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Heartcore Capital Fund III K/S
Højbro Plads 10, 2
1200 Copenhagen K
Central Business Registration No 37239305
Annual report 2020

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The Annual General Meeting adopted the annual report on 26.02.2021

Chairwoman of the General Meeting

Name: Signe Marie Sveinbjørnsson

Heartcore Capital Fund III K/S

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Fund details

Fund

Heartcore Capital Fund III K/S
Højbro Plads 10, 2
DK-1200 Copenhagen K

Central Business Registration No: 37239305

Registered in: Copenhagen
Financial year: 01.01.2020 – 31.12.2020

General Partner

Heartcore Capital General Partner III ApS

Executive Board in Heartcore Capital General Partner III ApS

Signe Marie Sveinbjørnsson
Christian Lindegaard Jepsen
Jimmy Fussing Nielsen

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by the General Partner on the annual report

The Executive Board in Heartcore Capital General Partner III ApS has today considered and approved the annual report of Heartcore Capital Fund III K/S (“the Fund”) for the financial year 01.01.2020 – 31.12.2020.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Fund’s financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 – 31.12.2020.

In our opinion, the management commentary contains a fair review of the development of the Fund’s business and financial matters, the results for the year and of the Fund’s financial position as a whole, together with a description of the principal risks and uncertainties that the Fund faces.

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

Copenhagen, 25.01.2021

Executive Board in Heartcore Capital General Partner III ApS

Signe Marie Sveinbjørnsson

Christian Lindegaard Jepsen

Jimmy Fussing Nielsen

Independent auditor's report

To the General Partner and Limited Partners of Heartcore Capital Fund III K/S

Opinion

We have audited the financial statements of Heartcore Capital Fund III K/S ("the Fund") for the financial year 01.01.2020 - 31.12.2020, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and notes, including a summary of significant 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 Fund's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 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 this auditor's report. We are independent of the Fund 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.

General Partner's responsibilities for the financial statements

The General Partner 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 the General Partner 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, the General Partner is responsible for assessing the Fund'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 the General Partner either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- Conclude on the appropriateness of the General Partner'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 Fund'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 Fund 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.

Independent auditor's report

Statement on the Management commentary

The General Partner 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, 25.01.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant
Identification number (MNE) mne10944

Murat Güler
State Authorised Public Accountant
Identification number (MNE) mne46582

Management commentary

Primary activities

Heartcore Capital Fund III K/S invests in technology companies mainly located in Europe.

A team of investment professionals is responsible for the investment management.

Development in activities and finances

The Fund was established on 11 April 2016. At the time of publication of this Annual Report, the Fund holds 23 active portfolio enterprises of which four are located in Denmark. The rest are located in Sweden, UK, Germany, France, Spain and USA.

The result for the year showed a loss of DKK 4.1 million, primarily related to fair value loss from the investments in portfolio companies.

Development in selected portfolio companies

BLAST ApS: Danish company located in Copenhagen and London, UK. The company is active in eSports and organizes the BLAST Pro series. The company closed a EUR 15 million round during the year with participation from new investors and existing investors.

Finn GmbH: German company located in Munich, offers a car subscription (full service, mid term lease period) for the German market. The company raised a EUR 20 million round led by Whitestar Capital with participation of existing investors.

Kaia Health Software GmbH: German company located in Munich, is a health-tech provider of a multimodal therapy app for people suffering from chronic lower back pain. The company had a good year and raised a USD 26 million round led by IdInvest and Capital300 with participation of existing investors.

La Fourche SAS: French company located in Nohant-Vic, is an online grocery that sells organic products to its community of members. La Fourche had the best year ever and the company raised a EUR 5.5 million round led by new investor Five Season Ventures with participation from Heartcore.

Orbital Express Launch Ltd (Orbex): Located in Denmark and London, UK, is a European micro-launcher company developing orbital rockets targeting the launch of small and micro nano-satellites. The company had a good year and raised a EUR 15 million round led by Octopus Ventures and BGF with participation of existing investors.

Podimo ApS: Located in Copenhagen, Denmark, is a consumer podcast platform offering a combination of free, licensed and original podcast content. The company had a good year and raised a EUR 15 million round led by 83North with participation from existing investors.

Management commentary

Development in selected portfolio companies (continued)

TravelPerk Inc: US company with its main offices in Barcelona, Spain, is a business travel booking platform. The company had a hard year due to COVID-19 as the travel industry almost was none-existing in 2020. The company closed a USD 10 million round from existing investors.

Zolar GmbH: German company located in Berlin, is an online and direct to consumer provider of solar installations for single and multi-family houses. The company had a good year and raised a EUR 13 million round from existing investors.

Uncertainty relating to recognition and measurement

When preparing the Fund's annual report, the General Partner, in accordance with legislative provisions, makes accounting judgements and estimates which form the basis of the annual report. The accounting judgement and estimates made by the General Partner are described in the note 2 "Critical accounting judgements, estimates, assumptions and uncertainties" to which we refer. Such estimates are primarily relating to the measurement of investments in portfolio enterprises made on the basis of assumptions which the General Partner considers reasonable and realistic, but which are uncertain by nature. For the current year the General Partner has also taken into consideration the effects of the COVID19-pandemic. The Fund itself has not been affected by the COVID-19 outbreak. However, the pandemic has affected – both positively and negatively - the operations of many of the Fund's portfolio enterprises, which have been taken into consideration when determining the fair value of investments in portfolio enterprises

Unusual circumstances affecting recognition and measurement

Except for the fair value changes on investments, the financial statement is not influenced by unusual circumstances.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Outlook

Forthcoming results of Heartcore Capital Fund III K/S depend on the development in the value of the Fund's investment in portfolio enterprises.

Statement of comprehensive income

	Notes	2020 DKK'000	2019 DKK'000
Income from investments in portfolio enterprises	3	<u>12,163</u>	<u>152,935</u>
Operating income		12,163	152,935
Administrative expenses	4	(15,823)	(16,653)
Other operating expenses		<u>(244)</u>	<u>(444)</u>
Profit/loss before financial items (EBIT)		(3,904)	135,838
Financial expenses		<u>(154)</u>	<u>(353)</u>
Profit/loss for the year		(4,058)	135,485
Other comprehensive income		0	0
Total comprehensive income/(loss) for the year		<u>(4,058)</u>	<u>135,485</u>

Statement of financial position

	Notes	2020 DKK'000	2019 DKK'000
Assets			
Investments in portfolio enterprises	5	<u>824,742</u>	<u>679,072</u>
Fixed asset investments		<u>824,742</u>	<u>679,072</u>
Non-current assets		<u>824,742</u>	<u>679,072</u>
Assets		<u>824,742</u>	<u>679,072</u>

Statement of financial position

	Notes	2020 <u>DKK'000</u>	2019 <u>DKK'000</u>
Equity and liabilities			
Limited Partners' contributions	6	670,365	508,998
Retained earnings		<u>147,602</u>	<u>151,660</u>
Equity		<u>817,967</u>	<u>660,658</u>
Bank debt		5,835	16,989
Other payables	7	176	175
Prepaid contributions from Limited Partners		<u>764</u>	<u>1,250</u>
Current liabilities		<u>6,775</u>	<u>18,414</u>
Liabilities		<u>6,775</u>	<u>18,414</u>
Equity and liabilities		<u>824,742</u>	<u>679,072</u>

Statement of changes in equity for 2020

	Limited partners' contribution DKK'000	Retained earnings DKK'000	Total DKK'000
Balance at 1 January 2019	372,274	16,175	388,449
Contributions from Limited Partners	136,724	0	136,724
Comprehensive income for the year	<u>0</u>	<u>135,485</u>	<u>135,485</u>
Balance at 31 December 2019	<u>508,998</u>	<u>151,660</u>	<u>660,658</u>
Contributions from Limited Partners	161,367	0	161,367
Comprehensive loss for the year	<u>0</u>	<u>(4,058)</u>	<u>(4,058)</u>
Balance at 31 December 2020	<u>670,365</u>	<u>147,602</u>	<u>817,967</u>

Statement of cash flows

	Notes	2020 DKK'000	2019 DKK'000
Profit/loss before financial items (EBIT)		(3,904)	135,838
Reversal of income from investments in portfolio enterprises	3	(12,163)	(152,935)
Working capital changes	8	1	224
Cash flows from ordinary primary activities		(16,066)	(16,873)
Financial expenses paid		(154)	(353)
Cash flows from operating activities		(16,220)	(17,226)
Investments in portfolio enterprises		(133,507)	(120,134)
Cash flows from investing activities		(133,507)	(120,134)
Change in bank debt		(11,154)	636
Contributions from Limited Partners		161,367	136,724
Change in prepaid contributions from Limited Partners	8	(486)	0
Cash flows from financing activities		149,727	137,360
Increase/decrease in cash and cash equivalents		0	0
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at 31 December		0	0

Notes to the financial statements

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Notes

1. Accounting policies

The financial statements of Heartcore Capital Fund III K/S for 2020 are prepared in accordance with International Financial Reporting Standards as approved by the EU and disclosure requirements of the Danish Financial Statements Act governing reporting class B enterprises as further outlined in the Danish Executive Order on Adoption of IFRS issued in accordance with the Danish Financial Statements Act.

The financial statements are presented in Danish kroner (DKK), which is the functional currency of the Fund.

The financial statements are presented based on historical costs apart from investments in portfolio enterprises, which are measured at fair value.

Statement regarding the omission of consolidated financial statements

With reference to IFRS 10, the General Partner of Heartcore Capital Fund III K/S has assessed that the Fund meets the definition of an investment company as the following conditions exist:

- 1) The Fund has more than one portfolio investment.
- 2) The Fund has more than one investor, and the investors are not related to each other.
- 3) The Fund's investments in portfolio enterprises primarily occur as equity instruments or similar investments,
- 4) The investments are measured and evaluated on a fair value basis.

As a result the General Partner has decided to apply the exemption rule in IFRS 10 not to prepare consolidated financial statements where the controlled subsidiaries are consolidated, and instead any controlled subsidiaries are accounted for at fair value through profit or loss.

Similarly, Heartcore Capital Fund III K/S holds investments in portfolio enterprises, which meet the definition of an associate over which the Fund has significant influence. Such investments are also accounted for at fair value through profit or loss whereby all investments are treated as investments in portfolio companies at fair value through profit or loss no matter the ownership share.

Standards and interpretations not yet effective

None of the new and changed standards and interpretations issued by the International Accounting Standards Board and IFRS Interpretation Committee effective for the financial period beginning at 1 January 2020 have been assessed to have any impact on the financial reporting for Heartcore Capital Fund I K/S for 2020 or future years.

At the time of publication of the financial statements, a number of new or changed standards and interpretations have not yet become effective. It is the General Partner's assessment that these standards and interpretations will not materially impact the financial statements for the forthcoming years.

Notes

Accounting policies (continued)

Significant accounting policies and estimates

When preparing the financial statements, the General Partner makes several accounting estimates forming the basis for the presentation, recognition and measurement of the Fund's assets and liabilities. The most significant accounting estimates and assessments are presented in note 2.

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 Fund, and the value of the asset can be measured reliably. Assets are eliminated from the balance sheet when it is no longer probable that future economic benefits will flow to the Fund.

Acquisition and sale of financial assets and liabilities are recognised in the balance sheet at the commitment date.

Liabilities are recognised in the balance sheet when the Fund 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 Fund, and the value of the liability can be measured reliably. Liabilities are eliminated from the balance sheet when it is no longer probable that future economic benefits will flow out of the Fund.

On initial recognition, assets and liabilities are measured at cost; however, on initial recognition, investment assets are measured at fair value, ordinarily corresponding to cost less direct expenses incurred. Measurement subsequent to initial recognition is effected as described below for each financial statement item. Consideration is made for events occurring during the period from the balance sheet date until the presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date.

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

Foreign currency translation

On initial recognition, transactions made in a different currency than the Fund's functional currency 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 one in effect at the payment date or the rate at the balance sheet date are recognised in the statement of comprehensive income as financial income or financial expenses.

Notes

1. Accounting policies (continued)

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

Income taxes

The annual report does not include current or deferred tax due to the corporate form of the Fund.

Statement of comprehensive income

Income from investments in portfolio enterprises

Income from investments in portfolio enterprises comprises gains/losses from divestments, fair value changes and received dividends and other similar types of returns from the investments.

Gains/losses from divestment of investments in portfolio enterprises are stated as the difference between the selling price or disposal consideration and the carrying amount of the portfolio enterprises at the time of sale or disposal, respectively.

Dividends from investments in portfolio enterprises are recognised as income when final entitlement to the dividends is obtained, which is usually at the time of the approval of the declaring dividends by the portfolio enterprise.

Administrative expenses and other operating expenses

Other operating expenses include general costs, investment costs relating to incomplete investments and administrative expenses include management fee to the management company, Heartcore Capital A/S.

Financial expenses

Other financial expenses comprise interest expenses, which are accrued based on the principal amount and the effective interest rate. The effective interest rate represents the discount rate which should be used when discounting future payments related to the financial asset or the financial liability, in order for the present value of these to correspond with the carrying amount of the asset and the liability, respectively.

Balance sheet

Investments in portfolio enterprises

Investments in portfolio enterprises comprise equity investments in portfolio enterprises and loans to portfolio enterprises measured at fair value through profit or loss.

Notes

1. Accounting policies (continued)

The fair value of investments, which are traded on a stock exchange, is based on the quoted market prices at the reporting date. The fair value of the unlisted investments is determined in accordance with IPEV's Valuation Guidelines, according to which the fair value – depending on the type and maturity of the investment – is determined to be equal to cost (typically applied for new investments), the price of recent investments, multiple-based calculations based on industry benchmarks or discounted cash flow models. The price of a recent investment is only applied if the transaction includes the participation of new investors obtaining more than an insignificant ownership share in the portfolio enterprise.

Other financial liabilities

Other financial liabilities comprise prepayments from Limited Partners, other payables and bank loans.

Statement of cash flows

The statement of cash flows is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented as the operating profit/loss adjusted for non-cash operating items including fair value adjustments of investments in portfolio enterprises and working capital changes attributable to the operating activities.

Cash flows from investing activities comprise payments in connection with investments, including follow-up investments, and proceeds from divestment of portfolio enterprises.

Cash flows from financing activities comprise changes in the Limited Partners' contribution, distributions to Limited Partners as well as the raising of loans and instalments on interest-bearing debt, if any.

2. Critical accounting judgements, estimates, assumptions and uncertainties

Heartcore Capital Fund III K/S invests in portfolio enterprises, which primarily includes equity investments and to a smaller extent contribution of loans to development-oriented enterprises, and which may require continuous contribution of capital. The investments are accounted for at a fair value through profit or loss. When measuring the fair value of the unlisted investments, the General Partner assesses the development stage of the portfolio enterprises compared to the initial plans at the time of making the initial investments, future financing requirements, commercialisation possibilities, timing of exit and possible exit values.

The fair value of each unlisted portfolio enterprise is determined in accordance with commonly used valuation principles based on the IPEV Valuation Guidelines, taking into account the assessment of the development stage of the enterprise as well as its market potential and expected cash flows in order to reflect the fair value of the portfolio enterprise in the best way possible.

Notes

2. Critical accounting judgements, estimates, assumptions and uncertainties (continued)

Methods and assumptions for determining the fair value of investments in unlisted portfolio enterprises are further described in note 5.

3. Income from investments in portfolio enterprises

	2020 DKK'000	2019 DKK'000
Fair value gain	12,163	152,935
Income from investments in portfolio enterprises	12,163	152,935

4. Expenses

The Fund had no employees during the financial year. Administrative work is performed by Heartcore Capital A/S (see note 10). No salary or remuneration has been paid to the General Partner. Administrative expenses cover management fee to Heartcore Capital A/S of DKK 15,823 thousand (2019: DKK 16,653 thousand). Other expenses cover audit and legal fees of DKK 244 thousand (2019: DKK 444 thousand).

	2020 DKK'000	2019 DKK'000
5. Investments in portfolio enterprises		
Cost at beginning of year	456,596	336,462
Additions	133,507	120,134
Cost at end of year	590,103	456,596
Revaluations at beginning of year	222,476	69,541
Revaluations	31,379	152,935
Reversal regarding disposals	(19,216)	0
Revaluation at end of year	234,639	222,476
Carrying amount at end of year	824,742	679,072

Notes

5. Investments in portfolio enterprises (continued)

Portfolio enterprise	Corporate form	Registered in	Equity interest %
Aire Labs	Ltd.	United Kingdom	13.7%
Another.ai	Inc.	United States	*0.0%
Aula Education	Ltd.	United Kingdom	8.7%
Blast	ApS	Denmark	17.4%
Cherryz	Ltd.	United Kingdom	5.6%
Digital Assets, ('Ana Luisa')	Inc.	United States	11.5%
Exporo	AG	Germany	14.8%
FastTravel Games	AB	Sweden	13.1%
Finn	GmbH	Germany	7.5%
Forecast	ApS	Denmark	17.1%
Formel Skin	GmbH	Germany	12.0%
Grandhood	ApS	Denmark	17.9%
Herzsache	GmbH	Germany	16.1%
Italic	Inc.	United States	3.7%
Kaia Health Software	GmbH	Germany	14.4%
La Fourche	SAS	France	20.4%
Laso Technologies	Inc.	United States	*0.0%
Lillydoo	GmbH	Germany	11.2%
Mojiworks	Ltd.	United Kingdom	14.7%
Orbital Express Launch	Ltd.	United Kingdom	15.8%
Podimo	ApS	Denmark	16.0%
Taster	Ltd.	United Kingdom	14.2%
Travelperk	S.L	Spain	6.4%
Werlabs	AB	Sweden	14.8%
Zolar	GmbH	Germany	14.2%

* Investments made as SAFE investments which is the reason there I no equity interest at year-end.

The General Partner regularly and at least on a quarterly basis reviews the fair value of its portfolio enterprises in connection with its non-public reporting to its Limited Partners and in connection with the preparation of the financial statements.

The Fund's portfolio enterprises are not classified as investment companies. They are engaged in doing business in trading and development, etc. The Fund has no limitations concerning the potential reception of dividends or having loans etc. repaid from the portfolio enterprises, apart from the fact that distribution from the portfolio enterprises can only take place if it is considered proper and prudent.

Methods and assumptions for determining fair values in unlisted portfolio enterprises

The fair value for each unlisted portfolio enterprise is determined based on methods which best reflect the individual investment's potential and risk.

Notes

5. Investments in portfolio enterprises (continued)

In general, the fair value is determined following the IPEV Valuation Guidelines which prescribe the use of accepted valuation methods, such as price of recent investments, multiple analysis/benchmarking, most recent transaction multiple and other relevant methods. The Fund invests venture capital primarily in development

stage companies without any or with only limited revenue entailing that the fair value measurement of each of the investments is inherently subject to considerable uncertainty.

Upon initial investment, **cost** of the investment is generally determined to represent the fair value. If new investors join the investments and obtain more than just an insignificant share of the enterprise, the **price of a recent investment** is used as basis for determining the fair value.

Throughout the life of the investment, the General Partner reviews its investments for potential impairment, which may materialise if the portfolio enterprises have been subject to pervasive negative development and/or if the Fund decides that it will no longer participate in the further funding and there is a considerable risk that the portfolio enterprise may not be able to continue its operations or it is by other means obvious that there is a pervasive decline in the fair value of the portfolio enterprise. In these cases, the value is written down to a new lower fair value based on the General Partner's best estimate.

As investments mature, other valuation models for determining the fair value may be more appropriate. Such models are typically based on **peer group multiples**, which may be discounted depending on an objective assessment of the portfolio enterprise's growth, cash flows and funding status.

The Peer Group Multiple-method uses comparable entities, in which market value and earnings are known. Based on this, a market level for revenue multiples is determined for the comparable entities.

In connection with the use of this method, the Fund assesses which multiples are applicable as well as assesses the determination of the applicable earnings to be used in the calculation of the deemed fair value.

When applicable the fair value of investments, which are traded on a stock exchange, is based on the quoted market prices at the reporting date.

The fair value is determined in the functional currency of the portfolio enterprise, which is then translated to DKK at the exchange rate at the balance sheet date, and any exchange rate adjustment is included in the fair value adjustment of the investment in profit or loss.

Each investment has been valued using the valuation techniques listed below:

Notes

5. Investments in portfolio enterprises (continued)

Portfolio enterprise	Corporate form	2020	2019
Aire Labs	Ltd.	Internal Valuation	Price of recent investment
Another.ai	Inc.	Write-Off	Cost with 100% write-down
Aula Education	Ltd.	Cost	Cost
BLAST (RFRSH)	ApS	Price of recent investment	Price of recent investment
Cherryz	Ltd.	Internal Valuation	Cost with 50% write-down
Digital Assets, ('Ana Luisa')	Inc.	Cost	Cost
Exporo	AG	Internal Valuation	Price of recent investment
FastTravel Games	AB	Written off	Internal valuation
Finn	GmbH	Price of recent investment	Cost
Forecast	ApS	Price of recent investment	Price of recent investment
Formel Skin	GmbH	Price of recent investment	Cost
Grandhood	ApS	Cost	Cost
Herzsache	GmbH	Price of recent investment	Cost
Italic	Inc.	Cost	Cost
Kaia Health Software	GmbH	Price of recent investment	Price of recent investment
La Fourche	SAS	Price of recent investment	Cost
Laso Technologies	Inc.	Write off	Cost
Lillydoo	GmbH	Price of recent investment	Price of recent investment
Mojiworks	Ltd.	Cost	Price of recent investment
Orbital Express Launch	Ltd.	Price of recent investment	Cost
Podimo	ApS	Price of recent investment	Cost
Taster	Ltd.	Price of recent investment	Price of recent investment
Travelperk	Inc.	Internal Valuation	Price of recent investment
Werlabs	AB	Price of recent investment	Price of recent investment
Zolar	GmbH	Price of recent investment	Price of recent investment

Fair value hierarchy for determining fair value for investments in portfolio enterprises

IFRS has established a fair value hierarchy for certain assets measured at fair value:

- Quoted prices in active markets for identical instruments (level 1)
- Quoted prices in active markets for similar assets or liabilities or other valuation methods under which all material inputs are based on observable market data (level 2)
- Valuation techniques under which any material inputs are not based on observable market data (level 3).

The measurement of investments in portfolio enterprises classified according to level 3 is based on measurement methods, in which material non-observable inputs are included such as assessment of which method best reflects fair value, assessment of the performance of each portfolio enterprise, determination of multiples and

Notes

5. Investments in portfolio enterprises (continued)

future earnings, and assessment of whether a pervasive negative development should result in the recognition of impairment write-downs.

The fair value of the Fund's portfolio enterprises is impacted by the development in applied multiples as well as expected future earnings and development in each portfolio enterprise. A decrease or increase in the above-mentioned material non-observable inputs may have a direct effect on the measurement of the portfolio enterprises, just as the fair value of the Fund's portfolio enterprises is impacted by the development in macroeconomic conditions.

The development in the value of investments in portfolio enterprises classified into level 1 and 3 can be summarised as follows:

2019	Level 3 DKK'000	Total investment DKK'000	Fair value gain DKK'000
Fair value at 1 January 2019	406,003	406,003	0
New investments	120,134	120,134	0
Fair value adjustments	150,423	150,423	150,423
Exchange rate adjustments	2,512	2,512	2,512
Fair value at 31 December 2019	679,072	679,072	152,935
2020	Level 3 DKK'000	Total investment DKK'000	Fair value gain DKK'000
Fair value at 1 January 2020	679,072	679,072	152,935
New investments	133,507	133,507	0
Fair value adjustments	37,866	37,866	37,866
Exchange rate adjustments	(6,487)	(6,487)	(6,487)
Reversal regarding disposals	(19,216)	(19,216)	(19,216)
Fair value at 31 December 2020	824,742	824,742	12,163

Notes

	2020	2019
	<u>DKK'000</u>	<u>DKK'000</u>
6. Limited Partners' contributions		
Limited Partners' contributions at beginning of year	508,998	372,274
Contributions made during the year	<u>161,367</u>	<u>136,724</u>
Limited Partners' contributions at end of year	<u>670,365</u>	<u>508,998</u>

The contributed capital represents the Limited Partner's total equity contribution. The Fund's contributed capital comprises 40.08% A-shares, 59.87% B-shares, 0.02% C-shares and 0.03% D-shares. The Fund's A-shares and C-shares are paid successively and pro rata and the B-shares and D-shares are fully paid up. Two of the share classes have dividend preferences attached when the realised return in the Fund exceeds a fixed minimum rate of return p.a. (hurdle rate) of the Limited Partner's contributed capital.

	2020	2019
	<u>DKK'000</u>	<u>DKK'000</u>
7. Other payables		
Sundry accrued expenses	<u>176</u>	<u>175</u>
	<u>176</u>	<u>175</u>

The carrying amount of sundry accrued expenses relates to other payables such as legal fees, auditor's fees, etc. The recognised amount approximates the fair value of the liabilities.

	2020	2019
	<u>DKK'000</u>	<u>DKK'000</u>
8. Working capital changes		
Change in other payables	1	9
Change in prepaid contributions from Limited Partners	<u>(486)</u>	<u>219</u>
	<u>485</u>	<u>224</u>

Notes

	2020	2019
	<u>DKK'000</u>	<u>DKK'000</u>
9. Financial risks and financial instruments		
Categories of financial instruments:		
Investments in portfolio enterprises	824,742	679,072
Financial assets measured at fair value through profit/loss	<u>824,742</u>	<u>679,072</u>
Bank debt	5,835	16,989
Other payables	176	175
Prepaid contributions from Limited Partners	764	1,250
Financial liabilities measured at amortised cost	<u>6,775</u>	<u>18,414</u>

The Fund adheres to an investment strategy approved by the Limited Partners. As a result of its investments in portfolio enterprises, the Fund is directly or indirectly exposed to changes in liquidity, credit, interest and currency risks.

Liquidity risks

Maturity of financial liabilities is specified below divided into timing intervals. The specified amounts represent the amounts due for payment.

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Bank debt	16,989	0	0	16,989
Other payables	175	0	0	175
Prepaid contributions from Limited Partners	1,250	0	0	1,250
31 December 2019	<u>18,141</u>	<u>0</u>	<u>0</u>	<u>18,141</u>

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Bank debt	5,835	0	0	5,835
Other payables	176	0	0	176
Prepaid contributions from Limited Partners	764	0	0	764
31 December 2020	<u>6,775</u>	<u>0</u>	<u>0</u>	<u>6,775</u>

Notes

9. Financial risks and financial instruments (continued)

Credit risks

In some cases, the Fund provides loans to its portfolio enterprises. These loans often carry conversion rights or are considered as intermediary financing with the expectation to be converted to equity investments, and hence such loans are considered part of the investment and are, therefore, not considered to represent a separate credit risk, but is rather considered being part of the total investment risk and risk relating to determining a fair value of the investments.

Interest risks

The Fund has access to a credit facility of DKK 30,000 thousand with a variable interest. In 2020, the average interest rate was 1.2% (2019: 2.0%). At 31 December 2020, the Fund has drawn DKK 5,835 thousand on its credit facility. An increase of 1 percentage point compared to the interest rate level at the balance sheet date would only have an immaterial impact on results for the year and equity.

Currency risks

The Fund's investments are exposed to changes in foreign currencies like USD, GBP, EUR and SEK. The Fund considers the currency risk as part of the whole investment risk and hence, the Fund does not separately hedge the currency risk relating to its investments in portfolio enterprises.

In addition, the Fund is indirectly exposed to currency risks through investments in portfolio enterprises which trade in other currencies than their functional currencies and hence, development in exchange rates may influence income and thereby their determination of fair value of the portfolio enterprises.

10. Related party transactions

Related parties with control

No single Limited Partner has control over the Fund.

Transactions with related parties

The General Partner is Heartcore Capital General Partner III ApS. In the financial year, the Fund has paid management fee to Heartcore Capital A/S, which is related to Heartcore Capital General Partner III ApS. See note 4.

11. Assets charged and contingent liabilities etc.

The Fund has no assets charged.

Notes

12. Events after the reporting date

At the beginning of 2021, the Fund has made investments of DKK 1.25 million

13. Approval of the financial statements for publication

At its Board meeting held on 25.01.2021, the General Partner approved the financial statements. The financial statements will be presented to the Fund's Limited Partners for approval at the Annual General Meeting on 26.02.2021.

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