

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**30 June 2019**

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**For the Quarter Ended 30 June 2019**

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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 2019

	Notes	Three months ended		Six months ended		Year ended
		30 June 2019	30 June 2018	30 June 2019	30 June 2018	31 December 2018
		NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Finance income	2	12 162	10 053	27 253	21 811	45 874
Finance income calculated using the effective interest method	2	207	-	420	-	1 037
Finance cost	3	(5 586)	(5 323)	(12 214)	(11 306)	(24 086)
<b>Net finance income</b>		<b>6 783</b>	<b>4 730</b>	<b>15 459</b>	<b>10 505</b>	<b>22 825</b>
<b>Other income and expense</b>						
Other expense	4	(2 613)	(4 492)	(6 333)	(8 099)	(16 968)
<b>Net impairment losses on financial assets</b>		<b>68</b>	<b>-</b>	<b>(499)</b>	<b>-</b>	<b>1 298</b>
<b>Profit before income tax</b>		<b>4 238</b>	<b>238</b>	<b>8 627</b>	<b>2 406</b>	<b>7 155</b>
Income tax expense		(933)	(55)	(1 898)	(554)	(1 664)
<b>Profit for the year</b>		<b>3 305</b>	<b>183</b>	<b>6 729</b>	<b>1 852</b>	<b>5 491</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)	-	74
Deferred tax in respect of defined benefit scheme		1	-	1	-	29
<b>Other comprehensive income / (loss) for the period, net of income tax</b>		<b>(2)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>103</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>3 303</b>	<b>183</b>	<b>6 724</b>	<b>1 852</b>	<b>5 594</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 2019

		<b>30 June 2019</b>	<b>30 June 2018</b>	<b>31 December 2018</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	2 512	3 093	1 039
Receivables from related parties	12	9 493	33 604	22 551
Finance receivables	6	395 265	675 426	814 071
Inventories		-	-	42
Prepayments and other current assets		236	228	2 272
		<b>407 506</b>	<b>712 351</b>	<b>839 975</b>
<b>Non-current assets</b>				
Receivables from related parties	12	5 136	-	9 504
Finance receivables	6	118 981	139 219	160 312
Property, plant and equipment	11	19 503	30 360	26 866
Deferred tax assets		150	-	150
		<b>143 770</b>	<b>169 579</b>	<b>196 832</b>
<b>Total assets</b>		<b>551 276</b>	<b>881 930</b>	<b>1 036 807</b>
<b>Current liabilities</b>				
Loans and borrowing	7,12	269 637	442 417	651 829
Payables to related parties	12,13	37 480	168 403	128 760
Tax payables		1 782	6 258	1 794
Trade and other payables	8	18 766	151 475	63 669
Deferred income		2 187	2 158	2 060
Other liabilities (employees)		313	1 619	1 297
		<b>330 165</b>	<b>772 330</b>	<b>849 409</b>
<b>Non-current liabilities</b>				
Deferred tax liability		-	10	-
Retirement benefit obligation		2 676	2 582	2 678
Loans and borrowings	7,12	100 961	-	73 970
		<b>103 637</b>	<b>2 592</b>	<b>76 648</b>
<b>Total liabilities</b>		<b>433 802</b>	<b>774 922</b>	<b>926 057</b>
<b>Net assets</b>		<b>117 474</b>	<b>107 008</b>	<b>110 750</b>
<b>Issued capital and reserves</b>				
Share capital		45 000	45 000	45 000
Retained profits		72 474	62 008	65 750
<b>Total equity</b>		<b>117 474</b>	<b>107 008</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 Changes in Equity

As at 30 June 2019

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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 2019</b>	<b>45 000</b>	<b>64 217</b>	<b>1 533</b>	<b>110 750</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>64 217</u></b>	<b><u>8 257</u></b>	<b><u>117 474</u></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	-	-	1 852	1 852
<b>At 30 June 2018 (unaudited)</b>	<b><u>45 000</u></b>	<b><u>64 217</u></b>	<b><u>(2 209)</u></b>	<b><u>107 008</u></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><u>45 000</u></b>	<b><u>64 217</u></b>	<b><u>1 533</u></b>	<b><u>110 750</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 2019

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000
	Unaudited		Audited
<b>Profit for the period</b>	<b>6 729</b>	<b>1 852</b>	<b>5 491</b>
<b>Adjustments for</b>			
Income tax	1 898	554	1 664
Depreciation	11 6 383	7 434	14 459
<b>Changes in operating assets and liabilities</b>			
Difference between pension charge and cash contribution	(9)	62	227
Income tax paid	(1 909)	-	(5 705)
(Decrease) / Increase in income tax liability due to group contribution	-	(3 104)	(3 104)
Decrease / (Increase) in receivables from related parties	12 17 426	(33 238)	(31 690)
Decrease / (Increase) in finance receivables	6 460 138	(158 274)	(318 012)
Decrease/(Increase) in inventory	42	-	(42)
(Decrease) / Increase in payables to related parties	12 (91 280)	36 376	(3 007)
(Decrease) / Increase in trade and other payables	8 (44 902)	121 183	33 377
(Decrease) / Increase in other liabilities	(857)	(501)	(917)
Decrease / (Increase) in prepayments	2 036	3 278	1 233
<b>Net cash flow from operating activities</b>	<b>355 694</b>	<b>(24 378)</b>	<b>(306 026)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11 (159)	(5 742)	(11 433)
Proceeds from sale of property, plant and equipment	11 1 139	1 057	3 220
<b>Cash flows from investing activities</b>	<b>980</b>	<b>(4 685)</b>	<b>(8 213)</b>
<b>Cash flow from financing activities</b>			
(Decrease) / Increase in borrowing	(355 200)	29 536	312 658
<b>Net cash flow from financing activities</b>	<b>(355 200)</b>	<b>29 536</b>	<b>312 658</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 473</b>	<b>473</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>2 512</b>	<b>3 093</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 30 June 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 quarter ended 30 June 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 30 June 2019

### 2. Finance income

	Three months ended		Six months ended		Year ended
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Factoring income	6 201	4 106	14 700	8 572	19 996
Operating lease income	3 615	4 203	7 464	8 431	16 567
Capital lease income	2 089	992	3 999	2 530	5 720
Interest income calculated using the effective interest method	207	269	420	530	1 037
Other operating income	257	483	1 090	1 748	3 591
	<b>12 369</b>	<b>10 053</b>	<b>27 673</b>	<b>21 811</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		Six months ended		Year ended
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Costs of operating leases	3 213	3 898	6 787	7 809	15 648
Cost of capital leases	-	-	-	-	(369)
Interest expense	2 185	1 187	4 653	2 223	6 030
Costs of other operating income	188	238	774	1 274	2 777
	<b>5 586</b>	<b>5 323</b>	<b>12 214</b>	<b>11 306</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 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 2019

### 4. Other expenses

	Three months ended		Six months ended		Year ended
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Employee expenses	985	2 348	2 331	4 312	7 768
Other expenses	1 557	1 899	3 762	3 542	8 955
Audit services (excl. VAT)- Statutory audit	71	245	240	245	245
	<b>2 613</b>	<b>4 492</b>	<b>6 333</b>	<b>8 099</b>	<b>16 968</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 2019 is 22% (the estimated tax rate for the six months ended 30 June 2018 was 23 %).

### 6. Finance receivables

	30 June 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000
Commercial financing receivables	282 982	547 277	670 121
Lease receivables	75 793	47 592	89 212
Customer loans	157 491	222 234	216 571
Less: Loss allowance	(2 020)	(2 558)	(1 521)
	<b>514 246</b>	<b>814 645</b>	<b>974 383</b>
Current	395 265	675 426	814 071
Non-current	118 981	139 219	160 312
	<b>514 246</b>	<b>814 645</b>	<b>974 383</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 2019

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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 2019 NOK'000	30 June 2018 NOK'000	31 December 2018 NOK'000
<i>Current</i>			
Loans due to related parties (note 12)	<u>269 637</u>	<u>442 417</u>	<u>651 829</u>
	<b>269 637</b>	<b>442 417</b>	<b>651 829</b>
<i>Non-current</i>			
Loans due to related parties (note 12)	<u>100 961</u>	<u>-</u>	<u>73 970</u>
	<b>100 961</b>	<b>-</b>	<b>73 970</b>

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

### 8. Trade and other payables

	30 June 2019 NOK'000	30 June 2018 NOK'000	31 December 2018 NOK'000
Trade payables	14 464	145 083	57 043
Social security and other taxes	3 249	6 068	5 573
Other payables	<u>1 053</u>	<u>324</u>	<u>1 053</u>
	<b>18 766</b>	<b>151 475</b>	<b>63 669</b>

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# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2019

### 9. Contingencies

At 30 June 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.

