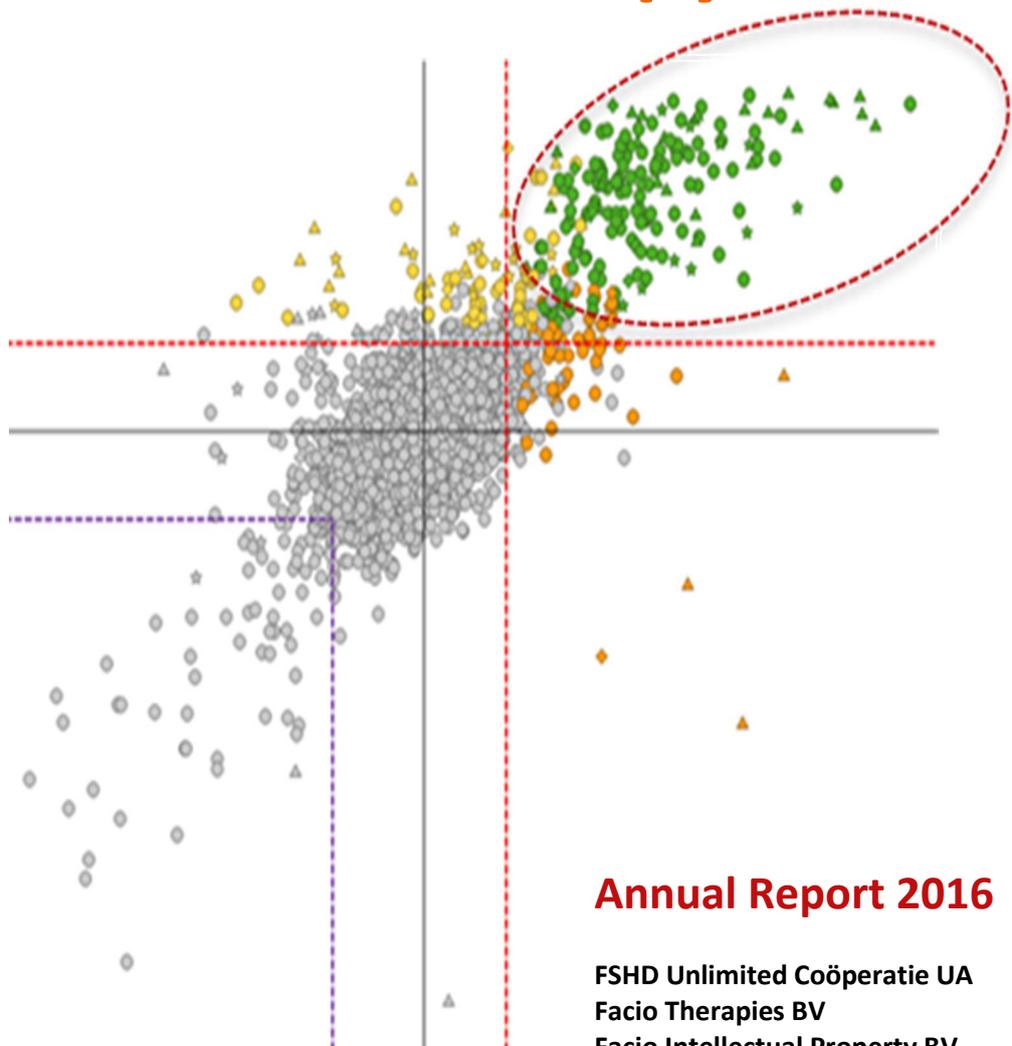
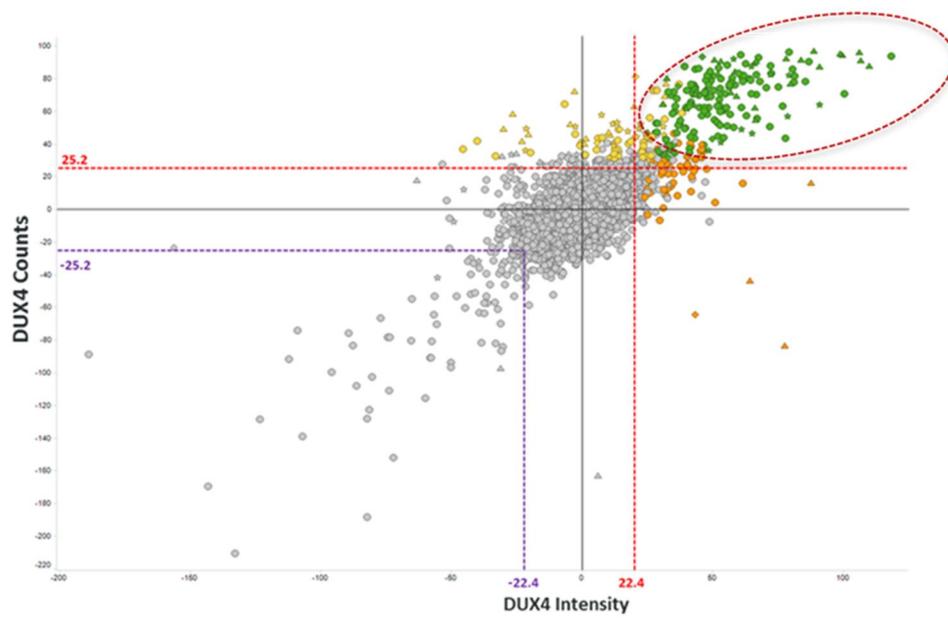


Breaking through to an FSHD Therapy





Screening results: Hits (in red oval) reducing DUX4

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Report of the Board

Report of the Board

Our Incorporation

Facio Therapies arises from the FSHD community. Kees van der Graaf, Bill Moss AO and Neil Camarta are accomplished business leaders from the food sector, the banking sector and the energy sector with first-hand experience at the devastation that FSHD brings to over 700,000 people worldwide. In 2014, they started Facio Therapies and formed an international team of experts to tackle FSHD at its cause.

We aim to translate breakthrough results of 25 years of basic research into a therapy that stops the progressive muscle wasting caused by FSHD. That is our *product mission*. We also aim to make our therapy widely available by using a transparent model for fair and reimbursable pricing. That way, we aim to generate sustainable profits to fund additional projects to improve the lives of people with FSHD and to provide liquidity to our shareholders. That is our *socio-economic mission*.



Setting the wheels in motion

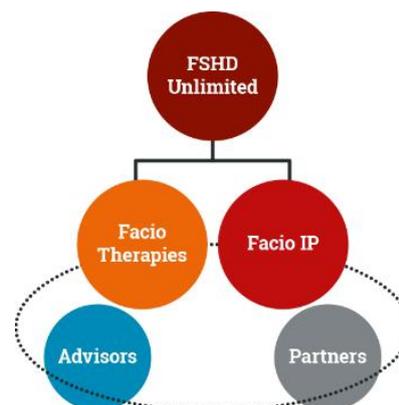
Our Name

Our reason for being is in our name. Facio refers to the full name of FSHD - facioscapulohumeral dystrophy - as well as to the Latin verb, *faciō*, which (among other things) means to make, to build, to bring about. We dedicate our energy and resources to this single cause: to overcome FSHD by developing a therapy that stops its progression. That is what drives us every day.

Our Legal Structure

We are a group of interrelated companies. Facio Therapies is an operating company focused on the development of a therapy that stops the progression of FSHD. All intellectual property rights necessary for Facio Therapies to reach its goals are held by its sister company, Facio Intellectual Property. Both companies are structured as a limited-liability company under Dutch law.

Both Facio Therapies and Facio Intellectual Property are wholly-owned subsidiaries of FSHD Unlimited. The Board of FSHD Unlimited supervises the management of Facio Therapies and Facio Intellectual Property. FSHD Unlimited is structured as a cooperative society under Dutch law.



Legal structure

Our Business Approach

At Facio, our drive is to overcome FSHD by developing a therapy that stops the progression of the disease. But that is not where our ambition stops. We are also committed to a sustainable business model based on principles enshrined in our articles of association.

1. We want to have a positive impact on lives rather than maximize financial gain. This principle means that our therapeutics will be affordable and widely available. It also means that at least 50% of our future profits will be used for expanding treatment options and quality-of-life improvements for people with FSHD.
2. We hold ourselves accountable to the FSHD community. This principle means that we will be transparent on our goals and achievements. We will provide regular updates on our progress, and will publish the results of every study we sponsor - even if those results are less than positive. This principle also means that in due course we will explain our drug pricing and access policies.
3. We work closely with the FSHD community, including not only advocacy groups, but also leading scientists, clinicians, and drug developers. In keeping with this principle, we are a network company that keeps its fixed cost at a functional minimum. We also require our partners and investors to share our values.

Our People

On 31 December 2016, the Board of FSHD Unlimited consisted of Kees van der Graaf (chairman), Bill Moss AO, Neil Camarta, and Otto Postma (secretary). The Board members do not receive any remuneration (other than reimbursement of approved business expenses).

Facio Therapies

Experienced
Core Team



David Dasberg
Managing Director



Joris de Maeyer
Director R&D



Lars Bastiaanse
Director Development



Wouter Suurmond
Corporate Development

FSHD Unlimited

Dedicated to FSHD
International Leadership



Kees van der Graaf
Chairman
FSHD Stichting



Bill Moss AO
Board Member
FSHD Global



Neil Camarta
Board Member
FSHD Canada



Otto Postma
Managing Director

Both Facio Therapies and Facio IP operate as network companies and are managed by David Dasberg. We built a team with proven excellence and speed in execution to industry standards. Next to our two full-time employees responsible for corporate development and management, we work with two freelance consultants who manage our drug discovery program, which is executed at and in collaboration with German-based Evotec. As all other services, including legal, IP and accounting, are outsourced as well, we combine maximum flexibility with minimum fixed costs. Our employees receive a base salary with a performance-dependent cash bonus and/or share options. In 2016 a total of 300 share options was awarded to Facio employees. To date, 630 employee share options have been granted. At year-end, 2,470 employee share options remained available for grant.

Our Scientific Advisory Board (SAB) provides us with critical advice on our way to an FSHD therapy, and encompasses two key opinion leaders, namely Rune Frants, Emeritus Professor of Medical Genetics, and George Padberg, Emeritus Professor of Neurology, next to Adam Cohen, Professor of Clinical Pharmacology and CEO of the leading clinical research organization, Center for Human Drug Research of Leiden, the Netherlands.

We lease office space at the BioPartner 3 Building, Galileiweg 8, Leiden, the Netherlands. The office is equipped with furniture and an IT infrastructure that are sufficient to perform the required activities. We expect the current accommodation to be adequate for at least 2017. All furniture and office equipment are owned by Facio.

Our Alignment with the FSHD Community

We actively pursue alignment with the FSHD community. Our founders are leading members of the community. In 2016, we obtained financial support from the FSHD Global Research Foundation (Australia), the FSHD *Stichting* (Netherlands), and the FSHD Canada Foundation. During and beyond 2017 we will continue this alignment strategy.

Our Capital Structure

In November 2016, we raised €875,980 in equity by issuing two classes of shares in the capital of FSHD Unlimited: preference shares to investors who contributed €250,000 or more, and ordinary shares to investors who contributed less than that amount. Since inception, we have received €3,350,980 in equity funding from FSHD-affected families, their friends, and FSHD foundations.



Aligned with the FSHD Community

All investors not only become shareholders but also members of FSHD Unlimited. Preference shareholders become Class A Members, while ordinary shareholders become Class B Members. All shareholders have equal voting rights (one share, one vote), but all important decisions of the Board are subject to prior approval from the Class A Members.

We are in the drug discovery stage, and have not yet generated any revenues from product sales. We expect that our existing financial position, including an anticipated capital increase during 2017, will be sufficient to fund our ongoing programs and operations for at least the next 12 months.

About FSHD

Worldwide, FSHD devastates the lives of over 700,000 people and those close to them. The disease affects specific muscle groups; first in the face ('facio'), then in the shoulders ('scapulo'), and then in the upper arms ('humeral'), sometimes spreading to the hips and legs. The loss of muscle strength has a huge impact on daily life. Living with FSHD means living with pain, fatigue, and social isolation. Above all, the future becomes uncertain because the course of the disease is unpredictable.



Claudia, age 33, was diagnosed with FSHD when she was 19

Key event is the undesired production of DUX4

Recent scientific breakthroughs have revealed that the cause of FSHD lies in the undesired production of the DUX4 protein in skeletal muscle cells, causing them to waste away. DUX4 sets in motion a cascade of events involving hundreds of genes whose exact roles and relative contributions to FSHD pathology have not yet been fully elucidated. What is known, however, is that the DUX4 protein is encoded by the DUX4 gene that resides in a repetitive part of the DNA on chromosome 4, called the D4Z4 array.

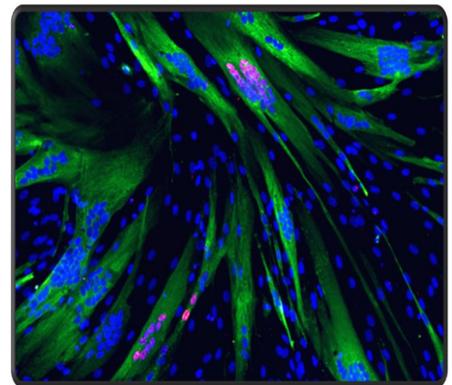
Regulation of DUX4

In healthy muscle cells, this D4Z4 array is tightly packed, ensuring that the DUX4 gene cannot be accessed so that the DUX4 protein is not produced. Many mechanisms work synergistically to determine this repressive state of the D4Z4 array and thus control whether DUX4 is activated or not. In FSHD patients, these repressive mechanisms are defect, switching on DUX4. In fact, these levels of repression have been shown to correlate inversely with disease severity in FSHD patients.

Against the Odds

Given the central role of DUX4 in FSHD, our therapeutic approach is to prevent DUX4 protein production by taking the DUX4 gene back to the off position. We aim to discover and develop small molecules with that effect, but that required getting over a major technical barrier related to the cause of FSHD.

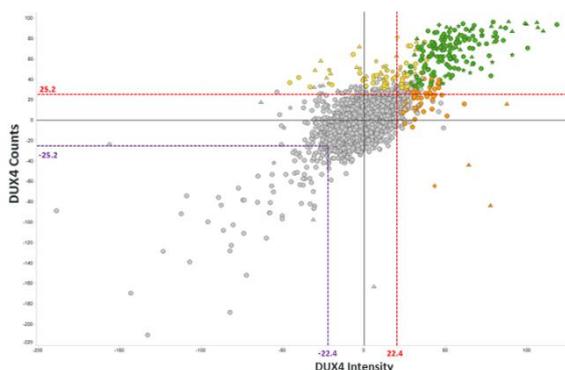
After decades of basic research, it has been firmly established that FSHD is caused by the undue production of a muscle-toxic protein dubbed DUX4. Therefore, discovering potential drugs that stop the progression of FSHD is only possible if the effect of those compounds on DUX4 can be quantified in muscle tissue. But that is difficult because mature FSHD-affected muscle cells are hard to maintain in the lab, simply because those cells produce DUX4 that eventually kills them. Even more challenging is the fact that DUX4 is so elusive that to date no scientist has reported the ability to quantify DUX4 protein levels in FSHD-affected muscle cells.



DUX4 elusive behavior

Beating the Odds

In June 2015, we began our drug discovery program in collaboration with German-based Evotec, a world leader in drug discovery and early drug development services. In September 2016, we reported the establishment of the first-ever FSHD drug discovery platform that allows quantification of DUX4 protein levels in FSHD-affected muscle cells. This is the result of a year of very hard work in which we overcame numerous technical challenges. First, we successfully developed cultures of muscle cells derived from people with FSHD – even from a severely affected person with unusually high levels of the toxic DUX4 protein. On that basis, we were able to identify a “window” during which potential drugs can be tested before the cells give in to DUX4 and die. Second, we developed a series of proprietary tools for the reliable quantification of DUX4 protein levels in those cells, even if such levels are very low.



Screening results: Hits (in red oval) reducing DUX4

Only a few months later, we had tested 34,000 compounds for their ability to reduce DUX4 levels. We have found a variety of compounds – so-called “hits” – that show the desired effect (even up to 100% reduction of DUX4) without being toxic to the FSHD-affected muscle cells in our test system.

Once we have identified the most promising hits, we will investigate how they work. More likely than not, this will lead to new insights into the biology of FSHD, but to us that is of secondary importance. What we care about first and foremost is *discovering compounds that work*, because that is what people with FSHD need.

This approach to drug discovery – first find compounds that work, then find out how they work – is not new. In fact, it is the oldest trick in the book: most successful new drugs have been developed this way. In addition, we use another old trick: we rely on so-called small molecules – relatively simple compounds that lend themselves to chemical synthesis. Small molecules are, by far, the best characterized class of therapeutic drugs. Over 90% of marketed drugs are small molecules.

Going forward

With our unique assets in place, we believe we can honestly claim that we are breaking through to an FSHD therapy, even though clearly it is still early in the game. We dare to take that position because we are succeeding where others have failed. That is the power of what might be called “*brainy passion*”: our hearts are in what we do, but we rely on our brains. We know exactly what we are doing because we pay meticulous attention to detail. Every step we take is checked and cross-checked and then checked again. That maximizes the chance of success down the line. We believe we owe that to the people with FSHD.

We currently estimate that we will be able to start our first study in humans about five years from now. During that period, we will go through a process that essentially works like a funnel. We plan to reduce our proprietary hit pool to one or two compounds that are likely to work, with minimum side effects, when tested in people with FSHD. This funneling process must be conducted with the utmost care, essentially because a decision to reject a compound is final. That is why we will not – and have not – cut corners.



Our Road towards an FSHD therapeutic

Intellectual Property

We actively pursue protection of platforms and compounds arising out of our drug discovery program. Under our agreement with Evotec, all results from the drug discovery program are owned solely by Facio IP. Based on an analysis performed together with our patent attorney, we believe to have freedom to operate our drug discovery program.

Leiden, 23 February 2017



Kees van der Graaf
Chairman



Bill Moss



Neil Camarta

The original copy has been signed by the Board of FSHD Unlimited

Financial Results

Tax Position

Tax unity

For purposes of corporation tax, FSHD Unlimited Coöperatie U.A. (the "Company") forms a fiscal unity with its subsidiaries:

- Facio Therapies B.V.
- Facio Intellectual Property B.V.

Taxable result 2016

The taxable result for 2016 is calculated as follows:

	2016	
	€	€
Result before taxation		-1,159,165
<i>Tax differences:</i>		
Non-deductible expenses		537
Taxable amount 2016		-1,158,628

No corporate income tax is to be paid over the taxable result.

In the consolidated profit and loss account this item is recognized as follows:

Tax loss carry forward

As at 31 December 2016 the tax losses available for set-off against future taxable profits amount to € 2,320,070. The tax losses may be offset against possible future taxable profits within the coming nine years.

Tax losses available for set-off

	Amount as at 1 January	Loss in 2016	Amount as at 31 December 2016
	€	€	€
2015	1,161,442	-	1,161,442
2016	-	1,158,628	1,158,628
	1.161,442	1,158,628	2,320,070

Deferred tax

No deferred tax asset is included in the annual report because it is uncertain that there will be available taxable profits in the next nine years.

Consolidated Balance Sheet

As at 31 December 2016

(after appropriation of result)

	31 December 2016		31 December 2015	
	€	€	€	€
ASSETS				
Fixed assets				
Tangible fixed assets	(1)	2,223		3,031
Current assets				
Trade and other receivables				
Taxes and social securities	(2)	3,999	4,280	
Other receivables, prepayments and accrued income		10,364	3,218	
		<u>14,363</u>	<u>7,498</u>	
Cash and cash equivalents	(3)	1,156,313		7,498
				<u>1,428,593</u>
		<u>1,172,899</u>		<u>1,439,122</u>

Consolidated Profit and Loss Account

For the year ended 31 December 2016

	2016		2014/2015	
	€	€	€	€
Expenses				
Employee expenses (6)	298,586		388,228	
Depreciation/Amortization (7)	808		1,011	
Other operating expenses (8)	859,438		775,632	
		1,158,832		1,164,871
Operating result		-1,158,832		-1,164,871
Financial income and expenses (9)		-333		778
Taxation		-		-
Net result		-1,159,165		-1,164,093

Notes to the Consolidated Financial Statements

General

The Cooperative is in the drug discovery stage, and has not yet generated any revenues from product sales. The existing financial position will be sufficient to fund the ongoing programs and operations for at least the next 12 months. The Cooperative depends on additional funds in the form of grants, loans and/or equity to obtain sufficient resources to continue its R&D program and operations.

Activities

The main activity of the Cooperative, domiciled in Leiden, Galileiweg 8, and its group companies consists of developing and marketing an affordable and accessible treatment for Facioscapulohumeral Muscular Dystrophy (FSHD) and/or means to improve the quality of life of people with FSHD, including the research for treatments, the production of treatments and causing others to perform these activities and all things that are related or may be conducive to the above, all of this in the broadest sense of the word.

The Cooperative is registered in the Chamber of Commerce register under number 61470422.

Head of the group

The Cooperative is head of a group of legal entities. A summary of the information required by articles 2:379 and 414 of the Dutch Civil Code is given below.

The financial information of the Cooperative is included in the consolidated financial statements of the Cooperative.

Group structure

The consolidated financial statements of the Cooperative include the financial statements of the Cooperative and its participations in the group companies as mentioned under "List of participating interests - Consolidated subsidiaries".

The consolidated financial statements are based on the accounting principles of the Cooperative. The individual financial statements of the group companies are fully integrated in the consolidated financial statements, taking into account the elimination of any mutual debts, assets and transactions.

LIST OF PARTICIPATING INTERESTS

Consolidated investments:

Name	Registered office	Percentage of ownership
		%
Facio Therapies B.V.	Leiden	100
Facio Intellectual Property B.V.	Leiden	100

Consolidation principles

Financial information relating to group companies and other legal entities which are controlled by the Cooperative, has been consolidated in the financial statements of the Cooperative. The consolidated financial statements have been prepared in accordance with the accounting principles of the Cooperative.

Intra-group balances, and any other unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The group companies are consolidated in full with minority interest presented within group equity separate from shareholders' equity. Minority interests in the profit or loss of the group is presented as an item of income and expense on the face of the profit and loss account.

In assessing whether controlling interest exists, potential voting rights that presently are exercisable are taken into account. Group companies exclusively acquired with the view to resale are exempted from consolidation.

General accounting principles for the preparation of the consolidated financial statements

The consolidated financial statements are drawn up in accordance with Part 9 of Book 2 of the Dutch Civil Code. Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

According to the guidelines an operating statement should be presented. FSHD Unlimited Coöperatie U.A. has decided to use Model E, thereby satisfying the requirement according to Article 2: 362 paragraph 4 of the Civil Dutch Code

The financial statements of the Cooperative are presented in euros, which is the Cooperative's functional currency.

Budget

Because of the limited added value and understanding the budget as a set of comparative figures is not included.

Reporting period

In September 2014, the Cooperative was founded. The comparative figures 2014/2015 are related to the period from September 2014 until December 2015.

Principles of valuation of assets and liabilities

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, if applicable, less impairments. Depreciation is based on estimated useful life and is calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is recognized from the date an asset comes into use. Land, assets under construction and prepayments on tangible fixed assets are not depreciated.

Financial fixed assets

Participating interests with significant influence over the business and financial policy are valued according to the equity method on the basis of net asset value. This net asset value is based on the same accounting principles as applied by the Cooperative. Participating interests with a negative net asset value are valued at nil. In case the Cooperative fully or partly guarantees for the debts of the respective participating interest, a provision is recognized.

Trade and other receivables

The receivables are initially valued at fair value, and subsequently valued at amortized cost, which is similar to the face value, after deduction of any provisions if necessary.

Liabilities

Current liabilities are initially valued at fair value, and subsequently valued at amortized cost, which is similar to the face value. Accruals are valued at face value. All current liabilities are short-term.

Principles for the determination of the result

General

The result is defined as the difference between the revenue from goods delivered and services performed on one hand and the costs and expenses for that year, valued at historical costs on the other hand.

Amortization/depreciation

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost or cost of conversion.

Gains and losses on disposal of (in)tangible fixed assets are recorded under amortization/depreciation.

Financial result

Financial income and expenses comprise interest income and expenses on loans as accounted for in the current reporting period.

Share in result from investments in participating interests

Dividends received from participating interests is accounted for in the profit and loss account as financial income.

Taxation

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Notes to the Consolidated Balance Sheet

As at 31 December 2016

	31-12-2016	31-12-2015
	€	€
1. Tangible fixed assets		
Furniture	2,223	3,031
	<u>2,223</u>	<u>3,031</u>
		Furniture
		€
<i>Book value as at 1 January 2016</i>		
Acquisition costs		4,042
Accumulated depreciation		-1,011
		<u>3,031</u>
		<u>3,031</u>
<i>Changes</i>		
Depreciation/Amortization		-808
		<u>-808</u>
		<u>-808</u>
<i>Book value as at 31 December 2016</i>		
Acquisition costs		4,042
Accumulated depreciation		-1,819
		<u>2,223</u>
		<u>2,223</u>
<i>Rate of depreciation</i>		%
Furniture		20

2. Trade and other receivables

	31-12-2016	31-12-2015
	€	€
Taxes and social securities		
VAT	3,999	4,280
	<hr/>	<hr/>
Other receivables, prepayments and accrued income		
Other receivables	2,147	2,147
Prepayments and accrued income	8,217	1,071
	<hr/>	<hr/>
	10,364	3,218
	<hr/>	<hr/>
Other receivables		
Deposit	2,147	2,147
	<hr/>	<hr/>
Prepayments and accrued income		
Interest bank	266	778
Others	7,951	293
	<hr/>	<hr/>
	8,217	1,071
	<hr/>	<hr/>
3. Cash and cash equivalents		
F, van Lanschot Bankiers N,V,, current accounts	275,148	228,593
F, van Lanschot Bankiers N,V,, deposit	881,165	1,200,000
	<hr/>	<hr/>
	1,156,313	1,428,593
	<hr/>	<hr/>

Cash and cash equivalents are stated at nominal value. The cash and cash equivalents per 31 December 2016 are freely available.

4. Group equity

	2016		2014/2015	
	€	€	€	€
Equity of the entity as part of the group equity at 1 January		1,310,907		-
Consolidated net result after tax	-1,159,165		-1,164,093	
Total other comprehensive income of the entity as part of group equity	-		-	
Total comprehensive income of entity		-1,159,165		-1,164,093
Shares issued	6,257		24,750	
Change in share premium reserves	869,723		2,450,250	
Total transactions of owners		875,980		2,475,000
Equity of the entity as part of group equity at 31 December		1,027,722		1,310,907

Appropriation of loss

According to legislation the loss for 2016 amounting to € 1,159,165 has been deducted from the other reserves. The appropriation of loss has been incorporated in the financial statements.

5. Current liabilities

	31-12-2016	31-12-2015
	€	€
Trade creditors		
Trade creditors	72,788	43,031
Taxes and social securities		
Pay-roll tax	13,701	8,212
Other liabilities and accruals and deferred income		
Accrued liabilities	58,688	76,972

Accruals and deferred income

Invoices to be received	16,229	31,134
Holiday bonus	8,338	10,837
Bonus	34,078	34,940
Interest and bank costs	43	61
	<hr/>	<hr/>
	58,688	76,972
	<hr/> <hr/>	<hr/> <hr/>

Off-balance sheet commitments or arrangements

Employee Share Option Plan

During 2016 the Cooperative granted to employees of Facio Therapies B.V. the option to subscribe for a total of 300 ordinary shares in the Cooperative at an exercise price of € 100 per option, subject to the conditions contained in the Option Plan and Option Agreement. To date, 630 employee share options have been granted. At year-end, 2.470 employee share options remained available for grant.

Long-term financial obligations

Audit commitment

The Cooperative has a long-term commitment for the audit of the annual account up to and included the financial year 2017. The commitment amounts to € 7,500 on yearly basis.

Notes to the Consolidated Profit and Loss Account

For the year 2016

	2016	2014/2015
	€	€
6. Employee expenses		
Wages and salaries	272,270	344,460
Social security charges	25,149	32,522
Other personnel expenses	7,828	17,713
	<u>305,247</u>	<u>394,695</u>
Benefits received	-6,661	-6,467
	<u>298,586</u>	<u>388,228</u>
Wages and salaries		
Gross wages	213,527	278,876
Fees and commissions	34,078	43,274
Holiday allowance	16,665	22,310
Severance	8,000	-
	<u>272,270</u>	<u>344,460</u>
Social security charges		
Social security charges	25,149	32,522
Other personnel expenses		
Commuting expenses	3,778	7,864
Conferences	4,085	3,139
Other personnel expenses	-35	6,710
	<u>7,828</u>	<u>17,713</u>

Staff

During the 2016 financial year, the average number of employees in the Group, converted into full-time equivalents, amounted to 3 (2014/2015: 3).

	2016	2014/2015
The breakdown is as follows:		
Management	1,0	1,0
Corporate development	1,0	1,0
Office- & Communication management	1,0	1,0
	<u>3,0</u>	<u>3,0</u>

	2016	2014/2015
	€	€
7. Depreciation/Amortization		
Tangible fixed assets	808	1,011
Depreciation tangible fixed assets		
Furniture	808	1,011
	808	1,011
8. Other operating expenses		
Accommodation expenses	22,328	29,664
Operating costs	761,413	559,385
Office expenses	6,414	15,411
Selling and distribution expenses	23,992	74,228
General expenses	45,291	96,944
	859,438	775,632
Accommodation expenses		
Rent	22,245	26,654
Tax and business expenses	-	791
Other accommodation expenses	83	2,219
	22,328	29,664
Operating costs		
Research and development costs	761,413	557,153
Other operating costs	-	2,232
	761,413	559,385
Based on legislation ("Wet Inlenersaansprakelijkheid"), the Cooperative may be held liable for overdue national and employee's insurance premiums in case the party from whom a consultant is hired fails to meet its payments obligations in this respect.		
Office expenses		
Office supplies	866	2,869
Printed matter	1,176	-
IT costs	961	4,249
Telephone	1,891	3,553
Postage	-	133
Contributions and subscriptions	956	3,725
Insurance	564	668
Other office supplies	-	214
	6,414	15,411

	2016	2014/2015
	€	€
Selling expenses		
Publicity and advertisement	150	5,073
Representation costs	767	12,097
Business gifts	10	905
Travelling expenses	14,705	29,543
Food and beverage costs	572	1,154
Sponsorships	5,128	6,425
Website costs	2,659	4,793
Other cost of sales	1	14,238
	<u>23,992</u>	<u>74,228</u>
General expenses		
Fee concerning the audit of the annual accounts	7,500	7,500
Accounting fee / Annual report	18,690	25,145
Fee concerning fiscal advisory services	-	7,864
Fee concerning other non-assurance services	-	6,180
Consultancy fee	3,378	6,442
Legal charges	14,115	25,721
Notarial charges	1,105	11,035
Other general expenses	503	7,057
	<u>45,291</u>	<u>96,944</u>
9. Financial income and expenses		
Interest and similar income	2,653	778
Interest and similar expenses	-2,986	-
	<u>-333</u>	<u>778</u>
Interest and similar income		
Interest deposits	2,653	778
Interest and similar expenses		
Interest convertible loan	2,986	-

Company Balance Sheet

As at 31 December 2016

(after appropriation of result)

	31 December 2016		31 December 2015	
	€	€	€	€
ASSETS				
Fixed assets				
Financial fixed assets	(10)			
Subsidiaries		2		2
Current assets				
Trade and other receivables	(11)			
Receivable from group companies		4,729		2,314
Taxes and social securities		490		1,972
Other receivables, prepayments and accrued income		5,795		778
		<u>11,014</u>		<u>5,064</u>
Cash and cash equivalents	(12)			
		1,077,288		1,350,468
		<u>1,088,304</u>		<u>1,355,534</u>

Company Profit and Loss Account

For the year 2016

		2016		2014/2015	
		€	€	€	€
Expenses					
Other operating expenses	(15)		14,763		101,224
Operating result			<u>-14,763</u>		<u>-101,224</u>
Financial income and expenses	(16)		-333		778
Result before tax			<u>-15,096</u>		<u>-100,446</u>
Taxation			-		-
Share in result of participating interests	(17)		-		-
Result after tax			<u>-1,130,000</u>		<u>-1,035,150</u>
			<u><u>-1,145,096</u></u>		<u><u>-1,135,596</u></u>

Principles for the valuation of assets and liabilities and the determination of the result

The Company financial statements have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code.

For the general accounting principles for the preparation of the financial statements, the principles of valuation of assets and liabilities and determination of the result, as well as for the notes to the assets and liabilities and the results, we refer to the notes in the consolidated financial statements, unless further explanation is provided.

Notes to the Company Balance Sheet

As at 31 December 2016

10. Financial fixed assets

	31-12-2016	31-12-2015
	€	€
Subsidiaries		
Facio Therapies B.V.	1	1
Facio Intellectual Property B.V.	1	1
	<u>2</u>	<u>2</u>
	<u><u>2</u></u>	<u><u>2</u></u>
	2016	2014/2015
	€	€
<i>Facio Therapies B.V.</i>		
Balance as at 1 January	1	-
Share in result	-1,130,000	-1,035,000
Investments	1,130,000	1,035,001
	<u>1</u>	<u>1</u>
Balance as at 31 December	<u><u>1</u></u>	<u><u>1</u></u>

The authorized share capital of Facio Therapies B.V. amounts to € 1, of which at incorporation € 1 was issued and fully paid up in 100 shares with a par value of € 0.01 each.

The excess above the paid up share capital is classified as share premium reserve

The 2016 result in Facio Therapies B.V. is a loss of € 1,141,682. The value of the participation may not decrease to negative. Therefore the maximum share in the result for 2016 is € 1,130,000 negative.

Facio Intellectual Property B.V.

Balance as at 1 January	1	-
Share in result	-	-150
Investments	-	151
	<u>1</u>	<u>1</u>
Balance as at 31 December	<u><u>1</u></u>	<u><u>1</u></u>

The authorized share capital of Facio Intellectual Property B.V. amounts to € 1, of which at incorporation € 1 was issued and fully paid up in 100 shares with a par value of € 0.01 each.

The excess above the paid up share capital is classified as share premium reserve.

The result 2016 in Facio Intellectual Property B.V. is € 2,387 loss. The value of the participation may not decrease to negative. Therefore the maximum share in the result for 2016 is € 0.

11. Trade and other receivables

	31-12-2016	31-12-2015
	€	€
Receivable from group companies		
Facio Intellectual Property B.V.	4,729	2,314
	<u>4,729</u>	<u>2,314</u>
<i>Facio Intellectual Property B.V.</i>		
	2016	2014/2015
	€	€
Balance as at 1 January	2,314	-
Change	-	-1
Accounting	2,415	2,315
	<u>4,729</u>	<u>2,314</u>
	<u>4,729</u>	<u>2,314</u>
	31-12-2016	31-12-2015
	€	€
Taxes and social securities		
VAT	490	1,972
	<u>490</u>	<u>1,972</u>
Other receivables, prepayments and accrued income		
Prepayments and accrued income	5,795	778
	<u>5,795</u>	<u>778</u>

	31-12-2016	31-12-2015
	€	€
Prepayments and accrued income		
Interest bank	266	778
Others	5,529	-
	<u>5,795</u>	<u>778</u>
	<u><u>5,795</u></u>	<u><u>778</u></u>

12. Cash and cash equivalents

F. van Lanschot Bankiers N.V., current accounts	196,123	150,468
F. van Lanschot Bankiers N.V., deposit	881,165	1,200,000
	<u>1,077,288</u>	<u>1,350,468</u>
	<u><u>1,077,288</u></u>	<u><u>1,350,468</u></u>

13. Members equity

	31-12-2016	31-12-2015
	€	€
Members capital		
7,435 (convertible) ordinary shares at a par value of € 1	7,435	4,750
23,572 (convertible) preference shares at a par value of € 1	23,572	20,000
	<u>31,007</u>	<u>24,750</u>
	<u><u>31,007</u></u>	<u><u>24,750</u></u>

As of 11 November 2016 the Company issued 3,572 new Convertible Preferred Shares and 2,625 new Convertible Ordinary Shares.

Special provision in the articles of association

The following Board resolutions are subject to the prior approval of the Meeting of the preference shareholders (“Class A Members”):

1. resolutions to issue new shares;
2. resolutions to transfer or encumber shares;
3. resolutions to enter into a transaction in which the Cooperative loses its legal or actual control over the development and/or marketing of treatment methods for FSHD or in the event of the transaction serving to acquire financing for the Cooperative by selling and delivering more than one half of the outstanding shares regardless of whether this financing is effectuated by providing equity capital or loan capital, or if one or more Members can and wish to sell their shares to an independent third party and this third party wishes to acquire more than fifty per cent (50%) of all shares (art 11);
4. resolutions to terminate or expel individual members;
5. resolutions to appoint and dismiss Board members;
6. resolutions to dismiss a Manager;
7. resolutions to perform any and all legal acts the value or interest of which exceeds an amount as determined by the Meeting of Class A Members and communicated to the Board;
8. resolutions to acquire, dispose of, encumber, rent, let and in any other way acquire or grant the use or enjoyment of property subject to registration;
9. resolutions to enter into agreements in which a bank loan is granted to the Cooperative;
10. resolutions to lend monies and to borrow monies, not including the use of a bank loan granted to the Cooperative;
11. resolutions to cooperate directly or indirectly with third parties and to terminate such cooperation;
12. resolutions to participate directly or indirectly in the capital of another enterprise and to change the extent of such participation, including the reduction of the Cooperative’s participating interest in its subsidiaries;
13. resolutions to establish or close branch offices;
14. resolutions to make investments exceeding an amount to be determined by the Meeting of Class A Members;
15. resolutions to encumber property rights and movable property with a limited right;
16. resolutions to enter into agreements in which the Cooperative stands surety or binds itself as a joint and several debtor, warrants performance by third parties or provides security for debts of third parties;
17. resolutions to appoint officers with a limited or unlimited authority to represent the Cooperative and to determine their powers and titles;
18. resolutions to enter into settlement agreements;
19. resolutions to initiate judicial legal proceedings, including arbitration proceedings, with the exception of taking legal measures that do not permit any delay;
20. resolutions to enter into and amend employment agreements or pension schemes granting payment of an amount exceeding the annual amount as determined by the Meeting of Class A Members and communicated in writing to the Board;
21. resolutions to acquire, encumber or dispose of industrial and intellectual property rights, including the granting and obtaining of licenses and sub-licenses;
22. resolutions to exercise the voting right on shares in companies regarding resolutions that would have fallen under the authority of the Meeting of Class A Members had they been resolutions of bodies of the Cooperative, or would have been subject to the approval of the Meeting of Class A Members;
23. resolutions to amend the provisions of the articles of association;
24. resolutions to merge or demerge the Cooperative;
25. resolutions to wind up the Cooperative.

	2016	2014/2015
	€	€
Share premium reserve		
Balance as at 1 January	2,450,250	-
Addition	869,723	2,450,250
Balance as at 31 December	<u>3,319,973</u>	<u>2,450,250</u>

The par value of each share is € 1.00. The purchase price in 2016 was € 140 (in 2014/2015 € 100). The above-par value on transfer date has been added to the share premium reserve.

Other reserves

Balance as at 1 January	-1,135,596	-
Appropriation of the net result	-1,145,096	-1,135,596
Balance as at 31 December	<u>-2,280,692</u>	<u>-1,135,596</u>

Appropriation of loss

According to legislation the loss for 2016 amounting to € 1,145,096 has been deducted from the other reserves. The appropriation of loss has been incorporated in the financial statements.

14. Current liabilities

	31-12-2016	31-12-2015
	€	€
Trade creditors		
Trade creditors	-	2,365
	<u> </u>	<u> </u>
Payable to group companies		
Facio Therapies B.V.	3,546	511
	<u> </u>	<u> </u>
	2016	2014/2015
	€	€
<i>Facio Therapies B.V.</i>		
Balance as at 1 January	511	-
Change	5,350	2,826
Accounting	-2,315	-2,315
	<u> </u>	<u> </u>
Balance as at 31 December	3,546	511
	<u> </u>	<u> </u>
Accruals and deferred income		
Invoices to be received	14,445	13,235
Interest and bank costs	25	19
	<u> </u>	<u> </u>
	14,470	13,254
	<u> </u>	<u> </u>

Notes to the Company Profit and Loss Account

For the year 2016

Staff

During the 2016 financial year the company had no employees, and hence incurred no wages, salaries, or related social securities taxes, as was the case during the previous year.

	2016	2014/2015
	€	€
15. Other operating expenses		
Operating costs	-	57,403
Office expenses	-	50
Selling and distribution expenses	-	2,667
General expenses	14,763	41,104
	<u>14,763</u>	<u>101,224</u>
	<u><u>14,763</u></u>	<u><u>101,224</u></u>
Because there is no pension obligation in the company, no pension premiums were paid.		
Operating costs		
Research and development costs	-	55,171
Other operating costs	-	2,232
	<u>-</u>	<u>57,403</u>
	<u><u>-</u></u>	<u><u>57,403</u></u>
Office expenses		
Contributions and subscriptions	-	50
	<u>-</u>	<u>50</u>
	<u><u>-</u></u>	<u><u>50</u></u>
Selling expenses		
Travelling expenses	-	2,667
	<u>-</u>	<u>2,667</u>
	<u><u>-</u></u>	<u><u>2,667</u></u>
General expenses		
Fee concerning the audit of the annual accounts	7,500	7,500
Accounting fee / Annual report	1,625	4,270
Fee concerning fiscal advisory services	-	6,412
Fee concerning other non-assurance services	-	375
Legal charges	4,409	11,450
Notarial charges	1,105	11,035
Other general expenses	124	62
	<u>14,763</u>	<u>41,104</u>
	<u><u>14,763</u></u>	<u><u>41,104</u></u>
16. Financial income and expenses		
Interest and similar income	2,653	778
Interest and similar expenses	-2,986	-
	<u>-333</u>	<u>778</u>
	<u><u>-333</u></u>	<u><u>778</u></u>

	2016	2014/2015
	€	€
Interest and similar income		
Interest deposits	2,653	778
Interest and similar expenses		
Interest convertible loan	2,986	-
17. Share in result of participating interests		
Share in result of Facio Therapies B.V.	-1,130,000	-1,035,000
Share in result of Facio Intellectual Property B.V.	-	-150
	-1,130,000	-1,035,150

Signature directors

Leiden, 23 February 2017

C.J. van der Graaf

W.J. Moss

N. Camarta

Other Information

Provisions in the Articles of Association governing the appropriation of profit

The profits made during the current financial year will be allocated to the Members in proportion to the number of Shares held by each member, irrespective of the category of those Shares. The Shares held by the Cooperative will not be taken into account when calculating the distribution of profit.

The General Meeting decides to which extent these profits will be distributed to the Members and added to the Member's Accounts. Such resolution is subject to the prior approval of the Meeting of Class A Members.

The General Meeting will add at least one half of the profits to the Member's Accounts in order to be spent on projects complying with the Cooperative's goals. If the General Meeting fails to decide on the allocation of profits prior to or immediately after the adoption of the annual accounts, or if the Meeting of Class A Members fails to grant approval, the profits will be added to the Member's Accounts.

Independent Auditor's Report

Independent Auditor's Report

To: the members and the board of FSHD Unlimited Coöperatie UA

Report on the audit of the financial statements 2016

Our opinion

We have audited the financial statements 2016 of FSHD Unlimited Coöperatie UA, based in Leiden. The Financial statements include the consolidated financial statements and the company financial statements

In our opinion, the enclosed financial statements give a true and fair view of the financial position of FSHD Unlimited Coöperatie UA as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 December 2016;
2. the consolidated and company profit and loss account for 2016; and
3. the notes comprising a summary of the applicable accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of FSHD Unlimited Coöperatie UA in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- The management board report;
- The other information.

Based on the procedures as mentioned below, we are of the opinion that the other information:

- Is consistent with the financial statements and contains no material deficiencies;
- Includes all information as required by Part 9 of Book 2 of the Dutch Civil code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures of the financial statements.

Management is responsible for the preparation of the other information including the preparation of the management board report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Alphen aan den Rijn, 24 February 2017

For and on behalf of BDO Audit & Assurance BV,

drs. M.H.T. Rekelhof RA

The original copy has been signed by BDO

Glossary

Glossary

Chromatin	The complex of DNA, histones, and associated non-histone proteins found within the nucleus of a cell.
Chromosome	Physical structure consisting of DNA and supporting proteins called chromatin. Human cells normally contain 46 chromosomes (23 pairs).
D4Z4 array	A DNA segment of about 3,300 DNA base pairs long that each contains one copy of DUX4.
DNA	Deoxyribonucleic acid. The molecules inside cells that carry genetic information and pass it from one generation to the next.
DUX4	Double Homeobox Protein 4. A transcription factor expressed in FSHD muscle cells.
FSHD	Facioscapulohumeral dystrophy is a rare hereditary progressive muscle wasting disease, with devastating physical and psychological effects, affecting over 700,000 people worldwide.
Gene	The functional and physical unit of heredity passed from parent to offspring. Genes are pieces of DNA, and most genes contain the information for making a specific protein.
Histone	Protein that provides structural support to a chromosome. DNA wraps around complexes of histone proteins, giving the chromosome a more compact shape. Some variants of histones are associated with the regulation of gene expression.
Muscular dystrophy	Term for a group of inherited disorders characterized by progressive degeneration of skeletal muscles.
Nucleus	Cell compartment that contains the cell's chromosomes. Pores in the nuclear membrane allow for the passage of molecules in and out of the nucleus.
Protein	A large molecule composed of one or more chains of amino acids in a specific order. Proteins are required for the structure, function, and regulation of the body's cells, tissues, and organs; and each protein has unique functions.

