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Polaris Management A/S

Registration no. 28 50 17 65

FT-no. 23009

Interim report H1 2020



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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



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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 2020.

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 2020 and of the results of its operations for the period 1 January – 30 June 2020.

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 2020

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	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 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.
- ▶ Polaris Private Equity V*, fund raising ongoing, established in 2020, capital commitment DKK 2.6 billion, not yet active.

** 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 2020, Polaris Management A/S has in its capacity as fund manager, worked hard to mitigate the potential negative implications of the global outbreak of covid-19 and ensure the continued development of the portfolio companies in Polaris Private Equity II, III and IV. One of the portfolio companies of Polaris Private Equity II was significantly impacted by covid-19 and has been exited in connection with an in-court restructuring process.

During the first half year of 2020, Polaris Management A/S has successfully been able to raise commitments to the new fund, Polaris Private Equity V. The fund raising is still ongoing. The fund is expected to have a first initial close in second half of 2020 at which point Polaris Private Equity IV will enter into realisation period.

Development in financial matters

In the first half year of 2020, Polaris Management A/S realised a profit of DKK 3,796 thousand (first half 2019: loss of DKK 6,903 thousand), impacted by costs related to fund-raising activities, which were offset by income recognised from the expected settlement of establishment costs by Polaris Private Equity V in the second half of 2020 and a decrease in staff costs. The profit was overall in line with Management's expectations.

At 30 June 2020, the equity amounted to DKK 38,902 thousand (31 December 2019: DKK 35,106 thousand) of total assets of DKK 68,028 thousand (31 December 2019: 57,568 thousand), and the Company's equity ratio was 57% (2019: 61%). Dividend payments during the year amounted to DKK 0 thousand (first half of 2019: DKK 15.000 (thousand)).



Management's review

Operating review (continued)

Outlook

As stated in the full year report 2019 the Company expects to realize an operating profit for 2020 due to the establishment of Polaris Private Equity V (net increase in management fee income going forward) and the settlement of establishment costs according to the LPA.

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 2019, to which reference is made.



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Financial statements for the period 1 January - 30 June

Income statement and statement of comprehensive income

Income statement

Note	DKK'000	H1 2020	H1 2019	2019 (full year)
2	Fee and commission income	32,754	34,133	68,433
4	Other external administrative expenses	-5,719	-9,463	-20,723
3	Staff costs	-21,897	-33,125	-56,906
	Total staff costs and administrative expenses	-27,616	-42,588	-77,629
	Depreciation of property, plant and equipment and amortisation of intangible assets	-252	-284	-555
	Profit before financial items	4,886	-8,739	-9,751
	Share of profit in subsidiaries net of tax	21	23	43
5	Financial income	160	118	290
6	Financial expenses	-191	-241	-461
	Profit before tax	4,876	-8,839	-9,879
7	Tax on profit for the period	-1,080	1,936	2,137
	Profit for the period	3,796	-6,903	-7,742
	Proposed profit appropriation			
	Proposed dividends	0	0	0
	Extraordinary dividend approved in the period	0	10,000	10,000
	Reserve for net revaluation according to the equity method	21	23	43
	Retained earnings	3,775	-16,926	-17,785
		3,796	-6,903	-7,742

Statement of comprehensive income

Profit for the period	3,796	-6,903	-7,742
Other comprehensive income	0	0	0
Total comprehensive income for the period	3,796	-6,903	-7,742



Financial statements for the period 1 January – 30 June

Balance sheet

Note	DKK'000	30/6 2020	30/6 2019	31/12 2019
	ASSETS			
	Property, plant and equipment			
	Fixtures and fittings, other plant and equipment	890	1,229	1,010
		<u>890</u>	<u>1,229</u>	<u>1,010</u>
	Receivables			
8	Receivables from investment funds under management and related entities	15,485	3,527	3,072
	Current tax receivable	50	0	50
	Deferred tax asset	1,223	2,102	2,303
	Other receivables	2,438	2,360	2,420
	Deposits	897	879	879
	Prepayments	3,752	3,645	3,715
		<u>23,845</u>	<u>12,513</u>	<u>12,439</u>
	Investments			
	Investments in portfolio companies under management	0	0	0
	Equity investments in subsidiaries	1,202	1,161	1,181
		<u>1,202</u>	<u>1,161</u>	<u>1,181</u>
9	Cash at hand and in bank	42,091	52,908	42,938
	TOTAL ASSETS	<u>68,028</u>	<u>67,811</u>	<u>57,568</u>
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	500	500	500
	Net revaluation reserve according to the equity method	1,077	1,036	1,056
	Retained earnings	37,325	34,409	33,550
	Proposed dividends	0	0	0
	Total equity	<u>38,902</u>	<u>35,945</u>	<u>35,106</u>
	Liabilities			
	Current liabilities			
	Current tax liabilities (joint taxation contribution payable)	0	658	0
	Deferred income	135	344	225
10	Other payables	28,991	30,864	22,237
	Total liabilities	<u>29,126</u>	<u>31,866</u>	<u>22,462</u>
	TOTAL EQUITY AND LIABILITIES	<u>68,028</u>	<u>67,811</u>	<u>57,568</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 2019	500	1.013	51,335	5,000	57,848
Dividends paid during the year	0	0	0	-5,000	-5,000
Transferred, cf. profit appropriation	0	43	-17,785	10,000	-7,742
Extraordinary dividend distribution				-10,000	-10,000
Other comprehensive income	0	0	0	0	0
Equity 1 January 2020	500	1,056	33,550	0	35,106
Dividends paid during the period	0	0	0	0	0
Transferred, cf. profit appropriation	0	21	3,775	0	3,796
Other comprehensive income	0	0	0	0	0
Equity 30 June 2020	500	1,077	37,325	0	38,902

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 2020 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 2019. Reference is made to note 1 in the Annual Report for 2019, 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 Holding 2005 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 2020	H1 2019	2019
2 Fee and commission income			
Fee and commission income received (management fee) by investment funds under management:			
Polaris Private Equity II K/S	89	119	238
Polaris Private Equity III K/S	4,087	5,515	10,724
Polaris Private Equity IV K/S	28,578	28,499	57,470
	32,754	34,133	68,433
3 Staff costs			
Wages and salaries	16,641	26,222	44,659
Pensions	2,065	1,849	3,799
Other social security costs	94	113	232
Other staff costs	3,097	4,941	8,216
	21,897	33,125	56,906
Average number of full-time employees	26	23	23
Hereof:			
Female employees	4	4	4
Male employees	22	19	19

The remuneration policy is disclosed in note 4 to the Annual Report 2019, to which reference is made.



Financial statements for the period 1 January – 30 June

Notes to the financial statements

DKK'000	H1 2020	H1 2019	2019
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	159	318
5 Financial income			
Other interest income, investment funds under management and related entities	118	16	246
Other financial income	42	102	0
Foreign exchange gains	0	0	44
	<u>160</u>	<u>118</u>	<u>290</u>
6 Financial expenses			
Interest expenses, banks	99	137	217
Other financial expenses	59	51	122
Foreign exchange losses	36	53	122
	<u>191</u>	<u>241</u>	<u>461</u>
7 Tax on profit for the period			
Computed tax on the taxable income for the period (joint taxation contribution payable), etc.	1,080	-1,944	-2,173
The tax effects of;			
Other non-deductible costs	6	13	45
Other non-taxable income	-6	-5	-9
Adjustments regarding previous years	0	0	0
	<u>1,080</u>	<u>-1,936</u>	<u>-2,137</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 2020	30/6 2019	31/12 2019
9 Cash at hand and in bank			
Cash at hand	13	13	13
Cash deposits with banks, DKK	41,181	52,548	42,436
Cash deposits with banks, SEK	897	347	489
	<u>42,091</u>	<u>52,908</u>	<u>42,938</u>
10 Other payables			
Trade payables	5,295	1,163	926
Payroll related items payable, holiday allowance, etc.	12,545	12,908	15,731
VAT payable and payroll taxes	9,070	2,764	3,308
Other payables	2,081	14,029	2,272
	<u>28,991</u>	<u>30,864</u>	<u>22,237</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 2019, to which reference is made.

12 Contingencies, etc.

The Company's rental liabilities total DKK 993, thousand (31/12 2019: DKK 1,011 thousand) which fall due for payment within two years.

Other operating lease obligations amount to DKK 0 thousand (31/12 2019: DKK 0 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 Holding 2005 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 2020	FY 2019	FY 2018	FY 2017	FY 2016
Key figures					
Fee and commission income	33	68	74	77	90
Total staff costs and administrative expenses	-28	-78	-55	-58	-59
Profit before financial items	5	-10	17	19	31
Profit for the period	4	-8	14	14	24
Equity	39	35	58	59	45
Total assets	68	58	76	79	67
Ratios					
Capital base in relation to minimum capital requirements	***1.91	***2.15	***3.73	***4.47	***3.62
Equity ratio	57%	61%	76%	75%	67%
Return on average equity before tax	26%	-21%	30%	36%	65%
Return on average equity after tax	21%	-17%	23%	28%	51%
Number of managed alternative investment funds	*3	3	3	3	3
Assets under management	**3.805	**4,148	**2,477	**2,825	**3,233
Average number of employees	26	23	22	23	23

* *Polaris Private Equity V is not yet active and therefore not included in number of managed alternative investment funds as at 30 June 2020.*

** *Of which DKK 3.577 million (31/12 2019: DKK 3,837 million) relates to funds, 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.

