

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

INTERIM REPORT FOR THE PERIOD 1 JANUARY 2021 – 30 JUNE 2021

The Board of Directors and Chief Executive Officer of Proventus Capital Partners III AB (publ) hereby present the interim report on the activities of the company for the period 1 January 2021 – 30 June 2021.

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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

P Capital Partners III AB, which is a wholly-owned subsidiary of P Capital Partners 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 is managed by the parent company, P Capital Partners AB, which since 18 June 2014, holds a license 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. Investments are made alongside with Proventus Capital Partners III KB (corp. ID 969736-8125).

The operations are funded with capital contributed by the owner and through profit participating debentures from primarily institutional investors. The total funding commitments to the company are SEK 10,840 million. From 4 December 2018, P Capital Partners III has been closed to new investments, as the P Capital group launched its new fund P Capital Partners IV. In that month the last capital call was made and no more contributions will be made. A total of SEK 10,298 million has been contributed to the company which is 95 per cent of total commitments.

Profit-sharing with holders of profit participation debentures of the company is settled in Swedish kronor. The interim report is prepared in Swedish kronor.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Investing activities began in the summer of 2014, and at the end of the reporting period comprised eighteen (twenty-two) commitments. Approximately 99% (99%) of the portfolio is invested in direct lending to businesses. The value of the company's part of the portfolio was SEK 3,195 million (3,217). The company's part of the portfolio of listed bonds, including accrued interest and forward contracts, amounted to SEK 16 million (17) at the end of the period.

The loan portfolio has overall developed fairly well during the period and the stressed credits haven't deteriorated further.

RESULTS AND FINANCIAL POSITION

Net profit for the period was SEK 0 (0) million and equity was SEK 23 (128) million at the end of the period. The company's part of the cumulative return on the portfolio since its inception is SEK 1,679 million (1,527).

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events took place after the end of the reporting period.

OUTLOOK

The company's target is to generate a 10 per cent net annual return for the holders of profit participation debentures. Due to the composition of the portfolio, performance since inception, low interest rates and the current problems in the global economy, returns are estimated to end up a number of percentage points lower.

OTHER

The company's profit participation debentures are listed on the Miscellaneous Nordic AIF Sweden segment under Main Regulated at NGM in Stockholm.

The results of the operations during the period and the financial position at the end of the period are shown in the following income statement and balance sheet with accompanying notes.

INCOME STATEMENT

| | Note | 2021-01-01 <u>2021-06-30</u> | 2020-01-01 <u>2020-06-30</u> | 2020-01-01- <u>2020-12-31</u> |
|---|------|---------------------------------|---------------------------------|----------------------------------|
| Interest income using the effective interest method | 3 | 121 137 | 338 239 | 306 949 |
| Interest income and similar income | 3 | 127 836 | 114 699 | 582 722 |
| Interest expenses and similar profit/loss items | 3 | -221 255 | -119 611 | -468 381 |
| Net expected credit losses | 5 | -15 789 | -312 194 | -382 516 |
| Administrative expenses | 2 | <u>-11 929</u> | <u>-21 133</u> | <u>-39 104</u> |
| Operating profit/loss | | 0 | 0 | -330 |
| Group contributions received | | 0 | 0 | 103 318 |
| Group contributions made | | <u>0</u> | <u>0</u> | <u>0</u> |
| Profit/loss before tax | | 0 | 0 | 102 988 |
| Tax | 4 | <u>0</u> | <u>0</u> | <u>0</u> |
| Profit/loss for the period | | <u>0</u> | <u>0</u> | <u>102 988</u> |

STATEMENT OF COMPREHENSIVE INCOME

| | | | |
|--|-----------------|-----------------|-----------------------|
| Profit/loss for the period | 0 | 0 | 102 988 |
| Other comprehensive income | <u>0</u> | <u>0</u> | <u>0</u> |
| Total comprehensive income for the period | <u>0</u> | <u>0</u> | <u>102 988</u> |

BALANCE SHEET

| ASSETS | <u>Note</u> | <u>2021-06-30</u> | <u>2020-12-31</u> | <u>2020-06-30</u> |
|-------------------------------------|-------------|--------------------------------|--------------------------------|--------------------------------|
| Non-current assets | | | | |
| Non-current financial assets | 5 | <u>3 179 813</u> | <u>3 216 679</u> | <u>3 818 023</u> |
| Total non-current assets | | <u>3 179 813</u> | <u>3 216 679</u> | <u>3 818 023</u> |
| Current assets | | | | |
| Current receivables | | | | |
| Accounts receivable | | -53 | 38 | 1 118 |
| Receivables from Group companies | | 105 847 | 104 462 | 36 876 |
| Tax receivables | | 868 | 1 153 | 1 229 |
| Other current receivables | | 2 324 | 10 273 | 1 671 |
| Short-term investments | 6 | 18 456 | 122 684 | 201 557 |
| Prepaid expenses and accrued income | | <u>110</u> | <u>39</u> | <u>5</u> |
| | | 127 551 | 238 649 | 242 456 |
| Cash and cash equivalents | | <u>206 307</u> | <u>487 244</u> | <u>193 468</u> |
| Total current assets | | <u>333 857</u> | <u>725 893</u> | <u>435 924</u> |
| TOTAL ASSETS | | <u><u>3 513 670</u></u> | <u><u>3 942 572</u></u> | <u><u>4 253 948</u></u> |

BALANCE SHEET

| EQUITY AND LIABILITIES | <u>Note</u> | <u>2021-06-30</u> | <u>2020-12-31</u> | <u>2020-06-30</u> |
|---|-------------|-------------------|-------------------|-------------------|
| Equity | | | | |
| Restricted equity | | | | |
| Share capital (5,000 shares with a quotient value of SEK 100) | | 500 | 500 | 500 |
| | | <u>500</u> | <u>500</u> | <u>500</u> |
| Non-restricted equity | | | | |
| Retained earnings | | 22 877 | 24 644 | 25 157 |
| Profit/loss for the period | | 0 | 102 988 | 0 |
| | | <u>22 877</u> | <u>127 632</u> | <u>25 157</u> |
| Total equity | | 23 377 | 128 132 | 25 657 |
| Non-current liabilities | | | | |
| Other non-current provisions | | 1 267 | 0 | 0 |
| Other non-current liabilities | 8 | 3 468 070 | 3 799 013 | 4 203 349 |
| | | <u>3 469 337</u> | <u>3 799 013</u> | <u>4 203 349</u> |
| Total non-current liabilities | | 3 469 337 | 3 799 013 | 4 203 349 |
| Current liabilities | | | | |
| Accounts payable | | 0 | 584 | 20 |
| Liabilities to group companies | | 14 058 | 2 761 | 11 409 |
| Other liabilities | | 5 626 | 10 421 | 12 251 |
| Accrued expenses and deferred income | | 1 272 | 1 661 | 1 262 |
| | | <u>20 956</u> | <u>15 427</u> | <u>24 942</u> |
| Total current liabilities | | 20 956 | 15 427 | 24 942 |
| TOTAL EQUITY AND LIABILITIES | | 3 513 670 | 3 942 572 | 4 253 948 |

STATEMENT OF CHANGES IN EQUITY

| | Share capital | Retained earnings | Other paid-in capital | Total capital |
|---|------------------|----------------------|-----------------------------|------------------|
| Opening balance, 1 January 2020 | 500 | -314 | 29 974 | 30 160 |
| Comprehensive income | | | | |
| Profit for the period | | 102 988 | | 102 988 |
| Other comprehensive income | | | | |
| Total other comprehensive income | | 102 988 | | 102 988 |
| Transactions with shareholders | | | | |
| Shareholder contributions received *) | | | 0 | 0 |
| Shareholder contributions repaid *) | | | -5 016 | -5 016 |
| Total transactions with shareholders | | | -5 016 | -5 016 |
| Closing balance, 31 December 2020 | 500 | 102 674 | 24 958 | 128 132 |
| Comprehensive income | | | | |
| Profit for the period | | 0 | | 0 |
| Other comprehensive income | | | | |
| Total other comprehensive income | | 0 | | 0 |
| Transactions with shareholders | | | | |
| Dividend to shareholder | | -102 988 | | -102 988 |
| Shareholder contributions repaid *) | | | -1 767 | -1 767 |
| Total transactions with shareholders | | -102 988 | -1 767 | -104 755 |
| Closing balance, 30 June 2021 | 500 | -314 | 23 191 | 23 377 |

*) The operations are financed as needed through contingent capital contributions from the owners. The terms of repayment for the contributions are that repayments have been made in the portfolio.

STATEMENT OF CASH FLOWS

| | 2021-01-01- <u>Note</u> <u>2021-06-30</u> | 2020-01-01- <u>2020-06-30</u> | 2020-01-01- <u>2020-12-31</u> |
|---|--|----------------------------------|----------------------------------|
| | 9 | | |
| Cash flow from operations | 213 355 | 200 899 | 692 977 |
| Interest paid | -151 754 | -411 974 | -816 411 |
| Change in current receivables | 7 897 | 90 | 1 603 |
| Change in receivables from Group companies | 2 476 | 206 606 | 231 230 |
| Change in liabilities to Group companies | 8 449 | -28 833 | -32 680 |
| Change in current liabilities | -9 819 | -2 517 | -2 461 |
| Cash flow from operating activities | 70 604 | -35 730 | 74 258 |
| Acquisition of/increase in short-term investments | -8 412 | 0 | 0 |
| Disposal of/decrease in short-term investments | 0 | 198 718 | 198 718 |
| Acquisition of/increase in non-current financial assets | -92 161 | -169 996 | -405 008 |
| Disposal of/decrease in non-current financial assets | 172 220 | 49 752 | 842 390 |
| Cash flow from investing activities | 71 647 | 78 473 | 636 100 |
| Group contributions paid | -901 | -4 065 | -6 377 |
| Shareholder contributions repaid | -1 767 | -4 503 | -5 016 |
| Dividend | -102 988 | 0 | 0 |
| Increase in non-current liabilities | 0 | 0 | 382 |
| Decrease in non-current liabilities | -317 532 | -809 039 | -1 180 435 |
| Cash flow from financing activities | -423 188 | -817 607 | -1 191 446 |
| Cash flow for the period | -280 937 | -774 864 | -481 088 |
| Cash and cash equivalents at beginning of period | 487 244 | 968 332 | 968 332 |
| Cash and cash equivalents at end of period | 206 307 | 193 468 | 487 244 |

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES

Note 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting with regards to the exemptions from and additions to IFRS indicated in RFR 2 Accounting for legal entities.

The same accounting policies and grounds for assessments as in the latest Annual Report have been used.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currencies have been valued at closing rates. Currency forwards 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 income items. The following exchange rates have been used in translating assets and liabilities:

EUR 10,1249 (10,4804); USD 8,5103 (9,3490); GBP 11,7663 (11,4693)

Note 2 Administrative expenses

Intercompany purchases and sales:

Administrative expenses include expenses for administration and office rent in the amount of SEK 9.8 (12.5) million billed by P Capital Partners AB in the first half of 2021.

Average number of employees: As in the preceding year, the company had no employees.

Note 3 Interest income, interest expense and similar income charges

| | 2021-01-01 <u>2021-06-30</u> | 2020-01-01 <u>2020-06-30</u> |
|--|---------------------------------|---------------------------------|
| Interest income in accordance with the effective interest method | | |
| Interest, profit participation debentures | 0 | 174 526 |
| Interest income from loans | <u>121 137</u> | <u>163 713</u> |
| Total | <u><u>121 137</u></u> | <u><u>338 239</u></u> |
| Interest income and similar income items | | |
| Interest income from bonds | 3 473 | 6 393 |
| Other interest income | 0 | 1 |
| Dividend | 35 314 | 32 688 |
| Currency profits | 83 590 | 75 250 |
| Other financial income | <u>5 459</u> | <u>367</u> |
| Total | <u><u>127 836</u></u> | <u><u>114 699</u></u> |
| Interest expenses and similar charges | | |
| Interest expenses, profit participation debentures | -138 282 | 0 |
| Interest expenses | -308 | -457 |
| Change in value of bonds | -10 418 | -26 781 |
| Currency losses | <u>-72 246</u> | <u>-92 374</u> |
| Total | <u><u>-221 255</u></u> | <u><u>-119 611</u></u> |
| Interest income from assets recognised at fair value. | 3 473 | 6 393 |
| Interest income from assets recognised at amortised cost. | <u>121 137</u> | <u>338 239</u> |
| | <u><u>124 610</u></u> | <u><u>344 632</u></u> |
| Interest expenses from liabilities recognised at fair value | -308 | -457 |
| Interest expenses from liabilities recognised at amortised cost | <u>-138 282</u> | <u>0</u> |
| | <u><u>-138 590</u></u> | <u><u>-457</u></u> |

Note 4 Tax

| | <u>2021-06-30</u> | <u>2020-06-30</u> |
|---|-------------------|-------------------|
| Recognised profit/loss before tax | 0 | 0 |
| Tax according to applicable tax rate (20,6%) | 0 | 0 |
| Tax effect of group contributions to parent company | 0 | 0 |
| Reported tax expense | <u>0</u> | <u>0</u> |

Any tax earnings are settled against the parent company through group contributions at year-end. No tax has therefore been calculated on earnings, since the group contribution is fixed at the end of the financial year.

Note 5 Non-current financial assets

| | <u>2021-06-30</u> | <u>2020-12-31</u> |
|-------------------|-------------------|-------------------|
| Loans | 2 431 497 | 2 498 247 |
| Preference shares | 747 447 | 712 133 |
| Accrued interest | 869 | 6 299 |
| Total | <u>3 179 813</u> | <u>3 216 679</u> |

| | <u>2021-06-30</u> | <u>2020-12-31</u> |
|------------------------|-------------------|-------------------|
| Change, IFRS 9 reserve | | |
| Opening reserve | -232 496 | -582 389 |
| Change for the period | -15 789 | 349 893 |
| Closing reserve | <u>-248 285</u> | <u>-232 496</u> |

The change during the period of the IFRS 9 reserve has been recognised in the income statement together with realized credit losses. During the period there has been no realized credit losses. The closing reserve for future credit losses has been recognised in the balance sheet under non-current financial assets. During the period the reserve increase somewhat. This was due to borrowers in Stage 3 which have had problems since the Covid pandemic hit.

Loans refer to direct loans to companies. At the end of the period, the portfolio comprised of sixteen loans and one preference share. Maturities for the loans vary from less than one year up to three years.

Note 6 Short-term investments

| | <u>2021-06-30</u> | | <u>2020-12-31</u> | |
|------------------|-------------------|---------------|-------------------|----------------|
| | Cost value | Fair value | Cost value | Fair value |
| Derivatives | - | 2 746 | - | 107 487 |
| Bonds | 89 669 | 15 562 | 81 257 | 14 648 |
| Accrued interest | - | 148 | - | 549 |
| | <u>89 669</u> | <u>18 456</u> | <u>81 257</u> | <u>122 684</u> |

The investments have been valued at market value. Derivatives are currency forwards for the purpose of hedging the loan and bond portfolios and are held at fair value.

Composition of the portfolio

| 2021-06-30 | Nominal value local currency | Average price | Fair value local currency | Currency rate | Fair value SEK |
|-------------------|------------------------------------|------------------|---------------------------------|------------------|-------------------------|
| Bonds (USD) | 9 933 | 18,4% | 1 829 | 8,5103 | <u>15 562</u> 15 562 |

Note 6 continued
2020-12-31

| | Nominal value local currency | Average price | Fair value local currency | Currency rate | Fair value SEK |
|-------------|------------------------------------|------------------|---------------------------------|------------------|-------------------|
| Bonds (USD) | 8 944 | 20,00% | 1 789 | 8,1886 | 14 648 |
| Bonds (EUR) | - | - | - | - | - |
| | | | | | <u>14 648</u> |

Note 7 Liabilities to credit institutions

The company has an overdraft facility amounting to SEK 100 million that was not in use at the end of the period.

Note 8 Other non-current liabilities

Profit participation debentures

The holders of profit participation debentures have undertaken to provide funding of up to SEK 10,780 million. Owner contributions under the same agreement amount to SEK 60 million. As the investment period has ended no additional funding is provided.

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 debentures in accordance with the contractual provisions. The debentures 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 policies."

Return, profit participation debentures

| SEK | Maturity | <u>2021-06-30</u> | | <u>2020-12-31</u> | |
|---|-----------|-------------------|-------------------|-------------------|-------------------|
| | | Nominal value | Carrying value | Nominal value | Carrying value |
| Profit participation debentures | 2014-2024 | 4 166 605 | 3 468 070 | 4 484 076 | 3 799 013 |
| Unrealised gain | | | -698 535 | | -685 063 |
| Realised gain | | | <u>1 911 507</u> | | <u>1 759 753</u> |
| Total income, profit participation debentures | | | 1 212 972 | | 1 074 690 |

The profit participation debentures are listed on the Miscellaneous Nordic AIF Sweden segment under Main Regulated at NGM in Stockholm.

Note 9 Cash flow from operations

| | <u>2021-06-30</u> | <u>2020-06-30</u> |
|--|-------------------|-------------------|
| Profit before tax | -0 | -0 |
| <i>Adjustments for non-cash items, etc.</i> | | |
| Unrealised gain/loss on currency forwards | 110 367 | -97 864 |
| Unrealised change in value of short-term investments | 7 498 | 71 194 |
| Unrealised change in value, non-current financial assets | -48 623 | 377 716 |
| Allocated interest expenses | 138 282 | -174 526 |
| Allocated interest income | <u>5 831</u> | <u>24 379</u> |
| Cash flow from operations | 213 355 | 200 899 |

Note 10 Contingent liabilities

| | <u>2021-06-30</u> | <u>2020-12-31</u> |
|--|----------------------|----------------------|
| Funding commitments made to existing borrowers | 48 233 | 45 450 |
| Contingent liability in the capacity of general partner of Proventus Capital Partners III KB | <u>1 170</u> | <u>379</u> |
| | <u>49 403</u> | <u>45 829</u> |

Note 11 Related party transactions

P Capital Partners III AB (publ) is owned by P Capital Partners 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 based on total capital that is billed on a quarterly basis. The fee, which is included in administrative expenses, was SEK 9.8 (12.5) million in the first half of 2021.

Stockholm, 30 August 2021

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Anna Ramel

This interim report has been reviewed by the company's auditor.



Auditor's report

Unofficial translation

P Capital Partners III AB (publ), reg no 556926-8021

Introduction

We have reviewed the condensed interim financial information (interim report) of P Capital Partners III AB (publ) as of 30 June 2021 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act.

Stockholm the date according to our digital signature

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant