

Corporate Announcement no. 17/2018: Half-Year Report 1 October 2017 – 31 March 2018
Copenhagen, 25 May 2018

The Board of Directors and the Management have today discussed and approved the Half-Year Report of Ress Life Investments A/S for the period 1 October 2017 – 31 March 2018.

- Ress Life Investments A/S realised a net profit before and after tax of USD 246,753 for the period 1 October 2017 – 31 March 2018. The net profit for the period corresponds to a net return on equity of 0.28 %, earnings per share at 4.71 and an increase in net asset value of USD 4.65 per share.
- The profit before tax mainly relates to positive fair value adjustments offset by administrative expenses and staff costs.
- The fair value of the Company's investment assets increased from USD 85,109,099 at 30 September 2017 to USD 87,657,244 at 31 March 2018.
- Equity stands at USD 89,699,730 as of 31 March 2018, corresponding to a net asset value of USD 1,656.38 per share compared with a net asset value of USD 1,651.73 at 30 September 2017.
- During the period, 3,787 new ordinary shares were issued.
- Both increasing investments and the expectations that the life settlements market continues to offer attractive returns enables Management to take a positive view on full-year profits.

Questions related to this announcement can be made to the Company's AIF-manager, Resscapital AB, Gustaf Hagerud, telephone: (+46) 8 545 282 09, or to the Company's Chairman Helle M. Breinholt, email: hmb@breinholt-consulting.dk.

Yours sincerely

Ress Life Investments A/S
The Board of Directors

Ress Life Investments A/S

Half-Year Report

For the period 1 October 2017 - 31 March 2018

Holbergsgade 14, 2. tv., DK-1057 Copenhagen K

Corporate Announcement no. 17/2018, 25 May 2018

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Statement by the Board of Directors and Management

The Board of Directors and the Management have today discussed and approved the Half-Year Report of Ress Life Investments A/S for the period 1 October 2017 – 31 March 2018. The Half-Year report has not been subject to audit or review.

The Half-Year Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by EU and Danish disclosure requirements for listed companies.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2018 and of the results of the Company's operations and cash flows for the period 1 October 2017 – 31 March 2018.

Further, in our opinion, the Directors' report includes a fair review of the development in the Company's activities and financial conditions, the result for the period, cash flows and financial position as well as the most significant risks and uncertainties that the Company faces.

Copenhagen, 25 May 2018
Management:

.....
Michael Hovard Ekmann

Board of Directors:

.....
Helle Marianne Breinholt
Chairman of the Board

.....
Jack Austern

.....
Jeppe Buskov

Directors' report

Development in the Company's activities and financial position

The fair value of the investment in life insurance contracts as well as in units of Ress Uncorrelated Assets Fund - Ress Life Sub Fund increased from USD 82,654 thousand at 30 September 2017 to USD 87,657 thousand at 31 March 2018. The fair value of the investments is estimated by the Alternative Investment Fund Manager (Resscapital AB in Sweden) based on life expectancy and insurance premium outlooks and other such factors. The Company has redeemed most of their investments in Ress Uncorrelated Assets Fund - Ress Life Sub Fund, a specialised investment fund (SIF) in Luxembourg, and received all life insurance contracts. The change in fair value of these life insurance contracts is specified in note 2.

During the period, the Company issued a net quantity of 3,787 new ordinary shares of EUR 500 nominal value per share and with a total share premium of USD 4,628 thousand of shares issued during the period. The Company holds 4,936 treasury shares at period end.

Result for the period

During the period, the net asset value of the Company has increased from USD 1,651.73 per share to USD 1,656.38 per share at 31 March 2018. The increase in the net asset value is in accordance with Management's expectations as expressed in the 2016/17 annual report. The Half-Year Report shows a decrease in comprehensive income from USD 247 thousand for the current period compared with USD 4,790 thousand for the period 1 October 2016 – 31 March 2017. The result is negatively impacted on the costs related to the change in the investment methodology. Taking into account the additional costs the Management considers the result of the period to be satisfactory.

