Proventus Capital Partners III AB (publ)
Org nr 556926-8021

ANNUAL REPORT FOR THE FINANCIAL YEAR 2019

The Board of Directors and Chief Executive Officer of Proventus Capital Partners III AB (publ) hereby present the annual report for the financial year 1 January 2019 - 31 December 2019.

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Unless otherwise stated, all amounts refer to thousands of Swedish kronor (SEK ‘000). Figures in parentheses refer to the previous year.

DIRECTORS' REPORT

OPERATIONS

Proventus Capital Partners III AB, which is a wholly-owned subsidiary of Proventus Capital Management AB (556930-7027), operates a corporate lending business. The company is an alternative investment fund within the meaning of the Swedish Alternative Investment Fund Managers Act (2013:561) and has since 18 June 2014 been managed by the parent company, Proventus Capital Management, which holds a licence from the Swedish Financial Supervisory Authority for the management of alternative investment funds under the Alternative Investment Fund Managers Act (2013:561).

The business is focused on direct loans to businesses and the acquisition of listed bonds and other debt securities. The Company's main currency is Swedish kronor (SEK). Any investments made in other currencies are normally hedged to Swedish kronor. The investments are made alongside Proventus Capital Partners III KB (corp. ID 969736-8125). At the start of the financial year assets, liabilities and profits were transferred from the previous subsidiary Proventus Capital Partners III KB to Proventus Capital Partners III AB for a value corresponding to their book value. The direct ownership thereafter seized to exist and Proventus Capital Partners Alpha KB is no longer a subsidiary. Due to this there is no longer any consolidated financials for the the companies. Instead Proventus Capital Partners Alpha KB will be consolidated with Proventus Capital Management AB which has deciding influence. For this reason many comparables are not relevant as the portfolio wasn't held directly in Proventus Capital Partners III AB previously.

The operations are funded with capital contributed by the owner and through profit-participating loans from primarily institutional investors. The total funding commitments to the Group are SEK 10,840 million.

The funding available to the Company can be drawn by the Company through individual capital contributions of 5 per cent of the total commitments. A total of SEK 10,298 million has been contributed to the Company, corresponding to 95 per cent of total funding.

From the the 4 December 2018, Proventus Capital Partners III was closed to new investments, as Proventus Capital Group has founded its new new fund Proventus Capital Partners IV. That month a final capital call was made and no more capital calls will be made.

Profit-sharing with holders of profit participation certificates of the company is settled in Swedish kronor. The annual accounts are prepared in Swedish kronor.

RESULTS AND FINANCIAL POSITION

The investment portfolio has been built up gradually since 2014 and consisted at the end of the reporting date of twenty-four (twenty-five) debt instruments. Approximately 93% (94%) of the portfolio is invested in direct lending to businesses. The value of the loan portfolio was SEK 4,647 (6,113) million of which SEK 4,156 million belongs to the company. The portfolio of listed bonds, including accrued interest and forward contracts amounted to SEK 351 (416) million at the end of the financial year of which SEK 314 million belongs to the company. The cumulative return on the portfolio since its inception is SEK 1,741 (1,826) million of which SEK 1,557 million belongs to the company.

Net profit for the financial year was SEK 0.0 (0.0) million and equity at the end of the period was SEK 30 (30) million.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

During the first quarter a Corona-virus spread over the globe and turned into a pandemic. This has had severe effects on human life, the economy as a whole and for financial markets. The effect on credit markets has been significant and both the risk premia and the re-financing risk has increased. Of the borrowers, to whom the Company has lent money, the effects of Covid-19 are deemed to be material for seven companies, three companies might be materially affected while the rest are currently not directly affected by the Covid-19 situation. How this will impact the value of the Company's loans is currently uncertain and will be determined by how long restrictions are kept on travel and social interaction and how deep and prolonged any downturn in the overall economy will be.

In March 2020 Aperture Trading entered into Administration in the UK and as a result of this the fund made a reservation in the audited financial report to reflect a value corresponding to expected recovery. Aperture which was in the building industry has during a few years had problems with falling demand and low margins due to over-capacity in the industry together with rising commodity prices. This together with further decrease sales turned into losses and liquidity problems resulting in the fact that Aperture had to enter Administration when the Covid-19 out-break started.

OUTLOOK

The company's target is to generate a 10 per cent net annual return for the holders of profit participation certificates. Due to the composition of the portfolio and the development since the inception as well as the situation of low interest which has been prevelant together with current problems in the global economy, returns are estimated to be a few per cent lower.

OWNERSHIP

Proventus Capital Partners III AB (publ) with registered office in Stockholm has the following ownership structure:

Shareholder	No. of shares
Proventus Capital Management AB	5 000
Total	5 000

PROPOSED APPROPRIATION OF RETAINED EARNINGS

Group contributions in a total amount of SEK 40.2 (0.1) million have been received and SEK 0 (43.7) million have been paid to the parent company. The Board believes that the reported equity after group contributions is adequate with regard to the equity requirements arising from the nature, scope and risks of the business. The proposed Group contribution is therefore deemed defensible with regard to what is stated in Ch. 17 Sec. 3 paragraphs 2-3 of the Swedish Companies Act.

The Board proposes that the available funds be allocated as follows:

Non-restricted reserves	29 630 727	
Profit for the year	28 821	
Total	29 659 548	SEK

The Board of Directors proposes that the available earnings be distributed as follows:

To be carried forward	29 659 548	
	29 659 548	SEK

The results of the operations during the financial year and the financial position at the end of the financial year are presented in the following income statement, balance sheet and additional disclosures.

CORPORATE GOVERNANCE REPORT

In accordance with the requirements specified in Ch. 6 Sec. 8 of the Swedish Annual Accounts Act, the company has prepared a corporate governance report. The report can be obtained from the company and is distributed upon request.

INCOME STATEMENT

	Note	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Income from investments in Group companies		0	714 662
Interest income using the effective interest method	5	336 533	12 883
Change of reserve for expected credit losses	1	-544 689	
Other interest income and similar income	5	889 203	1 059
Interest expense and similar charges	5	-676 406	-622 556
Administrative expenses	4	-44 803	-62 385
Operating income		**-40 162**	**43 663**
Group contributions received		40 220	133
Group contributions made		0	-43 663
Profit before tax		**58**	**133**
Tax	6	-29	-163
Profit for the year		**29**	**-30**

STATEMENT OF COMPREHENSIVE INCOME

Profit for the year		29	-30
Other comprehensive income		-	-
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income for the year		**29**	**-30**

BALANCE SHEET

ASSETS	Note	2019-12-31	2018-12-31
Non-current assets			
Investments in Group companies		0	5 309 568
Long-term financial investments	7	4 099 117	114 923
Total non-current assets		**4 099 117**	**5 424 491**
Current assets			
Current receivables			
Trade recievables		507	122
Receivables from Group companies		241 951	1 579 424
Tax recievables		1 603	-
Other current receivables		1 422	1 890
Short-term investments	8	372 653	
		618 136	1 581 436
Cash and cash equivalents		968 332	14 269
Total current assets		**1 586 468**	**1 595 705**
TOTAL ASSETS		**5 685 585**	**7 020 196**

BALANCE SHEET

EQUITY AND LIABILITIES	Note	2019-12-31	2018-12-31
Equity			
Restricted equity			
Share capital (5,000 shares with a quotient value of 100)		500	500
		500	500
Non-restricted equity			
Retained earnings		29 631	29 076
Profit for the year		29	-30
		29 660	29 046
Total equity		**30 160**	**29 546**
Non-current liabilities			
Other non-current liabilities	9	5 598 888	5 702 923
Total non-current liabilities		**5 598 888**	**5 702 923**
Current liabilities			
Trade payables		132	175
Liabilities to Group companies		44 700	1 278 278
Tax liabilities		0	57
Other liabilities	10	11 114	8 991
Accrued expenses and deferred income	11	591	226
Total current liabilities		**56 537**	**1 287 727**
TOTAL EQUITY AND LIABILITIES		**5 685 585**	**7 020 196**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Other paid-in capital	Total capital
Opening balance, 1 January 2018	**500**	**-313**	**32 926**	**33 113**
Comprehensive income				
Profit for the year		-30		-30
Other comprehensive income				
Total other comprehensive income		**-30**		**-30**
Transactions with shareholders				
Shareholder contributions received*)			12 000	12 000
Shareholder contributions repaid*)			-15 537	-15 537
Total transactions with shareholders			**-3 537**	**-3 537**
Closing balance, 31 December 2018	**500**	**-343**	**29 389**	**29 546**
Comprehensive income				
Profit for the year		28		28
Other comprehensive income				
Total other comprehensive income		**28**		**28**
Transactions with shareholders				
Shareholder contributions received*)			6 000	6 000
Shareholder contributions repaid*)			-5 415	-5 415
Total transactions with shareholders			**585**	**585**
Closing balance, 31 December 2019	**500**	**-315**	**29 974**	**30 159**

*) The operations are funded partly through contingent capital contributions from the owners. The terms of repayment for the contributions are that repayments have been made on the fund's portfolio.

STATEMENT OF CASH FLOWS

	Note	2019	2018
	12		
Cash flow from operations		**903 429**	**652 120**
Interest paid		-133 417	-197 033
Interest received		-266 741	60 930
Increase in current liabilities		-1 518	1 832
Increase in recievables fron Group companies		1 337 821	-713 495
Increase in liabilities to Group companies		-921 097	204 044
Decrease in current liabilities		2 388	-2 772
Cash flow from operating activities		**920 865**	**5 626**
Acquisition of/increase in shares in Group companies		-	-2 168 000
Disposal of/decrease in shares in Group companies		5 309 568	2 807 018
Acquisition of/increase in short-term investments		-373 159	-
Disposal of/decrease in short-term investments		92 732	-
Acquisition of/increase in long-term fin. investments		-5 533 265	
Disposal of/decrease in long-term fin. investments		1 184 045	
Cash flow from investing activities		**679 921**	**639 018**
Group contribution paid		-5 254	-5 021
Shareholder contributions received		6 000	12 000
Shareholder contributions repaid		-5 415	-15 537
Decrease in non-current liabilities		-642 054	-635 481
Cash flow from financing activities		**-646 723**	**-644 039**
Cash flow for the year		**954 063**	**605**
Cash and cash equivalents at beginning of year		**14 269**	**13 664**
Cash and cash equivalents at end of year		**968 332**	**14 269**

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES

Note 1 Accounting policies

The annual accounts of the parent company has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554), Recommendation RFR 2 (2008:25) of the Swedish Financial Reporting Board and the Swedish Alternative Investment Fund Managers Act (2013:561).

The company applies the alternative rule under RFR 2 for accounting of group contributions, which means that group contributions are accounted for as appropriations in the income statement.

Receivables and liabilities in foreign currency
Receivables and liabilities in foreign currency have been valued at closing rates. Currency futures used to hedge short-term investments are stated at fair value with changes in value recognised through profit or loss as interest income and similar items. The following exchange rates have been used in translating assets and liabilities:

EUR 10,4336 (10,2753); USD 9,3171 (8,9710); GBP 12,2145 (11,3482)

Classification of non-current and current assets in the balance sheet
Non-current assets include loan receivables which are intended to be held to maturity. Current assets include short-term investments and bank deposits.

Valuation rules
Non-current financial assets in foreign currency are measured at accrued cost adjusted to the currency rate at the balance sheet date, according to the above.

Financial instruments: recognition and measurement
Financial assets are classified as loan receivables and short-term investments.

The classification depends on the purpose for which the financial asset was acquired. The classification of financial assets is determined by management upon initial recognition.

Loan receivables are financial assets which are not derivatives, have determinable payments and are not listed on an active market. They are included in non-current assets, with the exception of items maturing within 12 months after the balance sheet date, which are classified as current assets.

Short-term investments are financial instruments and derivatives which are traded on a regulated market. Derivatives with negative values are classified as other current liabilities.

Short-term investments and derivatives with a negative value are measured at fair value. Changes in value are recognised in interest income and similar income items.

Profit participation loans are recognised at cost, which depends on the underlying return on the company's assets. A positive return on profit participation loans is accounted for as an interest expense for the company and is included in the market value. A negative return on profit participation loans is accounted for as an interest income in accordance with the effective interest method and is included in the market value.

Other receivables and liabilities are stated in the balance sheet at their nominal value or at the value that is expected to be received.

In autumn 2016, the International Accounting Standards Board adopted the standard IFRS 9 Financial Instruments, which became effective on 1 January 2018. Under the standard, the recognition of credit losses should be based on expected loss events and not on incurred loss events. The majority of the Company's financial assets refer to loans that are currently classified as held-to-maturity assets and measured at amortised cost, which meet the criteria for measurement at accrued cost in accordance with IFRS 9.

Financial assets which are subject to impairment have been divided into three categories based on the risk of default. The first category includes assets whose credit risk has not increased significantly at the reporting date, in the second a significant increase in the credit risk has occurred and in the third there is objective evidence of impairment. For assets in the first category, an impairment loss should be recognised based on expected losses over the next twelve months, and in categories two and three expected losses for the whole term of the asset should be recognised. This means that impairment losses for expected losses should be recognised on initioal recognition. For financial liabilities, the classification and measurement are not changed.

New and amended standards and interpretations of existing standards which have become effective as of the 1 January 2019

The new standard IFRS 16 is not expected to have any material impact, as the Company currently has no rental contracts or leases.

The following table shows how loans have been classified in accordance with IFRS 9.

2019

	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2019	114 923	114 923	0	0
Re-classifications				
Re-classification from cat. 1 to cat. 2				
Re-classification from cat. 1 to cat. 3				
Re-classification from cat. 2 to cat. 3				
Re-classification from cat. 3 to cat. 2				
Re-classification from cat. 3 to cat. 1				
Loans repaid	-1 530 914	-1 196 768	-334 145	0
Loans paid	5 139 457	3 707 780	822 948	608 729
Change in accrued interest	2 981	13 654	4 549	-15 223
Impairments	-555 550	0	0	-555 550
Revaluation currency/other adjustments	309 889	277 252	21 433	11 204
Loans on 31 Dec 2019	3 480 786	2 916 840	514 785	49 160

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2019	0	0	0	0
Re-classifications				
Re-classification from cat. 1 to cat. 2				
Re-classification from cat. 1 to cat. 3				
Re-classification from cat. 2 to cat. 1				
Loans repaid	13 382	8 004	5 377	
Loans paid	-37 438	-19 761	-17 677	
Change regarding "PDs/LGDs/EADs"	-557 463	-8 701	6 788	-555 550
Change in model assumptions				
Revaluation currency/other adjustments	-870	-659	-210	
Reservation on 31 Dec 2019	-582 389	-21 117	-5 722	-555 550

2018

	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2018	152 946	152 946		
Loans repaid	-44 371	-44 371		
Loans paid	0			
Change in accrued interest	-97	-97		
Revaluation currency/other adjustments	6 445	6 445		
Loans on 31 Dec 2018	114 923	114 923	0	0

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2018	0	0	0	0
Loans repaid	0			
Loans paid	0			
Revaluation currency/other adjustments	0			
Reservation on 31 Dec 2018	0	0	0	0

The following table shows how financial assets and liabilities have been classified in accordance with IFRS 7

2019	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Assets				
Loans	3 453 947		3 453 947	
Preferential shares	645 169	645 169		
Trade recievables	507		507	
Receivables from Group companies	241 951		241 951	
Tax receivables	1 603		1 603	
Other receivables	1 422		1 422	
Derivates	67 744	67 744		
Bonds	304 909	304 909		
Cash and cash equivalents	968 332		968 332	
Total	5 685 585	1 017 822	4 667 762	
Liabilities				
Profit participation loans	5 598 888			5 598 888
Trade payables	132			132
Liabilities to Group companies	44 700			44 700
Other current liabilities	11 114			11 114
Accrued expenses	591			591
Total	5 655 425			5 655 425

2018	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Assets				
Financial assets	114 923		114 923	
Investments in Group companies	5 309 568		5 309 568	
Trade recievables	122		122	
Receivables from Group companies	1 579 424		1 579 424	
Other receivables	1 885		1 885	
Prepaid expenses	5		5	
Cash and cash equivalents	14 269		14 269	
Total	7 020 196		7 020 196	
Liabilities				
Liabilities to credit institutions	0			
Profit participation loans	5 702 923			5 702 923
Trade payables	175			175
Tax liabilities	57			57
Liabilities to Group companies	1 278 278			1 278 278
Other current liabilities	8 991			8 991
Derivates	0			
Accrued expenses	226			226
Total	6 990 650			6 990 650

Assets at fair value

The tables below contain information on how fair value has been determined for financial instruments measured at fair value in the balance sheet. The breakdown of how fair value is determined is based on three levels:

Level 1: in accordance with prices quoted on an active market for the same instrument
Level 2: based on directly or indirectly observable market data not included in Level 1
Level 3: based on non-observable inputs in the market

The following table shows the company's asset and liabilities at fair value at 31 December 2019

	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Long-term investment, preferential shares			645 169	645 169
- Securities held for trading		304 909		304 909
- Derivates used for hedging		67 744		67 744
Total assets	-	372 653	645 169	1 017 822
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivates used for hedging				
Total liabilities	-	0	-	0

The following is a description of the principal methods and assumptions used in determining the fair values of the financial assets and liabilities presented in the tables above.

Short-term investments and other financial investments

Bonds are stated at quoted bid prices. If a current price is not available the latest quoted price is used coupled with an individual assessment of the price. In these cases, the price is determined on the basis of:

- Historical prices of the quoted instrument.
- A price obtained by the company from an independent broker on or close to the reporting date.
- Prices of other instruments with comparable maturities issued by the same issuer.
- The price of the issuer's CDS contracts if this information is available.

All deviations from quoted prices or individually assessed prices are documented by the investment organisation.

Derivatives

For currency contracts fair value is determined based on quoted exchange rates for each currency. The fair value of interest rate swaps is based on discounted estimated future cash flows in accordance with the terms and maturity dates of the contract and using the market rate for similar instruments at the balance sheet date.

Other assets and liabilities that are not carried at fair value

The company's best estimate is that the carrying amount of those financial assets and liabilities that are not carried at fair value is essentially the same as fair value. For the loan portfolio as a whole, there has been no significant change in the underlying credit risk that would affect the amortised cost and indicate a significant difference compared to the fair value.

Investor reporting

The issued profit participation certificates entitle the holder to a return as of the first issue date, 14 May 2014. The Company conducted no operations prior to 14 August 2014, which means that the full reported profit is shared in accordance with agreements with the investors.

	2019-01-01 2019-12-31	2018-01-01 2018-12-31	2014-05-14 2019-12-31
Interest income, dividens and change in value	-78 652	12 883	-1 494
Income from investments in group companies		714 662	1 579 291
Other interest income and similar	12 540	1 059	15 027
Write-down of profit participation certificates	747 159		747 159
Interest expense and similar expenses	-4 970	-14 098	-84 679
Administrative expenses	-44 803	-62 385	-264 124
Profit before profit-sharing	631 274	652 121	1 991 180
Share of profit, profit participation certificates	-671 436	-608 458	-1 904 105
Profit before tax and Group contributions	**-40 162**	**43 663**	**87 075**

Profit participation loans
Changes in the amortised cost of the company's outstanding profit participation loans are dependent on the underlying return on the company's assets. No portion of the return on the profit participation certificates is guaranteed by the company and the holders bear the same risk as the company's owners in respect of invested capital. All investors will recive, if conditions permit, a lowest returns amounting to stibor + 2 per cent, but at least 5 per cent annually before profit-sharing between the company and investors occur. Any net profit exceeding the hurdle rate is divided 80/20 betwen the investors and Proventus Capital Partners III AB. Realised gains on holdings inthe portfolio less expenses for the period are distributed on a quarterly basis. Profit-sharing is settled in Swedish kronor, which means that all reporting to investors is in Swedish kronor.

Note 2 Financial risks
The Company is exposed to interest rate risk, credit risk, currency risk and liquidity risk. The lenders bear the same risk as the shareholders of the company and the return is dependent on the outcome of the company's portfolio management activities. The loans have no guaranteed return or guaranteed right to repayment. The return is contingent on the realisation of profits and is settled quarterly if the conditions for payment under the loan conditions. Due to this structure, the company's Risks, as described below, are not affected.

Interest rate risks and credit risks
The company has a limited risk exposure, as changes in interest rates normally do not have a significant impact. The intrest rate to the company's lenders is dependent on tthe returns on the company's assets. Returns from the loans and assets of the subsidiaries are also linked to a variable market rate. The Company minimises the interest rate risk in its loan receivables by ensuring that loans issued in the great majority of cases bear variable interest plus margin. As a result, the interest margin remains unchanged over time. For longer fixed-rate terms, the interest rate can be swapped to 90 days to reduce the interest rate risk. Each borrower's creditworthiness and the associated required return are assessed at the time of issuing the loan. The Company applies an internal risk and pricing model which takes account of factors such as the company's industry, market conditions, the company's profitability and debt level. Based on the model, the lowest interest rate and terms for each commitment are determined. The credit quality of all commitments are monitored continuously and any need for provisions is assessed on a quarterly basis. Overall, the portfolioa has delivered below expectations but overall the credit quality as a whole is deemed to be of realtively good quality. Therefore, the valuation of loans are deemed to be correct.

The Company's bond portfolio is exposed to interest rate risk, credit risk and in some cases also currency risk. As the focus of investments is on high-yield bonds the price of the bonds is influenced by interest rate risk but primarily by credit risk. The risk is assessed using the same model that is used for the loan portfolio.

To limit the risk, the company has internally limited the size of each commitment in the loan and bond portfolios based on the total available funds.

Currency risks
In cases where investments are made in other currencies than Swedish kronor the underlying investment is hedged to minimise the currency risk. The concluded futures contracts normally have maturities of three months, after which new contracts are concluded to hedge the investment. Over time, this means that realised gains and losses will arise on the hedging instruments while underlying investment will remain unrealised. The currency effect in the result of the change in value in the underlying investment and the hedging instrument will cancel each other out. Changes in exchange rates therefore do not have a significant impact.

Liquidity risk
The Company's liquidity risk consists partly in the possibility of realising holdings in the loan and bond portfolios but also in the ability to repay borrowed funds. Both risks reflect each other. The overall liquidity risk for the company is deemed to be low. The operations are funded partly through profit participation loans and party through equity. Profit participation loans are paid back as receivables fall due and liquidity flows in or as returns are realised. Profit participation loans are impacted the Company's return and under the applicable terms may not be repaid unless funds are available.

As a result of the Company's investments in direct loans and high-yield bonds it may in certain cases be difficult to realise the holdings. As the holders of the profit participation loans are in any case not permitted to call the loans, with the exception of realised gains/payments falling due, the overall´ liquidity risk is low. The company has the right to raise short-term funding to increase flexibility and improve its ability to exploit investment opportunities pending the issue of additional profit participation loans as part of the total loan funding commitments from the lenders.

The following table of undiscounted cash flows shows the Company's financial receivables and liabilities by remaining maturity at the balance sheet date. Each bond receivable as at the balance sheet date has been reviewed and the date of repayment has been estimated. The interest rate is based on a contracted expected return at the time of issuance. Currency futures have been recognised on a net basis. The settlement procedure for these varies. In some cases, the gross amount is exchanged and in other cases the contract is settled on a net basis. However, all futures contracts are concluded with established counterparties, and the risk that only one flow in the contract will be exchanged and thus constitute a risk for the company is viewed as purely theoretical. Payments under the profit participation loans follow the expected interest flows for the loan portfolio as well as repayments where the return is dependent on the performance of the loan portfolio.

Undiscounted cash flows 2019	**Total**	**< 1 year**	**1–2 years**	**3–5 years**	**> 6 years**
Loans and pref. shares	4 900 980	1 582 434	2 333 155	985 391	
Receivables from Group companies	241 951	241 951			
Other current receivables	1 422	1 422			
Bonds	324 684	255 816	68 869		
Derivates	67 744	67 744			
Cash and cash equivalents	968 332	968 332			
Total	6 505 114	3 117 698	2 402 024	985 391	-
Liabilities to Group companies	-44 700	-44 700			
Other liabilities	-11 838	-3 727	-8 111		
Derivates	0	0			
Profit participation loans	-6 249 872	-2 542 216	-2 388 730	-1 318 926	
Total	-6 306 410	-2 590 643	-2 388 730	-1 318 926	-

Undiscounted cash flows 2018	**Total**	**< 1 year**	**1–2 years**	**3–5 years**	**> 6 years**
Loans	6 343 654	3 606 788	2 431 613	305 253	
Bonds	323 002	314 578	8 425	0	
Receivables from Group companies	1 579 424	1 579 424			
Other current receivables	2 012	2 012			
Cash and cash equivalents	14 269	14 269			
Total	8 262 361	5 517 070	2 440 038	305 253	-
Liabilities to Group companies	-1 278 278	-1 278 278			
Other liabilities	-9 449	-9 449			
Derivates	0	0			
Profit participation loans	-7 221 318	-4 259 919	-2 626 412	-334 987	
Total	-8 488 449	-5 527 050	-2 626 412	-334 987	-

Note 3 Critical accounting estimates and judgements

The Company reviews its loan receivables on a quarterly basis to assess the need for provisions for doubtful receivables. The assessment is made individually for each loan contract. An in-depth analysis of each commitment is made on a quarterly basis to assess whether the company will be able to meet the agreed terms.

Note 4 Administrative expenses

In the financial year 2019, total fees of SEK 1.911 million were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following catogories:

PwC:	2019	2018
Audit engagement	791	178
Tax advisory services	1120	-
	1 911	178

Intercompany purchases and sales:

In adminstrative expenses is included an invoiced administration fee of SEK 32.8 (58.4) million from the parent company Proventus Capital Management AB. Group contributions of SEK 40.2 (-43.5) million were received by Proventus Capital Partners III AB from the parent company.

Average number of employees: The company has as last year no had no employees during the financial year.

Note 5 Interest income, interest expense and similar income/charges

	2019	2018
Interest income in accordance with the effective interest method		
Interest income in accordance with the effective interest method	336 533	13 942
Total	336 533	13 942
Interest income and similar income		
Interest income and change of value on bonds	69 392	-
Other interest income	251	-
Dividends	60 112	-
Currency profit/loss	9 547	-
Write-down of profit participation certificates	747 159	50 779
Other financial income	2 742	-
Total	889 203	50 779
Interest expense and similar charges		
Interest, profit participation certificates	-671 436	-659 237
Interest expenses	-3 903	-13 049
Currency profit/loss	-1 067	-1 049
Total	-676 406	-673 335
Interest income from assets at fair value	33 764	0
Interest income from assets at amortised cost	336 533	12 883
	370 297	12 883
Interest expense from liabilities at fair value	-3 903	-166
Interest expense from liabilities at amortised cost	-671 436	-621 341
	-675 339	-621 507

Note 6 Tax

	2019	2018
Reported profit before tax	58	133
Tax calculated at applicable rate, 21,4%	-12	30
Tax effect from non-deductible expenses	-134129	-30
Tax effect from non-taxable income	141067	-133
Tax attributable to reported profit/loss for previous years	-29	-
Reported tax expense	-29	-133

Since the autumn 2017, the company has an ongoing correspondence with the Swedish tax authorities regarding a loss in one of Proventus Capital Partners III's commitments. In 2018, the tax authorities have limited the discussion to the question whether the subsidiary Proventus Capital Partners III KB performs operations from a fiscal point of view, which would limit Proventus Capital Partners III's right to deduct tax losses in 2017. Proventus Capital Partners III claims that the limited partnership definitely performs taxable operations, and no provision for additional tax has not been made in the year-end report for 2018 or 2019.

Note 7 Non-current financial assets

	2018-12-31	2017-12-31
Loans	3 427 462	114 628
Preferential shares	645 169	-
Accrued interest	26 485	295
Total	4 099 117	114 923

Other securities held as non-current assets refer to investment in the shape of direct loans or preference shares to businesses. At the end of the financial year, the portfolio comprised twenty-one loans and one investment in preference shares. Maturities will vary and are estimated at one to four years.

Note 8 Short-term investments

	2019-12-31		2018-12-31	
	Cost	Fair value	Cost	Fair value
Derivates	-	67 744	-	-
Bonds	279 717	303 481	-	-
Accrued interest	-	1 428	- -	
	279 717	372 653	0	0

The holdings were valued at market value.

Composition of the portfolio

2019-12-31	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Bonds (USD)	35 240	92,4%	32 572	9,3171	303 481
					303 481

2018-12-31	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Bonds (USD)					
					0

Note 9 Other non-current liabilities

Profit participation certificates

The holders of profit participation certificates have undertaken to provide funding of up to SEK 10,780 million. The owners' contributions under the same agreement is SEK 60 million. The capital can be accessed on ten days' notice in portions of 5 per cent of the total undertaking.

The lenders bear the same risk as the shareholders of the company with regard to the return on invested capital. However, the shareholders have a greater responsibility for the business and a duty to distribute the return to the holders of the profit participation certificates in accordance with the contractual provisions. The loans have no guaranteed return or guaranteed right to repayment. The return is contingent on the realisation of profits and is settled quarterly if the terms of the loans have been met, see also the information under "Accounting principles".

Return, profit participation loans

		2019-12-31		2018-12-31	
SEK	Maturity	Nominal value	Carrying amount	Nominal value	Carrying amount
Profit participation certificates	2014-2024	4 638 125	5 598 888	5 280 179	5 702 923
Unrealised gain			960 763		422 744
Realised gain			943 342		809 925
Total accumulated income, profit participation loans			1 904 105		1 232 669

The profit participation loans are listed on the Debt Securities segment of the Nordic Growth Market NGM AB in Stockholm.

Note 10 Other liabilities

	2019-12-31	2018-12-31
Other current liabilities	11 114	8 991
Currency futures	-	-
Total	11 114	8 991

Currency futures are intended for hedging of the loan and bond portfolios. The futures are valued at fair value.

Note 11 Accrued expenses and deferred income

	2019-12-31	2018-12-31
Audit fee	537	81
Other accrued expenses	54	145
Total	591	226

Note 12 Cash flow from operating activities

	2019	2018
Profit for the year	**29**	**133**
Adjustments for non-cash items, etc.:		
Unrealised gain/loss on currency futures	-67 744	-
Unrealised change in value, short-term investments	-23 507	-
Unrealised change in value, loans	391 217	-
Group contributions made	-40 087	43 530
Allocated interest expenses	671 140	608 360
Allocated interest income and dividend	-27 619	97
Cash flow from operations	**903 429**	**652 120**

Reconciliation of liabilities arising from financing activities

	CB 31 Dec 2018	New Loans	Repaid Loans	Non-cash items *)	CB 31 Dec 2019
Other non-current liabilities	5 702 923	1 078 000	-972 895	-209 140	5 598 888
Total liabilities from financing activities	**5 702 923**	**2 156 000**	**-2 791 481**	**-209 140**	**5 598 888**

*) Non-cash items refer towrite-downs of the profit participation certificates and non-paid accrued interest to holders of profit participation certificates.

Note 13 Contingent liabilities

	2019-12-31	2018-12-31
Contingent liability in the capacity of general partner of Proventus Capital Partners III KB	5 992	36 752
Funding commitments made to existing borrowers.	65 001	-
Guarantor for overdraft facility in Proventus Capital Partners III KB	500 000	500 000
	570 993	**536 752**

Note 14 Related party transactions

Proventus Capital Partners III AB (publ) is owned by Proventus Capital Management AB (556930-7027), which is the parent company of the Group.

The parent company provides services to the company, for which it receives a management fee that is based on total capital, the fees has been invoiced at a quarterly basis. The fee, which is included in administrative expenses, was SEK 32.8 (58.4) million in 2018. Group contributions of SEK 40.2 (-43.5) million were received by Proventus Capital Partners III AB from the parent company.

At the start of the financial year assets, liabilities and profits were transferred from the previous subsidiary Proventus Capital Partners III KB to Proventus Capital Partners III AB for a value corresponding to their book value. The direct ownership thereafter seized to exist and Proventus Capital Partners Alpha KB is no longer a subsidiary. Due to this there is no longer any consolidated financials for the the companies. Instead Proventus Capital Partners Alpha KB will be consolidated with Proventus Capital Management AB which has deciding influence. For this reason many comparables are not relevant as the portfolio wasn't held directly in Proventus Capital Partners III AB previously.

Note 15 Proposed appropriation of retained earnings

The Board proposes that the available funds be allocated as follows:

Non-restricted reserves	29 630 727
Profit for the year	28 821
Total	29 659 548

The Board of Directors proposes that the available earnings be distributed as follows:

Dividend to shareholders	0
To be carried forward	29 659 548
Total	29 659 548

Stockholm 26 March 2020

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Martin Gorne

Our auditor's report was submitted on 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant and Auditor in Charge

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Proventus Capital Partners III AB (publ), corporate identity number 556926-8021

Report on the annual accounts

Opinions

We have audited the annual accounts of Proventus Capital Partners III AB (publ) for the year 2019.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Proventus Capital Partners III AB (publ) as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for Proventus Capital Partners III AB (publ).

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Proventus Capital Partners III AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	The manner in which our audit addressed the Key audit matter
Valuation of non-current financial assets (loan receivables) *We refer to the Administration Report and description of Proventus Capital Partners III AB's ("PCP") Accounting principles, Note 1, Significant accounting estimates and assessments, Note 3 and Non-current assets, Note 7.* PCP's loan receivables amounted to 3 613 MSEK as at 31 December 2019, which is equivalent to 62% of the PCP's balance sheet total. Consequently, these loan receivables comprise a significant portion of PCP's balance sheet and are classified as non-current financial assets. The loan receivables are reported according to amortized cost method. The valuation involves both quantitative and qualitative components. The assessment of loan impairment involves a number of areas which are subjective and are based on the management's judgements. PCP reviews its loan receivables on a quarterly basis and, then, amongst other things, reviews the manner in which the specific borrower is capable of fulfilling the loan contract terms, its future payment capacity and the existing collaterals. The assessment of a requirement for a loan impairment is made individually for each loan contract and impairment is to be undertaken when the decrease in value can be assumed to be permanent. The significance of the estimations and judgements involved in determining the need for loan impairments is critical and can, if the estimations and judgements are incorrect, result in significant misstatements in the financial reporting. This implies that the valuation of loan receivables is a Key audit matter in the audit.	In the audit, we have both focused on the internal control regarding the valution of loan receivables and on the company's executed impairment testing as at 31 December 2019. The audit team has obtained and evaluated PCP's own assessments and compilations regarding possible loan impairment requirements for the period. This was done to ensure that the assessment complies with PCP's guidelines for valuation and impairment testing. Furthermore, we have had meetings with PCP's personnel responsible for the valuation of loan receivables during which important assumptions and judgements have been discussed. Our work has had, as its general starting point, the loan portfolio in its entirety and we have, thereafter, focused, on a random sample basis, on specific loan receivables. Furthermore, we have, through random sampling, checked to determine if the borrowers pay interest and undertake amortization in accordance with the established terms of the loan contracts. By definition, the assessment of impairment requirements regarding loan receivables is associated with an inherent degree of uncertainty. As a result of our audit, we have not reported any significant observations to the Audit Committee.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen’s website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Director's and the Managing Director of Proventus Capital Partners III AB (publ) for the year 2019 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of Proventus Capital Partners III AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company’s organization and the administration of the company’s affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors’ guidelines and instructions and among other matters take measures that are necessary to fulfill the company’s accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor’s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Proventus Capital Partners III AB (publ) by the general meeting of the shareholders on June 14, 2019 and has been the company's auditor since the listing of the debentures at the NGM February 17, 2015.

Stockholm 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant