

SEED Capital Denmark II K/S

Annual Report

For the year ended 31 December 2015

6th financial year

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Management's statement

The Management have today discussed and approved the annual report of SEED Capital Denmark II 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.

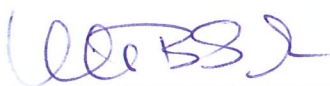
It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the 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, 8 March 2016

Management:



Ulla Brockenhuus-Schack

General Partner and
Managing Partner



Lars Andersen

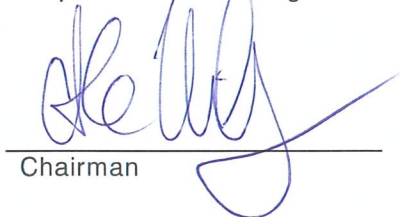
General Partner



Carsten Schou

General Partner

Adopted at the Meeting on 8 March 2016



Chairman

Auditors' Report

To the Limited Partners of SEED Capital II Denmark K/S

Independent auditors' report on the financial statements

We have audited the financial statements of SEED Capital Denmark II K/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. 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 and 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' judgment, 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 Company's 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 Company'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 Company's assets, liabilities and 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.

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, 8 March 2016

Ernst & Young

Godkendt Revisionspartnerselskab
Cvr.No. 30 70 02 28



Peter Gath
State Authorised
Public Accountant

Information about the Company

SEED Capital Denmark II K/S
Diplomvej 381
2800 Kgs. Lyngby
Phone: +45 77 34 07 55
Fax: +45 77 14 15 15
www.seedcapital.dk
Registration nr. (Cvr.nr.): 32 76 50 76

Registered Office

Lyngby-Taarbæk Kommune

General Partner

SEED Capital Management I/S

Limited Partners

ATP Private Equity K/S
Vækstfonden
Dansk Vækstkapital
Realdania
C.L. Davids Fond og Samling
Chr. Augustinus Fabrikker A/S
Pre-Seed Innovation A/S

Auditors

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

Bankers

Nykredit Bank A/S

Management's Review

This annual report relates to the fifth financial year of SEED Capital Denmark II K/S for the period 1 January – 31 December 2015.

The financial performance in 2015 has been very satisfying and the outlook for the coming years is promising.

Objective

SEED Capital Denmark II K/S' objective is to invest in technology, research-based and knowledge-intensive companies focusing on biotechnology/medical technology, information and communication technologies and other high-technology areas, including cleantech, either in the form of share capital or the granting of subordinate, convertible loans and other related investment activities.

Capital

SEED Capital Denmark II K/S has a total capital base of DKK 682 million. At 31 December 2015, the limited partners and the general partners had paid in DKK 540 million - 79% of total commitment. At 31 December 2015, DKK 263 million had been distributed to the limited partners and the general partner.

The management of the Company

SEED Capital Denmark II K/S has no employees. A management agreement has been entered into between SEED Capital Denmark II K/S and SEED Capital Management I/S under which SEED Capital Management I/S (hereinafter referred to as the management company) will be in charge of operations in SEED Capital Denmark II K/S. In addition, resources from Pre-Seed Innovation A/S has been used. In total, there are 20 employees, hereof 4 general partners in the two teams.

Investments

SEED Capital Denmark II K/S initially invests in the pre-seed and seed stages of a company's life cycle. Investments in these stages are inherently subject to risk. Follow-up investments will be made in the most promising companies all the way to exit.

SEED Capital Denmark II K/S' individual companies need a high level of involvement in order to ensure correct strategic focus, competencies and financial resources follow-up on the strategy and continued active development of the company.

The Fund's investment period expired on 31 November 2014. Hereafter, only follow-up investments in the existing companies in the portfolio have been made for the purpose of further developing and selling the ownership interests in these companies.

Activities in 2015

SEED Capital Denmark II K/S made seven follow-up investments in existing companies in 2015. A total commitment of DKK 78 million were made in these companies during 2015.

Two exits were completed in 2015.

- In August 2015 the sale of Observe Medical to Norwegian Navamedic was completed. The investors have received an upfront payment with an upside in future royalty payments.
- The sale of Endomondo was signed with Under Armour in December 2014 with a completion and announcement early 2015.

In addition, the company Windar Photonics was successfully listed at the international market for smaller companies, AIM at the London Stock Exchange in the UK.

At the end of 2015, the active portfolio comprised 12 companies. In total, DKK 290 million has been invested in these companies.

SEED Capital Management I/S still works closely together with Pre-Seed Innovation A/S. During the year, the team received and handled approx. 500 inquiries regarding investments, which resulted in 12 investments by pre-Seed Innovation A/S, in which SEED Capital Denmark II K/S invested a minor amount against an option to invest further.

The development in the portfolio continued the very strong track in 2015 with a positive total net result of DKK 205 million in realized and unrealized gains. Most of the companies have reached important milestones and have shown a strong progress, and several have had capital injections at a higher valuation compared to the previous round(s). Also, some of the companies received funding at lower valuations with a subsequent write down in value.

The result for the year amounted to DKK 199 million, which primary is a result of a funding round in Trustpilot in May 2015 of USD 73.5 million led by new investor Vitruvian Partner and a funding round of USD 25 million in Vivino by the end of the year with a new investor Neptune.

At the end of 2015, the active portfolio comprised 12 companies.

| Investment | Business concept |
|-------------------|--|
| Abeo | Super-light concrete constructions |
| Acarix | Acoustic coronary artery disease diagnostics |
| BluePrinter | 3D printer |
| Codesealer | Security solution for online banking |
| Expanite | Cost-effective surface hardening of stainless steel |
| Firmafon | Telephone solutions for small and medium-sized enterprises |
| Galecto Biotech | Drug for the treatment of idiopathic pulmonary fibrosis |
| Mofibo | Mofibo offers a subscription based book service |
| Reapplix | Advanced wound treatment |
| Trustpilot | Online service for consumer evaluation of web shops and services |
| Vivino | Mobile app for rating, storing and sharing wine experiences |
| Windar Photonics | Wind direction and velocity measurement for wind turbines |

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

During recent years, the portfolio companies have seen a positive development. Moreover, the investing activity in new and existing companies has been in line with expectations after the Fund's first four years.

It is expected that the investment activity for 2016 will be at a slightly lower level compared to the previous years.

Accounting policies

The Annual Report of SEED Capital Denmark II 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 venture company.

The accounting policies used in the preparation of the Annual Report are consistent with those of last year.

In order to give a fair view of the activities in the Company as a venture company, unrealized and realized gains and losses of portfolio companies has been included in the Operating Profit/Loss.

Recognition and measurement

Income is recognised in the profit and loss account as earned, including value adjustments of financial assets and liabilities. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Profit and loss account

Unrealised and realised results of investments in portfolio companies

Unrealized and realized gains or losses from exits, distributions in investments in portfolio companies are included in the Profit and Loss account under Operating Profit/Loss.

Interest income and expense and similar items

Interest income and expense and similar items comprise interest income and expense, gains and losses on securities (excluding income or expenses from portfolio companies) as well as payables and transactions denominated in foreign currencies.

Tax

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

Balance sheet

Investments

Investments in portfolio companies are recognized according to "International Private Equity and Venture Capital" (IPEV) "Valuation Guidelines", in which investments are recognized at market value at the balance sheet date under section 38 of the Danish Financial Statements Act.

Exchange rate adjustments of investments in portfolio companies are recognized in the profit and loss account.

Receivables

Receivables are measured at amortised cost. Write-downs are made for bad debt losses based on an individual assessment of receivables.

Liabilities

Liabilities are measured at net realizable value.

Contingent liabilities

Contingencies are not recognized 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 2015

| | Note | 2015 | 2014 |
|--|------|-----------------------|-----------------------|
| | Note | (000 DKK) | (000 DKK) |
| Income from investments in portfolio companies | 1 | 204.875 | 250.673 |
| Administration costs | 2 | <u>-5.725</u> | <u>-14.015</u> |
| Operating Profit | | 199.150 | 236.658 |
| Other financial income | 3 | 2 | 5 |
| Other financial cost | 4 | <u>-469</u> | <u>0</u> |
| Net profit for the year | | <u>198.682</u> | <u>236.663</u> |

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

| | | |
|---------------------------------------|-----------------------|-----------------------|
| Retained earnings at 1 January | 321.494 | 84.832 |
| Net profit for the year | <u>198.682</u> | <u>236.663</u> |
| Available for appropriation | <u>520.176</u> | <u>321.494</u> |
| Recommended appropriation: | | |
| Retained earnings at 31 December 2015 | <u>520.176</u> | <u>321.494</u> |
| | <u>520.176</u> | <u>321.494</u> |

Balance sheet at 31 December 2015

| | Note | 2015 (000 DKK) | 2014 (000 DKK) |
|---|------|-----------------------|-----------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Investments | | | |
| Investments in portfolio companies | 5 | 701.209 | 667.527 |
| Convertible debt instruments in portfolio companies | 5 | 7.084 | 5.547 |
| Other securities and investments | | <u>3.576</u> | <u>0</u> |
| Total fixed assets | | <u>711.869</u> | <u>673.075</u> |
| Current assets | | | |
| Receivables | | | |
| Other receivables | | <u>75.790</u> | <u>15.335</u> |
| | | <u>75.790</u> | <u>15.335</u> |
| Cash in bank and at hand | | <u>9.288</u> | <u>15.644</u> |
| Total current assets | | <u>85.079</u> | <u>30.979</u> |
| TOTAL ASSETS | | <u>796.948</u> | <u>704.053</u> |

Balance sheet at 31 December 2015

| | Note | 2015 (000 DKK) | 2014 (000 DKK) |
|---|------|------------------------------|------------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | 6 | | |
| Investment capital paid | | 539.753 | 443.326 |
| Distributions | | -263.223 | -63.386 |
| Retained earnings | | <u>520.176</u> | <u>321.494</u> |
| Total equity | | <u>796.707</u> | <u>701.434</u> |
| Liabilities other than provisions | | | |
| Short-term liabilities other than provisions | | | |
| Other payables | | <u>241</u> | <u>2.620</u> |
| Current liabilities | | <u>241</u> | <u>2.620</u> |
| Total liabilities other than provisions | | <u>241</u> | <u>2.620</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>796.948</u></u> | <u><u>704.053</u></u> |
| Contingent Liabilities | 7 | | |
| Related parties | 8 | | |

Notes

| | 2015 (000 DKK) | 2014 (000 DKK) |
|---|-----------------------|-----------------------|
| 1 Income from investments in portfolio companies | | |
| Realised losses | 180.274 | 17.865 |
| Regulations regarding realised gain/losses | -164.368 | -5.194 |
| Write-ups of portfolio companies | 205.269 | 258.064 |
| Write-downs of portfolio companies | <u>-16.300</u> | <u>-20.062</u> |
| | <u>204.875</u> | <u>250.673</u> |
| 2 Administration costs | | |
| Management Fee | 5.422 | 13.535 |
| Fee Investment Committee | 300 | 338 |
| Administration costs etc. | <u>4</u> | <u>142</u> |
| | <u>5.725</u> | <u>14.015</u> |
| 3 Other financial income | | |
| Interest Income, bank | <u>2</u> | <u>5</u> |
| | <u>2</u> | <u>5</u> |
| 4 Other financial income | | |
| Unrealized losses on securities | <u>-469</u> | <u>0</u> |
| | <u>-469</u> | <u>0</u> |

Notes

| 5 Investments | <u>Convertible debt instruments</u> (000 DKK) | <u>Investments</u> (000 DKK) |
|---|--|---------------------------------|
| Cost | | |
| Balance at 1 January 2015 | 5.547 | 289.486 |
| Additions in the year | 11.792 | 88.214 |
| Disposals in the year | <u>9.859</u> | <u>79.529</u> |
| Cost at 31 December 2015 | <u>7.480</u> | <u>298.171</u> |
| Write-ups/write-downs | | |
| Balance at 1 January 2015 | 0 | 378.041 |
| Write-downs in the period | -396 | -15.904 |
| Reversed write-ups/write-downs | 0 | -164.368 |
| Write-ups in the period | 0 | 205.269 |
| Write-ups/write-downs at 31 December 2015 | <u>-396</u> | <u>403.038</u> |
| Fair value at 31 December 2015 | <u>7.084</u> | <u>701.209</u> |

Notes

6 Equity

| | Total committed capital | Subscribed not paid capital | Subscribed and paid capital | Retained earnings | Distributions | Total |
|---|-------------------------------|-----------------------------------|-----------------------------------|----------------------|-----------------|----------------|
| Balance 1 January 2015 | 681.990 | -238.664 | 443.326 | 321.495 | -63.386 | 701.434 |
| Increase in investment capital for the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Draw Downs during the year | 0 | 96.428 | 96.428 | 0 | 0 | 96.428 |
| Distributions during the year | 0 | 0 | 0 | 0 | -199.837 | -199.837 |
| Distribution of gain/loss | 0 | 0 | 0 | 198.682 | 0 | 198.682 |
| Saldo pr. 31. december 2015 | <u>681.990</u> | <u>-142.236</u> | <u>539.753</u> | <u>520.176</u> | <u>-263.223</u> | <u>796.707</u> |

Notes

6 Contingent liabilities

The Company has made a management agreement with SEED Capital Management I/S until the liquidation of the Company. The Company is obliged every quarter to pay a management fee as a percentage of the Company's investments at the end of the preceeding quarter.

The Company has undertaken to pay additional capital contributions and convertible debt instruments to the portfolio companies concurrently with the realization of specific milestones. As of 31 December 2015 this liability amounts to a total of DKK 0.7 million.

The high unrealized value of the portfolio in SEED Capital Denmark II K/S combined with a distribution of proceeds from the exits completed over the past years is increasing the likelihood for a future carried interest amount to the general partners in the fund. Depending on a continued strong development in the portfolio companies and more successful exits by the fund the carried interest amount can be substantial. Thus over the next years a reservation of an amount to carried interest partners would be recognized once the carried interest payments is probable and can be measured reliable.

7 Related parties

The Company's related parties are the following:

- SEED Capital Denmark II K/S has a management agreement with SEED Capital Management I/S. Furthermore SEED Capital Management I/S has made administration agreements with SEED Capital Denmark K/S, DTU Invest K/S as well as cooperation with Pre-Seed Innovation A/S.
- The partners of the Management Company work partially for Pre-Seed Innovation A/S and SEED Capital Denmark II K/S handles investments in cooperation with the innovation environment.
- The limited partners handle investment of committed capital and receive payments according to agreement made.

The Company's agreements with related parties are made based on arm's length principle.