Annual Report

for

P Capital Partners III AB (publ)

556926-8021

Financial year

2022

Contents

- Directors' report 2
- Income statement 5
- Balance sheet 6
- Statement of cash flows 9
- Additional disclosures 10

DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of P Capital Partners III AB (publ) hereby present the annual report for the financial year 1 January 2022 - 31 December 2022.

OPERATIONS

P Capital Partners III AB, which is a subsidiary of P Capital Partners AB (corp. id. 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 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) 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 were 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.

The fund has for the year 2022 been classified as a so called article 6-fund according to the Disclosure Regulation (EU 2019/2088). Sustainability risks have been integrated in the investment decisions, without the fund having promoted environmental or social characteristics or had sustainable investments as a goal.

Profit-sharing with holders of profit participation debentures of the company is settled in Swedish kronor. The annual accounts are prepared in Swedish kronor, figures in parentheses refer to the previous year and unless otherwise stated, all amounts refer to thousands of Swedish kronor (SEK '000).

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The investment portfolio has been built up gradually since 2014 and consisted at the end of the reporting period of fifteen (sixteen) investments. About 97% (99%) of the portfolio is invested in direct lending to corporates. The total value of the entire PCP III loan portfolio was SEK 2,610 (3,004) million of which SEK 2 333 million belong to the company. The portfolio of listed bonds including accrued interest in PCP III amounted at the end of the period to SEK 69 (25) million of which SEK 62 million belong to the company.

During the year interest rates were hiked around the world to counteract the high inflation that arose as a result of the pandemic, the war in Ukraine and higher energy prices. This has major impact as both households, companies and the public sector has increase debt levels during the period of negative interest rates. So far the impact on the real economy has been fairly muted but the risks have increased significantly och risk appetite and company valuations have gone down. During the year no loans were repaid but a few were partially amortized according to schedule. The situation looks relatively stable compared to previous years but the companies that have had problems since the pandemic hit still haven't fully recovered and the credit loss reserves have increased as many of them have PIK interest.

RESULTS AND FINANCIAL POSITION

The net profit and loss for the financial year was SEK 140.5 (170) million and equity amounts to SEK 160 (192) million. The cumulative return on the entire PCP III portfolio since inception is SEK 2,225 (1,993) million of which SEK 1,990 million belong to the company

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant company specific events have transpired after the end of the financial year.

OUTLOOK

The company's target is to generate a ten per cent net annual return for the holders of profit-participating debentures. Due to the portfolios composition, performance since start and the low interest rate environment since inception, the expected return is lower.

OWNERSHIP

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

Shareholder	Shares
P Capital Partners AB	5,000
Total	5,000

P Capital Partners AB is a subsidiary to PCP Deka AB (corp. id 559327-2387) which present consolidated accounts for the entire group.

PROPOSED DISPOSITION OF EARNINGS

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

Non-restricted reserves	18,658,547
Profit for the year	140,500,000
Total	159,158,547 SEK

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

Dividend to shareholders	140,500,000
Carried forward	18,658,547
	159,158,547 SEK

Opinion of the Board of Directors regarding the proposed dividend

It is the assessment of the Board of Directors that the proposed dividend does not hinder the company from fulfilling its obligations in the short and long run, nor from doing necessary investments. The proposed dividend is therefor in line with what is described in Chapter 17, Section 3 of the Swedish Companies Act.

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 Chapter 6, Section 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

SEK('000)

	Note	1 Jan 2022- 31 Dec 2022	1 Jan 2021- 31 Dec 2021
Operating income			
Interest income using the effective interest method	6	162,579	236,963
Interest income and similar income	6	286,198	314,945
		448,777	**551,908**
Operating costs			
Interest expense and similar charges	6	-406,257	-458,244
Credit losses net	3	-17,946	-71,707
Administrative expenses	5	-23,468	-20,574
		-447,671	**-550,525**
Operating profit		**1,106**	**1,383**
Group contributions received		139,394	168,617
Profit/loss before tax		**140,500**	**170,000**
Tax	7	0	0
Profit/loss and total comprehensive income for the year		**140,500**	**170,000**

BALANCE SHEET

SEK('000)

ASSETS	Note	31/12/2022	31/12/2021
Non-current assets			
Non-current financial assets	8	639,566	1,694,651
Total non-current assets		**639,566**	**1,694,651**
Current assets			
Current receivables			
Short-term loans		1,693,578	992,008
Receivables from group companies		286,519	196,691
Other current receivables		2,473	2,493
Short-term investments	9	82,193	23,443
Accrued expenses and deferred income		104	52
		2,064,867	**1,214,687**
Cash and cash equivalents		172,981	318,625
Total current assets		**2,237,848**	**1,533,312**
TOTAL ASSETS		**2,877,414**	**3,227,963**

BALANCE SHEET

SEK('000)

EQUITY AND LIABILITIES	Note	31/12/2022	31/12/2021
Equity			
Restricted equity			
Share capital (5,000 shares, quotient value of SEK 100)		500	500
		500	500
Non-restricted equity			
Retained earnings		18,659	21,452
Profit/loss for the year		140,500	170,000
		159,159	191,452
Total equity		**159,659**	**191,952**
Non-current liabilities			
Other non-current liabilities	10	2,687,388	3,006,145
Total non-current liabilities		**2,687,388**	**3,006,145**
Current liabilities			
Trade payables		0	59
Other current liabilities	12	29,304	28,802
Accrued expenses and deferred income	13	1,063	1,005
Total current liabilities		**30,367**	**29,866**
TOTAL EQUITY AND LIABILITIES		**2,877,414**	**3,227,963**

STATEMENT OF CHANGES IN EQUITY

SEK('000)

	Share capital	Retained earnings	Profit/loss for the year	Total capital
Opening balance, 1 January 2021	**500**	**24,644**	**102,988**	**128,132**
Profit/loss and total comprehensive income for the year		102,988	-102,988	0
Other comprehensive income for the year, net after tax		0	170,000	170,000 -
Total comprehensive income for the year		**102,988**	**67,012**	**170,000**
Transactions with shareholders				
Shareholder contributions received*)				
Shareholder contributions repaid*)		-3,192		-3,192
Dividend paid		-102,988		-102,988
Total transactions with shareholders		**-106,180**		**-106,180**
Closing balance, 31 December 2021	**500**	**21,452**	**170,000**	**191,952**
Opening balance, 1 January 2022	**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			140,500	140,500
Total comprehensive income for the year		**170,000**	**-29,500**	**140,500**
Transactions with shareholders				
Shareholder contributions repaid*)		-2,793		-2,793
Dividend		-170,000		-170,000
Total transactions with shareholders		**-172,793**		**-172,793**
Closing balance, 31 December 2022	**500**	**18,659**	**140,500**	**159,659**

*) 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

SEK('000)

	Note	2022	2021
	15		
Interest paid		-78	-491
Interest received		167,454	247,732
Financial transactions net		-166,126	66,395
Paid administration costs		-24,146	-25,553
Cash flow from operations		**-22,896**	**288,083**
Change in current receivables		890	11,155
Change in current liabilities		5,687	-10,200
Change in group recievables/liabilities		-107,367	-29,361
Increase of short-term investments		-735	-12,613
Increase of non-current financial assets		-11,479	-283,435
Decrease of non-current financial assets		495,931	893,388
Cash flow from operating activities		**382,927**	**568,934**
Decrease in non-current liabilities		-501,809	-573,496
Paid interest in non-current liabilities		0	-449,145
Repaid shareholder contributions		-2,793	-3,192
Cash flow from financing activities		**-504,602**	**-1,025,833**
Cash flow for the year		**-144,571**	**-168,816**
Cash and cash equivalents at beginning of year		**318,625**	**487,244**
Exchange rate difference, cash and cash equivalents		-1,073	197
Cash and cash equivalents at end of year		**172,981**	**318,625**

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES
SEK('000)

Note 1 Accounting principles

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

Group contributions
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 a currency which is not the reporting 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 11.1283 (10.2269); USD 10.4371 (9.0437); GBP 12.5811 (12.1790)

Financial assets and liabilities and accounting
Financial assets are classified in the categories fair value through profit and loss and amortized cost. The classification depends on if the financial asset is a debt instrument, equity instrument or a derivative.

Debt instruments can either be loans or debt securities. The classification is based on an assessment of the business model for managing the financial assets and whether the contractual cash flow characteristics consist of solely payments of principal and interest. The principal is defined as the fair value at initial recognition and interest cash flows include consideration for time value of money, credit risk, liquidity risk as well as profit margin. Debt instruments are classified in the category fair value through profit and loss when the business model for the instruments is held for trading which for the company include listed bonds. Debt instruments are classified in the category amortized cost when the business model for the instruments is to collect contractual cash flows and the contractual cash flow characteristics consists of solely payments of principal and interest which for the company means investments in private corporate loans. The value in the accounting is calculated using the effective interest method and is adjusted for expected credit losses. Debt instruments are only re-classified if the business model for the instruments change.

Equity instruments are classified as financial assets at fair value through profit and loss.

Derivatives are classified as financial assets at fair value through profit and loss.

Financial liabilities consist primarily in the company of profit participation debentures issued to the company’s investors. They are valued at amortized cost where with profit and loss being dependent on the underlying performance of the company’s assets. Positive performance on the profit participation debentures is accounted as interest expenses for the company. Negative performance on the profit participation debentures is accounted as interest income for the company.

Purchases and sales of financial assets are accounted for on the trade date, the date the company commits to buying or selling the asset. Financial assets are taken off the balance sheet when the right to receive cash flows from the instrument has expired or has been transferred and the company has also transferred practically all risks and benefits which are associated with owning the asset.

Loans are part of non-current assets with the exception of any repayments expected within 12 months from the balance sheet date which are instead classified as short-term loans and part of current assets.

Short-term investments are financial instruments which are listed on an exchange as well as derivatives. Derivatives with negative values are part of current liabilities. Changes in value are recognized through profit and loss as interest income and similar income (profits) or interest expenses and similar charges (losses).

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

The direct method has been used to calculate the cash flows.

Valuation
Financial assets are initially recognized at fair value with, in cases when the asset is not recognized as fair value through profit and loss, transactions costs directly associated with the purchase. Transactions costs associated with assets recognized as fair value through profit and loss are taken directly in the income statement.

The main part of the company's financial assets are loans where the business model is to receive contractual cash flows and they are valued at amortized costs, and this fulfills the conditions for valuation at amortized cost according to IFRS 9. Un-listed preference shares and listed bonds are valued in accordance with the company's valuation policy and recognized at fair value.

For financial assets which are debt instruments valued at amortized costs expected credit losses are estimated. This is done by dividing all loans in three categories depending on the risk of a credit event, which in turn is based on the investment organizations continuous assessment and if there have been any payment failures or other confirmed credit events. In the first category are loans where no significant increase in credit risk has happened since initial recognition, in the second category, the credit risk has significantly increased and in the third category are negatively credit impacted assets. A negatively credit impacted asset is for example an asset where interest payment is more than 90 days overdue without anything else having been agreed upon or when the borrower's business has been negatively impacted in a way that the loan will not be repaid in full. In the company's management of loans there is a continuous assessment of credit risk and each quarter they are classified according to a traffic light system which is then translated into the three different categories. Increased credit risk should be seen in the light of what the credit risk was at initial recognition and be assessed with that as the starting point. High credit risk in this context is not the same as increase credit risk and is compensated for by a higher interest level. To move from category 1 to category 2 a borrower need to receive a yellow or red light in the model which means that something has decidedly deteriorated in the borrower's business and that the credit risk has increased significantly and at that stage the investment team start working actively with the borrower. To move from category 2 to category 3 a borrower either needs to be in default (black light) or the credit risk is assessed to have increased so much that it is unlikely that the principal will be repaid in full.

The amount which is reserved is calculated by using a model which builds on the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The model is updated quarterly based with new data, among them macro data, borrowers' leverage, borrowers' other financial data and the performance of the manager. As the portfolio of loans is not large enough to have a quantitative approach based on historical patterns, it is instead primarily based on market data regarding probability of default of different companies and where the borrower is mapped into that matrix but also complemented by data from the investment team's performance in similar exposures.

