

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

**ANNUAL REPORT FOR THE FINANCIAL YEAR 2019**

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 2019 - 31 December 2019.

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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 Proventus Capital Management AB (556930-7027), operates a corporate lending business. The company is an alternative investment fund within the meaning of the Swedish Alternative Investment Fund Managers Act (2013:561) and has since 18 June 2014 been managed by the parent company, Proventus Capital Management, which 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.

At the start of the financial year assets, liabilities and profits were transferred from the previous subsidiary Proventus Capital Partners Alpha KB to Proventus Capital Partners Alpha AB for a value corresponding to their book value. The direct ownership thereafter ceased to exist and Proventus Capital Partners Alpha KB is no longer a subsidiary. Due to this there is no longer any consolidated financials for the companies. Instead Proventus Capital Partners Alpha KB will be consolidated with Proventus Capital Management AB which has deciding influence. For this reason many comparables are not relevant as a large part of the assets were moved from the KB to the AB.

The operations are funded with capital contributed by the owners 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 Proventus 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 of total funding.

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

### **RESULTS AND FINANCIAL POSITION**

The investment portfolio has been built up gradually since 2015 and consisted at the end of the reporting date of eight (nine) debt instruments. The cumulative return on the portfolio since its inception is just over SEK 222 (161) million of which SEK 199 million belongs to the company and the value of the portfolio was SEK 1,208 (1,343) million of which SEK 1,080 belongs to the company.

The profit for 2019 was SEK 11 (0.0) million and equity at the end of the period was SEK 15 (4.0) million.

### **SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR**

During the first quarter a Corona-virus spread over the globe and turned into a pandemic. This has had severe effects on human life, the economy as a whole and for financial markets. The effect on credit markets has been significant and both the risk premia and the re-financing risk has increased. The effect on the Company's borrowers are overall negative but it is too soon to tell how significant it will be. Since the Company invests in senior structures the Company's position is deemed to be solid and the Corona-virus should not affect the expected performance.

## 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
Proventus Capital Management AB	<u>5 500</u>
Total	5 500

## PROPOSED APPROPRIATION OF RETAINED EARNINGS

Group contributions in a total amount of kSEK 141 (117) have been paid to the parent company and SEK 11,1 million has been received. The Board 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	2 991 113
Profit for the year	<u>11 058 664</u>
Total	14 049 777 SEK

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

Dividend to shareholders	0
Carried forward	<u>14 049 777 SEK</u>
	14 049 777

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 Ch. 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>	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Interest income using the effective interest method	5	54 347	-
Income from investments in Group companies		-	44 658
Interest income and similar income	5	1 359	-
Interest expense and similar charges	5	-48 281	-37 971
Change of reserve for expected credit losses	1	115	-
Administrative expenses	4	-7 399	-6 570
<b>Operating income</b>		<b>141</b>	<b>117</b>
Group contributions received		11 059	-
Group contributions made		-141	-117
<b>Profit before tax</b>		<b>11 059</b>	<b>0</b>
Tax	6	-	-
<b>Profit for the year</b>		<b>11 059</b>	<b>0</b>

## STATEMENT OF COMPREHENSIVE INCOME

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

**BALANCE SHEET**

<b>ASSETS</b>	<u>Note</u>	<u>2019-12-31</u>	<u>2018-12-31</u>
<b>Non-current assets</b>			
Investments in Group companies		-	1 326 500
Long-term financial investments	7	<u>1 084 485</u>	<u>-</u>
<b>Total non-current assets</b>		<b>1 084 485</b>	<b>1 326 500</b>
<b>Current assets</b>			
Current receivables			
Receivables from Group companies		14 212	140 328
Other current receivables		7	7
Short-term investments	8	<u>15 174</u>	<u>-</u>
		29 393	140 335
Cash and cash equivalents		<u>120 982</u>	<u>3 932</u>
<b>Total current assets</b>		<b>150 375</b>	<b>144 267</b>
<b>TOTAL ASSETS</b>		<b><u>1 234 860</u></b>	<b><u>1 470 767</u></b>