Outlook

The assets of the Company have grown considerably during the period. The outlook for further growth is positive and the Alternative Investment Fund Manager has communicated to the Company that it expects the assets to continue increase in value. The net asset value per share of the Company is also expected to gradually increase as more insurance policies are acquired, insured individuals are getting older and policy pay-outs increase.

Due to the nature of the Company and its investments it is not possible to estimate the level of expected future profits.

Unusual circumstances

There have been no unusual circumstances that have materially affected the Half-Year Report.

Risks and uncertainties

The Company now invests directly in life insurance contracts. Most of the former investments in the SIF have been redeemed, and the Company has received all life insurance contracts of the SIF. Direct investments in the life insurance contracts will be measured at Level 3 in the fair value hierarchy.

The Company's risk remains unchanged in respect to the above.

Events after the balance sheet date

There are no events after the balance sheet date affecting the Half-Year Report.

Development in the portfolio

As of 31 March 2018, the Company owned 214 life insurance policies issued by 49 different US life insurance companies. The total face value of the policies exceeds USD 440 million.

During the first half of the fiscal year 2017-2018, 3 policies with a combined face value of USD 1.23 million paid out.

The actual number of maturities is in line with expected maturities, but the average size of maturing policies has been below average policy size. The AIF Manager believes this is due to the fact that the number of policies held by the Company is still not large enough to minimize volatility in maturities. The portfolio is still growing and therefore the volatility in actual-to-expected ratios is expected to gradually decrease as the number of policies in the portfolio increases.

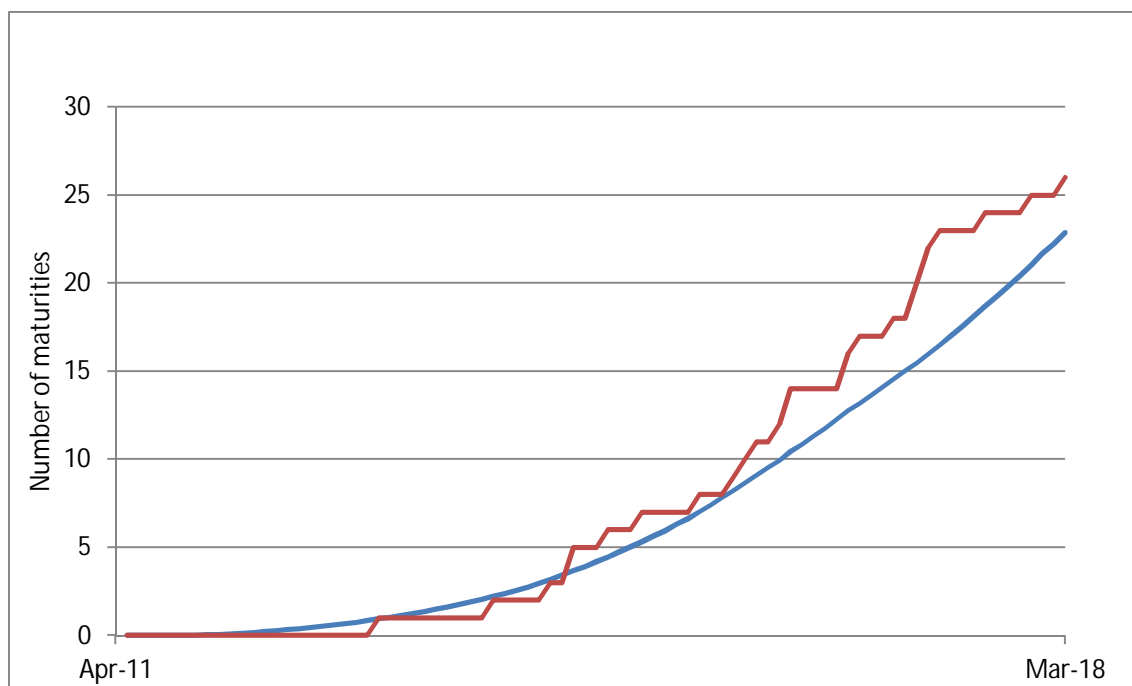
Performance attribution

The table below shows the estimated performance attribution for 2017 as well as Q1 2018. The breakdown below shows the sum of the monthly contributions and will not match the yearly performance to 100%.

Performance	2017	Q1 2018
Realised (Maturities & sold policies)	8.48%	0.47%
Aging effect	3.44%	0.66%
Mtm-adjustment (Change in discount rates)	-1.01%	-0.11%
Life Expectancy Updates	0.01%	0.00%
Premium prepayments	-0.23%	-0.03%
Premium optimization	0.57%	0.13%
COI increases	-0.38%	-0.12%
Gross portfolio performance	10.89%	1.01%
Investment factor effect	-0.34%	-0.04%
Net portfolio performance	10.55%	0.97%
Fund Costs	-3.86%	-0.60%
FX	-0.01%	0.00%
Interest	0.01%	0.00%
Net Fund Performance	6.69%	0.36%

Realized maturities – actual to expected

Actual to expected figures were in line with expectations. The below graph shows the actual number of matured lives (red) versus expected (blue).



Financial statements for the period 1 October – 31 March

Income statement and statement of comprehensive income

Note	USD	1 October 2017 – 31 March 2018	1 October 2016 – 31 March 2017
	Staff costs	-15,575	-8,495
	Other operating costs	-640,447	-161,330
	Operating loss	-656,022	-169,825
	Financial income	967,750	4,962,566
	Financial expenses	-64,975	-3,238
	Profit before tax	246,753	4,789,502
	Tax on profit for the year	0	0
	Profit for the year	246,753	4,789,502
	Comprehensive income	246,753	4,789,502

There have been no transactions in other comprehensive income.

Earnings per share, USD		
Average number of shares issued	52,079	52,703
Earnings per share	4.71	90.44
Earnings per share, diluted	4.71	90.44

Financial statements for the period 1 October – 31 March

Statement of financial position

Note	USD	31 March 2018	30 September 2017	31 March 2017
	ASSETS			
	Non-current assets			
	Financial assets			
2	Other investments	87,657,244	81,109,099	82,653,631
	Other receivables	0	4,000,000	0
		<u>87,657,244</u>	<u>85,109,099</u>	<u>82,653,631</u>
	Total non-current assets	<u>87,657,244</u>	<u>85,109,099</u>	<u>82,653,631</u>
	Current assets			
	Receivables			
	Prepayments	12,769	13,738	9,906
		<u>12,769</u>	<u>13,738</u>	<u>9,906</u>
	Cash and cash equivalents	2,561,145	1,636,239	4,151,517
	Total current assets	<u>2,573,914</u>	<u>1,649,977</u>	<u>4,161,423</u>
	TOTAL ASSETS	<u>90,231,158</u>	<u>86,759,076</u>	<u>86,815,054</u>
	EQUITY AND LIABILITIES			
	Equity			
	Contributed capital	36,269,573	34,037,689	33,191,655
	Share premium	0	0	0
	Retained earnings	53,430,157	48,555,418	53,533,909
	Proposed dividends	0	0	0
	Total equity	<u>89,699,730</u>	<u>82,593,107</u>	<u>86,725,564</u>
	Current liabilities			
	Interest-bearing loans	0	4,003,241	0
	Other payables	531,428	162,728	89,490
	Total liabilities	<u>531,428</u>	<u>4,165,969</u>	<u>89,490</u>
	TOTAL EQUITY AND LIABILITIES	<u>90,231,158</u>	<u>86,759,076</u>	<u>86,815,054</u>

- 1 Accounting policies
- 3 Contractual obligations and contingencies, etc.
- 4 Transactions with related parties

Financial statements for the period 1 October – 31 March

Statement of changes in equity

USD	Contributed capital	Retained earnings	Total
Equity at 1 October 2016	32,320,561	47,863,221	80,183,782
Comprehensive income for the period	0	4,789,502	4,789,502
Transactions with shareholders	871,094	881,186	1,752,280
Equity at 31 March 2017	<u>33,191,655</u>	<u>53,533,909</u>	<u>86,725,564</u>
Equity at 1 October 2017	34,037,689	48,555,418	82,593,107
Comprehensive income for the period	0	246,753	246,753
Transactions with shareholders	2,231,884	4,627,986	6,859,870
Equity at 31 March 2018	<u>36,269,573</u>	<u>53,430,157</u>	<u>89,699,730</u>

Financial statements for the period 1 October – 31 March

Statement of cash flows

Note	USD	2017/18	2016/17
	Total comprehensive income for the period	246,753	4,789,502
	Change in current liabilities	-3,634,541	-43,150
	Change in receivables	969	757
	Financial income	-607,955	-4,961,487
	Financial expenses	0	2,160
	Corporation tax paid	0	0
	Cash flows from operating activities	-3,994,774	-212,218
	Additions of financial assets	-88,544,270	-5,000,000
	Premium payments	-1,651,424	0
	Disposals of financial assets	88,255,504	5,000,000
	Interest received	0	2,104
	Cash flows from investing activities	-1,940,190	2,104
	Issuance of ordinary shares, net	6,859,870	1,752,280
	Interest paid	0	-1,613
	Cash flows from financing activities	6,859,870	1,750,667
	Net cash flows from operating, investing and financing activities	924,906	1,540,554
	Cash and cash equivalents at 1 October	1,636,239	2,610,963
	Cash and cash equivalents at 31 March	2,561,145	4,151,517

Financial statements for the period 1 October – 31 March

Notes to the financial statements

1 Accounting policies

The Half-Year report of Ress Life Investments A/S for 2016/17 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by EU and Danish disclosure requirements for listed companies.

The accounting policies used in the preparation of the financial statements are consistent with those presented in the annual report 2016/17, to which we refer.

The investments classified at fair value held by the Company are measured at fair value based on inputs other than quoted prices, that are observable for the investment, either directly or indirectly (Level 2 of the fair value hierarchy) or non-observable input (Level 3 of the fair value hierarchy).

2 Financial assets at fair value

Fair value measurement

The underlying assets in Ress Uncorrelated Assets Fund – Ress Life Sub Fund (SIF) and the direct life insurance contracts are valued using the 'Fair value' concept in connection with certain disclosure requirements and for recognition of financial instruments. Investments in the SIF are measured at level 2 and the direct investments in life insurance contracts are measured at level 3.

'Fair value' is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The valuation approach used in relation to the life insurance contracts is based on discounted probability weighted cash flows. The valuation approach incorporates all of the factors that market participants would take into account in pricing a transaction, such as cash flows (premiums and death benefits), discount rates and life expectancies (mortality assumptions).

The probabilities are based on applying a life expectancy to a mortality table in order that the mortality factor (the ultimate factor) applicable to the given insured can be derived from the table itself. The approach to the mortality distribution is based on the use of the VBT 2008 tables (2008 Valuation Basic Table created by the Society of Actuaries from North America).

The life expectancy estimate ("LE") is one of the most important variables in pricing policies in the secondary market for life insurance contracts and the valuation of funds investing in life insurance contracts is heavily dependent on (LE) information. Upon purchase of the assets, LE reports are obtained from at least two underwriters. LE reports are medical opinion from specialised medical underwriters, based on the latest medical records or other relevant information. The Alternative Investment Fund Manager is using a conservative approach, selecting the most conservative LE report on most occasions for valuation purposes.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial assets at fair value (continued)

The fair value of life insurance contracts is sensitive to the choice of discount rates. Discount rates are determined at the level of sub-groups of the life insurance portfolio. The sub-groups are based on the face value of policies and the credit rating of insurance carriers. The discount rates of each sub-group result from the Internal Rate of Return ("IRR") for each policy in the sub-group, at purchase. A parameterisation of the discount rates for each sub-group is based on an exponential moving average taking into account changes in IRRs when new acquisitions are made within the respective sub-group. Under this methodology, the discount rate in each sub-group is recalibrated whenever a policy, that falls into the sub-group, is acquired.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- Level 1: Value in an active market for similar assets/liabilities
- Level 2: Value based on recognised valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

The determination of what constitutes 'observable' requires significant judgement by Ress Life Investments A/S ("the Company"). The Management of the Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following method and assumptions were used to estimate the fair values.

