Annual Report

for

P Capital Partners Alpha AB

556805-9660

Financial year

2022

Contents

DIRECTORS' REPORT

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

OPERATIONS

P 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 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 Alpha KB (corp. id. 969771-7131) and the two companies are collectively called the PCP Alpha 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 Alpha. 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 1,895 million. As of 4 December 2018, the fund was closed for making new investments, as P Capital launched the P Capital Partners IV fund and 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 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 2015 and consisted at the end of the reporting period of six (eight) loans. The total value of the entire PCP Alpha loan portfolio was SEK 784 (826) million of which SEK 704 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. Overall, the situation looks stable even if credit loss reserves increase slightly during the year as a deteriorating situation in the German economy had a negative impact on one the borrowers.

RESULTS AND FINANCIAL POSITION

The net profit and loss for the financial year was SEK 0.0 (-22.5) million and equity amounts to SEK 2.3 (2.9) million. The cumulative return on the entire PCP Alpha portfolio since inception is SEK 386 (342) million of which SEK 347 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 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

P Capital Partners Alpha AB with registered office in Stockholm, Sweden, has the following ownership structure:

Shareholder	Shares
P Capital Partners AB	5,500
Total	5,500

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

Group contributions in a total amount of SEK 0.1 (22.6) million 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	1,762,591	
Profit for the year	0	
Total	1,762,591	SEK

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

Dividend to shareholders	0	
Carried forward	1,762,591	
	1,762,591	SEK

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	42,808	47,450
Interest income and similar income	6	38,100	31,529
		80,908	**78,979**
Operating costs			
Interest expense and similar charges	6	-73,874	-73,322
Credit losses net	3	-1,684	1,504
Administrative expenses	5	-5,247	-7,023
		-80,805	**-78,841**
Operating profit		**103**	**138**
Group contributions made		-103	-22,640
Profit/loss before tax		**0**	**-22,502**
Tax	7	0	0
Profit/loss and total comprehensive income for the year		**0**	**-22,502**

BALANCE SHEET

SEK('000)

ASSETS	Note	31/12/2022	31/12/2021
Non-current assets			
Non-current financial assets	8	84,768	609,065
Total non-current assets		**84,768**	**609,065**
Current assets			
Current receivables			
Short-term loans		619,254	132,747
Receivables from group companies		49,133	8,759
Short-term investments	9	4,159	425
Accrued expenses and deferred income		77	51
		672,623	**141,982**
Cash and cash equivalents		1,714	213,011
Total current assets		**674,337**	**354,993**
TOTAL ASSETS		**759,105**	**964,058**

BALANCE SHEET

SEK('000)

EQUITY AND LIABILITIES	Note	31/12/2022	31/12/2021
Equity			
Restricted equity			
Share capital (5,500 shares, quotient value of SEK 100)		550	550
		550	550
Non-restricted equity			
Retained earnings		1,763	24,874
Profit/loss for the year		0	-22,502
		1,763	**2,372**
Total equity		**2,313**	**2,922**
Non-current liabilities			
Other non-current liabilities	10	749,237	951,237
Total non-current liabilities		**749,237**	**951,237**
Current liabilities			
Liabilities to group companies		1,277	1,600
Other current liabilities	11	6,054	8,059
Accrued expenses and deferred income	12	224	240
Total current liabilities		**7,555**	**9,899**
TOTAL EQUITY AND LIABILITIES		**759,105**	**964,058**

STATEMENT OF CHANGES IN EQUITY

SEK('000)

	Share capital	Retained earnings	Profit/loss for the year	Total capital
Opening balance, 1 January 2021	**550**	**13,801**	**0**	**14,351**
Profit/loss and total comprehensive income for the year			-22,502	-22,502
Total comprehensive income for the year			**-22,502**	**-22,502**
Transactions with shareholders				
Shareholder contributions received*)		22,502		22,502
Shareholder contributions repaid*)		-371		-371
Dividend paid		-11,059		-11,059
Total transactions with shareholders		**11,073**		**11,073**
Closing balance, 31 December 2021	**550**	**24,874**	**-22,502**	**2,922**
Opening balance, 1 January 2022	**550**	**24,874**	**-22,502**	**2,922**
Transfer of previous year's profit/loss		-22,502	22,502	0
Total comprehensive income for the year		0	0	0
Transactions with shareholders				
Shareholder contributions received*)		0		0
Shareholder contributions repaid*)		-609		-609
Dividend		0		0
Total transactions with shareholders		**-609**		**-609**
Closing balance, 31 December 2022	**550**	**1,763**	**0**	**2,313**

*) 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
	13		
Interest paid		-33	-77
Interest received		38,149	49,653
Financial transactions net		-20,322	5,125
Paid administration costs		-5,247	-7,023
Cash flow from operations		**12,547**	**47,678**
Change in current receivables		36	-3
Change in current liabilities		-18	-548
Change in group recievables/liabilities		-65,277	-9,143
Increase of non-current financial assets		0	-1,968
Decrease of non-current financial assets		78,758	303,554
Cash flow from operating activities		**13,499**	**291,892**
Decrease in non-current liabilities		-230,202	-140,238
Paid interest in non-current liabilities		-6,532	-70,651
Repaid shareholder contributions		-609	-371
Cash flow from financing activities		**-237,343**	**-211,260**
Cash flow for the year		**-211,297**	**128,310**
Cash and cash equivalents at beginning of year		**213,011**	**84,701**
Cash and cash equivalents at end of year		**1,714**	**213,011**

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 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.

