

Danske Private Equity Partners III (USD-A) K/S

CVR-no. 29 17 25 36

c/o Gorrissen Federspiel
H.C. Andersens Boulevard 12
1553 Copenhagen V

The Annual Report has been presented
and approved at the Limited Partner-
ship's Annual General Meeting:

24/2 2017

Chairman

Annual Report

October 1, 2015 - September 30, 2016

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Management's statement on the annual report

The management has today discussed and approved the annual report for Danske Private Equity Partners III (USD-A) K/S for the financial year October 1, 2015 - September 30, 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Limited Partnership's assets, liabilities and financial position as of September 30, 2016, as well as of the result of the Limited Partnership's activities for the financial year October 1, 2015 - September 30, 2016.

Furthermore, in our opinion, the Management's review gives a fair review of the development in the Limited Partnership's operations and financial matters and the results of the Limited Partnership's operations and financial position as a whole.

The annual report is recommended to be approved at the Annual General Meeting.

Copenhagen, December 16, 2016

Management:



General Partner
DPE Partners III ApS
Erik Fosgrau
Chief Executive Officer

Independent auditors' report

To the Limited Partners of Danske Private Equity Partners III (USD-A) K/S

Independent auditors' report on the financial statements

We have audited the financial statements of Danske Private Equity Partners III (USD-A) K/S for the financial year October 1, 2015 – September 30, 2016, which comprise of accounting policies, income statement, balance sheet, statement of changes in Limited Partners' Capital Account Statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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 Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the internal financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Limited Partnership's preparation of financial statements that give a true and fair view 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 Limited Partnership's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit did not result in any qualification.


Opinion

In our opinion, the financial statements give a true and fair view of the Limited Partnership's financial position at September 30, 2016 and of the results of its operations for the financial year October 1, 2015 – September 30, 2016 in accordance with Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the financial statements.

Copenhagen, December 16, 2016
Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28


Lars Rhod Sandergaard
State Authorised
Public Accountant


Ole Karstensen
State Authorised
Public Accountant

Management's review

Fund summary

Company: Danske Private Equity Partners III (USD-A) K/S
c/o Gorrissen Federspiel
H.C. Andersens Boulevard 12
1553 Copenhagen V

CVR-no.: 29 17 25 36
Established: September 22, 2005
Registered office: Copenhagen
Financial year: October 1 - September 30

Management: General Partner
DPE Partners III ApS with Chief Executive Officer Erik Fosgrau

Auditor: Ernst & Young
Godkendt Revisionspartnerselskab
Osvold Helmuhs Vej 4
Postboks 250
2000 Frederiksberg

Manager (FAIF): Danske Private Equity A/S (FT-no.:23026)
Website: www.danskeprivateequity.com

Main and key figures

USD 1,000	2015/16	2014/15	2013/14	2012/13	2011/12
Gains/losses on investments in portfolio funds	20,709	-905	40,594	32,392	22,179
Operating profit	19,729	-1,092	38,637	30,731	20,790
Net financial income and expenses	5	2	3	-97	-68
Profit/loss	19,734	-1,090	38,640	30,634	20,722
Total assets	109,660	134,854	190,202	206,972	244,650
Total Limited Partners' capital	108,114	133,744	188,567	206,495	244,634
Investments in portfolio funds	105,026	131,336	186,349	196,990	227,703
Performance ratio *	1.65	1.58	1.59	1.45	1.32

* Accumulated distributions and capital account end period (reduced by unpaid capital)/accumulated paid-up capital.

Management's review

Main activity

Danske Private Equity Partners III (USD-A) K/S ("Danske PEP III (USD-A)") is a fund-of-funds with a geographical focus on investments in North America. Investments are mainly made in small and mid market buy-out funds.

Development in the financial year

The financial year resulted in a profit of USD 19.7 million, corresponding to an annual IRR of 17.0%. Gains on investments in portfolio funds amounted to USD 20.7 million. Administrative costs in the form of management fee to Danske Private Equity A/S amounted to USD 0.5 million and provision for performance fee to Danske Private Equity A/S amounted to USD 0.4 million.

The result is better than our expectations.

In the financial year an aggregate amount of USD 2.7 million was paid-up by the Limited Partners, bringing the accumulated paid-up capital to USD 251.9 million, corresponding to 93.3% of the Limited Partners' committed capital. An aggregate amount of USD 0.8 million was contributed to the portfolio funds during the financial year bringing total contributions to the portfolio funds to USD 257.6 million corresponding to 96.4% of the commitments in the portfolio funds.

An aggregate amount of USD 47.8 million was distributed from portfolio funds during the financial year, bringing total distributions from portfolio funds as of September 30, 2016 to USD 332.7 million, corresponding to 129.2% of the capital contributed to portfolio funds. In the financial year an aggregate amount of USD 48.1 million was distributed to the Limited Partners, bringing total distributions as of September 30, 2016 to USD 308.4 million, corresponding to 122.4% of the Limited Partners' paid-up capital.

Special risks

Financial risks

The objective of Danske PEP III (USD-A)'s is to supply risk capital to the portfolio funds, and also to their investments in competitive companies in the North American Small and Mid Market. The highest factor of risk is therefore the changes in the value of the companies in which Danske PEP III (USD-A)'s portfolio funds invest in, which to a significant extent depend on the valuations of comparable listed companies on the quoted market. The valuation of investments in portfolio funds is an accounting estimate and could be connected with some uncertainty.

Interest rate risks

Danske PEP III (USD-A) is less sensitive to the changes in interest rate levels.

Foreign exchange currency risks

Danske PEP III (USD-A)'s investments in portfolio funds have been made in USD. As the capital in PEP III (USD-A) is in USD the currency risk is considered as insignificant.

Investment activity

In the period from inception to September 30, 2016 Danske PEP III (USD-A) has invested in nine portfolio funds.

The portfolio funds have in general performed well.

Management's review

Cash resources

Danske PEP III (USD-A)'s cash resources as of September 30, 2016, include cash and cash equivalents, undrawn credit facilities and outstanding commitments from the Limited Partners, and are estimated as satisfactory to cover Danske PEP III (USD-A)'s liabilities including investment obligations, management fees etc.

Expectations for 2016/17

During the financial year, the developments of the valuations of the portfolio funds' investments have developed positively. American companies are generally enjoying a continued strong economy and the private equity market is characterized by relatively high exit activity. This development is expected to carry on in 2017, particularly with the economy benefiting from the anticipated increase in financial stimulus.

The development in valuations of the portfolio funds' investments will still be influenced mainly by the development of the individual portfolio companies' results and their ability to generate cash as well as the valuations of comparable listed companies.

The above-mentioned development along with the general economic development will affect the result for 2016/17.

Despite the positive outlook the result is expected to be lower than the current year.

Post balance sheet events

No events have occurred, after the balance sheet date and to the signing of the annual report which is considered of significance to the annual report.

Financial statements October 1 – September 30

Accounting policies

The annual report of Danske Private Equity Partners III (USD-A) K/S has been prepared in accordance with the Danish Financial Statements Act for a reporting class B entity.

The presentation of the income statement, the balance sheet and the description of entries has been adjusted according to the Limited Partnership's activities as an investment company in private equity.

The accounting policies applied are consistent with those of last year.

The annual report is in USD. (USD/DKK: 30/9 2016: 667.62 and 30/9 2015: 665.88)

In general

Income is recognised in the profit and loss account as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Limited Partnership and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income statement

Gains/losses on investments in portfolio funds

Gain/losses on investments in portfolio funds includes income from investments (dividend and interest), realised and unrealised revaluations or depreciations of investments in portfolio funds.

Management fee

The management fee includes management fee and performance fee for the period to the Manager, Danske Private Equity A/S.

Other administrative expenses

Other administrative expenses include costs paid by the Limited Partnership.

Financial income and expenses

Financial income and expenses include interest income and expenses.

Tax

The Limited Partnership is not independently liable to pay tax, consequently no tax is charged to the profit and loss account.

Financial statements October 1 – September 30

Accounting policies

Balance sheet

Investment assets

Investments in portfolio funds are measured in accordance with the IPEV Valuation Guidelines or similar guidelines depending on the country of origin of the portfolio funds according to which investments are measured at the fair value in the balance sheet in accordance with the Danish Financial Statement Act § 38. Revaluations are included in the profit and loss account.

In the portfolio funds, the fair value of the funds' portfolio companies are recognised and measured as follows:

Listed portfolio companies

The portfolio companies are measured to the current market value on the balance sheet day. If securities in the portfolio companies are subject to a lock-up provision, the provision is considered when measuring the fair value of the portfolio company. If shares are not actively traded the portfolio companies are measured as investments in unlisted portfolio companies.

Unlisted portfolio companies

Investments in portfolio companies are measured at fair value on price of recent investment either by way of an increase of capital or a part sale and by the use of valuation methodologies based on the earnings multiples, net assets, discounted cash flows or industry valuation benchmarks.

Other debtors

Other debtors are measured at amortised cost after deduction of write-downs for anticipated losses.

Prepayments and accrued income

Prepayments and accrued income included in assets primarily comprise prepaid management fee to Manager, Danske Private Equity A/S.

Other liabilities

Other payables include a performance fee to Manager, Danske Private Equity A/S and administration costs due. Liabilities are measured at net realised value.

Foreign currency translation

Transactions in foreign currency are translated into USD according to the currency rate ruling on the transaction day.

Investments in portfolio funds, accounts receivable and accounts payable in foreign currency are translated into USD according to currency rate rulings on the balance sheet day. Realised and unrealised exchange rate profit margins and losses are booked in the profit and loss account under financial items.

Financial statements October 1 – September 30

Income statement

Note	USD 1.000	<u>1/10 2015- 30/9 2016</u>	<u>1/10 2014- 30/9 2015</u>
1	Gain/losses on investments in portfolio funds	20,709	-905
2	Management fees etc.	-936	-151
3	Other administrative expenses	<u>-44</u>	<u>-36</u>
	Operating profit	19,729	-1,092
4	Financial income	<u>5</u>	<u>2</u>
	PROFIT/LOSS	<u>19,734</u>	<u>-1,090</u>
	 PROPOSED DISTRIBUTION OF THE PROFIT/LOSS		
	Transferred to retained earnings	<u>19,734</u>	<u>-1,090</u>
	TOTAL RETAINED EARNINGS	<u>19,734</u>	<u>-1,090</u>

Financial statements October 1 – September 30

Balance sheet

Note	USD 1,000	<u>30/9 2016</u>	<u>30/9 2015</u>
	ASSETS		
	FIXED ASSETS		
	Investment assets		
1	Investments in portfolio funds	105,026	131,336
	Total Fixed Assets	<u>105,026</u>	<u>131,336</u>
	CURRENT ASSETS		
	Cash and Cash equivalent	4,634	3,518
	Total current assets	<u>4,634</u>	<u>3,518</u>
	TOTAL ASSETS	<u>109,660</u>	<u>134,854</u>
	LIMITED PARTNERS' CAPITAL AND LIABILITIES		
	LIMITED PARTNERS' CAPITAL		
5	Paid-up capital from Limited Partners	251,906	249,204
	Distributed to Limited Partners	-308,391	-260,325
	Retained earnings	164,599	144,865
	Total Limited Partners' capital	<u>108,114</u>	<u>133,744</u>
	LIABILITIES		
	SHORT-TERM LIABILITIES		
	Other payables	1,546	1,110
	Total short-term liabilities	<u>1,546</u>	<u>1,110</u>
	Total liabilities	<u>1,546</u>	<u>1,110</u>
	TOTAL LIMITED PARTNERS' CAPITAL AND LIABILITIES	<u>109,660</u>	<u>134,854</u>
6	Related parties		
7	Contingent liabilities, contingent assets and securities		

Financial statements October 1 – September 30

Statement of changes in Limited Partner's capital

USD 1.000	<u>Paid-up capital from Limited Partners</u>	<u>Distributed to Limited Partners</u>	<u>Retained earnings</u>	<u>Total</u>
Capital October 1, 2014	245,827	-203,215	145,955	188,567
Paid-up capital from Limited Partners	3,377	0	0	3,377
Distributed to Limited Partners	0	-57,110	0	-57,110
Retained earnings	<u>0</u>	<u>0</u>	<u>-1,090</u>	<u>-1,090</u>
Capital October 1, 2015	249,204	-260,325	144,865	133,744
Paid-up capital from Limited Partners	2,702	0	0	2,702
Distributed to Limited Partners	0	-48,066	0	-48,066
Retained earnings	<u>0</u>	<u>0</u>	<u>19,734</u>	<u>19,734</u>
Capital September 30, 2016	<u>251,906</u>	<u>-308,391</u>	<u>164,599</u>	<u>108,114</u>

Financial statements October 1 – September 30

Notes

Note	USD 1.000	<u>30/9 2016</u>	<u>30/9 2015</u>
1	Investments in portfolio funds		
	Cost October 1	134,361	152,214
	Additions in the year	1,128	3,647
	Disposals in the year	<u>-10,101</u>	<u>-21,500</u>
	Cost September 30	<u>125,388</u>	<u>134,361</u>
	Revaluations October 1	-3,025	34,135
	Revaluations on disposals in the year	-38,046	-36,255
	Revaluations in the year	<u>20,709</u>	<u>-905</u>
	Revaluations September 30	<u>-20,362</u>	<u>-3,025</u>
	Carrying amount September 30	<u>105,026</u>	<u>131,336</u>
	Specification of revaluations in the year		
	Realised gains/losses on investments in portfolio funds	27,285	35,662
	Unrealised gains/losses on investments in portfolio funds	<u>-6,576</u>	<u>-36,567</u>
	Gains/losses on investments in portfolio funds	<u>20,709</u>	<u>-905</u>
	Exchange rate gains/losses on investments in portfolio funds	<u>0</u>	<u>0</u>
	Total revaluations in the year	<u>20,709</u>	<u>-905</u>

Financial statements October 1 – September 30

Notes

Note	USD 1.000	<u>1/10 2015 - 30/9 2016</u>	<u>1/10 2014 - 30/9 2015</u>
2	Management fees etc.		
	Management fee	499	674
	Adjustment of provision for performance fee	<u>437</u>	<u>-523</u>
	Management fees etc. in total	<u>936</u>	<u>151</u>
3	Other administrative expenses (incl. VAT)		
	Fee to auditor elected on the Annual General Meeting		
	Statutory audit	11	10
	Tax consultancy	<u>16</u>	<u>6</u>
	Fee to auditor elected on the Annual General Meeting in total	<u>27</u>	<u>16</u>
	The fund has not had any employees in the financial year		
4	Financial income		
	Interest income	<u>5</u>	<u>2</u>
	Financial income in total	<u>5</u>	<u>2</u>

Financial statements October 1 – September 30

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Note USD 1.000

5 Limited Partners

	<u>Commitment</u>	<u>Paid-up</u>	<u>Outstanding Commitment</u>
Limited Partners	<u>270,140</u>	<u>251,906</u>	<u>18,234</u>

The Limited Partnership may make distributions to the Limited Partner, which are subject to a redraw option. As of September 2016 the recallable amounts to USD 9.0 million.

6 Related parties

Manager

Danske Private Equity A/S, Niels Juels Gade 7, 1059 Copenhagen K

Transactions: Annual management fee and possible performance fee

Limited Partnerships administrated by Danske Private Equity A/S

Danske Private Equity Partners III (USD-B) K/S, c/o Gorrissen Federspiel, H.C. Andersens Boulevard 12, 1553 Copenhagen V

Transactions: The partnerships have syndicated the investments in the portfolio funds.

General Partner

DPE Partners III ApS, c/o Gorrissen Federspiel, H.C. Andersens Boulevard 12, 1553 Copenhagen V

Transactions: Annual administration fee

Financial statements October 1 – September 30

Notes

Note USD 1.000

7 **Contingent liabilities, contingent assets and securities**

Investment commitments

	Commitment		Outstanding commitment	
	Currency	USD	Currency	USD
Commitment USD	<u>267,294</u>	<u>267,294</u>	<u>9,720</u>	<u>9,720</u>
Total commitment, USD		<u>267,294</u>		<u>9,720</u>

The portfolio funds have made distributions to the Limited Partnership, which they have the opportunity to call again at a later time. As of September 30, 2016 the recallables amounts to USD 30.9 million.

The Limited Partnership has no other contingent liabilities, contingent assets or collaterals as of December 30, 2016.