The Company has previously primarily invested in the Master Fund whose net asset value (NAV) is used as fair value of Other Investments. The Alternative Investment Fund Manager calculates the NAV in the Master Fund once every month per the end of each month. The Master Fund used to invest in life insurance policies.

Due to the changes in the investment strategy, the Company now primarily invests directly in the life insurance policies. The fair value measurement of the investments is estimated on an individual basis based on several factors such as premium payments and changes in these, updates of life expectancy, changes in discount rates and general "mark-to-market" adjustments. Twice a year, the calculations are validated by an external auditor or actuary.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial assets at fair value (continued)

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at 30 March 2018. All fair value measurements disclosed are recurring fair value measurements.

31 March 2017	Level 1	Level 2	Level 3	Total
Other investments	0	82,653,631	0	82,653,631
	<u>0</u>	<u>82,653,631</u>	<u>0</u>	<u>82,653,631</u>
31 March 2018				
Other investments	0	975,108	86,682,136	87,657,244
	<u>0</u>	<u>975,108</u>	<u>86,682,136</u>	<u>87,657,244</u>

Carrying amount is equal to fair value for all financial assets and financial liabilities.

There have been no transfers between the levels in the fair value hierarchy this year.

The fair value of receivables, prepayments, cash, payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments. The Company's own credit risk has not been taken into account.

For instruments with recurring Level 3 fair value measurements, the carrying value has been specified in below table:

USD	2017/18
Opening balance (1 October)	0
Additions	84,544,271
Premium payments	1,651,424
Fair value adjustment	486,441
Closing balance (31 March)	<u>86,682,136</u>

Financial statements for the period 1 October – 31 March

Notes to the financial statements

2 Financial assets at fair value (continued)

Sensitivity analysis

The sensitivity of the valuation result to changes in assumptions is illustrated by introducing changes to one specific assumption at a time and comparing the result before and after the change.

A sensitivity analysis is made based on the following scenarios:

- Discount rate sensitivity;
- Mortality sensitivity

No sensitivity analysis is presented in relation to cash flows as cash inflows consist of death benefits fixed at policy inception and cash inflows consist of scheduled premium payments.

Discount rate sensitivity

The discounting rate sensitivity analysis has been performed around the weighted (by face value) average discount rate across the portfolio.

As at 31 March 2017:

Discount rate	10%	12%	14%	16%
Value of portfolio	110,715,463	95,634,898	83,519,603	73,664,909
% of total face amount	25.1%	21.7%	18.9%	16.7%

Mortality sensitivity

A one month extension (or reduction) for all life expectancies in the portfolio corresponds to a negative (respectively positive) impact of USD 1,603,616 or approximately 0.36 % of the face value of the portfolio.

3 Contractual obligations and contingencies, etc.

The Company has no contractual obligations or contingent liabilities. Further, the Company has not issued mortgages or bonds or provided collateral for any assets held by the Company.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

4 Related parties

The Company's transactions with related parties are carried out on arms-length conditions. A specification of those parties considered related to the Company is presented in the annual report.

Ress Life Investments A/S' related parties include:

Name of related party	Nature of transactions
Banque Carnegie Luxembourg SA	Loans
Board of Directors	Board remuneration
Citco Denmark ApS	Domiciliary and administrative management fee
Kromann Reumert*	Legal advisory services
Resscapital AB	AIF management fee
Ress Uncorrelated Assets Fund	Investments and loans

**Board member Jeppe Buskov is a partner hereof*

Transactions with related parties comprise:

	2017/18	2016/17
Remuneration to Board of directors	11,640	-24,122
Banque Carnegie Luxembourg SA	4,066,034	0
Citco Denmark ApS	45,347	47,819
Kromann Reumert	11,564	26,049
Resscapital AB	262,050	22,690
Ress Uncorrelated Assets Fund	-84,255,504	0