Proventus Capital Partners IV AB (publ)
Org nr 556981-8619

ANNUAL REPORT FOR THE FINANCIAL YEAR 2019

The Board of Directors and Chief Executive Officer of Proventus Capital Partners IV 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 IV AB 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).

Investments are focused on direct loans to businesses, listed bonds and other debt securities. The company's main currency is euro (EUR) and any investments made in other currencies are normally hedged in EUR.

The operations are funded with capital contributed by the owner and through profit-participating loans from primarily institutional investors. The total funding commitments are EUR 387 million. The funding available to the fund can be drawn by the company through individual contributions of 1 per cent, at the lowest, of the overall commitment. A total of EUR 58 million has been contributed to the fund, corresponding to 15 per cent of total funding.

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

RESULTS AND FINANCIAL POSITION

Investment activties were initiated in December 2018 and have been gradually increased since then. At the end of the reporting period the portfolio was comprised of nine (one) loan commitments. 100 % (100 %) of the portfolio was invested direct loans to businesses and the value of the loan portfolio was EUR 76 (9) million. The cumulative return on the portfolio since its inception is EUR 5.5 (0.2) million.

Net result for the period is kSEK -189 (-3) and equity is SEK 2.4 (1.1) 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 is still building out its portfolio of loans this means that as terms get better on new loans reaching the target return will be made easier.

OUTLOOK

The company's target is to generate a 10 per cent net annual return for the holders of profit participation certificates. The business situation is currently good and there is 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 IV AB (publ) with registered office in Stockholm has the following ownership structure:

Shareholder	No. of shares
Proventus Capital Management AB	5 000
Total	5 000

PROPOSED APPROPRIATION OF RETAINED EARNINGS

Group contributions in a total amount of SEK 2.0 (0.0) million have been paid to the parent company. 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 § 3 paragraphs 2-3 of the Swedish Companies Act.

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

Non-restricted reserves	2 137 565	
Profit for the year	-189 018	
Total	1 948 547	SEK

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

Carried forward	1 948 547	
	1 948 547	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 Ch. 6 § 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

	Note	1 Jan 2019- 31 Dec 2019	1 jan 2018- 31 Dec 2018
Interest income using the effective interest method	5	28 302	72
Interest income and similar income	5	45 944	1 872
Interest expense and similar charges	5	-38 593	634
Change of reserve for expected credit losses	1	-6 291	-256
Administrative expenses	4	-27 407	-2 325
Net financial income		**1 955**	**-3**
Group contributions made		-1 974	
Profit before tax		**-20**	**-3**
Tax	6	-169	-
Profit/loss for the year		**-189**	**-3**

STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year	-189	-3
Other comprehensive income	-	-
Other comprehensive income for the year, net after tax	-	-
Total comprehensive income for the year	**-189**	**-3**

BALANCE SHEET

ASSETS	Note	2019-12-31	2018-12-31
Non-current assets			
Long-term financial investments	7	792 491	96 463
Total non-current assets		**792 491**	**96 463**
Current assets			
Current receivables			
Receivables from Group companies		-	6 405
Other current receivables		-	12 824
		-	19 229
Cash and cash equivalents		12 619	2 540
Total current assets		**12 619**	**21 769**
TOTAL ASSETS		**805 110**	**118 232**

BALANCE SHEET

EQUITY AND LIABILITIES	Note	2019-12-31	2018-12-31
Equity			
Restricted equity			
Share capital (5,000 shares with a quotient value of SEK 100)		500	500
		500	500
Non-restricted equity			
Retained earnings		2 138	559
Profit/loss for the year		-189	-3
		1 949	556
Total equity		**2 449**	**1 056**
Non-current liabilities			
Liabilities to credit institutions		-	-
Other non-current liabilities	8	621 218	115 905
Total non-current liabilities		**621 218**	**115 905**
Current liabilities			
Trade payables		153	
Liabilities to Group companies		9 505	488
Liabilities to credit institution		170 806	
Tax liabilities		169	
Other liabilities	9	810	702
Accrued expenses and deferred income		0	81
Total current liabilities		**181 443**	**1 271**
TOTAL EQUITY AND LIABILITIES		**805 110**	**298 404**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Other paid-in capital	Total capital
Opening balance, 1 January 2018	**50**	**-20**	**-**	**30**
Comprehensive income				
Profit/loss for the year		-3		-3
Other comprehensive income				
Total other comprehensive income		**-3**		**-3**
Transactions with shareholders				
New share issue	450			450
Shareholder contributions received*)			579	579
Total transactions with shareholders	**450**		**579**	**1 029**
Closing balance, 31 December 2018	**500**	**-23**	**579**	**1 056**
Comprehensive income				
Profit/loss for the year		-189		-189
Other comprehensive income				
Total other comprehensive income		**-189**		**-189**
Transactions with shareholders				
Shareholder contributions received*)			1 582	1 582
Dividend paid				
Total transactions with shareholders	**0**		**1 582**	**1 582**
Closing balance, 31 December 2019	**500**	**-212**	**2 161**	**2 449**

*) 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

	Note	2019	2018
	10		
Cash flow from operations		**44 263**	**-347**
Interest paid		-6 946	0
Increase/decrease in current liabilities		12 824	-12 824
Increase/decrease in recievables fron Group companies		6 405	-6 405
Increase/decrease in current liabilities		-458	777
Increase/decrease in current liabilities, Group companies		7 058	488
Cash flow from operating activities		**63 146**	**-18 311**
Acquisition of/increase in non-current financial assets		-705 527	-97 352
Investing activities		**-705 527**	**-97 352**
New share issue		0	450
Shareholder contributions received		1 582	579
Change in liabilities to credit institutions		170 806	0
Increase in non-current liabilities		480 072	117 138
Financing activities		**652 460**	**118 167**
Cash flow for the year		**10 079**	**2 504**
Cash and cash equivalents at beginning of year		**2 540**	**36**
Cash and cash equivalents at end of year		**12 619**	**2 540**

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES

Note 1 Accounting policies
The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554), Recommendation RFR 2 (2008:25) of the Swedish Financial Reporting Board.

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. 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 9,31 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 a currency which is not the reporting currency are measured at cost adjusted to the closing rate, as described above.

Financial instruments: recognition and measurement
Financial assets in the company 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 Group's financial assets refer to loans that are currently classified as held-to-maturity assets and measured at amortised cost, which meet the criteria for measurement at accrued 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 assets whose credit risk has not increased significantly at the reporting date, in the second a significant increase in the credit risk has occurredand 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 for the whole term of the asset should be term 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.

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

The new standard - IFRS 16 - has not had 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	96 719	96 719		
Re-classifications				
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				
Loans paid	664 149	664 149		
Change in accrued interest	6 149	6 149		
Impairments				
Revaluation currency/other adjustments	32 020	32 020		
Loans on 31 Dec 2019	799 037	799 037	-	-

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2019	-256	-256		
Re-classifications				
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				
Loans paid	-2 200	-2 200		
Change regarding "PDs/LGDs/EADs"	-3 865	-3 865		
Change in model assumptions	-228	-228		
Revaluation currency/other adjustments	4	4		
Reservation on 31 Dec 2019	-6 546	-6 546	-	-

2018

	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2018				
Loans repaid				
Loans paid	96 719	96 719		
Change in accrued interest				
Revaluation currency/other adjustments				
Loans on 31 Dec 2018	96 719	96 719	-	-

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2018				
Loans repaid				
Loans paid	-256	-256		
Revaluation currency/other adjustments				
Reservation on 31 Dec 2018	-256	-256	-	-

