

# SEED Capital Denmark III K/S

## Annual Report

For the year ended 31 December 2015

1<sup>st</sup> financial year

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## Management's statement

The Management have today discussed and approved the annual report of SEED Capital Denmark III K/S for the financial year 1 June – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

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

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

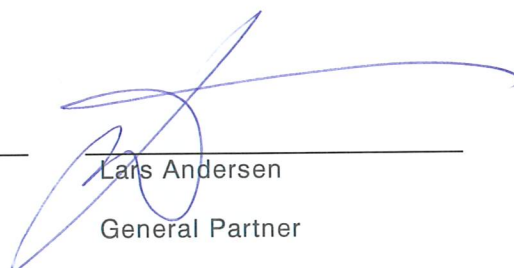
Copenhagen, 8 March 2016

Management:



Ulla Brockenhuus-Schack

General Partner and  
Managing Partner



Lars Andersen

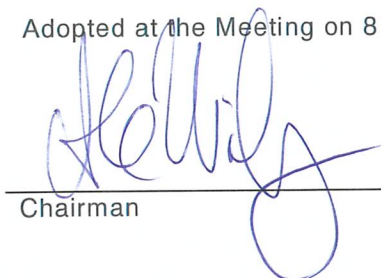
General Partner



Ulf Rösen

General Partner

Adopted at the Meeting on 8 March 2016



Chairman

## Auditors' Report

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

### Independent auditors' report on the financial statements

We have audited the financial statements of SEED Capital Denmark III K/S for the financial year 1 June – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of its operations for the financial year 1 June – 31 December 2015 in accordance with the Danish Financial Statements Act.

**Statement on the Management's review**

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 8 March 2016

**Ernst & Young**

Godkendt Revisionspartnerselskab  
Cvr.No. 30 70 02 28



**Peter Gath**  
State Authorised  
Public Accountant

## Information about the Company

SEED Capital Denmark III 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.): 36 98 86 65

### Registered Office

Lyngby-Taarbæk Kommune

### General Partner

SEED Capital Management III I/S

### Limited Partners

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

### Auditors

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

### Bankers

Nykredit Bank A/S

## Management's Review

This annual report relates to the first financial year of SEED Capital Denmark III K/S for the period 1 June – 31 December 2015.

The financial performance in 2015 has been satisfying.

### Objective

SEED Capital Denmark III K/S' objective is to invest in technology based companies focusing on medical technology; information and communication technologies and other high-growth technology based businesses, either in the form of share capital or the granting of subordinate, convertible loans and other related investment activities.

### Capital

SEED Capital Denmark III K/S has a total capital base of DKK 469 million. At 31 December 2015, the limited partners and the general partners had paid in DKK 37 million - 8% of total commitment.

### The management of the Company

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

### Investments

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

## Activities in 2015

SEED Capital Denmark III K/S invested in two new companies in 2015. A total commitment of DKK 20 million was made in these companies during 2015.

SEED Capital Management III I/S works closely together with Pre-Seed Innovation A/S. During the year, the team received and handled approx. 500 inquiries regarding investments, which resulted in 18 investments by pre-Seed Innovation A/S, in which SEED Capital Denmark III K/S invested a minor amount against an option to invest further.

In 2015 investments in two portfolio companies were completed. Both companies attracted new funding from external investors at a higher price per share, and a write up in the fair value has resulted in a positive result for the year of DKK 16 million in unrealized gains.

The result for the year amounted to DKK 11 million.

At the end of 2015, the active portfolio comprised 2 companies.

Investment	Business concept
Bownty	Aggregator of deals.
Templafy	Simple way to manage and share company compliant templates with a cloud based solution.

## 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

A fund raising aiming at a total fund size of DKK 750 million has been ongoing since the first closing in June 2015. Several new investors are positive and it is expected that a second closing will result in total commitment of DKK 750 – 850 million.

It is expected that the investment activity for 2016 will be at a higher level than during 2015.



## Accounting policies

The Annual Report of SEED Capital Denmark III K/S has been presented in accordance with the provisions in the Danish Financial Statements Act regarding reporting class B enterprises, adjusted to the Company's special activities as a venture company.

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

### Recognition and measurement

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

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

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

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

### Profit and loss account

#### Unrealised and realised results of investments in portfolio companies

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

#### Interest income and expense and similar items

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

#### Tax

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

## Balance sheet

### Investments

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

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

### Receivables

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

### Liabilities

Liabilities are measured at net realizable value.

### Contingent liabilities

Contingencies are not recognized in the balance sheet, but disclosed in the notes only. Liabilities which exist at the balance sheet date, but which cannot be measured, are considered contingent liabilities.

## Profit and loss account for the year ended 31 December 2015

	Note	2015 Jun-Dec (000 DKK)
Income from investments in portfolio companies	1	16.111
Administration costs	2	<u>-5.433</u>
<b>Operating Profit</b>		<b>10.677</b>
Other financial income		<u>0</u>
<b>Net profit for the year</b>		<b><u><u>10.677</u></u></b>

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

Retained earnings at 1 June		-
Net profit for the year		<u>10.677</u>
<b>Available for appropriation</b>		<b><u><u>10.677</u></u></b>
Recommended appropriation:		
Retained earnings at 31 December 2015		<u>10.677</u>
		<b><u><u>10.677</u></u></b>

Balance sheet at 31 December 2015

	Note	2015 (000 DKK)
<b>ASSETS</b>		
<b>Fixed assets</b>		
<b>Investments</b>	3	
Investments in portfolio companies		38.964
Convertible debt instruments in portfolio companies		<u>1.165</u>
Total financial fixed assets		<u>40.129</u>
<b>Total fixed assets</b>		<u><b>40.129</b></u>
<b>Current assets</b>		
<b>Receivables</b>		
Other receivables		<u>0</u>
Cash in bank and at hand		<u>7.698</u>
<b>Total current assets</b>		<u><b>7.698</b></u>
<b>TOTAL ASSETS</b>		<u><u><b>47.827</b></u></u>

## Balance sheet at 31 December 2015

	Note	2015 (000 DKK)
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	4	
Investment capital paid		37.000
Distributions		0
Retained earnings		<u>10.677</u>
<b>Total equity</b>		<u><b>47.677</b></u>
<b>Liabilities other than provisions</b>		
<b>Short-term liabilities other than provisions</b>		
Other payables		<u>150</u>
Current liabilities		<u><b>150</b></u>
<b>Total liabilities other than provisions</b>		<u><b>150</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u><b>47.827</b></u></u>
Contingent Liabilities	5	
Related parties	6	

## Notes

	2015 Jun-Dec (000 DKK)
<b>1</b>	
<b>Income from investments in portfolio companies</b>	
Realised losses	0
Regulations regarding realised losses	0
Write-ups of portfolio companies	16.605
Write-downs of portfolio companies	<u>-494</u>
	<u><b>16.111</b></u>
<b>2</b>	
<b>Administration costs</b>	
Management Fee	3.981
Establishment Fee	1.302
Fee Investment Committee	150
Administration costs etc.	<u>0</u>
	<u><b>5.433</b></u>

## Notes

3 Investments	<u>Convertible debt instruments</u> (000 DKK)	<u>Investments</u> (000 DKK)
<b>Cost</b>		
Balance at 1 June 2015	0	0
Additions in the year	1.330	22.688
Disposals in the year	<u>0</u>	<u>0</u>
<b>Cost at 31 December 2015</b>	<b><u>1.330</u></b>	<b><u>22.688</u></b>
<b>Write-ups/write-downs</b>		
Balance at 1 June 2015	0	0
Write-downs in the period	-165	-329
Reversed write-ups/write-downs	0	0
Write-ups in the period	0	16.605
Write-ups/write-downs at 31 December 2015	<u>-165</u>	<u>16.276</u>
<b>Fair value at 31 December 2015</b>	<b><u>1.165</u></b>	<b><u>38.964</u></b>

## Notes

### 4 Equity

	Total committed capital	Subscribed not paid capital	Subscribed and paid capital	Retained earnings	Distributions	Total
Balance 1 June 2015	0	0	0	0	0	0
Increase in investment capital for the year	469.220	-469.220	0	0	0	0
Draw Downs during the year	0	37.000	37.000	0	0	37.000
Distributions during the year	0	0	0	0	0	0
Distribution of gain/loss	0	0	0	10.677	0	10.677
<b>Saldo pr. 31. december 2015</b>	<u>469.220</u>	<u>-432.220</u>	<u>37.000</u>	<u>10.677</u>	<u>0</u>	<u>47.677</u>



## Notes

### 5 Contingent liabilities

The Company has made a management agreement with SEED Capital Management III I/S until the liquidation of the Company. The Company is obliged every quarter to pay a management fee. The fee is fixed every year as a percentage of the total committed capital in the investment period (expiry date 31 May 2019) and subsequently 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 2015 this liability amounts to a total of DKK 2.1 million.

### 6 Related parties

The Company's related parties are the following:

- SEED Capital Denmark III K/S has a management agreement with SEED Capital Management III I/S. Furthermore SEED Capital Management III I/S has a 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 III 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.