



SEED Capital Management I/S

Annual Report

For the year ended 31 December 2016

12th financial year

Registration No. 28 29 30 89

Address: Diplomvej 381, 2800 Kongens Lyngby

Approved at the annual general meeting of shareholders on 31 May 2017

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Management's statement

The Management have today discussed and approved the annual report of SEED Capital Management I/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 Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company'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 development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Copenhagen, 31 May 2017

Management:



Ulla Brockenhuus-Schack

Managing Partner og
General Partner



Lars Andersen

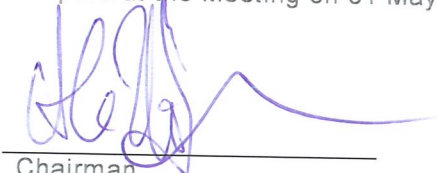
General Partner



Carsten Schou

General Partner

Adopted at the Meeting on 31 May 2017



Chairman

Auditors' Report

Independent Auditors' Report

To the Limited Partners of SEED Capital Management I/S

Opinion

We have audited the financial statements of SEED Capital Management I/S for the financial year 1 January – 31 December 2016, which comprise summary of significant accounting policies, income statement, balance sheet and notes. 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 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 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 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 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 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 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.

Auditors' responsibility

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 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 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 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.

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 our procedures, 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, 31 May 2017

Ernst & Young

Godkendt Revisionspartnerselskab
Cvr. No. 30 70 02 28



Peter Gath
State Authorised
Public Accountant

Information about the Company

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2800 Kgs. Lyngby
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Fax: +45 77 14 15 15
www.seedcapital.dk
Registration nr. (Cvr.nr.): 28 29 30 89

Registered office

Lyngby-Taarbæk Kommune

Management

Ulla Brockenhuus-Schack (Managing Partner)
Lars Andersen
Carsten Schou

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Osvold Helmuths Vej 4
Postboks 250
2000 Frederiksberg

Bankers

Nykredit Bank A/S

Management's Review

This annual report relates to the twelfth financial year of SEED Capital Management I/S for the period 1 January – 31 December 2016.

The Company's activities

SEED Capital Management I/S advise and invest in knowledge-intensive start-ups. The principal activity of SEED Capital Management is to act as a management company to the venture funds SEED Capital Denmark K/S and SEED Capital Denmark II K/S. The duration of the fund SEED Capital Denmark K/S has been prolonged by one year until end of 2017.

The funds invest venture capital in high-technology, research-based and knowledge-intensive companies focusing on biotechnology/medical technology, IT and telecommunication, cleantech and other high-technology areas.

Reference is made to the annual reports of the individual investment companies.

Venture companies	Capital commitment	Formation	End of investment period	Duration	Number of active portfolio companies
SEED Capital Denmark II K/S	DKK 682 million	1 February 2010	31 December 2014	31 January 2020	8
SEED Capital Denmark K/S	DKK 531 million	1 December 2004	30 November 2009	30 November 2017	1

Activities in 2016

As management company for the funds SEED Capital Management I/S has completed seven follow-up investments in the portfolio during 2016. A total amount of DKK 19 million has been invested in the combined portfolio companies during the year.

Also, the exit of 2 portfolio companies was completed during the year and an additional portfolio company was listed on the Swedish Stock Exchange Nasdaq First North Premier. 3 portfolio companies were closed down enabling a stronger focus on the most promising companies.

As per end of 2016 the active portfolio managed in the 2 funds consists of 9 companies.

Events after the balance sheet date

No events have occurred after the balance sheet date, which may materially affect the assessment of the Company's financial position.

Business development and outlook

SEED Capital Denmark K/S expires 30 November 2017. A further prolongation may be anticipated to secure the successful exit of the remaining portfolio company in the fund. This will be evaluated and discussed with the investors during 2017.

The development in the existing portfolio in SEED Capital Denmark II K/S has been very strong during the first six years and the outlook is promising. SEED Capital Management will continue to build value in the individual companies and will aim at pursuing successful exits over the next years.

It is expected that the results of SEED Capital Management I/S for the coming years will decrease significantly due to declining management fees and following the decline in the activities in the funds managed by SEED Capital Management I/S.

Accounting policies

The Annual Report of SEED Capital Management K/S has been presented in accordance with the provisions in the Danish Financial Statements Act regarding reporting class B enterprises, adjusted to the Company's special activities as a management company for a venture company.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Recognition of proposed distribution under liabilities
2. Yearly reassessment of residual values of property, plant and equipment

Re 1: Section 48 of the Danish Financial Statements Act has been repealed meaning that proposed distribution no longer can be recognized as liabilities, but should be recognized as equity.

Re 2: In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

Change no. 1 implies that the proposed distribution for 2016 will be recognized as equity instead of liabilities. There has not been any impacts on the income statement or the comparative figures.

Apart from the above new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Reporting currency

The Annual Report has been presented in Danish kroner.

Foreign currencies

Amounts in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated into Danish kroner at closing rates.

Realised and unrealised exchange gains and losses are recognised in the profit and loss account as financial income and expenses.

Profit and loss account

Turnover

Management fee

Management fee comprises administration fee and performance fee for the companies appointed by SEED Capital Management to investment manager.

