LINDORFF

Q3

QUARTERLY REPORT

2014

Financial highlights

– Revenue of EUR 119m in Q3, up 11% y/y (13% in constant currency)

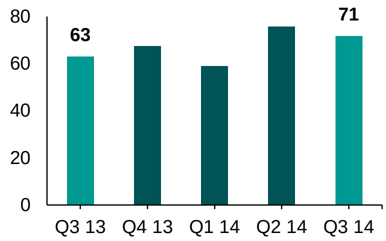
– Adjusted EBITDA of EUR 71m in Q3, up 14% y/y (excluding NRI's)

– Investments in Debt Purchasing amounted to EUR 56m

Adjusted EBITDA

Up 14%

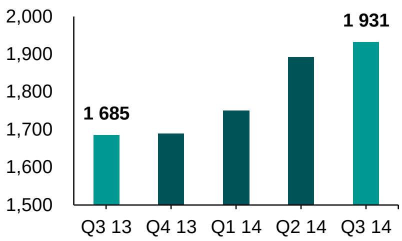
Adj. EBITDA (excl. NRI's)
EURm



ERC

Up 15%

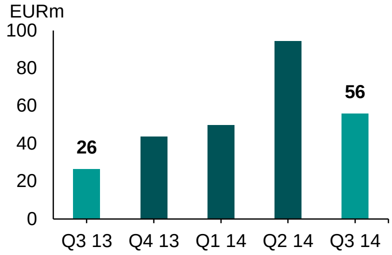
ERC 180 month
EURm



Investments

Up 111%

Investments in Debt Purchasing
EURm



Key figures

EURm	Jul-Sep 2014	Jul-Sep 2013	Change %	Jan-Sep 2014	Jan-Sep 2013	Change %	Jan-Dec 2013	LTM
Revenues	119	107	11%	345	333	4%	447	458
Revenue ex portfolio revaluation	119	107	11%	343	333	3%	446	456
EBITDA	39	31	25%	115	106	8%	141	150
EBITDA margin (%)	33%	29%		33%	32%		31%	33%
EBIT	35	29	19%	105	100	4%	130	134
Adjusted EBITDA	70	62	13%	199	191	4%	256	265
Adjusted EBITDA excluding NRI's	71	63	14%	206	197	5%	261	273
NIBD, end of period	1,027	921	12%	1,027	921	12%	925	1,027
NIBD / adj. EBITDA (LTM)**	3.9	3.6		3.9	3.6		3.6	3.9
ERC, end of period	1,930	1,684	15%	1,930	1,684	15%	1,699	1,930
Investments in Debt Purchasing	56	26	111%	200	110	81%	154	243
Return in Debt Purchasing	15.8%	14.7%		15.8%	16.2%		16.3%	15.7%
Gross collection in Debt Purchasing	88	78	12%	245	232	6%	313	326
Average number of FTEs	2,872	2,774	4%	2,770	2,821	-2%	2,799	2,764

** *Based on funding structure as of 30 September 2014*

Operational and Market update

Operational update

Revenues in the third quarter were EUR 119m representing an increase of 11% compared to the same quarter last year. The increase was 13% in constant currency. Adjusted EBITDA excluding NRI's was EUR 71m, up 14% compared to the same quarter last year. The increase in constant currency was 16%.

Investments in Debt Purchasing were EUR 56m in the quarter, up from EUR 26m in the same quarter last year. The largest investment in Q3 was in Spain and for the first time we acquired a loan portfolio in Italy.

For the first nine months of 2014 revenue and Adjusted EBITDA excluding NRI's were EUR 345m and EUR 206m, representing an increase compared to last year of 4% and 5% respectively. The increase in constant currency was 7% and 8%. Portfolio Investments amounted to EUR 200m YTD, up 81% from the same period in 2013, and we are consequently going into the fourth quarter with a solid foundation for profitable growth.

Market update

The market for European Credit Management Services continues to favour Lindorff and we expect a significant volume of NPL portfolios coming into the market. During the first nine months of 2014 we have seen more activity in portfolio sales from Financial Institutions than in 2013 and we anticipate the high activity to continue. During Q3 we acquired our first portfolio of loans in Italy.

In Q3 Lindorff signed an agreement to acquire the debt recovery business from a Spanish bank. The acquisition price was EUR 162m. The agreement includes the provision of services for the management and collection of past-due receivables by Lindorff Spain, for an expected initial period of ten years. The acquisition further strengthens our strong Spanish organisation and demonstrates Lindorff's ability to provide solutions across the CMS value chain to our clients within Financial Institutions.

We have a strong momentum in our Debt Purchasing segment. The operating segment grew by 22% in the quarter and year to date we have invested 81% more in this segment compared to 2013. Furthermore, with the Debt Collection acquisition in Spain we continue to grow our business across the value chain and maintain our well-balanced business mix. In the third quarter our Debt Purchasing business made up 49% of revenue, while Debt Collection made up 48% of revenue.

Financial review Q3 2014

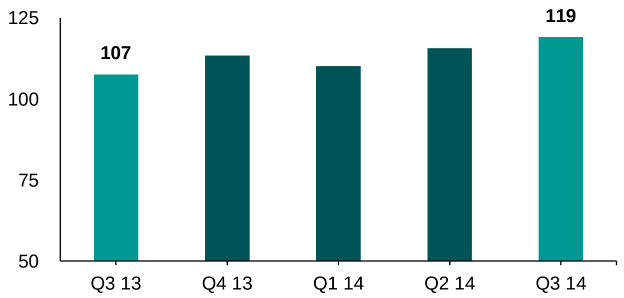
Lindorff Group

Revenue

Net revenue increased from EUR 107m in Q3 2013 to EUR 119m in Q3 2014. In constant currency the growth rate was 13%. The growth was mainly in Debt Purchasing, however also revenue in Debt collection increased.

Net revenue was EUR 345m in the first nine months of 2014 which was an increase of 4% compared to the same period of 2013. In constant currency, net revenue increased EUR 23m, or 7%. This development was driven by a number of factors including, the acquisition of a collection contract in Spain in December 2013, several portfolio acquisitions - most notably in Spain, Germany, Finland and Denmark, but also in Sweden and Italy. This was however partly offset by negative currency effects in Norway and Sweden.

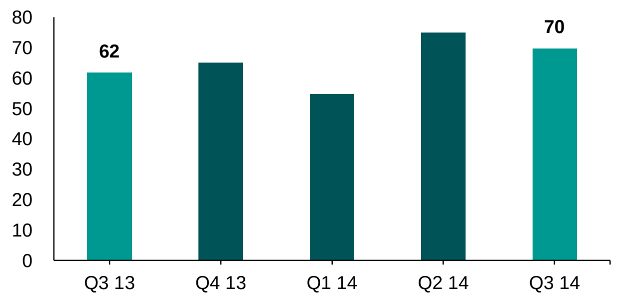
Revenue
EURm



Earnings

The reported Adjusted EBITDA amounted to EUR 70m in Q3 2014 compared to EUR 62m in Q3 2013, representing an increase of 13%. In constant currency, Adjusted EBITDA was up 15%. The Adjusted EBITDA margin was up from 44.8% to 46.5%.

Adjusted EBITDA (reported)
EURm



The reported Adjusted EBITDA for the first nine months of 2014 was EUR 199m, up 4% compared to same period last year. In constant currency, the Adjusted EBITDA was up 7% y/y.

Operating expenses

Total operating expenses amounted to EUR 80m in the quarter, up from EUR 76m in Q3 2013. Employee benefit expense increased EUR 3m or 7% mainly due to increased number of FTEs. The increase in FTE's is mainly due to an acquisition in Spain in December 2013. Depreciation and amortisation amounted to EUR 4m vs EUR 2m last year. Total operating expenses for the first nine months of 2014 ended at EUR 230m, up 1% from EUR 227m last year.

Employee benefit expenses in the first nine months were stable at EUR 128m compared to last year and an increase of 3% in constant currency. Average number of FTEs decreased 2%, however severance payments and average salary growth more than offset the effect of the reduction of FTEs in the period.

Other operating costs increased EUR 5m in the first nine months of 2014, or 8%, from EUR 57m in the first nine months of 2013 to EUR 62m. The increase was driven by an increase in commission to external debt collectors due to higher volumes.

Depreciation and Amortisation

Depreciation and amortization increased EUR 5m, or 77%, from EUR 6m in the first nine months 2013 to EUR 11m YTD 2014. The increase was mainly due to amortisation of the collection contract acquired in Spain in December 2013.

SG&A and IT

SG&A and IT decreased by EUR 3m in the first nine months 2014, or 5%, down from EUR 64m in 2013 to EUR 61m this year. The decrease is driven by consolidation of sites in 2013 and increased outsourcing of IT driving significant scale benefits across the group.

Net financial items

Net financial items were EUR 68m in Q3 2014 compared to EUR 28m in Q3 2013. Due to refinancing of the group's loans with effect from 6 October 2014 the remaining non amortised upfront fee, EUR 17m has been expensed. Included in net financial items is also a negative fair value adjustment of the convertibles towards Coinvest AB, EUR 27m, estimated based on the acquisition price of the shares in Lindorff AB.

Net financial items decreased by EUR 5m from EUR 116m in the first nine months of 2013 to EUR 111m in the same period 2014. The decrease was primarily attributable to a reduction in the interest expense on shareholder loans following the conversion of part of the Shareholder Loans from debt to equity in July 2013, and a decrease in the underlying interest rates applicable to our credit facilities.

Investments and cash flow

Investments in Debt Purchasing were EUR 56m in the quarter compared to EUR 26m in Q3 2013, representing an increase of 111%. For the first nine months of 2014, investments in Debt Purchasing amounted to EUR 200m, up 81% from EUR 110m same period last year. Pipeline remains strong going into Q4.

Cash flow from operating activities was EUR 49m in the current quarter compared to EUR 54m in Q3 2013, a decrease of 8%. The Q3 cash flow was negatively affected by changes in working capital (increase in short term receivables) mostly due to prepaid costs in relation to the exit process. In the first nine months of 2014 cash flow from operating activities decreased from EUR 143m last year to EUR 142m.

Tax

Income tax expense for the quarter was EUR 3m compared to EUR 0m in Q3 2013.

Our income tax expense increased by EUR 13m, from EUR -3m in the first nine months in 2013 to EUR 10m in 2014.

Funding

Borrowings are bank debt, secured by share pledge in all material companies. The fair value of current borrowings equals the carrying amount, with interest fixing end of each quarter on all facilities.

Bank borrowings in place at end of Q3 would according to plan mature partly in end of June 2017 and end of June 2018. In connection with Nordic Capital Fund VIII's acquisition of Lindorff, which was completed on 6 October 2014, the current funding package of EUR 840m was terminated and a new funding package consisting of Super Senior RCF of EUR 255m, Senior Secured Bonds of EUR 1,002.5m equivalent (issued in EUR and NOK) and Senior Notes of EUR 450m equivalent (issued in EUR and SEK) were put in place. The non-current share of the borrowings was therefore reclassified to current liabilities as at 30 September 2014 and the remaining non amortised upfront fee related to the old financing package, EUR 17m was expensed.

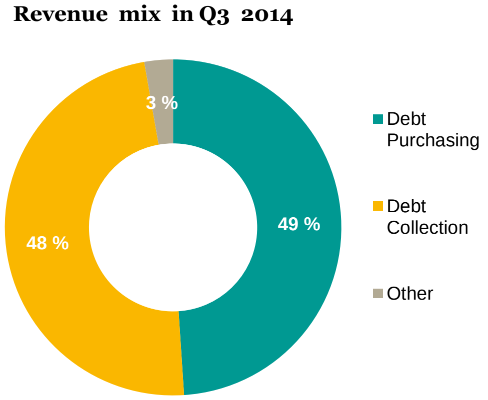
Average interest rate was 5.6% in 2013 compared to 4.9% YTD 2014, excluding the unamortised fees expensed in September 2014. Average interest rate on the new facilities will be approx. 7.5% with an average duration of 7 years.

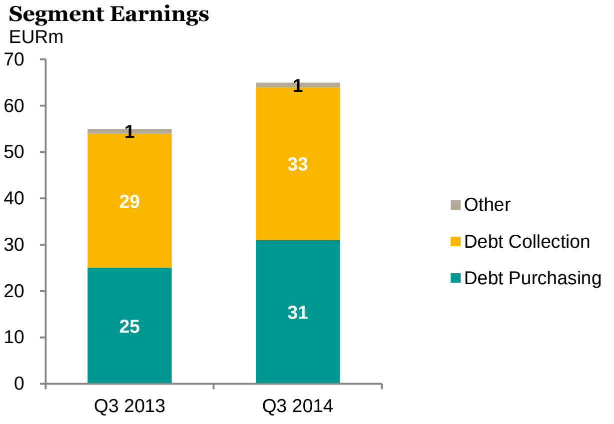
The transaction between the Altor Funds, Investor AB and Nordic Capital Fund VIII in regards to the sale of the majority of shares in Lindorff AB was completed on 6 October 2014. At completion NIBD was around EUR 1.5bn which would imply 5.5x NIBD/Adjusted EBITDA excl. NRI's (LTM).

Goodwill

Consolidated goodwill amounted to EUR 787m at the end of Q3 2014 compared to EUR 799 in Q3 2013. The change from last year is due to foreign currency translation. Goodwill related to Nordic Capital Fund VIII's acquisition of Lindorff is not reflected in Q3 numbers.

Operating segments





Debt Collection

Net revenue in Q3 amounted to EUR 57m, excluding intersegment revenue of EUR 25m from collection on Lindorff's own portfolios. This represents an increase in revenue of 3% compared to EUR 55m in Q3 2013. The Segment Earnings increased 13% from EUR 29m in the third quarter 2013 to EUR 33m in 2014. The increase is due to growth in third party revenue and earnings combined with higher internal commission rates in the Netherlands, Spain and Sweden. The increase in earnings in constant currency was 15%.

Debt Collection accounted for 48% of revenue and 51% of segment earnings in Q3 2014.

Net revenue decreased EUR 2m, or 1%, from EUR 172m in the first nine months 2013 to EUR 170m in the same period of 2014. The decrease was mainly due to currency effects in NOK and SEK. In constant currency, revenue increased 3%.

Segment Earnings increased 1% from EUR 97m in the first nine months 2013 to EUR 98m in the same period 2014. The increase in constant currency was 4.7%. Earnings margin remained stable at 41% in the same period.

Debt Purchasing

Net revenue in Q3 amounted to EUR 58m compared to EUR 48m in Q3 2013, representing an increase of 22% mainly due to increased collection and lower portfolio amortisation.

The Segment Earnings came in at EUR 31m, an increase of 24% from EUR 25m in Q3 2013. In August Lindorff made its first portfolio investment in Italy. Total investment in Debt Purchasing during the quarter was EUR 56m, an increase of 111% from Q3 2013. Debt Purchasing accounted for 49% of revenue and 48% of Segment Earnings in Q3 2014.

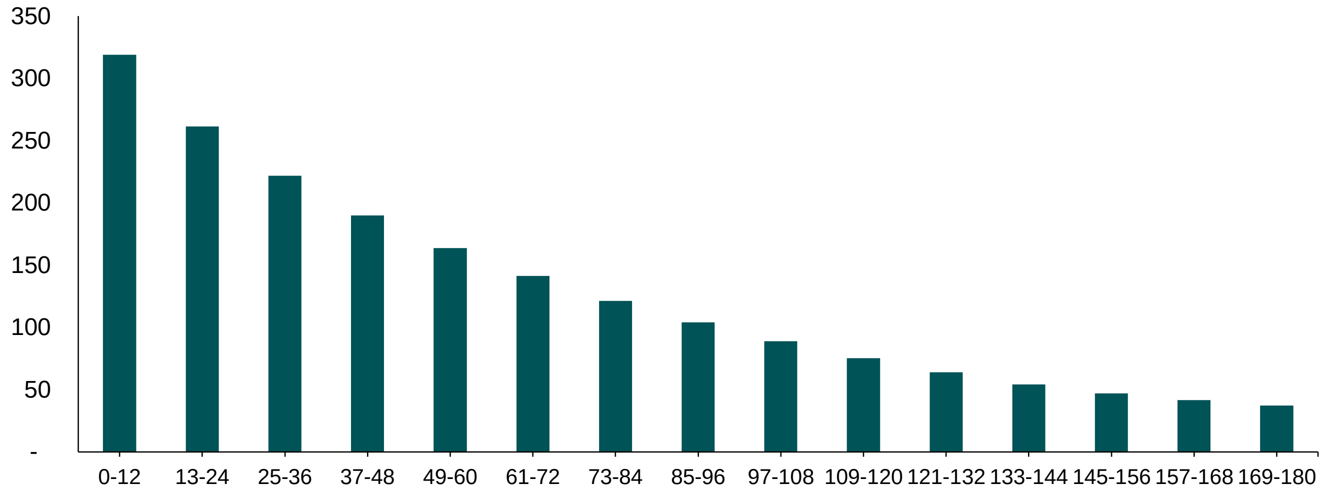
Net revenue in the nine months of 2014 increased 10%, from EUR 148m YTD 2013 to EUR 162m YTD 2014. Net revenue increased 12.5% in constant currency. The increase was driven by new investments in portfolios and efficiency improvements. The amortisation rate YTD was 35% compared to 37% in the same period last year.

Segment Earnings increased 7.5%, from EUR 81m in the nine first months 2013 to EUR 87m in the same period in 2014. For the first nine months of 2014 the Earnings margin decreased slightly from 54.7% in 2013 to 53.4% in 2014.

Return in Debt Purchasing was 15.8% YTD 2014 (annualised) compared to 16.2% YTD last year. The decrease is mainly due to increased carrying value from investments which have not yet significantly contributed to earnings, and increased internal commission in the Netherlands, Spain, and Sweden. The yield in Debt Purchasing was 15.8% in the third quarter 2014 compared to 14.7% in the same quarter last year.

Estimated Remaining Collection (ERC) on Lindorff owned portfolios was EUR 1,930m in Q3 2014, up 2.1% from EUR 1,891m in Q2 2014 and up 15% from EUR 1,685 m in Q3 2013.

ERC, next 180 months
EURm



Other Services

Other revenue was EUR 4m, down 11% from Q3 2013. For the first nine months of 2014 revenue from other services decreased 10%, from EUR 14m in 2013 to EUR 13m in the first nine months of 2014. The change was driven by negative currency effect in Norway and sale of a subsidiary in Germany in December 2013.

Summary of Operating Segments

EURm	Jul-Sep 2014	Jul-Sep 2013	Change %	Jan-Sep 2014	Jan-Sep 2013	Change %	Full year 2013	LTM
Revenue per segment								
Debt Collection 3PC	**57**	55	3 %	**170**	172	**-1 %**	228	226
Debt Purchasing	**58**	48	22 %	**162**	148	**10 %**	200	225
Other	**4**	5	-11 %	**13**	14	**-10 %**	19	17
Total	**119**	107	**11 %**	**345**	333	**3 %**	447	458
Earnings per segment								
Debt Collection	**33**	29	13 %	98	97	**1 %**	128	129
Debt Purchasing	**31**	25	24 %	87	81	**7 %**	109	115
Other	**1**	1		2	3		3	2
Total	**64**	55	**17 %**	186	180	**4 %**	240	246

Significant risk and uncertainties

The Group's and Parent Company's risks include, among other things, strategic risks related to economic development and acquisitions, regulatory changes, possible errors and omissions and financial risk such as market risk, financing risk and credit risk inherent in Purchased loans and receivables and counter party risk for third party business.

Tax

Lindorff has ongoing discussions with tax authorities in some countries mainly related to the deductibility of interest on group internal loans.

The tax authorities in Finland are still reviewing the interest level on group internal loans.

Financial risk

The financial position of the parent company and group is strong. The company has through its interest rate policy minimized the risk of adverse effects from changes in the market's interest rates on the group's cash flow.

The group's currency exposure is limited through a natural alignment of Lindorff's interest-bearing loans relative to operational cash flows denominations. The group operates internationally and is exposed to transaction risks on acquisitions/disposals and other transactions involving foreign currency. The currency exposure is primarily in EUR, NOK, SEK and DKK.

The risks are described in more detail in the Board of Directors report, and Note 3 and 4 in Lindorff First Holding ABs (Lindorff AB from July 2014) consolidated 2013 Annual report.

Share and shareholders

End of Q3 2014 the company's shareholders are Indif AB (51.2%), Altor 2003 Holdings Limited (23.1%) and Altor II Lindorff Holdings Limited (25.7%). The voting power is 50%, 23.6% and 26.4% respectively.

On 6 October 2014 Lock AS acquired 100% of the shares in Lindorff AB.

Parent company

The parent company is a holding company with no other employees than the CEO of the group. Net result for the first nine months of 2014 was EUR -34m compared to EUR -15m last year. Finance costs is reduced due to conversion of shareholder loans to equity in July 2013, however this is more than offset by decreased interest on loans to subsidiaries and an increase in fair value of the convertibles towards Coinvest.

Events after the end of the period

The transaction between the Altor Funds, Investor AB and Nordic Capital Fund VIII in regards to the sale of the majority of shares in Lindorff AB was completed on 6 October 2014. As part of the transaction Lock AS acquired directly or indirectly 100% of the shares in Lindorff AB.

The General Meeting elected a new Board of Directors which consists of Per E. Larsson (chairman of the board), Kristoffer Melinder, Andreas Näsvik, Peter Sjunnesson, and Joakim Andreasson. Peter Sjunnesson was also appointed as interim CEO as Endre Rangnes decided to resign from his position as CEO and leave the company.

In connection with the transaction above the current funding package of EUR 840m was terminated and a new funding package consisting of Super Senior RCF of EUR 255m, Senior Secured Bonds of EUR 1,002.5m equivalent (in EUR and NOK) and Senior Notes of EUR 450m equivalent (in EUR and SEK) were put in place.

On 4 November an additional bond issue of EUR 250m was finalized. The issue was split between a senior secured floating tranche of EUR 100m (EURIBOR + 5.5%) maturing in 2020, and a senior secured fixed tranche of EUR 150m (7%) maturing in 2021. The proceeds of the issue will mainly be used to settle the Spanish acquisition of EUR 162m and repay the RCF draw.

Consolidated Income statement

EURm	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Revenue	**119**	**107**	**345**	**333**	**447**
Employee benefit expense	-46	-43	-128	-128	-170
Legal fee cost	-9	-10	-26	-28	-35
Phone, postage and packaging	-5	-5	-14	-14	-19
Other operating costs	-21	-18	-62	-57	-83
Depreciation and amortisation	-4	-2	-11	-6	-10
Results from operating activities (EBIT)	**35**	**29**	**105**	**100**	**130**
Net financial items	-68	-28	-111	-116	-127
Profit (loss) before tax	**-33**	**1**	**-6**	**-16**	**3**
Income tax expense	-3	0	-10	3	-21
Profit (loss) for the period	**-36**	**1**	**-17**	**-13**	**-18**
Profit (loss) attributable to:					
Owners of the Company	**-36**	1	-17	-13	-18
Profit (loss)for the period	**-36**	**1**	**-17**	**-13**	**-18**

Consolidated Statement of comprehensive income

EURm	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Profit for the period	**-36**	**1**	**-17**	**-13**	**-18**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Re-measurements of post-employment benefit obligations	**0**	0	-	1	**-1**
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	**7**	3	3	-1	**-26**
Total comprehensive income for the year	**-29**	**4**	**-14**	**-13**	**-46**
Attributable to:					
Owners of the Company	**-29**	**4**	**-14**	**-13**	**-46**

Consolidated Statement of financial position

EURm	30 Sep 2014	30 Sep 2013	31 Dec 2013
ASSETS			
Fixtures and furniture	10	6	6
Intangible assets	77	24	69
Goodwill	787	799	782
Loans and receivables	787	670	675
Deferred income tax assets	10	25	9
Other long-term assets	6	3	3
Non-current assets	1,677	1,527	1,544
Trade receivables	15	21	17
Current tax receivable	1	5	5
Other short-term receivables	42	32	35
Client funds	24	24	45
Cash and cash equivalents	65	54	52
Current assets	147	136	154
Total assets	1,824	1,662	1,697
EQUITY			
Share capital	5	5	5
Share premium	742	742	742
Retained earnings	-236	-190	-223
Total equity	510	557	524
Liabilities			
Liabilities to credit institutions	0	561	563
Subordinated loan	36	132	137
Convertible loan	205	156	161
Other long-term liabilities	3	3	2
Pension liabilities	10	7	9
Deferred income tax liabilities	12	23	9
Financial derivatives	4	3	3
Non-current liabilities	270	886	885
Trade payables	18	23	23
Short-term loan	898	129	130
Client funds	24	24	45
Current tax liabilities	10	1	22
Other short-term liabilities	94	43	69
Current liabilities	1,044	220	289
Total liabilities	1,314	1,105	1,174
Total equity and liabilities	1,824	1,662	1,697

Consolidated Statement of changes in equity

EURm	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Beginning balance, 1 January	524	37	37
Net income for the period	-17	-13	-18
Other comprehensive income	3	-0	-28
Total comprehensive income	-14	-13	-46
Capital increase/conversion of shareholder loans 1 July 2013		533	533
Ending balance	**510**	**557**	**524**

Consolidated Statement of cash flow

EURm	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Operating activities:					
Results from operating activities (EBIT)	**35**	**29**	**105**	**100**	130
Amortisation, depreciation and impairment	**4**	**2**	**11**	**6**	10
Amortisation and revaluation of Purchased debt	**31**	**30**	**84**	**85**	116
Adjustment for non-cash items	**0**	**0**	**0**	**1**	-2
Interest received	**0**	**0**	**0**	**1**	1
Interest paid	**-15**	**-12**	**-34**	**-33**	-42
Corporate Income tax paid	**-1**	**-0**	**-16**	**5**	5
Cash flow from operating activities before changes in working capital	**54**	**50**	**150**	**164**	**218**
Cash flow from changes in working capital:					
Decrease(+) / increase(-) in accounts receivable	**-0**	**-1**	**1**	**-4**	0
Decrease(+) / increase(-) in other receivables	**-10**	**1**	**-9**	**-1**	-4
Decrease(-) / increase(+) in accounts payable	**-3**	**1**	**-4**	**-8**	-10
Decrease(-) /increase(+) in other current liabilities	**8**	**2**	**4**	**-8**	20
Decrease(+) /increase(-) in restricted cash	**0**	**-0**	**0**	**-0**	-2
Cash flow (used in)/from operating activities	**49**	**54**	**142**	**143**	**222**
Investment activities:					
Acquisition/disposal of subsidiaries	**0**	**0**	**0**	**1**	1
Acquisition of tangible fixed assets	**-3**	**-1**	**-6**	**-1**	-3
Acquisition of intangible fixed assets	**-1**	**-2**	**-17**	**-6**	-56
Acquisition of loans and receivables	**-37**	**-28**	**-179**	**-123**	-167
Cash flow (used in)/from investing activities	**-40**	**-31**	**-202**	**-130**	**-224**
Financing activities:					
Increase in long-term liabilities	**11**	**16**	**157**	**82**	132
Repayment of loans	**-15**	**-30**	**-82**	**-93**	-131
Cash flow (used in)/from financing activities	**-4**	**-14**	**74**	**-11**	**1**
Cash flow for the period	**5**	**9**	**15**	**3**	**-2**
Currency effect	**-0**	**-8**	**-1**	**-9**	-6
Cash and cash equivalents at the beginning of the period	**60**	**53**	52	60	60
Cash and cash equivalents at end of period	**65**	**54**	**65**	**54**	**52**

Income Statement Parent Company

EURm	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Other operating costs	**-0**	**-0**	**-0**
Results from operating activities (EBIT)	**-0**	**-0**	**-0**
Finance income	**21**	**46**	**53**
Finance costs	**-55**	**-61**	**-71**
Net finance costs	**-34**	**-15**	**-18**
Profit before tax	**-34**	**-15**	**-18**
Income tax expense	**0**	**0**	**-0**
Profit for the year	**-34**	**-15**	**-18**
Profit for the year	**-34**	**-15**	**-18**
Parent Company statement of comprehensive income			
Profit for the year	**-34**	**-15**	**-18**
Other comprehensive income:			
Currency translation differences	**0**	**0**	**0**
Other comprehensive income for the year, net of tax	**0**	**0**	**0**
Total comprehensive income for the year	**-34**	**-15**	**-18**

Statement of financial position Parent Company

EURm	30 Sep 2014	30 Sep 2013	31 Dec 2013
ASSETS			
Investment in subsidiaries	702	702	702
Long-term receivables	276	264	278
Non-current assets	**978**	**966**	**980**
Other short-term receivables	24	8	1
Cash and cash equivalents	2	2	2
Current assets	26	9	2
Total assets	**1,003**	**975**	**982**
EQUITY			
Share Capital	5	5	5
Total restricted capital	**5**	**5**	**5**
Share Premium	742	742	742
Retained earnings	-62	-26	-28
Total non-restricted capital	**680**	**716**	**714**
Total equity	**685**	**721**	**719**
LIABILITIES			
Subordinated loan	0	98	102
Convertible loan	205	156	161
Non-current liabilities	**205**	**254**	**263**
Trade payables	0	0	0
Other short-term liabilities	113	0	0
Current liabilities	**0**	**0**	**0**
Total liabilities	**318**	**254**	**263**
Total equity and liabilities	**1,003**	**975**	**982**
Pledged assets (shares in subsidiaries)	702	702	702

Notes

Note 1 – Accounting Principles

As in the annual accounts for 2013, Lindorff First Holding AB consolidated financial statements of and for the nine months period ended 30 September 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act.

The consolidated financial statements have been prepared in accordance with the cost method, and derivative instruments are measured at fair value through profit or loss.

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act as well as standard RFR 2 Accounting for Legal Entities.

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting policies adopted are consistent with those of the previous financial year.

The Parent Company's functional currency is euro (EUR), which is also the reporting currency for the Parent Company and for the group. The consolidated financial statements are presented in EUR and all values are rounded to the nearest million (EURm) except when otherwise indicated. The consolidated and parent company accounts pertain to 1 January to 30 September for income statements and 30 September for items on the statements of financial position.

Note 2 – Operating segments

EURm	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Revenue from external customers					
Debt Purchasing	**58**	48	**162**	148	200
Debt Collection	**57**	55	**170**	**172**	228
Other	**4**	5	**13**	14	19
Total	**119**	107	**345**	333	447
Intersegment revenue					
Debt Collection	**25**	21	**71**	61	84
Elimination	**-25**	-21	**-71**	-61	-84
Earnings per segment					
Debt Purchasing	**31**	25	**87**	81	109
Debt Collection	**33**	29	**98**	97	128
Other	**1**	1	**2**	3	3
Total	**64**	55	**186**	180	240
Unallocated cost					
SG&A	**-12**	-11	**-35**	-36	-49
IT	**-9**	-9	**-26**	-28	-38
Other not allocated expenses	**-4**	-3	**-10**	-9	-12
EBITDA	**39**	31	**115**	106	141
Depreciation and amortisation	**-4**	-2	**-11**	-6	-10
EBIT	**35**	29	**105**	100	130
Net financial Items	**-68**	-28	**-111**	-116	-127
Profit before tax	**-33**	1	**-6**	-16	3
Purchased loans and receivables					
Beginning value	**760**	**674**	**675**	**658**	658
Amortisation	**-31**	**-31**	**-86**	**-85**	-116
Revaluation	**0**	**0**	**2**	**1**	1
Portfolio acquisitions	**56**	**26**	**200**	**110**	154
Divestment and disposals	**-0**	**0**	**-1**	**-5**	-5
Effect of change in FX rates	**2**	**-0**	**-2**	**-4**	-16
Ending value	**787**	**670**	**787**	**674**	675
Average carrying value of purchased debt	**773**	672	**731**	666	667
Return in Debt Purchasing	**15.8 %**	14.7 %	**15.8 %**	16.2 %	16.3 %

Note 3 – Reconciliation of income to Adjusted EBITDA

EURm	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Revenue from purchased loans and receivables	**58**	48	**162**	148	200
Amortisation and revaluation	**31**	30	**84**	85	115
Collections and other revenue on purchased loans and receivables	**88**	78	**246**	232	315
Revenue from Debt Collection and Other Services	**61**	60	**183**	186	248
Employee benefit expense	**-46**	-43	**-128**	-128	-170
Legal fee cost	**-9**	-10	**-26**	-28	-35
Phone, postage and packaging	**-5**	-5	**-14**	-14	-19
Other operating costs	**-21**	-18	**-62**	-57	-83
Adjusted EBITDA	**70**	**62**	**199**	**191**	256

Note 4 – Fair value of financial assets and liabilities

	Book value		Fair value*		
EURm	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013	FV - hierarchy
Financial assets at amortised cost					
Loans and receivables	787	670	926	820	3
Other long-term assets	6	1	6	1	3
Trade receivables	15	21	15	21	3
Other short-term receivables	25	22	25	22	3
Cash and cash equivalents	65	54	65	54	
Total	**898**	**768**	**1 037**	**918**	
Financial assets at fair value through profit or loss					
Investment in shares and bonds	0	0	0	0	3
Equities	0	1	0	1	3
Total	**899**	**769**	**1,038**	**919**	
Financial liabilities at fair value through profit or loss					
Financial derivatives	4	3	4	3	2
Convertibles Coinvest**	42	14	42	14	2
Other financial liabilities					
Liabilities to credit institutions	41	561	41	561	2
Subordinated loan	149	132	149	132	3
Convertible loan	164	142	164	142	3
Trade payables	18	23	18	23	3
Short-term loan	744	129	744	129	2
Other short-term liabilities	66	19	66	19	3
Total	**1,228**	**1,024**	**1,228**	**1,024**	

** See Annual Report 2013 for description of calculation of fair value*
*** The fair value of the convertibles toward Coinvest as at 30 September 2014 is calculated based on the transaction price of the shares in Lindorff AB. The categorisation in the FV hierarchy is therefor changed from level 3 to level 2.*

Note 5 – Events after the end of the period

The transaction between the Altor Funds, Investor AB and Nordic Capital Fund VIII in regards to the sale of the majority of shares in Lindorff AB was completed on 6 October 2014. As part of the transaction Lock AS acquired directly or indirectly 100% of the shares in Lindorff AB.

The General Meeting elected a new Board of Directors which consists of Per E. Larsson (chairman of the board), Kristoffer Melinder, Andreas Näsvik and Peter Sjunnesson were elected as members of board. Peter Sjunnesson was also appointed as interim CEO as Endre Rangnes decided to resign from his position as CEO and leave the company.

In connection with the transaction above the current funding package of EUR 840m was terminated and a new funding package consisting of Super Senior RCF of EUR 255m, Senior Secured Bonds of EUR 1,002.5m equivalent (issued in EUR and NOK) and Senior Notes of EUR 450m equivalent (issued in EUR and SEK) were put in place

On 4 November a new bond issue of EUR 250m was finalized. The issue was split between a senior secured floating tranche of EUR 100m (EURIBOR + 5.5%) maturing in 2020, and a senior secured fixed tranche of EUR 150m (7%) maturing in 2021. The proceeds of the issue will be used to settle the Spanish acquisition of EUR 162m and repay the RCF draw.

Definitions and abbreviations

Definitions

Adjusted EBITDA – EBITDA adjusted for amortisation and revaluation of portfolios of purchased loans and receivables

Direct opex – Operational expenses related to collection activities, excluding SG&A and IT cost

ERC – Estimated Remaining Collections next 180 months on purchased loans and receivables in Debt Purchasing

Intersegment Revenue – Commission to the Debt Collection segment from the Debt Purchasing segment

Investments in Debt Purchasing – Acquisitions of non-performing loans and receivables (may differ from acquisition of loans and receivables in the cash flow statement due to actual payment of the acquisition may be due in another period)

NIBD/EBITDA – Net interest bearing debt divided by Adjusted EBITDA LTM

Portfolio revaluation – Change in carrying value of purchased loans and receivables due to changed collection forecasts

Return in Debt Purchasing – Annualised segment earning in % of average book value of Purchased loans and receivables

Segment earnings – EBITDA excluding SG&A and IT cost

Segment earnings Debt Collection – Includes earnings from collection on own portfolios and third party debt

Abbreviations

3PC – Third Party Collection

CAGR – Compounded Annual Growth Rate

Constant Currency – Fixed currency rates for comparable reporting periods

EBITDA – Earnings Before Interest Tax Depreciation and Amortisation

FTE – Full Time Equivalent employees

IRR – Internal Rate of Return

NIBD – Net Interest Bearing Debt

NPL – Non Performing Loan

NRI's – Non Recurring Items

LTM – Last Twelve Months

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