

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

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

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

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

DIRECTORS' REPORT

OPERATIONS

Proventus Capital Partners 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 is managed by Proventus Capital Management which has held a license from the Swedish Financial Supervisory Authority, since 18 June 2014, 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 back to EUR.

The operations are funded with capital contributed by the owner and through profit participating loans from primarily institutional investors. The total funding commitments at the end of the period are EUR 387 million. The funding available to the company can be drawn by the company through individual contributions of at least 1 per cent of the overall commitment. At the end of the financial year, a total of EUR 93 million had been contributed to the fund, corresponding to 24 per cent of total funding.

Profit-sharing in the company is in EUR. This interim report is prepared in Swedish kronor.

RESULTS AND FINANCIAL POSITION

Investment activities were initiated in December 2018 and are in the build-up phase. The investment portfolio at the end of the reporting period comprised nine (five) private loans and five (zero) bonds. 80 per cent of the portfolio was invested in direct lending to businesses and 20 per cent in publicly traded bonds.

The cumulative return on the portfolio since its inception is EUR 13 (1.6) million. The lending portfolio, including accrued interest, was at the end of the reporting period SEK 913 (482) million. The portfolio of publicly traded bonds including accrued interest and currency forwards was at the end of the period SEK 245 (2) million.

During the first quarter a Corona-virus spread over the globe and turned into a pandemic. This has had severe effects on human life, the economy as a whole and for financial markets. The effect on credit markets was initially significant but it has gradually declined during the second quarter. The borrowers, to whom the Company has lent money, have overall been negatively affected but it is too soon to know how much impact it will have in the end. As the company is building out its portfolio this gives better investment opportunities which should help meeting the investment objectives.

The profit for the period was SEK 0.0 million (0.0) and equity was SEK 3.8 (1.7) million.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Investments were made in four new private business loan and one bond holding was sold in its entirety.

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 favourable, 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.

OTHER

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

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

INCOME STATEMENT

	Note	2020-01-01- <u>2020-06-30</u>	2019-01-01- <u>2019-06-30</u>	2019-01-01- <u>2019-12-31</u>
Interest income in accordance with the effective interest method	3	68 491	8 331	28 302
Interest income and similar income	3	20 720	11 757	45 944
Interest expenses and similar profit/loss items	3	-61 429	-7 007	-38 593
Change of reserve for expected credit losses	5	-5 019	-1 256	-6 291
Administrative expenses	2	-22 841	-11 800	-27 408
Operating profit/loss		-79	25	1 954
Group contributions made		-	-	-1 974
Profit/loss before tax		-79	25	-20
Tax	4	-	-	-169
Profit/loss for the period		-79	25	-189

STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the period		-79	25	-189
Other comprehensive income		-	-	-
Other comprehensive income for the period, net after tax		-	-	-
Total comprehensive income for the period		-79	25	-189

BALANCE SHEET

ASSETS

	Note	<u>2020-06-30</u>	<u>2019-12-31</u>	<u>2019-06-30</u>
Non-current assets				
Long-term financial investments	5	912 838	792 491	482 357
Total non-current assets		912 838	792 491	482 357
Current assets				
Current receivables				
Receivables from Group companies		156	-	6 108
Other current receivables		-	-	2 534
Short-term investments	6	244 901	-	2 405
		245 057	-	11 047
Cash and bank balances		5 719	12 619	384
Total current assets		250 775	12 619	11 431
TOTAL ASSETS		<u>1 163 613</u>	<u>805 110</u>	<u>493 788</u>

BALANCE SHEET

EQUITY AND LIABILITIES

	Note	<u>2020-06-30</u>	<u>2019-12-31</u>	<u>2019-06-30</u>
Equity				
Restricted equity				
Share capital (5,000 shares with a quotient value of SEK 100)		500	500	500
		<u>500</u>	<u>500</u>	<u>500</u>
Non-restricted equity				
Retained earnings		3 391	2 138	1 133
Profit for the period		-79	-189	25
		<u>3 312</u>	<u>1 949</u>	<u>1 158</u>
Total equity		3 812	2 449	1 658
Non-current liabilities				
Other non-current liabilities	7	1 036 236	621 218	302 222
Total non-current liabilities		1 036 236	621 218	302 222
Current liabilities				
Trade payables		-	153	-
Liabilities to credit institutions	8	43 225	170 806	156 477
Liabilities to Group companies		79 826	9 505	33 350
Tax liabilities		170	169	-
Other liabilities		145	810	-
Accrued expenses and deferred income		200	-	81
Total current liabilities		123 565	181 443	189 908
TOTAL EQUITY AND LIABILITIES		<u>1 163 613</u>	<u>805 110</u>	<u>493 788</u>

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Other paid-in capital	Total capital
Opening balance, 1 January 2019	500	-23	579	1 056
Comprehensive income				
Profit for the period		-189		-189
Total other comprehensive income		-189		-189
Transactions with shareholders				
Shareholder contributions received *)			1 582	1 582
Total transactions with shareholders			1 582	1 582
Closing balance, 31 December 2019	500	-212	2 161	2 449
Comprehensive income				
Profit for the period		-79		-79
Total other comprehensive income		-79		-79
Transactions with shareholders				
Shareholder contributions received *)			1 442	1 442
Total transactions with shareholders			1 442	1 442
Closing balance, 30 June 2020	500	-291	3 603	3 812

*) The operations are financed as needed through contingent capital contributions from the owners. The terms of repayment for the contributions are that repayments have been made on the fund's portfolio.

STATEMENT OF CASH FLOWS

	Note	2020-01-01- 2020-06-30	2019-01-01- 2019-06-30	2019-01-01- 2019-12-31
	9			
Cash flow from operations		27 984	2 077	44 263
Interest paid		-2 410	-	-6 946
Change in current receivables		-44	10 289	12 824
Change in receivables from Group companies		-113	296	6 405
Change in current liabilities		-287	-701	-458
Change in current liabilities to Group companies		70 801	32 862	7 058
Cash flow from operating activities		95 932	44 823	63 146
Acquisition of/increase in short-term investments		-205 450	-	-
Acquisition of/increase in non-current financial assets		-137 490	-386 829	-705 527
Cash flow from investing activities		-342 940	-386 829	-705 527
Change in liabilities to credit institutions		-127 582	156 477	170 806
Group contributions paid		-148	-	-
Shareholder contributions received		1 443	577	1 582
Increase in non-current liabilities		366 419	182 796	480 072
Decrease in non-current liabilities		-24	-	-
Cash flow from financing activities		240 108	339 850	652 460
Cash flow for the period		-6 900	-2 156	10 079
Cash and cash equivalents at beginning of period		12 619	2 540	2 540
Cash and cash equivalents at end of period		5 719	384	12 619

NOTES TO THE ACCOUNTS AND ACCOUNTING POLICIES

Note 1 Accounting policies

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

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

Receivables and liabilities in foreign currency

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

EUR 10.4804 (10.5581); USD 9.3490 (9.2713); GBP 11.4693 (11.7546)

Note 2 Administrative expenses

Intercompany purchases and sales:

Administrative expenses include expenses for administered services and office expenses in the amount of EUR 1.2 (1.1) million corresponding to SEK 12.5 (11.3) million in the first half of 2020.

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

Note 3 Interest income, interest expense and similar income charges

	2020-01-01 2020-06-30	2019-01-01 2019-06-30
Interest income in accordance with the effective interest method		
Interest income from loans	37 751	8 331
Total	<u>37 751</u>	<u>8 331</u>
Interest income and similar income items		
Interest income from bonds	3 511	-
Change in value on bonds	35 609	-
Other interest income	-	7 515
Currency profits	37 735	4 242
Other financial income	5 522	-
Total	<u>82 378</u>	<u>11 757</u>
Interest expense and similar charges		
Interest expenses	-52 787	-3 889
Currency losses	-39 559	-3 118
Total	<u>-92 346</u>	<u>-7 007</u>
Interest income from assets recognised at fair value	3 511	-
Interest income from assets recognised at amortised cost.	37 751	8 331
	<u>41 262</u>	<u>8 331</u>
Interest expenses from liabilities recognised at fair value	-1 643	-349
Interest expenses from liabilities recognised at amortised cost	-51 144	-3 540
	<u>-52 787</u>	<u>-3 889</u>

Note 4 Tax

	2020-01-01 2020-06-30	2019-01-01 2019-06-30
Recognised profit/loss before tax	-79	25
Tax according to applicable tax rate (21.4%)	0	-6
Tax effect of Group contributions to Parent Company	0	6
Reported tax expense	<u>0</u>	<u>0</u>

Tax earnings are settled against the Parent Company through Group contributions at year-end. No tax on the profit for the year has therefore been calculated, since the Group contribution is fixed at the end of the financial year.

Note 5 Non-current financial assets

	2020-06-30	<u>2019-12-31</u>
Other securities held as non-current assets	904 774	786 342
Accrued interest	8 063	6 149
Total	<u>912 838</u>	<u>792 491</u>
Change, IFRS 9 reserve	<u>2020-06-30</u>	<u>2019-12-31</u>
Opening reserve	-6 546	-256
Change for the period	-5 019	-6 290
Closing reserve	<u>-11 566</u>	<u>-6 546</u>

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

Other securities held as non-current assets refer to direct loans to businesses. At the end of the financial year, the portfolio comprised nine commitments, and the maturities for the loans vary from 3 to 5 years. The portfolio is currently being built up and will be expanded with more loans over the next few years.

Note 6 Short-term investments

	2020-06-30		2019-12-31	
	Cost value	Fair value	Cost value	Fair value
Derivatives	-	7 531	-	-
Bonds	205 450	231 972	-	-
Accrued interest	-	5 398	-	-
Total	<u>205 450</u>	<u>244 901</u>	<u>-</u>	<u>0</u>

The holdings have been value at the market value.

Composition of the portfolio

2020-06-30	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Obligationer (EUR)	23 609	89,0%	21 015	10,4804	220 246
Obligationer (USD)	1 232	101,8%	1 254	9,3490	11 727
					<u>231 972</u>

Note 7 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 amount to EUR 1.4 million. The capital can be accessed on ten days' notice in portions of at least 1 per cent of the overall commitment.

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 conditions for payment under the terms of the loans have been met, see also the information under "Accounting policies."

Return, profit participation certificates

SEK	Maturity	2020-06-30		2019-12-31	
		Nominal value	Carrying value	Nominal value	Carrying value
Profit participation certificates	2018-2028	969 898	1 036 236	597 211	621 218
Unrealised gain			66 338		24 007
Realised gain			9 355		6 946
Total income, profit participation certificates			<u>75 693</u>		<u>30 953</u>

EUR	Maturity	2020-06-30		2019-12-31	
		Nominal value	Carrying value	Nominal value	Carrying value
Profit participation certificates	2018-2028	92 544	98 874	57 240	59 540
Unrealised gain			6 330		2 300
Realised gain			893		666
Total income, profit participation certificates			<u>7 222</u>		<u>2 966</u>

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

Note 8 Liabilities to credit institutions

	2020-06-30	2019-12-31
Drawn overdraft facility at SEB	43 225	170 806
	<u>43 225</u>	<u>170 806</u>

The company has an overdraft facility of EUR 40 million. The credit is being used for the short-term financing of new business before new capital is raised from holders of profit participation certificates and to give the portfolio some leverage.

Note 9 Cash flow from operations

	2020-01-01 2020-06-30	2019-01-01 2019-06-30
<i>Profit before tax</i>	-79	25
Unrealised gain/loss on currency futures	-8 193	-2 403
Unrealised change in value, short-term investments	-26 522	-
Unrealised change in value, financial assets	19 057	5 386
Group contributions made	-	-
Allocated interest expenses	51 033	3 522
Allocated interest income	-7 312	-4 453
Cash flow from operations	<u>27 984</u>	<u>2 077</u>

Note 10 Commitments	2020-06-30	2019-12-31
Funding commitments made to existing borrowers	<u>142 956</u>	<u>315 826</u>
	<u>142 956</u>	<u>315 826</u>

Note 11 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. The parent company provides services to the company, for which it receives a management fee based on total capital that is billed on a quarterly basis. The fee, which is included in administrative expenses, was EUR 1.2 million (1.1), corresponding to SEK 12.5 (11.3) million, in the first half of 2020.

Stockholm, 26 August 2020

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Martin Gorne

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



Auditor's report

Unofficial translation

Proventus Capital Partners IV AB (publ), reg no 556981-8619

Introduction

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

Scope of Review

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

Conclusion

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

Stockholm, 26 August 2020

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant