

LINDORFF

Q4

QUARTERLY REPORT  
2014



# Financial highlights\*

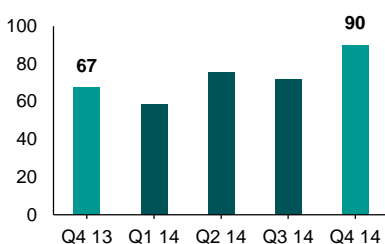
- Net revenue of EUR 130m in Q4, up 14% y/y (17% in constant currency)
- Adjusted EBITDA of EUR 90m in Q4, up 34% y/y (excl. NRI's)
- Investments in Debt Purchasing amounted to EUR 75m

Adjusted EBITDA (excl. NRI's)

Up 34%

Adj. EBITDA (excl. NRI's)

EURm

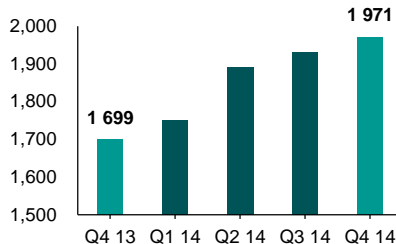


ERC

Up 16%

ERC 180 month

EURm

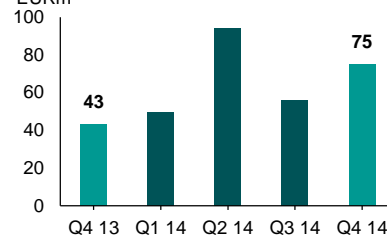


Investments

Up 73%

Investments in Debt Purchasing

EURm



Key figures EURm	Oct-Dec 2014	Proforma Oct-Dec 2013	Change %	Proforma Jan-Dec 2014**	Proforma Jan-Dec 2013	Change %
Net revenues	130	113	14%	475	447	6%
EBITDA	26	34	-25%	141	141	0%
EBITDA margin (%)	20%	30%		30%	32%	
EBITDA excl. NRI's	52	36	41%	173	149	17%
Adjusted EBITDA	64	65	-1%	264	256	3%
Adjusted EBITDA excluding NRI's	90	67	34%	296	264	12%
NIBD, end of period	1,657	926	79%	1,657	926	79%
NIBD / adj. EBITDA (LTM)	5.1	3.1		5.1	3.1	
ERC, end of period	1,971	1,699	16%	1,971	1,699	16%
Investments in Debt Purchasing	75	43	73%	275	154	79%
Return in Debt Purchasing (LTM)	15%	16%		15%	16%	
Gross collection in Debt Purchasing	95	80	18%	340	313	9%
Average number of FTEs	2,988	2,730	9%	2,827	2,799	1%

\* Lock Lower Holding AS was established 22 May 2014 and acquired Lindorff through Lock AS 6 October 2014. All comparisons to previous periods are based on pro forma consolidated figures including the acquired companies. See also Note 2.

\*\* Pro forma figures do not include the acquisition of collection unit in Spain 2014

# Operational and Market update

## **Sustained double digit growth**

Net revenues for the fourth quarter came in at EUR 130m representing an increase of 14% compared to the same quarter last year. The increase was 17% in constant currency. Adjusted EBITDA excluding NRI's was EUR 90m, up 34% compared to the same quarter last year. The increase in constant currency was 36%.

Investments in Debt Purchasing amounted to EUR 75m in the quarter, up from EUR 43m in the same quarter last year. The largest investments in Q4 came in Germany and Spain, and we continue to see a healthy split of investments between the countries.

For the full year 2014 Net revenue and Adjusted EBITDA excluding NRI's were EUR 475m and EUR 296m, representing an increase compared to last year of 6% and 12% respectively. The increase in constant currency was 10% and 15% respectively. Portfolio Investments amounted to EUR 275m in 2014, up 79% compared to the full year 2013. We are consequently going into 2015 with a very strong foundation for continued growth in our Debt Purchasing segment. At 31 December 2014 we have an estimated remaining collection (180 months) of EUR 1.97bn, which is up 16% from last year.

## **Promising market outlook**

During 2014 we have seen more activity in debt portfolio sales from Financial Institutions than in 2013. However, some Financial Institutions have been holding back somewhat in Q4. We believe this can be partially explained by high activity during the summer, but also Asset Quality Reviews (AQR) being conducted for Financial Institutions in the European region. We are consequently pleased with the strong momentum we have achieved in this period. Going forward we see increased activity and that some portfolios previously put on hold are coming back into the market, especially in southern and central European markets.

In Q3 Lindorff signed an agreement to acquire a debt collection unit from a Spanish bank. The acquisition price was EUR 162m. During Q4 we have started an extensive on-boarding and implementation of the unit. We are pleased to report that we are delivering according to the expected business plan. The Spanish organisation has executed according to plan and resources have been dedicated to achieve a successful implementation. This acquisition will help the Lindorff Group continue to grow the business in 2015 and will contribute positively to our Debt Collection business.

As a result of this acquisition and other new business our Debt Collection segment has grown to 52% of our business mix in Q4. Segment Earnings in Debt collection increased to EUR 41m in Q4 vs EUR 33m in Q3 2014, demonstrating the strong performance of the integration in Spain. For the Debt Purchasing segment we have had a very strong year with Investments of EUR 275m that will contribute to our growth in 2015. In summary, our business is in a very solid state going into 2015. We have gained and acquired a noteworthy amount of new business, and we expect to continue the positive trend as the market continues to look promising.

# Financial review Q4 2014

## Lindorff Group

### Lock Lower Holding new parent company

As of 6 October 2014 Lindorff Group consists of Lock Lower Holding AS with subsidiary Lock AS together with Lindorff AB (former Lindorff First Holding AB) and its subsidiaries. As such there are no prior period financial statements for the new Lindorff group, and therefore all comparisons and comments to previous periods and full year figures are based on pro forma numbers.

Q4 2014 is the group's first quarter of operation in its current organisational structure. As described above, all comparisons to previous periods are based on pro forma consolidated figures including the acquired companies for the relevant period. Throughout the report the term Lindorff and Lindorff Group means Lock Lower Holding AS and its subsidiaries.

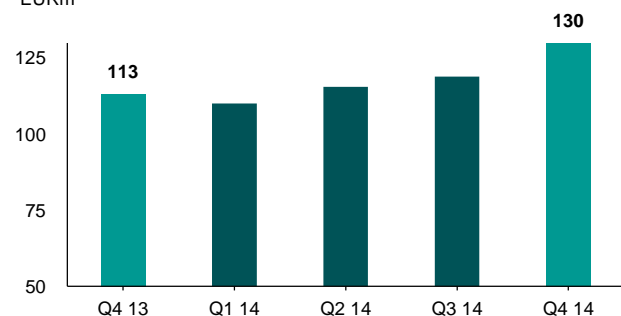
Parent company is Lock Lower Holding AS. Please see note 2 for further information in regard to the business combination.

### Net revenue

Net revenue was EUR 130m in Q4 2014. This represents an increase of 14% compared to EUR 113m in Q4 2013. In constant currency the growth rate was 17%. The growth was mainly driven by the successful implementation of the Spanish acquisition in our Debt collection segment, which contributed EUR 12m of revenue in Q4, as well as a 73% increase in investments in Debt Purchasing from Q4 2013 to Q4 2014.

Net revenue was EUR 475m for the full year 2014 which was an increase of 6% compared to last year. In constant currency net revenue increased 10%. This development was driven by a number of factors including several portfolio acquisitions - most notably in Spain, Germany, Finland and Denmark, but also in Sweden and Italy.

**Net revenue**  
EURm



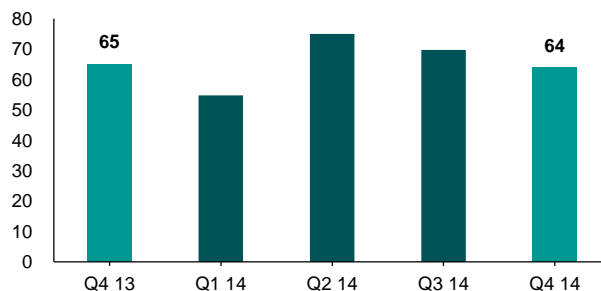
### Earnings

The reported Adjusted EBITDA amounted to EUR 64m in Q4 2014 compared to EUR 65m in Q4 2013. Excluding non-recurring items, mostly related to the exit process, the adjusted EBITDA was EUR 90m in the fourth quarter, up EUR 34% compared to last year.

For the full year 2014, the reported Adjusted EBITDA amounted to EUR 264m compared to EUR 256m in 2013. Excluding NRI's, the full year Adjusted EBITDA was EUR 296m, up 12% compared to last year.

### Adjusted EBITDA (reported)

EURm



### Operating expenses

Total operating expenses amounted to EUR 104m in the quarter, up from EUR 79m in Q4 2013. Employee benefit expense increased EUR 8m or 19% mainly due to increased number of FTEs and severance payment in connection with change of management. The increase in FTE's is mainly due to acquisitions in Spain in Q4 2013 and in Q3 2014.

Employee benefit expenses in 2014 were EUR 178m compared to last year EUR 170m, an increase of 5% and 8% in constant currency. Average number of FTEs increased 1% during 2014; however severance payments and average salary growth resulted in an increase in employee benefit expense.

Other operating costs increased EUR 20m in 2014, or 24%, from EUR 83m in 2013 to EUR 103m. Total operating expenses for 2014 ended at EUR 334m, up 9% from EUR 306m last year.

Non-recurring items increased from EUR 2m in Q4 2013 to EUR 26 in Q4 2014 caused by incremental cost for acquisition of Lindorff, severance payment and exit cost. For the full year non-recurring items increased from EUR 8m in 2013 to EUR 32m in 2014.

### Depreciation and Amortisation

Depreciation and amortization (excl. portfolio amortisation) increased from EUR 10m in 2013 to EUR 16m 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 2% from EUR 86m in 2013 to EUR 84m this year. SG&A/Net revenue ratio decreased from 11.0% in 2013 to 10.3% in 2014, while IT/Net revenue ratio decreased from 8.4% in 2013 to 7.5% in 2014. 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 increased from EUR 11m in Q4 2013 to EUR 48m in Q4 2014, mainly related to foreign currency losses and increased interest cost.

Net financial items increased by EUR 50m from EUR 127m in 2013 to EUR 177m in 2014. The increase is related to additional interest expense, foreign currency losses and amortised remaining expenses related to prior financing package.

### Investments and cash flow

Investments in Debt Purchasing came in at EUR 75m in the fourth quarter compared to EUR 43m in Q4 2013, representing an increase of 73%. For the full year 2014, investments in Debt Purchasing amounted to EUR 275m, up 79% from EUR 154m last year. Pipeline remains strong going into 2015.

Cash flow from operating activities was EUR 44m in the current quarter compared to EUR 62m in Q4 2013. The Q4 cash flow was negatively affected by a decrease in other current liabilities. This was mainly due to a deferred payment related to an acquisition of a collection unit in Spain in December 2013. Full year 2014 cash flow from operating activities decreased from EUR 222m last year to EUR 143m mainly due to increased working capital, partly due to the deferred payment in Spain, and non-recurring items in 2014.

### Tax

Income tax effect for the quarter was positive EUR 10m compared to an income tax expense of EUR 24m in Q4 2013.

Income tax for 2014 was positive EUR 5m compared to income tax expense of EUR 21m in 2013.

Lindorff Group has tax issues related to group internal loans in Finland and Norway. Tax exposure of these cases is estimated EUR 37m including EUR 6m of potential penalties. Lindorff contests the claims and has filed complaints to the Tax Authorities in both countries. No provisions have been recorded as Lindorff believe that our arguments are strong and hence our standing in the disputes is solid.

### Funding

In connection with Nordic Capital Fund VIII's acquisition of Lindorff, which was completed on 6 October 2014, the previous bank 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 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.

The average interest rate on the notes is 7.4% with an average duration of 7 years. The multicurrency RCF is priced at a margin of 3.50% with a commitment fee equivalent to 35% of the applicable margin on any undrawn amount. At year end the RCF draw amounted to EUR78m (excluding a draw for unfunded guarantees of 21m).

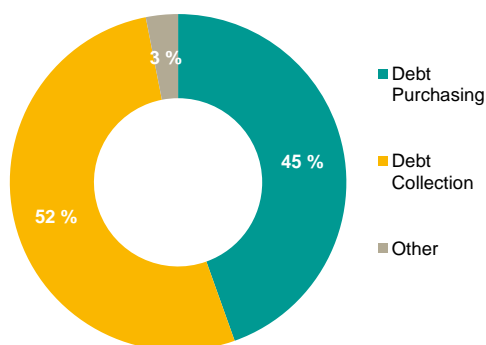
At end of Q4 NIBD was approximately EUR 1.7bn which would imply 5.1x NIBD/Adjusted EBITDA excl. NRI's (LTM) and including pro forma adjustment for the Spanish acquisition.

### Goodwill

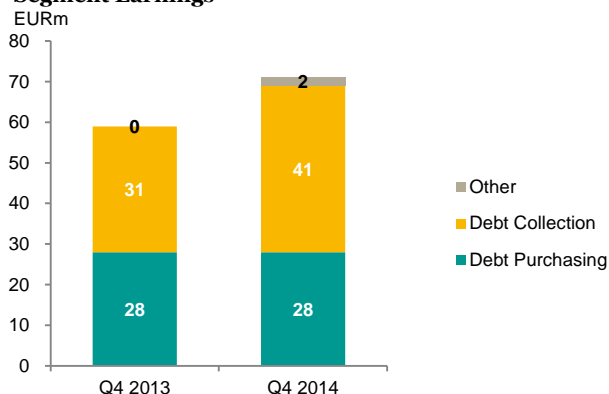
Consolidated goodwill amounted to EUR 1,378m at the end of Q4 2014 and is calculated based on the preliminary purchase price allocation from the acquisition of Lindorff Group and including currency translation. Final purchase price may be reallocated within 12 months after acquisition.

## Operating segments

Revenue mix in Q4 2014



Segment Earnings



## Debt Collection

Net revenue, excluding intersegment revenue of EUR 27m from collection on Lindorff's own portfolios, in Q4 amounted to EUR 68m compared to EUR 56m in Q4 2013. This represents an increase of 20%. The Segment Earnings increased 33% from EUR 31m in Q4 2013 to EUR 41m in Q4 2014. The increase was primarily due to two large acquisitions of collection units in Spain, operational turnaround in Sweden, and higher internal commission rates in the Netherlands, Spain and Sweden. The increase in earnings in constant currency was 35%.

Debt Collection accounted for 52% of net revenue and 58% of segment earnings in Q4 2014.

Net revenue increased 4% from EUR 228m in the full year 2013 to EUR 238m in the same period of 2014. In constant currency, net revenue increased 8%.

Segment Earnings increased 9% from EUR 128m in the full year 2013 to EUR 139m in the same period 2014. The increase in constant currency was 12%.

## Debt Purchasing

Net revenue in Q4 amounted to EUR 58m compared to EUR 52m in Q4 2013, representing an increase of 10% mainly due to increased investments during 2014 compared to 2013.

The Segment Earnings came in at EUR 28m, same as in Q4 2013. Total investment in Debt Purchasing during the quarter was EUR 75m, an increase of 73% from Q4 2013. Debt Purchasing accounted for 45% of net revenue and 39% of Segment Earnings in Q4 2014.

Net revenue in 2014 increased 10%, from EUR 200m in 2013 to EUR 220m in 2014. Net revenue increased 12% in constant currency. The increase was driven by new investments in portfolios as well as continuous focus on improving collection efficiency

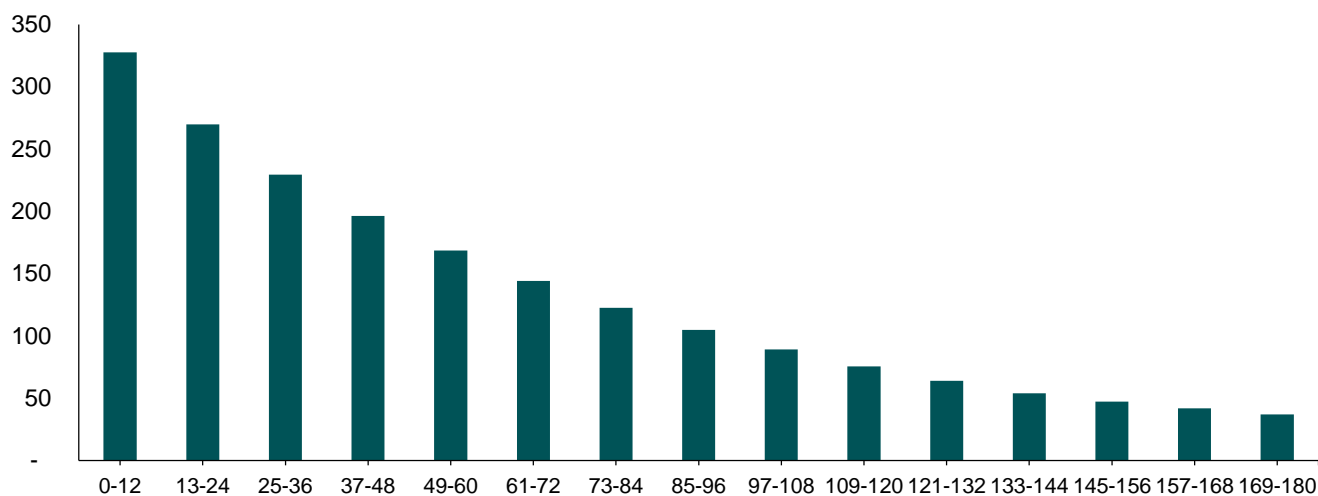
Segment Earnings increased 6%, from EUR 109m in 2013 to EUR 115m in 2014. The Earnings margin decreased slightly from 54% in 2013 to 52% in 2014 due to higher internal commission rates.

Return in Debt Purchasing was 15.5% in 2014 compared to 16.3% 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.

Estimated Remaining Collection (ERC) on Lindorff owned portfolios was EUR 1,971m in Q4 2014, up 16% from EUR 1,699m in Q4 2013.

**ERC, next 180 months**

EURm



## Other Services

Other revenue was EUR 4m, down 3% from Q4 2013. For 2014 revenue from other services decreased 4%, from EUR 18m in 2013 to EUR 17m in 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	Oct-Dec 2014	Proforma Oct-Dec 2013	Change %	Proforma Jan-Dec 2014	Proforma Jan-Dec 2013	Change %
<b>Net revenue per segment</b>						
Debt Collection 3PC	68	56	20 %	238	228	4 %
Debt Purchasing	58	52	10 %	220	200	10 %
Other	4	5	-3 %	17	18	-4 %
<b>Total</b>	<b>130</b>	<b>113</b>	<b>14 %</b>	<b>475</b>	<b>447</b>	<b>6 %</b>
<b>Earnings per segment</b>						
Debt Collection	41	31	33 %	139	128	9 %
Debt Purchasing	28	28	0%	115	109	6 %
Other	2	0		4	2	
<b>Total</b>	<b>71</b>	<b>59</b>	<b>21 %</b>	<b>258</b>	<b>239</b>	<b>8%</b>



## 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.

### 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 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 Q4 2014 the company's shareholder is Lock Upper Holding AS (100%)

## Parent company

The parent company is a holding company with no employees per 31 December 2014. Net result for the period 22 May – 31 Dec 2014 was EUR 0m. Net finance cost was EUR 0m.

## Change in management

On 2 February 2015 Klaus-Anders Nysteen was announced as the new CEO of Lindorff Group. His previous positions include CEO Entra ASA, Managing Director of Storebrand Bank ASA and CFO of Statoil Fuel & Retail ASA, where he led the IPO-process when the company was listed on the Oslo Stock Exchange in 2010. Nysteen's broad experience also includes the roles as CFO and acting CEO at Posten Norway and at Hydro Seafood, as well as different positions within the Norwegian Armed Forces.

The current interim CEO and Board Member of Lindorff group Peter Sjunnesson will, as planned, continue as the Board Director of Lindorff group when Klaus-Anders Nysteen assumes his position on the 16th of March.

Turkka Kuuisto has been appointed Head of Debt Collection. The role will encompass global responsibility for the Debt Collection business including services within Information, Payment and Invoicing. Turkka previously held the position as Managing Director (Region Manager) for the ECE region (Eastern and Central Europe).

# Consolidated Income statement

EURm	Oct-Dec 2014	22 May – 31 Dec 2014
Net revenue	130	130
Employee benefit expense	-50	-50
Legal fee cost	-9	-9
Phone, postage and packaging	-4	-4
Other operating costs	-41	-41
Depreciation and amortisation	-5	-5
<b>Results from operating activities (EBIT)</b>	<b>21</b>	<b>21</b>
Net financial items	-48	-66
<b>Profit (loss) before tax</b>	<b>-27</b>	<b>-45</b>
Income tax expense	10	15
<b>Profit (loss) for the period</b>	<b>-17</b>	<b>-30</b>
<b>Profit (loss) attributable to:</b>		
Owners of the Company	-17	-30
<b>Profit (loss) for the period</b>	<b>-17</b>	<b>-30</b>

# Consolidated Statement of comprehensive income

EURm	Oct-Dec 2014	22 May – 31 Dec 2014
<b>Profit (loss) for the period</b>	<b>-17</b>	<b>-30</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Re-measurements of post-employment benefit obligations	-3	-3
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences	57	70
<b>Total comprehensive income for the year</b>	<b>37</b>	<b>37</b>
<b>Attributable to:</b>		
Owners of the Company	37	37

# Consolidated Statement of financial position

EURm	31 Dec 2014
<b>ASSETS</b>	
Fixtures and furniture	12
Intangible assets	319
Goodwill	1,378
Loans and receivables	809
Deferred income tax assets	27
Other long-term assets	6
<b>Non-current assets</b>	<b>2,551</b>
Trade receivables	13
Current tax receivable	3
Other short-term receivables	39
Client funds	21
Cash and cash equivalents	99
<b>Current assets</b>	<b>175</b>
<b>Total assets</b>	<b>2,725</b>
<b>EQUITY</b>	
Share capital	9
Share premium	760
Retained earnings	37
<b>Total equity</b>	<b>806</b>
<b>Liabilities</b>	
Bonds	1,630
Pension liabilities	12
Deferred income tax liabilities	40
Financial derivatives	3
<b>Non-current liabilities</b>	<b>1,685</b>
Trade payables	21
Short-term loan	78
Client funds	21
Current tax liabilities	9
Other short-term liabilities	105
<b>Current liabilities</b>	<b>234</b>
<b>Total liabilities</b>	<b>1,919</b>
<b>Total equity and liabilities</b>	<b>2,725</b>

# Consolidated Statement of changes in equity

EURm	22 May -31 Dec 2014
<b>Beginning balance</b>	0
Profit (loss) for the period	-30
Other comprehensive income	67
<b>Total comprehensive income</b>	37
Capital increase/conversion of shareholder loans	769
<b>Ending balance</b>	<b>806</b>

# Consolidated Statement of cash flow

EURm	Oct-Dec 2014	22 May - 31 Dec 2014
<b>Operating activities:</b>		
Results from operating activities (EBIT)	21	21
Amortization, depreciation and impairment	5	5
Amortization and revaluation of Purchased debt	39	39
Interest paid	-5	-5
Corporate Income tax paid	-7	-7
<b>Cash flow from operating activities before changes in working capital</b>	<b>52</b>	<b>52</b>
<b>Cash flow from changes in working capital:</b>		
Decrease(+) / increase(-) in accounts receivable	8	8
Decrease(-) / increase(+) in accounts payable	-16	-16
<b>Cash flow (used in)/from operating activities</b>	<b>44</b>	<b>44</b>
<b>Investment activities:</b>		
Acquisition of receivables	-255	-255
Acquisition/disposal of subsidiaries, net of cash acquired	-905	-905
Acquisition of tangible fixed assets	-3	-3
Acquisition of intangible fixed assets	-165	-165
Acquisition of loans and receivables (portfolios)	-94	-94
<b>Cash flow (used in)/from investing activities</b>	<b>-1,422</b>	<b>-1,422</b>
<b>Financing activities:</b>		
Proceeds from issue of share capital	639	639
Proceeds from new debt *	1,740	1,740
Retirement of debt	-898	-898
<b>Cash flow (used in)/from financing activities</b>	<b>1,481</b>	<b>1,481</b>
<b>Cash flow for the period</b>	<b>103</b>	<b>103</b>
Currency effect	-4	-4
Cash and cash equivalents at the beginning of the period	0	0
<b>Cash and cash equivalents at end of period</b>	<b>99</b>	<b>99</b>

\* New debt related to Lindorff acquisition reported in Q4 as issued bonds deposited at Escrow accounts until settlement 6 October

# Income Statement Parent Company

EURm	Oct - Dec 2014	22 May – 31 Dec 2014
Other operating costs	-0	-0
<b>Results from operating activities (EBIT)</b>	<b>-0</b>	<b>-0</b>
Finance income	18	18
Finance costs	-12	-18
<b>Net finance costs</b>	<b>6</b>	<b>0</b>
<b>Profit (loss) before tax</b>	<b>6</b>	<b>0</b>
Income tax expense	-2	0
<b>Profit (loss) for the year</b>	<b>4</b>	<b>0</b>
<b>Profit (loss) for the year</b>	<b>4</b>	<b>0</b>
<b>Parent Company statement of comprehensive income</b>		
<b>Profit (loss) for the year</b>	<b>4</b>	<b>0</b>

# Statement of financial position Parent Company

EURm	31 Dec 2014
<b>ASSETS</b>	
Investment in subsidiaries	769
Long-term receivables	444
<b>Non-current assets</b>	<b>1,214</b>
Other short-term receivables	17
Cash and cash equivalents	0
Current assets	17
<b>Total assets</b>	<b>1,231</b>
<b>EQUITY</b>	
Share Capital	9
<b>Total restricted capital</b>	<b>9</b>
Share Premium	760
Retained earnings	-2
<b>Total non-restricted capital</b>	<b>758</b>
<b>Total equity</b>	<b>767</b>
<b>LIABILITIES</b>	
Bonds	446
<b>Non-current liabilities</b>	<b>446</b>
Other short-term liabilities	17
<b>Current liabilities</b>	<b>17</b>
<b>Total liabilities</b>	<b>463</b>
<b>Total equity and liabilities</b>	<b>1,231</b>
<b>Pledged assets (shares in subsidiaries)</b>	<b>769</b>

# Notes

## Note 1 – Accounting Principles

Lock Lower Holding AS consolidated financial statements for the first reporting period starting 22 May 2014 and ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the Norwegian 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 Norwegian Annual Accounts Act as well as NGAAP.

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 for the acquired Lindorff Group (see consolidated Financial Statements of Lindorff AB (previous Lindorff First Holding AB) 2013).

The quarterly report has not been subject to an audit or limited review by the companies' auditors.

IFRS 1 First-time adoption of IFRS is implemented as 2014 is the first year of IFRS reporting for Lock Lower Holding AS group financial statements. The acquired subsidiary Lindorff AB implemented IFRS per 1 January 2013. According to IFRS 1D.17 the assets and liabilities of the acquired group are measured at the same carrying amount as in the financial statements of Lindorff Group, after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary.

The Parent Company's reporting 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 22 May to 31 December for income statements and 31 December for items on the statements of financial position.



## Note 2 – Business combination

Lock Lower Holding AS was established 22 May 2014 and acquired 100% of Lock AS at 15 July 2014. The group had no operating activities until 6 October 2014 when Lock AS acquired 48.3% of Lindorff AB, 100% of Indif AB (owner of 51.7% of Lindorff AB), 72.9% of Coinvest AB and 50% of Lindorff Institutional Management AB. After these transactions Lock Lower Holding AS and its subsidiaries holds 100% ownership of all companies within Lindorff Group. Except for Lindorff AB group, the other undertakings had no operating activities and their only assets were investments or loans to Lindorff AB and Lindorff Second Holding AB.

Acquisition price was EUR 1,184m. Purchase price allocated to assets and liabilities at fair value led to increased goodwill of EUR 629m, increased intangible assets of EUR 83m and increased deferred tax liability of EUR 22m. Purchase price allocation (PPA) is to be considered as a preliminary assessment and may be reallocated within 12 months after acquisition.

	6 oct 2014	
EURm	Fair value	Book value
<b>Assets</b>		
Fixtures and furnitures	10	10
Intangible assets	161	77
Goodwill	1,416	787
Loans and receivables	787	787
Deferred income tax assets	10	10
Other long-term assets	6	6
<b>Non-current assets</b>	<b>2,390</b>	<b>1,677</b>
Trade receivables	15	15
Current tax receivable	1	1
Other short-term receivables	42	42
Client funds	24	24
Cash and cash equivalents	65	65
<b>Current assets</b>	<b>147</b>	<b>147</b>
<b>Total assets</b>	<b>2,537</b>	<b>1,824</b>
<b>Liabilities</b>		
Subordinated loan	36	36
Convertible loan	219	219
Other long-term liabilities	1	1
Pension liabilities	10	10
Deferred income tax liabilities	39	17
Financial derivatives	4	4
<b>Non-current liabilities</b>	<b>309</b>	<b>287</b>
Trade payables	18	18
Short-term loan	898	898
Client funds	24	24
Current tax liabilities	10	10
Other short-term liabilities	94	94
<b>Current liabilities</b>	<b>1,044</b>	<b>1,044</b>
<b>Total liabilities</b>	<b>1,353</b>	<b>1,331</b>
<b>Purchase price net assets</b>	<b>1,184</b>	<b>493</b>

EURm	6 oct 2014
<b>Purchase price:</b>	
Lindorff AB	522
Indif AB	631
Coinvest AB	29
Lindorff Institutional Management AB	2
<b>Sum acquisition price</b>	<b>1,184</b>
Fair value of net acquired assets	493
<b>Net assets to allocate</b>	<b>691</b>
Goodwill	629
Intangible assets	83
Deferred tax liability	-21
<b>Sum allocated assets</b>	<b>691</b>

The revenue for acquired group since acquisition date 6 October to 31 December 2014 was EUR 130m with EBITDA of EUR 26m for same period. Pro forma revenue for Lock Lower Holding group as though the acquisition date for the business combination had been as of the beginning of the annual reporting period was EUR475m with EBITDA for EUR141m for the same period. EBITDA excl. NRI's was EUR 173m.

## Note 3 – Operating segments

Management has determined the operating segments based on information reviewed by management for the purpose of allocating resources and assessing performance. Management considers the performance from a product perspective and separately considers the Debt Purchasing and Debt Collection segments.

Both segments meet the quantitative thresholds required by IFRS 8 for reportable segments. Management assesses the performance of the operating segments based on a measure of Contribution Margin 1 which is gross revenues minus direct operating expenses.

### Revenue

Sales between segments are carried out at arm's length. The revenue from external parties reported to management is measured in a manner consistent with that in the income statement. The following table presents a reconciliation of the reportable segments' main captions from profit and loss to the entity's profit and loss before tax:

EURm	Oct-Dec 2014	22 May -31 Dec 2014
<b>Net revenue from external customers</b>		
Debt Purchasing	58	58
Debt Collection	68	68
Other	4	4
<b>Total</b>	<b>130</b>	<b>130</b>
<b>Intersegment revenue</b>		
Debt Collection	27	27
Elimination	-27	-27
<b>Earnings per segment</b>		
Debt Purchasing	28	28
Debt Collection	41	41
Other	2	2
<b>Total</b>	<b>71</b>	<b>71</b>
<b>Unallocated cost</b>		
SG&A	-14	-14
IT	-10	-10
Other not allocated expenses	-22	-22
<b>EBITDA</b>	<b>26</b>	<b>26</b>
Depreciation and amortisation	-5	-5
<b>EBIT</b>	<b>21</b>	<b>21</b>
Net financial Items	-48	-66
<b>Profit (loss) before tax</b>	<b>-27</b>	<b>-45</b>
<b>Purchased loans and receivables</b>		
Beginning value	787	0
Amortization	-39	-39
Revaluation	1	1
Portfolio acquisitions	75	862
Divestment and disposals	-0	-0
Effect of change in FX rates	-15	-15
<b>Ending value</b>	<b>809</b>	<b>809</b>
Average carrying value of purchased debt LTM	798	798
Return in Debt Purchasing LTM	15 %	15 %

## Note 4 – Reconciliation of income to Adjusted EBITDA\*

EURm	Oct-Dec 2014	22 May -31 Dec 2014
Revenue from purchased loans and receivables	58	58
Amortization and revaluation	39	39
<b>Collections and other revenue on purchased loans and receivables</b>	<b>97</b>	<b>97</b>
Net revenue from Debt Collection and Other Services	72	72
Employee benefit expense	-50	-50
Legal fee cost	-9	-9
Phone, postage and packaging	-4	-4
Other operating costs	-41	-41
<b>Adjusted EBITDA</b>	<b>64</b>	<b>64</b>

\* Consolidated statements for Lock Lower Holding Group (not pro forma)

## Note 5 – Fair value of financial assets and liabilities

EURm	Book value 31 Dec 2014	Fair value 31 Dec 2014	FV - hierarchy
<b>Financial assets at amortized cost</b>			
Loans and receivables	809	809	3
Other long-term assets	5	5	3
Trade receivables	13	13	3
Other short-term receivables	27	27	3
Cash and cash equivalents	99	99	
<b>Total</b>	<b>953</b>	<b>953</b>	
<b>Financial assets at fair value through profit or loss</b>			
Investment in shares and bonds	0	0	3
Equities	0	0	3
<b>Total</b>	<b>953</b>	<b>953</b>	
<b>Financial liabilities at fair value through profit or loss</b>			
Financial derivatives	3	3	2
<b>Other financial liabilities</b>			
Bonds	1,630	1,793	2
Trade payables	21	21	3
Short-term loan	78	78	2
Other short-term liabilities	105	105	3
<b>Total</b>	<b>1,837</b>	<b>2,000</b>	

\* See Annual Report Lindorff First Holding AB 2013 for description of calculation of fair value

## Note 6 - Borrowing

Revolving Credit Facility (RCF)	Limit*	Security	Maturity	Interest	Margin	Participants
EURm	255	Super Senior secured	06.04.2020	Floating	EURIBOR+3.50%	Nordea, DNB, SEB, NYK

\* 31 December 2014, EUR 98.9m was drawn including EUR 20.9 in guarantees

Bonds*	Issue	Security	Maturity	Interest	Coupon	Issuer
EURm	253	Senior secured notes	15.08.2020	Floating	3m EURIBOR+5.50%	Lock AS
EURm	100	Senior secured notes	15.08.2020	Floating	3m EURIBOR+5.50%	Lock AS
NOKm	1 680	Senior secured notes	15.08.2020	Floating	3m NIBOR+5.75%	Lock AS
EURm	550	Senior secured notes	15.08.2021	Fixed	7,00 %	Lock AS
EURm	150	Senior secured notes	15.08.2021	Fixed	7,00 %	Lock AS
EURm	250	Senior notes	15.08.2022	Fixed	9,50 %	Lock Lower Holding AS
SEKm	1 850	Senior notes	15.08.2022	Floating	3m STIBOR+8.775%	Lock Lower Holding AS

\*Reported long term debt of EUR 1,630m consists of issued bonds of EUR 1,684m less the premium and non-amortised financing cost of EUR 54m

# 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 LTM** – LTM segment earning in % of average book value of Purchased loans and receivables in the period

**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

# Other information

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