

Polaris Management A/S

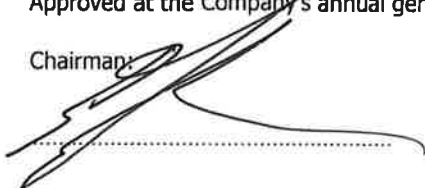
Malmøgade 3,1.
2100 København Ø

Registration no. 28 50 17 65
FT no. 23009

Annual report 2016

Approved at the Company's annual general meeting on **28 April 2017**

Chairman:

A handwritten signature in black ink, consisting of several fluid, overlapping strokes, positioned over a horizontal dotted line.

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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 annual report of Polaris Management A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Alternative Investment Fund Managers, etc., Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of its operations for the financial year 1 January – 31 December 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.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 30 January 2017

Executive Board:



Jan Johan Kühl

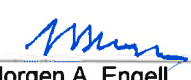
Board of Directors:



Erik G. Hansen
Chairman



Bertil Villard



Jorgen A. Engell



Anne Holm Rannaleet

Independent auditor's report

To the shareholder of Polaris Management A/S

Opinion

We have audited the financial statements of Polaris Management A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Alternative Investment Fund Managers, etc., Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Alternative Investment Fund Managers, etc., Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Alternative Investment Fund Managers, etc., Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.


Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Alternative Investment Fund Managers, etc., Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Alternative Investment Fund Managers, etc., Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 30 January 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30.70 02 28



Torben Bender
State Authorised
Public Accountant



Jens Thordahl Nøhr
State Authorised
Public Accountant

Management's review

Company details

Name	Polaris Management A/S
Address, zip code, city	Malmøgade 3 DK-2100 Copenhagen Ø
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 G. Hansen, Chairman Bertil Villard Jorgen A. Engell Anne Holm Rannaleet
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, transitioned into its realisation period at the end of 2014
- ▶ Polaris Private Equity IV*, final closing 30 June 2016 reaching a capital commitment of DKK 3.3 billion, investment period started during 2015.

** 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 have a potential for profitable growth. Through capital and active ownership, Polaris contributes to this profitable growth. Polaris aims to achieve controlling shareholdings, alone or together with other investors, including the Management and Board of the company and the company's former owners.

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

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

Performance in the financial year

In 2016, Polaris Management A/S has as fund manager for Polaris Private Equity participated in the successful execution of both divestments and new investments and contributed further to the continued development of the portfolio companies in Polaris Private Equity II, III and IV.

During 2016, Polaris Management A/S has successfully been able to raise additional capital commitments for Polaris Private Equity IV, reaching a capital commitment of approximately DKK 3.3 billion from both Danish and international investors at the final closing 30 June 2016.

Development in financial matters

In 2016, Polaris Management A/S realised a profit of DKK 24,163 thousand (2015: profit of DKK 32,054 thousand), which is in line with Management's expectations.

At 31 December 2016, the equity amounted to DKK 44,903 thousand (31 December 2015: DKK 50,740 thousand) of total assets of DKK 67,028 thousand (31 December 2015: DKK 75,986 thousand), and the Company's equity ratio was 67% (2015: 67%). Proposed dividend for the year amounts to DKK 0 thousand (2015: DKK 30,000 thousand).

Outlook

The Company expects to realise an operating result for 2017 somewhat lower than in 2016 due to reduced management fee income from investment funds being realised.

Management's review

Operating review (continued)

Particular risks

Polaris Management A/S' management fee income from investment funds under management is calculated as a percentage of committed capital in the individual investment funds during the investment period and as a percentage of unrealised investments and any retained capital commitments during the realisation period. The income of the Company is accordingly dependent on the number, size and classification of investment funds under management as well as the Company's ability to attract investors to raise new investment funds from time to time as the current investment funds are being invested and realised.

Following the final closing of Polaris Private Equity IV at 30 June 2016, it is Management's assessment that the income of the Company has been secured for the coming years.

Financial risks, etc., are further described in note 13 to the financial statements.

Management discusses and monitors the financial position of the Company and relevant risks as a whole on an ongoing basis, latest at the Board of Directors' meeting held on 15 December 2016.