## BALANCE SHEET

<b>EQUITY AND LIABILITIES</b>	<u>Note</u>	<u>2019-12-31</u>	<u>2018-12-31</u>
<b>Equity</b>			
Restricted equity			
Share capital (5,500 shares, quotient value of SEK 100)		550	550
		550	550
Non-restricted equity			
Retained earnings		2 991	3 488
Profit for the year		11 059	0
		14 050	3 488
<b>Total equity</b>		<b>14 600</b>	<b>4 038</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	9	1 218 310	1 358 815
<b>Total non-current liabilities</b>		<b>1 218 310</b>	<b>1 358 815</b>
<b>Current liabilities</b>			
Trade payables		31	77
Liabilities to Group companies		1 424	107 793
Other liabilities	10	90	-
Accrued expenses and deferred income	11	405	44
<b>Total current liabilities</b>		<b>1 950</b>	<b>101 054</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 234 860</b>	<b>1 364 803</b>

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Retained earnings	Other paid-in capital	Total capital
<b>Opening balance, 1 January 2018</b>	<b>550</b>	<b>-12</b>	<b>2 000</b>	<b>2 538</b>
<b>Comprehensive income</b>				
Profit for the year		0		0
Other comprehensive income				
<b>Total other comprehensive income</b>		<b>0</b>		<b>0</b>
<b>Transactions with shareholders</b>				
Shareholder contributions received*)			1 500	1 500
<b>Total transactions with shareholders</b>		<b>0</b>	<b>1 500</b>	<b>1 500</b>
<b>Closing balance, 31 December 2018</b>	<b>550</b>	<b>-12</b>	<b>3 500</b>	<b>4 038</b>
<b>Comprehensive income</b>				
Profit for the year		0		0
Other comprehensive income				
<b>Total other comprehensive income</b>		<b>0</b>		<b>0</b>
<b>Transactions with shareholders</b>				
Shareholder contributions received*)			11 059	11 059
Shareholder contributions repaid*)			-497	-497
<b>Total transactions with shareholders</b>	<b>-</b>	<b>0</b>	<b>10 562</b>	<b>10 562</b>
<b>Closing balance, 31 December 2019</b>	<b>550</b>	<b>-12</b>	<b>14 062</b>	<b>14 600</b>

\*) 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 on the fund's portfolio.

## STATEMENT OF CASH FLOWS

	<u>2019</u>	<u>2018</u>
	<u>Note</u>	
	12	
<b>Cash flow from operations</b>	<b>-24 586</b>	<b>38 066</b>
Increase in receivables from Group companies	30 104	-44 658
Increase in liabilities to Group companies	-10 270	7 176
Increase in current liabilities	405	-289
<b>Cash flow from operating activities</b>	<b>-4 347</b>	<b>295</b>
Acquisition of shares in Group companies	-	-568 500
Disposal of shares in Group companies	1 326 500	-
Increase of long-term financial investments	-1 016 512	-
<b>Cash flow from investing activities</b>	<b>309 988</b>	<b>-568 500</b>
Group contribution paid	-228	-381
Shareholder contributions received	-	1 500
Shareholder contributions repaid	-497	0
Increase in non-current liabilities	-187 866	567 000
<b>Cash flow from financing activities</b>	<b>-188 591</b>	<b>568 119</b>
<b>Cash flow for the year</b>	<b>117 050</b>	<b>-86</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3 932</b>	<b>4 018</b>
<b>Cash and cash equivalents at end of year</b>	<b>120 982</b>	<b>3 932</b>



## 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 futures used to hedge short-term investments are stated at fair value with changes in value recognised through profit or loss as interest income and similar income. The following exchange rates have been used in translating assets and liabilities:

EUR 10,4336 (10,2753) USD 9,3171 GBP 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 measured at 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, with the exception of items maturing within 12 months of the balance sheet date, which are classified as current assets.

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

Short-term investments and derivatives with a negative value are measured at fair value. Changes in value are recognised through profit or loss as interest income and similar income.

Profit participation loans are recognised at cost, which depends on the underlying return on the company's assets. A positive return on profit participation loans is accounted for as an interest expense for the company and is included in the market value. A negative return on profit participation loans 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 includes those 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. For financial liabilities, the classification and measurement are not changed.

**New and amended standards and interpretations of existing standards which have become effective as of the 1 January 2019**

The new standard IFRS 16 is not expected to have any material impact, as the Company currently has no rental contracts or leases.

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

**2019**

	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2019	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				
Re-classification from cat. 3 to cat. 1				
Loans repaid	-162 518	-162 518		
Loans paid	1 219 172	1 219 172		
Change in accrued interest	3 394	3 394		
Impairments				
Revaluation currency/other adjustments	24 916	24 916		
Loans on 31 Dec 2019	1 084 964	1 084 964	-	-

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2019	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	-	-

**2018**

	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2018	0	0		
Loans repaid	0			
Loans paid	0			
Change in accrued interest	0			
Revaluation currency/other adjustments	0			
Loans on 31 Dec 2018	0	0	-	-

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2018	0	0		
Loans repaid	0			
Loans paid	0			
Revaluation currency/other adjustments	0			
Reservation on 31 Dec 2018	0	0	-	-

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

<b>2019</b>	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
<b>Assets</b>				
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	
<b>Total</b>	<b>1 234 860</b>	<b>15 174</b>	<b>1 219 686</b>	<b>-</b>
<b>Liabilities</b>				
Profit participation loans	1 358 815			1 358 815
Trade payables	77			77
Liabilities to Group companies	1 809			1 809
Other current liabilities	144			144
Derivates	1 421	1 421		
<b>Total</b>	<b>1 362 266</b>	<b>1 421</b>	<b>-</b>	<b>1 360 845</b>
<b>2018</b>	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
<b>Assets</b>				
Loans	1 342 995		1 342 995	
Receivables from Group companies	0		-	
Other receivables	7		7	
Derivates	5 513	5 513		
Cash and cash equivalents	173 748		173 748	
<b>Total</b>	<b>1 522 263</b>	<b>5 513</b>	<b>1 516 750</b>	<b>-</b>
<b>Liabilities</b>				
Profit participation loans	1 358 815			1 358 815
Trade payables	77			77
Liabilities to Group companies	1 809			1 809
Other current liabilities	144			144
Derivates	1 421	1 421		
<b>Total</b>	<b>1 362 276</b>	<b>1 421</b>	<b>-</b>	<b>1 360 855</b>

#### 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 2019

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Assets at fair value through profit or loss				
- Securities held for trading		-		-
- Derivates used for hedging		15 174		15 174
Total assets		15 174		15 174
<b>Liabilities</b>				
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 2018

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Securities held for trading		-		-
- Derivates used for hedging		-		0
Total assets		0		0
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Derivates used for hedging		-		0
Total liabilities		0		0

The book value of the company's financial instruments that are not carried at fair value has a carrying amount which for the portfolio as a whole is essentially the same as a carrying amount. No significant deviations are considered to exist, as all loans have a variable interest component that is linked to the underlying benchmark interest rate.

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.

#### *Short-term investments and other financial investments*

Bonds are stated at quoted bid prices. If a current price is not available the latest quoted price is used coupled with an individual assessment of the price. In these cases, the price is determined on the basis of:

- Historical prices of the quoted instrument.
- A price obtained by the company from an independent broker on or close to the reporting date.
- Prices of other instruments with comparable maturities issued by the same issuer.
- The price of the issuer's CDS contracts if this information is available.

All deviations from quoted prices or individually assessed prices are documented by the investment organisation.

#### *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 certificates entitle the holder to a return as of 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.

	2019-01-01 2019-12-31	2018-01-01 2018-12-31	2015-08-10 2019-12-31
Interest income and change in value of bonds	54 462		54 462
Income from investments in group companies	0	44 658	139 858
Other interest income and similar	1 359		1 359
Interest expense and similar expenses	-920	-21	-943
Administrative expenses	-7 399	-6 570	-23 529
Profit before profit-sharing	47 502	38 067	171 207
Share of profit, profit participation debentures	-47 361	-37 950	-169 220
Profit before tax and group contributions	141	117	1 987

*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 Swedish kronor.

**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 loans 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. Due to this structure, the company's risks, as described below, are not affected.

Interest rate risks and credit risks

The Company minimises the interest rate risk in its loan receivables by ensuring that loans issued in the great majority of cases bear variable interest plus a margin. As a result, the interest margin remains unchanged over time. For longer fixed-rate terms, 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 Company applies an internal risk and pricing model which takes account of 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. The credit quality of all commitments are monitored continuously and any need for provisions is assessed on a quarterly basis. Overall, the portfolio has delivered in accordance with expectations, and its credit quality is as whole deemed to be of a high quality. Therefore, the valuation of loans are deemed to be fair.

The bond portfolio is exposed to interest rate risk, credit risk and in some cases also currency risk. As the focus of investments is on high-yield bonds, the price of the bonds is influenced by interest rate risk but primarily by credit risk. The risk is assessed using the same model that is used for the loan portfolio.

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 futures to minimise the currency risk. The concluded futures contracts normally have maturities of three months, after which new contracts are concluded to hedge the investment. Over time, this means that realised gains and losses will arise on 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 and bond portfolios but also in the ability to repay borrowed funds. Both risks reflect each other. The overall liquidity risk for the parent company is deemed to be low. The operations are funded partly through profit participation loans and partly through equity. Profit participation loans are paid back as the Company's loans fall due and liquidity flows in or as returns are realised through payments. The profit participation loans 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 and high-yield bonds it may in certain cases be difficult to realise the holdings. As the holders of the profit participation loans are in any case not permitted to call the loans, with the exception of realised gains/payments falling due, the overall liquidity risk is low. The company has the right to raise short-term funding to increase flexibility and improve its ability to exploit investment opportunities pending the issue of additional profit participation loans as part of the total loan funding commitments from the lenders.

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 receivable 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 futures 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 futures 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 loans 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.

<b>Undiscounted cash flows</b>	<b>Total</b>	<b>&lt; 1 year</b>	<b>1–2 years</b>	<b>3–5 years</b>	<b>&gt; 5 years</b>
<b>2019</b>					
<b>Assets</b>					
Loans	1 346 321	114 218	1 230 022	2 081	
Receivables from Group companies	0				
Other current receivables	0				
Derivates	5 513	5 513			
Cash and cash equivalents	173 748	173 748			
<b>Total</b>	<b>1 525 582</b>	<b>293 479</b>	<b>1 230 022</b>	<b>2 081</b>	<b>-</b>
<b>Liabilities</b>					
Derivates	1 421	1 421			
Profit participation loans	1 205 947	102 309	1 101 774	1 864	
<b>Total</b>	<b>1 207 368</b>	<b>103 730</b>	<b>1 101 774</b>	<b>1 864</b>	<b>-</b>
<b>Undiscounted cash flows</b>					
<b>2018</b>					
<b>Assets</b>					
Loans	1 346 321	114 218	1 230 022	2 081	
Derivates	5 513	5 513			
Cash and cash equivalents	173 748	173 748			
<b>Total</b>	<b>1 525 582</b>	<b>293 479</b>	<b>1 230 022</b>	<b>2 081</b>	<b>-</b>
<b>Liabilities</b>					
Derivates	1 421	1 421			
Profit participation loans	1 205 947	102 309	1 101 774	1 864	
<b>Total</b>	<b>1 207 368</b>	<b>103 730</b>	<b>1 101 774</b>	<b>1 864</b>	<b>-</b>

### Note 3 Critical accounting estimates and judgements

The Company reviews its loan receivables on a quarterly basis to assess the need for provisions for doubtful receivables. The assessment is made individually for each loan contract. An in-depth analysis of each commitment is made on a quarterly basis to assess whether the company will be able to meet the agreed terms.

### Note 4 Administrative expenses

In the financial year 2019, total fees of kSEK 653 were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following categories:

PwC:	<u>2019</u>	<u>2018</u>
Audit engagement	653	150
Other statutory engagements	-	-
Tax advisory services	-	-
Valuation services	-	-
Other services	-	-
	<u>653</u>	<u>150</u>

Intercompany purchases and sales:

Administrative expenses include expenses for administered services and office expenses in the amount of SEK 6.1 (6.3) million billed by Proventus Capital Management AB in 2019. Group contributions of SEK 0.1 (0.1) million were paid by Proventus Capital Partners Alpha AB to the parent company and SEK 11.1 (0.0) million was received from the parent company.

Average number of employees: The company has as last year no had no employees during the financial year.

### Note 5 Interest income, interest expense and similar income/charges

	<u>2019</u>	<u>2018</u>
Interest income in accordance with the effective interest method		
Interest income in accordance with the effective interest method	54 347	-
Total	<u>54 347</u>	<u>0</u>
Interest income and similar income		
Currency profit/loss	1 107	-
Other financial income	252	-
Total	<u>1 359</u>	<u>0</u>
Interest expense and similar charges		
Interest expenses	-48 281	-37 971
Currency profit/loss	-	-
Other financial expenses	-	-
Total	<u>-48 281</u>	<u>-37 971</u>
Interest income from assets at amortised cost.	<u>54 347</u>	<u>32 218</u>
	<u>54 347</u>	<u>32 218</u>
Interest expense from liabilities at fair value	-920	-21
Interest expense from liabilities at amortised cost	-47 361	-37 950
	<u>-48 281</u>	<u>-37 971</u>

**Note 6 Tax**

	<u>2019</u>	<u>2018</u>
Reported profit before tax	11 059	0
Tax calculated at applicable rate, 21,4%	-2 367	
Tax effect from non taxable income	2 485	0
Reported tax expense	<u>0</u>	<u>0</u>

**Note 7 Non-current financial assets**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Other long-term investments	1 079 237	1 340 084
Accrued interest	5 248	2 911
Total	<u>1 084 485</u>	<u>1 342 995</u>

Other securities held as non-current assets refer to direct loans to businesses. At the end of the financial year, the portfolio comprised nine commitments. The lo maturities will vary and are estimated at one to three years.

**Note 8 Short-term investments**

	<u>2019-12-31</u>		<u>2018-12-31</u>	
	Cost	Fair value	Cost	Fair value
Derivates	-	15 174	-	-
	<u>-</u>	<u>15 174</u>	<u>-</u>	<u>0</u>

Currency futures have been entered into for the purpose of hedging the loan and bond portfolios, and are measured 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. The capital can be accessed on ten days' notice in portions of 10 per cent of the total undertaking. 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 distribute the return to the holders of the profit participation certificates in accordance with the contractual provisions. The loans 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.

<b>SEK</b>	Maturity	<u>2019-12-31</u>		<u>2018-12-31</u>	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Profit participation debentures	2014-2024	1 135 134	1 218 310	1 323 000	1 358 815
Unrealised gain			83 176		35 815
Realised gain			<u>86 044</u>		<u>86 044</u>
Total accumulated income, profit participation debentures			169 220		121 859

The profit participation loans are listed on the Debt Securities segment of the Nordic Growth Market NGM AB in Stockholm.

**Note 10 Other liabilities**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Other current liabilities	90	-
Currency futures	-	-
Total	<u>90</u>	<u>0</u>

Currency futures are intended for hedging of the loan and bond portfolios. The futures are measured at fair value.



### Note 11 Accrued expenses and deferred income

	<u>2019-12-31</u>	<u>2018-12-31</u>
Audit fee	405	44
Other accrued expenses	-	-
<b>Total</b>	<u>405</u>	<u>44</u>

### Note 12 Cash flow from operating activities

	<u>2019</u>	<u>2018</u>
<b>Profit before tax</b>	<b>11 059</b>	<b>0</b>
<i>Adjustments for non-cash items, etc.</i>		
Unrealised gain/loss on currency futures	-15 174	-
Unrealised foreign exchange gains/losses	-62 725	-
Group contributions paid/received	141	117
Allocated interest expenses	47 361	37 949
Allocated interest income	-5 248	-
<b>Cash flow from operations</b>	<b>-24 586</b>	<b>38 066</b>

### Reconciliation of liabilities arising from financing activities

	CB 31 Dec 2018	New Loans	Repayments Loans	Non-cash items *)	CB 31 Dec 2019
Other non-current liabilities	1 358 815	-	-187 866	47 360	1 218 309
<b>Total liabilities from financing activities</b>	<b>1 358 815</b>	<b>-</b>	<b>-187 866</b>	<b>47 360</b>	<b>1 218 309</b>

\*) Non-cash items refer to non-paid accrued interest of SEK 47.4 million to holders of profit participation debentures.

### Note 13 Contingent liabilities

	<u>2019-12-31</u>	<u>2018-12-31</u>
Funding commitments made to existing borrowers.	3 839	0
Contingent liability in the capacity of general partner of Proventus Capital Partners Alpha KB	2 738	1 521
	<u>6 577</u>	<u>1 521</u>

### Note 14 Related party transactions

Proventus Capital Partners Alpha AB (publ) is owned by Proventus Capital Management AB (556930-7027), which is the parent company of the Group.

The parent company provides services to the company, for which it receives a management fee that is based on total capital. The fee, which is included in administrative expenses, was SEK 6.1 (6.3) million in 2019. Group contributions of SEK 0.1 (0.1) million were paid by Proventus Capital Partners Alpha AB to the parent company and SEK 11.1 (0.0) million has been received.

At the start of the financial year assets, liabilities and profits were transferred from the previous subsidiary Proventus Capital Partners Alpha KB to Proventus Capital Partners Alpha AB for a value corresponding to their book value. The direct ownership thereafter ceased to exist and Proventus Capital Partners Alpha KB is no longer a subsidiary. Due to this there is no longer any consolidated financials for the the companies. Instead Proventus Capital Partners Alpha KB will be consolidated with Proventus Capital Management AB which has deciding influence. For this reason many comparables are not relevant as a large part of the assets were moved from the KB to the AB.

### Note 15 Proposed appropriation of retained earnings

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

Non-restricted reserves	2 991 113	
Profit for the year	<u>11 058 664</u>	
Total	14 049 777	SEK

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

Dividend to shareholders	0	
Carried forward	<u>14 049 777</u>	
Total	14 049 777	SEK

Stockholm 26 March 2020

Anders Thelin  
Chairman

Daniel Sachs  
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Martin Gorne

Our auditor's report was submitted on 26 March 2020  
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

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### **Report on the annual accounts**

#### *Opinions*

We have audited the annual accounts of Proventus Capital Partners Alpha AB (publ) for the year 2019.

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 2019 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.

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### **Key audit matter**

### **The manner in which our audit addressed the Key audit matter**

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#### **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 1 084 MSEK as at 31 December 2019, which is equivalent to 87% 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 2019.

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.

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### **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](http://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 2019 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](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Proventus Capital Partners Alpha AB (publ) by the general meeting of the shareholders on June 14, 2019 and has been the company's auditor since the listing of the debentures at the NGM April 22, 2016.

Stockholm 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson  
Authorized Public Accountant