

MAJ INVEST EQUITY  
SOUTHEAST ASIA II K/S

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Annual report 2017

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# STATEMENTS

## STATEMENT BY MANAGEMENT

The Executive board has today discussed and approved the annual report for Maj Invest Equity Southeast Asia II K/S for the financial year January 1 – December 31, 2017.

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


In my opinion, the financial statements give a true and fair view of the limited partnership's assets, liabilities and financial position at December 31, 2017 and of the results of the limited partnership's operations and cash flows for the financial year January 1 – December 31, 2017.

I believe that the Management commentary includes a fair review of the affairs and conditions referred to therein.

I recommend the annual report 2017 for adoption at the annual general meeting.

Copenhagen, March 19, 2018

General partner:  
MIE SEA II GP ApS  
Executive board:

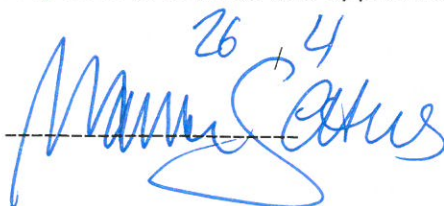
  
Cato Baldvinsson

The annual report is presented and approved at the annual general meeting.

on

26 + 4  
2018

Chairman:



# STATEMENTS

## Independent auditor's report

To the limited partners in Maj Invest Equity Southeast Asia II K/S

### Opinion

We have audited the financial statements of Maj Invest Equity Southeast Asia II K/S for the financial year January 1 – December 31, 2017, which comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Limited Partnership at December 31, 2017 and of the results of the Limited Partnership's operations for the financial year January 1 – December 31, 2017 in accordance with the Danish Financial Statements Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Limited Partnership in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities 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 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 Limited Partnership'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 Limited Partnership 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 as to whether the financial statements as

# STATEMENTS

## Independent auditor's report

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 scepticism 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 Limited Partnership's internal control.

- \*Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- \*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 Limited Partnership'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 inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Limited Partnership to cease to continue as a going concern.

- \*Evaluate the overall presentation, structure and contents of the financial statements, including the note 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

# STATEMENTS

## Independent auditor's report

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 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 Financial Statements Act.

Based on the work we have performed, 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 Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, March 19, 2018

### ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Ole Karstensen

State Authorised

Public Accountant

MNE no.: mne16615



Rasmus Berntsen

State Authorised

Public Account

MNE no.: mne35461

# MANAGEMENT COMMENTARY

## Fund information

The limited partnership	Maj Invest Equity Southeast Asia II K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Manager contact information	E-mail: <a href="mailto:kontakt@majinvest.com">kontakt@majinvest.com</a> Website: <a href="http://www.majinvest.com">www.majinvest.com</a>
CVR no.	36 53 33 66
Financial year	January 1 – December 31
Registered office	Copenhagen
General partner	MIE SEA II GP ApS
Executive board in MIE SEA II GP ApS	Cato Baldvinsson
Manager	Maj Invest Equity A/S
Depository	Private Equity Administrators Depositary Services ApS
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg Denmark

# MANAGEMENT COMMENTARY

## KEY FIGURES AND RATIOS

'000 USD	2017	2016	2015 (11 months)
<b>Key figures</b>			
<b>Profit/loss</b>			
Value adjustment of investments in portfolio companies	-	(4,254)	-
Operating profit/loss	(1,989)	(6,301)	(1,938)
Profit/loss for the year	(2,287)	(6,354)	(1,956)
<b>Balance sheet</b>			
Investments in portfolio companies	30,677	8,490	6,054
Total assets	31,650	9,600	7,009
Equity	31,639	9,577	6,995
<b>Financial resources</b>			
Cash	959	922	955
Remaining commitment	48,133	72,482	81,048
Total financial resources	49,092	73,404	82,003
<b>Cash flow</b>			
Cash flows from operating activities	(2,125)	(2,279)	(1,942)
Cash flows from investing activities	(22,187)	(6,690)	(6,054)
Cash flows from financing activities	24,349	8,936	8,952
Net change in cash	37	(33)	955
<b>Ratios</b>			
Equity ratio	100%	100%	100%
Paid-in capital to committed capital (%)	47%	20%	10%

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Maj Invest Equity Southeast Asia II K/S**

The private equity fund Maj Invest Equity Southeast Asia II K/S (Maj Invest Equity Southeast Asia II) was established on January 30, 2015 as a Danish limited partnership and is owned by a number of Danish investors. At final closing, in January 2016, Maj Invest Equity Southeast Asia II has a total commitment of USD 90.37 million. The purpose of the fund is to carry out investments in Vietnam and Indonesia.

### **Investment policy and value creation philosophy**

Maj Invest Equity Southeast Asia II invests in Vietnamese and Indonesian-related companies with significant value creation potential in which partnering up with the current ownership of target companies contributes to long-term value.

