



Polaris Management A/S

Registration no. 28 50 17 65

FT-no. 23009

Interim report H1 2018

Contents

Statement by the Board of Directors and the Executive Board	2
Management's review	3
Company details	3
Operating review	4
Financial statements for the period 1 January – 30 June	6
Income statement and statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9
Ratios and key figures	12

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 2018.

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 2018 and of the results of its operations for the period 1 January – 30 June 2018.

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, 27 August 2018

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 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, capital commitment DKK 3.3 billion, investment period.

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

Polaris Private Equity seeks to invest 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 2018, 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 has participated in the exits of one portfolio company in Polaris Private Equity III.

Development in financial matters

In the first half year of 2018, Polaris Management A/S realised a profit of DKK 7,416 thousand (first half 2017: profit of DKK 5,467 thousand), which overall is in line with Management's expectations.

At 30 June 2018, the equity amounted to DKK 51,719 thousand (31 December 2017: DKK 59,303 thousand) of total assets of DKK 68,189 thousand (31 December 2017: 79,003 thousand), and the Company's equity ratio was 76% (2017: 75%).

Outlook

The Company still expects to realize an operating result for 2018 somewhat lower than in 2017 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. However, in the second half of 2018 Polaris Management A/S has entered into a further office space lease in order to expand the organisation.

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 2017, 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 2018	H1 2017	2017 (full year)
2	Fee and commission income	36,731	39,193	76,998
4	Other external administrative expenses	-5,385	-6,669	-11,277
3	Staff costs	-21,410	-25,296	-46,662
	Total staff costs and administrative expenses	-26,795	-31,965	-57,939
	Depreciation of property, plant and equipment and 8 amortisation of intangible assets	-278	-108	-335
	Profit before financial items	9,658	7,120	18,724
	Share of profit in subsidiaries net of tax	11	23	43
5	Financial income	79	48	108
6	Financial expenses	-233	-177	-375
	Profit before tax	9,515	7,014	18,500
7	Tax on profit for the period	-2,099	-1,547	-4,100
	Profit for the period	7,416	5,467	14,400
	Proposed profit appropriation			
	Proposed dividends	0	0	15,000
	Reserve for net revaluation according to the equity method	11	23	43
	Retained earnings	7,405	5,443	-643
		7,416	5,467	14,400

Statement of comprehensive income

Profit for the period	7,416	5,467	14,400
Other comprehensive income	0	0	0
Total comprehensive income for the period	7,416	5,467	14,400

Financial statements for the period 1 January – 30 June

Balance sheet

Note	DKK'000	30/6 2018	30/6 2017	31/12 2017
	ASSETS			
	Property, plant and equipment			
	Fixtures and fittings, other plant and equipment	1.574	1.473	1.802
		<u>1.574</u>	<u>1.473</u>	<u>1.802</u>
	Receivables			
8	Receivables from investment funds under management and related entities	1,262	5,661	3,969
	Current tax receivable	0	704	0
	Deferred tax asset	170	207	168
	Other receivables	1.267	853	864
	Deposits	614	602	602
	Prepayments	3,640	3,179	3,271
		<u>6,953</u>	<u>11,206</u>	<u>8,875</u>
	Investments			
	Investments in portfolio companies under management	207	161	162
	Equity investments in subsidiaries	1,128	1,097	1,117
		<u>1,335</u>	<u>1,258</u>	<u>1,279</u>
9	Cash at hand and in bank	<u>58,327</u>	<u>53,501</u>	<u>67,048</u>
	TOTAL ASSETS	<u>68,189</u>	<u>67,438</u>	<u>79,003</u>
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	500	500	500
	Net revaluation reserve according to the equity method	1.003	972	992
	Retained earnings	50,216	48,898	42,811
	Proposed dividends	0	0	15,000
	Total equity	<u>51,719</u>	<u>50,370</u>	<u>59,303</u>
	Liabilities			
	Current liabilities			
	Current tax liabilities (joint taxation contribution payable)	1,103	0	442
	Deferred income	739	2,463	1,478
10	Other payables	14,628	14,605	17,780
	Total liabilities	<u>16,470</u>	<u>17,068</u>	<u>19,700</u>
	TOTAL EQUITY AND LIABILITIES	<u>68,189</u>	<u>67,438</u>	<u>79,003</u>

- 1 Accounting policies
- 11 Financial risks
- 12 Contingencies, etc.
- 13 Related parties
- 14 Financial highlights (5-year overview)

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 2017	500	949	43,454	0	44,903
Dividends paid during the year	0	0	0	0	0
Transferred, cf. profit appropriation	0	43	-643	15,000	14,400
Other comprehensive income	0	0	0	0	0
Equity 1 January 2018	500	992	42,811	15,000	59,303
Dividends paid during the period	0	0	0	-15,000	-15,000
Transferred, cf. profit appropriation	0	11	7,405	0	7,416
Other comprehensive income	0	0	0	0	0
Equity 30 June 2018	500	1,003	50,216	0	51,719

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 2018 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 2017. Reference is made to note 1 in the Annual Report for 2017, 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 2018	H1 2017	2017
2 Fee and commission income			
Fee and commission income received (management fee) by investment funds under management:			
Polaris Private Equity II K/S	739	1,231	2,217
Polaris Private Equity III K/S	7,493	9,463	17,311
Polaris Private Equity IV K/S	28,499	28,499	57,470
	<u>36,731</u>	<u>39,193</u>	<u>76,998</u>
3 Staff costs			
Wages and salaries	16,221	19,910	36,330
Pensions	1,752	1,679	3,402
Other social security costs	113	129	243
Other staff costs	3,324	3,578	6,687
	<u>21,410</u>	<u>25,296</u>	<u>46,662</u>
Average number of full-time employees	<u>23</u>	<u>23</u>	<u>23</u>
Hereof:			
Female employees	4	4	4
Male employees	19	19	19

The remuneration policy is disclosed in note 4 to the Annual Report 2017, to which reference is made.

Financial statements for the period 1 January – 30 June

Notes to the financial statements

DKK'000	H1 2018	H1 2017	2017
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	159	165	324
5 Financial income			
Other interest income, investment funds under management and related entities	23	37	24
Other financial income	56	0	84
Foreign exchange gains	0	11	0
	79	48	108
6 Financial expenses			
Interest expenses, banks	140	116	239
Other financial expenses	43	44	104
Foreign exchange losses	50	17	32
	233	177	375
7 Tax on profit for the period			
Computed tax on the taxable income for the period (joint taxation contribution payable), etc.	2,093	1,543	4,070
The tax effects of;			
Other non-deductible costs	8	9	39
Other non-taxable income	-2	-5	-9
Adjustments regarding previous years	0	0	0
	2,099	1,547	4,100
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 2018	30/6 2017	31/12 2017
9 Cash at hand and in bank			
Cash at hand	12	7	5
Cash deposits with banks, DKK	57,396	53,244	66,906
Cash deposits with banks, SEK	919	250	137
	<u>58,327</u>	<u>53,501</u>	<u>67,048</u>
10 Other payables			
Trade payables	610	564	566
Payroll related items payable, holiday allowance, etc.	10,951	10,830	13,930
VAT payable and payroll taxes	2,220	2,307	2,689
Other payables	847	904	595
	<u>14,628</u>	<u>14,605</u>	<u>17,780</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 2017, to which reference is made.

12 Contingencies, etc.

The Company's rental liabilities total DKK 1.692 thousand (31/12 2017: DKK 687 thousand) which fall due for payment within two years.

Other operating lease obligations amount to DKK 405 thousand (31/12 2017: DKK 327 thousand) which fall due for payment within one year.

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 2018	FY 2017	FY 2016	FY 2015	FY 2014
Key figures					
Fee and commission income	37	77	90	96	54
Total staff costs and administrative expenses	-27	-58	-59	-55	-50
Profit before financial items	10	19	31	40	4
Profit for the period	7	14	24	32	3
Equity and assets					
Equity	52	59	45	51	39
Total assets	68	79	67	76	66
Ratios					
Capital base in relation to minimum capital requirements	***3.89	***4.47	***3.62	1.36	1,41
Equity ratio	76%	75%	67%	67%	59%
Return on average equity before tax	34%	36%	65%	93%	11%
Return on average equity after tax	27%	28%	51%	72%	8%
Number of managed alternative investment funds	3	3	3	3	****3
Assets under management	**3,142	**2,468	**2,980	**2,352	*2,524*
Average number of employees					
Average number of employees	23	23	23	21	20

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

** Of which DKK 2,949 million (31/12 2017: DKK 2,123 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.