

Proventus Capital Partners Alpha AB (publ)
Org nr 556805-9660

ANNUAL REPORT FOR THE FINANCIAL YEAR 2020

The Board of Directors and Chief Executive Officer of Proventus Capital Partners Alpha AB (publ) hereby present the annual report for the financial year 1 January 2020 - 31 December 2020.

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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

Proventus Capital Partners Alpha 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, 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 Alpha KB (corp. id. 969771-7131).

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 1,895 million. The funding available to the company can be drawn by the company through individual contributions of 10 per cent of the overall commitment. From the 4 December 2018, the fund was closed to new investments, as P Capital has launched its new fund Proventus Capital Partners IV, therefore, no more contributions will be requested. A total of SEK 1,327 million has been contributed to the company, corresponding to 70 per cent of the total funding.

Profit-sharing with holders of profit participation debentures of the company is settled in Swedish kronor. The annual accounts are prepared in Swedish kronor.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The investment portfolio has been built up gradually since 2015 and consisted at the end of the reporting date of eight (eight) loans. The total value of the portfolio was SEK 1,126 (1,208) million of which SEK 1,013 million belong to the company.

During the first quarter a Corona-virus, causing the disease Covid-19, spread over the globe and turned into a pandemic. This had severe effects on human life, the economy as a whole and for financial markets. The effect on credit markets was initially significant but the situation stabilized after massive stimulus from governments and central banks. Part of the economy still had a very rough time and companies in the tourism, restaurant and travel sectors have been severely affected. The impact on the company's borrowers has been mixed where some have been severely negatively impacted while others have been affected only marginally. Since the company invests in senior structures and generally with solid security, the credit impact has been limited even in the companies that have been negative impacted. This is reflected by the relatively limited credit reserves which have increase slightly compared to the previous year. During the year the portfolio decreased somewhat from amortizations but no loans were added or fully repaid.

RESULTS AND FINANCIAL POSITION

Profit for the financial year was SEK 0 (11) million and equity amounts to SEK 14 (15) million. The cumulative return on the portfolio since its inception is SEK 283 (222) million of which SEK 254 million belong to the company

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In January one of the loans were repaid in full. No other significant events have transpired since the end of the financial year.

OUTLOOK

The company's target is to generate a five per cent net annual return for the holders of profit-participating debentures. There is currently nothing to suggest that the company will not be able to deliver a return to investors that is in line with expectations.

OWNERSHIP

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

Shareholder	No. of shares
P Capital Partners AB	5 500
Total	5 500

PROPOSED DISPOSITION OF EARNINGS

Group contributions in a total amount of kSEK 140 (141) have been paid to the parent company. The Board of Directors believes that the reported equity after group contributions is adequate with regard to the equity requirements arising from the nature, scope and risks of the business. The proposed group contribution is therefore deemed defensible with regard to what is stated in Ch. 17 Section 3 paragraphs 2-3 of the Swedish Companies Act.

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

Non-restricted reserves	13 801 277
Profit for the year	-1
Total	13 801 276 SEK

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

Dividend to shareholders	11 058 686
Carried forward	2 742 590 SEK
	13 801 276

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

	<u>Note</u>	<u>1 Jan 2020- 31 Dec 2020</u>	<u>1 Jan 2019- 31 Dec 2019</u>
Interest income using the effective interest method	5	54 473	54 347
Interest income and similar income	5	45 612	1 359
Interest expense and similar charges	5	-90 881	-48 281
Net expected credit losses	1	-1 646	115
Administrative expenses	4	-7 418	-7 399
Operating profit		<u>140</u>	<u>141</u>
Group contributions received		0	11 059
Group contributions made		-140	-141
Profit before tax		<u>0</u>	<u>11 059</u>
Tax	6	-	-
Profit for the year		<u><u>0</u></u>	<u><u>11 059</u></u>

STATEMENT OF COMPREHENSIVE INCOME

Profit for the year	0	11 059
Other comprehensive income	-	-
Other comprehensive income for the year, net after tax	-	-
Total comprehensive income for the year	<u><u>0</u></u>	<u><u>11 059</u></u>

BALANCE SHEET

ASSETS	<u>Note</u>	<u>2020-12-31</u>	<u>2019-12-31</u>
Non-current assets			
Long-term financial investments	7	<u>1 012 601</u>	<u>1 084 485</u>
Total non-current assets		1 012 601	1 084 485
Current assets			
Current receivables			
Receivables from group companies		11 059	14 212
Other current receivables		0	7
Short-term investments	8	24 587	15 174
Accrued expenses and deferred income		<u>17</u>	<u>0</u>
		35 663	29 393
Cash and cash equivalents		<u>84 701</u>	<u>120 982</u>
Total current assets		120 364	150 375
TOTAL ASSETS		1 132 965	1 234 860

BALANCE SHEET

EQUITY AND LIABILITIES	<u>Note</u>	<u>2020-12-31</u>	<u>2019-12-31</u>
Equity			
Restricted equity			
Share capital (5,500 shares, quotient value of SEK 100)		550	550
		550	550
Non-restricted equity			
Retained earnings		13 801	2 991
Profit for the year		0	11 059
		13 801	14 050
Total equity		14 351	14 600
Non-current liabilities			
Other non-current liabilities	9	1 115 978	1 218 310
Total non-current liabilities		1 115 978	1 218 310
Current liabilities			
Trade payables		213	31
Liabilities to group companies		1 846	1 424
Other current liabilities		0	90
Accrued expenses and deferred income	10	577	405
Total current liabilities		2 636	1 950
TOTAL EQUITY AND LIABILITIES		1 132 965	1 234 860

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Other paid-in capital	Total capital
Opening balance, 1 January 2019	550	-12	3 500	4 038
Comprehensive income				
Profit for the year		0		0
Other comprehensive income				
Total other comprehensive income		0		0
Transactions with shareholders				
Group contributions received			11 059	11 059
Shareholder contributions repaid*)			-497	-497
Total transactions with shareholders		0	10 562	10 562
Closing balance, 31 December 2019	550	-12	14 062	14 600
Comprehensive income				
Profit for the year		0		0
Other comprehensive income				
Total other comprehensive income		0		0
Transactions with shareholders				
Shareholder contributions repaid*)			-249	-249
Total transactions with shareholders		0	-249	-249
Closing balance, 31 December 2020	550	-12	13 813	14 351

*) 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

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cash flow from operations	11	101 556	-24 586
Interest paid		-54 736	0
Change in current receivables		-10	0
Change in receivables from group companies		2 683	30 104
Change in liabilities to group companies		494	-10 270
Change in current liabilities		263	405
Cash flow from operating activities		50 250	-4 347
Disposal of shares in Group companies		0	1 326 500
Increase of long-term financial investments		-25 358	-1 016 512
Decrease of long-term financial investments		32 750	0
Cash flow from investing activities		7 391	309 988
Group contribution paid		259	-228
Shareholder contributions repaid		-249	-497
Increase in non-current liabilities		-93 933	-187 866
Cash flow from financing activities		-93 923	-188 591
Cash flow for the year		-36 281	117 050
Cash and cash equivalents at beginning of year		120 982	3 932
Cash and cash equivalents at end of year		84 701	120 982

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES

Note 1 Accounting policies

The annual accounts of the company have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554), Recommendation RFR 2 (2008:25) of the Swedish Financial Reporting Board and the Swedish Alternative Investment Fund Managers Act (2013:561).

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 foreign currency

Receivables and liabilities in foreign currency have been valued at closing rates. Currency forwards are used to hedge investments in other currencies. Profits from revaluations of investments are therefor matched by corresponding losses on the currency forwards and vice versa. The following exchange rates have been used in valuation of assets and liabilities:

EUR 10.0375 (10.4336) USD 8.1886 (9.3171) GBP 11.0873 (12.2145)

Classification of non-current and current assets in the balance sheet

Non-current assets include loan receivables which are intended to be held to maturity. Current assets include short-term investments and bank deposits.

Valuation rules

Non-current financial assets in foreign currency are valued at amortised cost adjusted to the closing rate, as described above.

Financial instruments: recognition and measurement

Financial assets are classified as loan receivables and short-term investments.

The classification depends on the purpose for which the financial asset was acquired. The classification of financial assets is determined by management upon initial recognition.

Loan receivables are financial assets which are not derivatives, have determinable payments and are not listed on an active market. They are included in non-current assets.

Short-term investments are financial instruments which are traded on a regulated market and derivatives. Derivatives with negative values are classified as other current liabilities.

Short-term investments are measured at fair value. Changes in value are recognised through profit or loss as interest income and similar income (profits) or interest expenses and similar charges (losses).

Profit participation debentures are recognised at amortised cost, which depends on the underlying return on the company's assets. A positive return on profit participation debentures is accounted for as an interest expense for the company and is included in the market value. A negative return on profit participation debentures is accounted for as interest income for the company and is included in the market value.

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

In autumn 2016, the International Accounting Standards Board adopted the standard IFRS 9 Financial Instruments, which became effective on 1 January 2018. Under the standard, the recognition of credit losses should be based on expected loss events and not on incurred loss events. The majority of the company's financial assets refer to loans that are currently classified held-to-maturity assets and measured at amortised cost, which meet the criteria for measurement at amortised cost in accordance with IFRS 9.

Financial assets which are subject to impairment have been divided into three categories based on the risk of default. The first category include assets whose credit risk has not increased significantly at the reporting date, in the second a significant increase in the credit risk has occurred and in the third there is objective evidence of impairment. For assets in the first category, an impairment loss should be recognised based on expected losses over the next twelve months, and in categories two and three expected losses over the full life of the asset should be recognised. This means that impairment losses for expected losses should be recognised on initial recognition. For financial liabilities, the classification and measurement are not changed.

The following table shows how loans have been classified in accordance with IFRS 9.

2020	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2020	1 084 964	1 084 964	0	0
<i>Re-classifications</i>				
Re-classification from cat. 1 to cat. 2				
Re-classification from cat. 1 to cat. 3				
Re-classification from cat. 2 to cat. 3				
Re-classification from cat. 3 to cat. 2				
Loans repaid	-32 750	-32 750		
Loans paid	25 358	25 358		
Change in accrued interest	-3 687	-3 687		
Booked from accounts				
Revaluation currency/other adjustments	-59 160	-59 160		
Loans on 31 Dec 2020	1 014 725	1 014 725	0	0
	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2020	-479	-479	0	0
<i>Re-classifications</i>				
Re-classification from cat. 1 to cat. 2				
Re-classification from cat. 1 to cat. 3				
Re-classification from cat. 2 to cat. 1				
Loans repaid	29	29		
Loans paid	-46	-46		
Change regarding "PDs/LGDs/EADs"	-1 738	-1 738		
Change in model assumptions				
Revaluation currency/other adjustments	110	110		
Reservation on 31 Dec 2020	-2 125	-2 125	0	0

During the year there have been no credit losses besides the unrealised change of the IFRS 9 reserve.

2019	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2019	0	0	0	0
<i>Re-classifications</i>				
Re-classification from cat. 1 to cat. 2				
Re-classification from cat. 1 to cat. 3				
Re-classification from cat. 2 to cat. 3				
Re-classification from cat. 3 to cat. 2				
Loans repaid	-162 518	-162 518		
Loans paid	1 219 172	1 219 172		
Change in accrued interest	3 394	3 394		
Booked from accounts				
Revaluation currency/other adjustments	24 916	24 916		
Loans on 31 Dec 2019	1 084 964	1 084 964	0	0
	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2019	0	0	0	0
<i>Re-classifications</i>				
Re-classification from cat. 1 to cat. 2				
Re-classification from cat. 1 to cat. 3				
Re-classification from cat. 2 to cat. 1				
Loans repaid	98	98		
Loans paid	-601	-601		
Change regarding "PDs/LGDs/EADs"	38	38		
Change in model assumptions				
Revaluation currency/other adjustments	-13	-13		
Reservation on 31 Dec 2019	-479	-479	0	0

The following table shows how financial assets and liabilities have been classified in accordance with IFRS 7

2020	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Assets				
Loans	1 012 601		1 012 601	
Receivables from group companies	11 059		11 059	
Other receivables	17		17	
Derivates	24 587	24 587		
Cash and cash equivalents	84 701		84 701	
Total	1 132 965	24 587	1 108 378	0
Liabilities				
Profit participation debentures	1 115 978			1 115 978
Trade payables	213			213
Liabilities to group companies	1 846			1 846
Other current liabilities	0			0
Accrued expenses	577			577
Derivates	0			0
Total	1 118 614	0	0	1 118 614
2019	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Assets				
Loans	1 084 485		1 084 485	
Receivables from group companies	14 212		14 212	
Other receivables	7		7	
Derivates	15 174	15 174		
Cash and cash equivalents	120 982		120 982	
Total	1 234 860	15 174	1 219 686	0
Liabilities				
Profit participation debentures	1 218 310			1 218 310
Trade payables	31			31
Liabilities to group companies	1 424			1 424
Other current liabilities	90			90
Accrued expenses	405			405
Derivates	0			0
Total	1 220 260	0	-	1 220 260

Assets at fair value

The tables below contain information on how fair value has been determined for financial instruments measured at fair value in the balance sheet. The breakdown of how fair value is determined is based on three levels:

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 table shows the company's asset and liabilities at fair value at 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Derivates used for hedging		24 587		24 587
Total assets		24 587		24 587
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivates used for hedging		0		0
Total liabilities		0		0

The following table shows the company's asset and liabilities at fair value at 31 December 2019

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Derivates used for hedging		15 174		15 174
Total assets		15 174		15 174
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivates used for hedging		0		0
Total liabilities		0		0

The following is a description of the principal methods and assumptions used in determining the fair values of the financial assets and liabilities presented in the tables above.

Derivatives

For currency contracts, fair value is determined based on quoted exchange rates for each currency. The fair value of interest rate swaps is based on discounted estimated future cash flows in accordance with the terms and maturity dates of the contract and using the market rate for similar instruments at the balance sheet date.

Other assets and liabilities that are not carried at fair value

The company's best estimate is 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 significant change in the underlying credit risk that would affect the amortised cost and indicate a significant difference compared with fair value.

Investor reporting

The issued profit participation debentures entitle the holder to a return from the first issue date, 10 August 2015. The company conducted no operations prior to 10 August 2015, which means that the full reported profit is shared in accordance with agreements with the investors.

	2020-01-01 2020-12-31	2019-01-01 2019-12-31	2015-08-10 2020-12-31
Interest income and change in value	52 827	54 462	107 289
Income from investments in group companies	0	0	139 858
Other interest income and similar income	45 612	1 359	46 971
Interest expense and similar charges	-44 544	-920	-45 487
Administrative expenses	-7 418	-7 399	-30 947
Profit before profit-sharing	46 477	47 502	217 684
Share of profit, profit participation debentures	-46 337	-47 361	-215 557
Profit before tax and group contributions	140	141	2 127

Profit participation debentures

Changes in the amortised cost of the company's outstanding profit participation debentures are dependent on the underlying return on the company's assets. No portion of the return on the profit participation debentures is guaranteed by the company and the holders bear the same risk as the company's owners in respect of invested capital. Realised gains on holdings in the portfolio less expenses for the period are distributed on a quarterly basis. Profit-sharing is settled in Swedish kronor, which means that all reporting to investors in profit participation debentures is in SEK.

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 in the company and the return is dependent on the outcome of the company's portfolio management activities. 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 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 limited interest rate risk as a change in the interest rate level does not have a significant impact. The interest paid to the company's debenture holders depends on the return of the company's assets. The return from the issued loans generally have variable interest rate. 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. 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 company's industry, market conditions, the company's profitability and debt level. Based on the model, the lowest interest rate and terms for each commitment are determined. All commitments are monitored continuously and any need for provisions is assessed on a quarterly basis. Overall, the portfolio has delivered slightly over expectations, and its credit quality is, as whole, deemed to be of a good quality. Therefore, the valuation of the loans, is deemed to be correct.

To limit the risk, the company has internally limited the size of each commitment in the loan and bond portfolios based on the total available funds.

Currency risks

In cases where investments are made in other currencies than Swedish kronor the underlying investment is hedged to Swedish kronor using currency forwards to minimise the currency risk. The forward contracts normally have maturities of three months, after which they are rolled forward to hedge the investment. Over time, this means that realised gains and losses will arise from the forwards while changes in value of the underlying investment will remain unrealised. The currency effect in the result of the change in value in the underlying investment and the hedging instrument will cancel each other out. Changes in exchange rates therefore do not have a significant impact.

Liquidity risk

The company's liquidity risk consists partly in the possibility of realising holdings in the loan portfolio but also in the ability to repay borrowed funds. As both risks reflect each other the overall liquidity risk for the company is deemed to be low. The operations are funded partly through profit participation debentures and partly through equity. Profit participation debentures are paid back as the company's loans fall due and liquidity flows in or as returns are realised through payments. The profit participation debentures are linked to the company's return and under the applicable terms may not be repaid unless funds are available.

As a result of the company's investments in direct loans it may in certain cases be difficult to realise the holdings. As repayment of the profit participation debentures can not be demanded by the holders, except in relation to realised profits/repayments, liquidity risk is still low.

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 as at the balance sheet date has been reviewed and the date of repayment has been estimated. The interest rate is based on a contracted expected return at the time of issuance. Currency forwards have been recognised on a net basis. The settlement procedure for these varies. In some cases, the gross amount is exchanged and in other cases the contract is settled on a net basis. However, all forward contracts are concluded with established counterparties, and the risk that only one of the flows in the contract will be exchanged and thus constitute a risk for the company is viewed as purely theoretical. Estimated payments under the profit participation debentures follow the expected interest flows for the loan portfolio as well as repayments where the return is dependent on the performance of the loan portfolio.

Undiscounted cash flows	Total	< 1 year	1–2 years	3–5 years	6+ years
2020					
Assets					
Loans	1 255 372	168 384	1 086 988		
Receivables from group companies	11 059	11 059			
Other current receivables	17	17			
Derivates	24 587	24 587			
Cash and cash equivalents	84 701	84 701			
Total	1 375 736	288 748	1 086 988	0	0
Liabilities					
Derivates	0				
Profit participation debentures	-1 241 276	-211 732	-1 029 544		
Total	-1 241 276	-211 732	-1 029 544	0	0

Undiscounted cash flows 2019	Total	< 1 year	1–2 years	3–5 years	6+ years
Assets					
Loans	1 152 102	275 520	876 582		
Receivables from group companies	14 212	14 212			
Other current receivables	7	7			
Derivates	15 174	15 174			
Cash and cash equivalents	120 892	120 892			
Total	1 302 387	425 805	876 582	0	0
Liabilities					
Derivates	0				
Profit participation debentures	-1 223 160	-274 793	-948 367		
Total	-1 223 160	-274 793	-948 367	0	0

Note 3 Critical accounting estimates and assessments

The company reviews its loans on a quarterly basis to assess the need for provisions. 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.

Note 4 Administrative expenses

During financial year 2020, total fees of kSEK 102 were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following categories:

PwC:	2020	2019
Audit engagement	102	653
Tax advisory services	-	-
	<u>102</u>	<u>653</u>

Intra-group purchases and sales:

Administrative expenses include management fees in the amount of SEK 6.5 (6.1) million billed by P Capital Partners AB during the financial year.

Average number of employees: The company has as last year no had 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 25 million and variable remuneration was SEK 1 million which was divided by 9 employees.

Note 5 Interest income, interest expenses and similar income/charges

	2020	2019
Interest income in accordance with the effective interest method		
Interest income in accordance with the effective interest method	54 473	54 347
Total	<u>54 473</u>	<u>54 347</u>
Interest income and similar income		
Currency profits (re-valuations and currency forwards)	44 769	1 107
Other interest income	1	0
Other financial income	842	252
Total	<u>45 612</u>	<u>1 359</u>
Interest expenses and similar charges		
Interest expenses on profit participation debentures	-46 337	-47 361
Other interest expenses	-487	-920
Currency losses (re-valuations and currency forwards)	-44 057	-
Total	<u>-90 881</u>	<u>-48 281</u>
Interest income from assets at fair value	1	-
Interest income from assets at amortised cost.	54 473	54 347
	<u>54 474</u>	<u>54 347</u>
Interest expense from liabilities at fair value	-488	-920
Interest expense from liabilities at amortised cost	-46 337	-47 361
	<u>-46 825</u>	<u>-48 281</u>

Note 6 Tax

	<u>2020</u>	<u>2019</u>
Reported profit before tax	0	11 059
Tax calculated at applicable rate, 21,4%	0	-2 367
Tax effect from non taxable income	0	2 485
Reported tax expense	<u>0</u>	<u>0</u>

Note 7 Non-current financial assets

	<u>2020-12-31</u>	<u>2019-12-31</u>
Other long-term investments	1 011 040	1 079 237
Accrued interest	1 561	5 248
Total	<u>1 012 601</u>	<u>1 084 485</u>

Other long-term investments refer to direct loans to businesses. At the end of the financial year, the portfolio comprised eight commitments. The maturities will vary and are estimated at one to three years.

