

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

INTERIM REPORT FOR THE PERIOD 1 JANUARY 2023 – 30 JUNE 2023

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 2023 – 30 June 2023.

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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 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 thirteen (sixteen) investments. About 96% (99%) of the portfolio is invested in direct lending to corporates. The total value of the entire PCP III loan portfolio was SEK 2,135 (2,521) million. The portfolio of listed bonds including accrued interest in PCP III amounted at the end of the period to SEK 79 (48) 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 158 (21) million. The cumulative return on the entire PCP III portfolio since inception is SEK 2,101 (1,903) 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	2023-01-01 <u>2023-06-30</u>	2022-01-01 <u>2022-06-30</u>	2022-01-01 <u>2022-12-31</u>
Operating income				
Interest income using the effective interest method	3	88,660	110,371	162,579
Interest income and similar income	3	152,281	183,207	286,198
		240,941	293,578	448,777
Operating costs				
Interest expense and similar charges	3	-223,377	-217,621	-406,257
Credit losses net	5	-6,218	-60,533	-17,946
Administrative expenses	2	-11,347	-15,424	-23,468
		-240,941	-293,578	-447,671
Operating profit		0	0	1,106
Group contributions received		0	0	139,394
Profit/loss before tax		0	0	140,500
Tax	4	0	0	0
Profit/loss and total comprehensive income for the period		0	0	140,500

BALANCE SHEET

ASSETS	<u>Note</u>	<u>2023-06-30</u>	<u>2022-12-31</u>	<u>2022-06-30</u>
Non-current assets				
Non-current financial assets	5	22,389	639,566	1,270,184
Total non-current assets		22,389	639,566	1,270,184
Current assets				
<i>Current receivables</i>				
Short-term loans		2,112,321	1,693,578	1,250,596
Receivables from group companies		140,831	286,519	2,343
Current tax receivables		0	0	170
Other current receivables		2,577	2,473	2,386
Short-term investments	6	79,355	82,193	47,755
Accrued expenses and deferred income		107	104	54
		2,335,191	2,064,867	1,303,303
<i>Cash and cash equivalents</i>		105,604	172,981	372,337
Total current assets		2,440,795	2,237,848	1,675,639
TOTAL ASSETS		<u>2,463,184</u>	2,877,414	2,945,823

BALANCE SHEET

EQUITY AND LIABILITIES	<u>Note</u>	<u>2023-06-30</u>	<u>2022-12-31</u>	<u>2022-06-30</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		157,734	18,659	20,084
Profit/loss for the period		0	140,500	0
		157,734	159,159	20,084
Total equity		158,234	159,659	20,584
Non-current liabilities				
Other non-current liabilities	8	2,173,745	2,687,388	2,865,777
Total non-current liabilities		2,173,745	2,687,388	2,865,777
Current liabilities				
Liabilities to group companies		38,844	0	0
Other current liabilities		91,211	29,304	58,501
Accrued expenses and deferred income		1,150	1,063	961
Total current liabilities		131,205	30,367	59,461
TOTAL EQUITY AND LIABILITIES		2,463,184	2,877,414	2,945,823

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Profit/loss for the year	Total capital
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 period		170,000	-29,500	140,500
Transactions with shareholders				
Dividend		-170,000		-170,000
Shareholder contributions repaid *)		-2,793		-2,793
Total transactions with shareholders		-172,793	0	-172,793
Closing balance, 31 December 2022	500	18,659	140,500	159,659
Transfer of previous year's profit/loss		140,500	-140,500	0
Profit/loss and total comprehensive income for the year			0	
Total comprehensive income for the period		140,500	-140,500	0
Transactions with shareholders				
Shareholder contributions repaid *)		-1,425		-1,425
Total transactions with shareholders		-1,425	0	-1,425
Closing balance, 30 June 2023	500	157,734	0	158,234

*) 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

	2023-01-01 <u>2023-06-30</u>	2022-01-01 <u>2022-06-30</u>	2022-01-01 <u>2022-12-31</u>
Interest paid	-140	-74	-78
Interest received	82,729	117,021	167,454
Financial transactions net	-55,588	-59,593	-166,126
Paid administration costs	-11,563	-15,149	-24,146
Cash flow from operations	15,438	42,205	-22,896
Change in current receivables	1,392	796	890
Change in current liabilities	-5,595	5,466	5,687
Change in group receivables/liabilities	183,936	23,716	-107,367
Increase of short-term investments	0	0	-735
Decrease of short-term investments	1,054	-1,960	0
Increase of non-current financial assets	-6,302	-79,861	-11,479
Decrease of non-current financial assets	358,563	310,352	495,931
Cash flow from operating activities	533,048	258,509	382,927
Repaid shareholder contributions	-1,425	-1,368	-2,793
Decrease in non-current liabilities	-614,460	-245,784	-501,809
Cash flow from financing activities	-615,884	-247,151	-504,602
Cash flow for the period	-67,399	53,562	-144,571
Cash and cash equivalents at beginning of period	172,981	318,625	318,625
Exchange rate difference, cash and cash equivalents	22	150	-1,073
Cash and cash equivalents at end of period	105,604	372,337	172,981

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 11.7917 (10.6801); USD 10.8509 (10.2194); GBP 13.7202 (12.4127)

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 6.4 (8.2) million during the first half of 2023.

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

	2023-01-01 <u>2023-06-30</u>	2022-01-01 <u>2022-06-30</u>
<i>Interest income in accordance with the effective interest method</i>		
Interest income from loans	88,660	110,371
Total	<u>88,660</u>	<u>110,371</u>
<i>Interest income and similar income</i>		
Interest income from bonds	2,704	2,224
Other interest income	234	0
Change in value from bonds	16,263	17,586
Dividends	20,902	27,504
Currency profits	112,178	134,715
Other financial income	<u>0</u>	<u>1,177</u>
Total	152,282	183,207
<i>Interest expenses and similar charges</i>		
Interest expenses profit participation debentures	-100,818	-105,416
Other interest expenses	-140	-74
Currency losses	<u>-122,419</u>	<u>-112,131</u>
Total	-223,377	-217,622
Interest income from assets at fair value.	2,938	19,811
Interest income from assets at amortised cost.	<u>88,660</u>	<u>110,371</u>
	91,598	130,182
Interest expenses from liabilities at fair value	-140	-74
Interest expenses from liabilities at amortised cost	<u>-100,818</u>	<u>-105,416</u>
	-100,958	-105,490

Note 4 Tax

	<u>2023-06-30</u>	<u>2022-06-30</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>2023-06-30</u>	<u>2022-12-31</u>
Loans		<u>22,389</u>	<u>639,566</u>
Total		22,389	639,566
Change, IFRS 9 reserve	2023-01-01	2022-01-01	2022-01-01
	<u>2023-06-30</u>	<u>2022-06-30</u>	<u>2022-12-31</u>
Opening reserve	-408,132	-304,454	-304,454
Change for the period	<u>-79,178</u>	<u>440,281</u>	<u>-103,678</u>
Closing reserve	-487,310	135,827	-408,132

The change during the period of the IFRS 9 reserve has been recognised in the income statement together with realized credit losses. For loans in stage 3 any loss is recognised directly in the balance sheet. 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 increased. This was due to borrowers in Stage 3 that have their interest capitalized but where payment is unlikely.

Loans refer to direct loans to businesses. At the end of the period, the portfolio comprised of eleven 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>2023-06-30</u>		<u>2022-12-31</u>	
	Cost value	Fair value	Cost value	Fair value
Derivatives	-	53	-	20,253
Shares	-	31,449	-	19,026
Bonds	40,531	47,520	41,187	42,899
Accrued interest	-	333	-	16
	<u>40,531</u>	<u>79,355</u>	<u>41,187</u>	<u>82,194</u>

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

Composition of the portfolio

2023-06-30	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Shares (NOK)	13,844	2.25	31,148	1.009648	31,449
Bonds (USD)	4,424	99.0%	4,379	10.8509	<u>47,520</u>
					78,968

Note 6 continued

2022-12-31	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Shares (NOK)	13,844	1.30	17,996	1.057179	19,026
Bonds (USD)	4,524	90.9%	4,110	10.4371	42,899
					<u>61,925</u>

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>2023-06-30</u>		<u>2022-12-31</u>	
		Nominal value	Book value	Nominal value	Book value
Profit participation debentures	2014-2024	2,794,311	2,173,745	3,408,771	2,687,388
Unrealised gain			-620,566		-721,383
Realised gain			<u>2,208,898</u>		<u>2,208,898</u>
Total accumulated income, profit participation debentures			1,588,332		1,487,515

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>2023-06-30</u>	<u>2022-12-31</u>
Cash collateral for currency forwards	87,837	11,374
	<u>87,837</u>	<u>11,374</u>

Note 10 Contingent liabilities

	<u>2023-06-30</u>	<u>2022-12-31</u>
Contingent liability in the capacity of general partner of Proventus Capital Partners III KB	10,726	3,803
	<u>10,726</u>	<u>3,803</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 2023 the fee was SEK 6.4 (8.2) million.

Stockholm as of the day of our digital signature

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Christian Reiner
Director

Åsa Hansdotter
Director

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