction which is the subject of the suit. In addition, under Delaware case law, the plaintiff normally must be a shareholder at the time of the transaction that is the subject of the suit and throughout the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff in court, unless such a demand would be futile.

Repurchase of Shares

Denmark. Under Danish law, a limited liability companies may acquire their own shares if they are fully paid up. The shares may be acquired both in ownership and by way of security. If a limited liability company acquires its own shares for consideration, such consideration may only consist of the funds that may be distributed as ordinary dividends under the provisions of the DCA and the company's holding of its own shares must be disregarded when assessing whether the company satisfies the mandatory minimum capital requirements. An acquisition of a company's own shares for consideration cannot take place without the board of directors' obtaining authority from the general meeting, and such authority may only be given for a specified time, which may not exceed five years. The authority must specify (i) the maximum permitted value of the company's own shares; and (ii) the minimum and maximum amount that may be paid by the company as consideration for the shares.

Delaware. Under the DGCL, a corporation may purchase or redeem its own shares unless the capital of the corporation is impaired or the purchase or redemption would cause an impairment of the capital of the corporation. A Delaware corporation may, however, purchase or redeem out of capital any of its preferred shares or, if no preferred shares are outstanding, any of its own shares if such shares will be retired upon acquisition and the capital of the corporation will be reduced in accordance with specified limitations.

Anti-Takeover Provisions

Denmark. Danish company law does not contain specific anti-takeover provisions for unlisted companies but a company's articles of association may include poison pills to this effect, e.g., share classes with higher voting rights than other share classes or provisions to the effect that the board of directors shall approve share transfers.

Delaware. In addition to other aspects of Delaware law governing fiduciary duties of directors during a potential takeover, the DGCL also contains a business combination statute that protects Delaware companies from hostile takeovers and from actions following the takeover by prohibiting some transactions once an acquirer has gained a significant holding in the corporation.

Section 203 of the DGCL prohibits "business combinations," including mergers, sales and leases of assets, issuances of securities and similar transactions by a corporation or a subsidiary with an interested shareholder that beneficially owns 15% or more of a corporation's voting shares, within three years after the person becomes an interested shareholder, unless:

- the transaction that will cause the person to become an interested shareholder is approved by the board of directors of the target prior to the transactions;

- after the completion of the transaction in which the person becomes an interested shareholder, the interested shareholder holds at least 85% of the voting shares of the corporation not including shares owned by persons who are directors and officers of interested shareholders and shares owned by specified employee benefit plans; or

- after the person becomes an interested shareholder, the business combination is approved by the board of directors of the corporation and holders of at least 66.67% of the outstanding voting shares, excluding shares held by the interested shareholder.

A Delaware corporation may elect not to be governed by Section 203 by a provision contained in the original certificate of incorporation of the corporation or an amendment to the original certificate of incorporation or to the bylaws of the company, which amendment must be approved by a majority of the shares entitled to vote and may not be further amended by the board of directors of the corporation. Such an amendment is not effective until twelve months following its adoption.

Inspection of Books and Records

Denmark. Under Danish law, the company's annual report is public and shareholders have no access to inspect the company's books and records. They are instead referred to exercise their right to ask questions to the board or management at a general meeting or to submit a proposal for scrutiny of the company's formation, of any specific matter relating to the administration of the company, or of certain financial statements. If such a proposal is adopted by a simple majority of votes, the general meeting must elect one or more scrutinizers. The scrutinizer may demand from the company's management any information deemed to be of importance to the assessment of the company and shall submit a written report to the general meeting.

Delaware. Under the DGCL, any shareholder may inspect for any proper purpose certain of the corporation's books and records during the corporation's usual hours of business.

Removal of Directors

Denmark. Under Danish law, members of the board of directors may be removed at any time by the electing or appointing party. Consequently, directors elected at a general meeting may be removed at another general meeting by a simple majority of votes.

Delaware. Under the DGCL, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except (i) unless the certificate of incorporation provides otherwise, in the case of a corporation whose board is classified, shareholders may effect such removal only for cause, or (ii) in the case of a corporation having cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors, or, if there are classes of directors, at an election of the class of directors of which he is a part.

Preemptive Rights

Denmark. Under Danish law, existing shareholders will have preemptive rights to participate on the basis of their existing share ownership in the issuance of any new shares for cash consideration, unless those rights are waived by a resolution of the shareholders at a general meeting or the shares are issued on the basis of an authorization by the board of directors under which the board is granted the authority to waive the preemptive rights. Furthermore, the preemptive rights of the shareholders may be derogated from by a majority comprising at least two-thirds of the votes cast and of the share capital represented at the general meeting if the share capital increase is made at least market price.

Delaware. Under the DGCL, shareholders have no preemptive rights to subscribe for additional issues of shares or to any security convertible into such shares unless, and to the extent that, such rights are expressly provided for in the certificate of incorporation.

Dividends

Denmark. Under Danish law, the company's assets may only be distributed to its shareholders (i) as dividends, based on the latest adopted financial statements; (ii) as interim dividends; (iii) in connection with capital reductions; or (iv) in connection with the solvent dissolution of the company.

Dividends, if any, are declared with respect to a financial year at the annual general meeting of shareholders in the following year, where the statutory annual report (which includes the audited financial statements) for that financial year is approved. Further, shareholders may resolve at a general meeting to distribute interim dividends, and the board of directors may, pursuant to an authorization that may be granted to it by its shareholders, resolve to distribute interim dividends. Any resolution to distribute interim dividends within six months after the date of the statement of financial position as set out in our latest adopted annual report must be accompanied by the statement of financial position from our latest annual report or an interim statement of financial position which must be reviewed by an auditor. If the decision to distribute interim dividends is passed more than six months after the date of the statement of financial position as set out in our latest adopted annual report, an interim statement of financial position must be prepared and reviewed by an auditor. The statement of financial position or the interim statement of financial position, as applicable, must show that sufficient funds are available for distribution. Dividends may not exceed the amount recommended by the board of directors for approval by the general meeting of shareholders. Moreover, dividends and interim dividends may only be made out of distributable reserves and may not exceed what is considered sound with regard to our financial condition or be to the detriment of our creditors and such other factors as the board of directors may deem relevant.

Delaware. Under the DGCL, a Delaware corporation may pay dividends out of its surplus (the excess of net assets over capital), or in case there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year (provided that the amount of the capital of the corporation is not less than the aggregate amount of the capital represented by the issued and outstanding shares of all classes having a preference upon the distribution of assets). In determining the amount of surplus of a Delaware corporation, the assets of the corporation, including shares of subsidiaries owned by the corporation, must be valued at their fair market value as determined by the board of directors, without regard to their historical book value. Dividends may be paid in the form of common stock, property or cash.

Shareholder Vote on Certain Reorganizations

Denmark. Shareholders' approval rights may be (and often are) prescribed in the company's articles of association or in a shareholders' agreement, or both.

Mergers must be approved by the shareholders of the discontinuing company and by the board of directors of the continuing company, provided that the merger does not require a capital increase or other amendments to the articles of association of the continuing company, in which case the merger must also be approved by the continuing company's shareholders.

Voluntary public tender offers are usually conditional upon the situation where a certain percentage of nominal share capital or voting rights (or both) of the target company accepts the offer, the percentage of which depends on the aim the bidder is seeking to achieve. Ordinary amendments of the articles of association require two-thirds of both votes and capital represented at the general meeting, while squeeze-outs require more than nine-tenths of all votes and capital in the target company.

The DCA provides that a minority shareholder may demand that a single majority shareholder holding more than nine-tenths of all votes and capital in a company buy all of the shares of that minority shareholder.

Delaware. Under the DGCL, the vote of a majority of the outstanding shares capital entitled to vote thereon generally is necessary to approve a merger or consolidation or the sale of all or substantially all of the assets of a corporation. The DGCL permits a corporation to include in its certificate of incorporation a provision requiring for any corporate action the vote of a larger portion of the shares or of any class or series of shares than would otherwise be required.

Under the DGCL, no vote of the shareholders of a surviving corporation to a merger is needed, however, unless required by the certificate of incorporation, if (i) the agreement of merger does not amend in any respect the certificate of incorporation of the surviving corporation, (ii) the shares of the surviving corporation are not changed in the merger and (iii) the number of shares of common stock of the surviving corporation into which any other shares, securities or obligations to be issued in the merger may be converted does not exceed 20% of the surviving corporation's common stock outstanding immediately prior to the effective date of the merger. In addition, shareholders may not be entitled to vote in certain mergers with other corporations that own 90% or more of the outstanding shares of each class of stock of such corporation, but the shareholders will be entitled to appraisal rights.

Remuneration of Directors

Denmark. Under Danish law, the board of directors may receive fixed or variable remuneration. The amount of remuneration may not exceed what is considered usual, taking into account the nature and extent of the work, and what is considered reasonable with regard to the limited liability company's financial position and, in the case of parent companies, the group's financial position. Since the board of directors is disqualified to resolve remuneration on its own, the remuneration is fixed by the shareholders, typically at the ordinary general meeting in connection with the adoption of the company's annual report.

Delaware. Under the DGCL, the shareholders do not generally have the right to approve the compensation policy for directors or the senior management of the corporation, although certain aspects of executive compensation may be subject to shareholder vote due to the provisions of U.S. federal securities and tax law, as well as exchange requirements.

American Depositary Shares

The Company's American Depositary Receipts ("ADR") program is administered by The Bank of New York Mellon (the "depositary") located at 240 Greenwich Street, 22nd Floor, New York, New York 10286. Each ADS represents fourteen ordinary share (or a right to receive fourteen ordinary share) deposited with The Bank of New York Mellon, London Branch, or any successor, as custodian for the depositary. Each ADS also represents any other securities, cash or other property which may be held by the depositary in respect of the depositary facility.

ADSs may be held either directly or indirectly through a broker or other financial institution. If an ADS holder holds their ADSs directly, they will be a registered ADS holder. If an ADS is held indirectly, the relevant holder must rely on the procedures of their broker or other financial institution to assert the rights of ADS holders described below. Such holders should consult with their broker or financial institution to find out what those procedures are.

The Direct Registration System ("DRS") is a system administered by The Depository Trust Company ("DTC") pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership is confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.

An ADS holder will not be treated as one of our shareholders and will not have shareholder rights. Danish law governs shareholder rights. The depositary will be the holder of the ordinary shares underlying ADSs. ADS Holders will have ADS holder rights. A deposit agreement among us, the depositary and an ADS holder, and all other persons directly and indirectly holding ADSs, sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

Dividends and Other Distributions

How will ADS holders receive dividends and other distributions on the ordinary shares?

The depositary has agreed to pay the ADS holder the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after deducting its fees and expenses. An ADS holder will receive these distributions in proportion to the number of ordinary shares their ADSs represent.

Cash. We do not expect to declare or pay any cash dividends or cash distributions on our ordinary shares for the foreseeable future. The depositary will convert any cash dividend or other cash distribution we pay on the ordinary shares or any net proceeds from the sale of any ordinary shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis and at the then prevailing market rate, and can transfer the U.S. dollars to the United States. If that is not possible and lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest. Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary that must be paid, will be deducted. See the section of this Form 20-F titled "Taxation." It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, the ADS holder may lose some or all of the value of the distribution.

Ordinary Shares. The depositary may distribute additional ADSs representing any ordinary shares we distribute as a dividend or bonus shares to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new ordinary shares. The depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses in connection with that distribution.

Elective Distributions in Cash or Shares. If we offer holders of our ordinary shares the option to receive dividends in either cash or shares, the depositary, after consultation with us, may make such elective distribution available to ADS holders. We must first instruct the depositary to make such elective distribution available to ADS holders. As a condition of making a distribution election available to ADS holders, the depositary may require satisfactory assurances from us that doing so would not require registration of any securities under the Securities Act. There can be no assurance that ADS holders will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of ordinary shares, or at all.

Rights to Purchase Additional Ordinary Shares. If we offer holders of our securities any rights to subscribe for additional ordinary shares or any other rights, the depositary may make these rights available to ADS holders. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash distributions. The depositary will allow rights that are not distributed or sold to lapse. In that case, ADS holders will receive no value for them.

If the depositary makes rights available to ADS holders, it will exercise the rights and purchase the ordinary shares on an ADS holder's behalf and in accordance with the ADS holder's instructions. The depositary will then deposit the ordinary shares and deliver ADSs to the ADS holder. It will only exercise rights if the ADS holder pays it the exercise price and any other charges the rights require the ADS holder to pay and comply with other applicable instructions.

U.S. securities laws may restrict transfers and cancellation of the ADSs representing ordinary shares purchased upon exercise of rights. For example, ADS holders may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

Other Distributions. The depositary will send to ADS holders anything else we distribute to holders of deposited securities by any means it determines is equitable and practicable. If it cannot make the distribution proportionally among the owners, the depositary may adopt another equitable and practical method. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. In addition, the depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

Neither we nor the depositary are responsible for any failure to determine that it may be lawful or feasible to make a distribution available to any ADS holders. We have no obligation to register ADSs, ordinary shares, rights or other securities under the Securities Act. This means that ADS holders may not receive the distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to ADS holders.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if an ADS holder or its broker deposits ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or share transfer taxes or fees, and delivery of any required endorsements, certifications or other instruments of transfer required by the depositary, the depositary will register the appropriate number of ADSs in the names an ADS holder requests and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

ADS holders may surrender their ADSs at the depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or share transfer taxes or fees, the depositary will transfer and deliver the ordinary shares and any other deposited securities underlying the ADSs to the ADS holder or a person designated by the ADS holder at the office of the custodian or through a book-entry delivery. Alternatively, at the ADS holder's request, risk and expense, the depositary will transfer and deliver the deposited securities at its corporate trust office, if feasible.

How can ADS holders interchange between certificated ADSs and uncertificated ADSs?

ADS holders may surrender their ADRs to the depositary for the purpose of exchanging their ADRs for uncertificated ADSs. The depositary will cancel the ADRs and will send the ADS holder a statement confirming that it is the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do ADS holders vote?

ADS holders may instruct the depositary to vote the number of whole deposited ordinary shares the ADSs represent. The depositary will notify ADS holders of shareholders' meetings or other solicitations of consents and arrange to deliver our voting materials to ADS holders if we ask it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary.

The depositary will try, as far as practical, and subject to the laws of Denmark and our Articles of Association, to vote or to have its agents vote on the ordinary shares or other deposited securities as instructed by ADS holders.

The depositary will only vote or attempt to vote as ADS holders instruct or as described above.

We cannot assure ADS holders that they will receive the voting materials in time to ensure that ADS holders can instruct the depositary to vote their ordinary shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions provided that any such failure is in good faith. This means that ADS holders may not be able to exercise their right to vote and there may be nothing ADS holders can do if their ordinary shares are not voted as requested.

In order to give ADS holders a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 45 days in advance of the meeting date.

Except as described above, ADS holders will not be able to exercise their right to vote unless they withdraw the ordinary shares. However, ADS holders may not know about the shareholder meeting far enough in advance to withdraw the ordinary shares.

Fees and Expenses

What fees and expenses will ADS holders be responsible for paying?

Pursuant to the terms of the deposit agreement, the holders of ADSs will be required to pay the following fees:

Persons depositing or withdrawing ordinary shares or ADSs must pay:	*For:*
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	· Issue of ADSs, including issues resulting from a distribution of ordinary shares or rights or other property · Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$0.05 (or less) per ADS	· Any cash distribution to an ADS holder
A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been ordinary shares and the shares had been deposited for issue of ADSs	· Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
$0.05 (or less) per ADS per calendar year	· Depositary services
Registration or transfer fees	· Transfer and registration of ordinary shares on our share register to or from the name of the depositary or its agent when ADS holders deposit or withdraw shares
Expenses of the depositary	· Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) · Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, share transfer taxes, stamp duty or withholding taxes	· As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	· As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts

of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide for-fee services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

Payment of Taxes

ADS holders will be responsible for any taxes or other governmental charges payable on their ADSs or on the deposited securities represented by any of their ADSs. The depositary may refuse to register any transfer of ADSs or allow ADS holders to withdraw the deposited securities represented by their ADSs until such taxes or other charges are paid. It may apply payments owed to ADS holders or sell deposited securities represented by their ADSs to pay any taxes owed and ADS holders will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs registered in the ADS holder's name to reflect the sale and pay the ADS holder any net proceeds, or send the ADS holder any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:	*Then:*
· Change the nominal or par value of our ordinary shares	The cash, ordinary shares or other securities received by the depositary will become deposited securities.
· Reclassify, split up or consolidate any of the deposited securities	Each ADS will automatically represent its equal share of the new deposited securities.
· Distribute securities on the ordinary shares that are not distributed to ADS holders	The depositary may also deliver new ADSs or ask ADS holders to surrender their outstanding ADRs in exchange for new ADRs identifying the new deposited securities. The depositary may also sell the new deposited securities and distribute the net proceeds if we are unable to assure the depositary that the distribution (a) does not require registration under the Securities Act or (b) is exempt from registration under the Securities Act.
· Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	Any replacement securities received by the depositary shall be treated as newly deposited securities and either the existing ADSs or, if necessary, replacement ADSs distributed by the depositary will represent the replacement securities. The depositary may also sell the replacement securities and distribute the net proceeds if the replacement securities may not be lawfully distributed to all ADS holders.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without ADS holders' consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or

expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, ADS holders are considered, by continuing to hold their ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The depositary may also terminate the deposit agreement by mailing a notice of termination to us and the ADS holders if 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver ordinary shares and other deposited securities upon cancellation of ADSs. Four months after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination our only obligations under the deposit agreement will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay and we will not have any obligations thereunder to current or former ADS holders.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our ligations under the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- are not liable for any tax consequences to any holders of ADSs on account of their ownership of ADSs;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on the ADS holders' behalf or on behalf of any other person; and
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Additionally, we, the depositary and each owner and holder, to the fullest extent permitted by applicable law, waives the right to a jury trial in an action against us or the depositary arising out of or relating to the deposit agreement.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of ordinary shares, the depositary may require:

- payment of share transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities;

- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs generally when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

ADS Holders' Right to Receive the Ordinary Shares Underlying Their ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our ordinary shares;

- when ADS holders owe money to pay fees, taxes and similar charges; and

- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

This right of withdrawal is not limited by any other provision of the deposit agreement.

Pre-Release of ADSs

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depositary may also deliver ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying ordinary shares are delivered to the depositary. The depositary may receive ADSs instead of ordinary shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer owns the ordinary shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of prerelease, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC under which the depositary may register the ownership of uncertificated ADSs and such ownership will be evidenced by periodic statements sent by the depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder Communications; Inspection of Register of Holders of ADSs; ADS Holder Information

The depositary will make available for ADS holders' inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send ADS holders copies of those communications if we ask it to. ADS holders have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Exhibit 8.1

List of Subsidiaries of Forward Pharma A/S

Subsidiaries of the Registrant	State or Other Jurisdiction of Incorporation
Forward Pharma GmbH	Germany
Forward Pharma USA, LLC	Delaware
Forward Pharma FA ApS	Denmark
Forward Pharma Operations ApS	Denmark

Exhibit 12.1

CERTIFICATION

I, Claus Bo Svendsen, certify that:

(1) I have reviewed this annual report on Form 20-F of Forward Pharma A/S;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

(4) The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

(5) The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: April 24, 2020

/s/ Claus Bo Svendsen
Claus Bo Svendsen
Principal Executive Officer

Exhibit 12.2

CERTIFICATION

I, Claus Bo Svendsen, certify that:

(1) I have reviewed this annual report on Form 20-F of Forward Pharma A/S;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

(4) The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

(5) The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: April 24, 2020

/s/ Claus Bo Svendsen
Claus Bo Svendsen
Principal Financial Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Forward Pharma A/S (the "Company"), on Form 20-F for the fiscal year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Claus Bo Svendsen, Chief Executive Officer, principal executive officer and principal financial officer, hereby certify as of the date hereof, solely for purposes of 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: April 24, 2020

/s/ Claus Bo Svendsen
Claus Bo Svendsen
Principal Executive Officer and Principal Financial Officer

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-203313) pertaining to the Forward Pharma A/S 2014 Omnibus Equity Incentive Compensation Plan of our report dated April 24, 2020, with respect to the consolidated financial statements of Forward Pharma A/S included in this Annual Report (Form 20-F) for the year ended December 31, 2019.

/s/ Ernst & Young P/S
Copenhagen, Denmark
April 24, 2020