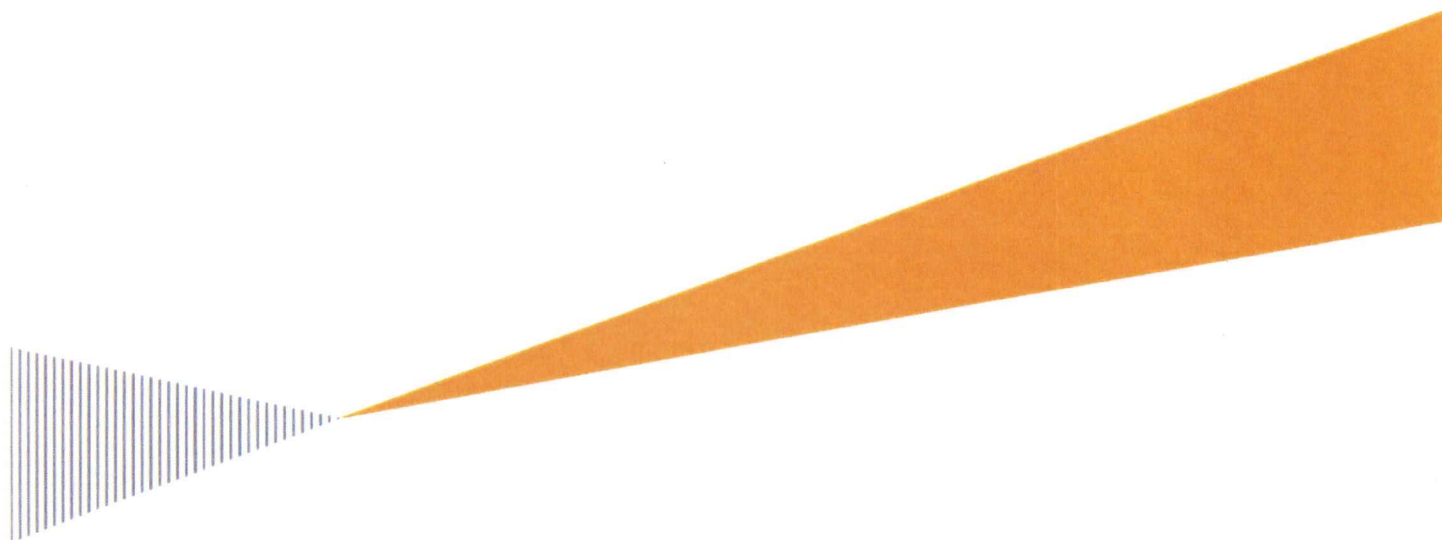


NB Public Equity K/S

Østergade 24 A, 1. tv., 1100 Copenhagen


CVR no. 31 76 17 86



Annual report 2016

Approved at the limited partnership's annual general meeting on 6 March 2017

Chairman:


Jacob Møllehave Larsen



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Contents

Statement by the General Partner	2
Independent auditor's report	3
Management's review	5
Limited partnership details	5
Operating review	6
Financial statements for the period 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Statement by the General Partner

The General Partner has today discussed and approved the annual report of NB Public Equity K/S for the financial year 1 January - 31 December 2016.

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 2016 and of the results of the limited partnership's operations for the financial year 1 January - 31 December 2016.

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, 3 February 2017

On behalf of the general partner, Nb Public Equity Komplementar ApS

A handwritten signature in blue ink that reads 'Cora Louise Madsen'.

Cora Louise Madsen

Independent auditor's report

To the limited partners and the general partner of NB Public Equity K/S

Opinion

We have audited the financial statements of NB Public Equity K/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 a 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 the 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 the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 company'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 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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the 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.

Statement on 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 Statement Act. We did not identify any material misstatement of the Management's review.

Frederiksberg, 3 February 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Anders Flymer-Dindler
State Authorised
Public Accountant

Management's review

Limited partnership details

Name	NB Public Equity K/S
Address, zip code, city	Østergade 24 A, 1. tv., 1100 Copenhagen K
CVR no.	31 76 17 86
Registered office	Copenhagen
Financial year	1 January - 31 December
Limited partners	NB Public Equity Invest ApS Arbejdsmarkedets Tillægspension (ATP)
General Partner	NB Public Equity Komplementar ApS
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	SEB Bank
Lawyer	Mazanti-Andersen Korsø Jensen Amaliegade 10, 1256 Copenhagen, Denmark

Management's review

Operating review

Principal activities

NB Public Equity K/S (a limited partnership) was established on 4 September 2008 with the purpose of investing in publicly listed biotech companies that are involved in the development and/or sale of drugs or receive royalties or other payments related to such sales.

Financial review

The income statement for 2016 shows a loss of DKK 81,262,853 against a profit of DKK 20,053,111 last year, and the balance sheet at 31 December 2016 shows equity of DKK 757,154,131.

NB Public Equity's primary source of income is realised and unrealised gains on its investments.

Operations

NB Public Equity Komplementar ApS participates in the limited partnership as a general partner and is also the manager of the limited partnership.

Investments

The limited partnership has traded shares in a number of publicly listed companies.

Events after the balance sheet date

No events have occurred after the financial year end which could significantly affect the limited partnership's financial position.

Outlook

The limited partnership is focused on identifying rare investment opportunities that promise a return with limited loss potential. Returns are expected over the course of 2-4 years; hence it is too early to comment on recent additions. However, the long-term experience of this strategy has paid off with very limited losses realized over the period from inception of 2008 to date, and returns far in excess of the risk adjusted alternatives. The general partner is optimistic on the prospect of the current returns, despite high volatility on the stock market in the beginning of 2017.

Commercial and financial risks

The limited partnership is exposed to general capital market fluctuations that affect the biopharmaceutical sector. Individual portfolio companies are furthermore subject to risks in the form of failure of key clinical development programs, disappointing product sales, disappointing royalties or other income streams, expiry of patents and generic competition, dilution of ownership by refinancing in poor capital markets, failure of management to be diligent while prudent and other general sector risks.

There is also a foreign exchange risk as the investments are in foreign currencies and as such subject to currency fluctuations.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Fair value adjustment of other securities and investments	-81,203,184	20,372,016
	Operating profit/loss	-81,203,184	20,372,016
2	Financial expenses	-59,669	-318,905
	Profit/loss for the year	-81,262,853	20,053,111
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	-81,262,853	20,053,111
		-81,262,853	20,053,111

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Current assets		
	Receivables		
	Receivable cash call	0	69,633,508
	Receivable from NB Public Equity Komplementar ApS	10,573	10,463
		<u>10,573</u>	<u>69,643,971</u>
	Securities		
	Other securities and investments	756,865,529	800,432,922
		<u>756,865,529</u>	<u>800,432,922</u>
	Cash in bank	288,602	502,812
	Total current assets	<u>757,164,704</u>	<u>870,579,705</u>
	TOTAL ASSETS	<u>757,164,704</u>	<u>870,579,705</u>
	EQUITY AND LIABILITIES		
3	Equity		
	Called capital	2,190,000,000	2,190,000,000
	Distributions	-1,349,884,723	-1,320,732,090
	Retained earnings	-82,961,146	-1,698,293
	Total equity	<u>757,154,131</u>	<u>867,569,617</u>
	Liabilities		
	Current liabilities		
	Other payables	10,573	3,010,088
		<u>10,573</u>	<u>3,010,088</u>
	Total liabilities	<u>10,573</u>	<u>3,010,088</u>
	TOTAL EQUITY AND LIABILITIES	<u>757,164,704</u>	<u>870,579,705</u>

1 Accounting policies

4 Contractual obligations and contingencies, etc.

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Called capital	Distributions	Retained earnings	Total
Balance at 1 January 2015	1,370,000,000	-1,184,719,985	-21,751,404	163,528,611
Paid through cash calls	820,000,000	0	0	820,000,000
Distributions during the year	0	-136,012,105	0	-136,012,105
Profit for the year	0	0	20,053,111	20,053,111
Balance at 1 January 2016	2,190,000,000	-1,320,732,090	-1,698,293	867,569,617
Distributions during the year	0	-29,152,633	0	-29,152,633
Loss for the year	0	0	-81,262,853	-81,262,853
Balance at 31 December 2016	2,190,000,000	-1,349,884,723	-82,961,146	757,154,131

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of NB Public Equity K/S for 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

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

Fair value adjustment of other securities and investments

The item includes the year's fair value adjustment of other securities and investments.

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 realised and unrealised gains and losses on receivables, payables and transactions denominated in foreign currencies and 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

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is objective evidence that a receivable has been impaired.

Other securities and investments

On initial recognition, securities and investments are measured at cost. Securities and investments are subsequently measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at a value made up using generally recognised valuation principles if the securities are unlisted.

Cash in bank

Cash comprises bank balances.

Other payables

Other payables are measured at net realisable value.

	DKK	2016	2015
2	Financial expenses		
	Interest expense, banks	59,669	89,374
	Foreign exchange adjustments	0	229,531
		<u>59,669</u>	<u>318,905</u>

3 Limited partnership called capital

Changes in the limited partnership's called capital over the past 5 years:

DKK'000	2016	2015	2014	2013	2012
Balance at 1 January	2,190,000	1,370,000	1,370,000	1,200,000	865,000
Paid through cash calls	0	820,000	0	170,000	335,000
	<u>2,190,000</u>	<u>2,190,000</u>	<u>1,370,000</u>	<u>1,370,000</u>	<u>1,200,000</u>

4 Contractual obligations and contingencies, etc.

Contingent assets

The limited partnership has through its ownership of shares in QLT Inc. received a DOJ/SEC Matter Warrant and a Class Action Lawsuit Warrant for each of the limited partnerships common shares in QLT Inc. Due to the uncertainties in assessing the value of the warrants, Management has not recognised the warrants in the annual report.