Note 8 Short-term investments

	<u>2020-12-31</u>		<u>2019-12-31</u>	
	Cost	Fair value	Cost	Fair value
Derivates	-	24 587	-	15 174
	-	24 587	-	15 174

Derivatives are currency forwards for the purpose of hedging the loan portfolio and are held at fair value.

Note 9 Other non-current liabilities

Profit participation debentures

The holders of profit participation debentures have undertaken to provide funding of up to SEK 1,890 million. The owners' contributions under the same agreement is SEK 5 million. As the investment period has ended no additional funding is available. 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 conditions for payment under the terms of the loans have been met, see also the information under "Accounting principles."

Return, profit participation debentures

SEK	Maturity	<u>2020-12-31</u>		<u>2019-12-31</u>	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Profit participation debentures	2014-2024	1 041 201	1 115 978	1 135 134	1 218 310
Unrealised gain			74 777		83 176
Realised gain			140 780		86 044
Total accumulated income, profit participation debentures			<u>215 557</u>		<u>169 220</u>

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

Note 10 Accrued expenses and deferred income

	<u>2020-12-31</u>	<u>2019-12-31</u>
Accrued expenses	577	405
Total	<u>577</u>	<u>405</u>

Note 11 Cash flow from operating activities

	<u>2020</u>	<u>2019</u>
Profit before tax	0	11 059
<i>Adjustments for non-cash items, etc.</i>		
Unrealised change in value, currency forwards	-9 413	-15 174
Unrealised foreign exchange gains/losses	60 805	-62 725
Group contributions paid/received	140	141
Allocated interest expenses	46 337	47 361
Allocated interest income	3 687	-5 248
Cash flow from operations	101 556	-24 586

Reconciliation of liabilities arising from financing activities

	CB 31 Dec 2019	New Loans	Repayments Loans	Non-cash items *)	CB 31 Dec 2020
Other non-current liabilities	1 218 310	-	-148 669	46 337	1 115 978
Liabilities to credit institutions	-	-	-	-	-
Total liabilities from financing activities	1 218 310	-	-148 669	46 337	1 115 978

*) Non-cash items refer to non-paid accrued interest to holders of profit participation debentures.

Note 12 Contingent liabilities

	<u>2020-12-31</u>	<u>2019-12-31</u>
Funding commitments made to existing borrowers.	0	3 839
Contingent liability in the capacity of general partner of Proventus Capital Partners Alpha KB	65	2 738
	65	6 577

Note 13 Related party transactions

Proventus Capital Partners Alpha AB (publ) is owned by P Capital Partners AB (556930-7027) which is the parent company in the group.

The parent company provides services to the company, for which it receives a management fee that is based on total invested capital.

The fee, which is included in administrative expenses, was SEK 6.4 (6.1) million in 2020. Group contributions of SEK 0.1 (0.1) million were paid by Proventus Capital Partners Alpha AB to the parent company and SEK 0 (11.1) million has been received.

Note 14 Proposed disposition of earnings

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

Non-restricted reserves	13 801 277
Profit for the year	<u>-1</u>
Total	13 801 276 SEK

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

Dividend to shareholders	11 058 686
Carried forward	<u>2 742 590</u>
Total	13 801 276 SEK

Stockholm as of the day of my digital signature

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Martin Gorne

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

Daniel Algotsson
Authorised Public Accountant and Auditor in Charge



Auditor's report

Unofficial translation

To the general meeting of the shareholders of Proventus Capital Partners Alpha AB (publ), corporate identity number 556805-9660

Report on the annual accounts

Opinions

We have audited the annual accounts of Proventus Capital Partners Alpha AB (publ) for the year 2020.

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 Proventus Capital Partners Alpha AB (publ) as of 31 December 2020 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 Proventus Capital Partners Alpha 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 Proventus Capital Partners Alpha 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.

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 non-current financial assets (loan receivables)

We refer to the Administration Report and description of Proventus Capital Partners Alpha AB's ("PCP") Accounting principles, Note 1, Significant accounting estimates and assessments, Note 3 and Non-current assets, Note 7.

PCP's loan receivables amounted to 1 013 MSEK as at 31 December 2020, which is equivalent to 89% 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. 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 valuation of loan receivables and on the company's executed impairment testing as at 31 December 2020.

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 Proventus Capital Partners Alpha AB (publ) for the year 2020 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 Proventus Capital Partners Alpha 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.

Stockholm 30 March 2021

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant