

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**30 June 2017**

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**For the Quarter Ended 30 June 2017**

---

<b>Contents</b>	<b>Page</b>
Condensed Interim Statement of Comprehensive Income	2
Condensed Interim Statement of Financial Position	3
Condensed Interim Statement of Changes in Equity	4
Condensed Interim Statement of Cash Flows	5
Notes to the Condensed Interim Financial Statements	6

---

# IBM Finans Norge AS

## Condensed Interim Statement of Comprehensive Income

For the Quarter Ended 30 June 2017

	Notes	Three months ended		Six months ended		Year ended
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	31 December 2016
		NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
		Unaudited		Unaudited		Audited
Finance income	2	98 597	2 649	129 125	4 645	27 145
Finance cost	3	(35 225)	(145)	(52 535)	(286)	(12 816)
<b>Net finance income</b>		<b>63 372</b>	<b>2 504</b>	<b>76 590</b>	<b>4 359</b>	<b>14 329</b>
<b>Other income and expense</b>						
Other income / (expense)	4	(8 660)	(455)	(11 266)	(957)	(4 888)
<b>Total other income and expense</b>		<b>(8 660)</b>	<b>(455)</b>	<b>(11 266)</b>	<b>(957)</b>	<b>(4 888)</b>
<b>Profit before income tax</b>		<b>54 712</b>	<b>2 049</b>	<b>65 324</b>	<b>3 402</b>	<b>9 441</b>
Income tax expense		(13 131)	(513)	(15 678)	(852)	(2 360)
<b>Profit for the period / Total comprehensive income</b>		<b>41 581</b>	<b>1 536</b>	<b>49 646</b>	<b>2 550</b>	<b>7 081</b>
All operations are classified as continuing.						
<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		9	-	9	-	940
Deferred tax in respect of defined benefit scheme		(2)	-	(2)	-	(216)
<b>Other comprehensive income / (loss) for the period, net of income tax</b>		<b>7</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>724</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>41 588</b>	<b>1 536</b>	<b>49 653</b>	<b>2 550</b>	<b>7 805</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 2017

		<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2016</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	742 240	1 116	-
Receivables from related parties	12	1 210	867	41
Finance receivables	6	458 088	553 745	191 838
Prepayments and other current assets		-	9 758	-
		<b>1 201 538</b>	<b>565 486</b>	<b>191 879</b>
<b>Non-current assets</b>				
Finance receivables	6	67 356	676 113	-
Property, plant and equipment	11	34 291	30 941	-
Deferred tax assets		-	-	91
		<b>101 647</b>	<b>707 054</b>	<b>91</b>
<b>Total assets</b>		<b>1 303 185</b>	<b>1 272 540</b>	<b>191 970</b>
<b>Current liabilities</b>				
Loans and borrowing	7,12	155 388	232 126	73 288
Payables to related parties	12,13	27 360	200 971	28 907
Tax payables		17 091	1 413	3 360
Trade and other payables	8	52 956	53 651	5 176
Deferred income		2 400	2 308	87
Other liabilities (employees)		1 291	743	-
		<b>256 486</b>	<b>491 212</b>	<b>110 818</b>
<b>Non-current liabilities</b>				
Deferred tax liability		1 121	1 118	-
Retirement benefit obligation		2 221	2 143	-
Loans and borrowings	7,12	857 960	642 323	-
		<b>861 302</b>	<b>645 584</b>	<b>-</b>
<b>Total liabilities</b>		<b>1 117 788</b>	<b>1 136 796</b>	<b>110 818</b>
<b>Net assets</b>		<b>185 397</b>	<b>135 744</b>	<b>81 153</b>
<b>Issued capital and reserves</b>				
Share capital		45 000	45 000	45 000
Retained profits		140 397	90 744	36 152
<b>Total equity</b>		<b>185 397</b>	<b>135 744</b>	<b>81 152</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 2017

	Issued capital	Other paid-in capital	Retained earnings	Total equity
	NOK'000	NOK'000	NOK'000	NOK'000
<b>At 1 January 2017</b>	<b>45 000</b>	<b>64 217</b>	<b>26 527</b>	<b>135 744</b>
Profit for the period	-	-	49 646	49 646
Other comprehensive income	-	-	7	7
Total contribution by and distribution to owners of the company	-	-	-	-
<b>At 30 June 2017 (unaudited)</b>	<b>45 000</b>	<b>64 217</b>	<b>76 180</b>	<b>185 397</b>
<b>At 1 January 2016</b>	<b>45 000</b>	<b>14 880</b>	<b>18 722</b>	<b>78 602</b>
Profit for the period / Total comprehensive income	-	-	2 550	2 550
Total contribution by and distribution to owners of the company	-	-	-	-
<b>At 30 June 2016 (unaudited)</b>	<b>45 000</b>	<b>14 880</b>	<b>21 272</b>	<b>81 152</b>
<b>At 1 January 2016</b>	<b>45 000</b>	<b>14 880</b>	<b>18 722</b>	<b>78 602</b>
Profit for the period	-	-	7 081	7 081
Other comprehensive income	-	-	724	724
Total group contribution to owners of the company	-	(6 663)	-	(6 663)
Total capital contribution by owners of the company	-	56 000	-	56 000
<b>At 31 December 2016 (audited)</b>	<b>45 000</b>	<b>64 217</b>	<b>26 527</b>	<b>135 744</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 2017

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	NOK'000	NOK'000	NOK'000
	Unaudited		Audited
<b>Profit for the period</b>	<b>49 646</b>	<b>2 551</b>	<b>7 081</b>
<b>Adjustments for</b>			
Income tax	15 678	850	2 360
Depreciation	11 7 865	-	2 584
<b>Changes in operating assets and liabilities</b>			
Difference between pension charge and cash contribution	89	-	3 083
Income tax paid	-	-	-
Income tax transfer	-	-	(2 464)
Decrease / (Increase) in receivables from related parties	12 (343)	106	(720)
Decrease / (Increase) in finance receivables	6 704 413	43 573	(994 446)
(Decrease) / Increase in payables to related parties	12 (173 610)	(34 260)	137 803
(Decrease) / Increase in trade and other payables	8 (696)	1 309	49 697
(Decrease) / Increase in other liabilities	638	-	3 052
Decrease / (Increase) in prepayments	9 759	-	(9 759)
<b>Net cash flow from operating activities</b>	<b>613 439</b>	<b>14 129</b>	<b>(801 729)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11 (12 855)	-	(35 034)
Proceeds from sale of property, plant and Equipment	11 1 640	-	1 150
<b>Cash flows from investing activities</b>	<b>(11 215)</b>	<b>-</b>	<b>(33 524)</b>
<b>Cash flow from financing activities</b>			
Capital increase	-	-	56 000
(Decrease) / Increase in borrowing	138 900	(14 129)	787 032
Group contribution	-	-	(6 663)
<b>Net cash flow from financing activities</b>	<b>138 900</b>	<b>(14 129)</b>	<b>836 369</b>
<b>Net increase in cash and cash equivalents</b>	<b>741 124</b>	<b>-</b>	<b>1 116</b>
Cash and cash equivalents at beginning of year	1 116	-	-
<b>Cash and cash equivalents at end of the period</b>	<b>742 240</b>	<b>-</b>	<b>1 116</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 2017

---

### 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 ownership of the company was transferred from International Business Machines AS (IBM) to IBM Global Financing investments II B.V. in March 2017. 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 2017 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 2016, 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 2016, 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 2017

### 2. Finance income

	Three months ended		Six months ended		Year ended
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	31 December 2016
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Factoring income	4 145	2 644	5 480	4 627	10 761
Operating lease income	4 642	-	9 368	-	3 182
Capital lease income	88 731	-	112 543	-	11 783
Interest income	58	5	50	18	236
Other operating income	1 021	-	1 684	-	1 183
	<b>98 597</b>	<b>2 649</b>	<b>129 125</b>	<b>4 645</b>	<b>27 145</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.

### 3. Finance costs

	Three months ended		Six months ended		Year ended
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	31 December 2016
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Costs of operating leases	4 089	-	8 463	-	3 020
Cost of capital leases	26 943	-	35 614	-	6 108
Interest expense	3 473	145	7 194	286	2 456
Costs of other operating income	720	-	1 264	-	1 232
	<b>35 225</b>	<b>145</b>	<b>52 535</b>	<b>286</b>	<b>12 816</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.



# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2017

### 4. Other expenses

	Three months ended		Six months ended		Year ended
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	31 December 2016
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Employee expenses	1 352	-	4 714	-	2 141
Other expenses	7 308	424	6 552	926	2 716
Audit services (excl. VAT)-					
Statutory audit	-	31	-	31	31
	<b>8 660</b>	<b>455</b>	<b>11 266</b>	<b>957</b>	<b>4 888</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 2017 is 24% (the estimated tax rate for the six months ended 30 June 2016 was 25 %).

### 6. Finance receivables

	30 June 2017	31 December 2016	30 June 2016
	NOK'000	NOK'000	NOK'000
Factored receivables	363 400	296 202	192 020
Lease receivables	60 485	56 341	-
Customer loans	102 018	879 126	-
Less: provision for impairment of receivables	(459)	(1 811)	(182)
	<b>525 444</b>	<b>1 229 858</b>	<b>191 838</b>
Current	458 088	553 745	191 838
Non-current	67 356	676 113	-
	<b>525 444</b>	<b>1 229 858</b>	<b>191 838</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 quarter. 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 2017

### 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 2017 NOK'000	31 December 2016 NOK'000	30 June 2016 NOK'000
<i>Current</i>			
Loans due to related parties (note 12)	-	232 126	75 265
Term loans	155 388	-	-
	<b>155 388</b>	<b>232 126</b>	<b>73 288</b>
<i>Non-current</i>			
Loans due to related parties (note 12)	684 218	87 417	75 265
Term loans	173 742	-	-
	<b>857 960</b>	<b>642 323</b>	<b>-</b>

### 8. Trade and other payables

	30 June 2017 NOK'000	31 December 2016 NOK'000	30 June 2016 NOK'000
Trade payables	46 600	52 940	4 869
Social security and other taxes	6 032	708	-
Other payables	324	3	307
	<b>52 956</b>	<b>53 651</b>	<b>5 176</b>

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2017

### 9. Contingencies

At 30 June 2017, the company had contingent liability in respect of bank guarantees in amount of NOK 30 000 000 (31 December 2016: NOK 30 000 000) with joint liability of IBM group companies in Norway.

### 10. Events after balance sheet date

There were no other material events after balance sheet date.

### 11. Property, plant and equipment

	<b>Buildings and equipment</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Lease assets</b>	<b>Total</b>
	<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>
<b>Cost</b>					
As at 1 January 2016	-	-	-	-	-
Additions	-	52	-	34 982	35 034
Disposals	-	-	-	(1 157)	(1 157)
Other, reclassifications, transfers	-	-	-	(4 110)	(4 110)
As at 31 December 2016	-	<b>52</b>	-	<b>29 715</b>	<b>29 767</b>
Additions	-	109	-	12 746	12 855
Disposals	-	-	-	(6 050)	(6 050)
Other, reclassifications, transfers	-	-	-	(6 600)	(6 600)
As at 30 June 2017	-	<b>161</b>	-	<b>29 811</b>	<b>29 972</b>
<b>Accumulated depreciation</b>					
As at 1 January 2016	-	-	-	-	-
Additions	-	-	-	(2 584)	(2 584)
Disposals	-	-	-	967	967
Other, reclassifications, transfers	-	-	-	2 791	2 791
As at 31 December 2016	-	-	-	<b>1 174</b>	<b>1 174</b>
Additions	-	(15)	-	(7 850)	(7 865)
Disposals	-	-	-	5 140	5 140
Other, reclassifications, transfers	-	(116)	-	5 986	5 870
As at 30 June 2017	-	<b>(131)</b>	-	<b>4 450</b>	<b>4 319</b>
<b>Net book value</b>					
At 30 June 2017	-	<b>30</b>	-	<b>34 261</b>	<b>34 291</b>
At 31 December 2016	-	<b>52</b>	-	<b>30 889</b>	<b>30 941</b>

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2017

### 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 company has a strong risk management programme in place aligned to the programmes applied within the consolidated group of the company's ultimate parent company, International Business Machines Corporation.

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 2015. 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 2017	31 December 2016	30 June 2016
	NOK'000	NOK'000	NOK'000
<b>Financial assets</b>			
<i>Loans and receivables</i>			
Cash and cash equivalents	742 240	1 116	-
Finance receivables	525 444	1 229 858	191 838
Receivables from related parties	1 210	867	41
	<u>1 268 894</u>	<u>1 231 841</u>	<u>191 879</u>
<b>Financial liabilities</b>			
<i>Amortised costs</i>			
Borrowing	1 013 348	874 449	73 288
Payables to related parties	27 360	200 971	28 907
Trade and other liabilities	46 924	52 940	5 263
	<u>1 087 632</u>	<u>1 128 360</u>	<u>107 458</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 2017

### 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 2017	30 June 2016	30 June 2017	30 June 2016	31 December 2016
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>					
Sales	3 126	494	3 553	1 013	3 534
Purchases	(253)	-	(543)	-	(1 058)
Other expenses	-	-	-	-	-
Interest paid	-	(144)	(7 194)	(286)	2 455
Royalties	1 888	-	1 894	-	-
Interest received	(57)	3	50	10	165
<i>Immediate parent</i>					
Sales	-	433	-	895	1 906
Purchases	-	-	-	-	-
Other expenses	-	409	-	(819)	(1 365)
Interest paid	-	-	-	-	-
Interest received	-	2	-	7	71
Group contribution paid	-	-	-	-	(6 663)
Capital contribution received	-	-	-	-	56 000

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 2017	31 December 2016	30 June 2016
		NOK'000	NOK'000	NOK'000
Other related undertakings	Cash equivalents	740 816	-	-
	Receivables due from related parties	123	189	-
	Deposit held with related parties	1 086	-	-
	Loans due to related parties	684 218	874 449	73 288
	Payable to related parties	27 360	183 747	20 288
Immediate parent	Deposits held with related party	-	678	41
	Borrowing from related party	-	-	-
	Loans due to related parties	-	-	-
	Payable to related parties	-	17 224	8 619

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2017

---

### 13. Related party transactions (continued)

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.

### 14. Capital coverage

Reporting to the Financial supervisory authority of Norway (no: Finanstilsynet) any asset class is weighted at 100%.

	30/06/17 NOK'000	31/12/16 NOK'000
100 % weighted: Finance receivables	184 194	450 718
50 % weighted: Finance receivables	163 529	375 958
20 % weighted: Finance receivables	41 553	50 734
<b>Base for 8% credit risk</b>	<b>389 276</b>	<b>877 410</b>
Responsible capital	135 744	135 744
Credit risk	31 142	70 192
Operational risk	1 823	1 547
<b>Coverage of responsible capital</b>	<b>102 779</b>	<b>64 005</b>
Buffer:		
Preservebuffer	9 731	21 935
Countercyclical capital buffer	5 839	13 161
Systemriskbuffer	11 678	26 322
	<b>27 248</b>	<b>61 418</b>
<b>Coverage less requirement after the buffer requirement</b>	<b>77 531</b>	<b>2 587</b>