

Danske PEP 2018 Danica Co-Investment K/S

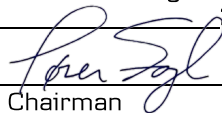
CVR-no. 40 01 74 29

AIF-no. 24499

c/o Gorrissen Federspiel
Axeltorv 2
1609 Copenhagen V

The Annual Report has been presented
and approved at the Limited Partner-
ship's Annual General Meeting:

28 February 2022


Chairman

Annual Report

October 1, 2020 - September 30, 2021

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Management's statement on the annual report

The management has today discussed and approved the annual report for Danske PEP 2018 Danica Co-Investment K/S for the financial year October 1, 2020 – September 30, 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Limited Partnership's assets, liabilities and financial position as of September 30, 2021, as well as of the result of the Limited Partnership's activities for the financial year October 1, 2020 – September 30, 2021.

Furthermore, in our opinion, the Management's review gives a fair review of the development in the Limited Partnership's operations and financial matters and the results of the Limited Partnership's operations and financial position as a whole.

The annual report is recommended to be approved at the Annual General Meeting.

Copenhagen, December 17, 2021

Management:

General Partner
DPE Partners 2018 GP ApS
Søren Kølle Christensen
Chief Executive Officer

Independent auditor's report

To the Limited Partners of Danske PEP 2018 Danica Co-Investment K/S

Opinion

We have audited the financial statements of Danske PEP 2018 Danica Co-Investment K/S for the financial year October 1, 2020 – September 30, 2021, which comprise accounting policies, income statement, balance sheet and notes. 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 financial position of the Company at September 30, 2021 and of the results of the Company's operations for the financial year October 1, 2020 – September 30, 2021 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 note 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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, December 17, 2021
EY GODKENDT REVISIONSPARTNERSELSKAB
CVR no. 30 70 02 28

Rasmus Berntsen
State Authorised
Public Accountant
mne35461

Management's review

Fund summary

Company:	Danske PEP 2018 Danica Co-Investment K/S c/o Gorrissen Federspiel Axeltorv 2 1609 Copenhagen V, Denmark
	CVR. no.: 40 01 74 29 AIF.no: 24499 Established: November 12, 2018 Registered office: Copenhagen Financial year: October 1 - September 30
Management:	General Partner DPE Partners 2018 GP ApS with Chief Executive Officer Søren Kølle Christensen
Auditor:	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 Postboks 250 2000 Frederiksberg, Denmark
Depository:	PEA Depository Services ApS (FT-no. 25701)
Manager (FAIF):	Danske Private Equity A/S (FT-no: 23026) Website: www.danskeprivateequity.com

Main and key figures

EUR 1,000	1/10 2020 30/9 2021	1/10 2019 30/9 2020
Gains/losses on investments in portfolio funds	9,506	5,940
Operating profit	8,535	5,211
Net financial income and expenses	-24	-26
Profit/loss	-8,511	5,185
Total assets	41,563	31,621
Total Limited Partner's capital	40,000	30,874
Investments in portfolio funds	41,485	27,148
Performance ratio *	1.50	1.21

* Accumulated distributions and capital account end period (reduced by unpaid capital)/accumulated paid-up capital.

Management's review

Main activity

Danske PEP 2018 Danica Co-Investment K/S is a fund with a focus on co-investments in Europe and North America with one or more other Danske PEP 2018 partnerships. Investments are mainly made in small and mid market companies with managers known by Danske Private Equity.

Development in the financial year

The financial year resulted in a profit of EUR 8.5 million. Gains on co-investments amounted to EUR 9.5 million. Administrative costs amounted to EUR 1.0 million mainly due to organizational expenses.

The result is higher than expected. The COVID-19 pandemic has had a positive impact on the portfolio.

In the financial year, an aggregate amount of EUR 2.6 million was paid-up by the Limited Partners, bringing the accumulated paid-up capital to EUR 28.0 million corresponding to 56.0%. An aggregated amount of EUR 6.9 million was contributed to co-investments during the financial year, bringing total contributed capital to co-investments to EUR 27.7 million.

No amount has yet been distributed from the co-investments nor to the Limited Partners.

Special risks

Financial risks

The objective of Danske PEP 2018 Danica Co-Investment is to supply risk capital to competitive companies in the European and North American small and mid market. The highest factor of risk is therefore the changes in the value of the companies in which Danske Danske PEP 2018 Danica Co-Investment invests in, which to a significant extent depend on the valuations of comparable listed companies on the quoted market. The valuation of the co-investments is an accounting estimate and could be connected with some uncertainty especially due to the COVID-19 pandemic.

Interest rate risk

Danske PEP 2018 Danica Co-Investment is less sensitive to the changes in interest rate levels.

Foreign exchange currency risks

Danske PEP 2018 Danica Co-Investment has made co-investments in USD. As the capital in Danske PEP 2018 Danica Co-Investment is in EUR, Danske PEP 2018 Danica Co-Investment is influenced by currency fluctuations in USD. The currency risk is therefore considered as material. Under Danske PEP 2018 Danica Co-Investment's investment policy, Danske PEP 2018 Danica Co-Investment does not hedge its exposure toward currency rate fluctuations.

Investment activity

In the period from inception to September 30, 2021 Danske PEP 2018 Danica Co-Investment has invested in four companies. The companies has performed better than expectations.

Management's review

Cash resources

Danske PEP 2018 Danica Co-Investment's cash resources as of September 30, 2021, include cash and cash equivalents, undrawn credit facilities and outstanding commitments from the Limited Partners, and are estimated as satisfactory to cover Danske PEP 2018 Danica Co-Investment's liabilities including investment obligations, administrative expenses etc.

Expectations for 2021/21

The fund is expected to be fully allocated during the fiscal year 2021/22. The portfolio have been carefully constructed to provide an attractive risk/reward profile using a conservative approach when it comes to leverage and the perceived resilience of sectors in a downturn. The composition of the portfolio is well suited for the market environment and should continue to contribute positive to next year's results.

The development in the valuation of the co-investments will still be influenced mainly by the individual company results/cash generating ability as well as the valuations of comparable, listed companies. The above-mentioned development along with the general economic development in the light of the COVID- 19 pandemic will affect the result for 2021/22.

On balance, the result is expected to be better than the current year.

Disclosure requirements in respect of § 61 section 3 stated in the law of managers of alternative investment funds

We can inform, that during the financial year there have been no changes in §§ 62, 64 and 65 regarding the disclosures.

In respect of the requested disclosure of total remunerations paid to the employees and the management of Danske Private Equity A/S, this can be found on www.danskeprivateequity.com. The disclosures are given on manager level and are neither allocated nor shown per individually managed fund.

Post balance sheet events

No events have occurred, after the balance sheet date and to the signing of the annual report which is considered of significance to the annual report.

Financial statements October 1, 2020 – September 30, 2021

Accounting policies

The annual report of Danske PEP 2018 Danica Co-Investment K/S has been prepared in accordance with the Danish Financial Statements Act for a reporting class B entity and elective choice of certain provisions applying to reporting class C entities.

The presentation of the income statement, the balance sheet and the description of entries has been adjusted according to the Limited Partnership's activities as an investment company in private equity.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The annual report is in EUR. (EUR/DKK: 30/9 2021: 743.60 (30/9 2020: 744.62))

Income statement

Gains/Losses on Co-Investments

Gains/losses on Co-Investments include income from investments (dividend and interest), realised gains and losses of divestments and unrealised gains and losses on revaluations or depreciations of the investments.

Administrative expenses

Administrative expenses include performance fee to the Manager, Danske Private Equity A/S and costs paid by the Limited Partnership.

Financial income and expenses

Financial income and expenses include interest income and expenses.

Tax

The Limited Partnership is not independently liable to pay tax, consequently no tax is charged to the profit and loss account.

Financial statements October 1, 2020 – September 30, 2021

Accounting policies

Balance sheet

Investment assets

Co-investments are measured in accordance with the IPEV Valuation Guidelines or similar guidelines depending on the country of origin of the investments according to which investments are measured at the fair value. Revaluations are included in the profit and loss account.

Investments in unlisted co-investments are valued on the basis of the latest reporting received from the respective sub co-investments. The reports from the co-investments contain a valuation of each individual portfolio company. The value of a co-investments 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.

Other debtors

Other debtors are measured at amortised cost after deduction of write-downs for anticipated losses.

Prepayments and accrued income

Prepayments and accrued income included in assets primarily comprise prepaid expenses.

Other liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at fair value.

Other payables include a performance fee to the Manager, Danske Private Equity A/S and administration costs due. Liabilities are measured at net realised value.

Foreign currency translation

Transactions in foreign currency are translated into EUR according to the currency rate ruling on the transaction date.

Accounts receivable and accounts payable in foreign currency are translated into EUR according to currency rate rulings on the balance sheet date.

Financial statements October 1, 2020 – September 30, 2021

Income statement

Note	EUR 1,000	1/10 2020- 30/9 2021	1/10 2019- 30/9 2020
1	Gains/losses on investments in co-investments	9,506	5,940
	Administrative expenses	-971	-728
	Operating profit	8,535	5,211
	Financial expenses	-24	-26
	Profit	8,511	5,185
	Proposed distribution of the profit		
	Transferred to retained earnings	8,511	5,185
	Total retained earnings	8,511	5,185

Financial statements October 1, 2020 – September 30, 2021

Balance sheet

Note	EUR 1,000	30/9 2021	30/9 2020
	ASSETS		
	FIXED ASSETS		
	Investments assets		
1	Investments in co-investments	26,725	13,944
	Equity interests	14,760	13,204
	Total Fixed Assets	41,485	27,148
	CURRENT ASSETS		
	Other receivables	8	311
	Total receivables	8	311
	Cash and cash equivalent	70	4,162
	Total Current Assets	78	4,474
	TOTAL ASSETS	41,563	31,621
	LIMITED PARTNERS' CAPITAL AND LIABILITIES		
	LIMITED PARTNERS' CAPITAL		
2	Paid-up capital from Limited Partners	28,000	25,450
	Distributed to Limited Partners	-1,935	0
	Retained earnings	13,936	5,424
	Total Limited Partners' capital	40,000	30,874
	LIABILITIES		
	SHORT-TERM LIABILITIES		
	Other payables	1,563	747
	Total short-term liabilities	1,563	747
	Total liabilities	1,563	747
	TOTAL LIMITED PARTNERS' CAPITAL AND LIABILITIES	41,563	31,621
3	Related parties		
4	Contingent liabilities, contingent assets and securities		
5	Salary expense		

Financial statements October 1, 2020 – September 30, 2021

Notes

EUR 1,000	<u>30/9 2021</u>	<u>30/9 2020</u>
Note 1 – Investments in co-investments and equity interests		
Cost October 1, 2020	20,848	10,008
Additions in the year	6,851	10,840
Disposals in the year	<u>0</u>	<u>0</u>
Cost September 30, 2021	<u>27,699</u>	<u>20,848</u>
Revaluations October 1, 2020	6,300	360
Revaluations on disposals in the year	-2,020	0
Revaluations in the year	<u>9,506</u>	<u>5,940</u>
Revaluations September 30, 2021	<u>13,786</u>	<u>6,300</u>
Carrying amount September 30, 2021	<u>41,485</u>	<u>27,148</u>
Carrying amount in investments in co-investments	26,725	13,944
Carrying amount in equity interests	<u>14,760</u>	<u>13,204</u>
Total carrying amount September 30, 2021	<u>41,485</u>	<u>27,148</u>
Specification of revaluations in the year		
Realised gains/losses on investments in co-investments	2,821	258
Unrealised gains/losses on investments in co-investments	<u>6,051</u>	<u>7,088</u>
	8,872	7,347
Exchange rate gains/losses on investments in co-investments	<u>634</u>	<u>-1,407</u>
Gains/losses on investments in co-investments	<u>9,506</u>	<u>5,940</u>

Investments in co-investments

The Company has ownership of mainly unquoted co-investments. The Company has no controlling or significant influence on the co-investments in which the Company has invested.

Common accepted guidelines are used for measuring the fair value. The measuring of the fair value of the co-investments in underlying companies are made by the managers of the co-investments.

The valuation of a company 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 company, (iv) market value if the company is publicly traded, and or (v) future expected proceeds, if there is a concluded agreement on the sale of the company.

Usually the Company has no or very little information about specific methods and assumptions used by the managers of the co-investments when measuring the fair value of the underlying companies. At the assessment of the fair value of the underlying 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 co-investments are used.

Financial statements October 1, 2020 – September 30, 2021

Notes

Note 1 – Investments in co-investments (continued)

The Company invests in co-investments. The investments made by the co-investments 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 value measurements as of September 30, 2021

EUR 1,000	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
Co-investments	0	0	41,485	41,485
Total	0	0	41,485	41,485

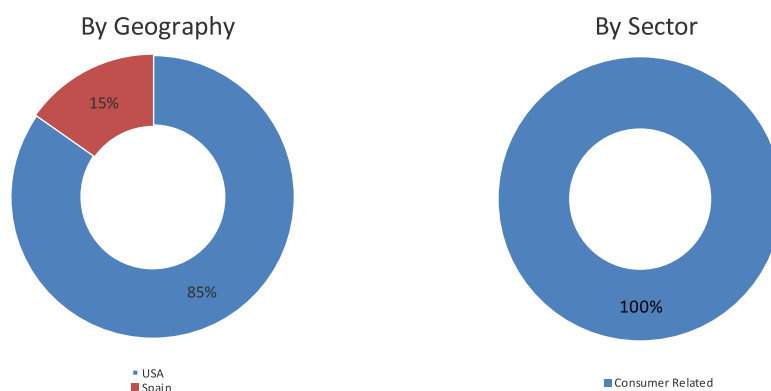
The above measurement is based on the fair value of the co-investments underlying companies. The value of other net assets is classified as level 3.

Fair value measurements as of September 30, 2020

EUR 1,000	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
Co-investments	0	0	27,148	27,148
Total	0	0	27,148	27,148

The above measurement is based on the fair value of the co-investments underlying companies. The value of other net assets is classified as level 3.

The investments divided by Geography and Sector based on fair value September 30, 2021:



Financial statements October 1, 2020 – September 30, 2021

Notes

EUR 1,000

Note 2 – Limited Partners

	Commitment	Paid-up	Outstanding commitment
Limited Partners	50,000	28,000	22,000

The Limited Partnership may make distributions to the Limited Partners which are subject to a redraw option. As of September 30, 2021 the recallable amount is EUR 0.

Note 3 – Related parties

Manager

Danske Private Equity A/S, Parallelvej 17, 2800 Kgs. Lyngby

Transactions: Possible performance fee

Limited Partnerships administrated by Danske Private Equity A/S

Danske PEP 2018 Danica Co-Investment K/S, c/o Gorrissen Federspiel, Axeltorv 2, 1609 Copenhagen V

General Partner

DPE Partners 2018 GP ApS, c/o Gorrissen Federspiel, Axeltorv 2, 1609 Copenhagen V

Transactions: Annual administration fee

Note 4 – Contingent liabilities, contingent assets and securities

Investment obligations

	Commitment		Outstanding commitment	
	Currency	EUR	Currency	EUR
Commitment, EUR	4,212	4,212	0	0
Commitment, USD	26,887	23,487	0	0
Total commitment, EUR		27,699		0

The Limited Partnership has no other contingent liabilities, contingent assets or collaterals as of September 30, 2021.

Note 5 – Salary expense

The fund has not had any employees in the financial year

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Søren Kølle Christensen

Client Signer

På vegne af: Danske PEP 2018 Danica EUR K/S

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Rasmus Berntsen

EY Signer

På vegne af: EY Godkendt Revisionspartnerselskab

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