



LD EQUITY 3 K/S

Annual report 2020

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STATEMENTS

STATEMENT BY MANAGEMENT

The board of directors has today discussed and approved the annual report for LD Equity 3 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 and cash flows 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 March 2021

General partner:

Fonden LDE 3 GP

Board of directors:

Per Høholt

Torben Kjær

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 LD Equity 3 K/S

Opinion

We have audited the financial statements of LD Equity 3 K/S for the financial year 1 January – 31 December 2020, which comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement 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 March 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Karstensen
State Authorised
Public Accountant
mne16615

Rasmus Berntsen
State Authorised
Public Accountant
mne35461

MANAGEMENT COMMENTARY

Fund information

The limited partnership	LD Equity 3 K/S c/o Bech-Bruun Langelinie Allé 35 DK-2100 Copenhagen Ø Denmark
Contact information	E-mail: kontakt@majinvest.com Website: majinvest.com
CVR no.	29 81 00 36
Financial year	1 January – 31 December
Registered office	Copenhagen
General partner	Fonden LDE 3 GP
Board of directors in Fonden LDE 3 GP	Per Høholt Torben Kjær Frank Visti Møbjerg
Manager	Maj Invest Equity A/S
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS

'000 DKK	2020	2019	2018	2017	2016
Key figures					
Profit/loss					
Value adjustment of investments in portfolio companies	4,886	4,135	1,450	74,937	42,416
Operating profit/loss	4,861	4,107	1,273	72,269	39,000
Profit/loss for the year	4,781	3,660	533	71,237	34,264
Balance sheet					
Investments in portfolio companies	7,300	2,900	13,700	32,900	157,200
Total assets	12,455	7,682	18,657	43,459	157,556
Equity	12,255	7,474	18,452	43,247	157,306
Financial resources					
Cash	5,155	4,782	4,957	10,559	356
Remaining commitment	103,615	103,615	103,615	108,761	111,371
Total financial resources	108,770	108,397	108,572	119,320	111,727
Cash flow					
Cash flows from operating activities	(113)	10,433	19,726	29,530	140,771
Cash flows from investing activities	486	4,030	-	165,969	(118)
Cash flows from financing activities	-	(14,638)	(25,328)	(185,296)	(141,762)
Net change in cash	373	(175)	(5,602)	10,203	(1,109)
Ratios					
Equity ratio	98%	97%	99%	100%	100%
Paid-in capital to committed capital (%)	85%	85%	85%	84%	83%

MANAGEMENT COMMENTARY

BUSINESS REVIEW

The private equity fund LD Equity 3 K/S (LD Equity 3) was established as a limited partnership in January 2007 and has invested in Danish business entities with growth potential and expansion possibilities, primarily in entities with revenues between DKK 10 million and DKK 100 million at the time of investment, first and foremost in trade, industry and various service trades. LD Equity 3 has invested both as minority and majority owner.

The objective of LD Equity 3 has been to create and realise value in the portfolio companies. The fund has invested in 11 portfolio companies since its establishment and in 2018 the last portfolio company was exited. No new investments will be made and LD Equity 3's activity has ended.

Profit for the year

The result for 2020 is a profit of DKK 4.8 million (against a profit of DKK 3.7 million in 2019) which is considered satisfactory.

The Covid-19 situation has not had any impact on LD Equity 3 as all investments are exited.

Capital resources

LD Equity 3's equity amounted to DKK 12.3 million at 31 December 2020, corresponding to an equity ratio of 98%.

Ownership

LD Equity 3 is owned by a number of professional and institutional investors holding a stake of 99.7%.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Legal structure

LD Equity 3 is a Danish limited partnership with a commercial foundation (in Danish: "Erhvervsdrivende fond") as general partner. The general partner Fonden LDE 3 GP is managed by a board of directors consisting of three members. The general partner is responsible for management and also signs for LD Equity 3 and has together with LD Equity 3 entered into a management agreement with Maj Invest Equity A/S (Manager).

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.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

GENERAL

LD Equity 3 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 and a cash flow statement. 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 administrative expenses.

Financial expenses

Financial expenses include interest on bank deposits and interest on loans provided by the general partner "Fonden LDE 3 GP".

Tax

LD Equity 3 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, taxes withheld on the payment of dividends are recognised in the income statement under withholding tax.

BALANCE SHEET

ASSETS

Investments in portfolio companies

On initial recognition, investments in portfolio companies were 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 at the most recent market price, for instance in the form of an expansion of capital or a partial sale based on the values of comparable companies or through the use of traditional valuation methods, such as EV/EBITDA, P/E, EV/EBIT, P/B.

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

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

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.

Cash

Cash includes deposits with financial institutions.

LIABILITIES

Financial liabilities

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

CASH FLOW STATEMENT

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as the year's movements in cash flows and the limited partnership's cash at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities include the net profit or loss for the year, adjusted for changes in working capital and non-cash operating items, such as value adjustments of investments in portfolio companies and provisions. The working capital includes current assets less short-term liabilities, exclusive of items included in cash and bank loans.

Cash flows from investing activities

Cash flows from investing activities include payments in respect of acquisitions or divestments of portfolio companies.

Cash flows from financing activities

Cash flows from financing activities include payments to and from limited partners as well as any changes in bank loans.

FINANCIAL STATEMENTS

INCOME STATEMENT

'000 DKK	Note	2020	2019
Value adjustment of investments in portfolio companies	1	4,886	4,135
Administrative expenses		(25)	(28)
Operating profit/loss		4,861	4,107
Financial expenses	2	(80)	(137)
Profit/loss before tax		4,781	3,970
Withholding tax		-	(310)
Profit/loss for the year		4,781	3,660
Proposed distribution of net profit/loss			
Retained earnings		4,781	3,660
		4,781	3,660

FINANCIAL STATEMENTS

BALANCE SHEET

'000 DKK	Note	31/12/2020	31/12/2019
ASSETS			
Investments in portfolio companies	3	7,300	2,900
Total investments		7,300	2,900
Total non-current assets		7,300	2,900
Cash		5,155	4,782
Total current assets		5,155	4,782
Total assets		12,455	7,682
EQUITY AND LIABILITIES			
Paid-in capital		560,877	560,877
Distributions		(664,813)	(664,813)
Retained earnings		116,191	111,410
Total equity		12,255	7,474
Debt to general partner		125	125
Total long-term liabilities	4	125	125
Debt to general partner		50	50
Other payables		25	33
Total short-term liabilities		75	83
Total liabilities		200	208
Total equity and liabilities		12,455	7,682
Cash flows – adjustments	5		
Cash flows – change in working capital	6		
Contingent liabilities etc.	7		

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distributions	Retained earnings	Total
2020				
Equity 01/01	560,877	(664,813)	111,410	7,474
Profit for the year	-	-	4,781	4,781
Equity 31/12	560,877	(664,813)	116,191	12,255
The limited partners are liable for their share of the remaining commitment 31/12/2020				103,615
2019				
Equity 01/01	560,877	(650,175)	107,750	18,452
Distributions to limited partners	-	(14,638)	-	(14,638)
Profit for the year	-	-	3,660	3,660
Equity 31/12	560,877	(664,813)	111,410	7,474
The limited partners are liable for their share of the remaining commitment 31/12/2019				103,615

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

'000 DKK	Note	2020	2019
Profit/loss for the year		4,781	3,660
Adjustments	5	(4,806)	7,217
Change in working capital	6	(8)	3
Cash flows from operating activities before net financials		(33)	10,880
Financial expenses		(80)	(137)
Paid dividend tax		-	(310)
Cash flows from operating activities		(113)	10,433
Disposals of portfolio companies		486	4,030
Cash flows from investing activities		486	4,030
Distributions to limited partners		-	(14,638)
Cash flows from financing activities		-	(14,638)
Cash flows for the year, net		373	(175)
Cash at the beginning of the year		4,782	4,957
Cash at the end of the year		5,155	4,782

FINANCIAL STATEMENTS

NOTES

'000 DKK	2020	2019
NOTE 1 Value adjustment of investments in portfolio companies		
Dividends received from portfolio companies	-	10,905
Realised gain/loss in portfolio companies	486	4,030
Unrealised value adjustments	4,400	(10,800)
	4,886	4,135
NOTE 2 Financial expenses		
Financial expenses, general partner	50	50
Other financial expenses	30	87
	80	137
NOTE 3 Investments in portfolio companies		
	31/12/2020	31/12/2019
Cost at 01/01	238,107	308,485
Disposals during the year	(94,242)	(70,378)
Cost at 31/12	143,865	238,107
Value adjustments 01/01	(235,207)	(294,785)
Value adjustments during the year	4,400	(10,800)
Disposals during the year	94,242	70,378
Value adjustments at 31/12	(136,565)	(235,207)
Carrying amount at 31/12	7,300	2,900
NOTE 4 Long-term liabilities		
Debt to general partner is an instalment-free loan to LD Equity 3 for the full term of LD Equity 3.		

FINANCIAL STATEMENTS

NOTES

'000 DKK	2020	2019
NOTE 5 Cash flow statement – adjustments		
Financial expenses	80	137
Paid dividend tax	–	310
Realised value adjustments	(486)	(4,030)
Unrealised value adjustments of investments in portfolio companies	<u>(4,400)</u>	<u>10,800</u>
	<u>(4,806)</u>	<u>7,217</u>
 NOTE 6 Cash flow statement – change in working capital		
Change in other short-term liabilities	<u>(8)</u>	<u>3</u>
	<u>(8)</u>	<u>3</u>

NOTE 7 Contingent liabilities etc.

Contingent liabilities

LD Equity 3 has in relation to exits entered into usual representations and warranties for this line of business.