

Polaris Management A/S

Malmøgade 3,1.
2100 København Ø

Registration no. 28 50 17 65
FT no. 23009

Annual report 2023

Approved at the Company's annual general meeting on 7 March 2024

Chairman:


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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Polaris Management A/S for the financial year 1 January – 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2023 and of the results of its operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review includes a fair review of the developments in the Company's activities and financial matters and describes the most significant risks and uncertainty factors that may affect the Company.

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

Copenhagen, 30 January 2024
Executive Board:

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Jan Johan Kühl

Board of Directors:

.....
Erik G. Hansen
Chairman

.....
Bertil Villard

.....
Anne Holm Rannaleet

.....
Peter Høltermand

Independent auditor's report

To the shareholder of Polaris Management A/S

Opinion

We have audited the financial statements of Polaris Management A/S for the financial year 1 January – 31 December 2023, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Alternative Investment Fund Managers Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Alternative Investment Fund Managers Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 30 January 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Bjørn Würtz Rosendal
State Authorised Public Accountant
mne40039

Steffen Astrup
State Authorised Public Accountant
mne49115

Management's review

Company details

Name	Polaris Management A/S
Address, zip code, city	Malmøgade 3 DK-2100 København Ø
Registration no.	28 50 17 65
FT no.	23009
Established	8 February 2005
Registered office	Copenhagen
Financial year	1 January – 31 December
Website	www.polarisequity.dk
E-mail	polaris@polarisequity.dk
Telephone	+45 35 26 35 74
Executive Board	Jan Johan Kühl
Board of Directors	Erik G. Hansen, Chairman Bertil Villard Anne Holm Rannaleet Peter Høltermand
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 P.O. Box 250 2000 Frederiksberg Denmark

Management's review

Operating review

Principal activities of the Company

Polaris Management A/S is fund manager (advisor and administration company) for Polaris Private Equity, Polaris Flexible Capital and Polaris Public Equity and is licensed by the Danish Financial Supervisory Authority to operate as fund manager in accordance with the Danish Alternative Investment Fund Managers Act.

Furthermore, Polaris Management A/S is the parent company of Polaris Flexible Invest I ApS, which is the general partner of Polaris Flexible Capital I K/S.

Polaris Private Equity I was established in 1998 with a total capital commitment of DKK 1.6 billion and was fully realised with the last exit in 2008. Polaris Private Equity II was established in 2006 with a total capital commitment of DKK 2.0 billion and was fully realised with the last exit in 2021.

Funds under management include (all subject to the Danish Alternative Investment Fund Managers Act):

- ▶ Polaris Private Equity III, established 2009, capital commitment DKK 2.3 billion, transitioned into its realisation period at the end of 2014
- ▶ Polaris Private Equity IV, established 2016, capital commitment of DKK 3.3 billion, investment period started during 2015, transitioned into its realisation period at the end of 2020
- ▶ Polaris Private Equity V, established 2020, capital commitment of DKK 4.9 billion, investment period started during 2021
- ▶ Polaris Flexible Capital I, established 2021, capital commitment of DKK 0.9 billion, investment period started during 2022
- ▶ Polaris Public Equity, established 2023, capital commitment of DKK 0.2 billion, investment period started during 2023

Polaris Private Equity invests in well-established companies with a strong market position and sound earnings. Usually, the companies are based in the Nordic countries, primarily Denmark and Sweden, and have a potential for profitable growth. Through capital and active ownership, Polaris contributes to this profitable growth. Polaris aims to achieve controlling shareholdings, alone or together with other investors, including the Management and Board of the Company and the Company's former owners.

Polaris Flexible Capital has a flexible and complementary investment focus investing in junior loans, mezzanine, preferred equity and minority equity. The companies will be based in the Nordic countries.

Polaris Public Equity is an evergreen fund and invests in listed Nordic small and mid-size public companies. The investment horizon is 3 to 5 years in ownership positions, often between 5 % and 10 %.

The investors of Polaris include a number of Danish and international investors. Further information about Polaris is available at our website, www.polarisequity.dk.

Performance in the financial year

During 2023, as fund manager for Polaris Private Equity, Polaris Public Equity and Polaris Flexible Capital, Polaris Management A/S participated in successful execution of both divestments and new investments and contributed further to the continued development of the portfolio companies and investments in Polaris Private Equity IV and V, Polaris Public Equity and in Polaris Flexible Capital I.

Development in financial matters

In 2023, Polaris Management A/S realised a profit of DKK 40,566 thousand (2022: profit of DKK 31,463 thousand), which is better than Management's expectations communicated in the annual report 2022. The results are positively impacted by the development in the funds including an increased management fee.

At 31 December 2023, the Company's equity amounted to DKK 73,176 thousand (31 December 2022: DKK 57,610 thousand) of total assets of DKK 102,072 thousand (31 December 2022: DKK 84,622 thousand), and the Company's equity ratio was 72% (2022: 68%). Proposed dividend for the year amounts to DKK 35,000 thousand (2022: DKK 25,000 thousand).

Management's review

Operating review (continued)

Outlook

For 2024, the Company expects to realise a net profit below 2023 level (DKK 20-25 million).

Particular risks

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

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

Management discusses and monitors the financial position of the Company and relevant risks as a whole on an ongoing basis, most recently at the Board of Directors' meeting held on 15 December 2023.

Management remuneration

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

Remuneration of Management during 2023 as well as details on the remuneration policy are disclosed in note 4 to the financial statements.

Sustainability

Polaris has a responsibility towards our many stakeholders, and we are committed to promoting sustainability throughout Polaris to honour this responsibility. We work with sustainability for two reasons, (i) it is the right thing to do, and (ii) it is an integrated part of long-term value creation.

Our commitment to sustainability is executed broadly throughout Polaris and impacts all our activities through our:

- ▶ Approach to sustainability: our rationale, definitions, standards and focus areas
- ▶ Deal selection: our investment criteria which defines what we are willing to invest in
- ▶ Investment process: how we evaluate investments and conduct sustainability due diligence
- ▶ Portfolio management process: how we work together with our portfolio companies
- ▶ Portfolio companies: what the portfolio companies are doing
- ▶ Own actions: what we do at Polaris Management A/S

Our objective is to continuously improve, both in Polaris Management A/S and in our portfolio companies. We also commit to promoting sustainability, together with our partners, throughout the investment industry we are active in. Within sustainability, Polaris Management A/S has chosen to put specific emphasis on three key areas:

- ▶ Promoting actions to limit climate change
- ▶ Working with our responsibility as an employer
- ▶ Supporting gender equality

Management's review

Operating review (continued)

Actions are continuously planned and taken in order to improve on our sustainability performance in general and within the three focus areas in particular. Our work with sustainability is aligned with the UN/OECD guidelines for responsible business conduct, and we also strive to follow other internationally accepted standards and frameworks for sustainability. Further, we are a member of UN Global Compact and PRI – Principles of Responsible Investment.

Developments during 2023

During the year 2023, we spent a lot of time and resources on developing our gathering of sustainability indicators from our portfolio companies. The exercise had multiple objectives:

- 1) Satisfy the various and increasing requirements from our investors for portfolio company-level sustainability data
- 2) 'Comply with the EU regulations and the Sustainable Finance Disclosure Regulation (SFDR) under which we at Polaris Management have committed to take into account Principle Adverse Impacts on sustainability factors (so called "PAIs") and as a consequence issue a PAI Statement by 30 June 2023
- 3) Improve our ability to improve our sustainability performance together with our portfolio companies with the help of a broader set of data
- 4) Help our portfolio companies prepare for the upcoming Corporate Sustainability Reporting Directive (CSRD)
- 5) Simplify the data gathering process for our portfolio companies

The result was the launch of Polaris Sustainability Assessment which consolidates several sustainability reporting standards, which helps us fulfil multiple reporting needs while not burdening the companies with multiple process, standards and timelines. As a result, we were also able to publish our first PAI Statement by 30 June 2023 and also communicate the underlying company level details and calculations to our investors in time for the deadline.

During the year, we also launched our third strategy, Polaris Public Equity ("PPU") and we were able to apply our overall sustainability strategy and criteria for this new strategy. PPU was consequently launched as an SFDR – Article 8 fund.

All regulatory documents are publicly available on our web site: <https://polarisequity.dk/sustainability-related-disclosures/>

In the period, we also continued to integrate sustainability in our investment decision process and conduct our sustainability due diligence in the final stage of the processes including those for the four investments made in our private equity strategy in the period and the investment made in our flexible capital strategy.

Supporting climate action

We remain committed to working on combating climate change, and we therefore perform measurements of carbon emissions on Scope 1, 2 and 3 according to the Greenhouse Gas Protocol (GHG) at Polaris Management A/S and in our portfolio companies and make plans for reducing these emissions. Most of the recent investments consequently conducted their first CO₂e measurement and started their work to decrease their emissions. Link Logistics became the second portfolio company to get their Science Based Target approved by the Science Based Target Initiative (SBTI).

Supporting gender equality

Women are underrepresented in our boards and management teams and at Polaris Management A/S. We address this by working with Diversity & Inclusion at Polaris Management A/S to improve our own organization and also get better in supporting our portfolio companies. During the year, we continued our work with supporting gender diversity in the private equity sector in Denmark, the Nordics and throughout Europe as we co-chaired the Danish Committee of Level 20 who in August organized the first Nordic Female Private Equity Summit in Stockholm together with McKinsey. The event gathered female private equity professionals active in the Nordics for a full day conference. During the year, we also successfully recruited a more gender diverse group of new board members in our portfolio companies.

Management's review

Operating review (continued)

Supporting working environment

At Polaris Management, we want to work to ensure that the working environment in our portfolio companies is well managed and continuously improved. During 2023, we gathered a significant data set from our portfolio companies regarding their working environment, employee satisfaction, health & safety and how they manage their working environment. This was an important step forward in improving in this area together with our portfolio companies.

Intellectual capital

Polaris Management A/S employed 46 people at 31 December 2023 (2022: 41 people).

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

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

Events after the balance sheet date

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

Other management assignments of the Board of Directors and Executive Board

Other management assignments of the Board of Directors and Executive Board are listed at the back of the Annual report, pages 22-24.

Financial statements for the period 1 January – 31 December

Income statement and statement of comprehensive income

Income statement

Note	DKK'000	2023	2022
2	Fee and commission income	138,263	135,261
3	Other external administrative expenses	-21,075	-20,184
4	Staff costs	-64,930	-73,503
	Total staff costs and administrative expenses	-86,005	-93,687
5	Depreciation of property, plant and equipment and amortisation of intangible assets	-439	-513
	Profit before financial items	51,819	41,061
6	Share of profit in subsidiaries net of tax	13	-112
7	Financial income	2,853	324
8	Financial expenses	-289	-791
	Profit before tax	54,396	40,482
9	Tax on profit for the year	-13,830	-9,019
	Profit for the year	40,566	31,463
	Proposed profit appropriation		
	Proposed dividends	35,000	25,000
	Reserve for net revaluation according to the equity method	-969	-112
	Retained earnings	6,535	6,575
		40,566	31,463

Statement of comprehensive income

Profit for the year	40,566	31,463
Total comprehensive income for the year	40,566	31,463

