AXACTOR

Annual Report

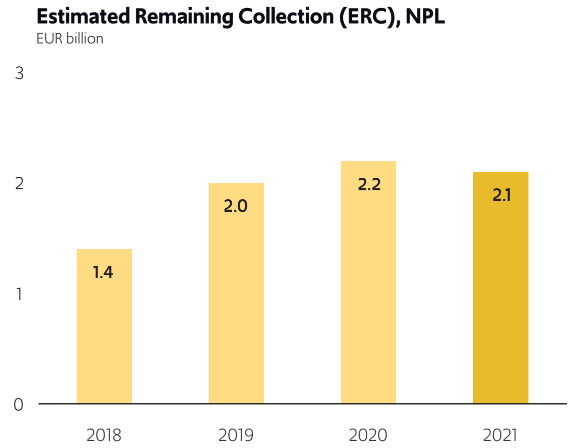
2021

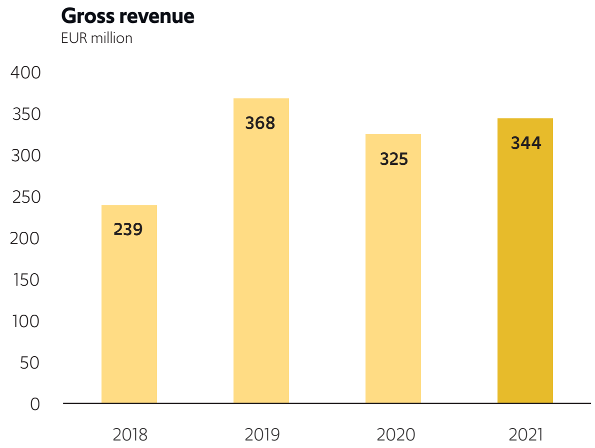
Content

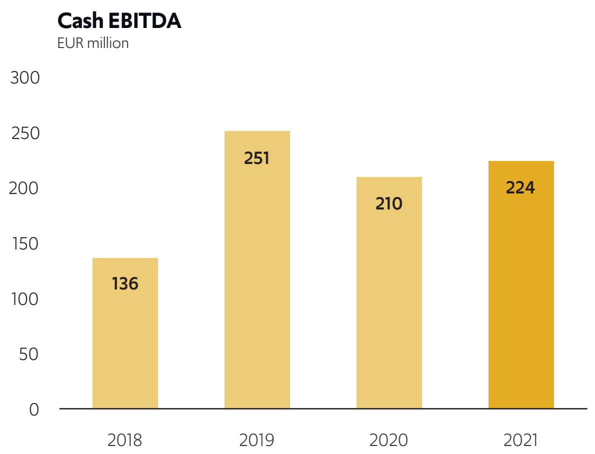
Axactor at a glance

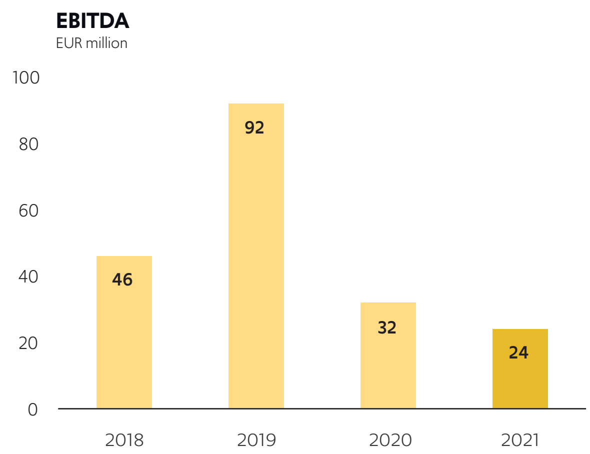
Axactor is a pan-European company focusing on craftmanship debt collection with digital and state-of-the-art solutions for managing non-performing loans. The Group has two core business segments: Acquisition and collection on own portfolios of non-performing loans (NPL) and debt collection on behalf of third-party customers (3PC). The primary focus is unsecured debt originated within the financial sector. In addition, Axactor has a non-core business segment which is currently in run-off mode, acquiring and selling repossessed assets (REO).

Axactor has operations across Finland, Germany, Italy, Norway, Spain and Sweden, and had approximately 1,100 FTEs at the end of the 2021. The book value of NPLs was EUR 1.1bn at the end of 2021, with an estimated remaining collection of EUR 2.1bn.

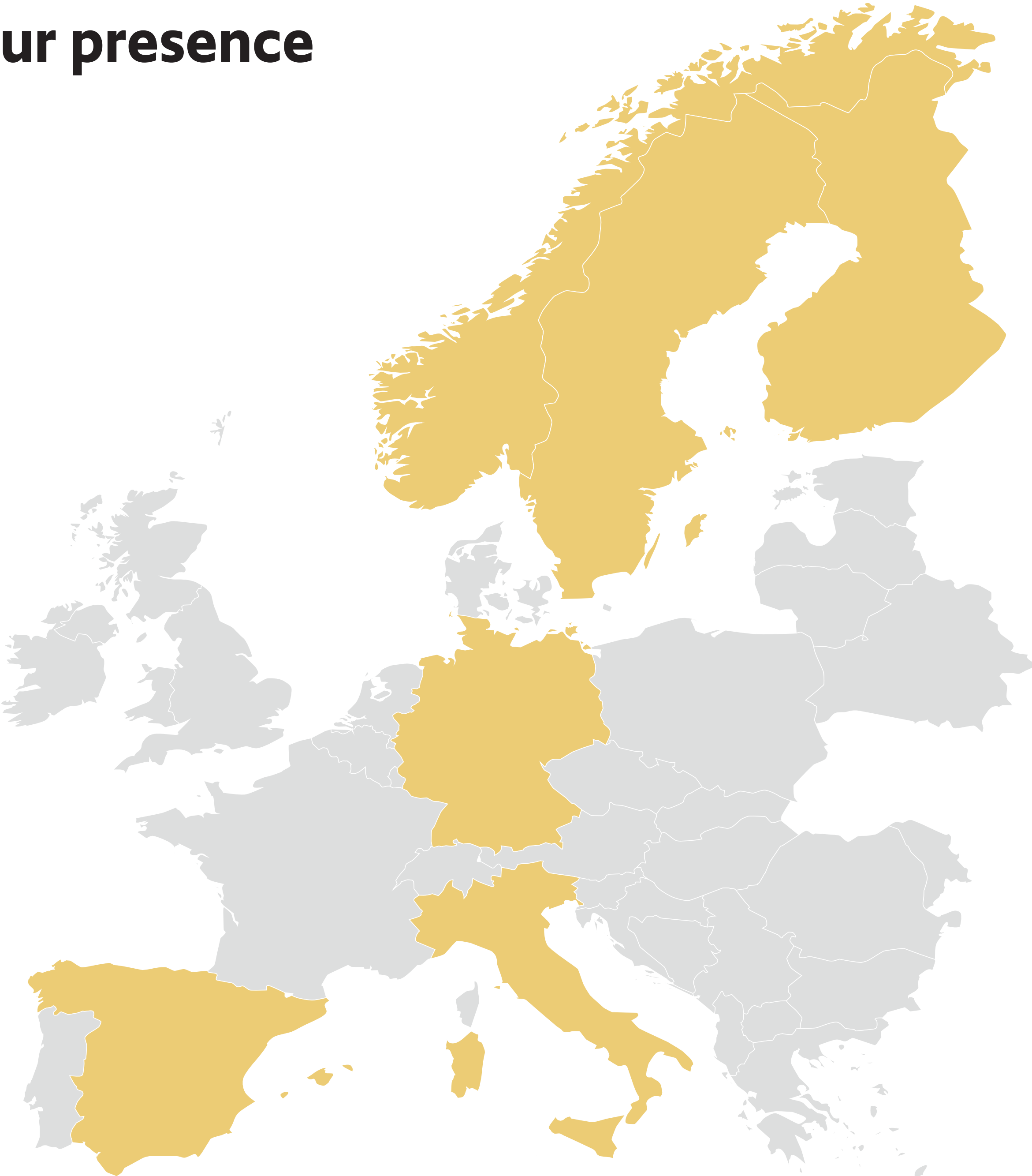




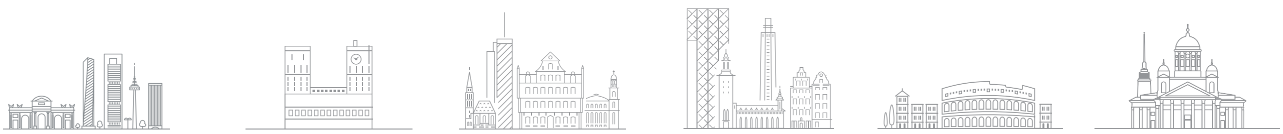




Our presence



Gross revenue per country



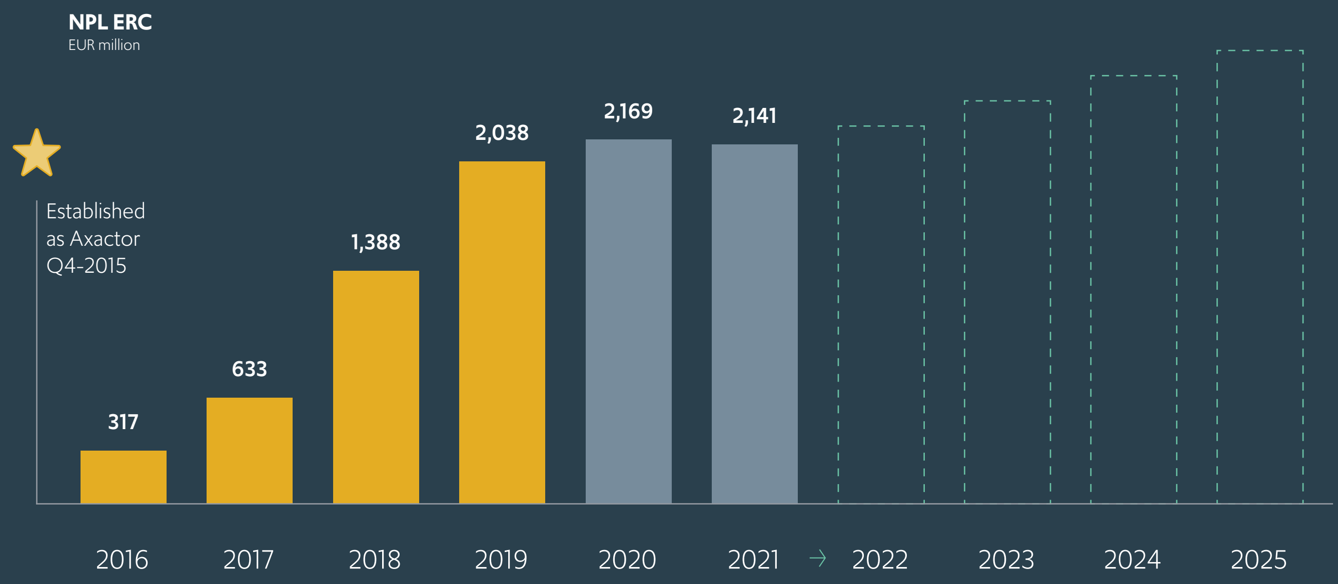
ESP	NOR	DEU	SWE	ITA	FIN
38%	19%	14%	13%	8%	7%

Entering an era of value generation

Establish platform
- Aggressive growth
- Market entries
- Establish IT and operations

Secure foundation
- New strategy
- Stabilize operations
- Exit non-core segments

Value generation →
- Grow size in existing markets
- Operational excellence
- Initiate divided payments



Through a clear growth strategy Axactor has expanded its operations into six geographies since the inception in 2015: Finland, Germany, Italy, Norway, Spain and Sweden. The aggressive growth has been targeted at sound markets for owning and collecting on non-performing loans (NPL) within Europe. Through an industry leading IT and operations platform and 1,096 skilled employees, Axactor is positioned as an attractive partner for banks and the financial sector.

Our values

Our core values define us and are embedded in everything we do. They serve as a declaration of how we treat each other, our customers, debtors, and our partners. As we expand into new markets, recruit new talent, and face new challenges, these values guide our decisions and actions.

Passion

We are passionate about everything we do

- Being focused
- Feeling personal commitment
- Loving challenges and wanting to improve

Trust

We act with integrity, create trust, and build long-term relationships

- Delivering what we promise
- Being straight and clear in our communication and treating everyone with respect
- Cooperating effectively together as a team to be best in our selected markets and segments

Proactive

We are proactively looking for things to improve

- Constantly learning from each other
- Solving problems with an innovative and creative approach
- Dedicating and continuously developing ourselves to deliver the best possible service

Our purpose and vision

Purpose

Our purpose is to help people and companies to a better future.

We wake up every morning proud of working for Axactor because we know we make a difference. Every day we passionately help people pay their bills and make sustainable plans to get out of debt. Every day we help hard-working companies to get paid for their products and services. Last but not least, every day, we serve as an important cornerstone of the financial system – enabling people to benefit from tomorrow's money today. No debt collection, no borrowing of tomorrow's money.

Click here to learn more about our purpose

Vision

Our vision is to be the industry benchmark.

Axactor was founded in 2015 because we believed it was possible to do it better. We were convinced it was possible to operate more efficiently with innovative and less costly IT-systems and more streamlined processes. A company raising the bar on environmental, social, and governmental standards. A company that delivers the best advice and fairest treatment of debtors, with more satisfied customers, happier employees, and, with higher return to investors. Our vision is to be the industry benchmark. The company that reinvents debt collection and that other will use as the benchmark when they want to improve.

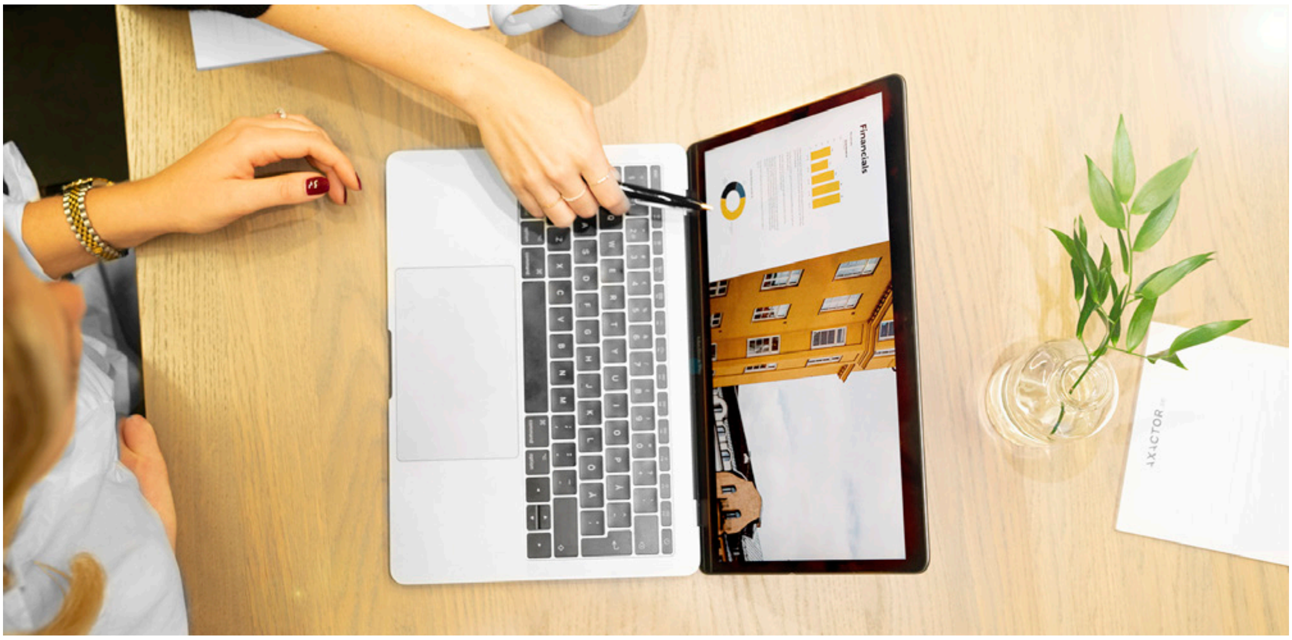
Click here to learn more about our vision

Highlights of the year

Full year 2021

- A year impacted by continued pandemic and positioning the company for future value creation
- Gross revenue of EUR 344 million, up 6% from 2020

  Total income ended at EUR 195 million, down 3% compared to 2020
- EBITDA for the year of EUR 24 million, resulting in an EBITDA margin of 12%
- Cash EBITDA of EUR 224 million, up from EUR 210 million in 2020
- EUR 114 million invested in NPL portfolios throughout the year, of which EUR 71 million invested under forward flow agreements
- NPL book value decreased from EUR 1,125 million at the end of 2020 to EUR 1,096 million at the end of 2021, partly due to the relatively low investment level and partly due to net negative NPL revaluations
- Estimated remaining collections on NPL portfolios ended the year at EUR 2,141 million
- 3PC total income growth of 3% with markets slowly normalizing towards the end of 2021 after a period of historically low volumes during the Covid-19 pandemic
- REO sales upheld on same volume as in 2020, totaling EUR 40 million for 1,263 assets
- Net profit for 2021 was EUR -46 million
- Conducted large balance sheet restructuring including share issues, refinancing of funding lines and the acquisition of the minority stake in Axactor Invest I
- Obtained credit rating from leading credit rating agencies Moody's and S&P, and issued a EUR 300 million rated bond in the European high yield market
- Return on equity (excluding non-controlling interests) was -9%
- Announced the acquisition of Italian debt collection service provider Credit Recovery Service



Significant events in 2021

2021 was a year impacted by the continuation of the Covid-19 pandemic and characterized by high uncertainty. Mitigating measures from the governments to contain the virus were introduced, withdrawn and re-introduced on a running basis following the development and spread of the virus. Large parts of Axactor's work force have been working from home office for long periods during 2021, and local restrictions such as moratoriums, payment reliefs and interest caps have been prolonged in several of Axactor's six countries of operation.

Simplification and increased transparency were the mantras of 2021 for Axactor. At the end of 2020 and into early 2021, Axactor performed a large balance sheet restructuring. The exercise included an increase in share capital, the acquisition of a minority stake in a co-investments vehicle, and the refinancing of several credit lines at improved terms and with extended maturities. Furthermore, Axactor issued its first rated bond with ACR03 in the third quarter. The REO funding facility from Nomura was also repaid in full during the year. At the end of 2021, these transactions secure a sound equity ratio of 29%, a healthy leverage ratio of 3.4, and a clean setup for its core business with only two sources of credit: bond loans and the revolving credit facility.

After a promising first half of the year, NPL collection performance deteriorated to 89% for the third quarter. Although there was a positive development during the fourth quarter, it was not sufficient to support the book value of the portfolios. As a response, Axactor did a thorough review of the portfolios and took down future collection estimates. Total net NPL revaluations in 2021 thus ended at negative EUR 44.1 million. The new book values are considered robust, and the Group is in a good position to deliver profitable growth going forward.

NPL investments for 2021 ended at EUR 114.0 million. Axactor continued to prioritize quality over quantity and remained capital disciplined. The most attractive portfolios for Axactor on the market in 2021 were forward flow portfolios in the Nordic countries and Germany. As forward flow contracts typically have a length of 12 to 24 months, these contracts secure volumes going into 2022. Estimated investment commitments for 2022 at the end of 2021 stood at EUR 117 million, enough to secure book value growth in 2022.

A cost reduction program was launched at the start of the year, aiming to reduce operating expenses by EUR 4.7 million compared to the fourth quarter 2020. The main elements of the program were site consolidations and outsourcing of non-core business. The project concluded successfully with annualized savings of EUR 5.5 million, enhancing Axactor's margins and cost-to-collect position.

The 3PC segment saw lower volumes during the pandemic both due to government-imposed restrictions and from lower consumer spending. The situation was gradually normalizing towards the end of 2021 and the segment income ended 3% up from 2020. Most of the cost reduction program was directed at the 3PC segment with significant restructuring costs. The margin improved substantially towards the end of the year as the initiatives came into full effect. The acquisition of Italian debt collection service provider Credit Recovery Service announced in 2021, closed early 2022, will further enhance the healthy development for the 3PC segment.

Operational improvements are continuously being implemented and Axactor is pleased to see good results in 2021. User traffic through the self-service debtor portal increased by five times compared to 2020. The operational department delivered strong solution rates, as evidenced by winning 72% of all 3PC benchmark competitions participated in during the fourth quarter.

Key figures

Gross Revenue	ERC, NPL	EBITDA	Cash EBITDA	Equity ratio
344	2,141	24	224	29%
EUR million	EUR million	EUR million	EUR million	
6% y/y	-1% y/y	12% margin		

Key Figures Axactor Group

EUR million	2021	2020
Gross revenue	344.5	325.2
Total income	195.1	201.2
EBITDA	23.7	32.0
Cash EBITDA [1]	223.8	209.5
Depreciation and amortization (excl portfolio amortization)	(9.7)	(10.8)
Net financial items	(54.8)	(53.4)
Tax (expense)	(5.3)	(1.8)
Net profit/(loss) after tax	(46.0)	(34.0)
Return on equity, excluding non-controlling interests	(8.5%)	(6.1%)
Return on equity, including non-controlling interests	(11.3%)	(9.1%)
Growth total income, period to period	(3.0%)	(29.5%)
Cash and cash equivalents, end of period [2]	38.2	47.8
Gross revenue from NPL Portfolios	254.9	236.5
Gross revenue from REO Portfolios	39.8	40.4
Acquired NPL portfolios during the period	114.0	208.2
Acquired REO portfolios during the period	0.2	0.4
Book value of NPL, end of period	1,095.8	1,124.7
Book value of REO, end of period	29.3	78.8
Estimated remaining collection (ERC), NPL	2,140.5	2,169.2
Equity ratio	29%	28%
Interest bearing debt, end of period	838.3	936.2
Number of Employees (FTEs), end of period	1,096	1,128
Price per share, last day of period	7.55	10.70

1) *Cash EBITDA is EBITDA adjusted for change in forward flow derivatives, calculated cost of share option program, portfolio amortizations and revaluations, REO cost of sales and REO impairments. See APM table*

2) *Restricted cash excluded*

Letter from the CEO

A brighter future

There is unfortunately no way around the fact that result wise, 2021 was a challenging year for Axactor. The pandemic continued to impact our operations in a wide variety of ways. New variants of the virus and local restrictions came and went throughout the year. In short, 2021 was a year characterized by high uncertainty. This has been challenging to handle not only from an administrative perspective, but also for our employees who again had to endure long periods at home office.

Returning to profitable growth

As a young company with a short track record and limited amounts of data, Axactor had to assume a certain level of risk to achieve the desired growth during our first years after formation. The growth strategy paid off, with Axactor today being among the leading credit management companies in Europe. During the second half of 2021 however, certain portfolios did not meet the expected level of collection. This resulted in a net negative revaluation of EUR 43 million in the fourth quarter of the year, mainly directed at portfolios acquired in 2017 and 2018 and with an extra emphasis on Swedish portfolios. The new revised collection curves, combined with a substantially higher profitability on more recent acquisitions, puts us in a much better position going into 2022 than we have had in the past.

Our 3PC segment has been strengthening throughout 2021 as we have managed to retain our most important customers through the pandemic. Now that volumes are returning, we expect the segment to continue the positive development into 2022. To further enhance our 3PC service offering in Italy, we announced the acquisition of the debt collection servicer Credit Recovery Service. They are a great fit with our strategy, servicing banks and financial institutions.

During the year we completed a cost reduction program aimed primarily at site consolidations and outsourcing of non-core business. Such processes are tough, but unfortunately necessary. The positive side is that with the conclusion of the cost reduction program, we have an efficient operational setup well-suited for our needs. In 2022 we will shift focus from cost reductions to continuous smaller improvements for our everyday operations to maintain our position as a market leader in terms of cost-to-collect.

To simplify and improve our legal and financial structure we completed a long series of significant transactions during 2021. The result was an increased equity ratio, and extended maturities and improved terms for all major credit lines. At the end of the year, we have a much cleaner legal structure for our continued operations, with two sources of credit: bond loans and our revolving credit facility. Despite the negative revaluations in the fourth quarter, our cash flow has remained good throughout 2021. Axactor is a solid company in a comfortable liquidity position. We have an investment capacity of around EUR 300 million for 2022, ready to take part in the increasing market for NPL acquisitions.

To sum up, we spent 2021 positioning Axactor for future value creation.

Operational excellence

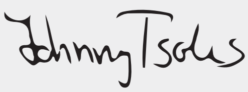
Our employees are our greatest asset and their wellbeing is on the top of our agenda. Both because we care deeply about our people, but also because we believe that satisfied employees perform better, both at work and at life in general. This year we joined forces with Great Place To Work to measure the satisfaction of our employees. I am very pleased that five out of our six countries of operations were certified as a Great Place To Work. It is quite uncommon to receive this certification the first time the survey is performed, and we will strive to further improve in 2022.

The people of Axactor have had another difficult year with disruptions from Covid-19, as well as difficult transitions arising from the site consolidations and outsourcing initiatives. Still, our operational departments have delivered good results, as evidenced by the very strong scores on both debtor and customer satisfaction. I am impressed by how the whole organization has handled these troubling times, and I firmly believe we have the best people onboard to take Axactor to the next level.

Strong focus on sustainable business

With a continued focus on improving the sustainability of our business, Axactor signed the United Nations Global Compact in 2021. We thus commit to making its principles a part of our strategy, our culture, and our day-to-day operations, benefitting both our stakeholders and the society as a whole. I am excited to present our first "Communication of Progress", which is incorporated into our sustainability report.
I would also like to take this opportunity to reiterate our continued commitment to the UN Global Compact initiative.

I firmly believe we have the best people onboard to take Axactor to the next level



Johnny Tsolis,
CEO

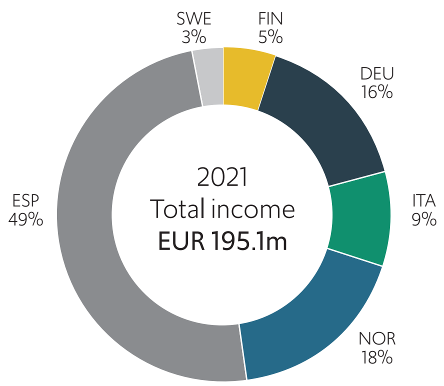
Report of the Board of Directors

1. Market development

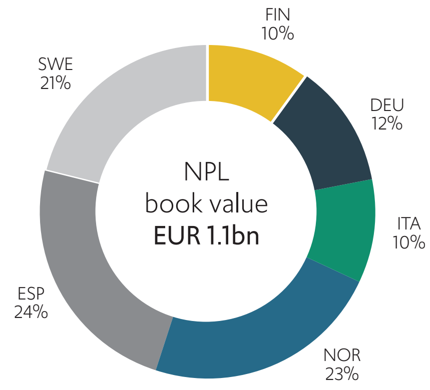
The years leading up to the Covid-19 pandemic were categorized by high supply in the market for both sale and outsourcing of non-performing loans. During the last two years, the pandemic has temporarily disrupted the market. Consumer lending volumes have declined and default rates are reduced. In addition, local restrictions have paused collection processes. As more and more of these restrictions were lifted towards the end of 2021, the market gradually returned.

The market activity for non-performing loan sales was back to a normalized level at the end of 2021. However, the lower volume of defaults through the pandemic has reduced the average volume for individual transactions compared to pre-pandemic levels. With increasing consumer spending and lending, the generation of non-performing loans is expected to increase. Alongside a continued focus from regulators on banks and financial institutions to offload bad debt from their books, the market activity for both portfolio sales and outsourcing of collection services should continue to gain momentum in 2022.

Total income per country
%



NPL book value per country
%



2. Strategy

Axactor was incepted on the notion that the debt collection industry was inefficient. As a young challenger without legacy, Axactor could disrupt the market in terms of cost-to-collect. During 2021 a strategy update was implemented, intensifying the focus on this cornerstone of Axactor's vision.

To ensure that Axactor maintains the position as a market leader in terms of cost-to-collect a cost reduction program was implemented throughout 2021. The program aimed primarily at outsourcing non-core operations and reducing the number of operative sites. A total of seven offices were closed during the year, with the remaining sites taking over the operational tasks. At the end of 2021 Axactor has the desired locations for the long run in all six countries of operation. With the conclusion of the cost reduction program at year-end, focus is shifted from cost reductions to continuous operational improvements and cost saving innovations.

The updated strategy entails a narrow focus on the core competence of Axactor: fresh unsecured consumer debt originated within the regulated financial sector in carefully selected markets. Axactor performs craftsmanship debt collection services well suited for the typical size and complexity of these claims. Furthermore, this segment is perceived by Axactor as having the best risk/reward relationship. To maximize profits, Axactor focuses primarily on this core competence.

Axactor offers two main products to its customers: third-party debt collection services and acquisition of non-performing loans. By combining the two product offerings, Axactor both diversifies its income stream and leverages synergies between the business segments in terms of business origination, collection execution and data generation. In addition, the combined product offering improves scale benefits for both business segments.

Having dedicated and motivated employees with great industry knowledge is crucial to deliver on the strategy. To attract, retain and develop the best talents, a high attention is directed towards making Axactor an attractive employer with good career opportunities. The Axactor Academy program offers a wide variety of courses to increase the employees' skill sets. Promising talents are given the opportunity to participate in a mentorship program, where senior staff members provide personal guidance and learning opportunities for the participants. These initiatives are in place to enable the desired performance culture that characterizes Axactor.

To enable the employees to achieve their potential, they need efficient tools to perform their work. Axactor has had a clear strategy from day one of having modern, standardized and efficient common IT solutions for the Group. As a young company with very little legacy, Axactor has had the opportunity to design and build its IT environment from scratch. The result is an IT platform with low maintenance cost combined with a high level of efficiency and security.

To further develop operations and enhance future efficiency, a continued emphasis is put on business intelligence, advanced data analytics and contact and payment channels. During 2021, new scorecards utilizing machine learning were developed, numerous business intelligence reports implemented and traffic through the self-service debtor portal increased significantly. These areas of development will remain crucial for Axactor also going forward.

Another important benefit of having common systems and setup on both the IT and the organizational side, is improved cross-border cooperation. It eases communication between countries, which in turn enables sharing of best practices and innovations.

Cyber security is continuously growing in importance. A benefit of Axactor's strategy is that the modern and streamlined IT environment by default is up to the best current security standards. Working with large amounts of personal data, the employees of Axactor have a continuous focus on cyber security in their everyday operations. Training sessions and stress tests are performed on a running basis to be prepared for potential attacks. Axactor was the victim of an attempted large scale phishing attack in 2021 and is pleased to see that all routines and responses were in place to prevent the attack.

Axactor strives to be a transparent, reliable and trustworthy company with focus on fair treatment of debtors, clients and employees alike. As a part of this ambition, Axactor has joined the United Nations Global Compact and adheres to the United Nations sustainable development goals 5 Gender equality, 8 Decent work and economic growth, 13 Climate action and 16 Peace, justice and strong institutions. This ambition is inherent in Axactor's DNA and affects all parts of the Group's business and decisions. Axactor sees working in a sustainable matter as an obvious goal in itself, and it is also an increasingly important factor for banks and financial institutions when they select their business partners.

In order to fund the substantial growth during Axactor's formative years, the Group adapted its legal structure to exploit available sources of credit. This resulted in a complicated and sub-optimal structure. During 2020 and 2021 several actions were taken to streamline the legal and funding structure, including mergers, refinancing of credit lines and liquidation of redundant legal entities. Not only does this ease the administrative burden and cost, but it also increases transparency and makes it more comprehendible for investors, customers and other interested parties. This increased transparency is also in line with Axactor's continuous focus on sustainable development and ESG factors.

To enable access to the European bond market, Axactor obtained credit ratings from leading credit rating agencies Moody's and S&P during 2021. Subsequent to obtaining the credit rating, Axactor raised EUR 300m in a rated bond issue directed towards the European high yield market at a substantially lower margin than obtained for previous bond issues. This was a milestone for Axactor in the strategic quest to obtain a lower funding cost.

At the end of 2021 Axactor has a clean legal structure for its continued operations, with two sources of credit: bond loans and the revolving credit facility. The result is increased flexibility and reduced funding cost. To support even more flexibility at further improved prices, the Group over time aims to increase the share of unsecured bond loans relative to secured bank financing.

With a relatively short history, Axactor has acquired the majority of its NPL portfolio during an economic cycle of high prices. With the current market environment and a strict price discipline the Group expects a gradual improvement over time. During 2021, Axactor acquired portfolios with a weighted average gross IRR of 23.4%, compared to an average of 15.7% on the total back book at the beginning of the year. NPL investments are expected to increase significantly from the historically low level of EUR 114 million in 2021. To underline this, estimated commitments for 2022 under signed contracts already amounts to EUR 117 million at the end of 2021. These commitments have a weighted average gross IRR of 21.9%, also substantially higher than the average of 16.3% for the current back book.

Axactor has established a skilled, scalable, lean, and passionate organization that is well positioned to continue the company's growth journey. To deliver profitable growth, Axactor will continue to improve operational performance, show investment discipline and grow the capital light part of the business. The Group will further intensify the investor relations work with banks, bond market, equity market and other sources of capital. Finally, Axactor will continue to pursue fair debtor treatment, high customer satisfaction and happy employees.

3. Operations

When entering 2021 the expectation was that the pandemic situation would affect the business operations in a more limited way than in 2020. The majority of the workforce was still working from home at the start of the year, but the home office regulations were expected to be removed within a short time period. Axactor had operational capacity to handle the expected increase in volumes with limited need to increase manning.

The beginning of 2021 nevertheless started slowly due to stronger seasonality effects within the NPL segment and lower than expected 3PC volumes from the existing customers. The moratoriums in Italy and Spain had continued into 2021 and affected both NPL and 3PC collections. Volumes from both 3PC and NPL forward flow contracts were limited by low default rates in the banks in the Northern part of Europe. While the NPL segment improved during the first half of the year, the 3PC segment took longer to recover.

A cost saving program was initiated during the first quarter as a response to the lower volumes. The largest part of the program was related to closing down operational sites and divisions servicing 3PC customers.

In Spain, the restructuring meant that the services done in Sevilla, Bilbao and Zaragoza were moved to the three larger operational centers in Madrid, Valladolid, and Alicante. For Finland, a homeshoring initiative was conducted with the close-down of the back office departments in Estonia and Latvia and transferring the tasks back to Finland. In Germany, the non-core field-service operation was outsourced. In Norway, a decision to close down the Hamar office was made. Axactor Norway have gathered all operations in the main office of Drammen going forward. The total effect of the cost saving program was an annualized saving of EUR 5.5 million.

Together with an improved cost base there was also a clear positive trend of finding amicable solutions with debtors, as well as highly efficient tax refund campaigns. The improved collections and recovery rates gave an impression of returning back towards normality. Debtors in all markets were also satisfied with the communication and treatment, resulting in an average score of 4.5 out of maximum 5 in the group wide debtor satisfaction survey. The high score was upheld for the rest of 2021 and is a great testament of the work done by the operational staff. Axactor is always trying to help the debtors back to a sound economy, through firm but friendly guidance and advice.

The second half of 2021 started off quite challenging during the summer months. Even though the number of payments were at a stable level, the average payment size dropped and resulted in lower NPL collections. In addition, several 3PC contracts were transformed into NPL forward flow contracts resulting in lower revenues for the 3PC segment. Towards the end of 2021 the NPL collection performance steadily improved to 98% in December, while 3PC volumes started to return as moratoriums and local restrictions were gradually lifted.

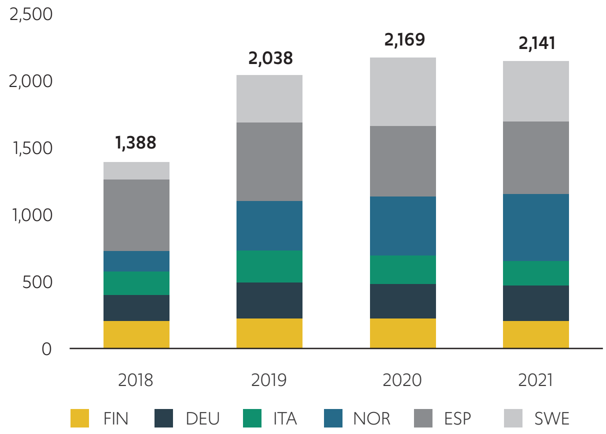
Throughout 2021, resources and priority have been given to further develop the debtor portal. Investments have been made to utilize innovative payment solutions, offer self-service solutions to more debtors, and build more advanced logic into the service to offer a tailormade journey through the portal. The usage of the portal has increased rapidly and the number of debtors logging in was over five times higher in 2021 compared to 2020.

Axactor is continuing its dedication to strengthen the usage of data to achieve more efficient collection and securing good debt collection practices. During 2021 the company has added new sources of data to improve the enterprise data warehouse. The enterprise data warehouse holds consistent data to facilitate cross border reports and enable best practice sharing. Such cooperation is key within the business intelligence community in Axactor, connecting business intelligence employees in both the countries and on Group level.

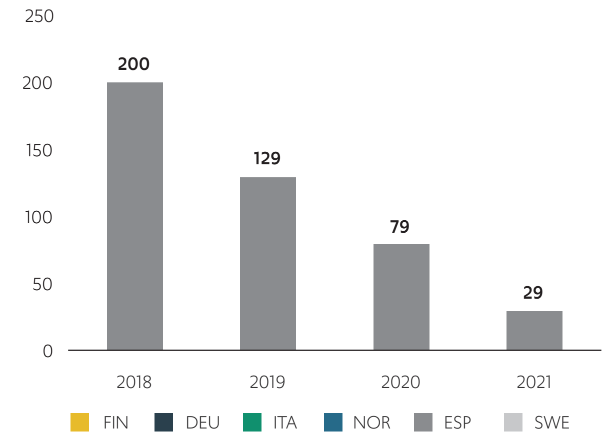
The advanced analytics team was strengthened during the year, and new areas have been supported by scorecards and improved analytic capabilities. The scorecards are integrated in the daily operations and play a key role in deciding the optimal workflow and supporting the collection strategy development. Analysis have been conducted to optimize call center opening hours and connecting the debtor with the best suited case handler.

The efficiency measures implemented during 2021 have yielded satisfactory results. The cost reduction program, the cost culture in general, increased digital collection and self-service, as well as leveraging advanced data analytics, are all supporting the key strategic goal of being the market leader in terms of cost efficiency. The NPL cost-to-collect ratio has been improved from 43.1% in 2020 to 42.5% in 2021, despite the restructuring cost taken through the year.

NPL estimated remaining collections per country
EUR million



REO book value per country
EUR million



Axactor was faced with two relevant global security vulnerabilities in 2021. During the summer the Microsoft print spooler vulnerability was discovered, and in December the Log4j vulnerability became known. Both vulnerabilities were successfully mitigated with minimal impact on the operational services of Axactor systems. The high focus on information security, clear routines and policies, and the cooperation with external partners, were success factors in reducing the impact.

Throughout the 2021 Axactor has continued the work to improve information security awareness among all employees. Multiple sessions, online learning programs and phishing campaigns have been conducted. Results from the phishing campaigns shows positive results with higher focus and understanding among the employees. The work to increase awareness will continue to be a part of the yearly information security exercises and planning for Axactor.

The REO segment has been in run-off mode in 2021 with no new portfolios acquired since 2018. Sales volumes were nonetheless upheld at a high level throughout the year, following a strategy of fast paced liquidation.

4. Corporate Social Responsibility

Axactor strives to maintain the highest level of professional standards and places maximum focus and importance upon honesty, integrity, accountability, transparency, and compliance in all aspects of its conduct of business. Axactor is committed to comply with all applicable laws and regulations in all business activities and act in an ethical, sustainable, environmental, and socially responsible manner, practice good corporate governance and respect internationally recognized human rights principles. To safeguard compliance and support the effectiveness of such acts, an open and ongoing dialogue on these issues, internally and externally shall be maintained. The Board and the executive management of Axactor are committed to Environmental, Social and Governmental responsibility (ESG), supporting the UN Sustainable Development Goals with specific focus on: 5. Gender equality; 8. Decent work and economic growth; 13. Climate action; 16. Peace, justice and strong institutions. The UN SDG commitments support the company's values and policies ensuring a sound corporate culture. During 2021 Axactor further strengthened its commitment to the UN Sustainable Development Goals, by becoming a signatory to the UN Global Compact. The sustainability report describes in detail Axactor's work on ESG, including the company's reviews of working environment, gender equality and the Group's effects on the external environment for 2021.

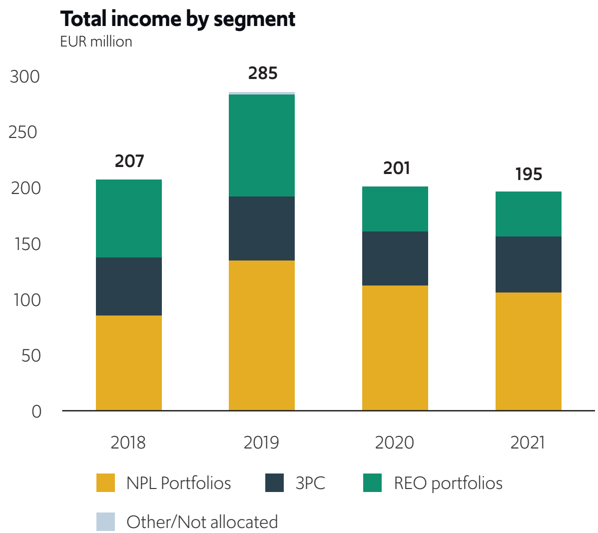
5. Financial performance

Total income

Total income for 2021 ended at EUR 195.1 million, down from EUR 201.2 million in 2020. The main driver of the decrease was net negative NPL revaluations and an increase in NPL amortization rate from 37% to 41%. This impact was partially offset by a 6% increase in gross revenue, with increased collection on NPL portfolios and a 3% growth in 3PC income.

Net NPL revaluations for the year were negative EUR 44.1 million, of which EUR 37.6 million were taken in the fourth quarter as a response to low collection performance during the second half of 2021. The majority of the revaluations in the fourth quarter were directed at portfolios acquired during 2017 and 2018, with an extra emphasis on Swedish portfolios. With the new curves, Axactor is well positioned to deliver a collection performance fluctuating around 100% going forward.

Gross revenue from the NPL segment increased by 8% to EUR 254.9 million in 2021 (236.5). The increase is mainly explained by portfolio investments, as well as the gradual lifting of Covid-19 induced collection restrictions across Europe. Due to the pandemic adjusted curves put in place in 2020, the NPL amortization rate was lower than normal in 2020. In 2021 the NPL amortization rate increased from 37% to 41%, which in monetary terms translates to an increase from EUR 86.3 million in 2020 to EUR 104.4 million. Adding net NPL revaluations of negative EUR 44.1 million (-36.9) and contribution from change in forward flow derivatives of negative EUR 0.8 million (-0.8), NPL total income ended at EUR 105.6 million for 2021 (112.5). This represents 54% of total income (56%).



Estimated remaining collection (ERC) on the NPL portfolios stood at EUR 2,140.5 million at the end of 2021 (2,169.2), of which EUR 268.8 million is expected to be collected in 2022.

Continued investments in NPL portfolios are expected to drive gross revenue growth for the NPL segment in 2022. Axactor invested a modest EUR 114.0 million in NPL portfolios in 2021, down from EUR 208.2 million in 2020. The investment pace picked up throughout the year, with 75% of total investments deployed during the second half of 2021. These acquisitions provide momentum going into 2022. In addition, a total estimated EUR 117 million of investments are committed in signed contracts for 2022 per the end of 2021. Adding new contracts in 2022, Axactor expects to deploy EUR 200-250 million in NPL portfolio investments during the coming twelve months.

During 2021 Axactor implemented an update to its strategy with an intensified focus on the core competence of the Group. This means a stricter capital discipline with investments directed at fresh unsecured non-performing consumer loans from known sellers. This reduces risk, leverages customer relationships in both the 3PC and NPL segments and ensures Axactor invests only in attractively priced, high-quality portfolios. This strategy is evidenced by a significantly higher gross IRR on acquisitions in 2021 compared to the average for the back book. This trend is expected to continue into 2022, with the current volume commitments also made on gross IRR levels well above the current back book average.

The 3PC business reported total income of EUR 49.6 million for 2021, up 3% from 2020 (48.3). Local collection restrictions have hampered growth for large parts of 2021, and several 3PC contracts were transformed into NPL forward flow contracts. Towards the end of the year, the development turned positive in terms of both volume from existing contracts and from new business. During the fourth quarter, Axactor announced an agreement to acquire 100% of the shares in the Italian debt collection service provider Credit Recovery Service (CRS). The transaction was formally completed in January 2022 and will have immediate impact on the results for 2022. 3PC continue to be an important business segment for Axactor, providing a capital light income stream and providing important synergies with the NPL segment. The 3PC total income corresponded to 25% of total income for the company in 2021 (24%).

The REO segment is in run-off mode and has not been considered part of Axactor's core business for some time. To further emphasize this fact, the segment will be reported as discontinued operations effective from 2022. Total income for the REO segment for 2021 ended at EUR 39.8 million, 1% down from last year (40.4) and representing 20% of the Group's total income (20%). A total of 1,263 assets were sold during the year, compared to 1,403 assets sold in 2020. While income and assets sold were upheld at a good level, the number of assets in inventory declined 46% in 2021. Total number of assets left in inventory at year-end is 1,446.

Operating expenses

Total operating expenses for 2021 amounted to EUR 171.4 million (169.2), excluding depreciation and amortization. A cost reduction program was implemented during the year, with annualized savings of EUR 5.5 million. Related restructuring costs of EUR 4.2 million are included in total operating expenses for 2021. Furthermore, a settlement amounting to EUR 2.2 million with a Swedish bank regarding the termination of a forward flow agreement was reached in the fourth quarter of 2021.

REO cost of sales of EUR 44.6 million (36.8) and REO impairments of EUR 5.9 million (16.1) are included in operating expenses for 2021. The impairments came as a result of reduced price expectations in order to continue the fast paced offloading of remaining assets.

Personnel costs accounted for EUR 61.3 million in 2021 (54.9) and is the single most important input factor in Axactor's operations. The increase compared to last year is partly explained by restructuring costs in 2021 and partly by temporary cost reductions put in place during the initial phase of the Covid-19 pandemic in 2020.

Other expenses amounted to EUR 59.6 million (61.4), including IT/infrastructure costs, legal fees and REO servicing costs.

Contribution by segment

The total contribution margin amounted to EUR 68.3 million in 2021 (71.7). The contribution margin reflects the segments' contribution to EBITDA before local SG&A, IT and corporate cost. Please see Note 5 for more details.

The contribution margin from the NPL segment was EUR 69.5 million in 2021 (75.3), reflecting the net negative revaluations of 44.1 million (36.9). The NPL contribution margin thus decreased to 66% of total income (67%).

The contribution margin from 3PC was EUR 15.4 million (17.4), corresponding to 31% of total income (36%). Most of the restructuring costs in 2021 were directed towards the 3PC segment, and the margin is thus expected to increase significantly in 2022 as the saving initiatives gain full effect.

The contribution margin from REO was negative EUR 16.5 million (21.0), after cost of secured assets sold of EUR 44.6 million (36.8) and impairments of EUR 5.9 million (16.1). The contribution margin was hence negative 41% (-52%).

Local SG&A, IT and corporate cost amounted to EUR 44.6 million (39.7) for 2021.

EBITDA

As a consequence of the net negative NPL revaluations and the REO impairments, EBITDA shrunk from EUR 32.0 million in 2020 to EUR 23.7 million in 2021. The resulting EBITDA margin was 12% (16%). After the correction of future NPL collection curves and the cost reduction program carried out in 2021, Axactor expects profitable growth in 2022.

Cash EBITDA ended at EUR 223.8 million in 2021, up from EUR 209.5 in 2020.

Further details on reported alternative performance measures are available in chapter 8.7 Reported APMs.

Operating profit (EBIT)

Some of the investments in the collection platforms during the initial years of the Group's history have now been fully depreciated or amortized. After a period of stabilizing investments, depreciation and amortization – excluding amortization of NPL portfolios – fell to EUR 9.7 million in 2021 (10.8).

Operating profit (EBIT) was hence EUR 14.1 million for 2021 (21.2).

Net financial items

Net financial items were negative EUR 54.8 million in 2021 (53.4), comprising financial revenue of EUR 3.0 million (12.6) and financial expenses of EUR 57.8 million (66.0).

Interest expenses on borrowings accounted for EUR 52.9 million in 2021, down from EUR 63.6 million in 2020. Several measures were taken during the year to reduce the effective interest cost. At the very beginning of the year, a large restructuring of Axactor's balance sheet was conducted. This included several loan refinancing transactions, and EUR 7.1 million in loan fees pertaining to the refinanced loan facilities were written down in 2020. Later in 2021, the bond like instrument owned by Sterna Finance was refinanced through the issue of an ordinary rated bond loan with a lower interest rate.

During the last years Axactor has seen a high volatility in its FX exposure towards NOK and SEK. Measures have been taken in 2021 to reduce this volatility, and the net foreign exchange impact included in net financial items for 2021 was a modest EUR -1.5 million, compared to a net impact in 2020 of EUR 11.5 million.

Other net financial expenses amounted to EUR -0.4 million (-1.3).

Profits and tax

The profit before tax was negative EUR 40.7 million in 2021 (32.2), and the net profit was negative EUR 46.0 million (34.0).

Axactor recorded a tax expense of EUR 5.3 million in 2021, compared to a tax expense of EUR 1.8 million in 2020. Axactor expects to trend towards a normalized average effective tax rate of approximately 25% over time.

Net profit to shareholders was negative EUR 32.8 million (18.1), whereas the net profit to non-controlling interests was negative EUR 13.2 million (15.9).

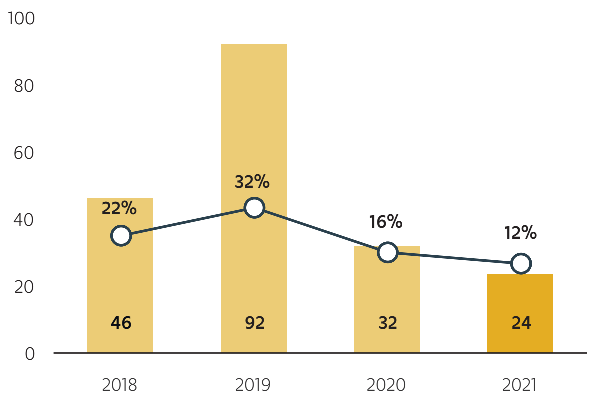
Total comprehensive income was negative EUR 37.3 million for 2021 (45.3), with the deviation from reported net profit/(loss) after tax mainly explained by foreign currency translation differences. EUR 24.1 million of this loss was attributable to shareholders of the parent company (29.5) and EUR 13.2 million to non-controlling interests (15.9).

Earnings per share totaled EUR -0.112 both on an ordinary and on a fully diluted basis (-0.099).

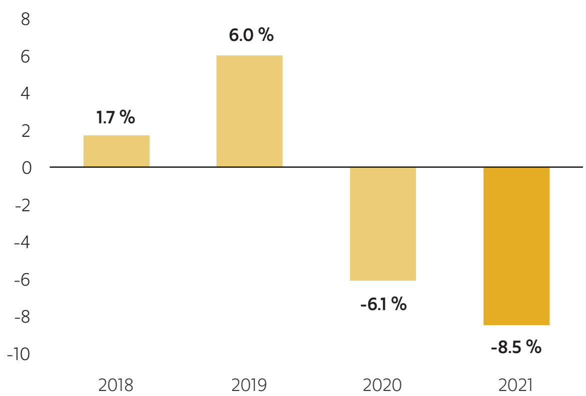
Financial position

Total assets amounted to EUR 1,293.2 million at the end of 2021 (1,363.6), of which book value of purchased NPL portfolios accounted for EUR 1,095.8 million (1,124.7).

EBITDA and EBITDA margin
EUR million and %



Return on equity, excluding non-controlling interests
%



Total non-current assets amounted to EUR 1,196.7 million (1,215.3), including intangible assets of EUR 87.5 million (82.6). This reflects intangible assets and goodwill acquired since inception, as well as deferred tax assets of EUR 13.7 million (7.8).

Current assets amounted to EUR 96.5 million (148.3), including stock of REO assets of EUR 29.3 million (78.8) and total cash and cash equivalents of EUR 44.0 million (50.7), including EUR 5.8 million in restricted cash (2.9).

Total interest-bearing debt stood at EUR 838.3 million at the end of 2021 after a net repayment of debt during the year (936.2).

Total equity amounted to EUR 381.2 million (375.7), including non-controlling interests of EUR 1.0 million (74.1). A total of EUR 51 million was raised in new equity in 2021, while non-controlling interests were reduced significantly when Axactor acquired the minority stake in the co-invest vehicle Axactor Invest I. The equity ratio was 29% at the end of 2021 (28%).

Supervision of financial reporting

As communicated in a press release on 13 December 2021, Axactor SE has received a conclusion from the Norwegian Financial Supervisory Authority (FSA) in accordance with the preliminary conclusion as stated in the press release of 2 September 2021. The FSA requires that the company expands its measurement model for portfolios of non-performing loans (NPL) with more input variables capturing current and future macroeconomic conditions and use of scenarios with effect from the reporting of the annual accounts for the financial year 2022. The company take notice of the conclusion from FSA and will implement the requested changes accordingly.

The notice from the FSA also requires the company to conduct a new measurement of one specific NPL portfolio as of 2019 and onwards. The company will document the assumptions used for estimates of future credit losses occurring after 2026. The company has performed a new measurement with the information available at the end of 2019 and an external valuation agency has provided a benchmark valuation to verify the internal measurement. Based on the updated measurement, the company has booked an impairment of EUR 1.8 million in the fourth quarter of 2021. The error is related to 2019, but is regarded as not material and a retrospective restatement has not been made, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

6. Cash flow and Financing

Net cash flow from operating activities, including NPL and REO investments, amounted to EUR 109.6 million in 2021 (-1.7). The improvement compared to 2020 was mainly due to reduced investments in NPL portfolios. The amount paid for NPL portfolios fell from EUR 213.0 million in 2020 to EUR 115.4 million in 2021. The difference between the amount paid and total NPL investments for the year is related to deferred capex on certain contracts. Excluding investments in NPL portfolios, cash flow from operating activities was EUR 224.7 million (209.7), mainly driven by the increase in cash EBITDA. The difference between cash EBITDA and cash flow from operating activities before NPL investments relates to taxes paid of EUR 3.3 million (5.5) and a decrease in working capital, excluding forward flow derivatives, of EUR 4.2 million (5.7).

Net cash outflow from investing activities was EUR 4.7 million in 2021 (6.1), mainly reflecting reduced IT and infrastructure investments.

Net cash flow from financing activities was negative EUR 112.4 million in 2021 (-15.7). Net proceeds from borrowings were negative EUR 86.2 million after debt repayments (-2.8), whereas proceeds from equity issues were EUR 50.8 million (50.8).

Proceeds to non-controlling interests were EUR 6.6 million for 2021 (7.0).

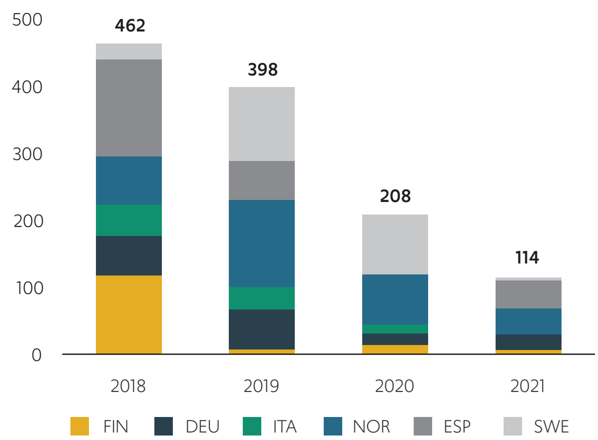
Interest payments, loan fees and costs related to share issues represented a cash outflow of EUR 67.5 million in 2021 (53.9).

Funding

At the beginning of 2021 a large restructuring of the balance sheet was completed. The restructuring exercise included several steps aimed at lowering the effecting funding cost and simplifying the legal structure to reduce administrative cost and increase transparency. In short, the steps were:

- A share capital increase by contribution in kind was done as payment for the minority stake in the co-invest vehicle Axactor Invest I. After the transaction Axactor owns 100% of shares and A-notes in Axactor Invest I. As part of the transaction, the B-notes held by Sterna Finance were converted into a bond-like debt instrument with Axactor SE as counterpart

Annual NPL investments per country
EUR million



- Axactor's main funding line, a revolving credit facility from DNB and Nordea, was refinanced and the maturity extended to 2024. As part of the refinancing, the revolving credit facility in Axactor Invest I was merged with the main funding line. The new loan agreement has similar terms as the previous main funding line, but with a pricing mechanism dependent on the portfolio loan-to-value. The total facility is of EUR 620 million, of which EUR 75 million in the form of an accordion option

- The bond loan AXA01 was refinanced with a new bond issue, ACR02. The vast majority of the AXA01 bonds were rolled into ACR02 bonds, with the remaining AXA01 bonds settled. Pricing and general terms for ACR02 are similar as for AXA01

- Subsequent to the share capital increase by contribution in kind, a private placement of EUR 30 million was carried out. Following the private placement, an additional EUR 20 million were raised through a repair issue

Through the roll-up of Axactor Invest I, Geveran increased their ownership share in Axactor to 44.31%, triggering a mandatory offer for the remaining Axactor shares. The offer was placed at NOK 8 per share. The Board of Directors decided not to recommend shareholders to accept the offer. Geveran received valid acceptances under the mandatory offer for a total of 625,806 shares, corresponding to approximately 0.23% of the registered share capital and voting rights in the company.

These transactions significantly increased the equity and extended the majority of debt maturities to 2024, while the roll-up of Axactor Invest I will be accretive for the shareholder's return on equity.

Further to the above transactions, Axactor obtained a credit rating from leading credit rating agencies Moody's and S&P, and issued its first rated bond loan in 2021. The ACR03 bond has an outstanding balance of EUR 300 million and a floating interest rate of EURIBOR +535bps. This bond loan is thus significantly less expensive than the unrated ACR02 bond. Proceeds from the ACR03 issue were partly used to refinance the bond like debt instrument held by Sterna finance and the local Italian credit lines.

The REO financing from Nomura was amortized in full during 2021.

Going out of 2021, Axactor has two sources of credit: bond loans and the revolving credit facility from DNB and Nordea. All legal entities except Axactor SE and the Reolux structure are inside the ringfenced structure that is funded by the revolving credit facility. This ensures a clean and transparent setup for Axactors continued operations in 2022 and onwards.

Axactor has remained compliant with all loan covenants through 2021.

7. Reported alternative performance measures

Axactor uses gross revenue, EBITDA, cash EBITDA, Estimated remaining collection, NPL, Return on equity and Net interest-bearing debt as an alternative performance measures (APM) to better reflect its operational business performance and to enhance comparability between financial periods. These alternative performance measures are reported in addition to, but not as a substitute for, the performance measures reported in accordance with IFRS. Numbers in brackets refer to the corresponding figure in the previous year. For definition and reconciliation tables of the used APMs, see page 138.

8. Proposed allocation of the company's results

The parent company, Axactor SE, had a net negative result after tax of EUR 16.4 million in 2021, compared to negative EUR 27.2 million in 2020. The result available for disposal of the Annual General Meeting is as follows:

EUR thousand	
Distribution from other paid in capital	16,404

9. Corporate Governance

The governance structure of Axactor SE complies with Norwegian corporate law and Norwegian securities legislation and stock exchange regulations. The shares of Axactor are freely negotiable. There are no restrictions on owning, trading, or voting for shares in the Articles of Association. The shares in the company are not subject to any transfer restrictions. The Board has approved guidelines for good corporate governance in accordance with the Norwegian Code of Practice for corporate governance issued by the Norwegian Corporate Governance Board (NCGB and NUES), last revised on 14 October 2021. Axactor is fully compliant with the NUES recommendations. A detailed description of the corporate governance principles and reporting for 2021 can be found in the Corporate governance report.

Axactor holds directors, officers and company liability insurance policies covering the Directors of the Board and the CEO. The policies are granted by primary and excess insurers. The insurances cover the liability from claims which may arise from the decisions and actions taken within the scope of their regular duties. The coverage includes financial protection against the consequences of wrongful acts, their personal liability, financial loss in respect of any securities claim made against the company and certain costs and fines related herein. The policies also cover reimbursement of the company where coverage has been made on their behalf. Coverage does not include fraudulent, criminal or intentional non-compliant acts or cases where directors obtained illegal remuneration, or acted for personal profit.

10. Risk profile

Axactor's regular business activities entail exposure to various types of risk. There is a risk that the Group will be unable to compete with businesses that offer more attractive pricing levels and the Group's competitors may have or develop competitive advantages that the Group is unable to match. Reputational damage due to an unforeseen event could adversely affect the business and ability to attract new customers. If the Group is unable to enter new debt collection contracts, fails to collect third party's or own debts, is unable to purchase portfolios at appropriate prices or to make acquisitions that prove unsuccessful e.g., due to incorrect assumptions. There is also a risk that the business and ability to implement the business plan will be materially adversely affected. A failure to comply with applicable regulations in relevant jurisdictions may materially adversely affect the financial position due to e.g., loss of customers and/or fines to pay, and the ability to operate in such jurisdictions due to e.g., loss of license. A failure to employ and retain skilled personnel and to retain third-party service providers may have a material adverse effect on the operations. A pandemic situation may, as experienced in 2020-2021, affect the operational efficiency, impairment, and the Group's financial results.

Enhanced focus from authorities and stricter rules and practices related to e.g., AML, GDPR, tax/vat and NPL are ongoing risks. The Group in all materiality complies with relevant rules and regulations for debt management providers in all its geographical markets. Axactor is also subject to regulatory changes in individual markets, such as temporary rules related to the Covid-19 pandemic, proposal for revised debt collection regulations in Norway anticipated during first half of 2022 and the currently discussed implementation of the NPL regulations (EU) 2019/630 of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures in Norway. Axactor monitors regulatory changes relevant for the business and is member of relevant association of debt collection and debt purchase companies locally such as ANGECO (member of FENCA) in Spain. Other important regulatory developments are the rapidly increasing number of regulations both in Norway and from the EU on sustainability reporting requirements, such as Regulation (EU) 2020/852 (Taxonomy), the proposal for a Corporate Sustainability Reporting Directive (CSRD), the Norwegian Transparency Act ("Åpenhetsloven"), etc. These developments are being carefully monitored to ensure compliance also going forward. Axactor adheres to new rules and believe the above-mentioned regulatory changes will have limited financial impact, but in relation to the ever-increasing reporting requirements, Axactor considers the administrative burden to be notable.

Axactor also faces operational risks, mainly related to IT stability, application availability, as well as information security and data processing. The company seeks to mitigate these risks through partnerships with certified infrastructure, hardware and software and application providers and strict internal control including vendor management. These and other risk factors are covered in Note 3 of the Groups financial statement. Axactor's financing and financial risks are managed within the Group in accordance with the Finance policy, the Treasury policy, and the Hedging policy established by the Board. Internal and external financial operations are concentrated to the Group's central finance function. Axactor's exposure to market risks relating to interest rate, currency, credit, liquidity, and financing are also covered in detail in Note 3 to the Group's financial statement.

The main risks related to interest rates, liquidity and financing can be summarized as follows: The interest rate risk relates to the variable rates on Group's interest-bearing debt, which amounted to EUR 838.3 million per the end of 2021 (936.2). An annualized increase/decrease of 100 basis points would increase/ decrease profit before tax by EUR 7.0 million (9.4). The average effective interest rate for 2020 was 6.9% (5.8%).

With regards to liquidity, the Group's objective is to maintain a balance of financial assets that reflects the cash requirements of its operations and investments for the next 12-24 months. The cash flow from operating activities generated by the Group was positive in 2021, with relatively low investments in NPL portfolios. In previous years the NPL investments have exceeded the cash flow from operating activities before NPL and REO investments. The 46% drop in amount paid for NPL portfolios from 2020 to 2021 shows how quickly the investment level can be scaled down. As long as Axactor deliver positive cash flow from operating activities before NPL and REO investments, the Group will not hesitate to increase the NPL investments in the future to secure profitable growth. Per the end of 2021 the Group held cash and cash equivalents of EUR 38.2 million excluding restricted cash (47.8). The liquidity is managed at Group level.

The Group has certain financial covenants tied to its funding facilities. The headroom under these covenants were substantially improved through a large restructuring of the balance sheet at the start of 2021. Axactor has thus remained compliant with all covenants throughout 2021. Axactor has an investment capacity of approximately EUR 300 million at the end of 2021, and plans for an investment level in NPL portfolios between EUR 200 million and EUR 250 million in 2022. Given the current financial position, cash flow projections and investment outlook, the Board consider the liquidity risk to be fairly low.

If any of the risks mentioned above were to materialize, either individually, cumulatively or together with other circumstances, it could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the shares. Axactor has adopted a regime to manage and mitigate these risks. The Board has adopted a risk management policy. Annually a bottom-up and top-down risk assessment covering the entire risk spectrum is carried out. The Chief of Staff has the operational responsibility for risk management. The countries provide status updates of the internal control, most important risks and mitigation measures to the executive management on a monthly basis and ad-hoc when needed. Risks are discussed in the weekly executive management meeting and are reported quarterly to the audit committee.

11. Going concern

Based on the review of Axactor SE's financial statement, the Board of Directors confirms that the annual financial statements for 2021 have been prepared on the basis of a going concern assumption, and that this assumption has been made in accordance with Section 3-3a of the Norwegian Accounting Act.

12. Outlook

After a challenging 2021, Axactor is in a good position to deliver profitable growth in 2022. The large negative NPL revaluation booked in the fourth quarter 2021 reduces downside risk for collection performance, which is expected to fluctuate around 100% going forward. The cost reduction program has delivered above expectation, rendering a lower cost base going into 2022 than the Group had going into 2021. Furthermore, a series of initiatives to simplify the legal structure were carried out in 2021, creating a more efficient structure in terms of expenses and administrative burden.

Although total NPL investments for 2021 was on the low side, the fourth quarter saw a significant uptick in investment level. These acquisitions provide momentum going into the first quarter of 2022. In addition, Axactor has estimated NPL investment commitments for EUR 117 million in 2022 at a satisfying gross IRR level of 22%. The forward flow commitments alone are enough to secure positive NPL book value growth for the coming twelve months. Adding expected new acquisitions in 2022, Axactor expect to deploy between EUR 200 million and EUR 250 million in NPL portfolios for the coming twelve months.

3PC volumes are slowly returning towards pre-pandemic levels as local restrictions such as moratoriums are gradually phased out. The market for new 3PC business is healthy as well, with a strong pipeline of potential new customers. In Italy, the acquisition of Credit Recovery Service that was finalized in early January 2022 will have a significant positive effect. Credit Recovery Service comes with a recurring annual revenue of approximately EUR 6 million, as well as improving Axactor's standing in the Italian 3PC market for fresh non-performing loans originated within the bank and finance sector.

The first quarter of 2022 has seen increasing geopolitical risk in Europe with the ongoing conflict in Ukraine. Although Axactor's operations are not directly impacted by the conflict, the executive management and Board closely monitors the situation and potential indirect business impact, and maintains the business continuity plans.

Oslo, 30 March 2022
The Board of Directors

Merete Haugli *Board member*	Brita Eilertsen *Board member*	Terje Mjøs *Board member*
Lars Erich Nilsen *Board member*	Kathrine Astrup Fredriksen *Board member*	Hans Harén *Board member*
Kristian Melhuus *Chair of the Board*		Johnny Tsolis *CEO*

Responsibility statement

We confirm to the best of our knowledge that the consolidated financial statements for 2021 have been prepared in accordance with IFRS as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act, that the financial statements for the parent company for 2021 have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Axactor SE and the Axactor Group for the period.

We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair view of the development, performance and financial position of Axactor SE and the Axactor Group, together with a description of the principal risks and uncertainties that they face.

Oslo, 30 March 2022
The Board of Directors

Merete Haugli
Board member

Brita Eilertsen
Board member

Terje Mjøs
Board member

Lars Erich Nilsen
Board member

Kathrine Astrup Fredriksen
Board member

Hans Harén
Board member

Kristian Melhuus
Chair of the Board

Johnny Tsolis
CEO

Sustainability report

The foundation of Axactor's sustainability work

Axactor's purpose is to help people and companies to a better future, by helping companies to get paid, in a sustainable manner for the debtors, enabling further investments and economic growth. Axactor recognizes that business has a role to play in solving social challenges through responsible investments, by supporting and developing the skills of the employees, and by offering innovative products that cater to customers' needs. This combines faster payments and respectful treatment of debtors, brings down outstanding credits, secures a stronger financial market, and increases quality of life for many people in financial difficulties. Through the core business and supply chain, Axactor create economic value and opportunities for society and local communities.

Responsible operations are essential for the license to operate and an enabler of long-term value creation. Sustainability begins from within the organization, and a clear tone from the top is crucial. To increase the transparency in its sustainability reporting, Axactor has prepared this sustainability report in compliance with the Global Reporting Initiative ("GRI") standards. This report has been prepared in accordance with the GRI Standards: Core option.

At Axactor, everyone from the Board through the executive management team, and throughout the entire organization, are accountable for conducting business in an ethical, sustainable, environmentally, and socially responsible manner. Axactor practices good corporate governance, respect internationally recognized human rights principles and supports the UN Sustainable Development Goals ("SDGs"). Becoming a signatory to the UN Global Compact during 2021 further emphasizes this and commits Axactor to the ten principles of the UN Global Compact, in each of the four areas: human rights, labour, environment, and anti-corruption. To update its stakeholders and society on its progress in implementing the ten principles, Axactor needs to annually communicate on its progress about its efforts in a "Communication of Progress". This report also incorporates Axactor's first Communication on Progress ("COP"). The ten principles are all reflected in Axactor's various Board approved policies, being the cornerstone of Axactor's governance structure.

The ten principles of the UN Global Compact

Human Rights

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.

Labour

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Axactor has a zero-tolerance policy for corruption, fraud, money-laundering and terrorist financing. To safeguard compliance and support the effectiveness of relevant regulations, the company aims to maintain an open and ongoing dialogue on these issues, internally and externally.

The success of Axactor's business is dependent on the confidence earned from the employees, customers, debtors, and investors. Credibility is gained by adhering to the given commitments, displaying honesty and integrity, and reaching company goals solely through honorable conduct.

Highlights from 2021

Sustainability has been an integral part of Axactor's business operations since the foundation of the company back in 2015. During 2021, Axactor has continued to improve the maturity and awareness within the entire organization and further improved policies, processes, systems and reporting mechanisms. Below a brief overview of the highlights from 2021, as detailed within the report:

E	Development of a GHG emissions tool initiated Significantly reduced number of company cars Focused on waste reduction in offices and amongst suppliers Plastic reduction initiative Paper waste reduction initiative Board support to UN SDG #13 Policies and procedures updated to further address and promote climate action and continued environmentally friendly growth
S	Strengthened the understanding of the company's purpose for all employees Measured stakeholders' satisfaction Eased access to information and ability to pay through digital solutions: QuickPay and debtor portal Increased focused on sustainable payment plans, in light of the Covid-19 pandemic Established cooperation with Great Place To Work to measure employee satisfaction Set further KPIs to measure sustainability performance Implemented a new group-wide recruitment-tool to increase focus on talent attractions More courses launched through Axactor Academy Performance management and development, e.g. mentor- and student-programs Continued focus on gender equality and diversity New brand guideline and fonts, to ensure better readability for people with visual disabilities
G	Ethical committee established Improved vendor management and introduced a Supplier Code of Conduct New Group risk and compliance tool implemented to improve internal control, risk management, and internal audit processes Improved anti-money laundering processes and begun implementation of more automated transaction monitoring New intranet launched; The People Hub Participated and shared knowledge in relevant forums, e.g. through regulatory watch initiatives in debt collection associations and responding to EBAs requests for feedback on NPL standard templates. Improved procedures for customer and portfolio selections Improved information security and data privacy governance and awareness Individual policies established on anti-fraud and anti-corruption, anti-money laundering, anti-trust, and trade sanctions Whistle-blower channel made available to suppliers Signed UN Global Compact

Strategic focus 2022

Axactor's vision is to become the industry benchmark. A company that delivers the best advice and fairest treatment of debtors, with more satisfied customers, happier employees and, with high return on investments. Axactor's values "passion, trust and proactive" help set the direction and guide the decisions, actions, and the way Axactor interacts with its stakeholders. Axactor is constantly looking for areas in which to continue to improve, going into 2022, the following areas will be of importance.

E	Implement GHG measurement tool Improve climate accounts for the Group Reduce number of company cars Set emission reduction targets Support local initiatives to reduce waste and/or emissions
S	Improve debtor complaint management, e.g. through setting further KPIs for debtor complaints and implement a tool for reporting. Increase number of scorecards for fairer and more efficient operations Continue targeted efforts to improve gender equality and diversity Certify all six countries as a Great Place to Work Set KPIs for measuring and reporting on employee training hours
G	Strengthen information security, e.g. through network segmentation, mobile device policy, better security analysis tools, early detection and root-cause mitigation, automatizing of tools and workflows including improved incident reporting, and continuous awareness Improved regulatory watch: Focus on EU Taxonomy, CSR Directive, CSDD Directive, NPL Directive, etc. Increased knowledge-sharing Expand measurement model for portfolios of non-performing loans (NPL) with more input variables capturing current and future macroeconomic conditions and use of scenarios Continue to simplify the legal structure Strengthen preventive and detective measures to combat financial crime

Reporting boundaries

Defining consistent boundaries for sustainability reporting is challenging due to the complexity of ownership and operational arrangements in six different countries, including, among others different regulatory requirements. Axactor strives to be consistent and transparent about variations in boundaries and provide a complete report in line with industry practice. Implementation of common reporting systems and development of common definitions and reporting standards have raised the quality of the report, but there are still improvements to be made e.g. to be able to report correctly on incidents year over year. Historic numbers are sometimes adjusted due to e.g., changes in reporting principles, changes of calculation factors used by authorities, or re-classification of incidents after investigations.

Policies

The Board's commitment to ensure that the company maintains good corporate governance standards is explained in the Corporate governance report, and the commitment to sustainable operations in this sustainability report. The Board annually review and approve policies applicable for every employee in the Axactor group, to ensure that everyone complies with these commitments, and that the policies are adjusted to changes in the regulatory environment. The Board approved the following Group policies in 2021 which all contains elements to ensure sustainable operations:

Quality	Legal and compliance	Insider
Corporate governance	Operations	Anti-fraud and anti-corruption
IT and information security	Delegation of authority	Anti-money laundering
Code of Conduct	Physical security	Antitrust
Procurement	Corporate social responsibility	Trade sanctions
Finance	Environmental	Treasury
Communication	Debt purchase	HR
Data protection		

Material issues and stakeholder engagement

Axactor has updated the materiality analysis conducted in 2020 to ensure the continuous relevance of the material sustainability aspects identified - the areas considered to be the most important for Axactor and its long-term value creation. The materiality analysis defines the challenges and issues that Axactor and its stakeholders perceive as most important, and where impact on society and the environment is considered most decisive.

The materiality analysis is based on feedback from external and internal stakeholders who have responded to and provided comments on a questionnaire based on relevant topics inspired by GRI standards, either by survey or through interviews. External stakeholders included customers, partners, regulators, suppliers, investors, and lenders. Internal stakeholders included representatives of the Board, the executive management, and employees. The survey covered key factors for Axactor's daily operations and long-term value creation related to governance, people, and the environment. The focus areas and associated issues are presented in the materiality matrix below. The results of the materiality analysis have been substantially the same for the last two years, which further confirms what the stakeholders believe Axactor should focus on going forward.

Materiality matrix

Axactor's contribution to the UN's Sustainability Development Goals

The SDGs were agreed by all 193 UN member states in 2015, and provide a common guidance for governments, civil society, and the private sector to help create a better future for people and the planet. In 2021 Axactor signed the UN Global Compact, which is a CEO commitment on implementing universal sustainability principles, which further strengthens the Group's previous commitments to the SDGs.

Axactor places the SDGs at the core of its business, emphasizing especially its commitment to the goals below, which underpins the results of the materiality analysis. Here are a few examples of how these goals come into action through the daily operations:

UN Goal and Axactor main focus area | Examples on Axactor's contribution

5 Achieve gender equality and empower all women and girls

Why is this important?
Gender equality at all levels in the organization is pivotal to Axactor's working environment, corporate culture, skill set, decision-making, as well as debtor and customer service.

The benefits of a conscious gender balance throughout the organization adds indisputable value, and Axactor aims to have a gender balance in all managerial teams, within a range of 40%–60%.

What has our contribution been in 2021?
- Continuous development of sustainable people processes with increased focus on embedding diversity and inclusion practices in them.
- Roll-out of mentorship program focused on developing talents, women have been prioritized when suitable.
- Extensive mapping of pay gaps between men and women, corrective actions completed where relevant.
- Measure of experience of equity related to, but not limited to, treatment of men and women through employee survey (Great Place to Work).
- Substantial increase in women in managerial positions since 2020.

8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Why is this important?
Sense of achievement and contribution to a bigger whole are fundamental to many individuals' well-being. Contributing to decent work for all individuals regardless of any variable that adds to their uniqueness is a strategic focus at Axactor.

The benefits of a diverse and inclusive workplace are manyfold, not least to business performance.

What has our contribution been in 2021?
- 20% of employees are under 30 years of age and 14% of employees are over 50 years of age.
- A certain number of positions (variations per country) are reserved for by employees with disabilities.
- Continuous development of sustainable recruitment, development, and promotion processes with focus on embedding diversity and inclusion practices in them and avoiding bias in any of these.
- Roll-out of student program that aims to create a cross-border network for students for, among other things, knowledge sharing.

13 Take urgent action to combat climate change and its impacts

Why is this important?
Axactor's business is low-polluting, and not associated with any significant environmental impact. Despite this, Axactor recognizes that climate change is one of the biggest challenges of our generation. In recognition of this, Axactor actively takes steps towards reducing its operational emissions and promoting environmentally friendly behaviour amongst employees.

What was our contribution in 2021?
- Policies and procedures updated to further address and promote climate action and continued environmentally friendly growth.
- Project to map the Group's total GHG emissions, going further than current reporting requirements, to start working more actively towards reducing the Group's environmental footprint. The project will continue going into 2022.
- Paper management project in Spain, having the Group's most paper-intensive operations because of physical mail requirements: Successfully recycling 12,920 kg of paper. Resulting in saving 180 trees, 11,6 tons of CO2 emissions, 646 m3 of water usage and 26 m3 of space saved in landfills.

16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels

Why is this important?
Axactor's focus on responsible and sustainable investment is in the larger picture aimed at achieving good long-term returns with a limited level of risk, while at the same time contributing to complete avoidance of the violation of fundamental rights.

What was our contribution in 2021?
- Policies and procedures to prevent and detect unethical behavior, fraud, corruption, money-laundering, trade sanctions, and terrorist financing have been established. The company is committed to a zero-tolerance policy.
- Mandatory compliance trainings for all employees.
- Regular and structured audits to identify weaknesses in policies and processes.
- Supplier Code of Conduct signed by all key suppliers, compliance with the code confirmed through a self-assessment and verified through second line controls vendor management.
- Made whistle-blower channel available to suppliers
- Continued unequivocal dedication to being a financially stable company, pay taxes and fees, and employ staff with the knowledge that this encourages the building of accountable institutions at all levels.
- Axactor contributes to the wider community by paying taxes and government fees.
- Ethical committee established.

Building a viable financial system for people and society

The objectives of the Axactor Group are to engage efficiently, responsibly, and profitable for investors, customers, debtors, partners, and employees. Axactor assists in improving cash flow, increasing liquidity, and minimizing the risk for its customers, while also helping debtors get out of debt through fair debt collection practices and by providing support and advise throughout the debt collection process. Axactor builds trust and confidence through transparency. Strong ethical values promoting fair treatment of its stakeholders to protect reputation and company values are essential to the company's success. Mechanisms are in place to ensure that employees are aware of, and updated on policies, frameworks, and procedures to ensure ethical behavior in all aspects of the business.

Ethical business conduct

The Group's corporate principles are reflected in policies and procedures, which describes how to make decisions, act, and prioritize. Both while conducting day to day operations, but also in the planning phase of projects and strategies. Employees should always act in accordance with the intention of the policies, and not its letter, always with the highest standards of ethical integrity.

Employees and representatives of Axactor shall always:

- respect human rights, respect the rights of employees and their representatives, protect the environment, enable fair competition, and combat financial crime
- balance potential benefits of actions, against the consequences to society
- incorporate profitable business with social, ethical, and environmental goals and actions
- clearly communicate its demands and expectations regarding corporate responsibility and ethical conduct to employees and business partners
- have corporate responsibility as a defining factor when developing financial products and services, and a defining factor in asset management operations
- have a transparent management structure in line with national and international standards for good corporate governance
- have a strong compliance and internal control culture
- only cooperate with customers, business partners and suppliers who operate in compliance with laws and regulations, good business practices and who maintains high ethical and environmental standards
- ensure that all shareholders and other financial market players are treated and informed equally, and that the information is consistent, reliable, available, and not misleading

Axactor sets clear responsibilities and expectations for its managers, employees, and partners. This enables Axactor to operate efficiently with the necessary oversight and control. Effective governance structures further allow the Group to work smoothly by ensuring that everyone has a clear understanding of the distribution of roles, responsibilities, rights, and accountability. The corporate governance of Axactor complies with formal regulations and generally accepted best practices as further outlined in the Corporate Governance report included in the Annual report 2021. In 2021, Axactor also established an ethical committee with Board level approval, to manage and advice on ethical considerations – in relation to a variety of topics, such as, diversity, discrimination, fraud, and corruption.

All new employees are introduced to the Code of Conduct as part of their on-boarding and signs a declaration confirming that this is read and understood. Every employee re-confirms this commitment during their employment.

In 2021, Axactor launched a Supplier Code of Conduct, which the Group's suppliers are required to sign. By signing the Supplier Code of Conduct, the suppliers acknowledge that they, and any of their affiliates, agents, suppliers, fully comply with applicable laws, and adheres to internationally recognized environmental, social, and corporate governance standards. Each supplier's commitment to the Axactor Supplier Code of Conduct is reaffirmed through regular compliance questionnaires, and where necessary through enforcement of the audit rights set out in the Supplier Code of Conduct. The Supplier Code of Conduct includes a link to a whistle-blower channel, which may be used to report actual or potential breaches to the Supplier Code of Conduct on the part of the supplier or Axactor.

Whistleblowing

The company has an independent whistle-blower channel for all employees within the Group, and for its suppliers, to use if they wish to report censurable, illegal, or unethical conduct. The whistleblowing channel is easily accessible through the "intranet", and through a link in the Supplier Code of Conduct. The whistle-blower channel is independent and available 24/7. The channel handles reported cases in local language with integrity, respect, and confidentiality, also ensuring the protection of anyone reporting in good faith. The whistle-blower channel offers full anonymity if opted for and allows users to engage in written dialogue and to exchange information without losing their anonymity. Whistle-blower reports are processed in accordance with the company's procedures and in line with data privacy regulations. The Board is informed of all cases reported, the types of misconduct and measures taken.

	2021	2020
Group total	5	6

Three out of the five cases in 2021 were upon further inspection deemed not to be whistle-blower cases and were followed up accordingly. The remaining two were issues related to the working environment and operational practices, both considered non-material. All reports have been followed up in line with protocol, appropriately investigated and improvements proposed based on the findings.

