



## Polaris Management A/S

Registration no. 28 50 17 65

FT-no. 23009

Interim report H1 2019

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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 2019.

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 2019 and of the results of its operations for the period 1 January – 30 June 2019.

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 2019

Executive Board:



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Jan Johan Kühl

Board of Directors:



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Erik Gregers Hansen  
Chairman



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Anne Holm Rannaleet



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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	<a href="http://www.polarisequity.dk">www.polarisequity.dk</a>
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 the investment vehicles commonly known as the Polaris Private Equity funds or 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](http://www.polarisequity.dk).

#### Performance in the period

During the first half of 2019, 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 exit of one portfolio company in Polaris Private Equity III.

#### Development in financial matters

In the first half year of 2019, Polaris Management A/S realised a loss of DKK 6,903 thousand (first half 2018: profit of DKK 7,416 thousand), impacted by various one-off costs, which overall is in line with Management's expectations.

At 30 June 2019, the equity amounted to DKK 35,945 thousand (31 December 2018: DKK 57,848 thousand) of total assets of DKK 67,811 thousand (31 December 2018: 75,680 thousand), and the Company's equity ratio was 53% (2018: 76%). Dividend payments during the year amounted to DKK 15.000 thousand (first half of 2018: DKK 15.000 (thousand)).

#### Outlook

As stated in the full year report 2018 the Company still expects to realize an operating result for 2019 somewhat lower than in 2018 due to various one-off costs combined with reduced management fee income as a consequence of investments being realized.

## **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 2018, 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 2019	H1 2018	2018 (full year)
<b>2</b>	<b>Fee and commission income</b>	34,133	36,731	73,641
4	Other external administrative expenses	-9,463	-5,385	-13,497
3	Staff costs	-33,125	-21,410	-41,997
	Total staff costs and administrative expenses	-42,588	-26,795	-55,494
	Depreciation of property, plant and equipment and amortisation of intangible assets	-284	-278	-555
	<b>Profit before financial items</b>	-8,739	9,658	17,592
	Share of profit in subsidiaries net of tax	23	11	21
5	Financial income	118	79	242
6	Financial expenses	-241	-233	-460
	<b>Profit before tax</b>	-8,839	9,515	17,395
7	Tax on profit for the period	1,936	-2,099	-3,850
	<b>Profit for the period</b>	-6,903	7,416	13,545
	<b>Proposed profit appropriation</b>			
	Proposed dividends	0	0	5,000
	Extraordinary dividend approved in the period	10,000	0	0
	Reserve for net revaluation according to the equity method	23	11	21
	Retained earnings	-16,926	7,405	8,524
		-6,903	7,416	13,545

#### Statement of comprehensive income

Profit for the period	-6,903	7,416	13,545
Other comprehensive income	0	0	0
<b>Total comprehensive income for the period</b>	-6,903	7,416	13,545

## Financial statements for the period 1 January – 30 June

### Balance sheet

Note	DKK'000	30/6 2019	30/6 2018	31/12 2018
	<b>ASSETS</b>			
	<b>Property, plant and equipment</b>			
	Fixtures and fittings, other plant and equipment	1,229	1,574	1,421
		<u>1,229</u>	<u>1,574</u>	<u>1,421</u>
	<b>Receivables</b>			
8	Receivables from investment funds under management and related entities	3,527	1,262	10,766
	Current tax receivable	0	0	0
	Deferred tax asset	2,102	170	166
	Other receivables	2,360	1,267	1,511
	Deposits	879	614	879
	Prepayments	3,645	3,640	3,784
		<u>12,513</u>	<u>6,953</u>	<u>17,106</u>
	<b>Investments</b>			
	Investments in portfolio companies under management	0	207	0
	Equity investments in subsidiaries	1,161	1,128	1,138
		<u>1,161</u>	<u>1,335</u>	<u>1,138</u>
9	<b>Cash at hand and in bank</b>	<u>52,908</u>	<u>58,327</u>	<u>56,015</u>
	<b>TOTAL ASSETS</b>	<u>67,811</u>	<u>68,189</u>	<u>75,680</u>
	<b>EQUITY AND LIABILITIES</b>			
	<b>Equity</b>			
	Share capital	500	500	500
	Net revaluation reserve according to the equity method	1,036	1,003	1,013
	Retained earnings	34,409	50,216	51,335
	Proposed dividends	0	0	5,000
	<b>Total equity</b>	<u>35,945</u>	<u>51,719</u>	<u>57,848</u>
	<b>Liabilities</b>			
	<b>Current liabilities</b>			
	Current tax liabilities (joint taxation contribution payable)	658	1,103	709
	Deferred income	344	739	417
10	Other payables	30,864	14,628	16,706
	<b>Total liabilities</b>	<u>31,866</u>	<u>16,470</u>	<u>17,832</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>67,811</u>	<u>68,189</u>	<u>75,680</u>

- 1 Accounting policies
- 11 Financial risks
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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
<b>Equity 1 January 2018</b>	500	992	42,811	15,000	59,303
Dividends paid during the year	0	0	0	-15,000	-15,000
Transferred, cf. profit appropriation	0	21	8,524	5,000	13,545
Other comprehensive income	0	0	0	0	0
<b>Equity 1 January 2019</b>	500	1,013	51,335	5,000	57,848
Dividends paid during the period	0	0	0	-5,000	-5,000
Transferred, cf. profit appropriation	0	23	-16,926	10,000	-6,903
Extraordinary dividend paid	0	0	0	-10,000	-10,000
Other comprehensive income	0	0	0	0	0
<b>Equity 30 June 2019</b>	500	1,036	34,409	0	35,945

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 2019 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 2018. Reference is made to note 1 in the Annual Report for 2018, 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 2019	H1 2018	2018
<b>2 Fee and commission income</b>			
Fee and commission income received (management fee) by investment funds under management:			
Polaris Private Equity II K/S	119	739	1,060
Polaris Private Equity III K/S	5,515	7,493	15,111
Polaris Private Equity IV K/S	28,499	28,499	57,470
	34,133	36,731	73,641
<b>3 Staff costs</b>			
Wages and salaries	26,222	16,221	31,741
Pensions	1,849	1,752	3,611
Other social security costs	113	113	223
Other staff costs	4,941	3,324	6,422
	33,125	21,410	41,997
Average number of full-time employees	23	23	23
Hereof:			
Female employees	4	4	4
Male employees	19	19	19

The remuneration policy is disclosed in note 4 to the Annual Report 2018, to which reference is made.

## Financial statements for the period 1 January – 30 June

### Notes to the financial statements

DKK'000	H1 2019	H1 2018	2018
<b>4 Other external expenses</b>			
<b>Fees to depositary entities</b>			
Other external expenses include fees to depositary entities related to investment funds under management in the amount of	159	159	318
<b>5 Financial income</b>			
Other interest income, investment funds under management and related entities	16	23	69
Other financial income	102	56	114
Foreign exchange gains	0	0	59
	<u>118</u>	<u>79</u>	<u>242</u>
<b>6 Financial expenses</b>			
Interest expenses, banks	137	140	273
Other financial expenses	51	43	94
Foreign exchange losses	53	50	93
	<u>241</u>	<u>233</u>	<u>460</u>
<b>7 Tax on profit for the period</b>			
Computed tax on the taxable income for the period (joint taxation contribution payable), etc.	-1,944	2,093	3,827
The tax effects of;			
Other non-deductible costs	13	8	38
Other non-taxable income	-5	-2	-15
Adjustments regarding previous years	0	0	0
	<u>-1,936</u>	<u>2,099</u>	<u>3,850</u>
<b>8 Receivables from investment funds under management and related entities</b>			

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 2019</u>	<u>30/6 2018</u>	<u>31/12 2018</u>
<b>9 Cash at hand and in bank</b>			
Cash at hand	13	12	12
Cash deposits with banks, DKK	52,548	57,396	54,749
Cash deposits with banks, SEK	347	919	1,254
	<u>52,908</u>	<u>58,327</u>	<u>56,015</u>
<b>10 Other payables</b>			
Trade payables	1,163	610	562
Payroll related items payable, holiday allowance, etc.	12,908	10,951	12,641
VAT payable and payroll taxes	2,764	2,220	2,728
Other payables	14,029	847	775
	<u>30,864</u>	<u>14,628</u>	<u>16,706</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 2018, to which reference is made.

### 12 Contingencies, etc.

The Company's rental liabilities total DKK 1,727 thousand (31/12 2018: DKK 1,482 thousand) which fall due for payment within two years.

Other operating lease obligations amount to DKK 0 thousand (31/12 2018: DKK 34 thousand) which fall due for payment within one year. The current operating lease obligation is due every month.

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 2019	FY 2018	FY 2017	FY 2016	FY 2015
<b>Key figures</b>					
Fee and commission income	34	74	77	90	96
Total staff costs and administrative expenses	-43	-55	-58	-59	-55
Profit before financial items	-9	18	19	31	40
<b>Profit for the period</b>	<b>-7</b>	<b>14</b>	<b>14</b>	<b>24</b>	<b>32</b>
Equity	36	58	59	45	51
Total assets	<b>68</b>	<b>76</b>	<b>79</b>	<b>67</b>	<b>76</b>
<b>Ratios</b>					
Capital base in relation to minimum capital requirements	***3.53	***3.73	***4.47	***3.62	1,36
Equity ratio	53%	76%	75%	67%	67%
Return on average equity before tax	-38%	30%	36%	65%	93%
Return on average equity after tax	-29%	23%	28%	51%	72%
Number of managed alternative investment funds	3	3	3	3	3
Assets under management	**3,226	**2,477	**2,825	**3,233	**2,919
Average number of employees	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>21</b>

\*\* Of which DKK 2,988 million (31/12 2018: DKK 2,244 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).

##### Definition of ratios

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