

# ANNUAL REPORT 2021

Signed at the company's annual general meeting,     /     , 2022

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Conductor

Project Sprout K/S  
c/o Strandvejen 104B, 2900 Hellerup  
CVR 39 47 80 80

Annual report for the period 1 January – 31 December 2021



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## Information about the company

|                    |                                                                                                         |
|--------------------|---------------------------------------------------------------------------------------------------------|
| Project Sprout K/S | Registration No. 39 47 80 80                                                                            |
| Registered office  | c/o Vækstfonden<br>Strandvejen 104B<br>2900 Hellerup<br>Denmark                                         |
| General Partner    | Project Sprout Management ApS                                                                           |
| Investment Manager | Vækstfonden<br>Strandvejen 104B<br>2900 Hellerup<br>Denmark                                             |
| Auditor            | Deloitte<br>Statsautoriseret Revisionspartnerselskab<br>Weidekampsgade 6<br>2300 København S<br>Denmark |
| Bank               | Nordea Bank Danmark A/S<br>Grønjordsvej 10<br>2300 København S<br>Denmark                               |

## Management's statement

The Management has today discussed and approved the annual report of Project Sprout K/S for the period 1 January – 31 December 2021.

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act with respect to recognition and measurement.

We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of Project Sprout K/S's assets, liabilities and financial position at 31 December 2021 as well as of the results of Project Sprout K/S's activities and cash flows for the financial period 1 January – 31 December 2021.

We recommend that the annual report is approved at the annual general meeting.

Copenhagen, 21 April 2022

Rolf Hauge Kjærgaard  
On behalf of Project Sprout Management ApS

Mikkel Hesselgren  
On behalf of Project Sprout Management ApS

## Independent auditor's report

To the Limited Partners of Project Sprout K/S

### *Opinion*

We have audited the financial statements of Project Sprout K/S for the financial year 1 January – 31 December 2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. 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 Entity's financial position at 31 December 2021 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2021 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 this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

#### *Statement on the management commentary*

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 21 April 2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

**Kasper Bruhn Udam**

State Authorised Public Accountant

Identification No (MNE) mne29421

**Jakob Lindberg**

State Authorised Public Accountant

Identification No (MNE) mne40824

## Corporate Responsibility

Project Sprout K/S is a private investment fund, a so-called 'fund-of-funds', which builds on a collaboration between Vækstfonden and Silicon Valley Bank. Project Sprout K/S is managed by Vækstfonden, and does not have a board, employees, nor an independent ESG-policy. The fund is subject to Vækstfonden's policies and processes in matters of responsible business conduct.

Vækstfonden's Policy for Corporate Social Responsibility and Sustainability describes how Vækstfonden – and the funds that Vækstfonden manages – operates as a responsible investor and organization, in which environmental, social, and governmental considerations are taken into account throughout the investment process. The policy also entails an exclusion list with activities that Vækstfonden do not invest in due to their potential negative impacts on the society. In addition, Vækstfonden has a particular policy on tax, which underscores Vækstfonden's zero-tolerance towards tax-evasion and aggressive tax planning, which all fund managers are expected to adhere to.

Since the fund has no board or employees, it is not subject to the criteria of formulating targets and policies for promoting gender diversity. In this regard, the employees of Vækstfonden constitutes the management of Project Sprout K/S, in which Vækstfonden's Policy for Diversity is applicable.

The policies aim to ensure that we operate in accordance with internationally agreed principles for sustainable social, environmental, and financial development. The responsible investment-approach is based on the UN Guiding Principles on Human Rights and Business and the OECD Guidelines for Multinational Enterprises. Project Sprout K/S is a closed-end fund established for the purpose of carrying out certain specific investments, which implies that no new investment activities are expected. Accordingly, no new ESG screenings are anticipated at this point. Instead, the activities of Project Sprout K/S are being monitored on an ongoing basis in order to ensure compliance with the said policies. Further, any identified or potential unethical, illegal, or irresponsible behavior that contradicts Project Sprout K/S's policies and values can be reported through Vækstfonden's whistleblower program [here](#).

To learn more on Vækstfonden's work on sustainability, see [Vækstfonden.dk](https://vaekstfonden.dk).

## Management's Review

### *Objective*

Project Sprout K/S' objective is to generate income and capital appreciation by investing in the portfolio funds Sprout Endurance Partners, L.P. and Strategic Investors Fund IX, L.P.

### *Events during the year*

The financial year shows a result of USD 22,127,504 and the balance statement as of 31 December 2021 shows a capital account of USD 103,371,681.

### *Management of the company*

Project Sprout K/S has no employees. A management agreement has been entered between Project Sprout K/S and Vækstfonden.

### *Events after the balance sheet date*

In February 2022, Russia launched a military invasion of Ukraine. On that occasion, EU has imposed severe economic sanctions on Russia, which will cause considerable volatility in the stock market and generally create economic uncertainty. At the time of release of the annual report it is not possible to assess the negative significance of the events.

## Financial key figures

| <b>Income statement (tUSD)</b> | <b>2021</b> | <b>2020</b> |
|--------------------------------|-------------|-------------|
| Profit on investments          | 22.226      | 23.336      |
| Profit for the period          | 22.128      | 23.230      |

| <b>Balance sheet (tUSD)</b>                             | <b>2021</b> | <b>2020</b> |
|---------------------------------------------------------|-------------|-------------|
| Assets                                                  | 103.386     | 62.833      |
| Committed capital from investors                        | 75.000      | 75.000      |
| Committed capital from Limited Partners not yet paid in | 17.067      | 39.105      |
| Capital account                                         | 103.372     | 59.207      |

| <b>Statement of cash flows (tUSD)</b> | <b>2021</b> | <b>2020</b> |
|---------------------------------------|-------------|-------------|
| Cash flow from operations             | -136        | -69         |
| Cash flow from investment activities  | -16.510     | -20.650     |
| Cash flow from financing activities   | 22.037      | 17.463      |

| <b>Key figures</b>               | <b>2021</b> | <b>2020</b> |
|----------------------------------|-------------|-------------|
| Total Value to Paid-In (TVPI)    | 1,78x       | 1,65x       |
| Residual Value to Paid-In (RVPI) | 1,78x       | 1,65x       |
| Distributions to Paid-In (DPI)   | 0,00x       | 0,00x       |
| IRR gross                        | 41,9%       | 56,8%       |
| IRR net                          | 41,0%       | 54,8%       |
| Number of portfolio funds        | 2           | 2           |

**Project Sprout K/S**

Financial Statements 2021

## Accounting policies

### *Basis of Preparation*

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The Financial Statements are presented in USD.

Currency exchange rate 31 December 2021 (USD/DKK): 6,5612

Currency exchange rate 31 December 2020 (USD/DKK): 6,0576

### *Recognition and measurement*

Value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized in the income statement. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement. This includes depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to Project Sprout K/S and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out from Project Sprout K/S and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Financial Statements, which confirm or invalidate affairs and conditions existing on the balance sheet date.

USD are used as the measurement currency. All other currencies are regarded as foreign currencies.

### *Conversion policies*

Transactions in foreign currencies are converted at the exchange rates at the transaction date. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized as financial income and expenses in the income statement.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are converted at the exchange rates on the balance sheet date. Any differences between the exchange rates on the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

## **Income Statement**

### *Result from investments in funds*

The item "Profit (loss) on investments" in the income statement includes the proportionate share of the profit for the year in Project Sprout K/S' investments (funds) which includes realized and unrealized profit and loss on investments in portfolio companies.

### *Administrative expenses*

Administrative expenses are composed of management fee, audit and legal fees as well as other costs related to the administration of Project Sprout K/S.

### *Finance income and expenses*

Finance income and expenses are composed of interest and other financial costs related to Project Sprout K/S' bank facilities etc.

### *Tax on profit/loss for the period/year*

Project Sprout K/S is not an independent tax entity and consequently no tax on the profit for the period/year is recognized in the income statement.

## **Balance Sheet**

### *Investments in funds.*

Investments in unlisted funds are measured at fair value based on Project Sprout K/S' proportionate share of the investments in the funds. In the settlement of the fair value of the funds, the International Private Equity and Venture Capital Valuation Guidelines' (IPEV) valuation principles are applied to the portfolio investments. The value adjustments for the year are recognized in the income statement.

Information on exchange rates, etc. that emerges after the clearance of accounts will only be incorporated if these are significant for the assessment of the annual accounts.

### *Trade payables and other payables*

Trade payables and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are recognized at amortized cost.

### *Borrowings*

Borrowings relate to Project Sprout K/S' line of credit and are recognized at amortized cost.

## **Cash Flow Statement**

The cash flow statement shows Project Sprout K/S' cash flows for the period/year broken down into operating, investment and financing activities, changes for the period/year in cash and cash equivalents as well as Project Sprout K/S' cash and cash equivalents at the beginning and end of the period/year.

### *Cash flows from operating activities*

Cash flows from operating activities are calculated as the net profit/loss for the period/year adjusted for

changes in working capital and noncash operating items such as provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

*Cash flows from investment activities*

Cash flows from investment activities are composed of cash flows from payments to and distributions from portfolio funds.

*Cash flows from financing activities*

Cash flows from financing activities are composed of cash flows from payments from and distributions to Limited Partners.

*Cash and cash equivalents*

Cash and cash equivalents include cash in hand and borrowings.

## Income Statement

| USD                                                |                               | 01.01.2021        | 01.01.2020        |
|----------------------------------------------------|-------------------------------|-------------------|-------------------|
| Note                                               |                               | 31.12.2021        | 31.12.2020        |
| <b>Profit (loss) on investments</b>                |                               |                   |                   |
| Value adjustment of investments in portfolio funds |                               | 22.226.287        | 23.336.360        |
| <b>Total profit (loss) on investments</b>          |                               | <b>22.226.287</b> | <b>23.336.360</b> |
| <b>Administrative expenses</b>                     |                               |                   |                   |
| Management fee                                     |                               | -75.000           | -75.000           |
| 1                                                  | Other administrative expenses | -20.328           | -23.002           |
| <b>Total administrative expenses</b>               |                               | <b>-95.328</b>    | <b>-98.002</b>    |
| <b>Operating profit (loss)</b>                     |                               | <b>22.130.959</b> | <b>23.238.358</b> |
| 2                                                  | Finance income and costs      | -3.455            | -8.574            |
| <b>Profit (loss) for the period</b>                |                               | <b>22.127.504</b> | <b>23.229.784</b> |
| Recommended appropriation                          |                               |                   |                   |
| <b>Retained earnings at 31 December</b>            |                               | <b>22.127.504</b> | <b>23.229.784</b> |

## Balance sheet

| USD                           |                                                |                    |                   |
|-------------------------------|------------------------------------------------|--------------------|-------------------|
| Note                          |                                                | 31.12.2021         | 31.12.2020        |
| <b>ASSETS</b>                 |                                                |                    |                   |
| <b>Non-current assets</b>     |                                                |                    |                   |
| 3                             | Investment in funds                            | 101.569.849        | 62.833.101        |
|                               | <b>Total non-current assets</b>                | <b>101.569.849</b> | <b>62.833.101</b> |
| <b>Current assets</b>         |                                                |                    |                   |
|                               | Cash and cash equivalents                      | 1.778.656          | -                 |
|                               | Other receivables                              | 37.500             | -                 |
|                               | <b>Total current assets</b>                    | <b>1.816.156</b>   | <b>-</b>          |
|                               | <b>TOTAL ASSETS</b>                            | <b>103.386.005</b> | <b>62.833.101</b> |
| <b>EQUITY AND LIABILITIES</b> |                                                |                    |                   |
| <b>Capital account</b>        |                                                |                    |                   |
|                               | Total committed capital from Limited Partners  | 75.000.000         | 75.000            |
|                               | Commitment not yet paid in by Limited Partners | -17.067.362        | -39.104.657       |
|                               | Retained earnings                              | 45.439.043         | 23.311.539        |
|                               | <b>Total capital account</b>                   | <b>103.371.681</b> | <b>59.206.881</b> |
| <b>Current liabilities</b>    |                                                |                    |                   |
|                               | Line of credit                                 | -                  | 3.612.170         |
|                               | Trade and other payables                       | 14.324             | 14.050            |
|                               | <b>Total current liabilities</b>               | <b>14.324</b>      | <b>3.626.219</b>  |
|                               | <b>TOTAL CAPITAL ACCOUNT AND LIABILITIES</b>   | <b>103.386.005</b> | <b>62.833.101</b> |

4 Information on fair value of the investments

5 Events after the balance sheet date

## Statement of cash flows

| USD                                                       | 01.01.2021<br>31.12.2021 | 01.01.2020<br>31.12.2020 |
|-----------------------------------------------------------|--------------------------|--------------------------|
| Profit (loss) for the period                              | 22.127.504               | 23.229.784               |
| Value adjustment of investments in funds                  | -22.226.287              | -23.336.360              |
| Change in working capital                                 | -37.225                  | 37.965                   |
| <b>Cash flow from operations</b>                          | <b>-136.008</b>          | <b>-68.611</b>           |
| Contributions to funds                                    | -16.510.462              | -20.650.000              |
| Distribution from funds                                   | -                        | -                        |
| <b>Cash flow from investment activities</b>               | <b>-16.510.462</b>       | <b>-20.650.000</b>       |
| Contributions by Limited Partners                         | 22.037.295               | 17.463.205               |
| Distributions to Limited Partners                         | -                        | -                        |
| <b>Cash flow from financing activities</b>                | <b>22.037.295</b>        | <b>17.463.205</b>        |
| Cash and cash equivalents at beginning of period          | -3.612.170               | -356.763                 |
| <b>Cash and cash equivalents at the end of the period</b> | <b>1.778.656</b>         | <b>-3.612.170</b>        |

## Statement of changes in equity

| USD                               | Committed<br>capital | Subscribed<br>not paid<br>capital | Retained<br>earnings | Total              |
|-----------------------------------|----------------------|-----------------------------------|----------------------|--------------------|
| <b>31 December 2019</b>           | <b>75.000.000</b>    | <b>-56.567.862</b>                | <b>81.755</b>        | <b>18.513.892</b>  |
| Contributions by Limited Partners | -                    | 17.463.205                        | -                    | 17.463.205         |
| Profit (loss)                     | -                    | -                                 | 23.229.784           | 23.229.784         |
| <b>31 December 2020</b>           | <b>75.000.000</b>    | <b>-39.104.657</b>                | <b>23.311.539</b>    | <b>59.206.881</b>  |
| Contributions by Limited Partners | -                    | 22.037.295                        | -                    | 22.037.295         |
| Profit (loss)                     | -                    | -                                 | 22.127.504           | 22.127.504         |
| <b>31 December 2021</b>           | <b>75.000.000</b>    | <b>-17.067.362</b>                | <b>45.439.043</b>    | <b>103.371.681</b> |

## Notes

| <b>Note 1 – Other administrative expenses</b> | <b>01.01.2021</b> | <b>01.01.2020</b> |
|-----------------------------------------------|-------------------|-------------------|
| <b>USD</b>                                    | <b>31.12.2021</b> | <b>31.12.2020</b> |
| Audit                                         | 7.624             | 8.187             |
| Lawyer and consultancy, other                 | 6.700             | 6.700             |
| Project Sprout Management ApS fee             | 265               | 2.284             |
| Other administrative expenses                 | 5.738             | 5.830             |
| <b>Total other administrative expenses</b>    | <b>20.328</b>     | <b>23.002</b>     |

| <b>Note 2 – Finance income and costs</b>   | <b>01.01.2021</b> | <b>01.01.2020</b> |
|--------------------------------------------|-------------------|-------------------|
| <b>USD</b>                                 | <b>31.12.2021</b> | <b>31.12.2020</b> |
| Interest income, bank                      | 263               | 4                 |
| Interest expenses, bank overdraft facility | 3.717             | 8.578             |
| <b>Total finance income and costs</b>      | <b>3.455</b>      | <b>8.574</b>      |

| <b>Note 3 – Investment in funds</b>       |                    |                   |
|-------------------------------------------|--------------------|-------------------|
| <b>tkr.</b>                               | <b>31.12.2021</b>  | <b>31.12.2020</b> |
| Cost at beginning of period               | 39.097.500         | 18.447.500        |
| Additions                                 | 16.510.462         | 20.650.000        |
| <b>Cost at end of period</b>              | <b>55.607.962</b>  | <b>39.097.500</b> |
| Value adjustments at beginning of period  | 23.735.601         | 399.241           |
| Value adjustments for the period          | 22.226.287         | 23.336.360        |
| <b>Value adjustments at end of period</b> | <b>45.961.887</b>  | <b>23.735.601</b> |
| <b>Net book value at end of period</b>    | <b>101.569.849</b> | <b>62.833.101</b> |

| <b>Note 4 – Information on fair value of the investments</b>   | <b>01.01.2021</b> | <b>01.01.2020</b> |
|----------------------------------------------------------------|-------------------|-------------------|
|                                                                | <b>31.12.2021</b> | <b>31.12.2020</b> |
| <b>USD</b>                                                     |                   |                   |
| Fair value 31 December                                         | 101.569.849       | 62.833.101        |
| Unrealised value adjustments recognised through profit or loss | 22.226.287        | 23.336.360        |
| Unrealised value adjustments recognised through equity         | -                 | -                 |

#### **Note 5 – Events after the balance sheet day**

In February 2022, Russia launched a military invasion of Ukraine. On that occasion, EU has imposed severe economic sanctions on Russia, which will cause considerable volatility in the stock market and generally create economic uncertainty. At the time of release of the annual report it is not possible to assess the negative significance of the events.