Ethical debt collection is an essential part of a well-functioning credit market

The markets Axactor operates in have clear local varieties in the way collection processes are done, but the main principles of the collection activities are quite aligned. This enables the possibility to set group wide operational targets and KPIs that still are relevant for the local markets. Axactor is handling volumes in many stages of the credit cycle throughout the different markets, from invoicing and pre-collection to legal collection and long-time surveillance. Paired with the element of debt purchase, Axactor is truly an integrated part of the European credit market. The debt collection industry enables banks, financial institutions, and companies to give credit. Axactor believes that this responsibility should not be taken lightly, which is reflected in the in the operational policy, where Axactor commits to giving services of the highest ethical standards always in line with principles of good collection practices.

In the majority of countries where Axactor operates, debt collection is strictly regulated through specific debt collection acts and regulations, requiring a license to operate. Many of the financial supervisory authorities and/or associations have additional certification requirements for both debt collection companies and their employees. Axactor has all mandatory certifications and licenses in place, and proactively seeks to certify employees within the debt collection profession. Further, Axactor is also actively engaged in the local debt collection associations and was in 2021 represented in various boards and sub-committees working on specific topics, such as new legislation and statistical reporting. Axactor's engagement in local debt collection associations is motivated by its interest in protecting its own and the industry's interest, but always with integrity and through transparent means. Axactor or its employees shall never mislead or try to obtain information dishonestly through inappropriate lobbying. In Finland, the application process has started internally to become a member of the local debt collection association Suomen Perimistoimistojen Liitto during 2022.

Country	Debt Collection Association	Membership
Norway	Virke inkasso	Yes
Sweden	Svenska inkassoforeningen	Yes
Germany	Federal Association of German Debt Collectors (BDIU)	Yes
Italy	UNIREC	Yes
Spain	ANGECO	Yes
Finland	Suomen Perimistoimistojen Liitto	In process

As a listed company, Axactor reports to the market on a quarterly basis. Adding to the financial numbers, Axactor has also set measurements to ensure that considerations of sustainability are closely linked with the company's activities and value creation.

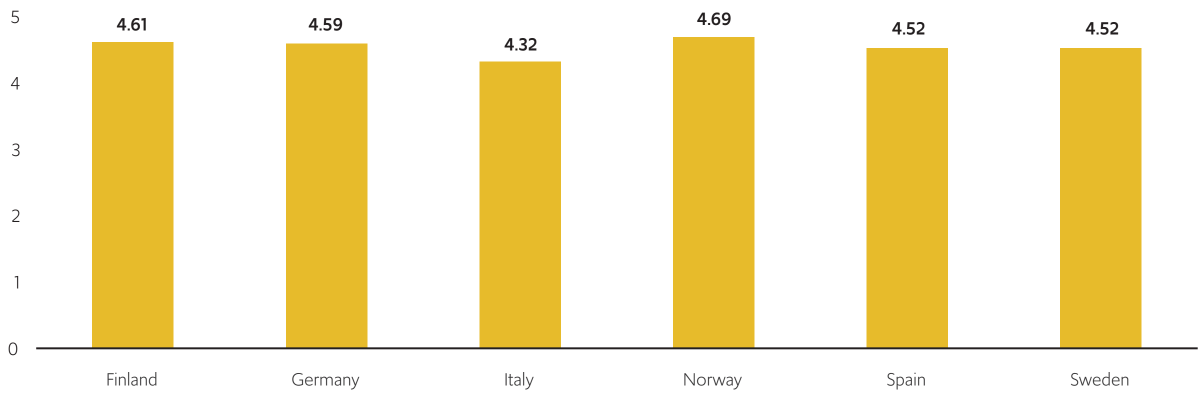
In understanding key stakeholders' satisfaction with Axactor's debt collection services, the following KPIs have been identified: debtor, employee, and customer satisfaction. The feedback from these three important stakeholders is of the utmost importance to ensure that Axactor is delivering on their ambitions and continues to always improve, both in terms of financial results but also in sustainability performance. The overall results from the surveys listed below gives Axactor confidence that the commitment to ethical debt collection is visible both externally and internally.

Provider	Survey 2021	Aggregated group-score
Internal	Debtor satisfaction	4.53 out of 5
Ennova	Customer satisfaction	8.5 out of 10
Ennova	Net Promotor Score ("NPS")	50.3
Great Place to Work	Employee satisfaction	72%

Debtor satisfaction survey

The debtor satisfaction survey is conducted via phone after the debtor has been talking with a collection advisor. The survey is 100% automized with no human interaction from Axactor's side. The debtor is asked three questions related to the service provided in the previous call and is asked to rate Axactor's services on a scale from one to five, where five is the highest score. Throughout 2021 all countries

Debtor satisfaction survey



have been stable at high levels, and Axactor is committed to ensuring excellent service to all debtors contacting the contact centers.

Customer satisfaction survey

The customer survey is a valuable measurement of the satisfaction from key executives in Axactor's customer's organizations. Axactor has other customer related KPIs as well that are measured monthly, whereas the customer survey is conducted on an annual basis. When comparing the results for Axactor to statistics from the vendor, Axactor has enthusiastic customers which is in line with the company vision of being the industry benchmark. All countries have improved their score compared to the previous survey. The assessment scales from one to ten, with ten being the highest score.

The second part of the results from the Ennova customer satisfaction survey is a measurement of the NPS. The NPS is a proxy for measuring a combination of the customer's loyalty and satisfaction with the Axactor brand. The NPS is ranging on a scale from -100 to +100. A score above zero is positive, and a score of 50 or more is considered to be excellent.

Employee satisfaction survey

Within the field of human resources, it was decided in 2021 to change the vendor for the employee survey, to Great Place to Work (GPTW). One of the main reasons for choosing GPTW is the focus on trust, reflecting one of the three values of Axactor. Trust develops when managers are perceived as credible, respectful, and fair. This survey measures the employee's relations with managers, their job, and their colleagues. In total, 1,098 eligible employees received the invitation, and 85.5% responded.

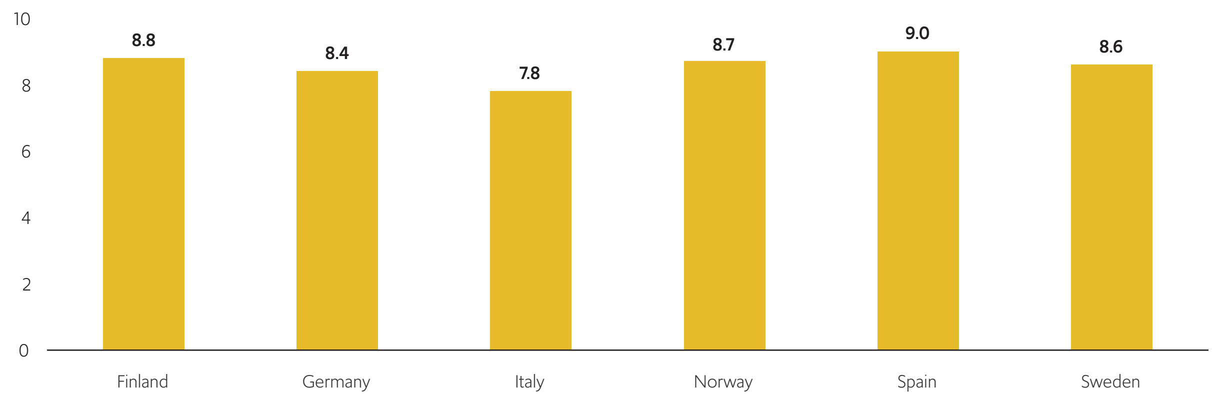
Out of six countries, Axactor managed to certify five as a great place to work in the first year of carrying out this survey and are amongst the highest performers of employers in several markets. It was only Spain that fell short of reaching the threshold. Spain was fairly close to the level required to receive the certification, and Axactor will continue the good work to secure the certification in 2022, also for Spain.

Axactor also measures on specific operational KPIs to trace performance and adherence to its business practice principles. The results will in turn be used to improve Axactor's debt collection services.

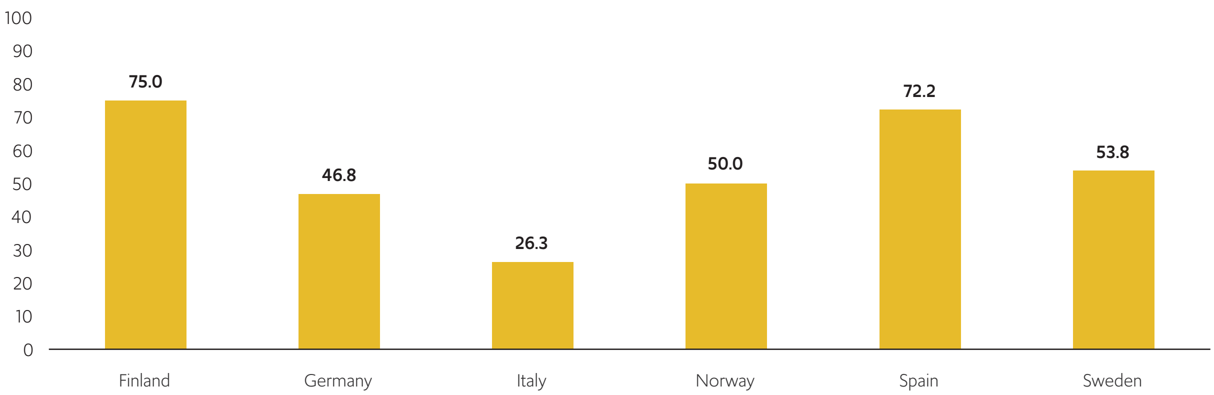
Phone collection

Axactor sees it as its responsibility to be available for debtors wanting to get in contact and is always proactively trying to get in contact with debtors to find sustainable solutions. Upon this background, Axactor has defined a group-wide target to achieve an average service level of answering 95% of all incoming calls to the contact centers. All contact centers have an automatic call-back function, to call back all debtors who does not reach the collection advisors, to ensure that all debtors

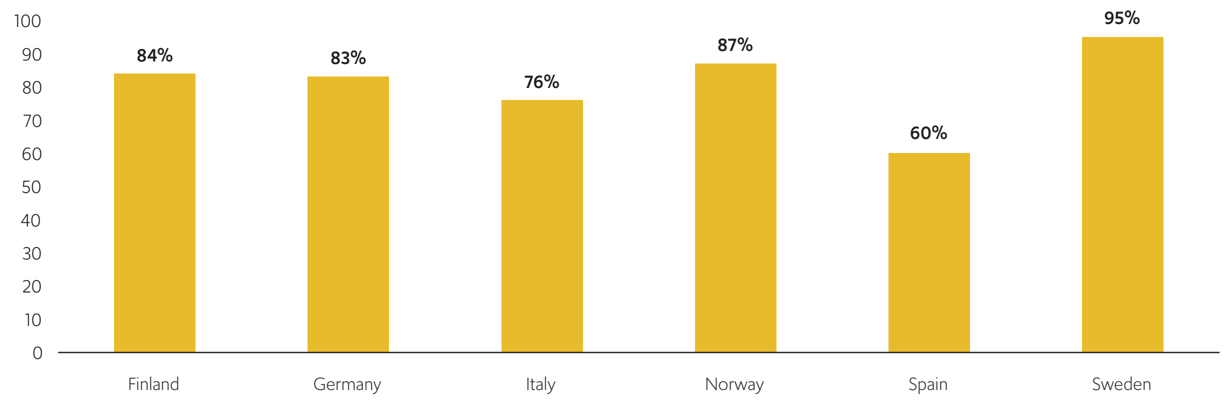
Customer satisfaction survey



NPS



Employee satisfaction survey



are serviced. Another important measurement is the nuisance rate when doing calling activities through the predictive mode. The dialer ensures that Axactor has enough collection advisors to handle the call volumes distributed by the sophisticated dialer. The overall target is that the abandoned call rate should not exceed 1%.

The investments made in state-of-the-art contact center technology and the resource capacity-planning, ensured that Axactor delivered on the internal targets in 2021.

Service level (inbound)	Target	Actual
NOR	95%	98.6%
SWE		99.6%
FIN		99.0%
GER		95.6%
ITA		93.8%
ESP		99.6%

Nuisance rate (outbound)	Target	Actual
NOR	<1%	0.53%
SWE		0.36%
FIN		0.32%
GER		0.34%
ITA		0.67%
ESP		0.63%

Quality of payment agreements

Another important KPI is the quality of payment agreements and how sustainable the agreement is for the debtor. The payer-to-payer ratio measures how many of the debtors that paid the previous month, who also paid the following month. This is a good measurement over time to ensure that payment agreements are not made on terms that are not possible to fulfil.

Year	Payer to payer (avg.)	Improvement vs. 2019
2019	71.2%	
2020	74.2%	+4.2%
2021	75.8%	+6.4%

The payer-to-payer ratio has gradually improved year-over-year and shows that Axactor's investments in training and education of employees yields positive results.

Digital collection

Axactor has debtor portals in place for all markets to ensure efficiency and availability for the debtors. Offering digital payment solutions enables sounder payment flows in the market in a more environmentally friendly manner. The self-service solution requires debtors to log in through secure identification methods and gives debtors an extensive overview of their debt and correspondence, as well as the possibility to securely start a dialogue with Axactor.

The use of the portal increased during 2021 with more than 600% compared to 2020, a development which is expected to continue in 2022. In addition to the self-service portal, a payment solution called QuickPay is offered in five out of six markets. This is an easy-to-use payment channel where payment information in the official correspondence from Axactor may be used to pay outstanding debt. Axactor Germany started a project during 2021 to utilize the QuickPay solution, and when launched in Germany, all Axactor markets will have the payment solution in place.

Segmentation

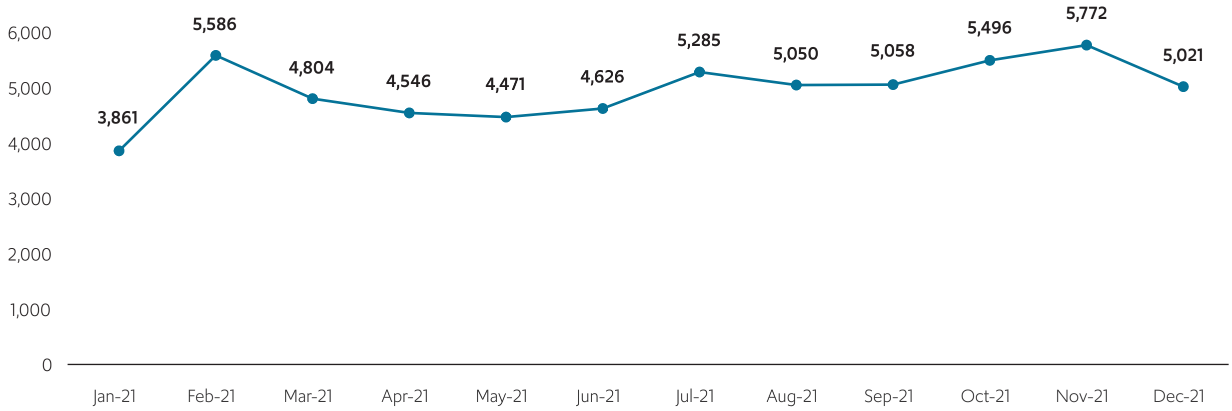
In 2021, Axactor has continued to mature in the use of advanced analytics and business intelligence, to build predictable scorecards to improve collection processes to increase efficiency and good debt collection practices through advanced segmentation tools, enabling adjustment of means when approaching debtors. The ability to identify vulnerable debtors enables Axactor to provide payment plans and services that takes into account each debtor's unique situation – in line with Axactor's core values.

Products and services

Further to the above, ethical debt collection is also about the value-chain of debt collection and ensuring that customers, debt portfolio sellers, and vendors used by Axactor, are acting responsibly and fully comply with applicable laws, and adheres to internationally recognized environmental, social, and corporate governance standards.

Log-ins

Number of log-ins to the debtor portal(s).



Management shall ensure responsible investments. No portfolios which include use of unethical lending terms or aggressive sales methods, or are considered unethical for other reasons, shall be purchased. Axactor has structured purchasing processes and sourcing strategies to ensure that the services and goods acquired are ethical and of high quality. Axactor shall ensure that suppliers involved in the debt collection process, such as field collectors, commit to Axactor's Supplier Code of Conduct, and that they have implemented sufficient organizational and technical information security measures to protect the privacy of the personal data processed. Only collection agents through the acknowledged organization LIC are used for international collection.

Axactor's core business is collecting unsecured consumer debt, mainly from regulated banks and financial institutions. The customers are chosen primarily due to the quality of the claims, as the customers are operating under strict regulations and supervision from authorities. This way, Axactor limits the risk of purchasing, and collecting on debt not in accordance with its ethical and business practice requirements. A "know-your-customer" control shall always be conducted before entering a contract. Customers who represent an unacceptable reputational or compliance risk shall not be accepted. Axactor places significant importance on the mutual contractual obligations relating to ethics and compliance requirements in the value chain. Information on good debt collection practices, requirements to the collection process related to information, transparency, guidance, interest rates etc. are provided to the customers to ensure compliance and high quality throughout the debt collection process.

The debt collection process is closely governed. Axactor has developed solid internal control routines in all countries, which is being monitored by the local compliance teams and internal audit. Axactor has implemented a debtor complaint process in each country. A limited number of complaints were received from debtors during 2021, and none were considered critical. All complaints are handled in accordance with the applicable local procedures; investigated, answered, errors (if any) corrected, reported, and filed. In a number of markets, Axactor is also subject to supervision by the authorities, which oversees Axactor's regulatory compliance. Regulatory scrutiny is expected to increase in all markets in the years to come, especially considering the NPL directive which is subject to implementation across EU Member States. Additionally, Axactor's customers conducts regular reviews to ensure that Axactor is compliant with its contractual commitments, regulatory obligations, and the advertised business practice principles. Where weaknesses are discovered, corrective measures are implemented. If weaknesses or errors are discovered in the customer's process, advice and instructions are also given promptly to the relevant customer, to always ensure good debt collection practices are followed. Always with a view to ensure ethical and responsible value creation throughout the value chain.

Corporate citizenship

Axactor's strategy is to be close to the community where it operates, where the country organizations are the hub of the customer relationships, based on knowing local regulations and market conditions for customers and debtors.

In addition to its economic and financial responsibilities towards its investors, Axactor also recognizes its social, cultural, and environmental responsibility in the local communities where it operates. Empowering the local organizations to adapt an interactional approach to corporate citizenship, based on mutual trust and transparency. The goal is to produce higher standards of living and quality of life for the communities that surrounds them. Axactor believes that this cannot be achieved strictly by transactional contributions. Success requires proximity, expertise, and local engagement.

Even more so now, than in the last decade, the above holds true. In the aftermaths of the Covid-19 pandemic, many of the communities in which Axactor operates have seen rising unemployment rates and challenging economic circumstances. In a time where local communities need to rebuild their economies, Axactor's mission has become even more relevant. Axactor's purpose is to help businesses to a better future, not only ensuring that they get paid, but also being an aid to the companies and people with financial difficulties, offering sustainable solutions.

Corporate citizenship is not about ambitions, it is about tangible impacts and taking a corporate social responsibility. In 2021, the local Axactor organizations have engaged in a wide array of initiatives, including amongst others, supporting the flood victims in Germany through company organized volunteer work and donations, flea market on old office equipment to the benefit of the local children's hospital, providing facemasks to hospitals in Spain during the Covid-19 pandemic, and supporting local sports teams.

Ukraine

Along with the rest of the world, Axactor watches with dismay at the unfolding attacks on Ukraine. Axactor has a partnership with a Ukraine-based IT supplier and employs a limited number of dedicated resources based in Ukraine. To contribute to the safety and wellbeing of the people still in Ukraine, Axactor has provided direct financial support to each person, in dialogue with their employer. Axactor has also decided to support the valuable work of humanitarian charitable organizations UNICEF and Red Cross, through company donations. Further, the local organizations of Axactor have contributed through various means, such as over-time campaigns where the salaries have been donated to charitable organizations, fundraising campaigns where Axactor has matched the contributions from the employees with the same amounts, collecting necessities to refugees, and paid volunteer work.

Privacy protection and information security

Axactor respects the personal integrity of individuals. Different types of personal data are processed in different ways and situations, depending on whether a person is the representative of a customer, vendor or public authority, debtor, employee, job applicant, visitor, etc. A robust data privacy framework is required when handling huge amounts of data, including sensitive data related to individual's financial and, in many cases, vulnerable situations. Protecting the fundamental rights and dignity of all data subjects of which Axactor process personal data is crucial to Axactor, and also reiterated in the Board approved Group's policy on data protection. As a listed company and with great respect for the trust given by partners and investors, Axactor also focus on safeguarding confidential information and trade secrets to which Axactor has access. The data privacy policy and IT and information security policy sets out detailed procedures and clear roles and responsibilities applicable for all employees within the Group and are approved by the Board annually. The information security procedures below have also been reviewed and where necessary updated.

IT information assets inventory	Backup
Secure software development	Remote access
Best practice guidelines for IT & information security	Data encryption and communication
Access control and administration	Security incident
Antivirus security	Information classification
Vulnerability management	Data migration

Policies and procedures have been adjusted to reflect the risk situation. Data protection impact assessments have been established for all relevant processing activities, art. 30 registers, privacy declarations and cookie policies updated, retention periods reviewed, efficient communication especially with debtors and use of encryption discussed, data privacy agreements reviewed, and vendor agreements updated due to the Schrems II verdict.

Regardless of situation, Axactor shall only process personal data in accordance with applicable data protection regulations. Appropriate technical and organizational measures are implemented in accordance with the GDPR and local data protection laws. Continuous attention has been paid to the integrity of data subjects as many employees still worked remotely during the year.

Following the minimization principle, only personal data necessary for the relevant processing is collected, and the personal data should be processed fairly and lawfully towards the data subjects. To ensure transparency and safeguard the rights of the data subjects, information on Axactor's data processing is provided at Axactor's web pages, in email and letters sent, in agreements, internal and external communication. Personal data is deleted when Axactor no longer has legal grounds for processing, and the purpose of the processing has been fulfilled. Anonymization- and pseudonymization-techniques are used to remove unnecessary personal data, e.g. during system testing activities. Axactor process requests from data subjects regarding their rights and inform about data breaches in a timely manner in accordance with the established breach notification procedure. The number of complaints from debtors claiming breach of GDPR due to incorrect registration of the debtor in public debt register has increased. However, there has not been an increase in the number of cases where the local supervisory authority has ruled in favour of the debtor complaining.

Country	No. of inquiries from the data supervisory authority	No. of data breaches reported to the data supervisory authority	No. of fines or corrections by the data supervisory authority
Norway	1	0	0
Sweden	1	0	0
Finland	0	6	0
Germany	1	1	0
Italy	0	0	0
Spain	9	0	0
Group total	12	7	0

To build a solid security culture Axactor carries out awareness activities continuously. During 2021, Axactor extensively carried out initiatives and trainings to all employees, including regular data privacy and information security awareness trainings, covering both theoretical and technical aspects. Multiple waves of custom phishing test campaigns took place in all countries. These exercises aim to increase the employee's awareness of potential threats and cyber-security issues. The results of these exercises are being regularly analyzed and discussed to identify further improvement areas and necessary mitigations. Security surveys performed shows a high average awareness level amongst the employees. Further, business continuity and crisis management trainings were conducted during the year, across all countries and at the corporate headquarters.

The group CISO, the security committees, and the data protection officers, monitor risks, govern compliance, manage incidents and government data requests, and report on a regular basis to management and the Board. During 2021, this process has been complemented with the implementation of a new Group risk and compliance tool, implemented in all countries, supporting a more detailed tracking and follow-up of the internal controls, and risk management process.

Data processing agreements are entered with all vendors processing data on Axactor's behalf. The vendor responsible for most of the Group's infrastructure confirms their compliance through independent third party ISAE 34002 and ISAE 34000 reports. The main vendor for application operations and IT development is ISO 27001 certified.

New technical measures have been implemented during 2021 to strengthen the level of security at Axactor, such as Data Loss Prevention functionality with a first pilot country, and the extension of Multi Factor Authentication to core internal applications.

In close cooperation with Axactor's main infrastructure provider, important projects have been set-up, laying the foundation for the network segmentation, and for the disaster recovery backup by means of inter-regional replication to a Dark Site. These are important measures towards further mitigation of serious risks in case of generalized attacks, such as ransomware etc.

Access management has been improved through a more integrated use of the Axactor configuration management database. Practices and technology are adopted to preserve confidentiality, integrity, and availability of data. Automated internal security scans are performed regularly within the infrastructure area. A complementary external penetration test from an independent specialized company commissioned by Axactor, including advanced testing on Axactor prioritized systems, is conducted for an additional level of vulnerability identification.

Deviations and data breaches must be reported internally through the established incident and data breach notification channel. A clear operational process for security incident and data breach management has been implemented, but awareness must be improved and types of incidents to be reported and follow-up clarified. Awareness activities reflect the number of reported incidents.

Physical security assessments are performed at all locations to identify gaps and potential improvements to secure the quality of the processes.

Preventing financial crime and corruption

Each year, millions of transactions pass through Axactor, which entails an inherent risk for financial crime. Axactor is committed to comply with all applicable laws and regulations to combat fraud, anti-money laundering, bribery, and corruption in the jurisdictions in which Axactor operates, and to prevent Axactor from being used for any illegal activity. This also includes complying with all relevant trade sanctions regulations. Axactor has a zero-tolerance attitude. Non-compliance with policies to prevent financial crime may result in criminal or civil penalties which will vary according to the offence. Axactor prohibits facilitation payments, kickbacks, or other improper payment for any reason.

Employees are not permitted to give or receive any gifts or other benefits that endanger any decision-making process, which should be based on sound financial principles and/or strategic decisions. Legitimate charitable contributions may be given, but adequate measures shall be taken to prevent misuse before entering into such agreements. All donation requires approval from the Group Chief of Staff. Charitable contributions to political parties shall never be approved, and no such contributions have been made during the lifetime of Axactor. This also precludes Axactor's engagement in political lobbying. Axactor has strict rules for cash management and accounting. No invoices, customer, or vendor who lack documented legal foundation shall be approved. Cash payments should be avoided, and when exceptionally used, strict procedures must be followed. Axactor has detailed policies regulating different preventing and mitigating actions. These Board approved policies are updated annually to reflect the risks identified through the annual risk assessments.

Through a "know your customer" procedure Axactor conducts appropriate checks to avoid entering into agreements with customers or suppliers involved in any fraudulent, corruptible, money-laundering, or other illegal activities, or coming from a sanctioned country, and to prevent any conflict of interest. Axactor has a structured customer and supplier selection process, to ensure that the selection is based on transparent and objective criteria, free from personal interests. Contracts shall contain warranties of compliance to relevant laws, regulations and business practice principles, hereunder ethical obligations. Axactor encourages competition by ensuring non-discrimination in customer and supplier selection processes, and promotes use of resources in an efficient, effective, and ethical manner. Decision making shall be conducted in an accountable and transparent manner in accordance with the Delegation of authority policy.

During the contractual period, the quality and quantity of goods or services received shall be reviewed to verify that the supplier delivers according to what has been invoiced. Axactor has implemented a group-wide contract management system, and accounting and invoicing system, to manage all supplier agreements and invoices in an appropriate manner. All records should be as complete and accurate as possible, and timely kept. In 2021, Axactor has further strengthened its vendor management process with the introduction of a group-wide vendor management tool. Having good vendor management routines allows Axactor to monitor its suppliers' compliance with Axactor's requirements, including identifying and following up any gaps. During the second half of 2021, all of Axactor's key suppliers were asked to verify compliance with Axactor's Supplier Code of Conduct.

Axactor regularly evaluate systems, internal control mechanisms and procedures, to ensure that they are effective and efficient. In addition, appropriate measures are taken to correct any identified deficiencies. All transactions must be executed in accordance with management's general or specific authorization. Accurate books and records that fairly document all financial transactions, risk assessments and due diligence shall be maintained and available in case of audits. Financial authorities across the jurisdictions Axactor operates are interested in Axactor's efforts to combat financial crime, and Axactor has an open and active dialogue with its regulators. Employees are encouraged to report of any suspicions of violations through one of the many reporting channels. Axactor is committed to follow up all reports of suspicious acts and take appropriate action. During 2021, there have been no cases of confirmed fraud and/or corruption within the Group.

Country	No. of reported whistle-blower cases regarding fraud and/or corruption		No. of reported whistle-blower cases regarding fraud and/or corruption	
	2021	2020	2021	2020
Norway	0	0	0	0
Sweden	0	0	0	0
Finland	0	0	0	0
Spain	0	0	0	0
Germany	0	0	0	0
Italy	0	0	0	0
Group total	0	0	0	0

Part of the internal audit work is to provide the Board with reasonable assurance that controls are present and functioning, also from a fraud prevention perspective. Internal audit has during the year had focus on risk of misuse of funds and evaluation of the internal control structure, by evaluating the transactions in the collection system vs. accounting, auditing the payment process, audit of NPL portfolio post-sale implementation, and follow-up on observations from 2020. The results of internal audits are reported to the Board, risks are when identified managed and mitigating actions are always followed up by the Board. No material findings were reported by Group Internal Audit in 2021.

Through 2021, Axactor has further simplified its legal and ownership structure to ease transparency, e.g. by merging Swedish and Finnish companies, prepared liquidation of the Baltic entities, extracted the Italian portfolios from the SPV-structure to the operational company and transferred the ownership of this company into the financial ring fence. Additionally, the ownership of the Luxembourg portfolio holding company has been acquired in full by Axactor. The work on simplifying the legal structure is still on-going and will continue going into 2022.

People

Axactor is built around three crucial enablers – People, Systems and Funding. The employees are carriers of the corporate values and culture, which is vital to Axactor's success. The concept of how to run a successful collection business is based on trust and respect for the individual – customers, debtors, and employees. With the expertise and dedication of its employees, Axactor can meet stakeholder expectations. Axactor strives to ensure that it remains an attractive workplace for its 1243 employees by providing challenging and meaningful work and by fostering a culture that empowers everyone to learn and grow. The company sets clear expectations for its leaders to act as role models who promote the core values, drive customer centricity, and inspire their employees to succeed by working with engagement. In Axactor all stakeholders shall be treated with trust and respect, provided with professional and ethical advice based on their individual situation. The strong feedback given by debtors, employees and customers in the satisfaction surveys presented above shows Axactor dedication.

Strategic goals, policies and procedures coupled to recruiting, development and succession of employees are formulated at the Group level. The operating companies in the Group have a local HR director managing all HR related matters daily and assisting the management in respective markets. Fundamental preconditions are also the ability to act according to laws and regulations coupled with labour law and the work environment and the group-wide policies, local procedures, and collective agreements. During the year, all HR processes have been reviewed.

The People Hub

Correct, easily accessible and comprehendible information is vital to stay compliant and have efficient operations. A continuous focus on new and effective ways to communicate and share information is needed, to ensure that the right decisions are taken and that the employees continuously develop their competencies to be able to deliver the best possible service to the customers and debtors, Axactor has during the year implemented a new intranet, the "People Hub". This also to mitigate the request from the employees for more information, as highlighted in the employee survey.

Equality and diversity

Axactor invests long-term efforts in creating an inclusive work climate and increasing diversity. The ambition is that the employees in the organization will reflect society at large. A good mix of competencies and perspectives creates better results for the entire operation.

Axactor has zero tolerance towards discriminatory behaviour and does not tolerate discrimination based on age, gender, pregnancy, parental leave, ethnicity, political opinion, philosophy of life, functional ability, religious beliefs and/or sexual orientation, or any other characteristics. The culture and work environment are to be inclusive, with a fundament of mutual respect and appreciation of the benefits that arise from different backgrounds, competencies, and experiences. Employees at all levels are encouraged to voice their opinion or concern when something is not right or does not feel right. Different opinions shall always be respected, and people are encouraged to question the decisions of others.

At Axactor, everyone shall be treated with fairness and respect. Team spirit, mutual trust and a respectful attitude are important factors of the Group's success. It is the responsibility of management to lead by example, setting a clear tone-from-the-top, to ensure that all employees are aware of these principles and behaves accordingly. The employees have through the employee satisfaction survey confirmed that they are treated fairly, regardless of their age, race or ethnic origin, gender, and sexual orientation.

Axactor aims to have an even gender balance in all managerial teams, where genders are represented within a range of 40%–60%. Gender balance per country 2021:

Gender balance per country	2021 Number	2021 Women %	2021 Men %	2020 Number	2020 Women %	2020 Men %
Finland	48	67%	33%	63	76%	24%
Germany	183	67%	33%	225	66%	34%
Italy	120	80%	20%	123	76%	24%
Norway	130	53%	47%	136	54%	46%
Spain	692	65%	35%	640	64%	36%
Sweden	70	71%	29%	48	65%	35%
Group total	1,243	66%	34%	1,235	65%	35%

Examples of measures to increase diversity, has included ensuring job listings for vacant positions are written in an inclusive manner and to attract more women to leadership positions. In 2021, Axactor continued to include diversity and inclusion leadership development courses for new managers and as part of leadership development activities in all countries. Overall, the company employed 66% women and 34% men at the year-end 2021. The percentage of women in the country management teams has increased from 37% to 44% in 2021, building upon an increase in 2020 from 29% to 37%, entailing a 15% increase over the course of two years. Furthermore, leadership positions below country management level have a majority of women, at 54%. Axactor has not yet achieved a more balanced gender distribution across all levels, business functions and countries, but continuous efforts are giving tangible results.

Gender balance number of employees in %	2021 Number	2021 Women %	2021 Men %	2020 Number	2020 Women %	2020 Men %	2019 Number	2019 Women %	2019 Men %
Board of Directors	6	50%	50%	7	43%	57%	6	50%	50%
Executive management incl. CM	12	42%	58%	13	31%	69%	13	31%	69%
Country management all countries	39	41%	59%	43	37%	63%	45	29%	71%
All other managers	160	57%	43%						
All Group employees	1,243	66%	34%	1,235	65%	35%	1,200	63%	37%

Axactor offers job opportunities to individuals with disabilities. In 2021, 2% of Axactor's employees in Spain were employees with a disability grade of more than 33% and 7% in Italy were employees with a disability grade of more than 46%. All offices are universally designed to accommodate employees with disabilities. In the spring of 2022, Axactor in Spain will move into new premises designed to better accommodate employees with disabilities.

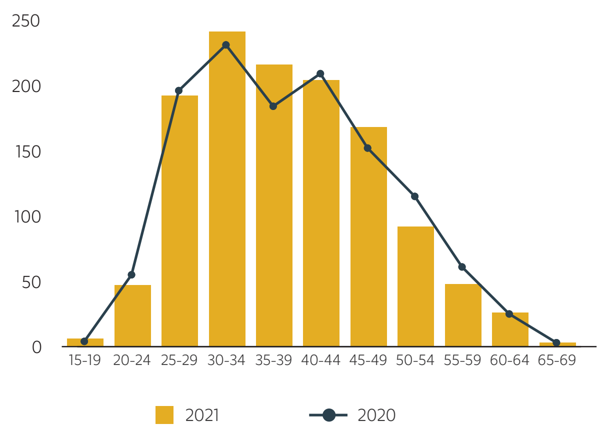
Hiring students provides young academics access to employers that provide relevant work experience and increases employment in groups that can find themselves outside today's labour market. Axactor offers students different job training opportunities in all countries where it operates. The aim is to support the company's succession and competency planning, and to promote gender equality and diversity. As part of the training, each student works at Axactor full-time or part-time, takes relevant professional develop-ment courses and learns about the Axactor culture. Several students are offered jobs in Axactor, while others gain a valuable experience for their CVs. There are many country-specific initiatives to promote student participation in work life, one of which is that Spain has an agreement with the university offering students practical experiences.

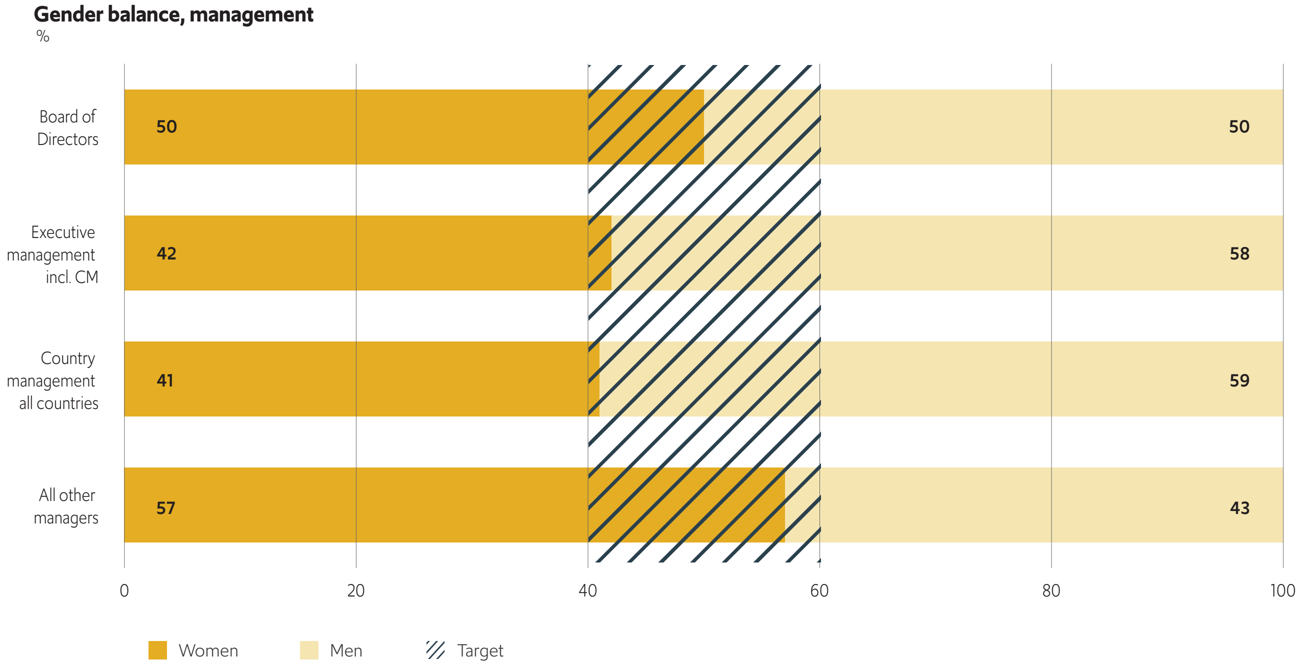
Furthermore, there are several students that are doing practical work for vocational studies and work part-time across the Group.

Axactor also has measures in place that help to ensure that older employees can continue working also after retirement age. The measures vary between countries. It includes the possibility of reduced working hours and extra holidays. Out of Axactor's 1,243 employees, 29 are over the age of 60 years.

Age distribution Group total

Number of employees per age





Equal pay for equal work

Axactor's remuneration policy states the principle of equal pay for equal work or work of equal value. From a gender equality and a legal perspective, it is important to monitor the development of differences in pay between men and women. Axactor is working systematically to ensure equal pay for equal work or equal value and to rectify unwarranted pay differences between women and men. Annual analyses are performed by all countries to facilitate discussions with management and the local unions where applicable on pay gaps. Axactor works closely with relevant managers in the organization to ensure fair and equal pay, to raise awareness and ensure correct salary levels are set. Axactor has continued the work in developing a job framework across all countries, to support identification of comparable roles, competences, and expectations, as well as ongoing work on fair and equal pay.

The Board's remuneration for 2021 differentiates between the responsibility and types of committees, not men and women – setting the tone from the top. The remuneration for executives reporting to the CEO have been harmonized, local market conditions and responsibilities considered. The work to reduce the gender pay gap will continue until the gender pay gap has been closed.

Axactor complies with applicable collective bargaining agreements. A normal principle with a fixed percentage for salary increase for all employees will be challenged as it increases already identified differences. There are more men in the company's top positions, more women in support functions as e.g. HR and more women in part-time positions. However, these challenges are not hindering Axactor in achieving the goal of closing the gender pay gap. Gender pay gap analysis for Axactor:

Salary difference women vs. men, all employees by country %	2021
Finland	-30%
Germany	-24%
Italy	-46%
Norway	-26%
Spain	-28%
Sweden	-16%
Group total	-28%

	Number	Men	Women	Men %	Women %	Salary difference %
Board of Directors	6	3	3	50	50	(19)
Executive Management	12	7	5	58	42	(20)
Country Management (excl. Country Managers)	39	23	16	59	41	(18)
All other Managers	160	69	91	43	57	(24)
All Group employees	1243	424	819	34	66	(28)

Salary difference CEO vs. average base salary of all employees.

CEO Salary	Average salary per employee
EUR 405,000	EUR 37,434

Talent attraction and retention

It is important for Axactor to attract and retain skilled employees. The recruitment process is a valuable opportunity to present a positive image of Axactor as an employer. Career pages have been developed for all countries. Axactor strives for objectivity in its recruitment, and extensive work has been carried out to harmonize and professionalize the recruitment process. Upon this background, Axactor Spain has introduced an initiative they have branded the "blind CV" in the local recruitment process, to limit bias by removing identifiers such as gender, nationality, and age.

Furthermore, internal recruitment and promotion are very positive and beneficial. All job vacancies are advertised internally. Managers encourage employees to actively apply for new positions in the Group, and Axactor's internal mobility program helps to retain crucial expertise, promote Axactor's culture and contribute to internal career development. In 2020 a recruitment process with more digital system support was implemented as a part of the Groups new HR-system, and this process has been further developed and improved during 2021.

Succession planning is crucial to satisfy the current and future demand for managers and specialists. One important task for managers at Axactor is to identify, encourage and develop new managers and specialists. To prepare prospective managers, mentor programs are carried out focusing on developing leadership skills, change management, and developing the business model. Managers at Axactor must be act as ambassadors for the company's corporate culture, one of the reasons for which managers are often recruited internally. To ensure success in the work on developing and attracting employees Axactor monitors the development of new hires and employee turnover.
The Group employee turnover rate for 2021 was 31.3%, which was substantially higher than in 2020. This is due to organizational restructuring to optimize organizational operations, such as homeshoring the backoffice functions in the Baltics and closing of 1 site in Norway, 3 sites in Spain and the field collection service in Germany. The restructuring processes were all performed in compliance with local law and regulations and Axactor's organizational restructuring procedure.

Furthermore, thorough analysis and continuous improvement of the different elements of the employee journey at Axactor is conducted regularly to contribute to retention.

	2021			2020
Employee turnover by country and gender, % [1]	Total %	Women %	Men %	Total %
Finland	43	26	50	12
Germany	32	48	24	10
Italy	31	49	26	12
Norway	28	27	28	16
Spain	33	42	28	10
Sweden	9	16	5	22
Group total	31	40	27	11

1) *Employee turnover refers to the proportion of permanent employees who have left the company in relation to all employees in 2021 including voluntary turnover, retirement, death, dismissals, organization changes and efficiency.*

	2021		
Organisation	Number of new employees	Women %	Men %
Axactor Finland	8	50	50
Axactor Germany	26	62	39
Axactor Italy	36	22	78
Axactor Norway	27	48	52
Axactor Spain	270	42	59
Axactor Sweden	28	21	79
Axactor Group	395	40	60

Continued learning and development

It is important to Axactor that employees can develop in their roles, and it is stated in Axactor's HR policy that the company is committed to continuous professional development of its employees.

The Axactor Academy is the Group's own centre for learning and development. All employees have the right and obligation to training and competence development. Axactor Academy provides the organization with a streamlined structure to manage the competence development for all employees. All employees receive training to secure compliance to relevant laws and regulations such as debt collection regulations, tax and financial regulations, anti-fraud and anti-corruption, data privacy, information security, anti-money laundering and terror financing and other business ethical standards.

Employees are also provided with training that gives them the tools with which they can give customers or debtors a positive experience, for instance through in-depth knowledge of the relevant collection processes they work with, and comprehensive communication training. Employees are also offered various e-learning courses throughout the year, some of which are mandatory. Axactor strives to be transparent and report on trainings, and for the purpose of creating a foundation to build upon next year, preliminary statistics have been prepared, detailing the statistics from e-learning courses through the Group HR system:

Courses

Country	Number of courses
Finland	49
Germany	70
Italy	101
Norway	52
Spain	129
Sweden	57
Group total	338

Participants

Courses completed by employee	Quantity of employees (without duplicates)
15-22	12
10-14	84
5-9	556
1-4	756
Total	1,408

Participants per course

Country	Quantity of courses (completed/undergoing)	Course per employee
Finland	319	5.15
Germany	1,021	4.40
Italy	925	6.61
Norway	361	3.57
Spain	3,582	4.59
Sweden	458	4.92
Average		4.87

Hours spent

Country	Average time (h) spent on training per employee
Finland	6.8
Germany	9.6
Italy	19.8
Norway	6.5
Spain	16.3
Sweden	18.0
Group total	27.4

Average time spent on training per employee	Average time spent on training per employee with Junglemap
13.2 hours	14.2 hours

Axactor's managers are held to a high standard and are offered a variety of courses through Axactor Academy. Managers are expected to act in accordance with the different elements of Axactor's leadership platform – strategic direction, leadership principles, and corporate values. Managers are offered trainings in a combination of on-the-job-training, sharing of best practices and knowledge, e-learning, classroom training and mentorship programs. Learning and development objectives for both managers and employees are linked to Group-wide organizational objectives.

In accordance with the performance management process at Axactor, performance appraisals, including the establishment of new development goals, are conducted annually between all employees and their immediate managers. The completion rate of these performance reviews is close to 100% at all levels of the organization. Employee's motivation, development and continuous feedback are also secured through structured and regular "check-ins".

Axactor has worked systematically to develop its organization and culture. The efforts over the last years have been directed towards securing a global people management system, developing consistent performance management practices, leadership development efforts to underpin trust-based leadership, mentoring programs, student programs and an evaluation of the "employee journey" through an assessment of the HR processes. All these initiatives are aimed at creating common structures and further strengthening the trust-based culture. To verify this, Axactor has partnered with world-leading employee survey supplier Great Place To Work. The majority of Axactor's employees participated in the survey, as provided set out above. Although it is rare to achieve the certification the first year of running the survey, all countries besides Spain achieved the "Great Place To Work"-certification. Spain too delivered impressive results, considering the restructuring process conducted in 2021 and the severe consequences of Covid-19. The feedback from the employees show that Axactor has an effective, rational, and competent organization with a clear strategy. The management set clear expectations and the employees have high trust in management. There is an open dialogue where straight answers are given. There are no signs of discrimination due to sex, religion or the like nor experiences of sexual harassment. Employees are proud to work for Axactor. Identified areas with improvement potential are internal information sharing, employee involvement in decision making, recognition of achievements, focus on middle management, renumeration and flexibility. Axactor will continue to work to strengthen performance management, succession planning and increase focus on leadership development going forward.

Remuneration and benefits

The main purpose of the company's remuneration is to encourage a strong and sustainable performance-based culture which supports growth in shareholder value over time, based on responsible business practices and aligned with company values. This is stated in the Group's remuneration policy, determined by the Board and approved by the general meeting.

To attract and retain employees, Axactor offers competitive employment terms in line with local market conditions. The individual salaries are set and adjusted by managers and approved in accordance with the grandfather principle, after which they are communicated to each individual employee in the annual salary review dialogue between manager and employee. Conditions and benefits differ within the Group and are adapted to the markets where the company operates and to the collective agreements which have been entered. Axactor has entered collective bargaining agreements in Sweden, Finland, Norway, Italy, and Spain. Ca. 69% of all employees are covered by collective bargaining agreements. Axactor has also offered employees in Germany the opportunity to sign up for collective bargaining agreements. Axactor commits to the International Labour Conventions on the freedom of association and the right to collective bargaining among its employees and has constructive discussions and collaboration with the unions. The collective bargaining agreements regulate, among other things, salaries, terms of employment such as notice period. Axactor collaborates well with the unions and facilitates their work by offering use of Axactor offices and equipment for Axactor union related work. The Group has established a European Works Council with representatives from all countries in which issues and topics that have cross-border relevance are addressed. Axactor has also established networking and affinity groups across the organization, to ensure employee's involvement and knowledge-sharing between the countries.

Axactor recognizes the importance of work-life balance, which is supported through various initiatives, e.g. accommodating for a substantial number of part-time employees, most of which are women. To Axactor's knowledge, all part-time work is voluntary and is largely related to students working in combination with studies, employees with reduced capacity, and mothers with younger children requesting part-time work after maternity leave. In Italy the amicable and field collection advisors work part-time, 6 hours per day on shift from 8 to 20. This has been part of a restructuring project of 2018, where the affected employees voluntarily accepted the part time reduction.

However, in accordance with its commitment to the SDG #5, Axactor aims to decrease the number of part-time workers. An important means to this end is the continued focus on the development of female employees, the encouragement of them taking opportunities when given and facilitating a good work environment for talented women. The form of employment is expected to be a topic in all performance appraisals, and leaders are encouraged to work with part-time employees to find other accommodations that can contribute to minimizing the need for part-time work. Axactor Spain has shown dedication to the reduction of part-time employees through various initiatives, one of which is entering into agreements with day-care centres and toy nurseries that give Axactor employees discounts and therefore an increased possibility of working full-time.

Other benefits such as pensions advice, salary exchange, fitness subsidies follow market conditions and best practice in each of the countries and apply equally for all employees in country regardless of form of employment and percentage of employment. In Norway and Sweden for instance, Axactor offers e.g. maternity and paternity pay greater than the statutory requirement.

Employees by form of employment, 2021:

Employees by form of employment	2021 Number	2021 Women %	2021 Men %	2020 Number	2020 Women %	2020 Men %
Regular employment						
- Full time	863	63	37	920	63	37
- Part time	204	80	20	237	78	22
Temporary employment	176	63	38	78	58	42
Group total	1,243			1,235		

Axactor shall offer a working environment where it is possible to combine work, career, family life and spare time. An important element is the possibility to take parental leave.

Country	Maternity leave # of women	# of weeks of maternity leave	Paternity leave # of men	# of weeks of paternity leave
Norway	9	223	3	25
Sweden	11	138	2	2
Finland	6	167	2	7
Germany	8	293	2	12
Italy	14	248	2	2
Spain	21	241	13	99
Group total	61	1,017	22	135

The parental leaves were taken without any restrictions or consequences for the remuneration, benefits, or work tasks of the employee. With reference to the statistics presented above, the company considers itself compliant with the reporting obligations pursuant to the Norwegian Equality and Anti-Discrimination Act section 26.

Health and work environment

Axactor continuously addresses risks and opportunities related to the workforce. To sustain a workplace that is healthy and safe – both physically and mentally – Axactor builds its efforts on an active working environment, councils, and engagement initiatives, as well as collaboration with unions, employee representatives and local management. Axactor does not engage in and expressly prohibits any kind of forced-, compulsory- or child labour in all its operations, including those serviced by suppliers. A continuous and trust-based dialogue between managers and their employees makes it possible to detect early signs of poor health and to ensure the work situation is sustainable in the long run. This is done systematically across the Group through structured annual appraisal talks and regular "check-ins".

Working actively to facilitate a positive work environment, Axactor encourages employees to be physically active and take care of their health. There are several initiatives in all countries and offices to promote employees' health, e.g., initiatives to facilitate cycling to work, sponsoring of health club membership, common training for groups of employees, physiotherapist availability in the office on a regular basis, football games, annual culture and value events dedicated to physical and mental health, and local health insurances.

Axactor does not accept any form of sexual harassment. Specific focus to raise awareness is given through, e.g. the digital ethical e-learning courses mandatory for all employees to conduct. Axactor has not received any whistle-blower reports on incidents of sexual harassment and the result from the employee satisfaction survey confirms that this is not a challenge within Axactor.

Country	No. of whistle-blower reports concerning sexual harassment 2021	No. of whistle-blower reports concerning sexual harassment 2020	No. of reported cases resulting in disciplinary and/or criminal sanctions 2021	No. of reported cases resulting in disciplinary and/or criminal sanctions 2020
Norway	0	0	0	0
Sweden	0	0	0	0
Finland	0	0	0	0
Spain	0	0	0	0
Germany	0	0	0	0
Italy	0	0	0	0
Group total	0	0	0	0

All managers have access to tools to be able to act upon early signs of ill-health among employees and increase the work attendance rate through proactive wellness initiatives. Furthermore, Axactor monitors the sick-leave trends, through local HR processes.

Axactor has established a European Works Council with representatives from all countries elected by the employees for two years at a time. It is a forum for information and discussions for the employees in the Group. Representatives from the executive management provides a status of the company at least twice a year. The agenda covers the structure of the Group, the financial and the economic situation and envisioned developments, anticipated progress of the business, sales, significant changes to any area within the Group's company structure, transfer of undertakings, mergers, cutbacks or closures of undertakings, personnel policies of the Group and equality between men and women (as well as minorities) in the Group.

The well-being of the employees is a key factor in relation to Axactor's ability to recruit, develop and retain a diverse and motivated workforce. It is only with such a workforce that Axactor will be able to continue to provide an even better service to the customers and debtors in future. Axactor recognized that quality, health, and safety are integral aspects of the company's operations, and systems are in place to monitor and follow up accidents and/or incidents. Axactor's business is by nature non-hazardous.

	No. of workplace injuries recorded		No. of serious or fatal workplace injuries recorded		No. of commuting injuries recorded	
Country	2021	2020	2021	2020	2021	2020
Norway	0	0	0	0	0	0
Sweden	0	0	0	0	0	0
Finland	0	0	0	0	0	1
Spain	0	0	0	0	13	7
Germany	0	0	0	0	0	0
Italy	0	0	0	0	1	0
Group total	0	0	0	0	14	8

Combatting climate change

Axactor shall have a cautious and conscious approach to its environmental impact, and the environmental and climate impact from business operations is of ever-increasing importance for stakeholders and society. Axactor's operations are by nature low-polluting and relatively harmless to the environment. At the same time, Axactor recognizes that the responsibility to combat climate change is shared, and the company has since its foundation worked actively to minimize its environmental footprint. Axactor's environmental commitments follows from its environmental policy, which is adopted annually by the Board. Further, the principles set out in the environmental policy is also reflected throughout the rest of the policies and corporate governance structure.

Axactor's risk management system requires the group to identify, assess and document environmental risks and opportunities. An environmental risk assessment is conducted annually with high risks expected to be mitigated through the ordinary risk management process, and opportunities should be elevated to the executive management for further evaluation. Additionally, an internal climate risk assessment of Axactor's locations have been conducted, showing limited climate related risks.

Environmental aspects are included in considerations for relevant parts of the value chain and investments. To ensure this, Axactor has a structured purchasing process and sourcing strategies to make sure that services and goods acquired are provided from suppliers with acceptable environmental standards and use products and services that represent the lowest total impact on the environment. Axactor further ensures its suppliers' commitments to its environmental expectations, through the prerequisite to sign Axactor's Supplier Code of Conduct.

The main source of Axactor´s emissions are generated through consumption of energy in the company´s offices and through business travel. The single largest source of energy consumption within Axactor is the servers and data centers, which are run by Axactor's infrastructure partner. In 2021, all the servers are run by the same infrastructure vendor, to among others lessen the environmental impact. This infrastructure provider is certified as a green light house, operating with 100% renewable energy. Requirements and guidelines to encourage the use of energy-efficient and space-saving properties are defined, and Axactor is working continuously with the property owners to adopt energy conservation measures in the buildings where it operates. Additionally, initiatives are made to actively reduce the need for physical meetings to reduce travel and encourage a more time-efficient use of resources. Below, the Group's measured emissions for 2021:

Category	Subcategory	Unit of measure	User data	kg CO2e/unit	Emissions total	Prosentage emission
Scope 1	Company cars	Liter	89,765	2.7	240,250	28%
Scope 2	Electricity usage	kwh	1,293,121	0.4	467,254	55%
Scope 3	Flights and hotel nights	N/A	N/A	N/A	144,031	17%
Total emissions					851,534	100%

With regards to energy consumption, all Axactor offices have systems for smart controlling and monitoring of ventilation, heating/cooling and lights. No relocations or reconstruction of existing offices shall lead to higher energy consumption per m². In 2021, the Group's subsidiaries in Norway and Germany relocated to brand new offices, compliant with applicable energy use requirements. This is expected to lead to a reduction in energy costs per m² in both countries, visible in the climate accounts from 2022.

Axactor's travel procedure specifies that employees are encouraged to limit travel whether to the office on day-to-day business or for business travels and use tele-/video conferencing to avoid unnecessary travels. At the same time, due to the company's international operations, some level of travelling is to be expected. Axactor strives to lower the travel ratio and aims to choose less emission intensive travels where possible. In respect of company cars, Axactor has limited use of company cars and incentivizes the choice of low emission vehicles. It is mandatory to select models/specifications that have a lower-than-average fuel consumption and emission for its class, according to in the World Light Vehicle Test Procedures ("WLTP"), however it is strongly encouraged to choose an electrical vehicle. During 2021, the number of company cars have been reduced with 29 cars. Axactor aims to reduce the number of company cars going forward, and the tendency is visible year-over-year, pursuant to the table below.

	No. of company cars		
Country	Per 31.12.2021	Per 31.12.2020	Change
Norway	1	5	(4)
Sweden	4	6	(2)
Finland	1	1	0
Spain	26	26	0
Germany	14	35	(21)
Italy	10	12	(2)
Group total	56	85	(29)

Further to reducing greenhouse gas emissions, Axactor is also committed to reducing waste. The general waste hierarchy is to first reduce waste at the source, secondly to reuse items if possible, and thirdly to ensure that items not possible to reuse are recycled. The procurement policy shall ensure that all purchases are in line with environmentally friendly considerations regarding selection of vendors, products, and volumes. All offices have recycling of paper and systems for waste sorting to secure proper handling. Not all offices have systems for recycling or ensured environmentally friendly destruction of used electronic office equipment and some do not offer to handle employees' private IT waste. Where possible, Axactor strives to partner only with certified IT suppliers, being obliged to ensure recycling of IT-equipment and seek efficient and environmentally friendly alternatives for sourcing, packaging, and transportation. Both of Axactor's largest IT suppliers are certified and has such systems in place. Further improvements concerning waste handling and recycling across all offices are planned to continue, going into 2022.

In 2020, Axactor started to measure and report on greenhouse gas emissions for a set of specific categories. Axactor has continued building on this bedrock during 2021, with the aim to significantly improve its climate accounting for 2022. With assistance from climate mitigation consultants, Axactor has initiated the development of a greenhouse gas emission tool. The tool will enable Axactor to better understand and identify its emission sources, enabling the identification and concretization of appropriate mitigating actions, to further reduce the Group's greenhouse gas emissions going forward. This initiative also aims to prepare Axactor to set science-based targets in the future, in support of the goal to limit global warming to 1.5°C, to prevent the worst effects of climate change, in accordance with the Paris Agreement. This also supports Axactor's ambition to continue to meet the stakeholder's future expectations, by delivering on the promise of sustainable economic growth.

Additionally, the project is also considered important to prepare for the ever-increasing regulatory requirements – statutory as well as "voluntary". The latter with reference to sustainability rating agencies, credit rating agencies, banks, green bonds, etc., which comes with separate requirements, not imposed by governments, but which may still offer both opportunities and threats for the Group. Regarding statutory requirements, Axactor is carefully monitoring the developments in relevant markets. Axactor strongly supports the European Green Deal, and its ambition for the European Union to become climate neutral by 2050, at the same time acknowledging the challenges that comes with it. By 2030, the European Union's aim is to reduce greenhouse gas emissions by at least 55% and achieve climate neutrality by 2050. There is no doubt that this is an ambitious goal, which will fundamentally change the level of effort and expertise required in all EU based companies regarding environmental compliance in the years to come, being an important driver also for Axactor. Specifically, being the cornerstone of EU's sustainable finance strategy, Regulation (EU) 2020/852 (Taxonomy) aims to create a framework to facilitate sustainable investment. The Taxonomy Regulation currently has a limited impact on the debt collection industry, but it is expected to play an increasingly important role going forward, at which point Axactor will be prepared and able to act in the best interest of the Group and its investors.

Further to the group-wide initiatives, Axactor strongly supports and encourages local environmental initiatives, based on a belief that everything helps. Axactor believes that businesses that actively engage with the shifting context around them, and strive to be part of the solution, will be the ones that prosper in the long term.

GRI Index

GRI standard:

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205-3 Confirmed incidents of corruption and actions taken	Sustainability report: page. 37
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Corporate governance report

Axactor SE is a Norwegian SE-company (Societates Europaeae) listed on the Oslo Børs and bases its corporate governance structure on Norwegian legislation and recommended guidelines.

Axactor is committed to good corporate governance standards which contributes to optimizing the value creation over time and strengthens the stakeholders' trust and confidence in the company. The company's corporate governance framework regulates the division of roles, responsibilities and accountability between shareholders, the Board, CEO, and the rest of the executive management, to ensure that the company's resources are applied in an efficient and sustainable manner.

The Board has the ultimate responsibility for ensuring that good corporate governance is practiced. Confidence in Axactor and its business activities is essential for the Group's competitiveness. Axactor is committed to openness and transparency about its principles and procedures for how the Group is managed.

1. Implementation and reporting on corporate governance

The company adheres to the Norwegian Code of Practice for corporate governance ("Code"), last revised 14 October 2021, issued by the Norwegian Corporate Governance Board ("NUES"). The principles and implementation of corporate governance are subject to annual reviews and discussions by the Board, last revised and approved by the Board 15 December 2021. The current corporate governance policy is available on the company's website.

This report addresses Axactor's main corporate governance policies and practices and how Axactor has complied with the Code in the preceding year. Application of the Code is based on the "comply or explain" principle and any deviation from the Code is explained under each item. In the AR 2020 Axactor reported on one deviation from the Code pertaining to share options to the chair of the Board. This deviation was closed in May 2021. By the company's own assessment, Axactor is by year-end fully compliant with all sections of the Code.

2. Business activity

The company's business as set out in the articles of association is: *"to directly or indirectly through subsidiaries or investment partnerships, conduct debt collection work, financial and administrative services, legal services, invoicing services, debt acquisition and other investment activities, as well as therewith associated activities".*

The Board has developed clear objectives, strategies and a risk profile for the business within the scope of the definition of its business, to create value over time. Axactor's commitment to sustainable development is codified in the quality policy. Engaging in the activities described above, the company's long-term objective is to establish itself as the industry benchmark within the areas of its operations. The company will continue to pursue the following main strategies to reach its overall objective:

- Putting emphasis on loyal and satisfied customers,
- Being an innovative player that takes full advantage of available technologies to achieve competitive advantages,
- Identifying and securing access to attractive debt portfolios and other opportunities in the marketplace based on responsible investment and product offering,
- Being an attractive employer, with a focus on creating an environment for professional and personal growth, with respect and regard for each employee,
- Being a profitable company with a focus on organic and structural growth,
- Maintain a sound corporate culture, efficient corporate governance and preserve Axactor's integrity by supporting employees to follow good ethical business standards towards all people and players in all our markets, and
- Emphasis on becoming and maintaining a position as a leading, responsible, and sustainable European player in the company's market, and
- Helping debtors solving their financial commitments through fair debt collection practices.

A description of the key risk factors and risk management can be found in the Board' report on page 14

During 2021, the company has reviewed its policies and procedures providing business practice guidance on environmental, social and governance matters including but not limited to human resources, legal and compliance, data privacy, information security, anti-money laundering, corporate social responsibility, code of conduct and anti-fraud and anti-corruption. A separate report on how these policies and procedures are integrated with the company's activities and how they relate to value creation for the company's stakeholders can be found in the sustainability report integrated in the Annual report 2021 page 26.

The company's objectives, strategies and risk profile are subject to regular review by the Board throughout the year.

Deviations from the Code: None

3. Equity and dividend

The Board aims to maintain a responsible equity ratio, considering the company's goals, strategy, and risk profile. This to ensure that the company has an appropriate balance between equity and other sources of financing.

On 31 December 2021, the Group had an equity ratio of 29.5% and a debt-to-equity ratio of 2.2x. The Board considers the current capital structure as appropriate in the context of Axactor's objectives, strategy and risk profile.

The Board has stated a policy for shareholder return as part of the overall strategy. The objective is to generate a return for the shareholders at a level which is at least equal to other investment possibilities with comparable risk. The main goal is to build scale, improve efficiency and increase profitability. An increased return on equity will allow Axactor to initiate dividend payments in the upcoming 2-3-years.

At the EGM on 5 January 2021, an authorization to increase the company's share capital was granted to the Board:

- Authorization to increase the share capital with up to EUR 14,001,570.27130603 by issuing up to 26,750,000 new shares, each with a nominal value of EUR 0.523423187712375, in connection with the subsequent repair offering in order to allow those of the company's shareholders as of close of trading on 9 December 2020 (as registered in the VPS on 11 December 2020) who were not allocated shares in the private placement to subscribe for shares on the same terms as the contemplated private placement.

This authorization expired at the AGM 15 April 2021. The authorization was utilized in full (26,750,000 shares).

At the AGM on 15 April 2021, 2 authorizations to increase the company's share capital were granted to the Board:

- Authorization to increase the share capital by issuing new shares with a total nominal value of up to EUR 19,366,658, equal to 30,214,546 shares, each with a nominal value of EUR 0.523423187712375 in connection with acquisitions of assets within the company's core areas of expertise.
- Authorization to increase the share capital by issuing new shares or acquire own shares with a total nominal value of up to EUR 5,031,313.79 equal to 9,612,325 shares, each with a nominal value of EUR 0.523423187712375 in connection with the share options allocated under ESOP 2019 and ESOP 2020 (also named ESOP 2020-B) which are incentive programs for the executive management and key personnel.

Both authorizations are valid until the AGM in 2022, and no later than 30 June 2022. As of 31 December 2021, neither authorization have been used. There was a separate vote on each of the authorizations. Both authorizations have a limited overall amount by which the Board is permitted to increase the share capital. For supplementary information, see the minutes of the AGM held on 15 April 2021 available at www.axactor.com.

Deviations from the Code: None

4. Equal treatment of shareholders

The Board and executive management are committed to treat all shareholders equally, unless there exists a factual basis for deviation from this principle, justified by the common interests of the company and the shareholders.

In the event of a capital increase based on authorization from the general meeting, where the pre-emptive rights of shareholders are set aside, the company shall provide reasons for the action in the stock exchange release in which the capital increase is announced.

In 2021 Axactor concluded a private placement, and a contribution in kind against issuing of new shares. The capital increases main objectives were to fund growth opportunities and general corporate purposes. The private placement and the share issuing were performed 9 December 2020, and were approved on the EGM 5 January 2021, ref. information available on Axactor's webpage, stock exchange announcements given December 2020 and January 2021 and the notice to the general meeting dated 15 December 2020. The EGM concluded, based on a recommendation from the Board, to offer a subsequent repair offering with a subscription price equal to the subscription price in the private placement, to mend the adverse consequences of the private placement for the other shareholders.

Any transactions the company carries out in its own shares shall be carried out either through the stock exchange or at prevailing stock exchange prices. If there is limited liquidity in the company's shares, other ways to ensure equal treatment of all shareholders shall be considered. There were no transactions in treasury shares in 2021.

The instruction issued by the Board states how the company shall manage agreements with closely related parties.

For significant transactions with closely related parties, Axactor will use valuations and statements from an independent third party. There were no such significant transactions in 2021, other than the agreement entered 9 December 2020 with the largest shareholder Geveran Trading Co. Ltd. and Sterna Finance Ltd., approved by the EGM 5 January 2021 as reported in the AR 2020 (corporate governance section no. 4). An independent fairness opinion confirmed by an independent third party was arranged for this transaction. As part of this transaction, the B-notes which at the time was held by Sterna Finance was converted into a bond-like debt instrument, dated 8 February 2021, with Axactor SE as counterpart, a debt instrument which is fully repaid during 2021. Subsequently, effective 20 February 2021, the parties' entered an amendment agreement for the company to cover Geveran Trading Co. Ltd. and Sterna Finance Ltd's legal costs of the transaction, as the agreement was of a greater interest to the company and all its shareholders, necessary to enable the transaction.

For other transactions with related parties, reference is made to the servicing agreement with Seatankers Management Co. Ltd. (a company controlled by Geveran) entered 17 February 2020, as reported in the AR 2020. Secondly, the board has, subject to the approval of the annual general meeting on 21 April 2022, entered into an option agreement with Andrés López Sánchez (Country Manager, Spain), dated 18 May 2021 to secure his retention. Lastly, on 1 October 2021 the company entered an agreement with Aston AS (a company controlled by Kristian Melhuus, personal deputy board member for board member Kathrine Astrup Fredriksen) for the delivery of advisory services to the company (expires automatically by the AGM in 2022). All three agreements are entered on an arms-length basis and are not considered significant.

For further details, see note 31 to the financial statements for 2021.

Deviations from the Code: None

5. Shares and negotiability

Axactor has one class of shares, and each share carries equal voting rights. The shares of Axactor SE are freely negotiable. There are no restrictions on owning, trading, or voting of shares in the articles of association.

Deviations from the Code: None

6. General meetings

The general meeting is the company's ultimate corporate body. The Board strives to ensure that the general meeting is an effective forum for communication between shareholders and the Board. All registered shareholders have the right to participate in the general meetings, which exercise the highest authority of the company. To attend, nominee-registered shareholders must be registered in the VPS by the close of business the day before the general meeting.

Notices of general meetings are made available on newsweb.no and on the company's website and are sent to all shareholders no later than 3 weeks in advance of the meeting. The articles of association stipulate that the supporting documents handling matters to be considered at a meeting can be made available on the company's website rather than being sent to shareholders by post. However, shareholders are still entitled to receive the documents by post upon request if they so wish.

The general meetings in 2021 were conducted digitally with no prior registration deadline. When attending the online general meetings shareholders were able to listen to a live audiocast of the meeting, see the presentation, submit questions relating to the items on the agenda and cast their votes in the real time poll. Identification of the shareholders was secured. The notices included information providing the shareholders with sufficient detail for the shareholders to assess all the matters to be considered as well as all relevant information regarding attendance and voting procedures including a proxy form with and without voting instructions that permitted separate votes for each item up for consideration in the general meetings and each candidate up for election by the AGM. Advanced votes and proxies were required to be provided the last business day prior to the general meetings by electronic means, in writing or by use of written proxy forms. The chair of the Board declared the general meetings opened. The person chairing the general meetings was elected by the general meeting and was considered independent of the company and the Board. Representatives of the Board, executive management, the company's auditor, and the chair of the nomination committee were present at the AGM. For the EGM only the chair of the Board and CEO were present which was deemed sufficient given the items treated.

In 2021, Axactor held its AGM on 15 April 2021 with 51,06% of the shares represented. In addition, an EGM was held on 5 January 2021 to increase the share capital, with 38% of the shares represented.

The minutes from general meetings are published on newsweb.no and on the company's website.

Deviations from the Code: None

7. Nomination committee

The company has established a nomination committee, ref. articles of association article 8. It consists of 2 members:

- Anne Lise E. Gryte (chair)
- Magnus Tvenge (member)

Both were elected by the AGM in 2020 for a period of 2 years, until the AGM in 2022, and are considered independent of the Board and the executive management. Efforts are made to ensure that the nomination committee comprises of persons with the necessary expertise and understanding of the shareholders' interests. The general meeting in 2020 elected the chair of the nomination committee and determined the remuneration to the members based on the nature of the duties performed and the time invested. The remuneration for the second year was also approved by the general meeting in 2021.

The duties and responsibilities of the nomination committee is regulated by the instructions to the nomination committee approved by the general meeting in 2020. The main responsibilities are to propose candidates for election to the Board, and to advice on the remuneration of the board members. Grounds for recommendations are provided when nominees are presented to the general meeting, at latest at the time of the notice of the general meeting. All shareholders are entitled to nominate candidates to the Board, and information on whom to contact can be found on the company's website.

The nomination committee monitors the need for any changes in the composition of the Board through dialogue with the shareholders, board members, and executive management. The nomination committee has also reviewed the Board's report on its own performance as outlined in section 9 on the next page.

Deviations from the Code: None

8. Board of Directors

Composition

The Board shall constitute of 3 to 7 directors, as regulated in the articles of association clause 5. The Board was elected by the general meeting. As the chair, Glen Ole Rødland resigned from his duties 29 May 2021, the Board decided to elect Merete Haugli as interim chair. On 31 December 2021, the Board consisted of the following 6 directors:

Name	Role	Age	Considered independent of main shareholders	Served since	Term expires	Participation Board meetings 2021	Share ownership in Axactor as of 31 December 2021 (direct/indirect)
Merete Haugli	Chair	57	Yes	20.01.17 and as interim chair since 30.05.21	AGM 2022	28/29	0
Brita Eilertsen	Director	59	Yes	20.01.17	AGM 2022	28/29	19,892
Lars Erich Nilsen 1)	Director	40	No	04.05.18	AGM 2022	29/29	0
Kathrine Astrup Fredriksen 1)	Director	38	No	01.04.20	AGM 2022	21/29	0
Terje Mjøs	Director	60	Yes	20.01.17	AGM 2022	27/29	400,000
Hans Harén	Director	71	Yes	25.05.20	AGM 2022	27/29	22,150
Kristian Melhuus	Personal deputy for Kathrine Astrup Fredriksen	40	No	15.04.21	AGM 2022	7/29	0

1) *According to the NUES, Kathrine Astrup Fredriksen and Lars Erich Nilsen are related to Geveran Trading Co Ltd, which owned 45,98% of the shares in Axactor SE at 31 December 2021, ref. page 62.*

All members of the Board are elected until the next AGM and may be re-elected. The composition of the Board is based on broad representation of the shareholders, as well as the company's need for competence, capacity, and ability to form balanced decisions. Information on each Board member's expertise and capacity can be found in the Annual report 2021 on page 46 and on the company's website.

Independence

The nomination committee has evaluated all the board members to be independent of the executive management and material business contacts. 4 out of 6 board members are regarded as independent of the main shareholders. The independence of board members is evaluated by the Board, and if any changes occur, their independence will be re-evaluated.

Deviations from the Codee: None

9. The work of the Board

The Board has the primary responsibility for overseeing and supervising the executive management and operations. The Board has adopted written instructions which describes the responsibilities and duties of the Board, including how the Board should handle agreements with related parties, and regulate the allotment of work between the CEO and the Board. The instructions also regulate work related to the Board committees.

The Board's primary responsibilities include: (i) participating in the development and approval of the strategy and budget, (ii) performing necessary monitoring functions, and (iii) acting as an advisory body to the executive management. The Board's duties may change over time, depending on the company's ongoing needs.

The Board has prepared an annual plan for its work with special emphasis on goals, strategy, and implementation, to ensure that, (i) the operation of the company complies with the company's values, ethical guidelines and corporate social responsibility, (ii) that the business and assets are well-managed, and (iii) that the risk management and the financial reporting is carried out in a prudent and satisfactory manner.

The Board has also established rules on conflicts of interest to ensure that any potential conflicts are identified and handled in a professional manner. If the Board is to consider material matters in which the chair of the Board is, or has been, personally involved, the meeting in which the matter is considered shall be chaired by another board member. There were no such cases in 2021.

The chair of the Board ensures that the Board's work is performed in an effective and correct manner. It is the Board's responsibility to ensure that that the company is managed with clear distribution of responsibilities and duties. The Board appoints the CEO, which is responsible for the day-to-day operations of Axactor Group and for ensuring that the Board receives accurate, relevant, and timely information, sufficient for the Board to carry out its duties. The duties, responsibilities and delegated authorities for the CEO are stated in the CEO instruction issued by the Board.

All members of the Board regularly receive information about the operational and financial development. The company's strategies are regularly subject to review and evaluation by the Board. The Board holds regular physical meetings, at least every 2 months, where the members may elect to attend either physically or virtually. Extraordinary board meetings are held when necessary and may be conducted as telephone conferences or, in exceptional circumstances, the Board may take its decisions on the basis of circulating documents. In 2021, the Board held 29 board meetings. 4 of these were held prior to the interim reporting, while 4 were devoted to strategy discussions, business, operational and financial updates, risk and internal control, ESG discussions, portfolio assessments, remuneration and employee related matters, review of polices and instructions etc. In addition, 21 extraordinary board meetings were held to discuss repair issue in relation to a private placement, bond issue, change of the Board's composition, portfolio purchases, process with the Norwegian supervisory authority, acquisition, budget and deep dive on the local business operations. The CEO has been present in all board meetings. However, the Board has discussions without executive management present in all board meetings and separate discussions with the auditor without executive management present.

The Board's work, constitution of the board committees and review and approval of the Board's instructions were discussed in the constitutional board meeting following the AGM. In addition to the Board's discussions without the executive management present after each ordinary board meeting, the Board conducts an annual assessment of its performance and expertise. The assessment of the year 2021 was conducted in December 2021 and discussed in the board meeting 17 February 2022.The results has been presented to the nomination committee. In addition, the nomination committee has discussed the performance with each board member.

Board committees

The Board has established an audit committee, an investment committee and a remuneration committee to provide subject matter advice to and preparation for the full Board.

The **audit committee's** main responsibilities are to supervise the Group's internal control and risk management system, to ensure that the auditor's independency, and to ensure that the annual accounts give a fair picture of the Group's financial results and financial condition in accordance with generally accepted accounting practice. The audit committee works as the Board's risk committee, reviews the procedures for risk management, and assess the risks and financial controls related to the Group's business activities. The audit committee ensures that the company has sufficient focus on ESG to contribute to sustainable development and appropriate risk management to minimize negative impact of the operations. The committee follow-up on regulatory changes, compliance matters that may have a material impact on the financial statements or policies, monitor material external investigations, sanctions, claims, litigations, substantial authority contact, licenses issues and follow up security incidents and whistle blower reports. The audit committee also receives reports on the work of the internal and the external auditor and the results of the audits.

As of 31 December 2021, the audit committee consisted of the following members:

- Hans Harén (Chair)
- Merete Haugli
- Terje Mjøs
- Brita Eilertsen

All of the members are independent of the executive management, and all of the member(s) have qualifications within accounting. The audit committee held 6 meetings in 2021.

The **investment committee** oversees the financial investment process and proposals to ensure that the relevant investments meet the requirements with respect to expected return, responsible investments and due diligence prior to commitment of funds. Further, the investment committee quarterly reviews the re-evaluations of portfolios regularly assess the risks of the market from a micro and macro perspective and evaluate and implement necessary mitigations to reduce the risks.

As of 31 December 2021, the Investment Committee consisted of the following members:

- Brita Eilertsen (Chair)
- Lars Erich Nilsen
- Kathrine Astrup Fredriksen

The investment committee held 20 meetings in 2021.

The **remuneration committee** develops the philosophy, policy and guidelines for remuneration that creates the link between remuneration levels, business performance and return to shareholders and makes proposals to the Board on the employment terms and total remuneration of the CEO and approve the terms and remuneration for the executive management which are communicated to the general meeting. These guidelines create precedence for remuneration throughout the organization. Further, the committee oversees that the company has an appropriate succession plan, monitor employee satisfaction, and assess and follow-up other material employment issues related to executive personnel.

As of 31 December 2021, the remuneration committee consisted of the following members:

- Terje Mjøs (Chair)
- Merete Haugli

The remuneration committee held 4 meetings in 2021.

Deviations from the Code: None

10. Risk management and internal control

The Board is responsible for ensuring that the company has sound internal control and systems for risk and compliance management appropriate to the extent and nature of the company's activities.

In 2021 Axactor has continued to build on the advancements made during 2020 on the ESG performance, further strengthening the value for the stakeholders and society. Sustainability is an integral part in the company's vision to become the industry benchmark, as also anchored in the quality policy. This is further outlined in the sustainability report, cf. Annual report 2021 page 25.

The company's systems and procedures related to risk management and internal control contributes to efficient operations, timely and correct financial reporting, and compliance with applicable laws and regulations. These systems form an integral part of the management's decision-making process.

The internal control and risk management system cover the organizational structure, managerial responsibilities for compliance, policies and procedures, training, customer and supplier due diligence, monitoring through financial reviews and internal audits, incident investigations and corrective actions as well as reporting. The Code of Conduct and Group policies are reviewed and approved by the Board annually. All policies have designated owners within the executive management, responsible for developing and monitoring compliance with their respective areas.

The Board has approved the following policies in 2021:

Quality	Legal and compliance	Insider
Corporate governance	Operations	Anti-fraud and anti-corruption
IT and information security	Delegation of authority	Anti-money laundering
Code of Conduct	Physical security	Antitrust
Procurement	Corporate social responsibility	Trade sanctions
Finance	Environmental	Treasury
Communication	Debt purchase	
HR	Data protection	

To each policy a set of procedures are established e.g. the Legal and Compliance policy has a procedure for managing internal control and risk management. The risk management framework shall ensure that the business operations comply with applicable laws and regulations, commitments to sustainable operations, and business ethics, as well as ensuring profitability, efficiency, and continuity. The company operates a structured risk management process that includes relevant categories of risk, such as strategic, financial, operational and regulatory risks. A top-down/bottom-up risk assessment is conducted annually. Key risks are monitored through monthly business reviews with the executive management, and through quarterly reporting to the Board. All employees are trained regularly, and annually as a minimum, through trainings on inter alia business ethics, anti-fraud and anti-corruption, good debt collection practices, GDPR and anti-money laundering and customized training within their area of responsibility. Compliance with the Code of Conduct is another key component in the Group's internal control system. The company has established an independent whistle-blowing channel for all employees and vendors to report any concerns related to illegal or unethical conduct.

Internal controls are conducted throughout the Group annually, at defined intervals which vary between departments. The legal and compliance functions, locally and at group level, follow up on the performance of the controls, as well as any deviations and necessary mitigations. The results are reported to the Board regularly. Axactor's internal auditor conduct audits recommended by the Board and reports its findings to the Board quarterly.

Axactor's separate entities prepares its financial statements within a standard financial accounting system which is consolidated into the Group's results. Impairment testing of NPLs is conducted on a quarterly basis and goodwill and REOs at least on an annual basis. These processes are reviewed by the external auditor. The external auditor presents a review of the internal control procedures, including identified weaknesses and proposals for improvement, to the Board at least once a year. The audit committee monitors the financial reporting and internal control regularly.

Under Norwegian securities laws, the Norwegian Financial Supervisory Authorities (FSA) oversees that the financial reporting of issuers of transferable securities which are quoted or for which admission to quotation has been requested on a regulated market within the EEA, is compliant with relevant laws and regulations.

As communicated in a press release on 13 December 2021, Axactor SE has received a conclusion from the Norwegian Financial Supervisory Authority (FSA) regarding the review of certain accounting practices and their implications for the AR 2019 and Half-Year Report 2020. The company take notice of the conclusion from FSA and will implement the requested changes accordingly. Further information about the FSA process can be found in Board report page 20 and in note 3 in the Annual report 2021.

The Board accounts for the main features of the internal control and risk management systems in the annual report.

Deviations from the Code: None

11. Remuneration of the Board of Directors

The remuneration of Board members is stipulated annually by the AGM based on the nomination committee's recommendation. The remuneration reflects the Board's responsibilities, work, time invested and the complexity of the company.

The remuneration of Board members is not performance based and in principle the company does not grant share options to board members.

The chair the Board receives a higher compensation than the other board members, and work in board committees provides for additional compensation. The Board shall be informed if any board members perform other tasks for the company than exercising their role as board members. An agreement has been entered with Aston AS, a company controlled by the personal deputy board member for Kathrine Astrup Fredriksen, Kristian Melhuus for his advisory services for the company when he does not act as board member in Fredriksen's absence. There were no other arrangements of similar sort entered in 2021.

Further details about the remuneration of the Board can be found in note 8 to the annual accounts in the Annual report 2021.

Deviations from the Code: None

12. Salary and other remuneration of executive management

The Board decides the salary and other compensation paid to the CEO. The CEO's salary and bonus are based on an evaluation with emphasis on specific factors determined by the Board. Each year, the Board carries out an assessment of the salary and other remuneration to the CEO and revise the total compensation and remuneration criteria without any executive management present.

The CEO determines the remuneration of executive employees together with the Board's remuneration committee. The Board has issued guidelines for the remuneration of the CEO and the executive management team which has been presented and approved by the AGM and published on the company's website. The salary level ensures that the company can attract and retain executive employees with the desired expertise and experience without harming the company's reputation or exceeding the norm in comparable companies. Performance related salary in the form of share options, bonus schemes or the like is linked to value creation for shareholders or the earnings performance over time, and subject to an absolute limit of 75% of the annual base salary for the CEO and 50% for the members of the executive team.

The Board's statement regarding remuneration of the executive management can be found in note 8 to the annual accounts in the Annual report 2021.

Deviations from the Code: None

13. Information and communication

The company complies with the relevant recommendations and market practices for reporting financial and other Investor Relation ("IR") related information.

The Board and the executive management team prioritize to give shareholders quick, relevant and current information about the company and its activity areas, while ensuring equal treatment.

The Board has adopted an insider policy to increase awareness of the responsibility entailed by the possession of inside information and the consequences of misusing such information and to ensure that Axactor itself fulfils its responsibilities. The Board has also adopted a communication policy which regulates spokespersons on behalf of the company and disclosure of information to the market and investor community in a transparent, honest, consistent, reliable and timely manner. The CEO and the Chief of IR and strategy are the main contact persons in such respects. Contact details of the IR representatives are available at the company website to facilitate the dialogue between the company and its shareholders.

Financial information is published by producing quarterly reports and annual reports as well as stock exchange notices, in accordance with Oslo Børs' recommendations.

The Board shall keep itself updated on matters of special importance to the shareholders. The Board shall therefore ensure that the shareholders are given the opportunity to make known their points of view at and outside the general meeting.

Deviations from the Code: None

14. Take-over bids

There are no restrictions in the articles of association to hinder the acquisition of shares in Axactor. Guidelines have been prepared for how the Board shall respond to any takeover bids. The guidelines are in accordance with the Code.

As reported in the AR 2020, and as announced 9 December 2020 and approved by the EGM 5 January 2021, Axactor achieved 100% ownership of Axactor Invest 1 S.a.r.l through the acquisition of Geveran's 50% stake therein as one of multiple initiates taken to strengthen Axactor's financial platform to improve shareholder returns and support further growth. Axactor and Geveran agreed on a consideration of 50 million shares to be issued at a share price of NOK 8.00, corresponding to a value for the 50% stake of EUR 38 million. The transaction increased Geveran's ownership in Axactor from 31.95% to 46.41% and Geveran was consequently obliged to provide a mandatory offer to purchase the remaining shares. The offer was evaluated by an independent third-party expert approved by the Oslo Børs. The Board decided
to recommend shareholders to not accept the Mandatory Offer. Geveran received valid acceptances under the mandatory offer for a total of 625,806 shares, corresponding to approximately 0.23% of the registered share capital and voting rights in the company. At completion of the mandatory offer Geveran owned 122,643,578 shares representing 44.53% of the total registered share capital and voting rights in the company (based on 275,395,464 issued and registered shares in the company). Following registration of the share capital increase issued by the company on 23 February 2021, Geveran's relative shareholding was 40.59% of the total share capital and voting rights in the company.

Deviations from the Code: None

15. Auditor

The auditor has attended one meeting with the Board at which the company's management was not present to review the company's financial reporting, accounting principles, risk areas, internal control routines etc. The Board's audit committee has met twice with the auditor during 2020 where the auditor presented a plan for the implementation of the audit work, observations, risks etc. The auditor has confirmed in writing to the Board and the audit committee that independence and objectivity requirements are met.

The auditor is only used as a financial advisor to the company if such use of the auditor cannot influence or call into question the auditors' independence and objectiveness in its capacity as auditor for the company. The Board has established guidelines in respect of the use of the auditor by the company's executive management for services other than the audit. The breakdown between the auditor's fee and consultancy fees for 2021 is described in note 9 to the annual accounts.

At the AGM, the Board presented a review of the compensation paid to the auditor for audit work required by law and remuneration for other concrete assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board also reviewed the work and performance of the auditor.

The Board arranges for the auditor to attend all AGMs and EGMs when deemed necessary depending on item treated.

The company's auditor is PwC and considered independent from the company and the Board.

Deviations from the Code: None

Board of Directors

Merete Haugli

Interim Chair

Ms. Haugli has experience as a board member from a number of companies, currently as chair in Norwegian property ASA as well as a member of their audit committee. She has also been a board member of Solstad Offshore ASA, Comrod Communication ASA, Reach Subsea ASA, RS Platou ASA, and Aktiv Kapital ASA. Ms. Haugli has held several senior positions including Head of Wealth management in SEB, Head of Formuesforvaltning AS, Partner in First Securities ASA and Head of investment in Alfred Berg Norway AS. She has also been a member of the nomination committee of Mowi ASA and North Energy ASA. She was previously Assistant Chief in the Oslo Police, responsible for the economic crime section.

Ms. Haugli is a business economist from the Banking Academy and from the Norwegian Business School, BI, with special focus on finance, tax, and accounting.

Terje Mjøs

Board member

Mr. Mjøs was CEO of Visolit AS from 2017 to 2021, chair of the board of Solid Media Group and a senior advisor to Apax Partners (private equity) from 2015 to 2017, CEO of EVRY ASA from 2010 to 2015 and before that CEO of Ergo Group AS from 2004 to 2010. He held in the period 1989 to 2004 several senior positions in Hydro IS Partner AS.

Mr. Mjøs has a Cand. Scient. Degree in Computer Science from the University of Oslo, and an MBA in Economics and Business Administration from Norwegian Business School BI.

Brita Eilertsen

Board member

Ms. Eilertsen has experience from investment banking and consulting institutions like SEB Enskilda, Orkla Finans and Touche Ross Mgmt Consultants (Deloitte). She has held various board positions for a number of listed and private companies in different industries since 2005. Eilertsen currently holds board positions for Pareto Bank and C WorldWide.

Ms. Eilertsen holds a Master of Economics and Business Administration (Norwegian "Siviløkonom") from the Norwegian School of Economics (NHH) and is a Certified Financial Analyst (AFA).

Lars Erich Nilsen

Board member

Mr. Nilsen is the CEO and Chair of Seatankers Management Norway AS. He has experience as an investment analyst from Fearnley Advisors AS and equity analyst from Fearnley Securities AS. He is also currently a board member of Norwegian Property ASA, Bulk Infrastructure Holding AS and FP Bolig Holding AS.

Mr. Nilsen has a Master of Economics and Business Administration (Norwegian "Siviløkonom") from Norwegian Business School, BI.

Kathrine Astrup Fredriksen

Board member

Ms. Fredriksen is currently employed by Seatankers Management Co Ltd. in London and serves as director in SFL Corporation Ltd. Her previous directorships include Seadrill Ltd, Frontline Ltd, Golar LNG and Deep Sea Supply. She has been a board member in Norwegian Property ASA since 2016 and SFL Corporation Ltd. since April 2020.

Ms. Fredriksen was educated at the European Business School in London.

Hans Olov Harén

Board member

Mr. Harén has extensive experience from bank and finance within the consumer finance segment. He retired from the position as CEO of Gjensidige Bank ASA in 2017, a position that he held for eight years. Prior to that, he was Country Business Manager and General Manager Consumer Business in Citibank consumer segment in Norway. He also has broad experience from senior positions in American Express, Wasa Insurance and Trygg Hansa Liv.

Mr. Harén holds a degree in business administration (Swedish "Marknadsekonom") from IHM Stockholm as well as a training in senior management from the Stockholm School of Economics.

Kristian Melhuus

Deputy Board member (Chair as of 21 February, 2022)

Mr. Melhuus is partner in Sandwater AS, an impact venture capital fund and Deputy Chair of Mowi ASA. Before partnering up with Sandwater he held the position as director of Seatankers Management Norway AS, Investment Director in HitecVision, CFO/COO of Liquid Barcodes and analyst at ABG Sundal Collier. In the EGM 21 February 2022, Kristian Melhuus was elected Chair of the Board.

Mr. Melhuus holds an MSc in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU), and has also studied Finance, Derivatives, and Econometrics at the University of Karlsruhe.

Executive management

Johnny Tsolis
Chief Executive Officer

Mr. Tsolis is the Chief Executive Officer at Axactor, in charge of managing the company.

Mr. Tsolis is a co-founder of Axactor and has previously held positions as Chief Financial Officer and Chief of Strategy & Projects. He has eight years of experience from working as a consultant for the Lindorff Group, with main focus on PMI/cost, productivity improvement and post-merger acquisition processes. Mr. Tsolis has a broad international experience with more than five years on projects abroad, primarily in Spain, Germany, the US, the Netherlands, Denmark, Sweden and Finland. Mr. Tsolis' former work experience includes positions as a partner at Cardo Partners AS, partner at DHT Corporate Services, Handelsbanken Capital Markets and Arkwright.

Mr. Tsolis graduated from BI Norwegian Business School (BI) with an MSc in business degree.

Arnt Andre Dullum
Chief Operating Officer

Mr. Dullum is the Chief Operating Officer at Axactor Group, overseeing the company's business operations.

Prior to the Chief Operating Officer role, he was Head of Operations in Axactor Norway, and he has held multiple roles within Lindorff Group and Lindorff Norway, including Operational Director and Project Director. Mr. Dullum has extensive international experience, working on multiple Pan-European projects, and has also been stationed in Spain and the Netherlands for extended periods as an expatriate.

He holds a bachelor's degree from BI Norwegian Business School (BI) and an MBA with the highest distinction from Norwegian School of Economics (NHH).

Vibeke Ly
Chief of Staff

Ms. Ly is the Chief of Staff, responsible for legal & compliance, sustainability, internal audit, HR and marketing & communications.

Ms. Ly has more than nine years of experience from the industry. Prior to joining Axactor, she held the positions as Group corporate lawyer and Group data protection officer in Intrum, and EVP group compliance and group corporate lawyer in Lindorff. Earlier she served as a Group corporate lawyer in EVRY, as an associate in lawyers firm Grette and as a legal advisor in the Justice Department.

She holds a Master of Laws from the University of Oslo (UiO), in addition to international law from Université libre de Bruxelles (ULB) and law and prosecution rights from University of Bergen (UiB).

Nina Mortensen

Chief Financial Officer

Ms. Mortensen is the Chief Financial Officer at Axactor Group, having primary responsibility for managing the company's finances.

She has extensive experience in financial governance and transformations, finance operations and mergers & acquisitions. Ms. Mortensen has held several financial leadership positions within TietoEVRY, among others interim CFO for the EVRY group and Head of Corporate Controlling and Finance Operations, and within Deloitte.

She holds a master's degree in economics and business administration from the Norwegian School of Economics (NHH) and is MBA-qualified. Ms. Mortensen is also a certified public accountant (CPA) from BI Norwegian Business School (BI).

Robin Knowles

Chief Investment Officer

Mr. Knowles is the Chief Investment Officer at Axactor Group, responsible for the purchase and evaluation of Axactor's portfolios.

Mr. Knowles has seven years of experience working as the Investment Director at Lindorff Group. He has broad industry experience across Scandinavia, Continental Europe and the UK covering the last 20 years, including positions in Aktiv Kapital (PRA), Cabot Financial and Morgan Stanley as well as his time in Lindorff. His former work experience includes investment banking with Barclays Bank for four years and container shipping with P&O Nedlloyd for four years, where he also qualified as a management accountant.

He holds a bachelor's degree from the University of Plymouth and is a qualified accountant with Chartered Institute of Management Accountants (CIMA).

Kyrre Svae

Chief of Strategy and IR

Mr. Svae is the Chief of Strategy and IR at Axactor Group, responsible for the strategy formulation and investor relations.

He has fourteen years of experience working primarily as a management consultant on projects in Norway, Sweden, Denmark, Finland, the Netherlands, Germany and the USA. Mr. Svae has extensive experience from strategy development, operational improvement and M&A in a wide range of industries, including the debt management industry. His former work experience includes positions as founder and managing partner in Breidablikk Consulting AS and partner in Cardo Partners AS.

Mr. Svae holds an MSc from Copenhagen Business School, with part of the degree from Harvard University and China Europe Int. Business School.

Steffen Fink

Country Manager Germany

For the last 25 years Mr. Fink has held various management positions for the international credit insurer, Coface. Before joining Axactor he was "Head of Nordics" with responsibility for all Scandinavian subsidiaries. He was also CEO of two debt collection companies in Denmark and Sweden. Until 2014 Mr. Fink was Regional Claims and Debt Collection Director with the same credit insurer in Germany and responsible for activities in Germany, Russia, the Netherlands and Scandinavia.

Mr. Fink graduated from Commercial College Wiesbaden and finalized as a lawyer and notary professional.

Lisa Sohtell

Country Manager Sweden

Ms. Sohtell has over 20 years' experience of customer service as site manager for multiple call centers at Transcom and Teleperformance. Prior to entering the position as Country Manager at Axactor Sweden she spent several years as Head of Operations at both Lindorff and Axactor.

Ms. Sohtell studied at the Gothenburg School of Business, Economics and Law (GU).

Heidi Piispanen

Country Manager Finland

Ms. Piispanen has over 20 years' experience from the debt collection industry and the banking and finance industry. Prior to the role as Country Manager in Finland, she was Group Operations Director in Axactor. Before joining Axactor, she held the position as director of debt purchase in Lindorff for Finland, Baltics and Russia. Former work experience includes positions as director of the non-performing loans portfolio in Aktiv Kapital in Finland and as collection department manager in Citibank.

Ms. Piispanen holds a bachelor's degree from Helsinki Metropolia University of Applied Sciences.

Stina Koren
Country Manager Norway

Ms. Koren has over 20 years of experience working with debt collection and customer service. Prior to the role as Country Manager at Axactor Norway she has had several management roles in Lindorff, both in Norway and Sweden, mainly within operations, business development and digitalization.

Ms. Koren holds a bachelor's degree from BI Norwegian Business School (BI).

Andrés López
Country Manager Spain

Mr. López began his professional career advising on legal matters at AIG Europe Limited company before becoming one of the founding partners of ALD Abogados, a solicitor and legal startup acquired by Axactor in 2015. Over the past 17 years he has specialized in the Spanish market, consolidating his experience in acquiring & valuating debt portfolios.

Mr. López holds a degree in law from Complutense University of Madrid, and a PDD from IESE Business School.

Antonio Cataneo
Country Manager Italy

After having held managerial roles in other sectors, Mr. Cataneo now has over 12 years' experience in running debt collection businesses. Before acting as Country Manager in Axactor Italy, he held primary executive roles in KRUK Group in Italy and was COO & Member of the Board of Credit Base International.

Mr. Cataneo holds a bachelor's degree from Universitá di Pavia in political and economic sciences.

Shareholder information

The company's total capitalization at 31 December 2021 was NOK 2.28 billion, based on a closing share price of that day of NOK 7.55.

Dividend policy

The company is a growth company in a capital-intensive industry. At this stage, focus will be to finance purchase of portfolios and developing operations. The current dividend policy is to not pay cash as dividend to shareholders. As the return on equity gradually improves, Axactor aims to update this policy and initiate dividend payments.

Shares and share capital

At 31 December 2021, Axactor had 302,145,464 ordinary shares outstanding with a par value of EUR 0.523 (rounded) per share, see note 25 to the financial statement. The company has one share class, and all shares have equal voting rights and the right to receive dividend. At 31 December 2021 the company had 11,128 shareholders.

Listing

The Company's shares are quoted and traded in NOK at Oslo Børs (Ticker: ACR) since 2015. The shares belong to the finance category and are registered in the Norwegian Central Securities Depository (VPS), with DNB Issuer Service Registrar. The shares carry the security number ISIN SE0011309319.

Principal shareholders

The 20 largest shareholders of Axactor are predominantly Norwegian and international institutional investors. A table of the 20 largest shareholders is included in this chapter.

Employee incentive plan

The company has a share option plan for the executive management and key employees. A total of 0.5 million share options were granted under this plan during 2021 and per 31 December 2021 8.5 million share options are outstanding. Further information on the company's share option plan has been included in note 26 to the consolidated financial statements.

Investor relations

Axactor wishes to maintain an open dialogue with the capital market. Regular information is therefore published through the annual report, interim reports and presentations and stock exchange announcements. The company distributes all information relevant to the share price to Oslo Børs. Such information is distributed without delay and simultaneously to the capital market and the media and published on the company website.

The CEO and the Chief of Strategy and IR are responsible for the company's investor relations activities and for all communication with the capital markets. All information is communicated within the framework established by security and accounting legislation and rules and regulations of Oslo Børs.

All information regarding Axactor is available on the company's website at www.axactor.com.

Annual General Meeting

The annual general meeting is normally held in April or May. Written notice and additional relevant material are sent to all shareholders individually or to their custodian bank at least three weeks before the AGM is to take place. The notice is also made available on the company's website. Shareholders are encouraged to participate and to vote at the AGM. To vote, shareholder must either be physically or digitally present or be represented by a proxy.

20 largest shareholders as registered in VPS at 31 December 2021

Name	Shareholding	Share %
Geveran Trading Co Ltd	138,920,892	45.98%
Torstein Ingvald Tvenge	10,000,000	3.31%
Ferd AS	7,864,139	2.60%
Verdipapirfondet Nordea Norge Verdi	4,454,162	1.47%
Skandinaviska Enskilda Banken AB	3,079,467	1.02%
Nordnet Livsforsikring AS	2,247,811	0.74%
Endre Rangnes	2,017,000	0.67%
Gvepseborg AS	2,009,694	0.67%
Stavern Helse Og Forvaltning AS	2,000,000	0.66%
Alpette AS	1,661,643	0.55%
Verdipapirfondet Nordea Avkastning	1,643,423	0.54%
Velde Holding AS	1,400,000	0.46%
Verdipapirfondet Nordea Kapital	1,343,933	0.44%
Klotind AS	1,296,693	0.43%
Andres Lopez Sanchez	1,177,525	0.39%
David Martin Ibeas	1,177,525	0.39%
Svein Dugstad	1,154,187	0.38%
Nordea Bank Abp	1,116,576	0.37%
Nordnet Bank AB	1,086,987	0.36%
Latino Invest AS	1,040,000	0.34%
Total 20 largest shareholders	186,691,657	61.79%
Other shareholders	115,453,807	38.21%
Total number of shares	302,145,464	100%

Geographic residence of shareholders as registered in VPS at 31 December 2021

	Shareholding	Share %
Norway	144,582,187	47.9%
Cyprus	138,920,892	46.0%
Luxembourg	5,131,808	1.7%
Spain	2,469,331	0.8%
Sweden	2,018,062	0.7%
United Kingdom	1,539,706	0.5%
United States	1,254,144	0.4%
Other	6,229,334	2.1%
Total	302,145,464	100%

Ownership structure by size of holdig as registered in VPS at 31 December 2021

	Number of holders	Number of shares	Share %
1-10,000 shares	9,216	13,737,605	4.55%
10,001- 100,000 shares	1,657	45,716,676	15.13%
100,001- 1,000,000 shares	234	54,999,526	18.20%
1,000,001- 5,000,000 shares	18	30,906,626	10.23%
Above 5,000,000 shares	3	156,785,031	51.89%
	11,128	302,145,464	100%

Financials statements of Axactor Group and Parent Company

Consolidated statement of profit or loss

For the year ended 31 December

EUR thousand	Note	2021	2020
Interest revenue from purchased loan portfolios	6, 18	**168,421**	163,093
Net gain/(loss) purchased loan portfolios	6, 18	**(62,013)**	(49,813)
Other operating revenue		**88,704**	87,871
Other income		**15**	24
Total income	5,6	**195,127**	201,175
Cost of REOs sold, incl. impairment	22	**(50,515)**	(52,932)
Personnel expenses	7, 8	**(61,313)**	(54,872)
Other operating expenses	9	**(59,565)**	(61,372)
Total operating expenses		**(171,393)**	(169,176)
EBITDA		**23,733**	31,999
Amortization and depreciation	10, 14, 15, 16	**(9,654)**	(10,838)
Operating profit		**14,080**	21,161
Financial revenue	11	**3,033**	12,650
Financial expenses	11	**(57,809)**	(66,039)
Net financial items		**(54,775)**	(53,390)
Profit/(loss) before tax		**(40,696)**	(32,228)
Income tax expense	12	**(5,296)**	(1,774)
Net profit/(loss) after tax		**(45,992)**	(34,002)
Attributable to:			
Non-controlling interests		**(13,194)**	(15,871)
Shareholders of the parent company		**(32,797)**	(18,131)
Earnings per share: basic	13	**(0.112)**	(0.099)
Earnings per share: diluted	13	**(0.112)**	(0.099)

Consolidated statement of comprehensive income

For the year ended 31 December

EUR thousand	Note	2021	2020
Net profit/(loss) after tax		**(45,992)**	(34,002)
Items that will not be classified subsequently to profit or loss			
Remeasurement of pension plans		**(4)**	(58)
Net gain/(loss) on equity instruments designated at fair value through OCI		**(16)**	-
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences		**8,924**	(11,278)
Net gain/(loss) on cash flow hedges	19	**(230)**	-
Other comprehensive income/(loss) after tax		**8,675**	(11,336)
Total comprehensive income/(loss)		**(37,317)**	(45,338)
Attributable to:			
Non-controlling interests		**(13,194)**	(15,871)
Shareholders of the parent company		**(24,123)**	(29,467)

Consolidated statement of financial position

For the year ended 31 December

EUR thousand	Note	2021	2020
ASSETS			
Intangible non-current assets			
Intangible assets	6, 14	**17,824**	19,989
Goodwill	6, 14, 15	**55,960**	54,879
Deferred tax assets	12	**13,700**	7,769
Tangible non-current assets			
Property, plant and equipment	6, 16	**2,290**	2,530
Right-of-use assets	6, 10	**10,768**	4,826
Financial non-current assets			
Purchased debt portfolios	17, 18	**1,095,789**	1,124,699
Other non-current receivables		**338**	458
Other non-current investments	17, 21	**28**	196
Total non-current assets		**1,196,698**	1,215,346
Current assets			
Stock of secured assets	22	**29,310**	78,786
Accounts receivable	23	**7,060**	7,124
Other current assets	23	**16,154**	11,645
Restricted cash	24	**5,798**	2,946
Cash and cash equivalents	24	**38,155**	47,779
Total current assets		**96,476**	148,281
Total assets		**1,293,175**	1,363,627

Consolidated statement of financial position

For the year ended 31 December

EUR thousand	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	25	**158,150**	97,040
Other paid-in equity		**269,919**	236,562
Retained earnings		**(40,475)**	(16,036)
Translation reserve		**(7,074)**	(15,999)
Other reserves		**(245)**	-
Non-controlling interests		**976**	74,113
Total equity		**381,249**	375,680
Non-current liabilities			
Interest bearing debt	17, 27	**834,411**	579,282
Deferred tax liabilities	12	**6,144**	6,436
Lease liabilities	10	**8,866**	2,804
Other non-current liabilities	29, 30	**1,994**	1,433
Total non-current liabilities		**851,415**	589,955
Current liabilities			
Accounts payable		**7,282**	6,147
Current portion of interest bearing debt	17, 27	**3,845**	356,903
Taxes payable	12	**20,259**	12,002
Lease liabilities	10	**2,185**	2,282
Other current liabilities	30	**26,941**	20,657
Total current liabilities		**60,511**	397,992
Total liabilities		**911,925**	987,947
Total equity and liabilities		**1,293,175**	1,363,627

Oslo, 30 March 2022
The Board of Directors

Merete Haugli
Board member

Brita Eilertsen
Board member

Terje Mjøs
Board member

Lars Erich Nilsen
Board member

Kathrine Astrup Fredriksen
Board member

Hans Harén
Board member

Kristian Melhuus
Chair of the Board

Johnny Tsolis
CEO

Consolidated statement of changes in equity

For the year ended 31 December

	Equity related to the shareholders of the parent company							
	Restricted	Non-restricted						
EUR thousand	Share capital	Other paid in capital	Translation reserve	Other reserves	Retained earnings	Total	Non controlling interest	Total equity
Closing balance at 31 Dec 2019	81,338	201,879	(4,721)		2,153	**280,648**	96,977	**377,626**
Result for the period					(18,131)	**(18,131)**	(15,871)	**(34,002)**
Other comprehensive income for the period			(11,278)		(58)	**(11,336)**		**(11,336)**
Total comprehensive income for the period	-	-	(11,278)		(18,190)	**(29,467)**	(15,871)	**(45,338)**
Proceeds from non-controlling interests						**-**	(6,994)	**(6,994)**
New share issues	15,703	35,064				**50,767**		**50,767**
Cost related to share issues		(959)				**(959)**		**(959)**
Share-based payment		578				**578**		**578**
Closing balance at 31 Dec 2020	97,040	236,562	(15,999)	-	(16,036)	**301,566**	74,113	**375,680**
Result for the period					(32,797)	**(32,797)**	(13,194)	**(45,992)**
Other comprehensive income for the period			8,924	(245)	(4)	**8,675**		**8,675**
Total comprehensive income for the period	-	-	8,924	(245)	(32,802)	**(24,123)**	(13,194)	**(37,317)**
Proceeds from non-controlling interests						**-**	(6,625)	**(6,625)**
Acquisition of remaining 50% of Axactor Invest 1		7,319			8,363	**15,682**	(53,317)	**(37,635)**
New share issues	61,110	27,318				**88,427**		**88,427**
Cost related to share issues		(1,460)				**(1,460)**		**(1,460)**
Share-based payment		180				**180**		**180**
Closing balance at 31 Dec 2021	158,150	269,919	(7,074)	(245)	(40,475)	**380,273**	976	**381,249**

Consolidated statement of cash flows

For the year ended 31 December

EUR thousand	Note	2021	2020
Operating activities			
Profit/(loss) before tax		**(40,696)**	(32,228)
Taxes paid	12	**(3,261)**	(5,515)
Adjustments for:			
- Finance income and expenses		**54,775**	53,390
- Portfolio amortization and revaluation	5, 18	**148,542**	123,179
- Cost of secured assets sold, incl. impairment	22	**50,515**	52,932
- Depreciation and amortization	10, 14, 16	**9,654**	10,838
- Calculated cost of employee share options	26	**180**	578
Change in working capital		**4,991**	6,541
Cash flow from operating activities before NPL and REO investments		**224,700**	209,713
Purchase of debt portfolios	18	**(115,402)**	(213,032)
Sale of debt portfolio		**450**	2,050
Purchase of REOs	22	**(193)**	(399)
Net cash flow from operating activities		**109,555**	(1,668)
Investing activities			
Purchase of intangible and tangible assets	14, 16	**(4,718)**	(6,114)
Interest received		**5**	25
Net cash flow from investing activities		**(4,712)**	(6,089)
Financing activities			
Proceeds from borrowings	27	**542,496**	81,631
Repayment of debt	27	**(628,681)**	(84,395)
Interest paid		**(42,050)**	(48,392)
Loan fees paid	27	**(24,033)**	(4,503)
Lease payments	10	**(2,812)**	(2,898)
New share issues		**50,792**	50,767
Proceeds /(repayments) from/(to) non-controlling interests		**(6,625)**	(6,994)
Costs related to share issues		**(1,460)**	(959)
Net cash flow from financing activities		**(112,373)**	(15,743)
Net change in cash and cash equivalents		**(7,531)**	(23,499)
Cash and cash equivalents at the beginning of period		**50,725**	75,396
Currency translation		**759**	(1,172)
Cash and cash equivalents at end of period, incl. restricted funds		**43,953**	50,725

Summary of notes to the consolidated financial statements

Notes to the consolidated financial statements

Note 1 Corporate information

The parent company Axactor SE (publ) ("Axactor"), with Norwegian corporate identity number 921 896 328 is a joint-stock company, domiciled in Norway. The registered address is Drammensveien 167, NO-0277 Oslo. The company's shares are traded in Norway on Oslo Børs.

The principal activities of the Company and its subsidiaries (the Group) are debt management, specialising on both purchasing and collection on own debt portfolios and providing collection services for third-party owned portfolio. The activities are further described in note 5.

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 30 March 2022 and will be submitted for approval to the Annual General Meeting on 21 April 2022.

Note 2 Summary of significant accounting principles

2.1 Basis for the preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and effective as of 31 December 2021. Axactor also provides additional disclosures in accordance with requirements in the Norwegian Accounting Act.

The Parent Company's functional currency is euro (EUR) and this is also the reporting currency for the Group. All amounts in the financial reports are stated in EUR thousand unless otherwise specified.

As a result of rounding adjustments, the figures in one or more columns may not add up to the total of that column.

Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. The most important accounting principles that have been applied are described below. These principles have been applied consistently for all years presented, unless otherwise specified.

2.2 Consolidation principles

The Group's consolidated financial statements comprise Axactor SE and entities in which Axactor SE has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

There is a presumption that if the Group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the entity, including ownership interests, voting rights, ownership structure and relative power, as well as options controlled by the Group and shareholder's agreement or other contractual agreements.

The assessments are done for each individual investment. The Group re-assesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Business combinations are accounted for by using the acquisition method. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests are presented separately under equity in the Group's consolidated statement of financial position.

Change in ownership interest without loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognized at fair value and the difference between the consideration and the carrying amount of the asset is recognized against the equity attributable to the parent.

Loss of control
In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognized as a gain or loss in profit or loss. Investments retained, if any, are recognized at fair value, and surplus or deficits, if any, are recognized in profit or loss as a part of gain/loss on subsidiary disposal. Amounts included in other comprehensive income are recognized in profit or loss or directly as equity depending on their prior classification in other comprehensive income.

2.3 Functional currencies and presentation currency
The financial statements are presented in EUR, which is the functional currency of the Parent Company, as well as being the presentation currency for the Group. For the purposes of presenting this consolidated financial statement, the assets, and liabilities of the Group's non-euro operations (i.e. Sweden and Norway) are translated to EUR using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for each month. All group transactions and group unsettled matters, and profit and losses for transactions between group companies that are put into effect, are eliminated at the consolidation.

2.4 Business combination and goodwill
Business combinations are accounted for using the acquisition accounting method. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and relevant conditions as at the acquisition date. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held for sale and recognized at fair value less cost to sell, and deferred tax assets and liabilities which are recognized at nominal value.

Goodwill arising on acquisition is recognized as an asset measured at the excess of the sum of the consideration transferred, the fair value of any previously held equity interests and the amount of any non-controlling interests in the acquire over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the total consideration of the business combination, the excess is recognized in the income statement immediately.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement as financial income or expense. If the contingent consideration is classified as equity, it will not be remeasured, and subsequent settlement will be accounted for within equity.

If the business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units.

The Group assesses each cash generating unit semi-annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the actual value less costs to sell and value in use. If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated in accordance with IAS 36 Impairment of Assets. For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually.

2.5 Segment reporting
Axactor derives its revenues from the following operating segments: Non-performing loans (NPL), Third-party collection (3PC) and Real estate owned (REO). Axactor reports its business through reporting segments which corresponds to the operating segments. Segment profitability and country profitability are the two most important dimensions when making strategic priorities and deciding where to allocate the Group's resources. For management purposes, the Group is in addition organised into business units based on the geographical regions.

The internal reporting provided to the Board of Directors of Axactor, which is the Group's chief decision maker, is in accordance with this structure.

2.6 Revenue and revenue recognition
Revenue from NPL-portfolios is recognized according to IFRS 9 Financial instruments using the effective interest rate method, while revenue from 3PC is recognized according to IFRS 15 Revenue from Contracts with Customers.

The recognition of revenues from NPL portfolios is described in detail in 2.12.1. The group can sell a NPL portfolio to another debt collector. The revenue will be recognized at the time the portfolio is transferred to an external buyer.

3PC revenue is derived from a combination of fixed fees paid by Axactor's customers for services provided and commissions for solved cases and/or fees paid by the debtors to an Axactor entity. Revenue from 3PC is recognized in 'Other operating revenue' in the consolidated statement of profit or loss.

Revenue from REO is recognized at the point of time where the ownership of the property has been transferred to an external buyer. Revenue from REO is recognized in 'Other operating revenue' in the consolidated statement of profit or loss.

2.7 Employee benefits
Pension obligations
The Group's pension obligations vary between countries depending on the local legislation and different pension systems, see notes 7, 8, 28 and 29 for further descriptions.

Defined contribution retirement plans are retirement plans where the company's payment obligations are limited to the fixed contributions and where the fees already have been undertaken. The retirement benefits for the individual employee are dependent on the contributions paid to the retirement plan or an insurance company by the employer, and the return of capital invested in the retirement fund. Consequently, it is the employee that holds the risk of return (that the return will be lower than expected) and the risk of the investment (the risk that the invested pension provision will not be sufficient to cover expected retirement compensation in the future). The obligations of the Group related to payments of defined contribution retirement plans are expensed in the consolidated statement of profit or loss as they are earned by the employee for services rendered on behalf of the employer during the period.

For defined benefit plans, the pension obligations do not cease until the agreed pensions have been paid. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Share-based compensation

The group operates an equity-settled compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the option is recognized as an expense (payroll expenses) over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (e.g. an entity's share price).
- Excluding the impact of any service and non-market performance vesting conditions.
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity. The fair value of the options has been estimated at grant date and is not subsequently changed. When the options are exercised, and the company elects to issue new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium.

Social security costs related to the options are accrued on quarterly basis. Only at the moment of exercising these social security costs will become payable for the amount that relates to the actual exercised number of options.

2.8 Taxes

Income taxes consists of current tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available or which unused tax losses and unused tax credits can be utilised. A deferred tax asset arising from unused tax losses or tax credit is only recognized to the extent that the entity has sufficient taxable temporary differences or that there is convincing other evidence supporting the utilisation of the tax losses and tax credits, including the impact of time restriction by local tax authorities. The carrying amount of deferred tax assets are reviewed at the end of each reporting period. Unrecognized deferred tax assets are reassessed at each reporting date. Deferred income tax assets and deferred income tax liabilities are offset only when a legally enforceable right exists to set off tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity or taxation authority.

2.9 Intangible assets

Expenditures for software development that can be attributed to identifiable assets under the Group's control and with anticipated future economic benefits are capitalised and recognized as intangible assets, in accordance with IAS 38 Intangible Assets. These capitalised expenses can include staff expenses if the resource has been taken out of its ordinary course of work for a longer period to work on the development project, which has been recognized as having future economic benefits. Customer relationships that are recognized as fixed assets relate to fair value recognized upon acquisition in accordance with IFRS 3 Business Combinations. They are amortized on a straight-line basis over their estimated period of use (3–5 years). Other intangible fixed assets relate to other acquired rights and are amortized on a straight-line basis over their estimated period of use.

2.9.1 Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets. Goodwill that arises on the acquisition of subsidiaries is allocated to cash generating units (CGUs). Goodwill is measured at cost (residual) less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when there are indications of impairment. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. When the Group disposes of an operation within a CGU or group of CGUs to which goodwill has been allocated, a portion of the goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of the partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of.

The same principle is used for allocation of goodwill when the Group reorganizes its businesses.

2.9.2 Customer relationships and databases
Separately acquired customer relationships and databases are initially recognized at historical cost. The assets acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships and databases have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over their useful lives of 3 to 6 years.

Development costs on an individual project are recognized as an intangible asset only when there is an identifiable asset that will generate expected future economic benefits and when the cost of such asset can be measured reliably, otherwise development costs are recognized as an expense when incurred. During 2021 the Group has continued the development of the business intelligence system and business infrastruucture, hereunder debtor- and client portals.

2.10 Tangible fixed assets
Tangible fixed assets are reported at cost in the consolidated statement of financial position, with a deduction for accumulated depreciation and any impairment.Depreciation is made on a straight-line basis over the asset's estimated useful life, which is assessed on an individual basis, ranging from three to six years.

2.11 Right of use assets and lease liabilities
The Group has applied IFRS 16 Leases. At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

The lease liability is recognized at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date.

The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate. The Group does not include variable lease payments in the lease liability. Instead, the Group recognizes these variable lease expenses in profit or loss.

The Group presents its lease liabilities as separate line items in the statement of financial position.

The Group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities.

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment for depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

2.12 Financial instruments
A financial asset or liability is recognized in the consolidated statement of financial position when the Group has a contractual commitment regarding such an instrument. Financial instruments reported as assets in the consolidated statement of financial position are included in the line items purchased debt portfolios, other non-current receivables, other non-current investments, accounts receivables, other current assets, restricted cash and cash and cash equivalents. The majority of the Group's financial assets are classified as measured at amortized cost, with the exception of derivatives which are classified as measured at fair value through profit or loss and an investment which is classified as measured at fair value through OCI.

Financial instruments reported as liabilities in the consolidated statement of financial position are included in the line items current and non-current interest bearing debt, accounts payable, lease liabilities and other current and non-current liabilities. The Group's debt and other financial liabilities are, with the exception of derivatives, initially recognized at fair value, including transaction costs directly attributable to the transaction, and are subsequently measured at amortized cost. Derivative liabilities are, as derivative assets, measured at fair value through profit or loss.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when the Group has either transferred the contractual right to receive the cash flows from that asset or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired, ususally when the Group has paid the contractual obligation. Interest income and interest cost are calculated using the effective interest rate method.

2.12.1 Non-performing loans (NPL)
Non-performing loans, presented as 'Purchased debts portfolios' in the consolidated statement of financial position, consists of portfolios of delinquent consumer debts purchased significantly below nominal value, reflecting incurred and expected credit losses, and thus defined as credit impaired.

For non-performing loans, timely collection of principal and interest is no longer reasonably assured at the date of purchase. Non-performing loans are recognized at fair value at the date of purchase. Since the loans are measured at fair value, which includes an estimate of future credit losses, no allowance for credit losses is recorded in the consolidated statement of financial position on the day of acquisition of the loans. The loans are subsequently measured at amortized cost according to a credit adjusted effective interest rate. Since the delinquent consumer debt is a homogeneous group, the future cash flows are projected on a portfolio basis.

The carrying amount of each portfolio is determined by projecting future cash flows discounted to present value using the credit adjusted effective interest rate as at the date the portfolio was acquired. The total cash flows (both principal and interest) expected to be collected on purchased credit impaired loans are regularly reviewed. Changes in expected cash flow are adjusted in the carrying amount and are recognized in the profit or loss as income or expense in 'Net gain/(loss) purchased loan portfolios'. Interest revenue is recognized using a credit adjusted effective interest rate, included in 'Interest revenue from purchased loan portfolios'. The majority of the non-performing loans are unsecured. Only an immaterial part of the loans, approximately 3% of the book value of the loans, is secured by a property object.

Estimating the timing and amount of cash flows requires significant professional judgment regarding key assumptions, including severity of loss, amounts and timing of payment receipts. All of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan. Estimated future cash flow (ERC) from the portfolios is assessed and updated regularly and at the end of each quarter a review of the ERC is made for all the portfolios, based on the Group's actual collection compared to the forecasted collection over time, as well as the Group's view on the impact on the ERC curve of several factors (see note 18) and conditions. The fact that the claims are credit impaired reduces the presence of non-linear effects on credit losses.

Non-performing loans that are secured by a property may have the securing property repossessed. The assets are then transferred internally to an owning entity at fair value. Any internal gains or losses arising from the transaction is eliminated at group level until the asset is sold to an external party. These assets are no longer classified as non-performing loans according to IFRS 9, hence all values relating to the asset is de-recognized from the portfolio value in the consolidated statement of financial position.

All non-performing loans are classified as non-current assets.

2.12.2 Forward flow agreements
The Group has entered into several forward flow agreements to purchase future non-performing loan portfolios, ref. note 4. These are agreements whereby Axactor agrees to buy and the counterparty agrees to sell future periods' financial assets (loans) that fulfils a set of specified criteria (past due status etc.) in a number of batches over a specified time period. The price at which Axactor buys the loans is agreed when the contract is signed and can be segmented by types of claim or size bands. The value of a forward flow agreement shall reflect fair value.

Any significant changes to the expected future cash flow will lead to a revaluation of the portfolio. If external factors assumed directly or implicitly in the business case valuation change significantly before the acquisition date of one or more batches in a portfolio, so that it will impact the value of the batch(es) through a change in the expected future cash flow from the batch(es), the change in value is recorded as a fair value adjustment with immediate effect. The fair value adjustment is recognized in the consolidated statement of profit or loss as 'Other operating revenue'.

2.12.3 Accounts receivable
Accounts receivables are recognized initially at fair value and measured at amortized cost. Evaluation of the value of overdue accounts receivable are based on individual judgment and/or from historical experience.

2.12.4 Trade and other payables
Trade payables are recognized at the original invoiced amount. Other payables are recognized initially at fair value. The payables are measured at amortized cost.

2.12.5 Client funds
Client funds arises from cash received on collections on behalf of a client. Collections are kept on separate restricted bank accounts and are reflected simultaneously as a liability. The funds are reported as 'Restricted cash' and 'Other current liabilities' in the consolidated statement of financial position, and shown on a separate line in note 24 and note 30.

2.12.6 Cash and cash equivalents
Cash and cash equivalents include cash at banks and on hand and other short term highly liquid investments with original maturities of three months or less.

2.12.7 Derivatives
Derivatives are recognized at fair value on the date the contract is entered into and are subsequently measured at fair value. Derivatives are designated as hedging instruments in cash flow hedge relationships, and related gains or losses are recognized as described in note 2.17.

2.13 Stock of secured assets / real estate owned (REOs)
Real estate owned consists of portfolios of properties held for sale as a part of the ordinary course of business. The properties are acquired exclusively with a view to subsequent resale in the near future and getting involved in renting out is not part of the business idea. Since

REOs are held for sale, the Group considers the REOs as stock of secured assets in accordance with IAS 2 Inventories and valued at the lower of cost and net realizable value.

2.14 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the activities concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

2.15 Government grants

The Group has applied IAS 20 for government grants and support received. Government grants are recognized when there is reasonable assurance that the grant will be received. If conditions are attached to the grant which must be satisfied before the Group is eligible to receive the contribution, these conditions will be disclosed. Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.16 Hedge accounting

The Group has elected to apply hedge accounting rules in IFRS 9. When a hedging relationship meets the specified hedge accounting criteria in IFRS 9, the Group applies hedge accounting, based on the purpose of the hedge. Currently the Group only applies cash flow hedge accounting to mitigate the impact of changes in floating interest rates. Derivatives are used as hedging instruments and consist of interest rate caps.

At inception, the Group formally documents how the hedging relationship meets the hedge accounting criteria. It records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge, the hedge ratio determined in the risk management strategy and the ratio in the actual hedges performed and the effect of credit risk on the relationship, which cannot dominate the value changes from the economic relationship.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognized in OCI as net gain/(loss) on cash flow hedges in other reserves. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss as a financial revenue or expense. When the hedged cash flow affects the profit or loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line. The market value is calculated by third parties. The calculation is based on a net present value calculation of the difference from agreed premium and market premium at the reporting date.

To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge relationship no longer meets the criteria for hedge accounting or the risk management objectives, any cumulative gain or loss that has been recognized in OCI at that time remains in OCI and is recognized when the hedged forecast transaction is ultimately recognized in profit or loss.

2.17 Changes in accounting policies and disclosures implemented in 2021

Axactor has applied hedge accounting in accordance with IFRS 9 for the first time during 2021. Details of the hedge relationships are described in note 19. The Group has considered the IFRIC agenda decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement' (IAS 38 Intangible assets) and concluded that there was no resulting changes that needed to be accounted for as a change in accounting policy. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the Interest Rate Benchmark Reform – Phase 2 provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments had no impact on the consolidated financial statements of the Group. In all other respects, the accounting principles applied during 2021 are consistent with principles applied in the previous accounting period. No new standards or other changes in accounting policies have been implemented during 2021.

2.18 Changes in accounting policies and disclosures for 2022 calendar year or thereafter

The new and amended standards and interpretations that are issued, but not yet effective, are not expected to have a material impact on the Group.

Note 3 Financial risk management objectives and policies

Axactor defines risk as all factors which could have a negative impact on the ability of the Group to achieve its business objectives. All economic activities are associated with risk. Axactor's financing and financial risks are managed within the Group in accordance with the financial policy and treasury policy established by the Board of Directors. In order to manage risk in a balanced way, it must first be identified and assessed. Axactor conducts risk management at both a group and company level, where risks are evaluated and monitored in a systematic manner. Responsibility for risk management and internal control is an integral part of management responsibility. Risks associated with changes in economic conditions are monitored through on-going dialogue with each country management team and through regular checks on developments in each country.

Axactor was compliant with all covenants throughout the year.

The following summary offers an overview of all material risk factors which are considered especially important for Axactor's future development.

Market risks

Axactor's financing and financial risks are managed within the Group in accordance with the treasury policy established and overseen by the Board of Directors. The treasury policy contains rules for managing financial activities, delegating responsibility, measuring, identifying, and reporting financial risks and limiting these risks. Internal and external financial operations are concentrated to the Group's central finance function in Oslo, which ensures both economies in scale when pricing financial transactions as well as concentration of competent resources. Because the finance function can take advantage of temporary surplus deficits in the Group's various countries of operation, the Group's total interest expense can be reduced. In each country, investments, revenues, and most operating expenses are denominated in local currencies, and thus currency fluctuations have a relatively minor effect on operating earnings. Revenues and expenses in national currency are thereby hedged in a natural way, which limits transaction exposure.

Regulatory risks

Regulatory risks, because of increased focus from authorities and stricter rules e.g. MAR (market abuse regulation), AML (anti money laundering), GDPR (general data protection regulation), debt collection laws and BEPS (base erosion and profit shifting), are being monitored continuously. During the Covid-19 pandemic Axactor has faced temporary changes in debt collection regulations in a few countries. The debt collection industry is also facing reduction of (regulatory) collection fees as a consequence of a more consumer-friendly legislation in both EU and Norway. Axactor continuously monitors the EU's regulatory efforts to be able to indicate potentially negative effects for European credit management companies and to work for favourable regulatory changes.

The financial effect is expected not to be material for the Group.

Interest rate risks

Interest risk is related to the risk the Group is exposed to from changes in the market's interest rate which can affect the net profit. The Group's main interest rate risk arises from long-term borrowings with variable rates, which amounted to EUR 838.3 million at 31 December 2021 (2020: EUR 936.2m). The loans carries a variable interest rate based on the interbank rate in each currency with a margin. Axactor has entered into two EUR interest caps at strike at 0,5% for the nominal amount of EUR 200 million with 3 years duration with start mid December 2022, in order to mitigate the effect of interest rate changes on the floating rate bonds and applies cash flow hedge accounting. The details of the hedge relationships are described in note 2.17 and 19.

Any annualised increase by 100 basis point would decrease the Groups profit before tax by EUR 7.0 million. (2020: EUR 9.4m). At 31 December 2021, the 3 months EURIBOR was negative. Hence, any annualised decrease would not affect the Group's profit. The average interest rate in 2021 was 6.2% (2020: 6.2%).

Currency risk

Currency risk refers to the risk that the value of liquid and financial instruments may shift because of changes in currencies' conversion rates. Much of the Groups business operation is taking place in euro countries. The Group's functional currency is therefore held in euro. However, some of its business operations is in non-euro countries like Norway and Sweden. This foreign exchange exposure may affect the Company's results and the value of monetary assets.

When the financial position of foreign subsidiaries are recalculated in EUR, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in foreign currencies, stated as the aforementioned countries.

Credit risk

Credit risks is the risk that the counterparty will not meet its obligations under a financial contract or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily related to purchased debt and trade receivablies.

Customer credit risk is managed subject to established policies, procedures and controls relating to customer credit risk management. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The credit risk (excluding purchased debt) is not considered to be a material risk in Axactor.

Risk inherent in purchased debt

To minimize the risks in this business, caution is exercised in purchase decisions. The focus is small and medium-sized portfolios with relatively low average amounts, to help spread risks. The acquisitions generally involve unsecured debt, which reduces the capital investment and significantly simplifies administration compared with collateralised receivables. Purchased debt portfolios are usually purchased at prices significantly below the nominal value of the receivables, and Axactor retains the entire amount collected, including interests and fees. Axactor places high yield requirements on purchased debt portfolios. Before every acquisition a careful assessment is made with a projection of future cash flows (collected amount) from the portfolio. In its calculations, Axactor is aided by scoring models and historical data.

Scoring entails, the debtor's payment capacity being assessed through statistical analysis. The historical data is used to assess the impact on future cash flows of external factors and events. In addition, Axactor uses specialised industry consultants to get a second opinion on contemplated debt portfolios purchases. Axactor is therefore comfortable that it has the expertise required to evaluate the purchased debt.

Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk of a shortage of funds using cash flow forecasts regularly. The driver of negative cash flow from operating activities is investments in NPL portfolios. These investments can be scaled down relatively quick, as evident by the 46% reduction in investments in NPL portfolios from 2020 to 2021. The Group generates positive cash flow from operating activities before NPL and REO investments. The Group had cash and cash equivalents of EUR 44.0 million at 31 December 2021 (2020: EUR 50.7 million).

The following table details the Group's undiscounted remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. For forward flow NPL agreements, expected cash flows are presented. The maturity calculation is made under the assumption that Axactor has a constant RCF draw in the period. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

The amounts presented are subject to change dependent on a change in variable interest rates.

Year ended 31 December 2021

EUR thousand	Q1-22	Q2-22	Q3-22	Q4-22	1- 2 years	2- 4 years	4+ years	Total
Forward flow NPL agreements, non-cancellable [1) 2)]	34,597	19,938	19,420	21,092	31,984	-	-	**127,030**
Forward flow NPL agreements, cancellable [1) 2)]	-	8,992	7,116	6,300	45,600	17,349	-	**85,357**
Revolving credit facility DNB/Nordea	2,772	2,772	2,772	2,772	363,064		-	**374,152**
Bond (ISIN: NO0010914666)	3,578	3,500	3,539	3,578	14,194	203,578	-	**231,967**
Bond (ISIN: NO0011093718)	4,013	4,102	4,102	4,057	16,273	32,590	312,216	**377,352**
Other non-current liabilities	-	-	-	-	-	-	1,994	**1,994**
Accounts payable	7,282	-	-	-	-	-	-	**7,282**
Other current liabilities	23,177	3,764	-	-	-	-	-	**26,939**
Total	75,418	43,067	36,948	37,799	471,115	253,517	314,210	**1,232,074**

1) Ref note 2.12.2

2) Expected cash flows. Cash flows are limited to EUR 308.5 million by contracted capex limits

See note 10 for contractual maturities of lease liabilities and note 18 for expected incoming cash flow (ERC) from NPL portfolios

Year ended 31 December 2020

EUR thousand	Q1-21	Q2-21	Q3-21	Q4-21	1- 2 years	2- 4 years	4+ years	Total
Forward flow NPL agreements [1) 2)]	12,702	12,205	9,636	7,173	21,518	-	-	63,234
Revolving credit facility DNB/Nordea	20,139	22,312	18,446	20,996	73,434	254,588	-	409,915
Interest bearing loans Italy	1,945	2,665	3,331	3,294	12,125	16,454	2,400	42,215
Interest bearing loans Nomura	7,515	6,806	6,465	3,790	-	-	-	24,576
Bond (ISIN: NO0010819725)	200,311	-	-	-	-	-	-	200,311
Interest bearing A & B notes	-	-	-	-	140,000	-	-	140,000
Interest bearing loans DNB/Nordea (Axactor Invest 1)	7,502	8,651	13,635	10,382	34,436	45,845	-	120,450
Other non-current liabilities	-	-	-	-	-	-	1,433	1,433
Accounts payable	6,148	-	-	-	-	-	-	6,148
Other current liabilities	16,112	4,159	386	-	-	-	-	20,657
Total	272,373	56,798	51,900	45,635	281,513	316,887	3,833	1,028,939

1) Ref note 2.12.2

2) Expected cash flows. Cash flows are limited to EUR 102.6 million by contracted capex limits

The Group manages the liquidity risk by continuously monitoring the liquidity status and the monthly rolling consolidated result- and cash flow forecasts. The Group has no contractual maturity on loan repayments for the next 12 months. Hence, the contractual maturity of loans presented as less than 1 year (41.5 million) represents estimated interest payments.

The cash flow from operating activities in future years will positively be affected by the investment levels during 2018-2021. Together with the Group's RCF and bond loans this will meet the future payment obligations. The Group had an unused part of the RCF agreement of EUR 193 million, an uncommitted accordion option of EUR 75 million, in addition to unrestricted cash and cash equivalents of EUR 38.2 million.

Axactor was compliant with all covenants throughout the year.

Based on the above described cash situation, the drawing capacity together with the cash generation from operations the Group assesses the liquidity to be sufficient to meet the obligations and sufficient flexible to meet future investment priorities.

Financing risk

To support the Group's growth ambitions, the Group continuously work on securing necessary committed financing and alternative funding sources. Securing non-current financing at competitive terms is a major part of the Group's long-term liquidity planning. Short term financing risk would be changes in market conditions and or business performance that limits the Group's ability to source funding at competitive terms.

Capital management

The primary objective of the Group's capital management is to ensure the Company maintains a solid capital structure enabling it to develop and build its business to maximise shareholder value. The Group's objective is to maintain a balance of financial assets that reflects the cash requirement of its operations and investments for the next 12-24 months. No change was made in the objectives, policies, or process for managing capital during the year ended 31 December 2021.

Update on process with FSA

As communicated in a press release on 13 December 2021, Axactor SE has received a conclusion from the Norwegian Financial Supervisory Authority (FSA) in accordance with the preliminary conclusion as stated in the press release of 2 September 2021. The FSA requires that the company expands its valuation model for portfolios of non-performing loans (NPL) with more input variables capturing current and future macroeconomic conditions and use of scenarios with effect from the reporting of the annual accounts for the financial year 2022. The company takes notice of the conclusion from FSA and will implement the requested changes accordingly.

The estimation of future cash flow is affected by several factors, including general macro factors, market specific factors, portfolio specific factors and internal factors. Axactor is already considering relevant macro factors and market specific factors when estimating future cash flow but not as direct input generating output in the forecast models. Portfolio specific factors and internal factors are considered to affect the estimation of future cash flow significantly more than changes in general macro factors and market specific factors. The company takes notice of the conclusion from the FSA and has started the work on expanding the portfolio valuation model to better reflect the macro factors and scenarios as required. The company has initiated testing to identify the impact of macroeconomic factors on collection performance. So far, regression analysis has rejected macroeconomic factors as prediction variables for collection performance. The company will continue to refine the analysis with the aim to identify any variance explained by macroeconomic factors. The company has implemented requirements for documentation of the relevant macroeconomic assumptions in portfolio acquisition processes. The company considers interest rate, unemployment, GDP growth, housing price growth, inflation, salary growth and regulation changes to be the most relevant macroeconomic factors. The company will have the expanded model implemented with effect for the annual accounts for 2022.

The notice from the FSA also requires the company to conduct a new measurement of one specific NPL portfolio as of 2019 and onwards. The company is required to document the use of reasonable and supportable assumptions for estimates of future credit losses occurring after 2026. The company has performed a new measurement with the information available at the end of 2019 and an external valuation agency has provided a benchmark valuation to verify the internal measurement. Based on the updated measurement, the company has booked an impairment of EUR 1.8 million in the fourth quarter of 2021. The error is related to 2019, but is regarded as not material and a retrospective restatement has not been made, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Note 4 Critical accounting estimates and judgments in terms of accounting policies

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, where, e.g., the effect of the Covid-19 pandemic impact has been considered and expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition of NPL Portfolios

The Group uses the credit-adjusted effective interest rate method to recognize revenue for portfolios of purchased credit impaired loans. The use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows from the NPL portfolios at each reporting date. The underlying estimates that form the basis for revenue recognition depend on variables such as the ability to contact the debtor and reach an agreement, timing of cash flows, general economic environment, and statutory regulations. If the estimations are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IFRS 9.5.5.14. Events or changes in assumptions and managements judgment will affect the recognition of revenue in the period.

Book value of NPL portfolios

Non-performing loans presented as 'Purchased debt portfolios' in the consolidated statement of financial position consist of acquired non-performing (credit impaired) unsecured loans. Such assets are recognized at amortized cost using the effective interest method. Changes in assumptions and management's professional judgment will affect the expected cash flow for the portfolios and therefore also the net present value of future cash flows and the book value of the portfolios, see note 18.

The Group determines the carrying value by calculating the present value of estimated future cash flows at the receivables' initial effective interest rate. Adjustments are recognized in the income statement. The valuation method provides the best estimate of the fair value of debt portfolios.

The carrying value of purchased loans and receivables recognized at amortized cost does not perfectly match the fair value determined by discounting the net cash flow i.e. the gross cash receipts reduced by the cost to collect and tax costs discounted with a market-based discount rate at every end of the reporting period. The method and result of the fair value estimation at 31 December are described below and shows a non-significant deviation between the two valuation methods. The method falls within level 3 of the fair value hierarchy, ref note 17.

Fair value estimation of NPL portfolios

The fair value of financial instruments that are not traded in an active market (e.g. NPL portfolios) is determined by using valuation techniques such as net present value of estimated cash flows. For NPL portfolios, the discount rate used is the weighted average cost of capital, which is the weighted value of the Group's cost of debt and the cost of equity. The cost of equity is estimated by applying the capital asset pricing model. The Group has assumed that this WACC is the same as the market would use, in order to get to the fair value of the portfolios.

The preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from portfolios. The estimated future portfolio cash flows are reviewed by management each quarter considering the current collection environment. The fair value is estimated to approximately EUR 1,238 million (2020: EUR 1,248 million) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is EUR 1,096 million. (2020: 1,125 million), which is based on IFRS 9 using the estimated gross future cash flows, where the discount factor is the individual credit-adjusted effective interest rate for each portfolio.

The fair value estimation is based on estimated net cash flows from portfolios. The estimated net cash flows from portfolios are the assumed future collection on portfolios per country, less assumed collection costs per portfolio before tax. Collection costs consist of operational costs in the portfolio segment, i.e. commission to debt collection, payroll expenses, premises, communication costs, depreciation, and other costs directly attributable to the debt purchasing segment. The collection costs as a percentage of the portfolio collection differ from portfolio to portfolio, ranging from less than 10% to over 50%. In addition, the country specific marginal tax rate is applied. This individual collection cost and tax rate is applied to each portfolio's estimated future cash flow, adding up to an estimated total net cash flow for the Group. The weighted average cost of capital after tax for the portfolio segment is estimated to 5.8% (2020: 5.4%) at 31 December 2021 (details of the calculation is shown below). Based on this rate, the discounted value of the estimated net cash flows indicates that the fair value of portfolios is approximately EUR 1,238 million (2020: 1,248 million). To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below to show the effect of deviations from the cash flow estimates and variations in the cost of capital.

Fair value sensitivity table

	Performance				
EUR million	90%	95%	100%	105%	110%
WACC					
4%	1,214	1,279	1,345	1,410	1,476
5%	1,117	1,178	1,238	1,299	1,359
9%	1,014	1,069	1,124	1,179	1,234
10%	973	1,026	1,079	1,132	1,184
11%	935	986	1,037	1,088	1,139
12%	900	949	998	1,047	1,096
13%	868	915	962	1,010	1,057

The cost of capital after tax for the portfolio segment is calculated using the capital asset pricing model (CAPM) in combination with the weighted average cost of capital (WACC). Based on the variables from the table below, the estimated cost of capital after tax is approximately 5.8%.

Cost of equity

	2021	2020	
Risk-free rate	**(0.479%)**	(0.724%)	5 year euro area tripple A rated government bonds, as reported by the European Central Bank
Market risk premium	**4.7%**	4.7%	Damodaran 6 January 2022
Estimated beta (equity)	**2.07**	1.76	Observed beta for Axactor
Company specific premium	**6.0%**	6.0%	Ibbotson research 2014 [1)]
Cost of equity before tax	**8.8%**	8.1%	
WACC	**5.8%**	5.4%	

1) Latest data available. The Group considers this to be the best estimate to be available

Risk free rate
The risk-free rate used in the calculation of the WACC is based on EUR risk-free interest rate, which at 31 December was priced at negative 0.479%. Most of the Group's cash flow is in EUR, although the Group has some part of the cash flows in other currencies, the largest being NOK and SEK. Calculating a currency specific WACC, the risk-free rate element would have increased the WACC slightly compared to the WACC estimated for the Group.

Risk premium
Based on empirical research done the long-term risk premium is about 4-6%. It is reasonable to assume that the risk of investing in non-performing loan portfolios is in the higher end of the observed average market risk premium. Therefore, a company risk premium of 6% is added to the calculation. These risk premiums are based on the research found by *Ibbotson risk premiums over time report.*

Equity beta
The equity beta is based on five years of monthly observations for the Axactor share. The calculations are based on data from Reuters. Thereafter this is used as a basis for the beta used to calculate cost of equity for Axactor.

Cost of debt
The average cost of debt for 2021, defined as the loan interest in the loan agreements divided by the individual loan balances at 31 December, is 6.9% (2020: 6.9%).

Future cash flow estimates
The future cash flow estimates are based on the current 15-year IFRS forecast for the current asset base with no value after this 15-year period. Therefore, there are no adding cash flows from future investments included in the fair value estimation.

See note 18 for further details.

Goodwill
In accordance with the stated accounting policy, the Group annually tests whether goodwill has suffered any impairment or more frequently if impairment indicators are identified. The recoverable number of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the five years business plan approved by the board of directors, and do not include significant investments that will enhance the performance of the CGU being tested, except from already committed. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows (sensitive to estimates of sales and cost levels) and the growth rate used for extrapolation purposes. Further details about goodwill and impairment reviews are included in note 15 Impairment.

Note 5 Segment reporting

Axactor delivers credit management services and the Group's revenue is derived from the following three operating segments: Non-performing loans (NPL), Third-party collection (3PC) and Real estate owned (REO). Axactor's operations are managed through these three operating segments.

The NPL segment invests in portfolios of non-performing loans. Subsequently, the outstanding debt is collected through either amicable or legal proceedings.

The 3PC segment's focus is to perform debt collection services on behalf of third-party clients. The operation segment applies both amicable and legal proceedings in order to collect the non-performing loans, and typically receive a commission for these services. Other services provided include, amongst other, helping creditors to prepare documentation for future legal proceedings against debtors, handling of invoices between the date and the default date and sending out reminders. For these latter services, Axactor typically receive a fixed fee.

The REO segment relates to the investment in real estate assets held for sale. The stock of secured assets was EUR 29.3 million per 31 December 2021 (2020: EUR 78.8 million), see note 22. As of 1 January 2022, the REO segment is considered as discontinued operation and will be reported separately.

Axactor reports its business through reporting segments which correspond to the operating segments. Segment revenue reported represents revenue generated from external customers. Segment profitability and country profitability are the two most important dimensions when making strategic priorities and deciding where to allocate the Group's resources.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment contribution margin represents contribution margin earned by each segment without allocation of management fee, central administration costs, other gains and losses as well as finance costs. The measurement basis of the performance of the segment is the segment's contribution margin.

Year to date 31 December 2021

EUR thousand	NPL	3PC	REO	Eliminations/ Not allocated	Total
Collection on own portfolios	254,949	-	39,846	-	**294,795**
Portfolio amortization and revaluation	(148,542)	-	-	-	**(148,542)**
Other operating revenue/income:					
-Change in forward flow derivatives	(782)	-	-	-	**(782)**
-Other operating revenue and other income	-	49,640	-	15	**49,655**
Total income	105,625	49,640	39,846	15	**195,127**
REO cost of sales	-	-	(44,601)	-	**(44,601)**
Impairment REOs	-	-	(5,915)	-	**(5,915)**
Direct operating expenses	(36,168)	(34,235)	(5,865)	-	**(76,269)**
Contribution margin	69,456	15,405	(16,534)	15	**68,342**
SG&A, IT and corporate cost				(44,609)	**(44,609)**
EBITDA					**23,733**
Amortization and depreciation				(9,654)	**(9,654)**
Operating profit					**14,080**
Total operating expenses	(36,168)	(34,235)	(56,380)	(44,609)	**(171,393)**
Contribution margin (%)	65.8%	31.0%	(41.5%)	na	**35.0%**
EBITDA margin (%)					**12.2%**
Opex ex SG&A, IT and corp.cost / Gross revenue	14.2%	69.0%	141.5%	na	**36.8%**
SG&A, IT and corporate cost / Gross revenue					**13.0%**

Year to date 31 December 2020

EUR thousand	NPL	3PC	REO	Eliminations/ Not allocated	Total
Collection on own portfolios	236,459	-	40,407	-	**276,866**
Portfolio amortization and revaluation	(123,179)	-	-	-	**(123,179)**
Other operating revenue/income:					
-Change in forward flow derivatives	(826)	-	-	-	**(826)**
-Other operating revenue and other income	-	48,290	-	24	**48,315**
Total income	112,454	48,290	40,407	24	**201,175**
REO cost of sales	-	-	(36,818)	-	**(36,818)**
Impairment REOs	-	-	(16,114)	-	**(16,114)**
Direct operating expenses	(37,174)	(30,938)	(8,433)	-	**(76,546)**
Contribution margin	75,280	17,352	(20,958)	24	**71,698**
SG&A, IT and corporate cost				(39,699)	**(39,699)**
EBITDA					**31,999**
SG&A, IT and corporate cost				(10,838)	**(10,838)**
Operating profit					**21,161**
Total operating expenses	(37,174)	(30,938)	(61,365)	(39,699)	**(169,176)**
Contribution margin (%)	66.9%	35.9%	(51.9%)	na	**35.6%**
EBITDA margin (%)					**15.9%**
Opex ex SG&A, IT and corp.cost / Gross revenue	15.7%	64.1%	151.9%	na	**39.8%**
SG&A, IT and corporate cost / Gross revenue					**12.2%**

Note 6 Income

The Group operates in seven European countries: Finland, Germany, Italy, Luxembourg, Norway, Spain, and Sweden. Apart from in Luxembourg, Axactor delivers credit management services in all countries. Axactor's activities in Luxembourg are limited to investing services for the Group.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

The information in the table presented is based on the location of the debtors and the country of the company performing the collection (which correspond). This is not necessarily the same as the country owning the portfolio. The same principle is used for the allocation of the non-current assets.

Geographical information

	Total income		Non-current assets 1)	
	2021	2020	2021	2020
Finland	**10,113**	10,710	**4,052**	4,539
Germany	**30,331**	31,964	**15,884**	13,497
Italy	**17,387**	14,424	**9,184**	9,720
Norway	**35,271**	37,949	**36,088**	33,004
Spain	**95,837**	87,962	**17,519**	19,176
Sweden	**6,187**	18,165	**4,115**	2,286
Total	**195,127**	201,175	**86,843**	82,223

1) Non-current assets consists of intangible assets, goodwill, property, plant and equipment and right-of-use assets.

Portfolio revenue

Portfolio revenue is recognized as 'Interest revenue from purchased loan portfolios' and 'Net gain/(loss) purchased loan portfolios' in the consolidated statement of profit or loss and can be split further down as follows:

EUR thousand	Yield 1)	CU1 2) 5)	CU2 3) 5)	CU2 tail 4) 5)	Net revenue 2021
Finland	14,931	(1,728)	(3,817)	-	**9,385**
Germany	21,612	(1,223)	(671)	442	**20,160**
Italy	16,023	(272)	(816)	133	**15,067**
Norway	36,889	(5,932)	(4,343)	1,614	**28,230**
Spain	44,911	(1,605)	(15,700)	1,111	**28,716**
Sweden	34,055	(7,107)	(24,465)	2,367	**4,849**
Total	168,421	(17,867)	(49,812)	5,666	**106,407**

EUR thousand	Yield 1)	CU1 2)	CU2 3)	CU2 tail 4)	Net revenue 2020
Finland	14,727	(2,155)	(3,218)	-	**9,353**
Germany	23,015	(2,260)	355	595	**21,705**
Italy	16,996	(1,776)	(3,559)	275	**11,936**
Norway	29,703	1,997	(4,032)	1,775	**29,443**
Spain	47,790	(2,427)	(23,574)	978	**22,767**
Sweden	30,864	(6,325)	(8,728)	2,266	**18,076**
Total	163,093	(12,945)	(42,755)	5,888	**113,280**

1) 'Interest revenue from purchased loan portfolios' in the consolidate statement of profit or loss
2) Catch up 1. Over- or underperformance compared to collection forecast
3) Catch up 2. Revaluations and net present value of changes in forecast
4) Catch up 2 tail. The net present value effect of rolling 180 months forecast, except for Finland who is limited to 180 months from legal date
5) The sum of CU1, CU2 and CU2 tail equals 'Net gain/(loss) purchased loan portfolios' in the consolidated statement of profit or loss.

Note 7 Employees, salaries and other compensations

Personnel expenses

EUR thousand	2021	2020
Salaries	**39,862**	36,991
Bonus	**4,036**	3,557
Commission	**2,210**	1,822
Social contribution	**10,047**	9,340
Pension cost	**1,489**	1,320
Share option program	**180**	580
Other benefits	**3,489**	1,262
Total personnel expenses	**61,313**	54,872

In 2020, the Group received EUR 1.2 million in government assistance related to the Covid-19 pandemic. The assistance was related to support of employee costs and was hence recognized as a reduction of personell expenses. No support was received for 2021.

Average number of employees

	2021	2020
Number of FTE's, start of year	**1,128**	1,152
Number of FTE's, end of year	**1,096**	1,128
Average number of FTE's	**1,112**	1,140

Number of FTE's at end of year, per country

	2021	2020
Finland	**42**	57
Germany	**148**	187
Italy	**104**	103
Norway	**111**	121
Spain	**628**	614
Sweden	**64**	45
Total number of FTE's	**1,096**	1,128

Post-employment benefits

EUR thousand	2021	2020
Salaries	**302**	742
Share option program	**-**	-
Other benefits	**-**	1
Total post-employment benefits	**302**	743

Axactor Group is compliant with the different local mandatory occupational pension requirement. For information on the country specific pension schemes, see note 28.

The Group has not received government assistance in 2021, neither related to Covid-19 or other government assistance. In 2020, the Group received government assistance as result of the Covid-19 pandemic for operations in Spain, Norway, Germany, Sweden, and Italy. The type and nature of financial support was different from country to country. All received assistance was related to support of employee costs.

Overview of received government assistance

EUR thousand	2021	2020	Nature of assistance	Unfulfilled conditions
Finland	-	-	na	na
Germany	-	121	Short time allowance	No
Italy	-	129	Temporary lay off scheme	No
Norway	-	47	Reduction social security	No
Spain	-	906	Temporary workforce reduction program	No
Sweden	-	7	Reduction social security	No
	-	1,208		

Note 8 Key management compensation

Board of Directors remuneration

EUR thousand	2021	2020
Glen Ole Rødland [2)]	**27**	44
Bjørn Erik Næss	**-**	34
Kristian Melhuus [1)]	**10**	-
Lars Erich Nilsen	**41**	47
Kathrine Astrup Fredriksen	**41**	28
Merete Haugli [3)]	**54**	41
Terje Mjøs	**45**	44
Brita Eilertsen	**47**	50
Hans Harén	**41**	21
Beate S. Nygårdshaug [1)]	**-**	13
Total	**306**	322

1) Member until 2020
2) Chair of the board until May 2021
3) Interim chair of the board from May 2021 until February 2022
4) Chair of the board from February 2022

The following remuneration has been made to the members of the nomination committee during the year:

Nomination committee

EUR thousand	2021	2020
Anne Lise Ellingsen Gryte [1)]	**-**	-
Magnus Tvenge	**-**	3
Cathrine Loferød Feght [2)]	**-**	3
Robin Bakken [2)]	**-**	4
Total	**-**	10

1) Member from April 2020
2) Member until April 2020

Executive management remuneration 2021

EUR thousand	Salary	Bonus	Pension	Other	Share option [1]	Total
Johnny Tsolis, CEO	410	87	35	1	39	**573**
Endre Ragnses, CEO [2]	-	44	-	-	-	**44**
Nina Mortensen, CFO [3]	92	20	7	1	-	**120**
Teemu Alaviitala, CFO [4]	44	16	2	-	-	**61**
Arnt Andre Dullum, COO	178	18	16	2	17	**230**
Oddgeir Hansen, COO [5]	46	133	-	-	-	**179**
Kyrre Svae, Chief Strategy and IR	185	49	14	2	8	**257**
Vibeke Ly, Chief of Staff	199	29	14	1	17	**261**
Robin Knowles, Chief Investment Officer	297	25	3	-	19	**344**
Steffen Fink, Country Manager Germany	260	24	-	44	5	**334**
Andres Lopez, Country Manager Spain	265	50	-	13	30	**357**
David Martin, Country Manager Spain [6]	177	50	-	9	-	**236**
Lisa Sohtell, Country Manager Sweden	203	19	75	2	26	**325**
Stina Koren, Country Manager Norway	208	31	7	1	25	**271**
Antonio Cataneo, Country Manager Italy	170	15	-	12	24	**221**
Heidi Piispanen, Country Manager Finland	175	53	40	7	5	**279**
Total	2,909	662	214	93	215	**4,093**

1) Cost in relation to share option program, not exercised
2) CEO until 3 April 2020
3) CFO from 1 August 2021
4) CFO until 31 January 2021
5) COO until 1 July 2020
6) Country Manager Spain until 14 July 2021

Executive management remuneration 2020

EUR thousand	Salary	Bonus	Pension	Other	Share option [1]	Total
Johnny Tsolis, CEO [2]	336	109	6	1	72	**524**
Endre Rangnes, CEO [3]	700	329	6	-	(45)	**991**
Teemu Alaviitala, CFO [4]	72	-	3	-	4	**78**
Arnt Andre Dullum, COO [5]	72	-	3	-	29	**104**
Oddgeir Hansen, COO [6]	270	94	6	-	(25)	**346**
Kyrre Svae, Chief Strategy and IR [7]	72	-	3	-	4	**78**
Vibeke Ly, Chief of Staff	169	37	6	-	25	**238**
Siv Farstad, EVP HR [8]	102	-	3	-	(20)	**84**
Robin Knowles, Chief Investment Officer	259	91	3	1	36	**390**
Steffen Fink, Country Manager Germany	234	18	-	12	3	**267**
Andres Lopez, Country Manager Spain	244	63	-	50	52	**408**
David Martin, Country Manager Spain	244	63	-	50	52	**408**
Lisa Sohtell, Country Manager Sweden	202	82	-	9	45	**338**
Stina Koren, Country Manager Norway	164	75	6	2	40	**287**
Antonio Cataneo, Country Manager Italy	201	95	10	-	38	**344**
Heidi Piispanen, Country Manager Finland [9]	15	-	2	-	-	**17**
Jarkko Jalonen, Country Manager Finland [10]	123	70	35	-	40	**267**
Total	3,476	1,125	94	126	348	**5,170**

1) Cost in relation to share option program, not exercised
2) CFO until 26 June 2020, interim CEO from 3 April 2020, permanent CEO from 26 June 2020
3) CEO until 3 April 2020
4) CFO from 1 August 2020 until 31 January 2021
5) COO 50% from 19 May 2020, 100% from 1 September 2020
6) COO until 1 July 2020
7) Chief of Stategy and IR from 1 August 2020
8) Head of HR until 31 March 2020
9) Country Manager Finland from 4 December 2020
10) Country Manager Finland until 3 December 2020

The CEO, Johnny Tsolis, has a six-month notice period and is entitled to a severance pay of six months in case of termination by the company. In addition, there is a non-compete and non-solicitation clause in the employment agreement. The country managers are entitled to severance pay from three to twelve months.

The share-based option program is presented in note 26. Bonus stated in tables above reflects the paid amounts during the year. At the end of 2021 no loan or prepayments were granted to Board of Directors and executive management.

Members of the executive management employed in Axactor SE has an additional contribution pension entitling them to pension rights for salary over 12G (Norwegian Grunnbeløp).

Note 9 Other operating expenses

Other operating expenses

EUR thousand	2021	2020
Direct operating expenses	**9,066**	9,597
External services	**32,321**	32,949
IT expenses	**11,496**	11,976
Restructuring cost	**1,591**	1,277
Other operating expenses	**5,091**	5,573
Total other operating expenses	**59,565**	61,372

Remuneration to company auditors PricewaterhouseCoopers

EUR thousand	2021	2020
Fees, auditing	**966**	780
Fees, audit related services	**26**	-
Fees, tax advisory	**114**	33
Fees, other services	**72**	119
Total fees, PwC	**1,179**	932

Note 10 Leases

The Group leases premises, office equipment and vehicles under non-cancellable lease agreements. The lease terms are between 1-6 years and the majority of lease agreements are renewable after the end of the lease period. No periods covered by an option to extend the lease has not been included in the lease term, as the Group is not reasonably certain to exercise the individual options. Leasing contracts are classified as lease liabilities and right-of-use assets under IFRS 16, see note 2, section 2.11.

Right-of-use assets

EUR thousand	Buildings	Vehicles	Other	Total
Right-of-use assets at 1 Jan 2020	5,039	541	267	**5,846**
New leases	1,421	780	-	**2,201**
Depreciation of the year	(2,358)	(502)	(187)	**(3,048)**
Disposals	(94)	(18)	-	**(112)**
Currency exchange effects	(58)	(3)	-	**(61)**
Right-of-use assets at 31 Dec 2020	3,949	797	80	**4,826**
New leases	9,333	107	51	**9,491**
Depreciation of the year	(2,503)	(346)	(80)	**(2,929)**
Disposals	(484)	(84)	(4)	**(572)**
Currency exchange effects	(48)	1	-	**(48)**
Right-of-use assets at 31 Dec 2021	10,247	475	46	**10,768**

Remaining lease term	1-6 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	

The Group had new leases of EUR 9.3 million in 2021, mainly relating to new offices in Germany, Norway and Sweden. The interest costs relating to IFRS 16 Leases during the year are reflected in the profit and loss statement with EUR 366 thousand (EUR 334 thousand). The interest rate used for discounting the lease liability is based on the interest rate from the Group's external financing.

Lease liabilities

EUR thousand	2021	2020
Lease liabilities at 1 Jan	**5,086**	6,029
New leases, modifications and terminations	**8,812**	1,995
Lease payments	**(2,812)**	(2,898)
Currency exchange effects	**(35)**	(40)
Lease liabilities at 31 Dec	**11,051**	5,086
Current	**2,185**	2,282
Non-current	**8,866**	2,804

The future aggregated minimum lease payments under lease liabilities are as follows:

EUR thousand	2021	2020
< 1 year	**2,717**	2,496
1-2 years	**2,511**	1,396
2-3 years	**2,065**	1,027
3-4 years	**1,821**	368
4-5 years	**1,800**	125
> 5 years	**2,100**	78
Total undiscounted lease liabilities, end of period	**13,015**	5,492
Discount element	**(1,964)**	(405)
Total discounted lease liabilities, end of period	**11,051**	5,086

Note 11 Financial items

EUR thousand	2021	2020
Financial revenue		
Interest on bank deposits	**5**	25
Exchange gains realized	**2,982**	705
Net unrealized exchange gain	**-**	11,901
Other financial income	**46**	20
Total financial revenue	**3,033**	12,650
Financial expenses		
Interest expense on borrowings [1)]	**(52,895)**	(63,554)
Exchange losses realized	**(3,161)**	(1,153)
Net unrealized exchange loss	**(1,326)**	-
Other financial expenses [2)]	**(427)**	(1,332)
Total financial expenses	**(57,809)**	(66,039)
Net financial items	**(54,775)**	(53,390)

1) Figure for 2020 includes expensed capitalized loan fees of EUR 7.1 million related to refinancing.

2) Includes interest expense from negative bank accounts in group multicurrency cash pool and negative interest on bank deposits.

Note 12 Income tax and tax assets and liability

Income tax calculation

The Group's tax expense is affected by several factors, where the most important are limitation of interest deduction, unrecognized tax losses carried forward, currency effects and local GAAP/IFRS-differences for calculation of taxable profit.

EUR thousand	2021	2020
Ordinary result before taxes	**(40,696)**	(32,228)
Basis for income tax	**(40,696)**	(32,228)
Income tax payable calculated	**5,411**	15,892
Tax effect on permanent difference	**(7,859)**	(5,886)
Adjustment for previous year	**8**	(621)
Tax effect on tax rate reduction	**(1)**	(154)
Limitation of interest deduction, for which no deferred tax asset was recognized	**4,014**	(2,637)
Limitation interest deduction, recognized in deferred tax	**-**	1,465
Use of tax losses, previously not recognized	**-**	108
Tax assets, previously not recognized	**-**	(216)
Tax losses for which no deferred tax asset was recognized	**(1,530)**	(16,009)
Tax effect of change in net deferred income tax liabilites/assets	**(3,912)**	6,462
Effect on foregin exchange rates	**(1,426)**	(178)
Income tax expense	**(5,296)**	(1,774)

Deferred taxes

EUR thousand	2021	2020
Non-current portfolios	**(2,887)**	(4,416)
Non-current intangible assets/liabilities	**(159)**	(1,076)
Current assets	**158**	1,168
Non-current liabilities	**(52)**	(822)
Limitation interest carried forward	**-**	1,274
Re-classification deferred taxes relating to group contribution	**(2,863)**	(1,261)
Tax losses carried forward	**13,359**	6,466
Net deferred tax	**7,556**	1,333
Deferred tax asset	**13,700**	7,769
Deferred tax liability	**(6,144)**	(6,436)

Unrecognized deferred tax assets

A deferred tax asset is recognized only to the extent that it is probable hat future taxable profits will be available against which the asset can be utilized. Tax losses carried forward, not recognized, mainly relates to companies in Luxembourg and Italy. Limitation of interest deduction, not recognized, relates mainly to Norway:

EUR thousand	2021	2020
Tax losses carried forward, not recognized	**32,349**	21,120
Limitation of interest deduction, not recognized	**4,014**	3,992
Net assets not recognized	**36,363**	25,112

Income tax expense per country

EUR thousand	2021	2020
Germany	**1,425**	1,677
Italy	**(92)**	(493)
Finland	**300**	56
Luxembourg	**-**	2,053
Norway	**(1,391)**	(5,107)
Spain	**(498)**	375
Sweden	**(5,040)**	(335)
Income tax expense	**(5,296)**	(1,774)

Note 13 Earnings per share

Basic earnings per share (EPS) is calculated by diving the profit attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year according to note 25.

Axactor currently has no share-based compensation programs that results in a dilutive effect on earnings per share. See note 26 for an overview of outstanding instruments in the share option plan.

The following reflects the income and share data used in the basic and diluted EPS calculations:

EUR thousand	2021	2020
Net profit/(loss) attributable to shareholders of the parent company	**(32,797)**	(18,131)
Number of shares (in thousands)		
Weighted average number of ordinary shares	**293,408**	182,445
Effects on dilution from share options	**-**	11,544
Weighted average number of shares adjusted for the effect of dilution	**293,408**	193,989
Basic earnings per share	**(0.112)**	(0.099)
Diluted earnings per share	**(0.112)**	(0.099)

The following instruments could potentially dilute basic earnings per share in the future:

	2021	2020
Employee share options	**8,548,969**	13,775,508

Note 14 Intangible assets

EUR thousand	Customer relations	Databases	Software	Goodwill	Other intangibles	Total
Cost price						
Cost price at 1 Jan 2020	12,700	3,694	23,150	56,170	3,426	**99,140**
Acquisition	-	-	4,988	-	491	**5,479**
Reclassification	-	-	-	-	-	**-**
Disposals at cost price	-	-	(62)	-	-	**(62)**
Currency exchange effects	(392)	(83)	-	(1,291)	(11)	**(1,778)**
Cost price at 31 Dec 2020	12,308	3,611	28,076	54,879	3,905	**102,779**
Acquisition	-	-	3,131	-	412	**3,543**
Reclassification	-	-	619	-	-	**619**
Disposals at cost price	-	-	(2,885)	-	-	**(2,885)**
Currency exchange effects	324	69	15	1,081	10	**1,499**
Cost price at 31 Dec 2021	12,631	3,680	28,956	55,960	4,328	**105,555**
Amortization and impairment						
Accumulated amortizations at 1 Jan 2020	(9,620)	(2,412)	(8,070)	-	(1,381)	**(21,483)**
Amortization of the year	(2,371)	(649)	(3,463)	-	(318)	**(6,800)**
Reclassification	-	-	-	-	-	**-**
Disposals accumulated amortizations	-	-	62	-	-	**62**
Currency exchange effects	272	48	(12)	-	2	**310**
Accumulated amortizations at 31 Dec 2020	(11,718)	(3,013)	(11,483)	-	(1,697)	**(27,911)**
Amortization of the year	(597)	(553)	(4,188)	-	(517)	**(5,854)**
Reclassification	-	-	(619)	-	-	**(619)**
Disposals accumulated amortizations	-	-	2,863	-	135	**2,998**
Currency exchange effects	(316)	(59)	(6)	-	(2)	**(383)**
Accumulated amortizations at 31 Dec 2021	(12,631)	(3,625)	(13,433)	-	(2,081)	**(31,769)**
Carrying amount at 31 Dec 2021	-	55	15,523	55,960	2,247	**73,784**
Useful life	3-5 yr	3-6 yr	3-10 yr	na	1-10 yr	

For impairment testing of goodwill see note 15.

Note 15 Impairment testing of intangible assets with an indefinite life time

Goodwill and intangible assets stated in the consolidated financial position are mainly derived from excess values following the acquisitions of ALD Abagados in Spain (2015), IKAS Group in Norway (2016), CS Union in Italy (2016), Altor Group in Germany (2016), Profact in Sweden (2017) and SPT Group Finland (2018). Recognized goodwill amounts to 56.0 EUR million at 31 December 2021 (2020: EUR 54.9 million). Other intangible assets related to excess values in the annual accounts are customer relations, databases, and software, with a carrying amount of EUR 0.1 million at 31 December 2021 (2020: EUR 1.2 million).

Only goodwill has an indefinite lifetime, all other intangible assets are amortized, see note 14.

Goodwill is tested for impairment for each cash generating unit (CGU) prior to preparation of the annual accounts. The test is performed annually, and when there are indications of impairment.

The recoverable amount for each CGU has been determined estimating their value in use (VIU) and comparing that to the carrying amount of the specific CGU. The calculation of VIU has been based on management's best estimate, reflecting the Group's five-year strategy plan set up during 2021. The discount rates are derived as the weighted average cost of capital (WACC) for a similar business in the same business environment.

Goodwill has been allocated for impairment testing purposes to the CGU "Third-party collection business" for the following CGU "Countries":

EUR thousand	2021	2020
Finland	**2,592**	2,592
Germany	**9,301**	9,301
Italy	**7,310**	7,310
Norway	**21,270**	20,166
Spain	**14,328**	14,328
Sweden	**1,159**	1,181
Total	**55,960**	54,878

Cash flow projections and assumptions

A five-year forecast of discounted cash flows plus a terminal value was used to determine the net present value of the CGU. Discounted cash flows related to the third-party collection business were calculated pre-tax and applying a pre-tax WACC. The pre-tax WACC was derived by back-solving based on the estimated value using the post-tax WACC and the post-tax cash flow.

The terminal value is based on the estimated pre-tax net cash flow in 2026, using a standard perpetuity formula with a long-term growth rate of 1.5% (2020: 1.5%).

Key assumptions for the value in use calculations

The calculation of VIU for the CGU is most of all sensitive when it comes to the following assumptions:

Discount rate

The input data for the WACC is gathered from representative sources, peer groups etc., and this is used to determine the best estimate. The WACC was calculated after tax, and then back solved to arrive at a pre-tax WACC. All parameters were set to reflect the long-term period of the assets and time horizon of the forecast period of the cash flows.

Key inputs for the WACC for the CGU:

EUR thousand	EUR	NOK	SEK
Beta	0.76	0.76	0.73
Risk-free interest	(0.48%)	1.63%	0.07%
Market risk premium	4.24%	4.72%	4.72%
Small cap premium	6.00%	6.00%	6.00%
Cost of equity	8.80%	11.20%	9.54%
Equity ratio	30.15%	30.15%	30.15%
Cost of debt	5.90%	5.90%	5.90%
WACC	5.83%	6.47%	6.11%

- Risk free rate: 5-year risk free bond per country
- Beta (equity): Unlevered beta based on observed monthly levered beta for Axactor for the last five years
- Market risk premium: The market risk premium is based on empirical data for risk premium (Damodaran)
- Company specific/small cap premium: The company specific premium is based on Ibbotson analysis
- Capital structure: Applied 30% equity ratio based on company estimates for 2022
- Cost of debt: Applied cost of debt of 5.9% based on company estimated forecasts

Growth rate

The growth rate in the forecast period is based on management's expectation for the development in the different markets, and management's strategic plan. The terminal growth rate at 1.5% applied in 2020 remains at 1.5% in 2021.

Cash flow

The calculation includes cash flows for five years, in addition to terminal value. Cash flow estimates are based on a weighted average of a five-year financial plan reviewed by the Board of Directors and a base case with more conservative assumptions.

The cash flow shows expectation of gross profit improvement and revenue growth handled by the existing organization.

Impairment – test results and conclusion

The VIU exceeds carrying amount for each of the CGUs. The impairment test did not indicate that the value of the goodwill needs to be impaired. Based on a sensitivity analysis, the ceteris paribus impact of reducing the terminal growth rate from 1.5% to 0.5% would not result in any impairment of goodwill. Similarly, the ceteris paribus impact of increasing the WACC by one percentage point would not result in any impairment of goodwill. Management has considered and assessed reasonable possible changes for key assumptions and has not identified any instance that could cause the carrying amount of the goodwill to exceed its recoverable amount.

Note 16 Tangible assets

EUR thousand	Fixtures	Vehicles	Office equipment	Total
Cost price				
Cost price at 1 Jan 2020	4,373	82	3,326	**7,781**
Acquisition	201	-	434	**635**
Reclassification	5	-	(4)	**1**
Disposals at cost price	(8)	-	(129)	**(137)**
Currency exchange effects	10	(2)	(27)	**(19)**
Cost price at 31 Dec 2020	4,581	80	3,600	**8,260**
Acquisition	472	-	591	**1,063**
Reclassification	1	-	(1)	**-**
Disposals at cost price	(2,233)	(80)	(852)	**(3,165)**
Currency exchange effects	(7)	-	27	**21**
Cost price at 31 Dec 2021	2,814	-	3,366	**6,180**
Depreciation and impairment				
Accumulated depreciations at 1 Jan 2020	(2,767)	(49)	(2,060)	**(4,877)**
Depreciation of the year	(337)	(8)	(645)	**(990)**
Reclassification	(3)	-	2	**(1)**
Disposals accumulated depreciations	3	-	118	**122**
Currency exchange effects	(4)	2	17	**16**
Accumulated depreciations at 31 Dec 2020	(3,107)	(55)	(2,568)	**(5,730)**
Depreciation of the year	(338)	(7)	(515)	**(860)**
Reclassification	-	-	(1)	**(1)**
Disposals accumulated depreciations	1,916	62	747	**2,725**
Currency exchange effects	2	-	(25)	**(23)**
Accumulated depreciations at 31 Dec 2021	(1,527)	-	(2,363)	**(3,889)**
Carrying amount at 31 Dec 2021	1,288	-	1,003	**2,290**
Useful life	3-6 yr	5 yr	3-5 yr	

Note 17 Financial instruments

The Group's financial assets consist of purchased debt portfolios, derivatives, trade and other receivables, cash and cash equivalents, in addition to an immaterial equity investment. The majority of the Group's financial assets are classified as measured at amortized cost, with the exception of derivatives which are classified as measured at fair value through profit or loss and the equity investment which is classified as measured at fair value through other comprehensive income (FVOCI). The Group's debt and other financial liabilities are, with the exception of derivatives, initially recognized at fair value, including transaction costs directly attributable to the transaction, and are subsequently measured at amortized cost. Derivative liabilities are, as derivative assets, measured at fair value through profit or loss.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by the inputs used in the valuation techniques:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable input)

The level in this fair value hierarchy within which the measurements are categorized is determined based on the lowest level input that is significant to the fair value measurement.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. For other non-current investments, only the amount related to the equity investment measured at fair value through OCI is included in the table.

Financial instruments

	Carrying amount			Fair value			
EUR thousand	Loans and receivables	Other financial assets and derivatives	Total	Level 1	Level 2	Level 3	Total
31 Dec 2021							
Financial assets							
NPL portfolios	1,095,789	-	**1,095,789**	-	-	1,238,070	**1,238,070**
Forward flow derivatives, asset	-	-	**-**	-	-	-	**-**
Investment measured at FVOCI	-	5	**5**	-	-	5	**5**
Total	1,095,789	5	**1,095,794**	-	-	1,238,075	**1,238,075**
Financial liabilities							
Interest bearing debt	838,256	-	**838,256**	503,320	351,998	-	**855,318**
Forward flow derivatives, liability	-	409	**409**	-	-	409	**409**
Cash flow hedge derivatives	-	230	**230**	-	230	-	**230**
Total	838,256	639	**838,894**	503,320	352,228	409	**855,957**
31 Dec 2020							
Financial assets							
NPL portfolios	1,124,699	-	**1,124,699**	-	-	1,247,501	**1,247,501**
Forward flow derivatives, asset	-	257	**257**	-	-	257	**257**
Investment measured at FVOCI	-	20	**20**	-	-	20	**20**
Total	1,124,699	277	**1,124,976**	-	-	1,247,778	**1,247,778**
Financial liabilities							
Interest bearing debt	936,185	-	**936,185**	204,000	736,185	-	**940,185**
Forward flow derivatives, liability	-	1,091	**1,091**	-	-	1,091	**1,091**
Total	936,185	1,091	**937,276**	204,000	736,185	1,091	**941,276**

The fair value of the bond loans was determined using the quoted market values for the bond loans from the Norwegian Verdiforetakenes Forbund. The fair value of the other interest-bearing loans at 31 December 2021 is equal to the nominal value and accrued interest.

Forward flow derivatives, balance movements

EUR thousand	2021	2020
Balance at 1 Jan	**(834)**	-
Deliveries of forward flow contracts	**1,221**	(882)
Value change	**(796)**	48
Balance at 31 Dec	**(409)**	(834)

Note 18 Purchased debt portfolios

EUR thousand	2021	2020
Balance at 1 Jan	**1,124,699**	1,041,919
Acquisitions during the year [3]	**113,979**	208,250
Collection	**(254,949)**	(236,459)
Yield - Interest revenue from purchased loan portfolios	**168,421**	163,093
Net gain/(loss) purchased loan portfolios [1]	**(62,013)**	(49,813)
Repossession of secured NPL to REO	**(845)**	(2,279)
Deliveries of forward flow contracts	**(1,221)**	-
Disposals [1]	**(193)**	(403)
Translation difference	**7,911**	392
Balance at 31 Dec	**1,095,789**	1,124,699
Payments during the year for investments in purchased debt amounted to EUR [2]	**115,402**	213,032

1) Gain on disposals is netted in profit or loss as 'Net gain/(loss) purchased loan portfolios'

2) Payments during the year will not correspond to credit impaired acqusitions during the year due to deferred payments

3) Reconciliation of credit impaired acquisitions during the year;

Nominal value acquired portfolios	***827,810***	*424,062*
Expected credit losses at acquisition	**(713,831)**	(215,812)
Credit impaired acquisitions during the year	***113,979***	*208,250*

For a description of Axactor's accounting principles for purchased debt, see note 2 and for a description of revenue recognition and fair value estimation, see note 4.

Non-performing loans consist of portfolios of delinquent consumer debts purchased significantly below nominal value, reflecting incurred and expected credit losses, and thus defined as credit impaired. NPLs are recognized at fair value at the date of purchase. Since the loans are measured at fair value, which includes an estimate of future credit losses, no allowance for credit losses is recorded in the consolidated statement of financial position on the day of acquisition of the loans. The loans are subsequently measured at amortized cost applying the credit adjusted effective interest rate method.

Since the delinquent consumer debt is a homogenous group, the future cash flows are projected on a portfolio basis.

The carrying amount of each portfolio is determined by projecting future cash flows discounted to present value using the credit adjusted effective interest rate as at the date the portfolio was acquired. The total cash flows (both principal and interest) expected to be collected on purchased credit impaired loans are regularly reviewed and updated in line with expectation on an array of economic factors and conditions over time. Changes in value resulting from changes in expected cash flow are adjusted in the carrying amount and are recognized in profit or loss as income or expense in 'Net gain/(loss) purchased loan portfolios'. Interest income is recognized using the credit adjusted effective interest rate, included in 'Interest revenue from purchased loan portfolios'.

The majority of the non-performing loans are unsecured. Only an immaterial part of the loans, approximately 3% of the book value of the loans, is secured by a property object.

EUR thousand	Book value	
Market	2021	2020
Finland	**111,841**	118,225
Germany	**131,059**	126,689
Norway	**249,439**	230,338
Sweden	**228,068**	267,432
Italy	**111,348**	122,832
Spain	**264,034**	259,183
Total	**1,095,789**	1,124,699

The estimation of future cash flow is affected by several factors, including general macro factors, market specific factors, portfolio specific factors and internal factors. Axactor considers relevant macro factors and market specific factors when estimating future cash flow but not as direct input generating output in the forecast models. Portfolio specific factors and internal factors are considered to affect the estimation of future cash flow significantly more than changes in general macro factors and market specific factors.

Axactor has incorporated into the estimated remaining collection (ERC) the effect of the economic factors and conditions that is expected to influence collections going forward. An analysis of the effects of historical crises like the financial crisis in 2008 and the experience on collections during the Covid-19 pandemic over the last years has formed the basis for the current ERC.

The ERC represents the estimated gross collection on the NPL portfolios. The yield represents the interest revenue from purchased loan portfolios and can be reconciled as the ERC less amortization. The ERC, amortization and yield can be broken down per year as follows (year 1 means the first 12 months from the reporting date):

ERC at 31 December 2021:

EUR thousand	Estimated remaining collection (ERC), amortization and yield per year															
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**TotalERC**
ERC	268,832	261,948	225,843	200,819	177,633	160,087	141,774	127,467	114,766	103,142	93,135	84,078	72,064	58,344	50,611	**2,140,543**
Amortization	107,788	118,694	101,236	91,330	81,907	76,761	69,424	65,132	61,836	59,169	57,780	57,213	53,505	47,268	46,746	**1,095,789**
Yield	161,045	143,254	124,607	109,489	95,726	83,326	72,350	62,335	52,930	43,973	35,354	26,865	18,559	11,075	3,864	**1,044,754**

ERC at 31 December 2020:

EUR thousand	Estimated remaining collection (ERC), amortization and yield per year															
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**TotalERC**
ERC	283,369	253,413	222,474	198,545	178,731	160,049	142,649	128,421	116,276	105,617	95,752	87,016	79,133	65,609	52,099	**2,169,153**
Amortization	125,840	114,880	99,902	90,097	83,014	76,036	69,272	64,823	61,897	60,088	58,845	58,587	59,228	54,092	48,097	**1,124,699**
Yield	157,529	138,533	122,573	108,447	95,717	84,013	73,377	63,598	54,379	45,529	36,907	28,428	19,905	11,517	4,003	**1,044,454**

Note 19 Hedge accounting

The Group´s risk management objective is to mitigate the effect of interest rate changes related to its floating rate instruments. In order to achieve the objective, the Group´s strategy is to use derivatives to limit the impact of changes in interest rates on the Group´s interest expenses. The Group applies cash flow hedge accounting to ensure that the Group´s risk management strategy is reflected in its financial statements.

Cash flow hedges

Interest rate risk in floating rate instruments

The Group´s risk management objective and strategy is to apply cash flow hedge accounting for interest rate risk in order to mitigate the effect of increasing EURIBOR rates on issued bonds and therefore limit the impact on the Group´s interest expenses. The hedged items consist of a proportion of issued floating-rate bonds. The hedged risk is defined as interest rate risk for EURIBOR interest rates. The hedging instruments consist of interest rate caps. The hedge ratio for the relationships is defined by the ratio of the principal of the interest rate cap to the designated proportion of the hedged item, resulting in 100% hedge ratio. Potential sources of ineffectiveness have been identified as differences in timing of cash flows of hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation and the effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged items.

The Group started with hedge accounting at the end of 2021. All comparable figures for 2020 for the tables presented below are hence 0 and not presented as separate tables. The Group's strategy is to hedge between 50% and 70% of interest bearing debt with a duration of three to five years.

The financial instruments designated as hedged items in current cash flow hedge relationships are:

Hedged items - cash flow hedges

				Other reserves	
EUR thousand	Nominal amount	Nominal amount designated for hedge accounting	Changes in fair value used to calculate ineffectiveness	Continuing hedges	Discontinued hedges
31 Dec 2021					
Interest rate risk					
Floating rate issued bonds	200,000	200,000	-	(230)	-
Total	200,000	200,000	-	(230)	-

The hedged items are included as part of interest bearing debt in the consolidated statement of financial position.

The table below sets out the derivatives designated as hedging instruments in current cash flow hedge relationships, and the outcome of the Group´s hedging strategy:

Hedging instruments - cash flow hedges

EUR thousand	Up to 1 year	1-5 years	Over 5 years	Total
31 Dec 2021				
Interest rate caps				
Nominal amount	2,778	197,222	-	**200,000**
Average strike	0.5%	0.5%	-	**0.5%**

EUR thousand	Nominal amount	Carrying amount: Assets	Carrying amount: Liabilities	Changes in fair value used to calculate ineffectiveness	Changes in value recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from other reserves to profit or loss
31 Dec 2021							
Interest rate risk							
Interest rate caps	200,000	-	230	-	(230)	-	-
Total	200,000	-	230	-	(230)	-	-

The hedging instruments are included as part of other non-current liabilities in the consolidated statement of financial position. The effective portion of the gain or loss on the hedging instrument is, if applicable, included as part of financial expenses. Hedge ineffectiveness is, if applicable, recorded as part of financial expenses or financial revenue. Amounts reclassified from the cash flow hedge reserve into profit or loss are, if applicable, recorded as part of financial expenses.

Note 20 Shares in subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Result 2021	Equity 2021
Axactor Italy Holding Srl	100.0%	100.0%	Cuneo	Italy	(571)	86,238
Axactor Italy SpA	100.0%	100.0%	Cuneo	Italy	853	64,014
Axactor Capital Italy Srl [4]	100.0%	100.0%	Cuneo	Italy	(2,263)	(325)
Axactor Portfolio Holding AB	100.0%	100.0%	Gothenburg	Sweden	(27,902)	339,399
Axactor Platform Holding AB	100.0%	100.0%	Gothenburg	Sweden	(1,241)	132,674
Axactor Sweden AB	100.0%	100.0%	Gothenburg	Sweden	(16,583)	12,213
Axactor Norway Holding AS	100.0%	100.0%	Oslo	Norway	3,319	31,016
Axactor Capital AS	100.0%	100.0%	Drammen	Norway	11,363	134,705
Axactor Norway AS	100.0%	100.0%	Drammen	Norway	(1,152)	581
ReoLux Holding Sarl [1]	50.0%	50.0%	Luxembourg	Luxembourg	(15,894)	(7,383)
Axactor Invest 1 Sarl	100.0%	50.0%	Luxembourg	Luxembourg	11,342	19,465
Axactor Capital Luxembourg Sarl	100.0%	100.0%	Luxembourg	Luxembourg	13,594	109,242
Beta Properties SLU [2]	100.0%	100.0%	Madrid	Spain	(1,218)	2,224
Borneo Commercial Investments SLU [2]	100.0%	100.0%	Madrid	Spain	(550)	635
Alcala Lands Investments SLU [2]	100.0%	100.0%	Madrid	Spain	(615)	178
PropCo Malagueta SL [3]	75.0%	75.0%	Malaga	Spain	(8,180)	13,131
Proyector Lima SL [3]	75.0%	75.0%	Madrid	Spain	(7,360)	9,059
Axactor Espana SLU	100.0%	100.0%	Madrid	Spain	1,671	30,776
Axactor Espana Platform SA	100.0%	100.0%	Madrid	Spain	(3,520)	1,140
Axactor Germany Holding GmbH	100.0%	100.0%	Heidelberg	Germany	(327)	12,609
Axactor Germany GmbH	100.0%	100.0%	Heidelberg	Germany	(5,904)	(18,030)
Heidelberger Forderingskauf GmbH	100.0%	100.0%	Heidelberg	Germany	4,246	22,644
Heidelberger Forderungskaurf II GmbH	100.0%	100.0%	Heidelberg	Germany	(971)	(2,169)
Axactor Finland OY	100.0%	100.0%	Jyväskylä	Finland	(3,076)	5,955
SPT Latvija SIA [4]	100.0%	100.0%	Riga	Latvia	(17)	(3)
SPT Inkasso OÜ [4]	100.0%	100.0%	Tallin	Estonia	(54)	9

1) *The parent company owns 50% of the shares of Reolux Holding. Based on the contractual arrangements between the Group and the other investor, the Group has concluded that it has control of Reolux Holding and the company is therefore consolidated in the Group's financial statements.*

2) *The company is owned 100% by Reolux Holding Sarl, in which Axactor owns 50% of the shares and has control.*

3) *The company is owned 75% by Reolux Holding Sarl, in which Axactor owns 50% of the shares and has control.*

4) *Dormant, to be liquidated*

The financial figures of the subsidiaries have been included in the consolidated financial statements of Axactor Group from the date of acquisition.

During 2021, several small entities have been liquidated or merged into other Axactor entities to simplify the legal structure within the Group.

Note 21 Other non-current investments

Other non-current investments

EUR thousand	2021	2020
Club Financiero Génova, S.A	**11**	21
Insurance funds (severence scheme in Italy)	**-**	142
Investment measured at FVOCI	**4**	20
Other investments	**13**	13
Total other non-current investments	**28**	196

Note 22 Stock of secured assets, REOs

EUR thousand	2021	2020
Acquisition cost, balance at 1 Jan	**78,786**	129,040
Acquisitions during the year [1]	**193**	399
Repossession of secured NPL	**845**	2,279
Cost of sold secured assets	**(44,601)**	(36,818)
Aquisition cost, balance at 31 Dec	**35,225**	94,901
Impairment	**(5,915)**	(16,114)
Balance at 31 Dec	**29,310**	78,786
Number of assets	**1,446**	2,694

1) *Acquisitions include expenses for registry, inscription and upgrades to existing assets in inventory. No new REOs are acquired.*

REO assets are held for sale and therefore considered as stock of secured assets in accordance with IAS 2 Inventories, valued at the lower of cost price and net realizable value. All REO assets are located in Spain and owned by Spanish entities.

The challenging pricing conditions have continued to affect the projected estimates for this business. Based on external valuations an impairment amounting to EUR 5.9 million was recognized in 2021 (2020: EUR 16.1 million).

The REO segment is considered to be a discontinued segment from 2022 and will be presented as discontinued operation from 1 January 2022.

Note 23 Accounts receivable and other current assets

Accounts receivable

EUR thousand	2021	2020
Accounts receivable	**7 060**	7 124

Due to the nature of the business the amount of outstanding accounts receivable is low and shows an acceptable aging. Allowances for doubtful debts are recognized against account receivables on an individual basis, set per country. The allowance amount recognized is not material.

Other current assets

EUR thousand	2021	2020
Prepaid taxes	**3,019**	2,132
Prepaid expenses	**4,609**	2,791
Accrued revenues [1]	**2,754**	2,989
Forward flow derivatives, asset	**-**	257
Other	**5,772**	3,477
Total other current assets	**16,154**	11,645

1) *Accrued revenue relates to 3PC business*

A forward flow agreement is an obligation to acquire a portfolio of cases described in a contract. Typically, these agreements are to buy defaulted cases from the vendor on a monthly basis. The total volume under the contract can be capped. The price for the cases in the forward flow is agreed upfront when the contract is signed. Initially the value of the derivative is nil, as the future expected collection level is unchanged from the valuation assumption underlying the contract. If the future cash flow estimates for the forward flow changes from the assumed level when signing the contract, there can be a change in the value of the derivative. Forward flow derivative liabilities are shown in note 30.

Note 24 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and bank deposits include cash on hand and in banks. Cash and cash equivalent at the end of the reporting period as shown in the cash flow statement can be reconciled to the related items in the consolidated statement of the financials position as follows:

EUR thousand	2021	2020
Cash and bank deposits	**38,155**	47,779
Restricted cash - client funds [1)]	**5,090**	1,177
Restricted cash and bank deposits - other	**708**	1,769
Total cash and cash equivalents	**43,953**	50,725

1) The corresponding client funds payable is reported as part of other current liabilities in note 30.

Restricted cash at the end of the reporting period relates to client funds, deposits for building rent guarantee and employee withholding taxes. There has been a classification error between restricted and unrestricted cash in the fourth quarter 2021 Interim report due to an erroneous setup in the reporting in one of the subsidiaries. The classification error amounted to EUR 3.4 million and has been corrected in the Annual Report. Total cash and cash equivalents remains unchanged.

The composition of the cash per currency is shown below:

EUR thousand	2021	2020
NOK	**17,583**	10,510
SEK	**548**	(6,808)
EUR	**25,816**	47,012
GBP	**6**	10
Total cash and cash equivalents	**43,953**	50,725

Cash in bank earns interest at floating rates based on daily bank deposit rates.

Note 25 Issued shares and share capital

Issued shares and share capital

	Number of shares	Share capital (EUR)
At 31 Dec 2019	155,395,464	81,337,590
New share issues, Feb	30,000,000	15,702,696
At 31 Dec 2020	185,395,464	97,040,286
New share issues, Jan	50,000,000	26,171,159
New share issues, Jan	40,000,000	20,936,928
New share issues, Mar	26,750,000	14,001,570
At 31 Dec 2021	302,145,464	158,149,942

Each share has the same rights and has a par value of EUR 0.523 (rounded). All issued shares are fully paid.

20 largest shareholders at 31 Dec 2021

Name	Shareholding	Share %
Geveran Trading Co Ltd	138 920 892	46.0 %
Torstein Ingvald Tvenge	10 000 000	3.3 %
Ferd AS	7 864 139	2.6 %
Verdipapirfondet Nordea Norge Verdi	4 454 162	1.5 %
Skandinaviska Enskilda Banken AB	3 079 467	1.0 %
Nordnet Livsforsikring AS	2 247 811	0.7 %
Endre Rangnes	2 017 000	0.7 %
Gvepseborg AS	2 009 694	0.7 %
Stavern Helse Og Forvaltning AS	2 000 000	0.7 %
Alpette AS	1 661 643	0.5 %
Verdipapirfondet Nordea Avkastning	1 643 423	0.5 %
Velde Holding AS	1 400 000	0.5 %
Verdipapirfondet Nordea Kapital	1 343 933	0.4 %
Klotind AS	1 296 693	0.4 %
Andres Lopez Sanchez	1 177 525	0.4 %
David Martin Ibeas	1 177 525	0.4 %
Svein Dugstad	1 154 187	0.4 %
Nordea Bank Abp	1 116 576	0.4 %
Nordnet Bank AB	1 086 987	0.4 %
Latino Invest AS	1 040 000	0.3 %
Total 20 largest shareholders	186 691 657	61.8 %
Other shareholders	115 453 807	38.2 %
Total number of shares	302 145 464	100 %
Total number of shareholders	11 128	

Shares owned by related parties

Name	Shareholding	Share %
Latino Invest AS [1)]	1 040 000	0.3 %
Johnny Tsolis Vasili [1)]	670 000	0.2 %
Terje Mjøs Holding AS [3)]	400 000	0.1 %
Robin Knowles [2)]	183 714	0.1 %
Kyrre Svae [2)]	150 000	0.0 %
Vibeke Ly [2)]	133 750	0.0 %
Arnt Andre Dullum [2)]	110 000	0.0 %
Nina Mortensen [2)]	95 000	0.0 %
Hans Olov Harén [3)]	22 150	0.0 %
Brita Eilertsen [3)]	19 892	0.0 %

1) CEO/Related to the CEO of Axactor

2) Member of the Executive Management Team of Axactor

3) Member of the Board of Directors of Axactor / controlled by member of the Board of Directors of Axactor

Note 26 Share-based payment

To incentivise and retain key employees, the Group operates an equity-settled option plan, where one stock option may convert into one ordinary share in Axactor SE. The options carry neither rights to dividends nor voting rights before exercised into ordinary shares. In general, participants resigning loses their options when leaving the Company.

The Group uses the Black-Scholes-Merton option pricing model at time of grant to determine the impact of stock option grants in accordance with IFRS 2 Share-based payment.

The model utilizes the following parameters as input; the Company's share price, the strike price of the options, the expected lifetime of the options, the risk-free interest rate equalling the expected lifetime and the volatility associated with the historical price development of the underlying share.

The total fair value of the options is amortized over the vesting period.

Social security provisions are accrued on a quarterly basis and become payable at exercise of the options. The social security provisions are estimated based on the gain on the options multiplied with the relevant social security rate.

The total expense recognized for the share-based programs during 2021 was EUR 0.2 million (2020: EUR 0.6 million). Total social security provisions amounts to EUR 0 at 31 December 2021 and 2020 (social security costs on exercised options have been paid in connection with the relevant exercises, hence taken out of the provisions accounts). The total intrinsic value of the employee stock options was EUR 0 at 31 December 2021 (2020: EUR 0) as the lowest strike value is higher than the share price at period end.

For 2021, the Company's granted share-based payment arrangements are quantitatively described with their weighted average parameters to the Black-Scholes-Merton option pricing model.

Granted instruments 2021

Parameters connected to instruments granted in 2021

Instrument	Quantity 31.12.2021 (instruments)	Quantity 31.12.2021 (shares)	Contractual life [1]	Strike price [1] (NOK)	Share price [1] (NOK)	Expected lifetime [1]	Volatility [1]	Interest rate [1]	FV per instrument [1]	Vesting conditions	Vesting structure	Strike structure
Options	500,000	500,000	3.90	24.10	9.30	2.40	50.00%	0.74%	0.67	Service conditions only	The awards are vesting annually over two years with the first vesting approximately one year from grant date	20% of the total award has a strike price of 17,50 NOK 30% of the total award has a strike price of 22,00 NOK 50% of the total award has a strike price of 28,00 NOK

1) Weighted average parameters at grant of instrument

As the employee options are "non-transferable", and the options' gains are taxed with personal income tax (higher), whereas gains on ordinary shares are taxed with capital gains tax (lower), it is reasonable to assume that participants tend to exercise early. Hence estimated lifetime of the options is expected to be shorter than the time from grant until expiry. However, exercise patterns are monitored frequently and expected option lifetime for future grants will reflect exercise behaviour.

At year end the Group has options outstanding that were granted from 2017 to 2021 and the exercise prices vary from NOK 17.5 to NOK 37.5 per option.

The table below illustrates the status on all outstanding options at 31 December 2021 and the activity during the year.

Share option plan

Activity	2021 Number of options	2021 Weighted average strike price (NOK)
Outstanding at beginning of year	13,775,508	24.98
Granted	500,000	24.10
Forfeited	(4,101,481)	26.54
Expired	(1,625,058)	12.74
Outstanding at end of year	8,548,969	26.50
Vested CB	4,531,169	28.05

Outstanding instruments overview

	Outstanding instruments			Vested instruments	
Strike price (NOK)	Number of instruments	Weighted average remaining contractual life	Weighted average strike price (NOK)	Vested instruments 31.12.2021	Weighted average strike price (NOK)
17.50	950,000	3.50	17.50	283,333	17.50
22.00	1,425,000	3.50	22.00	425,000	22.00
24.50	723,189	2.32	24.50	723,189	24.50
26.50	723,189	2.32	26.50	723,189	26.50
28.00	3,059,466	3.23	28.00	708,333	28.00
30.00	419,375	0.54	30.00	419,375	30.00
32.00	419,375	0.54	32.00	419,375	32.00
35.00	419,375	0.54	35.00	419,375	35.00
37.50	410,000	0.54	37.50	410,000	37.50
Total	8,548,969			4,531,169	

Note 27 Borrowings and other interest-bearing debt

EUR thousand	Currency	Facility limit	Nominal value	Capitalized loan fees	Accrued interest	Carrying amount, EUR	Interest coupon	Maturity
Facility								
Bond (ISIN: NO0010914666)	EUR		200,000	(4,778)	3,033	198,255	3m EURIBOR+700pbs	12.01.2024
Bond (ISIN: NO0011093718)	EUR		300,000	(3,853)	791	296,938	3m EURIBOR+535bps	15.09.2026
Total bond loan		-	500,000	(8,631)	3,824	495,193		
Revolving credit facility DNB/Nordea	EUR	545,000	17,368	(8,936)	21	8,453	EURIBOR+margin	22.12.2023
(multiple currency facility)	NOK		114,267			114,267	NIBOR+margin	22.12.2023
	SEK		220,343			220,343	STIBOR+margin	22.12.2023
Total credit facilities		545,000	351,977	(8,936)	21	343,063		
Total borrowings at 31 Dec		545,000	851,977	(17,566)	3,845	838,256		
whereof:								
Non-current borrowings						834,411		
Current borrowings						3,845		
of which in currency:								
NOK						114,267		
SEK						220,343		
EUR						503,646		

EUR thousand	Bond loan	Credit facilities	Other borrowings	Total borrowings
Total borrowings at 31 Dec 2019	199,069	495,318	235,546	**929,933**
Proceeds from loans and borrowings	-	73,302	8,329	**81,631**
Repayment of loans and borrowings	-	(43,251)	(41,144)	**(84,395)**
Loan fees	-	(4,503)	-	**(4,503)**
Total changes in financial cash flow	-	25,548	(32,815)	**(7,267)**
Change in accrued interest	-	(2)	94	**92**
Amortization capitalized loan fees 1)	1,214	11,521	2,799	**15,534**
Currency translation differences	-	(2,106)	-	**(2,106)**
Total borrowings at 31 Dec 2020	200,283	530,278	205,625	**936,185**
Proceeds from loans and borrowings	311,050	231,446	-	**542,496**
Repayment of loans and borrowings	(11,050)	(411,175)	(206,456)	**(628,681)**
Loan fees	(10,948)	(13,087)	2	**(24,033)**
Total changes in financial cash flow	289,052	(192,816)	(206,454)	**(110,218)**
Change in accrued interest	3,513	(45)	(334)	**3,134**
Amortization capitalized loan fees	2,345	4,239	1,165	**7,749**
Currency translation differences	-	1,406	-	**1,406**
Total borrowings at 31 Dec 2021	495,193	343,063	-	**838,256**

1) *Includes expensed capitalized loan fees of EUR 7.1 million related to the refinancing*

Maturity

				Estimated future cash flow within			
EUR thousand	Currency	Carrying amount	Total future cash flow	6 months or less	6-12 months	1-2 years	2-5 years
ISIN NO 0010819725	EUR	198,255	231,967	7,078	7,117	14,194	203,578
ISIN NO 0011093718	EUR	296,938	377,352	8,114	8,159	16,273	344,806
Total bond loan		495,193	609,319	15,192	15,276	30,467	548,384
Revolving credit facility DNB/Nordea *(multiple currency facility)*	NOK/SEK/EUR	343,063	374,152	5,544	5,544	363,064	-
Total credit facilities		343,063	374,152	5,544	5,544	363,064	-
Total borrowings at 31 Dec		838,256	983,472	20,736	20,820	393,531	548,384

The maturity calculation is made under the assumption that no new portfolios are acquired and the revolving credit facility draw is constant to maturity date.

Bond loan

Bond (ISIN NO 0010914666) ACR02 was placed at 3m EURIBOR +7.00% interest, with maturity date 12 January 2024.

The bond is listed on Oslo Børs.

The following financial covenants apply:

- Interest coverage ratio: >4.0x (Pro-forma adjusted Cash EBITDA to net interest expenses)
- Leverage ratio: <4.0x (NIBD to pro-forma adjusted cash EBITDA).
- Net loan to value: <75% (NIBD to total book value all debt portfolios and REOs)
- Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs).

Trustee: Nordic Trustee

Bond (ISIN NO 0011093718) ACR03 was placed at 3m EURIBOR +5.35% interest, with maturity date 15 September 2026.

The bond is listed on Oslo Børs.

The following financial covenants apply:

- Interest coverage ratio: >4.0x (Pro-forma adjusted Cash EBITDA to net interest expenses)
- Leverage ratio: <4.0x (NIBD to pro-forma adjusted cash EBITDA).
- Net loan to value: <80% (NIBD to total book value all debt portfolios and REOs)
- Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs).

Trustee: Nordic Trustee

Revolving credit facility DNB/Nordea

The revolving credit facility consists of EUR 545 million in a multicurrency facility, with an addition of 75 million in the form of accordion option. The loan carries a variable interest rate based on the interbank rate in each currency with a margin.

The following financial covenants apply:

- NIBD ratio to pro-forma adjusted cash EBITDA < 3:1 (secured loans (RCF) less cash to pro-forma adjusted cash EBITDA L12M)
- Portfolio loan to value ratio < 60 % (NIBD to total book value of debt portfolios)
- Portfolio collection performance > 90 % (actual portfolio performance L6M to active forecast L6M)
- Parent loan to value < 80 % (total loans for the Group less cash to total book value of all debt portfolios and REOs)

The maturity date for the facility is 22 December 2023.

All material subsidiaries of the Group are guarantors and have granted a share pledge and bank account pledge as part of the security package for this facility. ReoLux Holding Sarl is not part of the agreement nor the security arrangement.

Italian banks

In the fourth quarter of 2021, local Italian facilities have been repaid in full by drawing on the RCF and Italian subsidiaries have been incorporated in the loan agreement and security arrangement with DNB and Nordea.

Note 28 Pension liabilities

Axactor meets the different local mandatory occupational pension requirements in the countries where Axactor operates.

Axactor operates defined contribution retirement benefit plans for all qualifying employees of its subsidiaries in Sweden and Norway. The Group's legal obligation for these plans is limited to the contributions.

The employees of the Finnish, Spanish and German subsidiaries are member of a state managed retirement benefit plan operated by the government of respectively Finland, Spain, and Germany. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The Group's legal obligation for these plans is limited to the contributions.

In Italy all employees are entitled to a termination indemnity (TFR) upon termination of employment for any reason. This TFR is considered a defined benefit obligation to be accounted for in accordance with IAS 19. Axactor funds defined benefit plans for the qualifying employees. Pension liabilities are recognized in the consolidated statement of financial position as other non-current liabilities (note 29).

The total pension expenses recognized in the consolidated statement of profit or loss amount to EUR 1.5 million (2020: EUR 1.3 million) and represent contributions payable to these plans by Axactor at rates specified in the rules of the plans.

Note 29 Other non-current liabilities

EUR thousand	2021	2020
Other non-current accruals	**471**	222
Cash flow hedge derivatives (note 19)	**230**	-
Pension liability (note 28)	**1,293**	1,210
Total other non-current liabilities	**1,994**	1,433

Note 30 Other current liabilities

EUR thousand	2021	2020
Public duties	**3,943**	3,983
Personnel related liabilities	**6,452**	3,828
Accrued solicitors	**544**	492
Deferred payments relating to NPL	**8,863**	5,504
Forward flow derivatives, liability 2)	**409**	1,091
Accrued restructuring cost	**1,039**	439
Client funds payable 1)	**5,090**	1,177
Other accruals	**600**	4,143
Total other current liabilities	**26,941**	20,657

1) The corresponding client funds cash balance is reported as part of cash in note 24

2) For a description of forward flow derivatives, see note 23.

Note 31 Transactions with related parties

EUR thousand	2021	2020
Related party balances as per year end		
Geveran Trading Co LTD owned 50% of Axactor Invest 1, a company controlled and consolidated by Axactor Group, has by one of its subsidiaries subscribed to deeply subordinated income sharing notes issued by Axactor Invest 1. The loan was fully repaid in Q1 2021.	**-**	140,000
Following the co-investment partnership with Geveran, notes in the amount of EUR 230 million have been issued, of which for EUR 185 million has been subscribed to by Sterna Finance, a company in the Geveran Group. The loan was fully repaid in Q1 2021.	**-**	185,000
Related party transactions during the year		
On 17 February 2020, the Company entered into a servicing agreement with Seatankers Management Co. Ltd., a company controlled by Geveran, under which Seatankers Management Co. Ltd. has agreed to provide the Company with advisory and other support services upon request. The agreement is entered on an arm-length basis and is not considered material.	**7**	114
On 5 January 2021 Axactor aquired the remaining 50% of the shares in Axactor Invest 1 Sarl from Geveran Trading Co LTD. Axactor Invest 1 Sarl was prior to the aquisition fully consolidated by Axactor, as a result of this there is a change between non-controlling interest and equity related to shareholders of the parent company in the consolidated statement of changes in equity.	**37,635**	-

For additional information on agreements entered with related parties, see corporate governance section.

Note 32 Purchase price allocations

Axactor has not acquired any shares in other companies in 2021 or 2020.

Note 33 Pledged assets

EUR thousand	2021	2020
Group	**977,958**	776,050
Parent (Axactor SE)	**530,843**	271,504

All material subsidiaries of the Group are guarantors and have granted a share pledge and bank account pledge as part of the security package for the revoving credit facility, see note 27. ReoLux Holding Sarl is not part of the agreement nor the security arrangement.

Note 34 Subsequent events

Acquisition of CR Services
On 3 January 2022, Axactor took control over 100% of the shares in the Italian debt collection agency Credit Recovery Services S.r.l. The business combination is considered not to be material for the Group.

Conversion of Axactor SE to Axactor ASA
On 17 February 2022, the Board of Directors decided to initiate the process of converting Axactor SE from a Societas Europaea company to a Norwegian Allmennaksjeselskap (ASA).

Conflict in Ukraine
The conflict in Ukraine does not directly impact Axactor's operations. The Group's financial and non-financial exposure to Ukraine is not material but is being closely monitored.

Parent company statement of profit or loss

For the year ended 31 December

EUR thousand	Note	2021	2020
Management services to group companies		**10,519**	7,675
Other revenue		**-**	-
Total revenue		**10,519**	7,675
Personnel expenses	3	**(4,922)**	(4,289)
Operating expenses	5	**(7,394)**	(6,331)
Total operating expense		**(12,315)**	(10,620)
EBITDA		**(1,797)**	(2,945)
Amortization and depreciation	6, 9, 10	**(2,004)**	(1,665)
Operating profit		**(3,801)**	(4,610)
Financial revenue	7	**23,561**	21,345
Financial expenses	7	**(36,187)**	(44,720)
Net financial items		**(12,626)**	(23,375)
Profit/(loss) before tax		**(16,427)**	(27,985)
Income tax expense	8	**23**	754
Net profit/(loss) after tax		**(16,404)**	(27,231)
Distibution to share premium reserve		**(16,404)**	(27,231)

Parent company statement of comprehensive income

For the year ended 31 December

EUR thousand	Note	2021	2020
Net profit/(loss) after tax		**(16,404)**	(27,231)
Items that may be classified subsequently to profit and loss			
Net gain/(loss) on cash flow hedges	18	**(230)**	-
Other comprehensive income/(loss) after tax		**(230)**	-
Total comprehensive income/(loss)		**(16,634)**	(27,231)

Parent company statement of financial position

For the year ended 31 December

EUR thousand	Note	2021	2020
ASSETS			
Intangible non-current assets			
Intangible assets	10	**10,291**	10,451
Deferred tax assets	8	**-**	1,227
Investment in subsidiary	12	**532,086**	334,804
Tangible non-current assets			
Property, plant and equipment	9	**71**	103
Right-of-use assets	6	**521**	681
Financial non-current assets			
Loans to group companies	15	**290,507**	116,030
Total non-current assets		**833,475**	463,296
Current assets			
Receivables to group companies	15	**37,310**	38,438
Other current assets	13	**664**	404
Restricted cash	14	**402**	446
Cash and cash equivalents	14	**4,182**	10,542
Total current assets		**42,558**	49,830
Total assets		**876,033**	513,126

Parent company statement of financial position

For the year ended 31 December

EUR thousand	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital		**158,150**	97,040
Other paid in capital		**218,386**	219,580
Other reserves	18	**(230)**	-
Result for the year		**(16,404)**	(27,231)
Total restricted equity		**201,753**	192,349
Total equity	11	**359,903**	289,389
Non-current Liabilities			
Interest bearing debt	16	**491,369**	-
Interest bearing debt from group companies	15	**-**	-
Deferred tax liabilities	8	**167**	-
Lease liabilities	6	**401**	558
Other non-current liabilities		**230**	-
Total non-current liabilities		**492,167**	558
Current Liabilities			
Accounts payables		**781**	842
Current intercompany liabilities	15	**15,607**	18,999
Current portion of interest bearing debt	16	**3,824**	200,283
Taxes payable	8	**1,962**	1,787
Current portion of lease liabilities	6	**156**	144
Other current liabilities	17	**1,632**	1,124
Total current liabilities		**23,964**	223,179
Total liabilities		**516,131**	223,737
Total equity and liabilities		**876 033**	513 126

Oslo, 30 March 2022
The Board of Directors

Merete Haugli
Board member

Brita Eilertsen
Board member

Terje Mjøs
Board member

Lars Erich Nilsen
Board member

Kathrine Astrup Fredriksen
Board member

Hans Harén
Board member

Kristian Melhuus
Chair of the Board

Johnny Tsolis
CEO

Parent company statement of changes in equity

For the year ended 31 December

	Equity related to the shareholders of the Parent Company					
	Restricted	Non-restricted				
EUR thousand	Share capital	Other paid in capital	Other reserves	Result for the year	Total	Total Equity
Balance on 1 Jan 2020	81,338	188,033		(3,135)	**184,897**	**266,235**
Merger effect when merged with subsidiary Axactor AS						
Transfer of prior years net result [1]		(3,135)		3,135	**-**	**-**
Result of the period				(27,231)	**(27,231)**	**(27,231)**
Total comprehensive income for the period		(3,135)		(24,096)	**(27,231)**	**(27,231)**
New share issues (exercise of share options)	15,703	35,064			**35,064**	**50,767**
Cost related to share issues		(959)			**(959)**	**(959)**
Share-based payment		578			**578**	**578**
Group contribution		-			**-**	**-**
Closing balance at 31 Dec 2020	97,040	219,580		(27,231)	**192,349**	**289,389**
Transfer of prior years net result [1]		(27,231)		27,231	**-**	**-**
Result of the period				(16,404)	**(16,404)**	**(16,404)**
Net gain/(loss) on cash flow hedges			(230)		**(230)**	**(230)**
Total comprehensive income for the period		(27,231)	(230)	10,827	**(16,634)**	**(16,634)**
Acquisition of remaining 50% of Axactor Invest 1					**-**	**-**
New share issues	61,110	27,318			**27,318**	**88,427**
Cost related to share issues		(1,460)			**(1,460)**	**(1,460)**
Share-based payment		180			**180**	**180**
Closing balance at 31 Dec 2021	158,150	218,386	(230)	(16,404)	**201,752**	**359,903**

1) *Ref. resolution in Annual general meeting on 10 April 2019 and 1 April 2020*

Parent company statement of cash flows

For the year ended 31 December

EUR thousand		2021	2020
Operating activities			
Profit/(loss) before tax		**(16,427)**	(27,985)
Taxes paid	8	**(1,787)**	(726)
Adjustments for:			
- Finance income and expense	7	**5,616**	(5,340)
- Impairment of subsidiaries	7	**6,760**	26,946
- Net exchange gain /(loss) realized	7, 16	**(1,350)**	1,769
- Depreciation and amortization	6, 9, 10	**2,004**	1,665
- Impairment on inter company receivable		**1,600**	-
- Calculated cost of employee share options		**81**	81
Change in Working capital		**1,500**	2,881
Net cash flow from operating activities		**(2,003)**	(709)
Investing activities			
Investment / share issue in subsidiaries		**(148,100)**	(2,000)
Purchase of intangible and tangible assets	9, 10	**(1,652)**	(2,130)
Interest received		**1**	4
Net group contribution received		**4,346**	4,234
Net cash flow from investing activities		**(145,405)**	108
Financing activities			
Proceeds from external borrowings	16	**299,717**	-
Loans to subsidiaries / repaid from subsidiaries	15	**(176,593)**	(37,975)
Interest paid		**(21,217)**	(14,539)
Lease payments	6	**(144)**	(156)
Loan fees paid	16	**(10,976)**	-
New share issues		**50,792**	50,767
Costs related to share issues		**(1,460)**	(959)
Net cash flow from financing activities		**140,119**	(2,863)
Net change in cash and cash equivalents		**(7,289)**	(3,464)
Cash and cash equivalents at the beginning of period		**10,988**	14,801
Currency translation		**886**	(350)
Cash and cash equivalents at end of period, incl. restricted funds		**4,584**	10,988

Summary of notes to the parent company

Notes to the parent company financial statements

Note 1 Corporate information

The Parent Company Axactor SE (publ), with Norwegian corporate identity number 921 896 328 is a joint stock company, domiciled in Norway. The registered address is Drammensveien 167, NO-0277 Oslo. The company's shares are traded in Norway on Oslo Børs.

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 30 March 2022 and will be submitted for approval to the Annual General Meeting on 21 April 2022.

Note 2 Summary of significant accounting principles

These parent company financial statements should be read in conjunction with the consolidated financial statements of the Axactor Group, published together with these financial statements. With the exceptions described below, Axactor SE applies the accounting policies of the Group, as described in Axactor Group's disclosure, note 2 Summary of significant accounting principles, and reference is made to the Axactor Group note for further details. Insofar that the company applies policies that are not described in the Axactor Group note due to group level materiality considerations, such policies are included below if necessary, for sufficient understanding of Axactor's accounts.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

As a result of rounding adjustments, the figures in one or more columns may not add up to the total of that column.

2.1 Basis for preparation

The financial statements of the Parent Company are prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014. The Company follows the exception from IAS 10 regarding timing of recognition of group contribution and dividend.

The Parent Company's functional currency is Euro (EUR) and this is also the reporting currency for the Group. All amounts in the financial reports are stated in EUR thousands unless otherwise specified.

2.2 Investments In subsidiaries and associated companies, and other non-current Investments.

Investments in subsidiaries are accounted for using the cost method in the parent company accounts. The investments are valuated at cost unless impairment losses occur. Write-down of investments are recognized under 'Impairment' in the statement of profit or loss.

2.3 Segment reporting

Axactor SE's activities are currently organized as one operating unit for internal reporting purposes, thus no segment information is presented in these financial statements.

Note 3 Personell expenses

Personell expenses

EUR thousand	2021	2020
Salaries	**3,507**	3,048
Bonus	**806**	25
Social contribution	**479**	384
Pension cost	**103**	107
Share Option program	**83**	81
Other benefits	**(57)**	644
Total personnel expenses	**4,922**	4,289

Axactor SE meets the local mandatory occupational pension requirement.

Average number of employees

EUR thousand	2021	2020
Number of FTE's, start of year	**16**	18
Number of FTE's, end of year	**19**	16
Average number of FTE's	**17**	17

Post-employment benefits

EUR thousand	2021	2020
Salaries	**-**	528
Other benefits	**-**	1
Total post-employment benefits	**-**	529

Note 4 Key management compensation

Board of Directors remuneration

EUR thousand	2021	2020
Glen Ole Rødland 2)	**27**	44
Bjørn Erik Næss	**-**	34
Kristian Melhuus 1)	**10**	-
Lars Erich Nilsen	**41**	47
Kathrine Astrup Fredriksen	**41**	28
Merete Haugli 3)	**54**	41
Terje Mjøs	**45**	44
Brita Eilertsen	**47**	50
Hans Harén	**41**	21
Beate S. Nygårdshaug 1)	**-**	13
Total	**306**	322

1) Member until 2020
2) Chair of the board until May 2021
3) Interim chair of the board from May 2021 until February 2022
4) Chair of the board from February 2022

The following remuneration has been made to the members of the nomination committee during the year:

Nomination committee

EUR thousand	2021	2020
Anne Lise Ellingsen Gryte [1]	-	-
Magnus Tvenge	-	3
Cathrine Loferød Feght [2]	-	3
Robin Bakken [2]	-	4
Total	-	10

1) Member from April 2020
2) Member until April 2020

Executive management remuneration 2021

EUR thousand	Salary	Bonus	Pension	Other	Share option [1]	Total
Johnny Tsolis, CEO	410	87	35	1	39	**573**
Endre Ragnses, CEO [2]	-	44	-	-	-	**44**
Nina Mortensen, CFO [3]	92	20	7	1	-	**120**
Teemu Alaviitala, CFO [4]	44	16	2	-	-	**61**
Arnt Andre Dullum, COO	178	18	16	2	17	**230**
Oddgeir Hansen, COO [5]	46	133	-	-	-	**179**
Kyrre Svae, Chief Strategy and IR	185	49	14	2	8	**257**
Vibeke Ly, Chief of Staff	199	29	14	1	17	**261**
Robin Knowles, Chief Investment Officer	297	25	3	-	19	**344**
Total	1,451	420	91	7	100	**2,069**

1) Cost in relation to share option program, not exercised
2) CEO until 3 April 2020
3) CFO from 1 August 2021
4) CFO until 31 January 2021
5) COO until 1 July 2020

Executive management remuneration 2020

EUR thousand	Salary	Bonus	Pension	Other	Share option [1]	Total
Johnny Tsolis, CEO [2]	336	109	6	1	72	**524**
Endre Rangnes, CEO [3]	700	329	6	-	(45)	**991**
Teemu Alaviitala, CFO [4]	72	-	3	-	4	**78**
Arnt Andre Dullum, COO [5]	72	-	3	-	29	**104**
Oddgeir Hansen, COO [6]	270	94	6	-	(25)	**346**
Kyrre Svae, Chief Strategy and IR [7]	72	-	3	-	4	**78**
Vibeke Ly, Chief of Staff	169	37	6	-	25	**238**
Siv Farstad, EVP HR [8]	102	-	3	-	(20)	**84**
Robin Knowles, Chief Investment Officer	259	91	3	1	36	**390**
Total	2,051	660	40	3	79	**2,834**

1) *Cost in relation to share option program, not exercised*
2) *CFO until 26 June 2020, interim CEO from 3 April 2020, permanent CEO from 26 June 2020*
3) *CEO until 3 April 2020*
4) *CFO from 1 August 2020 until 31 January 2021*
5) *COO 50% from 19 May 2020, 100% from 1 September 2020*
6) *COO until 1 July 2020*
7) *Chief of Stategy and IR from 1 August 2020*
8) *Head of HR until 31 March 2020*

The CEO, Johnny Tsolis, has a six-month notice period and is entitled to a severance pay of six months in case of termination by the company. In addition, there is a non-compete and non-solicitation clause in the employment agreement.

The share-based option program is presented in Group note 26. Bonus stated in tables above reflects the paid amounts during the year. At the end of 2021 no loan or prepayments were granted to Board of Directors and executive management.

Members of the executive management employed in Axactor SE has an additional contribution pension entitling them to pension rights for salary over 12G (Norwegian Grunnbeløp).

Note 5 Other operating expenses and remuneration to auditors

Other operating expenses

EUR thousand	2021	2020
Direct operating expenses	**972**	1,008
External services	**2,651**	1,049
IT expenses	**3,590**	4,037
Other operating expenses	**181**	236
Total other operating expenses	**7,394**	6,331

Remuneration to company auditors
PricewaterhouseCoopers

EUR thousand	2021	2020
Audit	**227**	113
Audit related services	**-**	-
Tax advisory	**55**	33
Other services	**15**	79
Total	**297**	225

Note 6 Commitments and leases

The company leases premises only. The Facility contract was entered into 01.04.2020, and is being recognized as right-of-use asset and lease liability from this date.

Leasing contracts are classified as lease liabilities and right-of-use assets under IFRS 16. See Axactor Group note 2.12.

Right-of-use assets

EUR thousand	Buildings	Total
Right-of-use assets at 1 Jan 2020	54	**54**
New leases	801	**801**
Depreciation of the year	(174)	**(174)**
Right-of-use assets at 1 Jan 2021	681	**681**
New leases	-	**-**
Depreciation of the year	(160)	**(160)**
Right-of-use assets at 31 Dec 2021	521	**521**

Remaining lease term	1-6 years	
Depreciation method	Linear	

Lease liabilities

EUR thousand	2021	2020
Lease liabilities at 1 Jan	**701**	56
New leases and lease modifications	**-**	801
Lease payments	**(144)**	(156)
Lease liabilities at 31 Dec	**558**	701
Current:	**156**	144
Non-current	**401**	558

The future aggregated minimum lease payments under lease liabilities are as follows:

EUR thousand	2021	2020
Undiscounted lease liabilities and maturity of cash outflow		
< 1 year	**185**	181
1-2 years	**188**	185
2-3 years	**192**	188
3-4 years	**49**	192
4-5 years	**-**	49
> 5 years	**-**	-
Total undiscounted lease liabilities at 31 Dec	**614**	**795**
Discount element	**(57)**	(94)
Total discounted lease liabilities at 31 Dec	**558**	**701**

Note 7 Financial items

EUR thousand	2021	2020
Financial revenue		
Interest on bank deposits	**1**	4
Interest on intercompany loans	**12,778**	16,468
Group contribution	**4,323**	4,625
Exchange gains realized	**2,012**	249
Net unrealized exchange gain	**4,447**	-
Other financial income	**-**	-
Total financial revenue	**23,561**	21,345
Financial expenses		
Interest expense on borrowings	**(27,041)**	(15,498)
Exchange losses realized	**(662)**	(2,017)
Impairment of subsidiary	**(8,360)**	(26,941)
Other financial expenses	**(123)**	(264)
Total financial expenses	**(36,187)**	(44,720)
Net financial items	**(12,626)**	(23,375)

Note 8 Income tax and tax assets and liabilities

EUR thousand	2021	2020
Profit/(loss) before tax	**(16,427)**	(27,985)
Adjustment prior year	**(297)**	-
Non deductable expenses	**2**	12
Other permanent differences	**3,547**	24,731
Interest expense limitation	**8,118**	
Group contribution with tax effect	**15,942**	19,733
Change in deferred tax	**(640)**	(7,037)
Adjustment for currency differences due to tax calculation in NOK	**(119)**	149
Basis for income tax	**10,126**	9,603
Taxes payable before tax decution scheme	**2,227**	2,113
Tax deduction scheme [1]	**(265)**	(326)
Taxes payable	**1,962**	1,787
Change in deferred taxes	**1,460**	1,534
Adjustment for previouse year	**(158)**	198
Tax effect on permanent difference	**-**	1,431
Effect on foreign exchange rates	**(1,279)**	(180)
Tax on Group contribution	**-**	(2,228)
Income tax expense	**23**	754

1) Skattefunn - Tax deduction scheme in Norway for companies with research and develoment projects.

Temporary differences

EUR thousand	2021	2020
Current assets	**214**	175
Limitation interest carried forward	**3,202**	1,209
Tax losses carried forward, recognized	**-**	-
Differences not included in the calculation of deferred tax	**(3,583)**	(156)
Net income tax reduction temporary differences	**(167)**	1,227
Net deferred tax asset	**-**	1,227
Net deferred tax liability	**(167)**	-
Net deferred tax	**(167)**	1,227

Note 9 Tangible assets

EUR thousand	Fixtures	Office eqipment	Total
Cost price			
Cost price at 1 Jan 2020	100	39	**140**
Acquisition	45	56	**101**
Cost price at 31 Dec 2020	145	95	**241**
Acquisition	6	7	**13**
Cost price at 31 Dec 2021	152	102	**253**
Amortization and impairment			
Accumulated depreciations at 1 Jan 2020	(63)	(39)	**(102)**
Depreciation of the year	(25)	(11)	**(36)**
Accumulated depreciations at 31 Dec 2020	(88)	(50)	**(138)**
Depreciation of the year	(25)	(19)	**(44)**
Accumulated depreciations at 31 Dec 2021	(113)	(69)	**(182)**
Carrying amount at 31 Dec 2021	38	33	**71**
Useful life	3-5 yr	1-5 yr	

Note 10 Intangible assets

EUR thousand	Software	Other Intangibles	Total
Cost price			
Cost price at 1 Jan 2020	9,385	2,264	**11,648**
Acquisition	1,549	481	**2,029**
Disposals at cost price	(62)	-	**(62)**
Cost price at 31 Dec 2020	10,871	2,745	**13,616**
Acquisition	1,227	412	**1,639**
Disposals at cost price	-	-	**-**
Cost price at 31 Dec 2021	12,098	3,157	**15,255**
Amortization and impairment			
Accumulated amortizations at 1 Jan 2020	(1,363)	(409)	**(1,772)**
Amortization of the year	(1,144)	(311)	**(1,455)**
Disposals of accumulated amortizations	62	-	**62**
Accumulated amortizations at 31 Dec 2020	(2,445)	(720)	**(3,165)**
Amortization of the year	(1,447)	(352)	**(1,799)**
Disposals of accumulated amortizations	-	-	**-**
Accumulated amortizations at 31 Dec 2021	(3,892)	(1,072)	**(4,965)**
Carrying amount at 31 Dec 2021	8,206	2,084	**10,291**
Useful life	3-10 yr	1-10 yr	

Note 11 Share capital and shareholder information

Issued shares and Share capital

	Number of shares	Share capital (EUR)
At 31 Dec 2019	155,395,464	81,337,590
New share issues, Feb	30,000,000	15,702,696
At 31 Dec 2020	185,395,464	97,040,286
New share issues, Jan	50,000,000	26,171,159
New share issues, Jan	40,000,000	20,936,928
New share issues, Mar	26,750,000	14,001,570
At 31 Dec 2021	302,145,464	158,149,943

Each share has the same rights and has a par value of EUR 0.523 (rounded). All issued shares are fully paid.

20 largest shareholders as at 31 Dec 2021

Name	Shareholding	Share %
Geveran Trading Co Ltd	138,920,892	46.0%
Torstein Ingvald Tvenge	10,000,000	3.3%
Ferd AS	7,864,139	2.6%
Verdipapirfondet Nordea Norge Verdi	4,454,162	1.5%
Skandinaviska Enskilda Banken AB	3,079,467	1.0%
Nordnet Livsforsikring AS	2,247,811	0.7%
Endre Rangnes	2,017,000	0.7%
Gvepseborg AS	2,009,694	0.7%
Stavern Helse Og Forvaltning AS	2,000,000	0.7%
Alpette AS	1,661,643	0.5%
Verdipapirfondet Nordea Avkastning	1,643,423	0.5%
Velde Holding AS	1,400,000	0.5%
Verdipapirfondet Nordea Kapital	1,343,933	0.4%
Klotind AS	1,296,693	0.4%
Andres Lopez Sanchez	1,177,525	0.4%
David Martin Ibeas	1,177,525	0.4%
Svein Dugstad	1,154,187	0.4%
Nordea Bank Abp	1,116,576	0.4%
Nordnet Bank AB	1,086,987	0.4%
Latino Invest AS	1,040,000	0.3%
Total 20 largest shareholders	186,691,657	61.8%
Other shareholders	115,453,807	38.2%
Total number of shares	302,145,464	100%

Total number of shareholders	11,128	

Shares owned by related parties

	Shareholding	Share %
Latino Invest AS [1]	1,040,000	0.3%
Johnny Tsolis Vasili [1]	670,000	0.2%
Terje Mjøs Holding AS [3]	400,000	0.1%
Robin Knowles [2]	183,714	0.1%
Kyrre Svae [2]	150,000	0.0%
Vibeke Ly [2]	133,750	0.0%
Arnt Andre Dullum [2]	110,000	0.0%
Nina Mortensen [2]	95,000	0.0%
Hans Olov Harén [3]	22,150	0.0%
Brita Eilertsen [3]	19,892	0.0%

1) CEO/Related to the CEO of Axactor

2) Member of the Executive Management Team of Axactor

3) Member of the Board of Directors of Axactor / controlled by member of the Board of Directors of Axactor

Note 12 Subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Book value in parent company	Result 2021	Equity 2021
Axactor Portfolio Holding AB	100.0%	100.0%	Gothenburg	Sweden	369,234	(27,902)	339,399
Axactor Platform Holding AB	100.0%	100.0%	Gothenburg	Sweden	162,852	(1,241)	132,674
Reolux Sarl [1]	50.0%	50.0%	Luxembourg	Luxembourg	-	(15,894)	(7,383)

1) An impairment of EUR 6.8 million was recognized in 2021 due to reduced asset prices in the Reolux subsidiaries.

Note 13 Other current assets

Other current assets

EUR thousand	2021	2020
Prepaid expenses	**675**	407
Other current receivables	**(11)**	(2)
Total other current assets	**664**	404

Note 14 Cash and cash equivalents

EUR thousand	2021	2020
Cash and bank deposits	**4,182**	10,542
Restricted cash	**402**	446
Total cash and cash equivalents	**4,584**	10,988
Composition of the cash per currency		
NOK	**1,058**	1,435
SEK	**349**	358
EUR	**3,171**	9,185
GBP	**6**	10
Total cash and cash equivalents	**4,584**	10,988

Note 15 Loans and receivables to group companies

	2021				2020			
EUR thousand	Loans to group companies 1)	Current IC receivables	Loans from group companies	Current IC payables	Loans to group companies 1)	Current IC receivables	Loans from group companies	Current IC payables
Axactor Portfolio Holding AB	**6,417**	**218**	**-**		-	(11)	-	-
Axactor Platform Holding AB	**243,336**	**313**	**-**		54,357	89	-	(3,187)
Axactor Norway Holding AS	**-**	**4,322**	**-**		-	6,013	-	-
Axactor Norway AS	**-**	**718**	**-**	**(1,607)**	-	1,152	-	(427)
Axactor Capital AS	**4,452**	**17,947**	**-**	**(13,761)**	-	19,241	-	(14,995)
Axactor Sweden AB	**-**	**435**	**-**	**(120)**	-	220	-	(179)
Axactor Germany Holding GmbH	**-**	**2,157**	**-**		-	-	-	-
Axactor Germany GmbH	**-**	**-**	**-**	**(17)**	-	1,605	-	-
Axactor Espana, S.L.U.	**-**	**(32)**	**-**	**(5)**	-	26	-	-
Axactor Platform España S.A	**-**	**1,075**	**-**	**(45)**	-	392	-	(146)
Axactor Capital Luxembourg S.a.r.l.	**-**	**172**	**-**		-	41	-	-
Axactor Italy Holding S.r.l.	**156**	**-**	**-**		16,758	-	-	-
Axactor Italy S.p.A	**210**	**-**	**-**	**(24)**	5,100	457	-	(26)
Axactor Capital Italy Srl	**-**	**314**	**-**		-	(21)	-	-
Axactor Invest 1 S.a.r.l. 2)	**-**	**9,352**	**-**		-	8,960	-	-
Reolux Holding S.a.r.l	**35,936**	**50**	**-**		39,815	12	-	-
Axactor Finland Holding OY	**-**	**270**	**-**		-	-	-	-
Axactor Finland OY	**-**	**-**	**-**	**(30)**	-	262	-	(38)
Closing balance at 31 Dec	**290,507**	**37,309**	**-**	**(15,607)**	116,030	38,438	-	(18,998)

1) Loans to subsidiaries carries an interest rate of 6.3-7.38 %, to be paid at year end.

2) An impairment of EUR 1.6 million has been recognized in 2021 due to reduced real estate prices in Spain.

An ECL (Expected Credit Loss) assessment according to IFRS 9 has been carried out and concludes that there is no expected credit loss on receivables to Group companies.

Note 16 Borrowing

EUR thousand	Currency	Facility limit	Nominal value	Capitalized loan fees	Accrued interest	Carrying amount, EUR	Interest coupon	Maturity
Facility								
Bond (ISIN: NO0010914666)	EUR		200,000	(4,778)	3,033	198,255	3m EURIBOR+700pbs	12.01.2024
Bond (ISIN: NO0011093718)	EUR		300,000	(3,853)	791	296,938	3m EURIBOR+535bps	15.09.2026
Total bond loan			500,000	(8,631)	3,824	495,193		
Total borrowings at 31 Dec 2021						495,193		
whereof:								
Non-current borrowings						491,369		
Current borrowings						3,824		

EUR thousand	Bond loan	Total Borrowings
Balance at 1 Jan	200,283	**200,283**
Proceeds from loans and borrowings	500,000	**500,000**
Repayment of loans and borrowings	(200,283)	**(200,283)**
Loan fees	(10,976)	**(10,976)**
Total changes in financial cash flow	288,741	**288,741**
Change in accrued interest	3,824	**3,824**
Amortization capitalized loan fees [1]	2,345	**2,345**
Currency translation differences	-	**-**
Total borrowings at end 31 Dec 2021	495,193	**495,193**

1) Includes expensed capitalized loan fees of EUR 0.4 million related to the refinansing of the bond

Maturity

				Estimated future cash flow within			
EUR thousand	Currency	Carrying amount	Total future cash flow	6 months or less	6-12 months	1-2 years	2-5 years
ISIN NO 0010819725	EUR	198,255	231,967	7,078	7,117	14,194	203,578
ISIN NO 0011093718	EUR	296,938	377,352	8,114	8,159	16,273	344,806
Total bond loan		495,193	609,319	15,192	15,276	30,467	548,384
Total Borrowings at 31 Dec 2021		495,193	609,319	15,192	15,276	30,467	548,384

Bond (ISIN NO 0010914666) ACR02 was placed at 3m EURIBOR +7.00% interest, with maturity date 12 January 2024.

The bond is listed on Oslo Børs.

The following financial covenants apply:

- Interest coverage ratio: >4.0x (Pro-forma adjusted Cash EBITDA to net interest expenses)
- Leverage ratio: <4.0x (NIBD to pro-forma adjusted cash EBITDA).
- Net loan to value: <75% (NIBD to total book value all debt portfolios and REOs)
- Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs).

Trustee: Nordic Trustee

Bond (ISIN NO 0011093718) ACR03 was placed at 3m EURIBOR +5.35% interest, with maturity date 15 September 2026.

The bond is listed on Oslo Børs.

The following financial covenants apply:

- Interest coverage ratio: >4.0x (Pro-forma adjusted Cash EBITDA to net interest expenses)
- Leverage ratio: <4.0x (NIBD to pro-forma adjusted cash EBITDA).
- Net loan to value: <80% (NIBD to total book value all debt portfolios and REOs)
- Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs).

Trustee: Nordic Trustee

Note 17 Other current liabilities

EUR thousand	2021	2020
Public duties	**359**	283
Personnel related liabilities	**807**	717
Other accruals	**467**	123
Total other current liabilities	**1,632**	1,124

Note 18 Hedge accounting

The Group´s risk management objective is to mitigate the effect of interest rate changes related to its floating rate instruments. In order to achieve the objective, the Group´s strategy is to use derivatives to limit the impact of changes in interest rates on the Group´s interest expenses. The Group applies cash flow hedge accounting to ensure that the Group´s risk management strategy is reflected in its financial statements.

Cash flow hedges

Interest rate risk in floating rate instruments

The Group´s risk management objective and strategy is to apply cash flow hedge accounting for interest rate risk in order to mitigate the effect of increasing EURIBOR rates on issued bonds and therefore limit the impact on the Group´s interest expenses. The hedged items consist of a proportion of issued floating-rate bonds. The hedged risk is defined as interest rate risk for EURIBOR interest rates. The hedging instruments consist of interest rate caps. The hedge ratio for the relationships is defined by the ratio of the principal of the interest rate cap to the designated proportion of the hedged item, resulting in 100% hedge ratio. Potential sources of ineffectiveness have been identified as differences in timing of cash flows of hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation and the effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged items.

The Group started with hedge accounting at the end of 2021. All comparable figures for 2020 for the tables presented below are hence 0 and not presented as separate tables. The Group's strategy is to hedge between 50% and 70% of interest bearing debt with a duration of three to five years.

The financial instruments designated as hedged items in current cash flow hedge relationships are:

Hedged items - cash flow hedges

				Other reserves	
EUR thousand	Nominal amount	Nominal amount designated for hedge accounting	Changes in fair value used to calculate ineffectiveness	Continuing hedges	Discontinued hedges
31 Dec 2021					
Interest rate risk					
Floating rate issued bonds	200,000	200,000	-	(230)	-
Total	200,000	200,000	-	(230)	-

The hedged items are included as part of interest bearing debt in the consolidated statement of financial position.

The table below sets out the derivatives designated as hedging instruments in current cash flow hedge relationships, and the outcome of the Group´s hedging strategy:

Hedging instruments - cash flow hedges

EUR thousand	Up to 1 year	1-5 years	Over 5 years	Total
31 Dec 2021				
Interest rate caps				
Nominal amount	2,778	197,222	-	**200,000**
Average strike	0.5%	0.5%	-	**0.5%**

		Carrying amount					
EUR thousand	Nominal amount	Assets	Liabilities	Changes in fair value used to calculate ineffectiveness	Changes in value recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from other reserves to profit or loss
31 Dec 2021							
Interest rate risk							
Interest rate caps	200,000	-	230	-	(230)	-	-
Total	200,000	-	230	-	(230)	-	-

The hedging instruments are included as part of other non-current liabilities in the consolidated statement of financial position. The effective portion of the gain or loss on the hedging instrument is, if applicable, included as part of financial expenses. Hedge ineffectiveness is, if applicable, recorded as part of financial expenses or financial revenue. Amounts reclassified from the cash flow hedge reserve into profit or loss are, if applicable, recorded as part of financial expenses.

Auditor's report

To the General Meeting of Axactor SE

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Axactor SE, which comprise:

- The financial statements of the parent company Axactor SE (the Company), which comprise the Statement of Financial Position sheet as at 31 December 2020, the Statement of Profit and Loss, Statement of Comprehensive Loss, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Axactor SE and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Profit and Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report - Axactor SE

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2020 financial statements. The valuation of the portfolios contains the same characteristics and risks as last year and continue to be an important focus area in our audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of debt portfolios	
Debt portfolios represent a considerable part of the Group's total assets. The valuation of the portfolios includes elements of management judgement. The book value of debt portfolios is determined by projecting expected future cash flows and discounting them to present value using the effective interest rate as of the date the portfolios were acquired. Some of the key judgmental assumptions related to the valuation includes the size of expected future cash flows, and timing of future payments. The estimated timing and size of payments of cash flows require judgement and experience to assess and this may differ from actual timing and size of payments. Management performs Quarterly Performance Reviews (QPR) in which they assess the performance of the group's portfolios, with particular focus directed towards whether portfolios meet certain performance criteria. The procedure is designed to identify portfolios with need to adjust the book value. Our focus on valuation of debt portfolios is justified by the fact that judgmental assumptions carry an inherent risk of errors that have a potential to affect the Groups net profit.	We satisfied ourselves to the accuracy of initial recognition of portfolios by tracing purchase prices in the contracts back to registration in the system on a sample basis. We also checked completeness, by reconciling value per 31.12.2020 of the debt portfolios from the database, which is used as a source for the performance review, to the booked value. Additionally, we also performed procedures in regard to cash collection where we sampled and matched cash collection reported with underlying bank statements. Correspondingly, we obtained cash collection reports and traced the amounts to the database. In order to achieve desired level of evidence in regard to valuation, we sampled all portfolios not meeting Management's defined performance criteria. Based on obtained documentation for these portfolios, including inspection of the underlying figures in the database, we challenged Management's assumptions and conclusions noted in their QPRs. We discussed with them their assessments and tested assumptions, and where deemed necessary obtained and evaluated additional documentation that substantiated Management's conclusions. We performed recalculation based on our own models to test the completeness and accuracy of the company's, portfolio database. The result of our interviews and testing showed that management had used appropriate assumptions, reasonable input data and calculations. We also evaluated the models they used to discount the cash flows and tested the accuracy of the inputs and whether the models made calculations as expected. Any differences encountered as part of our detailed testing fell within a reasonable range.

Independent Auditor's Report - Axactor SE

The Group notes 2.13.1, note 4 and note 18 to the financial statements are relevant for the description of the Group's debt portfolios. We read the notes and found them to be adequate and give a balanced overview of the different parameters and judgmental assumptions used.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24 March 2021
PricewaterhouseCoopers AS

Anne Lene Stensholdt
State Authorised Public Accountant

Alternative Performance Measures

Alternative Performance Measures (APM) used in Axactor

APM	Definition	Purpose of use	Reconciliation IFRS
Gross revenue	Total income plus portfolio amortizations and revaluations, and change in forward flow derivatives	To review the revenue before split into interest and amortization (for own portfolios)	Total income in consolidated statement of profit or loss
Cash EBITDA	EBITDA adjusted for change in forward flow derivatives, calculated cost of share option program, portfolio amortizations and revaluations, REO cost of sales and REO impairments	To reflect cash from operating activities, excluding timing of taxes paid and movement in working capital	EBITDA (total income minus total operating expenses) in consolidated statement of profit or loss and net cash flow from operating activities in consolidated statement of cash flows
ERC	Estimated remaining collection express the expected future cash collection on own portfolios (NPLs) in nominal values, over the next 180 months	ERC is a standard APM within the industry with the purpose to illustrate the future cash collection including estimated interest revenue and opex	Purchased debt portfolios in consolidated statement of financial position
Net interest bearing debt (NIBD)	Net interest bearing debt means the aggregated amount of interest bearing debt, less aggregated amount of unrestricted cash and cash equivalents, on a consolidated basis	NIBD is used as an indication of the Group's ability to pay off all of its debt	Non-current interest bearing debt, current portion of interest bearing debt and unrestricted cash and cash equivalents in the consolidated statement of financial position, adjusted for capitalized loan fees and accrued interest according to note 27.
Return on equity (ROE), including or excluding non-controlling interests	Net result divided by average quarterly equity for the period	Measures the profitability in relation to stockholders' equity	Equity in consolidated statement of changes in equity

APM tables

Gross revenue

EUR thousand	2021	2020
Total income	**195,127**	201,175
Portfolio amortizations and revaluations	**148,542**	123,179
Change in forward flow derivatives	**782**	826
Gross revenue	**344,451**	325,180

EBITDA and Cash EBITDA

EUR thousand	2021	2020
Total income	**195,127**	201,175
Total operating expenses	**(171,393)**	(169,176)
EBITDA	**23,733**	31,999
Change in working capital related to forward flow derivatives	**782**	826
Calculated cost of share option program	**180**	578
Portfolio amortizations and revaluations	**148,542**	123,179
REO cost of sale, including impairment	**50,515**	52,932
Cash EBITDA	**223,752**	209,514
Taxes paid	**(3,261)**	(5,515)
Change in working capital, excl. forward flow derivatives	**4,209**	5,714
Cash flow from operating activities before NPL and REO investments	**224,700**	209,713

Estimated remaining collection, NPL

EUR thousand	2021	2020
Purchased debt portfolios	**1,095,789**	1,124,699
Estimated opex for future collection at time of acquisition	**296,290**	303,731
Estimated discounted gain	**748,463**	740,722
Estimated remaining collection, NPL	**2,140,543**	2,169,153

Net interest bearing debt (NIBD)

EUR thousand	2021	2020
Non-current portion of interest bearing debt	**834,411**	579,282
Current portion of interest bearing debt	**3,845**	356,903
Total interest bearing debt	**838,256**	936,185
Capitalized loan fees	**(17,566)**	(1,283)
Accrued interest	**3,845**	705
Nominal value interest bearing debt	**851,977**	936,763
Unrestricted cash and cash equivalents	**38,155**	47,779
Net interest bearing debt (NIBD)	**813,821**	888,984

Return on equity, excluding non-controlling interests

EUR thousand	2021	2020
Net profit/(loss) after tax attributable to shareholders of the parent company	**(32,797)**	(18,131)
Average total equity for the period related to the shareholders of the parent company	**384,751**	296,222
Return on equity, excluding non-controlling interests	**(8.5%)**	(6.1%)

Return on equity, including non-controlling interests

EUR thousand	2021	2020
Net profit/(loss) after tax	**(45,992)**	(34,002)
Average total equity for the period	**407,454**	375,526
Return on equity, including non-controlling interests	**(11.3%)**	(9.1%)

Terms

Active forecast	Forecast of estimated remaining collection on NPL portfolios
Board	Board of directors
Cash EBITDA margin	Cash EBITDA as a percentage of gross revenue
Chair	Chari of the board of directors
Contribution margin (%)	Total operating expenses (excluding SG&A, IT and corporate cost) as a percentage of total income
Collection performance	Collection on own NPL portfolios in relation to active forecast
Equity ratio	Total equity as a percentage of total equity and liabilities
Forward flow agreement	Agreement for future aquisitions of NPLs at agreed prices and delivery
Gross IRR	The credit adjusted interest rate that makes the net present value of ERC equal to NPL book value, calculated using monthly cash flows over a 180-months period
Group	Axactor SE and all its subsidiaries
NPL amortization rate	NPL amortization divided by NPL gross revenue
One off portfolio aquisitions	Aquisition of a single portfolio of NPLs
Opex	Total operating expenses
Recovery rate	Portion of the original debt repaid
Replacement capex	Aquisitions of new NPLs to keep the same book value of NPLs from last period
SG&A, IT and corporate cost	Total operating expenses for overhead functions, such as HR, finance and legal etc
Solution rate	Accumulated paid principal amount for the period divided by accumulated collectable principal amount for the period. Usually expressed on a monthly basis
Yield	Interest revenue from purchased loan portfolios

Abbreviations

3PC	Third-Party Collection
AGM	Annual General Meeting
APM	Alternative Performance Measures
ARM	Accounts Receivable Management
B2B	Business to Business
B2C	Business to Consumer
BoD	Board of Directors
BS	Consolidated Statement of Financial Position (Balance Sheet)
CF	Consolidated Statement of Cash Flows
CGU	Cash Generating Unit
CM1	Contribution Margin
D&A	Depreciation and Amortization
Dopex	Direct operating expenses
EBIT	Operating profit/Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
ECL	Expected Credit Loss
EGM	Extraordinary general meeting
EPS	Earnings Per Share
ERC	Estimated Remaining Collection
ESG	Environmental, social and governance
ESOP	Employee Stock Ownership Plan
FSA	The Financial Supervisory Authority
FTE	Full Time Equivalent
GHG	Greenhouse gas emissions
IFRS	International Financial Reporting Standards
LTV	Loan to value
NCI	Non-Controlling Interests
NPL	Non-Performing Loan
OB	Outstanding Balance, the total amount Axactor can collect on claims under management, including outstanding principal, interest and fees
OCI	Consolidated Statement of Other Comprehensive Income
P&L	Consolidated Statement of Profit or Loss
PCI	Purchased Credit Impaired
PPA	Purchase Price Allocations
REO	Real Estate Owned
ROE	Return on Equity
SDG	Sustainable development goal
SG&A	Selling, General & Administrative
SPV	Special Purpose Vehicle
VIU	Value in Use
VPS	Verdipapirsentralen/Norwegian Central Securities Depository
WACC	Weighted Average Cost of Capital
WAEP	Weighted Average Exercise Price

Financial calendar 2022

Annual General Meeting	21.04.2022
Quarterly Report - Q1	28.04.2022
Quarterly Report - Q2	18.08.2022
Quarterly Report - Q3	27.10.2022
Quarterly Report - Q4	17.02.2023

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