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	31/12 2023	31/12 2022
ASSETS			
5	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	978	693
		<u>978</u>	<u>693</u>
Receivables			
10	Receivables from investment funds under management and related entities	21,572	15,978
9	Deferred tax asset	156	204
	Current tax receivables	0	596
	Other receivables	1,719	1,620
	Prepayments	5,826	5,177
		<u>29,273</u>	<u>23,575</u>
Investments			
6	Equity investments in subsidiaries	90	1,184
		<u>90</u>	<u>1,184</u>
11	Cash at hand and in bank	<u>71,731</u>	<u>59,170</u>
	TOTAL ASSETS	<u>102,072</u>	<u>84,622</u>
EQUITY AND LIABILITIES			
Equity			
	Share capital	500	500
	Net revaluation reserve according to the equity method	50	1,019
	Retained earnings	37,626	31,091
	Proposed dividends	35,000	25,000
	Total equity	<u>73,176</u>	<u>57,610</u>
Liabilities			
Current liabilities			
	Corporation tax	7,055	0
12	Other payables	21,795	26,237
	Deferred income	46	775
	Total liabilities	<u>28,896</u>	<u>27,012</u>
	TOTAL EQUITY AND LIABILITIES	<u>102,072</u>	<u>84,622</u>
Other note reference			
1	Accounting policies		
13	Financial risks		
14	Contingencies, etc.		
15	Related parties		
16	Financial highlights (5-year overview)		

Financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Proposed dividends	Total
Equity 1 January 2022	500	1,132	24,516	25,000	51,148
Dividend distribution	0	0	0	-25,000	-25,000
Transferred, cf. profit appropriation	0	-112	6,575	25,000	31,463
Other comprehensive income	0	0	0	0	0
Equity 1 January 2023	500	1,019	31,091	25,000	57,610
Dividend distribution	0	0	0	-25,000	-25,000
Transferred, cf. profit appropriation	0	-969	6,535	35,000	40,566
Other comprehensive income	0	0	0	0	0
Equity 31 December 2023	500	50	37,626	35,000	73,176

The share capital consists of shares of DKK 1 each or multiples hereof.

The share capital has not been changed during the last 5 years.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Polaris Management A/S for 2023 has been prepared in accordance with the Danish Alternative Investment Fund Managers Act, the Executive Order on General Requirements for Annual Reports and Auditing of Alternative Investment Fund Managers as well as the Executive Order on Financial Reporting by Credit Institutions and Investment Companies, etc.

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

Consolidated financial statements

Pursuant to section 137(1) of the Executive Order on Financial Reporting by Credit Institutions and Investment Companies, etc., consolidated financial statements have not been prepared. The parent company, PM Holding 2005 ApS, Malmøgade 3, 2100 København Ø (registration no. 28 48 15 35), prepares consolidated financial statements in which Polaris Management A/S and its subsidiaries are included.

Foreign currency translation

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

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

Income statement

Fee and commission income

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

Financial income and expenses

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

Tax on profit for the year

The Company is jointly taxed with the parent company, PM Holding 2005 ApS, and other Danish group companies. Tax for the year comprises current tax for the year (joint taxation contributions) and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement.

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

Balance sheet

Property, plant, and equipment

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

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

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

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

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

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

Receivables

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity investments in subsidiaries

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

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

Dividends

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

Corporation tax and deferred tax

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

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

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

Other liabilities

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred income

Deferred income consists of prepaid management fee.

DKK'000	2023	2022
2 Fee and commission income		
Fee and commission income received (management fee) by investment funds under management:		
Polaris Private Equity III K/S	729	2,188
Polaris Private Equity IV K/S	30,455	31,874
Polaris Private Equity V K/S	89,818	95,759
Polaris Flexible Capital I K/S	17,106	5,440
Polaris PPU Fund ILP	155	0
	<u>138,263</u>	<u>135,261</u>

3 Other external administrative expenses

Fees to depositary entities to the extent paid by the Company

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

204	202
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Fees paid to independent auditor appointed at the annual general meeting

Fee regarding statutory audit	184	145
Other assurance services	0	0
Tax/VAT advisory services	11	10
Other non-audit services	1,060	471
Total fees	<u>1,255</u>	<u>626</u>

Other non-audit services include compliance, risk management and ESG advice.

4 Remuneration

Wages and salaries	49,339	56,710
Pensions	5,816	5,492
Other social security costs	356	330
Other staff costs	9,417	10,971
Reported staff costs	<u>64,930</u>	<u>73,503</u>
Average number of full-time employees	<u>40</u>	<u>34</u>
Hereof:		
Female employees	10	9
Male employees	30	25

Financial statements for the period 1 January – 31 December

Notes to the financial statements

4 Remuneration (continued)

The Board of Directors consists of 3 male members and 1 female member.

DKK'000	2023	2022
<i>Board of Directors (4 members):</i>		
Fixed fee	1,750	1,750
Variable fee	0	0
Total fee expenses	1,750	1,750

Taking the current data protection rules into account the required information regarding the total remuneration of the executive board, consisting only of Jan Johan Kühl, is available on the following link: <https://polarisequity.dk/wp-content/uploads/2024/01/Appendix-to-the-financial-statements-2023-Remuneration.pdf>

At the above-mentioned link, information of the remuneration of the Board of Directors split into the separate members of the Board of Directors is also available.

Remuneration expensed in 2023 to other significant risk takers than members of the Executive Board amounted to DKK 18,676 thousand (2022: DKK 17,088 thousand) in total for 9 (2022: 8) significant risk takers. The remuneration includes fixed salary expenses of DKK 18,676 thousand (2022: DKK 16,838 thousand) and variable salary expensed of DKK 0 thousand (2022: DKK 250 thousand).

Remuneration policy

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

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

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

Financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Property, plant and equipment

DKK'000	Leasehold improve- ments	Fixtures and fittings, other plant and equip- ment	Total
Cost at 1 January 2023	3,189	3,528	6,717
Additions	336	393	729
Disposals	0	-122	-122
Cost at 31 December 2023	3,525	3,799	7,324
Depreciation and impairment losses at 1 January 2023	3,073	2,951	6,024
Depreciation	55	380	435
Depreciation, assets disposed	0	-113	-113
Depreciation and impairment losses at 31 December 2023	3,128	3,218	6,346
Carrying amount at 31 December 2023	397	581	978

Loss for the year on disposal of property, plant and equipment amounts to DKK 4 thousand (2022 loss: DKK 3 thousand).

DKK'000	2023	2022
6 Investments		
Cost at 1 January 2023	165	165
Disposals	-125	0
Cost at 31 December 2023	40	165
Value adjustment at 1 January 2023	1,019	1,131
Profit/loss for the year	13	-112
Disposal for the year (realised (gain)/loss on disposal)	-982	0
Value adjustment at 31 December 2023	50	1,019
Carrying amount at 31 December 2023	90	1,184

Key figures of subsidiaries:

Name and registered office	Ownership interest	Equity DKK'000	Profit for the year DKK'000
Polaris Flexible Invest I ApS, Copenhagen*	100%	56	29

*According to the annual report for 1 January 2022 – 31 December 2022

Financial statements for the period 1 January – 31 December

Notes to the financial statements

7 Financial income

DKK'000	2023	2022
Interest income, banks	513	0
Other interest income, investment funds under management and related entities	2,191	234
Foreign exchange gains	149	90
	<u>2,853</u>	<u>324</u>

Foreign exchange gains relate to foreign exchange adjustment of bank accounts and trade payables.

8 Financial expenses

Interest expenses, banks	0	363
Other financial expenses	140	223
Foreign exchange losses	149	205
	<u>289</u>	<u>791</u>

Foreign exchange losses relate to foreign exchange adjustment of bank accounts and trade payables.

9 Tax on profit for the year

Calculated tax on the taxable income for the year (joint taxation contribution payable)	13,782	9,044
Adjustment of deferred tax	48	-23
Prior year adjustment	0	-2
	<u>13,830</u>	<u>9,019</u>

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

25.2% (2022: 22%) tax on the profit for the year before tax	13,708	8,897
The tax effect of:		
Other non-deductible costs	126	156
Other non-taxable income	-4	-2
Change in tax rate related to deferred tax	0	-32
	<u>13,830</u>	<u>9,019</u>
Effective tax rate	<u>25.4%</u>	<u>22.3%</u>

Deferred tax relates to:

Property, plant and equipment	156	204
Tax loss carried forward	0	0
	<u>156</u>	<u>204</u>

Financial statements for the period 1 January – 31 December

Notes to the financial statements

10 Receivables from investment funds under management and related entities

Receivables primarily consist of receivables from the Polaris Private Equity investment funds under management and their related entities including portfolio companies. As per 31 December 2023, receivable management fee amounts to DKK 155 thousand (31 December 2022: DKK 0 thousand).

DKK'000	2023	2022
11 Cash at hand and in bank		
Cash deposits with banks, DKK	71,301	58,415
Cash deposits with banks, SEK	430	755
	<u>71,731</u>	<u>59,170</u>
12 Other payables		
Trade payables	7,140	5,118
Payroll related items payable, holiday allowance, etc.	9,199	14,232
VAT payable and payroll taxes	5,260	4,000
Other payables	196	2,887
	<u>21,795</u>	<u>26,237</u>

13 Financial risks, etc.

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

Management discusses and monitors the financial position of the Company and relevant risks as a whole on an ongoing basis, latest at the Board of Directors' meeting held on 15 December 2023.

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

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

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

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

Financial statements for the period 1 January – 31 December

Notes to the financial statements

13 Financial risks, etc. (continued)

Operational risks

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

14 Contingencies, etc.

The Company's rental and lease liabilities total DKK 1,357 thousand (2022: DKK 1,105 thousand), which fall due for payment within one year.

The Company is jointly taxed with the Danish subsidiaries and the parent company. As a wholly owned subsidiary, the Company is unlimited and severally liable with the other companies in the joint taxation regarding payment of Danish corporation taxes and Danish withholding taxes on dividends, interests and royalties in the joint taxation.

15 Related party disclosures

The Company is a wholly owned subsidiary of PM Holding 2005 ApS, Malmøgade 3, DK-2100 København Ø (registration no. 28 48 15 35), which is owned by the partners of Polaris Management A/S.

The consolidated financial statements of PM Holding 2005 ApS are available at the Company's address.

Related parties comprise the Company's and the parent company's shareholders, Board of Directors and Executive Board and subsidiaries. Related parties also comprise companies in which the persons mentioned hold significant interests.

Transactions with related parties

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

Transactions with subsidiaries are disclosed in note 6.

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

The Company has paid a total dividend of 25 million to the parent company during 2023 (2022: DKK 25 million).

Transactions with investment funds under management and related entities

Management fees received from investment funds under management are disclosed in note 2.

Receivables from investment funds under management and related entities are disclosed separately in the balance sheet and in note 10 and other interest income in note 7.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

16 Financial highlights (5-year overview)

Ratios and key figures

DKKm	2023	2022	2021	2020	2019
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Key figures

Fee and commission income	138	135	123	69	68
Total staff costs and administrative expenses	-86	-94	-82	-68	-78
Profit before financial items	52	41	40	0	-10
Profit for the year	41	31	31	0	-8

Equity	73	58	51	35	35
Total assets	102	85	78	70	58

Ratios

Capital base in relation to minimum capital requirements**	3.12	2.47	2.86	2.08	2.15
Equity ratio	72%	68%	66%	50%	61%
Return on average equity before tax	83%	74%	91%	1%	-21%
Return on average equity after tax	62%	58%	71%	1%	-17%
Number of managed alternative investment funds	10	7	5	4	3
Assets under management	*6,088	*4,143	*3,912	*6,049	*4,148

Average number of employees	40	34	31	27	23
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* Of which DKK 5,361 million (2022: DKK 3,489 million, 2021: DKK 3,296 million, 2020: DKK 5,407 million and 2019: DKK 3,837 million) relates to funds, which are subject to the Danish Alternative Investment Fund Managers Act.

** Calculated as cash at hand and in bank / capital requirement (liquidity reserve).

Definition of ratios

The financial ratios have been prepared in accordance with the Danish Financial Supervisory Authority's definitions.

Other management assignments of the Board of Directors and Executive Board

Board of Directors

Erik G. Hansen, Chairman

Member of the Board of Directors:

Chair

- ▶ Sirius Holding ApS
- ▶ Polaris II Invest Fonden

Deputy Chair

- ▶ Lauritzen Fonden

Board members

- ▶ Bagger-Sørensen Fonden
- ▶ Wide Invest ApS
- ▶ Lesanco ApS
- ▶ Farumgade 2 B ApS
- ▶ Saga Private Equity ApS

Member of the Executive Board:

- ▶ EGH Gentofte ApS
- ▶ Rigas Invest ApS + 2 subsidiaries
- ▶ Sirius Holding ApS + 1 subsidiary

Bertil Villard

Member of the Board of Directors:

Chair

- ▶ Strax AB
- ▶ Landsort Care 4 AB

Deputy Chair

- ▶ Tengroth & Co AB
- ▶ PPDR Nordic AB

Board members

- ▶ Bertil Villard Holding AB
- ▶ iCoat Medical AB
- ▶ Polaris II Invest Fonden
- ▶ Hamiltonska Stiftelsen

Other management assignments of the Board of Directors and Executive Board

Board of Directors (continued)

Anne Holm Rannaleet

Member of the Board of Directors:

Chair

- ▶ Kalexa Förvaltning AB
- ▶ Kalexa Advisory AB

Board member

- ▶ Helekask Advisory AB
- ▶ Unicus Holding AS
- ▶ Insamlingsföreningen Kinondo Support
- ▶ IK Aid and Relief Enterprise Ltd. UK
- ▶ Polaris II Invest Fonden
- ▶ auticon Holding GmbH

Peter Høltermand

Member of the Board of Directors:

Chair

- ▶ Kirstein Holding A/S
- ▶ Asgard Asset Management A/S
- ▶ CL-Gruppen A/S + 1 subsidiary
- ▶ Polaris Flexible Invest I ApS
- ▶ Agat Ejendomme A/S
- ▶ Secure Capital A/S + 2 subsidiaries

Board member

- ▶ Ejendomsaktieselskabet Skovgårdsvej
- ▶ Den Sociale Investeringsfond

Member of the Executive Board:

- ▶ PFC I – Debt ApS
- ▶ Castaway Holding ApS

Other management assignments of the Board of Directors and Executive Board

Executive Board

Jan Johan Kühnl

Member of the Board of Directors:

Chair

- ▶ Triax Holding A/S
- ▶ P-AP 2009 ApS
- ▶ P-A17 A/S + 2 subsidiaries
- ▶ P-Cepheo A/S
- ▶ Polaris V Invest Fonden
- ▶ P-Holding A af 17. januar 2023 A/S + 2 subsidiaries
- ▶ P-Sealing System A/S
- ▶ P-Holding af 10. Marts 2023 A/S + 2 subsidiaries
- ▶ P-Holding af 15. Marts 2023 A/S + 2 subsidiaries

Board member

- ▶ Inter Pirmo A/S
- ▶ Part Unique ApS
- ▶ P-RelyOn Nutec A/S + 1 subsidiary
- ▶ Advantage Investment Partners A/S
- ▶ P-Vikingbus 2021 A/S + 6 subsidiaries
- ▶ P-Link 2019 A/S
- ▶ P-Sinful 2021 A/S
- ▶ P-G&O 2021 A/S
- ▶ P-Esoft 2022 A/S
- ▶ P-MP TopCo 2023 AB + 1 subsidiary

Member of the Executive Board:

- ▶ Business Synergy Group ApS
- ▶ P-Sinful 2021 A/S

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BERTIL VILLARD

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Jan Johan Kühl

Client Signer

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Peter Høltermand

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Erik Gregers Hansen

Client Signer

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ANNE HOLM RANNALEET

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Bjørn Würtz Rosendal

EY Signer

På vegne af: EY Godkendt Revisionspartnerselskab

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Steffen Astrup

EY Godkendt Revisionspartnerselskab CVR: 30700228

EY Signer

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