

# Nordic Biotech K/S

Østergade 24 A, 1. tv., 1100 Copenhagen K

CVR no. 26 29 07 24



## Annual report 2015

Approved at the limited partnership's annual general meeting on

*11/4 - 2016*

Chairman:



Lars Møller Andersen



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### Statement by the General Partner

The General Partner has today discussed and approved the annual report of Nordic Biotech K/S for the financial year 1 January - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the limited partnership's financial position at 31 December 2015 and of the results of the limited partnership's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 21 March 2016

On behalf of the General Partner, Nordic Biotech General Partner ApS:

A handwritten signature in blue ink, appearing to read 'Florian Schönharting', written over a horizontal line.

Florian Schönharting  
For General Partner

## Independent auditors' report

To the limited partners and the General Partner of Nordic Biotech K/S

### Independent auditors' report on the financial statements

We have audited the financial statements of Nordic Biotech K/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation of financial statements that give a true and fair view 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 limited partnership's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the limited partnership's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

### *Emphasis of matter regarding the financial statements*

Without modifying our opinion, we refer to note 2 to the financial statements, where Management describes the material uncertainty related to the valuation of the fair value of the limited partnership's investment in Aditech Pharma AG.

## Independent auditors' report

### Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 21 March 2016  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Carsten Kjær  
State Authorised  
Public Accountant



Birgitte Nielsen  
State Authorised  
Public Accountant

## Management's review

### Limited partnership details

Name	Nordic Biotech K/S
Address, zip code, city	Østergade 24 A, 1. tv., 1100 Copenhagen K
CVR no.	26 29 07 24
Registered office	Copenhagen
Financial year	1 January - 31 December
General Partner	Nordic Biotech General Partner ApS
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	Nordea
Lawyer	Mazanti-Andersen Korsø Jensen Amaliegade 10, 1256 Copenhagen, Denmark

## Management's review

### Operating review

#### Principal activities

The limited partnership is a venture capital limited partnership established in 2001 and focusing on early stage investments, restructurings and spin offs in the biotech industry.

At 31 December 2015, the portfolio of the limited partnership included four investments not yet disposed of by the limited partnership. These are further described below.

#### Recognition and measurement uncertainties

The limited partnership measures all of its investments at fair value in accordance with the valuation guidelines recommended by Invest Europe (currently the IPEV valuation guidelines). The valuations in the annual report are subject to inherent uncertainty because they, among others, are based on assumptions that are to a wide extent judgmental.

While the limited partnership's investment in Forward Pharma A/S has been valued based on the stock price of publically traded ADS representing shares in Forward Pharma A/S, the limited partnership's investment in Aditech Pharma AG has been determined using commonly applied valuation techniques for unquoted entities, including a discounted cash flow (DCF) model that is based on a number of assumptions regarding future events for which historical data is scarce. Consequently, the valuation of limited partnership's investment in Aditech Pharma AG in the annual report is subject to material uncertainty. Reference is made to note 2 for more details.

The fair value adjustment of the limited partnership's investment in Aditech Pharma AG amounts to DKK 299 million in 2015.

#### Financial review

The income statement for 2015 shows a profit of DKK 317,378 thousand against a profit of DKK 2,030,926 thousand last year, and the balance sheet at 31 December 2015 shows equity of DKK 3,365,617 thousand.

The results for the year are significantly impacted by the fair value adjustment of the limited partnership's investment in Aditech Pharma AG and a fair value adjustment of the limited partnership's investment in Forward Pharma A/S, which in aggregate amount to DKK 318 million for 2015.

#### Operations

Nordic Biotech General Partner ApS participates in the limited partnership as a general partner and manages the limited partnership in this capacity. Further, the limited partnership has concluded an advisory agreement with Nordic Biotech Advisors ApS pursuant to which Nordic Biotech Advisors ApS attends to the daily operation of the limited partnership.

#### Investments

##### Rose Pharma A/S

Rose Pharma is or has been dedicated to developing certain indications for ghrelin and GLP-1. The limited partnership has written off its investment in Rose Pharma.

##### Osteologix Holdings PLC

Osteologix Holdings has been dedicated to developing drugs for treating diseases of bone and cartilage. The company and its subsidiaries are undergoing solvent liquidation.



## Management's review

### Operating review

#### Forward Pharma A/S

Forward Pharma is a Danish company founded in 2005 in Copenhagen, Denmark, with an active NASDAQ based ADS program. The company is focused on the immunomodulatory compound dimethyl fumarate for the treatment of immune diseases.

#### Aditech Pharma AG

Aditech Pharma AG has developed certain intellectual property rights, some of which have been transferred to Forward Pharma A/S against potential payments of royalty etc.

Nordic Biotech K/S measures all of its investments at fair value in accordance with the valuation guidelines recommended by Invest Europe (currently the IPEV valuation guidelines). The valuations in the annual report are subject to inherent uncertainty because they, among others, are based on assumptions that are to a wide extent judgmental. The limited partnership's investment in Forward Pharma A/S has been valued based on the stock price of publically traded ADS representing shares in Forward Pharma A/S.

#### Events after the balance sheet date

The share price of Forward Pharma has decreased significantly in value in 2016. Reference is made to note 3 for information on the fair value at 15 March 2016.

#### Outlook

The limited partnership continues to hold a portfolio of companies with up-side potential and the limited partnership intends to continue its efforts to realise its remaining assets at optimal value.

#### Commercial and financial risks

The limited partnership is, among others, dependent on the continued services of Nordic Biotech General Partner ApS and Nordic Biotech Advisors ApS and the developments in the US capital market.





## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK '000	2015	2014
	Other external costs	-212	-44
	Fair value adjustment of investments in subsidiaries and associates	317,590	2,030,970
	Operating profit	317,378	2,030,926
	Profit for the year	<u>317,378</u>	<u>2,030,926</u>
	Proposed profit appropriation		
	Retained earnings	317,378	2,030,926
		<u>317,378</u>	<u>2,030,926</u>

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK '000	2015	2014
	<b>ASSETS</b>		
	Non-current assets		
3	Investments		
	Investments in subsidiaries	1,837,270	1,538,275
	Investments in associates	1,528,661	1,510,066
		<u>3,365,931</u>	<u>3,048,341</u>
	Total non-current assets	3,365,931	3,048,341
	Current assets		
	Cash in bank	22	23
	Total current assets	22	23
	<b>TOTAL ASSETS</b>	<u>3,365,953</u>	<u>3,048,364</u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
4	Limited partnership capital	381,240	381,240
	Retained earnings	2,984,377	2,666,999
	Total equity	<u>3,365,617</u>	<u>3,048,239</u>
	Liabilities		
5	Non-current liabilities other than provisions		
	Payables to related parties	146	0
		<u>146</u>	<u>0</u>
	Current liabilities other than provisions		
	Other payables	190	125
		<u>190</u>	<u>125</u>
	Total liabilities	336	125
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>3,365,953</u>	<u>3,048,364</u>

1 Accounting policies

2 Material uncertainties regarding recognition and measurement



Financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK '000	Limited partnership capital	Retained earnings	Total
Balance at 1 January 2014	381,240	636,073	1,017,313
Profit/loss for the year	0	2,030,926	2,030,926
Balance at 1 January 2015	381,240	2,666,999	3,048,239
Profit/loss for the year	0	317,378	317,378
Balance at 31 December 2015	381,240	2,984,377	3,365,617

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Nordic Biotech K/S for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

Pursuant to Section 110 of the Danish Financial Statements Act, the limited partnership has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Other external costs

Other external costs include fees to the General Partner (Nordic Biotech General Partner ApS), audit fees and other costs.

##### Fair value adjustment of investments in subsidiaries and associates

The item includes the year's fair value adjustment of investments in subsidiaries and associates.

##### Tax

As the individual limited partners include their profit or loss from the limited partnership in their respective income statements, the financial statements do not include taxes.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Investments in subsidiaries and associates

On initial recognition, investments in subsidiaries and associates are measured at cost. Investments in subsidiaries and associates are subsequently measured at fair value and the value adjustment for the year is recognised in the income statement under "Fair value adjustment of investments in subsidiaries and associates".

The fair value is based on stock exchange quotation or principles corresponding to those recommended by Invest Europe (currently the IPEV valuation guidelines).

##### Cash in bank

Cash comprises bank balances

##### Payables

Payables are measured at net realisable value.

#### 2 Material uncertainties regarding recognition and measurement

The limited partnership measures the investment in Aditech Pharma AG at fair value, cf. the IPEV valuation guidelines.

The fair value of the investment in Aditech Pharma AG is determined using commonly applied valuation techniques, including the discounted cash flow (DCF) model which discounts expected future cash flows to present value. Expected future cash flows are based on a number of assumptions regarding future events for which historical data is scarce. Such assumptions include the likelihood of successful development of the products, patent rights, expected revenue and rate of return. The determination of the fair value is therefore subject to material uncertainty.

#### 3 Investments

DKK '000	Investments in subsidiaries	Investments in associates	Total
Cost at 1 January 2015	14,077	147,511	161,588
Cost at 31 December 2015	14,077	147,511	161,588
Value adjustments at 1 January 2015	1,524,198	1,362,555	2,886,753
Exchange adjustment	182,086	155,128	337,214
Value adjustments for the year	116,909	-136,533	-19,624
Value adjustments at 31 December 2015	1,823,193	1,381,150	3,204,343
Carrying amount at 31 December 2015	1,837,270	1,528,661	3,365,931

On 9 April 2015 a shareholder's agreement including all of the pre-IPO shareholders in Forward Pharma A/S was published. The pre-IPO shareholders, including Nordic Biotech K/S, agreed to voluntarily lock-up their shares in Forward Pharma A/S for an additional 365 days beyond the expiration of the original IPO lock-up. The original lock-up agreement with the IPO underwriters expired on 12 April 2015. The new lock-up expires on 12 April 2016 unless otherwise agreed among the pre-IPO shareholders.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 3 Investments (continued)

The value of the investment in Forward Pharma A/S at 31 December 2015, DKK 1,528,661 thousand, is based on the stock price of Nasdaq traded ADS representing shares in Forward Pharma at 31 December 2015. The stock price has in 2016 decreased in value, and the fair value of the investment at 15 March 2016 amounted to DKK 1,373,950 thousand.

Key figures of the limited partnership's investments in subsidiaries at 31 December 2015:

Name and registered office (DKK '000)	Ownership interest	Equity	Profit/loss for the year
Aditech Pharma AG, Switzerland	90.00%	507	-271

Key figures of the limited partnership's investments in associates at 31 December 2015:

Name and registered office (DKK '000)	Ownership interest	Equity	Profit/loss for the year
Rose Pharma A/S, Denmark	43.40%	1,218	250
Ostelogix Holdings Plc, Ireland	44.30%	2,119	-36,995
Forward Pharma A/S, Denmark	25.87%	1,361,363	-106,824

DKK '000	2015		2014
	4 Limited partnership capital		
The limited partnership capital consists of the following:			
380,040,000 A-kommanditist shares of DKK 1.00 each	380,040		380,040
1,200,000 B-kommanditist shares of DKK 1.00 each	1,200		1,200
	<u>381,240</u>		<u>381,240</u>

When the class A limited partners and the class B limited partners have received their respective shares of the total capital, including a return of 10% p.a. (hurdle rate), the excess capital shall be distributed between the class A limited partners on the one hand and the class B limited partners and the General Partner, Nordic Biotech General Partner ApS, on the other hand at the ratio of 80 to 20, notwithstanding whether the pro rata of class A to class B capital or the size of the class A or class B capital has changed due to increase in the capital.

The General Partner shall receive 0.1% of the excess capital, cf. the 80 to 20 distribution ratio between the class A and class B limited partners described above.

The limited partnership capital has remained at DKK 381,240 thousand over the past 5 years.

#### 5 Long-term liabilities

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after balance sheet date.