Services

Income from the supply of services is recognized as the services are rendered.

Other external costs

Other external costs comprise costs for administration, premises, bad debt losses, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Depreciation

Book depreciation is provided on the basis of regular assessments of the useful life and residual value of the relevant assets. Tangible fixed assets are depreciated on a straight-line basis over the expected useful lives of the individual assets. Depreciation periods and scrap values, calculated by reference to the historical cost, are as follows:

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates

Depreciation period

Fixtures and fittings, tools and equipment 3-5 years

Acquisitions not exceeding DKK 12,800 are charged to the profit and loss account in the year of acquisition.

Losses and profits on the replacement of fixed assets are included in book depreciation. Losses and profits are made up as the difference between the net selling price and the net book value at the time of sale

Tax

The Company is not a tax-paying entity, thus no tax has been expensed.

Balance sheet**Tangible fixed assets**

Tangible fixed assets are measured at cost plus revaluations and less accumulated depreciation and write-downs.

Investments

Investments in subsidiaries are measured at the company's share of the equity in the subsidiaries (equity method). If cost exceeds the recoverable amount, a write-down is made to this lower value.

Receivables

Receivables are amortised at the lower of amortised cost and the net realisable value, calculated by reference to individual assessments of the individual accounts receivable.

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Contingent liabilities

Contingencies are not recognised in the balance sheet, but disclosed in the notes only. Liabilities which exist at the balance sheet date, but which cannot be measured, are considered contingent liabilities.

Profit and loss account for the year ended 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)
Gross profit		8.517	10.841
Other external expenses		-836	-1.441
Staff costs	1	-789	-2.018
Depreciation tangible fixed assets		-15	-44
Operating profit		6.877	7.338
Other financial income		-2	-4
Profit for the year		6.875	7.334

The Management recommends that the profit for the year should be appropriated as follows:

Retained earnings at 1 January 2016	0	0
Net profit for the year	6.875	7.334
Available for appropriation	6.875	7.334
Recommended appropriation:		
Retained earnings at 31 december 2016	15	0
Distribution proposed for the year	6.860	7.334
	6.875	7.334

Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)
ASSETS			
Fixed assets			
Tangible fixed assets			
IT, software, furnitures ao.	2	12	48
Total tangible fixed assets		12	48
Investments			
Investments	3	83	85
Total financial fixed assets		83	85
Total fixed assets		95	133
Current assets			
Receivables			
Other receivables		191	179
		191	179
Cash in bank and at hand		1.873	3.403
Total current assets		2.064	3.582
TOTAL ASSETS		2.159	3.715

Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)
EQUITY AND LIABILITIES			
Equity	4		
Investment capital		0	0
Retained earnings		15	0
Total equity		<u>15</u>	<u>0</u>
Provisions			
Provisions, management fee		1.750	2.350
Liabilities other than provisions			
Short-term liabilities other than provisions			
Trade payables		0	1
Other payables		394	1.364
Current liabilities		<u>394</u>	<u>1.365</u>
Total liabilities other than provisions		<u>394</u>	<u>1.365</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2.159</u></u>	<u><u>3.715</u></u>
Related parties	5		

Notes

	2016 (000 DKK)	2015 (000 DKK)
1 Staff costs		
Analysis of staff costs:		
Wages and salaries	786	1.835
Pension costs	0	169
Other social security costs	3	14
Resignment costs	0	0
Recruitment expenses	0	0
Staff costs	<u>0</u>	<u>0</u>
	<u>789</u>	<u>2.018</u>
Average number of employees	<u>2</u>	<u>2</u>
2 Tangible fixed assets (000 DKK)		Other fixed assets
Cost as per 1 January 2016		224
Additions during the year		0
Disposals during the year		<u>-21</u>
Cost as per 31 December 2016		203
Depreciations as per 1 January 2015		176
Depreciations during the year		15
Reversed depreciation on disposals		<u>0</u>
Depreciations as per 31 December 2015		191
Value as per 31 December 2016		<u>12</u>

Notes

3 Investments

	SEED Capital Denmark K/S	SEED Capital Denmark II K/S	Total
	(000 DKK)	(000 DKK)	(000 DKK)
Cost 1 January 2016	88	8	96
Additions in the year	0	0	0
Cost at 31 December 2016	88	8	96
Results and revaluation and write-downs 1 January 2016	-17	6	-11
Revaluation and write-downs in the period	-2	0	-2
Revaluation and write-downs at 31 December 2016	-19	6	-13
Book value at 31 December 2016	69	14	83

4 Equity

	Investment capital	Retained earnings	Total
Balance 1 January 2016	0	0	0
Net profit for the year 2016	0	6.875	6.875
Distributed regarding 2016	0	-6.860	-6.860
Balance at 31 December 2016	0	15	15

Notes

5 Related parties

The Company's related parties comprise the following:

- SEED Capital Denmark II K/S (1 general partner is CEO)
- SEED Capital Denmark K/S (1 general partner is CEO)

The general partners of the Company are partially employees by and functions as CEO's in the following companies, for which the Company provides investment consultation:

- Pre-Seed Innovation A/S (1 general partner is CEO)

All transactions between the parties are based on arm length principle.