#### ***Investment policy***

Maj Invest Equity Southeast Asia II's investment policy focuses on investments in Vietnamese and Indonesian business entities in which long-term operational value can be created through injection of capital. The investment policy is based on three cornerstone principles:

- Strategic and operational improvements
- Sound business acumen
- Optimal ownership framework

The following must be met in order to ensure above principles

- Maj Invest Equity Southeast Asia II will always take the lead role in minority investments
- Close dialogue between owners, management team and board of directors
- The new shareholders must be capable of supporting the development of the company by bringing the right competencies and resources to the company
- Ownership and development of the company are based on a long-term build-up of competencies and business system
- Agreement on strategy and development plans
- Agreement on initiatives if development is not as expected

#### ***Value creation philosophy***

Maj Invest Equity Southeast Asia II's approach to create value in the portfolio companies may be summarised as follows:

- Focus on long-term industrial and operational value creation, based on sustained improvements and innovation
- Targeted organic as well as acquisitive growth

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

- Long-term approach to ownership which may imply a longer average holding period than usual in private equity
- Involving experienced and competent business executives in the exercise of ownership to ensure industrial and operational value creation in the portfolio companies

Maj Invest Equity Southeast Asia II prioritises a long-term value creation and emphasis that each individual investment is to be supported by well-crafted strategy and business plan for the business entity and that owners and management agree on such strategy and plan. Maj Invest Equity Southeast Asia II rarely create value primarily through leverage.

Maj Invest Equity Southeast Asia II is entitled to appoint one or more board members in the individual portfolio companies. The strategic and operational management of the particular portfolio company is handled through the board of directors and the executive management, and there is thus a clear delegation of responsibilities between the owners, the board of directors and the executive management.

Maj Invest Equity International closely monitors investments to ensure that their value creation potential is realised and that time for exit is appropriate. As part of the investment case, exit possibilities and exit strategy, such as stock exchange listing, sales to industrial buyer or another private equity fund, are always identified.

### CSR policy

Maj Invest Equity Southeast Asia II's CSR policy focuses on the fund's investments being sustainable and helping secure environmental and social responsible development in the portfolio companies. The scope of Maj Invest Equity Southeast Asia II's CSR policy is the Responsible Investment Policy framework for the environmental, social and governance (ESG) requirements. The Fund incorporates ESG criteria into the investment decision-making and ownership practices that directly influence portfolio companies to enhance performance in these areas. The Fund promotes the UN Global Compact principles, with the addition of good corporate governance and animal welfare.

### Maj Invest Equity Southeast Asia II organisation

At year-end 2017, the equity team in Vietnam and Indonesia, advising Maj Invest Equity Southeast Asia II, consisted of one partner, one senior investment manager, one investment manager, one investment associate and one analyst. In Denmark Fondmæglersekskabet Maj Invest A/S's (MI) are executive board and one director involved in investments as well as three back-office staff involved in finance, legal matters and administrative duties.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### Ownership

Maj Invest Equity Southeast Asia II is owned by a number of Danish professional and institutional investors: PFA, Chr. Augustinus Fabrikker Aktieselskab, PKA, IFU, DIP and Maj Invest Holding A/S, holding a stake of 98.96%. Maj Invest Management, the Investment Committee and staff involved in investments in Maj Invest Equity Southeast Asia II have invested as special limited partners in Maj Invest Equity Southeast Asia II. Any profits earned by such special limited partners are subject to tax under current Danish and local tax rules. The special limited partners do not pay management fees and partnership formation costs to the fund.

Investors	Commitment '000 USD	Interest in per cent
Danish Pension Institutions	65,000	71.93%
Other danish professional investors	20,000	22.13%
Maj Invest Holding A/S	4,430	4.90%
Investment Committee	290	0.32%
Management and staff in Maj Invest Equity International	650	0.72%
	<b>90,370</b>	<b>100.00%</b>

### Legal structure

Maj Invest Equity Southeast Asia II is a Danish limited partnership with a Danish private limited company as general partner. The investors have entered into a limited partnership agreement. The general partner is managed by an executive board consisting of an external director. The general partner is a subsidiary of the manager Maj Invest Equity A/S which is owned by Maj Invest Holding A/S (Maj Invest Holding).

## BUSINESS REVIEW

The diagram illustrates the ownership and management structure of Maj Invest Southeast Asia II K/S. At the top, **Investors** (Limited partners and Special limited partners) provide **Committed capital** to **Maj Invest Equity Southeast Asia II K/S**. This entity is managed by **MIE SEA II GP ApS (general partner)**, which is 100% owned by **Maj Invest Equity A/S**. **Maj Invest Equity A/S** is in turn 100% owned by **Maj Invest Holding A/S**. **Maj Invest Holding A/S** is owned by **Management, staff, other investors & Maj Invest Holding A/S**. Additionally, **Maj Invest Holding A/S** provides **Committed capital** to **Maj Invest Equity Southeast Asia II K/S**. **Maj Invest Holding A/S** is also involved in **Administration agreement** and **Advisory service agreement** with **Maj Invest Holding A/S** and **Fondsmæglersekskabet Maj Invest A/S**. **Maj Invest Holding A/S** is also involved in **Management agreement** with **Maj Invest Equity Southeast Asia II K/S**. **Maj Invest Holding A/S** is also involved in **Management agreement** with **Maj Invest Vietnam Management Consultancy LLC** and **Maj Invest Singapore Private Limited**. **Maj Invest Holding A/S** is also involved in **Management agreement** with **Maj Invest Vietnam Management Consultancy LLC** and **Maj Invest Singapore Private Limited**.

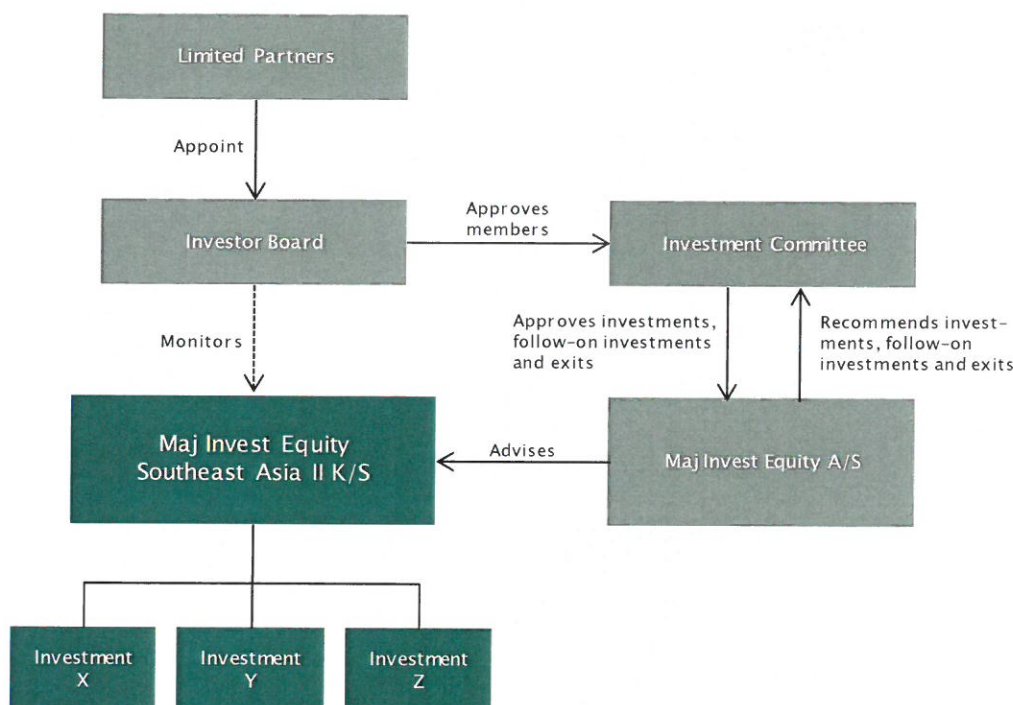
## Decision structure

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# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

Decision structure in Maj Invest Equity Southeast Asia II K/S



The Investment Committee is responsible for deciding any investments, follow on investments in or divestments of portfolio companies in Maj Invest Equity Southeast Asia II following a recommendation by Maj Invest Equity International. The Investment Committee consists of five members: three external members with business experience, the CEO of MI and the managing partner of Maj Invest Equity A/S. Reference is made to note 8, which shows any other executive functions or directorships held by Investment Committee members. Investments Committee members do not participate in the particular companies and never invest in the portfolio companies in a discretionary manner.

### License as manager with the Danish FSA

The Manager has received a license as manager (in Danish: forvalter) with the Danish FSA (in Danish: Finanstilsynet) and the Manager is under financial regulation and the Danish FSA supervision.

Maj Invest Equity Southeast Asia II has appointed a depositary in accordance with the provisions in FAIF.

Remuneration for the financial year paid to management and staff in Maj Invest Equity A/S is disclosed in the annual report of Maj Invest Equity A/S which is available on the website [www.majinvest.com](http://www.majinvest.com). Information is given on Manager level.

# MANAGEMENT COMMENTARY

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### Carried interest

Maj Invest Equity Southeast Asia II has been established with a management fee structure which is normal in relation to the private equity market. This means that the Manager receives a fixed management fee as well as a share of carried interest depending on the investors' returns on their investments.

Carried interest is payable if the returns on investments adjusted for costs exceed a predetermined hurdle rate of 8% p.a. The carried interest is calculated as 20% of investor profits over the predetermined hurdle rate.

No carried interest had been allocated or paid as of December 31, 2017.

### Reporting

One of the things governed by the limited partnership agreement is the aspect of reporting on fund activities, its development and financial position in relation to investors. The fund is obliged to report to its investors on a current basis:

- Quarterly reports on the financial situation, the development in individual investments and investment returns.
- Investment Summary on new investments.
- Exit Memorandum.
- Annual reports.
- Investor meetings.
- Annual Social Impact Reports.
- Replies to current investor queries.

The quarterly reports to investors are prepared in compliance with the international guidelines in respect of "best practices" as stipulated in the Reporting Guidelines from Invest Europe. Investments are valued at their fair values and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

### The financial development in Vietnam and Indonesia

#### Vietnam

Following last year's impressive growth figure of 6.21%, Vietnam's 2017 GDP growth of 6.81% exceeded the Government's target of 6.7% to reach its highest level in a decade. The accelerated growth was driven by higher domestic demand, record export earnings, and the government's economic reforms. As seen in the past, Vietnam's GDP typically expanded at the strongest rate in the last quarter of the year, and this year's Q4 wasn't any different. Vietnam posted impressive GDP growth of 7.65% in Q4. The economy saw strong growth in all three main areas of the economy, including: agriculture, industry & construction, and services. The upbeat results reflected a rebound of the agriculture sec-

# MANAGEMENT COMMENTARY

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tor, robust foreign inflows and rising global and domestic demand, which boosted manufacturing and exports.

Meanwhile, 2017's CPI rose by 3.53%, which was higher than last year's 2.66% but still lower than the 4% target set by the government. CPI was kept in check mainly thanks to efforts of the government to conduct regular market inspections and apply several price stabilization policies for indispensable goods. Further helping keep CPI under control were the State Bank of Vietnam's ("SBV") efforts to pursue a consistent monetary policy aimed at macroeconomic stability and inflation control.

The value of exports was estimated at USD 213.8 billion, an increase of 21%, higher than the annual growth rate of 9% in export value in 2016. Phones and various devices led among the key export commodities followed by garment and textiles products, computers and electronic devices and components, and shoes. Meanwhile, the value of imports in 2017 was estimated at USD 211.1 billion (+20.8%) fueled by increased demand for machinery and equipment for the manufacturing of mobile phones, electronics, and PCs. As a result, Vietnam recorded a trade surplus of USD 2.7 billion, same as in 2016.

In 2017, Vietnam attracted USD 21.3 billion (+42.3%) in registered foreign direct investment ("FDI") for new projects. Additionally, existing FDI projects dated prior to 2017 registered for a total share capital increase of USD 8.41 billion. Actual disbursed FDI reached USD 17.5 billion (+10.8%) and total foreign indirect investment ("FII") USD 6.2 billion (45.1%). The manufacturing sector was the largest beneficiary of foreign investments in 2017 with USD 8.4 billion in registered capital, accounting for 39.3% of the country's FDI inflows. The top three countries that invested into Vietnam included Japan (USD 7.74 billion, accounting for 36.4%), Korea (USD 3.97 billion, accounting for 18.7%), and Singapore (USD 3.77 billion, accounting for 17.7%).

With regards to the foreign exchange rate, the VND depreciated against the USD by 1.4% with foreign currency reserves of the country peaking at approximately USD 48 billion – the highest level ever, mainly contributed by total disbursed FII and foreign currencies mobilized locally. This significantly contributed to a stable exchange rate, enhanced macro-economic conditions, and increased trust from foreign investors in the country's economy.

In late 2017, Moody's changed its outlook for Vietnam's banking system for the next 12–18 months, shifting it from Stable to Positive. The positive outlook given to the Vietnamese banking system was attributed to government efforts in implementing measures to maintain macroeconomic stability, control inflation and promote economic growth. The improved outlook also reflected measures taken by the SBV in flexible monetary policy management, especially the restructuring of credit institutions and settling bad debts.

# MANAGEMENT COMMENTARY

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Overall, following 2015 and 2016, the Vietnamese economy continued showing robust growth in 2017 underlining the country's economic and political stability. For 2018, GDP growth is expected to reach 6.7%, supported by a bright global economic outlook, fundamental domestic strength, and continuing reform of the state-owned sector. Inflation is expected to be around 4%.

### Indonesia

The Indonesian economy grew by 5.07% in 2017, higher than the 5.02% GDP growth in 2016, mainly driven by a continuation of strong investment growth and a recovery in commodity prices. The GDP growth of 5.07% is in line with the Government's 5.1% target for 2017.

In 2017, the current account deficit in Indonesia narrowed to 1.7% of GDP (USD 17.3 billion), compared to 1.8% of GDP (USD 16.3 billion) in 2016. This is supported by stronger commodity prices as well as the enhanced demand for Indonesia's exports in line with the stronger global economy and trade flows. In addition, the Government stated that the full year inflation in 2017 was 3.61%, better than the Central Bank's inflation target of 4% for the same period. The lower-than-targeted inflation was primarily driven by the Government's efforts in keeping inflation in check.

The Indonesian Government launched a tax amnesty program running from July 1, 2016 to March 31, 2017. The program allowed Indonesian tax payers to declare their undeclared assets against a 2%-5% tax rate on the asset value, free of any penalties that would normally apply. The program aimed to improve tax compliance among Indonesian taxpayers and provide additional tax revenue to the Government's budget. As of the end of the program on March 31, 2017, the program had added a total of USD 8.6 billion in new money to the Government with a total declared asset value of USD 365 billion. Around USD 11 billion of those assets were poured into Indonesia's economy through asset repatriation. As such, the program has been hailed as the most successful tax amnesty program in Asia.

Following the success of the tax amnesty program, in May 2017, S&P Global Ratings raised Indonesia's credit rating to investment grade. The sovereign rating was lifted to BBB- from BB+ with a stable outlook. The Indonesian Government's focus on realistic budgeting, successful tax amnesty program, as well as the increase in total exports and strong consumer spending significantly supported the improvement in Indonesia's credit rating. The advantages of the credit rating upgrade include access to foreign investors that only invest in investment-grade rated assets and a decrease in the cost of funds. The rating upgrade is expected to help attract more fund inflows into the country.

Moreover, Fitch Ratings raised Indonesia's credit rating from BBB- to BBB in December 2017, based on the sharply increased foreign exchange reserves, and the Government's

# MANAGEMENT COMMENTARY

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efforts in structural reforms which improved the investment climate, as reflected by the improvement in Indonesia's Ease of Doing Business (EoDB) ranking from the 91<sup>st</sup> place in 2016 to the 72<sup>nd</sup> place in 2017. As a result, the total FDI in 2017 was USD 32.5 billion, compared to USD 29.9 billion in 2016. Concurrently, the Jakarta Composite Index achieved a new all-time high record in December 2017 and recorded a 20% year-on-year growth in 2017, supported by the nation's credit rating upgrade and the improvement in overall corporate profitability.

The Indonesian Rupiah was stable with only a 0.7% decline from IDR 13,446 per USD on December 31, 2016 to IDR 13,558 per USD on December 31, 2017.

For 2018, GDP growth is expected to reach 5.4%, supported by fundamental domestic strength, a bright global economic outlook, and private consumption recovery growth. Inflation is expected to be around 3.5%.

## Development in activities and the financial position

### Investments in 2017

There has been a high level of activity with the search for potential investments in Vietnam and Indonesia. In 2017, the Fund invested in Kim Healthcare Group Corporation (Kim Dental) – a very fast growing dental services provider in Vietnam and PT Fit and Health Indonesia (Golds Gym) – a leading operator of fitness clubs in Indonesia. Also, the Fund continued to invest capital according to the pre-agreed disbursement scheme in portfolio company Berrybenka Pte. Ltd. which was the Fund's first investment in 2015.

### Profit/loss for the year

The bottom-line for 2017 is a loss of USD 2.3 million (2016 USD -6.4 million). The result for the year is in line with the management expectations for 2017. The result for 2016 was influenced by a negative unrealised value adjustment of USD 4.3 million of Berrybenka.

## Development in the portfolio company in 2017

### Berrybenka

In June 2015, Maj Invest Southeast Asia II invested in Berrybenka Pte. Ltd (Berrybenka). In November 2016, Maj Invest Southeast Asia II did a follow-on investment into Berrybenka and while the company had been burning cash since its establishment, in November 2016, it managed to secure sufficient funding for its operations until cashflow break-even by the end of 2020 assuming the company reaches 100% of its budgeted plan. Maj Invest Equity Southeast Asia II also participated in the funding.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

Berrybenka was established in 2012 in Jakarta and is among the largest fashion e-commerce players in Indonesia.

Berrybenka offers a variety of fashion products catering to the middleclass population aged between 18 – 35 years across Indonesia. The company has expanded its business concept from an e-commerce retail company to becoming a fashion destination by selling its fashion products both online and at Berrybenka-branded physical stores (omni-channel strategy).

In 2017, Berrybenka focused on improving its efficiency and concurrently growing its sales. The company managed to reduce its cash burn by 30%, while total sales grew by 12%, and offline sales grew by more than double. In parallel, gross profit grew by 36%.

For 2018, Berrybenka plans to further reduce its cash burn and focus on growing its private label sales to expedite its way towards breakeven which is expected in 2019. The growth will be driven by the company's renewed focus in selling Berrybenka's private label, which will drive the company's profitability even further. Also, Berrybenka plans to operate 22 offline stores by end of 2018.

As of December 31, 2017 the Fund's ownership in Berrybenka is 19.97% plus convertible notes that when converted would give the Fund a total ownership of 40.09% in Berrybenka (post ESOP).

### Niso

In October 2016, Maj Invest Southeast Asia II invested in Niso Corporation (Niso) – an established food and beverage player with 32 outlets under eleven food and beverage concepts in Vietnam.

The company provides high quality coffee & tasty Vietnamese food coupled with excellent service. Niso's concepts target primarily the middle and upper price segment. However, the company's latest concept Nambento is geared towards the mass market, allowing it to be scaled all over Vietnam.

2017 was a challenging year for Niso wherein it achieved strong revenue growth but profit declined year-on-year due to the fact that several of its newly opened stores did not gain traction as planned and several stores were closed throughout the year. Moreover, in preparation for the company's growth plan, the company invested heavily in its back office leading to increased costs.

For 2018, Niso expects to show a significant boost in revenue and profit performance as, on the back of the operational improvements made in 2017, the company will continue

# MANAGEMENT COMMENTARY

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expanding the business through opening new stores, in particular under the new Nam-bento brand, and improving the performance of the existing ones.

As of December 31, 2017 the ownership of the Fund in Niso Corporation is 35.0%.

### **Fit and Health Indonesia**

In April 2017, Maj Invest Southeast Asia II invested through a loan in PT Fit and Health Indonesia (FHI) – the second largest fitness club chain operator in Indonesia under the franchised brand Gold's Gym. As of December 31, 2017, the company manages 18 fitness clubs in Indonesia, wherein 16 clubs are fully/majority owned, 1 club is 25% owned and 1 club is a sub-franchise.

The company offers superior gym facilities coupled with various group exercise classes and excellent services. The service primarily caters to the middle and upper-middle class Indonesian, aged between 17 – 36 years old.

In 2017, FHI underwent a restructuring process to improve the back office organization and club operations. The company also shut down several non-performing clubs to improve the cash flow generation. Moreover, the company invested in adding a new management team, club renovation, and a new accounting system. As a result of the focus on the restructuring, the revenue and profitability declined year-on-year.

For 2018, the company will focus on significantly growing its revenue and profitability within the existing clubs, as well as continuing to improve the back office and further club refurbishments.

### **Kim Dental**

In May 2017, Maj Invest Southeast Asia II invested in Kim Healthcare Group (Kim Dental) – a fast growing operator of dental clinics in Vietnam with 19 clinics opened as of year-end 2017.

The company provides high quality but affordable dental care services to primarily residents of Ho Chi Minh City and surrounding areas and Hanoi.

In 2017, Kim Dental managed to achieve strong revenue and profit growth through rapid expansion in the number of dental clinics. Key success drivers included the attractively designed clinics, breadth of services, and superior standards for customer service and hygiene.

For 2018, the company intends to continue its strong growth trajectory by further expanding its footprint by opening 15 additional clinics primarily in Ho Chi Minh City and Hanoi, Vietnam's main economic hubs where Kim Dental aims to be the undisputed market leader.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

As of December 31, 2017 the ownership of the Fund in Kim Dental is 42.49%.

### Capital resources

Maj Invest Equity Southeast Asia II has a total capital commitment of USD 90.4 million. On December 31, 2017, investors had paid USD 42.2 million, or 46.7% of their capital commitments. The remaining capital commitment is USD 48.2 million. Maj Invest Equity Southeast Asia II's equity amounted to USD 31.6 million at December 31, 2017, matching an equity ratio of approx. 100%.

Maj Invest Equity Southeast Asia II is able to finance investments and follow-on investments from the time of investment and up to six months through bridge financing from financial institutions. A bridge loan must be repaid in connection with a capital call from investors. At year-end 2017, bridge-loan/debt to banks amount to USD 0.

### Financial risks

The objective of Maj Invest Equity Southeast Asia II is to invest in Vietnamese and Indonesian portfolio companies and create value in such companies. The major risk factor is therefore the failure to create value in the underlying portfolio companies, and the currency risk. General economic trends, financing opportunities and trends in interest levels and currency have a tremendous impact on the potential for value creation in the portfolio companies and consequently also the future value of Maj Invest Equity Southeast Asia II's investments.

### Events after the balance sheet day

There have been no events after the balance sheet day and to date that materially affect the assessment of the annual report.

### Uncertainties relating to recognition and measurement in the financial statements

The investments in the portfolio companies are valued at fair value, according to Accounting policies. The valuation includes accounting estimates and such valuation is therefore subject to some uncertainty.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### GENERAL

The annual report for Maj Invest Equity Southeast Asia II is prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class B entities with the adoption of rules for reporting of class C entities such as cash flow statement and with the necessary adjustments considering that the company is a limited partnership, whose activity is private equity. Investments in portfolio companies are recognised in compliance with the International Private Equity and Venture Capital Valuation Guidelines, drawn by the IPEV Board.

In order to achieve a true and fair view of the operations of the limited partnership, the presentation of the income statement has been changed compared with the reporting form shown in schedule 2 of the Danish Financial Statements Act.

The annual report is prepared in USD (USD/DKK: 31/12-2017: 620.77 / 31/12-2016: 705.28)

The accounting policies are the same as last year.

With reference to the Danish Financial Statements Act §110, the limited partnership has not prepared consolidated financial statements.

### Recognition and measurement

All income and expenses relating to the financial year are recognised in the income statement regardless of time of payment. Negative value adjustments in respect of investments in portfolio companies are also recognised in the income statement.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the limited partnership, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the limited partnership, and the value of such liabilities can be measured reliably.

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

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the financial statements, either affirming or not affirming conditions existing on the balance sheet date.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### Foreign currency translation

If transactions in other currencies than USD, these are translated into USD using the exchange rates applicable on the transaction date.

### INCOME STATEMENT

#### Income of investments in portfolio companies

Realised gains/losses on investments, negative unrealised value adjustments of investments are recognised in the income statement. Interest received on loans to and dividends received from portfolio companies are also recognised under "Income of investments in portfolio companies".

#### Administrative expenses

Administrative expenses mainly consist of management fees, broken deal costs, depositary fee, partnership formation costs and other administrative expenses.

#### Financial income and expenses

Financial income and expenses include interest on bank deposits, interest on bridge loans and annual risk premium to the general partner "MIE SEA II GP ApS".

### Tax

Maj Invest Equity Southeast Asia II is a Danish limited partnership. The limited partnership is transparent for tax purposes and taxes are levied on the individual investors in proportion to their shares in the partnership. Consequently, no provisions for tax have been made in the financial statements. However, tax withheld on the payment of dividends by the portfolio companies will be recognised in the income statement under tax.

### BALANCE SHEET

#### ASSETS

##### Investments in portfolio companies

On initial recognition, investments in portfolio companies are measured at cost, with the addition of transaction costs. On subsequent recognition, investments are measured at fair value.

The fair value of investments in portfolio companies are measured at the most recent market price, for instance in the form of an expansion of capital or a partial sale based on the values of comparable companies or through the use of traditional valuation methods, such as EV/EBITDA, P/E, EV/EBIT, P/B.

If the fair value assessment is not reliable, investments will be measured at cost, with the addition of transaction costs.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

Positive unrealised value adjustments of investments in associated companies are made directly at the equity. Negative unrealised value adjustments are recognised in the income statement.

### **Receivables**

Other receivables are measured at the lower of amortized cost or net realizable value, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of an assessment of the individual receivables.

### **Cash**

Cash includes deposits with financial institutions.

## LIABILITIES

### **Financial liabilities**

Other liabilities are measured at amortized cost, usually corresponding to the nominal value.

## CASH FLOW STATEMENT

### **Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities as well as the year's movements in cash flows and the limited partnership's cash at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities include the net profit or loss for the year, adjusted for changes in working capital and non-cash operating items, such as value adjustments of investments in portfolio companies and provisions. The working capital includes current assets less short-term liabilities, exclusive of items included in cash and bank loans.

### **Cash flows from investing activities**

Cash flows from investing activities include payments in respect of acquisitions or divestments of portfolio companies.

### **Cash flows from financing activities**

Cash flows from financing activities include payments to and from limited partners as well as any changes in bank loans.

# FINANCIAL STATEMENTS

## INCOME STATEMENT

'000 USD	Note	2017	2016
Income of investments in portfolio companies	1	–	(4,254)
Administrative expenses		(1,989)	(2,047)
<b>Operating profit/loss</b>		<b>(1,989)</b>	<b>(6,301)</b>
Financial income		3	2
Financial expenses		(301)	(55)
<b>Profit/loss before tax</b>		<b>(2,287)</b>	<b>(6,354)</b>
Withholding tax		–	–
<b>Profit/loss for the year</b>		<b>(2,287)</b>	<b>(6,354)</b>
<b>Proposed distribution of net profit/loss</b>			
Retained earnings		(2,287)	(6,354)
		<b>(2,287)</b>	<b>(6,354)</b>

# FINANCIAL STATEMENTS

## BALANCE SHEET

'000 USD	Note	31/12/2017	31/12/2016
<b>ASSETS</b>			
Investments in portfolio companies	2	25,355	8,490
Receivables from portfolio companies	3	5,322	-
<b>Total investments</b>		<b>30,677</b>	<b>8,490</b>
<b>Total non-current assets</b>		<b>30,677</b>	<b>8,490</b>
Receivables from group companies		14	188
<b>Total receivables</b>		<b>14</b>	<b>188</b>
Cash		959	922
<b>Total current assets</b>		<b>973</b>	<b>1,110</b>
<b>Total assets</b>		<b>31,650</b>	<b>9,600</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital		42,237	17,888
Distributions		-	-
Retained earnings		(10,598)	(8,310)
<b>Total equity</b>		<b>31,639</b>	<b>9,577</b>
Other payables		11	23
<b>Total short-term liabilities</b>		<b>11</b>	<b>23</b>
<b>Total liabilities</b>		<b>11</b>	<b>23</b>
<b>Total equity and liabilities</b>		<b>31,650</b>	<b>9,600</b>
Cash flow statement – adjustments	4		
Cash flow statement – change in work capital	5		
Uncertainties relating to recognition and measurement in the financial statements	6		
Contingent liabilities etc.	7		
Other notes	8		

# FINANCIAL STATEMENTS

## Statement of capital

'000 USD	Paid-in capital	Retained earnings	Fair value adjustment	Total
<b>2017</b>				
Equity 01/01	17,888	(8,310)	-	9,577
Paid-in capital from limited partners during the year	24,349	-	-	24,349
Profit/loss for the year	-	(2,287)	-	(2,287)
<b>Equity 31/12</b>	<b>42,237</b>	<b>(10,598)</b>	<b>-</b>	<b>31,639</b>
The limited partners are liable for their share of the remaining commitment as of December 31, 2017				<u>48,133</u>
<b>2016</b>				
Equity 01/01	8,952	(1,956)	-	6,995
Paid-in capital from limited partners during the year	8,936	-	-	8,936
Profit/loss for the year	-	(6,354)	-	(6,354)
<b>Equity 31/12</b>	<b>17,888</b>	<b>(8,310)</b>	<b>-</b>	<b>9,577</b>
The limited partners are liable for their share of the remaining commitment as of December 31, 2016				<u>72,482</u>

# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT

'000 USD	Note	2017	2016
Profit/loss for the year		(2,287)	(6,354)
Adjustments	4	298	4,307
Change in working capital	5	162	(179)
<b>Cash flows from operating activities before net financials</b>		<b>(1,827)</b>	<b>(2,226)</b>
Financial income		3	2
Financial expenses		(301)	(55)
<b>Cash flows from operating activities</b>		<b>(2,125)</b>	<b>(2,279)</b>
Purchase of investments in portfolio companies		(17,865)	(6,690)
Changes in loan to portfolio companies		(5,322)	-
Sale of shares in portfolio companies		1,000	-
<b>Cash flows from investing activities</b>		<b>(22,187)</b>	<b>(6,690)</b>
Paid-in capital from limited partners		24,349	8,936
Distributions to limited partners		-	-
<b>Cash flows from financing activities</b>		<b>24,349</b>	<b>8,936</b>
<b>Cash flows for the year, net</b>		<b>37</b>	<b>(33)</b>
Cash at the beginning of the year		922	955
<b>Cash at the end of the year</b>		<b>959</b>	<b>922</b>

# FINANCIAL STATEMENTS

## NOTES

'000 USD	2017	2016
<b>NOTE 1 Income of investments in portfolio companies</b>		
Unrealised value adjustments	-	(4,254)
	-	(4,254)
<b>NOTE 2 Investments in portfolio companies</b>		
	<b>31/12/2017</b>	<b>31/12/2016</b>
Cost at 01/01	12,744	6,054
Additions during the year	17,865	6,690
Disposals during the year	(1,000)	-
Cost at 31/12	29,609	12,744
Value adjustments at 01/01	(4,254)	-
Value adjustments during the year	-	(4,254)
Value adjustments at 31/12	(4,254)	(4,254)
<b>Carrying amount at 31/12</b>	<b>25,355</b>	<b>8,490</b>

The investments are valued according to the fair value measurements in Level 3 of the fair value hierarchy. One of the investments is a minority investment with an ownership percentage less than 20%. The investment's fair value is recognised based on the valuation from the recent capital injection in 2016 with addition of convertible notes.

# FINANCIAL STATEMENTS

## NOTES

'000 USD	31/12/2017	31/12/2016
<b>NOTE 3 Receivables from portfolio companies</b>		
Cost at 01/01	-	-
Additions during the year	5,322	1,000
Disposals during the year	-	(1,000)
Cost at 31/12	5,322	-
<b>Carrying amount at 31/12</b>	<b>5,322</b>	<b>-</b>
<b>NOTE 4 Cash flow statement – adjustments</b>		
Financial income	(3)	(2)
Financial expenses	301	55
Unrealised value adjustment	-	4,254
	<b>298</b>	<b>4,307</b>
<b>NOTE 5 Cash flow statement – change in working capital</b>		
Change in receivables	174	(188)
Change in other short-term liabilities	(12)	9
	<b>162</b>	<b>(179)</b>

# FINANCIAL STATEMENTS

## NOTES

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'000 DKK

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### **NOTE 6 Uncertainties relating to recognition and measurement in the financial statements**

The investments in the portfolio companies are valued at fair value, according to accounting policies. The valuation includes accounting estimates and such valuation is therefore subject to some uncertainty.

### **NOTE 7 Contingent liabilities etc.**

#### ***Contingent liabilities***

Maj Invest Equity Southeast Asia II has entered into management agreements with Maj Invest Equity for the Manager's administration of Maj Invest Equity Southeast Asia II as well as the provision of investment advisory services to Maj Invest Equity Southeast Asia II. On termination, Maj Invest Equity Southeast Asia II may in certain circumstances be obliged to pay management fees for up to a 9 month period. At December 31, 2017 the fee payable amounted to app. USD 1.4 million.

In connection to invest additional in portfolio companies, the Fund has, under certain conditions which must be performed by the portfolio companies, potential contingent liabilities to invest up to USD 2.1 million as of December 31, 2017.

### **NOTE 8 The Executive board and Investment Committee**

#### ***Executive board of the general partner:***

***Cato Baldvinsson***

#### ***Director of:***

MIE SEA II GP ApS.

#### ***Chairman of:***

Maj Bank A/S.

#### ***Board member of:***

PENSAM Liv Forsikringsaktieselskab, Pensionskassen PENSAM, Asgard Fund ICAV, Kronborg DAC and Asgard Fixed Income (Master) Fund Limited.

#### ***Member of Investment Committee of:***

LD Equity 2 K/S.

#### ***Investment Committee:***

***Jeppe Christiansen***

#### ***CEO of:***

Fondsmæglerselskabet Maj Invest A/S and Maj Invest Holding A/S.

#### ***Director of:***

Maj Invest Equity A/S, Emlika ApS and Det Kgl. Vajsenhus.

#### ***Chairman of:***

Haldor Topsøe A/S and Emlika ApS.

#### ***Vice Chairman of the boards of:***

Novo Nordisk A/S and Maj Bank A/S.

# FINANCIAL STATEMENTS

## NOTES

***Board member of:***

Kirkbi A/S, Symphogen A/S, Novo Holdings A/S, JKLE Holding ApS and Maj Invest Equity A/S.

***Member of Investment Committee of:***

Maj Invest Equity Vietnam I K/S, Maj Invest Financial Inclusion Fund II K/S, Danish Microfinance Partners K/S, Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

***Erik Holm***

***CEO, Managing Partner of:***

Maj Invest Equity A/S.

***Director of:***

Fondsmæglerselskabet Maj Invest A/S, Maj Invest Holding A/S and Erik Holm Holding ApS. In addition, chairman and board member of several holding companies and underlying portfolio companies owned by Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

***Chairman of:***

Cenex ApS.

***Vice Chairman of the boards of:***

Arvid Nilssons Fond, SP Group A/S and SP Moulding A/S.

***Board member of:***

Fonden Maj Invest Equity General Partner, Brødrene A. & O. Johansen A/S, AO Invest A/S, Maj Invest Singapore Private Ltd., Maj Invest South America S.A. and Maj Invest Equity A/S.

***Member of Investment Committee of:***

LD Equity 1 K/S, LD Equity 2 K/S, LD Equity 3 K/S, Maj Invest Equity 4 K/S, Maj Invest Equity 5 K/S and Maj Invest Equity Vietnam I K/S.

***Michael Hauge Sørensen***

***Chairman of:***

Top-Toy A/S, Top-Toy Holding II A/S, Top-Toy Holding III A/S and Fristads Kansas Group AB.

***Board member of:***

Santa Fe Group A/S, IC Group A/S, Zebra A/S and Michaso Holdings Limited and Elevate Global Limited.

***Member of Investment Committee of:***

Maj Invest Equity Vietnam I K/S.

***Sameer Kalra***

***CEO of:***

Framo AS.

***Chairman of:***

Framo AS, Framo Fusa AS, Framo Holsnøy AS, Framo Flatøy AS and PHE Holding AS.

***Board member of:***

Framo Services AS.

# FINANCIAL STATEMENTS

## NOTES

*Member of Investment Committee of:*

Maj Invest Equity Vietnam I K/S.

*Torben Kjær*

*Board member of:*

Fonden LDE 2 GP, Fonden LDE 3 GP and Fonden MIE 5 GP.

*Member of Investment Committee of:*

Maj Invest Equity Vietnam I K/S.