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

2019	Total	Assets/ liabilities at at fair value through profit or loss	Loan and other	Other financial liabilities
Loans	792 491		792 491	
Cash and cash equivalents	12 619		12 619	
Total	805 110		805 110	
Liabilities to credit institutions	170 806			170 806
Profit participation loans	621 218			621 218
Trade payables	153			153
Tax liabilities	169			169
Liabilities to Group companies	9 505			9 505
Other current liabilities	2			2
Derivates	808	808		
Accrued expenses	0			0
Total	802 661	808	0	801 853

2018	Total	Assets/ liabilities at at fair value through profit or loss	Loan and other	Other financial liabilities
Loans	96 463		96 463	
Receivables from Group companies	6 405		6 405	
Other receivables	12 824		12 824	
Cash and cash equivalents	2 540		2 540	
Total	118 232	-	118 232	-
Profit participation loans	115 905			115 905
Liabilities to Group companies	488			488
Accrued expenses	783			783
Total	117 176	-	-	117 176

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
Assets				
Financial assets at fair value through profit or loss				
- Securities held for trading		-		-
- Derivates used for hedging		-		-
Total assets		-		-
Liabilities				
Financial liabilities at fair value through profit or loss				
- Profit participation loans *)				
- Derivates used for hedging		808		808
Total liabilities		808		808

He following table shows the company’s asset and liabilities at fair value at 31 December 2018

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Securities held for trading				-
- Derivates used for hedging				0
Total assets		0		0
Liabilities				
Financial liabilities at fair value through profit or loss				
- Profit participation loans *)				0
- Derivates used for hedging				0
Total liabilities		0		0

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

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 to the fair value.

Investor reporting

The issued profit participation certificates entitle the holder to a return from the first issue date, 21 December 2018. The company conducted no operations prior to 21 December 2018, which means that the full reported profit is shared in accordance with agreements with the investors. The following table shows the profit for the period covering the profit participation certificates. The reporting is divided into SEK as well as EUR.

SEK	2019-01-01 2019-12-31	2018-12-21 2018-12-31	2018-12-21 2019-12-31
Interest income, dividens and change in value			
Change of reserve for expected credit losses	28 302	72	28 374
Other interest income and similar	-6 291	-256	-6 547
Write-down of profit participation certificates	39 675	1 208	40 883
Interest expense and similar expenses	6 269	0	6 269
Administrative expenses	-6 089	65	-6 024
Profit before profit-sharing	-27 407	-2 325	-29 732
	34 459	-1 236	33 223
Share of profit, profit participation certificates			
	-32 504	1 233	-31 271
Profit before tax and Group contributions			
	1 955	**-3**	**1 952**

EUR	2019-01-01 2019-12-31	2018-12-21 2018-12-31	2018-12-21 2019-12-31
Interest income, dividens and change in value			
Change of reserve for expected credit losses	4 069	68	4 137
Other interest income and similar	-603	-24	-627
Write-down of profit participation certificates	1 944	117	2 061
Interest expense and similar expenses	600	0	600
Administrative expenses	-138	-55	-193
Profit before profit-sharing	-2 599	-226	-2 825
	3 273	-120	3 153
Share of profit, profit participation certificates			
	-3 086	120	-2 966
Profit before tax and Group contributions			
	187	**0**	**187**

Profit participation loans

Changes in the amortised cost of the company's outstanding profit participation loans are dependent on the underlying return on the company's assets. No portion of the return on the profit participation certificates is guaranteed by the company and the holders bear the same risk as the company's owners in respect of invested capital. All investors will receive, if conditions permit, a lowest returns amounting to between 5 per cent and 7 per cent per cent, before profit-sharing between the company and investors occur. Any net profit exceeding the hurdle rate is divided 80/20 between the investors and Proventus Capital Partners IV AB. Realised gains on holdings in the portfolio less expenses for the period are distributed on a quarterly basis. Profit-sharing is settled in EUR, which means that all reporting to investors is in euro.

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 has a limited risk exposure, as changes in interest rates normally do not have a significant impact. The interest rate to the company's lenders is dependent on the returns on the company's assets. Returns from the loans and assets of the subsidiaries are also linked to a variable market rate. 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 dagar in order to minimise the interest risk. Each borrower's creditworthiness and the associated required return are assessed at the time of issuing the loan. The company 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. 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 as a whole is deemed to be of high quality. Therefore, the valuation of laons are deemed to be fair.

The companys 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

The Company's investments in assets are mainly in EUR. Therefore, returns are measured in EUR, even though the accounting in the annual accounts is in SEK. The Company matches lending with financing in EUR. In cases where investments are made in other currencies than EUR the underlying investment is hedged to minimise the currency risk.

The forward contracts normally have maturities of three months, after which they are rolled into new contracts to hedge the investments. This means that realised gains and losses will arise on the hedging instruments while 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.

The currency effect that does arise is attributable to the Company's shareholders and is related to equity, which is in Swedish kronor.

Equity as of 31 December 2019	2 449
Effect if the EUR is strengtened by +5%	122
Effect if the EUR is weakened by -5%	-122

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 company's assessment is that the overall liquidity risk is low. The operations are funded partly through profit participation loans and partly through equity. Profit participation loans are paid back as the subsidiary's receivables fall due and liquidity flows in or as returns are realised through payments to the parent company. The profit participation loans are impacted the Group's return and under the applicable terms may not be repaid unless funds are available.

The company's investments in direct loans and high-yield bonds may in certain cases result in difficulties 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 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 Group's financial receivables and liabilities by remaining maturity at the balance sheet date. Each 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 forwards have been recognised on a net basis. The settlement procedure for these varies. In some cases, the gross amount is exchanged and in other cases the contract is settled on a net basis. However, all forward contracts are concluded with established counterparties, and the risk that only one flow in the contract will be exchanged and thus constitute a risk for the company is viewed as purely theoretical. Expected 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.

Undiscounted cash flows 2019	**Total**	**< 1 year**	**1–2 years**	**3–5 years**	**> 6 years**
Loans	1 160 989	203 989	680 348	276 651	
Cash and cash equivalents	12 619	12 619			
Total	1 173 608	216 608	680 348	276 651	-
Derivates	-5 321	-5 321			
Liabilities to credit institution	-170 806	-170 806			
Other liabilities	-10 637	-10 637			
Profit participation loans	-1 088 409	-49 036	-630 421	-256 349	-152 602
Total	-1 099 046	-59 673	-630 421	-256 349	-152 602

Undiscounted cash flows 2018	**Total**	**< 1 year**	**1–2 years**	**3–5 years**	**> 6 years**
Loans	123 335	8 441	16 882	98 012	
Cash and cash equivalents	2 540	2 540			
Total	125 875	10 981	16 882	98 012	-
Profit participation loans	122 755	8 401	16 803	97 551	
Total	122 755	8 401	16 803	97 551	-

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 26 were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following catogories:

PwC:	2019	2018
Audit engagement	26	75
Other statutory engagements	-	-
Tax advisory services	-	-
Valuation services	-	-
Other services	-	-
	26	75

Intercompany purchases and sales:
Included in adminstrative expenses are management fees invoiced from the parent company Proventus Capital Management AB of SEK 24.6 million.

Average number of employees: The company had as in previous years no employess during the financial year.

Note 5 Interest income, interest expense and similar income/loss items

	2019	2018
Interest income in accordance with the effective interest method *)		
Interest income using the effective interest method	28 302	72
Total	28 302	72
Interest income and similar income		
Other interest income	-	-
Write-down of profit participation certificates	6 269	-
Currency profit/loss	19 008	664
Other financial income	20 667	1 208
Total	45 944	1 872
Interest expense and similar charges		
Interest, profit participation certificates	-32 504	1 233
Interest expenses	-1 384	-558
Currency profit/loss	-4 705	-41
Total	-38 593	634
Interest income from assets at amortised cost	28 302	72
	28 302	72
Interest expense from liabilities at amortised cost	-32 504	1 233
	-32 504	1 233

Note 6 Tax

	2019	2018
Reported profit before tax	-20	-3
Tax calculated at applicable rate, 21,4%	4	0
Tax effect from previous years deficit	4	
Tax effect from non-deductible expenses	-1 519	-
Tax effect, non-taxable income	1 342	-
Reported tax expense	-169	0

Note 7 Non-current financial assets

	2019-12-31	2018-12-31
Other long-term investments	786 342	96 463
Accrued interest	6 149	-
Total	792 491	96 463

Other securities held as non-current assets refer to direct loans to businesses. At the end of the financial year, the portfolio comprised one commitment and the maturity of the loan is estimated at 3-5 years. The portfolio is in a development stage, and will be expanded to more loans in the next few years.

Note 8 Other non-current liabilities

Profit participation certificates

The holders of profit participation certificates have undertaken to provide funding of up to EUR 385,6 million. The owners' contributions under the same agreement is EUR 1.4 million. The capital can be accessed on ten days' notice in portions of at least 1 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 principles."

Return, profit participation loans

SEK	Maturity	2019-12-31 Nominal value	Carrying amount	2018-12-31 Nominal value	Carrying amount
Profit participation certificates	2018-2028	597 211	621 218	117 138	115 905
Unrealised gain			24 007		-1 233
Realised gain			6 946		
Total earnings profit participation loans			30 953		-1 233

EUR	Maturity	2019-12-31 Nominal value	Carrying amount	2018-12-31 Nominal value	Carrying amount
Profit participation certificates	2018-2028	57 240	59 540	11 400	11 280
Unrealised gain			2 300		-120
Realised gain			666		
Total earnings profit participation loans			2 966		-120

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

Note 9 Other liabilities

	2019-12-31	2018-12-31
Other current liabilities	2	702
Currency forwards	808	0
	810	702

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

Note 10 Cash flow from operations

	2019	2018
Profit/loss for the year	**-189**	**-3**
Adjustments for non-cash items, etc.		
Unrealised gain/loss on currency forwards	808	
Unrealised foreign exchange gains/losses	15 648	889
Group contributions made	1 959	
Allocated interest expenses	32 186	-1 233
Allocated interest income	-6 149	
Cash flow from operations	**44 263**	**-347**

Note 11 Pledged assets	2019-12-31	2018-12-31
Pledged cash assets for currency contracts	5 321	-
	5 321	**-**

Note 12 Contingent liabilities	2019-12-31	2018-12-31
Funding commitments made to existing borrowers.	315 826	-
	315 826	**-**

Note 13 Related party transactions

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

Included in adminstrative expenses are management fees invoiced from the parent company Proventus Capital Management of SEK 24.6 million.

During the financial year the company has made group contributions to the parent company of SEK 2.0 (0.0) million.

Note 14 Proposed appropriation of retained earnings

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

Non-restricted reserves	2 137 565	
Profit for the year	-189 018	
Total	1 948 547	SEK

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

Dividend to shareholders	0	
To be carried forward	1 948 547	
Total	1 948 547	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

Peter Clemedtson
Authorised Public Accountant and Auditor in Charge

Auditor’s report

Unofficial translation

To the general meeting of the shareholders of Proventus Capital Partners IV AB (publ), corporate identity number 556981-8619

Report on the annual accounts

Opinions

We have audited the annual accounts of Proventus Capital Partners IV 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 IV 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 IV 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 IV AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	*The manner in which our audit addressed the Key audit matter*
Valuation of non-current financial assets (loan receivables) *We refer to the Administration Report and description of Proventus Capital Partners IV 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 786 MSEK as at 31 December 2019, which is equivalent to 98% 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 valution 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.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Director's and the Managing Director of Proventus Capital Partners IV 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 IV AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Proventus Capital Partners IV AB (publ) by the general meeting of the shareholders on June 14, 2019 and the company's debenture has been listed at the NGM since December 20, 2019.

Stockholm 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant