

**Axcel V K/S
Nørregade 21
1165 Copenhagen K
Central Business Registration No 38556134**

**Annual report for the financial year
1 January – 31 December 2019**

The General Meeting adopted the annual report on 19 February 2020

Chairman of the General Meeting



Name: Christian Schmidt-Jacobsen

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Fund details

Fund

Axcel V K/S

Nørregade 21

DK-1165 Copenhagen K

Central Business Registration No: 38556134

Registered in: Copenhagen

Financial year: 01.01.2019 – 31.12.2019

General Partner

Axcel V GP ApS

Depositary

Intertrust Depositary Services (Denmark) A/S

Sundkrogsgade 21

2100 København Ø

Management

The General Partner is Axcel V GP ApS and the Fund Manager is Axcel Management A/S, FT no. 23101.

Board of Directors in Axcel V GP ApS

Mogens Thorninger, chairman

Simon Krogh

Christian Gyomos Schmidt-Jacobsen

Board of Directors in Axcel Management A/S

Povl Christian Lütken Frigast, chairman

Lars Rebien Sørensen, vice chairman

Christian Bamberger Bro

Christian Gyomos Schmidt-Jacobsen

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by the General Partner on the annual report

The Board of Directors in Axcel V GP ApS has today considered and approved the annual report of Axcel V K/S (“the Fund”) for the financial year 01.01.2019 – 31.12.2019.

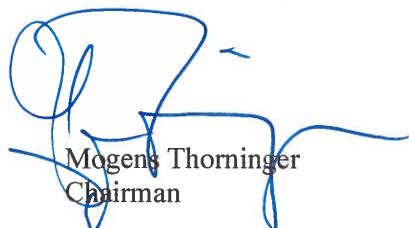
The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Fund’s financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 – 31.12.2019.

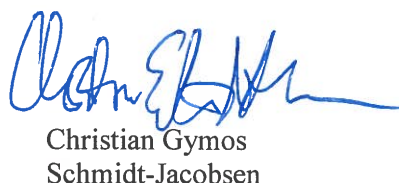
In our opinion, the management commentary contains a fair review of the development of the Fund’s business and financial matters, the results for the year and of the Fund’s financial position as a whole, together with a description of the principal risks and uncertainties that the Fund faces.

Copenhagen, 27 January 2020

Board of Directors in Axcel V GP ApS



Mogens Thorninger
Chairman



Christian Gyms
Schmidt-Jacobsen



Simon Krogh

Independent auditor's report

To the General Partner and Limited Partners of Axcel V K/S

Opinion

We have audited the financial statements of Axcel V K/S for the financial year, 01.01.2019 – 31.12.2019 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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 – 31.12.2019 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 of the Danish Financial Statements Act. 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 additional requirements of the Danish Financial Statements Act., 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 ISA 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 the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 27 January 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56



Bill Haudal Pedersen
State Authorised Public Accountant
mne30131



Michael Thorø Larsen
State Authorised Public Accountant
mne35823

Management commentary

Primary activities

Axcel V K/S (“the Fund”) is a private equity fund that invests in mid-size Nordic based companies with the purpose of developing these commercially. Axcel V K/S is managed by Axcel Management A/S, a manager under supervision by the Danish FSA.

Development in activities and finances

Axcel V K/S was established on 6 april 2018 and had final close on 28 March 2019. Axcel V will co-invest with other partnerships with a combined commitment of EUR 617m.

In 2019, the Fund made three investments and the Fund has now made a total of nine investments. All three investments were publicly announced and detailed information on the investments are available on www.axcel.dk. In the Axcel Annual Review which is published around May, you can also find additional information about Axcel and how the funds managed by Axcel have performed over time.

The result for the year is a gain of approximately EUR 56.5 million compared to a loss of EUR 8.4 million last year.

Material changes in the accounting year and other information

According to the Danish disclosure requirements of the AIFMD Act¹ the Annual report shall contain information on material changes as listed in §§ 62, 64 and 65.

The strategy of the Fund has since the formation been unchanged. The Fund does not make use of gearing.

The Fund as appointed Intertrust Depository Services (Denmark) A/S as depository to the Fund.

The share of assets placed in illiquid assets amount to approximately 99.6%. No special requirements are attached to these assets.

The Fund Manager has established risk management systems for measuring the Funds liquidity. The liquidity is managed in such a way that the value of the Funds assets and the undrawn commitment from the Funds investors at all times shall be adequate to honor the Funds actual and potential liabilities.

¹ In Danish ”Lov om forvaltere af alternative investeringsfonde”

Management commentary

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 paragraph "Material uncertainty related to recognition and measurement" under accounting policies to which we refer. Such estimates are primarily relating to the measurement of investments in portfolio companies made on the basis of assumptions which the General Partner considers reasonable and realistic, but which are uncertain by nature.

Unusual circumstances affecting recognition and measurement

Except for the fair value changes on investments, the annual report 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 Axcel V K/S depend on development in the value of the Fund's investment in portfolio companies.

Key numbers for Axcel V K/S

	2017 EUR'000	2018 EUR'000	2019 EUR'000
Financial highlights			
Key figures			
Profit/loss from ordinary activities (EBIT)	(12,355)	(8,458)	56,542
Profit/loss for the year	(12,355)	(8,414)	56,542
Equity	55,575	275,830	404,677
Balance sheet total	95,093	275,874	497,177
Ratios			
Solvency ratio (%)	58.4	100.0	81.4
Return on equity (%)	(10.0)	(2.9)	14.6

Statement of comprehensive income

	Notes	2019 EUR'000	2018 EUR'000
Income from investments in portfolio companies	3	<u>69,909</u>	<u>5,873</u>
Operating income		69,909	5,873
Administrative expenses	4	(9,835)	(9,976)
Other operating expenses	5	<u>(3,532)</u>	<u>(4,355)</u>
Operating profit/loss (EBIT)		56,542	(8,458)
Financial income		0	44
Financial expenses		<u>0</u>	<u>0</u>
Profit/loss for the year		<u>56,542</u>	<u>(8,414)</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive result for the year		<u><u>56,542</u></u>	<u><u>(8,414)</u></u>

Statement of financial position

	Notes	31 Dec 2019 EUR'000	31 Dec 2018 EUR'000
Assets			
Investments in portfolio companies	6	<u>495,322</u>	<u>274,410</u>
Fixed asset investments		<u>495,322</u>	<u>274,410</u>
Non-current assets		<u>495,322</u>	<u>274,410</u>
Pre-paid expenses and other receivables		<u>695</u>	<u>1,449</u>
Receivables		<u>695</u>	<u>1,449</u>
Cash		<u>1,160</u>	<u>15</u>
Current assets		<u>1,855</u>	<u>1,464</u>
Assets		<u>497,177</u>	<u>275,874</u>

Statement of financial position

	<u>Notes</u>	<u>31 Dec 2019 EUR'000</u>	<u>31 dec 2018 EUR'000</u>
Equity and liabilities			
Limited Partners' contributions	7	368,904	296,599
Retained Earnings		<u>35,773</u>	<u>(20,769)</u>
Equity		<u>404,677</u>	<u>275,830</u>
Provisions	8	89,676	0
Other payables	9	<u>2,824</u>	<u>43</u>
Current liabilities		<u>92,500</u>	<u>43</u>
Liabilities		<u>92,500</u>	<u>43</u>
Equity and liabilities		<u><u>497,177</u></u>	<u><u>275,874</u></u>

Statement of changes in equity for 2019

	Limited partners' contribution EUR'000	Retained earnings EUR'000	Total EUR'000
Balance at 1 January 2018	67,930	(12,355)	55,575
Contributions from Limited Partners	228,669	0	228,669
Comprehensive result for the year	<u>0</u>	<u>(8,414)</u>	<u>(8,414)</u>
Balance at 31 December 2018	<u>296,599</u>	<u>(20,769)</u>	<u>275,830</u>
	Limited partners' contribution EUR'000	Retained earnings EUR'000	Total EUR'000
Balance at 1 January 2019	296,599	(20,769)	275,830
Contributions from Limited Partners	72,305	0	72,305
Comprehensive result for the year	<u>0</u>	<u>56,542</u>	<u>56,542</u>
Balance at 31 December 2019	<u>368,904</u>	<u>35,773</u>	<u>404,677</u>

Statement of cash flows

	<u>Notes</u>	<u>2019</u> <u>EUR'000</u>	<u>2018</u> <u>EUR'000</u>
Operating profit/loss (EBIT)		56,542	(8,414)
Income from investments in portfolio companies	3	(69,909)	(5,873)
Working capital changes	10	<u>4,679</u>	<u>(337)</u>
Cash flows from ordinary primary activities		<u>(8,688)</u>	<u>(14,624)</u>
Cash flows from operating activities		<u>(8,688)</u>	<u>(14,624)</u>
Investments in portfolio companies		<u>(62,472)</u>	<u>(214,030)</u>
Cash flows from investing activities		<u>(71,160)</u>	<u>(214,030)</u>
Contributions from Limited Partners		<u>72,305</u>	<u>228,669</u>
Cash flows from financing activities		<u>72,305</u>	<u>228,669</u>
Increase/decrease in cash and cash equivalents		1,145	15
Cash and cash equivalents at 1 January		<u>15</u>	<u>0</u>
Cash and cash equivalents at 31 December		<u>1,160</u>	<u>15</u>

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Notes

1. Accounting policies

The financial statements of Axcel V K/S 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 disclosure requirements of the AIFMD Act.

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

The Fund's investments are portfolio companies which are not subject to IFRS 9. The Fund has no material assets or liabilities subject to IFRS 9.

The Fund's income consists of fair value changes, on investments in portfolio companies, and the Fund has no contracts subject to IFRS 15.

The Fund's has not entered into any leasing agreements subject to IFRS 16.

Axcel V K/S is a Limited Partnership based in Denmark.

The financial statements are presented in Euro (EUR), which is the functional currency of the Fund.

The financial statements are presented based on historical costs apart from investments in portfolio companies, which are measured at fair value. Historical cost is based on the fair value of the consideration given in exchange for the assets.

Judgements made by the General Partner in the application of IFRSs that have had significant effects on the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

Defining materiality

If a line item is not individually material, it is aggregated with other items and notes of a similar nature in the financial statements or in the notes. There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

Report on the omission of preparation of consolidated financial statements

Axcel V K/S has omitted to prepare consolidated financial statements under the provisions of IFRS 10 and IAS 27 as the Limited Partnership qualifies as an investment entity. The definition is as follows:

"An investment entity is defined as an entity which commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both".

Notes

1. Accounting policies (continued)

In view of the circumstances described below, Management believes that the Limited Partnership satisfies the definition of an investment entity:

- 1) The Limited Partnership has more than one portfolio investment (portfolio companies).
- 2) The Limited Partnership has more than one investor, and its investors are not related parties.
- 3) The Limited Partnership's investments in portfolio companies take the form of equity instruments or similar investments (portfolio companies).
- 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 the controlled subsidiaries are accounted for at fair value through profit or loss.

Similarly, Axcel V K/S holds investments in portfolio companies, 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 group companies no matter the ownership share at fair value through profit or loss.

Standards and interpretations not yet effective

All the new and amended Standards and Interpretations which are relevant to the Fund and which came into force with effect for financial years beginning 1 January 2019 have been applied when preparing the financial statements.

The General Partner further believes that other amended Standards and Interpretations, which have not entered into force, will not have significant impact on the financial statements as well as they haven't been implemented before time.

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.

Notes

1. Accounting policies (continued)

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.

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

Income taxes

Under current Danish law governing the Fund, it is not independently taxable because the Fund's profit/loss for the year is included in the Limited Partner's taxable income.

Notes

1. Accounting policies (continued)

Statement of comprehensive income

Income from investments in portfolio companies

Income from investments in portfolio companies 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 companies are stated as the difference between the selling price or disposal consideration and the carrying amount of the portfolio companies at the time of sale or disposal, respectively.

Dividends from investments in portfolio companies 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 group enterprise.

Administrative expenses and other operating expenses

Administrative expenses and other operating expenses include general costs, investment costs relating to incomplete investments and management fee to the management company.

Financial income

Financial income comprise interest income, 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.

Financial expenses

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.

Notes

1. Accounting policies (continued)

Balance sheet

Investments in portfolio companies

Investments in portfolio companies comprise equity investments in portfolio companies measured at fair value through profit or loss.

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), multiple-based calculations based on industry benchmarks.

Receivables

Receivables, typically representing pre-paid expenses, are measured at amortised cost.

Cash

Cash comprise cash in bank deposits.

Other financial liabilities

Other financial liabilities comprise accounts payable, accrued expenses, other liabilities 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 companies and working capital changes attributable to the operating activities.

Cash flows from investing activities comprise payments in connection with investments, including follow-up investments, proceeds from divestment of portfolio companies and changes to provisions for capital contributions to group 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.

Notes

2. Critical accounting judgements, estimates, assumptions and uncertainties

Axcel V K/S invests in portfolio companies, which primarily includes equity investments. 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 stage of the portfolio companies 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, including changes in earnings and multiples.

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

Methods and assumptions for determining the fair value of investments in unlisted portfolio companies are described in note 6.

3. Income from investments in portfolio companies

	2019	2018
	EUR'000	EUR'000
Realised gain/(loss)	0	0
Fair value/unrealised gain/(loss)	<u>69,909</u>	<u>5,873</u>
Income from investments in portfolio companies	<u>69,909</u>	<u>5,873</u>

4. Administrative expenses

The Fund had no employees during the financial year.

Administrative work is performed by Axcel Management A/S (see note 12). Administrative expenses cover management fee to Axcel Management A/S of EUR 9,833 thousand (2018: EUR 9,924 thousand), start-up costs of EUR 0 thousand (2018: EUR 48 thousand) and a EUR 2 thousand (2018: EUR 4 thousand) fee to the General Partner.

According to Article 107 of the AIFM Directive, alternative investment funds must disclose information about the total remuneration of the entire staff of the Fund Manager and the number of beneficiaries. Furthermore, remuneration to material risk-takers must be disclosed. For information about remuneration, please refer to the annual report of the Fund Manager.

Notes

4. Administrative expenses (continued)

The Fund Manager must also disclose the information necessary to provide an understanding of the risk profile of the Fund and the measures that the Fund Manager takes to avoid or manage conflicts of interest between the Fund Manager and the Limited Partners. The Board of Directors has adopted a remuneration policy in order to ensure that the employees and Management are remunerated according to the Danish Executive Order on remuneration policy and disclosure requirements on remuneration for managers of alternative investment funds, etc.

The remuneration policy ensures, among other matters, that the following is applied in relation to remuneration at the Fund Manager:

- Promoting of sound and effective risk management, which does not encourage excessive risk-taking.
- Consistency with the principles regarding the protection of the Limited Partners and measures in order to avoid conflicts of interest.

No carried interest is paid out by the AIF during the financial period.

5. Other operating expenses

Other operating expenses cover cost for investments that did not materialize, regulatory costs, cost for the fund's advisory and investment board and fees to other advisors.

	2019	2018
	EUR'000	EUR'000
6. Investments in portfolio companies		
Cost at beginning of year	268,537	91,394
Additions	151,003	177,143
Disposals	<u>0</u>	<u>0</u>
Cost at end of year	<u>419,540</u>	<u>268,537</u>
Revaluations at beginning of year	5,873	0
Revaluations	69,909	5,873
Reversal regarding disposals	<u>0</u>	<u>0</u>
Revaluation at end of year	<u>75,782</u>	<u>5,873</u>
Carrying amount at end of year	<u>495,322</u>	<u>274,410</u>

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

Notes

6. Investments in portfolio companies (continued)

The Fund's portfolio companies 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 companies, apart from the fact that distribution from the portfolio companies can only take place if it is considered proper and prudent.

Methods and assumptions for determining fair values in unlisted portfolio companies

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

In general, the fair value is determined following the IPEV Valuation Guidelines which prescribe the use of accepted valuation methods, such as multiple analysis/benchmarking, most recent transaction multiple and other relevant methods. Upon initial investment, cost of the investment is generally determined to represent the fair value. 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.

The fair value is determined in the functional currency of the group enterprise, which is then translated to euro 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 portfolio company is owned through a holding structure. The equity interest represents the Fund's ownership before dilution of incentive programmes provided to management in the respective portfolio companies and before any effect of different share classes which may be present in the holding structures, such as preference shares.

<u> Holding company </u>	<u> Corporate form </u>	<u> Registered in </u>	<u> Equity interest % </u>
Ax V Nissens III ApS	ApS	Denmark	41.26
Mountain Top Holding III ApS	A/S	Denmark	67.09
IsaDora Holding III AB	AB	Sweden	69.57
Ax V INV1 Holding III Oy (Aidian)	Oy	Finland	58.62
Loopia Holding III AB	AB	Sweden	90.79
Ax V GUBI Holding III ApS	A/S	Denmark	35.04
Ax V ESB Holding III ApS	A/S	Denmark	63.92
Ax V INV5 Holding III ApS (SteelSeries)	A/S	Denmark	39.36
Ax V Phase One Holding III ApS	A/S	Denmark	59.77

The equity interest presented is for Axcel V. Axcel V K/S holds 91.18% hereof.

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

Notes

6. Investments in portfolio companies (continued)

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

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

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

2019	Level 3 EUR'000	Total investment EUR'000	Fair value gain EUR'000
Fair value at 1 January 2019	274,410	274,410	5,873
Additions	151,003	151,003	0
Fair value adjustments	69,909	69,909	69,909
Exchange rate adjustments	0	0	0
Disposals	0	0	0
Fair value at 31 December 2019	495,322	495,322	75,782

Notes

6. Investments in portfolio companies (continued)

Material unobservable inputs for Level 3

Financial instruments measured at fair value in the balance sheet are based on valuation techniques that include material unobservable inputs.

Material unobservable assumptions used in the valuation of unlisted investments in portfolio companies consist of multiples and future earnings expectations for the portfolio companies. Management believes that the multiples applied are on a par with the market for comparable Danish businesses. In addition, allowance is made for net interest-bearing debt of the portfolio companies when making the valuation.

	<u>2019</u>	<u>2018</u>
Range for multiple applied	5.5 to 14.5	6 to 14.5

Sensitivity analysis

The fair value of the Limited Partnership's portfolio companies is affected by developments in the multiples applied and future earnings expectations for these companies. A decline or increase in the material unobservable inputs stated above would have a direct effect on the valuation of the portfolio companies, and the fair value of the Limited Partnership's portfolio companies is affected by changes in macroeconomic conditions. Changes in the average weighted multiple is considered the most material unobservable input of the Fund.

A change in the multiples applied would have the following effect on the fair value of portfolio companies:

	<u>2019</u> <u>EUR'000</u>	<u>2018</u> <u>EUR'000</u>
10 percentage change in the average weighted multiple	<u>101.1</u>	<u>63.0</u>

Notes

	2019	2018
	<u>EUR'000</u>	<u>EUR'000</u>
7. Limited Partners' contributions		
Limited Partners' contributions at beginning of year	296,599	67,930
Contributions made during the year	<u>72,305</u>	<u>228,669</u>
Limited Partners' contributions at end of year	<u>368,904</u>	<u>296,599</u>

The Limited Partnership is owned by the Limited Partners in proportion to their contributed capital, unless otherwise agreed between the Limited Partners and the General Partner. At the reporting date no special agreements have been made between the Limited Partners and the General Partner.

	2019	2018
	<u>EUR'000</u>	<u>EUR'000</u>
8. Provisions		
Provision for capital contribution to group enterprises	<u>89,676</u>	<u>0</u>

The carrying amount of provisions relates to guarantees issued by the fund for debt in group enterprises which are expected to be called upon. The recognised amount approximates the fair value of the liabilities.

	2019	2018
	<u>EUR'000</u>	<u>EUR'000</u>
9. Other payables		
Accrued expenses	<u>2,824</u>	<u>43</u>

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

	2019	2018
	<u>EUR'000</u>	<u>EUR'000</u>
10. Working capital changes		
Change in receivables	2,782	2,251
Change in other liabilities	<u>1,897</u>	<u>(2,588)</u>
	<u>4,679</u>	<u>(337)</u>

Notes

	2019	2018
	EUR'000	EUR'000
11. Financial risks and financial instruments		
Categories of financial instruments:		
Investments in portfolio companies	495,322	274,410
Financial assets measured at fair value through profit/loss	495,322	274,410
Other receivables	695	1,449
Loans and receivables	695	1,449
Provisions	89,676	0
Other payables	2,824	43
Financial liabilities measured at amortised cost	92,501	43

The Fund adheres to an investment strategy approved by the investors. As a result of its investments in portfolio companies, the Fund is directly 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
	EUR'000	EUR'000	EUR'000	EUR'000
Provisions for bridge financed investments	89,676	-	-	89,676
Other payables	2,824	-	-	2,824
31 December 2019	92,501	-	-	92,501

The cash position in the Fund is not bigger than the payables, but the Fund can draw commitment from the Limited Partners when relevant.

The Fund has bridge financed investments amounting to EUR 90 millions. The investors in the Fund have made unconditional commitments to the Fund, of which undrawn commitment amounts to EUR 193 millions.

The liquidity risk is considered insignificant. No indication of the limited partners ability to contribute the remaining fund commitment occurs.

Notes

11. Financial risks and financial instruments (continued)

Credit risks

In some cases, the Fund has receivables from the sale of investments. Typically, the payment is secured by the buyer depositing the receivable on escrow accounts in accepted credit institutions and, therefore, the credit risk is considered limited.

Investments are initially financed through a loan in a holding structure established for each investment. When the Fund has issued a guarantee for the loan a corresponding liability is recorded in the balance sheet. The Fund may at any time draw down an amount from the investors in the Fund to repay the loan and therefore the Fund is not exposed to a credit risks.

Interest risks

The Fund itself does not have access to a credit facility.

Currency risks

Some of the Fund's investments are exposed to changes in foreign currencies like EUR, DKK 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 companies.

In addition, the Fund is indirectly exposed to currency risks through investments in portfolio companies 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 companies.

Financial Risk Management

The General Partner is ultimately responsible for the overall risk management within the Fund, but has delegated the responsibility to the Fund Manager.

The Fund pursues an investment strategy approved by the Limited partners and invests in mid-size Nordic based companies with the purpose of developing these commercially

The Fund's risk management processes includes identification, measurement, monitoring, reporting and mitigation of the identified risks to minimize the potential negative effects at fund level.

There are none key financial risk factors and exposures in financial statements besides investments in portfolio companies.

12. Related party transactions

Related parties with control

No single Limited Partner has control over the Fund, following Limited Partners as holding more than 5% of the voting rights or nominal value of the contributed capital:

Chr. Augustinus Fabrikker Aktieselskab
Danica Pension, Livforsikringsaktieselskab
European Investment Fund

Transactions with related parties

The General Partner is Axcel V GP ApS and the Fund Manager is Axcel Management A/S.

In the financial year, the Fund has paid a fee of EUR 2 thousand (2018: 4 thousand) to Axcel V GP ApS and a management fee of EUR 9,833 thousand (2018: 9,924 thousand) to Axcel Management A/S.

Each board member in Axcel V GP ApS receive an annual remuneration of DKK 20 thousand each.

There are no other key relationships, which are considered material for the financial statements.

13. Assets charged and contingent liabilities etc.

The Fund's has no assets charged.

14. Events after the reporting date

No events except for final close as described in the management commentary have occurred after the reporting date, which would materially influence the evaluation of this annual report.

15. Contingent liabilities

In addition to the amount recognized as a provision in the balance sheet, the Fund has provided equity guarantees of SEK 169 millions at the balance sheet date for bridge loans in connection with add-on investments. The fund has an obligation to pay a management fee of 1.75% of the total commitment during the investment which is initially set to expire on 30 September 2022. Following this period the fund shall pay a reduced percentage in management fee based on the investment cost of the group companies. The liability to pay management fee is considered to be contingent as the fund under certain conditions may discontinue the management agreement with the Fund Manager.

16. Approval of the financial statements for publication

On 27 January 2020, the General Partner approved the financial statements. The financial statements will be presented to the Fund's Limited Partners for approval at the General Meeting on 19 February 2020.