

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

INTERIM REPORT FOR THE PERIOD 1 JANUARY 2022 – 30 JUNE 2022

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 2022 – 30 June 2022.

Contents	Page
- Directors' Report	2
- Income statement	4
- Balance sheet	5
- Statement of cash flows	8
- Additional disclosures	9

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 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.

The investments are made alongside Proventus Capital Partners III KB (corp. id. 969736-8125) and the two companies are collectively called the PCP III fund. The two companies invest in the same assets using a pro-rata split based on their commitments in relation to the total commitments in PCP III. They receive the same pro-rata share of income, profits, and losses.

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. As of 4 December 2018, Proventus Capital Partners III (AB and KB) were closed for making new investments, as P Capital launched the P Capital Partners IV fund. The same month the last capital call was made and no further capital calls will be made. A total of SEK 10,298 million has been contributed to the company, corresponding to 95 per cent of the 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

The investment portfolio has been built up gradually since 2014 and consisted at the end of the reporting period of sixteen (eighteen) investments. About 99% (99%) of the portfolio is invested in direct lending to corporates. The total value of the entire PCP III loan portfolio was SEK 2,521 (3,195) million. The portfolio of listed bonds including accrued interest in PCP III amounted at the end of the period to SEK 48 (16) million.

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

RESULTS AND FINANCIAL POSITION

The net profit and loss for the financial year was SEK 0 (0) million and equity amounts to SEK 21 (23) million. The cumulative return on the entire PCP III portfolio since inception is SEK 1,903 (1,679) million.

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, the low interest environment which has persisted returns are estimated to be significantly 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	2022-01-01 <u>2022-12-31</u>	2021-01-01 <u>2021-06-30</u>	2021-01-01 <u>2021-12-31</u>
Operating income				
Interest income using the effective interest method	3	110 371	121 137	236 963
Interest income and similar income	3	183 207	127 836	314 945
		293 578	248 973	551 908
Operating costs				
Interest expense and similar charges	3	-217 621	-221 255	-458 244
Credit losses net	5	-60 533	-15 789	-71 707
Administrative expenses	2	-15 424	-11 929	-20 574
		-293 578	-248 973	-550 525
Operating profit		0	0	1 383
Group contributions received		0	0	168 617
Profit/loss before tax		0	0	170 000
Tax	4	0	0	0
Profit/loss and total comprehensive income for the period		0	0	170 000

BALANCE SHEET

ASSETS	<u>Note</u>	<u>2022-06-30</u>	<u>2021-12-31</u>	<u>2021-06-30</u>
Non-current assets				
Non-current financial assets	5	1 270 184	1 694 651	3 179 813
Total non-current assets		1 270 184	1 694 651	3 179 813
Current assets				
<i>Current receivables</i>				
Short-term loans		1 250 596	992 008	0
Trade receivables		0	0	-53
Receivables from group companies		2 343	196 691	105 847
Current tax receivables		170	0	868
Other current receivables		2 386	2 493	2 324
Short-term investments	6	47 755	23 443	18 456
Accrued expenses and deferred income		54	52	110
		1 303 303	1 214 687	127 551
<i>Cash and cash equivalents</i>		372 337	318 625	206 307
Total current assets		1 675 639	1 533 312	333 857
TOTAL ASSETS		2 945 823	3 227 963	3 513 670

BALANCE SHEET

EQUITY AND LIABILITIES	Note	<u>2022-06-30</u>	<u>2021-12-31</u>	<u>2021-06-30</u>
Equity				
<i>Restricted equity</i>				
Share capital (5,000 shares with a quotient value of SEK 100)		500	500	500
		500	500	500
<i>Non-restricted equity</i>				
Retained earnings		20 084	21 452	22 877
Profit/loss for the period		0	170 000	0
		20 084	191 452	22 877
Total equity		20 584	191 952	23 377
Non-current liabilities				
Other non-current provisions		0	0	1 267
Other non-current liabilities	8	2 865 777	3 006 145	3 468 070
Total non-current liabilities		2 865 777	3 006 145	3 469 337
Current liabilities				
Trade payables		0	59	0
Liabilities to group companies		0	0	14 058
Other current liabilities		58 501	28 802	5 626
Accrued expenses and deferred income		961	1 005	1 272
Total current liabilities		59 461	29 866	20 956
TOTAL EQUITY AND LIABILITIES		2 945 823	3 227 963	3 513 670

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Profit/loss for the year	Total capital
Opening balance, 1 January 2021	500	24 644	102 988	128 132
Transfer of previous year's profit/loss		102 988	-102 988	0
Profit/loss and total comprehensive income for the year			170 000	170 000
Total comprehensive income for the period		102 988	67 012	170 000
Transactions with shareholders				
Dividend		-102 988		-102 988
Shareholder contributions repaid *)		-3 192		-3 192
Total transactions with shareholders		-106 180	0	-106 180
Closing balance, 31 December 2021	500	21 452	170 000	191 952
Transfer of previous year's profit/loss		170 000	-170 000	0
Profit/loss and total comprehensive income for the year			0	
Total comprehensive income for the period		170 000	-170 000	0
Transactions with shareholders				
Dividend to shareholder		-170 000		-170 000
Shareholder contributions repaid *)		-1 368		-1 368
Total transactions with shareholders		-171 368	0	-171 368
Closing balance, 30 June 2022	500	20 084	0	20 584

*) 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 of the fund's investments.

STATEMENT OF CASH FLOWS

	2022-01-01 <u>2022-12-31</u>	2021-01-01 <u>2021-06-30</u>	2021-01-01 <u>2021-12-31</u>
Interest paid	-74	0	-491
Interest received	117 021	5 831	247 732
Financial transactions net	-59 593	110 368	66 395
Paid administration costs	-15 149	-55	-25 553
Cash flow from operations	42 205	116 144	288 083
Change in current receivables	796	7 974	11 155
Change in current liabilities	5 466	-10 072	-10 200
Change in group receivables/liabilities	23 716	-92 964	-29 361
Increase of short-term investments	0	-8 412	-12 613
Decrease of short-term investments	-1 960	7 498	0
Increase of non-current financial assets	-79 861	-167 950	-283 435
Decrease of non-current financial assets	310 352	199 386	893 388
Cash flow from operating activities	258 509	-64 540	568 934
Repaid shareholder contributions	-1 368	-1 767	-3 192
Decrease in non-current liabilities	-245 784	-317 471	-573 496
Paid interest on non-current liabilities	0	-13 472	-449 145
Cash flow from financing activities	-247 151	-332 709	-1 025 833
Cash flow for the period	53 562	-281 106	-168 816
Cash and cash equivalents at beginning of period	318 625	487 244	487 244
Exchange rate difference, cash and cash equivalents	150	169	197
Cash and cash equivalents at end of period	372 337	206 307	318 625

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 currency have been valued at closing rates and profits from currency movements are reported as part of interest income and similar income and losses from currency movements are reported as part of interest expenses and similar charges. The following exchange rates have been used in valuation of assets and liabilities:

EUR 10.6801 (10.1249); USD 10.2194 (8.5103); GBP 12.4127 (11.7663)

Note 2 Administrative expenses

Intercompany purchases and sales:

Included in administrative expenses are costs for administration and offices invoiced from P Capital Partners AB of SEK 8.2 (9.8) million during the first half of 2022.

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

Note 3 Interest income, interest expense and similar profit/loss items

	2022-01-01 <u>2022-06-30</u>	2021-01-01 <u>2021-06-30</u>
<i>Interest income in accordance with the effective interest method</i>		
Interest income from loans	110 371	121 137
Total	<u>110 371</u>	<u>121 137</u>
<i>Interest income and similar income</i>		
Interest income from bonds	2 224	3 473
Change in value from bonds	17 586	0
Dividends	27 504	35 314
Currency profits	134 715	83 590
Other financial income	1 177	5 459
Total	<u>183 207</u>	<u>127 836</u>
<i>Interest expenses and similar charges</i>		
Interest expenses profit participation debentures	-105 416	-138 282
Other interest expenses	-74	-308
Change in value from bonds	0	-10 418
Currency losses	-112 131	-72 246
Total	<u>-217 622</u>	<u>-221 254</u>
Interest income from assets at fair value.	19 811	3 473
Interest income from assets at amortised cost.	<u>110 371</u>	<u>121 137</u>
	<u>130 182</u>	<u>124 610</u>
Interest expenses from liabilities at fair value	-74	-308
Interest expenses from liabilities at amortised cost	<u>-105 416</u>	<u>-138 282</u>
	<u>-105 490</u>	<u>-138 590</u>

Note 4 Tax

	<u>2022-06-30</u>	<u>2021-06-30</u>
Reported profit before tax	0	0
Tax calculated at applicable 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>2022-06-30</u>	<u>2021-12-31</u>
Loans	954 537	1 138 192
Preference shares	315 646	556 459
Total	<u>1 270 184</u>	<u>1 694 651</u>

Change, IFRS 9 reserve	2022-01-01	2021-01-01	2021-01-01
	<u>2022-06-30</u>	<u>2021-06-30</u>	<u>2021-12-31</u>
Opening reserve	-304 454	-232 496	-232 496
Change for the period	440 281	-465	-71 958
Closing reserve	<u>135 827</u>	<u>-232 961</u>	<u>-304 454</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 and who have their interest capitalized.

Loans refer to direct loans to businesses. At the end of the period, the portfolio comprised of fourteen loans and an investment in one preference share. The maturities will vary and are estimated from less than one year up to two years. Loans that are expected to be repaid within 12 months are part of current assets.

Note 6 Short-term investments

	<u>2022-06-30</u>		<u>2021-12-31</u>	
	Cost value	Fair value	Cost value	Fair value
Derivatives	-	-	-	699
Shares	-	12 851	-	-
Bonds	42 070	34 869	93 870	22 710
Accrued interest	-	35	-	34
	<u>42 070</u>	<u>47 755</u>	<u>93 870</u>	<u>23 443</u>

Derivatives are currency forwards used for hedging purposes of the loan and bond portfolios.

Composition of the portfolio

2022-06-30	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Shares (NOK)	15 478	0,90	13 931	1,0314	14 368
Bonds (USD)	4 644	73,5%	3 412	10,2194	34 869
					<u>49 237</u>

Note 6 continued

2021-12-31	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Bonds (USD)	10 409	24,1%	2 511	9,0437	<u>22 710</u> 22 710

Note 7 Liabilities to credit institutions

The company had an unused overdraft facility amounting to SEK 50 million 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. The owners' contribution under the same agreement is SEK 60 million. As the investment period has ended, no additional funding is available.

The change of the accounted for amortized cost by the company issued profit participation debentures is dependent on the underlying performance of the company's assets. No part of the performance of the profit participation debentures is guaranteed by the company and profit participation debenture holders bear the same risk as shareholders of the company with regards to invested capital, but shareholders have a greater responsibility for the business and a duty to distribute profits to profit participation debenture holders according to the contractual terms. All investors will receive a return of STIBOR + 2 percent, minimum 5 percent a year, before any profit sharing between shareholders and investors is allowed. Any net profit over the hurdle rate is split 80/20 between investors and shareholders. Interest is paid quarterly to holders of the profit participation debentures in accordance with the fund terms and condition where the size of the interest is dependent on the profits realized during the quarter with deduction of the period's costs.

Return, profit participation debentures

SEK	Maturity	<u>2022-06-30</u>		<u>2021-12-31</u>	
		Nominal value	Book value	Nominal value	Book value
Profit participation debentures	2014-2024	3 664 796	2 865 777	3 910 580	3 006 145
Unrealised gain			-799 019		-904 435
Realised gain			<u>2 208 898</u>		<u>2 208 898</u>
Total accumulated income, profit participation debentures			1 409 879		1 304 463

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

Note 9 Pledged assets

	<u>2022-06-30</u>	<u>2021-12-31</u>
Cash collateral for currency forwards	55 700	13 241
	<u>55 700</u>	<u>13 241</u>

Note 10 Contingent liabilities

	<u>2022-06-30</u>	<u>2021-12-31</u>
Funding commitments made to existing borrowers	0	49 925
Contingent liability in the capacity of general partner of Proventus Capital Partners III KB	19 124	4 525
	<u>19 124</u>	<u>54 450</u>

Note 11 Related party transactions

P Capital Partners III AB (publ) is owned by P Capital Partners AB (556930-7027). The parent company provides services to the company and is paid a management fee based on total capital where the fee is invoiced quarterly. The management fee is part of administrative expenses and during the first half of 2022 the fee was SEK 8.2 (9.8) million.

Stockholm as of the day of my digital signature

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.