

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**31 March 2019**

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**Condensed Interim Financial Statements**  
**For the Quarter Ended 31 March 2019**

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# IBM Finans Norge AS

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

For the Quarter Ended 31 March 2019

	Notes	Three months ended		Year ended
		31 March 2019 NOK'000	31 March 2018 NOK'000	31 December 2018 NOK'000
		Unaudited		Audited
Finance income	2	15 090	11 758	45 874
Finance income calculated using the effective interest method	2	214	-	1 037
Finance cost	3	<u>(6 630)</u>	<u>(5 983)</u>	<u>(24 086)</u>
<b>Net finance income</b>		<b>8 674</b>	<b>5 775</b>	<b>22 825</b>
<b>Other expense and income</b>				
Other expense	4	(3 719)	(3 608)	(16 968)
<b>Net impairment losses on financial assets</b>		<b>(567)</b>	<b>-</b>	<b>1 298</b>
<b>Profit before income tax</b>		<b>4 388</b>	<b>2 167</b>	<b>7 155</b>
Income tax expense		<u>(965)</u>	<u>(500)</u>	<u>(1 664)</u>
<b>Profit for the year</b>		<b><u>3 423</u></b>	<b><u>1 667</u></b>	<b><u>5 491</u></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)	-	74
Deferred tax in respect of defined benefit scheme		<u>1</u>	<u>-</u>	<u>29</u>
<b>Other comprehensive income / (loss) for the period, net of income tax</b>		<b><u>(2)</u></b>	<b><u>-</u></b>	<b><u>103</u></b>
<b>Total comprehensive income / (loss) for the period</b>		<b><u>3 421</u></b>	<b><u>1 667</u></b>	<b><u>5 594</u></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 31 March 2019

		<b>31 March 2019</b>	<b>31 December 2018</b>	<b>31 March 2018</b>
		<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>
	<b>Notes</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
<b>Current assets</b>				
Cash and cash equivalents	12	7 282	1 039	3 554
Receivables from related parties	12	10 201	22 551	24 352
Finance receivables	6	778 118	814 071	478 432
Inventories		42	42	-
Prepayments and other current assets		143	2 272	137
		<b>795 786</b>	<b>839 975</b>	<b>506 475</b>
<b>Non-current assets</b>				
Receivables from related parties	12	6 798	9 504	-
Finance receivables	6	118 577	160 312	60 666
Property, plant and equipment	11	22 886	26 866	30 467
Deferred tax assets		150	150	-
		<b>148 411</b>	<b>196 832</b>	<b>91 133</b>
<b>Total assets</b>		<b>944 197</b>	<b>1 036 807</b>	<b>597 608</b>
<b>Current liabilities</b>				
Loans and borrowings	7, 12	687 353	651 829	234 836
Payables to related parties	12,13	37 976	128 760	46 075
Tax payables		1 759	1 794	9 309
Trade and other payables	8	46 849	63 669	53 876
Deferred income		1 933	2 060	2 172
Other liabilities (employees)		659	1 297	1 250
		<b>776 529</b>	<b>849 409</b>	<b>347 518</b>
<b>Non-current liabilities</b>				
Deferred tax liability		-	-	10
Retirement benefit obligation		2 677	2 678	2 552
Loans and borrowings	7, 12	50 820	73 970	140 705
		<b>53 497</b>	<b>76 648</b>	<b>143 267</b>
<b>Total liabilities</b>		<b>830 026</b>	<b>926 057</b>	<b>490 785</b>
<b>Net assets</b>		<b>114 171</b>	<b>110 750</b>	<b>106 823</b>
<b>Issued capital and reserves</b>				
Share capital		45 000	45 000	45 000
Retained profits		69 171	65 750	61 823
<b>Total equity</b>		<b>114 171</b>	<b>110 750</b>	<b>106 823</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 31 March 2019

	Issued capital	Other paid-in capital	Retained earnings	Total equity
	NOK'000	NOK'000	NOK'000	NOK'000
<b>At 1 January 2019</b>	<b>45 000</b>	<b>64 217</b>	<b>1 533</b>	<b>110 750</b>
Profit for the period / Total comprehensive income	-	-	3 423	3 423
Other comprehensive income	-	-	(2)	(2)
<b>At 31 March 2019 (unaudited)</b>	<b>45 000</b>	<b>64 217</b>	<b>4 954</b>	<b>114 171</b>
<b>At 1 January 2018</b>	<b>45 000</b>	<b>64 217</b>	<b>(4 061)</b>	<b>105 156</b>
Profit for the period / Total comprehensive income	-	-	1 667	1 667
<b>At 31 March 2018 (unaudited)</b>	<b>45 000</b>	<b>64 217</b>	<b>(2 394)</b>	<b>106 823</b>
<b>At 1 January 2018</b>	<b>45 000</b>	<b>64 217</b>	<b>(4 061)</b>	<b>105 156</b>
Profit for the period	-	-	5 491	5 491
Other comprehensive income	-	-	103	103
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>5 594</b>	<b>5 594</b>
<b>At 31 December 2018 (audited)</b>	<b>45 000</b>	<b>64 217</b>	<b>1 533</b>	<b>110 750</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 31 March 2019

	Three months ended		Year ended
	31 March 2019	31 March 2018	31 December 2018
	NOK'000	NOK'000	NOK'000
	Unaudited		Audited
<b>Profit for the period</b>	<b>3 423</b>	<b>1 699</b>	<b>5 491</b>
<b>Adjustments for</b>			
Income tax	965	500	1 664
Depreciation	11 3 315	3 720	14 459
<b>Changes in operating assets and liabilities</b>			
Difference between pension charge and cash contribution	(4)	30	227
Income tax paid	(1 000)	-	(5 705)
(Decrease) in income tax liability due to group contribution	-	-	(3 104)
Decrease / (Increase) in receivables from related parties	12 15 056	(23 987)	(31 690)
Decrease/ (Increase) in finance receivables	6 77 688	117 273	(318 012)
Decrease/(Increase) in inventory	-	-	(42)
Decrease/ / (Increase) in payables to related parties	12 (90 784)	(85 692)	(3 007)
(Decrease) / Increase in trade and other payables	8 (16 820)	23 584	33 377
Increase / (Decrease) in other liabilities	(765)	(856)	(917)
Decrease / (Increase) in prepayments	2 129	3 369	1 233
<b>Net cash flow from operating activities</b>	<b>(6 797)</b>	<b>39 610</b>	<b>(306 026)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11 (159)	(1 713)	(11 433)
Proceeds from sale of property, plant and Equipment	11 825	637	3 220
<b>Cash flows from investing activities</b>	<b>666</b>	<b>(1 076)</b>	<b>(8 213)</b>
<b>Cash flow from financing activities</b>			
(Decrease) / Increase in borrowing	12 374	(37 600)	312 658
<b>Net cash flow from financing activities</b>	<b>12 374</b>	<b>(37 600)</b>	<b>312 658</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>6 243</b>	<b>934</b>	<b>(1 581)</b>
Cash and cash equivalents at beginning of year	1 039	2 620	2 620
<b>Cash and cash equivalents at end of the period</b>	<b>12 7 282</b>	<b>3 554</b>	<b>1 039</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 31 March 2019

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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 three months ended 31 March 2019 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 2018, 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 2018, 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 31 March 2019

### 2. Finance income

	Three months ended		Year ended
	31 March	31 March	31 December
	2019	2018	2018
	NOK'000	NOK'000	NOK'000
Factoring income	8 498	4 464	19 996
Operating lease income	3 848	4 228	16 567
Capital lease income	1 910	1 540	5 720
Interest income calculated using the effective interest method	213	261	1 037
Other operating income	833	1 265	3 591
	<b>15 304</b>	<b>11 758</b>	<b>46 911</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		Year ended
	31 March	31 March	31 December
	2019	2018	2018
	NOK'000	NOK'000	NOK'000
Costs of operating leases	3 575	3 910	15 648
Cost of capital leases	-	-	(369)
Interest expense	2 468	1 037	6 030
Costs of other operating income	587	1 036	2 777
	<b>6 630</b>	<b>5 983</b>	<b>24 086</b>

IBM Finans Norge AS has loans with IBM GF International Treasury Company Designated Activity Company (hereinafter referred to as "Treasury Center"). The interest is according to this contract NIBOR 1MND+0,15%.

### 4. Other expenses

	Three months ended		Year ended
	31 March	31 March	31 December
	2019	2018	2018
	NOK'000	NOK'000	NOK'000
Employee expenses	1 345	1 966	7 768
Royalties	-	16	-
Other expenses	2 205	1 626	8 955
Audit services (excl. VAT)- Statutory audit	169	-	245
	<b>3 719</b>	<b>3 608</b>	<b>16 968</b>



# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

### For the Quarter Ended 31 March 2019

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#### 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 2019 is 22% (the estimated tax rate for the three months ended 31 March 2019 was 23 %).

#### 6. Finance receivables

	31 March 2019 NOK'000	31 December 2018 NOK'000	31 March 2018 NOK'000
Factored receivables	653 288	670 121	383 653
Finance lease receivables	72 904	89 212	43 003
Customer loans	172 591	216 571	115 183
Less: provision for impairment of receivables	<u>(2 088)</u>	<u>(1 521)</u>	<u>(2 741)</u>
	<b><u>896 695</u></b>	<b><u>974 383</u></b>	<b><u>539 098</u></b>
Current	778 119	814 071	478 432
Non-current	<u>118 576</u>	<u>160 312</u>	<u>60 666</u>
	<b><u>896 695</u></b>	<b><u>974 383</u></b>	<b><u>539 098</u></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.

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.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 2019

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### 6. Finance receivables (continued)

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

	<b>31 March 2019 NOK'000</b>	<b>31 December 2018 NOK'000</b>	<b>31 March 2018 NOK'000</b>
Loans due to related parties (note 12)	<u>738 173</u>	<u>725 799</u>	<u>375 541</u>

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

### 8. Trade and other payables

	<b>31 March 2019 NOK'000</b>	<b>31 December 2018 NOK'000</b>	<b>31 March 2018 NOK'000</b>
Trade payables	43 879	57 043	50 848
Social security and other taxes	1 917	5 573	2 703
Other payables	<u>1 053</u>	<u>1 053</u>	<u>325</u>
	<b><u>46 849</u></b>	<b><u>63 669</u></b>	<b><u>53 876</u></b>

### 9. Contingencies

In 2019, the company had no contingent liability in respect of bank (31 December 2018: nil NOK) with joint liability of IBM group companies in Norway.

### 10. Events after balance sheet date

There were no material events after balance sheet date.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 2019

### 11. Property, plant and equipment

	Equipment NOK'000	Leased assets NOK'000	Total NOK'000
<b>Cost</b>			
As at 1 January 2018	161	25 337	25 498
Additions	-	11 433	11 433
Disposals	-	(7 752)	(7 752)
Other, reclassifications, transfers	(7)	(7 429)	(7 436)
As at 31 December 2018	<b>154</b>	<b>21 589</b>	<b>21 743</b>
Additions	-	159	159
Disposals	-	(3 094)	(3 094)
Other, reclassifications, transfers	(5)	(1 374)	(1 379)
As at 31 March 2019	<b>149</b>	<b>17 280</b>	<b>17 429</b>
<b>Accumulated depreciation</b>			
As at 1 January 2018	(145)	7 758	7 613
Additions	(16)	(14 443)	(14 459)
Disposals	-	5 819	5 819
Other, reclassifications, transfers	7	6 143	6 150
As at 31 December 2018	<b>(154)</b>	<b>5 277</b>	<b>5 123</b>
Additions	-	(3 315)	(3 315)
Disposals	-	2 529	2 529
Other, reclassifications, transfers	5	1 114	1 119
As at 31 March 2019	<b>(149)</b>	<b>5 605</b>	<b>5 456</b>
<b>Net book value</b>			
At 31 March 2019	-	22 886	22 886
At 31 March 2018	<b>10</b>	<b>30 457</b>	<b>30 467</b>
At 31 December 2018	-	26 866	26 866

### 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 2018. There have been no changes in the risk management department since year end or in any risk management policies.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 2019

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### 12. Financial instruments (continued)

#### *Categories of financial instruments*

	31 March 2019	31 December 2018	31 March 2018
	NOK'000	NOK'000	NOK'000
<b>Financial assets</b>			
<i>Amortised costs</i>			
Cash and cash equivalents	7 282	1 039	3 554
Finance receivables	896 695	974 383	539 098
Receivables from related parties	16 999	32 055	24 352
	<u>920 976</u>	<u>1 007 477</u>	<u>567 004</u>
<b>Financial liabilities</b>			
<i>Amortised costs</i>			
Loans and Borrowings	738 173	725 799	375 541
Payables to related parties	37 976	128 760	46 075
Trade and other payables	-	58 096	51 173
	<u>776 149</u>	<u>912 655</u>	<u>472 789</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 31 March 2019

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### 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		Year ended
		31 March 2019	31 March 2018	31 December 2018
		NOK'000	NOK'000	NOK'000
Other related undertakings	Sales	1 961	1 723	7 532
	Purchases	106	(312)	(985)
	Royalties	-	(15)	-
	Other expenses	-	-	17
	Interest paid	(2 468)	(1 036)	(6 015)
	Interest received	205	261	1 005

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

Class of related party	Transaction type	31 March 2019	31 December 2018	31 March 2018
		NOK'000	NOK'000	NOK'000
Other related undertakings	Receivables from related parties	16 999	32 055	24 352
	Loans due to related parties	738 173	725 799	375 541
	Payable to related parties	37 976	128 760	46 075

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. No expense has been recognised in the current or prior year 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 31 March 2019

### 14. Capital coverage

	31/03/19 NOK'000	31/03/18 NOK'000	31/12/18 NOK'000
100 % weighted: Finance receivables	219 459	172 581	224 450
50 % weighted: Finance receivables	293 979	188 895	311 875
20 % weighted: Finance receivables	40 762	11 061	35 197
Base for operational risk	59 443	-	59 452
<b>Base for 8% credit risk</b>	<b>613 643</b>	<b>372 537</b>	<b>630 974</b>
Responsible capital	110 750	104 583	110 750
Credit risk	44 336	29 802	45 721
Operational risk	4 755	4 169	4 756
<b>Coverage of responsible capital</b>	<b>61 659</b>	<b>70 612</b>	<b>60 273</b>
Buffer:			
Preservebuffer	15 341	10 616	15 774
Countercyclical capital buffer	12 273	4 853	12 619
Systemriskbuffer	18 409	12 739	18 929
	<b>46 023</b>	<b>28 208</b>	<b>47 323</b>
<b>Coverage less requirement after the buffer requirement</b>	<b>15 636</b>	<b>42 404</b>	<b>12 951</b>
- Pilar 2 requirement (0.4 %)	2 455	1 698	2 523
- Control buffer (2 %)	12 273	8 493	12 619
<b>Coverage after all requirements</b>	<b>908</b>	<b>32 213</b>	<b>(2 191)</b>

	Actual pr.31/3/2019	Requirement + Pilar 2	Incl. control buffer
Common Equity Tier 1 (Ren kjernekapital)	18.6 %	12.4 %	14.4 %
Core capital (Kjernekapital)	18.6 %	13.9 %	15.9 %
Responsible capital (Ansvarlig capital)	18.6 %	15.9 %	17.9 %