



Polaris Management A/S

Registration no. 28 50 17 65

FT-no. 23009

Interim report H1 2016

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the interim report of Polaris Management A/S for the financial year 1 January – 30 June 2016.

The interim report has been prepared in accordance with the Danish Alternative Investment Fund Managers, etc., section 148, regarding interim reports.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 June 2016 and of the results of its operations for the financial year 1 January – 30 June 2016.

Further, in our opinion, the Management's review includes a fair review of the developments in the Company's activities and financial matters and describes the most significant risks and uncertainty factors that may affect the Company.

Copenhagen, 29 August 2016
Executive Board:




Jan Johan Kühl

Board of Directors:



Erik Gregers Hansen
Chairman



Jorgen A. Engell



Bertil Villard

Management's review

Company details

Name	Polaris Management A/S
Address, zip code, city	Malmøgade 3 2100 Copenhagen Ø Denmark
Registration no.	28 50 17 65
FT-no.	23009
Established	8 February 2005
Registered office	Copenhagen
Financial year	1 January – 30 June
Website	www.polarisequity.dk
E-mail	polaris@polarisequity.dk
Telephone	+45 35 26 35 74
Executive Board	Jan Johan Kühl
Board of Directors	Erik Gregers Hansen, Chairman Jorgen A. Engell Bertil Villard
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4 P.O. Box 250 2000 Frederiksberg Denmark

Management's review

Operating review

Principal activities of the Company

Polaris Management A/S is fund manager (advisor and administration company) for Polaris Private Equity and is licensed by The Danish Financial Supervisory Authority to operate as fund manager in accordance with the Danish Alternative Investment Fund Managers, etc., Act.

Furthermore, Polaris Management A/S is the parent company of Polaris Invest II ApS, which is one of the general partners of Polaris Private Equity II K/S.

Polaris Private Equity I was established in 1998 with a total capital commitment of DKK 1.1 billion (subsequently increased to a total of DKK 1.6 billion) and was fully realised with the last exit in 2008.

Funds managed include:

- ▶ Polaris Private Equity II, established 2006, capital commitment DKK 2.0 billion, realisation period
- ▶ Polaris Private Equity III*, established 2009, capital commitment DKK 2.7 billion, realisation period.
- ▶ Polaris Private Equity IV*, final closing in June 2016 raised the capital commitment to DKK 3.3 billion.

** Funds subject to the Danish Alternative Investment Fund Managers, etc., Act.*

Polaris Private Equity invests in well-established companies with a strong market position and sound earnings. Usually, the companies are based in the Nordic countries, primarily Denmark and Sweden, and should always have a potential for value creation. Through capital and active ownership, Polaris contributes to this value creation. Polaris aims to achieve controlling shareholdings, alone or together with other financial investors, including the Management of the company.

The investors of Polaris Private Equity are a number of Danish and international investors.

Further information about Polaris is available at our website, www.polarisequity.dk.

Performance in the financial year

During the first half of 2016, Polaris Management A/S has successfully been able to raise further commitments to the new fund, Polaris Private Equity IV, reaching a total capital commitment of DKK 3.3 billion from both Danish and international investors at its final closing end of June 2016 (the final closing was registered with the Danish corporate register on 4th July 2016).

During the period, Polaris Management A/S has in its capacity as fund manager contributed further to the continued development of the portfolio companies in Polaris Private Equity II, III and IV and further participated in the execution of two new investments in Polaris Private Equity IV. Furthermore, Polaris Management A/S has participated in the preparations of exits of portfolio companies of which one is expected to be closed in second half of 2016.

Development in financial matters

In the first half year of 2016, Polaris Management A/S realised a profit of DKK 11,418 thousand (first half 2015: profit of DKK 14,921 thousand), which is in line with Management's expectations.

At 30 June 2016, the equity amounted to DKK 32,158 thousand (31 December 2015: DKK 50,740 thousand) of total assets of DKK 64,965 thousand (31 December 2015: 75,986 thousand), and the Company's equity ratio was 50% (2015: 67%), impacted by payment of dividend.

Outlook

The Company still expects to realize an operating result for 2016 somewhat lower than in 2015 due to the reduced management fee income as a consequence of investments being realised.

Management's review

Operating review (continued)

Other matters and events after the balance sheet date

No events have occurred after the balance sheet date that may materially affect the assessment of the interim report.

Other matters related to particular risks, management remuneration and gender equality policy, intellectual capital, etc., are described in the Management's review included in the Annual Report 2015, to which reference is made.

Financial statements for the period 1 January – 30 June

Income statement and statement of comprehensive income

Income statement

Note	DKK'000	H1 2016	H1 2015	2015 (full year)
2	Fee and commission income	48,035	46,545	95,713
4	Other external administrative expenses	-7,247	-7,541	-13,761
3	Staff costs	-26,284	-20,760	-41,431
	Total staff costs and administrative expenses	-33,531	-28,301	-55,192
	Depreciation of property, plant and equipment and amortisation of intangible assets	-49	-45	-98
	Profit before financial items	14,455	18,199	40,423
	Share of profit in subsidiaries net of tax	37	57	96
5	Financial income	262	1,107	1,391
6	Financial expenses	-116	-96	-248
	Profit before tax	14,638	19,267	41,662
7	Tax on profit for the period	-3,220	-4,346	-9,608
	Profit for the period	11,418	14,921	32,054
	Proposed profit appropriation			
	Proposed dividends	0	0	30,000
	Reserve for net revaluation according to the equity method	37	50	85
	Retained earnings	11,381	14,871	1,969
		11,418	14,921	32,054

Statement of comprehensive income

Profit for the period	11,418	14,921	32,054
Other comprehensive income	0	0	0
Total comprehensive income for the period	11,418	14,921	32,054

Financial statements for the period 1 January – 30 June
Balance sheet

Note	DKK'000	<u>30/6 2016</u>	<u>30/6 2015</u>	<u>31/12 2015</u>
	ASSETS			
	Property, plant and equipment			
	Fixtures and fittings, other plant and equipment	220	183	201
		<u>220</u>	<u>183</u>	<u>201</u>
	Receivables			
8	Receivables from investment funds under management and related entities	24,761	19,468	7,934
	Current tax receivable	1,091	3,341	0
	Deferred tax asset	260	299	278
	Other receivables	1,835	468	720
	Deposits	642	641	642
	Prepayments	3,739	2,932	3,068
		<u>32,328</u>	<u>27,149</u>	<u>12,642</u>
	Investments			
	Equity investments in subsidiaries	1,033	961	996
		<u>1,033</u>	<u>961</u>	<u>996</u>
9	Cash at hand and in bank	<u>31,384</u>	<u>25,599</u>	<u>62,147</u>
	TOTAL ASSETS	<u>64,965</u>	<u>53,892</u>	<u>75,986</u>

Financial statements for the period 1 January – 30 June

Balance sheet

Note	DKK'000	<u>30/6 2016</u>	<u>30/6 2015</u>	<u>31/12 2015</u>
EQUITY AND LIABILITIES				
Equity				
	Share capital	500	500	500
	Net revaluation reserve according to the equity method	908	836	871
	Retained earnings	30,750	32,271	19,369
	Proposed dividends	0	0	30,000
	Total equity	<u>32,158</u>	<u>33,607</u>	<u>50,740</u>
Liabilities				
Current liabilities				
	Current tax liabilities (joint taxation contribution payable)	0	0	114
	Prepayments	12,101	0	0
10	Other payables	20,706	20,285	25,132
	Total liabilities	<u>32,807</u>	<u>20,285</u>	<u>25,246</u>
	TOTAL EQUITY AND LIABILITIES	<u>64,965</u>	<u>53,892</u>	<u>75,986</u>

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Financial statements for the period 1 January – 30 June
Statement of changes in equity

DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Proposed dividends	Total
Equity 1 January 2015	500	786	17,400	20,000	38,686
Dividends paid during the year	0	0	0	-20,000	-20,000
Transferred, cf. profit appropriation	0	85	1,969	30,000	32,054
Other comprehensive income	0	0	0	0	0
Equity 1 January 2016	500	871	19,369	30,000	50,740
Dividends paid during the year	0	0	0	-30,000	-30,000
Transferred, cf. profit appropriation	0	37	11,381	0	11,418
Other comprehensive income	0	0	0	0	0
Equity 30 June 2016	500	908	30,750	0	32,158

The share capital consists of shares of DKK 1 each or multiples hereof.

The share capital has not been changed during the last 5 years.

DKK'000	30/6 2016	31/12 2015
Capital base		
Reported equity	32,158	50,740
Deferred tax asset	-260	-278
Proposed dividends	0	-30,000
	31,898	20,462

Financial statements for the period 1 January – 30 June
Notes to the financial statements

1 Accounting policies

The interim report of Polaris Management A/S for 2016 has been prepared in accordance with the Danish Alternative Investment Fund Managers, etc., Act, the Executive Order (No. 239 07/03/2014) on General Requirements for Annual Reports and Auditing of Alternative Investment Fund Managers as well as the Executive Order (No. 281 26/03/2014) on Financial Reporting by Credit Institutions and Investment Companies, etc.

The accounting policies are unchanged compared to those applied in the Annual Report 2015. Reference is made to note 1 in the Annual Report for 2015, which contains a full description of the accounting policies.

The Interim report has not been subject to an audit or a review.

Consolidated financial statements

Pursuant to section 137(1) of the Executive Order (No. 281 26/03/2014) on Financial Reporting by Credit Institutions and Investment Companies, etc., consolidated financial statements have not been prepared. The parent company, PM II Holding ApS, Malmøgade 3, 2100 Copenhagen Ø (CVR-no. 28 48 15 35), prepares annual consolidated financial statements in which Polaris Management A/S and its subsidiary is included.

DKK'000	H1 2016	H1 2015	2015
2 Fee and commission income			
Fee and commission income received (management fee) by investment funds under management:			
Polaris Private Equity II K/S	4,158	6,448	12,675
Polaris Private Equity III K/S	11,970	14,740	28,582
Polaris Private Equity IV K/S	31,907	25,357	54,456
	48,035	46,545	95,713
3 Staff costs			
Wages and salaries	20,775	16,547	32,914
Pensions	1,644	1,486	3,100
Other social security costs	69	61	164
Other staff costs	3,796	2,666	5,253
	26,284	20,760	41,431
Average number of full-time employees	23	22	21
Hereof:			
Female employees	5	5	4
Male employees	18	17	17

The remuneration policy is disclosed in note 3 to the Annual Report 2015, to which reference is made.

Financial statements for the period 1 January – 30 June

Notes to the financial statements

DKK'000	H1 2016	H1 2015	2015
4 Other external expenses			
Fees to depositary entities			
Other external expenses include fees to depositary entities related to investment funds under management in the amount of	127	126	253
5 Financial income			
Interest income, banks	0	0	0
Other interest income, investment funds under management and related entities	254	326	590
Other financial income	0	768	778
Foreign exchange gains	8	13	23
	<u>262</u>	<u>1,107</u>	<u>1,391</u>
6 Financial expenses			
Interest expenses, banks	-52	-25	-111
Other financial expenses	-53	-45	-91
Foreign exchange losses	-11	-26	-46
	<u>-116</u>	<u>-96</u>	<u>-248</u>
7 Tax on profit for the period			
Computed tax on the taxable income for the period (joint taxation contribution payable)	3,203	4,321	9,558
Adjustment of deferred tax (including effect of reduced tax rate)	17	25	47
Adjustments regarding previous years	0	0	3
	<u>3,220</u>	<u>4,346</u>	<u>9,608</u>

8 Receivables from investment funds under management and related entities

Receivables primarily consist of receivables from Polaris Private Equity investment funds under management and their related entities including portfolio companies.

Financial statements for the period 1 January – 30 June

Notes to the financial statements

DKK'000	30/6 2016	30/6 2015	31/12 2015
9 Cash at hand and in bank			
Cash at hand	12	10	11
Cash deposits with banks, DKK	31,282	25,326	61,993
Cash deposits with banks, SEK	90	263	143
	31,384	25,599	62,147
10 Other payables			
Trade payables	7.172	9.081	9.383
Payroll related items payable, holiday allowance, etc.	10,623	8,623	12,880
VAT payable and payroll taxes	2,255	2,126	2,479
Other payables	656	455	390
	20,706	20,285	25,132

11 Financial risks, etc.

The Company's financial risks, etc., are in all material aspects unchanged compared to those disclosed in note 13 to the Annual Report 2015, to which reference is made.

12 Contingencies, etc.

The Company's rental liabilities total DKK 716 thousand (31/12 2015: DKK 710 thousand) which fall due for payment within one year.

Other operating lease obligations amount to DKK 761 thousand (31/12 2015: DKK 145 thousand) which fall due for payment within three years.

The company is jointly taxed with the Danish subsidiary and the parent company. As a wholly-owned subsidiary, the Company is unlimited and severally liable with the other companies in the joint taxation regarding payment of Danish corporation taxes and Danish withholding taxes on dividends, interests and royalties in the joint taxation.

13 Related party disclosures

The Company is a wholly-owned subsidiary of PM II Holding ApS, Malmøgade 3, DK-2100 Copenhagen Ø (registration no. 28 48 15 35), which is owned by the partners of Polaris Management A/S.

Related parties comprise the Company's and the parent company's shareholders, Board of Directors and Executive Board and subsidiaries. Related parties also comprise companies in which the persons mentioned hold significant interests.

Significant transactions with investment funds under management and related entities

Management fees received from investment funds under management are disclosed in note 2.

Receivables from investment funds under management and related entities are disclosed separately in the balance sheet and in note 8 and other interest income in note 5.

Financial statements for the period 1 January – 30 June

Notes to the financial statements

14 Financial highlights (5-year overview) Ratios and key figures

DKKm	H1 2016	FY 2015	FY 2014	FY 2013	FY 2012
Key figures					
Fee and commission income	48	96	54	54	60
Total staff costs and administrative expenses	-33	-55	-50	-46	-45
Profit before financial items	14	40	4	8	15
Profit for the year	11	32	3	7	11
Equity	32	51	39	36	35
Total assets	65	76	66	50	49
Ratios					
Capital base in relation to minimum capital requirements	2.13	1.36	1.41	*	*
Equity ratio	50%	67%	59%	71%	71%
Return on average equity before tax	72%	93%	11%	25%	41%
Return on average equity after tax	56%	72%	8%	19%	31%
Number of managed alternative investment funds	3	3	3	*	*
Assets under management	**3,096	**2,352	**2,524	*	*
Average number of employees	24	21	20	22	21

* Not disclosed as the Company only became subject to the Danish Alternative Investment Fund Managers, etc., Act during 2014.

** Of which DKK 2,565 million (31/12 2015: DKK 1,865 million) relates to a fund, which is subject to the Danish Alternative Investment Fund Managers, etc., Act.

Definition of ratios

The financial ratios have been prepared in accordance with the Danish Financial Supervisory Authority's definitions.