

**Proventus Capital Partners IV B AB (publ)**  
Org nr 559116-2580

**ANNUAL REPORT FOR THE FINANCIAL YEAR 2019**

The Board of Directors och the CEO of Proventus Capital Partners IV B 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 B 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 1,233 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 197 million has been contributed to the fund, corresponding to 16 per cent of total funding.

The company has two sister companies, Proventus Capital Partners IV AB och Proventus Capital Partners IV C KB. The companies invest as a group and are collectively referred to as Proventus Capital Partners IV ("PCP IV"). Total funding commitments for PCP IV are EUR 1,670 million.

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 activities 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 194 (32) million. The cumulative return on the portfolio since its inception is EUR 13.8 (0.6) million.

Net result for the period is kSEK -530 (-7) and equity is SEK 7.8 (2.4) 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 8 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 B AB (publ) with registered office in Stockholm, Sweden 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 4.4 (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	7 866 145
Profit for the year	-529 660
Total	7 336 485 SEK

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

Carried forward	7 336 485
	7 336 485 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	71 050	244
Interest income and similar income	5	131 760	6 321
Interest expense and similar charges	5	-113 072	1 793
Change of reserve for expected credit losses	1	-15 807	-880
Administrative expenses	4	-69 588	-7 485
<b>Operating income</b>		<b>4 343</b>	<b>-7</b>
Group contributions received			
Group contributions made		-4 443	
<b>Profit before tax</b>		<b>-100</b>	<b>-7</b>
Tax	6	-430	-
<b>Profit/loss or the year</b>		<b>-530</b>	<b>-7</b>

## STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year	-530	-7
Other comprehensive income	-	-
Other comprehensive income for the year, net after tax	-	-
<b>Total comprehensive income for the year</b>	<b>-530</b>	<b>-7</b>

**BALANCE SHEET**

<b>ASSETS</b>	Note	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
<b>Non-current assets</b>			
Long-term financial investments	7	<u>2 020 092</u>	<u>332 826</u>
<b>Total non-current assets</b>		<b>2 020 092</b>	<b>332 826</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		<u>444</u>	<u>1 917</u>
Other current receivables		<u>16</u>	<u>-</u>
		460	1 917
<b>Cash and cash equivalents</b>		<u>104 382</u>	<u>80 113</u>
<b>Total current assets</b>		<b>104 842</b>	<b>82 030</b>
<b>TOTAL ASSETS</b>		<b><u>2 124 934</u></b>	<b><u>414 856</u></b>

**BALANCE SHEET**

<b>EQUITY AND LIABILITIES</b>	Note	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
<b>Equity</b>			
Restricted equity			
Share capital (5,000 shares with a quotient value of SEK 100)		<u>500</u>	<u>500</u>
		500	500
Non-restricted equity			
Retained earnings		7 866	1 917
Profit/loss for the year		<u>-530</u>	<u>-7</u>
		<u>7 336</u>	<u>1 910</u>
<b>Total equity</b>		<b>7 836</b>	<b>2 410</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	8	<u>2 088 903</u>	<u>401 342</u>
<b>Total non-current liabilities</b>		<b>2 088 903</b>	<b>401 342</b>
<b>Current liabilities</b>			
Trade payables		390	-
Liabilities to Group companies		25 217	8 609
Tax liabilities		430	-
Other liabilities	9	2 158	2 420
Accrued expenses and deferred income		<u>0</u>	<u>75</u>
<b>Total current liabilities</b>		<b>28 195</b>	<b>11 104</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2 124 934</u></b>	<b><u>414 856</u></b>

**STATEMENT OF CHANGES IN EQUITY, SEK '000**

	Share capital	Retained earnings	Other paid-in capital	Total capital
<b>Opening balance, 1 January 2018</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>50</b>
<b>Comprehensive income</b>				
Profit for the year		-7		-7
Other comprehensive income				
<b>Total other comprehensive income</b>		<b>-7</b>		<b>-7</b>
<b>Transactions with shareholders</b>				
New share issue	450			450
Shareholder contributions received*)			1 917	1 917
<b>Total transactions with shareholders</b>	<b>450</b>		<b>1 917</b>	<b>2 367</b>
<b>Closing balance, 31 December 2018</b>	<b>500</b>	<b>-7</b>	<b>1 917</b>	<b>2 410</b>
<b>Comprehensive income</b>				
Profit for the year		-530		-530
Other comprehensive income				
<b>Total other comprehensive income</b>		<b>-530</b>		<b>-530</b>
<b>Transactions with shareholders</b>				
Shareholder contributions received*)			5 956	5 956
Dividend paid				0
<b>Total transactions with shareholders</b>	<b>0</b>		<b>5 956</b>	<b>5 956</b>
<b>Closing balance, 31 December 2019</b>	<b>500</b>	<b>-537</b>	<b>7 873</b>	<b>7 836</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>	
	10	
<b>Cash flow from operations</b>	<b>114 480</b>	<b>171</b>
Interest paid	-28 489	
Increase/decrease in current liabilities	-16	-
Increase/decrease in receivables from Group companies	1 473	-1 917
Increase/decrease in current liabilities	-1 576	2 496
Increase/decrease in current liabilities, Group companies	12 269	8 609
<b>Cash flow from operating activities</b>	<b>98 141</b>	<b>9 359</b>
Acquisition of/increase in non-current financial assets	-1 710 679	-335 893
<b>Investing activities</b>	<b>-1 710 679</b>	<b>-335 893</b>
New share issue	0	450
Shareholder contributions received	5 957	1 917
Increase in non-current liabilities	1 630 850	404 230
<b>Financing activities</b>	<b>1 636 807</b>	<b>406 597</b>
<b>Cash flow for the year</b>	<b>24 269</b>	<b>80 063</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>80 113</b>	<b>50</b>
<b>Cash and cash equivalents at end of year</b>	<b>104 382</b>	<b>80 113</b>



## 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 forwards 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 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 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 for the whole 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	333 706	333 706		
<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	-21 848	-21 848		
Loans paid	1 692 942	1 692 942		
Change in accrued interest	15 674	15 674		
Impairments				
Revaluation currency/other adjustments	16 304	16 304		
Loans on 31 Dec 2019	2 036 779	2 036 779	-	-

	Total	Kategori 1	Category 2	Category 3
Reservation on 1 Jan 2019	-880	-880		
<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	94	94		
Loans paid	-4 977	-4 977		
Change regarding "PDs/LGDs/EADs"	-9 852	-9 852		
Change in model assumptions	-785	-785		
Revaluation currency/other adjustments	-287	-287		
Reservation on 31 Dec 2019	-16 687	-16 687	-	-

**2018**

	Total	Kategori 1	Category 2	Category 3
Loans on 1 Jan 2018	-	-		
Loans repaid	-	-		
Loans paid	333 706	333 706		
Change in accrued interest	-	-		
Revaluation currency/other adjustments	-	-		
Loans on 31 Dec 2018	333 706	333 706	-	-

	Total	Kategori 1	Category 2	Category 3
Reservation on 1 Jan 2018	-	-		
Loans repaid	-	-		
Loans paid	-880	-880		
Revaluation currency/other adjustments	-	-		
Reservation on 31 Dec 2018	-880	-880	-	-

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

2019	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Loans	2 020 092		2 020 092	
Receivables from Group companies	444		444	
Other receivables	16		16	
Cash and cash equivalents	104 382		104 382	
<b>Total</b>	<b>2 124 934</b>	-	<b>2 124 934</b>	-
Profit participation loans	2 088 903			2 088 903
Trade payables	390			390
Tax liabilities	430			430
Liabilities to Group companies	25 217			25 217
Other current liabilities	99			99
Derivates	2 059	2 059		
Accrued expenses	0			0
<b>Total</b>	<b>2 117 098</b>	<b>2 059</b>	-	<b>2 115 039</b>
2018	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Loans	332 826		332 826	
Receivables from Group companies	1 917		1 917	
Cash and cash equivalents	80 113		80 113	
<b>Total</b>	<b>414 856</b>	-	<b>414 856</b>	-
Profit participation loans	401 342			401 342
Liabilities to Group companies	8 609			8 609
Accrued expenses	2 495			2 495
<b>Total</b>	<b>412 446</b>	-	-	<b>412 446</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>				
Financial assets at fair value through profit or loss				
- Securities held for trading		-		-
- Derivates used for hedging		-		-
Total assets		-		-
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Profit participation loans *)				
- Derivates used for hedging		2 059		2 059
Total liabilities		2 059		2 059

**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				
- 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 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 as of 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	2018-12-21	2018-12-21
	2019-12-31	2018-12-31	2019-12-31
Interest income and change in value of bonds	71 050	244	71 294
Change of reserve for expected credit losses	-15 807	-880	-16 687
Other interest income and similar	116 012	4 168	120 180
Write-down of profit participation certificates	15 748	0	15 748
Interest expense and similar expenses	-26 804	1 058	-25 746
Administrative expenses	-69 588	-7 485	-77 073
<b>Profit before profit-sharing</b>	<u>90 611</u>	<u>-2 895</u>	<u>87 716</u>
Share of profit, profit participation certificates	-86 268	2 888	-83 380
<b>Profit before tax and Group contributions</b>	<u><b>4 343</b></u>	<u><b>-7</b></u>	<u><b>4 336</b></u>
EUR	2019-01-01	2018-12-21	2018-12-21
	2019-12-31	2018-12-31	2019-12-31
Interest income and change in value of bonds	10 214	236	10 450
Change of reserve for expected credit losses	-1 514	-86	-1 600
Other interest income and similar	5 266	403	5 669
Write-down of profit participation certificates	1 508		
Interest expense and similar expenses	-294	-107	-401
Administrative expenses	-6 596	-729	-7 325
<b>Profit before profit-sharing</b>	<u>8 584</u>	<u>-283</u>	<u>6 793</u>
Share of profit, profit participation certificates	-8 169	281	-7 888
<b>Profit before tax and Group contributions</b>	<u><b>415</b></u>	<u><b>-2</b></u>	<u><b>-1 095</b></u>

*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 B 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 has 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 loans are deemed to be fair.

The company's 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 impact incurred is attributable to the Company's shareholders and is related to equity, which is in Swedish kronor.

Equity as of 31 December 2019	7 836
Effect if the EUR is strengthened by +5%	392
Effect if the EUR is weakened by -5%	-392

### 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 receivables fall due and liquidity flows in or as returns are realised through payments to the company. The profit participation loans are impacted the company'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 company'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 forwards 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.

<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; 6 years</b>
<b>2019</b>					
Loans	2 959 409	519 977	1 734 236	705 196	
Current receivables	460	460			
Cash and cash equivalents	104 382	104 382			
<b>Total</b>	<b>3 064 251</b>	<b>624 819</b>	<b>1 734 236</b>	<b>705 196</b>	<b>-</b>
Derivates	-2 059	-2 059			
Current liabilities	-25 217	-25 217			
Profit participation loans	-2 948 369	-161 214	-1 727 767	-702 566	-356 823
<b>Total</b>	<b>-2 975 645</b>	<b>-188 490</b>	<b>-1 727 767</b>	<b>-702 566</b>	<b>-</b>
<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; 6 years</b>
<b>2018</b>					
Loans	425 546	29 125	58 250	338 171	
Cash and cash equivalents	80 113	80 113			
<b>Total</b>	<b>505 659</b>	<b>109 238</b>	<b>58 250</b>	<b>338 171</b>	<b>-</b>
Profit participation loans	423 542	28 988	57 975	336 579	
<b>Total</b>	<b>423 542</b>	<b>28 988</b>	<b>57 975</b>	<b>336 579</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 91 were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following categories:

PwC:	<u>2019</u>	<u>2018</u>
Audit engagement	91	75
Other statutory engagements	-	-
Tax advisory services	-	-
Valuation services	-	-
Other services	-	-
	<u>91</u>	<u>75</u>

Intercompany purchases and sales:

Included in administrative expenses are management fees invoiced from the parent company Proventus Capital Management AB of SEK 64.7 million.

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

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

	<u>2019</u>	<u>2018</u>
Interest income in accordance with the effective interest method		
Interest income using the effective interest method	71 050	244
Total	<u>71 050</u>	<u>244</u>
Interest income and similar income		
Other interest income	9	-
Write-down of profit participation certificates	15 748	-
Currency profit/loss	60 439	2 153
Other financial income	55 564	4 168
Total	<u>131 760</u>	<u>6 321</u>
Interest expense and similar charges		
Interest, profit participation certificates	-86 268	2 888
Interest expenses	-2 969	-1 095
Currency profit/loss	-23 835	-
Total	<u>-113 072</u>	<u>1 793</u>
Interest income from assets at amortised cost	<u>71 050</u>	<u>244</u>
Interest expense from liabilities at amortised cost	<u>-86 268</u>	<u>2 888</u>

**Note 6 Tax**

	<u>2019</u>	<u>2018</u>
Profit/loss before tax	-99	-7
Tax calculated at applicable rate, (21,4%)	21	0
Tax effect from previous years deficit	2	-
Tax effect from non-deductible expenses	-3 823	-
Tax effect, non-taxable income	3 370	-
Reported tax expense	<u>-430</u>	<u>0</u>

**Note 7 Non-current financial assets**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Other long-term investments	2 004 418	332 826
Accrued interest	15 674	-
Total	<u>2 020 092</u>	<u>332 826</u>

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 1 228,5 million. The owners' contributions under the same agreement is EUR 4.6 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	<u>2019-12-31</u>		<u>2018-12-31</u>	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Profit participation certificates	2018-2028	2 035 080	2 088 903	404 230	401 342
Unrealised gain			53 823		-2 888
Realised gain			28 489		-
Total earnings profit participation loans			82 312		-2 888

  

EUR	Maturity	<u>2019-12-31</u>		<u>2018-12-31</u>	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Profit participation certificates	2018-2028	195 052	200 209	39 340	39 059
Unrealised gain			5 157		-281
Realised gain			2 731		-
Total earnings profit participation loans			7 888		-281

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

**Note 9 Other liabilities**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Other current liabilities	99	
Currency forwards	2 059	
	<u>2 158</u>	<u>0</u>

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**

	<u>2019</u>	<u>2018</u>
<b>Profit/loss for the year</b>	<b>-530</b>	<b>-7</b>
<i>Adjustments for non-cash items, etc.</i>		
Unrealised gain/loss on currency forwards	2 059	
Unrealised foreign exchange gains/losses	39 088	3 066
Group contributions made	4 338	
Allocated interest expenses	85 199	-2 888
Allocated interest income	-15 674	
<b>Cash flow from operations</b>	<b>114 480</b>	<b>171</b>

**Note 11 Pledged assets**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Pledged cash assets for currency contracts	25 145	-
	<u>25 145</u>	<u>-</u>

**Note 12 Contingent liabilities**

	<u>2019-12-31</u>	<u>2018-12-31</u>
Funding commitments made to existing borrowers.	805 055	-
	<u>805 055</u>	<u>-</u>

**Note 13 Related party transactions**

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

Included in administrative expenses are management fees invoiced from the parent company Proventus Capital Management of SEK 64.7 million.

During the financial year the company has made group contributions to the parent company of SEK 4.4 (0.0) million.

**Note 14 Proposed appropriation of retained earnings**

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

Non-restricted reserves	7 866 145
Profit for the year	<u>-529 660</u>
Total	7 336 485 SEK

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

Dividend to shareholders	0
Carried forward	<u>7 336 485</u>
Total	7 336 485 SEK

Stockholm 26 March 2020

Anders Thelin  
Chairman

Daniel Sachs  
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Martin Gorne

Our auditors' report was submitted on 26 March 2020  
Öhrlings PricewaterhouseCoopers AB

Peter Clemetson  
Authorised Public Accountant and Auditor in Charge



## **Auditor's report**

Unofficial translation

To the general meeting of the shareholders of Proventus Capital Partners IV B AB (publ), corporate identity number 559116-2580

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

#### *Opinions*

We have audited the annual accounts of Proventus Capital Partners IV B 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 B 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 B 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 B 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 IV B 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 2 004 MSEK as at 31 December 2019, which is equivalent to 94% 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 IV B 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 B 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 IV B 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