

Verdane ETF III SPV K/S

Sundkrogsgade 21, 2100 Copenhagen

CVR no. 29 40 34 57

Annual Report 2019

Chairman


Adis Cosovic

Approved at the Company's general partner meeting on 14/4 - 2020

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MANAGEMENT'S STATEMENT

The Management has today discussed and approved the Annual Report of Verdane ETF III SPV K/S for the financial year 1 January 2019 - 31 December 2019.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards, which is approved by EU and further Danish disclosure requirements according to the Danish Financial Statements Act.

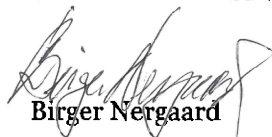
It is my opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2019 and of the results of the Company's operations and cash flow for the financial year 1 January 2019 - 31 December 2019.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

I recommend that the Annual Report be approved at the General Partner meeting.

Copenhagen, 25 February 2020

On behalf of the General Partner:
Verdane ETF III SPV GP ApS


Birger Nergaard

INDEPENDENT AUDITOR'S REPORT

To the Limited Partners of Verdane ETF III SPV K/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Verdane ETF III SPV K/S for the financial year 1 January - 31 December 2019, which comprise statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies.

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other 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 opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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

INDEPENDENT AUDITOR'S REPORT

accordance with ISAs and the 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.
- 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 inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

Copenhagen, 25 February 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Niels Henrik B. Mikkelsen

State Authorised Public Accountant

mne16675

COMPANY INFORMATION

| | |
|--|---|
| Company name | Verdane ETF III SPV K/S |
| CVR NO. | 29 40 34 57 |
| Address | c/o Intertrust (Denmark) A/S, Harbour House Sundkrogsgade 21 DK-2100 Copenhagen |
| Management | Birger Nergaard |
| Auditors | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup |
| Chairman | Adis Cosevic |
| General Partner (Authorised to sign for the Company) | Verdane ETF III SPV GP ApS c/o Intertrust (Denmark) A/S, Harbour House Sundkrogsgade 21 DK-2100 Copenhagen |

MANAGEMENT'S REVIEW

Principal activities of the Company

The Company contributes venture capital to competitive enterprises. The objects of the Company are to conduct business through investments in shares in other companies. The Company is an investment company, advocating an independent approach for each portfolio company to optimize its growth and development potential. Each portfolio company develops and executes independent value creation plans and the Company aims to create long-term value for its investors through active ownership in the portfolio companies.

Business model

Verdane ETF III SPV K/S is a limited partnership with the intention of being the owner of various portfolio companies. It is a Private Equity fund with the investment mandate to own primarily privately-owned portfolio companies and the ownership stakes may be small or large, minority or majority. Verdane ETF III SPV K/S has no employees and no activities. Investments are managed and controlled by the GP and an Investment Advisor is elected to give investment advice and monitor the investments. Verdane ETF III SPV GP ApS act as the General Partner and Fund Manager for the fund and Verdane Capital Advisors AS is the appointed Investment Advisor.

Both investors in Verdane ETF III SPV K/S, the General Partner Verdane ETF III SPV GP ApS and the Investment Advisor, Verdane Capital Advisors AS are aware and concerned about the importance of social corporate responsibility and the sustainability aspects of business. The responsibility for this lies not with the Fund its self, but with the portfolio companies and supported by the focus of the Investment Advisor.

Corporate Responsibility

The Company's business model reflects the fact that each of the portfolio companies are independent companies which operates in different industries and countries and therefore face different corporate responsibility risks. As a holding company, the Company is responsible for setting the overall corporate responsibility priorities and providing the appropriate risk management framework through active ownership. In turn, each portfolio company is responsible for defining their own corporate responsibility strategy with relevant activities and actions, and where necessary, supporting policies.

Within the corporate responsibility efforts, the Company is focused on the environmental, social and governance areas that build financial and non-financial value in the portfolio companies. Also, by creating value and return to the Company's investors the Company build value to universities and pension funds among others and by that affecting the society at large.

Risk analysis

For an investment fund such as Verdane ETF III SPV K/S, the risks are related to making the right investment decisions, being good active owners and managing the investments and transactions properly from a commercial and compliance perspective. Under the above business model, these risk factors are managed by the Verdane ETF III SPV GP ApS, and Investment Advisor, Verdane Capital Advisors AS.

Risks of potential negative effects on environmental, social aspects, work conditions, human rights or anti-corruption factors will occur in the portfolio companies and not directly in the Fund. Thus, risk analysis needs to be done at a portfolio company level and relating to the business activities of the portfolio company. This is supported by the focus of the Investment Advisor.

Policies for environment and climate:

The Company's activities usually do not cause detectable harm or damage to the environment. The Company through its ownership in the portfolio companies strives to contribute to environmental improvements. The Company believes that strengthening sustainability practices will benefit companies both in the short and long term. The direct positive impact on the environment also translates into economic gains.

Verdane ETF III SPV K/S does not have any such, specific policy, due to the business model described above

MANAGEMENT'S REVIEW

Policy for human rights:

Verdane ETF III SPV K/S does not have any such policy due to the business model described above

Policy for employer rights and social aspects:

Verdane ETF III SPV K/S does not have any such policy because there are no employees

Policy for anti-corruption and bribery:

Verdane ETF III SPV K/S does not have any such policy but rely on the activities at the General Partner and the Investment Advisor.

Development in activities and financial matters

The Company's financial position and the result of the year will be shown in the following income statement of the financial year 1 January 2019 - 31 December 2019 and the balance sheet as per 31 December 2019.

The past year and follow-up on development expectations from last year

At the end of 2019, the portfolio was valued at 2.7x multiple to cost. The value development in 2019 was relatively flat compared to last year. The fund has exited one Core Candidate and received an earn-out payment from prior years' exits.

The Company's net gain was MEUR 0.6, which is considered satisfactory by the Management.

The Management believes that the remaining investment portfolio companies is well positioned for continued growth. Focus the years ahead will be development and value creation in existing portfolio and exit investments when timing seems appropriate.

The Management confirms that the Company is a going concern and that the 2019 financial statements have been prepared on a going concern basis.

Expectations to next year

Management expect expenses to be at a level similar to 2019. The expectations to next year does not include expectations to value adjustments of investments.

Specific risks

Financial and other risks material to the financial statements is presented in section "Notes to the financial statements". Please refer to note 3. For information about the methods and assumptions used in determining fair value please refer to note 2 and 4.

Consolidated financial statements

The Company meets the conditions of being an investment entity and is exempt from preparing consolidated financial statements for 2019. For further explanation, please refer to the disclosures.

FINANCIAL HIGHLIGHTS

Financial Highlights

The financial highlights and ratios for the Fund per December 31, 2019, were as follows:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------|--------|--------|--------|--------|
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| Financial highlights | | | | | |
| Value adjustments of investments | 784 | 8,831 | -324 | -3,939 | 9,457 |
| Financial income/expense | -2 | -1 | -3 | -3 | 23 |
| Net profit/loss for the year | 574 | 8,600 | -620 | -4,309 | 9,618 |
| Total non-current assets | 26,042 | 25,628 | 18,328 | 21,456 | 26,336 |
| Total assets | 26,200 | 27,202 | 18,406 | 21,490 | 26,572 |
| Equity | 26,139 | 27,111 | 18,342 | 21,455 | 26,518 |
| Financial ratios | | | | | |
| Gross IRR | 9.3% | 10.0% | 5.9% | 7.1% | 12.5% |
| Net IRR | 6.7% | 7.3% | 2.7% | 3.7% | 8.9% |
| Distributions to paid-in capital (DPI) | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 |
| Residual value to paid-in-capital (RVPI) | 0.7 | 0.7 | 0.5 | 0.6 | 0.7 |
| Total value to paid-in capital (TVPI) | 1.3 | 1.3 | 1.1 | 1.1 | 1.2 |
| Paid-in capital to committed capital | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |

The financial ratios have been calculated in accordance with the recommendations of Invest Europe, reporting guidelines.

IRR (Internal rate of return) – in line with the “International Private Equity and Venture Capital” (IPEV) “Valuation Guidelines” and in order to present to the investors the reporting of IRR ratio will start 24 months after the first of 1) the due date of the initial capital call or 2) the date of the first investment.

Gross IRR – the total rate of return on an investment, before deduction of fees, expenses etc.

Net IRR – the total rate of return on an investment, after deduction of fees, expenses, carried interest etc.

DPI – the ratio of capital distributed to the Limited Partners by the fund, relative to contributions.

RVPI – the ratio of the current value of all remaining investments in a fund, relative to the total contributions of Limited Partners.

TVPI – the ratio of the current value of remaining investments in the fund, including the total value of all distributions to date, relative to the total amount of capital paid in to the fund.

STATEMENT OF COMPREHENSIVE INCOME

| | 2019 | 2018 |
|---------------------------------------|-------------|--------------|
| | TEUR | TEUR |
| Value adjustment of investments | 784 | 8,831 |
| Other external costs | -208 | -230 |
| Operating profit/(loss) (EBIT) | 576 | 8,601 |
| Financial expenses | -2 | -1 |
| Profit/(loss) before tax | 574 | 8,600 |
| Tax on net profit/(loss) for the year | 0 | 0 |
| Net profit/(loss) for the year | 574 | 8,600 |
| Other comprehensive income | 0 | 0 |
| Comprehensive income | 574 | 8,600 |

BALANCE SHEET 31 DECEMBER

| | <u>Note</u> | <u>2019</u> <u>TEUR</u> | <u>2018</u> <u>TEUR</u> |
|--|-------------|----------------------------|----------------------------|
| ASSETS | | | |
| Investments in associates | 4+5 | 2,041 | 2,106 |
| Other investments | | 24,001 | 23,522 |
| Total non-current assets | | <u>26,042</u> | <u>25,628</u> |
| Other receivables | | 0 | 1,476 |
| Total receivables | | <u>0</u> | <u>1,476</u> |
| Cash and cash equivalents | | 158 | 98 |
| Total cash and cash equivalents | | <u>158</u> | <u>98</u> |
| Total current assets | | <u>158</u> | <u>1,574</u> |
| Total assets | | <u>26,200</u> | <u>27,202</u> |
| EQUITY AND LIABILITIES | | | |
| Contributed capital | | 13,669 | 15,215 |
| Retained earnings/(losses) | | 12,470 | 11,896 |
| Total equity | | <u>26,139</u> | <u>27,111</u> |
| Trade payables | | 45 | 63 |
| Other creditors | | 16 | 28 |
| Total short-term liabilities | | <u>61</u> | <u>91</u> |
| Total liabilities | | <u>61</u> | <u>91</u> |
| Total liabilities and equity | | <u>26,200</u> | <u>27,202</u> |

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS 2018 AND 2019

| | Contributed capital | Revaluation reserve | Retained earnings | Equity |
|---|--------------------------------|--------------------------------|------------------------------|---------------|
| | TEUR | TEUR | TEUR | TEUR |
| Balance 1 January 2018 | 15,046 | 0 | 3,296 | 18,342 |
| Capital increase | 285 | 0 | 0 | 285 |
| Capital reduction | -116 | 0 | 0 | -116 |
| Result of the year | 0 | 0 | 8,600 | 8,600 |
| Limited partners equity total 31 December 2018 | 15,215 | 0 | 11,896 | 27,111 |

| | Contributed capital | Revaluation reserve | Retained earnings | Equity |
|---|--------------------------------|--------------------------------|------------------------------|---------------|
| | TEUR | TEUR | TEUR | TEUR |
| Balance 1 January 2019 | 15,215 | 0 | 11,896 | 27,111 |
| Capital increase | 92 | 0 | 0 | 92 |
| Capital reduction | -1,638 | 0 | 0 | -1,638 |
| Result of the year | 0 | 0 | 574 | 574 |
| Limited partners equity total 31 December 2019 | 13,669 | 0 | 12,470 | 26,139 |

CASH FLOW STATEMENT

| | <u>2019</u> | <u>2018</u> |
|---|---------------|-------------|
| | TEUR | TEUR |
| Operating profit/(loss) (EBIT) | 574 | 8.600 |
| Proceeds from financial investments | 370 | 1,532 |
| Value adjustment of investments (unrealized) | -1,084 | -9,314 |
| Realized gain/loss from financial investments | 300 | 482 |
| Change in working capital | 1,448 | -1,448 |
| Financial expense, paid | -2 | -1 |
| Cash flow from operating activities | <u>1,606</u> | <u>-149</u> |
| Paid limited partner capital | 92 | 285 |
| Distributions paid to limited partners | -1,638 | -116 |
| Cash flow from financing activities | <u>-1,546</u> | <u>169</u> |
| Net increase in cash and cash equivalents | <u>60</u> | <u>20</u> |
| Cash and cash equivalents at the beginning of the year | 98 | 78 |
| Cash and cash equivalents at the end of the year | <u>158</u> | <u>98</u> |

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

General information

The Annual Report of the Company has been prepared in accordance with the provisions of the International Financial Reporting Standard which is approved by the EU and further disclosure requirements according to the Danish Financial Statements Act for Class C.

The Annual Report is prepared in TEUR.

The most significant elements of the accounting principles applied are described below.

Implementation of new standards, amendments and interpretations

The Company has assessed the effect of the new standards, amendments and interpretations. The Company has concluded that all standards, amendments and interpretations effective for financial years beginning on or after 1 January 2019 are either not relevant to the Company or have no significant effect on the Financial Statements of the Company.

Explanation on omitting consolidated financial statements

Verdane ETF III SPV K/S has multiple unrelated investors and holds multiple investments in both subsidiaries and in associates. The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- 1) The Company has obtained funds for the purpose of providing investors with professional investment management services,
- 2) the Company's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income and
- 3) the investments are measured and evaluated on a fair value basis.

As the Company meets the conditions above, it is exempt from consolidating its subsidiaries. Instead, it records its controlled investments as financial assets at fair value through profit or loss.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the date of the transaction.

Receivables, liabilities and other items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Realised and unrealised exchange rate adjustments are included in the income statement as financial income/expenses.

NOTES TO THE FINANCIAL STATEMENTS

Balance sheet

Investments in portfolio companies etc.

Investments in subsidiaries, associates, other securities and investments comprise investments in portfolio companies and are measured at fair value on the balance sheet date. Value adjustments are recognised in the income statement.

Investments in portfolio companies are measured according to the guidelines of the "International Private Equity and Venture Capital" (IPEV) "Valuation Guidelines" which is why investments are recognised at fair value at the balance sheet date.

Investments in portfolio companies traded in an active market are measured on the basis of the last market price. Unlisted portfolio companies are valued either by way of a capital increase round or part sale based on the value of comparable companies as well as by applying traditional measurement methods.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded derivatives and equity securities publicly traded on a stock exchange) are based on quoted market prices at the close of trading on the reporting date.

Fair value for unlisted equity securities are determined by the General Partner using valuation techniques. Such valuation techniques may include earnings multiples and discounted cash flows. The Partnership adjust the valuation model as deemed necessary for factors such as non-maintainable earnings, tax risk, growth stage and cash traps.

In determining fair value, the General Partner in many instances relies on the financial data of investee portfolio companies and on estimates by the management of the investee portfolio companies as to the effect of future developments. Although the General Partner uses its best judgement, and cross-references results of primary valuation models against secondary models in estimating the fair value of investments, there are inherent limitations in any estimation techniques.

The fair value estimates presented herein are not necessarily indicative of an amount the Partnership could realise in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements.

Receivables

Receivables are measured at amortised cost. Write-downs for bad debt are based on individual assessment of receivables.

Equity

An amount corresponding to net positive unrealised value adjustments is presented as "revaluation reserve" under the equity.

Liabilities

Liabilities are measured at amortised cost equal to nominal value.

NOTES TO THE FINANCIAL STATEMENTS

Comprehensive income statement

Value adjustments of investments

The value adjustment of investments in to portfolio companies comprises value adjustments realized from sale and value adjustments unrealized from any revaluation or impairment of investments in portfolio companies at fair value. Dividend received from investments are included in value adjustments.

Other external costs

Management fee comprises of management fee for the period calculated according to the Limited Partnership Agreement. Administrative expenses comprise expenses for establishing the Company and managing the operations of the company, including audit costs, legal advisors and other general expenses.

Financial items

Financial income and expense and similar items are recognised in the income statement with the amounts relating to the reporting period. Net financials include interest income and expense and realised and unrealised exchange rate gains and losses on foreign currency transactions.

Tax on profit/loss for the year

The Company is not independently liable to tax and consequently tax has not been recognized.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from financing activities comprise cash flows from payments/distributions and contributions to and from shareholders/limited partners.

Cash and cash equivalents comprise "Cash at bank and in hand" as well as balances in "Credit institutions". The cash flow statement cannot be immediately derived from the published financial records.

NOTES TO THE FINANCIAL STATEMENTS

2. Critical accounting estimates and judgments

Verdane ETF III SPV K/S makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

Fair value of investments

The fair value of securities that are not quoted in an active market are determined by using valuation techniques described below. The Company's general partner seeks to adhere both to Invest Europe, previously the European Venture Capital Association (EVCA) reporting standards and to the IPEV Valuation Guidelines. The EVCA reporting standards are in line with IFRS.

The general partner has chosen to adopt different valuation techniques depending on the portfolio company. For holdings with substantial and sustainable cash flow or earnings, the general partner has adopted a valuation technique using averages of P/E and EBITDA. For holdings without significant profits or positive cash flow, the general partner has maintained cost or the price of a recent investment or the use of multiples based on revenues. Please refer to note 4 for further details on the valuations models and processes.

3. Financial risks and financial instruments

The objective of the Partnership is to achieve medium to long-term capital growth through investing in a selection of unlisted private companies operating mainly in the European market.

The Partnership's activities expose it to a variety of financial risks: operating risk, market risk, foreign exchange risk, interest rate risk and credit risk.

Special operating risks, market risks and foreign exchange risks

Operating risks

The object of the Company is to contribute venture capital to competitive enterprises. The most important risk factor is therefore changes in the value of the investments made in portfolio companies.

Market risks

The Partnership's Investment Advisor, Verdane Capital Advisors AS, provides the General Partner and Partnership with investment recommendations. The Investment Advisor's recommendations are reviewed and approved by the General Partner before the investment decisions are implemented. To manage the market price risk, the Investment Advisor, as engaged by the General Partner to do so, reviews the performance of the portfolio companies on a quarterly basis and is often in contact with the management of the portfolio companies for business and operational matters. Any relevant results of these reviews are communicated to the General Partner.

The portfolio of investments is well diversified among various industries. However, the majority of the investments are still in the Nordics and a negative event in the Nordic capital markets would most likely affect the financing and/or exit possibilities in general.

Foreign exchange risks

The Partnership holds investments denominated in currencies other than the functional currency (EUR). It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates. The General Partner monitors the exposure on all foreign currency denominated investments.

NOTES TO THE FINANCIAL STATEMENTS

Foreign exchange sensitivity

The Company's portfolio companies are affected by the development in foreign exchange rates. The fair value of the Company's investments will be affected by changes in local currency compared to the Company's chosen currency (EUR).

The calculation below shows the Company's sensitivity for changes in chosen currency, all other variables kept unchanged. The calculation is based on equal changes in all relevant currencies. The effect on the fair value is as follows, with a change in foreign exchange rates of 5% as per Q4 2019:

SEK/EUR – TEUR 3.821

Interest rate risks

The Company is less sensitive to changes in the interest level. Cash carries current interest at fixed-term deposits.

Credit risks

The Company has no significant receivables, why the credit risk is minimal.

Capital risk management

The capital of the Partnership is represented by the net assets attributable to the partners. The Partnership's objective when managing the capital is to safeguard the ability to continue as a going concern in order to provide returns for partners and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Partnership. In order to maintain or adjust the capital structure, the General Partner may call unfunded commitment from the limited partners or distribute funds to the limited partners.

4. Fair value estimation

The valuations process

The valuations are prepared by the relevant team of the Investment Advisor and are reviewed on a quarterly basis as well as per year end by the Investment Advisor's valuation committee who report and make recommendations to the general partner. The recommendations are reported to the General Partner on a quarterly basis, in line with the quarterly valuations that are provided to investors. The valuation committee considers the appropriateness of the valuation model itself, the significant and key inputs as well as the valuation results using various valuation methods and techniques generally recognized as standard within the industry. The fair value estimates are measured according to the guidelines of the "International Private Equity and Venture Capital" (IPEV) "Valuation Guidelines" which is why investments are recognized at fair value at the balance sheet date.

In determining the valuation recommended to the General Partner for Partnership's investments, the Investment Advisor utilizes comparable trading multiples in arriving at the valuation. In accordance with the Partnership's policy the Investment Advisor determines appropriate public companies based on industry, size, development stage, revenue generation and strategy. The Investment Advisor then calculate a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value (EV) with EBITDA or Sales. The trading multiple is the adjusted or the enterprise value is then adjusted for discounts/premium with regards to such considerations as illiquidity and other differences, advantages and disadvantages between the Partnership's portfolio company and the comparable public companies based in company specific facts and circumstances.

In determining the continued appropriateness of the chosen valuation techniques, the valuation committee may perform back testing to consider the various models' actual results and how they have historically aligned with the market transactions.

NOTES TO THE FINANCIAL STATEMENTS

Fair value hierarchy for financial instruments

International Financial Reporting Standards require Verdane ETF III SPV K/S to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: inputs are quoted (unadjusted) in active markets for identical assets or liabilities that Verdane ETF III SPV K/S can access at the measurement date;

Level 2: inputs are inputs other than quoted prices included within level 1 that are observable for the assets or the liability, either direct or indirect;

Level 3: inputs are unobservable inputs that have been applied in valuing the respective asset or liability.

The determination of what constitutes “observable” requires significant judgement by Verdane ETF III SPV K/S. 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 involved in the relevant market.

The following table shows the classification of the financial instruments, measured at fair value. The values are classified in respect of the fair value hierarchy.

| | Level 1 MEUR | Level 2 MEUR | Level 3 MEUR | Total MEUR |
|--|-----------------|-----------------|-----------------|---------------|
| 2019 | | | | |
| Unquoted investments (portfolio Companies) | 0 | 0 | 26,0 | 26,0 |
| Financial instruments, measured at fair value | 0 | 0 | 26,0 | 26,0 |
| 2018 | | | | |
| Unquoted investments (portfolio Companies) | 0 | 0 | 25,6 | 25,6 |
| Financial instruments, measured at fair value | 0 | 0 | 25,6 | 25,6 |

Significant unobservable inputs at level 3

Investments classified within level 3, has been valued based on significant unobservable inputs, as they trade infrequently. As quoted market prices are not available these investments, the general partner has used valuation techniques to determine fair value. In order to assess the valuation made for investments within level 3, the Investment Advisor reviews the performance of the portfolio companies. Furthermore the Investment Advisor is regularly in contact with the management of the portfolio companies in order to make assessments of business and operational matter which are considered in the valuation process. Where appropriate the Investment Advisor also track peer group company multiples, recent transaction results and credit ratings for similar companies.

| | EV/EBITDA Range used | EV/EBITDA Weighted average | EV/S Range used | EV/S Weighted average |
|----------------------------------|-------------------------|----------------------------------|--------------------|-----------------------------|
| Level of applied multiples, 2019 | 7.3 | 7.3 | 2.0 | 2.0 |
| Level of applied multiples, 2018 | 7.0 | 7.0 | 2.0 | 2.0 |

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analyse

The fair value of the Company's portfolio companies is affected by the development in applied multiples. A change in significant unobservable input will have an affect on the valuation of the portfolio companies, as well as the fair value will be affected of development in general macro – economic conditions.

A change of applied multiples of 10 % will have the following effect on the fair value.

Change in applied multiples of 10%, 2019 – MEUR 2.8

Change in applied multiples of 10%, 2018 – MEUR 3.6

5. Financial assets at fair value through profit or loss

| Industry of investment | Stage of initial investment | Geography | 2019 | | 2018 | |
|------------------------|-----------------------------|--------------|--------------------|------------|--------------------|-------------|
| | | | Cost of investment | Fair value | Cost of investment | Fair value |
| | | | MEUR | MEUR | MEUR | MEUR |
| Industry | Mature | Europe | 4,6 | 24,0 | 4,6 | 22,9 |
| ICT | Growth | Europe | 5,1 | 2 | 5,1 | 2,1 |
| Energy | Mature | Scandinavian | 0 | 0 | 0 | 0 |
| Core Candidates | | Scandinavian | 0 | 0 | 0,2 | 0,6 |
| Total portfolio | | | 9,7 | 26 | 8,9 | 25,6 |

Industry of investment

The holdings are monitored based on a company classification and by different sector teams. All core companies are categorized within software, consumer internet, energy and industrial.

All portfolio companies are categorized in groups. The groups are Core Companies and Core Candidates, where Core Companies are considered to become the value drivers in the portfolio and therefore are managed and monitored more closely than the Core Candidates.

Stage of investment

Portfolio companies are at various stages of development and categorized from early stage investments as Venture (up to MEUR 2,7 in revenue) to Growth companies (revenue between MEUR 2.7-10.8) and then finally Mature companies (revenue exceeds MEUR 10.8). An understanding of the stage of investment influences how a company can develop and why, to whom, and at what value, a liquidity event is likely to occur.

NOTES TO THE FINANCIAL STATEMENTS

Investments in associates

| Investment | Place of registered office | Currency | Share capital Local Currency | Votes and ownership | Equity at last reporting date | Net profit/loss for the last reported year |
|------------|----------------------------|----------|------------------------------------|---------------------|-------------------------------|--|
| eBuilder | Kista, Sweden | TSEK | 1.207 | 14% | 48.546 | -8.691 |

6. Limited partners equity

Limited Partners' and General Partner's total committed capital is MEUR 36.5 of which MEUR 0 is not yet called.

Capital reduction comprise of return of capital and distributions from investment companies.

7. Personnel expenses

The Company has no expenses to personnel.

Average number of employees 2019, 0.

Average number of employees 2018, 0.

8. Related party transactions

The following transactions has occurred with other related parties:

| | 2019 TEUR | 2018 TSEK |
|--|--------------|--------------|
| Management fee | 146 | 180 |
| Total transactions with related parties | 146 | 180 |

9. Subsequent events

No significant events have occurred after the balance sheet date, which could have influence on the evaluation of the Annual Report.