



## NORDEA PRIVATE EQUITY II - EUROPEAN MIDDLE MARKET BUYOUT K/S

Strandgade 3  
1401 København K  
CVR No. 28332793

Annual report 01.10.2019 -  
30.09.2020

The Annual General Meeting adopted the  
annual report on 11.02.2021

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**Jacob Christen Estrup**  
Chairman of the General Meeting

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# Entity details

## Entity

NORDEA PRIVATE EQUITY II - EUROPEAN MIDDLE MARKET BUYOUT K/S

Strandgade 3

1401 København K

CVR No.: 28332793

Registered office: København K

Financial year: 01.10.2019 - 30.09.2020

## Board of Directors

Jacob Christen Estrup

Jakob Jessen

Julien Yvan Georges Marencic

## Executive Board

Jacob Christen Estrup

## General Partner

Nordea Private Equity II - EU MM Buyout A/S

Strandgade 3

1401 Copenhagen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of NORDEA PRIVATE EQUITY II - EUROPEAN MIDDLE MARKET BUYOUT K/S for the financial year 01.10.2019 - 30.09.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2020 and of the results of its operations for the financial year 01.10.2019 - 30.09.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 21.01.2021

## Executive Board

**Jacob Christen Estrup**

## Board of Directors

**Jacob Christen Estrup**

**Jakob Jessen**

**Julien Yvan Georges Marencic**

# Independent auditor's report

## To the shareholders of NORDEA PRIVATE EQUITY II - EUROPEAN MIDDLE MARKET BUYOUT K/S

### Opinion

We have audited the financial statements of NORDEA PRIVATE EQUITY II - EUROPEAN MIDDLE MARKET BUYOUT K/S for the financial year 01.10.2019 - 30.09.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2020 and of the results of its operations for the financial year 01.10.2019 - 30.09.2020 in accordance with 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 the 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 misstatement of the management commentary.

Copenhagen, 21.01.2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Bill Haudal Pedersen**

State Authorised Public Accountant  
Identification No (MNE) mne30131

# Management commentary

## Primary activities

NORDEA PRIVATE EQUITY II – EUROPEAN MIDDLE MARKET BUYOUT K/S was established on 22 December 2004 with aggregate capital commitments of EUR 50 million. In the period until the Final Closing on 3 May 2007, the Partnership received further commitments of EUR 71 million, bringing the total committed capital up to EUR 121 million.

## Development in activities and finances

### Macroeconomic view

While the global growth seems to have regained some of its positive drift during second-half of Q2 and Q3 2020, the renewed lockdown measures in the year-end, rising trade tensions and Eurozone public debt/US deficit continued to pose rise in downside risk. Based on current estimations, global economic growth in 2020 is prone for lower pace due to slowdown in reopening, household income and consequent change in consumer consumption.

The first vaccinations took place in December 2020 with an estimated global distribution of the latter in H1 2021; the consumer confidence is expected to regain some of its momentum in 2021 with consequent projected global GDP growth rate set at an estimated 5% range. However, the unexpected global spread of the new UK COVID variant called B.1.1.7 during year-end/January 2021, the economic outlook remains uncertain.

The Euro-zone's recovery pace remained relatively strong in Q3, with industrial output and manufacturing activity re-engaging their activities. However, with the consumer service sectors still largely under the COVID-19 restrictive measures, and unemployment numbers continuing to soar, the consumer confidence is expected to contract in ultimo 2020. The GDP projections remain at negative territories for the year, at an estimated -8% growth rate, while the introduction of the vaccine programme in the year-end along with loose monetary and fiscal stances, the 2021 growth rate projection remains positive at 5% expansion. The US economy is estimated to contract by 4.3% in 2020 in the light of COVID-19 crisis. Massive monetary and fiscal stimulus are projected to assist some of the return to pre-downturn growth levels, however, as the high growth tech companies continue outperform the market, the visibility industries struggle remains vast (leisure, retail, and energy). In the light of increased global leverage, US-China relationship contra new Biden-administrations focus on increased spending on infrastructure and social security, the US economic growth is expected to advance 3.1% range in 2021. The world second largest economy, China, continued its robust trajectory in Q3 with an estimated GDP 4.9% YoY advancement. While industrial projection at its highest in 2020 and global demand boosting exports, the retail sales remains a drag as to the decline in household income/rise in unemployment as well as shift in overall consumer behavior/spending. The continues uncertainty of the pandemics and effects of geopolitical tensions/the new US Democratic-led administration is expected to allow some regional recovery for China at an estimated GDP growth rate of 8.2% for 2021

### Private equity

The aggregate capital raised during the first 9-month in 2020 reached an estimated USD 400bn across over 1,000 funds globally. While this is 20% lower than same time last year, the average fund size has remained largely unchanged at just above USD 400m range driven by closings of among others three mega buyout funds, CVC VIII at EUR 21.3bn in Europe, Silverlake VI at USD 12.8bn and Thoma Bravo XIV at USD 17.7bn in North America and with the closing of one of the largest French secondary fund, Ardian VIII at USD 19bn, respectively. The private equity funds closed in 2020YTD spent an average of 15.4 months on the road to reach final closings, which is largely the same as last year.

