

# Nordic Biotech Opportunity Fund K/S

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

CVR no. 31 26 24 88

Annual report 2019





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## Statement by the General Partner

The General Partner has today discussed and approved the annual report of Nordic Biotech Opportunity Fund K/S for the financial year 1 January - 31 December 2019.

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 2019 and of the results of the Limited Partnership's operations for the financial year 1 January - 31 December 2019.

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, 29 May 2020

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

A handwritten signature in black ink, appearing to read 'Florian Schönharting', written in a cursive style.

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Florian Schönharting

## Independent auditor's report

To the Limited Partners and the General Partner of Nordic Biotech Opportunity Fund K/S

### Opinion

We have audited the financial statements of Nordic Biotech Opportunity Fund K/S for the financial year 1 January – 31 December 2019, which comprise an 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.

In our opinion, the financial statements give a true and fair view of the financial position of the Limited Partnership at 31 December 2019 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Limited Partnership in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities 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 and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Limited Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Limited Partnership or to cease operations, or has no realistic alternative but to do so.

## Independent auditor's report

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain 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 Limited Partnership's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Limited Partnership'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 Limited Partnership to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Independent auditor's report

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 May 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Anders Flymer-Dindler

State Authorised

Public Accountant

MNE no.: mne35423



## Management's review

### Limited Partnership details

Name	Nordic Biotech Opportunity Fund K/S
Address, zip code, city	Østergade 24 A, 1. tv., 1100 Copenhagen K
CVR no.	31 26 24 88
Registered office	Copenhagen
Financial year	1 January - 31 December
General Partner	Nordic Biotech General Partner ApS
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, 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 was established on 31 January 2009 as a venture capital limited partnership focusing exclusively on follow-on investments in portfolio companies of Nordic Biotech K/S.

At 31 December 2019, the portfolio of the Limited Partnership included two 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.

The Limited Partnership's investment in Forward Pharma A/S has been valued based on the stock price of publicly traded ADSs representing shares in Forward Pharma A/S.

#### Financial review

The income statement for 2019 shows a profit of DKK 11,432 thousand against a loss of DKK 187,652 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 67,010 thousand.

#### 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 has been dedicated to developing certain indications for ghrelin and GLP-1. Rose Pharma is currently undergoing compulsory dissolution and the Limited Partnership has written off its investment in Rose Pharma as of 31 December 2019. Rose Pharma A/S has been dissolved in May 2020.

##### Forward Pharma A/S

Forward Pharma is a Danish biopharmaceutical company that commenced development in 2005 of FP187®, a proprietary formulation of DMF for the treatment of inflammatory and neurological indications. Forward Pharma granted to Biogen an irrevocable license to all of its IP through the Settlement and License Agreement and received from Biogen a non-refundable cash fee of \$1.25 billion in February 2017, with the return of EUR 917.7 million to shareholders through a capital reduction in September 2017. Forward Pharma has the opportunity to receive royalties from Biogen on sales of Tecfidera® or other DMF products for MS outside the U.S., dependent on, among other things, a favorable outcome in Europe with respect to the EP2801355 Opposition Proceedings, including any appeal thereto.



## Management's review

### Operating review

#### Events after the balance sheet date

Subsequent to December 31, 2019, there are no events that are required to be reported except the outbreak of COVID-19. The Company is currently unable to estimate whether, or to what extent, COVID-19 will impact the investments. Any disruption of the activities in the Company's investments could have a material adverse impact on the fair value of the investments.

#### Outlook

The Limited Partnership continues to hold at least one company 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	2019	2018
	Other external costs	-118	29
	Dividend from associates	0	585
2	Fair value adjustment of investment in associates	11,560	-188,257
	Operating profit/loss	11,442	-187,643
	Financial expenses	-10	-9
	Profit/loss for the year	<u>11,432</u>	<u>-187,652</u>
	Recommended appropriation of profit/loss		
	Distributions during the year	0	0
	Retained earnings	<u>11,432</u>	<u>-187,652</u>
		<u>11,432</u>	<u>-187,652</u>

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

### Balance sheet

Note	DKK'000	2019	2018
	<b>ASSETS</b>		
	Fixed assets		
2	Investments		
	Investments in associates	65,420	53,860
		<u>65,420</u>	<u>53,860</u>
	Total fixed assets	<u>65,420</u>	<u>53,860</u>
	Non-fixed assets		
	Cash in bank	1,682	1,783
	Total non-fixed assets	<u>1,682</u>	<u>1,783</u>
	<b>TOTAL ASSETS</b>	<u><b>67,102</b></u>	<u><b>55,643</b></u>
	 <b>EQUITY AND LIABILITIES</b>		
	Equity		
3	Limited partnership capital	102,680	102,680
	Reserve for fair value adjustments	0	0
	Retained earnings	<u>-35,670</u>	<u>-47,102</u>
	Total equity	<u>67,010</u>	<u>55,578</u>
	Liabilities		
	Current liabilities		
	Other payables	92	65
		<u>92</u>	<u>65</u>
	Total liabilities	<u>92</u>	<u>65</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>67,102</b></u>	<u><b>55,643</b></u>

1 Accounting policies

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

### Statement of changes in equity

DKK'000	Limited Partnership capital	Reserve for fair value adjustments	Retained earnings	Total
Balance at 1 January 2018	102,680	0	140,550	243,230
Distributions during the year	0	0	0	0
Profit/loss for the year	0	0	-187,652	-187,652
Balance at 1 January 2019	102,680	0	-47,102	55,578
Distributions during the year	0	0	0	0
Profit/loss for the year	0	0	11,432	11,432
Balance at 31 December 2019	102,680	0	-35,670	67,010

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

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Nordic Biotech Opportunity Fund K/S for 2019 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The financial statements have been prepared in accordance with the same accounting policies as 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 expenses

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

##### Dividend from associates

Dividend from associates is recognised at the time when the dividends are declared.

##### Fair value adjustment of investment in associates

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

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses.

##### 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 associates

On initial recognition, investments in associates are measured at cost. Investments in associates are subsequently measured at fair value. Negative fair value adjustments for the year are recognised in the income statement under "Fair value adjustment of investment in associates", positive fair value adjustments for the year are recognised on a separate reserve on equity.

##### Cash in bank

Cash comprises bank balances.

##### Other payables

Other payables are measured at net realisable value.

#### 2 Investments

DKK'000	Investments in associates
Cost at 1 January 2019	1,334,971
Cost at 31 December 2019	1,334,971
Value adjustments at 1 January 2019	-1,281,111
Value adjustments for the year	11,560
Value adjustments at 31 December 2019	-1,269,551
Carrying amount at 31 December 2019	65,420

DKK'000	2019	2018
3 Limited partnership capital		
The Limited Partnership capital consists of the following:		
101,652,720 A-kommanditist shares of DKK 1.00 each	101,653	101,653
1,026,795 B-kommanditist shares of DKK 1.00 each	1,027	1,027
	102,680	102,680