Management remuneration

Polaris Management A/S' remuneration policy aims at attracting, retaining, developing and rewarding employees who contribute to the profitable growth of the Company. The policy ensures that remuneration is credible, effective and fair, that the ratio of fixed and variable pay is adequate, proportional and balanced and that the overall remuneration is aligned with sound and efficient risk management principles and does not encourage excessive risk-taking.

Remuneration of Management during 2016 as well as details on the remuneration policy are disclosed in note 4 to the financial statements.

Gender equality policy

In order to increase the share of the underrepresented gender at all levels of management, Polaris Private Equity has set out a general gender equality policy for the portfolio companies.

The goal of this equality policy is to increase the share of the underrepresented gender in management positions in portfolio companies owned by Polaris Private Equity. In general, for the portfolio companies, women are the underrepresented gender. The equality policy aims to ensure targeted efforts to develop and recruit more female leaders for positions on the board of directors of the portfolio companies. The policy comprises executive board members, team managers and department managers. The policy aims to strengthen the supply chain of potential female board members by promoting equality of opportunity between men and women in order to focus on and improve their qualifications and managerial experience.

Polaris has signed the recommendations of the Danish Ministry of Gender Equality for more women on corporate boards ("Operation Kædereaktion"), which means that the signatories are committed to work actively to increase the share of female leaders and female candidates for board positions.

Management's review

Operating review (continued)

Intellectual capital

Polaris Management A/S employed 24 people at 31 December 2016 (2015: 23 people).

The Company is dependent on its ability to continually attract and retain key investment professionals to service investment funds under management and to comply with existing agreements as well as to attract investors to raise new investment funds from time to time.

As described above, it is the Company's policy to maintain a competitive remuneration policy, and to develop and reward the employees who contribute to the profitable growth of Polaris Management A/S, while maintaining and promoting sound and effective risk management and avoid excessive risk-taking.

Events after the balance sheet date

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

Other management assignments of the Board of Directors and Executive Board

Other management assignments of the Board of Directors and Executive Board are listed in the back of the Annual report, pages 21-22.

Financial statements for the period 1 January – 31 December

Income statement and statement of comprehensive income

Income statement

Note	DKK'000	2016	2015
2	Fee and commission income	89,808	95,713
3	Other external administrative expenses	-12,008	-13,761
4	Staff costs	-47,139	-41,431
	Total staff costs and administrative expenses	-59,147	-55,192
5	Depreciation of property, plant and equipment and amortisation of intangible assets	-120	-98
	Profit before financial items	30,541	40,423
6	Share of profit in subsidiaries net of tax	78	96
7	Financial income	612	1,391
8	Financial expenses	-256	-248
	Profit before tax	30,975	41,662
9	Tax on profit for the year	-6,812	-9,608
	Profit for the year	24,163	32,054
	Proposed profit appropriation		
	Proposed dividends	0	30,000
	Reserve for net revaluation according to the equity method	78	85
	Retained earnings	24,085	1,969
		24,163	32,054

Statement of comprehensive income

Profit for the year	24,163	32,054
Other comprehensive income	0	0
Total comprehensive income for the year	24,163	32,054

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	31/12 2016	31/12 2015
ASSETS			
5	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	282	201
		<u>282</u>	<u>201</u>
Receivables			
10	Receivables from investment funds under management and related entities	3,014	7,934
9	Deferred tax asset	239	278
	Other receivables	1,394	1,362
	Prepayments	2,982	3,068
		<u>7,629</u>	<u>12,642</u>
Investments			
	Investments in portfolio companies under management	158	0
6	Equity investments in subsidiaries	1,074	996
		<u>1,232</u>	<u>996</u>
11	Cash at hand and in bank	57,885	62,147
	TOTAL ASSETS	<u>67,028</u>	<u>75,986</u>
EQUITY AND LIABILITIES			
Equity			
	Share capital	500	500
	Net revaluation reserve according to the equity method	949	871
	Retained earnings	43,454	19,369
	Proposed dividends	0	30,000
	Total equity	<u>44,903</u>	<u>50,740</u>
Liabilities			
Current liabilities			
	Current tax liabilities (joint taxation contribution payable)	668	114
12	Other payables	19,211	25,132
	Deferred income	2,246	0
	Total liabilities	<u>22,125</u>	<u>25,246</u>
	TOTAL EQUITY AND LIABILITIES	<u>67,028</u>	<u>75,986</u>

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

Financial statements for the period 1 January – 31 December

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	78	24,085	0	24,163
Other comprehensive income	0	0	0	0	0
Equity 31 December 2016	500	949	43,454	0	44,903

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 – 31 December

Notes to the financial statements

1 Accounting policies

The annual 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, 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.

The accounting policies applied in the preparation of the annual report are consistent with those of last year.

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 København Ø (registration no. 28 48 15 35), prepares consolidated financial statements in which Polaris Management A/S and its subsidiaries are included.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Income statement

Fee and commission income

Fee and commission income received includes management fee income, which is accrued over the earnings period and fees for advisory and transaction services, etc., provided. Prepaid management fee is recognised as deferred income.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised exchange gains and losses on payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

The Company is jointly taxed with the parent company, PM II Holding ApS, and other Danish group companies. Tax for the year comprises current tax for the year (joint taxation contributions) and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement.

Surcharges, premiums and refunds in relation to the tax payment are included in financial income and expenses.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Fixtures and fittings, other plant and equipment as well as leasehold improvements are measured at cost less accumulated depreciation.

The basis of depreciation is cost less any estimated residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	5 years, however, the life may not exceed the term of the lease

Write-down of property, plant and equipment is made to the recoverable amount if this is lower than the carrying amount.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as part of depreciation.

Receivables

Receivables are measured at nominal value less write-down for bad debt losses. Deposits are recognised at the nominal value of the amount deposited.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity investments in subsidiaries

Investments in subsidiaries are measured using the equity method at the proportionate share of the subsidiaries' net asset values calculated in accordance with the Company's accounting policies.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Polaris Management A/S are not included in the reserve for net revaluation.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Payable and receivable joint taxation contributions are recognised in the balance sheet under balances with group companies.

Deferred tax is recognised using the current tax rate on all temporary differences between the carrying amount and the tax value of assets and liabilities. Deferred tax assets are recognised if they can in all probability be utilised.

DKK'000	2016	2015
2 Fee and commission income		
Fee and commission income received (management fee) by investment funds under management:		
Polaris Private Equity II K/S	4,937	12,675
Polaris Private Equity III K/S	24,071	28,582
Polaris Private Equity IV K/S	60,800	54,456
	<u>89,808</u>	<u>95,713</u>

3 Other external administrative expenses

Fees to depositary entities to the extend paid by the Company

Other external expenses include fees to depositary entities related to investment funds under management in the amount of

255	253
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Fees paid to independent auditor appointed at the annual general meeting

Fee regarding statutory audit	96	94
Other assurance services	0	0
Tax/VAT advisory services	99	9
Other non-audit services	123	218
Total fees	<u>318</u>	<u>321</u>

4 Staff costs

Wages and salaries	36,985	32,914
Pensions	3,308	3,100
Other social security costs	193	164
Other staff costs	6,653	5,253
	<u>47,139</u>	<u>41,431</u>

Average number of full-time employees

23	21
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Hereof:

Female employees	4	4
Male employees	19	17

Financial statements for the period 1 January – 31 December

Notes to the financial statements

4 Staff costs (continued)

In 2016, Anne Holm Rannaleet joined the Board of Directors. The Board of Directors consists of 3 male members and 1 female member.

DKK'000	2016	2015
Management remuneration included in staff costs, total	7,705	6,822
<i>Executive Board (Jan Johan Kühl):</i>		
Fixed salary		
(including pensions of DKK 508 thousand (2015: DKK 499 thousand))	4,332	4,298
Variable salary	2,227	1,337
Total salary expensed	6,559	5,635
<i>Board of Directors (6 members listed below):</i>		
Fixed salary	1,146	1,187
Variable salary	0	0
Total salary expensed	1,146	1,187
<i>By individual Board of Director member:</i>		
Erik G. Hansen, Chairman	625	625
Jorgen A. Engell	250	250
Bertil Villard	250	188
Anne Holm Rannaleet	21	0
Carsten Lønfeldt	0	62
Freddy Frandsen	0	62

Remuneration expensed in 2016 to other significant risk takers than members of the Executive Board amounted to DKK 17,374 thousand (2015: DKK 15,569 thousand) in total for 6 (2015: 6) significant risk takers. The remuneration includes fixed salary expensed of DKK 12,664 thousand (2015: DKK 12,419 thousand) and variable salary expensed of DKK 4,710 thousand (2015: DKK 3,150 thousand).

Remuneration policy

Polaris Management A/S' remuneration policy aims at attracting, retaining, developing and rewarding employees who contribute to the profitable growth of the Company. The policy ensures that remuneration is credible, effective and fair, that the ratio of fixed and variable salary is adequate, proportional and balanced and that the overall remuneration is aligned with sound and efficient risk management principles and does not encourage excessive risk-taking. The policy has not been changed during the year.

Members of the Board of Directors are compensated individually and on a fixed salary basis only.

All other employees are compensated individually and primarily on a fixed salary basis, but may in addition hereto receive a component of cash based variable salary based on the remuneration policy. A bonus model applies for the investment team, which is designed to create coherence between the investor's long-term perspective and the performance of the individual employees. Employees in controlling functions do not participate in this model, but may receive variable salary based on individual performance, which is not linked in any way to the outcome of the actual controlling or business performance, but instead based on the achievement of the objectives of the risk management function.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Property, plant and equipment

DKK'000	Leasehold improve- ments	Fixtures and fittings, other plant and equip- ment	Total
Cost at 1 January 2016	2,600	2,644	5,244
Additions	0	204	204
Disposals	0	-117	-117
Cost at 31 December 2016	2,600	2,731	5,331
Depreciation and impairment losses at 1 January 2016	2,580	2,463	5,043
Depreciation	4	119	123
Depreciation, assets disposed of	0	-117	-117
Depreciation and impairment losses at 31 December 2016	2,584	2,465	5,049
Carrying amount at 31 December 2016	16	266	282

Profit for the year on disposal of property, plant and equipment amounts to DKK 3 thousand (2015: DKK 0 thousand).

DKK'000	2016	2015
6 Investments		
Cost at 1 January	125	161
Additions	0	0
Disposals	0	-36
Cost at 31 December	125	125
Value adjustment at 1 January	871	786
Profit/loss for the year	78	96
Disposals for the year	0	-11
Value adjustment at 31 December	949	871
Carrying amount at 31 December	1,074	996

Key figures of subsidiaries:

Name and registered office	Ownership interest	Equity DKK'000	Profit for the year DKK'000
Polaris Invest II ApS, Copenhagen (one of the general partners of Polaris Private Equity II K/S)	100%	1,074	78

Financial statements for the period 1 January – 31 December

Notes to the financial statements

7 Financial income

DKK'000

	2016	2015
Other interest income, investment funds under management and related entities	563	590
Other financial income	28	778
Foreign exchange gains	21	23
	<u>612</u>	<u>1,391</u>

8 Financial expenses

Interest expenses, banks	102	111
Other financial expenses	100	91
Foreign exchange losses	54	46
	<u>256</u>	<u>248</u>

9 Tax on profit for the year

Calculated tax on the taxable income for the year (joint taxation contribution payable)	6,776	9,558
Adjustment of deferred tax (including effect of reduced tax rate)	38	47
Adjustments regarding previous years	-2	3
	<u>6,812</u>	<u>9,608</u>

Tax on the profit for the year is specified as follows:

22% (23.5%) tax on the profit for the year before tax	6,814	9,790
The tax effect of:		
Other non-deductible costs	22	17
Other non-taxable income	-22	-202
Adjustment to tax relating to previous years	-2	3
	<u>6,812</u>	<u>9,608</u>
Effective tax rate	<u>22.0%</u>	<u>23.1%</u>

Deferred tax relates to:

Property, plant and equipment	<u>239</u>	<u>278</u>
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Financial statements for the period 1 January – 31 December

Notes to the financial statements

10 Receivables from investment funds under management and related entities

Receivables primarily consist of receivables from the Polaris Private Equity investment funds under management and their related entities including portfolio companies. All management fees have been paid during the year.

DKK'000	2016	2015
11 Cash at hand and in bank		
Cash at hand	5	11
Cash deposits with banks, DKK	57,763	61,993
Cash deposits with banks, SEK	117	143
	<u>57,885</u>	<u>62,147</u>
12 Other payables		
Trade payables	2,566	9,383
Payroll related items payable, holiday allowance, etc.	13,670	12,880
VAT payable and payroll taxes	2,571	2,479
Other payables	404	390
	<u>19,211</u>	<u>25,132</u>

13 Financial risks, etc.

The Board of Directors has provided guidelines in respect of the types of risk that the Company may be exposed to. These guidelines include identification, management, controlling and reporting of risks. The guidelines are supported by a number of routines and business procedures. Moreover Management has formulated policies relating to market risks, liquidity, credit risks, insurance risks, and operational risks. Together with the policies, the guidelines and procedures constitute the Company's overall risk policy. The risk policy ensures that the Company's capital and capital ratio requirements always comply with statutory requirements and identified risks.

Management discusses and monitors the financial position of the Company and relevant risks as a whole on an ongoing basis, latest at the Board of Directors' meeting held on 15 December 2016.

The Company's liquidity must always be sufficient. Liquidity risk is generally considered insignificant due to excess liquidity and prepayment of management fee from investment funds under management.

Interest rate risk is considered minimal due to the current low interest rate environment and the Company's policy to place excess liquidity on short-term cash deposits with banks or short-term bonds.

The Company is not exposed to significant currency risks, as all management fee agreements are denominated in DKK and the cost base is also primarily settled in DKK.

Credit risk on cash deposits with banks are mitigated by only allowing deposits with SIFI Institutions. Credit risk related to receivables from investment funds under management and related entities is monitored on an ongoing basis and considered limited.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Financial risks, etc. (continued)

Operational risks

Polaris Management A/S' management fee income from investment funds under management is calculated as a percentage of committed capital in the individual investment funds during the investment period and as a percentage of unrealised investments and any retained capital commitments during the realisation period. The income of the Company is accordingly dependent on the number, size and classification of investment funds under management as well as the Company's ability to attract investors to raise new investment funds from time to time as the current investment funds are being invested and realised.

Following the final closing of Polaris Private Equity IV at 30 June 2016, it is Management's assessment that the income of the Company has been secured for the coming years.

14 Contingencies, etc.

The Company's rental liabilities total DKK 719 thousand (2015: DKK 719 thousand) which fall due for payment within one year.

Other operating lease obligations amount to DKK 513 thousand (2015: DKK 63 thousand) which fall due for payment within three years.

The Company is jointly taxed with the Danish subsidiaries 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.

15 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.

The consolidated financial statements of PM II Holding ApS are available at the Company's address.

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.

Transactions with related parties

Remuneration of Management during the year is disclosed in note 4.

Transactions with subsidiaries are disclosed in note 6.

Joint taxation contribution payable to the parent company is disclosed in note 9.

The Company has paid dividend of DKK 30 million to the parent company during 2016.

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 10 and other interest income in note 7.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

16 Financial highlights (5-year overview)

Ratios and key figures

DKKm	2016	2015	2014	2013	2012
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Key figures

Fee and commission income	90	96	54	54	60
Total staff costs and administrative expenses	-59	-55	-50	-46	-45
Profit before financial items	31	40	4	8	15
Profit for the year	24	32	3	7	11

Equity	45	51	39	36	35
Total assets	67	76	66	50	49

Ratios

Capital base in relation to minimum capital requirements	****3.62	1.36	1.41	*	*
Equity ratio	67%	67%	59%	71%	71%
Return on average equity before tax	65%	93%	11%	25%	41%
Return on average equity after tax	51%	72%	8%	19%	31%
Number of managed alternative investment funds	3	3	**3	*	*
Assets under management	***2,980	***2,352	***2,524	*	*

Average number of employees	23	21	20	22	21
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* Not disclosed as the Company only became subject to the Danish Alternative Investment Fund Managers, etc., Act during 2014.

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

*** Of which DKK 2,520 million (2015: DKK 1,865 million) relates to funds, which are 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.

Other management assignments of the Board of Directors and Executive Board

Board of Directors

Erik G. Hansen, Chairman

Member of the Board of Directors:

Chairman

- ▶ TTIT A/S (and 2 subsidiaries)
- ▶ Sirius Holding ApS

Deputy Chairman

- ▶ Bagger Sørensen & Co A/S (and 6 subsidiaries)
- ▶ Okono A/S

Board member

- ▶ Bagger-Sørensen Fonden
- ▶ Bavarian Nordic A/S
- ▶ Ecco Sko A/S
- ▶ Farumgade 2 B Holding ApS
- ▶ Lesanco ApS
- ▶ Wide Invest ApS
- ▶

Member of the Executive Board:

- ▶ Hansens Advisers ApS
- ▶ Tresor Assets Advisers ApS
- ▶ Berco ApS
- ▶ Polaris Invest II ApS
- ▶ Polaris II Invest Fond
- ▶ Rigas Invest ApS (and 2 subsidiaries)

Jorgen A. Engell

Member of the Executive Board:

- ▶ Polaris Invest II ApS
- ▶ Polaris II Invest Fond

Bertil Villard

Member of the Board of Directors:

Chairman

- ▶ Strax AB
- ▶ Landsort Care 2 AB
- ▶ Landsort Care 3 AB
- ▶ Landsort Care 4 AB

Deputy board member

- ▶ Advokat Johan Winnerblad AB
- ▶ Advokat CJMGB AB
- ▶ Tengroth & Co AB
- ▶ PPRD Nordic AB

Board member

- ▶ Prior & Nielsson Fond – og Kapitalforvaltning Aktiebolag
- ▶ Bertil Villard Holding AB
- ▶ Cleanergy AB
- ▶ Samsari Aktiebolag (and 1 subsidiary)
- ▶ ECODC AB

Member of the Executive Board:

- ▶ Polaris Invest II ApS
- ▶ Polaris II Invest Fond

Other management assignments of the Board of Directors and Executive Board

Board of Directors (continued)

Anne Holm Rannaleet

Member of the Board of Directors:

Chairman

- ▶ Kalexa Förvaltning AB
- ▶ Kalexa Advisory AB

Board member

- ▶ Unicus A/S, Norway
- ▶ Unicus Sverige AB
- ▶ Insamlingsföreningen Kinondo Support
- ▶ IK Aid and Relief Enterprise Ltd. UK

Executive Board

Jan Johan Kühl

Member of the Board of Directors:

Chairman

- ▶ DDM Holding 1 A/S
- ▶ DDM Holding 2 A/S
- ▶ P-AW 2011 A/S
- ▶ P-BS 2008 A/S
- ▶ Samba Feeder A/S

Board member

- ▶ Det Danske Madhus A/S
- ▶ Inter Primo A/S
- ▶ Part Unique ApS
- ▶ P-LP 2014 A/S
- ▶ P-BE 2011 AB, Sweden
- ▶ P-Alignment 2012 AB, Sweden
- ▶ P-WT 2007 A/S
- ▶ PTW Holding A/S
- ▶ PWT Group A/S
- ▶ Basa Holding A/S

Board member

- ▶ Selskabet af 12. marts 2013 A/S
- ▶ Holding af 29. juni 2015 A/S
- ▶ Holding af 5. september 2016
- ▶ Triax Holding A/S
- ▶ Triax A/S
- ▶ Avanti Group A/S
- ▶ Avanti WSH A/S
- ▶ Mols-Linien Drift A/S
- ▶ Mols-Linien A/S

Member of the Executive Board;

- ▶ Holding af 29. juni 2015 A/S
- ▶ Holding af 5. September 2016 A/S
- ▶ P-WT 2007 A/S
- ▶ Business Synergy Group ApS