

# Q2

Second quarter 2019

## Summary

In the second quarter B2Holding Group continues to show growth in gross cash collection and cash EBITDA in all regions. The underlying collection performance was stable, however the Group reports a loss for Q2 2019 of NOK 270 million following net actualisation/revaluation charges of NOK 421 million. These net charges mainly relate to one-off write downs on secured portfolios in Croatia, Bulgaria and Romania, partly offset by positive revaluations in other countries with Italy being the most significant. Cost to collect is down by 2.7% points compared to the same period last year due to continuous focus on efficiency and operational improvements. Revised covenants in connection with the new bond issue in May gives B2Holding the flexibility to take advantage of new investment opportunities going forward.

### Second quarter 2019

- ERC<sup>1)</sup> at end of period was NOK 22,595 million (20,119), an increase of 12% compared to second quarter 2018
- Continuing strong gross cash collection from purchased loan portfolios, an increase of 23% to NOK 1,274 million (1,032)
- Total revenues decreased by 50% to NOK 379 million (761)
- Operating profit decreased by 119% to NOK -69 million (356)
- Cash EBITDA increased by 31% to NOK 993 million (759)
- Cost to collect reduced to 21.6% (24.3%)
- Portfolio purchases<sup>2)</sup> ended at NOK 1,667 million (2,273), a reduction of 27%
- All financial covenants in relation to the revolving credit facility (RCF) and bond loans have been fulfilled as of Q2 2019. Waivers have been granted by the banks until 30 March 2020

### Half year 2019

- Gross cash collection from purchased loan portfolios ended at NOK 2,521 million (1,807), an increase of 40% (1,032)
- Portfolio purchases<sup>2)</sup> ended at NOK 2,237 million (3,757), a reduction of 40%

(Comparable numbers for Q2 2018/half year 2018 in brackets)

(NOK million)	2019 Quarter 2	2018 Quarter 2	Change %	2019 6 months	2018 6 months	Change %	2018 Full year
Total revenues excl. net credit gain/(loss)	800	758	6 %	1 593	1 414	13 %	2 963
Net credit gain/(loss) from purchased loan portfolios <sup>3)</sup>	-421	3		-419	-7		-58
Total revenues <sup>3)</sup>	379	761	-50 %	1 174	1 407	-17 %	2 906
EBITDA	-42	370	-111 %	334	708	-53 %	1 434
Operating profit/(loss)	-69	356	-119 %	281	682	-59 %	1 378
Profit margin	-18 %	47 %		24 %	48 %		47 %
Cash revenue	1 414	1 151	23 %	2 797	2 040	37 %	4 424
Cash EBITDA	993	759	31 %	1 957	1 341	46 %	2 952
Cash margin	70 %	66 %		70 %	66 %		67 %
Profit/(loss) after tax	-270	182	-248 %	-164	334	-149 %	649
Basic earnings per share, NOK	-0,66	0,45	-246 %	-0,40	0,86	-146 %	1,63
Cash flow from operating activities	679	616	10 %	1 391	1 073	30 %	2 291
Operating cash flow per share, NOK	1,66	1,51	9 %	3,39	2,75	23 %	5,74
Portfolio purchases <sup>2)</sup>	1 667	2 273	-27 %	2 237	3 757	-40 %	6 380
Gross cash collection from purchased loan portfolios	1 274	1 032	23 %	2 521	1 807	40 %	3 997
ERC (at end of month) <sup>1)</sup>	22 595	20 119	12 %	22 595	20 119	12 %	22 262

1) Including the Group's share of portfolios purchased and held in SPVs and joint ventures

2) Including the Group's share of portfolios purchased in SPVs and joint ventures

3) Including one-off net write down of NOK 388 million in Q2 2019 and YTD 2019



## Operations

**B2Holding Group delivered another strong quarter in gross cash collection, but reports a loss for the quarter of NOK 270 million following net actualisation / revaluation charges of NOK 421 million which included one-off write downs on secured portfolios in Croatia, Bulgaria and Romania, partly offset by positive revaluations in other countries with Italy being the most significant. Following the write down and with actions in place to prevent re-occurrence, the Group is well positioned to deliver stable results going forward.**

### Operational review

Focus during the second quarter of 2019 has been on consolidation and efficiency. Despite slower collection from specific unsecured portfolios, the total gross cash collection continues to be strong with a record quarter of NOK 1,274 million for Q2. Focus on efficiency and scale continued to lead to improved cost to collect which was 22% for the Group for Q2.

Following a detailed review of the timing and value of the expected remaining recovery (ERR) on its secured portfolios, the Group has taken a one-off net write down of NOK 388 million in Q2 in connection with delays and lower expected recoveries in Croatia, Bulgaria & Romania, partly offset by positive revaluations in other countries with Italy being the most significant.

The Group is in process of implementing procedures to increase comfort on the value and collection profiles of the secured portfolios. This includes among others, new underwriting procedures, a more conservative approach to the booking of collection curves and establishing a Recovery Support Team with focus on secured portfolios.

Cash EBITDA was NOK 993 million reflecting the strong underlying performance of the business. EBITDA after the one-off net write down was a negative of NOK 42 million, while underlying EBITDA before the write down was NOK 347 million.

The joint venture (JV) with DDM announced in January was completed in April with both parties contributing EUR 64 million into the JV. Partial external financing from Insight was concluded in mid-July reducing B2Holding's investment in the JV by EUR 34 million to EUR 30 million. The JV has purchased mainly secured portfolios in Croatia and has its own dedicated collection teams.

Portfolio purchases were NOK 1,667 million during Q2 including the Group's share of portfolios purchased in SPVs and JVs.

During the second quarter the company successfully issued another EUR 200 million bond and renegotiated financing agreements securing more flexible terms and conditions. The new terms and conditions enable the Group to pursue alternative deal structures going forward and harmonise the terms and conditions for its bond financing. The Group aims to maintain its solid

liquidity, including undrawn revolving credit facility capacity and cash reserves, in order to facilitate future growth and to be able to pursue attractive opportunities.

Central Functions have been strengthened both in Oslo and Luxembourg and best practice teams are being established for collections and recoveries. Staffing levels have also been strengthened particularly in the Central and South Eastern regions, while in other regions such as Northern Europe and Poland the focus has been on efficiency.

Other revenues of NOK 118 million in Q2 mainly comprised of revenue from external collection services (NOK 74 million) and income on loan receivables (NOK 22 million). Other revenues include factoring, credit information services and gain on sale of collateral assets.

The number of FTEs in the Group was 2,485 at the end of June 2019, up from 2,235 at the end of June 2018. The main increases in FTE numbers were the result of new business in Spain (55), strengthening of our teams in Romania (55), Greece (52), Croatia (43), Bulgaria (41) and our pre-existing team in Spain (35) as well as some additional roles in Central Functions. FTE numbers in Poland decreased by 129 year on year following restructuring and efficiency initiatives implemented during the period.

### Corporate matters

On 15 August 2019 it was announced that Group CEO Olav Dalen Zahl and the Board of Directors had agreed that Olav Dalen Zahl would step down from his position as CEO. CFO Erik Just Johnsen will act as interim CEO until a replacement is found.

The share price closed at NOK 9.385 on 28 June 2019 and with 410 million shares outstanding, the market cap for the group was NOK 3,847 million. Dividend for 2018 of NOK 0.45 per share was paid out 6 June 2019.

The Group maintained its corporate family rating of Ba3 and BB- from Moody's and S&P respectively.

The Group holds a EUR 510 million senior secured revolving credit facility (RCF) with DNB Bank ASA, Nordea Bank AB and Swedbank AB with an ultimate maturity date as of 31 May 2022.

B2Holding was in compliance with all financial covenants in relation to the RCF and the bond loans as of Q2 2019. B2Holding has received a waiver from the bank consortium until 30 March 2020, which decreases the minimum equity ratio (excluding book value of IFRS 16 right-of-use asset) from 25.0% to 23.5% and increases the maximum “Total Loan to Value” (TLTV) ratio from 75.0% to 76.5%. The temporary changes secure the Group sufficient headroom to continue to comply with the financial covenants.

In May the Group issued a new 200 million EUR unsecured bond loan with maturity May 2024 at an interest rate of 3M EURIBOR + 635 basis points. The new bond was assigned with a B1 and BB- rating from respectively Moody’s and S&P and will be listed on the Oslo Stock Exchange in Q3 2019. The Group has in addition to the new bond four listed senior unsecured bond loans of EUR 725 million. All of the financial covenants in relation to all bond loans is aligned and have been fulfilled as of Q2 2019.

The Group has NOK 2.0 billion in available investment capacity at the end of the quarter adjusted for deferred payment for portfolio purchases of NOK 165 million, in addition to a strong operating cash flow from gross cash collections of purchased loan portfolios.

Net interest-bearing debt as of 30 June 2019 was NOK 11,361 million and the equity ratio was 23.4% (equity ratio excluding book value of IFRS 16 right-of-use asset was 23.6%).

### Outlook

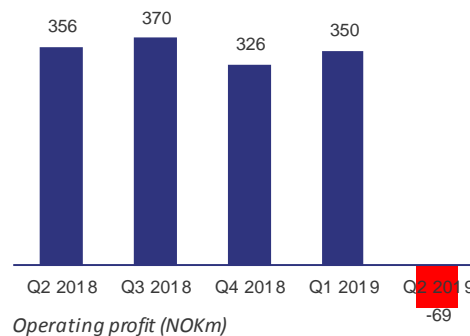
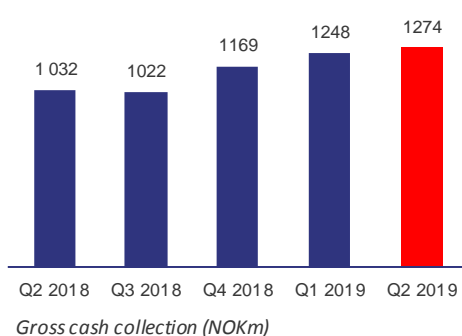
With operations in all the largest markets for non-performing loans in Europe, the Group sees a strong pipeline of both secured and unsecured portfolios going forward. Furthermore, the Group sees a continued positive development for forward flow deals. B2Holding is pleased to observe a continuing trend of improved portfolio pricing conditions in several of its markets.

Following a period of high growth somewhat lower growth rate should be expected, but the Group will continue to evaluate more co-investments in existing markets which also will increase revenue from Asset Under Management (AUM).

In line with previous communicated outlook the Group now enters a phase where operational efficiency and delivery on financial target will have increased focus.

## Financials

**B2Holding Group continues to improve Cash EBITDA in the second quarter of 2019, an increase of NOK 233 million (31%) compared with the second quarter of 2018. Strong and steady collection performance for unsecured portfolios and operational efficiency leads to lower cost to collect (-2.7% points) and increased cash margin (+4% points).**



### Revenues, expenses and profits

Gross cash collections increased in all regions by a total of NOK 242 million (23%), whereas total revenues decreased to NOK 379 million (-50%) following net actualisation/revaluation charges of NOK 421 million which mainly relate to one-off write downs on secured portfolios in Croatia, Bulgaria and Romania of NOK 388 million partly offset by positive revaluation in other countries with Italy being the most significant. Cash

EBITDA increased by NOK 233 million (31%) to NOK 993 million mainly due to portfolio purchases and economies of scale.

Operating expenses excluding depreciation and amortisation increased by NOK 29 million (8%) which are mainly related to an increase of 250 FTEs due to acquisitions and strengthening of pre-existing teams. Other operating expenses are down NOK 14 million

(12%) due to more group projects in Q2 2018, and cost to collect is down to 21.6% (24.3%) due to economies of scale and improved efficiency.

**Northern Europe** continues to perform well with steadily increasing collections and stable cost level. Total revenues were up NOK 89 million (54%), whereof net actualisation/revaluation was positive by NOK 45 million in Q2 2019 due to revaluation of ERC as well as over-performance delivered on collections. Cash EBITDA was up NOK 93 million (41%) versus same quarter in 2018, with cost to collect down to 14% (19%).

**Central Europe** increased collections by NOK 58 million (17%) and has a stable cost level, while total revenues were down NOK 483 million following net actualisation/revaluation charges of NOK 488 million in Q2 2019. The revaluation mainly relates to the previously mentioned one-off write downs of secured portfolios in Croatia due to timing as well as downward adjustment of ERR. Cash EBITDA increased by NOK 53 million (18%) due to increased collections and a reduction in cost to collect to 15% (16%) compared to second quarter 2018. Profit from the JV with DDM was NOK 4 million.

**Western Europe** increased collections by NOK 34 million (51%) and total revenues were up NOK 139 million (130%). Net actualisation/revaluation was positive NOK 124 million in Q2 2019 mainly due to positive revaluation of secured portfolios in Italy. Increased cost to collect by 7% point to 38% is related to the start-up phases of new portfolios. The increase in other cost is mainly related to the acquisition of Acreditia in Spain. Cash EBITDA is up NOK 17 million (35%) and operating profit increased by NOK 113 million (263%) mainly due to portfolio purchases and increased efficiency with in-house collections in Italy.

**South Eastern Europe** increased collections by NOK 26 million (20%) with a steady cost level, however total revenues were down NOK 164 million following negative net actualisation/revaluation charges mainly relating to one-off write downs of secured portfolios in Bulgaria and Romania. Cash EBITDA increased by NOK 22 million (22%) due to portfolio purchases. Profit from joint ventures increased by NOK 7 million (58%) due to the establishment of two joint ventures during 2018.

**Poland** shows steadily increasing collections and lower cost to collect versus Q2 2018. Total revenues were NOK 38 million (27%) higher than same period last year, whilst net actualisation/revaluation was NOK 22 million in Q2 2019 mainly due to over-performance on unsecured portfolios. Increased Cash EBITDA of 21 million (14%) is mainly related to higher gross cash collections combined with reduction in FTEs.

Financial items ended the quarter at a net expense of NOK 193 million comprised of interest expenses of NOK 205 million and a net exchange gain of NOK 14 million.

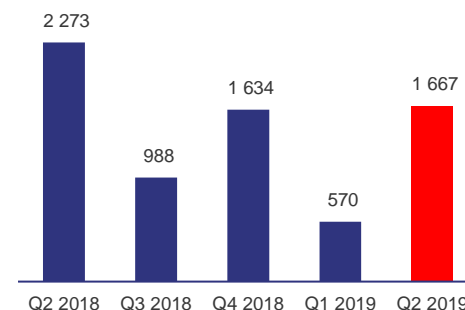
The interest expenses include a one-off fee of NOK 13 million paid to the bondholders in the Group's first and second bond loan for aligning the financial covenants in the Group's outstanding bond loans. Also included in the interest expenses is a loss of NOK 9.9 million due to a decrease in the market value of the Group's interest rate derivatives caused by a negative shift in long term interest rate curves.

Profit after tax for the period ended at a loss of NOK 270 million, mainly due to the above mentioned one-off net write down of NOK 388 million, compared with a profit after tax of NOK 182 million in Q2 2018.

### Cash flows

Operating cash flow was NOK 679 million (NOK 615 million) in the second quarter 2019. The 10% increase from the same period last year mainly relates to increased collections partly offset by higher interest payments, and cost to collect.

Cash flow used in investing activities ended at NOK 1 645 million, mainly related to portfolio purchases and investment in joint ventures. The difference between the reported portfolio purchases and the cash flow investments is due to change in deferred payments on portfolio purchases. At the end of the second quarter 2019 deferred payments for portfolio purchases amounts to NOK 165 million and the liability is included in the condensed balance sheet in "accounts and other payables".



Portfolio purchases (NOKm)

Net cash flow from financing activities ended at NOK 1,131 million, increased by NOK 217 million compared to Q2 2018. This is explained by higher increase in external borrowing, netted by higher dividend payments. At the end of the quarter, interest bearing debt amounted to NOK 11,902 million compared to NOK 10,828 million at year-end 2018.

### Disclaimer

This report contains forward-looking statements that reflect management's current view with respect to future events. All such statements are subject to inherent risks and uncertainties, and many factors can lead to developments deviating from what has been expressed or implied in such statements.

Board of Directors, B2Holding ASA, 29 August 2019

## Responsibility Statement

We confirm, to the best of our knowledge, that the Condensed Interim Consolidated Financial Information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group’s assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that arose during the first six months of the financial year 2019, and their impact on the Condensed Interim Consolidated Financial Information, and accounts properly for the principal risks and uncertainties for the remaining six months of the financial year 2019, as well as major related parties transactions.

Board of Directors, B2Holding ASA, 29 August 2019

## Consolidated income statement

All figures in NOK '000s unless otherwise stated

	Notes	2019 Quarter 2 IFRS 16	2018 Quarter 2 IAS 17	2019 6 months IFRS 16	2018 6 months IAS 17	2018 Full year IAS 17
Interest income from purchased loan portfolios		659 705	638 571	1 317 623	1 181 448	2 537 113
Net credit gain/(loss) from purchased loan portfolios	4	-420 996	3 333	-418 968	-7 338	-57 625
Profit from shares in associated parties/joint ventures and participation loan/notes		22 420	11 339	37 336	19 858	47 757
Other revenues		117 581	107 899	238 025	213 050	378 376
<b>Total revenues</b>	3	<b>378 710</b>	<b>761 142</b>	<b>1 174 015</b>	<b>1 407 019</b>	<b>2 905 622</b>
External expenses of services provided		-100 077	-101 044	-202 187	-175 357	-363 312
Personnel expenses		-216 557	-172 455	-432 164	-325 181	-691 678
Other operating expenses		-104 488	-118 141	-205 835	-198 688	-416 651
Depreciation and amortisation		-26 657	-13 319	-53 225	-25 627	-56 126
<b>Operating profit/(loss)</b>	3	<b>-69 070</b>	<b>356 183</b>	<b>280 605</b>	<b>682 165</b>	<b>1 377 856</b>
Financial income		1 468	1 138	2 663	2 533	4 652
Financial expenses		-208 577	-137 218	-398 411	-262 941	-618 378
Net exchange gain/(loss)		14 288	22 181	-15 883	22 944	43 973
<b>Net financial items</b>	5	<b>-192 821</b>	<b>-113 899</b>	<b>-411 632</b>	<b>-237 465</b>	<b>-569 753</b>
<b>Profit/(loss) before tax</b>		<b>-261 891</b>	<b>242 284</b>	<b>-131 027</b>	<b>444 700</b>	<b>808 103</b>
Income tax expense		-7 710	-60 571	-32 576	-111 175	-159 370
<b>Profit/(loss) after tax</b>		<b>-269 601</b>	<b>181 713</b>	<b>-163 603</b>	<b>333 525</b>	<b>648 732</b>
<b>Profit/(loss) attributable to:</b>						
Parent company shareholders		-269 696	181 627	-163 783	333 473	648 582
Non-controlling interests		95	86	180	53	151
<b>Earnings per share (in NOK):</b>						
Basic		-0,66	0,45	-0,40	0,86	1,63
Diluted		-0,65	0,44	-0,40	0,84	1,60

## Consolidated statement of comprehensive income

All figures in NOK '000s

	2019 Quarter 2 IFRS 16	2018 Quarter 2 IAS 17	2019 6 months IFRS 16	2018 6 months IAS 17	2018 Full year IAS 17
<b>Profit/(loss) after tax</b>	<b>-269 601</b>	<b>181 713</b>	<b>-163 603</b>	<b>333 525</b>	<b>648 732</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations	32 808	-124 539	-72 565	-207 089	-13 860
Hedging of currency risk in foreign operations	-1 196	20 002	-1 106	16 708	12 237
Tax attributable to items that may be reclassified to profit or loss	293	-5 001	270	-4 177	-2 983
<b>Other comprehensive income</b>	<b>31 905</b>	<b>-109 537</b>	<b>-73 401</b>	<b>-194 558</b>	<b>-4 606</b>
<b>Total comprehensive income for the period</b>	<b>-237 696</b>	<b>72 175</b>	<b>-237 004</b>	<b>138 967</b>	<b>644 126</b>
<b>Total comprehensive income attributable to:</b>					
Parent company shareholders	-237 790	72 075	-237 172	138 863	643 906
Non-controlling interests	94	100	168	104	221

## Consolidated statement of financial position

All figures in NOK '000s

Notes	2019	2018	2018
	30 Jun IFRS 16	30 Jun IAS 17	31 Dec <sup>1)</sup> IAS 17
Deferred tax asset	108 497	57 815	97 219
Goodwill	768 746	713 174	785 230
Tangible and intangible assets	370 911	214 633	273 812
Investments in associated companies and joint ventures	637 461	9 363	12 144
Purchased loan portfolios	3,4,5 12 985 599	12 076 694	13 346 098
Loan receivables	347 280	328 326	357 801
Participation loan/notes	3 569 486	132 497	588 846
Other long-term financial assets	8 126	30 248	34 582
<b>Total non-current assets</b>	<b>15 796 105</b>	<b>13 562 750</b>	<b>15 495 732</b>
Other short-term assets	478 117	300 204	280 300
Cash and short-term deposits	540 511	613 866	397 702
<b>Total current assets</b>	<b>1 018 628</b>	<b>914 070</b>	<b>678 002</b>
<b>Total assets</b>	<b>16 814 733</b>	<b>14 476 819</b>	<b>16 173 734</b>
Equity attributable to parent company's shareholders	7 3 941 463	3 827 166	4 354 889
Equity attributable to non-controlling interests	409	-382	601
<b>Total equity</b>	<b>3 941 872</b>	<b>3 826 784</b>	<b>4 355 489</b>
Deferred tax liabilities	167 489	179 739	162 925
Long-term interest bearing loans and borrowings	6 11 725 412	8 389 939	10 768 808
Other long-term liabilities	143 717	98 600	97 757
<b>Total non-current liabilities</b>	<b>12 036 619</b>	<b>8 668 277</b>	<b>11 029 489</b>
Short-term interest bearing loans and borrowings	6		363
Bank overdraft	6 176 491	29 865	59 115
Accounts and other payables	309 393	1 602 823	300 536
Income taxes payable	10 488	31 553	47 121
Other current liabilities	339 870	317 517	381 621
<b>Total current liabilities</b>	<b>836 242</b>	<b>1 981 758</b>	<b>788 756</b>
<b>Total equity and liabilities</b>	<b>16 814 733</b>	<b>14 476 819</b>	<b>16 173 734</b>

1) See note 1 for details regarding implementation effect of new IFRS standard

## Consolidated statement of changes in equity

All figures in NOK '000s

Notes	2019			2018		
	Attributable to parent company's shareholders	Non-controlling interests	Total equity	Attributable to parent company's shareholders	Non-controlling interests	Total equity
<b>At 1 January</b>	<b>4 354 889</b>	<b>601</b>	<b>4 355 489</b>	<b>3 148 569</b>	<b>-189</b>	<b>3 148 380</b>
Implementation effect IFRS 9				-69 476	-24	-69 500
<b>Restated at 1 January</b>	<b>4 354 889</b>	<b>601</b>	<b>4 355 489</b>	<b>3 079 093</b>	<b>-213</b>	<b>3 078 880</b>
Profit/(loss) after tax	-163 783	180	-163 603	333 473	53	333 525
Other comprehensive income	-73 389	-12	-73 401	-194 610	51	-194 558
<b>Total comprehensive income</b>	<b>-237 172</b>	<b>168</b>	<b>-237 004</b>	<b>138 863</b>	<b>104</b>	<b>138 967</b>
Issue of share capital	7 7 520		7 520	748 879		748 879
Transaction costs	7			-19 015		-19 015
Share based payments			1 229	1 276		1 276
Dividend paid to parent company's shareholders			-184 470	-121 930		-121 930
Dividends to non-controlling interests		-269	-269		-273	-273
Acquisition of non-controlling interests		-214	-746			
Capital contribution from non-controlling interests		123	123			
<b>At 30 June</b>	<b>3 941 463</b>	<b>409</b>	<b>3 941 872</b>	<b>3 827 166</b>	<b>-382</b>	<b>3 826 784</b>



## Consolidated statement of cash flows

All figures in NOK '000s

	Notes	2019 Quarter 2	2018 Quarter 2	2019 6 months	2018 6 months	2018 Full year
<b>Cash flow from operating activities</b>						
Profit/(loss) before tax		-261 891	242 284	-131 027	444 700	808 103
Amortisation/reevaluation of purchased loan portfolios	3	1 035 172	389 929	1 622 770	632 816	1 517 891
Adjustment other non-cash items		29 616	15 604	58 316	30 290	127 088
Interest expenses		204 591	136 155	392 965	260 835	610 560
Interest paid		-183 324	-128 354	-364 971	-239 358	-525 265
Unrealised foreign exchange differences		-18 760	62 332	65 338	60 740	18 064
Income tax paid		-58 678	-52 507	-107 259	-91 677	-175 719
Change in working capital		-25 602	-53 471	-137 192	4 738	-30 261
Change in other balance sheet items		-41 874	3 674	-7 856	-30 496	-59 894
<b>Net cash flow from operating activities</b>		<b>679 250</b>	<b>615 646</b>	<b>1 391 085</b>	<b>1 072 588</b>	<b>2 290 567</b>
<b>Cash flow from investing activities</b>						
Net portfolio purchases	3,4	-1 024 601	-1 451 517	-1 605 431	-2 439 391	-5 878 642
Net investments in tangible and intangible assets		-13 068	-21 193	-30 287	-30 572	-86 363
Investments in subsidiary companies, joint ventures and associated companies		-519 370	-4 644	-624 500	-273 655	-288 245
Payment of contingent consideration		-87 698	-20 838	-87 698	-20 838	-20 838
<b>Net cash flow from investing activities</b>		<b>-1 644 738</b>	<b>-1 498 191</b>	<b>-2 347 916</b>	<b>-2 764 456</b>	<b>-6 274 088</b>
<b>Cash flow from financing activities</b>						
Net new share issue	7		1 411	7 520	729 864	752 529
Capital contribution from non-controlling interests		123		123		
Net receipts/(payments) on interest bearing loans and borrowings		1 315 356	1 034 150	1 165 123	1 362 453	3 355 756
Dividends paid to parent company's shareholders		-184 470	-121 930	-184 470	-121 930	-121 960
Dividends paid to non-controlling interests		-269	-273	-269	-273	-273
<b>Net cash flow from financing activities</b>		<b>1 130 740</b>	<b>913 359</b>	<b>988 027</b>	<b>1 970 115</b>	<b>3 986 052</b>
<b>Net cash flow during the period</b>		<b>165 252</b>	<b>30 812</b>	<b>31 195</b>	<b>278 246</b>	<b>2 531</b>
Cash and cash equivalents at the beginning of the period		196 032	565 306	338 587	326 345	326 345
Exchange rate difference on cash and cash equivalents		2 736	-12 118	-5 762	-20 591	9 711
<b>Cash and cash equivalents at the end of the period</b>		<b>364 020</b>	<b>584 001</b>	<b>364 020</b>	<b>584 001</b>	<b>338 587</b>
<i>Cash and cash equivalents comprised of:</i>						
Cash and short-term deposits		540 511	613 866	540 511	613 866	397 702
Bank overdraft		-176 491	-29 865	-176 491	-29 865	-59 115

## Notes to the interim consolidated financial statements

### Note 1 – General information and basis for preparation

B2Holding ASA (the Company or Parent) and its subsidiaries (together the Group) operates in the portfolio business. The portfolio business consists of purchase, management and collection of unsecured and secured non-performing loans. B2Holding ASA is a public limited liability company, incorporated and domiciled in Norway. The Company's registered office is at Stortingsgaten 22, 0119 Oslo, Norway. The interim condensed consolidated financial statements consist of the Group and the Group's interests in associated companies and joint arrangements. As a result of rounding differences, numbers or percentages may not add up to the total.

These interim condensed consolidated financial statements for the first quarter ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statement for 2018. The annual consolidated financial statements for 2018 are available upon request from the Company and at [www.b2holding.no](http://www.b2holding.no).

The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, with the exceptions given below in the section "Adoption of new IFRS standards".

The interim financial information for the quarters ended 30 June 2019 and 30 June 2018 are unaudited. The financial report was approved by the Board of Directors on 29 August 2019.

#### **Adoption of new IFRS standards:**

Information regarding new IFRS standards is disclosed in the first quarter 2019 interim financial statements. The Group has adopted IFRS 16 from 1 January 2019 using the modified retrospective approach, which requires no restatement of comparative periods. The overall implementation effect from IFRS 16 was not material for the Group. The consolidated interim financial statements are available upon request from the company and at [www.b2holding.no](http://www.b2holding.no).

#### **Adjustment of presentation of financial items – cash flow**

From the second quarter 2019 the presentation of consolidated statement of cash flows for the Group has been updated. The presentation was changed to better reflect investments made through joint ventures, separating this from "Net portfolio purchases". NOK 104 million from the first quarter 2019 has been reclassified. The change has no impact on «Net cash flow from investing activities». All comparable numbers are updated.

### Note 2 – Estimates and critical accounting judgements

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognized as assets and liabilities, income and expenses. The important assessments underlying the application of the Group's accounting policies and the main sources of uncertainty are the same for these interim financial statements as for the consolidated financial statements for 2018.

### Note 3 – Segment reporting

For management purposes, the Group is organised into different geographical regions corresponding to the countries where the Group operates. The Executive Management monitors the operating results of these geographical regions separately for the purposes of making decisions about resource allocation and performance assessment. The segment reporting is presented in the same manner as presented to the Executive Management. The Executive Management reporting differs from the reported numbers in the interim consolidated financial statements. The differences are related to the line item presentation of revenue from purchased loan portfolios and the presentation of operating expenses. Total revenues and operating profit are equal in segment reporting and in the interim consolidated income statement. See explanation of the differences in definitions on page 19.

Finance and taxes are managed on a Group basis and are not included at the regional level. The results of the Parent company, the holding companies and the Investment Office in Luxembourg are reported as "Central functions". Results from purchased loan portfolios are included in the region where the portfolio is originated.

**Quarter 2, 2019**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	374 597	243 436	397 460	100 525	157 863		1 273 881
<i>Of which, secured portfolios</i>	2 381	5 588	301 120	64 785	54 865		428 738
<i>Of which, unsecured portfolios</i>	372 217	237 848	96 340	35 741	102 998		845 143
Amortisation/revaluation of purchased loan portfolios	-153 824	-89 296	-698 121	95 085	-189 017		-1 035 172
<b>Revenue from purchased loan portfolios</b>	<b>220 774</b>	<b>154 140</b>	<b>-300 661</b>	<b>195 610</b>	<b>-31 154</b>		<b>238 709</b>
Profit from shares in associated parties/joint ventures and participation loans/notes			4 494		17 925		22 420
<b>Total revenue from purchased loan portfolios</b>	<b>220 774</b>	<b>154 140</b>	<b>-296 167</b>	<b>195 610</b>	<b>-13 229</b>		<b>261 129</b>
Revenue from external collection	29 230	48	122	35 516	9 505		74 420
Other operating revenues	2 503	23 739	1 649	14 258	1 013		43 162
<b>Total other revenues</b>	<b>31 733</b>	<b>23 786</b>	<b>1 770</b>	<b>49 774</b>	<b>10 518</b>		<b>117 581</b>
<b>Total revenues</b>	<b>252 507</b>	<b>177 926</b>	<b>-294 396</b>	<b>245 384</b>	<b>-2 712</b>		<b>378 710</b>
Cost to collect	-53 669	-76 004	-57 840	-38 040	-49 377		-274 929
Cost other revenues	-32 466	-17 113	-3 550	-45 775	-16 278		-115 183
Administration and management costs	-897	-903	-997	-616	-490	-27 107	-31 010
<b>EBITDA</b>	<b>165 475</b>	<b>83 906</b>	<b>-356 783</b>	<b>160 953</b>	<b>-68 857</b>	<b>-27 107</b>	<b>-42 413</b>
Depreciation and amortisation	-3 044	-10 633	-3 257	-5 596	-3 993	-133	-26 657
<b>Operating profit/(loss)</b>	<b>162 430</b>	<b>73 273</b>	<b>-360 041</b>	<b>155 357</b>	<b>-72 849</b>	<b>-27 240</b>	<b>-69 070</b>

**Quarter 2, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	276 331	217 362	339 882	66 375	131 882		1 031 833
<i>Of which, secured portfolios</i>	6 495	8 582	255 290	45 841	29 608		345 816
<i>Of which, unsecured portfolios</i>	269 836	208 780	84 592	20 534	102 274		686 017
Amortisation/revaluation of purchased loan portfolios	-145 139	-103 656	-152 424	-3 038	14 328		-389 929
<b>Revenue from purchased loan portfolios</b>	<b>131 192</b>	<b>113 706</b>	<b>187 458</b>	<b>63 337</b>	<b>146 210</b>		<b>641 904</b>
Profit from shares in associated parties/joint ventures and participation loans/notes	13				11 326		11 339
<b>Total revenue from purchased loan portfolios</b>	<b>131 206</b>	<b>113 706</b>	<b>187 458</b>	<b>63 337</b>	<b>157 536</b>		<b>653 244</b>
Revenue from external collection	28 821		252	30 556	4 361		63 991
Other operating revenues	3 930	26 617	556	12 967	-160		43 909
<b>Total other revenues</b>	<b>32 750</b>	<b>26 617</b>	<b>808</b>	<b>43 523</b>	<b>4 201</b>		<b>107 899</b>
<b>Total revenues</b>	<b>163 956</b>	<b>140 322</b>	<b>188 266</b>	<b>106 861</b>	<b>161 737</b>		<b>761 142</b>
Cost to collect	-52 462	-77 527	-53 010	-20 624	-47 324		-250 946
Cost other revenues	-28 788	-14 593	1 026	-40 383	-1 516		-84 255
Administration and management costs	-1 066					-55 373	-56 439
<b>EBITDA</b>	<b>81 640</b>	<b>48 203</b>	<b>136 282</b>	<b>45 854</b>	<b>112 897</b>	<b>-55 373</b>	<b>369 502</b>
Depreciation and amortisation	-1 692	-6 736	-930	-3 033	-800	-129	-13 319
<b>Operating profit/(loss)</b>	<b>79 948</b>	<b>41 467</b>	<b>135 352</b>	<b>42 820</b>	<b>112 097</b>	<b>-55 502</b>	<b>356 183</b>

6 months, 2019

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	702 173	477 926	791 628	250 532	299 165		2 521 425
<i>Of which, secured portfolios</i>	4 660	14 965	603 142	182 164	99 270		904 201
<i>Of which, unsecured portfolios</i>	697 512	462 961	188 486	68 368	199 896		1 617 224
Amortisation/revaluation of purchased loan portfolios	-310 556	-182 758	-914 964	28 779	-243 273		-1 622 770
<b>Revenue from purchased loan portfolios</b>	<b>391 617</b>	<b>295 168</b>	<b>-123 335</b>	<b>279 311</b>	<b>55 893</b>		<b>898 654</b>
Profit from shares in associated parties/joint ventures and participation loans/notes			4 494		32 842		37 336
<b>Total revenue from purchased loan portfolios</b>	<b>391 617</b>	<b>295 168</b>	<b>-118 841</b>	<b>279 311</b>	<b>88 734</b>		<b>935 991</b>
Revenue from external collection	58 772	48	338	72 234	18 350		149 743
Other operating revenues	5 732	47 192	3 742	29 942	1 674		88 282
<b>Total other revenues</b>	<b>64 505</b>	<b>47 239</b>	<b>4 080</b>	<b>102 177</b>	<b>20 024</b>		<b>238 025</b>
<b>Total revenues</b>	<b>456 121</b>	<b>342 408</b>	<b>-114 761</b>	<b>381 488</b>	<b>108 758</b>		<b>1 174 015</b>
Cost to collect	-109 436	-162 379	-110 568	-69 715	-97 481		-549 579
Cost other revenues	-61 088	-34 482	-6 045	-91 976	-29 510		-223 101
Administration and management costs	-1 853	-1 802	-1 992	-1 220	-890	-59 748	-67 505
<b>EBITDA</b>	<b>283 744</b>	<b>143 744</b>	<b>-233 366</b>	<b>218 577</b>	<b>-19 122</b>	<b>-59 748</b>	<b>333 830</b>
Depreciation and amortisation	-5 974	-21 035	-6 611	-11 133	-7 538	-934	-53 225
<b>Operating profit/(loss)</b>	<b>277 770</b>	<b>122 709</b>	<b>-239 977</b>	<b>207 445</b>	<b>-26 660</b>	<b>-60 682</b>	<b>280 605</b>

6 months, 2018

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Gross cash collection from purchased loan portfolios	514 815	445 816	537 884	75 420	232 992		1 806 927
<i>Of which, secured portfolios</i>	12 211	12 593	368 908	49 723	57 854		501 289
<i>Of which, unsecured portfolios</i>	502 604	433 223	168 976	25 698	175 138		1 305 638
Amortisation/revaluation of purchased loan portfolios	-271 467	-206 189	-166 265	5 631	5 474		-632 816
<b>Revenue from purchased loan portfolios</b>	<b>243 348</b>	<b>239 627</b>	<b>371 619</b>	<b>81 052</b>	<b>238 465</b>		<b>1 174 111</b>
Profit from shares in associated parties/joint ventures and participation loans/notes	13				19 845		19 858
<b>Total revenue from purchased loan portfolios</b>	<b>243 361</b>	<b>239 627</b>	<b>371 619</b>	<b>81 052</b>	<b>258 310</b>		<b>1 193 969</b>
Revenue from external collection	54 235		1 177	55 639	7 857		118 907
Other operating revenues	7 045	57 895	1 306	28 035	-139		94 143
<b>Total other revenues</b>	<b>61 280</b>	<b>57 895</b>	<b>2 483</b>	<b>83 673</b>	<b>7 719</b>		<b>213 050</b>
<b>Total revenues</b>	<b>304 641</b>	<b>297 522</b>	<b>374 102</b>	<b>164 725</b>	<b>266 029</b>		<b>1 407 019</b>
Cost to collect	-96 557	-151 551	-81 898	-29 459	-86 282		-445 746
Cost other revenues	-58 027	-29 513	-1 158	-73 163	-3 710		-165 571
Administration and management costs	-2 710					-85 200	-87 909
<b>EBITDA</b>	<b>147 348</b>	<b>116 458</b>	<b>291 046</b>	<b>62 103</b>	<b>176 037</b>	<b>-85 200</b>	<b>707 792</b>
Depreciation and amortisation	-3 239	-13 826	-1 878	-5 069	-1 380	-236	-25 627
<b>Operating profit/(loss)</b>	<b>144 109</b>	<b>102 631</b>	<b>289 168</b>	<b>57 034</b>	<b>174 657</b>	<b>-85 436</b>	<b>682 165</b>

**Quarter 2, 2019**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Portfolio purchases in the period	733 208	78 347	12 330	124 507	94 070		1 042 462
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	4 465 553	1 994 771	3 233 202	1 951 678	1 340 395		12 985 599
Participation loan/notes to SPV's for purchase of loan portfolios					569 486		569 486
<b>Purchased loan portfolios at 30 June</b>	<b>4 465 553</b>	<b>1 994 771</b>	<b>3 233 202</b>	<b>1 951 678</b>	<b>1 909 880</b>		<b>13 555 085</b>

**Quarter 2, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Portfolio purchases in the period	416 008	330 377	922 412	338 235	265 498		2 272 530
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	2 712 816	1 843 590	4 040 710	1 414 831	2 064 746		12 076 694
Participation loan/notes to SPV's for purchase of loan portfolios					132 497		132 497
<b>Purchased loan portfolios at 30 June</b>	<b>2 712 816</b>	<b>1 843 590</b>	<b>4 040 710</b>	<b>1 414 831</b>	<b>2 197 243</b>		<b>12 209 191</b>

**6 months, 2019**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Portfolio purchases in the period	1 138 002	170 739	12 887	158 590	132 674		1 612 892
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	4 465 553	1 994 771	3 233 202	1 951 678	1 340 395		12 985 599
Participation loan/notes to SPV's for purchase of loan portfolios					569 486		569 486
<b>Purchased loan portfolios at 30 June</b>	<b>4 465 553</b>	<b>1 994 771</b>	<b>3 233 202</b>	<b>1 951 678</b>	<b>1 909 880</b>		<b>13 555 085</b>

**6 months, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Portfolio purchases in the period	684 923	417 492	1 179 229	349 024	1 126 649		3 757 316
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	2 712 816	1 843 590	4 040 710	1 414 831	2 064 746		12 076 694
Participation loan/notes to SPV's for purchase of loan portfolios					132 497		132 497
<b>Purchased loan portfolios at 30 June</b>	<b>2 712 816</b>	<b>1 843 590</b>	<b>4 040 710</b>	<b>1 414 831</b>	<b>2 197 243</b>		<b>12 209 191</b>



## Note 4 – Purchased loan portfolios

### Purchased loan portfolios

All figures in NOK '000s

	2019 Quarter 2	2018 Quarter 2	2019 6 months	2018 6 months	2018 Full year
Opening balance	12 899 940	10 417 614	13 346 098	8 731 632	8 731 632
Acquired in business combinations				671 215	618 111
Portfolio purchases in the period	1 042 462	2 272 530	1 612 892	3 757 316	6 212 604
Gross cash collection from purchased loan portfolios	-1 273 881	-1 031 833	-2 521 425	-1 806 927	-3 997 380
Interest income from purchased loan portfolios	659 705	638 571	1 317 623	1 181 448	2 537 113
Net credit gain/(loss) from purchased loan portfolios	-420 996	3 333	-418 968	-7 338	-57 625
Book value of sold loan portfolios <sup>1)</sup>					-866 195
Exchange rate differences	78 369	-223 522	-350 621	-450 653	167 837
<b>Closing balance</b>	<b>12 985 599</b>	<b>12 076 694</b>	<b>12 985 599</b>	<b>12 076 694</b>	<b>13 346 098</b>

1) Book value of sold loan portfolios is at an arm's length transaction price and are the sales of two entire loan portfolios

The face value of purchased loan portfolios at 30 June 2019 amounts to NOK 130,874 million including accrued interest (2018: NOK 143,992 million).

In January 2019, the Group announced an agreement with HETA Asset Resolution for the purchase of a non-performing loan portfolio in Croatia composed of secured corporate loans, in a 50/50 joint venture structure with DDM Group. The portfolio has a face value of approximately EUR 800 million. The deal was closed in second quarter 2019 and the investment is accounted for under the equity method in accordance with IFRS 11 Joint Arrangements.

### Net credit gain/loss from purchased portfolios

The Group purchases materially impaired loan portfolios at significant discounts and impairments are already included at purchase. The expected credit loss for the purchased loan portfolios is not explicitly recognized as a loss provision, as these financial assets are credit impaired by definition and the estimated loss is already part of the amortized cost. The Group's exposure to credit risk from the purchased loan portfolios is related to actual gross cash collection deviating from collection estimates and from changes in future cash collection estimates. The Group regularly evaluates the current collection estimates on single portfolios and the estimate is adjusted if collection is determined to deviate from current estimate over time. The adjusted collection estimate is discounted by the initial rate of return at acquisition of the portfolio. Changes from current estimate adjusts the book value of the portfolio and is included in the profit and loss statement in the line item "Net credit gain/(loss) from purchased loan portfolios". Due to volatility towards the timing of collection, secured portfolios are evaluated monthly. Unsecured portfolios are evaluated quarterly. Cash collection above collection estimates and upward adjustments of future collection estimates, increase revenue. Cash collection below collection estimates and downward adjustments of future collection estimates, decrease revenue.

### Quarter 2, 2019

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
<i>Secured portfolios:</i>							
Collection above/(below) estimates	172	-6 598	-429 805	6 008	-94 737		-524 960
Changes in future collection estimates	-207	6 176	-73 081	108 360	-35 152		6 095
Net credit gain/(loss) from secured portfolios	-35	-423	-502 886	114 368	-129 889		-518 865
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	11 174	17 120	2 791	7 453	-1 405		37 133
Changes in future collection estimates	33 583	5 764	11 972	2 088	7 329		60 735
Net credit gain/loss from unsecured portfolios	44 756	22 884	14 762	9 542	5 924		97 868
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>44 722</b>	<b>22 461</b>	<b>-488 123</b>	<b>123 909</b>	<b>-123 965</b>		<b>-420 996</b>

**Quarter 2, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
<i>Secured portfolios:</i>							
Collection above/(below) estimates	3 618	2 957	99 047	-16 296	-24 443		64 882
Changes in future collection estimates	-6 099	-9 858	-106 762	19 070	23 185		-80 465
Net credit gain/(loss) from secured portfolios	-2 482	-6 901	-7 715	2 774	-1 259		-15 581
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	941	1 869	3 576	2 483	11 214		20 083
Changes in future collection estimates	-1 220	-8 494	2 388	1 954	4 204		-1 168
Net credit gain/loss from unsecured portfolios	-279	-6 625	5 964	4 437	15 418		18 915
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>-2 761</b>	<b>-13 526</b>	<b>-1 751</b>	<b>7 211</b>	<b>14 159</b>		<b>3 333</b>

**6 months, 2019**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
<i>Secured portfolios:</i>							
Collection above/(below) estimates	-402	-1 886	-641 161	14 704	-164 443		-793 188
Changes in future collection estimates	-5 942	528	124 932	106 663	27 821		254 002
Net credit gain/(loss) from secured portfolios	-6 345	-1 358	-516 228	121 367	-136 622		-539 186
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	15 013	28 411	-5 633	13 949	271		52 011
Changes in future collection estimates	38 048	5 502	15 321	648	8 686		68 206
Net credit gain/loss from unsecured portfolios	53 062	33 913	9 688	14 597	8 957		120 217
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>46 717</b>	<b>32 555</b>	<b>-506 540</b>	<b>135 964</b>	<b>-127 665</b>		<b>-418 968</b>

**6 months, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
<i>Secured portfolios:</i>							
Collection above/(below) estimates	6 428	3 577	86 832	-16 479	-22 968		57 390
Changes in future collection estimates	-7 895	-8 793	-106 266	17 596	20 972		-84 386
Net credit gain/(loss) from secured portfolios	-1 467	-5 216	-19 434	1 117	-1 996		-26 995
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	-14 305	1 970	17 174	4 814	17 960		27 614
Changes in future collection estimates	-3 782	-12 648	-685	1 954	7 206		-7 956
Net credit gain/loss from unsecured portfolios	-18 087	-10 678	16 489	6 768	25 166		19 658
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>-19 554</b>	<b>-15 895</b>	<b>-2 945</b>	<b>7 885</b>	<b>23 171</b>		<b>-7 338</b>

**Purchase of loan portfolios, cash flow statement**

The following table reconciles the difference between "Net portfolio purchases" in cash flow statement and other statements:

All figures in NOK '000s

	2019 Quarter 2	2018 Quarter 2	2019 6 months	2018 6 months	2018 Full year
Portfolio purchases in the period	-1 042 462	-2 272 530	-1 612 892	-3 757 316	-6 212 604
Participation notes to SPV for purchase of portfolio					-167 033
Net cash effect from portfolio sold to SPV					509 912
Sale price sold portfolios					-4 458
Change in prepaid amounts and amounts due on portfolio purchases	17 861	821 013	7 462	1 317 925	-4 459
<b>Net portfolio purchases, cash flow statement</b>	<b>-1 024 601</b>	<b>-1 451 517</b>	<b>-1 605 431</b>	<b>-2 439 391</b>	<b>-5 878 642</b>

## Note 5 – Financial instruments

Specific disclosures regarding purchased loan portfolios see note 4.

### Fair value of financial instruments

	Carrying amount			Fair value			
	Fair value over profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>As at 30 June 2019</b>							
<i>All figures in NOK '000s</i>							
<b>Financial assets</b>							
Purchased loan portfolios		12 985 599	12 985 599			13 191 382	13 191 382
Loans receivable		347 280	347 280			347 280	347 280
Derivatives	4 642		4 642		4 642		4 642
Participation loan/notes	569 486		569 486			569 486	569 486
Other financial assets	11 878	2 317	14 195		11 878	2 317	14 195
<b>Total</b>	<b>586 006</b>	<b>13 335 196</b>	<b>13 921 202</b>		<b>16 520</b>	<b>14 110 465</b>	<b>14 126 985</b>

<b>Financial liabilities</b>							
Interest bearing loans and borrowings		11 901 903	11 901 903	9 003 359	3 088 959		12 092 319
Derivatives	35 027		35 027		35 027		35 027
Contingent consideration	71 379		71 379			71 379	71 379
<b>Total</b>	<b>106 406</b>	<b>11 901 903</b>	<b>12 008 309</b>	<b>9 003 359</b>	<b>3 123 986</b>	<b>71 379</b>	<b>12 198 725</b>

	Carrying amount			Fair value			
	Fair value over profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2018</b>							
<i>All figures in NOK '000s</i>							
<b>Financial assets</b>							
Purchased loan portfolios		13 346 098	13 346 098			13 759 437	13 759 437
Loans receivable		357 801	357 801			357 801	357 801
Derivatives	30 128		30 128		30 128		30 128
Participation loan/notes	588 846		588 846			588 846	588 846
Other financial assets	11 592	3 101	14 692		11 592	3 101	14 692
<b>Total</b>	<b>630 565</b>	<b>13 707 000</b>	<b>14 337 565</b>		<b>41 719</b>	<b>14 709 186</b>	<b>14 750 905</b>

<b>Financial liabilities</b>							
Interest bearing loans and borrowings		10 828 286	10 828 286	7 059 811	3 733 667		10 793 478
Derivatives	63 239		63 239		63 239		63 239
Contingent consideration	157 342		157 342			157 342	157 342
<b>Total</b>	<b>220 581</b>	<b>10 828 286</b>	<b>11 048 867</b>	<b>7 059 811</b>	<b>3 796 906</b>	<b>157 342</b>	<b>11 014 059</b>

The fair value of unquoted financial assets has been estimated using valuation techniques based on assumptions that are not supported by observable market prices. The fair value of purchased loan portfolios has been calculated by discounting the expected net future cash flows from collection less operating expenses and tax with the estimated weighted average cost of capital for the countries in question. In order to show the sensitivity in the fair value calculation of the purchased loan portfolio, a 1%-point increase in the discount rate used would decrease the fair value of purchased portfolios with NOK 333 million (3%). The fair value of interest-bearing loans is equal to book value for the Multi-currency revolving credit facility as the loans are based on 1 to 6-month floating interest, and the fair value of bond loans were determined by obtaining quoted market prices for the bond loans from the Norwegian Stock Exchange. The fair value of derivatives is set by calculating the present value of future cash flows using market rates for interest and currencies. In the case of the derivatives the fair value is confirmed by the financial institution that is the counterparty.

## Financial risk

Currency and interest rate risk:

The strategy of the Group is to manage and limit both currency and interest rate risk. The Group holds various derivative financial instruments with the purpose of reducing its interest rate exposure and achieving a suitable currency ratio between its assets and liabilities.

### Currency risk

Net debt adjusted for derivative financial instruments are made in relevant currencies reflecting the underlying expected future cash flows from loans and receivables. The exceptions are Croatian Kuna (HRK), Romanian Leu (RON), Bulgarian Lev (BGN), Hungarian Forint (HUF), Bosnian Convertible Mark (BAM), Czech Koruna (CZK) and Serbian Dinar (RSD) where all borrowing is done in EUR.

The Group's bond loans are denominated in EUR and borrowings under the multi-currency revolving credit facility are drawn in NOK and PLN. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 30 June 2019: (i) FX Forward of NOK 100 million against DKK, (ii) FX Forward of NOK 250 million against DKK, (iii) FX Forward of EUR 45 million against DKK, (iv) FX Forward of EUR 45 million against SEK, (v) FX Forward of NOK 400 million against SEK, (vi) FX Forward of NOK 350 million against SEK and (vii) FX Forward of NOK 250 million against SEK. The fair value of the currency derivatives was NOK -15.1 million at quarter end.

### Interest rate risk

The Group uses interest rate swaps and interest rate caps to reduce its interest rate exposure. The Group's strategy is to hedge between 60% and 120% of net debt up to a maximum period of 5 years. The hedging ratio at 30 June 2019 was 70 % with a duration of 3.6 years and the fair value of the interest rate hedging derivatives was NOK -15.3 million.

## Net financial items

All figures in NOK '000s

	2019 Quarter 2	2018 Quarter 2	2019 6 months	2018 6 months	2018 Full year
Interest income	1 154	1 105	1 853	2 246	4 183
Other financial income	314	33	809	287	469
<b>Financial income</b>	<b>1 468</b>	<b>1 138</b>	<b>2 663</b>	<b>2 533</b>	<b>4 652</b>
Interest expenses	-194 687	-136 334	-358 437	-260 488	-607 961
Change in fair value of interest rate derivatives	-9 921	179	-34 529	-347	-2 599
Other financial expenses	-3 969	-1 064	-5 446	-2 107	-7 817
<b>Financial expenses</b>	<b>-208 577</b>	<b>-137 218</b>	<b>-398 411</b>	<b>-262 941</b>	<b>-618 378</b>
Realised exchange gain/(loss)	7 356	80 703	39 748	57 963	48 645
Unrealised exchange gain/(loss)	37 365	-82 096	-92 045	-98 591	34 639
Change in fair value of currency derivatives	-30 432	23 574	36 415	63 572	-39 311
<b>Net exchange gain/(loss)</b>	<b>14 288</b>	<b>22 181</b>	<b>-15 883</b>	<b>22 944</b>	<b>43 973</b>
<b>Net financial items</b>	<b>-192 821</b>	<b>-113 899</b>	<b>-411 632</b>	<b>-237 465</b>	<b>-569 753</b>

## Note 6 - Interest bearing loans and borrowings

All figures in NOK '000s

	As at 30 June 2019		As at 31 December 2018	
	Current	Non-current	Current	Non-current
Multi-currency revolving credit facility		2 912 469		3 674 189
Bond loan		8 812 944		7 094 618
Short term interest bearing loans & borrowings			363	
Bank overdraft	176 491		59 115	
<b>Total</b>	<b>176 491</b>	<b>11 725 412</b>	<b>59 478</b>	<b>10 768 808</b>

The Group is financed by the following loans; (i) a EUR 510 million senior secured multi-currency revolving credit facility agreement, including a multi-currency cash pool with a EUR 40 million overdraft, which matures in May 2022, (ii) a EUR 150 million senior unsecured bond with maturity in December 2020, (iii) a EUR 175 million senior unsecured bond with maturity in October 2021, (iv) a EUR 200 million senior unsecured bond with maturity in November 2022, (v) a EUR 200 million senior unsecured bond with maturity in May 2023, and (vi) a EUR 200 million senior unsecured bond with maturity in May 2024.

The multi-currency revolving credit facility and the bond loan carry a variable interest rate based on the interbank rate in each currency plus a margin supplement. In addition, there is a commitment fee which is calculated as a percentage of the loan margin on the undrawn part of the credit facility and term loan. The overdraft carries a facility line fee. The loan agreements have several operational and financial covenants, including limits on certain key indicators, which have all been complied with as of 30 June 2019. There are no instalments required to be paid before maturity.

At 30 June 2019, NOK 1,200 million and PLN 780 million, in total EUR 307 million, was utilised from the EUR 470 million multi-currency revolving credit facility, leaving an available, undrawn amount of EUR 163 million. The multi-currency overdraft facility of EUR 40 million was utilised with EUR 18 million, leaving an available, undrawn amount of EUR 22 million at 30 June 2019.

The EUR 510 million multi-currency revolving credit is secured by guarantees issued by B2Holding ASA and a security package including some predefined guarantees, share pledges, bank account charges and pledge in intercompany loans. The bond loans are unsecured.

B2Holding is in compliance with all financial covenants in relation to the RCF and the bond loans as of Q2 2019. B2Holding has received a waiver from the bank consortium until 30 March 2020, which decrease the minimum equity ratio (excluding book value of IFRS 16 right-of-use asset) from 25.0% to 23.5% and increase the maximum "Total Loan to Value" ratio from 75.0% to 76.5%. The temporary change secures the Group sufficient headroom to continue to comply with the financial covenants.

## Note 7 - Share Capital and other paid-in capital

Ordinary shares have a nominal value of NOK 0.10 each. The number and value of authorised and registered shares, and the amount of other paid-in capital, being the premium on shares issued less any transaction costs of new shares issued, was as follows:

	Share capital Number of shares	Share capital NOK'000s	Other paid-in capital <sup>1)</sup> NOK'000s
<b>At 31 December 2018</b>	<b>409 032 598</b>	<b>40 903</b>	<b>2 835 895</b>
Exercise of employee share options on 25 January 2019 at an average subscription of 8,356	900 000	90	7 430
<b>At 30 June 2019</b>	<b>409 932 598</b>	<b>40 993</b>	<b>2 843 325</b>
<b>At 29 August 2019 (date of completion of these interim condensed financial statements)</b>	<b>409 932 598</b>	<b>40 993</b>	<b>2 843 325</b>

1) Net proceeds after transaction costs

## Note 8 - Share based payments

At 25 June 2019 3,050,000 new share options were granted at an exercise price of NOK 10.14. Each option, when exercised, will give the right to acquire one share in the Company. Pursuant to the vesting schedule, 1/3 of the options will vest one, two and three years after the day of grant. The options that have not been exercised will lapse 5 years after the date of grant.

At the date of these interim financial statements there are 20,325,000 share options outstanding.



## Note 9 – Subsequent events

The JV in Croatia obtained third party financing of EUR 75 million in July. The financing was used to repay the Group and its JV partner DDM.

On 15 August 2019 it was announced that Group CEO Olav Dalen Zahl and the Board of Directors had agreed that Olav Dalen Zahl would step down from his position as CEO. CFO Erik Just Johnsen will act as interim CEO until a replacement is found.

## Alternative performance measures

The interim financial information of the Group has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The interim financial information complies with IFRS as issued by the International Accounting Standards Board (IASB) and approved by the EU. In addition, the Group presents alternative performance measures (APMs). These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies.

The APMs are regularly reviewed by Management and their aim is to enhance stakeholders' understanding of the Group's performance and to enhance comparability between financial periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS.

The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of Management, distort the evaluation of the performance of our operations. The APMs also provide measures commonly reported and widely used by investors as an indicator of the Group's operating performance and as a valuation metric of debt purchasing companies. Furthermore, APMs are also relevant when assessing our ability to incur and service debt.

APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

### Alternative performance measures - reconciliation:

All figures in NOK million

	2019 Quarter 2	2018 Quarter 2	2019 6 months	2018 6 months	2018 Full year
<b>Operating profit/(loss)</b>	-69	356	281	682	1 378
Add back depreciation and amortisation	27	13	53	26	56
<b>EBITDA</b>	<b>-42</b>	<b>370</b>	<b>334</b>	<b>708</b>	<b>1 434</b>
<b>Total revenues</b>	379	761	1 174	1 407	2 906
Add back amortisation/revaluation of purchased loan portfolios	1 035	390	1 623	633	1 518
<b>Cash revenue</b>	<b>1 414</b>	<b>1 151</b>	<b>2 797</b>	<b>2 040</b>	<b>4 424</b>
<b>Operating profit/(loss)</b>	-69	356	281	682	1 378
Add back amortisation/revaluation of purchased loan portfolios	1 035	390	1 623	633	1 518
Add back depreciation and amortisation	27	13	53	26	56
<b>Cash EBITDA</b>	<b>993</b>	<b>759</b>	<b>1 957</b>	<b>1 341</b>	<b>2 952</b>

## Definitions

### Actualisation

Actualisation is the difference between actual and forecasted collections for purchased loan portfolios for the reporting period.

### Administration & management costs

Administration and management cost include Head Office and other Group costs such as Investment Office.

### Amortisation

Amortisation is the reduction in the current value of the purchased loan portfolios during the period, which is attributable to collection taking place as planned.

### Available investment capacity

Available investment capacity includes cash and short-term deposit (less NOK 200 million to cover working capital) plus unutilised bank overdraft, plus unutilised multi-currency revolving credit facility and less short-term vendor loans. Cash flow from future operations is not included in the number.

### Cash EBITDA

Cash EBITDA consists of EBIT added back depreciation and amortisation of tangible and intangible assets and added back amortisation and revaluation of purchased loan portfolios. Cash EBITDA is a measure of actual performance from the collection business (cash business) and other business areas.

### Cash margin

Cash margin consists of cash EBITDA expressed as a percentage of cash revenue.

### Cash revenue

Cash revenue consists of "Total revenues" added back amortisation and revaluation of purchased loan portfolios. Cash revenue is a measure of actual revenues (cash business) from the collection business and other business areas.

### Cost other revenues

Cost other revenues is all external and internal operating costs related to the Group's other business areas.

### Cost to collect

Cost to collect is all external and internal operating costs related to the Group's collection business.

### EBITDA

Operating profit before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) adding back depreciation and amortisation of tangible and intangible assets.

### Estimated Remaining Collection (ERC)

Estimated remaining collection (ERC) expresses the gross cash collection in nominal values expected to be collected in the future from the purchased loan portfolios owned at the reporting date and the Group's share of gross cash collection on portfolios purchased and held in joint ventures. ERC includes ERR.

### Estimated Remaining Recoveries (ERR)

Estimated remaining recoveries (ERR) expresses the gross cash collection in nominal values expected to be recovered in the future from the purchased secured loan portfolios owned at the reporting date and the Group's share of gross cash collection on secured portfolios purchased and held in joint ventures.

### Forward flow agreements

Forward flow agreements are agreements where the Group agrees with the portfolio provider that it will, over some period in fixed intervals, transfer its non-performing loans of a certain characteristics to the Group.

### Gross cash collection

Gross cash collection is the actual cash collected from purchased portfolios before costs related to collect the cash received.

### Interest income from purchased portfolios

Interest income from purchased loan portfolios is the calculated amortised cost interest revenue from the purchased loan portfolios using the credit-adjusted effective interest rates set at initial acquisition.

### Leverage ratio

Net interest-bearing debt over Cash EBITDA calculated for the last 12 months

### Net interest-bearing debt

Net interest-bearing debt consist of nominal value of interest-bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits.

### Net credit gain/(loss) from purchased loan portfolios

The Group's exposure to credit risk from the purchased loan portfolios is related to actual gross cash collection deviating from collection estimates and from changes in future cash collection estimates. The Group regularly evaluates the current collection estimates at the individual portfolio level and the estimate is adjusted if collection is determined to deviate from current estimate over time. The adjusted collection estimate is discounted by the initial rate of return at acquisition of the portfolio. Changes from current estimate adjust the book value of the portfolio and are included in the profit and loss statement in the line item "Net credit gain/(loss) from purchased loan portfolios". Cash collection above collection estimates and upward adjustments of future collection estimates increase revenue. Cash collection below collection estimates and downward adjustments of future collection estimates decrease revenue. Net credit gain/(loss) equals net actualisation/revaluation.

### Operating cash flow per share

Operating cash flow per share is operating cash flow from consolidated statement of cash flows divided on the weighted average number of shares outstanding in the reporting period. Operating cash flow per share is a measure on actual cash earned from operating business per share.

### Other revenues

Other revenues include revenue from external collection, interest on loan receivables as well as subscription income for credit information, telemarketing and other services which is recognised proportionately over the term of the underlying service contract which is usually one year.

### Participation loan/notes

Participation loan/notes consist of investment agreements with co-investors for the purchase of loan portfolios through SPVs. The contractual arrangement of the participation loan/notes is directly related to the performance of the portfolios purchased in the SPVs

### Portfolio purchases

Portfolio purchases are the investments for the period in secured (with collateral) and unsecured (without collateral) loan portfolios.

### Profit margin

Profit margin consists of operating profit (EBIT) expressed as a percentage of total operating revenues.

### Revaluation

Revaluation is the period's increase or decrease in the current value of the purchased loan portfolios attributable to changes in forecasts of future collection.

### Total Loan to Value (TLTV)

Total loan to value is net debt adjusted for vendor loan, earn out and FX hedge MTM over assets (portfolio, JV, loan receivables, real estate owned and goodwill).

## **Segment reporting**

The presentation of segment information is in the same format as reported to management. This is different from the financial statement presentation due to management focus on actual gross cash collected. Gross cash collection less amortisation/revaluation is equal to interest revenue adjusted for Net credit gain/(loss) from purchased loan portfolios.

### **Segment Central Europe**

The operating segment Central Europe includes; Austria, Bosnia and Herzegovina, Czech Republic, Croatia, Slovenia, Serbia, Montenegro and Hungary.

### **Segment Central functions/eliminations**

The operating segment Central functions/eliminations includes; Oslo Head office and other Group functions and costs such as the Investment Office in Luxembourg

### **Segment Northern Europe**

The operating segment Northern Europe includes; Norway, Sweden, Finland, Denmark, Estonia, Latvia and Lithuania.

### **Segment Poland**

The operating segment Poland includes; Poland

### **Segment South Eastern Europe**

The operating segment South Eastern Europe includes; Bulgaria, Romania, Cyprus and Greece.

### **Segment Western Europe**

The operating segment Western Europe includes; Italy, Spain, Portugal and France.

**Financial year 2019**

Half-yearly Report 30.08.2019

Annual Report 2018 30.04.2019

Annual General Meeting 24.05.2019

Quarterly report – Q1 24.05.2019

Quarterly report – Q3 22.11.2019

Quarterly report – Q4 28.02.2020

**B2Holding ASA**

Head office

Postal address:

PO Box 1726 Vika

0121 Oslo

Norway

Visiting address:

Stortingsgaten 22, 7th floor, Oslo

Tel: +47 22 83 39 50

Fax: +47 22 83 39 51

E-mail: [post@b2holding.no](mailto:post@b2holding.no)