The overall buyout market reached an estimated USD 303bn invested across approximately 3,790 deals as at

Q3YTD 2020 which is approximately 16% lower volume than same time last year. Overall, the volume was driven by number of billion Dollar/Euro transactions across US and Europe. This included, EUR 17.2bn buyout of Thyssenkrupp Elevators (manufacturer of elevators) by group of investors like, Advent International and Cinven; Searchlight Capital Partners and ForgeLight completion of their majority stake of Univision Communication, the largest Spanish-language U.S. broadcaster at USD 9.7bn as well as a CHF 6.8bn add-on investment of Sunrise Communications AG (telecoms) by Liberty Global Plc, Portland Private Equity and EUR 4.6bn announced merger of NEXI S.p.A. (financial services) by group of investors like, CDP Equity, Kuwait Investment Authority, Poste Italiane, SIA S.p.A.

The private equity exit market regained its momentum reaching the aggregated Q3YTD value of USD 330bn, mostly due to increased Q3 activity, which enclosed over dozen of trade sale transactions with exit values up to USD 35bn with compelled focus on technology verticals. In addition, the aggregated IPO value of USD 11bn in the period was largely driven by Poland's biggest-ever IPO, Allegro.pl sp. z.o.o. (ecommerce group) at PLN 10.6bn (USD 2.7bn) by group of investors including among others, Cinven, Mid Europa Partners, Permira.

The US LBOs acquisition multiples were down at 9.2x EBITDA in Q2 2020 as the global pandemic stalled the M&A market, while the H1 2020 transaction value remains still at double digits at 10.6x EBITDA contra 11.5x reported in FY2019. In terms of average US proforma adjusted debt/EBITDA then this plunged during the six-month period to 5.1x, which represent largely 2012 multiples. European buyout market continues strong pricing, with the average purchase price multiple tracking at 12x in LTM to 30/9-2020, with the debt multiple remaining an estimated YTD 30/9-2020 at 5.8x. This is largely driven by jumbo deals such as Advent and Cinven's purchase of Thyssenkrupp Elevator as the uncertainty due to COVID-19 has overall put a halt on private equity transactions/exports, especially in the mid-market.

Overall, looking at the Cambridge Associates latest available PE 5-year pooled return as of 30 June 2020 of 12.1% and 10-year pooled 14.2% return relative to S&P 500 10.7% and 14.0% and MSCI World 6.9% and 10.0% returns, respectively, strategic and operational control of alternatives continues to be the avenue for consistent performance.

## **Going forward**

While the core EBITDA growth for public companies remained positive in 2019 at a modest growth rate of 1.4% on a global scale, significant downward revision has been reported for 2020E at an estimated -9% as of mid-December. In Europe, the earnings outlook is expected to land at negative 16% (-18% range in the Euro-zone), driven by the steep revenue declines in energy, materials, industrials, and consumer discretionary sectors. While the US earnings growth trends forecasts are reporting negatives from the same sectors with lesser extend in consumer discretionary, with consequent outlook remaining also a tad more positive with a growth rate of -6% in 2020. Looking ahead, the public market estimates a turnaround in EBITDA growth forecast to +17% for 2021.

## **Events after the balance sheet date**

The Partnership made no drawdowns nor distributions subsequent to the balance sheet date. From the balance sheet date till today, no circumstances have occurred which could alter the assessment of the annual report.

# Income statement for 2019/20

	Notes	2019/20 EUR	2018/19 EUR
<b>Gross profit/loss</b>		<b>(9,968,420)</b>	<b>1,337,272</b>
Other financial income		0	1,331
Other financial expenses		(10,753)	(20,476)
<b>Profit/loss for the year</b>		<b>(9,979,173)</b>	<b>1,318,127</b>
<b>Proposed distribution of profit and loss</b>			
Retained earnings		(9,979,173)	1,318,127
<b>Proposed distribution of profit and loss</b>		<b>(9,979,173)</b>	<b>1,318,127</b>

# Balance sheet at 30.09.2020

## Assets

	Notes	2019/20 EUR	2018/19 EUR
Other investments		11,859,912	23,166,247
<b>Other financial assets</b>		<b>11,859,912</b>	<b>23,166,247</b>
<b>Fixed assets</b>		<b>11,859,912</b>	<b>23,166,247</b>
Other receivables		11,209	445,538
<b>Receivables</b>		<b>11,209</b>	<b>445,538</b>
<b>Cash</b>		<b>94,927</b>	<b>2,961,026</b>
<b>Current assets</b>		<b>106,136</b>	<b>3,406,564</b>
<b>Assets</b>		<b>11,966,048</b>	<b>26,572,811</b>

**Equity and liabilities**

	Notes	2019/20 EUR	2018/19 EUR
Cash flow from/(to) Limited Partners		(22,587,071)	(17,957,581)
Retained earnings		34,518,419	44,497,592
<b>Equity</b>		<b>11,931,348</b>	<b>26,540,011</b>

Other payables	34,700	32,800
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<b>Current liabilities other than provisions</b>	<b>34,700</b>	<b>32,800</b>
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<b>Liabilities other than provisions</b>	<b>34,700</b>	<b>32,800</b>
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<b>Equity and liabilities</b>	<b>11,966,048</b>	<b>26,572,811</b>
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Contingent liabilities 1

# Statement of changes in equity for 2019/20

	Cash flow from/ (to) Limited Partners EUR	Retained earnings EUR	Total EUR
Equity beginning of year	(17,957,581)	44,497,592	26,540,011
Profit/loss for the year	(4,629,490)	(9,979,173)	(14,608,663)
<b>Equity end of year</b>	<b>(22,587,071)</b>	<b>34,518,419</b>	<b>11,931,348</b>

Total committed capital at final closing EUR 121,000,000.

# Notes

## 1 Contingent liabilities

The Partnership has total unfunded commitments with respect to its investments of EUR 2,665,663.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

## Income statement

### Gross profit or loss

Gross profit or loss comprises income from investments and external expenses.

## **Revenue**

Revenue comprises income from investments.

## **Other external expenses**

Other external expenses include administrator expenses, fees to external consultants and the funds to general partners.

## **Other financial income**

Financial income is recognised in the income statement by the amount relating to the financial year. Financial income comprises interest income, realised and unrealised gains in respect of transactions in listed shares, transactions denominated in foreign currencies, etc.

## **Other financial expenses**

Financial expenses are recognised in the income statement by the amount relating to the financial year. Financial expenses comprise interest expenses, realised and unrealised losses in respect of transactions in listed shares, transactions denominated in foreign currencies, etc.

## **Balance sheet**

### **Other investments**

Other investments are stated at their estimated market values (fair value), fixed by the investment manager based on information received from the committed funds.

The investment manager may at its sole discretion choose to write down the investments relative to their market

values as reported by the committed funds.

The estimated market value of listed portfolio companies is the quoted closing price at the balance sheet date reduced by up to 30% due to illiquidity of large stakes, lock-up periods, etc., in connection with initial public offerings and other factors constraining liquidity. The estimated market value of unlisted portfolio companies is the cost price, unless relevant information is available indicating that a significant valuation adjustment should be made. Such information could be a new trading price resulting from a capital increase or a partial sale or transactions carried out in peer group companies.

Investments in distressed securities are recognised at cost price as an estimated market value cannot be calculated.

The value at realisation of the investment may differ significantly from the estimated market value due to the uncertainty associated with stating an investment at its estimated market value and cost price.

Unrealised losses and gains as well as realised losses and gains from investments in funds are recognised in the income statement.

## **Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

## **Cash**

Cash comprises cash in bank deposits.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

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## Bill Haudal Pedersen

Revisor

Serienummer: PID:9208-2002-2-171332147953

IP: 93.164.xxx.xxx

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## Jakob Jessen

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2021-01-21 11:41:29Z

NEM ID 

## Jacob Christen Estrup

Direktionsmedlem

Serienummer: PID:9208-2002-2-631606178073

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2021-01-25 09:15:52Z

NEM ID 

## Jacob Christen Estrup

Bestyrelsesmedlem

Serienummer: PID:9208-2002-2-631606178073

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NEM ID 

## Julien Yvan Georges Marencic

Bestyrelsesmedlem

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**Jacob Christen Estrup**

Dirigent

Serienummer: PID:9208-2002-2-631606178073

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