



ADVANTAGE PE 2018 A K/S

Sundkrogsgade 7
2100 Copenhagen
CVR No. 39824973

Annual report 29.08.2018 - 31.12.2019

The Annual General Meeting adopted the
annual report on 1. juni 2020

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2018/19	9
Balance sheet at 31.12.2019	10
Statement of changes in equity for 2018/19	12
Notes	13
Accounting policies	15

Entity details

Entity

ADVANTAGE PE 2018 A K/S

Sundkrogsgade 7

2100 Copenhagen

CVR No.: 39824973

Date of foundation: 29.08.2018

Registered office: København

Financial year: 29.08.2018 - 31.12.2019

Executive Board

ADVANTAGE PE 2018 A GP ApS

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Executive Board have today considered and approved the annual report of ADVANTAGE PE 2018 A K/S for the financial year 29.08.2018 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 29.08.2018 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 30.04.2020

Executive Board

ADVANTAGE PE 2018 A GP ApS

Independent auditor's report

To the Limited Partners of ADVANTAGE PE 2018 A K/S

Opinion

We have audited the financial statements of ADVANTAGE PE 2018 A K/S for the financial year 29.08.2018 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 29.08.2018 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management 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 with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 30.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Thorø Larsen

State Authorised Public Accountant
Identification No (MNE) mne35823

Management commentary

Primary activities

ADVANTAGE PE 2018 A K/S (ADVANTAGE 2018) is a fund-of-funds with a geographical focus on investments in North America. Commitments are made to mid-market buy-out funds only.

Development in activities and finances

The financial year resulted in a loss of USD 1.27 million. The result was substantially burdened by establishment cost and due diligence cost associated with the completion of four portfolio fund commitments. Even though the investment activities in the underlying funds had a positive return, the overall results of each portfolio funds were negative due to establishment costs, management fees etc.

The aggregate result on investments in portfolio funds was hence negative by USD 0.30 million. Establishment cost, legal and tax due diligence cost and other administrative expenses in the form of management fee and fund operating expenses amounted to USD 0.97 million. The result is in line with management expectations and a function of the J-curve shape of a private equity portfolio.

In the financial year an aggregate amount of USD 6.84 million was paid-in by the limited partners corresponding to 19.84% of the limited partners' committed capital. An aggregate amount of USD 3.24 million was contributed to the portfolio funds during the financial year corresponding to 10.12% of the commitments to the portfolio funds. An amount of USD 0.02 million was distributed from portfolio funds during the financial year. Subsequent to year end 2019 and prior to the completion of the financial statement for 2019, another 2.03 million has been contributed to the portfolio funds bringing aggregate contributions as of 28 April 2020 up to 16.47 % in total.

Special risk

Financial risk

The objective of ADVANTAGE 2018 is to provide capital to portfolio funds, and thereby finance the underlying investments in competitive companies in the North American mid market. The highest factor of risk is the changes in the valuations of the companies in which ADVANTAGE 2018's portfolio funds invest in, which are based on both the development in earnings and the valuations of comparable listed companies. The portfolio valuations are based on an estimate and therefore subject to some degree of uncertainty.

Interest rate risk

ADVANTAGE 2018 is less sensitive to the changes in interest rate levels.

Foreign exchange currency risk

ADVANTAGE 2018's portfolio fund commitments are all made in USD. As the capital in ADVANTAGE 2018 is also in USD, the currency risk is considered insignificant.

Investment Activity

In the period from inception to 31 December 2019 ADVANTAGE 2018 is fully committed to four portfolio funds. Since inception the portfolio funds have in general performed very well.

Cash Resources

ADVANTAGE 2018's cash resources as of 31 December 2019, include cash and cash equivalents and outstanding

commitments from the limited partners and are deemed sufficient to cover ADVANTAGE 2018's current liabilities.

Expectation for 2020

Due to the outbreak of COVID-19 in the first half of 2020, the outlook for the global economy is uncertain. However, it is the expectations that COVID-19 will result in substantial investment opportunities for the private equity portfolio funds as has been the case in periods following prior global crises.

Furthermore, as ADVANTAGE 2018 is out of investment period, the management fee will be lowered substantial in 2020 resulting in an expense reduction in the level of USD 0.7 million.

The above-mentioned will affect the result for 2020 which is expected to be negative as a function of the J-curve shape of a private equity portfolio but better than current financial year.

Events after the balance sheet date

The outbreak and spread of coronavirus (COVID-19) in 2020 has among others resulted in financial market declines from the end of February until the adoption of the Annual Report. This may have an adverse influence on the Company's fair value of investments and earnings expectations for 2020. Due to the general uncertainty that currently exists associated with assessing the future impact of COVID-19, there is considerable uncertainty associated with the assessment of the fair values of the investments assets, but there is currently no need for further impairment of the investment portfolio.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this Annual Report.

Income statement for 2018/19

	Notes	2018/19 USD
Fair value adjustments of other investment assets	1	(299,071)
Other external expenses	2	(966,365)
Gross profit/loss		(1,265,436)
Other financial income		385
Other financial expenses		(2,194)
Profit/loss for the year		(1,267,245)
Proposed distribution of profit and loss:		
Retained earnings		(1,267,245)
Proposed distribution of profit and loss		(1,267,245)

Balance sheet at 31.12.2019

Assets

	Notes	2019 USD
Other investments		2,920,945
Other financial assets	3	2,920,945
Fixed assets		2,920,945
Cash		2,666,076
Current assets		2,666,076
Assets		5,587,021

Equity and liabilities

	Notes	2019 USD
Contributed capital		6,840,116
Retained earnings		(1,267,245)
Equity		5,572,871
Other payables		14,150
Current liabilities other than provisions		14,150
Liabilities other than provisions		14,150
Equity and liabilities		5,587,021
Contingent liabilities	4	
Related parties with controlling interest	5	

Statement of changes in equity for 2018/19

	Contributed capital USD	Retained earnings USD	Total USD
Contributed upon formation	6,840,116	0	6,840,116
Profit/loss for the year	0	(1,267,245)	(1,267,245)
Equity end of year	6,840,116	(1,267,245)	5,572,871

The investors have agreed upon a total commitment of USD 34,47 million. As of 31.12.2019 the total remaining commitment amount to USD 27,62 million.

Notes

1 Fair value adjustments of other investment assets

The unrealised losses on investments in the financial year consist of a total of USD 299,071.

2 Other external expenses

The Company has no employees.

Management has not received remuneration.

3 Financial assets

Investments in portfolio funds

The Company has through investments in portfolio funds ownership of mainly unquoted investments. The Company has no controlling or significant influence on the portfolio funds in which the Company has invested.

The portfolio funds in which the Company has invested all use common accepted guidelines for measuring the fair value. The measuring of the fair value of the investments in underlying portfolio companies are made by the managers of the portfolio funds.

Usually the Company has no or very little information about specific methods and assumptions used by the managers of the portfolio funds when measuring the fair value of the underlying portfolio companies. The manager's valuation committee will assess and if considered necessary adjust the valuation of the underlying portfolio companies. At the assessment of the fair value of the underlying portfolio companies reported by the managers, information about the market conditions, company specific information as well as information received through dialog with the managers of the portfolio funds are used.

The value of a private equity fund is measured as the fair value of each investment in portfolio companies owned by the fund with addition of other net assets in the fund. The valuation of a portfolio company in a private equity fund is based on the industry, market position and earnings capacity, and the (i) the peer group multiple, i.e. the market value of comparable listed companies, (ii) transaction multiple in recent M&A transactions involving comparable companies, (iii) value indications from potential buyers of the portfolio company, (iv) market value if the portfolio company is publicly traded or (v) future expected proceeds, if there is a concluded agreement on the sale of the portfolio company.

The Company invests in buy-out funds. The investments made by the portfolio funds are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 – Inputs based upon quoted prices for identical assets and liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Unobservable input.

Fair market value measurements as of 31 december 2019

	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
USD 1,000				
Investments in portfolio funds	0	0	2.920.945	2.920.945
Total	0	0	2.920.945	2.920.945

4 Contingent liabilities

There is a remaining investment commitment of a total of USD 28,8 million.

In addition there are no guarantees or other contingent liabilities of the Company.

5 Related parties with controlling interest

Manager

Manager from 29.08.2018:

ADVANTAGE Investment Partners A/S, Sundkrogsgade 7, 2100 Copenhagen.

Transactions: Management fee.

General Partner

General Partner from 29.08.2019:

ADVANTAGE PE 2018 A GP ApS, Sundkrogsgade 7, 2100 Copenhagen.

Transactions: General partner fee.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

This is the Company's first financial year and comprise the period 29.08.2018 – 31.12.2019, and hence no comparative figures have been presented.

Reporting currency is U.S. Dollars (USD).

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 Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Fair value adjustments of other investment assets

Fair value adjustments of other investment assets comprise adjustments for the financial year of the Entity's investment assets measured at fair value at the balance sheet date.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including management fee, general partner fee, etc.

Other financial income

Other financial income comprises interest, and net exchange rate adjustments on transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest, and net exchange rate adjustments on transactions in foreign currencies.

Balance sheet

Other investments

Other current asset investments comprise unlisted investments measured at fair value and are measured in accordance with the IPEV Valuation Guidelines or similar guidelines depending on the country of domicile of the portfolio funds, according to which investments are measured at the fair value. Revaluations are included in the profit and loss account.

Investments in unlisted private equity funds are valued on the basis of the latest reporting received from the respective sub-funds. The reports from the funds contain a valuation of the private equity fund, including a valuation of each individual portfolio company. The value of a private equity fund consists of the sum of the values of the portfolio companies in which the fund has invested in, and the value of other net assets.

Outstanding investment commitments at the balance sheet date are disclosed as contingent liabilities in the notes.

Cash

Cash comprises cash in bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.