



Polaris Management A/S

Registration no. 28 50 17 65

FT-no. 23009

Interim report H1 2017

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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 period 1 January – 30 June 2017.

The interim report has been prepared in accordance with the Danish Alternative Investment Fund Managers, etc., Act, as applicable for interim reports.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 June 2017 and of the results of its operations for the period 1 January – 30 June 2017.

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, 28 August 2017
Executive Board:



Jan Johan Kühl


Board of Directors:



Erik Gregers Hansen
Chairman



Anne Holm Rannaleet



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 – 31 December
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 Anne Holm Rannaleet Bertil Villard
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald 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, capital commitment DKK 3.3 billion, investment period.

** 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 and the company's former owners.

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 period

During the first half of 2017, 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 exits of two portfolio companies in Polaris Private Equity III.

Development in financial matters

In the first half year of 2017, Polaris Management A/S realised a profit of DKK 5,467 thousand (first half 2016: profit of DKK 11,418 thousand), which overall is in line with Management's expectations.

At 30 June 2017, the equity amounted to DKK 50,370 thousand (31 December 2016: DKK 44,903 thousand) of total assets of DKK 67,438 thousand (31 December 2016: 67,028 thousand), and the Company's equity ratio was 75% (2016: 67%).

Outlook

The Company still expects to realize an operating result for 2017 somewhat lower than in 2016 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 2016, 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 2017	H1 2016	2016 (full year)
2	Fee and commission income	39,193	48,035	89,808
4	Other external administrative expenses	-6,669	-7,247	-12,008
3	Staff costs	-25,296	-26,284	-47,139
	Total staff costs and administrative expenses	-31,965	-33,531	-59,147
	Depreciation of property, plant and equipment and 8 amortisation of intangible assets	-108	-49	-120
	Profit before financial items	7,120	14,455	30,541
	Share of profit in subsidiaries net of tax	23	37	78
5	Financial income	48	262	612
6	Financial expenses	-177	-116	-256
	Profit before tax	7,014	14,638	30,975
7	Tax on profit for the period	-1,547	-3,220	-6,812
	Profit for the period	5,467	11,418	24,163
	Proposed profit appropriation			
	Proposed dividends	0	0	0
	Reserve for net revaluation according to the equity method	23	37	78
	Retained earnings	5,444	11,381	24,085
		5,467	11,418	24,163

Statement of comprehensive income

Profit for the period	5,467	11,418	24,163
Other comprehensive income	0	0	0
Total comprehensive income for the period	5,467	11,418	24,163

Financial statements for the period 1 January – 30 June

Balance sheet

Note	DKK'000	30/6 2017	30/6 2016	31/12 2016
	ASSETS			
	Property, plant and equipment			
	Fixtures and fittings, other plant and equipment	1.473	220	282
		<u>1.473</u>	<u>220</u>	<u>282</u>
	Receivables			
8	Receivables from investment funds under management and related entities	5,661	24,761	3,014
	Current tax receivable	704	1,091	0
	Deferred tax asset	207	260	239
	Other receivables	853	1,837	749
	Deposits	602	642	645
	Prepayments	3,179	3,739	2,982
		<u>11,206</u>	<u>32,330</u>	<u>7,629</u>
	Investments			
	Investments in portfolio companies under management	161	0	158
	Equity investments in subsidiaries	1,097	1,033	1,074
		<u>1,258</u>	<u>1,033</u>	<u>1,232</u>
9	Cash at hand and in bank	<u>53,501</u>	<u>31,384</u>	<u>57,885</u>
	TOTAL ASSETS	<u>67,438</u>	<u>64,967</u>	<u>67,028</u>
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	500	500	500
	Net revaluation reserve according to the equity method	972	908	949
	Retained earnings	48,898	30,750	43,454
	Proposed dividends	0	0	0
	Total equity	<u>50,370</u>	<u>32,158</u>	<u>44,903</u>
	Liabilities			
	Current liabilities			
	Current tax liabilities (joint taxation contribution payable)	0	0	668
	Deferred income	2,463	12,101	2,246
10	Other payables	14,605	20,708	19,211
	Total liabilities	<u>17,068</u>	<u>32,809</u>	<u>22,125</u>
	TOTAL EQUITY AND LIABILITIES	<u>67,438</u>	<u>64,967</u>	<u>67,028</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 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	78	24,085	0	24,163
Other comprehensive income	0	0	0	0	0
Equity 1 January 2017	500	949	43,454	0	44,903
Dividends paid during the period	0	0	0	0	0
Transferred, cf. profit appropriation	0	23	5,444	0	5,467
Other comprehensive income	0	0	0	0	0
Equity 30 June 2017	500	972	48,898	0	50,370

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.

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 2017 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), together with the Executive Order No. 707 01/06/2016 on changes to the original Executive Order) on Financial Reporting by Credit Institutions and Investment Companies, etc., as applicable for interim reports.

The accounting policies are unchanged compared to those applied in the Annual Report 2016. Reference is made to note 1 in the Annual Report for 2016, 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 2017	H1 2016	2016
2 Fee and commission income			
Fee and commission income received (management fee) by investment funds under management:			
Polaris Private Equity II K/S	1,231	4,158	4,937
Polaris Private Equity III K/S	9,463	11,970	24,071
Polaris Private Equity IV K/S	28,499	31,907	60,800
	<u>39,193</u>	<u>48,035</u>	<u>89,808</u>
3 Staff costs			
Wages and salaries	19,890	20,775	36,985
Pensions	1,698	1,644	3,308
Other social security costs	71	69	193
Other staff costs	3,637	3,796	6,653
	<u>25,296</u>	<u>26,284</u>	<u>47,139</u>
Average number of full-time employees	<u>23</u>	<u>23</u>	<u>23</u>
Hereof:			
Female employees	5	5	4
Male employees	18	18	19

The remuneration policy is disclosed in note 4 to the Annual Report 2016, to which reference is made.

Financial statements for the period 1 January – 30 June

Notes to the financial statements

DKK'000	H1 2017	H1 2016	2016
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	165	127	255
5 Financial income			
Other interest income, investment funds under management and related entities	37	254	563
Other financial income	0	0	28
Foreign exchange gains	11	8	21
	<u>48</u>	<u>262</u>	<u>612</u>
6 Financial expenses			
Interest expenses, banks	116	52	102
Other financial expenses	44	53	100
Foreign exchange losses	17	11	54
	<u>177</u>	<u>116</u>	<u>256</u>
7 Tax on profit for the period			
Computed tax on the taxable income for the period (joint taxation contribution payable), etc.	1,543	3,220	6,812
The tax effects of;			
Other non-deductible costs	9	8	22
Other non-taxable income	-5	-8	-22
Adjustments regarding previous years	0	0	-2
	<u>1,547</u>	<u>3,220</u>	<u>6,812</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	<u>30/6 2017</u>	<u>30/6 2016</u>	<u>31/12 2016</u>
9 Cash at hand and in bank			
Cash at hand	7	12	5
Cash deposits with banks, DKK	53,244	31,282	57,763
Cash deposits with banks, SEK	250	90	117
	<u>53,501</u>	<u>31,384</u>	<u>57,885</u>
10 Other payables			
Trade payables	564	7,172	2,566
Payroll related items payable, holiday allowance, etc.	10,830	10,623	13,670
VAT payable and payroll taxes	2,307	2,255	2,571
Other payables	904	658	404
	<u>14,605</u>	<u>20,708</u>	<u>19,211</u>

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 2016, to which reference is made.

12 Contingencies, etc.

The Company's rental liabilities total DKK 682 thousand (31/12 2016: DKK 719 thousand) which fall due for payment within one year.

Other operating lease obligations amount to DKK 537 thousand (31/12 2016: DKK 513 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 ultimately 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 2017	FY 2016	FY 2015	FY 2014	FY 2013
Key figures					
Fee and commission income	39	90	96	54	54
Total staff costs and administrative expenses	-32	-59	-55	-50	-46
Profit before financial items	7	31	40	4	8
Profit for the period	5	24	32	3	7
Equity and assets					
Equity	50	45	51	39	36
Total assets	67	67	76	66	50
Ratios					
Capital base in relation to minimum capital requirements	***3.34	***3.62	1.36	1.41	*
Equity ratio	75%	67%	67%	59%	71%
Return on average equity before tax	29%	65%	93%	11%	25%
Return on average equity after tax	23%	51%	72%	8%	19%
Number of managed alternative investment funds	3	3	3	****3	*
Assets under management	**2,565	**2,980	**2,352	*2,524*	*
Average number of employees					
	23	23	21	20	22

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

** Of which DKK 1,895 million (31/12 2016: DKK 2,520 million) relates to funds, which is subject to the Danish Alternative Investment Fund Managers, etc., Act.

*** As from 2016, calculated as cash at hand and in bank / capital requirement (liquidity reserve).

**** Of which only one became operational at 1 January 2015.

Definition of ratios

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