

# Q3

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THIRD QUARTER 2018



## Summary

The B2Holding Group continued the strong operational growth in the third quarter with another record high operating profit for the Group. Portfolio acquisitions reached all-time high in a third quarter and was well diversified in asset classes and regions, with 63% of the acquisitions made in Northern and Western Europe. In the third quarter B2Holding Group obtained a finance company license in Norway and IFN license in Romania. The B2Holding Group has a solid investment capacity and is thus well positioned to take advantage of the current market with strong pipeline and attractive returns.

### Third quarter 2018

- ERC<sup>1)</sup> at end of period was NOK 20,608million (12,191), an increase of 69% compared to the same period in 2017
- Strong gross cash collection from purchased portfolios, an increase of 57% to NOK 1,022million (650)
- Revenues increased by 44% to NOK 746million (519)
- Operating profit increased by 46% to NOK 370million (253) after record strong operations
- Cash EBITDA increased by 65% to NOK 778million (472)
- Portfolio acquisitions ended at NOK 988million (702), an increase of 41%.

### YTD September 2018

- Gross cash collection from purchased portfolios increased by 55% to NOK 2,829 (1,829)
- Portfolio acquisitions for the period ended at NOK 4,746 (2,161)

(Comparable numbers for Q3 2017/YTD September 2017 in brackets)

(NOK million)	2018 Quarter 3	2017 Quarter 3	Change %	2018 9 months	2017 9 months	Change %	2017 Full year
Total revenues <sup>2)</sup>	746	519	44 %	2,153	1,461	47 %	2,083
EBITDA	382	262	46 %	1,090	709	54 %	1,020
Operating profit (EBIT)	370	253	46 %	1,052	683	54 %	984
Profit margin <sup>2)</sup>	50 %	49 %		49 %	47 %		47 %
Cash revenue <sup>2)</sup>	1,141	730	56 %	3,181	2,043	56 %	2,878
Cash EBITDA	778	472	65 %	2,118	1,291	64 %	1,815
Cash margin	68 %	65 %		67 %	63 %		63 %
Profit for the period after tax	159	113	40 %	492	324	52 %	481
Basic earnings per share, NOK	0.39	0.31	25 %	1.24	0.88	41 %	1.30
Cash flow from operating activities	686	315	118 %	1,759	857	105 %	1,289
Operating cash flow per share, NOK	1.68	0.85	97 %	4.45	2.32	92 %	3.49
Portfolio acquisitions	988	702	41 %	4,746	2,161	120 %	4,112
Gross cash collection from purchased loan portfolios	1,022	650	57 %	2,829	1,829	55 %	2,552
ERC (at end of month) <sup>1)</sup>	20,608	12,191	69 %	20,608	12,191	69 %	15,264

1) Including the Group's share of portfolio acquired and held in joint venture

2) Figures and alternative performance measures (APMs) for 2017 have been restated due to change in classification of "Profit from shares and participation in associated companies and joint ventures", see note 1 for further information (see page 18 for reconciliation of APMs to the financial statements and page 19 for definition of APMs)

**The third quarter represented another strong quarter for the Group in terms of gross cash collections from purchased portfolios and portfolio acquisitions. Portfolio acquisitions were well diversified in asset classes and regions, with majority of the acquisitions within Northern and Western Europe.**

**Operational review**

The third quarter represented a 57% increase in gross cash collections from third quarter 2017. The third quarter is usually influenced by some degree of seasonality in the markets where the Group operates, due to holiday season in July in Northern Europe and in August in the rest of Europe. The Portfolio investment activity was high for the third quarter with total portfolio acquisitions of NOK 988million, an 41% increase from the third quarter 2017. Portfolios were acquired in all the Group's main markets, with the highest activity in the Nordics and Italy. In the first nine months of 2018, the Group purchased portfolios for NOK 4,746million.

In July, the Group announced the acquisition of a portfolio from Banca Sella in Italy, with an aggregate nominal value of approximately EUR 214million. The portfolio which included a combination of secured and unsecured claims, was the largest portfolio acquired in Italy so far, and represented an important step in the further development of the Group's operation in Italy.

In the third quarter, the Group received a Finance company license in Norway, and an IFN license in Romania. This enables the Group to acquire non-performing as well as performing claims from all kind of financial institutions including banks in these markets.

The Group has seen a good level of activity in the Northern and Western Europe markets, whereas the level of investments in most of the other markets showed a lower level of activity. This development shows the strength of the B2Holding business model, where all the Group's markets combined reduces the risk of being too exposed to the pipeline and market development in specific markets.

Number of FTEs in the Group was 2,284 at end of September 2018, up 35% from the end of September 2017.

**Corporate matters**

The shares of B2Holding ASA were listed on the Oslo Stock Exchange on 8 June 2016 at NOK 12 per share. The share price as of 30 September 2018 was NOK 16.20.

In the third quarter the Group completed an agreement with DNB Bank ASA, Nordea Bank AB and Swedbank AB to amend and extend the Group's existing Revolving Credit Facility (RCF). The agreement provides an extension of the maturity date of the RCF from 27 August 2019 to 31 May 2022. The margin structure remains unchanged.

The Group's fourth bond loan issued on 23 May 2018 with maturity in May 2023 was listed on Oslo Stock Exchange on 5 July 2018. In addition to the mentioned bond loan, the Group has three listed senior unsecured bond loans of EUR 525million combined issued on 4 December 2015 (EUR 150million, 2015/2020), 4 October 2016 (EUR 175million, 2016/2021) and 14 November 2017 (EUR 200million, 2017/2022).

Adjusted for deferred payment for portfolio purchases of 396million, the Group has NOK 1.7billion available for investments at the end of the third quarter in addition to strong operating cash flow from collections of purchased loan portfolios.

Net interest-bearing debt as of 30 September 2018 was NOK 9,208million and the equity ratio was 26.5%.

**Outlook**

With operations in all the largest markets for Non-performing loans in Europe, the Group see a strong pipeline of both secured and unsecured portfolios going forward.

The Group are entering a phase where a lower growth rate should be expected, and with increased focus on operational efficiency and on continued delivery of financial targets. With a record high activity within portfolio acquisitions so far in 2018 the Group is comfortable with the expected activities for the full year of 2018.

In October the Group announced a co-investment structure with European Bank of Reconstruction and Development (EBRD) for the first portfolios acquired in the Greece market from Alpha-Bank earlier this year. In addition, the Group has entered into a co-investment structure with Waterfall Asset Management for a new portfolio acquired from Eurobank in Greece. These agreements represent an important milestone for the Group's operations in Greece going forward.

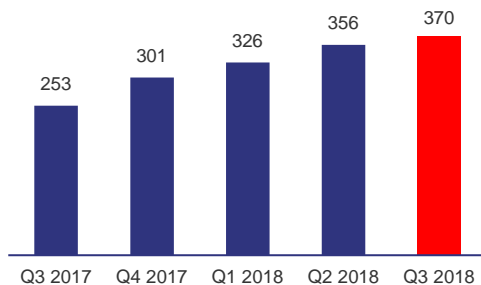
**Disclaimer**

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 November 2018

## Financials

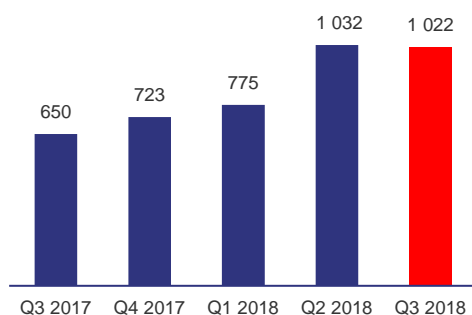
**The Group achieved a record high operating profit of NOK 370million in the third quarter of 2018, an increase of NOK 117million (46 %) compared to the third quarter of 2017. The strong collection performance from the second quarter of 2018 continued through the third quarter of 2018.**



Operating profit (NOKm)

### Revenues, expenses and profits

Total operating revenues for the third quarter amounted to NOK 746million, an increase of NOK 117million (46%) from the third quarter of 2017. Interest revenues from purchased portfolios increased with 56% to NOK 680million in the same period due to increased portfolio acquisitions and expansion into new markets in 2017 and 2018. In Q3 2018 the Group experienced a net credit loss from purchased portfolios of NOK 53million, mainly due to the timing effect for secured portfolios in Central Europe and South Eastern Europe. Collection above estimates was NOK 108million and changes in future collections estimates amounted to NOK -160million. Changes in future estimates and collection above estimates is mainly related to timing effects in cash collection from secured portfolios. Total gross cash collections from purchased loan portfolios ended in third quarter 2018 at NOK 1,022million, an increase of NOK 372million (57%) with growth in all segments compared to the same period in 2017. Portfolio amortisation and revaluation increased with NOK 185million (88%) compared to same quarter in 2017. The main increase is related to strong collection performance in Central and Western Europe. Total amortisation and revaluation are still in the lower end, 39% (32%) of gross collection, mainly due to the amortisation profile on secured portfolios.



Gross cash collection (NOKm)

Cash collection in joint venture continuing according to plan, but due to high amortisation and revaluation of the portfolio in the period, the revenue of NOK 4million is below previous quarters. The revenue from joint ventures is expected to increase in the coming quarters. Other revenues increase with NOK 55million (91%) mainly due to the acquisition of Verifica (Spain) in the end of 2017 and increased activity in the lending business in Poland (Takto).

Operating expenses excluding depreciation and amortisation increased with NOK 106million (41%) compared to third quarter 2017, and profit margin ended at 50% (49%). Operating expenses increased due to entry into new markets, high collection numbers and portfolio acquisitions. The cost related to gross collection from purchased portfolios (cost to collect %) decreased from 28% in third quarter 2017 to 25% in third quarter 2018 due to improved efficiency in operations, volume effect in collection and investments in secured portfolios.

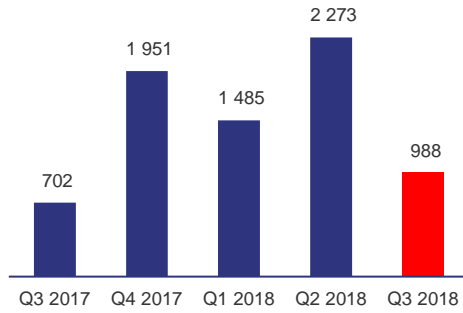
Net financial items ended the quarter with a net expense of NOK 183million, of which NOK 166million in interest expenses was related to the external financing of the Group, and a net exchange loss of NOK 19million.

Profit after tax for the period ended at NOK 186million, representing an increase of NOK 45million (40%) compared to the same period last year.

### Cash flows

Operating cash flow of NOK 686million in the period was NOK 371million (118%) above the same period in 2017. The increase is mainly due to growth in gross cash collection, improved operating margins and working capital items, reduced by increased interest payments.

Cash flow used in investment activities ended at NOK 2,097million, mainly related to portfolio purchases. The difference between the reported investments in portfolios and the cash flow investments is due to deferred payments on portfolio purchases. As at end of September deferred payments for portfolios purchases amounts to NOK 396million 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 1,289million after increased external borrowings of NOK 1,277million. Interest bearing debt at the end of the quarter amounted to NOK 9,881million compared to NOK 6,854million at year-end 2017.

#### YTD September 2018

The first nine months of 2018 showed a strong operating profit of NOK 1,052million, which is an increase of NOK 369million (54%) from the same period in 2017. The profit margin increases in the same period from 47% to 49% due to focus on operational efficiency and growth in key markets, somewhat reduced by high Group project cost in second quarter 2018. Gross cash collected amounts to NOK 2,829million compared to NOK 1,829million in 2017 (55%). Net financial items ended at NOK 251million and is mainly related to the financing of the Group. Profit after tax ended at NOK 492million an increase of NOK 168million (52%) from same period 2017.

## Condensed consolidated income statement <sup>1)</sup>

All figures in NOK '000s unless otherwise stated

	Notes	2018	2017	2018	2017	2017
		Quarter 3	Quarter 3	9 months	9 months	Full year
		IFRS 9	IAS 39	IFRS 9	IAS 39	IAS 39
Interest income from purchased loan portfolios		679,505	436,718	1,860,953	1,191,935	1,680,221
Net credit gain/loss purchased loan portfolios	4	-52,932	2,384	-60,270	54,556	76,919
Profit from shares and participation in associated companies and joint ventures		4,035	19,823	23,893	48,413	70,083
Other revenues	3	115,449	60,471	328,499	165,792	255,538
<b>Total revenues</b>	3	<b>746,056</b>	<b>519,396</b>	<b>2,153,075</b>	<b>1,460,695</b>	<b>2,082,762</b>
External expenses of services provided		-90,664	-64,781	-266,021	-216,925	-285,539
Personnel expenses		-172,981	-122,612	-498,162	-335,734	-490,287
Other operating expenses		-99,937	-70,479	-298,625	-199,359	-286,837
Depreciation and amortisation of tangible and intangible assets		-12,811	-8,519	-38,439	-25,494	-35,893
<b>Operating profit (EBIT)</b>	3	<b>369,663</b>	<b>253,003</b>	<b>1,051,827</b>	<b>683,184</b>	<b>984,205</b>
Financial income		1,671	912	4,203	1,886	3,290
Financial expenses		-166,416	-90,967	-429,357	-250,710	-358,157
Net exchange gain/(loss)		-18,515	-11,688	4,429	-1,702	18,283
<b>Net financial items</b>	5	<b>-183,260</b>	<b>-101,743</b>	<b>-420,725</b>	<b>-250,526</b>	<b>-336,583</b>
<b>Profit before tax</b>		<b>186,402</b>	<b>151,260</b>	<b>631,102</b>	<b>432,657</b>	<b>647,622</b>
Income tax expense		-27,668	-37,852	-138,843	-108,190	-166,391
<b>Profit for the period after tax</b>		<b>158,734</b>	<b>113,408</b>	<b>492,260</b>	<b>324,467</b>	<b>481,231</b>
<b>Profit attributable to:</b>						
Parent company shareholders		158,676	113,555	492,149	324,919	481,651
Non-controlling interests		58	-147	110	-452	-420
Basic earnings per share, NOK		0.39	0.31	1.24	0.88	1.30
Diluted earnings per share, NOK		0.38	0.30	1.22	0.86	1.27

1) See note 1 for details regarding change in presentation of financial information

## Consolidated statement of comprehensive income

All figures in NOK '000s

	2018	2017	2018	2017	2017
	Quarter 3	Quarter 3	9 months	9 months	Full year
	IFRS 9	IAS 39	IFRS 9	IAS 39	IAS 39
<b>Profit for the period after tax</b>	<b>158,734</b>	<b>113,408</b>	<b>492,260</b>	<b>324,467</b>	<b>481,231</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	18,549	-82,000	-188,540	127,214	304,408
Hedging of currency risk in foreign operations	-7,264	7,217	9,444	-6,064	-19,828
Tax attributable to items that may be reclassified to profit or loss	1,816	-1,804	-2,361	1,516	4,957
<b>Other comprehensive income for the period, net of tax</b>	<b>13,101</b>	<b>-76,587</b>	<b>-181,457</b>	<b>122,666</b>	<b>289,537</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>171,835</b>	<b>36,821</b>	<b>310,802</b>	<b>447,133</b>	<b>770,769</b>
<b>Profit attributable to:</b>					
Parent company shareholders	171,787	36,935	310,650	447,640	771,234
Non-controlling interests	48	-115	152	-508	-465

## Condensed consolidated statement of financial position

All figures in NOK '000s

	Notes	2018	2017	2017
		30 Sep IFRS 9	30 Sep IAS 39	31 Dec <sup>1)</sup> IAS 39
Tangible and intangible assets		240,730	91,944	201,015
Goodwill		715,708	418,866	522,366
Purchased loan portfolios	3,4,5	12,641,704	6,577,177	8,731,632
Other long term financial assets	5	505,820	557,514	617,766
Deferred tax asset		58,909	70,408	65,778
<b>Total non-current assets</b>		<b>14,162,872</b>	<b>7,715,909</b>	<b>10,138,557</b>
Other short term assets	5	276,475	243,411	206,873
Cash and short term deposits		673,309	332,563	452,000
<b>Total current assets</b>		<b>949,785</b>	<b>575,974</b>	<b>658,874</b>
<b>Total assets</b>		<b>15,112,657</b>	<b>8,291,883</b>	<b>10,797,431</b>
Equity attributable to parent company's shareholders	7	4,011,619	2,821,655	3,148,569
Equity attributable to non-controlling interests		-334	-2,212	-189
<b>Total equity</b>		<b>4,011,285</b>	<b>2,819,443</b>	<b>3,148,380</b>
Long term interest bearing loans and borrowings	5,6	9,664,850	4,876,233	5,738,696
Deferred tax liabilities		174,263	47,701	95,709
Other long term liabilities	5	100,915	69,672	70,207
<b>Total non-current liabilities</b>		<b>9,940,028</b>	<b>4,993,606</b>	<b>5,904,612</b>
Short term interest bearing loans and borrowings	5,6			989,436
Bank overdraft	5,6	216,245		125,655
Accounts and other payables		527,792	91,215	266,603
Income taxes payable		37,809	64,438	56,531
Other current liabilities	5	379,498	323,182	306,213
<b>Total current liabilities</b>		<b>1,161,343</b>	<b>478,835</b>	<b>1,744,439</b>
<b>Total equity &amp; liabilities</b>		<b>15,112,657</b>	<b>8,291,883</b>	<b>10,797,431</b>

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

## Condensed consolidated statement of changes in equity

All figures in NOK '000s

	Notes	2018			2017		
		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>3,148,569</b>	<b>-189</b>	<b>3,148,380</b>	<b>2,426,417</b>	<b>-1,528</b>	<b>2,424,889</b>
Implementation effect IFRS 9	1	-69,476	-24	-69,500			
<b>Restated at 1 January</b>		<b>3,079,093</b>	<b>-213</b>	<b>3,078,880</b>	<b>2,426,417</b>	<b>-1,528</b>	<b>2,424,889</b>
Profit for the period after tax		492,149	110	492,260	324,919	-452	324,467
Other comprehensive income for the period, net of tax		-181,499	42	-181,457	122,721	-56	122,666
<b>Total comprehensive income</b>		<b>310,650</b>	<b>152</b>	<b>310,802</b>	<b>447,640</b>	<b>-508</b>	<b>447,133</b>
Dividend paid to parent company's shareholders		-121,930		-121,930	-55,368		-55,368
Issue of share capital	7	760,994		760,994			
Transaction costs	7	-19,015		-19,015			
Share based payments		1,827		1,827	2,967		2,967
Dividends to non-controlling interests			-273	-273		-176	-176
<b>At 30 September</b>		<b>4,011,619</b>	<b>-334</b>	<b>4,011,285</b>	<b>2,821,655</b>	<b>-2,212</b>	<b>2,819,443</b>

## Condensed consolidated statement of cash flows

All figures in NOK '000s

	Notes	2018 Quarter 3	2017 Quarter 3	2018 9 months	2017 9 months	2017 Full year
<b>Cash flow from operating activities</b>						
Profit for the period before tax		186,402	151,260	631,102	432,657	647,622
Amortisation/revaluation of purchased loan portfolios	3	395,366	210,593	1,028,182	582,338	795,141
Adjustment other non-cash items		14,609	9,340	44,898	26,044	36,485
Interest expenses		165,482	91,274	426,317	249,878	357,153
Interest paid		-142,907	-77,741	-382,265	-220,977	-317,953
Unrealised foreign exchange differences		77,152	18,869	137,893	-28,771	-97,515
Income tax paid during the year		-33,759	-24,340	-125,436	-113,030	-138,139
Change in working capital		10,628	-53,969	15,367	-63,053	68,665
Change in other balance sheet items		13,012	-10,305	-17,485	-7,984	-62,122
<b>Net cash flow from operating activities</b>		<b>685,984</b>	<b>314,982</b>	<b>1,758,573</b>	<b>857,101</b>	<b>1,289,337</b>
<b>Cash flow from investing activities</b>						
Purchase of loan portfolios	3,4	-2,059,148	-883,469	-4,498,539	-2,305,785	-4,072,940
Net investments in intangible and tangible assets		-37,803	-4,508	-68,376	-20,341	-52,814
Investments in business acquisitions				-294,493	-29,597	-144,355
<b>Net cash flow from investing activities</b>		<b>-2,096,951</b>	<b>-887,977</b>	<b>-4,861,407</b>	<b>-2,355,724</b>	<b>-4,270,109</b>
<b>Cash flow from financing activities</b>						
Net new share issue	7	12,115		741,979		4,140
Net receipts/(payments) on interest bearing loans and borrowings		1,276,715	545,860	2,639,168	1,514,369	3,114,991
Dividend paid to parent company's shareholders				-121,930	-55,368	-55,368
Dividends paid to non-controlling interests				-273	-176	-176
<b>Net cash flow from financing activities</b>		<b>1,288,829</b>	<b>545,860</b>	<b>3,258,944</b>	<b>1,458,825</b>	<b>3,063,587</b>
<b>Net cash flow during the period</b>		<b>-122,137</b>	<b>-27,135</b>	<b>156,110</b>	<b>-39,798</b>	<b>82,816</b>
Cash and cash equivalents at beginning of the period		584,001	226,791	326,345	217,608	217,608
Exchange rate difference on cash and cash equivalents		-4,798	-13,910	-25,388	7,935	25,921
<b>Cash and cash equivalents at end of the period</b>		<b>457,065</b>	<b>185,745</b>	<b>457,065</b>	<b>185,745</b>	<b>326,345</b>
<i>Cash and cash equivalents comprised of:</i>						
Cash and short term deposits		673,309	332,563	673,309	332,563	452,000
Bank overdraft		-216,245	-146,818	-216,245	-146,818	-125,655

## 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 the acquisition, 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.

These interim condensed consolidated financial statements for the third quarter ended 30 September 2018 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 of the type normally included in annual financial statement. Accordingly, this report should be read in conjunction with the Annual Report 2017 B2Holding Group. The consolidated financial statements for 2017 are available upon request from the company and at [www.b2holding.no](http://www.b2holding.no). The condensed consolidated interim financial statements consist of the Group and the Group's interests in associated companies and joint arrangements.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2017, with the exceptions given below in the section Adoption of new IFRS standards. As a result of rounding differences, numbers or percentages may not add up to the total.

The financial information for the quarters ended 30 September 2018 and 30 September 2017, and this interim financial report are unaudited. The financial report was approved by the Board of Directors on 27 November 2018.

#### Change in presentation of financial information:

In connection with the adoption of IFRS 9 "Financial instruments" and the new presentation requirements of IAS 1.82(a)(i) and IAS 1.82(ba), the Group has from the first quarter 2018 restated the line item presentation within total operating revenues in the condensed consolidated interim income statement. The changes in presentation include the new line, "Interest income from purchased loan portfolios", which is the interest revenue using the effective interest method from the purchased loan portfolios. The new line item "Net credit gain /loss purchased loan portfolios" which is the credit gain/ loss recognised for the reporting period for the purchased loan portfolios, this was previously part of "Revenue from purchased portfolios". In addition, the line item "Profit from shares and participation in associated companies and joint ventures" is moved from the section "Operating profit (EBIT)" to the section "Total revenues". There is no impact on "Operating profit (EBIT)", "Profit after tax" or "Total equity" from these reclassifications. Profit margin decreases in all periods due to due to reclassification of the joint venture revenue. The previously reported and reclassified revenues are given in the table below:

#### Condensed consolidated income statement, reclassified

All figures in NOK '000s

	Q1 2017		Q2 2017		Q3 2017		Q4 2017		Year 2017	
	Reported	Reclass.	Reported	Reclass.	Reported	Reclass.	Reported	Reclass.	Reported	Reclass.
Revenue from purchased loan portfolios	396 511		410 880		439 100		510 649		1 757 140	
Other operating revenues	49 891		55 430		60 471		89 746		255 538	
<b>Total operating revenues</b>	<b>446 402</b>		<b>466 310</b>		<b>499 572</b>		<b>600 395</b>		<b>2 012 678</b>	
Interest income from purchased loan portfolios		361 571		393 646		436 718		488 286		1 680 221
Net credit gain/loss purchased loan portfolios		34 940		17 233		2 384		22 363		76 919
Profit from shares and participation in associated companies and joint ventures		12 606		15 984		19 823		21 671		70 083
Other revenues		49 891		55 430		60 471		89 746		255 538
<b>Total revenues</b>		<b>459 008</b>		<b>482 293</b>		<b>519 396</b>		<b>622 066</b>		<b>2 082 762</b>
<b>Operating profit (EBIT)</b>	<b>212 979</b>	<b>212 979</b>	<b>217 202</b>	<b>217 202</b>	<b>253 003</b>	<b>253 003</b>	<b>301 022</b>	<b>301 022</b>	<b>984 205</b>	<b>984 205</b>
<b>Operating margin</b>	<b>48 %</b>	<b>46 %</b>	<b>47 %</b>	<b>45 %</b>	<b>51 %</b>	<b>49 %</b>	<b>50 %</b>	<b>48 %</b>	<b>49 %</b>	<b>47 %</b>

#### Adoption of new IFRS standards:

Information regarding new IFRS standards is disclosed in the first quarter 2018 interim financial statements. The consolidated interim financial statements are available upon request from the company and at [www.b2holding.no](http://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 the interim financial statements as for the consolidated financial statements for 2017 except for the judgement described below with the implementation of IFRS 9.

Purchased loan portfolios are the primary business activity of the Group and consist of portfolios of non-performing loans and debt, purchased at prices significantly below the nominal receivable. Under IAS 39 these portfolios were carried at amortised cost using the effective interest method to measure and recognise income and adjustments in book value due to changes in estimated future cash flows. Under IFRS 9, these portfolios are defined as credit-impaired at acquisition, and classification under IFRS 9 is dependent on an evaluation of the B2Holding business model and whether these portfolios meet the SPPI criteria. If these portfolios are determined to meet the criteria for a business model of Hold to collect and the cash flows consist of only principal and interest, then the classification is amortised cost. If not amortised cost, then the classification would be measurement at fair value over other comprehensive income (FVOCI), implying a business model of Hold to collect and sell, or at fair value over the income statement. Management has performed a detailed analysis and exercised significant judgement related to the classification of their purchased loan portfolios upon implementation of IFRS 9. Management reviewed the portfolio cash flows, collection methods, and strategies as well as the infrequency of sales of individual receivables claims in the process of coming to a classification decision. It is management's conclusion that the IFRS 9 criteria for a business model of Hold to collect and the SPPI criteria are satisfied for these portfolios. Purchased loan portfolios will continue to be measured at amortised cost using the effective interest method in accordance with the rules for credit-impaired at acquisition financial assets as set out in IFRS 9.

## Note 3 – Segment reporting

For management purposes, the Group is organised into different geographical regions corresponding to the countries where the Group has its operations. 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 consolidated financial statements. The differences are related to the line item presentation of revenue from purchased loan portfolios and the presentation of operating cost. Total revenues and operating profit are equal in segment reporting and in the consolidated income statement. See further 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 is included in the region where the portfolio is originated.

From 1 January 2018, the Group presents Western Europe as a new geographical region. Western Europe includes operations in Spain, Portugal, Italy and France. Comparable numbers for 2017 has been restated to be consistent with the 2018 presentation.

**Quarter 3, 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	265,678	210,061	311,422	105,165	129,613		1,021,938
<i>Of which, secured portfolios</i>	2,663	7,651	226,870	81,758	30,573		349,516
<i>Of which, unsecured portfolios</i>	263,014	202,409	84,552	23,407	99,040		672,423
Amortisation/revaluation of purchased loan portfolios	-122,160	-83,079	-131,384	-56,651	-2,091		-395,366
<b>Revenue from purchased loan portfolios</b>	<b>143,517</b>	<b>126,982</b>	<b>180,038</b>	<b>48,514</b>	<b>127,522</b>		<b>626,573</b>
Profit from shares and participation in associated companies and joint ventures					4,035		4,035
<b>Total revenue from purchased loan portfolios</b>	<b>143,517</b>	<b>126,982</b>	<b>180,038</b>	<b>48,514</b>	<b>131,556</b>		<b>630,607</b>
Other operating revenues	32,314	36,502	1,706	42,027	2,899		115,449
<i>Of which, revenue from external collection</i>	28,519		440	29,909	2,684		61,551
<i>Of which, other operating revenues</i>	3,796	36,502	1,267	12,118	216		53,898
<b>Total revenues</b>	<b>175,832</b>	<b>163,484</b>	<b>181,744</b>	<b>90,541</b>	<b>134,456</b>		<b>746,056</b>
Cost to collect	-49,218	-75,815	-49,259	-23,994	-53,447		-251,733
Cost other revenues	-26,609	-16,533	-296	-39,229	503		-82,164
Administration & management costs	-273					-29,412	-29,685
<b>EBITDA</b>	<b>99,731</b>	<b>71,136</b>	<b>132,189</b>	<b>27,318</b>	<b>81,511</b>	<b>-29,412</b>	<b>382,474</b>
Depreciation and amortisation of tangible and intangible fixed assets	-1,792	-5,629	-1,043	-3,086	-1,124	-136	-12,811
<b>Operating profit (EBIT)</b>	<b>97,939</b>	<b>65,506</b>	<b>131,146</b>	<b>24,232</b>	<b>80,388</b>	<b>-29,548</b>	<b>369,663</b>

**Quarter 3, 2017**

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	215,497	202,629	169,131	3,323	59,114		649,695
<i>Of which, secured portfolios</i>	561	4,360	117,177	997	6,238		129,333
<i>Of which, unsecured portfolios</i>	214,936	198,268	51,954	2,326	52,876		520,360
Amortisation/revaluation of purchased loan portfolios	-102,838	-98,456	-21,777	9,900	2,577		-210,593
<b>Revenue from purchased loan portfolios</b>	<b>112,659</b>	<b>104,173</b>	<b>147,354</b>	<b>13,223</b>	<b>61,691</b>		<b>439,100</b>
Profit from shares and participation in associated companies and joint ventures	109				19,714		19,823
<b>Total revenue from purchased loan portfolios</b>	<b>112,768</b>	<b>104,173</b>	<b>147,354</b>	<b>13,223</b>	<b>81,405</b>		<b>458,923</b>
Other revenues	30,540	24,782	1,957		3,192		60,471
<i>Of which, revenue from external collection</i>	26,757		1,289		3,179		31,225
<i>Of which, other operating revenues</i>	3,783	24,782	668		13		29,247
<b>Total revenues</b>	<b>143,308</b>	<b>128,956</b>	<b>149,311</b>	<b>13,223</b>	<b>84,597</b>		<b>519,396</b>
Cost to collect	-40,551	-77,595	-31,640	-5,412	-28,587		-183,785
Cost other revenues	-22,430	-14,445	-5,177	-118	-2,053		-44,223
Administration & management costs	-1,346					-28,518	-29,864
<b>EBITDA</b>	<b>78,981</b>	<b>36,915</b>	<b>112,494</b>	<b>7,693</b>	<b>53,957</b>	<b>-28,518</b>	<b>261,522</b>
Depreciation and amortisation of tangible and intangible fixed assets	-1,444	-5,932	-677	-15	-350	-100	-8,519
<b>Operating profit (EBIT)</b>	<b>77,536</b>	<b>30,983</b>	<b>111,817</b>	<b>7,678</b>	<b>53,607</b>	<b>-28,617</b>	<b>253,003</b>

9 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	780,493	655,877	849,306	180,585	362,605		2,828,865
<i>Of which, secured portfolios</i>	14,875	20,244	595,778	131,481	88,427		850,804
<i>Of which, unsecured portfolios</i>	765,618	635,632	253,528	49,105	274,178		1,978,061
Amortisation/revaluation of purchased loan portfolios	-393,627	-289,268	-297,649	-51,020	3,382		-1,028,182
<b>Revenue from purchased loan portfolios</b>	<b>386,865</b>	<b>366,609</b>	<b>551,657</b>	<b>129,565</b>	<b>365,987</b>		<b>1,800,683</b>
Profit from shares and participation in associated companies and joint ventures	13				23,880		23,893
<b>Total revenue from purchased loan portfolios</b>	<b>386,879</b>	<b>366,609</b>	<b>551,657</b>	<b>129,565</b>	<b>389,867</b>		<b>1,824,576</b>
Other revenues	93,594	94,397	4,189	125,700	10,618		328,499
<i>Of which, revenue from external collection</i>	82,753		1,616	85,548	10,541		180,458
<i>Of which, other operating revenues</i>	10,841	94,397	2,573	40,153	77		148,041
<b>Total revenues</b>	<b>480,473</b>	<b>461,006</b>	<b>555,846</b>	<b>255,265</b>	<b>400,485</b>		<b>2,153,075</b>
Cost to collect	-145,775	-227,366	-131,157	-53,453	-139,729		-697,480
Cost other revenues	-84,635	-46,047	-1,453	-112,392	-3,207		-247,735
Administration & management costs	-2,983					-114,612	-117,595
<b>EBITDA</b>	<b>247,079</b>	<b>187,594</b>	<b>423,235</b>	<b>89,421</b>	<b>257,549</b>	<b>-114,612</b>	<b>1,090,266</b>
Depreciation and amortisation of tangible and intangible fixed assets	-5,031	-19,456	-2,921	-8,155	-2,504	-372	-38,439
<b>Operating profit (EBIT)</b>	<b>242,048</b>	<b>168,138</b>	<b>420,314</b>	<b>81,266</b>	<b>255,045</b>	<b>-114,984</b>	<b>1,051,827</b>

9 months, 2017

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	556,429	638,225	470,303	4,654	159,218		1,828,829
<i>Of which, secured portfolios</i>	575	17,984	315,833	997	15,590		350,979
<i>Of which, unsecured portfolios</i>	555,854	620,241	154,470	3,657	143,627		1,477,849
Amortisation/revaluation of purchased loan portfolios	-274,553	-257,656	-50,965	13,953	-13,117		-582,338
<b>Revenue from purchased loan portfolios</b>	<b>281,876</b>	<b>380,569</b>	<b>419,338</b>	<b>18,607</b>	<b>146,101</b>		<b>1,246,491</b>
Profit from shares and participation in associated companies and joint ventures	-394				48,807		48,413
<b>Total revenue from purchased loan portfolios</b>	<b>281,482</b>	<b>380,569</b>	<b>419,338</b>	<b>18,607</b>	<b>194,909</b>		<b>1,294,903</b>
Other revenues	84,038	68,772	5,370		7,612		165,792
<i>Of which, revenue from external collection</i>	72,570		3,952		7,578		84,100
<i>Of which, other operating revenues</i>	11,468	68,772	1,418		34		81,692
<b>Total revenues</b>	<b>365,520</b>	<b>449,341</b>	<b>424,708</b>	<b>18,607</b>	<b>202,521</b>		<b>1,460,695</b>
Cost to collect	-113,543	-240,223	-95,820	-7,997	-75,019		-532,601
Cost other revenues	-73,648	-43,668	-9,139	-129	-12,072		-138,656
Administration & management costs	-2,621					-78,141	-80,762
<b>EBITDA</b>	<b>175,708</b>	<b>165,450</b>	<b>319,749</b>	<b>10,481</b>	<b>115,430</b>	<b>-78,141</b>	<b>708,677</b>
Depreciation and amortisation of tangible and intangible fixed assets	-4,127	-17,430	-2,699	-34	-919	-284	-25,494
<b>Operating profit (EBIT)</b>	<b>171,581</b>	<b>148,018</b>	<b>317,050</b>	<b>10,447</b>	<b>114,510</b>	<b>-78,425</b>	<b>683,184</b>

**Quarter 3, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Purchase of loan portfolios in the period	363,174	80,043	217,359	259,631	68,110		988,318
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	2,950,973	1,874,367	4,087,888	1,608,727	2,119,748		12,641,704
Share of participation in joint ventures <sup>1)</sup>					115,105		115,105
<b>Purchased portfolios at 30 September</b>	<b>2,950,973</b>	<b>1,874,367</b>	<b>4,087,888</b>	<b>1,608,727</b>	<b>2,234,853</b>		<b>12,756,809</b>

**Quarter 3, 2017**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Purchase of loan portfolios in the period	236,505	21,688	50,475	63,167	329,691		701,526
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	2,132,183	1,537,876	2,000,982	303,662	602,474		6,577,177
Share of participation in joint ventures <sup>1)</sup>					151,946		151,946
<b>Purchased portfolios at 30 September</b>	<b>2,132,183</b>	<b>1,537,876</b>	<b>2,000,982</b>	<b>303,662</b>	<b>754,420</b>		<b>6,729,123</b>

**9 months, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Purchase of loan portfolios in the period	1,048,098	497,535	1,396,588	608,655	1,194,759		4,745,634
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	2,950,973	1,874,367	4,087,888	1,608,727	2,119,748		12,641,704
Share of participation in joint ventures <sup>1)</sup>					115,105		115,105
<b>Purchased portfolios at 30 September</b>	<b>2,950,973</b>	<b>1,874,367</b>	<b>4,087,888</b>	<b>1,608,727</b>	<b>2,234,853</b>		<b>12,756,809</b>

**9 months, 2017**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Central functions / eliminations	Total
Purchase of loan portfolios in the period	1,084,495	160,784	207,267	283,972	424,541		2,161,059
<b>Purchased loan portfolios, book value</b>							
Purchased loan portfolios	2,132,183	1,537,876	2,000,982	303,662	602,474		6,577,177
Share of participation in joint ventures <sup>1)</sup>					151,946		151,946
<b>Purchased portfolios at 30 September</b>	<b>2,132,183</b>	<b>1,537,876</b>	<b>2,000,982</b>	<b>303,662</b>	<b>754,420</b>		<b>6,729,123</b>

1) Refers to the value of share of participation in joint ventures with purchased loan portfolios and is therefore not equivalent to corresponding item in the balance sheet.

## Note 4 – Purchased loan portfolios

### Purchased loan portfolios

#### Purchased loan portfolios

All figures in NOK '000s

	2018 Quarter 3	2017 Quarter 3	2018 9 months	2017 9 months	2017 Full year
Opening balance	12,076,694	6,242,186	8,731,632	4,751,878	4,751,878
Acquired in business combinations			671,215		
Purchase of loan portfolios	988,318	701,526	4,745,634	2,161,059	4,111,752
Gross cash collection from purchased loan portfolios	-1,021,938	-649,695	-2,828,865	-1,828,829	-2,552,281
Interest income from purchased loan portfolios	679,505	436,718	1,860,953	1,191,935	1,680,221
Net credit gain/loss purchased loan portfolios	-52,932	2,384	-60,270	54,556	76,919
Exchange rate differences	-27,943	-155,942	-478,596	246,577	663,143
<b>Closing balance</b>	<b>12,641,704</b>	<b>6,577,177</b>	<b>12,641,704</b>	<b>6,577,177</b>	<b>8,731,632</b>

The face value of the closing balance of purchased loan portfolios amounts to NOK 151,753million including accrued interest at 30 September 2018 (2017: NOK 76,987million).

#### Net credit gain/loss from purchased portfolios

The Group purchases materially impaired loan portfolios at significant discounts and impairment 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 adjust 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 upwards adjustment of future collection estimates increase revenue. Cash collection below collection estimates and downwards adjustment of future collection estimates decreases revenues.

#### Quarter 3, 2018

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Total
<i>Secured portfolios:</i>						
Collection above/(below) estimates	-147	1,458	98,561	60,524	-29,132	131,265
Changes in future collection estimates	-246	5,027	-117,727	-73,860	21,546	-165,260
Net credit gain/(loss) from secured portfolios	-393	6,485	-19,166	-13,335	-7,586	-33,995
<i>Unsecured portfolios:</i>						
Collection above/(below) estimates	-6,360	-8,379	-7,275	1,943	-3,674	-23,745
Changes in future collection estimates	5,163	-2,288	818	623	493	4,808
Net credit gain/loss from unsecured portfolios	-1,197	-10,667	-6,457	2,566	-3,182	-18,937
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>-1,590</b>	<b>-4,182</b>	<b>-25,623</b>	<b>-10,770</b>	<b>-10,768</b>	<b>-52,932</b>

**Quarter 3, 2017**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Total
<i>Secured portfolios:</i>						
Collection above/(below) estimates	497	683	48,753	997	-3,054	47,877
Changes in future collection estimates	-268	-1,579	-35,762	-822	1,801	-36,630
Net credit gain/(loss) from secured portfolios	229	-895	12,991	175	-1,253	11,247
<i>Unsecured portfolios:</i>						
Collection above/(below) estimates	241	-11,924	4,233	154	5,551	-1,745
Changes in future collection estimates	-4,669	-11,715	-44	471	8,839	-7,119
Net credit gain/(loss) from secured portfolios	-4,429	-23,639	4,189	625	14,390	-8,864
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>-4,199</b>	<b>-24,535</b>	<b>17,180</b>	<b>801</b>	<b>13,137</b>	<b>2,384</b>

**9 months, 2018**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Total
<i>Secured portfolios:</i>						
Collection above/(below) estimates	6,281	5,035	185,393	44,046	-52,100	188,655
Changes in future collection estimates	-8,141	-3,766	-223,993	-56,264	42,518	-249,646
Net credit gain/(loss) from secured portfolios	-1,860	1,269	-38,600	-12,218	-9,582	-60,990
<i>Unsecured portfolios:</i>						
Collection above/(below) estimates	-20,665	-6,409	9,899	6,757	14,286	3,868
Changes in future collection estimates	1,381	-14,937	133	2,577	7,699	-3,148
Net credit gain/loss from unsecured portfolios	-19,284	-21,345	10,032	9,333	21,985	720
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>-21,144</b>	<b>-20,076</b>	<b>-28,568</b>	<b>-2,885</b>	<b>12,403</b>	<b>-60,270</b>

**9 months, 2017**

All figures in NOK '000s

	Northern Europe	Poland	Central Europe	Western Europe	South Eastern Europe	Total
<i>Secured portfolios:</i>						
Collection above/(below) estimates	412	8,203	123,205	997	208	133,026
Changes in future collection estimates	-268	593	-75,432	-822	379	-75,549
Net credit gain/(loss) from secured portfolios	144	8,797	47,773	175	587	57,476
<i>Unsecured portfolios:</i>						
Collection above/(below) estimates	-2,531	-1,607	11,157	-240	9,169	15,948
Changes in future collection estimates	-2,927	-18,340	-10,077	471	12,004	-18,869
Net credit gain/(loss) from secured portfolios	-5,458	-19,947	1,080	231	21,173	-2,921
<b>Net credit gain/(loss) from purchased loan portfolios</b>	<b>-5,314</b>	<b>-11,150</b>	<b>48,852</b>	<b>406</b>	<b>21,760</b>	<b>54,556</b>

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

The following table reconciles the difference between purchase of portfolios in cash flow statement and other statements:

All figures in NOK '000s

	2018 Quarter 3	2017 Quarter 3	2018 9 months	2017 9 months	2017 Full year
Purchase of loan portfolios	-988,318	-701,526	-4,745,634	-2,161,059	-4,111,752
Change in prepaid/amounts due on purchase of loan portfolios	-1,070,830	-181,943	247,095	-144,726	38,813
<b>Purchase of loan portfolios, cash flow statement</b>	<b>-2,059,148</b>	<b>-883,469</b>	<b>-4,498,539</b>	<b>-2,305,785</b>	<b>-4,072,940</b>

**Note 5 – Financial instruments**

Specific disclosures regarding purchased loan portfolios see note 4.

**Fair value of financial instruments**

	Carrying amount			Fair value			
	Held for trading	Loans & receivables	Other financial liabilities Total	Level 1	Level 2	Level 3	Total
<b>As at 30 September 2018</b>							
<i>All figures in NOK '000s</i>							
<b>Financial assets</b>							
Purchased loan portfolios		12,641,704	12,641,704			13,036,682	13,036,682
Loans receivable		345,064	345,064			345,064	345,064
Derivatives	27,759		27,759		27,759		27,759
Other financial assets		133,227	133,227			133,227	133,227
<b>Total</b>	<b>27,759</b>	<b>13,119,995</b>	<b>13,147,754</b>		<b>27,759</b>	<b>13,514,973</b>	<b>13,542,731</b>
<b>Financial liabilities</b>							
Interest bearing loans and borrowings			9,881,095	9,881,095	6,973,852	3,134,580	10,108,432
Derivatives	13,485			13,485		13,485	13,485
Contingent considerations			155,323	155,323		155,323	155,323
<b>Total</b>	<b>13,485</b>		<b>10,036,418</b>	<b>10,049,903</b>	<b>6,973,852</b>	<b>3,148,065</b>	<b>10,277,240</b>

	Carrying amount			Fair value			
	Held for trading	Loans & receivables	Other financial liabilities Total	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2017</b>							
<i>All figures in NOK '000s</i>							
<b>Financial assets</b>							
Purchased loan portfolios		8,731,632	8,731,632			9,237,976	9,237,976
Loans receivable		414,580	414,580			414,580	414,580
Derivatives	34,443		34,443		34,443		34,443
Other financial assets		175,068	175,068			175,068	175,068
<b>Total</b>	<b>34,443</b>	<b>9,321,281</b>	<b>9,355,724</b>		<b>34,443</b>	<b>9,827,625</b>	<b>9,862,068</b>
<b>Financial liabilities</b>							
Interest bearing loans and borrowings			6,853,787	6,853,787	5,467,590	1,808,788	7,276,379
Derivatives	40,238			40,238		40,238	40,238
Contingent considerations			75,592	75,592		75,592	75,592
<b>Total</b>	<b>40,238</b>		<b>6,929,379</b>	<b>6,969,617</b>	<b>5,467,590</b>	<b>1,849,027</b>	<b>7,392,209</b>

Other financial assets include participation loan to joint venture in both tables.

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 310million (2%). 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 borrowings (nominal value of interest-bearing loans less cash) 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 loan is 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 September 2018: (i) FX Forward of SEK 225million against EUR, (ii) FX Forward of NOK 350 million against EUR, (iii) FX Forward of NOK 425million against SEK, (iv) FX Forward of NOK 125million against DKK and (v) FX Forward of NOK 100 against PLN. The fair value of the currency derivatives was NOK -0.8million 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 borrowings up to a maximum period of 5 years. The hedging ratio at 30 September 2018 was 79% with a duration of 3.3 years and the fair value of the interest rate hedging derivatives was NOK 15.1million

### Net financial items

All figures in NOK '000s

	2018 Quarter 3	2017 Quarter 3	2018 9 months	2017 9 months	2017 Full year
Interest income	1,633	850	3,879	1,770	2,907
Other financial income	38	62	325	116	383
<b>Financial income</b>	<b>1,671</b>	<b>912</b>	<b>4,203</b>	<b>1,886</b>	<b>3,290</b>
Interest expenses	-175,262	-90,186	-435,750	-244,341	-348,753
Change in fair value of derivative financial instruments	9,780	-1,088	9,433	-5,536	-8,400
Other financial expenses	-934	307	-3,041	-832	-1,003
<b>Financial expenses</b>	<b>-166,416</b>	<b>-90,967</b>	<b>-429,357</b>	<b>-250,710</b>	<b>-358,157</b>
Realised exchange gain/(loss)	19,916	-4,213	77,879	-21,272	-39,039
Unrealised exchange gain/(loss)	14,469	-3,672	-84,122	38,664	90,787
Change in fair value of derivative financial instruments	-52,900	-3,803	10,671	-19,095	-33,465
<b>Net exchange gain/(loss)</b>	<b>-18,515</b>	<b>-11,688</b>	<b>4,429</b>	<b>-1,702</b>	<b>18,283</b>
<b>Net financial items</b>	<b>-183,260</b>	<b>-101,743</b>	<b>-420,725</b>	<b>-250,526</b>	<b>-336,583</b>

## Note 6 - Interest bearing loans and borrowings

All figures in NOK '000s

	As at 30 September 2018		As at 31 December 2017	
	Current	Non-current	Current	Non-current
Multi-currency revolving credit facility		2,918,335		693,622
Bond loan		6,746,515		5,044,999
Loans from non-controlling interests				76
Multi-currency revolving term loan			989,436	
Bank overdraft	216,245		125,655	
<b>Total</b>	<b>216,245</b>	<b>9,664,850</b>	<b>1,115,091</b>	<b>5,738,696</b>

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

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 a number of operational and financial covenants, including limits on certain key indicators, which have all been complied with as of 30 September 2018. There are no instalments required to be paid before maturity.

At 30 September 2018, NOK 1,000million and PLN 880million, in total EUR 311million, was utilised from the EUR 470million multi-currency revolving credit facility, leaving an available, undrawn amount of EUR 159million. The multi-currency overdraft facility of EUR 40million was utilised with EUR 23million, leaving an available, undrawn amount of EUR 17million at 30 September 2018.

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

## 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 2017</b>	<b>369,520,598</b>	<b>36,952</b>	<b>2,087,317</b>
Share issue on 13 March at NOK 20.25 per share in connection with the private placement	36,912,000	3,691	724,762
Exercise of employee share options on 28 May at an average subscription price of 14.11	100,000	10	1,401
Exercise of employee share options on 24 August at an average subscription of 8.08	1,500,000	150	11,965
<b>At 30 September 2018</b>	<b>408,032,598</b>	<b>40,803</b>	<b>2,825,445</b>
Exercise of employee share options on 2 October at an average subscription of 10.55	1,000,000	100	10,450
<b>At 27 November 2018 (date of completion of these interim condensed financial statements)</b>	<b>409,032,598</b>	<b>40,903</b>	<b>2,835,895</b>

## Note 8 – Share based payments

In September 450,000 new share options was granted to a weighted average exercise price of NOK 19.18. At the date of these interim financial statements there are 18,725,000 share options outstanding.

## Alternative performance measures

The Group's condensed interim financial information is prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the Group presents alternative performance measures (APM). 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.

The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which distort 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. Furthermore, those measures are also used to assess our ability to incur and service debt.

APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described below.

Reconciliation of alternative performance measures to the most directly line items in the interim financial statements:

*All figures in NOK million*

	2018 Quarter 3	2017 Quarter 3	2018 9 months	2017 9 months	2017 Full year
<b>Operating profit (EBIT)</b>	370	253	1,052	683	984
Add back depreciation and amortisation of tangible and intangible assets	13	9	38	25	36
<b>EBITDA</b>	<b>382</b>	<b>262</b>	<b>1,090</b>	<b>709</b>	<b>1,020</b>
<b>Total revenues<sup>1)</sup></b>	<b>746</b>	<b>519</b>	<b>2,153</b>	<b>1,461</b>	<b>2,083</b>
Add back amortisation/revaluation of purchased loan portfolios	395	211	1,028	582	795
<b>Cash revenue<sup>1)</sup></b>	<b>1,141</b>	<b>730</b>	<b>3,181</b>	<b>2,043</b>	<b>2,878</b>
<b>Operating profit (EBIT)</b>	370	253	1,052	683	984
Add back amortisation/revaluation of purchased loan portfolios	395	211	1,028	582	795
Add back depreciation & amortisation	13	9	38	25	36
<b>Cash EBITDA</b>	<b>778</b>	<b>472</b>	<b>2,118</b>	<b>1,291</b>	<b>1,815</b>

1) Figures and alternative performance measures (APMs) for 2017 have been restated due to change in classification of "Profit from shares and participation in associated companies and joint ventures", see note 1 for further information

## Definitions

### Administration & management costs

Administration and management include head office and Group costs, investment office and holding companies, not allocated to business units.

### Amortisation and revaluation

Amortisation is the amount of the cash collections that are used to reduce the book value of the purchased portfolios. Revaluation is the change in portfolio value that comes from revised estimates on future remaining collection from the portfolio.

### Available investment capacity

Available investment capacity includes cash and short-term deposit (less NOK 200million 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 on actual performance from the collection business (cash business) included 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 operating revenue added back amortisation and revaluation of purchased loan portfolios. Cash revenue is a measure on actual revenues (cash business) from the collection business included 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 earnings before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) added back depreciation and amortisation of tangible and intangible assets.

### ERC

Estimated remaining collection expresses the gross cash collection in nominal values expected to be collected in the future from the purchased portfolios owned at the reporting date.

### Forward flow agreements

Forward flow agreement is 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 rate that are set at initial acquisition.

### Net borrowing

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 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 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 adjust 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". Cash collection above collection estimates and upwards adjustment of future collection estimates increase revenue. Cash collection below collection estimates and downwards adjustment of future collection estimates decreases revenues.

### 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 operating revenues

Other operating revenues includes 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.

### Profit margin

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

## 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 as interest income from the purchased portfolios is a calculated number from utilising the amortised cost principle on purchased portfolios. Gross cash collection less amortisation/revaluation is equal to interest revenue adjusted for Net credit gain/(loss).

### Segment Central Europe

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

### Segment Northern Europe

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

### 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.

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**Financial year 2018**

Quarterly report – Q1	25.05.2018
Half-yearly report	31.08.2018
Quarterly report – Q3	28.11.2018
Quarterly report – Q4	28.02.2019
Annual General Meeting	25.05.2018

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