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:

- For currency contracts the fair value is determined based on quoted exchange rates for both currencies (level 2).

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 somewhat above expectations and 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.

To limit risks, the company has an internal limit on the size of any engagement in the loan portfolio 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	€ 20 538	-€ 20 322	€ 216
Currency exposure - GBP	£7 441	-£6 467	£974
Currency exposure - USD	$9 148	-$9 193	-$46
Total currency exposure to total balance	759 104		2%

The company's currency exposure is 2% 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	752 808	659 237	93 571		
Derivatives	418 650	418 650			
Other current receivables	49 209	49 209			
Cash and cash equivalents	1 714	1 714			
Total	1 222 382	1 128 810	93 571	0	0
Other current liabilities	-1 500	-1 500			
Derivatives	-420 546	-420 546			
Profit participation debentures	-774 349	-681 005	-93 344		
Total	-1 196 394	-1 103 050	-93 344	0	0

Undiscounted cash flows 2021	**Totalt**	**< 1 år**	**1–2 år**	**3–5 år**	**6+ år**
Loans	800 440	168 256	632 184		
Derivatives	425	425			
Other current receivables	8 759	8 759			
Cash and cash equivalents	213 011	213 011			
Total	1 022 635	390 451	632 184	0	0
Other current liabilities	-1 600	-1 600			
Derivatives	-8 059	-8 059			
Profit participation debentures	-988 594	-358 061	-630 534		
Total	-998 253	-367 720	-630 534	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	740 035	740 035	0	0
Loans paid	0	0	0	0
Loans repaid	-69 617	-69 617	0	0
Re-classification to Category 1	0	0	0	0
Re-classification to Category 2	0	0	0	0
Re-classification to Category 3	0	0	0	0
Revaluation currency/other adjustments	28 638	28 638	0	0
Loans 2022-12-31	699 056	699 056	0	0

	Total	Category 1	Category 2	Category 3
Reservation 2022-01-01	-621	-621	0	0
Loans paid	0	0	0	0
Loans repaid	18	18	0	0
Change in commitments	0	0	0	0
Re-classification to Category 1	0	0	0	0
Re-classification to Category 2	0	0	0	0
Re-classification to Category 3	0	0	0	0
Change regarding "PDs/LGDs/EADs"	-1 529	-1 529	0	0
Revaluation currency/other adjustments	-174	-174	0	0
Reservation 2022-12-31	-2 305	-2 305	0	0

2021	Total	Category 1	Category 2	Category 3
Loans 2021-01-01	1 014 725	1 014 725	0	0
Loans paid	3 743	3 743	0	0
Loans repaid	-289 928	-289 928	0	0
Re-classification to Category 1	0	0	0	0
Re-classification to Category 2	0	0	0	0
Re-classification to Category 3	0	0	0	0
Revaluation currency/other adjustments	11 495	11 495	0	0
Loans 2021-12-31	740 035	740 035	0	0

	Total	Category 1	Category 2	Category 3
Reservation 2021-01-01	-2 125	-2 125	0	0
Loans paid	-1	-1	0	0
Loans repaid	6	6	0	0
Change in commitments	0	0	0	0
Re-classification to Category 1	0	0	0	0
Re-classification to Category 2	0	0	0	0
Re-classification to Category 3	0	0	0	0
Change regarding "PDs/LGDs/EADs"	1 513	1 513	0	0
Revaluation currency/other adjustments	-13	-13	0	0
Reservation 2021-12-31	-621	-621	0	0

Credit losses net – financial assets

	2022-12-31	2021-12-31
Write downs - change in credit reserve	-1 684	1 504
Credit losses net	-1 684	1 504

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	84 768		84 768	
Short-term loans	619 254		619 254	
Derivatives	4 159	4 159		
Receivables from group companies	49 133		49 133	
Cash and cash equivalents	1 714		1 714	
Total	759 028	4 159	754 869	0
Liabilities				
Profit participation debentures	749 237			749 237
Liabilities to group companies	1 277			1 277
Derivatives	6 054	6 054		
Total	756 568	6 054	0	750 514

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	609 065		609 065	
Short-term loans	132 747		132 747	
Derivatives	425	425		
Receivables from group companies	8 759		8 759	
Cash and cash equivalents	213 011		213 011	
Total	964 007	425	963 582	0
Liabilities				
Profit participation debentures	951 237			951 237
Liabilities to group companies	1 600			1 600
Derivatives	8 059	8 059		
Total	960 896	8 059	0	952 837

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				
Derivatives used for hedging		4 159		4 159
Total assets	0	4 159	0	4 159
Liabilities				
Derivatives used for hedging		6 054		6 054
Total liabilities	0	6 054	0	6 054

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				
Derivatives used for hedging		425		425
Total assets	0	425	0	425
Liabilities				
Derivatives used for hedging		8 059		8 059
Total liabilities	0	8 059	0	8 059

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 353 thousands were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following categories:

PwC:	2022	2021
Audit engagement	353	446
Total	353	446

Intra-group purchases and sales: Included in administrative expenses are management fees invoiced from the parent company P Capital Partners AB of SEK 4.4 (6.0) 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 MSEK which was divided by 7 employees.

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

	2022	2021
Interest income in accordance with the effective interest method		
Interest income in accordance with the effective interest method	42 808	47 450
Total	42 808	47 450
Interest income and similar income		
Other interest income	214	0
Currency profits (re-valuations and currency forwards)	37 886	28 488
Other financial income	0	3 041
Total	38 100	31 529
Räntekostnader och liknande resultatposter		
Interest expenses profit participation debentures	-34 734	-46 148
Other interest expenses	-33	-77
Currency losses (re-valuations and currency forwards)	-39 107	-27 097
Total	-73 874	-73 322
Interest income from assets at fair value	214	0
Interest income from assets at amortised cost	42 808	47 450
	43 022	47 450
Interest expense from liabilities at fair value	0	0
Interest expense from liabilities at amortised cost	-34 767	-46 225
	-34 767	-46 225

Note 7 Tax

	2022	2021
Reported profit before tax	0	-22 502
Tax calculated at applicable rate (20.6%)	0	4 635
Tax effect from non-deductible expenses	-347	-6 638
Tax effect from non-taxable income	1 182	310
Tax effect of non accounted for tax losses	-835	1 693
Reported tax expense	0	0

	2022	2021
Unused loss carryforward for which no deferred tax asset has been accounted for	4 055	0
Potential tax benefit (20.6%)	835	0

Note 8 Non-current financial assets

	2022-12-31	2021-12-31
Loans	84 768	609 065
Accrued interest	0	0
Total	84 768	609 065

Loans refer to direct loans to businesses. At the end of the financial year, the portfolio comprised six loans. 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

	2022-12-31		2021-12-31	
	Cost	Fair value	Cost	Fair value
Derivatives	-	4 159	-	425
	0	4 159	0	425

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 1,890 million. The owners' contribution under the same agreement is SEK 5 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. 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

		2022-12-31		2021-12-31	
	Maturity	Nominal value	Book value	Nominal value	Book value
Profit participation debentures	2015-2024	670 761	749 237	900 963	951 237
Unrealised gain			78 476		50 274
Realised gain			217 963		211 431
Total accumulated income, profit participation debentures			296 439		261 705

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

Note 11 Other liabilities

	2022-12-31	2021-12-31
Currency forwards	6 054	8 059
Total	6 054	8 059

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

Note 12 Accrued expenses and deferred income

	2022-12-31	2021-12-31
Audit engagement cost	224	240
Total	224	240

Note 13 Statement of cash flows

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

	2022-12-31	2021-12-31
Opening balance	951 237	1 115 978
Cash flow	-236 734	-210 889
Non cash flow impact from currency changes	0	0
Non cash flow impact from value changes	0	0
Non cash flow impact from change in accrued interest	34 734	46 148
Total liabilities in financing activities	749 237	951 237

Note 14 Contingent liabilities

	2022-12-31	2021-12-31
Contingent liability in the capacity of general partner of Proventus Capital Partners Alpha KB	712	895
Total	712	895

Note 15 Related party transactions

P Capital Partners Alpha AB 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 4.4 (6.0) million. Group contributions to the parent company were SEK 0.1 (22.6) million.

Note 16 Proposed disposition of earnings

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

Non-restricted reserves	1 762 591
Profit for the year	0
Total	1 762 591

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

Dividend to shareholders	0
To be carried forward	1 762 591
Total	1 762 591

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 Alpha AB, corporate identity number 556805-9660

Report on the annual accounts

Opinions

We have audited the annual accounts of P Capital Partners Alpha AB 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 Alpha AB 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 Alpha AB.

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 Alpha AB 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 Alpha AB'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 704 MSEK (each of 85 MSEK refers to long-term and 619 MSEK to short-term loan receivables) as at 31 December 2022, which is equivalent to 93% 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 Alpha AB 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 Alpha AB 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 Alpha AB by the general meeting of the shareholders on the 13 May 2022 and has been the company's auditor since the 12 May 2010.

Stockholm 29 March 2023

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant