

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

ANNUAL REPORT FOR THE FINANCIAL YEAR 2020

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 2020 - 31 December 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, which is a wholly-owned subsidiary of P Capital Partners AB (corp. ID 556930-7027) operates a corporate lending business. The company is an alternative investment fund within the meaning of the Swedish Alternative Investment Fund Managers Act (2013:561) and is managed by the parent company, P Capital Partners, which since 18 June 2014 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 to EUR.

The operations are funded with capital contributed by the owner and through profit participating debentures 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 93 million has been contributed to the fund, corresponding to 24 per cent of total funding.

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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 fourteen (nine) loan commitments and two (zero) high-yield corporate bonds. 94 % (100 %) of the portfolio was invested in direct loans to businesses and the value of the loan portfolio was EUR 131 (76) million. 6% (0%) of the portfolio was invested in high-yield corporate bonds and the value of the bond portfolio was EUR 7.7 (0) million.

During the first quarter a Corona-virus, causing the disease Covid-19, spread over the globe and turned into a pandemic. This had severe effects on human life, the economy as a whole and for financial markets. The effect on credit markets was initially significant and in the company invested in a number of high-yield bonds on what was perceived to be distressed prices. During the second half of the year these were mostly sold realising positive results. The impact on the company's borrowers has been limited and most have done very well considering the environment and this is reflected in the limited unrealized credit reserves where the increase has mainly been due to the increased size of the loan portfolio and the generally worsening macro environment.

RESULTS AND FINANCIAL POSITION

Net result for the period is kSEK -19 (-189) and equity is SEK 3.9 (2.4) million. The cumulative return on the portfolio since its inception is EUR 19.9 (5.5) million.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the end of the financial year the two high-yield bonds have been sold in full. Furthermore three new loans have been funded and one investment in a new high-yield bond has been made.

OUTLOOK

The company's target is to generate a 10 per cent net annual return for the holders of profit participation debentures. 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
P Capital Partners AB	<u>5 000</u>
Total	5 000

PROPOSED DISPOSITION OF EARNINGS

Group contributions in a total amount of SEK 15.9 (2.0) million have been made to the parent company and SEK 0.2 (0) million has been received from the sister company Proventus Capital Partners X. 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	3 390 870
Profit for the year	<u>-18 850</u>
Total	3 372 020 SEK

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

Dividend to shareholders	0
Carried forward	<u>3 372 020</u>
	3 372 020 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

	<u>Note</u>	<u>1 Jan 2020- 31 Dec 2020</u>	<u>1 Jan 2019- 31 Dec 2019</u>
Interest income using the effective interest method	5	83 378	28 302
Interest income and similar income	5	193 591	45 944
Interest expenses and similar charges	5	-223 216	-38 593
Net expected credit losses	1	-11 355	-6 291
Administrative expenses	4	-26 638	-27 407
Operating income		15 760	1 955
Group contributions received		161	0
Group contributions made		-15 940	-1 974
Profit before tax		-19	-20
Tax	6	0	-169
Profit/loss for the year		-19	-189

STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year	-19	-189
Other comprehensive income	-	-
Other comprehensive income for the year, net after tax	-	-
Total comprehensive income for the year	-19	-189

BALANCE SHEET

ASSETS	<u>Note</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
Non-current assets	7		
Investments in group companies		158 220	0
Long-term financial investments		1 155 557	792 491
Total non-current assets		<u>1 313 777</u>	<u>792 491</u>
Current receivables			
Accounts receivables		206	0
Receivables from group companies		245	0
Short-term investments	8	77 992	0
Accrued expenses and deferred income		19	0
		<u>78 462</u>	<u>0</u>
Cash and cash equivalents		7 219	12 619
Total current assets		<u>85 681</u>	<u>12 619</u>
TOTAL ASSETS		<u><u>1 399 458</u></u>	<u><u>805 110</u></u>

BALANCE SHEET

EQUITY AND LIABILITIES	<u>Note</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
Equity			
Restricted equity			
Share capital (5,000 shares with a quotient value of SEK 100)		500	500
		<u>500</u>	<u>500</u>
Non-restricted equity			
Retained earnings		3 391	2 138
Profit/loss for the year		-19	-189
		<u>3 372</u>	<u>1 949</u>
Total equity		3 872	2 449
Non-current liabilities			
Other non-current liabilities	9	976 553	621 218
Total non-current liabilities		976 553	621 218
Current liabilities			
Trade payables		404	153
Liabilities to group companies		25 925	9 505
Liabilities to credit institution	10	385 522	170 806
Tax liabilities		169	169
Other current liabilities	11	6 365	808
Accrued expenses and deferred income	12	648	2
Total current liabilities		419 033	181 443
TOTAL EQUITY AND LIABILITIES		<u>1 399 458</u>	<u>805 110</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/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			1 582	1 582
Closing balance, 31 December 2019	500	-212	2 161	2 449
Comprehensive income				
Profit/loss for the year		-19		-19
Other comprehensive income				
Total other comprehensive income		-19		-19
Transactions with shareholders				
Shareholder contributions received*)			1 442	1 442
Dividend paid				
Total transactions with shareholders			1 442	1 442
Closing balance, 31 December 2020	500	-231	3 603	3 872

*) 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 of the fund's investments.

STATEMENT OF CASH FLOWS

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cash flow from operations	13	197 424	44 263
Interest paid		-69 795	-6 946
Increase/decrease in current liabilities		-225	12 824
Increase/decrease in receivables from group companies		-244	6 405
Increase/decrease in current liabilities		898	-458
Increase/decrease in current liabilities, group companies		-1 687	7 058
Cash flow from operating activities		126 371	63 146
Acquisition of/increase in shares in group companies		-161 211	0
Acquisition of/increase in short-term investments		-64 542	0
Acquisition of/increase in non-current financial assets		-435 582	-705 527
Investing activities		-661 335	-705 527
Group contributions paid		-457	0
Shareholder contributions received		1 442	1 582
Change in liabilities to credit institutions		214 715	170 806
Increase in non-current liabilities		325 431	480 072
Decrease in non-current liabilities		-11 567	0
Financing activities		529 564	652 460
Cash flow for the year		-5 400	10 079
Cash and cash equivalents at beginning of year		12 619	2 540
Cash and cash equivalents at end of year		7 219	12 619

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 are used to hedge investments made in currencies other than the fund's base currency (EUR). The following exchange rates have been used in valuation of assets and liabilities:

EUR 10.0375 (10.4336) USD 8.1886 (9.3171) GBP 11.0873 (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 foreign currency are valued at amortised cost adjusted to the closing rate, as described above.

Financial instruments: recognition and measurement

Financial assets 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.

Short-term investments are financial instruments which are traded on a regulated market and derivatives. Derivatives with negative values are classified as other current liabilities.

Short-term investments are measured at fair value. Changes in value are recognised through profit or loss as interest income and similar income (profits) or interest expenses and similar charges (losses).

Profit participation debentures are recognised at cost, which depends on the underlying return on the company's assets. A positive return on profit participation debentures is accounted for as an interest expense for the company and is included in the market value. A negative return on profit participation debentures is accounted for as an interest income in accordance with the effective interest method 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 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.

The following table shows how loans have been classified in accordance with IFRS 9.

2020

	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2020	799 037	799 037	0	0
<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				
Loans repaid				
Loans paid	405 472	405 472		
Change in accrued interest	-10 099	-10 099		
Booked from accounts				
Revaluation currency/other adjustments	-52 960	-52 960		
Loans on 31 Dec 2020	1 141 449	1 141 449	0	0

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2020	-6 546	-6 546	0	0
<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				
Loans paid	-5 177	-5 177		
Change regarding "PDs/LGDs/EADs"	-7 206	-7 206		
Change in model assumptions	0	0		
Revaluation currency/other adjustments	1 029	1 029		
Reservation on 31 Dec 2020	-17 901	-17 901	0	0

During the year there have been no credit losses besides the unrealised change of the IFRS 9 reserve.

2019

	Total	Category 1	Category 2	Category 3
Loans on 1 Jan 2019	96 719	96 719	0	0
<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				
Loans repaid				
Loans paid	664 149	664 149		
Change in accrued interest	6 149	6 149		
Booked from accounts				
Revaluation currency/other adjustments	32 020	32 020		
Loans on 31 Dec 2019	799 037	799 037	0	0

	Total	Category 1	Category 2	Category 3
Reservation on 1 Jan 2019	-256	-256	0	0
<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				
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	0	0

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

2020	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Assets				
Loans	1 123 548		1 123 548	
Investments in group companies	158 220		158 220	
Preference shares	32 009	32 009		
Receivables from group companies	245		245	
Other current receivables	225		225	
Derivates	277	277		
Bonds	77 715	77 715		
Cash and cash equivalents	7 219		7 219	
Total	1 399 458	110 001	1 289 457	0
Liabilities				
Liabilities to credit institutions	385 522			385 522
Profit participation debentures	976 553			976 553
Trade payables	404			404
Tax liabilities	169			169
Liabilities to group companies	25 925			25 925
Other current liabilities	2			2
Derivates	6 363	6 363		
Accrued expenses	648			648
Total	1 395 586	6 363	0	1 389 223
2019				
	Total	Assets/ liabilities at fair value through profit or loss	Loan and other receivables	Other financial liabilities
Assets				
Loans	792 491		792 491	
Cash and cash equivalents	12 619		12 619	
Total	805 110	0	805 110	0
Liabilities				
Liabilities to credit institutions	170 806			170 806
Profit participation debentures	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		
Total	802 661	808	0	801 853

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 2020

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Long-term investment, preference shares			31 488	31 488
- Securities held for trading		77 715		77 715
- Derivates used for hedging		277		277
Total assets		77 992	31 488	109 480
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivates used for hedging		6 363		6 363
Total liabilities		6 363		6 363

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				0
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivates used for hedging		808		808
Total liabilities		808		808

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

Short-term investments and other financial investments

Bonds are marked 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 on 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 debentures 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 reporting is divided into SEK as well as EUR.

SEK	2020-01-01	2019-01-01	2018-12-21
	2020-12-31	2019-12-31	2020-12-31
Interest income using the effective interest method	83 378	28 302	111 752
Net expected credit losses	-11 355	-6 291	-17 902
Interest income and similar income	181 781	39 675	222 664
Write-down of profit participation debentures	11 810	6 269	18 079
Interest expense and similar charges	-106 870	-6 089	-112 894
Administrative expenses	-26 638	-27 407	-56 370
Profit before profit-sharing	<u>132 106</u>	<u>34 459</u>	<u>165 329</u>
Share of profit, profit participation debentures	-116 346	-32 504	-147 617
Profit before tax and group contributions	<u><u>15 760</u></u>	<u><u>1 955</u></u>	<u><u>17 712</u></u>
	2020-01-01	2019-01-01	2018-12-21
EUR	2020-12-31	2019-12-31	2020-12-31
Interest income using the effective interest method	7 952	4 069	12 089
Net expected credit losses	-1 156	-603	-1 783
Interest income and similar income	10 883	1 944	12 944
Write-down of profit participation debentures	1 177	600	1 777
Interest expense and similar charges	-4 127	-138	-4 320
Administrative expenses	-2 531	-2 599	-5 356
Profit before profit-sharing	<u>12 198</u>	<u>3 273</u>	<u>15 351</u>
Share of profit, profit participation debentures	-11 203	-3 086	-14 169
Profit before tax and group contributions	<u><u>995</u></u>	<u><u>187</u></u>	<u><u>1 182</u></u>

Profit participation debentures

Changes in the amortised cost of the company's outstanding profit participation debentures are dependent on the underlying return on the company's assets. No portion of the return on the profit participation debentures 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 Euribor + 2 per cent, but at least 5 per cent per cent a year, 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 of 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 debentures have been met. Due to this structure, the company's risks, as described below, are minimized.

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 paid to the company's lenders is dependent on the returns on the company's assets. Returns from the loans and bonds generally have variable interest rate. The manager limits the interest rate risk in the loans by having variable interest income with an added margin. As a result, the interest margin remains unchanged over time. For longer fixed-rate loans, the interest rate can be swapped to 90 days to reduce the interest rate risk. Each borrower's creditworthiness and the associated required return are assessed at the time of issuing the loan. The manager applies an internal risk and pricing model which takes into account 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. All commitments are monitored continuously and any need for provisions is assessed on a quarterly basis. Overall, the portfolio has delivered in line with expectations and overall the credit quality as a whole is deemed to be of good 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. Performance is 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 2020	3 872
Effect if the EUR is strengthened by +5%	194
Effect if the EUR is weakened by -5%	-194

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 debentures and partly through equity. Profit participation debentures are paid back as loans matures and liquidity flows in or as returns are realised through payments to the company. The profit participation debentures are impacted by 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 debentures are in any case not permitted to call the loans, with the exception of realised gains/payments, 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 debentures as part of the total 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 loan and bond 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 debentures 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	Total	< 1 year	1–2 years	3–5 years	6+ years
2020					
Loans	1 567 151	173 437	1 058 199	335 515	
Bonds	77 715	77 715			
Derivates	277	277			
Other current receivables	470	470			
Cash and cash equivalents	7 219	7 219			
Total	1 652 833	259 118	1 058 199	335 515	0
Derivates	-6 363	-6 363			
Profit participation debentures	-1 139 964	-182 491	-768 904	-188 569	
Liabilities to credit institution	-385 522	-50 230	-211 640	-123 652	
Liabilities to group companies	-25 925	-25 925			
Other liabilities	-1 223	-1 223			
Total	-1 558 997	-266 233	-980 543	-312 221	0
Undiscounted cash flows	Total	< 1 year	1–2 years	3–5 years	6+ years
2019					
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	0
Derivates	-5 321	-5 321			
Liabilities to credit institution	-170 806	-170 806			
Other liabilities	-10 637	-10 637			
Profit participation debentures	-1 088 409	-49 036	-630 421	-256 349	-152 602
Total	-1 275 173	-235 800	-630 421	-256 349	-152 602

Note 3 Critical accounting estimates and assessments

The company reviews its loans on a quarterly basis to assess the need for provisions. The assessment is made individually for each loan. An in-depth analysis of each commitment is made on a quarterly basis to assess whether the borrower will be able to meet the agreed terms.

Note 4 Administrative expenses

In the financial year 2020, total fees of kSEK 499 were paid to Öhrlings PricewaterhouseCoopers AB, broken down by the following categories:

PwC:	<u>2020</u>	<u>2019</u>
Audit engagement	485	26
Other services	14	-
	<u>499</u>	<u>26</u>

Intra-group purchases and sales:

Included in administrative expenses are management fees invoiced from the parent company P Capital Partners AB of SEK 24.4 (24.6) million.

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

Remuneration: Remuneration has been paid to staff in the parent company which manages the company's investments. Total fixed remuneration was during the year SEK 25 million and variable remuneration was SEK 1 million which was divided by 9 employees.

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

	<u>2020</u>	<u>2019</u>
Interest income in accordance with the effective interest method		
Interest income using the effective interest method	83 378	28 302
Total	<u>83 378</u>	<u>28 302</u>
Interest income and similar income		
Interest income from bonds	7 044	0
Change of value bonds	49 917	0
Other interest income	1	0
Dividends	522	0
Currency profits (re-valuations and currency forwards)	103 166	19 008
Write-down of profit participation debentures	11 810	6 269
Other financial income	21 131	20 667
Total	<u>193 591</u>	<u>45 944</u>
Interest expense and similar charges		
Interest, profit participation debentures	-116 346	-32 504
Change in value, investment in group companies	-2 992	0
Interest expenses	-3 714	-1 384
Currency losses (re-valuations and currency forwards)	-100 164	-4 705
Total	<u>-223 216</u>	<u>-38 593</u>
Interest income from assets at fair value	7 045	0
Interest income from assets at amortised cost	83 378	28 302
	<u>90 423</u>	<u>28 302</u>
Interest expense from liabilities at fair value	-3 714	-1 384
Interest expense from liabilities at amortised cost	-116 346	-32 504
	<u>-120 060</u>	<u>-33 888</u>

Note 6 Tax

	<u>2020</u>	<u>2019</u>
Reported profit before tax	-19	-20
Tax calculated at applicable rate, 21.4%	4	4
Tax effect from previous years deficit	0	4
Tax effect from non-deductible expenses	-4 200	-1 519
Tax effect, non-taxable income	6 284	1 342
Reported tax expense	<u>0</u>	<u>-169</u>

Note 7 Non-current assets

	<u>2020-12-31</u>	<u>2019-12-31</u>
Long-term financial investments		
Loans	1 121 361	786 342
Accrued interest	2 187	6 149
Preference shares	31 488	0
Accrued dividend	521	0
Total	<u>1 155 557</u>	<u>792 491</u>

Loans refer to direct loans to businesses. At the end of the financial year, the portfolio comprised fourteen loans and investment in one preference share. The maturities will vary and are estimated from one year up to five years. The portfolio is in a development stage, and will be expanded to more loans in the next few years.

	<u>2020-12-31</u>	<u>2019-12-31</u>
Investments in group companies	158 220	0

Investments in group companies constitutes ownership in the sister company PCP X (559261-2849) through which and additional loan has been arranged.

Note 8 Short-term investments

	<u>2020-12-31</u>		<u>2019-12-31</u>	
	Cost	Fair value	Cost	Fair value
Derivates	-	277	-	-
Bonds	64 542	76 070	-	-
Accrued interest	-	1 645	-	-
Total	<u>64 542</u>	<u>77 992</u>	<u>0</u>	<u>0</u>

Derivates are currency forwards for the purpose of hedging the loan and bond portfolios and are held at fair value.

Composition of the portfolio

2020-12-31	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Bonds (EUR)	8 328	91.0%	7 579	10.0375	<u>76 069</u> 76 069
2019-12-31	Nominal value local currency	Average price	Fair value local currency	Currency rate	Fair value SEK
Bonds (EUR)	-	-	-	-	<u>0</u> 0

Note 9 Other non-current liabilities

Profit participation debentures

The holders of profit participation debentures have committed to provide funding of up to EUR 385.6 million. The owners' contribution 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 debentures 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 debentures

SEK	Maturity	<u>2020-12-31</u>		<u>2019-12-31</u>	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Profit participation debentures	2018-2028	928 910	976 553	603 479	621 218
Unrealised gain			47 643		17 739
Realised gain			<u>76 741</u>		<u>6 946</u>
Total earnings profit participation debentures			124 384		24 685
EUR	Maturity	<u>2020-12-31</u>		<u>2019-12-31</u>	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Profit participation debentures	2018-2028	92 544	97 290	57 240	59 540
Unrealised gain			4 746		2 300
Realised gain			<u>7 645</u>		<u>666</u>
Total earnings profit participation debentures			12 391		2 966

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

Note 10 Liabilities to credit institution

	<u>2020-12-31</u>	<u>2019-12-31</u>
Utilised overdraft facility with SEB	<u>385 522</u>	<u>170 806</u>
Total	<u><u>385 522</u></u>	<u><u>170 806</u></u>

The company had a overdraft facility amounting to EUR 40 million at the end of the financial year.

Note 11 Other liabilities

	<u>2020-12-31</u>	<u>2019-12-31</u>
Other current liabilities	2	0
Currency forwards	6 363	808
Total	<u>6 365</u>	<u>808</u>

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

Note 12 Accrued expenses and deferred income

	<u>2020-12-31</u>	<u>2019-12-31</u>
Audit engagement cost	300	0
Other accrued expenses	348	2
Total	<u>648</u>	<u>2</u>

Note 13 Cash flow from operations

	<u>2020</u>	<u>2019</u>
Profit/loss for the year	-19	-189
<i>Adjustments for non-cash items, etc.</i>		
Unrealised gain/loss on currency forwards	5 278	808
Unrealised change in value, short-term investments	-11 528	
Unrealised foreign exchange gains/losses	72 067	15 648
Group contributions made	20 954	1 959
Allocated interest expenses	111 267	32 186
Allocated interest income	-595	-6 149
Cash flow from operations	<u>197 424</u>	<u>44 263</u>

Note 14 Pledged assets

	<u>2020-12-31</u>	<u>2019-12-31</u>
Cash collateral for currency forwards	6 625	5 321
	<u>6 625</u>	<u>5 321</u>

Note 15 Contingent liabilities

	<u>2020-12-31</u>	<u>2019-12-31</u>
Funding commitments made to existing borrowers.	658 934	315 826
	<u>658 934</u>	<u>315 826</u>

Note 16 Related party transactions

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

Included in administrative expenses are management fees invoiced from the parent company P Capital Partners AB of SEK 24.4 (24.6) million.

During the financial year, the company has made group contributions to the parent company of SEK 15.9 (2.0) million, and received group contributions from the sister company Proventus Capital Partners X AB of SEK 0.2 (0.0) million.

Note 17 Proposed disposition of earnings

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

Non-restricted reserves	3 390 870	
Profit for the year	<u>-18 850</u>	
Total	3 372 020	SEK

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

Dividend to shareholders	0	
To be carried forward	<u>3 372 020</u>	
Total	3 372 020	SEK

Stockholm as of the day of my digital signature

Anders Thelin
Chairman

Daniel Sachs
Chief Executive Officer

Christian Reiner

Åsa Hansdotter

Martin Gorne

Our auditor's report was submitted as of the day of our digital signature
Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
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 2020.

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 2020 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 1 121 MSEK as at 31 December 2020, which is equivalent to 80% 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 2020.

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 2020 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.

Stockholm 30 March 2021

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant