

SEED Capital Denmark II K/S

Annual Report

1 January 2017 - 31 December 2017

8th financial year

SEED Capital Denmark II K/S
Registration No. 32 76 50 76
Address: Diplomvej 381, 2800 Kongens Lyngby

Approved at the annual general meeting of shareholders on 17 May 2018
Chairman: Anne Cathrine Wilhjelm

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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 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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, 17 May 2018

Management:



Ulla Brockenhuus-Schack

General Partner and
Managing Partner



Lars Andersen

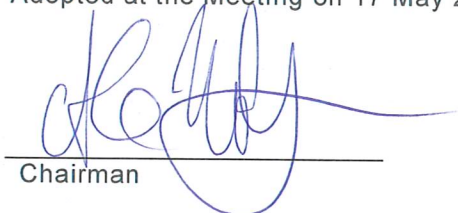
General Partner



Carsten Schou

General Partner

Adopted at the Meeting on 17 May 2018



Chairman

Independent auditor's report

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

Opinion

We have audited the financial statements of SEED Capital Denmark II K/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 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.

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 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 misstatements of the Management's review.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

Independent auditor's report

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 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 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 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 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.

Independent auditor's report

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.

Frederiksberg, 17 May 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Peter Gath
State Authorised
Public Accountant

MNE-no: mne19718

Information about the Company

SEED Capital Denmark II K/S
Diplomvej 381
2800 Kgs. Lyngby
Phone: +45 77 34 07 55
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
PreSeed Ventures A/S

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 seventh financial year of SEED Capital Denmark II K/S for the period 1 January – 31 December 2017.

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 2017, the limited partners and the general partners had paid in DKK 600 million - 88% of total commitment. At 31 December 2017, DKK 332 million had been distributed to the limited partners and the general partners.

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.

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 business strategy and a 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 to further building value in the companies and eventually maturing them for an exit.

Activities in 2017

During 2017, focus has been on maturing the active portfolio and securing their growth. Overall, the progress has been successful with strong revenue growth in the commercially active companies. The fund completed two follow-up investments committing DKK 37 million during 2017.

At the end of 2017, the active portfolio comprised of 8 companies, including the two listed companies Acarix and Windar Photonics. In total, DKK 265 million has been invested in these companies.

After the successful listing of Acarix in December 2016 on First North Premier in Stockholm, the company has achieved major milestones, but not completely in line with market expectations. Consequently, the share price has dropped during 2017, which has affected the financial performance of the fund.

Thus, the financial result for the year was a negative result.

The other 6 portfolio companies all reached important value inflexion points, but with our valuation policies they are not reflected in the financial result of the fund. More specifically, two companies are gradually becoming category winners and are rapidly expanding their international sales and the life science companies have obtained strong clinical validations.

The result for the year is a loss of DKK -41.1 million, mainly due to changes in the share price on the listed portfolio companies. Although the result for the year is a loss, overall result for the fund is satisfactory with a strong track to date for the existing portfolio companies and the companies, that are exited.

At the end of 2017, the active portfolio comprised 8 companies.

Investment	Business concept
Acarix	Acoustic coronary artery disease diagnostics
Expanite	Cost-effective surface hardening of stainless steel
Firmafon	Telephone solution for small and medium sized enterprises
Galecto Biotech	Drug for the treatment of idiopathic pulmonary fibrosis
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

In general, the development in the portfolio companies have been positive over the recent years. With the remaining available commitments in the fund the level of new investments in the portfolio companies will naturally decline over the next years compared to the previous years.

Despite the negative result for 2017 the overall financial performance in SEED Capital Denmark II K/S is still strong and the outlook for the coming years is promising. The financial results are expected to be positive over the coming years with new funding at higher valuations and profitable exits.

Comprehensive income for the year ended 31 December 2017

	Note	2017 (000 DKK)	2016 (000 DKK)
Income from investments in portfolio companies	2	-34.741	-2.656
Administration costs	3	<u>-5.411</u>	<u>-5.736</u>
Operating Profit		-40.152	-8.392
Other financial income	4	0	1.028
Other financial cost	5	<u>-971</u>	<u>-25</u>
Net profit for the year		<u>-41.122</u>	<u>-7.389</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive income for the year		<u>-41.122</u>	<u>-7.389</u>

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

Retained earnings at 1 January	512.788	520.176
Net profit for the year	<u>-41.122</u>	<u>-7.389</u>
Available for appropriation	<u>471.665</u>	<u>512.788</u>
Recommended appropriation:		
Retained earnings at 31 December	<u>471.665</u>	<u>512.788</u>
	<u>471.665</u>	<u>512.788</u>

Balance sheet at 31 December 2017

	Note	2017 (000 DKK)	2016 (000 DKK)
ASSETS			
Non-current assets			
Investments			
Investments in portfolio companies	6	659.556	681.234
Convertible debt instruments in portfolio companies	6	22.010	12.969
Other securities and investments		<u>3.677</u>	<u>4.594</u>
Investments		<u>685.244</u>	<u>698.796</u>
Receivable			
Other receivables		<u>25.626</u>	<u>25.626</u>
Receivable		<u>25.626</u>	<u>25.626</u>
Total non-current assets		<u>710.869</u>	<u>724.422</u>
Current assets			
Other receivables		268	3.999
Cash in bank and at hand		<u>28.707</u>	<u>12.727</u>
Total current assets		<u>28.975</u>	<u>16.727</u>
TOTAL ASSETS		<u><u>739.844</u></u>	<u><u>741.149</u></u>

Balance sheet at 31 December 2017

	Note	2017 (000 DKK)	2016 (000 DKK)
EQUITY AND LIABILITIES			
Equity			
Investment capital paid		600.319	560.499
Distributions		-332.377	-332.377
Retained earnings		<u>471.665</u>	<u>512.788</u>
Total equity		<u>739.608</u>	<u>740.910</u>
Liabilities other than provisions			
Short-term liabilities other than provisions			
Other payables		<u>236</u>	<u>239</u>
Current liabilities		<u>236</u>	<u>239</u>
Total liabilities other than provisions		<u>236</u>	<u>239</u>
TOTAL EQUITY AND LIABILITIES		<u><u>739.844</u></u>	<u><u>741.149</u></u>

Statement of changes in equity

(000 DKK)	Total committed capital	Subscribed not paid capital	Subscribed and paid capital	Retained earnings	Distributions	Total
Balance 1 January 2017	681.990	-121.490	560.500	512.788	-332.377	740.910
Increase in investment capital for the year	0	0	0	0	0	0
Draw Downs during the year	0	39.820	39.820	0	0	39.820
Distributions during the year	0	0	0	0	0	0
Distribution of gain/loss	0	0	0	-41.122	0	-41.122
Balance 31 December 2017	681.990	-81.670	600.320	471.666	-332.377	739.608

Statement of cash flow

	2017 (000 DKK)	2016 (000 DKK)
Operating profit/loss (EBIT)	-40.152	-8.392
Change in fair value of investments	34.741	2.656
Working capital changes	3.729	45.134
Cash flows from primary activities	-1.682	39.399
Financial income	0	1.028
Financial expenses paid	-54	-15
Cash flows from operating activities	-54	1.013
Investments in portfolio companies	-27.497	-19.314
Net proceeds from sale of portfolio companies	5.392	30.749
Cash flows from investment activities	-22.105	11.435
Contribution from limited partners	39.820	20.746
Distribution of share of proceeds from sales of portfolio companies	0	-69.154
Cash flows from financing activities	39.820	-48.408
Increase/decrease in cash and cash equivalents	15.979	3.439
Cash and cash equivalents at 1 January	12.727	9.288
Cash and cash equivalents at 31 December	28.707	12.727

Notes to the financial statement

1. Accounting policies
2. Income from investments in portfolio companies
3. Administration costs
4. Other financial income
5. Other financial expenses
6. Investments
7. Limited partners' contribution
8. Method and assumptions for determining fair value
9. Liquidity risks
10. Credit risks
11. Interest risks
12. Currency risks
13. Contingent liabilities
14. Related party transactions
15. Accounting standards not yet adopted

Notes

1 Accounting policies

The Annual Report of SEED Capital Denmark II K/S has been presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act regarding reporting class B enterprises as further outlined in the Danish Executive Order on Adoption of IFRS issued in accordance with the Danish Financial Statement act.

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.

Changes in accounting policies

With effect from 1 January 2017, SEED Capital Denmark II K/S has implemented:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Parts of Annual Improvements to IFRSs Cycle 2014-2016.

In Annual Improvements to IFRSs 2014-16 it is only the amendments to IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements that are effective from 1 January 2017. The remaining parts of Annual Improvements to IFRSs 2014-2016 will apply from 1 January 2018. The amendments are very specific, with a narrow field of application.

None of the changed accounting standards and interpretations have had any effect on recognition and measurement in 2017.

Significant accounting policies and estimates

When preparing the financial statement, the General Partners makes several accounting estimates forming the basis for the presentation, recognition and measurement of the Entity's assets and liabilities. The most significant accounting estimates and assessments are presented in note 8.

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 or for financial assets and financial liabilities at fair value. Subsequently, assets and liabilities are measured as described below for each individual item.

Foreign currency translation

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the date of the statement of financial position.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

Exchange rate adjustments relating to investments in portfolio companies are presented in the statement of comprehensive income together with other fair value adjustments concerning the investments.

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 Income from investments in portfolio companies.

Other financial income and other financial costs

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 at fair value according to "International Private Equity and Venture Capital" (IPEV) "Valuation Guidelines", in which investments are recognized at market value at the balance sheet date.

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

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset less transaction and transport costs.

All assets measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- ▶ Level 1: Value in an active market for similar assets/liabilities
- ▶ Level 2: Value based on recognised valuation methods on the basis of observable market information
- ▶ Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

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 amortised cost.

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 reliably, are considered contingent liabilities.

STATEMENT OF CASH FLOWS

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognised up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss adjusted for non-cash operating items, changes in working capital, interest income and expenses and dividends received.

Cash flows from operations activities comprise payments in connection with investments, including follow-up investments and disposals of portfolio companies.

Cash flows from financing activities comprise changes in the limited partners' contribution and distribution.

Cash flows in currencies other than the functional currency are translated using exchange rates per transaction date.

Notes

	2017 (000 DKK)	2016 (000 DKK)
2 Income from investments in portfolio companies		
Realised gains	739	-49.013
Adjustment regarding realised gain/losses	3.638	3.790
Write-ups of portfolio companies	8.619	44.432
Write-downs of portfolio companies	<u>-47.737</u>	<u>-1.865</u>
	<u>-34.741</u>	<u>-2.656</u>
3 Administration costs		
Management Fee	4.846	5.426
Fee Investment Committee	300	300
Administration costs etc.	<u>265</u>	<u>9</u>
	<u>5.411</u>	<u>5.736</u>
4 Other financial income		
Interest income, other	<u>0</u>	<u>1.028</u>
	<u>0</u>	<u>1.028</u>
5 Other financial cost		
Unrealized losses on securities	-917	-25
Interest expenses, other	<u>-54</u>	<u>0</u>
	<u>-971</u>	<u>-25</u>

Notes

6 Investments	<u>Convertible debt instruments</u> (000 DKK)	<u>Investments</u> (000 DKK)
Cost		
Balance at 1 January 2017	13.152	232.052
Additions in the year	9.235	18.262
Disposals in the year	<u>266</u>	<u>4.387</u>
Cost at 31 December 2017	<u>22.120</u>	<u>245.927</u>
Write-ups/write-downs		
Balance at 1 January 2017	-183	449.182
Write-downs in the period	-110	-47.627
Reversed write-ups/write-downs	183	3.455
Write-ups in the period	<u>0</u>	<u>8.619</u>
Write-ups/write-downs at 31 December 2017	<u>-110</u>	<u>413.629</u>
Fair value at 31 December 2017	<u>22.010</u>	<u>659.556</u>

<u>Company name</u>	<u>Type of investment</u>	<u>Valuation technique</u>	<u>Registration</u>	<u>Ownership</u>	<u>Equity</u> (000 DKK)	<u>Profit/loss</u> (000 DKK)
Firmafon ApS	Fund investment	Cost	Denmark	25,00-49,99%	11.636	2.288
Reapplix ApS	Fund investment	Price of recent investment	Denmark	25,00-49,99%	325	-12.042
Galecto Biotech AB	Fund investment	Cost	Sweden	20,00-24,99%	N/A	N/A
Trustpilot A/S	Fund investment	Price of recent investment	Denmark	20,00-24,99%	196.773	-179.635
Acarix AB	Fund investment	Listed	Sweden	20,00-24,99%	57.274	-4.450
Expanite Technology A/S	Fund investment	Price of recent investment	Denmark	15,00-19,99%	14.683	-6.745
Windar Photonics Ltd	Fund investment	Listed	UK	15,00-19,99%	15.847	-27.317
Vivino ApS	Fund investment	Price of recent investment	US	15,00-19,99%	N/A	N/A
					Total	<u>675.893</u>
Fair value of investment in associates (000 DKK)						<u>675.893</u>

Notes

7 Limited partners' contribution

The entity's shares are paid successively and pro rate. One of the share classes has a dividend preference attached when the realized return in the Entity exceeds a fixed minimum rate of return p.a. (hurdle rate) of the investors' contributed capital.

8 Method and assumptions for determining fair value

Fair value for each unlisted portfolio company is determined based on the method, which best reflect the individual investment.

Fair value is determined following the IPEV Valuation Guidelines. Because the Entity invests venture capital in early stages companies with limited revenue the fair value measurement is subject to high uncertainty.

The fair value is determined in functional currency of the portfolio company, and then translated to DKK at the exchange rate at the balance sheet date.

Upon initial investment, cost of the investments is normally determined to represent fair value. If new investors join and obtain more than just an insignificant share of the company, then the price of recent investment is used as basis or determining the fair value.

The entity's General Partners reviews the investment for potential value adjustments several times during a financial year. If the General Partners reviews lead to value adjustments, the fair value of the portfolio company is determined by the General Partners best estimate.

The Entity uses the following methods to determine fair value:

Cost:

Cost is assessed to reflect fair value when no new investors has provided equity to the portfolio company. Furthermore, investments are measured at cost when the uncertainty is too high to determine a fair value.

Price of recent investment:

If new investors provide equity to the portfolio company and receive more than just an insignificant ownership share, the price of the recent investment is normally deemed to be the best represent of the fair value.

Listed price:

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available.

Below is the split between the different methods used by the Entity:

Method	2017	2016
Cost	7%	6%
Price of recent investment	79%	75%
Listing price	15%	19%
	100%	100%

Fair value hierarchy for financial instruments measured at fair value in the balance sheet.

Below is shown the classification of financial instruments, organized in accordance with the fair value hierarchy as required by IFRS:

(000 DKK)	Level I	Level II	Level III	Total
Financial instruments measured at fair value	19,0%	0,0%	81,0%	100,0%
31 December 2016	19,0%	0,0%	81,0%	100,0%

(000 DKK)	Level I	Level II	Level III	Total
Financial instruments measured at fair value	14,8%	0,0%	85,2%	100,0%
31 December 2017	14,8%	0,0%	85,2%	100,0%

Movements in financial instruments measured at fair value based on level III

	Level III - 2017 (000 DKK)	Level III - 2016 (000 DKK)
Cost		
Balance at 1 January	205.671	297.285
Additions in the year	27.497	19.315
Disposals in the year	4.653	79.762
Transfers to level I	0	31.167
Cost level III at 31 December	<u>228.515</u>	<u>205.671</u>
Write-ups/write-downs		
Balance at 1 January	355.615	348.509
Write-downs in the period	-7.072	-1.865
Reversed write-ups/write-downs	3.638	3.790
Write-ups in the period	0	59.396
Transfers to level I	0	54.215
Write-ups/write-downs at 31 December	<u>352.182</u>	<u>355.615</u>
Fair value level III at 31 December	<u>580.697</u>	<u>561.286</u>

Material non-observable input for level 3

The measurement of investment in portfolio companies are based on measurement methods, in which material non-observable inputs are included such as assessment of the performance, determination of future earnings and whether a negative development should lead to the recognition of impairment write-downs.

A decrease or increase in the above-mentioned material non-observable inputs may have a direct effect on the measurement of the portfolio companies.

The fair value of the total portfolio is measured at index 2.54 compared to the initial cost. A decrease or increase in the index at 0.05 will change the value of the portfolio with approximately DKK 11.4 million.

Uncertainty relating to recognition and measurement

In accordance with legislative provisions, the General Partner makes accounting judgements and estimates when preparing the annual report. These judgements and estimates include determination of the fair value of portfolio companies. The Entity invests venture capital in early stages companies with limited revenue. The fair value measurement is therefore subject to high uncertainty.

9 Liquidity risks

Specified below is the financial liabilities of the Entity. The liabilities are divided into timing intervals that represents the amounts due for payment.

(000 DKK)	Within 1 year	Between 1 and 5 years	After 5 years	Total
Other liabilities	236	0	0	236
31 December 2017	236	0	0	236

10 Credit risks

As a part of the investment strategy the Entity provide loans to the portfolio companies. These loans are therefore not considered as a separate credit risk.

In some cases, the Entity has receivables from sales of portfolio companies. Typically, the payment is secured by the buyer depositing the receivable on escrow account in accepted credit institutions. The credit risk is therefore considered limited.

11 Interest risks

The Entity is not exposed to any interest risk.

12 Currency risks

Some of the Entity's investments are made in foreign currencies such as USD, GBP and EUR. This risk is considered a part of the investment risk thus the Entity does not separately hedge the currency risk.

When exiting a portfolio company, the sale can be made in foreign currencies such as USD, GBP and EUR. Receivables in connection to the sale in foreign currency is not separately hedge. As per 31 December 2017 the Entity is not exposed to changes in foreign currencies.

13 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 preceding 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 2017, this liability amounts to a total of DKK 9.2 million.

14 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. The Entity has paid DKK 4.8 million in management fee to SEED Capital Management I/S.
- 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.

15 Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning after January 1, 2017 have been issued. None of these new issues are expected to have a material impact on the financial statements.