

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**30 June 2020**

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**For the Quarter Ended 30 June 2020**

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# IBM Finans Norge AS

## Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the Quarter Ended 30 June 2020

	Notes	Three months ended		Six months ended		Year ended
		30 June 2020	30 June 2019	30 June 2020	30 June 2019	31 December 2019
		NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Finance income	2	6 951	12 162	14 338	27 253	43 949
Finance income calculated using the effective interest method	2	540	207	1 125	420	782
Finance cost	3	(3 409)	(5 586)	(7 229)	(12 214)	(21 565)
<b>Net finance income</b>		<b>4 082</b>	<b>6 783</b>	<b>8 234</b>	<b>15 459</b>	<b>23 166</b>
<b>Other income and expense</b>						
Other expense	4	(2 313)	(2 613)	(6 423)	(6 333)	(16 830)
<b>Net impairment losses on financial assets</b>		<b>(5 198)</b>	<b>68</b>	<b>(4 033)</b>	<b>(499)</b>	<b>(173)</b>
<b>Profit before income tax</b>		<b>(3 429)</b>	<b>4 238</b>	<b>(2 222)</b>	<b>8 627</b>	<b>6 163</b>
Income tax expense		922	(933)	489	(1 898)	(1 276)
<b>Profit for the year</b>		<b>(2 507)</b>	<b>3 305</b>	<b>(1 733)</b>	<b>6 729</b>	<b>4 887</b>
<b>Other comprehensive income / (loss)</b>						
<i>Items that will not be reclassified subsequently to profit and loss:</i>						
Actuarial gain / (loss) on defined benefit scheme		-	(3)	-	(6)	(197)
Deferred tax in respect of defined benefit scheme		-	1	-	1	44
<b>Other comprehensive income / (loss) for the period, net of income tax</b>		<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(5)</b>	<b>(153)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>(2 507)</b>	<b>3 303</b>	<b>(1 733)</b>	<b>6 724</b>	<b>4 734</b>

The notes on pages 6 to 13 form part of these financial statements.

# IBM Finans Norge AS

## Condensed Interim Statement of Financial Position

As at 30 June 2020

		<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 December 2019</b>
		<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>
	<b>Notes</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Current assets</b>				
Cash and cash equivalents	12	43 196	2 512	444
Receivables from related parties	12,13	28 191	9 493	15 807
Finance receivables	6	637 119	395 265	374 617
Inventories		23	-	-
Prepayments and other current assets		242	236	98
		<b>708 771</b>	<b>407 506</b>	<b>390 966</b>
<b>Non-current assets</b>				
Receivables from related parties	12,13	19 376	5 136	29 084
Finance receivables	6	77 655	118 981	138 969
Property, plant and equipment	11	7 354	19 503	13 054
Deferred tax assets		617	150	784
		<b>105 002</b>	<b>143 770</b>	<b>181 891</b>
<b>Total assets</b>		<b>813 773</b>	<b>551 276</b>	<b>572 857</b>
<b>Current liabilities</b>				
Loans and borrowing	7,12	199 474	269 637	186 592
Payables to related parties	12,13	462 052	37 480	145 441
Tax payables		1 561	1 782	2 307
Trade and other payables	8	7 772	18 766	42 857
Deferred income		356	2 187	1 376
Other liabilities		4 690	313	1 612
		<b>675 905</b>	<b>330 165</b>	<b>380 185</b>
<b>Non-current liabilities</b>				
Retirement benefit obligation		2 920	2 676	2 944
Loans and borrowings	7,12	21 196	100 961	74 243
		<b>24 116</b>	<b>103 637</b>	<b>77 187</b>
<b>Total liabilities</b>		<b>700 021</b>	<b>433 802</b>	<b>457 372</b>
<b>Net assets</b>		<b>113 752</b>	<b>117 474</b>	<b>115 485</b>
<b>Issued capital and reserves</b>				
Share capital		45 000	45 000	45 000
Retained profits		68 752	72 474	70 485
<b>Total equity</b>		<b>113 752</b>	<b>117 474</b>	<b>115 485</b>

The notes on pages 6 to 13 form part of these financial statements.

# IBM Finans Norge AS

## Condensed Interim Statement of Changes in Equity

As at 30 June 2020

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	Issued capital	Other paid-in capital	Retained earnings	Total equity
	NOK'000	NOK'000	NOK'000	NOK'000
<b>At 1 January 2020</b>	<b>45 000</b>	<b>80 712</b>	<b>(10 227)</b>	<b>115 485</b>
Profit for the period	-	-	(1 733)	(1 733)
Other comprehensive income	-	-	-	-
<b>At 30 June 2020 (unaudited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>(11 960)</u></b>	<b><u>113 752</u></b>
<b>At 1 January 2019</b>	<b>45 000</b>	<b>80 712</b>	<b>(14 961)</b>	<b>110 751</b>
Profit for the period	-	-	6 729	6 729
Other comprehensive income	-	-	(5)	(5)
<b>At 30 June 2019 (unaudited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>(8 237)</u></b>	<b><u>117 475</u></b>
<b>At 1 January 2019</b>	<b>45 000</b>	<b>80 712</b>	<b>(14 961)</b>	<b>110 751</b>
Profit for the period	-	-	4 887	4 887
Other comprehensive income	-	-	(153)	(153)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>4 734</b>	<b>4 734</b>
<b>At 31 December 2019 (audited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>(10 227)</u></b>	<b><u>115 485</u></b>

The notes on pages 6 to 13 form part of these financial statements.

IBM Finans Norge AS

Condensed Interim Statement of Cash Flows

For the Quarter Ended 30 June 2020

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
	Unaudited		Audited
<b>Profit for the period</b>	<b>(1 733)</b>	<b>6 729</b>	<b>4 887</b>
<b>Adjustments for</b>			
Income tax	(489)	1 898	1 276
Depreciation	11 3 769	6 383	11 417
<b>Changes in operating assets and liabilities</b>			
Difference between pension charge and cash contribution	(24)	(9)	70
Income tax paid	(90)	(1 909)	(1 353)
Decrease / (Increase) in receivables from related parties	12 (2 676)	17 426	(12 838)
Decrease / (Increase) in finance receivables	6 (201 188)	460 138	460 797
Decrease / (Increase) in inventory	(23)	42	42
Decrease / (Increase) in prepayments	(145)	2 036	2 176
(Decrease) / Increase in payables to related parties	12 316 611	(91 280)	16 681
(Decrease) / Increase in trade and other payables	8 (35 085)	(44 902)	(20 812)
(Decrease) / Increase in other liabilities	2 059	(857)	(369)
<b>Net cash flow from operating activities</b>	<b>80 986</b>	<b>355 694</b>	<b>461 974</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11 -	(159)	(245)
Proceeds from sale of property, plant and equipment	11 1 930	1 139	2 640
<b>Cash flows from investing activities</b>	<b>1 930</b>	<b>980</b>	<b>2 395</b>
<b>Cash flow from financing activities</b>			
(Decrease) / Increase in borrowing	(40 164)	(355 200)	(464 964)
<b>Net cash flow from financing activities</b>	<b>(40 164)</b>	<b>(355 200)</b>	<b>(464 964)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>42 752</b>	<b>1 473</b>	<b>(595)</b>
Cash and cash equivalents at beginning of year	444	1 039	1 039
<b>Cash and cash equivalents at end of the period</b>	<b>43 196</b>	<b>2 512</b>	<b>444</b>

The notes on pages 6 to 13 form part of these financial statements.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2020

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### 1. Statement of compliance, basis of preparation, and significant accounting policies

#### General information

IBM Finans Norge AS (the 'company') is a limited company incorporated in Norway. The company's immediate parent entity is IBM Global Financing Investments II B.V., a company incorporated in Netherland and the company's ultimate parent entity is International Business Machines Corporations ('IBM Corporation'), a company registered in the United States of America.

#### Basis of preparation

These condensed interim financial statements for the quarter ended 30 June 2020 have been prepared on a historical cost basis and in accordance with IAS 34 Interim financial reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

In preparing these condensed interim financial statements, the required significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2019, with the exception of changes in estimates that are required in determining the provision for income taxes.

The condensed interim financial statements have been prepared on a going concern basis.

#### Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2020

### 2. Finance income

	Three months ended		Six months ended		Year ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	31 December 2019
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Factoring income	1 590	6 201	3 555	14 700	19 156
Operating lease income	2 286	3 615	4 767	7 464	13 675
Capital lease income	2 754	2 089	5 216	3 999	9 037
Interest income calculated using the effective interest method	540	207	1 125	420	782
Other operating income	321	257	800	1 090	2 081
	<b>7 491</b>	<b>12 369</b>	<b>15 463</b>	<b>27 673</b>	<b>44 731</b>

For commercial financing, the interest for the extended period is fixed above Base rate. Base Rate is the one month NIBOR rate published by Norges Bank on the first working day of a calendar month, the Base Rate will be changed to NIBOR appearing for the last working day of the previous calendar month. If at any time, NIBOR changes by 0.25% or more, the Base Rate will be changed by the same amount on the day of such change or the next following working day. In case of negative Base Rate a minimum Base Rate of 0 % will be used. For client Financing, we operate with fixed interest rate.

### 3. Finance costs

	Three months ended		Six months ended		Year ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	31 December 2019
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Costs of operating leases	2 636	3 213	4 962	6 787	12 805
Cost of capital leases	-	-	-	-	-
Pension cost	(13)	-	(25)	-	70
Interest expense	632	2 185	1 683	4 653	7 204
Costs of other operating income	154	188	609	774	1 486
	<b>3 409</b>	<b>5 586</b>	<b>7 229</b>	<b>12 214</b>	<b>21 565</b>

IBM Finans Norge AS has loans with IBM GF International Treasury Company Designated Activity Company (hereinafter referred to as "Treasury Center"). The interest for In House Bank account is NIBOR 1MND+0,15% and Customer financing term loans have fixed rate.



# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

### For the Quarter Ended 30 June 2020

#### 4. Other expenses

	Three months ended		Six months ended		Year ended
	30 June	30 June	30 June	30 June	31 December
	2020	2019	2020	2019	2019
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Employee expenses	2 746	985	3 863	2 331	7 255
Other expenses	(433)	1 557	2 416	3 762	9 335
Audit services (excl. VAT) - Statutory audit	-	71	144	240	240
	<b>2 313</b>	<b>2 613</b>	<b>6 423</b>	<b>6 333</b>	<b>16 830</b>

#### 5. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2020 is 22% (the estimated tax rate for the six months ended 30 June 2019 was 22 %).

#### 6. Finance receivables

	30 June	30 June	31 December
	2020	2019	2019
	NOK'000	NOK'000	NOK'000
Factored receivables	73 780	282 982	203 252
Finance lease receivables	69 366	75 793	102 676
Customer loans	574 156	157 491	209 352
Less: provision for impairment of receivables	(2 528)	(2 020)	(1 694)
	<b>714 774</b>	<b>514 246</b>	<b>513 586</b>
Current	637 119	395 265	374 617
Non-current	77 655	118 981	138 969
	<b>714 774</b>	<b>514 246</b>	<b>513 586</b>

Finance lease receivables are for leases that relate principally to the company's equipment and are generally for terms ranging from two to seven years. Customer loans are provided by the company to clients to finance the purchase of IBM's software and services.

Finance lease and customer loan receivables include invoiced amounts not paid at the end of the year. The average contractual credit period on invoiced amounts is 0 to 30 days. Thereafter, interest is charged at market rates on the outstanding balance.

Before entering into a finance lease arrangement, the company undertakes a credit assessment on the proposed transaction, either through the IBM Credit Team or, for certain transactions of a lower size, a credit scoring system based on external credit agency information, to assess the customer's credit quality and define credit limits by customer.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2020

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### 6. Finance receivables (continued)

Credit limits for most customers are valid for no more than six months and are re-assessed if required to be extended. The balances on leases for hardware are usually secured over the leased equipment.

In determining the recoverability of finance receivables, the company considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and diverse. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment of trade receivables.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

The finance lease receivables are effectively collateralized by the leased assets as the right to the asset reverts to the company in case of the counterparty's default. Such finance lease receivables are secured by hardware assets.

### 7. Loans and borrowings

	30 June 2020 NOK'000	30 June 2019 NOK'000	31 December 2019 NOK'000
<i>Current</i>			
Loans due to related parties (note 12)	199 474	269 637	186 592
	<u>199 474</u>	<u>269 637</u>	<u>186 592</u>
<i>Non-current</i>			
Loans due to related parties (note 12)	21 196	100 961	74 243
	<u>21 196</u>	<u>100 961</u>	<u>74 243</u>

Interest bearing amounts owed to fellow subsidiary undertakings are charged at variable rates based on NIBOR.

### 8. Trade and other payables

	30 June 2020 NOK'000	30 June 2019 NOK'000	31 December 2019 NOK'000
Trade payables	1 941	14 464	27 572
Social security and other taxes	2 567	3 249	14 844
Other payables	3 264	1 053	441
	<u>7 772</u>	<u>18 766</u>	<u>42 857</u>

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# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2020

### 9. Contingencies

At 30 June 2020, the company had no contingent liability in respect of bank (31 December 2019: nil NOK) with joint liability of IBM group companies in Norway.

### 10. Events after balance sheet date

Late in 2019, news first emerged from China about the COVID-19 (Coronavirus). The situation at year end was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020, the virus spread globally. The Company considers this outbreak to be a non-adjusting post balance sheet event. The Company is currently unable to assess the full impact of COVID-19 virus on its future financial position and the results of operations, however, depending on future developments, it may have a negative impact on the Company.

### 11. Property, plant and equipment

	Equipment NOK'000	Leased assets NOK'000	Total NOK'000
<b>Cost</b>			
As at 1 January 2019	154	51 464	51 618
Additions	-	245	245
Disposals	(6)	(6 910)	(6 916)
Other, reclassifications, transfers	(6)	(8 303)	(8 309)
As at 31 December 2019	<u>142</u>	<u>36 496</u>	<u>36 638</u>
Additions	-	-	-
Disposals	-	(3 384)	(3 384)
Other, reclassifications, transfers	(52)	(10 789)	(10 841)
As at 30 June 2020	<u>90</u>	<u>22 323</u>	<u>22 413</u>
<b>Accumulated depreciation</b>			
As at 1 January 2019	(154)	(24 599)	(24 753)
Additions	-	(11 416)	(11 416)
Disposals	6	5 659	5 665
Other, reclassifications, transfers	6	6 914	6 920
As at 31 December 2019	<u>(142)</u>	<u>(23 442)</u>	<u>(23 584)</u>
Additions	-	(3 769)	(3 769)
Disposals	-	2 801	2 801
Other, reclassifications, transfers	52	9 441	9 493
As at 30 June 2020	<u>(90)</u>	<u>(14 969)</u>	<u>(15 059)</u>
<b>Net book value</b>			
At 30 June 2020	<u>-</u>	<u>7 354</u>	<u>7 354</u>
At 30 June 2019	<u>-</u>	<u>19 503</u>	<u>19 503</u>
At 31 December 2019	<u>-</u>	<u>13 054</u>	<u>13 054</u>

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2020

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### 12. Financial instruments

#### *Financial risk management*

The company is exposed to a variety of financial risks as a result of its operations that include the effects of changes in liquidity and interest rate risk, credit risk, market prices, and foreign exchange risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at 31 December 2019. There have been no changes in the risk management department since year end or in any risk management policies.

#### *Categories of financial instruments*

	30 June 2020 NOK'000	30 June 2019 NOK'000	31 December 2019 NOK'000
<b>Financial assets</b>			
<i>Loans and receivables</i>			
Cash and cash equivalents	43 196	2 512	444
Finance receivables	714 774	514 246	513 586
Receivables from related parties	47 567	14 629	44 891
	<u>805 537</u>	<u>531 387</u>	<u>558 921</u>
<b>Financial liabilities</b>			
<i>Amortised costs</i>			
Loans Borrowing	220 670	370 598	260 835
Payables to related parties	462 052	37 480	145 441
Trade and other liabilities	5 204	15 518	28 013
	<u>687 926</u>	<u>423 596</u>	<u>434 289</u>

#### *Fair value of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

- Financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- Other financial assets and financial liabilities, excluding derivative financial instruments, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management consider that the carrying amount of financial assets and financial liabilities in the condensed interim financial statements approximate their fair values. There are no financial assets and/or liabilities that were already recognised at fair value through profit and loss.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2020

### 13. Related party transactions

The following transactions were carried out with related parties, and were made on commercial terms and conditions:

Class of related party / Transaction type	Three months ended		Six months ended		Year ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	31 December 2019
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>					
Sales	1 430	1 536	3 294	3 497	6 782
Purchases	(120)	(124)	(313)	(230)	(776)
Other expenses	-	-	(5)	(4)	621
Interest paid	(632)	(2 185)	(1 683)	(4 653)	(7 204)
Interest received	491	201	1 042	406	751

Details of the amounts receivable from, payable to and borrowing from related parties are set out below:

Class of related party/ Transaction type	30 June 2020	30 June 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>			
Receivables due from related parties	47 567	14 629	44 891
Loans due to related parties	220 670	370 598	260 835
Payable to related parties	462 052	37 480	145 441

Interest on amounts owed by fellow subsidiary undertakings are charged at variable rates based on NIBOR. The amounts outstanding on these balances are unsecured and will be settled in cash. No guarantees have been given or received. Allowance for impaired receivables in relation to any outstanding balances is in amount NOK 90 059 which has been recognized as expense in the current period for bad or doubtful debts in respect of the amounts owed by related parties.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2020

### 14. Capital coverage

	30/06/20 NOK'000	30/06/19 NOK'000	31/12/19 NOK'000
100 % weighted: Finance receivables	480 296	167 301	230 973
76,2% weighted:	42 009	-	-
50 % weighted: Finance receivables	40 443	127 341	91 463
20 % weighted: Finance receivables	5 716	33 721	31 497
Base for operational risk	64 966	59 443	64 966
<b>Base for 8% credit risk</b>	<b>633 430</b>	<b>387 806</b>	<b>418 899</b>
Responsible capital	115 485	110 750	115 485
Credit risk	45 477	26 269	28 315
Operational risk	5 197	4 755	5 197
<b>Coverage of responsible capital</b>	<b>64 811</b>	<b>79 726</b>	<b>81 973</b>
Buffer:			
Preservebuffer	15 836	9 695	10 472
Countercyclical capital buffer	6 334	7 756	10 472
Systemriskbuffer	19 003	11 634	12 568
	<b>41 173</b>	<b>29 085</b>	<b>33 512</b>
<b>Coverage less requirement after the buffer requirement</b>	<b>23 638</b>	<b>50 641</b>	<b>48 461</b>
- Pilar 2 requirement (2.6%)	16 469	10 083	10 891
- Control buffer (1%)	6 334	3 878	4 189
<b>Coverage after all requirements</b>	<b>835</b>	<b>36 680</b>	<b>33 381</b>

	Actual pr.30/6/2020	Requirement + Pilar 2	Incl. control buffer
Common Equity Tier 1 (Ren kjernekapital)	18.2 %	12.4 %	13.4 %
Core capital (Kjernekapital)	18.2 %	13.9 %	14.9 %
Responsible capital (Ansvarlig kapital)	18.2 %	15.9 %	16.9 %