

Danske PEP 2018 Danica (USD) K/S

CVR-no. 40 01 75 77

AIF-no. 24498

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:

21 February 2023


Chairman

Annual Report

October 1, 2021 - September 30, 2022

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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 (USD) K/S for the financial year October 1, 2021 - September 30, 2022.

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, 2022, as well as of the result of the Limited Partnership's activities for the financial year October 1, 2021 - September 30, 2022.

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 19, 2022

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 (USD) K/S

Opinion

We have audited the financial statements of Danske PEP 2018 Danica (USD) K/S for the financial year October 1, 2021 - September 30, 2022, 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, 2022 and of the results of the Company's operations for the financial year October 1, 2021 - September 30, 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 19, 2022
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 (USD) K/S c/o Gorrissen Federspiel Axeltorv 2 1609 Copenhagen V, Denmark
	CVR.no.: 40 01 75 77 AIF.no: 24498 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 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

USD 1,000	1/10 2021 30/9 2022	1/10 2020 30/9 2021	12/11 2019 30/9 2020
Gains/losses on investments in portfolio funds	7,974	13,274	5,519
Operating loss	7,096	11,876	5,104
Net financial income and expenses	-74	-50	129
Profit/loss	7,023	11,826	5,233
Total assets	75,266	59,371	36,638
Total Limited Partner's capital	71,205	52,334	34,173
Investments in portfolio funds	75,259	59,321	35,738
Performance ratio *	1.30	1.33	1.04

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

Management's review

Main activity

Danske PEP 2018 Danica (USD) K/S is a fund-of-funds with a geographical focus on investments in North America. Investments are mainly made in small and mid market buy-out funds.

Development in the financial year

The financial year resulted in a gain of USD 7.0 million. Gains on investments in portfolio funds etc. amounted to USD 8.0 million. Management fees and administrative costs amounted to USD 0.9 million.

As the result is lower than prior year, it did not meet our expectations.

In the financial year, USD 27.6 million was paid-up by the Limited Partners. An aggregated amount of USD 23.8 million was contributed to portfolio funds and the co-investments during the financial year, bringing total contributed capital to portfolio funds and co-investments to USD 68.6 million.

An aggregated amount of USD 15.8 million was distributed to Danske PEP Danica (USD) during the financial year, bringing total distributed capital to USD 17.7 million.

In the financial year, USD 15.7 million was distributed to the Limited Partners.

Special risks

Financial risks

The objective of Danske PEP 2018 Danica (USD) is to supply risk capital to portfolio funds, and also their investments in competitive companies in the North American small and mid market. The highest factor of risk is therefore the changes in the value of the companies in which Danske PEP 2018 Danica (USD)'s portfolio funds invest in, which to a significant extent depend on the valuations of comparable listed companies on the quoted market. The valuation of the investments in portfolio funds and co-investments is an accounting estimate and could be connected with some uncertainty.

Interest rate risk

Danske PEP 2018 Danica (USD) is less sensitive to the changes in interest rate levels.

Foreign exchange currency risks

Danske PEP 2018 Danica (USD)'s investments in portfolio funds and co-investments have been made in USD. As the capital in Danske PEP 2018 Danica (USD) is in USD, the currency risk is considered insignificant.

Investment activity

In the period from inception to September 31, 2022 Danske PEP 2018 Danica (USD) has invested in seven portfolio funds and have two co-investments. The portfolio funds and co-investments have performed better than expectations.

Management's review

Cash resources

Danske PEP 2018 Danica (USD) cash resources as of September 31, 2022, include undrawn credit facilities and outstanding commitments from the Limited Partners, and are estimated as satisfactory to cover Danske PEP 2018 Danica (USD) liabilities including investment obligations, management fees etc.

Expectations for 2022/23

The fund is fully allocated and 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 portfolio fund's investments and 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 will affect the result for 2022/23.

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, 2021 – September 30, 2022

Accounting policies

The annual report of Danske PEP 2018 Danica (USD) 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 for the purpose of presentation of selected notes e.g. Limited Partners' Capital.

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 USD. (USD/DKK: 30/9 2022: 762.87 (30/9 2021: 642.20))

Income statement

Gains/Losses on investments in portfolio funds etc.

Gains/losses on portfolio funds investments and 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 investments in portfolio funds and co-investments.

Administrative expenses

Administrative expenses include management fee and performance fee for the portfolio Manager, Danske Private Equity A/S and other 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, 2021 – September 30, 2022

Accounting policies

Balance sheet

Investment assets

Investments in portfolio funds etc. are measured in accordance with the IPEV Valuation Guidelines or similar guidelines depending on the country of origin of the portfolio funds etc. 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 etc. 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.

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 USD according to the currency rate ruling on the transaction date.

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

Financial statements October 1, 2021 – September 30, 2022

Income statement

Note	USD 1,000	1/10 2021- 30/9 2022	1/10 2020- 30/9 2021
1	Gains/losses on investments in portfolio funds etc.	7,974	13,274
	Administrative expenses	-878	-1,398
	Operating profit	7,096	11,876
	Financial income	0	1
	Financial expenses	-74	-51
	Profit	7,023	11,826
	Proposed distribution of the loss		
	Transferred to retained earnings	7,023	11,826
	Total retained earnings	7,023	11,826

Financial statements October 1, 2021 – September 30, 2022

Balance sheet

Note	USD 1,000	<u>30/9 2022</u>	<u>30/9 2021</u>
	ASSETS		
	FIXED ASSETS		
	Investments assets		
1	Investments in portfolio funds etc.	75,259	59,321
	Total Fixed Assets	<u>75,259</u>	<u>59,321</u>
	CURRENT ASSETS		
	Receivables		
	Prepayments	7	49
	Other receivables	0	0
	Total receivables	<u>7</u>	<u>50</u>
	Total Current Assets	<u>7</u>	<u>50</u>
	TOTAL ASSETS	<u><u>75,266</u></u>	<u><u>59,371</u></u>
	LIMITED PARTNERS' CAPITAL AND LIABILITIES		
	LIMITED PARTNERS' CAPITAL		
2	Paid-up capital from Limited Partners	66,932	39,350
	Distributed to Limited Partners	-15,734	0
	Retained earnings	20,006	12,984
	Total Limited Partners' capital	<u>71,205</u>	<u>52,334</u>
	LIABILITIES		
	SHORT-TERM LIABILITIES		
	Credit facility	2,407	5,966
	Other payables	1,654	1,071
	Total short-term liabilities	<u>4,061</u>	<u>7,037</u>
	Total liabilities	<u>4,061</u>	<u>7,037</u>
	TOTAL LIMITED PARTNERS' CAPITAL AND LIABILITIES	<u><u>75,266</u></u>	<u><u>59,371</u></u>
3	Related parties		
4	Contingent liabilities, contingent assets and securities		
5	Salary expense		

Financial statements October 1, 2021 – September 30, 2022

Notes

USD 1,000	<u>30/9 2022</u>	<u>30/9 2021</u>
Note 1 – Investments in portfolio funds etc.		
Cost October 1, 2021	44,398	32,620
Additions in the year	24,358	12,193
Disposals in the year	<u>-6,254</u>	<u>-415</u>
Cost September 30, 2022	<u>62,502</u>	<u>44,398</u>
Revaluations October 1, 2021	14,923	3,119
Revaluations on disposals in the year	-10,141	-1,470
Revaluations in the year	<u>7,974</u>	<u>13,274</u>
Revaluations September 30, 2022	<u>12,757</u>	<u>14,923</u>
Carrying amount September 30, 2022	<u>75,259</u>	<u>59,321</u>
Specification of revaluations in the year		
Realised gains/losses on investments in portfolio funds etc.	11,790	-739
Unrealised gains/losses on investments in portfolio funds etc.	<u>-3,816</u>	<u>14,013</u>
Gains/losses on investments in portfolio funds etc.	<u>7,974</u>	<u>13,274</u>

Investments in portfolio funds etc.

Through investments in portfolio funds and co-investments the Company has 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.

The value of a private equity fund is measured as the fair value of each investment in portfolio companies owned by the fund with the 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, and or (v) future expected proceeds, if there is a concluded agreement on the sale of the portfolio company.

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. 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.

Financial statements October 1, 2021 – September 30, 2022

Notes

Note 1 – Investments in portfolio funds etc. (continued)

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 value measurements as of September 30, 2022

USD 1,000	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
Investments in portfolio funds etc.	0	0	75,259	75,259
Total	0	0	75,259	75,259

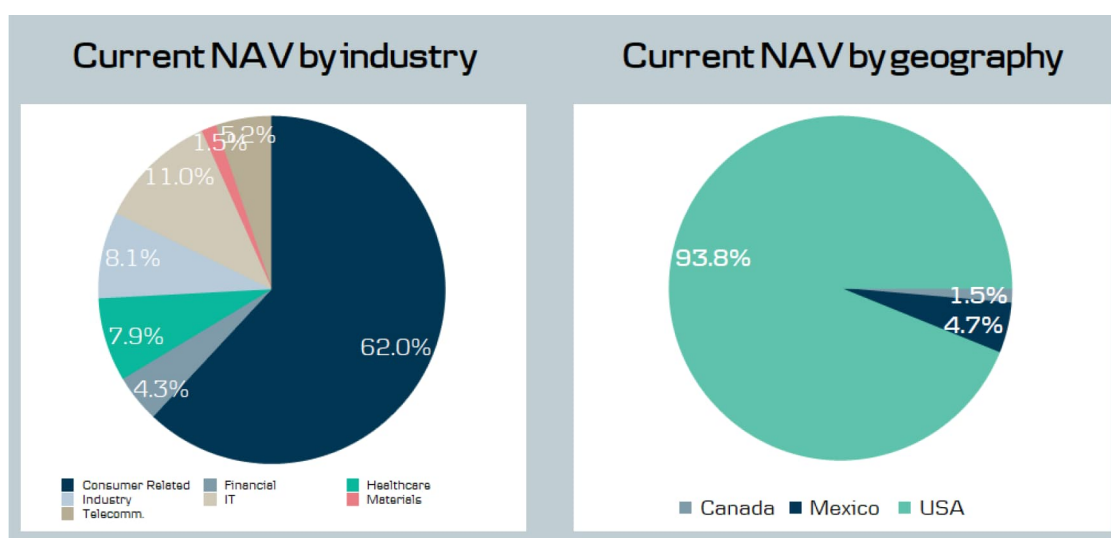
The above measurement is based on the fair value of the portfolio funds underlying portfolio companies. The value of other net assets is classified as level 3.

Fair value measurements as of September 30, 2021

USD 1,000	Quoted prices Level 1	Observable input Level 2	Unobservable input Level 3	Total
Investments in portfolio funds etc.	0	0	59,321	59,321
Total	0	0	59,321	59,321

The above measurement is based on the fair value of the portfolio funds underlying portfolio 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, 2022:



Financial statements October 1, 2021 – September 30, 2022

Notes

Note 2 – Limited Partners

USD 1,000	Commitment	Paid-up	Outstanding commitment
Limited Partners	<u>113,930</u>	<u>66,932</u>	<u>46,998</u>

The Limited Partnership may make distributions to the Limited Partners which are subject to a redraw option. As of September 30, 2022 the recallable amount is USD 1.5 million.

Note 3 – Related parties

Manager

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

Transactions: Management fee and possible performance fee

Limited Partnerships administrated by Danske Private Equity A/S

Danske PEP 2018 Danica (USD) 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	USD	Currency	USD
Commitment	<u>115,462</u>	<u>115,462</u>	<u>46,847</u>	<u>46,847</u>
Total commitment, USD		<u>115,462</u>		<u>46,847</u>

The portfolio funds and co-investments have made distributions to Danske PEP 2018 Danica (USD) K/S that may be recallable at a later date. Currently, the recallable capital amounts to USD 3.1 million.

The Limited Partnership has no other contingent liabilities, contingent assets or collaterals as of September 30, 2022

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

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Rasmus Berntsen

EY Signer

På vegne af: EY Godkendt Revisionspartnerselskab

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