

ANNUAL REPORT

2018

Signed at the company's annual general meeting, May 29, 2019

Conductor Martin Rudbæk Nielsen
Legal Director

Innovation Investment K/S
c/o Strandvejen 104A, 2900 Hellerup
CVR 39 00 02 37

Annual report for the period 9 October 2017 – 31 December 2018

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Information about the company

Innovation Investment K/S	Registration No. 39 00 02 37
Registered office	c/o Vækstfonden Strandvejen 104A, 3rd floor 2900 Hellerup Denmark
General Partner	Innovation Investment Komplementar ApS
Investment Manager	Vækstfonden Strandvejen 104A, 3rd floor 2900 Hellerup Denmark
Auditor	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup Denmark
Bank	Nordea Bank Danmark A/S Christiansbro Strandgade 3 0900 København C Denmark

Management's statement

The Management has today discussed and approved the annual report of Innovation Investment K/S for the period 9 October 2017 (date of inception) – 31 December 2018.

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act with respect to recognition and measurement.

We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of Innovation Investment K/S's assets, liabilities and financial position at 31 December 2018 as well as of the results of Innovation Investment K/S's activities and cash flows for the financial period 9 October 2017 – 31 December 2018.

Copenhagen, 7 May 2019

Rolf Hauge Kjærgaard

Mikkel Hesselgren



Independent auditor's report

To the Limited Partners of Innovation Investment K/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Innovation Investment K/S at 31 December 2018, and of the results of Innovation Investment K/S' operations for the financial period 9 October 2017 (date of inception) - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Innovation Investment K/S for the financial period 9 October 2017 – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards 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 Innovation Investment K/S 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

Based on the work we have performed, in our view, Management's 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 in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management



determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 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 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 judgment and maintain professional skepticism 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.



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, 7 May 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Niels Henrik B. Mikkelsen
State Authorised Public Accountant
Mne16675

Management's Review

This annual report relates to the first financial year of Innovation Investment K/S for the period 9 October 2017 – 31 December 2018.

Objective

Innovation Investment K/S' objective is to generate income and capital appreciation by investing in the portfolio fund Innovation Endeavors III L.P.

Capital

The total committed capital of the fund is USD 30 million. In total an amount of USD 4.5 million has been called, corresponding to 15% of the total commitment.

During the first financial year, the fund signed a commitment to Innovation Endeavors III L.P. of USD 30 million out of which a total of USD 4.5 million was called.

Management of the company

Innovation Investment K/S has no employees. A management agreement has been entered between Innovation Investment K/S and Vækstfonden.

Events after the balance sheet date

No events have occurred after the balance sheet date, which may materially affect the assessment of Innovation Investment K/S' financial position.

Financial Statements

Innovation Investment K/S
Financial Statements 2018
(9 October 2017 – 31 December 2018)

Accounting policies

Basis of Preparation

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities with additional provisions applying to reporting class C entities with respect to recognition and measurement. Where the guidelines set out by the International Private Equity & Venture Capital Valuation Guidelines Board (IPEV Board) – Investor Reporting Guidelines (IRG) & International Private Equity and Venture Capital Valuation Guidelines (IPEV Valuation Guidelines) - are consistent with the Danish Financial Statements Act, the Financial Statements have been prepared in compliance with the recommendations of the IPEV Board.

The Financial Statements are presented in USD.

Currency exchange rate 31/12/18 (USD/DKK): 6,52

Recognition and measurement

Value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized in the income statement. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement. This includes depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to Innovation Investment K/S and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out from Innovation Investment K/S and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Financial Statements, which confirm or invalidate affairs and conditions existing on the balance sheet date.

USD are used as the measurement currency. All other currencies are regarded as foreign currencies.

Conversion policies

Transactions in foreign currencies are converted at the exchange rates at the transaction date. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized as financial income and expenses in the income statement. Where foreign exchange transactions are considered to hedge future cash flows, the value adjustments are recognized directly in equity.

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

differences between the exchange rates on the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

Income Statement

Result from investments in funds

The item "Profit (loss) on investments" in the income statement includes the proportionate share of the profit for the year in Innovation Investment K/S' investments (funds) which includes realized and unrealized profit and loss on investments in portfolio companies.

Administrative expenses

Administrative expenses are composed of management fee, audit and legal fees as well as other costs related to the administration of Innovation Investment K/S.

Finance income and expenses

Finance income and expenses are composed of interest and other financial costs related to Innovation Investment K/S' bank facilities etc.

Tax on profit/loss for the period/year

Innovation Investment K/S is not an independent tax entity and consequently no tax on the profit for the period/year is recognized in the income statement.

Balance Sheet

Investments in funds

Investments in funds are measured at fair value based on Innovation Investment K/S' proportionate share of the investments in the funds. Investments in funds are measured in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Trade payables and other payables

Trade payables and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are recognized at fair value.

Borrowings

Borrowings relate to Innovation Investment K/S' line of credit and are recognized at fair value.

Cash Flow Statement

The cash flow statement shows Innovation Investment K/S' cash flows for the period/year broken down into operating, investment and financing activities, changes for the period/year in cash and cash equivalents as well as Innovation Investment K/S' cash and cash equivalents at the beginning and end of the period/year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the period/year adjusted for

changes in working capital and noncash operating items such as provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investment activities

Cash flows from investment activities are composed of cash flows from payments to and distributions from investee funds.

Cash flows from financing activities

Cash flows from financing activities are composed of cash flows from payments from and distributions to Limited Partners.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and borrowings.

Income Statement

USD	Note	Year	
		09.10.2017	31.12.2018
Profit (loss) on investments			
Value adjustment of investments in portfolio funds	1		<u>(645.299)</u>
Total profit (loss) on investments			<u>(645.299)</u>
Administrative expenses			
Management fee			0
Other administrative expenses	2		<u>(21.294)</u>
Total administrative expenses			<u>(21.294)</u>
Operating profit (loss)			(666.593)
Finance costs, net	3		41.771
Profit (loss) for the period			<u>(624.822)</u>
Recommended appropriation			
Retained earnings at 31 December			<u>(624.822)</u>

Balance sheet

USD	Note	31.12.2018
Assets		
Non-current assets		
Investment in funds	4	<u>3.854.701</u>
Total non-current assets		<u>3.854.701</u>
Current assets		
Other receivables		<u>41.771</u>
Total current assets		<u>41.771</u>
Total assets		<u>3.896.472</u>
Capital account and liabilities		
Capital account		
Total committed capital from Limited Partners		30.000.000
Commitment not yet paid-in by Limited Partners		(25.500.000)
Distributions		0
Retained earnings		<u>(624.822)</u>
Total capital account		<u>3.875.178</u>
Current liabilities		
Trade and other payables	5	<u>21.294</u>
Total current liabilities		<u>21.294</u>
Total capital account and liabilities		<u>3.896.472</u>
Related-party transactions	6	

Statement of cash flows

USD	Year	
	09.10.2017	31.12.2018
Operating profit (loss)	(666.593)	
Value adjustment of investments in portfolio funds	645.299	
Change in working capital	21.294	
Cash flow from operations	0	
Distributions from funds	0	
Contributions to funds	(4.500.000)	
Cash flow from investing activities	(4.500.000)	
Contributions to Limited Partners	0	
Contributions by Limited Partners	4.500.000	
Cash flow from financing activities	4.500.000	
Net increase/decrease in cash	0	
Cash & cash equivalents at beginning of period	0	
Cash & cash equivalents at the end of the period	0	

Statement of changes in equity

USD	Total committed capital	Subscribed not paid capital	Retained earnings	Distributions	Total
Balance beginning of period	30.000.000	(30.000.000)	0	0	0
Contributions by Limited Partners	0	4.500.000	0	0	4.500.000
Distributions to Limited Partners	0	0	0	0	0
Profit (loss)	0	0	(624.822)	0	(624.822)
Balance at the end of the period	30.000.000	(25.500.000)	(624.822)	0	3.875.178

Notes

USD	Year	
	09.10.2017	31.12.2018
Note 1 Value adjustments on investments		
Innovation Endeavors III LP		<u>(645.299)</u>
Total value adjustments on investments		<u>(645.299)</u>
Management fee and other expenses		<u>(645.299)</u>
Total value adjustments on investments		<u>(645.299)</u>
Note 2 Other administrative expenses		
Lawyer (establishment costs)		(11.504)
Audit		(2.684)
Lawyer and consultancy, investment related		(5.694)
Innovation Invest Komplementar ApS		<u>(1.412)</u>
Total other administrative expenses		<u>(21.294)</u>
Note 3 Finance income & costs		
Interest, equalisation		<u>41.771</u>
Total finance income & costs		<u>41.771</u>

USD	Year	
	09.10.2017	31.12.2018
Note 4 Investments in funds		
Cost at beginning of period		0
Additions		4.500.000
Cost at end of period		4.500.000
Value adjustments at beginning of period		0
Value adjustments for the period		(645.299)
Value adjustments at end of period		(645.299)
Net book value at end of period		3.854.701
Note 5 Trade and other payables		
Accrued expenses		21.294
Total trade and other payables		21.294
Note 6 Related-party transactions		
Fee - Innovation Investment Komplementar ApS		(1.412)
Administrative expenses paid by Vækstfonden		(17.198)
Receivable Vækstfonden (equalisation interest)		41.771
Total related-party transactions		23.161