



## Sunstone Life Science Ventures Fund I K/S

Store Strandstræde 18  
1255 København K  
CVR No. 30589416

## Annual report 2020

The Annual General Meeting adopted the  
annual report on

---

**Merete Lundbye Møller**

Chairwoman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020	8
Balance sheet at 31.12.2020	9
Statement of changes in equity for 2020	11
Notes	12
Accounting policies	13

# Entity details

## Entity

Sunstone Life Science Ventures Fund I K/S

Store Strandstræde 18

1255 København K

CVR No.: 30589416

Registered office: Copenhagen

Financial year: 01.01.2020 - 31.12.2020

## Executive Board

Merete Lundbye Møller

Søren Lemonius

Sten Verland

James Peter Arthur Benson

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

0900 Copenhagen C

# Statement by Management

The Executive Board of the General Partner, Sunstone LSV General Partner I ApS have today considered and approved the annual report of Sunstone Life Science Ventures Fund I K/S for the financial year 01.01.2020 - 31.12.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 25.01.2021

## Executive Board

**Merete Lundbye Møller**

**Søren Lemonius**

**Sten Verland**

**James Peter Arthur Benson**

# Independent auditor's report

## To the shareholders of Sunstone Life Science Ventures Fund I K/S

### Opinion

We have audited the financial statements of Sunstone Life Science Ventures Fund I K/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 25.01.2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

**Kim Takata Mücke**

State Authorised Public Accountant

Identification No (MNE) mne10944

**Murat Güler**

State Authorised Public Accountant

Identification No (MNE) mne46582

# Management commentary

## Primary activities

Sunstone Life Science Ventures Fund I K/S invest in early-stage life science companies mainly located in the Nordic countries.

A team of investment professionals in Denmark is responsible for the investment management.

## Development in activities and finances

The Fund was established 8 May 2007 as a spinout of 19 portfolio companies in Vækstfonden. At the end of 2020, the Fund holds 1 active portfolio enterprise.

The result for the year showed a loss of DKK 12 million, which is primarily related to fair value loss from its investments in portfolio companies.

## The following development has taken place during the year:

**Symphogen A/S:** Located in Denmark, develops next-generation antibody therapeutics for the treatment of cancer. The company is dedicated to bringing truly innovative oncology products to market, creating optimally selected antibody mixtures that address multiple oncology targets in a single drug product.

Symphogen was sold to Servier during the year in return for a performance based earn-out structure.

**Zealand Pharma A/S:** Located in Søborg, Denmark, specializes in the discovery, optimization and development of novel peptide drugs and with broad and mature pipeline of drug candidates identified through the company's own drug discovery activities. The company is listed on Nasdaq OMX Copenhagen and news about the company can be found on [www.zealandpharma.com/zealand-news/](http://www.zealandpharma.com/zealand-news/).

## Uncertainty relating to recognition and measurement

When preparing the annual report, the General Partner, in accordance with legislative provisions, makes accounting judgments and estimates, which form the basis of the annual report. The accounting judgments and estimates made by the General Partner are described in the paragraph "Management's significant accounting judgments and estimates" under accounting policies to which we refer. Such estimates are made on the basis of assumptions, which the General Partner considers reasonable and realistic, but which are uncertain by nature.

## Unusual circumstances affecting recognition and measurement

Except for the fair value adjustment on investments, the annual report is not influenced by unusual circumstances.



# Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Other external expenses		(73)	(260)
<b>Gross profit/loss</b>		<b>(73)</b>	<b>(260)</b>
Other operating expenses	1	(1,160)	(2,176)
<b>Operating profit/loss</b>		<b>(1,233)</b>	<b>(2,436)</b>
Income from other financial assets	2	(10,680)	357,990
Other financial expenses		(58)	(15)
<b>Profit/loss for the year</b>		<b>(11,971)</b>	<b>355,539</b>
<b>Proposed distribution of profit and loss:</b>			
Retained earnings		(11,971)	355,539
<b>Proposed distribution of profit and loss</b>		<b>(11,971)</b>	<b>355,539</b>

# Balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK'000	2019 DKK'000
Other investments		423,877	583,387
<b>Other financial assets</b>	3	<b>423,877</b>	<b>583,387</b>
<b>Fixed assets</b>		<b>423,877</b>	<b>583,387</b>
Other receivables	4	134,547	0
<b>Receivables</b>		<b>134,547</b>	<b>0</b>
<b>Cash</b>		<b>708</b>	<b>670</b>
<b>Current assets</b>		<b>135,255</b>	<b>670</b>
<b>Assets</b>		<b>559,132</b>	<b>584,057</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
Contributed capital		1,483,935	1,455,558
Retained earnings		(924,839)	(871,535)
<b>Equity</b>		<b>559,096</b>	<b>584,023</b>
Other payables		36	34
<b>Current liabilities other than provisions</b>		<b>36</b>	<b>34</b>
<b>Liabilities other than provisions</b>		<b>36</b>	<b>34</b>
<b>Equity and liabilities</b>		<b>559,132</b>	<b>584,057</b>
Contingent liabilities	5		
Related parties with controlling interest	6		

# Statement of changes in equity for 2020

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	1,455,558	(871,535)	584,023
Increase of capital	28,377	0	28,377
Ordinary dividend paid	0	(41,333)	(41,333)
Profit/loss for the year	0	(11,971)	(11,971)
<b>Equity end of year</b>	<b>1,483,935</b>	<b>(924,839)</b>	<b>559,096</b>

The stated contributed capital represents the total equity contributions from the Limited Partners.

Ordinary dividend comprises distributions of proceeds from realized investment distributed to the Limited Partners.

# Notes

## 1 Other operating expenses

The Fund had no employees during the financial year. All administrative work is performed by Sunstone Life Science Ventures A/S. No fee has been paid to the General Partner.

## 2 Income from other financial assets

Income from other fixed asset investment comprise unrealised value adjustments from investments in portfolio companies and realised gains/losses.

## 3 Financial assets

	<b>Other investments DKK'000</b>
Cost beginning of year	424,428
Disposals	(165,599)
<b>Cost end of year</b>	<b>258,829</b>
Revaluations beginning of year	158,961
Revaluations for the year	(59,765)
Reversal regarding disposals	65,852
<b>Revaluations end of year</b>	<b>165,048</b>
<b>Carrying amount end of year</b>	<b>423,877</b>

## 4 Other receivables

Other short-term receivables represent receivables from sale of investments.

## 5 Contingent liabilities

At the balance sheet date, the Fund has no obligations to make further investments in the portfolio companies.

## 6 Related parties with controlling interest

The General Partner is Sunstone LSV General Partner I ApS, Copenhagen.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year. The description of accounting policies reflects the Fund's special activity as venture fund.

The annual report is presented in DKK 1,000.

## Income tax

The annual report does not include current or deferred tax due to the corporate form.

## Material uncertainty related to recognition and measurement

When preparing the Fund's annual report, Management makes accounting judgments and estimates, which form the basis of the presentation, recognition and measurement of the Fund's assets and liabilities. In particular, the accounting judgments and estimates made by Management relate to the Fund's other receivables and its investments in portfolio companies.

Other receivables include receivables from sale of investments. In some cases the receivables include the value for potential payments which will be triggered if certain milestones are met. When measuring the fair value of such receivables, the General Partner assesses in particular the possibility of achieving the milestones.

Investment in portfolio companies which consists of contribution of equity and loans to development-oriented enterprises whose values essentially consist of intangibles and which can require continuous contribution of capital. Management assesses the portfolio enterprises' stage of development and the expected future development, future financing requirements, commercialisation possibilities, and expectation of impending exit.

As the portfolio enterprises goes through the different stages of development and get closer to an exit date, Management has an expectation that the values of the portfolio companies are increasing and Management uses valuation models for more mature enterprises.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and

measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Exchange rate adjustments relating to investments in portfolio companies are recognised in the income statement together with fair value adjustments concerning the investments.

### Income statement

#### Other external expenses

Other external expenses include administration costs.

Administrative expenses comprise expenses for administration incurred by the Fund.

#### Other operating expenses

Other operating expenses comprise management fee to the management company, Sunstone Life Science Ventures A/S.

#### Income from other fixed asset investments

Income from other fixed asset investments (shares and loans) comprises realised gains/losses from divestments as well as unrealised value adjustments from revaluation and write-down of other fixed asset investments.

#### Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised capital losses on transactions in foreign currencies which do not relate to fair value adjustments of investments in portfolio companies.

### Balance sheet

#### Other investments

Other investments included as fixed asset investments comprise investments in portfolio companies and loans to portfolio companies. Investments in portfolio companies made in the financial year are recognised at cost at the time of investment. The cost includes expenses incurred in connection with investment in portfolio companies. Unlisted investments in portfolio companies are subsequently measured in accordance with IPEV's Valuation Guidelines, under which investments including loans are recognised at fair value at the balance sheet date. For investments in portfolio companies listed on a stock exchange, fair value is determined as the stock price at the balance sheet date. Value adjustments are recognised in the income statement.

#### Receivables

Receivables from sales of investments cover agreed deferred payments including escrow amounts expected to be released upon fulfillment of agreed terms or milestones. Furthermore, in certain instances the sales price may cover future additional payments upon fulfillment of milestones. Such potential future variables payments are capitalized using the risk adjusted net present value method, and the assumptions used in calculating such values are reviewed regularly for any changes, and the related value changes are treated as a fair value gain/loss included in profit/loss.

**Cash**

Cash comprises cash in hand and bank deposits.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.