

# SEED Capital Denmark II K/S

## Annual Report

For the year ended 31 December 2016

7<sup>th</sup> financial year

## Table of contents

Statement by the Management on the Annual Report	1
Auditors' report	2
Information about the Company	5
Management's Review	6
<b>Financial statements</b>	
Comprehensive income for the year ended 31 December 2016	9
Balance sheet at 31 December 2016	10
Statement of changes in equity	12
Statement of cash flow	13
Notes to the financial statements	15

## 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 2016.

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 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.

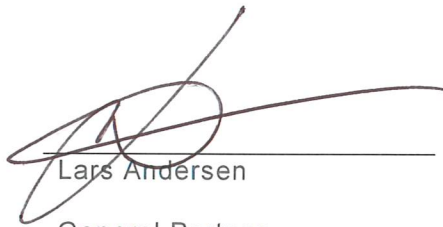
Copenhagen, 6 April 2017

Management:



Ulla Brockenhuus-Schack

General Partner and  
Managing Partner



Lars Andersen

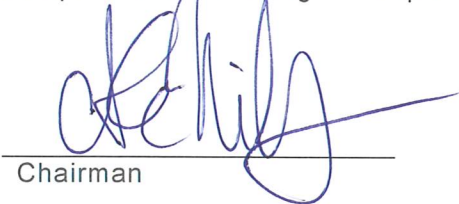
General Partner



Carsten Schou

General Partner

Adopted at the Meeting on 6 April 2017



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 2016, which comprise a 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 disclosure 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 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure 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 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.

### 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 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 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 disclosure 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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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.

#### **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, 6 April 2017  
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  
Osvold Helmuhs 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 2016.

### 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 2016, the limited partners and the general partners had paid in DKK 560 million - 82% of total commitment. At 31 December 2016, 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. In addition, resources from Pre-Seed Innovation A/S has been used. In total, there are 22 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 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 2016

2016 has been a year where hard priorities have been made in the portfolio to secure resources are focused on the most promising companies. SEED Capital Denmark II K/S made five follow-up investments in existing companies in 2016. A total commitment of DKK 19 million were made in these companies during 2016.

One full exit and one initial public offering (IPO) were also completed in 2016.

- In May 2016, the sale of Mofibo to Swedish Storytel was completed
- On 19 December 2016, the company Acarix was successfully listed on Nasdaq First North Premier in Stockholm, Sweden. A total of SEK 140 million was raised in connection with the offering.

At the end of 2016, the active portfolio comprised 8 companies, including the two listed companies Acarix and Windar Photonics. In total, DKK 237 million has been invested in these companies.

The performance of the fund and the financial result for the year was negatively affected by the closing down of 3 of the portfolio companies.

The remaining 8 active portfolio companies all experienced strong growth and many have reached important milestones.

The result for the year is a loss of DKK -7.4 million. Overall the result is considered satisfactory with the strong track to date for the existing portfolio companies and the companies, that are exited.

At the end of 2016, the active portfolio comprised 8 companies.

<b>Investment</b>	<b>Business concept</b>
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

During recent years, the portfolio companies generally 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 six years.

It is expected that the investment activity for 2017 will be at a slightly lower level compared to the previous years.

Despite a negative result for 2016 with a small loss the overall financial performance in SEED Capital Denmark II K/S is very satisfying 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 2016

	Note	2016 (000 DKK)	2015 (000 DKK)
Income from investments in portfolio companies	2	-2.656	204.875
Administration costs	3	<u>-5.736</u>	<u>-5.725</u>
<b>Operating Profit</b>		<b>-8.392</b>	<b>199.150</b>
Other financial income	4	1.028	2
Other financial cost	5	<u>-25</u>	<u>-469</u>
<b>Net profit for the year</b>		<b><u>-7.389</u></b>	<b><u>198.682</u></b>
<b>Other comprehensive income</b>		<b><u>0</u></b>	<b><u>0</u></b>
<b>Total comprehensive income for the year</b>		<b><u>-7.389</u></b>	<b><u>198.682</u></b>

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

Retained earnings at 1 January	520.176	321.494
Net profit for the year	<u>-7.389</u>	<u>198.682</u>
<b>Available for appropriation</b>	<b><u>512.788</u></b>	<b><u>520.176</u></b>
Recommended appropriation:		
Retained earnings at 31 December 2016	<u>512.788</u>	<u>520.176</u>
	<b><u>512.788</u></b>	<b><u>520.176</u></b>

## Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)	Jan 2015 (000 DKK)
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Investments</b>				
Investments in portfolio companies	6	681.234	701.209	667.527
Convertible debt instruments in portfolio companies	6	12.969	7.084	5.547
Other securities and investments		<u>4.594</u>	<u>3.576</u>	<u>0</u>
<b>Investments</b>		<b><u>698.796</u></b>	<b><u>711.869</u></b>	<b><u>673.075</u></b>
<b>Receivable</b>				
Other receivables		<u>25.626</u>	<u>25.626</u>	<u>0</u>
<b>Receivable</b>		<b><u>25.626</u></b>	<b><u>25.626</u></b>	<b><u>0</u></b>
<b>Total non-current assets</b>		<b><u>724.422</u></b>	<b><u>737.495</u></b>	<b><u>0</u></b>
<b>Current assets</b>				
Other receivables		3.999	50.164	15.335
Cash in bank and at hand		<u>12.727</u>	<u>9.288</u>	<u>15.644</u>
<b>Total current assets</b>		<b><u>16.727</u></b>	<b><u>59.452</u></b>	<b><u>30.979</u></b>
<b>TOTAL ASSETS</b>		<b><u>741.149</u></b>	<b><u>796.948</u></b>	<b><u>704.054</u></b>



## Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)	Jan 2015 (000 DKK)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Investment capital paid		560.499	539.753	443.326
Distributions		-332.377	-263.223	-63.386
Retained earnings		512.788	520.176	321.494
<b>Total equity</b>		<u>740.910</u>	<u>796.707</u>	<u>701.434</u>
<b>Liabilities other than provisions</b>				
<b>Short-term liabilities other than provisions</b>				
Other payables		239	241	2.620
Current liabilities		239	241	2.620
<b>Total liabilities other than provisions</b>		<u>239</u>	<u>241</u>	<u>2.620</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>741.149</u>	<u>796.948</u>	<u>704.054</u>

## Statement of changes in equity

### Equity

	<u>Total committed capital</u>	<u>Subscribed not paid capital</u>	<u>Subscribed and paid capital</u>	<u>Retained earnings</u>	<u>Distributions</u>	<u>Total</u>
Balance 1 January 2015	681.990	-238.664	443.326	321.495	-63.386	701.434
Draw Downs during the year	0	96.428	96.428	0	0	96.428
Distributions during the year	0	0	0	0	0	0
Distribution of gain/loss	0	0	0	198.682	-199.837	-1.155
<b>Saldo pr. 31. december 2015</b>	<u>681.990</u>	<u>-142.236</u>	<u>539.754</u>	<u>520.177</u>	<u>-263.223</u>	<u>796.707</u>

	<u>Total committed capital</u>	<u>Subscribed not paid capital</u>	<u>Subscribed and paid capital</u>	<u>Retained earnings</u>	<u>Distributions</u>	<u>Total</u>
Balance 1 January 2016	681.990	-142.236	539.754	520.177	-263.223	796.707
Draw Downs during the year	0	20.746	20.746	0	0	20.746
Distributions during the year	0	0	0	0	-69.154	-69.154
Distribution of gain/loss	0	0	0	-7.389	0	-7.389
<b>Saldo pr. 31. december 2016</b>	<u>681.990</u>	<u>-121.490</u>	<u>560.500</u>	<u>512.788</u>	<u>-332.377</u>	<u>740.910</u>

## Statement of cash flow

	2016 (000 DKK)	2015 (000 DKK)
Operating profit/loss (EBIT)	-8.392	199.150
Change in fair value of investments	2.656	-204.875
Working capital changes	45.134	-66.414
<b>Cash flows from primary activities</b>	<b>39.399</b>	<b>-72.139</b>
Financial income	1.028	2
Financial expenses paid	-15	-469
<b>Cash flows from operating activities</b>	<b>1.013</b>	<b>-467</b>
Investments in portfolio companies	-19.314	-89.471
Net proceeds from sale of portfolio companies	30.749	259.131
<b>Cash flows from investment activities</b>	<b>11.435</b>	<b>169.660</b>
Contribution from limited partners	20.746	96.428
Distribution of share of proceeds from sales of portfolio compar	-69.154	-199.837
<b>Cash flows from financing activities</b>	<b>-48.408</b>	<b>-103.409</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>3.439</b>	<b>-6.356</b>
Cash and cash equivalents at 1 january	9.288	15.644
<b>Cash and cash equivalents at 31 December</b>	<b>12.727</b>	<b>9.288</b>

## 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 to accounting policies due to transition to IFRS

The financial statement of SEED Capital Denmark II K/S for 2016 are the first to be presented in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statement Act, and IFRS 1 (first-time Adoption of International Financial Reporting Standards) has been applied. Pursuant herewith, the opening balance sheet at 1 January 2015 and comparative figures for 2015 have been prepared in accordance with the standards and interpretations applicable at 31 December 2016.

Management has not deemed it necessary to prepare additional reconciliations between the previous and the new IFRS accounting policies as the transition of the annual report prepared in accordance with IFRS has not resulted in changes to the accounting policies in relation to recognition and measurement. Furthermore, there has been no changes to classification and presentation.

#### 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 reliable, 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

	2016 (000 DKK)	2015 (000 DKK)
<b>2 Income from investments in portfolio companies</b>		
Realised losses	-49.013	180.274
Regulations regarding realised gain/losses	3.790	-164.368
Write-ups of portfolio companies	44.432	205.269
Write-downs of portfolio companies	-1.865	-16.300
	<u>-2.656</u>	<u>204.875</u>
<b>3 Administration costs</b>		
Management Fee	5.426	5.422
Fee Investment Committee	300	300
Administration costs etc.	9	4
	<u>5.736</u>	<u>5.725</u>
<b>4 Other financial income</b>		
Interest Income, other	1.028	2
	<u>1.028</u>	<u>2</u>
<b>5 Other financial income</b>		
Unrealized losses on securities	-25	-469
	<u>-25</u>	<u>-469</u>

## Notes

6		Convertible debt	Investments in	Convertible debt	Investments in
		instruments	portfolio	instruments	portfolio
		2016	companies	2015	companies
		(000 DKK)	(000 DKK)	(000 DKK)	(000 DKK)
	<b>Cost</b>				
	Balance at 1 January	7.480	298.171	5.547	269.486
	Additions in the year	12.007	7.308	11.792	88.214
	Disposals in the year	6.335	73.427	9.859	79.529
	<b>Cost at 31 December</b>	<b>13.152</b>	<b>232.052</b>	<b>7.480</b>	<b>298.171</b>
					298.171
	<b>Write-ups/write-downs</b>				
	Balance at 1 January	-396	403.038	0	378.041
	Write-downs in the period	0	-1.865	-396	-15.904
	Reversed write-ups/write-downs	213	3.577	0	-164.368
	Write-ups in the period	0	44.432	0	205.269
	Write-ups/write-downs at 31 December	-183	449.182	-396	403.038
	<b>Fair value at 31 December</b>	<b>12.969</b>	<b>681.234</b>	<b>7.084</b>	<b>701.209</b>

Company name	Type of investment	Valuation technique	Registration	Ownership	Equity	Profit/loss
Firmafon ApS	Fund investment	Cost	Denmark	40,0%	9.348	766
Reapplix ApS	Fund investment	Price of recent investment	Denmark	37,0%	15.299	-13.717
Galecto Biotech AB	Fund investment	Cost	Sweden	21,8%	N/A	N/A
Trustpilot A/S	Fund investment	Price of recent investment	Denmark	20,4%	380.320	-180.435
Acarix AB	Fund investment	Listed	Sweden	20,6%	57.274	-4.450
Expanite Technology A/S	Fund investment	Price of recent investment	Denmark	19,0%	3.736	-3.491
Vivino ApS	Fund investment	Price of recent investment	US	17,6%	N/A	N/A
						<b>Total</b>
	<b>Fair value of investment in associates</b>					<b>639.293</b>

## 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:

<b>Method</b>	<b>2016</b>	<b>2015</b>
Cost	6%	7%
Price of recent investment	75%	84%
Listing price	19%	9%
	<b>100%</b>	<b>100%</b>

**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:

	Level I DKK' 000	Level II DKK' 000	Level III DKK' 000	Total DKK'000
Financial instruments measured at fair value	9,0%	0,0%	91,0%	100,0%
<b>31. december 2015</b>	<b>9,0%</b>	<b>0,0%</b>	<b>91,0%</b>	<b>100,0%</b>

	Level I DKK' 000	Level II DKK' 000	Level III DKK' 000	Total DKK'000
Financial instruments measured at fair value	19,0%	0,0%	81,0%	100,0%
<b>31. december 2016</b>	<b>19,0%</b>	<b>0,0%</b>	<b>81,0%</b>	<b>100,0%</b>

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

	Level III - 2016 (000 DKK)	Level III - 2015 (000 DKK)
<b>Cost</b>		
Balance at 1 January	297.285	295.033
Additions in the year	19.315	100.006
Disposals in the year	79.762	89.388
Transfers to level I	31.167	8.366
<b>Cost level III at 31 December</b>	<b>205.671</b>	<b>297.285</b>
<b>Write-ups/write-downs</b>		
Balance at 1 January	348.509	378.041
Write-downs in the period	-1.865	-16.300
Reversed write-ups/write-downs	3.790	-164.368
Write-ups in the period	59.396	205.269
Transfers to level I	54.215	54.133
Write-ups/write-downs at 31 December 2016	355.615	348.509
<b>Fair value level III at 31 December</b>	<b>561.286</b>	<b>645.794</b>

### 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 2,35 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 15,5 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.

	Within 1 year DKK'000	Between 1 and 5 years DKK'000	After 5 years DKK'000	Total DKK'000
Other liabilities	239	0	0	239
<b>31. december 2016</b>	<b>239</b>	<b>0</b>	<b>0</b>	<b>239</b>

## 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 pr. 31. December 2016 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 2016 this liability amounts to a total of DKK 0.4 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 5.4 million in management fee to SEED Capital Management I/S. Furthermore SEED Capital Management I/S has made administration agreements with SEED Capital Denmark 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.

### 15 Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning after January 1, 2016 have been issued. None of these new issues are expected to have a material impact on the financial statements.