### 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	(6)	(3 765)	(3 771)
Other, reclassifications, transfers	(5)	(1 965)	(1 970)
As at 30 June 2019	<b>143</b>	<b>16 018</b>	<b>16 161</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	6 142	6 150
As at 31 December 2018	<b>(154)</b>	<b>5 277</b>	<b>5 123</b>
Additions	-	(6 383)	(6 383)
Disposals	6	3 030	3 036
Other, reclassifications, transfers	5	1 561	1 566
As at 30 June 2019	<b>(143)</b>	<b>3 485</b>	<b>3 342</b>
<b>Net book value</b>			
At 30 June 2019	-	19 503	19 503
At 30 June 2018	4	30 356	30 360
At 31 December 2018	-	26 866	26 866

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 June 2019

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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 2018. 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 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000
<b>Financial assets</b>			
<i>Loans and receivables</i>			
Cash and cash equivalents	2 512	3 093	1 039
Finance receivables	514 246	814 646	974 383
Receivables from related parties	14 629	33 604	32 055
	<u>531 387</u>	<u>851 343</u>	<u>1 007 477</u>
<b>Financial liabilities</b>			
<i>Amortised costs</i>			
Loans Borrowing	370 598	442 417	725 799
Payables to related parties	37 480	168 403	128 760
Trade and other liabilities	15 518	145 407	58 096
	<u>423 596</u>	<u>756 227</u>	<u>912 655</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 2019

### 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 2019	30 June 2018	30 June 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>					
Sales	1 536	1 080	3 497	2 803	7 532
Purchases	(124)	(132)	(230)	(459)	(985)
Other expenses	-	(10)	(4)	(10)	17
Interest paid	(2 185)	(1 187)	(4 653)	(2 223)	(6 015)
Interest received	201	260	406	522	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	30 June 2019	30 June 2018	31 December 2018
	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>			
Receivables due from related parties	14 629	33 604	32 055
Loans due to related parties	370 598	442 417	725 799
Payable to related parties	37 480	168 403	128 760

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 30 June 2019

### 14. Capital coverage

	30/06/19 NOK'000	30/06/18 NOK'000	31/12/18 NOK'000
100 % weighted: Finance receivables	167 301	312 617	224 450
50 % weighted: Finance receivables	127 341	265 285	311 875
20 % weighted: Finance receivables	33 721	8 813	35 197
Base for operational risk	59 443	-	59 452
<b>Base for 8% credit risk</b>	<b>387 806</b>	<b>586 715</b>	<b>630 974</b>
Responsible capital	110 750	104 308	110 750
Credit risk	26 269	46 937	45 721
Operational risk	4 755	4 169	4 756
<b>Coverage of responsible capital</b>	<b>79 726</b>	<b>53 202</b>	<b>60 273</b>
Buffer:			
Preservebuffer	9 695	15 970	15 774
Countercyclical capital buffer	7 756	12 776	12 619
Systemriskbuffer	11 634	19 165	18 929
	<b>29 085</b>	<b>47 911</b>	<b>47 323</b>
<b>Coverage less requirement after the buffer requirement</b>	<b>50 641</b>	<b>5 291</b>	<b>12 951</b>
- Pilar 2 requirement (0.4 %)	10 083	2 555	2 523
- Control buffer (2%)	3 878	12 776	12 619
<b>Coverage after all requirements</b>	<b>36 680</b>	<b>(10 040)</b>	<b>(2 191)</b>

	Actual pr.30/6/2019	Requirement + Pilar 2	Incl. control buffer
Common Equity Tier 1 (Ren kjernekapital)	28.6 %	14.6 %	15.60 %
Core capital (Kjernekapital)	28.6 %	16.1 %	17.10 %
Responsible capital (Ansvarlig capital)	28.6 %	18.1 %	19.10 %