For assets in category 1, expected credit losses are based on expected credit losses in the following twelve months while in category two and three, expected credit losses are based on expected credit losses until maturity. Expected credit losses are accounted for at initial recognition.

For assets valued at fair value there is a categorization into three levels depending on how fair value has been decided:

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 is a description of the principal methods and assumptions used in determining the fair values of the financial assets and liabilities which are valued at fair value:

- Listed equities are valued at quoted bid prices.
- Bonds are marked at quoted bid prices. If current price from an active market (level 1) is missing the latest quoted price is used with an individual assessment of the price (level 2). The company's bonds are valued according to level 2. 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.
- For currency contracts the fair value is determined based on quoted exchange rates for both currencies (level 2).

- Fair value of un-listed preference shares is based on the net asset value method when no prices are available (level 3).

Regarding other assets and liabilities not carried at fair value, it is the company's best estimate 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 change of underlying credit risk which would impact the carried amount, and which would indicate a significant difference with fair value after taking reserves for expected credit losses into account.

New standards and other changes and interpretations of current standards that were implemented 2021-01-01
Changes to standards and interpretations in RFR 2 have not been applied when compiling these annual accounts. New standards and interpretations are not expected to have any significant impact on the company's financial reports for the current or coming periods and neither on future transactions.

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. Profit and participation debentures have no guaranteed return or guaranteed right to repayment. The return is contingent on the realization of profits and is settled quarterly if the conditions for payment under the terms of the debentures have been met. Due to this structure, the company's risks, as described below, are minimized.

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 interest paid to the company's lenders is dependent on the returns on the company's assets which means that if the value of assets were to decrease due to increasing interest rates, the liabilities would decrease as much and there would be no profit or loss for the company. The manager limits the interest rate risk in the loans by having variable interest income with an added margin. As a result, the interest margin remains unchanged over time. For longer fixed-rate loans, the interest rate can be swapped to 90 days to reduce the interest rate risk further, but this is not done currently. Each borrower's creditworthiness and the associated required return are assessed at the time of issuing the loan. The manager applies an internal risk and pricing model which takes into account factors such as the borrower's industry, market conditions, the borrower'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 loans is continuously monitored and each quarter an assessment for necessary credit reserves is made. Overall, the portfolio has developed below expectations but the credit quality is deemed to generally be of good quality taking current reserves for credit losses into consideration and the valuation of the loans as of the reporting date are deemed to be fair.

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 primarily influenced by credit risk but depending on if the interest rate is fixed or floating there can be some interest rate risk as well. The overall risk is assessed using the same model as for the loan portfolio.

To limit risks, the company has an internal limit on the size of any engagement, both in the loan and bond portfolios, compared to total investable funds.

Currency risk

If any investment is made in any currency besides SEK, the asset will generally be swapped into SEK using currency forwards to minimize currency risks. The currency forward contracts generally have maturities of three-month maturity, after which they are rolled into new contracts to hedge the investments. This means that realized gains and losses will arise on the hedging instruments while the underlying investment will have unrealized gains and losses. The currency impact on profit and loss from value changes on the underlying investment and the hedging instrument will cancel each other out. Changes in exchange rates therefore do not have a significant impact. It is the company's aim to hedge at least 90% of the market value of any asset not denominated in SEK.

As of the balance sheet day the company had the following currency exposure with associated currency forwards for hedging purposes:

Currency exposure ('000)	Market value	Currency hedge to SEK	Exposure
Currency exposure - EUR	€ 71,051	-€ 76,367	-€ 5,315
Currency exposure - GBP	£41,520	-£43,840	-£2,320
Currency exposure - USD	$41,779	-$47,042	-$5,263
Total currency exposure to total balance	2,877,414		5%

The company's currency exposure is 5% in relation to total assets.

Liquidity risk

The company's liquidity risk consists partly in the possibility of realizing holdings in the loan and bond portfolios but also in the ability to repay borrowed funds. Both risks reflect each other. The company's assessment is that the overall liquidity risk is very low. The operations are funded through profit participation debentures and equity. Profit participation debentures are paid back as loans mature and liquidity flows in or as returns are realized. Repayment of the profit participation debentures can, according to the terms and conditions, only happen when funds are available.

