

Seed Capital Denmark II K/S

Annual Report

1 January 2021 - 31 December 2021

12th financial year

Seed Capital Denmark II K/S
Registration No. 32 76 50 76
Address: c/o Matrikel1, Højbro Plads 10, 1200 Copenhagen K

Approved at the annual general meeting of shareholders on 16 March 2022
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 2021.

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 2021, statement of cashflow and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

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, 16 March 2022

Management:

Ulla Brockenhuus-Schack

General Partner and
Managing Partner

Lars Andersen

General Partner

Adopted at the Meeting on 16 March 2022

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 2021, 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 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.

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.

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, 16 March 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Pedersen
State Authorized Public Accountant
mne35456

Information about the Company

Seed Capital Denmark II K/S
c/o Matrikel1
Højbro Plads 10
1200 København K
www.seedcapital.dk
Registration no. (cvr.nr.): 32 76 50 76

Registered Office

Københavns Kommune

Management Company

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

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Bankers

Nykredit Bank A/S
Danske Bank A/S

Management's Review

This annual report relates to the twelfth financial year of Seed Capital Denmark II K/S for the period 1 January – 31 December 2021.

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. On 31 December 2021, the limited partners and the general partners had paid in DKK 639 million - 94% of total commitment. On 31 December 2021, DKK 1,314 million has 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 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 December 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.

Uncertainty relating to recognition and measurement

In accordance with legislative provisions, the Management Company makes accounting judgements and estimates when preparing the annual report. These judgements and estimates include determination of the fair value of portfolio companies, please refer to note 7. The Entity invests venture capital in early stages companies with limited revenue. The fair value measurement is therefore subject to high uncertainty.

Activities in 2021

During 2021, continued focus was on maturing the active portfolio by growth in revenues and international market penetration and preparing them for exits.

In March 2021 the company Trustpilot plc was successfully listed on the London Stock Exchange at a market cap value of GBP 1.1 million. Part of the shares held by Seed Capital Denmark II K/S was sold in the IPO.

At the end of 2021, the active portfolio comprised of 7 companies, including the four listed companies Trustpilot, Galecto Biotech, Acarix and Windar Photonics.

Overall, this has resulted in a positive financial result for the year of DKK 836 million.

The active portfolio end 2021 comprised of 7 companies.

Investment	Business concept
Acarix	Acoustic coronary artery disease diagnostics
Expanite	Cost-effective surface hardening of stainless steel
Galecto Biotech	Drug for the treatment of idiopathic pulmonary fibrosis
Reaplix	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

Statutory reporting on corporate responsibility and gender distribution in management cf. § 99a and § 99b

The fund has a strong commitment to operating and investing in responsible businesses. The limited partnership always strives to respect and safeguard human rights, the environment, social and employee conditions (including the effects of Covid-19), and ethical business practices (including anti-corruption). During 2021, the initial work for assessing risks and impacts on these areas was started, although not finalized. The risk assessment will form the foundation for the limited partnership's future work with corporate responsibility.

The limited partnership has no members of the Board of Directors elected at the general assembly and has no employees. Therefore, the limited partnership is not subject to the requirements on gender distribution in management.

Policy for data ethics

Seed Capital Denmark III K/S has not adopted a policy for data ethics, because the fund does not process large amounts of data itself or make use of algorithms for data analysis. The portfolio companies in the fund have different business areas and can therefore process data to an extent where it can be advisable to adopt a policy for data ethics. The data policies in the portfolio companies, if any, are published either in these companies' financial accounts or on their website.

Business development and outlook

In general, the development in the portfolio companies have been very strong over the recent years. With the remaining available commitments in the fund the level of new investments in the portfolio companies will remain very low over the next years when compared to the previous years.

With the exit of companies in the portfolio, the results in Seed Capital Denmark II K/S are expected to decrease over the coming years and the fund will be closed in a solvent liquidation, once all shares in the remaining portfolio companies have been sold. This is expected to take place in the next 2-5 years.

Key numbers for Seed Capital Denmark II K/S

Financial highlights

	2017	2018	2019	2020	2021
Key figures (000 DKK)					
Operating Profit	-40,152	127,660	7,316	400,148	836,793
Comprehensive income/loss for the year	-41,122	127,411	7,187	400,091	835,805
Equity	739,608	867,019	838,995	1,247,427	1,166,576
Balance sheet total	739,844	867,092	839,228	1,247,737	1,181,899

Ratios

Solvency ratio (%)	99.97	99.99	99.97	99.98	98.70
Return on average equity (%)	-5.56	15.86	0.84	38.35	69.25

Comprehensive income for the year ended 31 December 2021

	Note	2021 (000 DKK)	2020 (000 DKK)
Income from investments in portfolio companies	2	841,721	405,763
Administration costs	3	<u>-4,928</u>	<u>-5,615</u>
Operating Profit		836,793	400,148
Other financial cost	4	<u>-988</u>	<u>-57</u>
Net profit for the year		<u>835,805</u>	<u>400,091</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive income for the year		<u>835,805</u>	<u>400,091</u>
The Management recommends that the profit for the year should be appropriated as follows:			
Retained earnings at 1 January		1,006,353	606,263
Net profit for the year		<u>835,805</u>	<u>400,091</u>
Available for appropriation		<u>1,842,159</u>	<u>1,006,353</u>
Recommended appropriation:			
Retained earnings at 31 December		<u>1,842,159</u>	<u>1,006,353</u>
		<u>1,842,159</u>	<u>1,006,353</u>

Balance sheet at 31 December 2021

	Note	2021 (000 DKK)	2020 (000 DKK)
ASSETS			
Non-current assets			
Investments			
Investments in portfolio companies	5	1,167,119	1,240,483
Convertible debt instruments in portfolio companies	5	0	6,471
Investments		1,167,119	1,246,954
Total non-current assets		1,167,119	1,246,954
Current assets			
Other receivables		157	300
Cash in bank and at hand		14,623	483
Total current assets		14,780	783
TOTAL ASSETS		1,181,899	1,247,737

Balance sheet at 31 December 2021

	Note	2021 (000 DKK)	2020 (000 DKK)
EQUITY AND LIABILITIES			
Equity			
Investment capital paid		638,616	633,716
Distributions		-1,314,199	-392,643
Retained earnings		<u>1,842,159</u>	<u>1,006,353</u>
Total equity		<u>1,166,576</u>	<u>1,247,427</u>
Current liabilities			
Other payables		<u>15,323</u>	<u>310</u>
Total current liabilities		<u>15,323</u>	<u>310</u>
Total liabilities		<u>15,323</u>	<u>310</u>
TOTAL EQUITY AND LIABILITIES		<u>1,181,899</u>	<u>1,247,737</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 2021	681,990	-48,274	633,716	1,006,354	-392,643	1,247,427
Increase in investment capital for the year	0	0	0	0	0	0
Draw Downs during the year	0	4,900	4,900	0	0	4,900
Distributions during the year	0	0	0	0	-921,556	-921,556
Distribution of gain/loss	0	0	0	835,805	0	835,805
Balance 31 December 2021	681,990	-43,374	638,616	1,842,159	-1,314,199	1,166,576

(000 DKK)	Total committed capital	Subscribed not paid capital	Subscribed and paid capital	Retained earnings	Distributions	Total
Balance 1 January 2020	681,990	-62,274	619,716	606,263	-386,984	838,995
Increase in investment capital for the year	0	0	0	0	0	0
Draw Downs during the year	0	14,000	14,000	0	0	14,000
Distributions during the year	0	0	0	0	-5,659	-5,659
Distribution of gain/loss	0	0	0	400,091	0	400,091
Balance 31 December 2020	681,990	-48,274	633,716	1,006,354	-392,643	1,247,427

In 2021, the limited partnership has paid distributions of DKK 922 million, including DKK 780 million to the limited partners and DKK 142 million to the general partners including carried interests (distributed among 19 recipients).

Statement of cash flow

	2021 (000 DKK)	2020 (000 DKK)
Operating profit/loss (EBIT)	836,793	400,148
Change in fair value of investments	-841,721	-405,763
Working capital changes	15,156	3,537
Cash flows from primary activities	10,227	-2,078
Financial income	0	0
Financial expenses paid	-988	-57
Cash flows from operating activities	-988	-57
Investments in portfolio companies	0	-6,215
Net proceeds from sale of portfolio companies	921,556	184
Cash flows from investment activities	921,556	-6,030
Contribution from limited partners	4,900	14,000
Distribution of share of proceeds from sales of portfolio companies	-921,556	-5,659
Cash flows from financing activities	-916,656	8,341
Increase/decrease in cash and cash equivalents	14,139	176
Cash and cash equivalents at 1 January	483	307
Cash and cash equivalents at 31 December	14,623	483

Notes to the financial statement.

1. Accounting policies
2. Income from investments in portfolio companies
3. Administration costs
4. Other financial expenses
5. Investments
6. Earn-out receivables
7. Limited partners' contribution
8. Method and assumptions for determining fair value
9. Financial risks
10. Liquidity risks
11. Credit risks
12. Interest risks
13. Currency risks
14. Contingent liabilities
15. Related party transactions
16. 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 C (large) 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

Seed Capital Denmark II K/S has adopted all new or amended standards (IFRS) as adopted by EU effective for the financial year 1 January 2021 - 31 December 2021. The implementation has not had any material impact on the financial statement for 2021.

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 recognized 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 recognized, including depreciation, amortization, impairment and provisions.

Assets are recognized 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 recognized 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 recognized 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 recognized in the latest annual report is recognized 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

Unrealized and realized 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 maximizes 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 recognized valuation methods on the basis of observable market information
- ▶ Level 3: Value based on recognized valuation methods and reasonable estimates (non-observable market information).

Receivables

Earn-out receivables are measured at fair value.

Other receivables are measured at amortized cost. The simplified expected credit loss is applied to measure the lifetime expected loss for receivables measured at amortized cost.

Liabilities

Liabilities are measured at amortized 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 recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognized 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.

Financial highlights

Financial highlights are defined and calculated in accordance with “Recommendations & Ratios” issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Solvency ratio (%) =	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The entity's financial strength
Return on equity (%) =	$\frac{\text{Profit for the year} \times 100}{\text{Average Equity}}$	The entity's profitability

Notes

	2021 (000 DKK)	2020 (000 DKK)
2 Income from investments in portfolio companies		
Realised gains/losses	866,791	184
Adjustments regarding realised gain/losses	-442,475	0
Write-ups of portfolio companies	462,753	443,114
Write-downs of portfolio companies	-45,347	-37,535
	<u>841,721</u>	<u>405,763</u>
3 Administration costs		
Management Fee	4,777	5,313
Fee Investment Committee	150	300
Administration costs etc.	2	2
	<u>4,928</u>	<u>5,615</u>
Fee to appointed auditors for the statutory audit services is DKK 39 thousand excl. VAT in 2021 (2020: DKK 46 thousand)		
4 Other financial cost		
Interest expenses, other	988	57
	<u>988</u>	<u>57</u>

Notes

5 Investments in portfolio companies	<u>Convertible debt instruments in portfolio companies</u> (000 DKK)	<u>Investments in portfolio companies</u> (000 DKK)
Cost:		
Balance at 1 January 2021	6,471	271,040
Additions in the year	0	6,215
Disposals in the year	<u>6,471</u>	<u>54,509</u>
Cost at 31 December 2021	<u>0</u>	<u>222,746</u>
Write-ups/write-downs		
Balance at 1 January 2021	0	969,442
Write-downs in the period	0	-45,347
Reversed write-ups/write-downs	0	-442,475
Write-ups in the period	<u>0</u>	<u>462,753</u>
Write-ups/write-downs at 31 December 2021	<u>0</u>	<u>944,373</u>
Fair value at 31 December 2021	<u>0</u>	<u>1,167,119</u>
	<u>Convertible debt instruments in portfolio companies</u> (000 DKK)	<u>Investments in portfolio companies</u> (000 DKK)
Cost:		
Balance at 1 January 2020	256	271,040
Additions in the year	6,215	0
Disposals in the year	<u>0</u>	<u>0</u>
Cost at 31 December 2020	<u>6,471</u>	<u>271,040</u>
Write-ups/write-downs		
Balance at 1 January 2020	0	538,238
Write-downs in the period	0	-11,909
Reversed write-ups/write-downs	0	0
Write-ups in the period	<u>0</u>	<u>443,114</u>
Write-ups/write-downs at 31 December 2020	<u>0</u>	<u>969,442</u>
Fair value at 31 December 2020	<u>6,471</u>	<u>1,240,483</u>

Notes

5 Investments (continued)

2021						
Company name	Type of investment	Valuation technique	Registration	Ownership	Equity (000 DKK)	Profit/loss (000 DKK)
Reapplix ApS	Fund investment	Market Approach / Price of recent investment	Denmark	15.00-19.99%	43,491	-32,853
Galecto Biotech AB	Fund investment	Listed	USA	0.00-4.99%	1,085,806	-208,069
Trustpilot plc	Fund investment	Listed	United Kingdom	5.00-9.99%	45,922	-80,565
Acarix AB	Fund investment	Listed	Sweden	0.00-4.99%	59,631	-30,126
Expanite Technology A/S	Fund investment	Market Approach / Price of recent investment	Denmark	15.00-19.99%	2,785	551
Windar Photonics Plc	Fund investment	Listed	United Kingdom	10.00-14.99%	3,910	-11,873
Vivino Ltd	Fund investment	Market Approach / Price of recent investment	USA	10.00-14.99%	30,398	-22,253

The fair value of investment in associated companies is zero as per end of 2021

2020						
Company name	Type of investment	Valuation technique	Registration	Ownership	Equity (000 DKK)	Profit/loss (000 DKK)
Reapplix ApS	Fund investment	Market Approach / Price of recent investment	Denmark	20.00-24.99%	-18,460	-89,761
Galecto Biotech AB	Fund investment	Listed	USA	0.00-4.99%	61,142	-134,048
Trustpilot A/S	Fund investment	Market Approach / Price of recent investment	Denmark	15.00-19.99%	96,981	-145,401
Acarix AB	Fund investment	Listed	Sweden	0.00-4.99%	54,809	-33,241
Expanite Technology A/S	Fund investment	Market Approach / Price of recent investment	Denmark	15.00-19.99%	7,051	1,483
Windar Photonics Plc	Fund investment	Listed	United Kingdom	10.00-14.99%	6,364	-22,915
Vivino Ltd	Fund investment	Market Approach / Price of recent investment	USA	15.00-19.99%	52,858	-62,543

The fair value of investment in associated companies is DKK 58,028 thousand as per end of 2020

Net changes in fair value of financial assets and financial liabilities through profit or loss is specified as:

(000 DKK)	2021	2020
Realised value adjustments for the year	866,791	184
Unrealised value adjustments for the year	-25,069	405,579
Value adjustment of investments	841,721	405,763

6 Earn-out receivables

Earn-out receivables is measured on a risk-weighted and discounted basis and is prepared in accordance with IFRS fair value hierarchy level III.

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 Management Company reviews the investment for potential value adjustments several times during a financial year. If the Management Company reviews lead to value adjustments, the fair value of the portfolio company is determined by the Management Company 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.

Market approach / 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 representing the fair market price. This correspond to a specific and relevant valuation multiple, that combined with observable market multiple at any time can be applied to calibrate the fair value, when the last equity funding round was completed more than 12-18 months before the time of estimating the fair value.

Listing 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	2021	2020
Cost	0%	0%
Market approach / Price of recent investment	37%	94%
Listing price	63%	6%
	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	5.7%	0.0%	94.3%	100.0%
31 December 2020	5.7%	0.0%	94.3%	100.0%

(000 DKK)	Level I	Level II	Level III	Total
Financial instruments measured at fair value	62.6%	0.0%	37.4%	100.0%
31 December 2021	62.6%	0.0%	37.4%	100.0%

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

	Level III - 2021 (000 DKK)	Level III - 2020 (000 DKK)
Cost		
Balance at 1 January	201,291	231,764
Additions in the year	0	6,215
Disposals in the year	-5,379	0
Transfers to level I	-82,177	-36,687
Cost level III at 31 December	113,736	201,291
Write-ups/write-downs		
Balance at 1 January	974,755	554,861
Write-downs in the period	0	0
Reversed write-ups/write-downs	-90,586	0
Write-ups in the period	33,358	443,114
Transfers to level I	-594,290	-23,219
Write-ups/write-downs at 31 December	323,237	974,755
Fair value level III at 31 December	436,973	1,176,047

Transfers to level 1 is due portfolio companies being listed during 2021.

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 3.84 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 5.7 million.

Uncertainty relating to recognition and measurement

In accordance with legislative provisions, the Management Company 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 Financial risks

The limited partnership's objective in managing risk is the creation and protection of the limited partners' investment and return. The limited partnership calls capital based on the limited partners' commitments for the use of making investments in portfolio companies. The limited partnership is exposed to interest rate risk, liquidity risk and credit risk.

10 Liquidity risks

Liquidity risk is the risk that the limited partnership will not be able to meet its financial obligations as they fall due. The Management Company monitors risk of a shortage of funds on an ongoing basis and reviews the liquidity position on a quarterly basis.

The limited partnership will call capital from the limited partners based on an as-needed basis to enable the limited partnership to make investments, pay expenses incurred by the limited partnership and comply with any obligations undertaken.

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	148	15,175	0	15,323
31 December 2021	148	15,175	0	15,323

11 Credit risks

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the limited partnership by failing to discharge an obligation. The limited partnership is exposed to the risk of credit-related losses that can occur as a result of a counterparty or limited partner being unable or unwilling to honor its contractual obligations. These credit exposures exist for receivables and cash and cash equivalents.

In 2021 and 2020, the limited partnership accounted for an impairment loss of receivables of DKK 0 (nil).

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.

The carrying value of the limited partnership's financial instruments, as disclosed in the statement of financial position, represents the maximum credit exposure, hence, no separate disclosure is provided. Reference is made to the statement of financial position.

12 Interest risks

The Entity is not exposed to any interest risk.

13 Currency risks

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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.

14 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 may have 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 2021, the Company have no liabilities related to this.

15 Related parties

No individual companies or persons exercise control over Seed Capital Denmark II K/S.

The following parties are considered related parties of the limited partnership:

- 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.
- Seed Capital Management II I/S (the Management Company) which has direct and unlimited liability for the limited partnership's debts and liabilities, and its management are considered related parties.

The general partner and Investment Committee have sole power and responsibility for all decisions pertaining to the acquisition and realisation of investments, including all final decisions to commit the limited partnership to an investment and any realisations of an investment.

According to the Limited Partnership Agreement, remuneration of the general partner comprises a share of Seed Capital Denmark II K/S ' return on investments, provided that the total return exceeds the limited partners' investment and a predefined minimum rate of return.

Remuneration (carried interest) to the general partner cannot be calculated definitively until upon the final liquidation of Seed Capital Denmark II K/S and – hence – according to the Limited Partnership Agreement, the general partner's carried interest is not considered earned by the general partner until upon the liquidation of Seed Capital Denmark II K/S subject to and in accordance with the final liquidation accounts of Seed Capital Denmark II K/S.

The limited partnership has in accordance with the Limited Partnership Agreement transferred distributions to the general partners and the Limited Partners in 2021, refer to Statement of changes in Equity.

16 Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning after January 1, 2022 have been issued. None of these new issues are expected to have a material impact on the financial statements.