



Q4

Fourth quarter 2019

Comment by the CEO

Adapting to the new strategic direction

The fourth quarter marked the end of a demanding year for B2Holding ASA.

The Group faced some challenges during 2019 primarily within secured recoveries, and as a result we saw the need to implement operational and organizational changes. Despite the challenges within secured recoveries, our core business of unsecured collection has been performing well. Although the full-year net result of NOK 107 million does not match our ambitions, we are confident that the new strategic direction will improve profitability going forward.

On 5 February 2020 the Board of Directors in B2Holding ASA appointed me as the CEO of the Group. Following a period as interim CEO since August 2019, I am honoured to take on the role permanently and lead the company into the next phase. B2Holding ASA is well established as a strong player in an industry which has an important role to play in the credit value chain. After a period with strong growth we are preparing for a new phase with focus on scalable platforms in key markets. This is in line with the newly approved strategy of transforming the group towards a more cost-efficient model. and leveraging our servicing capabilities by increasing assets under management. This will enable us to grow without relying solely on own funding and ensure even better utilization of our platforms through economies of scale.

2020 will be a year of transition for the Group. Our primary focus will shift from mainly being a debt investor to also continue our focus on increased debt servicing. A less capital intensive model will reduce the risk of the company and increase our profitability going forward. We have already taken the first steps by implementing a new organization structure and will continue the work by adapting systems, processes and operations to support the new strategy. Through profitable growth in our core markets by developing and strengthening our servicing platforms, B2Holding ASA shall continue to be a leading player in the industry and deliver continuing shareholder value.

Oslo, 27 February 2020

Erik Just Johnsen
CEO

Summary

In the fourth quarter B2Holding Group continued to show stable gross cash collection and delivered cash EBITDA of NOK 963 million. Profit before tax for the quarter is NOK 101 million after non-recurring expenses of NOK 39 million, whereof only NOK 12 million has cash effect.

Fourth quarter 2019

- ERC¹⁾ at end of period was NOK 23,809 million (22,262), an increase of 7% compared to fourth quarter 2018
- Continuing stable gross cash collection from purchased loan portfolios, an increase of 11% to NOK 1,295 million (1,169)
- Total revenues increased by 9% to NOK 819 million (753)
- Cash EBITDA increased by 16% to NOK 963 million (833)
- Operating profit down 11% to NOK 291 million (326)
- Portfolio purchases²⁾ of NOK 566 million (1,634)
- Leverage ratio 2.86x (3.53x)
- The Group was in line with original RCF covenants
- RCF extended in time and can be utilized to repay bond maturing in December 2020

YTD December 2019

- Gross cash collection from purchased loan portfolios ended at NOK 5,202 million (3,997), an increase of 30%
- Portfolio purchases²⁾ ended at NOK 4,034 million (6,380), a reduction of 37%
- Proposed dividend of NOK 0.08 per share for 2019

(Comparable numbers for Q4 2018/YTD December 2018 in brackets)

(NOK million)	2019 Quarter 4	2018 Quarter 4	Change %	2019 Full Year	2018 Full Year	Change %
Total revenues excl. net credit gain/(loss)	836	750	12 %	3 274	2 963	10 %
Net credit gain/(loss) from purchased loan portfolios ³⁾	-17	3	-741 %	-400	-58	594 %
Total revenues ³⁾	819	753	9 %	2 874	2 906	-1 %
EBITDA	344	344	0 %	1 093	1 434	-24 %
Operating profit/(loss)	291	326	-11 %	959	1 378	-30 %
Profit margin	36 %	43 %		33 %	47 %	
Cash revenue	1 439	1 242	16 %	5 763	4 424	30 %
Cash EBITDA	963	833	16 %	3 982	2 952	35 %
Cash margin	67 %	67 %		69 %	67 %	
Profit/(loss) after tax	90	156	-42 %	107	649	-83 %
Basic earnings per share, NOK	0,22	0,38	-42 %	0,26	1,63	-84 %
Cash flow from operating activities	706	532	33 %	2 872	2 291	25 %
Operating cash flow per share, NOK	1,72	1,31	31 %	7,01	5,74	22 %
Portfolio purchases ²⁾	566	1 634	-65 %	4 034	6 380	-37 %
Gross cash collection from purchased loan portfolios	1 295	1 169	11 %	5 202	3 997	30 %
ERC (at end of month) ¹⁾	23 809	22 262	7 %	23 809	22 262	7 %

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 Full Year 2019

Operations

B2Holding Group ended the year with gross cash collections of NOK 5,202 million of which NOK 1,295 million was in Q4, an increase of 11% from Q4 2018. The Group reported a profit after tax for the quarter of NOK 90 million. In line with Group's strategy of lower growth following rapid expansion in previous years, portfolio purchases amounted to NOK 566 million in Q4 and NOK 4,034 million for the full year.

Operational review

B2Holding Group's gross cash collections amounted to NOK 1,295 million in the fourth quarter, which was broadly in line with expectations. The Group reported a profit after tax for the quarter of NOK 90 million. The Q4 results include non-recurring expenses of NOK 39 million, mainly relating to impairment losses and organizational changes. The full year result is a profit after tax of NOK 107 million after the net write downs of NOK 388 million in Q2.

Focus during the quarter has been on executing the previously communicated strategy. This includes the organizational changes announced during the quarter implying strengthened focus on the two main business lines, secured and unsecured portfolios. Additionally, good progress has been made through increased focus on co-investments with strategic partners. The Group concluded a transaction with Waterfall Asset Management in Sweden during the quarter, and an additional transaction in Cyprus with Waterfall Asset Management was announced in January. Furthermore, the Group recently announced a collaboration agreement with Banca Sella in Italy for future co-investments and servicing of NPLs in the Italian market.

Unsecured portfolios performed in line with expectations. As previously communicated, collections in Q3 were higher than expected, in particular following strong collections in Finland due to tax returns being paid out in Q3 as opposed to Q4 in previous years. The platforms continue to focus on improving their collection strategies in order to achieve economies of scale and cost efficiency.

Secured portfolios performed broadly in line with expectations. The Recovery Support Team (RST) continues to evaluate the Group's secured portfolios, identifying opportunities to realise higher value.

Other revenues were NOK 133 million for the quarter, compared with NOK 50 million in Q4 2018. The growth is in line with the Group's strategy of increasing other revenues through entering into additional co-investments and servicing agreements.

The Group's joint ventures contributed NOK 11 million in the quarter compared with NOK 24 million in Q4 2018, down NOK 13 million, mainly due to a YTD adjustment in Q4 2018. Year over year joint venture contribution continue to increase and ended at NOK 64 million for 2019 up from NOK 48 million in 2018.

Cash EBITDA was NOK 963 million compared with NOK 833 million in Q4 2018 showing continued good cash flow from operations.

Portfolio purchases were NOK 566 million in Q4, where the large majority was unsecured portfolios acquired in Northern Europe.

The number of FTEs in the Group was 2,517 at the end of 2019, a net increase of 97 during the year. FTE numbers have increased in all regions except for Poland where FTEs have decreased due to continuous efficiency programs. The main increase is due to expansion in South Eastern Europe with additional employees in Bulgaria, Greece and Romania. Going forward the number of FTEs is expected to be reduced as a result of the ongoing efficiency programs and the planned reduction of regional footprint.

Corporate matters

Erik J. Johnsen was on 5 February 2020 appointed as the CEO. He has been with the company for 7 years of which the last 3 as the company's CFO and since 15 August 2019 also the interim CEO. The company has started the recruitment for a new CFO and Johnsen will fill both roles until a permanent solution is in place.

The new Executive Group Management was announced on 9 October 2019. The new organizational structure will ensure improved transparency, risk management and compliance throughout the organization and contribute to long-term cost efficiency on a Group level.

The share price closed at NOK 9.55 on 30 December 2019 and with 410 million shares outstanding, the market cap for the group was NOK 3,917 million.

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 has received a waiver from the bank consortium until 30 March 2020, but was in compliance with the original covenants already by Q4 2019. Compared to Q2 2019 the Equity Ratio (excluding book value of IFRS 16 right-of-use asset) has increased from 23,6% to 25,2% and the Total Loan to Value ratio has decreased from 76,2% to 74,2%.

From 28 February 2020 the RCF will have more flexible covenants implying that the ratios can be broken in one financial quarter until 31 May 2022. Furthermore, the repayment clause has been removed meaning that the

RCF will not be classified as a current liability in March 2020 if EUR 175 million or more was outstanding in Bond 1 (EUR 150 million, 2015/2020) and Bond 2 (EUR 175 million, 2016/2021).

In addition to the mentioned RCF, the Group held five listed senior unsecured bond loans of EUR 925 million of which 21mEUR in Treasury Bonds. The Group's fifth bond loan issued on 28 May 2019 with maturity on 28 May 2024 was listed on Oslo Stock Exchange on 22 October 2019. The first bond loan of EUR 150 million (issued in Dec 2015) matures December 2020, hence it is classified as short-term borrowing. The bond carries a make whole clause and the plan is to have sufficient headroom under the RCF to refinance the bond. EUR 210 million of the RCF was unutilised at 31.12.2019.

The Group has NOK 2.1 billion in available investment capacity at the end of the quarter adjusted for deferred payment for portfolio purchases of NOK 121 million, in addition to a strong operating cash flow from gross cash collections of purchased loan portfolios.

Net interest-bearing debt as of 31 December 2019 was NOK 11,379 million and the Leverage Ratio of the Group was 2.86x, down from 3.03x in Q3 2019.

Outlook

During 2019 market conditions improved with less price pressure and an increasing supply of portfolios. Going forward, B2Holding expects a further increase in supply in some regions and stable prices.

The Group expects that regulatory changes in 2019 initiated by the European Central Bank, such as the back stop effective from April, will result in banks making portfolios available for purchase earlier and in higher volumes than historically.

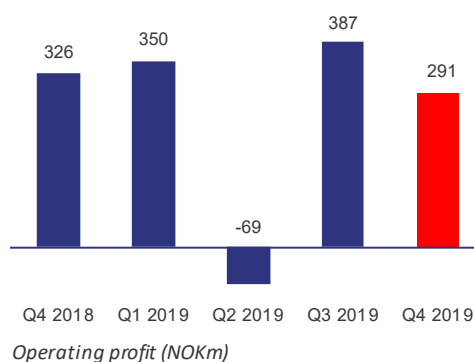
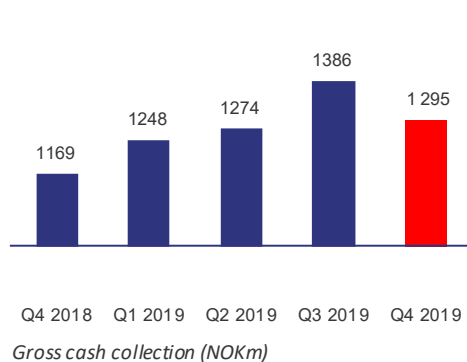
As part of the renewed strategy the Group is in a process to reduce its footprint in certain non-core markets, allowing for strengthened focus on core markets. The Group has and will continue to have presence in most of the largest markets for non-performing loans in Europe.

B2Holding will continue to focus on co-investments in existing markets which is expected to increase servicing revenues.

After a period with strong growth the Group is in a phase with strong focus on increased efficiency, operational improvements and delivering the financial targets. By leveraging on the existing collection platforms, streamlining and automatizing processes, in addition to centralizing some functions, profitability and cash flow is expected to increase further going forward.

Financials

In the fourth quarter B2Holding Group reported profit before tax of NOK 101 million after NOK 39 million in non-recurring expenses, whereof only NOK 12 million has cash effect. Despite a slight decrease from the third quarter, gross cash collections continue to increase year on year with an increase of NOK 126 million (11%) compared with the fourth quarter of 2018. The decrease from the third quarter is mainly related to timing effects.



Revenues, expenses and profits

Gross cash collections ended at NOK 1,295 million, up NOK 126 million (11%) versus Q4 2018, with the

majority coming from unsecured portfolios. Total revenues are up NOK 67 million (9%) versus Q4 2018 to NOK 819 million, up by NOK 6 million adjusted for sale

of portfolios at a loss in Q4 2018. Interest income from purchased portfolios ended at NOK 692 million, an increase of NOK 16 million (2%). The net credit loss of NOK 17 million is mainly related to secured portfolios in Western Europe. Profit from joint ventures ended at NOK 11 million, down NOK 13 million mainly due to a YTD adjustment booked in Q4 2018. Other revenues ended at NOK 133 million, up NOK 83 million. Adjusted for sale of portfolios in Q4 2018, the increase is NOK 22 million (20%), mainly related to sale of loan portfolio in Poland.

Operating expenses excluding depreciation, amortization and impairment losses increased by NOK 67 million (16%). Personnel cost increased by NOK 35 million of which NOK 6 million were non-recurring expenses related to organizational changes and project cost. In addition, there was an increase of 97 FTEs in the Group, whereof 44 FTEs are related to build-up of the servicing platform in Greece, contributing to the increase in personnel cost. External cost of services provided were up NOK 27 million, mainly related to legal changes in Poland. Other operating expenses increased with NOK 5 million, including non-recurring expenses of NOK 6 million relating to organizational changes. Cost to collect remains at the same level (24%) due to lower collections in some markets.

Other non-recurring expenses in the quarter includes impairment losses for IT asset software of NOK 21 million and goodwill and other intangibles of NOK 5 million in Central Europe.

Northern Europe collections continued to perform well in the fourth quarter of 2019 mainly due to increased collections in Sweden and Latvia. Q4 2019 collections were NOK 390 million, up NOK 23 million from Q4 2018. Q4 2019 collection were slightly lower than Q3 2019 due to change in timing of tax refunds in Finland from Q4 to Q3 in 2019. Revenue from purchased portfolios were up NOK 15 million (8%) to NOK 193 million mainly due to increased portfolio purchases year on year (increase of NOK 224 million). Net credit loss from purchased loan portfolios was NOK 19 million in the quarter mainly due to lower than expected collections on forward flow deals in both Denmark and Sweden. The forward flow contracts concerned are under internal review. Other revenues were NOK 6 million lower than in Q4 2018 due to gain on sale of a portfolio last year. In Q4 2019 a portfolio was sold to a new joint venture company with Waterfall Asset Management in Sweden. B2Holding has a 30% share in the co-investment structure which will improve servicing revenue going forward. Cost to collect increased due to 44 additional FTEs and external cost related to increased collections, but cost to collect percentage improved to 16% (17%). Cash EBITDA ended at NOK 320 million, up NOK 3 million (1%) versus the same quarter in 2018. In Q4 2018 there was a positive effect from timing of tax refunds in Finland which occurred in Q3 2019.

Poland is steadily increasing collections which ended at NOK 253 million (+14%). The region overperformed on unsecured collections by NOK 9 million due to good forward flow deals, and legal changes that shorten the legal process and increase collections. Revenue from purchased portfolios ended at NOK 145 million (+6%), of which net credit gain was NOK 4 million due to overperformance on unsecured portfolios. Other revenues ended at NOK 41 million, up NOK 18 million (+75%), mainly due to gain on sale of portfolio in Takto of NOK 12 million. External cost has increased by NOK 20 million due to legal changes in Poland. The market is adapting to the regulatory changes implying that future purchases will reflect the cost of these legal changes, resulting in higher gross IRRs with expected net IRR to remain the same. Cost to collect ended at 32% (33% Q4 2018), and cash EBITDA for the quarter ended at NOK 195 million (+27%).

Central Europe collections ended at NOK 256 million, down NOK 41 million (-14%) from Q4 2018 mainly related to secured portfolios. Revenue from purchased portfolios ended at NOK 159 million, down NOK 7 million (-4%) compared to same quarter previous year following less portfolio purchases in 2019 than in 2018. Net credit loss from purchased portfolios was NOK 3 million, a NOK 39 million improvement from Q4 2018. Operating expenses excluding depreciation and amortization and impairment losses increased by NOK 5 million mainly due to non-recurring costs and increase of FTEs. Cost to collect ended at 25%, up from 18% in Q4 2018, due to less recoveries and additional and more specialized resources to strengthen the recoveries and operations in the region going forward. Cash EBITDA amounted to NOK 193 million, down NOK 39 million (-17%).

Western Europe increased collections for both secured and unsecured by a total of NOK 93 million (76%) up to NOK 215 million. Revenue from purchased portfolios ended at NOK 84 million, down NOK 12 million (-12%), where Net credit loss was NOK 6 million mainly due to a revaluation of secured portfolios in the quarter. Unsecured overperformed due to higher and earlier collections than expected for the SME and corporate retail portfolios. Other revenues were down NOK 6 million (-11%), to NOK 47 million, mainly related to lower volumes from third-party collection clients in Spain. In February 2020 B2Holding announced a collaboration agreement with Banca Sella in Italy, which will increase servicing revenues going forward. Cost to collect was reduced from 34% to 21% due to the increased collections, improved efficiency and economic of scale. Cash EBITDA ended at NOK 164 million up NOK 77 million (89%) from Q4 2018.

South Eastern Europe collections continue to increase in Q4 2019 up NOK 20 million (13%) versus Q4 2018, to NOK 181 million, mainly due to unsecured portfolios. Revenue from purchased portfolios ended at NOK 95 million, down NOK 9 million (-9%), due to less portfolio purchases in the region. Net credit gain was NOK 7

million, up NOK 8 million from Q4 2018, mainly due to continuing strong performance of unsecured portfolios in Romania. Profit from joint ventures ended at NOK 11 million, down NOK 12 million, due to a YTD adjustment in Q4 2018. Other revenues were up NOK 70 million, adjusted for sale of portfolio at a loss in Q4 2018, the increase is NOK 3 million. The increase is mainly related to servicing of joint venture portfolios in Greece. In January 2020 B2Holding entered into a new co-investment agreement with Waterfall Asset Management related to a portfolio purchased in Cyprus. The co-investment will contribute to increase servicing revenues in the region from mid-2020 and going forward. Cost to collect ended at 32%, down from 35%, due to increased collections and stable cost. Cash EBITDA ended at NOK 131 million, up NOK 75 million (NOK 8 million adjusted for sale of portfolio in Q4 2018).

Central Functions has increased cost of NOK 29 million compared to same quarter in 2018, where organizational change and non-recurring cost is approximately NOK 12 million. Additionally, there is an increase in FTEs due to strengthening of corporate functions in Oslo and Luxembourg.

Financial items ended the quarter at a net expense of NOK 190 million comprised of financial income of NOK 2 million, financial expenses of NOK 185 million and a net exchange loss of NOK 7 million. Included in the financial expenses is a NOK 14 million reversal of cost is mainly related to previously recognized provision for earnout. The provision has been reversed as payment is no longer probable. Also included in the financial expenses is a gain of NOK 8 million due to an increase in the market value of the Group's interest rate derivatives.

Profit after tax for the period ended at NOK 90 million, a decrease of NOK 66 million (-42%) compared to Q4 2018.

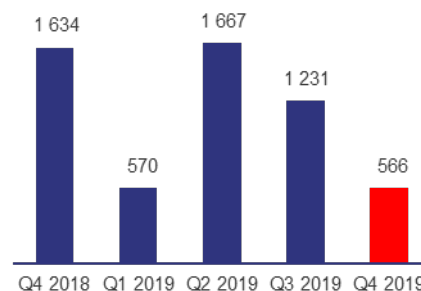
As of 31.12.2019 the Group has not recognised a deferred tax asset relating to the write down of its portfolios in Croatia in Q2. This mainly explains the increase in the effective tax rate from 20% in 2018 to 35% in 2019, partly offset by recognition of deferred tax assets in other entities. A deferred tax asset is expected

to be recognised once the Group has finalised its investment strategy for the years to come.

Cash flows

Operating cash flow was NOK 706 million (NOK 532 million) in the fourth quarter of 2019. The 33% increase compared with the same period last year mainly relates to increased collections, unrealised FX difference and change in other balance sheet items partly offset by lower profit before tax, change in working capital.

Cash flow used in investing activities ended at NOK -369 million, this is related to portfolio purchases and investments in associated companies. The difference between the reported portfolio purchases and the cash investments is mainly relating to sale of a portfolio and a change in deferred payments on portfolio purchases. At the end of the fourth quarter 2019 deferred payments for portfolio purchases amounted to NOK 121 million and the liability was included in the condensed balance sheet in "accounts payables and other payables".



Portfolio purchases (NOKm)

Net cash flow from financing activities ended at NOK -195 million, a decrease of NOK 922 million compared to Q4 2018. This is explained by repayment on external borrowing. At the end of the quarter, interest bearing debt amounted to NOK 11,735 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, 27 February 2020

Consolidated income statement

All figures in NOK`000s unless otherwise stated

	Notes	2019 Quarter 4 IFRS 16	2018 Quarter 4 IAS 17	2019 Full Year IFRS 16	2018 Full Year IAS 17
Interest income from purchased loan portfolios		692 304	676 160	2 713 165	2 537 113
Net credit gain/(loss) from purchased loan portfolios	4	-16 963	2 645	-400 127	-57 625
Profit from shares in associated parties/joint ventures and participation loan/notes		11 245	23 864	64 113	47 757
Other revenues		132 762	49 877	496 671	378 376
Total revenues	3	819 347	752 547	2 873 823	2 905 622
External expenses of services provided		-124 012	-97 290	-447 245	-363 312
Personnel expenses		-228 842	-193 516	-887 889	-691 678
Other operating expenses		-122 672	-118 026	-445 852	-416 651
Depreciation and amortisation		-25 785	-17 687	-107 352	-56 126
Impairment losses		-26 915		-26 915	
Operating profit/(loss)	3	291 121	326 028	958 570	1 377 856
Financial income		1 977	449	12 651	4 652
Financial expenses		-185 245	-189 020	-794 463	-618 378
Net exchange gain/(loss)		-6 699	39 544	-11 858	43 973
Net financial items	5	-189 968	-149 028	-793 670	-569 753
Profit/(loss) before tax		101 153	177 000	164 900	808 103
Income tax expense		-11 111	-20 527	-57 750	-159 370
Profit/(loss) after tax		90 043	156 473	107 151	648 732
Profit/(loss) attributable to:					
Parent company shareholders		89 946	156 432	106 759	648 582
Non-controlling interests		96	41	392	151
Earnings per share (in NOK):					
Basic		0,22	0,38	0,26	1,63
Diluted		0,22	0,38	0,26	1,60

Consolidated statement of comprehensive income

All figures in NOK`000s

	2019 Quarter 4 IFRS 16	2018 Quarter 4 IAS 17	2019 Full Year IFRS 16	2018 Full Year IAS 17
Profit/(loss) after tax	90 043	156 473	107 151	648 732
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	48 191	174 680	-23 049	-13 860
Hedging of currency risk in foreign operations	-31 419	2 793	-36 970	12 237
Tax attributable to items that may be reclassified to profit or loss	7 736	-622	8 920	-2 983
Other comprehensive income	24 508	176 851	-51 099	-4 606
Total comprehensive income for the period	114 550	333 324	56 052	644 126
Total comprehensive income attributable to:				
Parent company shareholders	114 459	333 255	55 669	643 906
Non-controlling interests	91	69	383	221

Consolidated statement of financial position

All figures in NOK '000s

	Notes	2019	2018
		31 Dec IFRS 16	31 Dec ¹⁾ IAS 17
Deferred tax asset		188 765	97 219
Goodwill		777 764	785 230
Tangible and intangible assets		362 529	273 812
Investments in associated companies and joint ventures		387 041	12 144
Purchased loan portfolios	3,4,5	13 419 720	13 346 098
Loan receivables		345 160	357 801
Participation loan/notes	3	541 683	588 846
Other long-term financial assets		4 531	34 582
Total non-current assets		16 027 194	15 495 732
Other short-term assets		558 568	280 300
Cash and short-term deposits		355 884	397 702
Total current assets		914 452	678 002
Total assets		16 941 646	16 173 734
Equity attributable to parent company's shareholders	7	4 236 179	4 354 889
Equity attributable to non-controlling interests		625	601
Total equity		4 236 804	4 355 489
Deferred tax liabilities		171 475	162 925
Long-term interest bearing loans and borrowings	6	10 140 978	10 768 808
Other long-term liabilities		159 528	97 757
Total non-current liabilities		10 471 981	11 029 489
Short-term interest bearing loans and borrowings	6	1 497 563	363
Bank overdraft	6	96 634	59 115
Account payables and other payables		265 081	300 536
Income taxes payable		28 684	47 121
Other current liabilities		344 900	381 621
Total current liabilities		2 232 861	788 756
Total equity and liabilities		16 941 646	16 173 734

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
At 1 January		4 354 889	601	4 355 489	3 148 569	-189	3 148 380
Implementation effect IFRS 9					-69 476	-24	-69 500
Restated at 1 January		4 354 889	601	4 355 489	3 079 093	-213	3 078 880
Profit/(loss) after tax		106 759	392	107 151	648 582	151	648 732
Other comprehensive income		-51 090	-9	-51 099	-4 676	70	-4 606
Total comprehensive income		55 669	383	56 052	643 906	221	644 126
Issue of share capital	7	7 520		7 520	771 544		771 544
Transaction costs	7				-19 015		-19 015
Share based payments		3 104		3 104	2 584		2 584
Dividend paid to parent company's shareholders		-184 470		-184 470	-121 960		-121 960
Dividends to non-controlling interests			-269	-269		-273	-273
Acquisition of non-controlling interests		-532	-214	-746	-1 263	866	-397
Capital contribution from non-controlling interests			123	123			
At 31 December		4 236 179	625	4 236 804	4 354 889	601	4 355 489

Consolidated statement of cash flows

All figures in NOK`000s

	Notes	2019 Quarter 4	2018 Quarter 4	2019 Full Year	2018 Full Year
Cash flow from operating activities					
Profit/(loss) before tax		101 153	177 000	164 900	808 103
Amortisation/revaluation of purchased loan portfolios	3	619 348	489 709	2 889 009	1 517 891
Adjustment other non-cash items		37 208	82 189	124 224	127 088
Interest expenses		198 673	184 243	801 842	610 560
Interest paid		-181 965	-143 000	-737 132	-525 265
Unrealised foreign exchange differences		-22 767	-119 828	-15 495	18 064
Income tax paid		-47 298	-50 283	-193 882	-175 719
Change in working capital		-95 091	-45 628	-292 287	-30 261
Change in other balance sheet items		96 738	-42 409	131 072	-59 894
Net cash flow from operating activities		706 001	531 994	2 872 251	2 290 567
Cash flow from investing activities					
Net portfolio purchases	3,4	-286 017	-1 380 103	-3 116 974	-5 878 642
Net investments in tangible and intangible assets		-13 277	-17 988	-48 765	-86 363
Investments in subsidiary companies, joint ventures and associated companies		-69 773	-14 590	-370 593	-288 245
Payment of contingent consideration				-87 698	-20 838
Net cash flow from investing activities		-369 067	-1 412 681	-3 624 029	-6 274 088
Cash flow from financing activities					
Net new share issue	7		10 550	7 520	752 529
Capital contribution from non-controlling interests				123	
Net receipts/(payments) on interest bearing loans and borrowings		-195 322	716 588	851 434	3 355 756
Dividends paid to parent company's shareholders			-30	-184 470	-121 960
Dividends paid to non-controlling interests				-269	-273
Net cash flow from financing activities		-195 322	727 108	674 339	3 986 052
Net cash flow during the period		141 612	-153 577	-77 440	2 531
Cash and cash equivalents at the beginning of the period		114 063	457 065	338 587	326 345
Exchange rate difference on cash and cash equivalents		3 577	35 099	-1 895	9 711
Cash and cash equivalents at the end of the period		259 251	338 587	259 251	338 587
<i>Cash and cash equivalents comprised of:</i>					
Cash and short-term deposits		355 884	397 702	355 884	397 702
Bank overdraft		-96 634	-59 115	-96 634	-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 fourth quarter ended 31 December 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.

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 31 December 2019 and 31 December 2018 are unaudited. The financial report was approved by the Board of Directors on 27 February 2020.

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.

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 organized 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 20.

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 4, 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	389 659	253 471	255 560	214 634	181 364		1 294 689
<i>Of which, secured portfolios</i>	2 803	14 716	155 921	147 956	63 393		384 789
<i>Of which, unsecured portfolios</i>	386 856	238 756	99 639	66 678	117 972		909 901
Amortisation/revaluation of purchased loan portfolios	-196 919	-108 722	-96 476	-130 778	-86 454		-619 348
Revenue from purchased loan portfolios	192 740	144 749	159 085	83 856	94 910		675 341
Profit from shares in associated parties/joint ventures and participation loans/notes	-85		-158		11 487		11 245
Total revenue from purchased loan portfolios	192 655	144 749	158 927	83 856	106 397		686 586
Revenue from external collection	30 928	49	203	32 978	8 464		72 622
Other operating revenues	4 937	40 879	165	13 672	486		60 140
Total other revenues	35 865	40 928	368	46 650	8 951		132 762
Total revenues	228 520	185 677	159 295	130 506	115 348		819 347
Cost to collect	-63 532	-81 025	-63 473	-44 235	-58 293		-310 558
Cost other revenues	-33 847	-16 072	2 028	-50 232	-8 273		-106 395
Administration and management costs	-8 338	-2 468	-912	-2 891	-4 283	-39 680	-58 573
EBITDA	122 803	86 112	96 938	33 148	44 499	-39 680	343 821
Depreciation, amortisation and impairment losses	-3 788	-7 975	-24 360	-5 749	-3 991	-6 837	-52 700
Operating profit/(loss)	119 015	78 137	72 578	27 399	40 509	-46 516	291 121

Quarter 4, 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	366 898	221 975	296 209	121 802	161 630		1 168 514
<i>Of which, secured portfolios</i>	1 968	8 383	201 994	86 007	62 094		360 446
<i>Of which, unsecured portfolios</i>	364 931	213 592	94 214	35 795	99 537		808 069
Amortisation/revaluation of purchased loan portfolios	-189 168	-86 017	-130 509	-26 151	-57 864		-489 709
Revenue from purchased loan portfolios	177 730	135 959	165 700	95 650	103 767		678 806
Profit from shares in associated parties/joint ventures and participation loans/notes	67				23 797		23 864
Total revenue from purchased loan portfolios	177 797	135 959	165 700	95 650	127 564		702 670
Revenue from external collection	31 745		522	37 741	5 195		75 203
Other operating revenues	10 040	23 384	-7 257	14 442	-65 935		-25 327
Total other revenues	41 786	23 384	-6 735	52 183	-60 741		49 877
Total revenues	219 582	159 342	158 965	147 834	66 823		752 547
Cost to collect	-60 564	-73 957	-52 835	-41 445	-56 738		-285 540
Cost other revenues	-27 438	-14 922	33	-43 312	-10 547		-96 185
Administration and management costs	-4 330	-3 606	-3 996	-2 349	-1 531	-11 296	-27 107
EBITDA	127 250	66 857	102 168	60 727	-1 992	-11 296	343 715
Depreciation and amortisation	-1 777	-8 142	-2 351	-3 648	-1 652	-116	-17 687
Operating profit/(loss)	125 473	58 715	99 817	57 080	-3 644	-11 412	326 028

Full Year, 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	1 579 456	969 957	1 354 918	621 732	675 984		5 202 047
<i>Of which, secured portfolios</i>	10 838	36 284	968 432	434 639	246 147		1 696 339
<i>Of which, unsecured portfolios</i>	1 568 617	933 673	386 486	187 094	429 838		3 505 708
Amortisation/revaluation of purchased loan portfolios	-771 370	-383 102	-1 105 356	-177 509	-451 674		-2 889 009
Revenue from purchased loan portfolios	808 085	586 856	249 562	444 223	224 311		2 313 038
Profit from shares in associated parties/joint ventures and participation loans/notes	-85		6 711		57 487		64 113
Total revenue from purchased loan portfolios	808 000	586 856	256 273	444 223	281 799		2 377 152
Revenue from external collection	123 579	140	701	139 452	34 686		298 559
Other operating revenues	14 752	116 215	9 376	56 326	1 443		198 112
Total other revenues	138 331	116 354	10 077	195 779	36 129		496 671
Total revenues	946 331	703 211	266 351	640 002	317 928		2 873 823
Cost to collect	-232 521	-320 995	-239 522	-168 611	-208 496		-1 170 145
Cost other revenues	-125 875	-71 540	-8 036	-186 604	-55 472		-447 526
Administration and management costs	-11 088	-5 176	-3 913	-4 707	-5 609	-132 822	-163 314
EBITDA	576 848	305 500	14 880	280 080	48 351	-132 822	1 092 837
Depreciation, amortisation and impairment losses	-12 905	-39 725	-34 816	-22 516	-15 606	-8 700	-134 267
Operating profit/(loss)	563 943	265 775	-19 936	257 564	32 745	-141 522	958 570

Full Year, 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	1 147 391	877 852	1 145 515	302 387	524 235		3 997 380
<i>Of which, secured portfolios</i>	16 842	28 627	797 773	217 488	150 520		1 211 250
<i>Of which, unsecured portfolios</i>	1 130 549	849 225	347 742	84 899	373 715		2 786 129
Amortisation/revaluation of purchased loan portfolios	-582 796	-375 285	-428 158	-77 171	-54 482		-1 517 891
Revenue from purchased loan portfolios	564 596	502 567	717 357	225 216	469 753		2 479 489
Profit from shares in associated parties/joint ventures and participation loans/notes	80				47 677		47 757
Total revenue from purchased loan portfolios	564 675	502 567	717 357	225 216	517 431		2 527 246
Revenue from external collection	114 499		2 138	123 289	15 736		255 662
Other operating revenues	20 881	117 781	-4 684	54 595	-65 858		122 714
Total other revenues	135 380	117 781	-2 545	177 884	-50 123		378 376
Total revenues	700 055	620 348	714 811	403 099	467 308		2 905 622
Cost to collect	-206 339	-301 323	-183 992	-94 898	-196 467		-983 019
Cost other revenues	-112 074	-60 969	-1 420	-155 704	-13 754		-343 920
Administration and management costs	-7 313	-3 606	-3 996	-2 349	-1 531	-125 907	-144 702
EBITDA	374 329	254 451	525 404	150 148	255 556	-125 907	1 433 981
Depreciation and amortisation	-6 808	-27 598	-5 273	-11 803	-4 156	-488	-56 126
Operating profit/(loss)	367 521	226 853	520 131	138 346	251 401	-126 396	1 377 856

Quarter 4, 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	376 475	107 909	6 401	25 135	49 820		565 740
Purchased loan portfolios, book value							
Purchased loan portfolios	4 744 520	2 056 527	3 365 415	1 991 155	1 262 103		13 419 720
Participation loan/notes to SPV's for purchase of loan portfolios					541 683		541 683
Purchased loan portfolios at 31 December	4 744 520	2 056 527	3 365 415	1 991 155	1 803 786		13 961 403

Quarter 4, 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	836 440	159 734	57 879	196 174	216 743		1 466 970
Purchased loan portfolios, book value							
Purchased loan portfolios	3 764 203	2 034 868	4 231 599	1 811 326	1 504 101		13 346 098
Participation loan/notes to SPV's for purchase of loan portfolios					588 846		588 846
Purchased loan portfolios at 31 December	3 764 203	2 034 868	4 231 599	1 811 326	2 092 948		13 934 944

Full Year, 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	2 108 286	400 702	283 331	372 454	244 667		3 409 441
Purchased loan portfolios, book value							
Purchased loan portfolios	4 744 520	2 056 527	3 365 415	1 991 155	1 262 103		13 419 720
Participation loan/notes to SPV's for purchase of loan portfolios					541 683		541 683
Purchased loan portfolios at 31 December	4 744 520	2 056 527	3 365 415	1 991 155	1 803 786		13 961 403

Full Year, 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	1 884 537	657 269	1 454 467	804 830	1 411 502		6 212 604
Purchased loan portfolios, book value							
Purchased loan portfolios	3 764 203	2 034 868	4 231 599	1 811 326	1 504 101		13 346 098
Participation loan/notes to SPV's for purchase of loan portfolios					588 846		588 846
Purchased loan portfolios at 31 December	3 764 203	2 034 868	4 231 599	1 811 326	2 092 948		13 934 944

Note 4 – Purchased loan portfolios

Purchased loan portfolios

All figures in NOK* 000s

	2019 Quarter 4	2018 Quarter 4	2019 Full Year	2018 Full Year
Opening balance	13 748 924	12 641 704	13 346 098	8 731 632
Acquired in business combinations		-53 104		618 111
Portfolio purchases in the period	565 740	1 466 970	3 409 441	6 212 604
Gross cash collection from purchased loan portfolios	-1 294 689	-1 168 514	-5 202 047	-3 997 380
Interest income from purchased loan portfolios	692 304	676 160	2 713 165	2 537 113
Net credit gain/(loss) from purchased loan portfolios	-16 963	2 645	-400 127	-57 625
Book value of sold loan portfolios ¹⁾	-311 497	-866 195	-311 497	-866 195
Exchange rate differences	35 901	646 433	-135 313	167 837
Closing balance	13 419 720	13 346 098	13 419 720	13 346 098

1) Book value of sold loan portfolios is at an arm's length transaction price

The face value of purchased loan portfolios at 31 December 2019 amounts to NOK 160,500 million including accrued interest (2018: NOK 131,935 million).

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 4, 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	1 008	6 436	67 307	37 189	26 331		138 271
Changes in future collection estimates	-1 368	-11 590	-70 876	-47 675	-24 893		-156 402
Net credit gain/(loss) from secured portfolios	-360	-5 154	-3 569	-10 486	1 438		-18 131
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	-11 526	8 919	691	6 356	5 461		9 901
Changes in future collection estimates	-7 355	54	-293	-1 508	369		-8 734
Net credit gain/loss from unsecured portfolios	-18 881	8 973	398	4 848	5 829		1 167
Net credit gain/(loss) from purchased loan portfolios	-19 241	3 819	-3 171	-5 638	7 268		-16 963

Quarter 4, 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	-682	126	-343 729	24 276	-40 038		-360 048
Changes in future collection estimates	273	1 959	310 245	-9 331	42 503		345 648
Net credit gain/(loss) from secured portfolios	-409	2 084	-33 484	14 945	2 465		-14 399
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	28 435	-322	-5 328	9 793	7 413		39 990
Changes in future collection estimates	-15 575	2 486	-3 055	3 754	-10 555		-22 946
Net credit gain/loss from unsecured portfolios	12 860	2 164	-8 383	13 546	-3 142		17 044
Net credit gain/(loss) from purchased loan portfolios	12 451	4 248	-41 868	28 491	-677		2 645

Full year, 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	2 066	1 607	-514 365	72 898	-135 543		-573 337
Changes in future collection estimates	-8 040	-11 999	29 775	26 145	-16 778		19 103
Net credit gain/(loss) from secured portfolios	-5 974	-10 392	-484 590	99 043	-152 321		-554 234
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	81 266	50 248	-3 220	28 269	8 556		165 119
Changes in future collection estimates	-31 206	4 601	13 175	-1 956	4 374		-11 012
Net credit gain/loss from unsecured portfolios	50 060	54 849	9 955	26 313	12 930		154 107
Net credit gain/(loss) from purchased loan portfolios	44 086	44 457	-474 635	125 356	-139 391		-400 127

Full year, 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	5 599	5 161	-158 336	68 322	-92 138		-171 392
Changes in future collection estimates	-7 868	-1 807	86 252	-65 595	85 021		96 003
Net credit gain/(loss) from secured portfolios	-2 269	3 353	-72 084	2 727	-7 117		-75 390
<i>Unsecured portfolios:</i>							
Collection above/(below) estimates	7 770	-6 731	4 571	16 549	21 699		43 858
Changes in future collection estimates	-14 194	-12 451	-2 922	6 330	-2 856		-26 094
Net credit gain/loss from unsecured portfolios	-6 424	-19 182	1 648	22 880	18 843		17 765
Net credit gain/(loss) from purchased loan portfolios	-8 693	-15 828	-70 436	25 607	11 726		-57 625

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 4	2018 Quarter 4	2019 Full Year	2018 Full Year
Portfolio purchases in the period	-565 740	-1 466 970	-3 409 441	-6 212 604
Participation notes to SPV for purchase of portfolio			-167 033	-167 033
Net cash effect from portfolio sold to SPV		509 912		509 912
Sale price sold portfolios	311 496	-4 458	311 496	-4 458
Change in prepaid amounts and amounts due on portfolio purchases	-31 773	-251 554	-19 029	-4 459
Net portfolio purchases, cash flow statement	-286 017	-1 380 103	-3 116 974	-5 878 642

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
As at 31 December 2019							
<i>All figures in NOK '000s</i>							
Financial assets							
Purchased loan portfolios		13 419 720	13 419 720			14 005 408	14 005 408
Loans receivable		345 160	345 160			345 160	345 160
Derivatives	7 708		7 708		7 708		7 708
Participation loan/notes	541 683		541 683			541 683	541 683
Other financial assets	0	703	703		0	703	703
Total	549 391	13 765 583	14 314 974	7 708	14 892 954	14 900 662	
Financial liabilities							
Interest bearing loans and borrowings		11 735 175	11 735 175	8 776 854	2 901 406		11 678 261
Derivatives	24 494		24 494		24 494		24 494
Contingent consideration	58 553		58 553			58 553	58 553
Total	83 047	11 735 175	11 818 222	8 776 854	2 925 900	58 553	11 761 308

	Carrying amount			Fair value			
	Fair value over profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
As at 31 December 2018							
<i>All figures in NOK '000s</i>							
Financial assets							
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
Total	630 565	13 707 000	14 337 565	41 719	14 709 186	14 750 905	
Financial liabilities							
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
Total	220 581	10 828 286	11 048 867	7 059 811	3 796 906	157 342	11 014 059

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 377 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, PLN and SEK. To obtain a more balanced currency basket, the Group has entered into the following currency derivatives at 31 December 2019: (i) FX Forward of NOK 250 million (bought) against DKK (sold), (ii) FX Forward of EUR 35 million (bought) against DKK (sold), (iii) FX Forward of EUR 45 million (bought) against SEK (sold) and (iv) FX Forward of EUR 10 million (bought) against PLN (sold). The fair value of the currency derivatives was NOK -4.8 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 31 December 2019 was 71 % with a duration of 3.2 years and the fair value of the interest rate hedging derivatives was NOK -12.0 million.

Net financial items

All figures in NOK '000s

	2019 Quarter 4	2018 Quarter 4	2019 Full Year	2018 Full Year
Interest income	364	304	3 043	4 183
Other financial income	1 613	144	9 608	469
Financial income	1 977	449	12 651	4 652
Interest expenses	-206 446	-172 211	-770 502	-607 961
Change in fair value of interest rate derivatives	7 772	-12 032	-31 340	-2 599
Other financial expenses	13 429	-4 776	7 379	-7 817
Financial expenses	-185 245	-189 020	-794 463	-618 378
Realised exchange gain/(loss)	-24 355	-29 234	16 494	48 645
Unrealised exchange gain/(loss)	24 175	118 760	-75 714	34 639
Change in fair value of currency derivatives	-6 520	-49 983	47 362	-39 311
Net exchange gain/(loss)	-6 699	39 544	-11 858	43 973
Net financial items	-189 968	-149 028	-793 670	-569 753

Note 6 - Interest bearing loans and borrowings

All figures in NOK '000s

	As at 31 December 2019		As at 31 December 2018	
	Current	Non-current	Current	Non-current
Multi-currency revolving credit facility		2 804 773		3 674 189
Bond loan	1 497 563	7 336 206		7 094 618
Short term interest bearing loans & borrowings			363	
Bank overdraft	96 634		59 115	
Total	1 594 197	10 140 978	59 478	10 768 808

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 31 December 2019. There are no instalments required to be paid before maturity.

At 31 December 2019, NOK 300 million, PLN 780 million and SEK 800 million, in total EUR 290 million, was utilised from the EUR 470 million multi-currency revolving credit facility, leaving an available, undrawn amount of EUR 180 million. The multi-currency overdraft facility of EUR 40 million was utilised with EUR 10 million, leaving an available, undrawn amount of EUR 30 million at 31 December 2019.

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

B2Holding is in compliance with all financial covenants in relation to the RCF and the bond loans as of Q4 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. The Equity Ratio (excluding book value of IFRS 16 right-of-use asset) was 25,2% at 31 December 2019 while the Total Loan to Value ratio was 74,2%.

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 ¹⁾ NOK'000s
At 31 December 2018	409 032 598	40 903	2 835 895
Exercise of employee share options on 25 January 2019 at an average subscription of 8,356	900 000	90	7 430
At 31 December 2019	409 932 598	40 993	2 843 325
At 27 February 2020 (date of completion of these interim condensed financial statements)	409 932 598	40 993	2 843 325

1) Net proceeds after transaction costs

Note 8 – Share based payments

Due to changes in Group Management 270,000 share options were terminated in fourth quarter 2019. Additionally to this 600,000 share options expired as of 31 December 2019, while there were no new share options granted in this quarter.

In February 2020, 2,100,000 share options were granted at a strike price of 8.726 NOK. Pursuant to the vesting schedule 1/3 of the options will vest one, two and three years after 25 June 2020. The strike price will be increased by 7 per cent per year from the first vesting date until the options are exercised.

At the date of these interim financial statements there are 21,225,000 share options outstanding.

Note 9 – Subsequent events

On 22 January it was announced that B2Holding through its Cypriot entity B2Kapital Cyprus, in a partnership with Waterfall Asset Management signed an agreement with Bank of Cyprus Public Company Ltd. for the acquisition of an unsecured non-performing loan portfolio. The portfolio has a Face Value of EUR 400m and consists of a mix of loan products issued to individuals and small businesses. The entire portfolio will be serviced by B2Kapital Cyprus.

On 5 February it was announced that Erik J. Johnsen has been appointed as CEO of the Company. Johnsen has been acting as CEO since 15 August 2019 and assumes the role with immediate effect.

On 7 February it was announced that B2 Kapital S.r.l., the Italian branch of B2Holding ASA, and Banca Sella S.p.A. have signed an agreement aimed at the acquisition and servicing of banking and financial non-performing loans (NPL), secured and unsecured, originated from third parties in the Italian market.

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 4	2018 Quarter 4	2019 Full Year	2018 Full Year
Operating profit/(loss)	291	326	959	1 378
Add back depreciation, amortisation and impairment losses	53	18	134	56
EBITDA	344	344	1 093	1 434
Total revenues	819	753	2 874	2 906
Add back amortisation/revaluation of purchased loan portfolios	619	490	2 889	1 518
Cash revenue	1 439	1 242	5 763	4 424
Operating profit/(loss)	291	326	959	1 378
Add back amortisation/revaluation of purchased loan portfolios	619	490	2 889	1 518
Add back depreciation and amortisation	53	18	134	56
Cash EBITDA	963	833	3 982	2 952

The following APM's are financial covenants in the RCF agreement and are calculated accordingly.

All figures in NOK million

	2019 31 Dec	2019 30 Sep	2019 30 Jun
Total assets	16 942	17 133	16 815
Total equity	4 237	4 122	3 942
Equity ratio	25,0 %	24,1 %	23,4 %
Total assets	16 942	17 133	16 815
Excluding IFRS 16 right-of-use asset	-134	-114	-114
Total assets excl IFRS 16 right-of-use asset	16 808	17 020	16 701
Equity ratio	25,2 %	24,2 %	23,6 %

All figures in NOK million

	2019 31 Dec	2019 30 Sep	2019 30 Jun
Bond loan (nominal value) ¹⁾	8 917	8 945	8 918
Revolving Credit Facility (nominal value) ¹⁾	2 863	3 013	2 979
Contingent consideration (earn out)	59	73	71
Vendor loan	121	153	165
FX Derivatives (MTM)	5	-2	15
Net cash balance including overdraft	-259	-114	-364
Total loan	11 705	12 068	11 785
Purchased loan portfolios	13 420	13 749	12 986
Investment and participation in joint ventures ²⁾	922	872	1 200
Other assets ³⁾	1 433	1 375	1 278
Book value	15 775	15 995	15 464
Total Loan to Value % (TLTV)	74,2 %	75,4 %	76,2 %

1) Bond loans and revolving credit facility (RCF) are measured at nominal value according to the definitions of financial covenants. In the Consolidated statement of financial position this is included in "long-term interest bearing loans and borrowings", with bonds measured at amortised cost and RCF at linear cost

2) Included in "investment in associated companies and joint ventures" and "participation loan/notes" in the Consolidated statement of financial position

3) Included in "goodwill", "loan receivables" and "other short-term assets" in the Consolidated statement of financial position

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 and assets recovered 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 debt

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

Net interest-bearing debt

Net interest-bearing debt consist 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 are 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 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

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