

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

**INTERIM REPORT FOR THE PERIOD 1 JANUARY 2020 – 30 JUNE 2020**

The Board of Directors and Chief Executive Officer of Proventus Capital Partners Alpha AB (publ) hereby present the interim report on the activities of the company for the period 1 January 2020 – 30 June 2020.

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Unless otherwise stated, all amounts refer to thousands of Swedish kronor (SEK '000). Figures in parentheses refer to the previous year.

## **DIRECTORS' REPORT**

### **OPERATIONS**

Proventus Capital Partners Alpha AB, which is a subsidiary of 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 is managed by the parent company, Proventus Capital Management, which, since 18 June 2014, holds a license from the Swedish Financial Supervisory Authority for the management of alternative investment funds under the Alternative Investment Fund Managers Act (2013:561).

The business is focused on direct loans to businesses and the acquisition of listed bonds and other debt securities. The company's main currency is Swedish kronor (SEK). Any investments made in other currencies are normally hedged to Swedish kronor. Investments are made alongside with Proventus Capital Partners Alpha KB (corp. ID 969771-7131).

The operations are funded with capital contributed by the owners and through profit participating loans from primarily institutional investors. The total funding commitments to the company are SEK 1,895 million. The commitments can be drawn by the company through individual contributions of 10 per cent of the overall commitment. From 4 December 2018, the fund was closed to new investments, as the Proventus Capital Group has launched its new fund Proventus Capital Partners IV, therefore, no more contributions will be requested. A total of SEK 1,327 million has been contributed to the company, corresponding to 70 per cent of the total funding.

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

### **RESULTS AND FINANCIAL POSITION**

Investing activities began in 2015, and at the end of the reporting period comprised twenty-two (twenty-five) commitments 100% (100%) of the portfolio is invested in direct lending to businesses. The value of the company's part of the portfolio was SEK 1,055 million (1,184). The company's part of the cumulative return on the portfolio since its inception is SEK 225 (199) million.

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 was initially significant but it has gradually declined during the second quarter. The borrowers, to whom the Company has lent money, have overall been negatively affected but it is too soon to know how much impact it will have in the end. As the company invests in senior structures the company's position is deemed to be solid and there is no expected impact on performance due to the Corona-virus.

The loss for the period was SEK -11 (0) million and equity at the end of the period was SEK 3 (4) million.

## **OUTLOOK**

The company's target is to generate a 5 per cent net annual return for the holders of profit participation certificates. The business situation is currently favourable, and the portfolio is growing somewhat faster than planned. 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.

## **OTHER**

The company's profit participation certificates are listed on the Miscellaneous Nordic AIR Sweden segment under Main Regulated at NGM in Stockholm.

The results of the operations during the period and the financial position at the end of the period are shown in the following income statements and balance sheets, with accompanying notes.

## INCOME STATEMENT

	Note	2020-01-01 2020-06-30	2019-01-01 2019-06-30	2019-01-01 2019-12-31
Interest income in accordance with the effective interest method	3	27 612	27 359	54 347
Interest income and similar income	3	59	201	1 359
Interest expenses and similar profit/loss items	3	-22 924	-23 162	-48 281
Change of reserve for expected credit losses	5	-1 070	40	115
Administrative expenses	2	-14 735	-4 438	-7 399
<b>Operating profit/loss</b>		<b>-11 059</b>	<b>0</b>	<b>141</b>
Group contributions received		-	-	11 059
Group contributions made		-	-	-141
<b>Profit/loss before tax</b>		<b>-11 059</b>	<b>0</b>	<b>11 059</b>
Tax	4	-	-	-
<b>Profit/loss for the period</b>		<b>-11 059</b>	<b>0</b>	<b>11 059</b>

## STATEMENT OF COMPREHENSIVE INCOME

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

## BALANCE SHEET

<b>ASSETS</b>	Note	<u>2020-06-30</u>	<u>2019-12-31</u>	<u>2019-06-30</u>
<b>Non-current assets</b>				
Long-term financial investments	5	1 055 417	1 084 485	1 184 457
<b>Total non-current assets</b>		<b>1 055 417</b>	<b>1 084 485</b>	<b>1 184 457</b>
<b>Current assets</b>				
<b>Current receivables</b>				
Receivables from Group companies		12 900	14 212	38 465
Other current receivables		28	7	12 465
Short-term investments		30 921	15 174	-
		43 849	29 393	50 930
<b>Cash and cash equivalents</b>		<b>56 116</b>	<b>120 982</b>	<b>73 112</b>
<b>Total current assets</b>		<b>99 965</b>	<b>150 375</b>	<b>116 961</b>
<b>TOTAL ASSETS</b>		<b><u>1 155 382</u></b>	<b><u>1 234 860</u></b>	<b><u>1 301 418</u></b>

## BALANCE SHEET

<b>EQUITY AND LIABILITIES</b>	Not	<u>2020-06-30</u>	<u>2019-12-31</u>	<u>2019-06-30</u>
<b>Equity</b>				
Restricted equity				
Share capital (5,500 shares with a quotient value of SEK 100)		550	550	550
		<u>550</u>	<u>550</u>	<u>550</u>
Non-restricted equity				
Retained earnings		13 850	2 991	3 264
Profit for the period		-11 059	11 059	0
		<u>2 792</u>	<u>14 050</u>	<u>3 264</u>
<b>Total equity</b>		<b>3 342</b>	<b>14 600</b>	<b>3 814</b>
<b>Non-current liabilities</b>				
Other non-current liabilities	6	1 148 926	1 218 310	1 296 723
<b>Total non-current liabilities</b>		<b>1 148 926</b>	<b>1 218 310</b>	<b>1 296 723</b>
<b>Current liabilities</b>				
Accounts payable		-	31	-
Liabilities to Group companies		1 861	1 424	6 869
Other liabilities		759	90	905
Accrued expenses and deferred income		495	405	188
<b>Total current liabilities</b>		<b>3 115</b>	<b>1 950</b>	<b>7 962</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1 155 382</u></b>	<b><u>1 234 860</u></b>	<b><u>1 308 499</u></b>

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Retained earnings	Other paid-in capital	Total capital
<b>Opening balance, 1 January 2019</b>	<b>550</b>	<b>-12</b>	<b>3 500</b>	<b>4 038</b>
<b>Comprehensive income</b>				
Profit for the period		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
<b>Total transactions with shareholders</b>		<b>-</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>
<b>Comprehensive income</b>				
Profit for the period		-11 059		-11 059
Other comprehensive income				
<b>Total other comprehensive income</b>		<b>-11 059</b>		<b>-11 059</b>
<b>Transactions with shareholders</b>				
Shareholder contributions received *)				
Shareholder contributions repaid *)			-200	-200
<b>Total transactions with shareholders</b>			<b>-200</b>	<b>-200</b>
<b>Closing balance, 30 June 2020</b>	<b>550</b>	<b>-11 071</b>	<b>13 863</b>	<b>3 342</b>

\*) The operations are financed as needed 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

	2020-01-01- <u>Note</u> <u>2020-06-30</u>	2019-01-01- <u>2019-06-30</u>	2019-01-01- <u>2019-12-31</u>
	7		
<b>Cash flow from operations</b>	4 148	-58 811	-24 586
Interest paid	-16 464	-	-
Interest received	-	22 949	-
Changes in current receivables	0		
Changes in receivables from Group companies	849	-38 465	30 104
Changes in liabilities to Group companies	-627	-100 227	-10 270
Changes in current liabilities	1 135	67	405
<b>Cash flow from operating activities</b>	<b>-10 959</b>	<b>-174 487</b>	<b>-4 347</b>
Decrease in shares in Group companies	-	1 466 130	1 326 500
Acquisition of/increase in non-current financial assets	-6 151	-1 192 594	-1 016 512
Sale of/decrease in non-current financial assets	27 485	55 027	-
<b>Cash flow from investing activities</b>	<b>21 335</b>	<b>328 563</b>	<b>309 988</b>
Group contributions paid	369	-	-228
Shareholder contributions repaid	-200	-224	-497
Increase in non-current liabilities	-	-	-187 866
Decrease in non-current liabilities	-75 411	-84 672	-
<b>Cash flow from financing activities</b>	<b>-75 242</b>	<b>-84 896</b>	<b>-188 591</b>
<b>Cash flow for the period</b>	<b>-64 866</b>	<b>69 180</b>	<b>117 050</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>120 982</b>	<b>3 932</b>	<b>3 932</b>
<b>Cash and cash equivalents at end of period</b>	<b>56 116</b>	<b>73 112</b>	<b>120 982</b>



## NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES

### Note 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting with regards to the exemptions from and additions to IFRS indicated in RFR 2 Accounting for legal entities.

The same accounting policies and grounds for assessments as in the latest Annual Report have been used.

### Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currencies 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 10.4804 (10.5581); USD 9.3490 (9.2713); GBP 11.4693 (11.7546)

### Note 2 Administrative expenses

Intercompany purchases and sales:

Administrative expenses include expenses for administered services and office expenses in the amount of SEK 3.3 (3.8) million billed by Proventus Capital Management AB in the first half of 2020.

Average number of employees: As in the preceding year, the company had no employees.

### Note 3 Interest income, interest expense and similar income charges

	2020-01-01 <u>2020-06-30</u>	2019-01-01 <u>2019-06-30</u>
Interest income in accordance with the effective interest method		
Interest income from loans	27 107	27 359
Total	<u>27 107</u>	<u>27 359</u>
Interest income and similar income items		
Currency profits	7 636	-
Other financial income	28	201
Total	<u>7 664</u>	<u>201</u>
Interest expense and similar charges		
Interest expenses	-22 924	-23 162
Currency losses	-7 100	-
Total	<u>-30 024</u>	<u>-23 162</u>
Interest income from assets recognised at amortised cost.	<u>27 612</u>	<u>27 359</u>
Interest expenses from liabilities recognised at fair value	-423	-582
Interest expenses from liabilities recognised at amortised cost	<u>-22 491</u>	<u>-22 580</u>
	<u>-22 924</u>	<u>-23 162</u>

### Note 4 Tax

	2020-01-01 <u>2020-06-30</u>	2019-01-01 <u>2019-06-30</u>
Recognised profit/loss before tax	-11 059	0
Tax according to applicable tax rate (21.4%)	0	0
Tax effect of Group contributions to parent company	0	0
Reported tax expense	<u>0</u>	<u>0</u>

Any tax earnings are settled against the parent company through group contributions at year-end. No tax has therefore been calculated on earnings, since the group contribution is fixed at the end of the financial year.

### Note 5 Non-current financial assets

	<u>2020-06-30</u>	<u>2019-12-31</u>
Other securities held as non-current assets	1 053 954	1 079 237
Accrued interest	1 463	5 248
Total	<u>1 055 417</u>	<u>1 084 485</u>
	<u>2020-06-30</u>	<u>2019-12-31</u>
Change, IFRS 9 reserve		
Opening reserve	-479	-
Change for the period	-1 070	-479
Closing reserve	<u>-1 549</u>	<u>-479</u>

The change for the period from IFRS 9 is recognised in the income statement. Closing reserve for future bad debts have been recognised in the balance sheet against long-term financial investments. The change during the period is primarily due to macro data in the model having been updated to reflect the worsening macro economic state of the world economy due to the Corona-pandemic.

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 maturities vary and are estimated at one to three years.

### Note 6 Other non-current liabilities

Profit participation certificates

The holders of profit participation certificates have undertaken to provide funding of up to SEK 1,890 million. The owner's contribution under the same agreement amount to SEK 220 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 to 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 terms of the loans have been met, see also the information under "Accounting policies."

#### Return on profit participation certificates

SEK	Maturity	<u>2020-06-30</u>		<u>2019-12-31</u>	
		Nominal value	Carrying value	Nominal value	Carrying value
Profit participation certificates	2014-2024	1 059 723	1 148 926	1 135 134	1 218 310
Unrealised gain			89 203		83 176
Realised gain			102 508		86 044
Total income, profit participation certificates			<u>191 711</u>		<u>169 220</u>

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

### Note 7 Cash flow from operations

	<u>2020-06-30</u>	<u>2019-06-30</u>
Profit before tax	-11 059	0
<i>Adjustments for non-cash items, etc.</i>		
Unrealised gain/loss on currency futures	-8 406	-11 554
Unrealised change in value, short-term investments	-6 583	-
Unrealised change in value, non-current financial assets	3 949	-65 428
Group contributions made	-	-
Allocated interest expenses	22 491	22 581
Allocated interest income	3 756	-4 410
Cash flow from operations	<u>4 148</u>	<u>-58 811</u>

**Note 8 Contingent liabilities**

	<u>2020-06-30</u>	<u>2019-12-31</u>
Funding commitments made to existing borrowers	3 605	3 839
Contingent liability in the capacity of general partner of Proventus Capital Partners Alpha KB	<u>56</u>	<u>2 738</u>
	<u>3 661</u>	<u>6 577</u>

**Note 9 Related party transactions**

Proventus Capital Partners III 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 based on total capital that is billed on a quarterly basis. The fee, which is included in administrative expenses, was SEK 3.3 (3.8) million in the first half of 2020.

Stockholm, 26 August 2020

Anders Thelin  
Chairman

Daniel Sachs  
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Martin Gorne

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



## **Auditor's report**

*Unofficial translation*

Proventus Capital Partners Alpha AB (publ), reg no 556805-9660

### **Introduction**

We have reviewed the condensed interim financial information (interim report) of Proventus Capital Partners II AB (publ) as of 30 June 2020 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act.

Stockholm, 26 August 2020

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson  
Authorized Public Accountant