The company's investments in direct loans and high-yield bonds may in certain cases result in difficulties to realize the holdings. As repayment of the profit participation debentures can't be initiated by the holders the overall liquidity risk is very low. The company has the right to raise short-term debt to increase flexibility further.

The following table of undiscounted cash flows shows the company's financial receivables and liabilities by remaining maturity at the balance sheet date. Each loan and bond as at the balance sheet date has been reviewed and the date of repayment and expected interest until repayment has been estimated. Currency forwards are accounted for gross per contract.

Undiscounted cash flows 2022	**Total**	**< 1 year**	**1–2 year**	**3–5 year**	**6+ year**
Loans and pref. shares	2,606,713	1,848,628	758,086		
Bonds	71,062	71,062	0		
Derivatives	1,911,093	1,911,093			
Other current receivables	288,992	288,992			
Cash and cash equivalents	172,981	172,981			
Total	5,050,841	4,292,756	758,086	0	0
Other current liabilities	30,368	30,368			
Derivatives	-1,913,145	-1,913,145			
Profit participation debentures	-2,955,258	-2,165,090	-790,168		
Total	-4,838,035	-4,047,868	-790,168	0	0

Undiscounted cash flows 2021	**Totalt**	**< 1 år**	**1–2 år**	**3–5 år**	**6+ år**
Loans and pref. shares	2,981,081	1,132,006	1,849,075		
Bonds	27,286	2,305	24,981		
Derivatives	699	699			
Other current receivables	199,184	199,184			
Cash and cash equivalents	318,625	318,625	0		
Total	3,526,875	1,652,819	1,874,055	0	0
Other current liabilities	0	0			
Derivatives	-27,404	-27,404			
Profit participation debentures	-3,288,460	-1,373,817	-1,914,642		
Total	-3,315,864	-1,401,221	-1,914,642	0	0

Note 3 Classification of assets and liabilities

The following tables show loans valued at amortized cost and expected credit losses.

2022	Total	Category 1	Category 2	Category 3
Loans 2022-01-01	2,427,292	1,408,637	121,005	897,650
Loans paid	87,448	12,551	3,102	71,795
Loans repaid	-258,119	-217,273	-26,422	-14,423
Re-classification to Category 1	0	121,005	-121,005	0
Re-classification to Category 2	0	-240,911	240,911	0
Re-classification to Category 3	0	0	0	0
Revaluation currency/other adjustments	142,302	52,668	22,961	66,673
Loans 2022-12-31	2,398,924	1,136,677	240,551	1,021,696

	Total	Category 1	Category 2	Category 3
Reservation 2022-01-01	-304,454	-4,376	-7,651	-292,426
Loans paid	-27,612	-141	-34	-27,437
Loans repaid	5,795	1,346	185	4,264
Change in commitments	0	0	0	0
Re-classification to Category 1	0	-1,514	1,514	0
Re-classification to Category 2	0	1,804	-1,804	0
Re-classification to Category 3	0	0	0	0
Change regarding "PDs/LGDs/EADs"	-55,228	1,089	-399	-55,918
Revaluation currency/other adjustments	-26,634	-406	-207	-26,022
Reservation 2022-12-31	-408,132	-2,198	-8,396	-397,539

2021	Total	Category 1	Category 2	Category 3
Loans 2021-01-01	2,740,849	1,633,542	231,316	875,990
Loans paid	56,064	11,456	10,300	34,309
Loans repaid	-476,060	-414,327	0	-61,733
Re-classification to Category 1	0	129,238	-129,238	0
Re-classification to Category 2	0	0	0	0
Re-classification to Category 3	0	0	0	0
Revaluation currency/other adjustments	106,439	48,728	8,627	49,084
Loans 2021-12-31	2,427,292	1,408,637	121,005	897,650

	Total	Category 1	Category 2	Category 3
Reservation 2021-01-01	-232,496	-20,873	-6,417	-205,206
Loans paid	-10,950	-90	-129	-10,730
Loans repaid	55,834	2,930	0	52,904
Change in commitments	0	0	0	0
Re-classification to Category 1	0	3,069	-3,069	0
Re-classification to Category 2	0	0	0	0
Re-classification to Category 3	0	0	0	0
Change regarding "PDs/LGDs/EADs"	-97,196	10,979	2,072	-110,247
Change in model assumptions	4,989	0	0	4,989
Revaluation currency/other adjustments	-24,635	-391	-108	-24,136
Reservation 2021-12-31	-304,454	-4,376	-7,651	-292,426

Credit losses net – financial assets

	31/12/2022	31/12/2021
Write downs/recoveries - change in credit reserve	-103,679	-71,958
Change in reserve regarding Category 3 not taken over income statement	105,112	0
Realized losses on loans in addition to change in credit reserve	-31,903	0
Write downs of other financial assets	-727	-5,100
Recovery of previously made writedowns	13,250	5,351
Credit losses net	-17,946	-71,707

The following tables show classification of financial assets and liabilities based on IFRS 9.

2022	Total	Assets/ liabilities at fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost
Assets				
Long-term loans	639,566		639,566	
Short-term loans	1,360,742		1,360,742	
Preference shares	332,836	332,836		
Listed shares	19,026	19,026		
Bonds	42,915	42,915		
Derivatives	20,253	20,253		
Receivables from group companies	286,519		286,519	
Other current receivables	2,473		2,473	
Cash and cash equivalents	172,981		172,981	
Total	2,877,311	415,030	2,462,281	0
Liabilities				
Profit participation debentures	2,687,388			2,687,388
Other current liabilities	45			45
Derivatives	22,305	22,305		
Total	2,709,738	22,305	0	2,687,433

2021	Total	Assets/ liabilities at fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost
Assets				
Long-term loans	1,138,192		1,138,192	
Short-term loans	992,008		992,008	
Preference shares	556,459	556,459		
Bonds	22,743	22,743		
Derivatives	699	699		
Receivables from group companies	196,691		196,691	
Other current receivables	2,493		2,493	
Cash and cash equivalents	318,625		318,625	
Total	3,227,910	579,901	2,648,009	0
Liabilities				
Profit participation debentures	3,006,145			3,006,145
Other current liabilities	1,398			1,398
Derivatives	27,404	27,404		
Total	3,034,947	27,404	0	3,007,543

The following table show the company’s financial assets and liabilities recognized at fair value through profit and loss as of 31 December 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Long-term investment, preference shares			332,836	332,836
Securities held for trading		61,941		61,941
Derivatives used for hedging		20,253		20,253
Total assets	0	82,194	332,836	415,030
Liabilities				
Derivatives used for hedging		22,305		22,305
Total liabilities	0	22,305	0	22,305

The following table show the company's financial assets and liabilities recognized at fair value through profit and loss as of 31 December 2021:

	Level 1	Level 2	Level 3	Total
Assets				
Long-term investment, preference shares			556,459	556,459
Securities held for trading		22,743		22,743
Derivatives used for hedging		699		699
Total assets	0	23,442	556,459	579,901
Liabilities				
Derivatives used for hedging		27,404		27,404
Total liabilities	0	27,404	0	27,404

The following table show changes in assets in level 3 during 2022 and 2021:

	Unlisted preference shares	Total
Opening balance 1 January 2021	**712,133**	**712,133**
Divestments	-155,674	-155,674
Outgoing balance 31 December 2021	**556,459**	**556,459**
Divestments	-223,623	-223,623
Outgoing balance 31 December 2022	**332,836**	**332,836**

The following table show essential non observable data which have been used in the fair value determination in level 3:

	Fair value as of			Type of input (probability weighted average)	
	31 Dec	31 Dec			
Description	2022	2021	Unobservable inputs	2022	2021
Unlisted preference shares	332,836	556,459	Risk-adjusted discount rate	9% - 11% (10%)	9% - 11% (10%)

A decrease of the discount rate of 100 bps would have increased the value of un-listed preference shares with SEK 814 (6,510) thousand and an increase of the discount rate of 100 bps would have decreased the value of un-listed preference shares with SEK 810 (6,417) thousand.

Note 4 Critical accounting estimates and assessments

The company reviews its loans on a quarterly basis to assess the need for provisions of credit losses. The assessment is made individually for each loan. An in-depth analysis of each commitment is made on a quarterly basis to assess whether the borrower will be able to meet the agreed terms. Provisions are made at initial recognition and if the loan portfolio grows, the provisions also increase which is managed by the loss being allocated to the profit participation debentures which lowers the expected repayment of them which in turn is income for the company.

Note 5 Administrative expenses

In the financial year 2022, total fees of SEK 612 thousand were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following categories:

PwC:	2022	2021
Audit engagement	612	513
Other services	43	0
Total	655	513

Intra-group purchases and sales: Included in administrative expenses are management fees invoiced from the parent company P Capital Partners AB of SEK 15.7 (18.6) million during 2022.

Average number of employees: The company had as in previous years no employees during the financial year.

Remuneration: Remuneration has been paid to staff in the parent company which manages the company's investments. Total fixed remuneration was during the year SEK 31.5 million variable remuneration was SEK 1.6 million which was divided by 7 employees.

Note 6 Interest income, interest expense and similar profit/loss items

Interest income in accordance with the effective interest method	2022	2021
Interest income in accordance with the effective interest method	162,579	236,963
Total	162,579	236,963

Interest income and similar income		
Interest income from bonds	4,659	7,797
Change in value from stocks	19,026	0
Change in value from bonds	13,335	0
Other interest income	1,177	4
Dividends	44,694	67,923
Currency profits (re-valuations and currency forwards)	155,685	156,285
Write down of profit participation debentures	46,445	79,424
Other financial income	1,177	3,512
Total	286,198	314,945

Interest expenses and similar charges		
Interest expenses profit participation debentures	-229,496	-309,198
Change in value from bonds	0	-12,836
Other interest expenses	-78	-491
Currency losses (re-valuations and currency forwards)	-176,683	-135,719
Total	-406,257	-458,244

Interest income from assets at fair value	5,836	7,801
Interest income from assets at amortised cost	162,579	236,963
	168,415	244,764

Interest expense from liabilities at fair value	0	0
Interest expense from liabilities at amortised cost	-229,574	-309,689
	-229,574	-309,689

Note 7 Tax

	2022	2021
Reported profit before tax	140,500	170,000
Tax calculated at applicable rate (20.6%)	-28,943	-35,020
Tax effect from non-deductible expenses	-27,016	-59,528
Tax effect from non-taxable income	46,948	49,109
Tax effect from group adjustment of interest net	-13,775	-7,795
Tax effect of non accounted for tax losses	22,785	53,234
Reported tax expense	0	0

	2022	2021
Unused loss carryforward for which no deferred tax asset has been accounted for	70,996	322,848
Potential tax benefit (20.6%)	14,625	66,507

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 limited the discussion to the question whether the subsidiary Proventus Capital Partners III KB operates a business from a tax perspective, which otherwise would limit Proventus Capital Partners III's right to deduct tax losses from 2016 and 2020. The Administrative court came with a verdict in 2022 that there is a business from a tax perspective, but that the assets are not conditioned by this but instead are capital investments. P Capital Partners III claims that the KB definitely operates a taxable business and that the assets are conditioned by the operations. No reserve för additional taxes have been made in the 2018-2022 annual accounts and the verdict from the Administrative court has been appealed to the Court of Appeals.

Note 8 Non-current financial assets

	31/12/2022	31/12/2021
Loans	639,566	1,138,192
Preference shares	0	556,459
Total	639,566	1,694,651

Loans refer to direct loans to businesses. At the end of the financial year, the portfolio comprised thirteen loans and an investment in one preference share. The maturities will wary 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 9 Short-term investments

	31/12/2022 Cost	31/12/2022 Fair value	31/12/2021 Cost	31/12/2021 Fair value
Derivatives	-	20,253	-	699
Stocks	-	19,026	-	-
Bonds	41,187	42,899	93,870	22,710
Accrued interest	-	16	-	34
	41,187	82,193	93,870	23,443

Composition of the portfolio

31/12/2022	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Stocks (NOK)	13,843	130.0%	17,996	1.0572	19,026
Bonds (USD)	4,524	90.9%	4,110	10.4371	42,899
					61,925

31/12/2021	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	22,710
					22,710

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

Note 10 Other non-current liabilities

Profit participation debentures

The holders of profit participation debentures have committed 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 profit participation debentures that have been issued are entitled to profits from the first issue date 14 May 2014.

The change of the accounted for amortized cost of the 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 in 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. Profit-sharing is in SEK which means that all reporting to investors is in SEK.

Return, profit participation debentures

		31/12/2022		31/12/2021	
	Maturity	Nominal value	Book value	Nominal value	Book value
Profit participation debentures	2014-2024	3,408,771	2,687,388	3,910,580	3,006,145
Unrealised gain			-721,383		-904,434
Realised gain			2,208,898		2,208,898
Total accumulated income, profit participation debentures			1,487,515		1,304,464

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

Note 11 Liabilities to credit institution

The company had an unused overdraft facility amounting to SEK 50 million at the end of the financial year.

Note 12 Other liabilities

	31/12/2022	31/12/2021
Other current liabilities	6,999	1,398
Currency forwards	22,305	27,404
Total	29,304	28,802

Currency forwards are for hedging purposes of the loan and bond portfolios.

Note 13 Accrued expenses and deferred income

	31/12/2022	31/12/2021
Audit engagement cost	388	313
Other accrued expenses	676	692
Total	1,064	1,005

Note 14 Pledged assets

	31/12/2022	31/12/2021
Cash collateral for currency forwards	11,374	13,241
	11,374	13,241

Note 15 Statement of cash flows

The following changes have changed in financial liabilities from financing activities:

	31/12/2022	31/12/2021
Opening balance	3,006,145	3,799,013
Cash flow	-501,809	-1,022,641
Non cash flow impact from currency changes	0	0
Non cash flow impact from value changes	-46,445	-79,424
Non cash flow impact from change in accrued interest	229,496	309,197
Total liabilities in financing activities	2,687,388	3,006,145

Note 16 Contingent liabilities

	31/12/2022	31/12/2021
Contingent liability in the capacity of general partner of Proventus Capital Partners III KB	3,803	4,525
Funding commitments made to existing borrowers	0	49,925
Total	3,803	54,450

Note 17 Related party transactions

P Capital Partners III AB (publ) is owned by P Capital Partners AB (556930-7027). The parent company performs services for 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 2022 the fee was SEK 15.7 (18.6) million. Group contributions from the parent company were SEK 139 (133) million.

Note 18 Proposed disposition of earnings

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

Non-restricted reserves	18,658,547
Profit for the year	140,500,000
Total	159,158,547

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

Dividend to shareholders	140,500,000
To be carried forward	18,658,547
Total	159,158,547

Stockholm as of the day of my digital signature

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Anna Ramel

Our auditor's report was submitted as of the day of our digital signature

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson

Authorized Public Accountant and Auditor in Charge

Auditor’s report

Unofficial translation

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

Report on the annual accounts

Opinions

We have audited the annual accounts of P Capital Partners III AB (publ) for the year 2022.

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 P Capital Partners III AB (publ) as of 31 December 2022 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 P 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 P 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 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 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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 loan receivables *We refer to the Administration Report and description of P Capital Partners III AB (publ)'s ("PCP") Accounting principles, Note 1, Significant accounting estimates and assessments, Note 4 and Non-current assets, Note 8.* PCP's loan receivables amounted to 2 331 MSEK (each of 640 MSEK refers to long-term and 1 694 MSEK to short-term loan receivables) as at 31 December 2022, which is equivalent to 81% 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 and short-term loan receivables. 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 2022. 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 P Capital Partners III AB (publ) for the year 2022 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 P 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, 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 P Capital Partners III AB (publ) by the general meeting of the shareholders on the 13 May 2022 and has been the company's auditor since the 10 June 2013.

Stockholm 29 March 2023

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant