



MAJ INVEST EQUITY 5 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 Maj Invest Equity 5 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 May 2021

General partner:

Fonden MIE 5 GP

Board of directors:

Bjarne Thorup
(chairman)

Frank Visti Møbjerg

Torben Kjær

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

on _____ / _____ 2021

Chairman: _____

STATEMENTS

Independent auditors' report

To the limited partners of Maj Invest Equity 5 K/S

Opinion

We have audited the financial statements of Maj Invest Equity 5 K/S for the financial year 1 January – 31 December 2020, which comprise accounting policies, income statement, balance sheet, 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.

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Independent auditors' report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

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Independent auditors' report

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 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 5 K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Contact information	E-mail: kontakt@majinvest.com Website: majinvest.com
CVR no.	35 44 13 79
Financial year	1 January – 31 December
Registered office	Copenhagen
General partner	Fonden MIE 5 GP
Board of directors in Fonden Maj Invest Equity General Partner	Bjarne Thorup, chairman Frank Visti Møbjerg Torben Kjær
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	19.02.2016 – 31.12.2016
Key figures					
Profit/loss					
Value adjustment of investments in portfolio companies	10,252	(241,703)	(20,257)	(40)	-
Operating profit/loss	(28,678)	(280,601)	(59,637)	(44,993)	(10,024)
Profit/loss for the year	(30,333)	(283,310)	(60,051)	(49,689)	(10,034)
Balance sheet					
Investments in portfolio companies	961,694	660,556	574,372	509,649	-
Total assets	1,006,205	706,729	613,121	528,395	22,180
Equity	799,589	587,287	543,049	527,647	13,756
Financial resources					
Cash	617	177	1,527	-	-
Remaining commitment	810,586	1,082,309	1,459,678	1,535,132	1,965,860
Total financial resources	811,203	1,082,486	1,461,205	1,535,132	1,965,860
Cash flow					
Cash flows from operating activities	50,676	623	11,749	(53,892)	(23,790)
Cash flows from investing activities	(292,871)	(329,521)	(85,674)	(509,689)	-
Cash flows from financing activities	242,635	327,549	75,453	563,581	23,790
Net change in cash	440	(1,350)	1,527	-	-
Ratios					
Equity ratio	79%	83%	89%	100%	62%
Paid-in capital to committed capital (%)	62%	49%	31%	28%	1%

MANAGEMENT COMMENTARY

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Maj Invest Equity 5 K/S

The limited partnership Maj Invest Equity 5 K/S (Maj Invest Equity 5) had final closing with investors on October 14, 2017 with a total commitment of DKK 2,125 million. The Fund is owned by a number of Danish professional and institutional investors and international professional investors. The investors have entered into a limited partnership agreement.

Investment and value creation strategy

Maj Invest Equity 5 invests in Danish small- and medium-sized companies with a target enterprise value between EUR 20–60 million (DKK 150–450 million). Investments are primarily in industry, service, technology and trade. Generally, Maj Invest Equity 5 takes the role as lead investor and makes both majority and minority investments.

The investment period expires in October 2021, thereafter no new investments will be made. However, follow-on investments can still be made.

Investment strategy

Maj Invest Equity 5's investment strategy is to invest in well-run family and founder-owned businesses with headquarters in Denmark.

Maj Invest Equity 5 pursues a partnership approach and has flexible ownership models; that there is a close commitment 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 5, management and co-owners calibrate their mutual expectations through clear strategy and business plans with high ambitions and agreed ownerships objectives.

ESG policy

Maj Invest Equity 5 is committed to socially responsible investments and adheres to UN's six Principles for Responsible Investment (PRI) and the UN Global Compact's ten princi-

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ples. Maj Invest Equity 5 actively supports that the portfolio companies comply with the principles of the Fund's ESG Policy and monitors companies' inclusion of ESG factors in their operations via board participation and close partnership with the portfolio companies.

Value creation strategy

The value creation strategy is characterized by the following:

- Focus on long-term strategic and operational value creation based on permanent improvements and innovation
- Targeted organic as well as acquisitive growth
- Long-term ownership approach
- Involvement of experienced and competent business executives in order to facilitate industrial improvement of the companies

Maj Invest Equity 5 emphasises that each individual investment is to be supported by a well-crafted strategy and business plan for the business entity and that owners and management agree on such strategy and plan. To ensure alignment of interest, one of the fundamentals of the investment policy is that management in each portfolio company invests together with Maj Invest Equity 5.

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 5's use of business executives stretches from the identification and analysis of an investment opportunity via 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 ex-

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ecutives are selected as board members and co-invest in the portfolio companies in which they are involved.

Maj Invest Equity 5 is entitled to appoint board members in the individual portfolio companies. A partner and a director/investment manager from Maj Invest Equity A/S (the Manager) 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/investment manager 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.

Maj Invest Equity 5 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 will also be monitored and assessed in order to execute exits as optimally as possible.

Maj Invest Equity Organisation

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

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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 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 Group from 2006 to 2007, and 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. He was previously 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.

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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 of Maj Invest Equity 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, for a presentation of other Maj Invest Equity staff.

Ownership

Maj Invest Equity 5 is owned by a number of professional and institutional investors holding a stake of 96.3%. The remaining stake is owned by Maj Invest Holding A/S, Maj Invest Equity Management and staff involved in investments 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.

Investors	Commitment DKKm	Interest in per cent
Pension funds (Danish) and Dansk Vækstkapital II K/S	1,175.0	55.3%
Financial institutions (Danish)	100.0	4.7%
Other professional investors (Danish)	485.0	22.8%
Pension Funds (Foreign)	75.0	3.5%
Other professional investors (Foreign)	210.0	9.9%
Maj Invest Holding, Management and staff in Maj Invest Equity (Danish)	79.7	3.8%
	2,124.7	100.0%

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Legal structure

Maj Invest Equity 5 is a Danish limited partnership with a commercial foundation as general partner. The general partner, Fonden MIE 5 GP, is managed by a board of directors consisting of three members. The general partner has the sole authority to approve all material decisions and signs for Maj Invest Equity 5 and has together with Maj Invest Equity 5 entered into a management agreement with Maj Invest Equity A/S (the Manager). The general partner's board of directors is disclosed in note 9.

Under the management agreement, the Manager handles all investment-related and administrative tasks for Maj Invest Equity 5. Consequently, Maj Invest Equity 5 has no staff employed. The Manager prepares investment and divestment proposals to the Investment Committee. The Manager has made an advisory service agreement with Fondsmægler-selskabet Maj Invest A/S in respect of some of the investment-related tasks.

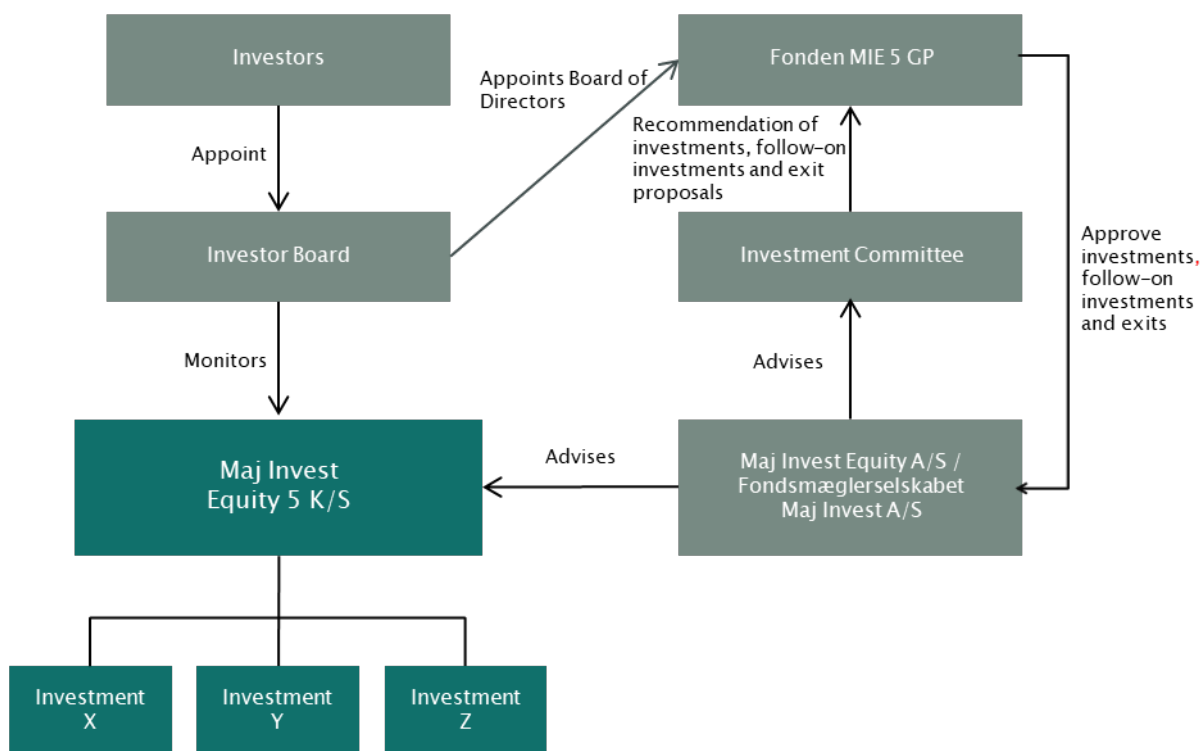
Decision structure

The investors in Maj Invest Equity 5 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.

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Decision structure in Maj Invest Equity 5 K/S



Maj Invest Equity 5 has established an investment committee. The Investment Committee shall pre-approve and review all proposals prepared by the Manager regarding investments in or divestments of portfolio companies in Maj Invest Equity 5.

The Investment Committee consists of eight members, namely the five Equity Partners and the CEO of Maj Invest Holding A/S and two external members which have been appointed by the Manager. The external members have an advisory role. Reference is made to note 9, which shows any other executive functions or directorships held by investment committee members.

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.

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Maj Invest Equity 5 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. The annual report of Maj Invest Equity will be available on the website majinvest.com. Information is given on Manager level.

Carried interest

Maj Invest Equity 5 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 carried interest depending on the investors' returns on their investments.

No carried interest had been allocated or paid as of 31 December 2020.

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.
- Investment summary on new investments.
- Exit memorandum.
- Annual reports.
- Semi-annual investor meetings.
- Replies to investor queries.

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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.

Some of Maj Invest Equity 5' portfolio companies were 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 in portfolio companies.

During second half of 2020, some of the portfolio companies have managed to make a strong rebound which has reduced the negative impact on the fund's result considerably, although the travel and restaurant business is still affected. In addition, there are portfolio companies that have not been affected by Covid-19.

Investments

In 2020, Maj Invest Equity 5 has made a new investment in firm LIVING.

Result for the year

As mentioned above, the Covid-19 pandemic has affected the activities in some of the portfolio companies and thus the fund's result for 2020. The bottom-line for 2020 is a loss of DKK 30 million (against a loss in 2019 of DKK 283 million). The result of the year

MANAGEMENT COMMENTARY

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is positively affected by net value adjustments of DKK 10 million and negatively affected by administrative expenses of DKK 39 million. In the light of the Covid-19 pandemic, the result for 2020 is considered satisfactory, especially considering that the travel and restaurant business is still affected by Covid-19 restrictions and therefore have resulted in a write-down. However, this has been offset by positive developments in other portfolio companies.

Development in portfolio companies in 2020

The current portfolio comprises the following seven companies:

Itadel A/S

Itadel is a Danish IT service company with primary activities within managed hosting, managed infrastructure and cloud services. The customer base is predominantly comprised of small and medium sized companies from Denmark. Itadel is headquartered in Aarhus (DK) and was founded in the year 2000 under the name eStructure, which was acquired by TDC Group in 2003. Itadel's key solutions are Platform as a Service, Infrastructure as a Service and Middleware operations. Itadel has offices in Aarhus, Ballerup and a delivery center in Prague in the Czech Republic. The result for 2020, was below Management's expectations.

Icoter A/S

Icoter is among the leading European developers of gateway, router and software solutions for the Fiber-to-the-Home market. Through a customer-oriented business approach Icoter has become the Danish market leader with significant sales in multiple European markets. Icoter's products are sold directly to fiber network operators or via local partners while manufacturing is outsourced to external EMS-partners. During FY2019/20, management continued to execute its strategy resulting in growth on the existing customer base as well as the addition of new accounts. Consequently, both top line and

MANAGEMENT COMMENTARY

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earnings improved vs. FY2018/19. Management expects further growth in revenue and earnings during FY2020/21.

Aclass A/S

Aclass is an online travel agency offering overseas adventure travel as packaged adventure tours to Africa, Latin America and Asia. Since its inception, the company has been operated as an e-commerce business in the travel industry and all marketing is online through three product brands – one for each destination region – deployed in seven source markets (Denmark, Norway, Sweden, Germany, UK, the Netherlands, and Finland). Financial performance in 2020 was severely affected by the Covid-19 pandemic, which resulted in governments worldwide imposing strict restrictions – including travel bans, self-imposed quarantine periods and social distancing – to prevent the spread of the virus. Naturally, this caused material disruption to the travel industry, including Aclass, reflected in both top line and earnings ending below FY19. While the duration and continued impact of Covid-19 remains unknown, management expects the industry to gradually recover during 2021 driven by vaccine rollouts in both source and destination markets. Consequently, modest growth in revenue and earnings is expected vs. FY20. However, considerable uncertainties remain in terms of path to normalization and, hence, financial outlook.

Sovino Brands ApS

Sovino Brands is a restaurant group consisting of 13 restaurants all located in the city centre of Copenhagen. Restaurants are run as individual concepts and independent brands, all within the casual fine dining segment. On a day-to-day basis, restaurants are operated independently by individual head-chefs or restaurant managers, but, on group level, all restaurants are backed by a centralised administration unit. Throughout 2020, Sovino was severely affected by the Covid-19 pandemic where two periods of lockdown as well as tightened opening restrictions during the summer significantly impacted results. Consequently, revenue as well as EBITDA was realized significantly below FY19. For

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FY21, financial results are expected to improve vs. FY20. However, as all units were still restricted from opening at the beginning of the year, considerable uncertainties exist in terms of path to normalization and, hence, financial outlook.

Roll-o-Matic A/S

Roll-o-Matic is an engineering business that develops and builds flexible converting machinery for production of bags on roll (e.g. garbage bags) from recycled plastic, bio-plastic, bio degradable plastic and other film. The business is geographically diversified with an installed base across 63 countries. Europe is the largest market, while sales to the Middle East, North America and Latin America are growing. Performance in FY2019/20 in terms of both revenue and earnings was above the previous year despite Covid-19 and the imposed travel restrictions. This was a result of a successful effort to adapt the business to the circumstances, including developing innovations targeting new market demand. In FY 2020/21, Management expects growth in both revenue and earnings.

Good Food Group A/S

Good Food Group produces a broad range of food products where the main categories are jam and frozen fruit, condiments and dressings, non-dairy cream, honey, nuts, grains and oats. The products are sold to domestic and international supermarket chains, food-service customers and other food processors. Products are sold under own brands as well as private labels to more than 75 countries although app. 60% of revenue comes from Scandinavia. Production facilities are located in DK, SE, NO & PL. In 2020, Good Food Group realised growth in both revenue and gross profit on a like-for-like basis, however operating profit declined slightly compared to last year due to the continued investment in the business as well as Covid-19 lockdown of markets, especially in the foodservice and B2B segments. Jakobsen A/S, a leading Nordic honey producer, was acquired in November. In 2020, the generational shift was concluded with new management team. For 2021 management expect growth in both revenue and operating profit.

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Wendelbo Møbel Design A/S

Wendelbo Møbel Design (“Wendelbo”) designs, manufactures and markets design furniture incl. sofas, chairs, tables and other interior design products, catering mainly to the affordable luxury and luxury segments through the design brand ‘Wendelbo’ as well as through the value brand ‘W’. The company’s products are mainly sold through 3rd party physical or online retail stores with remaining sales sold on a contract basis, and products are sold worldwide with the majority of sales generated in North America. In 2020, Wendelbo was adversely impacted by Covid-19 due to lockdowns with retail stores being closed for long periods and revenue and operating profit contracted relative to 2019. Management expects a positive outlook for 2021 with improvements in financial performance.

ferm LIVING ApS

ferm LIVING (“ferm”) is a Danish home interior design brand in the affordable luxury segment. The company’s core is centered around home accessories, in addition to furniture, lighting and kids-specific interior. Products are sold in more than 60 countries globally, and in recent years the company has achieved considerable growth across geographic markets, range of products and sales channels, in particular within the fast-growing online segment. In 2020, ferm experienced significant growth in revenue and operating profit relative to 2019 leveraging ferm’s strong online platform. Management also expects a positive outlook for 2021.

Capital resources

Maj Invest Equity 5 has a total capital commitment of DKK 2,125 million. At 31 December 2020, Maj Invest Equity 5 had drawn DKK 1,314 million, or 61.8% of the capital commitments. The remaining capital commitment is DKK 811 million (DKK 1,082 million at 31

MANAGEMENT COMMENTARY

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December 2019). Maj Invest Equity 5's equity amounted to DKK 800 million at 31 December 2020, matching an equity ratio of 79%.

Maj Invest Equity 5 is able to finance 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. At year-end 2020, bank debt amounts to DKK 206 million.

Financial risks

The objective of Maj Invest Equity 5 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, and market conditions, financing opportunities and interest levels can have a tremendous impact on the potential for value creation in the portfolio companies and consequently also the future value of Maj Invest Equity 5.

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 the latest development in 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.

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Outlook for 2021

Depending on the development in the Covid-19 situation, the portfolio companies generally expect improved performance for 2021. However, the travel and restaurant business' performance are still expected to be affected by Covid-19 in 2021. In Maj Invest Equity 5 the management expect an improved result in 2021 though.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

GENERAL

Maj Invest Equity 5 has voluntarily chosen to present the financial statements in accordance with the provisions of the Danish Financial Statements Act for class A entities with the adoption of a cash flow statement and with the necessary adjustments considering that the company is a limited partnership, whose activity is private equity. Investments in portfolio companies are recognised in compliance with the International Private Equity and Venture Capital Valuation Guidelines, drawn up 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.

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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 include mainly management fees, partnership formation costs, broken deal costs, depositary fee and other administrative costs.

Financial expenses

Financial expenses include financial risk premium to the general partner and interest expense due to credit facilities and bridge loans.

Tax

Maj Invest Equity 5 K/S 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.

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 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.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Receivables

Receivables from portfolio companies in the form of loans are recognised as receivables and measured at fair value.

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

Bank loans regarding bridge financing are measured at amortised cost, corresponding to the outstanding debt.

Other 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	10,252	(241,703)
Administrative expenses		<u>(38,930)</u>	<u>(38,899)</u>
Operating profit/loss		(28,678)	(280,601)
Financial expenses	2	<u>(1,656)</u>	<u>(2,709)</u>
Result for the year		(30,333)	(283,310)
Proposed distribution of net profit/loss			
Retained earnings		<u>(30,333)</u>	<u>(283,310)</u>
		(30,333)	(283,310)

FINANCIAL STATEMENTS

BALANCE SHEET

'000 DKK	Note	31/12/2020	31/12/2019
ASSETS			
Investments in portfolio companies	3	961,694	660,556
Total investments		961,694	660,556
Total non-current assets		961,694	660,556
Receivables from portfolio companies	4	25,000	27,102
Prepayments		18,894	18,894
Total receivables		43,894	45,996
Cash		617	177
Total current assets		44,511	46,173
Total assets		1,006,205	706,729
EQUITY AND LIABILITIES			
Paid-in capital		1,314,064	1,042,341
Distributions		(81,058)	(51,970)
Retained earnings		(433,418)	(403,085)
Total equity	5	799,589	587,287
Debt to banks		206,399	119,328
Other payables		217	115
Total short-term liabilities		206,616	119,442
Total liabilities		206,616	119,442
Total equity and liabilities		1,006,205	706,729
Cash flow statement – adjustments	6		
Cash flow statement – change in working capital	7		
Contingent liabilities	8		
Other notes	9		

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

'000 DKK	Note	2020	2019
Profit/loss for the year		(30,333)	(283,310)
Adjustments	6	(6,611)	246,046
Change in working capital	7	89,277	40,597
Cash flows from operating activities before net financials		52,332	3,332
Financial expenses		(1,656)	(2,709)
Cash flows from operating activities		50,676	623
Purchase of investments in portfolio companies		(292,871)	(377,393)
Sale of shares in portfolio companies		-	47,872
Cash flows from investing activities		(292,871)	(329,521)
Paid-in capital from limited partners		271,723	377,371
Distributions to limited partners		(29,088)	(49,822)
Cash flows from financing activities		242,635	327,549
Cash flows for the year, net		440	(1,350)
Cash at the beginning of the year		177	1,527
Cash at the end of the year		617	177

FINANCIAL STATEMENTS

NOTES

'000 DKK	2020	2019
NOTE 1 Value adjustment of investments in portfolio companies		
Interest on loans to group companies	1,236	1,634
Realised gain/loss in portfolio companies	-	23,474
Unrealised value adjustments	8,267	(266,811)
Capital gain on loan to group companies	750	-
	10,252	(241,703)
NOTE 2 Financial expenses		
General Partner, annual financial risk premium	51	47
Other financial expenses	1,605	2,662
	1,656	2,709
NOTE 3 Investments in portfolio companies		
	31/12/2020	31/12/2019
Cost at 01/01	948,905	595,910
Additions during the year	292,871	377,393
Disposals during the year	-	(24,398)
Cost at 31/12	1,241,776	948,905
Value adjustments at 01/01	(288,349)	(21,538)
Value adjustments during the year	8,267	(266,811)
Value adjustments at 31/12	(280,082)	(288,349)
Carrying amount at 31/12	961,694	660,556

Uncertainties relating to recognition and measurement in the financial statements.

The investments in the 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.

FINANCIAL STATEMENTS

NOTES

'000 DKK	31/12/2020	31/12/2019
NOTE 4 Receivables from portfolio companies		
Cost at 01/01	27,102	16,693
Additions during the year	26,986	22,784
Disposals during the year	(29,088)	(12,374)
Cost at 31/12	25,000	27,102
Carrying amount at 31/12	25,000	27,102
NOTE 5 Equity		
Equity at beginning of year	587,287	543,049
Paid-in capital from investors	271,723	377,371
Distributions to investors	(29,088)	(49,822)
Retained earnings	(30,333)	(283,310)
Equity at end year	799,589	587,287
The limited partners are liable for their share of the remaining commitment	810,586	1,082,309
NOTE 6 Cash flow statement – adjustments		
Financial expenses	1,656	2,709
Realised value adjustments	-	(23,474)
Unrealised value adjustments in portfolio companies	(8,267)	266,811
	(6,611)	246,046
NOTE 7 Cash flow statement – change in working capital		
Change in receivables	2,103	(8,773)
Change in other short-term liabilities	87,174	49,370
	89,277	40,597

FINANCIAL STATEMENTS

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NOTE 8 Contingent liabilities

Contingent liabilities

Maj Invest Equity 5 has entered into a management agreement with Maj Invest Equity for the Manager's administration of Maj Invest Equity 5 as well as the provision of investment advisory services to Maj Invest Equity 5. On termination, Maj Invest Equity 5 may in certain circumstances be obliged to pay management fees for up to a 9 month period. At 31 December 2020, the fee amounted to app. DKK 27 million.

The fund has provided financial guarantees to various portfolio companies' banks. The guarantees are maximised to DKK 134.7 million in total and will expire no later than July 7, 2021.

Securities

All shares in a holding company have been pledged as security for commitment with the bank.

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:

Fonden Maj Invest Equity General Partner, Pesitho Holding ApS and Sæbefabrikken A/S.

Vice Chairman of the boards of:

Fonden MIFIF II GP, Jysk Display A/S and Holdingselskabet Jysk Display A/S.

Board member of:

Bo-Hus A/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, Fonden Maj Invest Equity General Partner, Bolighandel ApS, Fonden LDE 2 GP, Fonden LDE 3 GP and Fonden MIFIF II GP.

FINANCIAL STATEMENTS

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Board of Directors of the general partner (continued):

Torben Kjær

Board member of:

Foodpeople A/S, Foodpeople Group ApS, Fonden LDE 2 GP and Fonden LDE 3 GP.

Member of Investment Committee of:

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

Investment Committee:

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, EFC Holding ApS, Emlika ApS and Emlika 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 4 K/S.

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:

Fonden Maj Invest Equity General Partner, Brødrene A. & O. Johansen A/S, AO Invest A/S, Maj Invest Singapore Private Ltd., Singapore and Maj Invest South America S.A Peru.

Member of Investment Committee of:

Maj Invest Equity 4 K/S, Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II K/S.

FINANCIAL STATEMENTS

NOTES

Investment Committee (continued):

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 4 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 4 K/S.

Mads Andersen

Director of:

MPHA Invest 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, LD Equity 2 K/S and LD Equity 3 K/S.

Per Høholt

Director of:

LDE 3 ApS.

Chairman of:

Fonden LDE 3 GP.

Board member of:

Oreco A/S.

In addition, managing director or directorship of several holding and underlying portfolio companies owned by LD Equity 2 K/S, LD Equity 3 K/S, Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

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Investment Committee (continued):

Carsten Dilling

Director of:

CDI Consult ApS.

Chairman of:

SAS AB, Icotera A/S, MT Højgaard 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 4 K/S.

Henrik Andersen

CEO of:

Vestas Wind Systems A/S.

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 and Wind Power Development A/S.

Board member of:

H. Lundbeck A/S.

Member of Investment Committee of:

Maj Invest Equity 4 K/S.