

ERHVERVSINVEST

Erhvervsinvest IV K/S
Jægersborg Alle 4, 5th floor
2920 Charlottenlund
Central Business Registration No 38 39 46 49

Annual report for the financial year
1 January – 31 December 2022

The General Meeting adopted the annual report on 6th of February 2023

Chairman of the General Meeting

Henrik Danmark

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Company details

Limited Partnership

Erhvervsinvest IV K/S
Jægersborg Alle 4, 5th floor
DK-2920 Charlottenlund

Central Business Registration No: 38 39 46 49

Registered in: Gentofte

Founded: 06.02.2017

Financial year: 01.01.2022 – 31.12.2022

General Partner

EIK IV ApS

Fund Manager

Erhvervsinvest Management A/S

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by the General Partner on the annual report

The General Partner has today considered and approved the annual report of Erhvervsinvest IV K/S for the financial year 01.01.2022 – 31.12.2022.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 – 31.12.2022.

In my opinion, the management commentary contains a fair review of the development of the Company's business and financial matters, the results for the year and of the Company's financial position as a whole, together with a description of the principal risks and uncertainties that the Company faces.

Charlottenlund, 06.02.2023

General Partner

EIK IV ApS

Thomas Marstrand

CEO

Independent auditor's report

To the General Partner and Limited Partners of Erhvervsinvest IV K/S

Opinion

We have audited the financial statements of Erhvervsinvest IV K/S for the financial year, 01.01.2022 – 31.12.2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 – 31.12.2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements of the Danish Financial Statements Act. 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 Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements of the Danish Financial Statements Act., 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.

General Partner's responsibilities for the financial statements

The General Partner is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act., and for such internal control as the General Partner 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, the General Partner is responsible for assessing the Company'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 the General Partner either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

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 ISA and the additional requirements applicable in Denmark will always detect a material misstatement when it exist. 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- Conclude on the appropriateness of the General Partner'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 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.

Independent auditor's report

Statement on the Management commentary

The General Partner 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 the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 06.02.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

Michael Thorø Larsen
State Authorised Public Accountant
MNE nr. mne35823

Anders Houmann
State Authorised Public Accountant
MNE nr. mne46265

Management commentary

	2022	2021	2020	2019	2018
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights					
Key figures					
Profit/loss for the year	1,080,157	611,820	203,851	33,272	52,372
Equity	2,600,033	1,584,940	1,145,267	916,808	670,599
Assets total	2,608,446	1,593,562	1,157,983	929,598	683,257
Ratios					
Liquidity ratio (%)	102.1	106.7	101.4	99.4	131.1
Solvency ratio (%)	99,68	99.4	98.9	98.6	98.1

Primary activities

Erhvervsinvest IV K/S is a private equity Company that primarily invests in small and medium-sized primarily Danish based companies with the purpose of developing these commercially. Erhvervsinvest IV K/S is managed by Erhvervsinvest Management A/S.

Investments

End of 2022, Erhvervsinvest IV K/S holds an investment in the following portfolio companies

- Bogballe Investment A/S
- GASA Investment A/S
- Robco Engineering Investment A/S
- Dykon Investment A/S
- Arminox Investment A/S
- CC Inc. Investment A/S
- DFG Investment A/S
- TMJ Investment A/S

Erhvervsinvest IV K/S has exited the following investments in 2022:

- CC European Retail Investment A/S

Particular risks

It is Erhvervsinvest IV K/S' object to invest in well-established businesses with a growth or development potential, causing the primary risk factor to be changes in the value of the investments made.

As described in the Summary of significant accounting policies, the value of investments in portfolio businesses is measured at fair value.

Development in activities and finances

The statement of comprehensive income of the Limited Partnership for 2022 shows a comprehensive profit of MDKK 1,080 and the balance sheet of the Limited Partnership shows equity of MDKK 2,600 at 31 December 2022.

Uncertainty relating to recognition and measurement

When preparing the Company's annual report, the General Partner, in accordance with legislative provisions, makes accounting judgements and estimates which form the basis of the annual report. The accounting judgement and estimates made by the General Partner are described in the paragraph "Investments in portfolio companies" under accounting policies to which we refer. Such estimates are primarily relating to the measurement of investments in portfolio companies made on the basis of assumptions which the General Partner considers reasonable and realistic, but which are uncertain by nature.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Outlook

Forthcoming results of Erhvervsinvest IV K/S depend on the portfolio companies performance and the stock market development in general for which it is not possible to provide forward looking statements

Reporting obligations according to the taxonomy regulation

The fond is defined as and article 6 fund according to SFDR.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Corporate social responsibility

Erhvervsinvest IV K/S invests in majority shareholdings and consequently have a significant impact on portfolio companies' strategy and approach, including ESG.

Erhvervsinvest IV K/S supports and promotes the UN Principles for Responsible Investments (UN PRI). UN PRI promotes integrating environmental, social and governance ("ESG") perspectives into the active ownership policy. The UN PRI principles are a natural part of Erhvervsinvest's active ownership strategy to safeguard and enhance return of portfolio companies.

Erhvervsinvest IV K/S Approach

Erhvervsinvest IV K/S wish to generate growth and returns in an ethical and socially responsible manner, which implies considering ESG matters when developing the portfolio companies.

All organizations are at risk of adversely impacting labour and human rights, and Erhvervsinvest IV K/S seeks to address these risks in the portfolio companies through procedures in these portfolio companies. As Erhvervsinvest IV K/S is a private equity fund with no employees, the work regarding human rights, social risk and anti-corruption is performed in the portfolio companies.

What constitutes an ethical and socially responsible approach is determined case by case and may develop over time as well. Therefore, it will not always be possible to scope and define precisely the ethical and social values, Erhvervsinvest IV K/S put emphasis on.

Procedures for Social Responsibility

In the practical, process-related work with these values, Erhvervsinvest IV K/S will

- Incorporate ESG in its decision-making processes;
- Exercise active ownership and incorporate ESG in ownership policies and practise;
- Seek out relevant information related to ESG from the companies invested in; and
- Report on activities and progress in connection with the implementation of the principles.

Investment Analysis and Decision-Making Processes

Erhvervsinvest IV K/S will work continuously on integrating ESG in the portfolio companies on the same level as other business-related matters, opportunities and risks.

Active Ownership

Erhvervsinvest IV K/S will focus on one specific ESG principle each year to be included across all portfolio companies. This includes an ongoing dialogue with the portfolio companies, where questions related to ESG matters will be addressed.

Dialogue and focus on improvements are the preferred tools in questions related to ESG matters.

Information from the Companies Invested in

Erhvervsinvest IV K/S will ensure that the companies invested in report on selected ESG matters on an annual basis, and that the companies will notify immediately in case key issues related to ESG matters should arise.

Reporting

Erhvervsinvest IV K/S will report to its investors on efforts and progress related to ESG on a quarterly basis.

Erhvervsinvest IV K/S has an ESG policy, which is revisited on a continuously basis and revised to reflect Erhvervsinvest's values

Policy for data ethics

Erhvervsinvest IV K/S has no data ethics policy. The Fund is not selling any products or services and has neither any turnover nor traditional customers as such as well as no employees. The Fund is not collecting or processing any data including the use of algorithms or artificial intelligence nor is the Fund using any third party processed data except for generally available public data which is used for the Fund's own financial analysis.

Gender diversity

Erhvervsinvest IV K/S has no gender target policy and has not at this point set a target regarding the underrepresented gender. All policies are on a continuously bases considered and if needed revised accordingly.

Statement of comprehensive income

	Notes	2022 DKK'000	2021 DKK'000
Income from investments in portfolio companies	4	1,099,408	635,666
Share of fees		520	1,500
Other operating expenses	3	<u>(19,771)</u>	<u>(25,346)</u>
Profit/loss for the year		<u>1,080,157</u>	<u>611,820</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive profit for the year		<u><u>1,080,157</u></u>	<u><u>611,820</u></u>

Statement of financial position

	<u>Note</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
Assets			
Investments in portfolio companies measured at fair value	4	<u>2,599,860</u>	<u>1,584,360</u>
Fixed asset investments		<u>2,599,860</u>	<u>1,584,360</u>
Non-current assets		<u>2,599,860</u>	<u>1,584,360</u>
Prepaid expenses and other receivables		<u>8,311</u>	<u>9,202</u>
Receivables		<u>8,311</u>	<u>9,202</u>
Cash		<u>275</u>	<u>2</u>
Current assets		<u>8,586</u>	<u>9,202</u>
Assets		<u><u>2,608,446</u></u>	<u><u>1,593,562</u></u>

Statement of financial position

	<u>Note</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
Equity and liabilities			
Limited Partners' contributions	5	1,599,366	1,379,636
Limited Partners' distributions		(957,615)	(672,821)
Retained Earnings		<u>1,958,282</u>	<u>878,125</u>
Equity		<u>2,600,033</u>	<u>1,584,940</u>
Trade payables		<u>8,413</u>	<u>8,622</u>
Current liabilities		<u>8,413</u>	<u>8,622</u>
Liabilities		<u>8,413</u>	<u>8,622</u>
Equity and liabilities		<u>2,608,446</u>	<u>1,593,562</u>

Statement of changes in equity

	Limited partners' contributions DKK'000	Limited partners' distributions DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2022	1,379,636	(672,821)	878,125	1,584,940
Contributions from Limited Partners	219,730	0	0	219,730
Distributions to Limited Partners	0	(284,794)	0	(284,794)
Comprehensive profit for the year	0	0	1,080,157	1,080,157
Equity at 31 December 2022	<u>1,599,366</u>	<u>(957,615)</u>	<u>1,958,282</u>	<u>2,600,033</u>

	Limited partners' contributions DKK'000	Limited partners' distributions DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2021	878,962	0	266,305	1,145,267
Contributions from Limited Partners	500,674	0	0	500,674
Distributions to Limited Partners	0	(672,821)	0	(672,821)
Comprehensive profit for the year	0	0	611,820	611,820
Equity at 31 December 2021	<u>1,379,636</u>	<u>(672,821)</u>	<u>878,125</u>	<u>1,584,940</u>

The limited partners have committed themselves to contributing up to DKK 1,459m (excluding recycling of distributions) to the Fund. At 31 December 2022, the limited partners have contributed a net amount of DKK 1,599m (2021: DKK 1,380m). At 31 december 2022 undrawn commitment amounts to DKK 160m (2021: DKK 380m).

Statement of cash flows

	<u>Notes</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
Operating profit/loss (EBIT)		1,080,157	611,820
Fair value adjustments equity investments		(1,099,408)	(418,492)
Working capital changes	8	<u>682</u>	<u>(332)</u>
Cash flows from operating activities		<u>(18,569)</u>	<u>192,996</u>
Investments in portfolio companies		(200,924)	(476,514)
Realized investment		<u>284,830</u>	<u>455,666</u>
Cash flows from investing activities		<u>83,906</u>	<u>(20,848)</u>
Contributions from Limited Partners		219,730	500,674
Distributions to Limited Partners		<u>(284,794)</u>	<u>(672,821)</u>
Cash flows from financing activities		<u>(65,064)</u>	<u>(172,147)</u>
Increase/decrease in cash and cash equivalents		273	2
Cash and cash equivalents at 1 January		<u>2</u>	<u>0</u>
Cash and cash equivalents at 31 December		<u><u>275</u></u>	<u><u>2</u></u>

Notes to the financial statements

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Notes

1. Accounting policies

The financial statements of Erhvervsinvest IV K/S are prepared in accordance with International Financial Reporting Standards as approved by the EU and disclosure requirements of the Danish Financial Statements Act governing reporting class C enterprises (Large-size).

Erhvervsinvest IV K/S is a Limited Partnership based in Denmark.

The financial statements are presented in DKK, which is the functional currency of the Company.

The accounting policies applied to these financial statements are consistent with those applied last year.

The financial statements are presented based on historical costs apart from investments in portfolio companies, which are measured at fair value. Historical cost is based on the fair value of the consideration given in exchange for the assets. Judgements made by the General Partner in the application of IFRSs that have had significant effects on the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

Report on the omission of preparation of consolidated financial statements

Erhvervsinvest IV K/S has omitted to prepare consolidated financial statements under the provisions of IFRS 10 and IAS 27 as the Limited Partnership qualifies as an investment entity. The definition is as follows:

”An investment entity is defined as an entity which commits to its investors that its business purpose is to invest Companys solely for returns from capital appreciation, investment income, or both”.

In view of the circumstances described below, the General Partner believes that the Limited Partnership satisfies the definition of an investment entity:

- 1) The Limited Partnership has more than one portfolio investment (portfolio companies).
- 2) The Limited Partnership has more than one investor, and its investors are not related parties.
- 3) The Limited Partnership’s investments in portfolio companies take the form of equity instruments or similar investments (portfolio companies).
- 4) The investments are measured and evaluated on a fair value basis.

As a result, the General Partner has decided to apply the exemption rule in IFRS 10 not to prepare consolidated financial statements where the controlled subsidiaries are consolidated, and instead the controlled subsidiaries are accounted for at fair value through profit or loss.

Notes

1. Accounting policies (continued)

Standards and interpretations not yet effective

All the new and amended Standards and Interpretations which are relevant to the Company and which came into force with effect for financial years beginning 1 January 2022 have been applied when preparing the financial statements.

The General Partner further believes that other amended Standards and Interpretations, which have not entered into force, will not have significant impact on the financial statements as well as they haven't been implemented before time.

Significant accounting policies and estimates

When preparing the financial statements, the General Partner makes several accounting estimates forming the basis for the presentation, recognition and measurement of the Company's assets and liabilities. The most significant accounting estimates and assessments are presented in note 3.

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 Company, and the value of the asset can be measured reliably. Assets are eliminated from the balance sheet when it is no longer probable that future economic benefits will flow to the Company.

Acquisition and sale of financial assets and liabilities are recognised in the balance sheet at the commitment date.

Liabilities are recognised in the balance sheet when the Company 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 Company, and the value of the liability can be measured reliably. Liabilities are eliminated from the balance sheet when it is no longer probable that future economic benefits will flow out of the Company.

On initial recognition, assets and liabilities are measured at cost; however, on initial recognition, investment assets are measured at fair value, ordinarily corresponding to cost less direct expenses incurred. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Consideration is made for events occurring during the period from the balance sheet date until the presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date.

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

Notes

1. Accounting policies (continued)

Statement of comprehensive income

Income from investments in portfolio companies

Income from investments in portfolio companies comprises gains/losses from divestments, fair value changes and received dividends and other similar types of returns from the investments. Gains/losses from divestment of investments in portfolio companies are stated as the difference between the selling price or disposal consideration and the carrying amount of the portfolio companies at the time of sale or disposal, respectively.

Dividends from investments in portfolio companies are recognised as income when final entitlement to the dividends is obtained, which is usually at the time of the approval of the declaring dividends by the group enterprise.

Share of fees

Share of fees includes correction of fees paid by to the investment manager according to the Administration Agreement.

Other operating expenses

Administrative expenses and other operating expenses include general costs, investment costs relating to incomplete investments and management fee to the management company.

Income taxes

Under current Danish law governing the Company, it is not independently taxable because the Company's profit/loss for the year is included in the Limited Partner's taxable income.

Balance sheet

Investments in portfolio companies

Investments in portfolio companies comprise equity investments in portfolio companies measured at fair value through profit or loss.

The fair value is calculated on the basis of market information, IPEV valuation guidelines and recognized valuation methods, including multiple analysis/benchmarking, DCF or other relevant method, where it is estimated to provide the best estimated fair value.

Receivables

Receivables, typically representing pre-paid expenses, are measured at amortised cost.

Cash

Cash comprise cash in bank deposits.

Notes

1. Accounting policies (continued)

Other financial liabilities

Other financial liabilities comprise accounts payable, accrued expenses and other liabilities.

Statement of cash flows

The statement of cash flows is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented as the operating profit/loss adjusted for non-cash operating items including fair value adjustments of investments in portfolio companies and working capital changes attributable to the operating activities.

Cash flows from investing activities comprise payments in connection with investments, including follow-up investments, proceeds from divestment of portfolio companies and changes to provisions for capital contributions to group enterprises.

Cash flows from financing activities comprise cash flows from payments to and from the limited partners.

Financial highlights

Financial highlights are defined and calculated in accordance with “Recommendations & Ratios” issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Liquidity ratio (%)	= $\frac{\text{Current assets} \times 100}{\text{Current liabilities other than provisions}}$	The entity's financial strength.
Solvency ratio (%)	= $\frac{\text{Equity} \times 100}{\text{Total assets}}$	The entity's financial strength.

2. Financial risks

The Company adheres to an investment strategy approved by the investors. As a result of its investments in portfolio companies, the Company is directly exposed to changes in liquidity, credit, interest and currency risks.

Operating risks

The most important risk factor is changes to the values of the investments made in portfolio companies.

Notes

2. Financial Risk (continued)

Market risks

The Company's investment manager, Erhvervsinvest Management A/S, assists the general partner and the company with investment recommendations. The manager's recommendations are reviewed and approved by the general partner prior to the implementation of investment decisions. In order to manage the market risk, the investment manager, in agreement with the general partner, regularly reviews the results of the portfolio companies and is also regularly in contact with the management of the portfolio companies on strategic, legal and operational matters. All relevant results from these reviews are communicated to the general partner.

The portfolio of investments is diversified between different industries and segments. Investments are made exclusively in Danish companies, a number of which companies in the investment portfolio operate across national borders. Due to the focus on Danish companies, a negative event in the Danish capital market is likely to affect the fair value of the investment and opportunities to divest.

Currency risks

Given that the company operates primarily within its functional currency, the company is not exposed to any currency risks.

Interest risks

The Company itself does not have access to a credit facility.

Credit risks

The Company does not have any material receivables and, consequently, credit risks are at a minimum.

Capital risks

The cash position in the Company is not bigger than the payables, but the Company can draw commitment from the Limited Partners when relevant. The liquidity risk is considered insignificant. No indication of the limited partners ability to contribute the remaining Company commitment occurs.

Financial Risk Management

The General Partner is ultimately responsible for the overall risk management within the Company, but has delegated the responsibility to the investment manager.

The Company pursues an investment strategy approved by the Limited partners and invests in small and medium-sized primarily Danish based companies with the purpose of developing these commercially.

The Company's risk management processes includes identification, measurement, monitoring, reporting and mitigation of the identified risks to minimize the potential negative effects at Company level.

Notes

2. Financial Risk (continued)

There are no key financial risk factors and exposures in financial statements besides investments in portfolio companies.

3. Other operating expenses

The Fund has no employees.

Administrative expenses include management fee and investment management fee for the period to Erhvervsinvest Management A/S, in accordance with an administration and an investment management agreement.

Fee to auditors appointed by the Company in general meeting

	2022 DKK'000	2021 DKK'000
Statutory audit services	166	143
Other assurance engagements	0	0
Tax services	7	6
Other services	7	6
	<u>180</u>	<u>155</u>

	2022 DKK'000	2021 DKK'000
4. Financial instruments		
Categories of financial instruments:		
Investment in portfolio companies	<u>2,599,860</u>	<u>1,584,360</u>
Financial assets measured at fair value through profit or loss	<u>2,599,860</u>	<u>1,584,360</u>
Trade payables	<u>8,413</u>	<u>8,622</u>
Financial liabilities measured at amortised cost	<u>8,413</u>	<u>8,622</u>
Trade Receivables	<u>8,311</u>	<u>9,202</u>
Other receivables measured at amortised cost	<u>8,311</u>	<u>9,202</u>

All financial liabilities are due for payment within 12 months.

Historically, no losses on receivables have been realised, hence no provisions for expected credit loss (ECL) have been recognised in the statement of comprehensive income. The risks of the Company are considered limited.

Notes

	2022	2021
	<u>DKK'000</u>	<u>DKK'000</u>
5. Investments in portfolio companies		
Cost at beginning of year	1,066,174	781,542
Additions	200,924	476,514
Disposal	<u>(108,000)</u>	<u>(191,882)</u>
Cost at end of year	<u>1,159,098</u>	<u>1,066,174</u>
Revaluations at beginning of year	518,186	363,458
Revaluations	957,576	635,666
Reversals	<u>(35,000)</u>	<u>(480,938)</u>
Revaluation at end of year	<u>1,440,762</u>	<u>518,186</u>
Carrying amount at end of year	<u>2,599,860</u>	<u>1,584,360</u>

Methods and assumptions for determining fair values in unlisted portfolio companies

The investment manager regularly and at least on a quarterly basis reviews the fair value of its portfolio companies in connection with its non-public reporting to its Limited Partners and in connection with the preparation of the financial statements.

The Company's portfolio companies are not classified as investment companies. They are engaged in doing business in trading and development, etc. The Company has no limitations concerning the potential reception of dividends or having loans etc. repaid from the portfolio companies, apart from the fact that distribution from the portfolio companies can only take place if it is considered proper and prudent.

The fair value for each unlisted group enterprise is determined based on methods which best reflect the individual investment's potential and risk. In general, the fair value is determined following the IPEV Valuation Guidelines which prescribe the use of accepted valuation methods, such as multiple analysis/benchmarking, most recent transaction multiple, DCF-model and other relevant methods. Upon initial investment, cost of the investment is generally determined to represent the fair value. In connection with the use of this method, the Company assesses which multiples are applicable as well as assesses the determination of the applicable earnings to be used in the calculation of the deemed fair value.

Valuation based on market multiples

Market based multiples are determined by comparable listed companies based on the following factors: industry, size, revenue streams and strategy. As these market based multiples are based on listed companies, the company applies a discount to the market multiples to reflect the differences between the listed companies and the portfolio companies. Where there are no comparable listed companies the Company applies a DCF-model.

Notes

5. Investments in portfolio companies (Continued)

Each investment is owned through a holding structure. The equity interest represents the Company's ownership before dilution of incentive programmes provided to management in the respective portfolio companies and before any effect of different share classes which may be present in the holding structures, such as preference shares.

<u>Investment</u>	<u>Corporate form</u>	<u>Registered in</u>	<u>Equity interest %</u>	<u>Profit/(loss)* DKK'000</u>	<u>Equity* DKK'000</u>
Bogballe Investment	A/S	Charlottenlund	96%	51,070	206,317
Gasa Investment	A/S	Charlottenlund	78%	38,016	166,870
Robco Engineering Invesment	A/S	Charlottenlund	97%	9,556	67,566
DYKON Investment	A/S	Charlottenlund	78%	24,005	114,678
Arminox Investment	A/S	Charlottenlund	95%	34,380	180,305
CC Inc. Investment	A/S	Charlottenlund	90%	124,038	424,038
DFG Investment	A/S	Charlottenlund	79%	8,707	135,307
TMJ Investment	A/S	Charlottenlund	100%	N/A	N/A

*Based on the latest annual report adopted by the AGM (2021).

Each investment has been valued using the valuation techniques listed below.

Fair value hierarchy for determining fair value for investments in portfolio companies

IFRS has established a fair value hierarchy for certain assets measured at fair value:

- Quoted prices in active markets for identical instruments (level 1)
- Quoted prices in active markets for similar assets or liabilities or other valuation methods under which all material inputs are based on observable market data (level 2)
- Valuation techniques under which any material inputs are not based on observable market data (level 3).

The measurement of investments in portfolio companies classified according to level 3 is based on measurement methods, in which material non-observable inputs are included such as assessment of which method best reflects fair value, assessment of the performance of each group enterprise, determination of multiples and future earnings, and assessment of whether a pervasive negative development should result in the recognition of impairment write-downs.

The fair value of the Company's portfolio companies is impacted by the development in applied multiples as well as expected future earnings and development in each group enterprise.

A decrease or increase in the above mentioned material non-observable inputs may have a direct effect on the measurement of the portfolio companies, just as the fair value of the Company's portfolio companies is impacted by the development in macroeconomic conditions.

The classification of financial instruments measured at fair value can be summarised as follows:

Notes

5. Investments in portfolio companies (Continued)

	<u>Level 1</u> <u>DKK'000</u>	<u>Level 2</u> <u>DKK'000</u>	<u>Level 3</u> <u>DKK'000</u>	<u>Total</u> <u>DKK'000</u>
2022				
Portfolio companies	0	0	2,599,860	2,599,860
Asset investments, measured at fair value	0	0	2,599,860	2,599,860
	<u>Level 1</u> <u>DKK'000</u>	<u>Level 2</u> <u>DKK'000</u>	<u>Level 3</u> <u>DKK'000</u>	<u>Total</u> <u>DKK'000</u>
2021				
Portfolio companies	0	0	1,584,360	1,584,360
Asset investments, measured at fair value	0	0	1,584,360	1,584,360

Material unobservable inputs for Level 3

Financial instruments measured at fair value in the balance sheet are based on valuation techniques that include material unobservable inputs.

Material unobservable assumptions used in the valuation of unlisted investments in portfolio companies consist of multiples and future earnings expectations for the portfolio companies. Management believes that the multiples applied are on a par with the market for comparable Danish businesses. In addition, allowance is made for net interest-bearing debt of the portfolio companies when making the valuation.

	<u>2022</u>	<u>2021</u>
Range for implied multiple	3.0 – 7.5	3.9 – 6.6
Fair value of assets using multiple model (TDKK)	2,382,360	1,256,860
Range for implied WACC	12,1%	8%
Fair value of assets using DCF model (TDKK)	217,500	327,500

The Company's choice of multiple, is generally affected by the uncertainty related to inflation and rising interest rates.

Sensitivity analysis

The fair value of the Limited Partnership's portfolio companies is affected by developments in the multiples applied and future earnings expectations for these companies. A decline or increase in the material unobservable inputs stated above would have a direct effect on the valuation of the portfolio companies, and the fair value of the Limited Partnership's portfolio companies is affected by changes in macroeconomic conditions. Changes in the average weighted multiple is considered the most material unobservable input of the Company.

Notes

5. Investments in portfolio companies (Continued)

A change in the multiples applied (EBITDA and Sales) and DCF (WACC) would have the following effect on the fair value of portfolio companies:

	2022 <u>DKK'000</u>	2021 <u>DKK'000</u>
5 percentage change in multiple	+/- 128,107	+/- 84,416
5 percentage change in WACC	+/- 9,654	+/- 16,477

6. Investor relations

The Company has registered the following limited partners that hold at least 5% of the voting right relating to the share capital:

Danica Pension, Livsforsikringsaktieselskab
 Argentum NPEP AS
 AP Pension Livsforsikringsaktieselskab
 Crown Europe Small Buyouts IV Public Limited Company
 Nykredit Realkredit A/S
 HAEK Securitisation S.à r.l
 AKF Invest CPH A/S

7. Contributions from Limited Partners

The Limited Partnership is owned by the Limited Partners in proportion to their contributed capital, which is arranged in different capital classes. One of the classes is tied to a preference return agreement when the return of the company exceeds a predefined minimum return on investment (hurdle rate 8%).

	2022 <u>DKK'000</u>	2021 <u>DKK'000</u>
8. Working capital changes		
Change in receivables	891	3,761
Change in other liabilities	<u>(209)</u>	<u>(4,093)</u>
	<u>682</u>	<u>(332)</u>

Notes

9. Related party transactions

Related parties with control

The Limited Partnership is managed by the company Erhvervsinvest Management A/S ("the investment manager"). Under the management agreement dated 6 February 2017, the Company appointed the company Erhvervsinvest Management A/S to act as investment manager and provide management services to the Limited Partnership.

Erhvervsinvest Management A/S receives a investment management fee which is paid semi-annually based on investment commitments made by the Limited Partners. In 2022, the fee amounted to DKK 15,3 million (2021: DKK 17,7 million).

The Limited Partnership has concluded an agreement with the company Erhvervsinvest Management A/S to the effect that Erhvervsinvest Management A/S undertakes the management of the Company. The fee is a fixed amount. In 2022, the fee amounted to DKK 4,2 million (2021: DKK 7,4 million).

The agreements are valid until the date of completion of the Partnership's last disposal.

Fee to the General Partner

According to the limited partnership agreement, the Company pays a fee to the fully liable partner EIK IV ApS. In 2022, the fee to the General Partner amounted to DKK 30k (2021: DKK 30k).

10. Assets charged and contingent liabilities

There are no guarantees or contingent liabilities of the Company.

11. Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

12. Authorisation of the annual report for issue

At the meeting held on 06.02.2023 the General Partner authorized this annual report for issue on 06.02.2023.

The annual report will be submitted to the Limited Partnership's Limited Partners for adoption at the Annual General Meeting on 06.02.2023.