

Corporate Announcement no. 20/2020: Half-Year Report 1 October 2018 – 31 March 2019

Copenhagen, 25 May 2020

The Board of Directors and Management have today discussed and approved the Half-Year Report of Ress Life Investments A/S for the period 1 October 2018 – 31 March 2019:

- Ress Life Investments A/S realised a net profit before and after tax of USD 3,638,925 for the period 1 October 2018 – 31 March 2019. The net profit for the period corresponds to a net return on equity of 1.99%, earnings per share at 40.60 and an increase in net asset value of USD 42.01 per share.
- The increase in profit before tax mainly relates to positive fair value adjustments offset by administrative expenses and staff costs.
- The fair value of the Company's investment assets increased from USD 118,791,752 at 30 September 2018 to USD 159,631,723 at 31 March 2019.
- Equity stands at USD 182,699,386 as of 31 March 2019, corresponding to a net asset value of USD 1,960 per share compared with a net asset value of USD 1,918 at 30 September 2018.
- During the period, 9,015 new ordinary shares were issued.
- Both increasing investments and the expectations that the life settlements market continues to offer attractive returns enables Management to take a positive view on full-year profits.

Questions related to this announcement can be made to the Company's AIF-manager, Resscapital AB, Gustaf Hagerud, telephone: (+46) 8 545 282 09, or to the Company's CEO Michael Hovard Ekmann, email: mhe@resslifeinvestments.com.

Yours sincerely

Ress Life Investments A/S
The Board of Directors

Ress Life Investments A/S

Half-Year Report

For the period 1 October 2019 - 31 March 2020

Holbergsgade 14, 2. tv., DK-1057 Copenhagen K

Corporate Announcement no. 20/2020, 25 May 2020

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Statement by the Board of Directors and Management

The Board of Directors and Management have today discussed and approved the Half-Year Report of Ress Life Investments A/S for the period 1 October 2019 – 31 March 2020. The Half-Year report has not been subject to audit or review.

The Half-Year Report has been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2020 and of the results of the Company's operations and cash flows for the period 1 October 2019 – 31 March 2020.

Further, in our opinion, the Directors' report includes a fair review of the development in the Company's activities and financial conditions, the result for the period, cash flows and financial position as well as the most significant risks and uncertainties that the Company faces.

Copenhagen, 25 May 2020
Management:

Michael Hovard Ekmann

Board of Directors:

Søren Andersen
Chairman of the Board

Anne Buchardt

Jeppe Buskov

Ketil Poul Petersen

Directors' report

Development in the Company's activities and financial position

The fair value of the investment in life insurance contracts increased from USD 118,792 thousand at 30 September 2019 to USD 159,632 thousand at 31 March 2020. The fair value of the investments is estimated by the Alternative Investment Fund Manager (Ress Capital AB in Sweden) based on life expectancy and insurance premium outlooks and other such factors. The change in fair value of these life insurance contracts is specified in note 2.

During the period, the Company issued a net quantity of 9,015 new ordinary shares of EUR 500 nominal value per share and with a total share premium of USD 12,524 thousand from shares issued during the period. The Company holds 2,342 treasury shares at period end.

Result for the period

During the period, the net asset value of the Company has increased from USD 1,918 per share at 30 September 2019 to USD 1,960 per share at 31 March 2020. The increase in the net asset value is in accordance with Management's expectations as expressed in the 2018/19 annual report. The Half-Year Report shows an increase in comprehensive income to USD 3,639 thousand for the period 1 October 2019 – 31 March 2020 compared with USD 3,065 thousand for the period 1 October 2018 – 31 March 2019. The result is positively impacted by fair value adjustments of the investments. Management considers the result for the period to be satisfactory.

Outlook

The assets of the Company have grown considerably during the period. The outlook for further growth is positive, and the Alternative Investment Fund Manager has communicated to the Company that it expects the assets to continue increase in value. The net asset value per share of the Company is also expected to gradually increase, as more insurance policies are acquired, insured individuals are getting older and policy pay-outs increase.

Due to the nature of the Company and its investments, it is not possible to estimate the level of expected future profits.

Unusual circumstances

There have been no unusual circumstances that have materially affected the Half-Year Report.

Risks and uncertainties

The Company's risk remains unchanged in respect to the above. Financial risks are specified in note 2.

Events after the balance sheet date

After the balance sheet date, the COVID-19 virus global outbreak has impacted the financial markets negatively. Though, as the asset class of the life insurance policies is not correlated to the financial markets, the COVID 19 outbreak hasn't had an impact on the financial figures. The impact on the full-year financial statements is expected to be negligible. However, the global financial system is under considerable stress and it is not possible to foresee, what the effects will be even for this asset class.

No other events after the balance sheet date is considered of significance for the financial position.

Directors' report

Development in the portfolio

As of 31 March 2020, the Company owned 296 life insurance policies issued by 59 different US life insurance companies. The total face value of the policies exceeds USD 650 million. During the first half of the fiscal year 2019-2020, 4 policies with a combined face value of USD 6.3 million were paid out.

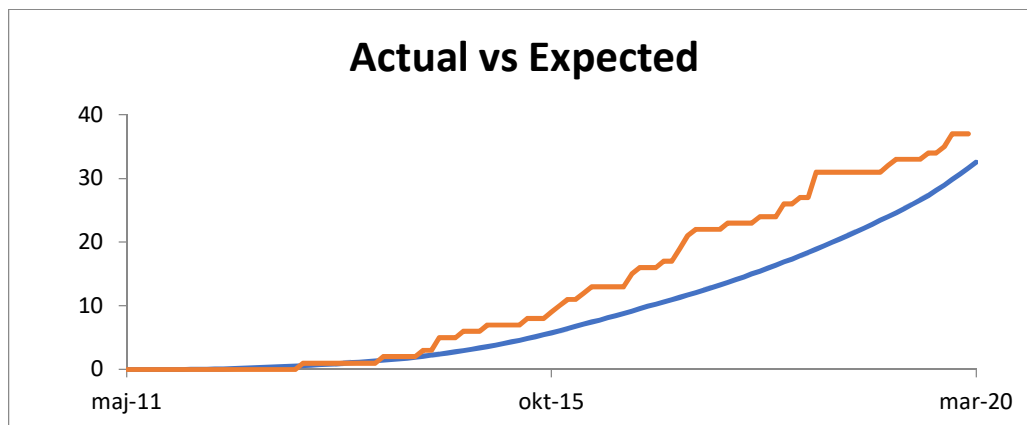
The actual number of maturities is in line with expected maturities, but the average size of maturing policies has been below average policy size. The AIF Manager believes this is due to the fact that the number of policies held by the Company is still not large enough to minimize volatility in maturities. The portfolio is still growing and therefore the volatility in actual-to-expected ratios is expected to gradually decrease as the number of policies in the portfolio increases.

Performance attribution

The table below shows the estimated performance attribution for 2019 as well as Q1 2020. The breakdown below shows the sum of the monthly contributions and will not match the yearly performance to 100%.

Performance 2020-03-31	2019	2020 Ytd
Realised (Maturities & sold policies)	5.92%	0.21%
Aging effect	2.72%	0.24%
Mtm-adjustment (Change in discount rates)	3.74%	0.53%
Life Expectancy Updates	0.31%	-0.07%
Premium prepayments	-0.14%	-0.03%
Premium optimization	-0.40%	-0.26%
COI increases	-0.60%	0.00%
Gross portfolio performance	11.55%	0.63%
Investment factor effect	-1.03%	-0.03%
Net portfolio performance	10.52%	0.61%
Fund Costs	-2.80%	-0.51%
Other	0.27%	-0.02%
Net Fund Performance	7.99%	0.08%

Actual to expected figures were in line with expectations. The below graph shows the actual number of matured lives (orange) versus expected (blue).



Financial statements for the period 1 October – 31 March

Income statement and statement of comprehensive income

Note	USD	1 October 2019 – 31 March 2020	1 October 2018 – 31 March 2019
	Staff costs	-31,490	-23,164
	Other operating costs	-2,456,912	-1,344,340
	Operating loss	-2,488,402	-1,367,504
	Financial income	6,279,050	4,669,526
	Financial expenses	-151,723	-236,840
	Profit before tax	3,638,925	3,065,182
	Tax on profit for the year	0	0
	Profit for the year	3,638,925	3,065,182
	Comprehensive income	3,638,925	3,065,182

There have been no transactions in other comprehensive income.

Earnings per share, USD

Weighted average no. of shares outstanding	89,618	61,537
Earnings per share (basic and diluted)	40.60	48.79

Financial statements for the period 1 October – 31 March

Statement of financial position

Note	USD	31 March 2020	30 September 2019	31 March 2019
	ASSETS			
	Non-current assets			
	Financial assets			
2	Other investments	159,631,723	118,791,752	105,096,054
		159,631,723	118,791,752	105,096,054
	Total non-current assets	159,631,723	118,791,752	105,096,054
	Current assets			
	Receivables	29,357	18,947	0
	Prepayments	14,383	1,281,475	12,138
		43,740	1,300,422	12,138
	Cash and cash equivalents	23,786,130	40,149,459	20,104,637
	Total current assets	23,829,870	41,449,881	20,116,775
	TOTAL ASSETS	183,461,593	160,241,633	125,212,829
	EQUITY AND LIABILITIES			
	Equity			
	Contributed capital	56,831,582	51,859,292	44,166,691
	Retained earnings	125,867,805	103,219,982	80,578,590
	Proposed dividends	0	0	0
	Total equity	182,699,387	155,079,274	124,745,281
	Current liabilities			
	Other payables	762,206	5,162,359	467,548
	Total liabilities	762,206	5,162,359	467,548
	TOTAL EQUITY AND LIABILITIES	183,461,593	160,241,633	125,212,829

1 Accounting policies

3 Contractual obligations and contingencies, etc.

4 Transactions with related parties

Financial statements for the period 1 October – 31 March

Statement of changes in equity

USD	Contributed capital	Retained earnings	Total
Equity at 1 October 2018	36,998,921	62,516,092	99,515,013
Comprehensive income for the period	0	3,065,182	3,065,182
Capital increase	7,167,770	15,234,193	22,401,963
Transactions with shareholders	0	-236,877	-236,877
Equity at 31 March 2019	44,166,691	80,578,590	124,745,281
Equity at 1 October 2019	51,859,292	103,219,982	155,079,274
Comprehensive income for the period	0	3,638,925	3,638,925
Capital increase	4,972,290	12,524,233	17,496,523
Transactions with shareholders	0	6,484,664	6,484,664
Equity at 31 March 2020	56,831,582	125,867,804	182,699,386

Financial statements for the period 1 October – 31 March

Statement of cash flows

Note	USD	2019/20	2018/19
	Total comprehensive income for the period	3,638,925	3,065,182
	Change in current liabilities	-4,400,153	-1,040,631
	Change in receivables	1,256,683	1,968
	Unrealised financial income	-6,118,346	-4,547,445
	Unrealised financial expenses	-11,046	0
	Cash flows from operating activities	-5,633,937	-2,520,926
	Additions of financial assets	-32,840,527	-3,783,833
	Premium payments	-7,023,266	-4,981,163
	Disposals of financial assets	0	691,129
	Sales and maturities	5,153,214	773,156
	Cash flows from investing activities	-34,710,579	-7,300,711
	Capital increase	17,496,523	22,401,963
	Redemption of shareholders, net	6,484,664	-236,877
	Cash flows from financing activities	23,981,187	22,165,086
	Net cash flows from operating, investing and financing activities	-16,363,329	12,343,449
	Cash and cash equivalents at 1 October	40,149,459	7,761,188
	Cash and cash equivalents at 31 March	23,786,130	20,104,637

Financial statements for the period 1 October – 31 March

Notes to the financial statements

1 Accounting policies

The Half-Year report of Ress Life Investments A/S for 2019/20 has been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies.

The accounting policies used in the preparation of the financial statements are consistent with those presented in the annual report 2018/19, to which we refer.

The investments classified at fair value held by the Company are measured at fair value based on inputs other than quoted prices, that are non-observable input (Level 3 of the fair value hierarchy).

New financial reporting standards

There is no upcoming implementation of new financial reporting standards with a material impact on the financial statements.

2 Financial risks and financial instruments

Foreign exchange risks

The shares are denominated in EUR. The functional currency is USD and the underlying assets are USD based. Accordingly, the value of the shares is likely to fluctuate with any fluctuations in the exchange rate between USD and EUR. If the value of EUR depreciates against USD, the EUR price of the shares will appreciate. In addition, there is a currency risk depending on the local functional currency for each shareholder.

Interest rate risks

Due to its investing and financing activities, Ress Life Investments A/S is to a limited extent exposed to interest rate risks related to fluctuations in interest levels in the USA, the Eurozone and Denmark.

The interest rate exposure relating to interest rate changes comprises changes in interest yields on balances with banks.

Tax risks

For the Company, an investment in the life insurance contracts involves a number of complex tax considerations. Changes in tax legislation in any of the countries in which the Company holds life insurance contracts, or changes in tax treaties negotiated by those countries, could adversely affect the returns to its shareholders. Each shareholder is strongly urged to consult its own tax advisers regarding their tax implications of investing and holding life insurance contracts.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial risks and financial instruments (continued)

Credit and counterparty risks

There is a credit risk in respect of the life settlement investments as recognised under “Other investments”. There is no guarantee that the insurance companies will meet their obligations to make payment on maturity claims. The credit risk is mitigated by limiting the exposure to any single insurance company, and by only buying policies issued by insurers that meet the rating requirements.

The life settlement investments are made with 59 different life insurance companies, and the carrying value of the investments can be distributed on AM Best Ratings as below:

AM Best Rating	Number of policies	Valuation USD	% of NAV
A++	19	16,211,779	8.9%
A+	186	103,781,196	56.7%
A	76	34,132,591	18.6%
A-	8	3,857,204	2.1%
B+	6	2,910,733	1.6%
B-	1	409,513	0.2%
Total	296	161,303,016	88.1%

Concentration risk

The following tables set forth concentration risks, divided the face value of the life settlement investments in gender, age group, Life Expectancy estimates (“LE”) and spreads of face value of the individual contracts:

Gender:

	Policies	Face Value USD	Weight%
Male	209	444,313,232	65.0%
Female	59	142,063,381	20.8%
Joint policies	28	97,633,975	14.3%
Total	296	593.496.394	100%

Age group:

	Policies	Face Value USD	Weight%
<65	14	48,446,157	7.1%
65-69	25	74,229,604	10.9%
70-74	57	120,811,822	17.7%
5-79	68	140,343,613	20.5%
80-84	67	175,640,107	25.7%
85-89	41	90,514,286	13.2%
90-94	19	30,250,000	4.4%
>95	5	3,775,000	0.6%
Total	296	593.496.394	100%

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial risks and financial instruments (continued)

Life Expectancy estimate:

	Policies	Face Value USD	Weight%
< 2	2	850,000	0.1%
2-3	24	32,865,000	4.8%
4-5	36	56,015,643	8.2%
6-7	56	117,841,138	17.2%
8-9	51	115,489,051	16.9%
10-11	34	72,180,573	10.6%
12-15	61	211,243,422	30.9%
16-	32	77,525,761	11.3%
Total	296	593.496.394	100%

Spreads of face value for the individual contracts:

	Policies	Face Value USD	Weight%
100,000-250,000	12	2,750,000	0.4%
250,000-500,000	52	24,084,975	3.5%
500,001-1,000,000	78	70,862,089	10.4%
1,000,001-2,000,000	57	100,442,456	14.7%
2,000,001-3,000,000	28	76,538,109	11.2%
3,000,001-5,000,000	44	197,593,330	28.9%
5,000,001-10,000,000	22	171,823,373	25.1%
10,000,001-15,000,000	3	39,916,256	5.8%
Total	296	593.496.394	100%

Fair value measurement

The life insurance contracts are valued using the 'Fair value' concept in connection with certain disclosure requirements and for recognition of financial instruments. Direct investments in life insurance contracts are measured at level 3.

'Fair value' is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The valuation approach used in relation to the life insurance contracts is based on discounted probability weighted cash flows. The valuation approach incorporates all the factors that market participants would take into account in pricing a transaction, such as cash flows (premiums and death benefits), discount rates and life expectancies (mortality assumptions).

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial risks and financial instruments (continued)

The probabilities are based on applying a life expectancy to a mortality table in order that the mortality factor (the ultimate factor) applicable to the given insured can be derived from the table itself. The approach to the mortality distribution is based on the use of the VBT 2015 tables (2015 Valuation Basic Table created by the Society of Actuaries from North America).

The life expectancy estimate ("LE") is one of the most important variables in pricing policies in the secondary market for life insurance contracts and the valuation of funds investing in life insurance contracts is heavily dependent on (LE) information. Upon purchase of the assets, LE reports are obtained from at least two underwriters. LE reports are medical opinion from specialised medical underwriters, based on the latest medical records or other relevant information. The Alternative Investment Fund Manager is using a conservative approach, selecting the most conservative LE report on most occasions for valuation purposes.

The fair value of life insurance contracts is sensitive to the choice of discount rates. Discount rates are determined at the level of sub-groups of the life insurance portfolio. The sub-groups are based on the face value of policies and the credit rating of insurance carriers. The discount rates of each sub-group result from the Internal Rate of Return ("IRR") for each policy in the sub-group, at purchase. A parameterisation of the discount rates for each sub-group is based on an exponential moving average taking into account changes in IRRs when new acquisitions are made within the respective sub-group. Under this methodology, the discount rate in each sub-group is recalibrated whenever a policy that falls into the sub-group is acquired.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- Level 1: Value in an active market for similar assets/liabilities
- Level 2: Value based on recognised valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

The determination of what constitutes 'observable' requires significant judgement by Ress Life Investments A/S ("the Company"). The Management of the Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The Alternative Investment Fund Manager calculates the net asset value (NAV) in Ress Life Investments A/S's twice per month, on the 15th of the month and at the end of the month.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial risks and financial instruments (continued)

The Company primarily invests directly in life insurance policies. The fair value measurement of the investments is estimated on an individual basis based on several factors such as premium payments and changes in these, updates of life expectancy, changes in discount rates and general "market-to-market" adjustments. Twice a year, the calculations are validated by an external auditor or actuary.

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at 30 March 2020. All fair value measurements disclosed are recurring fair value measurements.

USD	31 March 2020	31 March 2019
Level 1	0	0
Level 2	0	0
Level 3	159,631,724	105,096,054
	159,631,724	105,096,054

Carrying amount is equal to fair value for all financial assets and financial liabilities.

There have been no transfers between the levels in the fair value hierarchy this year.

The fair value of receivables, prepayments, cash, payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments. The Company's own credit risk has not been taken into account.

For instruments with recurring Level 3 fair value measurements, the carrying value has been specified in the below table:

USD	2019/20
Opening balance (1 October)	118,802,799
Additions	32,840,527
Premium payments	7,023,266
Sales and maturities	-5,153,214
Fair value adjustment	6,118,346
Closing balance (31 March)	159,631,724

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial risks and financial instruments (continued)

Sensitivity analysis

The sensitivity of the valuation result is illustrated by introducing changes to one specific assumption at a time and comparing the result before and after the change.

A sensitivity analysis is made based on the following scenarios:

- Discount rate sensitivity;
- Mortality sensitivity

No sensitivity analysis is presented in relation to cash flows as cash inflows consist of death benefits fixed at policy inception and cash outflows consist of scheduled premium payments.

Discount rate sensitivity

The discounting rate sensitivity analysis has been performed around the weighted (by face value) average discount rate across the portfolio.

As at 31 March 2020:

Discount rate	8%	10%	12%	14%
Value of portfolio USD	201,068,682	171,368,357	147,356,934	128,208,247
% of total face amount	29.53%	25.05%	21.54%	18.74%

Mortality sensitivity

A one-month extension (or reduction) for all life expectancies in the portfolio corresponds to a negative (respectively positive) impact of USD 2,693,595 or approximately 0.39% of the face value of the portfolio.

3 Contractual obligations and contingencies, etc.

The Company has no contractual obligations or contingent liabilities. Further, the Company has not issued mortgages or bonds or provided collateral for any assets held by the Company.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

4 Related parties

The Company's transactions with related parties are carried out on arms-length conditions. A specification of those parties considered related to the Company is presented in the annual report.

Ress Life Investments A/S' related parties include:

Name of related party	Nature of transactions
Board of Directors	Board remuneration
Citco Denmark ApS	Domiciliary and administrative management fee
Kromann Reumert*	Legal advisory services
Resscapital AB	AIF management fee
Ress Uncorrelated Assets Fund**	No transactions in current year. The nature of prior year transactions was investments

**Board member Jeppe Buskov is a partner hereof*

*** Fund is liquidated at year end*

Transactions with related parties comprise:

	2019/20	2018/19
Remuneration to Board of directors	31,860	31,955
Citco Denmark ApS	42,112	64,342
Kromann Reumert	38,611	10,847
Ress Capital AB	2,484,060	2,267,038
Ress Uncorrelated Assets Fund	0	-693,448