



# MAJ INVEST EQUITY 4 K/S

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Annual report 2020

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# STATEMENTS

## STATEMENT BY MANAGEMENT

The board of directors has today discussed and approved the annual report for Maj Invest Equity 4 K/S for the financial year 1 January – 31 December 2020.

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 at 31 December 2020 and of the results of the limited partnership's operations for the financial year 1 January – 31 December 2020.

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

We recommend the annual report 2020 for adoption at the annual general meeting.

Copenhagen, 4 May 2021

General partner:

Fonden Maj Invest Equity General Partner

Board of directors:

*Bjarne Thorup*  
(chairman)

*Erik Holm*

*Frank Visti Møbjerg*

The annual report is presented and approved at the annual general meeting.

on \_\_\_\_\_ / \_\_\_\_\_ 2021

Chairman: \_\_\_\_\_

# STATEMENTS

## Independent auditor's report

### To the limited partners in Maj Invest Equity 4 K/S

#### **Opinion**

We have audited the financial statements of Maj Invest Equity 4 K/S for the financial year 1 January – 31 December 2020, which comprise accounting policies, income statement, balance sheet, statement of changes in equity 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 Limited Partnership at 31 December 2020 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 2020 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 Limited Partnership 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 Limited Partnership'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 Limited Partnership 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

# STATEMENTS

## Independent auditor's report

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.

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 Limited Partnership'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 Limited Partnership'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 Limited Partnership 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.

# STATEMENTS

## Independent auditor's report

### **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, 4 May 2021

EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Rasmus Berntsen  
State Authorised  
Public Accountant  
mne35461

# MANAGEMENT COMMENTARY

## Fund information

The limited partnership	Maj Invest Equity 4 K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Contact information	E-mail: <a href="mailto:kontakt@majinvest.com">kontakt@majinvest.com</a> Website: <a href="http://majinvest.com">majinvest.com</a>
CVR no.	33 88 76 20
Financial year	1 January – 31 December
Registered office	Copenhagen
General partner	Fonden Maj Invest Equity General Partner
Board of directors in Fonden Maj Invest Equity General Partner	Bjarne Thorup, chairman Erik Holm Frank Visti Møbjerg
Manager	Maj Invest Equity A/S
Depositary	Private Equity Administrators Depositary Services ApS
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg

# MANAGEMENT COMMENTARY

## KEY FIGURES AND RATIOS

'000 DKK	2020	2019	2018	2017	2016
<b>Key figures</b>					
<b>Profit/loss</b>					
Value adjustment of investments in portfolio companies	11,450	38,764	249,007	738,244	187,947
Operating profit/loss	953	29,235	237,048	724,970	169,036
Profit/loss for the year	(2,879)	28,948	236,567	722,291	163,712
<b>Balance sheet</b>					
Investments in portfolio companies	954,089	871,589	920,000	1,728,298	1,030,035
Total assets	969,950	885,334	932,997	1,739,823	1,034,189
Equity	905,788	882,665	929,977	1,734,405	1,033,684
<b>Financial resources</b>					
Cash*	5,326	2,929	10,823	8,323	969
Remaining commitment	121,342	151,078	258,367	266,026	278,737
Total financial resources	126,668	154,007	269,190	274,349	279,706
<b>Ratios</b>					
Equity ratio	93%	100%	100%	100%	100%
Paid-in capital to committed capital (%)	90%	88%	79%	78%	77%

\* Excluding escrow account



# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Maj Invest Equity 4 K/S**

The private equity fund Maj Invest Equity 4 K/S was established on 31 August 2011 as a limited partnership and is owned by both Danish and foreign professional and institutional investors. The investors have entered into a limited partnership agreement.

Maj Invest Equity 4 K/S had final closing on 28 February 2013 with a total commitment of DKK 1,214 million.

### **Investment and value creation strategy**

Maj Invest Equity 4 K/S (Maj Invest Equity 4) has invested in well-run family and founder-owned businesses with headquarters in Denmark and with an enterprise value of minimum DKK 100 million, primarily within industrials, service, technology, medtech and trade. Maj Invest Equity 4 has typically taken the role as lead investor and acts as both minority and majority shareholder.

### **Investment strategy**

Maj Invest Equity 4's investment strategy focuses on growth investments and long-term value creation through operational focus and a hands-on approach in small and medium-sized Danish companies. The investment strategy is based on some fundamental investment criteria:

- Considerable potential for long-term industrial and operational value creation.
- Strong management team.
- Strong market position and competitive advantage.
- Partnership approach.
- Effective performance of the existing business model.
- Owners' and management's interests, expectations, strategy and business plan are aligned.
- Reliable financial reporting.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

Maj Invest Equity 4 pursues a partnership approach and flexible ownership models; that there is a close dialogue and agreement between owners and management in respect of focus and targets; and that the competencies and resources required are always available. Initially, Maj Invest Equity 4, management and co-owners calibrate their mutual expectations through clear strategy and business plans with high ambitions and agreed ownerships objectives.

### *CSR policy*

Maj Invest Equity 4 has established a CSR policy which requires the fund to adhere to the principles laid out in the UN-backed Principles for Responsible Investment (PRI). The fund works to ensure that the underlying portfolio companies comply with relevant national legislation and international standards and principles. The policy covers areas such as human rights, employment, workplace, health and safety, anti-corruption, energy use and waste handling.

### **Value creation strategy**

The value creation principles in respect of the companies in which Maj Invest Equity 4 has invested are based on operational value creation, a long-term approach to ownership and the involvement of experienced business executives in order to realise the principles which may be summarised as follows:

- Focus on long-term industrial and operational value creation.
- Focus on driving growth in the portfolio companies.
- Ensuring long-term thinking and perspective.
- Involving experienced and competent business executives in the exercise of ownership (through the board) to ensure operational value creation focus.
- Moderate gearing.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

A major aspect of the investment policy is that management in each portfolio company also holds a stake in the company to enhance motivation and responsibility.

Investment activities also draw on the expertise of Maj Invest Equity's broad network of business executives. This network is expanded continually to include highly qualified people in all relevant lines of business and fields of expertise.

Maj Invest Equity 4's use of business executives stretches from assignments in the portfolio companies in relation to strategic development, operational improvements or other initiatives and to the running of such companies through active board membership. Typically, the business executives are selected as board members and co-invest in the portfolio companies in which they are involved.

Maj Invest Equity 4 is entitled to appoint board members in the individual portfolio companies. A partner and a director from Maj Invest Equity A/S (the Manager) will participate in the work of the board of directors of each individual portfolio company, either as a board member or as an observer. The strategic and operational management of the particular portfolio company is handled through the board of directors and the executive management and there is thus a clear delegation of responsibilities between the owners, the board of directors and the executive management. Often a partner and a director will assist the management of the particular portfolio company in connection with acquisitions or divestments, negotiations with and handling of relations with finance partners, the recruitment of key management personnel and the identification and selection of specialists, advisers and consultants for special assignments in the portfolio company.

The focus on operational value creation entails that the portfolio companies will not be indebted at a level that would prevent optimal strategic development, or which would otherwise jeopardise their financial flexibility.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

Maj Invest Equity 4 closely monitors investments and contributes to the development of the portfolio companies to ensure that their value potential is realised. Exit possibilities and exit strategy are also continuously monitored and assessed to execute exits as optimally as possible.

### **Maj Invest Equity Organisation**

At year-end 2020, Maj Invest Equity consists of five partners, three directors, three investment managers and an associate involved in investments as well as seven back-office staff involved in finance, legal matters and administrative duties.

The Maj Invest Equity management group includes:

#### ***Erik Holm, CEO, Managing Partner***

Erik holds an MSc in Economics and Business Administration. He has been the CEO and Managing Partner of Maj Invest Equity since 2011. He was the CEO and Group Managing Director of Dyrup A/S from 2006 to 2011, the CEO and Group Managing Director of Louis Poulsen A/S from 1996 to 2006 and was recruited by the Louis Poulsen group back in 1981.

#### ***Per Høholt, Partner***

Per holds a business degree in Financial and Credit. He joined Maj Invest Equity in 2009 and has been a partner since 2013. Previously, he was a partner at Ernst & Young responsible for Danish M&A activities (2002–09). Before that he worked for more than 10 years in the financial sector with M&A, share and bond issues, structured finance, syndicated loans and acquisition finance.

#### ***Mads Andersen, Partner***

Mads holds an MSc in Economics and Business Administration. He joined Maj Invest Equity in 2008 and has been a partner since 2013. He worked with the investment company FL

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

Group from 2006 to 2007, with FIH (M&A) from 2004 to 2006 and in KPMG Corporate Finance from 1999 to 2004.

### *Niels Retbøll, Partner*

Niels is a CFA Charterholder and holds an MSc in Economics and Business Administration. He joined Maj Invest Equity in 2006 and has been a partner since 2010. Previously, he was a chief investment officer in Arkitekternes Pensionskasse (2000–06), a portfolio manager in BG Invest (1999–00), and he has investment banking experience from Nykredit (1998–99) and Bjørnskov & Co. Børsmæglerselskab A/S (1992–98). His last position in this company was as head of equities.

### *Niels Toft, Partner*

Niels holds an MSc in Economics and Business Administration and has participated in UCLA's MBA programme. He joined Maj Invest Equity in 2005, was involved in setting up Maj Invest Equity and has been a partner since 2008. From 1998 to 2005, he worked for Bain & Company in Stockholm with strategy development, operational improvement projects, M&A and commercial due diligence.

Reference is made to the website, [majinvest.com](http://majinvest.com), for a presentation of other Maj Invest Equity staff.

## Ownership

Maj Invest Equity 4 is owned by a number of professional and institutional investors holding a stake of 95.2%. The remaining stake is owned by Maj Invest Holding A/S, Maj Invest Equity Management and staff involved in investments as well as two of the external members of the fund's Investment Committee who have all invested as special limited partners. Any profits earned by such special limited partners are subject to tax under current Danish tax rules. The special limited partners do not pay management fees and partnership formation costs to the fund.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

<b>Investors</b>	<b>Commitment DKKm</b>	<b>Interest in per cent</b>
Dansk Vækstkapital and Pension Funds (Danish)	525.0	43.3%
Financial institutions (Danish)	25.0	2.1%
Other professional investors (Danish)	400.1	33.0%
Pension Funds (Foreign)	116.3	9.6%
Other professional investors (Foreign)	88.7	7.3%
Maj Invest Holding, management and staff in Maj Invest Equity (Danish)	56.7	4.7%
Investment Committee (Danish)	2.0	0.2%
	<b>1,213.8</b>	<b>100.0%</b>

### Legal structure

Maj Invest Equity 4 is a Danish limited partnership with a commercial foundation as general partner. The general partner “Fonden Maj Invest Equity General Partner” is managed by a board of directors consisting of three members. The general partner is responsible for management and also signs for Maj Invest Equity 4 and has together with Maj Invest Equity 4 entered into a management agreement with the Manager. The general partner’s board of directors is disclosed in note 9.

Under a management agreement, the Manager handles all investment-related and administrative tasks for Maj Invest Equity 4. Consequently, Maj Invest Equity 4 has no staff employed. The Manager has made an advisory service agreement with Fondsmæglerselskabet Maj Invest A/S (MI) in respect of some of the investment-related tasks and an agreement with Maj Invest Holding A/S (Maj Invest Holding) in respect of administrative tasks.

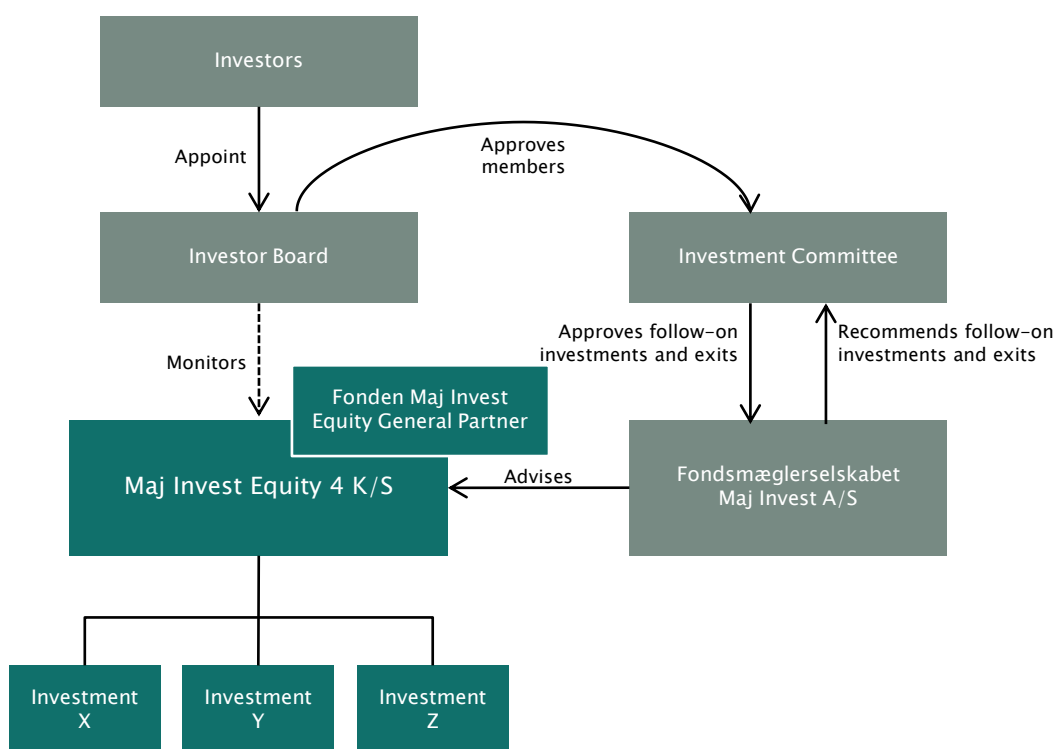
# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### Decision structure

The investors in Maj Invest Equity 4 have set up an Investor Board with representatives appointed by the investors. The Investor Board acts as a supervisory body and continuously monitors developments in the fund.

Decision structure in Maj Invest Equity 4



Maj Invest Equity 4 has established an investment committee. The Investment Committee is responsible for deciding any follow-on investments in or divestments of portfolio companies in Maj Invest Equity 4 following a recommendation by the Maj Invest Equity partner group.

The Investment Committee consists of six members, namely the CEO of MI, three Equity partners and two experienced business executives. Reference is made to note 9, which shows any other executive functions or directorships held by investment committee members.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **License as manager with the Danish FSA**

The Manager has received a license as manager (in Danish: forvalter) with the Danish FSA (in Danish: Finanstilsynet) and the Manager is under financial regulation and the Danish FSA supervision.

Maj Invest Equity 4 has appointed a depositary in accordance with the provisions in FAIF.

Remuneration for the financial year paid to management and staff in Maj Invest Equity A/S is disclosed in the annual report of Maj Invest Equity A/S and on the website [majinvest.com](http://majinvest.com). Information is given at Manager level. The annual report for Maj Invest Equity A/S is also available on the website.

### **Carried interest**

Maj Invest Equity 4 has been established with a management fee structure which is normal in relation to the private equity industry. This means that the Manager receives a fixed management fee as well as a share of carried interest depending on the investors' returns on their investments.

Carried interest is payable if the returns on investments net of fees exceed a predetermined hurdle rate of 8% p.a. The carried interest is calculated as 20% of investor returns exceeding hurdle rate.

### **Reporting**

One of the things governed by the limited partnership agreement is the aspect of reporting on fund activities, its development and financial position in relation to investors. The fund is obliged to report to its investors on a current basis:

- Quarterly reports on the financial situation, the development in individual portfolio companies and investment returns.
- Exit Memorandum.



# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

- Annual reports.
- Semi-annual investor meetings.
- Replies to investor queries.

The quarterly reports to investors are prepared in compliance with the international guidelines in respect of "best practices" as stipulated in the Invest Europe Investor Reporting Guidelines. Investments are valued at their fair values and in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Maj Invest Equity also acceded to the "Guidelines for Responsible Ownership and Corporate Governance in Capital Venture Funds in Denmark" drawn up by the DVCA.

### **Development in activities and the financial position**

Despite a difficult year with low activity in the first half of 2020 due to the Covid-19 pandemic, the M&A market in Denmark has recovered well at the end of 2020, both in terms of number of transactions and values.

Maj Invest Equity 4' portfolio companies were more or less affected by Covid-19 lockdowns and restrictions through 2020. The fund's focus has been on supporting management in maintaining operating activities and earnings and to ensure sufficient financing facilities for those portfolio companies which were severely affected. In that connection, Maj Invest Equity 4 obtained a credit facility in May.

During second half of 2020, several of the portfolio companies have managed to make a strong rebound which has reduced the negative impact on the fund's result considerably. However, portfolio companies in certain industries are still affected by Covid-19.

### *Follow-on investments*

In 2020, Maj Invest Equity 4 has made follow-on investments in Vega Sea A/S and Sticks'n'Sushi Holding A/S.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Profit/loss for the year**

As mentioned above, the Covid-19 pandemic has affected the activities in the portfolio companies and thus the fund's result for 2020. The bottom-line for 2020 is a loss of DKK 3 million (against a profit in 2019 of DKK 29 million). The profit/loss of the year is positively affected by net value adjustments of DKK 7 million and negatively affected by administrative expenses of DKK 10 million. In the light of the Covid-19 pandemic, the result for 2020 is considered satisfactory.

### **Development in portfolio companies in 2020**

The current portfolio comprises the following five companies:

#### **Vega Sea A/S**

Vega Sea Group is a value-add processor of fresh and smoked salmon products. Vega Sea is one of the largest processors of salmon in Scandinavia. The company is headquartered in Kolding and has a modern processing facility in Handewitt, Germany. Customers are mainly retailers and wholesalers in Europe, US and Australia. Covid-19 did not materially impact the financial results for 2019/20 as the adversely impacted foodservice market was to a large extent offset by increased activity in the retail sector. The first quarters of 2019/20 were challenged by lost sales in US and lower sales price per kg, but from March Vega started to see positive changes in the Fresh business which continued for the rest of the year. However, despite the good ending to the financial year earnings for 2019/20 ended below expectations. In 2020/21, management expects growth in revenue and operating profit, but Covid-19 still poses a risk in the daily business and ultimately for meeting the financial expectations.

#### **Sticks 'n' Sushi A/S**

Sticks'n'Sushi is a Danish-based restaurant group serving healthy high-quality food based on a combination of traditional sushi and yakitori sticks from the grill. The Group has 12 restaurants in the Copenhagen area, nine restaurants in and around London and

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

one restaurant in Berlin. Sticks'n'Sushi has been negatively affected by Covid-19 as governmental restrictions in Denmark, UK and Germany forced to close all restaurants (except takeaway) in March 2020. The financial year 2019/20 ended somewhat below expectations and also below 2018/19. Despite a strong performance in second half of 2020 the outlook for 2020/21 is uncertain and will depend on the duration of the second lockdown imposed in December.

### **PcP Corporation A/S (previously PF Group A/S)**

PcP Corporation designs, manufactures and sells gratings, steps and related products in steel, aluminum and stainless steel in 10 European countries, mainly in Northern Europe. The products are sold to a diversified customer portfolio consisting of contractors, industrials and rental companies and for various applications within the construction, oil & gas, energy and drainage sectors. Market demand in 2020 was negatively affected by the Covid-19 outbreak and the operational and travel restrictions imposed. Despite these significant challenges, performance in terms of earnings ended at almost same level as 2019. Management expects a positive outlook for 2021 with improvements in financial performance, as Covid-19 restrictions are lifted across markets.

### **Godt Smil Holding ApS**

Godt Smil Holding is a minority shareholder of Godt Smil, which is a Danish dental chain with 29 clinics across the country and approx. 176 dental chairs. Godt Smil operates its own dental laboratory that produces high-quality dental crowns. The chain employs more than 560 employees and serves more than 150,000 patients of which a large share is recurring patients. Despite Covid-19 with a temporary lockdown of the dentist industry in March/April (except for critical dental treatments) and increased costs to protection equipment, Godt Smil managed to keep a very strong performance from second quarter and through the rest of the year. Management expects continued growth in revenue and earnings in 2021.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Svendsen Sport A/S**

Svendsen Sport is a fishing tackle equipment company with a proprietary brand portfolio covering the main fishing disciplines. The products are marketed through own sales forces in Scandinavia, Germany, UK, France, Poland, Czech, Italy, Benelux and US. In the rest of Europe and selected overseas markets, sales are marketed through distributors or similar. Svendsen Sport was severely negatively impacted by Covid-19 in March and April due to global lockdowns. As the markets gradually re-opened in May, Svendsen Sport experienced a strong rebound driven by high end-user activity and demand. Revenue and earnings for 2020 ended around expectations and well above last year. In 2021, management expects a continued strong performance with growth in both revenue and earnings.

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### **Capital resources**

Maj Invest Equity 4 has obtained a temporary credit facility to support liquidity in some of those portfolio companies which were severely affected by the Covid-19 situation in March/April.

As mentioned above, Maj Invest Equity 4 has a total capital commitment of DKK 1,214 million. At 31 December 2020, investors had paid DKK 1,092 million, or 90% of their capital commitments. The remaining capital commitment is DKK 121 million (2019: DKK 151 million). Maj Invest Equity 4's equity amounted to DKK 906 million at 31 December 2020 (2019: DKK 883 million), matching an equity ratio of 93% (2019: 100%).

Maj Invest Equity 4 is able to finance follow-on investments from the time of investment and up to six months through bridge financing loan from financial institutions. A bridge loan must be repaid in connection with a capital call from investors.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Financial risks**

The objective of Maj Invest Equity 4 is to invest in portfolio companies and create value in such companies. The major risk factor is therefore the failure to create value in the underlying portfolio companies. Changes in the macroeconomic environment, including effects of Covid-19, market conditions, financing opportunities and interest levels have a tremendous impact on the potential for value creation in the portfolio companies and consequently also the future value of Maj Invest Equity 4's investments.

### **Uncertainties relating to recognition and measurement in the financial statements**

Interests in portfolio companies are valued at their fair values, according to Accounting policies. The valuation includes accounting estimates, and such valuation is therefore subject to some uncertainty. The full impact arising from Covid-19 is not clear at this point of time and therefore, the uncertainty is also related to the effects of Covid-19.

### **Events after the balance sheet day**

There have been no events after the balance sheet day and to date that materially affect the assessment of the annual report.

### **Outlook for 2021**

Depending on the development in the Covid-19 situation, the portfolio companies generally expect improved performance for 2021. Consequently, Maj Invest Equity 4 expects a positive result for 2021.

Maj Invest Equity 4 will continue the development of the portfolio companies in order to prepare these for exits in the coming years.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### GENERAL

Maj Invest Equity 4 has voluntarily chosen to present the annual report in accordance with the provisions of the Danish Financial Statements Act for reporting class A entities and with the adoption of a statement of changes in equity.

Investments in portfolio companies are recognised in compliance with the International Private Equity and Venture Capital Valuation Guidelines, drawn by the IPEV Board.

The accounting policies are the same as last year.

### Recognition and measurement

All income and expenses relating to the financial year are recognised in the income statement regardless of time of payment. Value adjustments in respect of investments in portfolio companies, which are measured at fair value, are also recognised in the income statement.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the limited partnership, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the limited partnership, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the financial statements, either affirming or not affirming conditions existing on the balance sheet date.

### Foreign currency translation

Transactions in foreign currencies are translated into Danish kroner using the exchange rates applicable on the transaction date. Assets and liabilities in foreign currencies are translated into Danish kroner using the rates on the balance sheet date.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### INCOME STATEMENT

#### Value adjustment of investments in portfolio companies

Gains/losses on investments and value adjustments of investments in and receivables from portfolio companies are recognised in the income statement. Interest received on loans to and dividends received from portfolio companies are also recognised under "Value adjustment of investments in portfolio companies".

#### Administrative expenses

Administrative expenses mainly consist of management fees, broken deal costs, partnership formation costs and other administrative expenses.

#### Financial income and expenses

Financial income and expenses include interest on bank deposits, interest on bridge loans and interest on loans provided by the general partner "Fonden Maj Invest Equity General Partner".

#### Tax

Maj Invest Equity 4 is a Danish limited partnership. The limited partnership is transparent for tax purposes and taxes are levied on the individual investor in proportion to their shares in the partnership. Consequently, no provisions for tax have been made in the financial statements. However, tax withheld on the payment of dividends and interest by the portfolio companies are recognised in the income statement under withholding tax.

### BALANCE SHEET

#### ASSETS

##### Investments in portfolio companies

On initial recognition, investments in portfolio companies are measured at cost, with the addition of transaction costs. On subsequent recognition, investments are measured at fair value. Value adjustments are recognised in the income statement.

The fair value of investments in portfolio companies are measured through the use of traditional valuation methods, such as EV/EBITDA, P/E, EV/EBIT and P/B. The most recent market price, for instance in the form of an expansion of capital or a partial sale based on values of comparable companies, are also taken into consideration.

If the fair value assessment is not reliable, investments will be measured

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

at cost, with the addition of transaction costs.

### **Receivables**

Receivables from portfolio companies and other receivables are measured at the lower of amortised cost or net realisable value, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of an assessment of the individual receivables.

### **Prepayments**

Prepayments recognised under assets mainly consist of prepaid management fees.

### **Cash**

Cash includes deposits with financial institutions.

## **LIABILITIES**

### **Financial liabilities**

Liabilities are measured at amortised cost, usually corresponding to the nominal value.



# FINANCIAL STATEMENTS

## INCOME STATEMENT

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'000 DKK	Note	2020	2019
Value adjustment of investments in portfolio companies	1	11,450	38,764
Administrative expenses		(10,497)	(9,529)
<b>Operating profit/loss</b>		<b>953</b>	<b>29,235</b>
Financial expenses	2	(3,832)	(287)
<b>Profit/loss before tax</b>		<b>(2,879)</b>	<b>28,948</b>
Withholding tax		-	-
<b>Profit/loss for the year</b>		<b>(2,879)</b>	<b>28,948</b>
<b>Proposed distribution of net profit/loss</b>			
Retained earnings		(2,879)	28,948
		<b>(2,879)</b>	<b>28,948</b>

# FINANCIAL STATEMENTS

## BALANCE SHEET

'000 DKK	Note	31/12/2020	31/12/2019
<b>ASSETS</b>			
Investments in portfolio companies	3	876,135	840,831
Receivables from portfolio companies	4	77,954	30,758
<b>Total investments</b>		<b>954,089</b>	<b>871,589</b>
<b>Total non-current assets</b>		<b>954,089</b>	<b>871,589</b>
Other receivables		-	3
Prepayments		2,281	2,514
<b>Total receivables</b>		<b>2,281</b>	<b>2,517</b>
<b>Cash</b>	<b>5</b>	<b>13,580</b>	<b>11,229</b>
<b>Total current assets</b>		<b>15,861</b>	<b>13,746</b>
<b>Total assets</b>		<b>969,950</b>	<b>885,334</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital		1,092,408	1,062,672
Distributions		(1,449,195)	(1,445,462)
Retained earnings		1,262,576	1,265,455
<b>Total equity</b>		<b>905,788</b>	<b>882,665</b>
Debt to general partner	6	300	300
Other payables	7	62,616	-
<b>Total long-term liabilities</b>		<b>62,916</b>	<b>300</b>
Debt to general partner		120	120
Other payables		1,126	2,249
<b>Total short-term liabilities</b>		<b>1,246</b>	<b>2,369</b>
<b>Total liabilities</b>		<b>64,162</b>	<b>2,669</b>
<b>Total equity and liabilities</b>		<b>969,950</b>	<b>885,334</b>
Contingent liabilities etc.	8		
Other notes	9		

# FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distributions	Retained earnings	Total
<b>2020</b>				
Equity 01/01	1,062,672	(1,445,462)	1,265,455	882,665
Paid-in capital from limited partners	29,736	-	-	29,736
Distributions to limited partners	-	(3,733)	-	(3,733)
Profit for the year	-	-	(2,879)	(2,879)
<b>Equity 31/12</b>	<b>1,092,408</b>	<b>(1,449,195)</b>	<b>1,262,576</b>	<b>905,788</b>
The limited partners are liable for their share of the remaining commitment 31/12/2020				121,342
<b>2019</b>				
Equity 01/01	955,383	(1,261,913)	1,236,507	929,977
Paid-in capital from limited partners	107,290	-	-	107,290
Distributions to limited partners	-	(183,549)	-	(183,549)
Profit for the year	-	-	28,948	28,948
<b>Equity 31/12</b>	<b>1,062,672</b>	<b>(1,445,462)</b>	<b>1,265,455</b>	<b>882,665</b>
The limited partners are liable for their share of the remaining commitment 31/12/2019				151,078

# FINANCIAL STATEMENTS

## NOTES

'000 DKK	2020	2019
<b>NOTE 1 Value adjustment of investments in portfolio companies</b>		
Interests on loans to group companies	3,196	1,223
Realised and unrealised value adjustments in portfolio companies	7,004	37,041
Other adjustments	1,250	500
	<b>11,450</b>	<b>38,764</b>
<b>NOTE 2 Financial expenses</b>		
Financial expenses, general partner	120	120
Other financial expenses	3,712	167
	<b>3,832</b>	<b>287</b>
<b>NOTE 3 Investments in portfolio companies</b>		
	<b>31/12/2020</b>	<b>31/12/2019</b>
Cost at 01/01	565,457	557,951
Additions during the year	28,500	71,923
Disposals during the year	(138)	(64,417)
Cost at 31/12	593,819	565,457
Value adjustments at 01/01	275,375	350,255
Value adjustments during the year	7,004	36,320
Disposals during the year	(62)	(111,200)
Value adjustments at 31/12	282,316	275,375
<b>Carrying amount at 31/12</b>	<b>876,135</b>	<b>840,831</b>

# FINANCIAL STATEMENTS

## NOTES

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<b>'000 DKK</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
<b>NOTE 4 Receivables from portfolio companies</b>		
Cost at 01/01	30,758	11,794
Additions during the year	<u>47,196</u>	<u>18,964</u>
Cost at 31/12	<u>77,954</u>	<u>30,758</u>
<b>Carrying amount at 31/12</b>	<b><u>77,954</u></b>	<b><u>30,758</u></b>

### NOTE 5 Cash

Cash includes an escrow account of DKK 8.3 million.

### NOTE 6 Debt to general partner

Debt to general partner is an instalment-free loan to Maj Invest Equity 4 for the full term of Maj Invest Equity 4.

### NOTE 7 Other payables – long term

Other payables due after 5 years

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# FINANCIAL STATEMENTS

## NOTES

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'000 DKK

31/12/2020

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### **NOTE 8 Contingent liabilities etc.**

#### ***Contingent liabilities***

Maj Invest Equity 4 has entered into a management agreement with Maj Invest Equity for the Manager's administration of Maj Invest Equity 4 as well as the provision of investment advisory services to Maj Invest Equity 4. On termination, Maj Invest Equity 4 may in certain circumstances be obliged to pay management fees for up to a 9 month period plus a share of a return exceeding a predefined level of return. At 31 December 2020, the fee payable amounted to approx. DKK 173 million (at 31 December 2019 approx. DKK 173 million).

The fund has provided financial guarantees to various portfolio companies' banks etc. The guarantees are maximised to DKK 91 million in total and will expire no later than July 31, 2022.

Furthermore, the fund has provided other guarantees of DKK 7 million which expires March 15, 2021.

Maj Invest Equity 4 has in relation to exits entered into usual representations and warranties for this line of business.

In some cases, Maj Invest Equity 4's underlying holding companies are obliged to buy additional equities or options in the portfolio companies. In such cases, the limited partners may be required to contribute capital.

#### ***Securities***

All shares in a holding company has been pledged as security for commitments with bank.

# FINANCIAL STATEMENTS

## NOTES

### NOTE 9 Board of directors and Investment Committee

#### *Board of directors of the general partner:*

##### ***Bjarne Thorup (Chairman)***

###### ***Director of:***

Thorup ApS, Promentum I General Partner ApS, AEP Komplementar ApS, AEP Bolig+ I Komplementar ApS, Private Equity III K/S, Secure Byggefinansiering 3 K/S and AEP Logistics Properties I Komplementar ApS.

###### ***Chairman of:***

Pesitho Holding ApS, Sæbefabrikken A/S and Fonden MIE 5 GP.

###### ***Vice Chairman of the boards of:***

Jysk Display A/S and Holdingselskabet Jysk Display A/S.

###### ***Board member of:***

Bo-Hus A/S and Fonden MIFIF II GP.

##### ***Erik Holm***

###### ***CEO, Managing Partner of:***

Maj Invest Equity A/S.

###### ***Director of:***

Fondsmæglerselskabet Maj Invest A/S, Maj Invest Holding A/S and Erik Holm Holding ApS.

In addition, chairman and board member of several holding companies and underlying portfolio companies owned by Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

###### ***Chairman of:***

Cenex ApS.

###### ***Vice Chairman of the boards of:***

Arvid Nilssons Fond and SP Group A/S.

###### ***Board member of:***

Brødrene A. & O. Johansen A/S, AO Invest A/S, Maj Invest Singapore Private Ltd. and Maj Invest South America S.A.

###### ***Member of Investment Committee of:***

Maj Invest Equity 5 K/S, Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II K/S.

##### ***Frank Visti Møbjerg***

###### ***Director of:***

Fravis Holding ApS.

###### ***Chairman of:***

H & M Invest A/S and The Jewellery Room ApS.

###### ***Board member of:***

Fravis Holding ApS, Bolighandel ApS, Fonden MIE 5 GP, Fonden LDE 2 GP, Fonden LDE 3 GP and Fonden MIFIF II GP.

# FINANCIAL STATEMENTS

## NOTES

### NOTE 9 Board of directors and Investment Committee (continued)

#### *Investment Committee:*

##### *Carsten Dilling*

###### *Director of:*

CDI Consult ApS.

###### *Chairman of:*

SAS AB, Icotera A/S, MT Højgaard Holding A/S and NNIT A/S.

###### *Board member of:*

Terma A/S.

###### *Member of Investment Committee of:*

Maj Invest Equity 5 K/S.

##### *Henrik Andersen*

###### *CEO of:*

Vestas Wind Systems A/S.

###### *Director of:*

Vestas Infrastructure Invest ApS.

###### *Chairman of:*

Wind Power Invest A/S, Vestas India Holding A/S, Vestas Asia Pacific A/S, Vestas Manufacturing A/S, Vestas Mediterranean A/S, Vestas Central Europe A/S, Vestas Americas A/S, Vestas Shared Service A/S, Wind Power Development A/S, Vestas Offshore Wind A/S, Wind Power Development India A/S and Vestas Ventures A/S.

###### *Board member of:*

H. Lundbeck A/S, Copenhagen Infrastructure Partners Holding P/S and Copenhagen Infrastructure Partners GP Interests Holding K/S.

###### *Member of Investment Committee of:*

Maj Invest Equity 5 K/S.

##### *Jeppe Christiansen*

###### *CEO of:*

Fondsmæglerselskabet Maj Invest A/S and Maj Invest Holding A/S.

###### *Director of:*

Maj Invest Equity A/S and Det Kgl. Vajsenhus.

###### *Chairman of:*

Haldor Topsøe A/S, JEKC Holding ApS Emlika ApS, Emlika Holding ApS and EFC Holding ApS.

###### *Vice Chairman of the boards of:*

Novo Nordisk A/S.

###### *Board member of:*

Kirkbi A/S, Novo Holdings A/S, Bellabeat Inc. and Pluto Naturfonden.

###### *Member of Investment Committee of:*

Maj Invest Equity Vietnam I K/S, Maj Invest Equity Southeast Asia II K/S, Maj Invest Financial Inclusion Fund II K/S, Maj Invest Financial Inclusion Fund III K/S, Danish Microfinance Partners K/S and Maj Invest Equity 5 K/S.



# FINANCIAL STATEMENTS

## NOTES

### NOTE 9 Board of directors and Investment Committee (continued)

#### ***Erik Holm***

##### ***CEO, Managing Partner of:***

Maj Invest Equity A/S.

##### ***Director of:***

Fondsmæglerselskabet Maj Invest A/S, Maj Invest Holding A/S and Erik Holm Holding ApS.

In addition, chairman and board member of several holding companies and underlying portfolio companies owned by Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

##### ***Chairman of:***

Cenex ApS.

##### ***Vice Chairman of the boards of:***

Arvid Nilssons Fond and SP Group A/S.

##### ***Board member of:***

Brødrene A. & O. Johansen A/S, AO Invest A/S, Maj Invest Singapore Private Ltd. and Maj Invest South America S.A.

##### ***Member of Investment Committee of:***

Maj Invest Equity 5 K/S, Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II K/S.

#### ***Niels Retbøll***

##### ***Director of:***

Boomerang Holding ApS.

In addition, managing director or directorship of several holding companies and underlying portfolio companies owned by Maj Invest Equity 4 K/S.

##### ***Member of Investment Committee of:***

Maj Invest Equity 5 K/S.

#### ***Niels Toft***

##### ***Director of:***

Maks ApS.

In addition, managing director or directorship of several holding companies and underlying portfolio companies owned by Maj Invest Equity 4 K/S, Maj Invest Equity 5 K/S and LD Equity 2 K/S.

##### ***Chairman of:***

Fonden LDE 2 GP.

##### ***Member of Investment Committee of:***

Maj Invest Equity 5 K/S.