

CataCap II K/S

c/o CataCap Management A/S
Øster Allé 42, 7.
2100 København Ø

CVR no. 38 71 47 08

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting

on 16 May 2019

chairman of the annual general meeting

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Statement by the General Partner

The General Partners have today discussed and approved the annual report of CataCap II K/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's activities for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 18 March 2019
CataCap General Partner II ApS

Jens Jørgen Hahn-Petersen

Rasmus Philip Buhl Lokvig

Vilhelm Eigil Hahn-Petersen

Peter Ryttergaard



Independent auditor's report

To the limited partners of CataCap II K/S

Conclusion

We have audited the financial statements of CataCap II K/S for the financial year 1 January – 31 December 2018, comprising income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Company. The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (ISAs) and the 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

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



Independent auditor's report

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Fund or the Company 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 as to 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 in Denmark will always detect a material misstatement when it exists.

Misstatements may 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 financial statement users taken on the basis of these consolidated financial statements and parent company 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the business activities. We remain solely responsible for our audit opinion.



Independent auditor's report

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.

Copenhagen, 18 March 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Henrik O. Larsen
State Authorised
Public Accountant
mne15839

Henrik Kyhnauv
State Authorised
Public Accountant
mne40028

Management's review

Operating review

Principal activities

CataCap II K/S is a private equity fund established on 13 June 2017. CataCap II K/S is investing in Danish SMEs characterised by a significant development potential and an innovative business model with long-term sustainability.

The Company has an agreement with CataCap Management A/S in respect of investment advisory and administration services.

Uncertainty regarding recognition and measurement

CataCap II K/S' statement of financial position consists primarily of equity investments in the fund's portfolio companies recognised at estimated fair value. The valuation of the portfolio companies reflects the current and expected performance of the individual companies as well as multiples of a defined peer group. The value is not realised until the exit of the portfolio company.

Unusual circumstances

No unusual circumstances have affected the Company's activities during the year.

Development in activities and financial matters

The Company's financial position and the results for the year will be shown in the following income statement for the financial year 1 January – 31 December 2018 and the statement of financial position at 31 December 2018.

The past year

During 2018, CataCap II K/S has made one platform investment – Rekom Group A/S and two add-on acquisitions to Languagewire Holding A/S.

CataCap will hold the majority of votes in all portfolio companies.

The overall portfolio is valued at an equity value of DKK 100 million equal to the purchase price for the part that is owned by CataCap II K/S. This reflects that the investments have been held for less than one year. The investment in Rekom Group A/S has been 100% financed until April 2019, hence the carrying value of the company is not reflected.

CataCap II K/S has reached its second year of operation and closed the fund for new capital commitments. The Fund has DKK 1.7 billion available from investors and invests alongside CC II Management Invest I K/S and CC II Management Invest II K/S, making the combined investment capacity DKK 1.8 billion.

Languagewire A/S was acquired in June 2017. The company provides translation services via workflow systems to customers mainly in Northern Europe. The company has 351 employees.

In Q1 of 2018, Frontlab was acquired bringing new software competency to Languagewire. In Q4, Xplanation in Belgium was added, creating a new powerhouse in the translation industry.

The financial performance in 2018 was in line with expectations.

Operating review

Rekom Group A/S was acquired in May 2018. The company operates the largest nightlife group in the Nordics. Rekom aims to set the leading industry-standard for how to behave in a professional, responsible and trustworthy manner. With more than 20 years of industry experience, Rekom has expanded its geographical footprint using a multi-brand strategy that is based on a standard operating model, which ensures the right atmosphere and unique experiences for their guests.

The company has app. 2.500 employees across the Nordics, the majority being part time employed.

The financial performance in 2018 was satisfactory.

Capital resources

CataCap II K/S is financially backed by investors where the total committed capital amounts to DKK 1,7 billion.

The result for the year amounts to DKK -23,547 million (in 2017 DKK -16.4 million). The result is in accordance with Management's expectations.

Employees

There have been no employees in the Company during the period.

Capital loss

The Company expects to re-establish the equity in 2018 through capital increase (drawdowns) from committed investors.

Subsequent events

At May 2018, the Company has completed the second platform investment in Rekom A/S. This has no impact on the financial statements at 31 December 2018.

Besides this, no significant events have occurred after the statement of financial position date that could influence the evaluation of the annual report.

Outlook

We expect the portfolio to develop positively for 2019.

Financial statements 1 January – 31 December

Statement of comprehensive income

DKK'000	Note	2018	2017
Value adjustment of investments in subsidiaries	2	22,330	0
Administrative expenses		-45,803	-16,376
Operating profit		-23,473	-16,376
Financial expenses		-74	-6
Profit for the year/total comprehensive income		-23,547	-16,382

Financial statements 1 January – 31 December

Statement of financial position

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Investments			
Investments in subsidiaries	2	100,312	500
		<u>100,312</u>	<u>500</u>
Total fixed assets		<u>100,312</u>	<u>500</u>
Current assets			
Receivables			
Receivables from subsidiaries		100	0
Other receivables		190	0
		<u>290</u>	<u>0</u>
Total current assets		<u>290</u>	<u>0</u>
Total assets		<u><u>100,602</u></u>	<u><u>500</u></u>
EQUITY AND LIABILITIES			
Equity	3		
Share capital		122,983	0
Retained earnings		-39,929	-16,382
		<u>83,054</u>	<u>-16,382</u>
Total equity		<u>83,054</u>	<u>-16,382</u>
Liabilities			
Current liabilities other than provisions			
Banks		3,674	5,465
Payables to subsidiaries		12,283	61
Other payables		145	11,356
Trade payables		1,446	0
		<u>17,548</u>	<u>16,882</u>
Total liabilities other than provisions		<u>17,548</u>	<u>16,882</u>
TOTAL EQUITY AND LIABILITIES		<u><u>100,602</u></u>	<u><u>500</u></u>
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Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 13 June 2017	0	0	0
Total comprehensive income for the period	0	-16,382	-16,382
Equity at 1 January 2018	0	-16,382	-16,382
Contributed capital	122,983	0	122,983
Loss for the year	0	-23,547	-23,547
Balance at 31 December 2018	<u>122,983</u>	<u>-39,929</u>	<u>83,054</u>

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Loss for the year		-23,547	-16,382
Change in working capital		-33,602	11,356
Cash flows from operating activities		-57,149	-5,026
Investments – total consideration paid		-76,265	-500
Cash flows from investing activities		-76,265	-500
Loans from subsidiaries		12,222	61
Proceed from capital increase		122,983	0
Cash flows from financing activities		135,205	61
Cash flows for the year		1,791	-5,465
Cash and cash equivalents at the beginning of the year		-5,465	0
Cash and cash equivalents at year end		-3,674	-5,465

Financial statements 1 January – 31 December

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1 Accounting policies

The financial statements of CataCap II K/S for 2018 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used are unchanged from last year. Catacap II K/S has applied the new standards, which are effective from 1 January 2018. None of those have an effect on the financial statements.

Basis of preparation

The annual report for 2018 is presented in DKK rounded to '000. DKK is the functional currency.

The financial statements were authorised for issue by the Board of Directors on 16 May 2019.

Investment entity

The Company has multiple unrelated investors and holds multiple investments. Ownership interests in the Company are in the form of limited partnership interests. The Company meets the definition of an investment entity in accordance with IFRS 10 as the following conditions exist:

- The Company has obtained funds for the purpose of providing investors with professional investment management services;
- The Company's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and
- The investments are measured and evaluated on a fair value basis.

In accordance with IFRS 10, the Company does not consolidate its subsidiaries and does not apply IFRS 3 when obtaining control over a new investment.

Foreign currency translation

The Company's functional currency is DKK. Transactions denominated in foreign currencies are translated at the exchange rates at the date of the transaction.

Receivables, liabilities and other items in foreign currencies which have not been settled at the statement of financial position date are translated at the exchange rates at the statement of the financial position date.

Realised and unrealised exchange rate adjustments are included in the income statement as financial income or financial expenses.

Income statement

Administrative expenses

Administrative expenses comprise payments to CataCap Management ApS for investment advisory and administrative services.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the reporting period. Financial income and expenses include interest income and expense and realised and unrealised exchange rate gains and losses on foreign currency transactions.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Income tax

The Company is transparent for tax purposes and thus not independently liable to income tax. Consequently, income tax has not been recognised.

Statement of financial position

Investments in subsidiaries

Investments in subsidiaries are measured at fair value at the statement of the financial position date. Value adjustments are recognised in the income statement.

Receivables

Receivables are measured at amortised cost. Write-down for bad debt is based on an individual assessment of receivables.

Liabilities

Liabilities are measured at amortised cost.

Financial statements 1 January – 31 December

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2 Investments in subsidiaries

All investments in subsidiaries are classified within level 3 as observable valuation inputs are not available for these investments.

The movements within level 3 during the year were as follows:

DKK'000	2018	2017
Opening balance 1 January	500	0
Investments during the year	76,265	500
Gains recognised in profit and loss	23,547	0
Closing balance at 31 December	100,312	500

All value adjustments are included in "value adjustment of subsidiaries" in the statement of comprehensive income.

Investments in subsidiaries are specified as follows:

DKK'000	Registered office	Share capital	Votes and ownership	Equity	Profit/loss for the year
31 December 2018					
CC Lingo Invest ApS	Frederiksberg, Denmark	60	100%	67,657	-12,716
CC Fly Invest ApS	København, Denmark	50	100%	1,736	-1,814

CataCap carries out valuations of investments quarterly with the objective to provide investors with a Fair Market Value (FMV) estimate of their equity investments. CataCap follows the valuation guidelines published by International Private Equity and Venture Capital Board (IPEV) or Private Equity Industry Guidelines Group (PEIGG) as recommended by the Danish Venture Capital and Private Equity Association (DVCA).

Valuation principles and methods

In estimating the FMV of an investment, CataCap strives to apply techniques that take into account the nature, facts and circumstances of the investments using current market data and inputs.

Financial statements 1 January – 31 December

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2 Investments in subsidiaries (continued)

When valuing the portfolio companies, CataCap seeks to select the valuation technique that is most appropriate for the specific investment in question. The techniques that CataCap considers include:

- Price of recent investment
- Multiples.

Although each valuation technique may have its merits under different circumstances, CataCap will generally consider 'Price of recent investment' or 'Multiples' as the most appropriate method for assessing the FMV of an investment that is making adequate returns. More specifically, 'Price of recent investment' will typically be the best indicator of FMV short-term, while 'Multiples' typically will be applied medium to long-term.

When applying a 'Multiples'-based approach, CataCap will seek to use companies that are comparable in terms of risk attributes and with prospective growth in earnings. This is often more likely when the companies are comparable in terms of business activities, markets served, size, geography and applicable tax rate. Further, CataCap will generally favour 'Multiples' that are based on forward-looking financial earnings to the extent that data is available and reliable. In order to ensure that the financial earnings applied are maintainable, CataCap will also seek to adjust for non-recurring items.

To ensure consistency, CataCap seeks to limit changes to the peer group (i.e. same peers and weight) since entry in order to ensure that

- the FMV of the investment mirrors the relative change in the peer group, and
- to ensure traceability/comparability across valuation dates.

Below are listed the main assumptions used in the valuation models, including unobservable inputs:

	Interval for EBITDA multi- ples used	Weighted average between the actual audited EBITDA and budget for 2018
Used multiples 2018	7.1-9.8	7.8

Sensitivity analysis

CataCap II K/S' statement of financial position consists primarily of equity investments in the fund's portfolio companies recognised at estimated fair value. The valuation of the portfolio companies reflects the current and expected performance of the individual companies as well as multiples of a defined peer group. The value is not realised until the exit of the portfolio company.

The below table shows the change in valuation when changing EBITDA or the valuation multiple for each equity value in the portfolio. The sensitivity analysis is prepared for all level 3 investment groups together:

	2018
Change in EBITDA or Multiples:	Value:
5.0%	115
2.5%	105
0%	100
-2.5%	100
-5.0%	100

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3 Equity

The stated contributed capital represents the limited partners' total equity contribution. The capital is divided into limited partnership shares of DKK 1. CataCap II K/S has a total committed capital of DKK 1.7 billion, of which DKK 123 million was paid at 31 December 2018.

DKK'000	2018	2017
Contributed Capital as of 1 January	0	0
Contributed capital	122,983	0
Share Capital as of 31 December	122,983	0

The objective of the Partnership is to achieve medium to long-term capital growth through investing in a selection of unlisted private companies operating mainly in Denmark.

The Company's objective is a return on the invested capital, as the portfolio companies have exited. Dividends are then paid out to the limited partners in line with receipt of proceeds.

4 Financial instruments

Due to the Company's activities, it is only exposed to a limited variety of financial risks.

The Company has no significant transactions in foreign currencies.

The Company has no debt other than normal credit facilities (DKK 3,674 thousand at 31 December 2018 (2017: 5,465 thousand) and, accordingly, the Company is not subject to significant liquidity risk or interest rate risk.

Furthermore, the Company has no significant concentration of credit risk. The Company assesses all counterparties, including its partners, for credit risk before contracting with them. The Company does not obtain any collateral or other credit risk enhancers, which may reduce the Partnership's exposure.

The Company does not use derivative financial instruments to moderate certain risk exposures.

5 Related parties and ownership

The Company's related parties consists of:

CataCap Management A/S provides investment advisory and administration services to CataCap II K/S.

Other related parties

The Company's other related parties consist of:

- CataCap General Partner II ApS who has entered into investment advisory and administration agreements with CataCap Management A/S and CataCap Dm II ApS
- Subsidiaries, with whom transactions are presented in the statement of financial position on page 9.

Financial guarantees

CataCap II K/S is a guarantor of a loan on nominal value of DKK 50,000 thousand issued to CC Lingo Invest ApS and 175,000 thousand issued to CC Fly Invest ApS.

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5 Related parties and ownership (continued)

Transactions

Transactions with related parties are carried out on an arm's length basis.

DKK'000	2018	2017
General Partner		
Investment and administration fees	35,860	10,134
	<u>35,860</u>	<u>10,134</u>

6 Significant accounting estimates and judgements

In connection with the preparation of the financial statements, Management makes accounting estimates and judgements that affect the assets and liabilities reported at the reporting date as well as the income and expenses reported for the financial period. In accordance with the requirements of IFRS, Management reassesses these estimates and judgements based on a number of factors and criteria relevant to the given circumstances.

The valuation of investments in subsidiaries at fair value includes assumptions made about the future and other sources of estimation uncertainty at the end of the reporting period. Information about the valuation techniques, key inputs and sensitivity information are disclosed in note 2.

No significant judgements, apart from those involving estimations, have been made in the process of applying the Company's accounting policies.

7 New accounting regulation

At the date of the presentation of this annual report, a number of new or amended standards and interpretations exist that have not yet become effective and therefore are not applied when preparing the financial statements for 2018.

The new standards and interpretations will be implemented as they become mandatory.

It is Management's assessment that none of these will significantly affect the Company's financial statements for the coming financial years.