

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

INTERIM REPORT FOR THE PERIOD 2020-01-01 - 2020-06-30

The Board of Directors and Chief Executive Officer of Proventus Capital Partners IV B 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 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 license 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 and the acquisition of 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 at the end of the period are EUR 988.2 million. The funding available to the Group can be drawn by the company through individual contributions of 1 per cent, at the lowest, of the overall commitment. At the end of the financial year, a total of EUR 88.9 million had been contributed to the fund, corresponding to 9 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 five debt instruments issued by five lenders. The entire portfolio (100%) is invested in direct lending to businesses.

The cumulative return on the portfolio since its inception is EUR 4.8 million (-). The lending portfolio, including accrued interest, at the end of the reporting period was EUR 126.7 million (-), corresponding to SEK 1,337.2 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 4.9 million (0.0).

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the reporting period, a further 7% was contributed to the fund, corresponding to EUR 68.8 million. Investments were made in a new private business loan, as well as additional investments in an existing business loan.

OUTLOOK

The company's target is to generate an 8 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>
Net operating profit/loss				
Interest income in accordance with the effective interest method	3	174 607	25 080	71 050
Interest income and similar income	3	37 062	37 447	131 760
Interest expenses and similar profit/loss items	3	-139 800	-32 396	-113 072
Bad debts reserve		<u>-12 794</u>	<u>-3 310</u>	<u>-15 807</u>
Net financial income		<u>59 074</u>	<u>26 821</u>	<u>73 931</u>
Administrative expenses	2	-35 356	-26 782	-69 588
Group contributions made		<u>-23 807</u>	<u>-</u>	<u>-4 443</u>
Profit before tax		<u>-89</u>	<u>39</u>	<u>-100</u>
Tax	4	<u>-</u>	<u>-</u>	<u>-430</u>
Profit for the period		<u><u>-89</u></u>	<u><u>39</u></u>	<u><u>-530</u></u>

STATEMENT OF COMPREHENSIVE INCOME

Profit for the period		-89	39	-530
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the period, net after tax		<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u><u>-89</u></u>	<u><u>39</u></u>	<u><u>-530</u></u>

BALANCE SHEET

ASSETS

	Note	<u>2020-06-30</u>	<u>2019-06-30</u>	<u>2019-12-31</u>
Non-current assets				
Financial assets	5	<u>2 326 861</u>	<u>1 337 239</u>	<u>2 020 092</u>
Total non-current assets		2 326 861	1 337 239	2 020 092
Current assets				
Current receivables				
Receivables from Group companies		68 990	25 647	444
Other current receivables		20	-	444
Short-term investments	6	<u>624 262</u>	<u>6 666</u>	<u>16</u>
		693 272	32 313	460
Cash and bank balances		<u>419 462</u>	<u>168</u>	<u>104 382</u>
Total current assets		1 112 734	32 481	104 842
TOTAL ASSETS		<u>3 439 595</u>	<u>1 369 720</u>	<u>2 124 934</u>

BALANCE SHEET

EQUITY AND LIABILITIES

	Note	<u>2020-06-30</u>	<u>2019-06-30</u>	<u>2019-12-31</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		11 703	4 400	7 866
Profit for the period		-89	39	-530
		<u>11 614</u>	<u>4 439</u>	<u>7 336</u>
Total equity		12 114	4 939	7 836
Non-current liabilities				
Other non-current liabilities	7	3 382 294	948 142	2 088 903
Total non-current liabilities		3 382 294	948 142	2 088 903
Current liabilities				
Trade payables		-	-	390
Liabilities to credit institutions	8	-	395 640	-
Liabilities to Group companies		43 982	20 924	25 217
Tax liabilities		430	-	430
Other liabilities		375	-	2 158
Accrued expenses and deferred income		400	75	-
Total current liabilities		45 187	416 639	28 195
TOTAL EQUITY AND LIABILITIES		<u>3 439 595</u>	<u>1 369 720</u>	<u>2 124 934</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Other paid-in capital	Total capital
Opening balance, 1 January 2019	500	-7	1 917	2 410
Comprehensive income				
Profit for the period		39		39
Total other comprehensive income		39		39
Transactions with shareholders				
Shareholder contributions received *)			2 490	2 490
Shareholder contributions repaid *)				-
Dividend paid				-
Total transactions with shareholders			2 490	2 490
Closing balance, 30 June 2019	500	32	4 407	4 939
Opening balance, 1 January 2020	500	-537	7 873	7 836
Comprehensive income				
Profit for the period		-89		-89
Total other comprehensive income		-89		-89
Transactions with shareholders				
Shareholder contributions received *)			4 367	4 367
Total transactions with shareholders			4 367	4 367
Closing balance, 30 June 2020	500	-626	12 240	12 114

*) 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		97 606	11 841	114 480
Interest paid		-6 875	-	-28 489
Change in current liabilities		-190	-	-16
Change in receivables from Group companies		-68 372	-23 729	1 473
Change in current liabilities		-3 610	-2 421	-1 576
Change in current liabilities to Group companies		-1 170	12 315	12 269
Cash flow from operating activities		17 389	-1 994	98 141
Acquisition of/increase in short-term investments		-523 701		
Acquisition of/increase in non-current financial assets		-350 467	-1 006 401	-1 710 679
Cash flow from investing activities		-874 168	-1 006 401	-1 710 679
Increase in liabilities to credit institutions		-	395 640	-
Group contributions paid		-416	-	-
Shareholder contributions received		4 367	2 490	5 957
Increase in non-current liabilities		1 167 964	530 320	1 630 850
Decrease in non-current liabilities		-57	-	-
Cash flow from financing activities		1 171 858	928 450	1 636 807
Cash flow for the period		315 080	-79 945	24 269
Cash and cash equivalents at beginning of period		104 382	80 113	80 113
Cash and cash equivalents at end of period		419 462	168	104 382

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 new standard according to IFRS 16 is not expected to have any material impact, as the Group currently has no rental agreements or leases.

In all other respects, 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:

No intercompany purchases and sales have occurred.

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 and changes in value of loans and bonds	174 607	25 080
Total	<u>174 607</u>	<u>25 080</u>
Interest income and similar income items *)		
Other interest income	-	19 907
Currency profit/loss	22 986	17 540
Other financial income	14 076	-
Total	<u>37 062</u>	<u>37 447</u>
Interest expense and similar charges **)		
Interest expenses	-133 653	-17 579
Currency profit/loss	-6 147	-14 817
Total	<u>-139 800</u>	<u>-32 396</u>
*) Interest income from assets recognised at fair value	-	-
Interest income from assets recognised at amortised cost.	174 607	25 080
	<u>174 607</u>	<u>25 080</u>
***) Interest expenses from liabilities recognised at fair value	-987	-1 058
Interest expenses from liabilities recognised at amortised cost	-132 666	-16 521
	<u>-133 653</u>	<u>-17 579</u>

Note 4 Tax

	2020-01-01 2020-06-30	2019-01-01 2019-06-30
Recognised profit/loss before tax	-89	39
Tax according to applicable tax rate (22%)	0	-9
Tax effect of Group contributions to Parent Company	0	9
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	2019-06-30
Other securities held as non-current assets	2 335 789	1 324 894
Accrued interest	20 553	12 345
Total	<u>2 356 343</u>	<u>1 337 239</u>
Change, IFRS 9 reserve	<u>2020-06-30</u>	<u>2019-06-30</u>
Opening reserve	-16 687	-880
Change for the period	-12 794	-3 310
Closing reserve	<u>-29 481</u>	<u>-4 190</u>

Closing reserve for future bad debts has been recognised in the balance sheet against Other securities held as non-current assets.

Other securities held as non-current assets refer to direct loans to businesses. At the end of the financial year, the portfolio comprised five 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		2019-06-30	
	Cost value	Fair value	Cost value	Fair value
Derivatives	-	19 196	-	6 666
Bonds	523 701	591 306	-	-
Accrued interest	13 760	13 760	-	-
Total	<u>537 460</u>	<u>624 262</u>	<u>-</u>	<u>6 666</u>

The holding has been measured at the market value.

Note 7 Other non-current liabilities

Profit participation certificates

The holders of profit participation certificates have undertaken to provide funding of up to EUR 983.5 million. Owner contributions under the same agreement amount to EUR 4.7 million. The capital can be accessed on ten days' notice in portions of 1 per cent at the least 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 loans

SEK '000	Maturity	2020-06-30		2019-06-30	
		Nominal value	Carrying value	Nominal value	Carrying value
Profit participation certificates	2011-2021	3 202 988	3 382 294	934 550	948 142
Unrealised gain			179 306		13 592
Realised gain			35 364		-
Total income, profit participation loans			<u>214 670</u>		<u>13 592</u>

EUR '000	Maturity	2020-06-30		2019-06-30	
		Nominal value	Carrying value	Nominal value	Carrying value
Profit participation certificates	2011-2021	305 617	322 726	88 515	89 802
Unrealised gain			17 109		1 287
Realised gain			3 374		-
Total income, profit participation loans			<u>20 483</u>		<u>1 287</u>

The profit participation loans are listed on the Miscellaneous Nordic AIR Sweden segment under Main Regulated at NGM in Sto

Note 8 Liabilities to credit institutions

	2020-06-30	2019-06-30
Drawn overdraft facility at SEB	-	395 640
	<u>-</u>	<u>395 640</u>

The company has an overdraft facility of EUR 87 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.

Note 9 Cash flow from operations

	2020-01-01 2020-06-30	2019-01-01 2019-06-30
<i>Profit before tax</i>	-89	39
Unrealised gain/loss on currency futures	-20 885	-6 666
Unrealised change in value, short-term investments	-67 606	-
Unrealised change in value, financial assets	48 577	14 334
Group contributions made	23 890	-
Allocated interest expenses	132 358	16 479
Allocated interest income	-18 639	-12 345
Cash flow from operations	<u>97 606</u>	<u>11 841</u>

Note 10 Commitments

	2020-06-30	2019-06-30
Funding commitments made to existing borrowers	<u>396 316</u>	<u>396 316</u>
	<u>396 316</u>	<u>396 316</u>

Note 11 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 Group.

Included in administrative expenses are management fees invoiced from the parent company Proventus Capital Management AB of EUR 3.1 million (2.4), corresponding to SEK 32.9 million (24.7).

Stockholm, 26 August 2020

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Gabriella Sahlman

Åsa Hansdotter

Martin Gorne

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



Auditor's report

Unofficial translation

Proventus Capital Partners IV B AB (publ), reg no 559116-2580

Introduction

We have reviewed the condensed interim financial information (interim report) of Proventus Capital Partners IV B 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