

# ANNUAL REPORT 2019

Signed at the company's annual general meeting, 23/4 2020

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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 1 January – 31 December 2019

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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

## Statement by the Management

The Management has today discussed and approved the annual report of Innovation Investment K/S for the period 1 January – 31 December 2019.

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 2019 as well as of the results of Innovation Investment K/S's activities and cash flows for the financial period 1 January – 31 December 2019.

Copenhagen, 17 February 2020

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 2019, and of the results of Innovation Investment K/S' operations for the financial period 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Innovation Investment K/S for the financial period 1 January – 31 December 2019, 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, 17 February 2020

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31

Niels Henrik B. Mikkelsen  
State Authorised Public Accountant  
Mne16675

## Management's Review

### *Objective*

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

### *Events during the year*

The financial year shows a negative result of USD 24,965 and the balance statement as of 31 December 2019 shows a capital account of USD 9,537,713.

### *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.

**Innovation Investment K/S**  
Financial Statements 2019

## 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.

The accounting policies applied are consistent with those of last year.

The Financial Statements are presented in USD.

Currency exchange rate 31 December 2019 (USD/DKK): 6,6759

Currency exchange rate 31 December 2018 (USD/DKK): 6,5194

### *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.

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 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.

The investments are recognized at fair value at the balance sheet date in accordance with the Danish Financial Statements Act § 37 and § 41.

### *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 amortized cost.

### *Borrowings*

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

## **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 portfolio 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	01.01.2019 31.12.2019	09.10.2017 31.12.2018
<b>Profit (loss) on investments</b>			
Value adjustment of investments in portfolio funds	1	<u>(18.552)</u>	<u>(645.299)</u>
<b>Total profit (loss) on investments</b>		<b><u>(18.552)</u></b>	<b><u>(645.299)</u></b>
<b>Administrative expenses</b>			
Other administrative expenses	2	<u>(6.413)</u>	<u>(21.294)</u>
<b>Total administrative expenses</b>		<b><u>(6.413)</u></b>	<b><u>(21.294)</u></b>
<b>Operating profit (loss)</b>		(24.965)	(666.593)
Finance costs	3	0	41.771
<b>Profit (loss) for the period</b>		<b><u>(24.965)</u></b>	<b><u>(624.822)</u></b>
Recommended appropriation			
<b>Retained earnings at 31 December</b>		<b><u>(24.965)</u></b>	<b><u>(624.822)</u></b>

## Balance sheet

USD	Note	31.12.2019	31.12.2018
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in funds	4	9.523.649	3.854.701
<b>Total non-current assets</b>		<b>9.523.649</b>	<b>3.854.701</b>
<b>Current assets</b>			
Other receivables		42.083	41.771
<b>Total current assets</b>		<b>42.083</b>	<b>41.771</b>
<b>Total assets</b>		<b>9.565.732</b>	<b>3.896.472</b>
<b>Capital account and liabilities</b>			
<b>Capital account</b>			
Total committed capital from Limited Partners		35.000.000	30.000.000
Commitment not yet paid-in by Limited Partners		(24.812.500)	(25.500.000)
Retained earnings		(649.787)	(624.822)
<b>Total capital account</b>		<b>9.537.713</b>	<b>3.875.178</b>
<b>Current liabilities</b>			
Line of credit		312	0
Trade and other payables	5	27.707	21.294
<b>Total current liabilities</b>		<b>28.019</b>	<b>21.294</b>
<b>Total capital account and liabilities</b>		<b>9.565.732</b>	<b>3.896.472</b>

## Statement of cash flows

<b>USD</b>	<b>01.01.2019 31.12.2019</b>	<b>09.10.2017 31.12.2018</b>
Operating profit (loss)	(24.965)	(666.593)
Value adjustment of investments in portfolio funds	18.552	645.299
Change in working capital	6.102	21.294
Interest paid/received	(0)	0
<b>Cash flow from operations</b>	<b>(312)</b>	<b>(0)</b>
Contributions to funds	(5.687.500)	(4.500.000)
<b>Cash flow from investing activities</b>	<b>(5.687.500)</b>	<b>(4.500.000)</b>
Contributions by Limited Partners	5.687.500	4.500.000
<b>Cash flow from financing activities</b>	<b>5.687.500</b>	<b>4.500.000</b>
<b>Net increase/decrease in cash</b>	<b>(312)</b>	<b>0</b>
Cash & cash equivalents at beginning of period	0	0
<b>Cash &amp; cash equivalents at the end of the periods</b>	<b>(312)</b>	<b>0</b>

## Statement of changes in equity

<b>USD</b>	<b>Total committed capital</b>	<b>Subscribed not paid capital</b>	<b>Retained earnings</b>	<b>Distributions</b>	<b>Total</b>
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)
<b>December 31, 2018</b>	<b>30.000.000</b>	<b>(25.500.000)</b>	<b>(624.822)</b>	<b>0</b>	<b>3.875.178</b>
Change in committed capital	5.000.000	(5.000.000)	0	0	0
Contributions by Limited Partners	0	5.687.500	0	0	5.687.500
Distributions to Limited Partners	0	0	0	0	0
Profit (loss)	0	0	(24.965)	0	(24.965)
<b>December 31, 2019</b>	<b>35.000.000</b>	<b>(24.812.500)</b>	<b>(649.787)</b>	<b>0</b>	<b>9.537.713</b>

## Notes

<b>USD</b>	<b>01.01.2019</b>	<b>09.10.2017</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Note 1 Value adjustments on investments</b>		
Innovation Endeavors III LP	(18.552)	(645.299)
DCVC V, L.P.	0	0
<b>Total value adjustments on investments</b>	<u>(18.552)</u>	<u>(645.299)</u>
Value adjustments in portfolio investments	680.325	0
Management fee and other expenses	(698.876)	(645.299)
<b>Total value adjustments on investments</b>	<u>(18.552)</u>	<u>(645.299)</u>
<b>Note 2 Other administrative expenses</b>		
Lawyer (establishment costs)	0	(11.504)
Audit	(5.282)	(2.684)
Lawyer and consultancy, investment related	0	(5.694)
Innovation Investment Komplementar ApS fee	(1.123)	(1.412)
Other administrative expenses	(8)	0
<b>Total other administrative expenses</b>	<u>(6.413)</u>	<u>(21.294)</u>
<b>Note 3 Finance income &amp; costs</b>		
Interest, equilisation	0	41.771
<b>Total finance income &amp; costs</b>	<u>(0)</u>	<u>41.771</u>

<b>USD</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
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**Note 4 Investments in funds**

Cost at beginning of period	4.500.000	0
Additions	5.687.500	4.500.000
<b>Cost at end of period</b>	<b>10.187.500</b>	<b>4.500.000</b>
Value adjustments at beginning of period	(645.299)	0
Value adjustments for the period	(18.552)	(645.299)
<b>Value adjustments at end of period</b>	<b>(663.851)</b>	<b>(645.299)</b>
<b>Net book value at end of period</b>	<b>9.523.649</b>	<b>3.854.701</b>

**Note 5 Trade and other payables**

Trade payables	27.707	21.294
<b>Total trade and other payables</b>	<b>27.707</b>	<b>21.294</b>