

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

CVR-no. 31 58 59 37

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

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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 IV (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 IV ApS  
Erik Fosgrau  
*Chief Executive Officer*

## Independent auditors' report

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

### Independent auditors' report on the financial statements

have audited the financial statements of Danske Private Equity Partners IV (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 internal 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 Søndergaard  
State Authorised  
Public Accountant



Ole Karstensen  
State Authorised  
Public Accountant

## Management's review

### Fund summary

<b>Company:</b>	Danske Private Equity Partners IV (USD-A) K/S c/o Gorrissen Federspiel H.C. Andersens Boulevard 12 1553 Copenhagen V, Denmark
	CVR-no.: 31 58 59 37 Established: June 16, 2008 Registered office: Copenhagen Financial year: October 1 - September 30
<b>Management:</b>	General Partner DPE Partners IV ApS with Chief Executive Officer Erik Fosgrau
<b>Auditor:</b>	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuhs Vej 4 Postboks 250 2000 Frederiksberg
<b>Manager (FAIF):</b>	Danske Private Equity A/S (FT-no.:23026) Website: <a href="http://www.danskeprivateequity.com">www.danskeprivateequity.com</a>

### Main and key figures

USD 1,000	2015/16	2014/15	2013/14	2012/13	2011/12
Gain/losses on investments in portfolio funds	26,279	11,989	33,482	43,727	12,111
Operating profit	23,143	10,186	28,987	38,142	10,975
Net financial income and expenses	1	-28	-45	-52	-93
Profit/loss	23,144	10,158	28,942	38,090	10,882
Total assets	187,116	204,047	174,376	185,143	102,876
Total Limited Partners' capital	173,726	193,213	161,411	174,118	98,092
Investments in portfolio funds	184,364	189,854	174,376	185,143	102,873
Performance ratio *	1.51	1.47	1.53	1.41	1.21

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

## Management's review

### Main activity

Danske Private Equity Partners IV (USD-A) K/S ("Danske PEP IV (USD-A)") is a fund-of funds with a geographical focus on investments in Northern 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 23.1 million, corresponding to an annual IRR of 14.1%. Gains on investments in portfolio funds amounted to USD 26.3 million. Administrative running costs amounted to USD 3.1 million. Primarily in the form of management fee amounted to USD 0.5 million and provision for performance fee amounted to USD 2.6 million to Danske Private Equity A/S.

The result is better than our expectations.

In the financial year an aggregate amount of USD 28.7 million was paid-up by the Limited Partners, bringing the accumulated paid-up capital to USD 237.8 million corresponding to 95.3% of the Limited Partners' committed capital. An aggregate amount of USD 27.0 million was contributed to the portfolio funds during the financial year bringing total contributions to the portfolio funds to USD 225.6 million corresponding to 90.4% of the commitments to the portfolio funds.

An aggregate amount of USD 58.8 million was distributed from the portfolio funds during the financial year, bringing total distributions from portfolio funds as of USD 183.6 million, corresponding to 81.4% of the contributed capital to portfolio funds. In the financial year an aggregate amount of USD 71.3 million was distributed to the Limited Partners bringing the accumulated distributions as of September 30, 2016 to USD 185.1 million, corresponding to 77.8% of the Limited Partners' paid-up capital.

### Special risks

#### Financial risks

The objective of Danske PEP IV (USD-A)'s is to supply risk capital to the portfolio funds, and also to their investments in competitive companies in Northern America in Small and Mid Market. The highest factor of risk is therefore the changes in the value of the companies in which Danske PEP IV (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 IV (USD-A) is less sensitive to the changes in interest rate levels.

#### Foreign exchange currency risks

Danske PEP IV (USD-A)'s investments in portfolio funds have been made in USD. As the capital in Danske PEP IV (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 IV (USD-A) has invested in Nine portfolio funds.

The portfolio funds have in general performed very well.

## Management's review

### Cash resources

Danske PEP IV (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 IV (USD-A)'s liabilities including investment obligations, management fees etc.

### Expectations for 2016/17

During the financial year, 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 IV (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

#### Gain/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, exchange gains and losses regarding investments in the portfolio funds.

#### 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 Investment Manager, Danske Private Equity A/S.

##### **Other liabilities**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at fair value.

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	1/10 2015 - 30/9 2016	1/10 2014 - 30/9 2015
1	Gain/losses investments in portfolio funds	26,279	11,989
2	Management fees etc.	-3,096	-1,772
3	Other administrative expenses	-40	-31
	<b>Operating profit</b>	<b>23,143</b>	<b>10,186</b>
4	Financial income	1	0
5	Financial expenses	0	-28
	<b>PROFIT/LOSS</b>	<b>23,144</b>	<b>10,158</b>
<b>PROPOSED DISTRIBUTION OF THE PROFIT/LOSS</b>			
	Transferred to retained earnings	23,144	10,158
	<b>TOTAL RETAINED EARNINGS</b>	<b>23,144</b>	<b>10,158</b>

## Financial statements October 1 – September 30

### Balance sheet

Note	USD 1,000	30/9 2016	30/9 2015
	<b>ASSETS</b>		
	<b>FIXED ASSETS</b>		
	<b>Investment assets</b>		
1	Investments in portfolio funds	184,364	189,854
	<b>Total Fixed Assets</b>	184,364	189,854
	<b>CURRENT ASSETS</b>		
	<b>Receivables</b>		
	Other receivables	511	495
	<b>Total Receivables</b>	511	495
	<b>Cash and Cash equivalent</b>	2,241	13,698
	<b>Total current assets</b>	2,752	14,193
	<b>TOTAL ASSETS</b>	187,116	204,047
	<b>LIMITED PARTNERS' CAPITAL AND LIABILITIES</b>		
	<b>LIMITED PARTNERS' CAPITAL</b>		
6	Paid-up capital from Limited Partners	237,766	209,060
	Distributed to Limited Partners	-185,087	-113,750
	Retained earnings	121,047	97,903
	<b>Total Limited Partners' capital</b>	173,726	193,213
	<b>LIABILITIES</b>		
	<b>SHORT-TERM LIABILITIES</b>		
	Other payables	13,390	10,834
	<b>Total short-term liabilities</b>	13,390	10,834
	<b>Total liabilities</b>	13,390	10,834
	<b>TOTAL LIMITED PARTNERS' CAPITAL AND LIABILITIES</b>	187,116	204,047
7	Related parties		
8	Contingent liabilities, contingent assets and securities		

## Financial statements October 1 – September 30

### Statement of changes in Limited Partners' capital

USD 1,000	Paid-up capital from Limited Partners	Distributed to Limited Partners	Retained earnings	Total
Capital October 1, 2014	166,624	-92,958	87,745	161,411
Paid-up capital from Limited Partners	42,436	0	0	42,436
Distributed to Limited Partners	0	-20,792	0	-20,792
Retained earnings	0	0	10,158	10,158
Capital October 1, 2015	209,060	-113,750	97,903	193,213
Paid-up capital from Limited Partners	28,706	0	0	28,706
Distributed to Limited Partners	0	-71,337	0	-71,337
Retained earnings	0	0	23,144	23,144
<b>Capital 30. september 2016</b>	<b>237,766</b>	<b>-185,087</b>	<b>121,047</b>	<b>173,726</b>

## Financial statements October 1 – September 30

### Notes

Note	USD 1,000	<u>30/9 2016</u>	<u>30/9 2015</u>
1	<b>Investments in portfolio funds</b>		
	Cost October 1	153,709	130,820
	Additions in the year	27,042	36,870
	Disposals in the year	-21,197	-13,981
	<b>Cost September 30</b>	<u><b>159,554</b></u>	<u><b>153,709</b></u>
	Revaluations October 1	36,145	43,556
	Revaluations on disposals in the year	-37,614	-19,400
	Revaluations in the year	26,279	11,989
	<b>Revaluations September 30</b>	<u><b>24,810</b></u>	<u><b>36,145</b></u>
	<b>Carrying amount September 30</b>	<u><b>184,364</b></u>	<u><b>189,854</b></u>
	<b>Specification of revaluations in the year</b>		
	Realised gains/losses on investments in portfolio funds	31,087	8,922
	Unrealised gains/losses on investments in portfolio funds	-4,808	3,067
	<b>Gains/losses on investments in portfolio funds</b>	<u><b>26,279</b></u>	<u><b>11,989</b></u>

## Financial statements October 1 – September 30

### Notes

Note	USD 1,000	1/10 2015 - 30/9 2016	1/10 2014 - 30/9 2015
2	<b>Management fees etc.</b>		
	Management fee	537	651
	Adjustment of provision for performance fee	2,559	1,121
	<b>Management fees etc. in total</b>	<b>3,096</b>	<b>1,772</b>
3	<b>Other administrative expenses (incl. VAT)</b>		
	Fee to auditor elected on the Annual General Meeting		
	Statutory audit	11	11
	Tax consultancy	7	6
	<b>Fee to auditor elected on the Annual General Meeting in total</b>	<b>18</b>	<b>17</b>
	<b>The fund has not had any employees in the financial year</b>		
4	<b>Financial income</b>		
	Financial interest credit institutions	1	0
	<b>Financial income in total</b>	<b>1</b>	<b>0</b>
5	<b>Financial expenses</b>		
	Financial expenses credit institutions	0	28
	<b>Financial expenses in total</b>	<b>0</b>	<b>28</b>

## Financial statements October 1 – September 30

### Notes

Note USD 1,000

#### 6 Limited Partners

	<u>Commitment</u>	<u>Paid-up</u>	<u>Outstanding Commitment</u>
Limited Partners	249,623	237,766	11,857

The Limited Partnership may make distributions to the Limited Partners, which are subject to a redraw option. As of September 30, 2016 the recallable amount is USD 0 million.

#### 7 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 IV (USD-B) K/S, c/o Gorrissen Federspiel, H.C. Andersens Boulevard 12, 1553 Copenhagen V

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

##### General Partner

DPE Partners IV 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

#### 8 **Contingent liabilities, contingent assets and securities** Investment commitments

	Commitment		Outstanding commitment	
	Currency	USD	Currency	USD
Commitment USD	249,616	249,616	23,284	23,284
<b>Total commitment, USD</b>		<b>249,616</b>		<b>23,284</b>

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 recallable amounts to USD 13.7 million.

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