

LFI EQUITY A/S

ANNUAL REPORT 2019

SCHERFIGSVEJ 7, DK-2100 COPENHAGEN Ø

CVR NO. 37 31 12 51

APPROVED AT THE ANNUAL GENERAL MEETING 23 APRIL 2020

CHAIRMAN OF THE MEETING

LENE SKOLE



LUNDBECKFONDEN



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COMPANY INFORMATION

LFI Equity A/S
Scherfigsvej 7
DK-2100 Copenhagen Ø

Phone +45 39 12 80 00
Homepage: www.lundbeckfonden.com
E-mail: mail@lundbeckfonden.com
Business Registration No 37 31 12 51
Place of residence: Copenhagen

OWNER

LFI Equity A/S is 100% owned by Lundbeckfond Invest A/S

BOARD OF DIRECTORS

Lene Skole, Chairman
Bertil From
Morten Mølskov Jarlstrup

EXECUTIVE MANAGEMENT

Bertil From

AUDITOR

Deloitte Statsautoriseret Revisionspartnerselskab

MANAGEMENT REVIEW

PURPOSE

The purpose of LFI Equity A/S is to operate investment business activities by investment in securities.

The company was established on 16 December 2015.

FINANCIAL RESULT AND FINANCIAL POSITION

The profit for the year amounted to DKK 144.4m (DKK 40.3m in 2018) and the equity at 31 December 2019 amounted to DKK 1,139.3m (DKK 1,024.9m at 31 December 2018).



INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2019	2018
Financial income	1	147.3	42.7
Financial expenses	2	-2.6	-0.4
Gross profit from investment activities		144.7	42.3
Other external costs		-0.1	-0.1
Profit/(loss) before tax		144.6	42.2
Withholding taxes, etc.		-0.2	-1.9
Profit/(loss) for the year		144.4	40.3
Proposed distribution of profit/(loss):			
Dividend		90.0	30.0
Retained earnings		54.4	10.3
Profit/(loss) for the year		144.4	40.3

BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKKm	Note	2019	2018
Financial assets	3	875.2	600.3
Non-current assets		875.2	600.3
Receivables from affiliates		188.0	275.7
Other receivables		0.4	0.4
Receivables		188.4	276.1
Cash and bank balances		75.8	148.6
Current assets		264.2	424.7
Assets		1,139.4	1,025.0

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKKm	Note	2019	2018
Share capital	4	11.0	11.0
Retained earnings		1,038.3	983.9
Proposed dividend		90.0	30.0
Equity		1,139.3	1,024.9
Trade payables		0.1	0.1
Current liabilities		0.1	0.1
Liabilities		0.1	0.1
Equity and liabilities		1,139.4	1,025.0
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STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Share capital	Retained earnings	Proposed dividend	Equity
Equity at 1 January 2019	11.0	983.9	30.0	1,024.9
Paid dividend	-	-	-30.0	-30.0
Profit for the year	-	54.4	90.0	144.4
Equity at 31 December 2019	11.0	1,038.3	90.0	1,139.3

DKKm	Share capital	Retained earnings	Proposed dividend	Equity
Equity at 1 January 2018	11.0	973.6	35.0	1,019.6
Paid dividend	-	-	-35.0	-35.0
Profit for the year	-	10.3	30.0	40.3
Equity at 31 December 2018	11.0	983.9	30.0	1,024.9

NOTES

1. Financial income

DKKm	2019	2018
Exchange gains	4.2	1.7
Interest income	1.9	1.4
Gains on financial assets measured at fair value	141.2	39.6
Total financial income	147.3	42.7

2. Financial expenses

DKKm	2019	2018
Exchange losses	2.5	-
Interest expenses	0.1	0.4
Total financial expenses	2.6	0.4

3. Financial assets

DKKm	2019	2018
Carrying amount at 1 January	600.3	700.3
Additions	256.9	104.8
Disposals	-123.2	-244.4
Value adjustments, year-end	141.2	39.6
Carrying amount at 31 December	875.2	600.3

The financial investments classified as financial assets at fair value through profit or loss relate to the company's portfolio investments, primarily through private equity funds.

The determination of fair value of unlisted investment funds are performed by general managers in capital accounts based on observable input, when available or International Private Equity and Venture Capital Valuation Guidelines, e.g. trading multiples of peer groups or expected discounted cash flow. The various factors applied by general managers include discounted interest rates, growth rates, etc., and depend on the industry and location of the unlisted investments.

4. Share capital

DKKm	2019	2018
Share capital at 31 December	11.0	11.0

The share capital consists of 11,000,000 shares of DKK1. The shares are not divided in classes.

Capital base, DKKm	2019	2018	2017	2015/16
Capital base at 1 January	11.0	11.0	10.0	0.0
Transferred at 16 December 2015	0.0	0.0	0.0	10.0
Increase in capital base	0.0	0.0	1.0	0.0
Capital base at 31 December	11.0	11.0	11.0	10.0

5. Contractual obligations

The company has contractual capital contribution obligations amounting to DKK 682m at 31 December 2019 (DKK 708m at 31 December 2018).

6. Staff conditions

The company has no employees besides the executive management who is remunerated from Lundbeckfond Invest A/S.

7. Related parties

Related parties exercising controlling interest on LFI Equity A/S:

- Lundbeckfond Invest A/S, Scherfigsvej 7, DK-2100 Copenhagen Ø

The ultimate owner is Lundbeckfonden, Scherfigsvej 7, DK-2100 Copenhagen Ø.

Related parties exercising significant influence on LFI Equity A/S:

- The Board of Directors and Executive Management
- Companies in which the company's Executive Management and Board of Directors exercise controlling interest

LFI Equity A/S has not entered into any transactions with related parties that were not on an arm's length basis.

CONSOLIDATED FINANCIAL STATEMENTS

LFI Equity A/S is included in the consolidated financial statements for Lundbeckfonden, Copenhagen, Denmark, Business Registration No. 11 81 49 13.

8. Accounting policies

The annual report for LFI Equity A/S for 2019 has been prepared in accordance with the Danish Financial Statements Act for enterprises of reporting class B with selection of certain options from class C.

The annual report is presented in Danish kroner (DKK), which also is the functional currency of LFI Equity A/S. Amounts in DKK are rounded to DKK millions by one decimal place.

The accounting policies are unchanged from last year.

TRANSLATION OF FOREIGN CURRENCY

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and the exchange rates at the date of payment are recognised in the income statement under financial items except in case of hedge accounting. In case of hedge accounting, such differences are recognised in the same item as the hedged item.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

The differences between the exchange rates at the time of recognition and the exchange rates at the balance sheet date or settlement are recognised in the income statement under financial items in respect of unhedged items and under the same item in respect of hedged items.

INCOME STATEMENT

Financial items

Financial income and financial expenses comprise:

- Interest income and expenses
- Dividend from portfolio investments
- Realised and unrealised fair value adjustments of financial assets and liabilities including short-term securities that are included in the company's documented investment strategy
- Exchange gains and losses
- Other financial income and expenses

Other external costs

Other external costs comprise expenses for administration and investment activities.

Tax

LFI Equity A/S applies section 19 of the Danish Share Premium Tax Act ("Aktieavancebeskatningsloven") and is therefore not an independent entity liable to pay Danish corporate income tax and consequently, no provision for tax on profit for the year has been made.

However, taxes withheld on the payment of dividends by the portfolio investments are recognised in the income statement.

BALANCE SHEET

Financial assets

Securities that are included in the company's investment strategy are recognised on the basis of the settlement date fair value and are subsequently measured at market price or estimated fair value at the balance sheet date. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

8. Accounting policies (continued)

The calculation of fair value of unlisted investments is made in accordance with the International Private Equity and Venture Capital Valuation Guidelines, i.e. on the basis of relevant valuation methods based on comparable transactions on market conditions, capital increases and the like. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost less any impairment.

At each balance sheet date, it is assessed whether there is objective evidence that an investment or a group of investments is impaired. Assessments of investments in unlisted equity instruments and securities include an assessment of whether the companies live up to the defined business plans and the impact of any non-compliance on the calculation of fair value.

Receivables

On initial recognition, receivables are measured at fair value and subsequently at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Equity

Dividends are recognised as a liability at the time of adoption of the dividend resolution at the Annual General Meeting (time of declaration).

Financial liabilities

Financial liabilities are measured at amortised cost.

9. Events after the balance sheet date

Following the balance sheet date the financial markets have observed significant volatility in the valuation of financial assets, which primarily can be attributed to the global COVID-19 crisis. Consequently, a loss on financial items for the year is likely.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the annual report of LFI Equity A/S for the financial year ended 31 December 2019.

The financial statements of LFI Equity A/S have been prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies used to be appropriate. Accordingly, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019, and of the company's activities for the financial year 1 January - 31 December 2019.

We believe that the Management's review includes a fair review of developments in the company's activities and finances, result for the year and the company's financial position in general.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 23 April 2020

EXECUTIVE MANAGEMENT

Bertil From

BOARD OF DIRECTORS

Lene Skole
Chairman

Bertil From

Morten Mølskov Jarlstrup

INDEPENDENT AUDITOR'S REPORT

To the shareholder of LFI Equity A/S

Opinion

We have audited the financial statements of LFI Equity A/S for the financial year 1 January – 31 December 2019, which comprise the income statement, balance sheet, equity statement, 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 LFI Equity A/S' financial position at 31 December 2019 and of the results of its operations for the financial year 1 January – 31 December 2019 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 LFI Equity A/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 LFI Equity A/S 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 LFI Equity A/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 LFI Equity A/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 LFI Equity A/S 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 review

Management is responsible for the management review.

Our opinion on the financial statements does not cover the management review, 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 review and, in doing so, consider whether the management review 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 review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 23 April 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Erik Holst Jørgensen
State-Authorised Public Accountant
MNE no 9943