

A scenic landscape featuring a wide, open field of low-lying vegetation in shades of red, green, and white. In the background, there are rolling hills and a large mountain range under a blue sky with scattered white clouds. The overall atmosphere is bright and natural.

# Q3

Third quarter  
presentation

Oslo, 6 November 2019

**B2 HOLDING**<sup>®</sup>  
*Making each other better*



# Four main focus areas going forward

## 1 STRONGER FOCUS ON SECURED

- Organizational changes within secured including additional specialized resources and stronger head office involvement and oversight

## 2 IMPROVE EFFICIENCY IN OPERATIONS

- Automation of manual processes, digitalization and standardization of platforms
- Cost to collect trending down – still room for improvement

## 3 INCREASE SERVICING REVENUES THROUGH FUNDS AND JVs MANAGEMENT

- Improved utilization of platforms by third party capital – considerable interest for new co-investment structures
- Expected growth area going forward

## 4 FOCUS INVESTMENTS IN SELECTED GROWTH AREAS

- Concentrate investments by targeting selected markets/areas with growth potential and competitive advantage
- Ongoing strategic process which includes geographic focus

# Highlights Q3 2019

## Key financials

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Total revenues

**880**

NOK million

Gross Cash Collections

**1,386**

NOK million

Cash EBITDA

**1,062**

NOK million

Net profit

**181**

NOK million

Portfolio purchases

**1,231**

NOK million

Leverage ratio

**3.0x**

- All-time high Gross Cash Collections and Cash EBITDA
- Leverage ratio down from 3.2x (Q2 2019) to 3.0x verifying a solid debt service capacity
- Earnings per share NOK 0.44
- Equity ratio 24.1% up from 23.4% in last quarter

# Highlights Q3 2019

## Volume growth

- Servicing fees and other income increased by 9% to NOK 126m (NOK 115m Q3 2018)
- Portfolio purchases of NOK 1,231m (NOK 988 in Q3 2018)
- Total revenues up 18% to NOK 880m (NOK 746 in Q3 2018)

## Effectiveness & Efficiency

- Gross cash collections up 36% to NOK 1,386m (NOK 1,022m in Q3 2018)
- Cash EBITDA increased by 37% to NOK 1,062m (NOK 778m in Q3 2018)
- Cost to collect (CtC) trending downwards to 22.4% (24.6% in Q3 2018)

## Capital & Funding

- Focus on investments with improved IRRs
- Good debt service capacity with leverage ratio of 3.0x
- Waiver from banks secures sufficient headroom until March 2020 – Expecting to be aligned with all covenants in due time

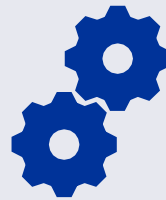
## Operations

- New organizational structure separating the recovery and collection processes
- Continued focus on co-investment structures to further utilize platform scalability – partnership with Waterfall extended to the Nordics

# New Group organizational structure



Increase transparency and  
risk management

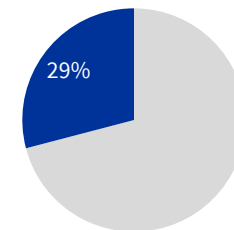


Improve execution and  
operational efficiency



Strengthening the links  
between Head Office and  
business units

# Secured portfolios moving in the right direction



Secured claims (corporate, SMEs and retail) share of the total ERC per Q3 2019

## Actions in Q3

- Ongoing reformation of the asset management teams with new mindset and recovery expertise
  - New case strategies for 60% of the Estimated Remaining Recovery (ERR)
- Improved tools are in place to better monitor the pipeline of resolutions and settlements for secured claims

## Results

- Further progress and good interest regarding co-investment structures and JVs on existing and new secured portfolios
- Recovery Support Team operative and well-functioning
- The strategic changes already yield positive results in the secured portfolios

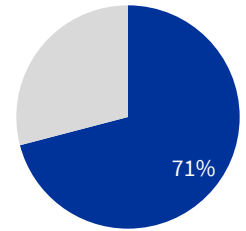
## Vintage of secured purchases and recoveries in Central Europe & South East Europe<sup>1)</sup>

Signing Year	Purchases (NOK 000')	Recoveries (NOK 000')						
		2014	2015	2016	2017	2018	YTD Q3 2019	Total
2014	80 045	5 017	67 480	39 712	46 038	65 303	22 881	<b>246 431</b>
2015	387 624		18 333	112 017	86 569	127 392	72 863	<b>417 173</b>
2016	841 075			137 678	254 530	294 410	251 930	<b>938 547</b>
2017	1 374 618				63 277	304 083	263 049	<b>630 409</b>
2018	1 316 444					157 271	383 393	<b>540 665</b>
<b>Subtotal</b>	<b>3 999 806</b>	<b>5 017</b>	<b>85 812</b>	<b>289 406</b>	<b>450 413</b>	<b>948 459</b>	<b>994 116</b>	<b>2 773 225</b>

**69 % of total amount invested in secured portfolios in CE and SEE has been recovered**

1) Excluding the Group's share of portfolios acquired and held in joint ventures

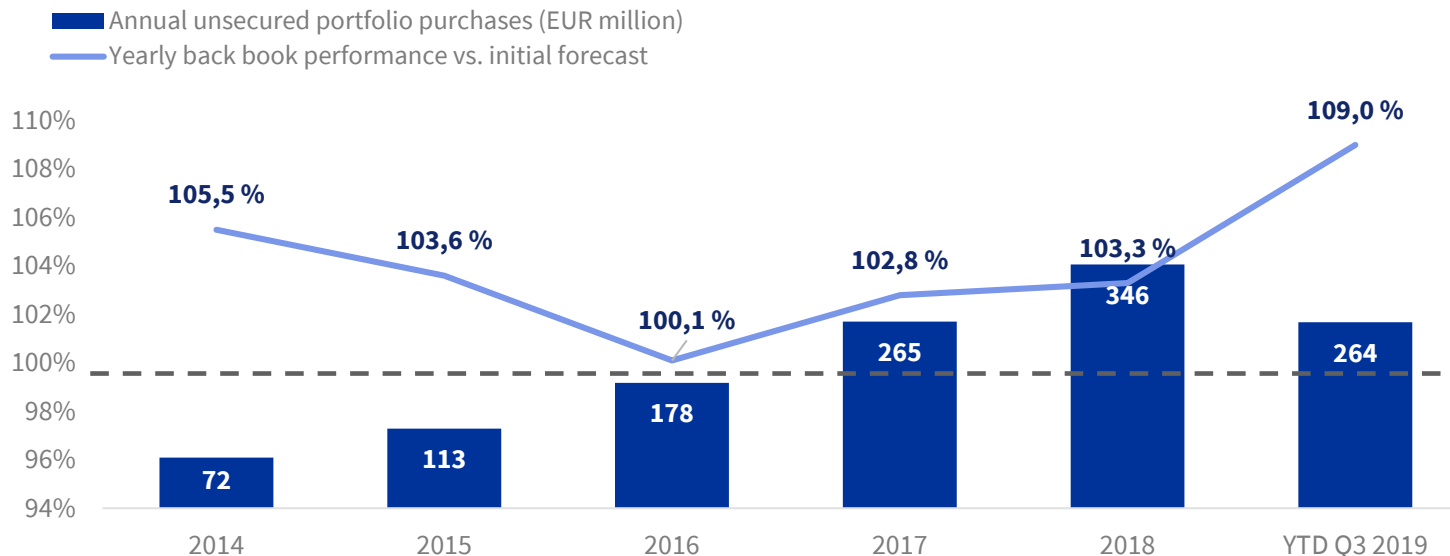
# Unsecured collections performing well overall








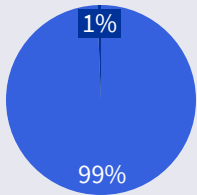
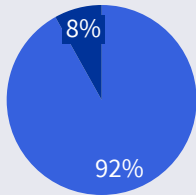
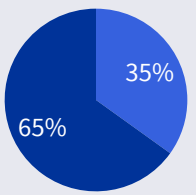
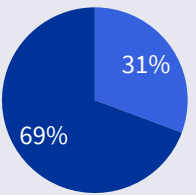
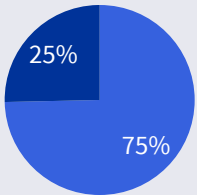
Unsecured retail portfolios share of the total ERC per Q3 2019

- B2Holding has entered into a partnership with Waterfall Asset Management for co-investments in unsecured portfolios in the Nordic region
  - Co-investments increase the Group's servicing fees and utilize scale effect on platforms
- Several initiatives to improve collection strategies and process efficiencies (including automation), leading to steady improvement of Cost to Collect
- Increasingly attractive pipeline and market opportunities

## Historic unsecured collection performance vs initial forecast



# Well positioned to support the new strategic direction

	Northern Europe	Poland	Western Europe	Central Europe	South East Europe
					
<b>Market position</b>	Top 3	Top 3	Top 10	Top 3	Top 3
<b>ERC<sup>1)</sup> Q3'19</b> Total NOK 24.7bn	NOK 8.89bn 36 %	NOK 3.70bn 15%	NOK 3.03bn 12%	NOK 5.81bn 24%	NOK 3.28bn 13%
<b>% of ERC<sup>1)</sup></b> ■ Secured vs. ■ Unsecured					
<b>Third Party Servicing</b>	✓		✓	✓	✓
<b>#FTEs Q3'19</b> Total 2,534 <sup>2)</sup>	379	601	615	315	582

1) Including the Group's share of portfolio purchased and held in joint ventures

2) Total #FTEs include 42 FTEs in central functions

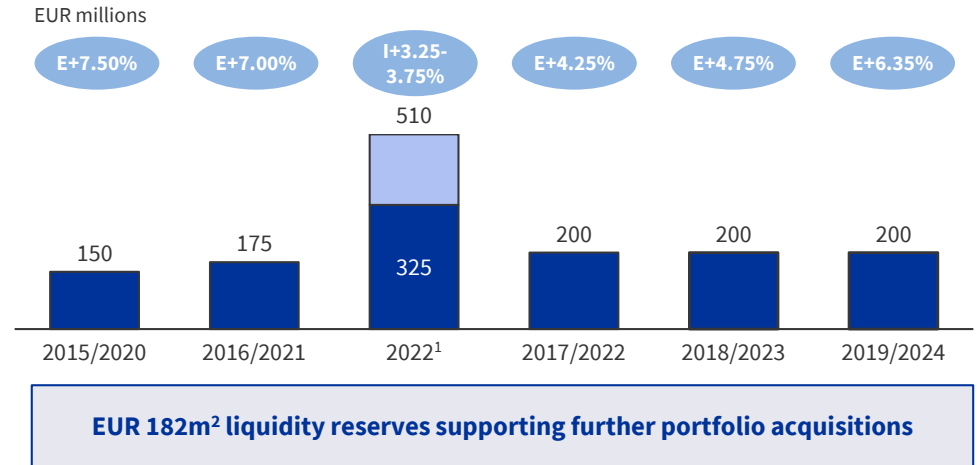


# Capital structure with prudent leveraging

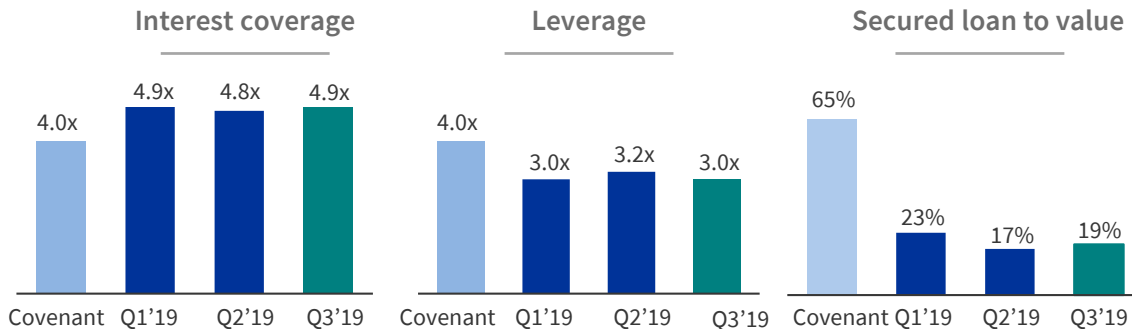
## Status

- Funding structure with sound leverage levels, significant financial flexibility and supporting liquidity reserves
- Leverage ratio down to 3.0x
  - Target to stabilize below 3.0x in 2020
- Positive development in the ratios covered by the waiver
  - Equity ratio at 24.2 % and Total Loan To Value at 75.4%
- Public rating (Corporate Family Rating)
  - S&P: BB- and Moody's: Ba3
- Repurchasing of Bonds
  - EUR 15,2m repurchased in Q3 at average price of 94,51 (par 100)
  - EUR 21m in Treasury bonds

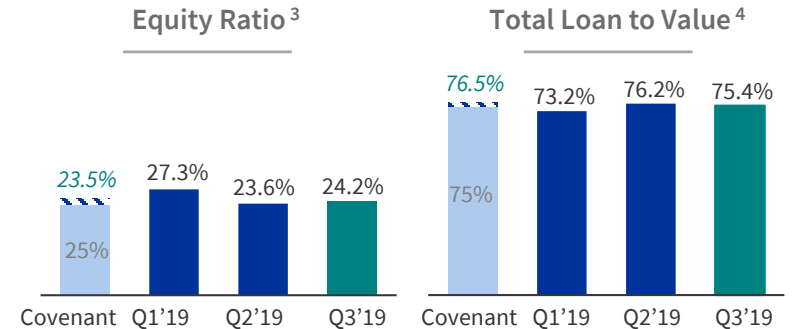
## Staggered maturity with ample liquidity headroom



### Bond Loan covenants



### RCF covenants



<sup>1</sup> Springing maturity from March 2021 when less than EUR 175m outstanding in Bond 1 and Bond 2 <sup>2</sup> As of 30 September 2019. Calculated as EUR 165m undrawn existing RCF plus EUR 20m undrawn overdraft plus EUR 32m cash on balance sheet less NOK 200m (EUR 20m) in cash reserves less deferred payment for portfolio purchases of EUR 15m. <sup>3</sup> Total Equity over Total Assets excluding book value of IFRS 16 right-of-use assets. <sup>4</sup> Net Debt adj. for Vendor Loan, Earn Out and FX Hedge MTM over Assets (Portfolio, JV, loan receivables, REO and goodwill)



**Financial  
performance**



# Third quarter summary

## Financial summary

NOKm	2019 Q3	2018 Q3	% change
Total revenues excl. net credit gain/(loss)	845	799	6 %
Net credit gain/(loss) from purchased loan portfolios	36	-53	
<b>Total Revenues</b>	<b>880</b>	<b>746</b>	<b>18 %</b>
EBITDA	415	382	9 %
Operating profit (EBIT)	387	370	5 %
<i>Profit margin</i>	44 %	50 %	
Cash Revenue	1,527	1,141	34 %
Cash EBITDA	1,062	778	37 %
<i>Cash margin</i>	70 %	68 %	
Profit for the period after tax (PAT)	181	159	14 %
Earnings per share (EPS)	0.44	0.39	13 %
Cash flow from operating activities	775	686	13 %
Operating cash flow per share	1.89	1.68	12 %
Portfolio purchases <sup>1)</sup>	1,231	988	25 %
Cash collection from portfolios	1,386	1,022	36 %

1) Including the Group's share of portfolios purchased in SPVs and joint ventures

# Strong quarterly result

## Income statement

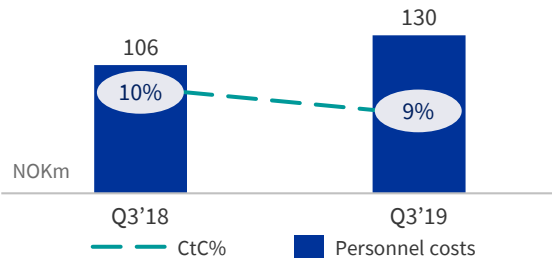
NOKm	2019 Q3	2018 Q3	2019 9 months	2018 9 months	2018 Audited
Interest income from purchased loan portfolios	703	680	2,021	1,861	2,537
Net credit gain/loss purchased loan portfolios	36	-53	-383	-60	-58
Profit from shares, associated companies and JVs	16	4	53	24	48
Other operating revenues	126	115	364	328	378
<b>Total revenues</b>	<b>880</b>	<b>746</b>	<b>2,054</b>	<b>2,153</b>	<b>2,906</b>
External costs of services provided	-121	-91	-323	-266	-363
Personnel costs	-227	-173	-659	-498	-692
Other operating expenses	-117	-100	-323	-299	-417
Depreciation and amortisation	-28	-13	-82	-38	-56
<b>Operating profit (EBIT)</b>	<b>387</b>	<b>370</b>	<b>667</b>	<b>1,052</b>	<b>1,378</b>
Financial income	8	2	11	4	5
Financial expenses	-211	-166	-609	-429	-618
Net exchange gain (loss)	11	-19	-5	4	44
<b>Net financial items</b>	<b>-192</b>	<b>-183</b>	<b>-604</b>	<b>-421</b>	<b>-570</b>
<b>Profit before tax</b>	<b>195</b>	<b>186</b>	<b>64</b>	<b>631</b>	<b>808</b>
Income tax expense	-14	-28	-47	-139	-159
<b>Net profit</b>	<b>181</b>	<b>159</b>	<b>17</b>	<b>492</b>	<b>649</b>
<b>Cash revenue</b>	<b>1,527</b>	<b>1,141</b>	<b>4,324</b>	<b>3,181</b>	<b>4,424</b>
<b>Cash EBITDA</b>	<b>1,062</b>	<b>778</b>	<b>3,019</b>	<b>2,118</b>	<b>2,952</b>
<b>EBITDA</b>	<b>415</b>	<b>382</b>	<b>749</b>	<b>1,090</b>	<b>1,434</b>

## Comments

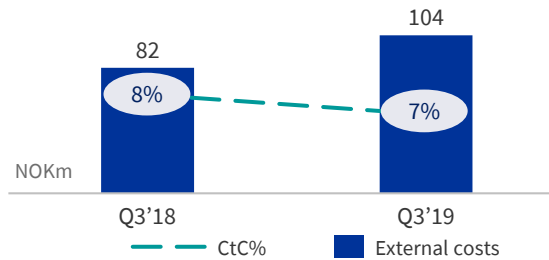
- EBITDA includes non-recurring items due to restructuring costs
- Financial income of NOK 8 million related to repurchase of outstanding bond loans
- Financial expenses include a loss of NOK 5 million due to a decrease in the market value of the Group's interest rate derivatives caused by a negative shift in long-term interest rate curves

# Increasing focus on costs and economies of scale

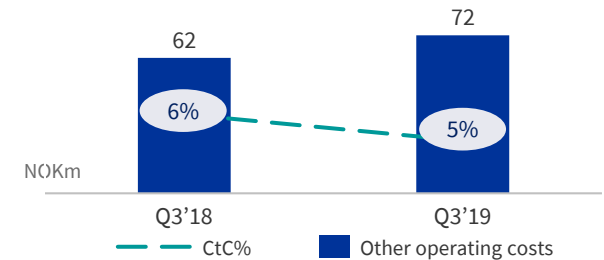
Personnel costs<sup>1</sup>



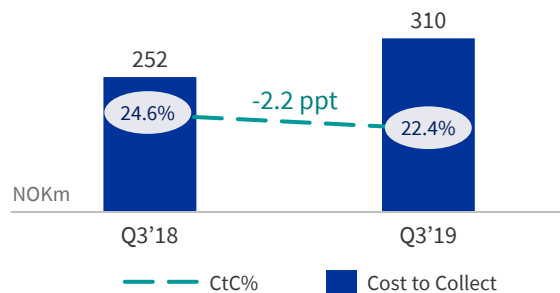
External costs<sup>1</sup>



Other operating costs<sup>1</sup>



Cost to Collect



- Cost to collect ratio improved by 2.2 percentage points, mainly driven by increased collection volumes and operational improvements

1) Does not include intercompany transactions of NOK 4m



# Balance sheet

## Balance sheet

NOKm	2019 Q3	2018 Q3	% change	2018 Audited
Deferred tax asset	160	59	172 %	97
Goodwill	776	716	8 %	785
Tangible and intangible assets	366	241	52 %	274
Investments in associated companies and joint ventures	315	10	3,074 %	12
Purchased loan portfolios	13,749	12,642	9 %	13,346
Participation loan/notes	565	132	327 %	589
Other long-term financial assets	361	363	-1 %	392
<b>Total non-current assets</b>	<b>16,293</b>	<b>14,163</b>	<b>15 %</b>	<b>15,496</b>
Other short-term assets	524	276	90 %	280
Cash & short-term deposits	316	673	-53 %	398
<b>Total current assets</b>	<b>840</b>	<b>950</b>	<b>-12 %</b>	<b>678</b>
<b>Total assets</b>	<b>17,133</b>	<b>15,113</b>	<b>13 %</b>	<b>16,174</b>
<b>Total equity</b>	<b>4,122</b>	<b>4,011</b>	<b>3 %</b>	<b>4,355</b>
Deferred tax liabilities	181	174	4 %	163
Long-term interest-bearing loans and borrowings	11,801	9,665	22 %	10,769
Other long-term liabilities	146	101	44 %	98
<b>Total non-current liabilities</b>	<b>12,127</b>	<b>9,940</b>	<b>22 %</b>	<b>11,029</b>
Bank overdraft	202	216	-7 %	59
Other current liabilities (incl. Payable income tax & accounts payable)	682	945	-28 %	730
<b>Total current liabilities</b>	<b>885</b>	<b>1,161</b>	<b>-24 %</b>	<b>789</b>
<b>Total equity and liabilities</b>	<b>17,133</b>	<b>15,113</b>	<b>13 %</b>	<b>16,174</b>

1) Adjusted for deferred payment for portfolio purchase of NOK 153m

2) Tangible equity over tangible assets (of which both sides are adjusted for goodwill and intangible assets)

## Comments

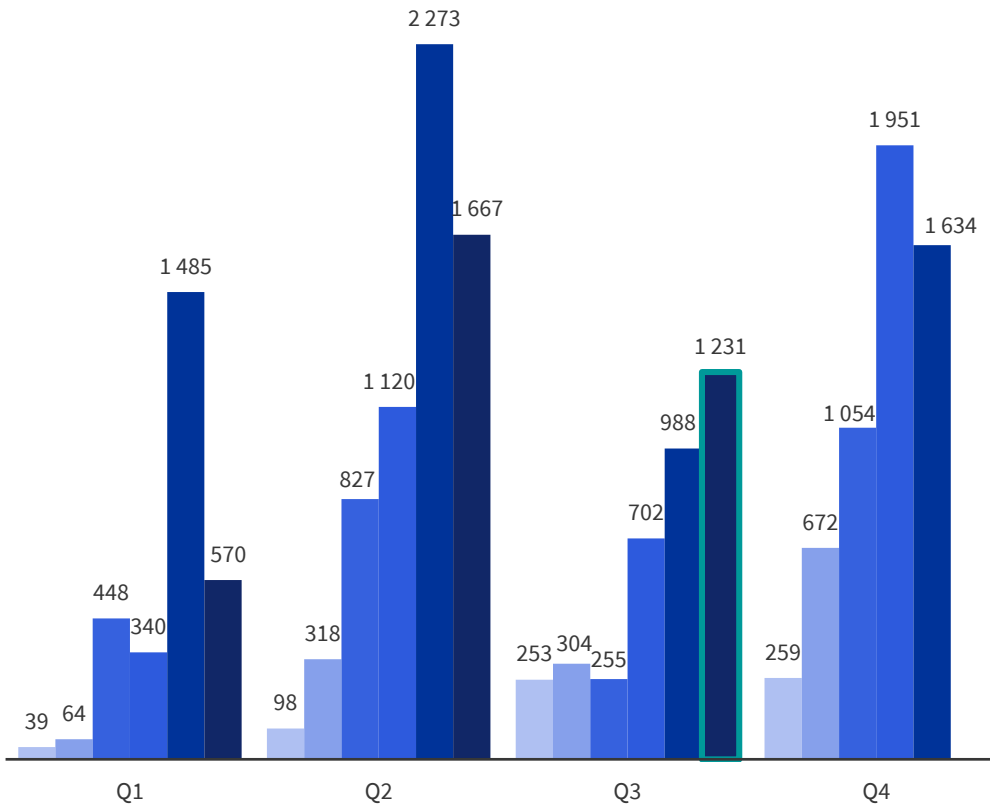
- Available investment capacity of NOK 1.8bn<sup>1)</sup> plus monthly cash flow
- NOK 872m of assets in portfolio co-investment structures
  - 6.0% of total portfolio assets
- Equity ratio of 24.1%
- Tangible equity ratio of 19.6%<sup>2)</sup>

# Quarterly purchase volume: NOK 1,231m in Q3

## Portfolio purchase volumes<sup>1)</sup>

NOKm

2014 2015 2016 2017 2018 2019

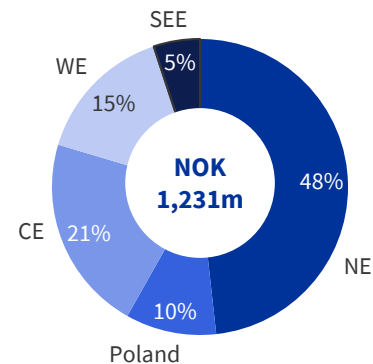


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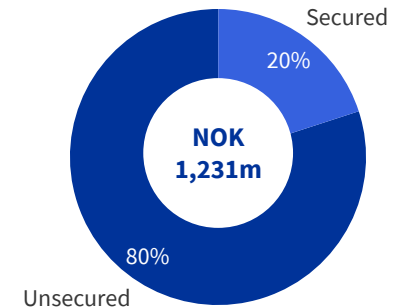
- Good purchase volume for a third quarter
- Portfolios mainly acquired in Northern Europe
- Of the unsecured portfolios 61% were forward flow agreements

## Key details portfolio purchase volume<sup>1)</sup>

### Geography distribution



### Distribution by type



1) Including the Group's participation notes issued to joint venture for portfolio purchases in 2019.

# Diversified portfolio yielding stable cash flows

Total gross ERC of NOK 24.7bn (20% growth y-o-y)

## Development in total gross ERC<sup>1)</sup>

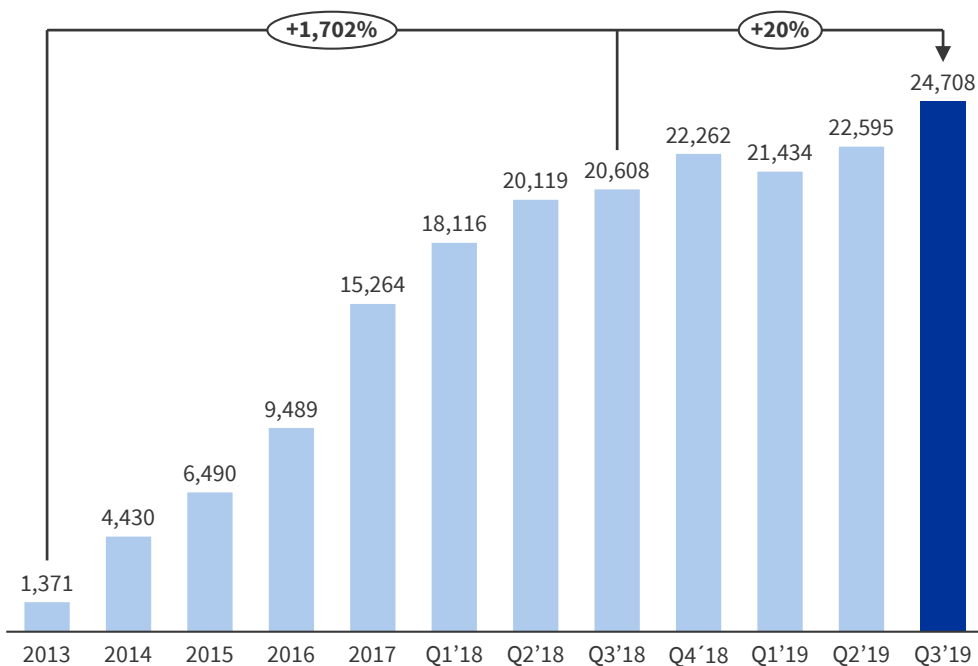
NOKm

Claims (#):

~7.6m

Face value<sup>1)</sup> (NOK):

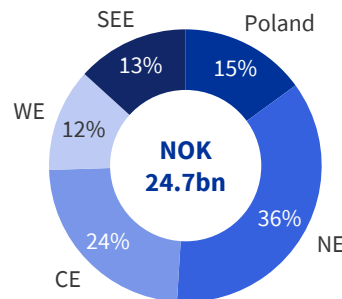
~161bn



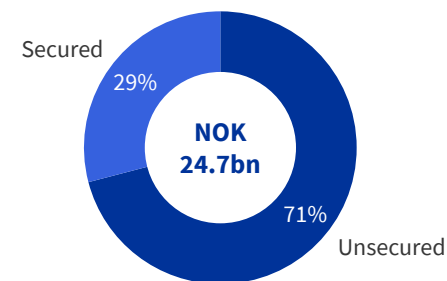
## Portfolio details (total gross ERC)<sup>1)2)</sup>

NOKm

### Geographical distribution



### Distribution by type



Unsecured	Year										120m ERC	Total ERC
	1	2	3	4	5	6	7	8	9	10		
Poland	872	704	492	357	262	193	144	104	76	56	3,261	3,401
NE	1,503	1,279	1,069	886	737	616	509	421	348	285	7,651	8,839
CE	377	325	280	229	187	149	106	65	31	14	1,762	1,783
WE	224	205	163	132	108	85	58	44	23	11	1,053	1,056
SEE	541	496	398	312	243	174	124	86	57	14	2,445	2,445
<b>Sum</b>	<b>3,516</b>	<b>3,008</b>	<b>2,401</b>	<b>1,916</b>	<b>1,538</b>	<b>1,218</b>	<b>942</b>	<b>719</b>	<b>535</b>	<b>379</b>	<b>16,172</b>	<b>17,525</b>

Secured	Year										120m ERC	Total ERC
	1	2	3	4	5	6	7	8	9	10		
Poland	54	156	69	12	2	1	1	1	1	1	299	300
NE	8	9	6	5	4	4	3	2	2	2	46	55
CE	967	1,638	1,157	175	41	9	4	30	1	1	4,023	4,029
WE	481	603	482	210	97	48	20	12	12	3	1,969	1,969
SEE	272	262	197	71	21	2	2	2	2	-	830	830
<b>Sum</b>	<b>1,782</b>	<b>2,667</b>	<b>1,912</b>	<b>474</b>	<b>165</b>	<b>64</b>	<b>31</b>	<b>47</b>	<b>18</b>	<b>7</b>	<b>7,167</b>	<b>7,183</b>
<b>Total</b>	<b>5,298</b>	<b>5,675</b>	<b>4,313</b>	<b>2,390</b>	<b>1,703</b>	<b>1,282</b>	<b>973</b>	<b>766</b>	<b>553</b>	<b>386</b>	<b>23,339</b>	<b>24,708</b>

1) Including the Group's share of portfolios acquired and held in joint ventures.

2) The net effect of the write-down was accounted for in Q2, but the effect on portfolio level was adjusted during Q3, resulting in changes in the ERC curve.

Disclaimer: B2Holding ASA emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.



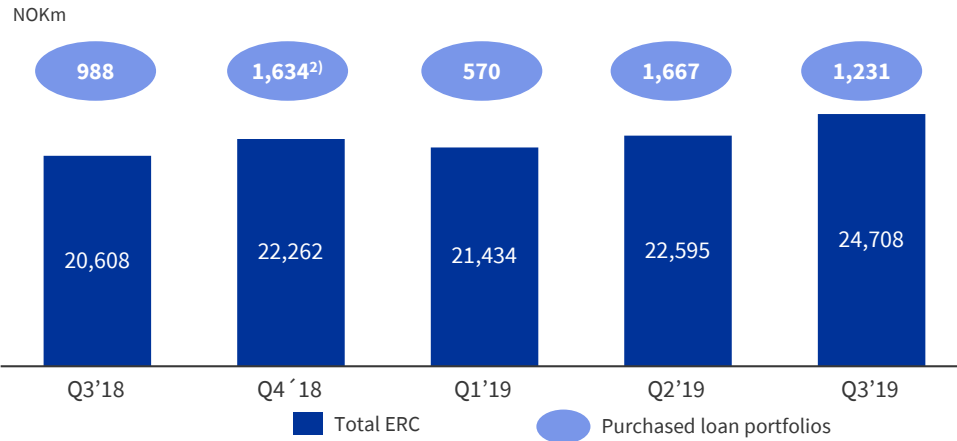
**Q&A**



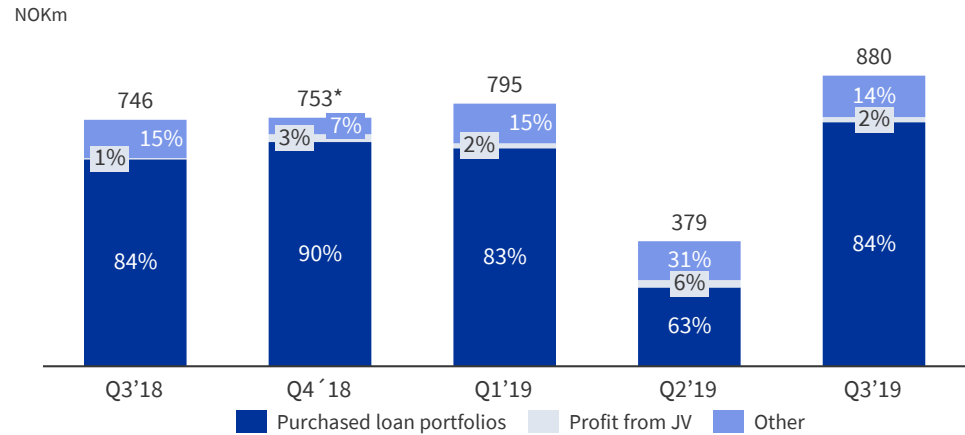


# Financial highlights: Quarterly financial performance

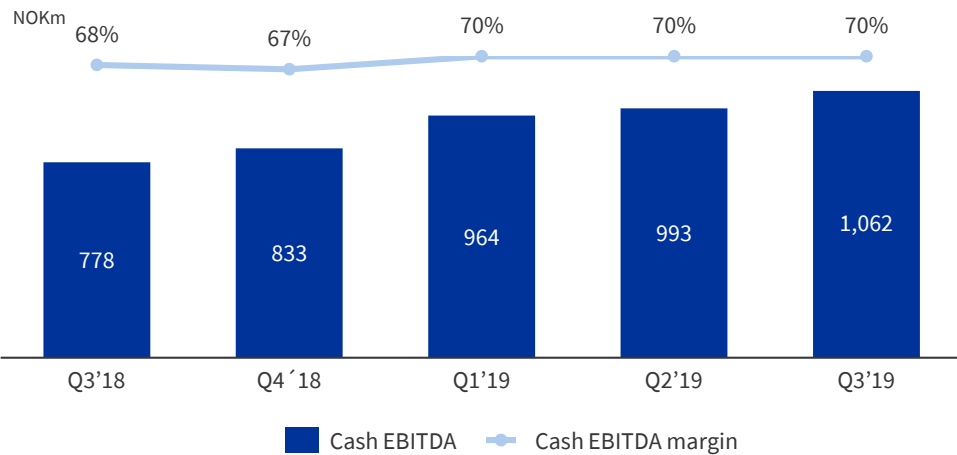
## Total ERC<sup>1)</sup> and portfolio purchases



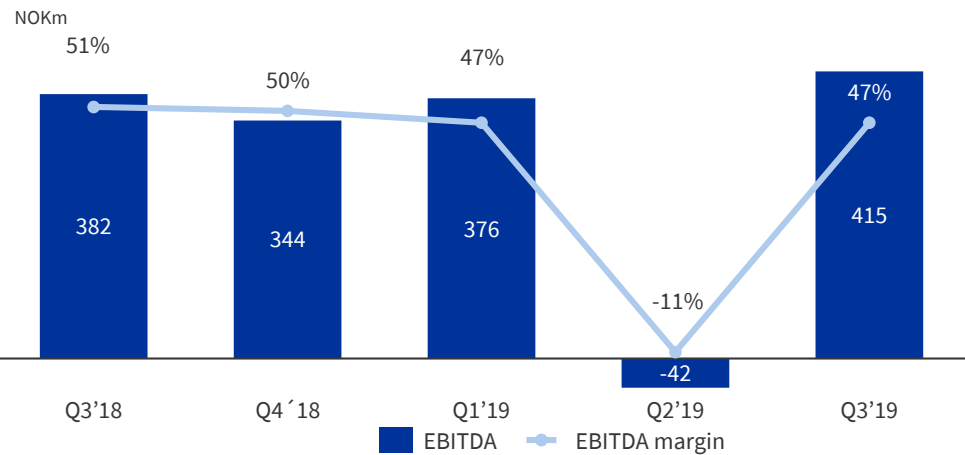
## Total revenues



## Cash EBITDA



## EBITDA



- 1) Including the Group's share of portfolio acquired and held in joint ventures
- 2) Including the Group's participation notes issued to joint venture for portfolio purchases in 2018



# Northern Europe (NE)

Strong operating performance

Norway, Sweden, Denmark,  
Finland, Estonia, Latvia and Lithuania

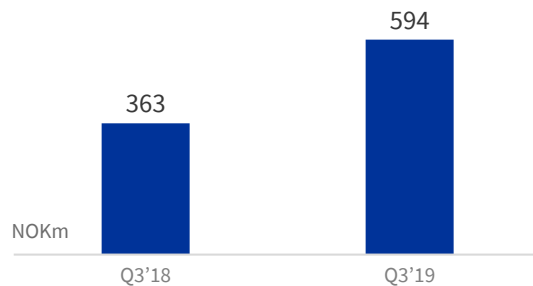


NOKm	2019 Q3	2018 Q3	Change (%)
Gross revenues	245	178	38 %
Net revaluation/actualisation	17	-2	
Total revenues	262	176	49 %
EBIT	167	98	71 %
Profit margin (%)	64 %	56 %	
ERC	8,893	5,332	67 %

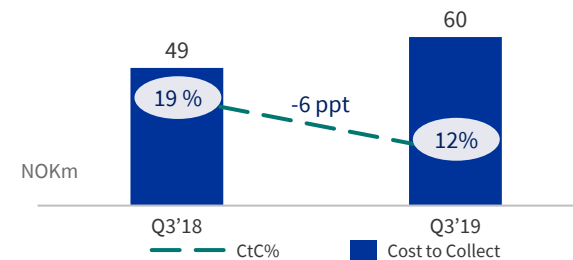
## Highlights & KPIs

- Portfolio purchase volume of NOK 594m in the quarter
- Gross cash collection of NOK 488m in Q3
- Cash EBITDA was NOK 434m, up 96% from Q3 2018

### Portfolio purchases

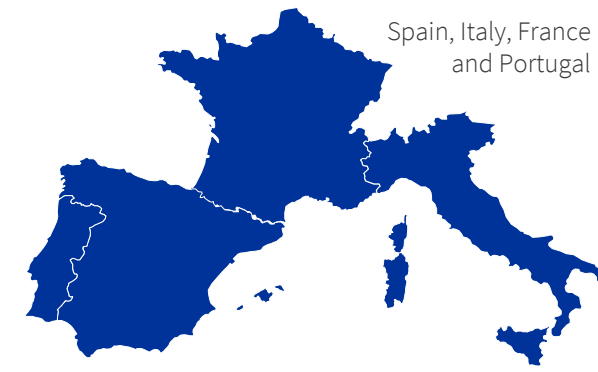


### Cost to Collect



# Western Europe (WE)

Steadily moving forward

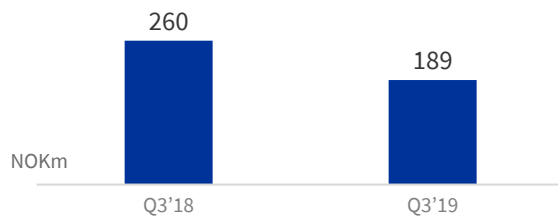


NOKm	2019 Q3	2018 Q3	Change (%)
Gross revenues	133	102	30 %
Net revaluation/actualisation	-5	-11	
Total revenues	128	91	41 %
EBIT	23	24	-6 %
Profit margin (%)	18 %	27 %	
ERC	3,025	2,299	32 %

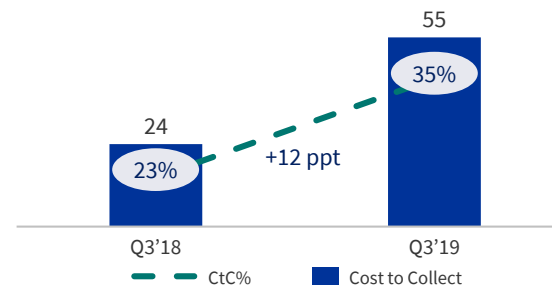
## Highlights & KPIs

- Portfolio purchases of NOK 189m in the quarter
- Gross cash collection in Q3 of NOK 157m
- Cash EBITDA was NOK 104m, up 24% from Q3 2018

### Portfolio purchases



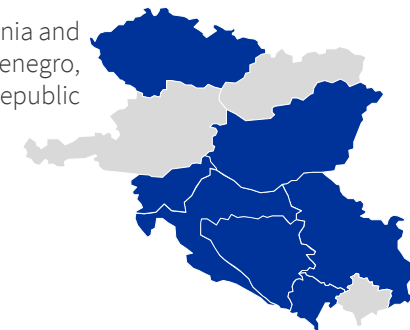
### Cost to Collect



# Central Europe (CE)

Maturing market

Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Hungary and Czech Republic

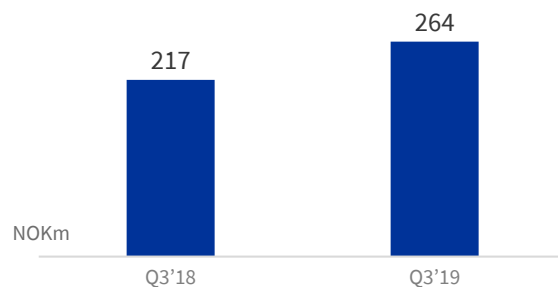


NOKm	2019 Q3	2018 Q3	Change (%)
Gross revenues	257	208	24 %
Net revaluation/actualisation	35	-26	
Total revenues	222	182	22 %
EBIT	147	131	12 %
Profit margin (%)	66 %	72 %	
ERC	5,034	5,683	-11%

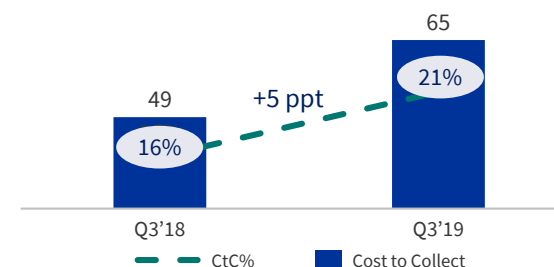
## Highlights & KPIs

- Portfolio purchases of NOK 264m in the quarter
- Gross cash collection in Q3 of NOK 308m
- Cash EBITDA was NOK 245m, down 7% from Q3 2018

### Portfolio purchases<sup>1)</sup>



### Cost to Collect



1) Excluding the Group's participation notes issued to joint venture for portfolio purchases in 2019.

# South East Europe (SEE)

Increasing servicing revenues and good pipeline visibility

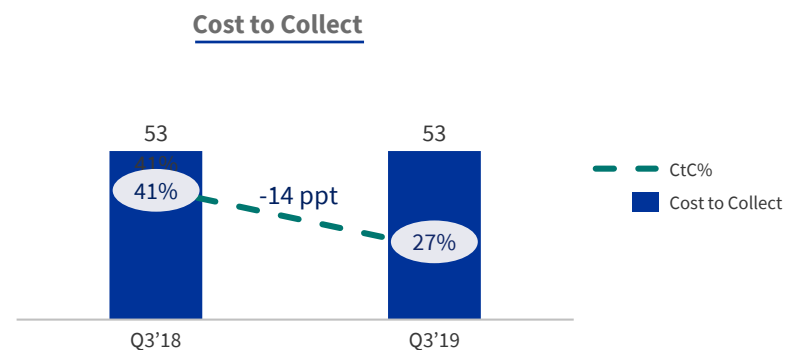
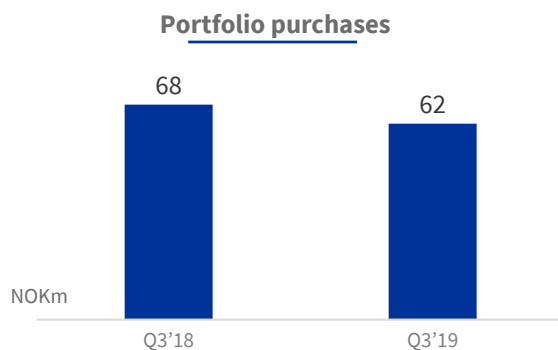
Romania, Bulgaria,  
Greece and Cyprus



NOKm	2019 Q3	2018 Q3	Change (%)
Gross revenues	113	145	-22 %
Net revaluation/actualisation	-19	-11	
Total revenues	94	134	-30 %
EBIT	19	80	-76 %
Profit margin (%)	20 %	60 %	
ERC	2,186	3,734	-41 %

## Highlights & KPIs

- Portfolio purchases of NOK 62m in the quarter
- Gross cash collection in Q3 of NOK 195m
- Cash EBITDA was NOK 145m, up 73% from Q3 2018



# Poland (P)

A mature but still high yield market

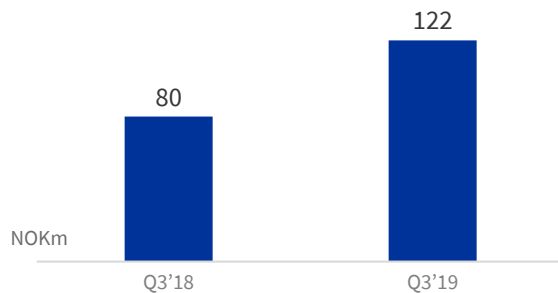


NOKm	2019 Q3	2018 Q3	Change (%)
Gross revenues	167	167	0 %
Net revaluation/actualisation	8	-4	
Total revenues	175	163	7 %
EBIT	65	66	-1 %
Profit margin (%)	37 %	40 %	
ERC	3,701	3,420	8 %

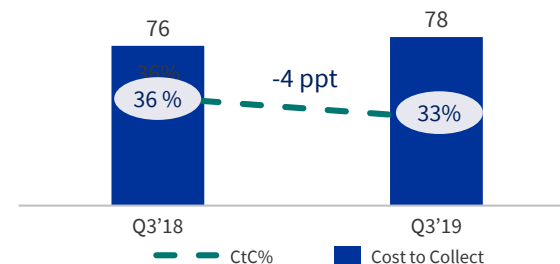
## Highlights & KPIs

- Portfolio purchase volume of NOK 122m in the quarter
- Gross collection in Q3 of NOK 239m
- Cash EBITDA was NOK 167m, up 8% from Q3 2018

### Portfolio purchases

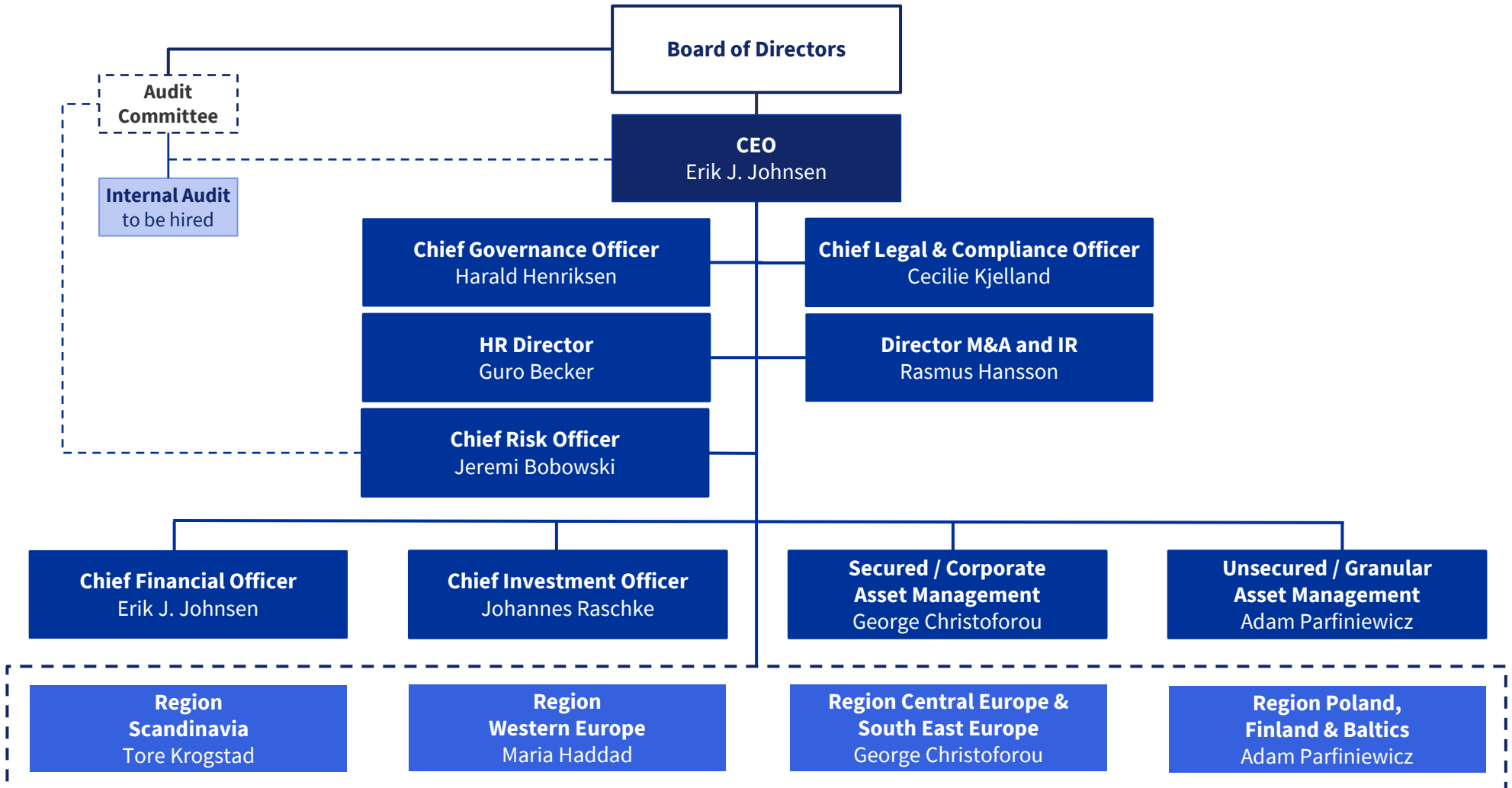


### Cost to Collect





# Group Executive Management



In financial reporting regions continue to be reported as five segments: Northern Europe (Scandinavia, Finland and the Baltics), Poland, Western Europe, Central Europe and South East Europe.

# 20 largest shareholders

#	Shareholder	No of shares	Percentage
1	PRIORITET GROUP AB	52 913 000	12,91 %
2	RASMUSSENGRUPPEN AS	43 073 236	10,51 %
3	VALSET INVEST AS	25 000 000	6,10 %
4	STENSHAGEN INVEST AS	18 893 376	4,61 %
5	VERDIPAPIRFONDET DNB NORGE	15 437 347	3,77 %
6	K11 INVESTOR AS	9 766 680	2,38 %
7	BRYN INVEST AS	8 676 690	2,12 %
8	RUNE BENTSEN AS	8 191 680	2,00 %
9	VERDIPAPIRFONDET ALFRED BERG GAMBA	7 825 891	1,91 %
10	VERDIPAPIRFONDET ALFRED BERG NORGE	6 965 276	1,70 %
11	ARCTIC FUNDS PLC	6 484 744	1,60 %
12	VERDIPAPIRFONDET PARETO INVESTMENT	6 381 405	1,56 %
13	GREENWAY AS	5 802 368	1,42 %
14	SWEDBANK ROBUR NORDENFON	5 400 000	1,32 %
15	VERDIPAPIRFONDET ALFRED BERG AKTIV	5 153 924	1,26 %
16	ARCTIC FUNDS PLC	4 779 734	1,17 %
17	FJELLTUNVEIEN INVEST AS	4 100 000	1,00 %
18	TYCOON INDUSTRIER AS	3 750 000	0,91 %
19	LIN AS	3 501 670	0,85 %
20	VJ INVEST AS	3 137 932	0,77 %
	OTHER	164 697 645	40,18 %
	<b>Total</b>	<b>409 932 598</b>	<b>100,00 %</b>

Note: Updated per 4 November 2019

# Definitions

## ■ 120-month ERC

Estimated remaining collection, which expresses the gross cash collection in face value expected to be collected in the future over a 120-month period from the purchased portfolios owned at the reporting date. The 120-month ERC is a common measure in the debt purchasing industry; however it may be calculated differently by other companies and may not be comparable. These projections have been prepared for illustrative purposes only and may differ from the forecast we use to calculate the carrying value of our portfolio purchases as recognized in the Audited Financial Statements. We can provide no assurance that we will achieve such collections within the specified time period, or at all

## ■ Actualisation

Actualisation is the difference between actual and forecasted collections for purchased loan portfolios for the reporting period.

## ■ Administration & management costs

Administration and management cost include Head Office and other Group costs such as Investment Office

## ■ Amortisation

Amortisation is the reduction in the current value of the purchased loan portfolios during the period, which is attributable to collection taking place as planned.

## ■ Available investment capacity

Available investment capacity includes cash and short-term deposit (less NOK 200 million 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 of actual performance from the collection business (cash business) and other business areas.

## ■ Cash EBITDA margin (cash margin)

Consists of cash EBITDA expressed as a percentage of cash revenue.

## ■ Cash revenue

Cash revenue consists of “Total revenues” added back amortisation and revaluation of purchased loan portfolios. Cash revenue is a measure of actual revenues (cash business) from the collection business and other business areas. Cash revenue is an alternative performance measure used by the Company in order to reflect the performance of its purchased loan portfolios and external collection and consumer lending businesses. Cash revenue is an alternative performance measure frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the debt collection industry

## ■ Cost to collect

All external and internal operating costs related to the Group’s collection business.

## ■ EBITDA

Operating profit before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) adding back depreciation and amortisation of tangible and intangible assets.

## ■ EBITDA margin: EBITDA over total operating revenues

## ■ ERC

Estimated remaining collection (ERC) expresses the gross cash collection in nominal values expected to be collected in the future from the purchased loan portfolios owned at the reporting date and the Group’s share of gross cash collection on portfolios purchased and held in joint ventures. ERC includes ERR. The Total ERC is a common measure in the debt purchasing industry; however it may be calculated differently by other companies and may not be comparable.

## ■ ERR

Estimated remaining recoveries (ERR) expresses the gross cash collection in nominal values expected to be recovered in the future from the purchased secured loan portfolios owned at the reporting date and the Group’s share of gross cash collection on secured portfolio purchased and held in joint ventures.

# Definitions (cont'd)

## ■ **Forward flow agreements**

Forward flow agreements are 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 rates set at initial acquisition.

## ■ **Interest Coverage**

The ratio of Cash EBITDA divided by net interest expenses

## ■ **Leverage ratio**

Net Interest-bearing debt over Cash EBITDA calculated for the last 12 months

## ■ **Net debt**

Net debt 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 loan 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 at the individual portfolio level 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 are 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 upward adjustments of future collection estimates increase revenue. Cash collection below collection estimates and downward adjustments of future collection estimates decrease revenue. Net credit gain/(loss) equals net actualisation/revaluation.

## ■ **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 revenues**

Other 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.

## ■ **Participation loan/notes**

Participation loan/notes consist of investment agreements with co-investors for the purchase of loan portfolios through SPVs. The contractual arrangement of the participation loan/notes is directly related to the performance of the portfolios purchased in the SPVs

## ■ **Portfolio purchases**

Portfolio purchases are the investments for the period in secured (with collateral) and unsecured (without collateral) loan portfolios.

## ■ **Profit margin**

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

## ■ **Revaluation**

Revaluation is the period's increase or decrease in the current value of the purchased loan portfolios attributable to changes in forecasts of future collection.

## ■ **Secured Loan to Value Ratio**

Net interest-bearing debt of secured facilities plus any vendor loans less cash and short term deposits over Assets (portfolio, JV, loan receivables, REO and goodwill).

## ■ **Total Loan to Value (TLTV)**

Net debt adjusted for vendor loan, earn out and FX hedge MTM over Assets (portfolio, JV, loan receivables, REO and goodwill).





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