

AXACTOR



Annual Report

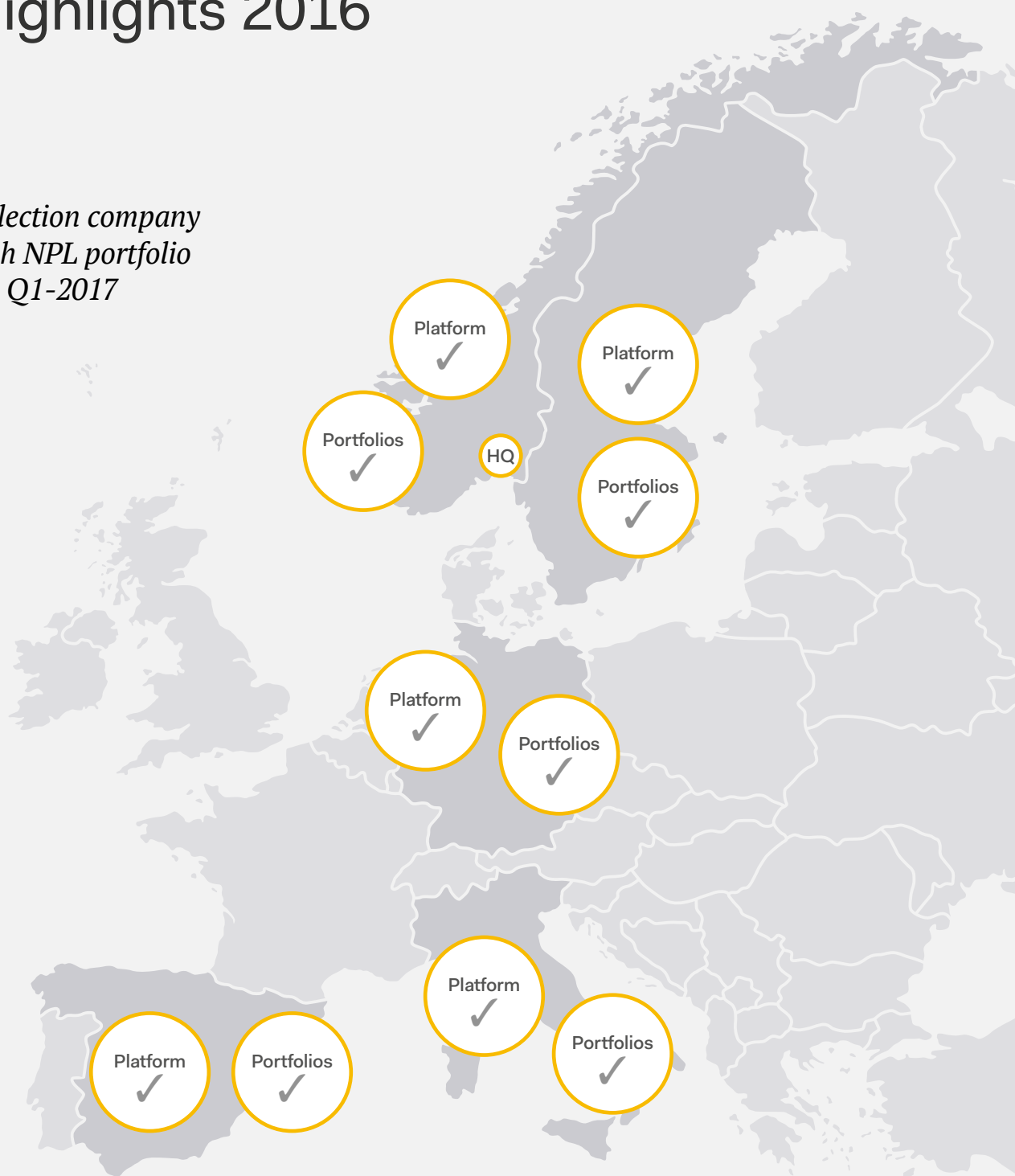
2016

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Key highlights 2016

*Sweden collection company
and Swedish NPL portfolio
acquired in Q1-2017*



Gross
collection

384

SEK million

ERC

3,012

SEK million

Employees

875

End 2016

Equity
ratio

65%

Cash
balance

618

SEK million

Letter from the CEO

Axactor is a group of companies within the credit management services industry. We are primarily focusing on large and high growth NPL markets, and have operations in Spain, Italy, Germany, Norway and Sweden. We have an ambitious Pan-European growth strategy and are continuously exploring new opportunities for growth in Europe.

We are addressing a large non-performing loan (NPL) market in Europe, estimated to around € 1.5 trillion, and with an attractive growth rate going forward. The main growth factors, partly driven by regulatory changes, are sales of non-performing loans and an accelerating trend of outsourcing debt to specialized companies. Furthermore, we see a consolidation trend in the debt collection/debt purchase industry. Axactor's main focus in the credit management value chain will be: reminder services, amicable and legal collection, surveillance and acquisition of NPLs.

As a first step in our Pan-European growth strategy we acquired in December 2015 the company ALD Abogados, a leading debt collection agency in Spain. With a very solid customer base, this company has been the platform for further growth in debt collection and NPL portfolio acquisitions in Spain. During the first two quarters of 2016 we acquired in April IKAS in Norway, in May Geslico in Spain and in June CS Union in Italy. In September 2016 we acquired Altor Group in Germany. Finally, in February 2017 we acquired Profact in Sweden. In addition, there has been a high activity level buying portfolios and entering into new collection deals.

Axactor has specific strengths that will allow us to successfully pursue these market opportunities:

Firstly, we have managers with a deep understanding of credit management services, and with an unparalleled industry track record. We fully understand the commercial aspects of this business, and, equally, we appreciate the legal framework and the compliance aspects that are critical to our customers.

Secondly, as a new entrant, we are not burdened by legacy costs and structures that are no longer beneficial. We have set up a platform specifically designed for a next-generation debt collection service provider focused on rapid growth.

Thirdly, we have funding and an investor base that will allow us to grow. We have a solid bank financing, and we are a listed company on the Oslo Stock Exchange with a large shareholder base.

We are excited to have embarked on this journey, and I hope you will join us, as a customer, investor, employee or business partner.



Endre Rangnes,
CEO

Board of Directors



Bjørn Erik Næss
Chairman

Mr. Næss retired from the position as CFO of DNB ASA on March 1st 2017, a position he held for 9 years. He was previously EVP and CFO in Aker Kværner ASA. Prior to this, he held similar positions in Orkla and Carlsberg (Denmark). Næss has extensive experience from executive positions both in Norway and abroad over the past 25 years. Næss is a graduate of the Norwegian School of Economics and Business Administration and has also completed an executive program at Darden Business School in the USA.



Dag W. R. Strømme
Board member

Mr. Dag W. R. Strømme is currently Chairman of Racom AS and Board member of Fortuna Fix Ltd. He has a background from private equity and investment banking. Mr. Strømme was a Senior Industry Expert at Triton from 2009 to 2015 and a Partner at Herkules Capital AS from 2007 to 2009. Mr. Strømme was at Morgan Stanley from 1990 to 2007 and held various senior/management positions in London and New York, including the position of Managing Director and Co-Head of Nordic Investment Banking from 2001 to 2007. He has held a number of directorships, including in Cubility AS, Nordic Tankers AB, Aibel AS and Gothia Financial Group AB. Mr. Strømme holds a B.S. degree in Business Administration from University of California at Berkeley.



Beate Skjerven Nygårdshaug
Board member

Ms. Skjerven Nygårdshaug holds several board positions and provide consultancy services. She has developed a Senior Board Competence program for NHO and holds ownership in startups.

Ms. Skjerven Nygårdshaug was head of Legal at Kistefos AS from 2006 to 2014 and legal counsel at TDC Song from 2003 till 2006. She has a Master of Law from Oslo University, and a Master of International Law (LLM) from San Francisco and an IEL program from Harvard University, Boston, USA, as well as an executive MBA from IMD, Switzerland.



Brita Eilertsen
Board member

Ms. Eilertsen has more than 15 years of experience from investment banking and consulting institutions like Orkla Finans, SEB Enskilda and Touch Ross Managements Consultants. She is, and has been, member of the board of directors in several listed and private companies over the last 12 years. Eilertsen holds several board positions, including, among others, in Pareto Bank ASA (board member), Next Biometrics Group ASA (chairman), NRC Group ASA (board member) and Carnegie Kapitalforvaltning AS (board member).

Eilertsen holds a Siviløkonom degree from the Norwegian School of Economics (NHH). In addition, she is a Certified Financial Analyst.



Merete Haugli
Board member

Merete Haugli has experience as a board member from a number of companies, most recently Comrod Communication ASA, Reach Subsea ASA, RS Platou ASA, Norwegian Property ASA and Aktiv Kapital ASA.. She has held several senior positions, including SEB, Formuesforvaltning AS, First Securities ASA and ABG Sundal Collier ASA. She was previously Assistant Chief in the Oslo Police, responsible for the economic crime section.

She has education from Bankakademiet and Norwegian School of Management (BI).



Terje Mjøs
Board member

Terje Mjøs is CEO of Telecomputing, and chairman of the Board of Solid Media Group since 2015.

Mr. Mjøs was CEO of Evry ASA from 2010 to 2015 and before that CEO of ErgoGroup AS from 2004 till 2010, as has held several senior positions in Hydro from 1989 till 2004.

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



Michael Hylander
Board member (Deputy)

Michael Hylander has been a lawyer for twenty-one years, nineteen of which he has spent in different corporate law firms. Since joining MAQS in 2004, he has assisted the firm's clients with mainly company and contract law matters. Mr. Hylander has extensive experience of mergers and acquisitions, and other related issues as well as complex agreements. He also works as an external corporate counsel on a Nordic level for a number of multinational companies.

Mr. Hylander has extensive experience as board director/ chairman in several companies, and has been a member of MAQS' board for five years and its chairman for two years.

He has a Master of Law from Uppsala University (LL.M.), as well as a Master from Amsterdam School of International Relations.

Management



Endre Rangnes
Chief executive officer

CEO in Lindorff Group AB (2010 – 2014), CEO of EDB Business Partner ASA, now EVRY ASA (2003 – 2010). Prior work experience includes various positions within the IBM Group (including being Country Manager Norway and serving as member of IBM Nordic's executive and top management teams). Other current assignments/positions: Board member of Tieto Oyj.



Siv Farstad
Executive vice president, Human Resources

Ms Siv Farstad has more than 5 years of experience from within the industry. Prior to joining Axactor, Ms Farstad held the position as HR executive of Kommunalbanken. Prior to this, she held the position as Senior Vice President HR for Lindorff from January 2011 until May 2015.

Earlier she served as HR manager for Microsoft Development Center Norway and EVP HR for NRK. In her earlier career, she has worked 14 years in Accenture where she held several consulting positions. Ms Siv Farstad graduated with an Siviløkonom Degree in Business Administration from Pacific Lutheran University in 1988.



Geir Johansen
Chief financial officer

Geir Johansen joined Axactor as CFO, in January 2016. Before joining Axactor he held the position as CFO at Fred.Olsen Ocean in Oslo. Over the last 20 years, Mr Johansen has lived and worked in the Americas, Europe as well as North and South East Asia having held CFO positions in DOF Subsea ASA, S.D. Standard Drilling Plc and GSP Offshore. Earlier in his career Mr. Johansen worked 13 years in DNGL where he last held position as Finance Director for DNV Maritime globally.

Mr. Johansen holds a Master's Degree in International Economics from BI as well executive education from IMD Switzerland.



Johnny Tsolis
Executive vice president, Strategy & Projects

8 years of experience from working with the Lindorff Group. He has his main focus on PMI/cost and productivity improvement. Broad international experience, more that 5 years on projects abroad, primarily in Spain, Germany, the US, the Netherlands, Denmark, Sweden and Finland. Former work experience includes positions as partner at Cardo Partners AS, partner at DHT Corporate Services, Handelsbanken Capital Markets and Arkwright.



Oddgeir Hansen *Chief Operating Officer*

COO in Lindorff Group (2010 - 2014). COO of EDB Business Partner (2003 - 2010)

Prior work experience includes various positions within IBM Norway, including being Department Director with responsibility for monitoring and coordinating IBM Norway overall activities.



Robin Knowles *Executive Vice President Portfolio Acquisitions*

7 years of experience working as the Investment Director at Lindorff Group. His main focus was to increase the size of the Owned Portfolio, across all territories within the Group. He has broad industry experience across Scandinavia, Continental Europe and the UK covering the last 15 years, including positions in Aktiv Kapital (PRA), Cabot Financial and Morgan Stanley as well as his time in Lindorff.

Mr. Knowles' work experience includes Investment banking with Barclays Bank for 4 years and Container Shipping with P&O Nedlloyd for 4 years, where he also qualified as a management accountant in 1997.



Adrian Scott *Executive Vice President Sales*

Mr. Scott joined Axactor in January 2017. He came from the position of Head of Global Collections and Recoveries for Deutsche Bank where he is also responsible for the selling of NPL portfolios. During his time at Deutsche Bank he ran operations in Germany, India, China, Italy, Spain, Poland and Portugal. Adrian Scott holds 29 Years of Financial Services and Banking experience. Before joining Deutsche Bank, he worked for Several large Financial institutions including 5 years at Barclaycard and 8 years at Citibank. At Barclaycard he was a member of the U.K. Credit Cards Exco, whilst at Citibank he was responsible for several Sales areas including head of Car finance, Second Mortgages and Direct Sales. Adrian is British but has lived and worked from Barcelona Spain for the last 10 years.



Anita Høst *Head of Legal & Compliance/Solicitor*

Ms. Anita Høst joined Axactor in February 2017. She holds the position as Head of Legal and Compliance. Ms. Høst completed her law degree in 1998 at the University of Oslo. Her professional background includes more than 13 years of business law experience. During these years she held various in-house legal positions, such as Legal Counsel in Starboard Co Ltd, Bangkok (Thailand), Legal Counsel/Associate in EDB Business Partner ASA (now EVRY) and Head of Legal in Schenker AS (Part of DB Schenker-Group). Additionally, she has held positions as Deputy Judge in Larvik District Court, Legal Executive Officer in the Immigration Department/Oslo Police District, Legal Advisor in the Norwegian House Owners' Association (Huseiernes Landsforbund) and Stagiere in Directorate General Enlargement/The European Commission (Brussels).

Shareholder information

The company's total capitalisation at 31 December 2016 was NOK 3,25 billion, based on a closing share price of that day of NOK 2,65.

Dividend policy

The company is a growth company in a capital-intensive industry. At this stage focus will be to finance purchases of portfolios and developing the operations. Currently the policy is not to pay cash as dividend to shareholders.

Shares and share capital

At 31 December 2016, Axactor had 1.226.488.769 ordinary shares outstanding with a par value of SEK 0,50 per share (see Note 21 to the financial statement). The company has one share class, and each share carries one vote. At 31, December 2016, the company had 9.719 shareholders.

Listing

The Company's shares have been listed in Oslo Børs (Ticker: AXA) 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 SE0005569100.

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 42.2 million share options were awarded under this plan during 2016 and the same are outstanding at 31 December 2016. Further information on the company's share option plan has been included in the Note 22 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 distributed without delay and simultaneously to the capital market and the media, and also published on the company website.

The CEO and CFO 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.

Additional 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 May each year. 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. In order to vote, shareholder must either be physically present or represented by a proxy.

20 largest shareholders as at 6 April 2017

Name	Shareholding	Share %
VERDIPAPIRFONDET DNB	68,973,218	6 %
TVENGE TORSTEIN INGV	52,500,000	4 %
MOHN STEIN	44,944,540	4 %
SPENCER TRADING INC	40,000,000	3 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	35,553,765	3 %
VERDIPAPIRFONDET HANDELSBANKEN	34,171,801	3 %
FERD AS	34,000,000	3 %
ARCTIC FUNDS PLC	28,753,627	2 %
SWEDBANK GENERATOR	27,650,000	2 %
VERDIPAPIRFONDET ALFRED BERG NORGE	25,901,448	2 %
LOPEZ SANCHEZ ANDRES	22,902,500	2 %
MARTIN IBEAS DAVID	22,902,500	2 %
VERDIPAPIRFONDET DELPHI	22,083,459	2 %
NOMURA INTERNATIONAL	20,700,000	2 %
GVEPSEBORG AS	20,364,945	2 %
NORDNET LIVSFORSIKRING AS	19,909,397	2 %
STATOIL PENSJON	19,504,342	2 %
VERDIPAPIRFONDET DNB	19,055,029	2 %
DNB NOR MARKETS	17,628,096	1 %
ALPETTE AS	16,616,431	1 %
Total 20 largest shareholders	594,115,098	48 %
Other shareholders	632,373,671	52 %
Total number of shares	1,226,488,769	100 %

Ownership by geographical regions as at 6 April 2017

Nationality shareholders	Number of shares	Ownership share
Norwegian	1,054,722,722	86 %
Swedish	10,753,989	1 %
Spanish	45,963,360	4 %
British	34,543,501	3 %
Irish	28,773,238	2 %
Italian	20,770,071	2 %
American	8,373,786	1 %
Other	22,588,102	2 %
Total	1,226,488,769	100 %

Ownership structure by size of holding as at 6 April 2017

Number of shares	Number of shareholders	Ownership Number of shares	Ownership shares
1 - 10,000 shares	6,787	11,663,858	1 %
10,001 - 100,000 shares	2,783	83,568,728	7 %
100,001 - 1,000,000	732	189,270,369	15 %
100,001 - 5,000,000 shares	115	224,689,052	18 %
Above 5,000,000 shares	35	717,296,732	58 %
	10,452	1,226,488,769	100 %

Responsibility Statement

We confirm that, to the best of our knowledge, the Financial Statements 2016, which have been prepared in accordance with IFRS as adopted by EU, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the administration report includes a fair review of the information required under the Swedish annual accounting act.

Stockholm, 19 April 2017
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Dag W. R. Strømme
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate Skjerven Nygårdshau
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO

Our audit report has been submitted on April 20, 2017

PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Report of the Board of Directors

The board of directors and the CEO hereby submit the annual consolidated report regarding 2016.

Highlights 2016

First Quarter

- On January 18th a new amicable operations center was established in Valladolid, Spain. Initially 28 staff were employed at the center, however at the end of 2016 the center employs close to 100 employees.
- On February 12 Axactor acquires its first unsecured NPL portfolio in Spain. The portfolio includes unsecured loans with a total Outstanding Balance (OB) of approximately EUR 500 million. Axactor paid around 3% of the Outstanding Balance.
- On February 17 Axactor raised NOK 106.1 million in gross proceeds through a private placement of 59,600,000 new shares at a price of NOK 1.78 per share. After the transaction Axactor has 656,214,360 shares outstanding.
- On March 3 Axactor acquired a second unsecured NPL portfolio originally generated by a large Spanish consumer finance institution. Outstanding Balance of the portfolio was EUR 18 million, and price was approx. 6.5% of the Outstanding Balance.
- On March 17 Axactor acquired 100% of the shares in the Norwegian debt collection company IKAS for NOK 291 million, with 70 % settlement in cash and 30% in Axactor shares. The transaction closed on April 7.
- On March 17 Axactor acquired an NPL portfolio originally generated by a large Spanish consumer finance institution with outstanding balance of approximately EUR 221 million at a price of 6.9%.

Second Quarter

- On May 5 Axactor acquires Geslico to complement its current operating platform in Spain and becomes a leading player in the Spanish debt collection market.
- On May 26 Axactor raised NOK 375 million in gross proceeds through a private placement of 220,400,000 new shares at a price of NOK 1.70 per share.
- On June 22 Axactor acquired 90% of CS Union and entered into a strategic partnership with Banca Sistema in Italy. CS Union has 100 employees, 22 NPL portfolios and a 3PC business with approximately EUR 290 million under management. Axactor paid EUR 9,9 million for the 90% ownership and 40% of the purchase price was settled with Axactor shares.
- On June 30 Axactor acquires its fourth unsecured NPL portfolio in Spain from Banco Mare Nostrum. The portfolio includes unsecured and secured loans with a total Outstanding Balance (OB) of approximately EUR 144 million. Axactor paid a price close to 5% of the Outstanding Balance.

Third Quarter

- On July 5 Axactor increased the existing loan facility and brought Nordea in as a second banking partner, thus increasing the existing facility from EUR 25 million up to EUR 50 million, with an additional EUR 50 million accordion option.
- On August 1 Axactor acquired a 5th unsecured NPL portfolio in Spain. The portfolio was originally generated by a large Spanish consumer finance institution. The portfolio has an Open Balance (OB) of approximately EUR 565 million, with close to thirty thousand open accounts of individuals and SMEs.
- On September 29 Axactor acquired an unsecured NPL portfolio originally generated by a large Italian Bank. The portfolio includes unsecured claims with a total Outstanding Balance (OB) of approximately EUR 59 million. Acquisition cost for the portfolio was around 5% of the outstanding balance.
- On September 29 Axactor acquired Altor Group in Germany. Altor has 200 employees, 44 NPL portfolios and a 3PC business with approximately EUR 1.0 billion under management. Axactor paid EUR 17.7 million for 100% of the shares in Altor Group. The transaction was 100% settled in cash.

Fourth Quarter

- On October 13 Axactor raised NOK 598 million in gross proceeds through a private placement of 230.000.000 new shares at a price of NOK 2.60 per share. In December a subsequent repair issue of 50.000.000 new shares was completed at a price of NOK 2.60 per share. Gross proceeds from the repair issue was NOK 130 million.
- On December 14 Axactor Norway entered in to an agreement to acquire portfolios on a monthly basis (Forward Flow contract) from a large Nordic Financial Institution. The portfolios will contain freshly terminated Business-to-Consumer (B2C) cases.
- On December 15 Axactor acquired a 6th unsecured NPL portfolio in Spain. The portfolio contains unsecured loans with a total Outstanding Balance (OB) of approximately EUR 450 million, with close to one hundred thousand open accounts of individuals and SMEs.

Key Figures Axactor AB (group)

For remaining operations after sale of mining activities

SEK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12.2016	31.12.2015
Gross Revenue	180.3	105.3	72.3	29.4	387.2	4.4
Net Revenue	160.4	101.7	64.4	27.9	354.5	4.4
EBITDA	-11.8	-7.2	-31.5	-10.5	-61.0	-30.6
Cash EBITDA ¹⁾	2.8	1.5	-19.3	-6.8	-21.8	-
Normalized EBITDA ²⁾	-5.3	-1.9	-14.4	-10.3	-26.6	-
Depreciation and Amort. (excl. Portfolio Amortization)	-11.7	-9.0	-6.7	-2.5	-29.8	-0.8
Net Financial Items	-30.7	1.9	8.8	-2.7	-22.7	-29.9
Tax	8.5	-5.8	3.5	0.8	7.0	-
Net Result	-45.7	-20.0	-25.8	-14.9	-106.4	-61.3
Cash and Cash Equivalents at end of Period	617.6	328.5	332.5	185.8	617.6	372.4
Acquired NPL portfolios during the Period	323.1	335.1 ³⁾	348.4 ³⁾	255.4	1,262.0	-
Book Value of NPL portfolios at end of Period	1,224.4	950.7 ⁴⁾	594.3 ⁴⁾	250.7	1,224.4	-
Gross Collection on Debt Portfolios during the quarter	85,1	37.7 ⁵⁾	12.9 ⁵⁾	8.9	144.6	-
Estimated Remaining Collection (ERC) at end of quarter	3,012.0	2,486.0	1,290.0	579.0	3,012.0	-
Interest Bearing Debt at end of Period	707.9	814.7 ⁷⁾	348.4 ⁶⁾	-	707.9	-
Number of Employees (FTE) at end of Period	850	900	702	187	850	105

1) Cash EBITDA is adjusted for calculated cost of share option program and portfolio amortizations

2) Defined as EBITDA adjusted for non-recurring items

3) Includes portfolios on the balance sheet of CS Union and Altor at the time of acquisition.

4) Includes portfolios in CS Union and Altor per balance sheet date

5) Excluding collections on CS Union portfolios in Q2 and Altor portfolios in Q3.

6) Includes SEK 210 million in bank debt in CS Union

7) Includes SEK 127.3 million in bank debt in Altor. This amount is planned to be refinanced with the DNB/Nordea facility during Q4.

Background and operations

Axactor is a fast growing debt collection & debt purchase company, with presence in Spain, Norway, Italy, Germany and Sweden. The company has an experienced management team and a solid investor base consisting of large international funds and private investors. Axactor is investing in new technology and standardized systems, which enables us to deliver best in class debt collection services in all markets. Further, Axactor has the relevant competence and sufficient funding to acquire large non-performing loan portfolios. Axactor will focus on amicable and legal collection, including debt surveillance primarily within the unsecured consumer debt segment.

The Parent Company Axactor AB, is incorporated in Sweden and listed on the Oslo Stock Exchange (ticker "AXA"), with Headquarter in Oslo.

Spain

In Spain Axactor has acquired 2 companies; ALD in 2015 and Geslico during 2016. With offices in 7 cities throughout Spain our Spanish operations employ close to 200 staff. Axactor Spain offers 3rd party collection services to external clients in addition to buying and collecting on NPLs bought from financial institutions in Spain. At the end of 2016 the book value of our own portfolios in Spain was MSEK 660 (MEUR 68.4). Total revenue in Spain for 2016 was MSEK 212.0.

Norway

Norway was the second country in which Axactor established operations during 2016. The entry in to the Norwegian market came through the acquisition of IKAS, a well-run company with more than 35 years of operating history in the Norwegian market. The company today employes 84 employees and has offices in 6 cities throughout Norway with main office in the city of Drammen outside Oslo. Axactor Norway offers 3rd party collection services and reminder services to SMEs, and did in addition secure its first NPL portfolio, a forward flow deal, in December 2016. Total revenue for Axactor Norway for the 9 months since the initial acquisition was MSEK 74.5.

Italy

The Italian platform company CS Union was acquired late in 2nd quarter 2016. The company operates out of one office in Cuneo, a city in the Piedmont district north in Italy and has close to 100 employees. In Italy Axactor offers 3rd party collection services to external clients in addition to buying and collecting on NPLs bought from financial institutions in Italy. At the end of 2016 the book value of our own portfolios in Italy was MSEK 318 (MEUR 33.0). Total revenue in Italy for the 6 months we have had operation in the country during 2016 was MSEK 44.0.

Germany

In Germany Axactor established operations through the acquisition of Altor group at the end of the third quarter. Altor has its office in Heidelberg which is situated some 90km south of Frankfurt. With 200 employees, the company offers 3rd party collection services to external clients in addition to buying and collecting on NPLs bought from financial institutions in Germany. Book value of own portfolios in Germany at the end of last year was MSEK 244 (MEUR 25.3). Total revenue in Germany for the 3 months Axactor had operation in Germany during 2016 was MSEK 56.7.

Sweden (acquired in February 2017)

Axactor made its entry in to the Swedish market in February 2017 when the company acquired Profact AB, and through this transaction we believe Axactor has established a solid foundation for further growth within the debt collection and debt purchase market in Sweden. Profact has approximately 35 full time-employees and has delivered strong growth particularly in the Customer Service area over the last few years. The 2016 revenues were approximately MSEK 18.0. The company was established in 2008 by the CEO Fredrik Kessler who has 24 years' experience in collection industry.

Staff, management and environment

During 2016 Axactor grew from being a company of 105 employees, to being a true pan-European company, with 794 employees (FTEs) in 4 countries. The growth mainly comes from acquisitions of IKAS, Norway in April, Geslico, Spain in May, CS Union, Italy in June and Altor Group, Germany in September. In addition we had organic growth in our collection centre in Valladolid, Spain. During this growth period it has been worked in a systematic manner, in order to move towards a common corporate culture and values.

The company practices a policy of equal treatment pertaining to assignments and promotions, and regards the promotion of a positive working environment as key to the company's future. No accidents or injuries were recorded in 2016.

A new board of directors was elected at an extraordinary general meeting on January 20th, 2017. The Board of Directors now consists of the following members: Bjørn Erik Næss (Chairman of the Board from 01.03.17); Dag W. R. Strømme (acting Chairman until 01.03.17); Merete Haugli Board member) Brita Eilertsen (Board member); Beate Skjervén Nygårdshaug (Board member); Terje Mjøs (Board member); Michael Hylander (deputy Board member)

Environment

Axactor's debt collection business is non-polluting. The company is committed to ensuring that its operations are safe and do not harm either its staff or the natural environment. The company also strives to provide all employees with a healthy and safe working environment. Quality, health, safety and the environment are integral aspects of the company's business, and systems are in place to monitor and follow up any accident and incident.

Corporate governance

The board and management of Axactor are committed to maintaining high ethical standards and promoting good corporate governance. The company believes that good corporate governance builds confidence among shareholders, customers and other stakeholders, and thereby supports maximal value creation over time.

As Axactor is a Swedish private limited liability company listed on the Oslo Stock Exchange, the Norwegian Recommendation for Corporate Governance (the "Recommendation") does not apply directly to the Company. However, with due regard to the fact that the Company is listed in Norway and to a substantial degree approaches the Norwegian investor market, and further considering that Axactor wishes to place emphasis on sound corporate governance, the Company has prepared this policy document on the basis of the Norwegian Code of Practice for Corporate Governance dated 30 October 2014, but made certain necessary adjustments given the Company's Swedish domicile.

Axactors policy regarding corporate governance can be found on pages 76-80 of this annual report and on the company's website.

Corporate social responsibility

The board and management of Axactor have implemented guidelines on values and ethics. The objective is to create a sound corporate culture and preserve Axactor's integrity by helping employees to follow good business standards. Raising awareness of the guidelines has been the company's main action in this area. The company is not aware of any breach of the guidelines.

Shareholders and financing

At the end of 2016, Axactor had 1 226 million outstanding shares, held by 9 700 shareholders. The nominal value of the AXA share is SEK 0.50 per share.

The company's EGM, held on 26 May 2016, authorised the board of directors to approve new issues of shares or other financial instruments irrespective of whether such an issue entails variation of shareholders' preferential rights. The maximum dilution permitted under this authorisation was 34%, which translates into 400,000,000 new shares based on the new number of outstanding shares post the issue in kind to the sellers of IKAS company and post full exercise of outstanding Employee Stock Options. The authorisation is valid until the AGM to be held in May 2017.

The company estimates that it has sufficient working capital for the 12 months following the balance sheet date. The board of directors therefore confirms that the going-concern assumption is met and that the annual accounts have been prepared in accordance with this assumption.

The company has given considerable emphasis to providing shareholders and investors with timely, relevant new information on the company and its activities in compliance with applicable laws and regulations. Axactor is committed to increasing awareness of its shares in all relevant markets. The list of shareholders includes a substantial number of institutional investors outside the Nordic countries.

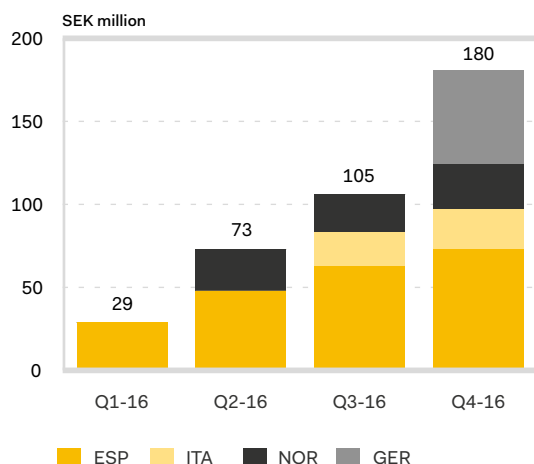
Income and operating costs

Full year income/gross collection was MSEK 387.2 (MSEK 4.4), where MSEK 144.7 came from collections on own portfolios (NPL) and MSEK 237.0 came from third party collection (3PC). Other Revenue accounted for MSEK 5.6. The NPL revenue is split with 24% and 56% coming from Spain and Germany respectively while the remaining 20% is generated from the Italian portfolios. Full year income from 3PC reached MSEK 237.0, and 30% of this was generated by the Spanish company ALD which we acquired in 2015, while the remaining income was generated by the 4 companies that were acquired during 2016.

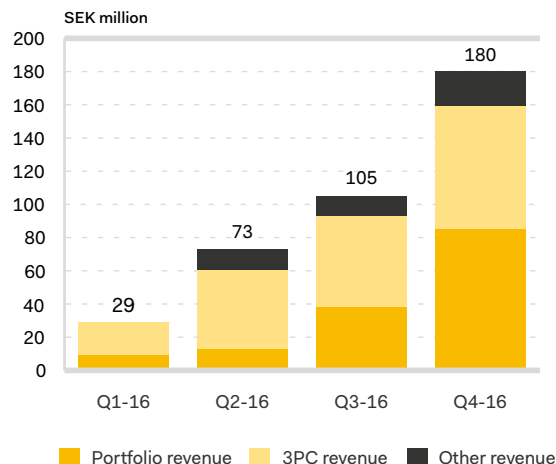
Operating earnings (EBITDA) for the year is negative by MSEK -61.0 (MSEK -30.6).

Accumulated amortization of NPL portfolios for 2016 amounts to MSEK -32.8. Depreciation and Amortization excluding portfolio amortization was MSEK -29.8 (MSEK 0.8) and is primarily related to depreciation of intangible fixed assets pertaining to the company acquisitions made in Spain, Italy, Germany and Norway over the last year.

Revenue Development per Country



Revenue Development per Product



Net financial items for 2016 equal MSEK -22.7 (MSEK -29.9). The 2016 number is comprised of MSEK -19.2 (MSEK -0.7) in interest expenses and an unrealized net currency loss of MSEK -5.5. Fees and other financial items amounts to MSEK 2.1.

The net post-tax full-year result for 2016 is MSEK -106.4 (MSEK -166.6). Earnings per share for the full-year was negative SEK -0.13 for the year. This compares to earnings per share in 2015 of MSEK -0,46.

Cash flow

Axactor had cash flow of MSEK -131.2 during the 12-month period January–December 2016 (MSEK -41.4). The 2016 figure reflects the efforts to build up the organizational capabilities during the year combined with a build-up of working capital of MSEK 81.4.

Net cash flow from investing last year was MSEK -1 187.6 (MSEK -82.7). Axactor acquired 4 platform companies in addition to ALD, which was acquired in 2015. The combined purchase price was MSEK 577.3 whereof MSEK 446.7 was settled in cash and the remaining amount settled in Axactor AB shares. The company further invested MSEK 720.6 in NPL portfolios, 7 in Spain and 2 in Italy, during 2016. In addition, Axactor invested MSEK 21.0 in IT systems and work process development in 2016.

Net cash flow from financing activities in 2016 MSEK 1 564.0 (MSEK 435.0). Net proceeds from the 3 private placements completed in 2016 was MSEK 1 227.4 (MSEK 436.1) while net borrowings during the year was MSEK 363.3 -(MSEK 1.0). Fees and interest paid during the year amounted to MSEK 26.7. Total cash and cash equivalents available at the end of 2016 was MSEK 617.6 (MSEK 372.4)

Financial position

At the end of December 2016 total assets for Axactor equalled MSEK 2 708.1 (MSEK 604.8). Non-current assets amounted to MSEK 1 961.8 (MSEK 170.4) where MSEK 701.0 (MSEK 170.1) is intangible assets and goodwill emanating from the company acquisitions made during 2015 and 2016. Another MSEK 1 224.5 represents the book value of the portfolios acquired during the year including book value of the portfolio that came with the platform acquisitions. Current assets represent a total value of MSEK 746.3 (MSEK 434.4) whereof MSEK 617.6 (MSEK 372.4) is cash and cash equivalents.

As of 31 December 2016, the Company had total Interest bearing debt of MSEK 708.0. Of this, MSEK 408.0 was drawn under the EUR 50 million Revolving Credit Facility with DNB and Nordea. In addition, the Italian subsidiary has a separate local funding facility of MSEK 308.0 (MEUR 32.2). At year end 2016 the remaining 2 tranches under the borrowing agreement with DNB and Nordea had not yet been made available or utilized.

As of December 31st, the company was in breach with a loan covenant in the Revolving Credit Facility, and negotiated with the lending banks to get a waiver in place. The waiver was in place in Q1, 2017. Because of the breach, all borrowings under the facility is classified as short term debt at year end 2016.

At end of the year, total equity equals MSEK 1 749.9 debt (MSEK 477.0), representing an equity ratio of 65 per cent.

Axactor is in a build-up phase where investments in NPL portfolios and production systems take priority and the Board proposes therefore that no dividend be paid for 2016.

Parent company

The Group's publicly listed Parent Company, Axactor AB (publ), owns the subsidiaries, provides the Group's head office functions and provides development work, services and marketing to the entire group. Axactor AB had an Operating Income of MSEK 10.5 (MSEK 0.0) for the full-year and earnings before tax of MSEK 40.6 (MSEK -204.8). Interest income of MSEK 27.2 from group companies and unrealized FX gains of MSEK 47.7 contributed to the positive net result for the year.

At the end of the year the Parent Company had MSEK 405.2 (MSEK 142.9) in cash and cash equivalents.

Risk profile and management

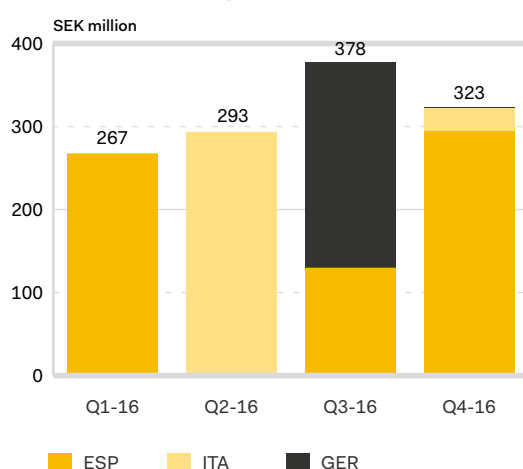
Axactor's regular business activities entail exposure to various types of risk. The company manages such risks proactively, and the board of directors regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure. Axactor gives strong emphasis to quality assurance, and has quality systems implemented, or under implementation, in line with the requirements applicable to its business operations.

A range of risk factors is discussed in detail in Note 3.

Risk management and internal control

The Board receives regular reports regarding financial performance from the company. The Board considers that risk management and internal control of the company is adequate considering the size and the nature of the operation. The Board has established an audit committee that will oversee these activities on a regular basis. The Board has met with the external auditor to discuss the internal control environment.

NPL Portfolio Capex



Proposed allocation of the company's result

SEK thousand	2016
At the disposal of the AGM is the following	
Share premium reserve	2,510,970
Retained earnings	-1,275,969
Result for the period	40,636
Total non-restricted equity	1,275,634
The Board of Directors recommends the following allocation:	
Share premium reserve	-1,231,282
Retained earnings brought forward	1,231,282

The Board of Directors recommend a re-classification of TSEK 1.231.282, which relates to discontinued operations, to better reflect the continuing structure within equity in the continuing operations.

Outlook

Going forward the key focus for Axactor will be operational improvements, thought system implementations and work process refinement. We will continue to look at smaller acquisitions of platform companies in the countries where we already operate, as well as smaller platforms in the other Nordic countries. NPL portfolio purchases will continue to have priority in all geographies.

For 2017 the main priorities for the Axactor Group will be to prepare the company for accelerated revenue growth as well as driving efficiency enhancement in systems and work processes. To make this happen the company will:

- Continue acquisition of attractive portfolios in all four countries
- Secure new 3PC clients in all markets including bank carve-outs
- Enhanced operational focus – standardize our IT platform; implement group core production systems; align KPIs across countries and cross-country learning
- Increase gearing towards long-term target of 75% and continue the efforts to develop co-investment partnerships

We continue to be positive to the NPL sales activities in our main markets. There is a certain degree of seasonality in the sales activity, and for 2017 we expect 2nd and 4th quarter to show the highest level of activity. The consumer credit growth in the Nordic countries continues and we believe that this, combined with the consolidation efforts we see taking place in the Nordics will represent growth opportunities for Axactor going forward.

Subsequent events

- On January 20th, 2017 an extraordinary general meeting (EGM) was held and the EGM elected the following persons as new Board of Directors: Bjørn Erik Næss (Chairman of the Board from 01.03.17); Dag W. R. Strømme (acting Chairman until 01.03.17); Merete Haugli Brita Eilertsen; Beate Skjerven Nygårdshaug; Terje Mjøs; Michael Hylander (deputy board member)
- Oslo 6 February 2017 the 3rd tranche under the EUR 100 million Recurring Credit Facility which Axactor has with DNB Bank ASA and Nordea Bank AS was made available to the company, thereby increasing the available amount under the facility from EUR 50 million to EUR 75 million. After this event, an additional EUR 25 million is remaining under the facility.
- Oslo, 28 February, 2017 - Axactor AB announced that it had acquired the Swedish company Profact AB. Profact is offering credit management services and customer services in the Swedish market. The transaction closed on March 1, 2017.
- On 31 March 2017 Axactor has acquired the largest unsecured NPL portfolio since starting up in the fourth quarter of 2015. The portfolio was originated by Bank Norwegian in Sweden and included unsecured credit with a total Outstanding Balance (OB) of approximately EUR 105 million, across close to 15,200 open accounts of individual loans and credit card debt.
- On 4 April 2017 Axactor signed 3 new servicing contracts with 2 large Financial Institutions and a Large Fund specializing in Receivables management and Debt Purchase in Spain. The one year renewable contracts have a total revenue value of circa five million euros over the next 12 months.

Stockholm, 19 April 2017
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Dag W. R. Strømme
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate Skjerven Nygårdshau
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO



Financial statements

Axactor AB Group & Parent Company

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Consolidated Statement of Loss

For the year ended 31 December 2016

SEK thousand	Note	2016	2015
Continued operation			
Income	5	387,224	4,437
Amortization of debt portfolios	5, 16	-32,766	-
Net revenue		354,459	4,437
Operating expenses	8	-207,522	-29,940
Personnel expenses	6	-207,923	-5,089
EBITDA		-60,986	-30,592
Amortization and depreciation	13, 14, 15	-29,809	-837
EBIT		-90,794	-31,429
Financial revenue	10	11,206	329
Financial expenses	10	-33,866	-30,218
Net financial items		-22,660	-29,889
Profit/(loss) before tax		-113,455	-61,318
Tax expense	11	7,027	-
Net profit/(loss) from continued operations		-106,428	-61,318
Result from discontinued operations	27	-	-105,288
Net profit/(loss) to minority interest		-	0
Result for the period		-106,428	-166,606
Earnings per share: basic	12	-0.13	-0.46
Earnings per share: diluted	12	-	-
Earnings per share incl discontinued	12	-	-1.25

Consolidated Statement of Comprehensive Loss

For the year ended 31 December 2016

SEK thousand	2016	2015
Net profit/(loss)	-106,428	-166,606
Foreign currency translation differences - foreign operations	21,095	-96
Remeasurement of pension plans	1,209	-
Other comprehensive income/ (loss) for the period	22,304	-96
Total comprehensive income for the period attributable to:	-84,124	-166,702
Equity holders of the parent company	-84,124	-166,702
Non-Controlling interests	-	-

Consolidated Statement of Financial Position

For the year ended 31 December 2016

SEK thousand	Note	2016	2015
ASSETS			
<i>Intangible non-current assets</i>			
Intangible assets	13, 14	175,522	45,103
Goodwill	13, 14	511,741	124,467
Deferred tax asset	11	13,799	-
<i>Tangible non-current assets</i>			
Property, Plant and equipment	15	22,623	549
<i>Financial non-current assets</i>			
Purchased debt portfolios	16	1,224,457	-
Other long term receivables	18	9,544	-
Other long term investments	18	4,097	267
Total non-current assets		1,961,781	170,386
<i>Current assets</i>			
Current receivables	19	54,073	58,284
Other current assets	19	74,701	3,760
Restricted cash	20	14,504	4,000
Cash and cash equivalents	20	603,053	368,375
Total current assets		746,331	434,419
TOTAL ASSETS		2,708,112	604,805

Consolidated Statement of Financial Position

For the year ended 31 December 2016

SEK thousand	Note	2016	2015
EQUITY AND LIABILITIES			
<i>Equity attributable to equity holders of the parent</i>			
Share Capital	21	613,244	298,307
Other paid-in equity		2,510,970	1,468,788
Retained earnings and profit for the period		-1,395,224	-1,290,103
Reserves		20,999	-96
Total equity		1,749,989	476,992
Non-current liabilities			
Non-current interest bearing debt	23	240,601	-
Convertible loan	23	-	5,000
Deferred tax liabilities	11	57,021	11,357
Pension liability	24	15,881	-
Other non-current liabilities	25	16,507	500
Total non-current liabilities		330,010	16,857
Current liabilities			
Accounts payables		63,614	12,420
Current portion of non-current borrowings	23	467,362	-
Taxes Payable	11	3,705	9,963
Other current liabilities	26	93,431	88,573
Total current liabilities		628,112	110,956
TOTAL EQUITY AND LIABILITIES		2,708,112	604,805

Stockholm, 19 April 2017
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Dag W. R. Strømme
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate Skjerven Nygårdshau
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

SEK thousand	Equity related to the shareholders of the Parent Company						Non controlling interest	Total Equity
	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year	Total			
Closing balance on 31 December 2014	45,405	1,256,648	-	-1,141,415	160,637	157		160,794
Balance on 1 January 2015	45,405	1,256,648	-	-1,141,415	160,637	157		160,794
Net result for the period	-	-	-	-166,606	-166,606	-		-166,606
Comprehensive loss for the period	-	-	-96	-	-96	-		-96
Total comprehensive result	-	-	-96	-166,606	-166,702	-		-166,702
New share issues	252,902	253,503	-	-	506,405	-		506,405
Costs related to fund-raising	-	-24,280	-	-	-24,280	-		-24,280
Reclassification	-	-17,070	-	17,070	-	-		-
Sale of subsidiaries	-	-	-	945	945	-157		788
Other transactions	-	-13	-	-	-13	-		-13
Closing balance on 31 December 2015	298,307	1,468,788	-96	-1,290,006	476,992	0		476,992
Balance on 1 January 2016	298,307	1,468,788	-96	-1,290,006	476,992	0		476,992
Net result for the period	-	-	-	-106,428	-106,428	-		-106,428
Comprehensive Profit/(Loss) Foreign currency translation differences - foreign operations	-	-	21,095	-	21,095	-		21,095
Comprehensive Profit/(Loss) Remeasurement of pension plans	-	-	-	1,209	1,209			1,209
Total comprehensive result for the period	-	-	21,095	-105,219	-84,124	-		-84,124
New share issues, February	29,800	74,630	-	-	104,430	-		104,430
New Share issues, May	110,200	263,675	-	-	373,875	-		373,875
Acquisition subsidiary, IKAS group	24,517	62,377	-	-	86,894	-		86,894
Acquisition subsidiary, CS Union	10,420	26,785	-	-	37,205	-		37,205
New share issues, October	35,862	168,066	-	-	203,928	-		203,928
New share issues, November	79,138	370,693	-	-	449,831	-		449,831
New share issues, December	25,000	112,635	-	-	137,635	-		137,635
Costs related to fund-raising	-	-42,314	-	-	-42,314	-		-42,314
Share based payment	-	5,635	-	-	5,635	-		5,635
Closing balance on 31 December 2016	613,244	2,510,970	20,999	-1,395,225	1,749,987	-		1,749,989

Consolidated Statement of Cash Flow

For the year ended 31 December 2016

SEK thousand	Note	2016	2015
Operating activities			
Profit before tax		-113,455	-166,606
Taxes paid	11	-21,615	-
Finance income and expense		17,246	-
Amortization of debt portfolios	16	32,766	-
Depreciation and amortization	13.15	29,809	973
Impairment losses on intangible assets		-	104,310
Calculated cost of employee share options	22	5,442	-
Loss from sold companies		-	9,532
Working capital changes		-81,423	10,350
Net cash flows operating activities		-131,230	-41,441
Investing activities			
Purchase of debt portfolios	16	-720,617	-
Investment in subsidiary (Geslico, Spain)		-18,548	-
Investment in subsidiary (IKAS, Norway)		-203,529	-
Investment in subsidiary (CS Union, Italy)		-55,181	-
Investment in subsidiary (Altor, Germany)		-169,524	-
Purchase of intangible and tangible assets		-21,044	-
Purchase of financial assets		-	-82,691
Interest received		860	-
Net cash flows investing activities		-1,187,583	-82,691
Financing activities			
Proceeds from borrowings	23	541,487	-
Repayment of debt	23	-178,152	-1,099
Interest paid		-12,589	-
Loan fees paid		-14,136	-
Proceeds from share issue		1,269,700	460,386
Share issue costs		-42,315	-24,281
Net cash flows financing activities		1,563,995	435,006
Net change in cash and cash equivalents		245,182	310,874
Cash and cash equivalents at the beginning of period		372,375	61,501
Cash and cash equivalents at end of period		617,557	372,375

Summary of Notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The Parent Company Axactor AB (publ), until late December 2015 named Nickel Mountain Group AB (publ), Swedish corporate identity number 556227-8043 is a joint stock corporation, domiciled in Stockholm. The registered address is Hovslagargatan 5B, bottom floor, SE-111 48 Stockholm. The company's shares are traded in Norway on the Oslo Stock Exchange. The corporation's activities consist of debt collection since late 2015. The debt collection business

segment arose with the first acquisition and consolidation of the Spanish debt collection company ALD Abogados SL in December 2015, followed by new acquisitions of Companies in 2016 in Norway, Italy and Germany. The Annual Report and Parent Company Report for Axactor AB (publ) were adopted by the Board of Directors on April 19, 2017 and will be submitted for approval to the Annual General Meeting on May 31, 2017.

Note 2 Summary of significant Accounting Principles

2.1 Basis for the preparation

The Consolidated Statements have been compiled in accordance with EU-approved International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary accounting regulations for corporate conglomerates" specifying the supplements to IFRS required pursuant to the stipulations of the Swedish Annual Accounts Act.

The Parent Company's functional currency is the Swedish krona (SEK) and this is also the reporting currency for both the Group and the Parent Company. All amounts in the financial reports are stated in thousands of Swedish kronor (TSEK) unless otherwise specified. There is made a decision that from 01.01.2017 the presentation currency for the Group will be held in EUR.

Items have been valued at their acquisition value in the consolidated accounts, with the exception of certain financial assets and liabilities, which have been valued at their fair value. The Parent Company's accounting principles follow those of the Group with the exception of the mandatory regulations stipulated in the Swedish Financial Reporting Board's recommendation, RFR 2 "Accounting for legal entities".

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 AB and entities in which Axactor AB has control over. 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.

The balance sheets of the subsidiaries located outside Sweden are converted using the current exchange rates of the last day of the reporting period. The currency rate used in the income statements is the average rate for the entire reporting period. 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.

A subsidiary is included in group accounts from the date of the acquisition, which is the day when the group obtains control of the company. The company is consolidated until such control ceases to exist. Control is considered to exist when the group has the right to form the future strategies of a subsidiary, in order to achieve economic advantages.

A non-controlling interest is the part of a subsidiary's result and net assets that is not, directly or indirectly, owned by the Parent Company. The non-controlling interest's part of the result is included in the consolidated result after tax. The non-controlling interest's part of the equity is included in the consolidated equity, but is accounted for separately from the equity that is related to the shareholders of the Parent Company.

The consolidated accounts and the Parent Company accounts are based on historical acquisition values except for financial instruments which are valued fair market value.

2.3 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 recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale and recognised at fair value less cost to sell, and deferred tax assets and liabilities which are recognized at nominal value.

Goodwill arising on acquisition is recognised 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 recognised in the income statement immediately.

Any contingent consideration to be transferred by the acquirer will be recognised 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 recognised in the income statement as financial income or expense. If the contingent consideration is classified as equity, it will not be premeasured 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 acquire is premeasured to fair value at the acquisition date through the income statement.

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

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 derecognised at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognised as a gain or loss in profit or loss. Investments retained, if any, are recognised at fair value, and surplus or deficits, if any, are recognised in profit and loss as a

part of gain/loss on subsidiary disposal. Amounts included in other comprehensive income are recognised in profit or loss or directly as equity.

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 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. For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually.

2.4 Intangible assets

The Group applies IAS 38 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 capitalized and recognized as intangible assets. These capitalized expenses can include staff expenses for the development team and other direct and indirect expenses. Customer relationships that are recognized as fixed assets relate to fair value revaluations recognized upon acquisition in accordance with IFRS 3. They are amortized on a straight-line basis over their estimated period of use (5–10 years). Other intangible fixed assets relate to other acquired rights are amortized on a straight-line basis over their estimated period of use.

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share 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 recognised. 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.

Customer relationships and Databases

Separately acquired customer relationships and databases are shown at historical cost. The assets acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships and databases that 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 recognised 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 recognised as an expense when incurred.

2.5 Tangible fixed assets

Tangible fixed assets are reported at cost in the balance sheet, 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 3 to 10 years.

2.6 Financial instruments

Financial instruments reported as assets in the balance sheet include: long-term receivables, other receivables, prepaid expenses and accrued income, liquid funds, accounts receivable, and short-term investments. All financial assets are classified as loans and receivables, and are reported at amortized cost, except for other long term investments, which is classified as assets held for sale, see note 18. The liabilities consist of long-term liabilities, convertible loans, other liabilities, accrued expenses and prepaid income and accounts payable. The liabilities are classified as other financial liabilities and are reported as amortized cost, except for the put/call option for CS Union, recorded at fair value on the profit or loss, see note 25. Financial instruments are initially recorded at acquisition value corresponding to the instrument's fair value. A financial asset or liability is reported in the balance sheet as soon as the Company has a contractual commitment regarding such instrument.

Axactor does not have any derivatives and does not for the time being engage in hedging. Cost of interest is calculated using the effective interest rate method.

A financial asset is considered for exclusion when the contractual rights to the cash flows from the financial asset expire, or 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 considered for exclusion when the liability is repaid by Axactor.

Financial instruments are reported using the fair value, accumulated value or acquisition value, depending on the initial categorization under IAS 39. On each reporting

occasion, the company performs an impairment test to determine whether objective indications exist of the need to write-down a financial asset or group of financial assets.

2.6.1 Non-Performing loans

Non-performing loans consists of portfolios of delinquent consumer debts purchased significantly below nominal value of debt.

Purchased loans are classified as non-performing loans together with transactions costs and recognized at amortized cost according to the effective interest method. Income from purchased debt are recognized in the income statement as collected amount less amortization, according to the rules for loans and receivables in IAS 39.

The Group determines the carrying value of each portfolio by projecting future cash flows that is discounted to present value using the initial effective interest rate, determined at the date the portfolio was acquired, based on the relation between cost and estimated future cash flow. Changes in the carrying value are recognized in the income statement on the revenue line as amortization.

Current cash flows are monitored and updated depending on several factors like collections achieved, any repayment arrangements with debtors or other external factors. Updated cash flow forecasts are made at portfolio levels.

Under certain circumstances, also the initial internal interest rate can be adjusted without any change in the carrying value of the portfolios.

2.6.2 Trade receivables

Trade receivables are recognized at the amount expected to be received (initially fair value minus impaired receivables). Evaluation of the value of outstanding accounts receivables are based on individually judgment and/or from historical experience.

2.6.3 Trade and other payables

Trade payables are recognized at the original invoiced amount. Other payables are recognized initially at fair value.

2.6.4 Client funds

Client funds arises from cash received on collections on behalf of a client. Collections are kept on separate restricted cash account and are reflected simultaneously as a liability.

2.6.5 Cash and Cash equivalent

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. In the consolidated balance sheet, any bank overdrafts are shown within borrowings in current liabilities.

2.7 Employee benefits

Pension obligations

The Group's pension obligations vary between countries depending on the local legislation and different pension systems, please see note 6 and 24 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 of the individual employee is dependent on the fees paid to the retirement plan or an insurance company by the employer, and the return of capital invested in the retirement insurance. 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 Company related to payments of defined contribution retirement plans are expensed in the income statement as they are earned by the employee for services conducted 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 defines 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 recognised in the balance sheet 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.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes and curtailments and settlements. Past-service costs are recognised immediately in income. The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

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 recognised 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 recognises the impact of the revision to original

estimates, if any, in the income statement, 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 (nominal value) and share premium.

2.8 Leasing

Leasing is classified as either finance or operating lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line-basis over the period of the lease.

If the Group, as the lessee bear the risks and rewards of the leased assets, it is classified as finance lease. The leased assets are recognized in the balance sheet as a fixed asset and the estimated present value of the future lease payments is recognized as a liability.

2.9 Provisions and contingent liabilities

Provisions are recognised 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 recognised as a finance cost.

Restructuring provisions are recognised 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 plans main features.

2.10 Classifications

Fixed assets and long-term liabilities consists of items expected to be settled more than twelve months after the balance sheet date. Current assets and current liabilities consists of amounts that are expected to be settled within twelve month.

2.11 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 by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised 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 recognised to the extent that is probable that future taxable profit will be available against for which unused tax losses and unused tax credits can be utilised. A deferred tax assets arising from unused tax losses or tax credit are only recognised to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence supporting the utilisation of the tax losses and tax credits. The carrying amount of deferred tax asset is reviewed at the end of each reporting period. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and deferred income tax liabilities are offset, if 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.

2.12 Borrowing expenses

The Group applies IAS 23 Borrowing Costs and IAS 39 Financial Instruments: Recognition and Measurements. Expenses to secure bank financing are amortized across the term of the loan as financial expenses in the consolidated income statement. The amount is recognized in the balance sheet as a deduction to the loan liability. The Group capitalizes borrowing expenses in the cost of qualifying assets, that is, fixed assets for substantial amounts with long periods of completion.

2.13 Segment reporting

For management purposes, the Group is organised into business units based on the geographical regions, by year-end 2016 this has been Norway, Sweden, Spain, Italy and Germany. 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. Segment performance is measured by operating profit (EBIT), as included in the internal management reports that are reviewed by management and the Board of Directors.

2.14 Revenue recognition

Revenue is recognised when it is probable that services will generate future economic benefits that will flow to the company and the amount can be reliably estimated. Revenues are presented net of value added tax.

Revenues from portfolios, see accounting principles 2.6.1

2.15 Conversion of foreign currency

The financial statements are presented in SEK, which is Axactor's functional currency, as well as being the presentation currency. Transactions in foreign currency are accounted for in the functional currency, at the current rate of exchange of the transaction date. Both monetary and non-monetary assets and liabilities are converted per the balance sheet date, at the day's current exchange rate. Currency differences which arise during conversion are accounted for in profit or loss. Assets and liabilities in foreign subsidiaries are valued at the closing currency rates at the end of the reporting period. Income statements are converted to the average of currency rates for the entire reporting period. Exchange differences that may occur at conversion are reported under other comprehensive income.

2.16 Differences between accounting principles of the Group and of the Parent Company

According to the Swedish Financial Reporting Board's standard RFR 2, Accounting for Legal Entities, legal entities with securities listed on a Swedish stock exchange or authorized market on the balance sheet date shall, as a general rule, apply those IFRS standards that are applied in the consolidated financial statements. There are however certain exceptions from and additions to this rule depending on legal provisions – principally those in the Annual Accounts Act – and the relationship between accounting and taxation.

For Axactor AB (the Parent Company) this means that IFRS measurement and disclosure rules are applied, but the format differs from the Group's financial reports since the Parent Company's financial reports follow the Annual Accounts Act.

In the Parent Company, shares in subsidiaries, associated companies and joint ventures are reported at cost (full consolidation and the equity method is used in the Group).

2.17 Changes in Accounting Policies and disclosures for 2017 calendar year or thereafter

IFRS 9, financial instruments

The standard comes into force for financial years beginning in 2018 or thereafter and replaces IAS 39. The standard has been endorsed by EU. It is divided into three sections: classification, hedge accounting and impairment. The standard requires the classification of financial assets in accordance with three valuation categories, namely amortized cost, fair value through other comprehensive income, or fair value through the Income Statement. The classification is determined when the asset is first accounted for on the basis of the characteristics of the financial asset and the company's business model. No major changes apply with regard to financial liabilities. IFRS 9 also includes augmented regulations regarding disclosures in relation to risk management and the effects of hedge accounting. The standard has been complemented with regulations governing the impairment of financial assets, where the model is based on anticipated losses.

The implementation of the standard is not assumed to have material impact on the Group.

IFRS 15, Revenue from Contracts with Customers

The standard comes into force on 1st January 2018 and replaces existing standards and interpretations on revenues. The standard has been endorsed by EU. The standard introduces a new revenue recognition model for contracts with customers and shall be applied to all contracts with customers with the exception of insurance contracts, financial instruments and leasing contracts in that separate standards exist in these areas. The new standard also entails new starting points for when revenue shall be recognized and requires new evaluations by the company management that differ from those currently applied. The principal areas in which existing regulations differ from the new ones are:

- Control-based model for determining when revenue shall be recognized (transfer of risks and benefits is only retained to indicate that control may have been transferred).
- The valuation of the revenue shall be based on what the vendor expects to receive, rather than on fair value.
- New rules governing the way in which a contract's goods and services shall be distinguished in the financial reporting.
- Revised criteria governing how revenue shall be recognized over time.
- Expenditure for the acquisition and fulfilment of contracts.
- Significantly augmented disclosure requirements.

The implementation of the standard is not assumed to have material impact on the Group.

IFRS 16 Leasing

In January 2016 IASB introduced a new leasing standard that will replace IAS 17, leasing agreements and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard demands that essentially all assets and liabilities related to a leasing agreement get recognized in the balance sheet with a few exceptions. The new standard is based on the view that the lessee has a right to use an asset during a specified time period and at the same time an obligation to pay for it. The accounting consequences for the lessor will in all material respects be unchanged. The standard is applicable for annual reporting periods beginning on or after January 1, 2019. It is voluntary to apply the standard before this date. The EU has not yet endorsed this standard.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

The standards and interpretations presented are those that may, in the opinion of the Group, have an effect on the profit and potentially affecting the solidity in the future. The Group intends to implement these standards when they become applicable.

No other of the standards or interpretations from IASB or pronouncements from IFRIC that have not yet come in to force are expected to have any 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 is associated with risk. 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 in a systematic manner. The following summary is by no means comprehensive, but offers examples of risk factors which are considered especially important for Axactor's future development.

Economic fluctuations

The credit management sector is affected negatively by a weakened economy. However, Axactor's assessment is that, historically, it has been less affected by economic fluctuations than many sectors. Risks associated with changes in economic conditions are managed through on-going dialogue with each country management team and through regular checks on developments in each country.

Market risks

Axactor's financing and financial risks are managed within the Group in accordance with the treasury policy established 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 economies in scale when pricing financial transactions. 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 fluctuations have a relatively minor effect on operating earnings. Revenues and expenses in national currency are thereby hedged in natural way, which limits transaction exposure.

When the balance sheets of foreign subsidiaries are recalculated in SEK, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in foreign currencies.

Regulatory risks

With regard to risks associated with changes in regulations in Europe, 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.

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. Interest rate risk relate primarily to the Group's interest bearing debt, which amounted to SEK 708 million on December 31, 2016. The loans carries a variable annual interests tied to the market rates. Any annualised increase/decrease by 100 basis point would increase/decrease the Groups profit before tax by SEK 7 million. The average interest rate for 2016 was 4,23%

Currency risks

Currency risk refers to the risk that the value of a financial instrument may shift as a result of changes in currencies conversion rates. The Company's accounts are held in Swedish krona (SEK). However, conducts the majority of its business operation in other countries. This foreign exchange exposure may affect the Company's results and the number of liquid assets.

Credit risks

Credit risks is the risk that counterparty will not meet its obligations under a financial contract of customer contract, leading to a financial loss. The Group are exposed to credit risk from its operating activities, primarily related to cash and cash equivalents, trade receivables, purchased debts and outlays on behalf of clients.

Customer credit risk is managed subject to established policy, procedure and control 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.

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 collateralized receivables. Purchased debt portfolios are usually purchased at prices significantly below the nominal value of the receivables, and Axactor retains the entire amount it collects, including interests and fees. Axactor places high yield requirements on purchased debt portfolios. Before every acquisition a careful assessment is made based on a projection of future cash flows (collected amount) from the portfolio. In its calculations, Axactor is aided by its scoring models. Scoring entails, the customer's payment capacity being assessed with the aid of statistical analysis. Axactor also uses specialized industry consultants for getting a second opinion on each contemplated debt portfolio purchase. Axactor therefore believes that it has the expertise required to evaluate these types of receivables.

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 to a shortage of funds using cash flow forecasts. Following the acquisitions in 2016 the Group generate positive cash flow. The Group had cash and cash equivalents of SEK 617 million at 31 December 2016 (2015 SEK 372 million). Based on the current cash position, the Group assesses the liquidity risk to be low.

The table below summarises the maturity profile of the Group's financial liability based on contractual undiscounted payments:

Year ended 31 December 2016

SEK thousand	On demand	Within one year	1-5 year	Later than 5 year	Total
Net interest bearing loans DnB/Nordea		129,269	278,742 ¹⁾		408,011
Net interest bearing loans Spain		3,119			3,119
Net interest bearing loans Italy		67,375	240,600		307,975
Bank overdraft, Italy		8,342			8,342
Trade Payables		63,614			63,614
Other Liabilities		85,089			85,089
Taxes payables		3,705			3,705
Deferred tax liabilities			57,021		57,021
Pension liability			15,881		15,881
Payment to minority of CS Union			13,811		13,811
Accruals			2,688		2,688
Total	0	360,513	608,743	-	969,256

1) Classified as short term in the balance sheet due to breach of the covenants. The breach has been resolved in 2017. Maturity of the loan is in 2019, ref note 23.

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 were made in the objectives, policies or process for managing capital during the year ended 31 December 2016.

Note 4 Critical accounting estimates and judgements 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 judgement 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 number of assets or liabilities affected in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including 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 addresses below.

Revenue recognition Purchased loans and receivables

The Group uses the effective interest rate method to account for portfolios and loans. The use of the effective interest rate method requires the Group to estimate future cash flows

from loans and receivables at each balance sheet date. The underlying estimates that form the basis for revenue recognition depends 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 IAS 39 paragraph AG8. Events or changes in assumptions and managements judgment will affect the recognition of revenue in the period.

Book value of Purchased loans and receivables

Loans and receivables (portfolios) consist mainly of acquired non-performing unsecured loans and non-derivative financial assets without fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Events or changes in assumptions and managements 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 16.

Purchased loans and receivables

Purchased loans and receivables are classified as loans and receivables and recognised at amortised cost according to the effective interest method.

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 recognised in the income statement. The valuation method uses results in the best estimate of the fair value of debt portfolios.

The carrying value of purchased loans and receivables

SEK million	31.12.2016	31.12.2015
Balance brought forward 1st January	0	0
Acquisitions	720 617	0
Acquisitions through subsidiaries	536 606	0
Amortization	-32 766	0
Revaluation	0	0
Balance carry forward 31st December	1 224 457	0

The carrying value of Purchased loans and receivables recognised at amortised 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 as at 31 December is illustrated below and shows a non-significant deviation between the two valuation methods. The method falls within level 3 of the fair value hierarchy.

Fair value estimation of portfolios of purchased debt and receivables

The fair value of financial instruments that are not traded in an active market (e.g. loans and receivables) is determined by using valuation techniques such as net present value of estimated cash flows. For loans and receivables, the discount rate used is the weighted average cost of capital, which is 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 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. The fair value is estimated to be approximately SEK 1 310m (2015:0m) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is SEK 1 224m. (2015:0m), which is based on IAS 39 using the estimated gross future cash flows, where the discount factor is the individual IRR for each portfolio. The future cash flow forecasts used to estimate the fair market value are the same as the cash flow forecast used in the accounting for loans and receivables at 31 December 2016. The fair value estimation is based on estimated annual net cash flows from portfolios. The estimated annual net cash flows from portfolios is the assumed annual future collection on portfolios per country, less assumed annual 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 15% 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 9.4% (2015:10.8%) as at 31 December 2016 (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 SEK 1 310m (2015:0m). To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below in order to see the effect of deviations to the cash flow estimates and variations in the cost of capital.

Fair value sensitivity table

SEK million	Performance				
	90%	95%	100%	105%	110%
WACC					
8%	1,199	1,290	1,381	1,472	1,563
9%	1,137	1,224	1,310	1,397	1,483
10%	1,113	1,198	1,282	1,367	1,451
11%	1,074	1,156	1,238	1,319	1,401
12%	1,038	1,117	1,196	1,275	1,354
13%	1,005	1,081	1,158	1,234	1,311
14%	973	1,047	1,121	1,195	1,269

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 13.4%.

Cost of equity

	2016	2015	
Risk free rate	0.549 %	0.993 %	10-year Swedish government bond at 30/12/2016 (https://www.bloomberg.com/quote/GSPG10YR:IND)
Market risk premium	6.3 %	6.3 %	Damodaran 1st July 2016
Estimated Beta (equity)	1.09	0.60	Unlevered beta from peer group used, as the NIBD is 90.4 mSEK. Not used Axactor's own beta due to limited history in the market
Company specific premium	6.0 %	6.0 %	Ibbotson research 2014
Cost of equity after tax	13.4 %	10.8 %	
Tax rate	0.0 %	0.0 %	
Cost of equity before tax	13.4 %	10.8 %	= WACC

Risk free rate

The risk-free rate used in the calculation of the WACC is based on the SEK risk free interest rate, which on 31st December was priced at 0.549%. However, the Group has a significant part of the cash flows in other different currencies, the largest being EUR. The 10-year government bond for EUR was 0.207%. Given the fluctuations in the yield for these bonds we deem it reasonable and conservative to use the SEK risk free rate as basis for the risk-free rate for the Group. Calculating a EUR specific WACC, the risk-free rate element would have decreased 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 observations for a peer group of companies 5 years of weekly observations for market peers. The calculations are based on data from Bloomberg. We have relevered this based on net interest bearing debt at 31.12. Relevered beta is estimated to 1.09.

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.

Cost of Capital calculation – WACC

Factor	31 Dec 2016
10-year risk-free rate	0.549 %
Market risk premium	6.3 %
Equity Beta (Observed) Raw	1.02
Beta relevered	1.09
Company risk premium	6 %
Net Interest bearing debt	90.4 mSEK
Tax rate is not used as the net cash flows in the fair value calculation are net of tax	
WACC	9.4 %

See note 16 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 amount of cash-generating units have 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 budgets and forecasts for the next three years, as approved by the Company's Board of Directors, and do not include significant investments that will enhance the performance of the CGU being tested. 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 14 Impairment.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon

the likely timing and the level of future taxable profits, and deferred tax assets have been recognised in the balance sheet. The recognised amount is most sensitive to expected future taxable profits. Information on deferred tax assets is disclosed in Note 11.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the options at the date at which they are granted. Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including expected life of the share option and volatility and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transaction are disclosed in Note 22.

Solicitor cost

Expensed solicitor fees comes from invoiced from external solicitors, however as cases can stretch over time some of the costs must be accrued based on different assumptions and estimates. The process for determination of assumptions and building up estimates have been subject to review by group management during 2016, which has led to improved routines.

Note 5 Segment reporting

For management purposes, the Group's focus for 2016 has been debt collection. Therefore, per 31.12.2016, the business segments are the various geographic area where debt collection is conducted. The Group was until last quarter of 2015 organized into business type mineral, which represent the discontinued operations in 2015 figures. The management reporting structure will be extended to include new segments from 2017.

SEK thousand	Collecting activities		Unallocated		Total Continued operation		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net revenue	354,459	4,437	-	-	354,459	4,437	40		354,459	4,477
EBITDA	-60,986	-5,848	-	-24,744	-60,986	-30,592	-885		-60,986	-31,477
Depreciation and amortization	-29,809	-64	-	-733	-29,809	-837	-104,447		-29,809	-105,284
Financial items	-22,660	-1	-	-29,888	-22,660	-29,889	4		-22,660	-29,885
Result before tax	-113,455	-5,913	-	-55,365	-113,455	-61,318	-	-105,328	-113,455	-166,646
Non-Current assets	1,961,781	168,330	-	2,056	1,961,781	170,386			1,961,781	170,386
Current assets	746,331	74,664	-	358,189	746,331	432,853			746,331	432,853
				5,000						
Non-current liabilities	330,010	11,857	-	14,870	330,010	16,857			330,010	16,857
Current liabilities	628,112	96,086	-	-	628,112	110,956			628,112	110,956

Net revenue per country

SEK thousand	2016	2015
Germany	49,891	-
Italy	54,364	-
Norway	74,400	-
Spain ¹⁾	175,804	4,437
Total Net Revenue	354,459	4,437

1) The Portfolios acquired in Spain is owned by a Swedish entity. The operation of the portfolios is performed by a Spanish entity. The information above is based on the location of the customers, thus the revenue recognised from the Spanish portfolios is allocated to Spain in the table above.

Distribution of tangible, intangible and financial assets

SEK thousand	2016	2015
Germany	362,160	-
Italy	437,521	-
Norway	314,360	-
Spain	845,571	138,268
Sweden	2,169	32,118
Total non-current assets	1,961,781	170,386

The information above relates to the geographical location of the company the assets belongs to, e.g. intangible assets/ Goodwill arisen from acquisition of a company in Germany is allocated to Germany, except the Spanish portfolios purchased by one Swedish company of SEK 654 million is allocated to Spain in the above table.

Note 6 Employees, Salaries and other Compensations

Personnel expenses

SEK thousand	2016	2015
Salaries	-153,806	-4,328
Bonus	2,242	-
Commision	-4,049	-
Social contribution	-30,497	-617
Pension cost	-2,058	-
Share Option Programme	-8,070	-
Other benefits	-11,684	-144
Total Payroll and payroll related costs	-207,922	-5,089

Average number of employees

	2016	2015
Number of FTE's, start of year	68	-
Number of FTE's, end of year	794	68
Average number of FTE's	431	68

Average number of employees

	2016	2015
Germany	168	
Male	108	
Female	60	
Italy	101	
Male	64	
Female	36	
Norway	74	4
Male	35	3
Female	39	1
Spain	438	64
Male	280	41
Female	158	23

Post-employment benefits

SEK thousand	2016	2015
Salaries	-439	-
Pension cost	-7,945	-
Other benefits	-	-
Total post-employment benefits	-8,384	-

The Group meets the different local mandatory occupational pension requirements. In Germany and Italy there is a defined benefit plan, see note 24.

Note 7 Key Management Compensation

Board of Directors remuneration

SEK thousand	Board fee 2016	Board fee 2015
Einar Jørgen Greve	917	18
Gunnar Hvammen	459	9
Per Dalemo	450	155
Martin Nes (Resigned in December 2015)		244
Jan Frode Andersen (Resigned in December 2015)		146
Total	1,826	572

Executive management remuneration

SEK thousand	Salary	Bonus	Pension	Other	Share option	Total
Endre Rangnes, CEO	4,331	-	20	3	1,878	6,232
Geir Johansen, CFO	1,863	-	20	8	701	2,591
Oddgeir Hansen, COO	1,609	-	21	8	467	2,106
Siv Farstad, EVP HR	1,600	-	21	9	175	1,806
Johnny Tsolis, EVP Strategy and Projects	1,887	-	21	10	1,174	3,092
Robin Knowles, EVP Portfolio acquisitions (ultimo apr-dec)	915				438	1,353
Total	12,205	-	103	38	4,833	17,179

The CEO, Endre Rangnes has a 6 month notice period and is entitled to a severance pay for 12 months in case of termination by the company. In addition there is a non-compete and non-solicitation clause in the employment agreement.

At the end of 2016 there are no loan or prepayments to Board of Directors, Executive management or any other related parties.

Note 8 Other operating expenses

Other operating expenses

SEK thousand	2016	2015
Direct operating expenses, excluding salary	-106,066	-
External services	-57,267	-22,448
IT expenses	-19,321	-
Other expenses	-24,867	-7,492
Other operating expenses	-207,521	-29,940

Remuneration to the auditors (PWC)

SEK thousand	2016	2015
Fees, auditing	-3,447	-747
Fees, tax advisory	-145	-
Fees, other services	-2,206	-663
Total fee to auditors	-5,798	-1,410

Note 9 Commitments and leases

The group leases premises and vehicles under non-cancellable lease agreements. The lease terms are between 1-10 years, and the majority of lease agreements are renewable after the end of the lease period. Leasing contracts are classified as either operational lease or financial lease.

Operational lease

The future aggregated minimum lease payments under non-cancellable operating leases are as follows:

SEK thousand	Land	Buildings & plants	Fixtures	Vehicles	Machines & office equipment	Total
2016	0	12,538	420	3,230	1,260	17,449
2017	0	13,645	-	5,373	2,181	21,199
2018	0	12,562	-	2,340	1,102	16,004
2019	0	9,330	-	1,428	489	11,247
2020	0	6,339	-	885	125	7,349
2021 and after	0	4,519	-	294	77	4,889

Financial lease

The future aggregated minimum lease payments under non-cancellable financial leases are as follows:

SEK thousand	Land	Buildings & plants	Fixtures	Vehicles	Machines & office equipment	Total
2016	0	-	420	89	178	688
2017	0	-	345	75	713	1,134
2018	0	-	345	75	578	998
2019	0	-	151	19	388	558
2020	0	-	-	-	162	162
2021 and after	0	-	-	-	-	-

Financial lease included in tangible assets, ref Note 14:

SEK thousand	Land	Buildings & plants	Fixtures	Vehicles	Machines & office equipment	Total
Net book value of assets on Financial leases	0	-	1,326	334	1,868	3,528

Note 10 Financial Items

SEK thousand	31.12.2016	31.12.2015
Financial revenue		
Interest on bank deposits	864	-
Re-evaluation external investments	3,011	-
Exchange gains	7,331	162
Sale of group company	-	167
Total financial revenue	11,206	329
Financial expenses		
Sale of group company	-	-9,532
Interest expenses on borrowings	-19,247	-747
Exchange losses	-12,824	-19,939
Other financial expenses	-1,795	-
Total financial expenses	-33,866	-30,218
Net finance	-22,660	-29,889

Note 11 Income tax and tax assets and liability

Income tax calculation

SEK thousand	2016	2015
Ordinary result before taxes	-113,455	-61,318
Profit before tax from discontinued operation	-	-105,288
Basis for income tax	-113,455	-166,606
Income tax payable	24,960	13,490
Tax effect of change in net deferred income tax liability/asset	5,583	-
Tax effect on permanent differences	-39	-2,098
Effect on foreign exchange rates	253	-
Adjustments for 2015	-1,647	-
Tax losses for which no deferred tax asset was recognized	-16,182	-11,392
Tax effect tax rate reduction	-845	-
Effect on different tax rates from Sweden	-5,057	-
Income tax expense	7,027	-

Temporary differences

SEK thousand	2016	2015
Non-current fixed assets and portfolios	-17,620	-
Non-current intangible assets	-35,663	-11,357
Current assets	-	-
Non-current liabilities	1,897	-
Current liabilities	374	-
Losses carried forward	7,790	-
Net income tax reduction temporary differences	-43,222	-11,357
Net deferred tax asset	13,799	
Net deferred tax liability	57,021	11,357

Axactor AB has losses to be carried forward. The tax losses are not recognized as a deferred tax asset due to uncertainty relating to utilization in the Swedish tax regime. As per 31.12.2016 the most of the operating activity is outside Sweden, thus utilization through the group contribution may be limited.

There is no time limit associated with the utilization of the losses.

Note 12 Earnings per share

Basic earnings per share (EPS) are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in Issue during the year, based on the following data:

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be Issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

SEK thousand	2016	2015
Profit/Loss from continuing operations attributable to owners of the parent	-106,428	-61,318
Profit/Loss from discontinuing operations attributable to owners of the parent	-	-105,288
Total	-106,428	-166,606
Weighted average number of ordinary shares (In thousands)	849,072	133,687
Effects of dilution from share options	40,097	0
Weighted average number of ordinary shares adjusted for the effect of dilution (In thousands)	889,169	133,687
Basic earnings per share (SEK)	-0.13	-0.46
Diluted earnings per share (SEK)	-	-
Basic earnings per share for discontinuing operations (SEK)	-	-1.25
Diluted earnings per share for discontinuing operations (SEK)	-	-

The following Instruments that could potentially dilute basic earnings per share in the future, have been included in the calculation of diluted earnings per share:

Number of instruments

SEK thousand	2016	2015
Employee share options	45,250,000	0

Note 13 Intangible assets

SEK thousand	Customer relations	Databases	Software	Goodwill	Other intangibles	Total
Cost						
Cost at 1 January 2016	37,791	7,637		124,467	448	170,343
Acquisition of Axactor Norway	65,585	13,929	4,406	223,507		307,427
Acquisition of Geslico, Spain			18,095			18,095
Acquisition of Altor Germany	35,384	10,864		89,009		135,257
Acquisition of CS Union, Italy	8,524	3,660	4,360	69,147	8,610	94,301
Additions	942	17,075				18,017
Disposals at cost price	-1,955		-1,594			-3,550
Currency exchange effects	-584	115		5,612		5,143
Cost at 31 December 2016	145,686	53,280	25,267	511,741	9,058	745,032
Amortization and impairment						
Accumulated amortization at 1 January 2016	-666	-107				-773
Acquisition of Axactor Norway						-
Acquisition of Geslico, Spain						-
Acquisition of Axactor Germany	-19,127		-13,708			-32,835
Acquisition of Axactor Italy			-956			-956
Disposals accumulated depreciation	1,918		1,607			3,525
Amortization charge of the year	-16,265	-2,089	-6,932		-1,445	-26,730
Impairment of the year						-
Currency exchange effects						-
Accumulated amortizations at 31.12.2016	-34,140	-2,196	-19,989	-	-1,445	-57,770
Carrying amount at 31.12.2016	111,546	51,084	5,278	511,741	7,613	687,263
Useful life	3-5 yr	3-6 yr	3-10 yr		1-5 yr	

Note 14 Impairment testing of intangible assets with an in-definite life time

Goodwill and intangible assets stated in the consolidated financial position was derived from the acquisition of ALD Abogados in 2015. Followed by new acquisitions in 2016 of IKAS Group in Norway, CS Union in Italy and the Altor Group in Germany. Recognised goodwill amounts to SEK 511,7 million as of 31 December 2016, and intangible assets related to customer relations amounts to SEK 145,7 million, databases amount to SEK 53,3 million and Software and other intangibles amounts to SEK 34,3 million. Only goodwill has an un-definite life time, as all other intangible assets are amortized, ref Note 13.

Goodwill and intangible assets with an indefinite life are tested for impairment for each cash generating unit (CGU). The group only have two CGU – Portfolio management and third party collection. Goodwill and intangible assets with an indefinite life are tested for impairment annually, and when there are indications of impairment.

The recoverable amount for the CGU has been determined estimating their Value in Use (VIU), and comparing that against the carrying amount of the CGU. The calculation of VIU has been based on management's best estimate, reflecting the Group's financial planning process. The discount rates are derived as the weighted average cost of capital (WACC) for a similar business in the same business environment.

Cash flow projections and assumptions

A five-year forecast of discounted cash flows plus a terminal value (Gordon's growth model) was used to determine net present value of the CGU. Discounted cash flows were calculated after tax and applying a WACC after tax. Estimated cash flow covering the period 2017-2021 consist of approved budgets for 2016 and estimates for 2017 and 2020. The cash flow projections have been extrapolated based on an expected growth rate of 2% and the same for the operating margins. According to management these are reasonable assumptions based on the development of the business and the strategic plan. Terminal value is based on 2021.

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 best estimate. The WACC was calculated after tax. 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:

- Risk free rate: 10-year Spanish governmental bond
- Beta (equity): Assuming no external debt in the company – therefore unlevered beta from peer group used.
- Market risk premium: The market risk premium is based on empirical data for risk premium (Domodran).
- Company specific premium: The company specific premium is based in the size of the CGU and according to Ibbotson analysis.
- Capital structure: Equity ratio of 100%.

Growth rate

The growth rate in the forecast period is based on management's expectation to the development in the market, and management's strategic plan. The terminal growth rate is based on long term inflation targets in the markets where the CGU operates.

Cash Flow

The calculation includes cash flows for five years, in addition to terminal. Cash Flow estimates are based on the budget plan approved by the Board of Directors. The cash flow shows expectation of gross profit improvement and revenue growth handled by the existing organization.

Sensitivity analysis for key assumptions

Impairment testing showed that headroom for the CGU is >60%. An additional sensitivity analysis was performed. The sensitivity analysis showed that with a terminal growth rate of 0% or an increase in the WACC of 1% the VIU was still above the carrying amount for the CGU.

Impairment - test results and conclusion

The VIU exceeds carrying amount for the CGU. The impairment test did not indicate a requirement for write-down.

Note 15 Tangible assets

SEK thousand	Land & Buildings	Fixtures	Vehicles	Machines and office equipm.	Other	Total
Cost price 01.01.16				613		613
Additions according to purchase of companies	7,989	22,770	3,379	21,317	13,239	68,694
Additions at cost price	-	4,992	-	7,252	187	12,431
Disposals at cost price (incl. writedown)	-5,711	-4,526	-208	-13,788	-1,609	-25,841
Currency translation difference	-157	157	-	-	-	-
Cost price 31.12.16	2,122	23,394	3,171	15,394	11,816	55,897
Accumulated depreciation 01.01.16					-64	-64
Accumulated depreciation according to purchase of companies	-2,245	-18,156	-339	-17,923	-11,951	-50,613
Depreciation in 2016	-114	-673	-725	-1,328	-240	-3,079
Disposals accumulated depreciation	1,232	4,432	112	13,715	1,505	20,996
Currency translation difference	122	-322	-	-424	110	-514
Accumulated depreciation 31.12.16	-1,005	-14,718	-952	-5,959	-10,640	-33,274
Book value 31.12.16	1,117	8,676	2,219	9,435	1,176	22,623
Useful life	3 yr	3-6 yr	5 yr	3-5 yr	5-10 yr	

Note 16 Purchased debt Portfolios

Specification of portfolios/non performing loans

SEK thousand	31 Dec 2016
Portfolio from acquired business	539,649
Purchased Portfolios	717,085
Translation differences	3,532
Accumulated acquisition cost at 31.12.2016	1,260,265
Accumulated amortizations	
Accumulated amortization opening balance from acquired business	-3,043
Amortization for the year	-32,766
Accumulated amortizations at 31.12.2016	-35,809
Net carrying value Portfolios at 31.12.2016	1,224,457

Payments during the year for investments in purchased debt amounted to TSEK 720.617.

Description of Axactor's accounting principles for Purchased Debt, see Note 1 and description of revenue recognition and fair value estimation, see Note 4.

Note 17 Shares and participations in subsidiaries

Investments in subsidiaries

SEK thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Share capital in subsidiary	Book value in parent company
CS Union S.p.A ¹⁾	90 %	90 %	Cuneo	Italy	27,274	104,483
Axactor Incentives AB	100 %	100 %	Stockholm	Sweden	50	50
Axactor Portfolio Holding AB	100 %	100 %	Stockholm	Sweden	50	432,889
Axactor Platform Holding AB	100 %	100 %	Stockholm	Sweden	150	737,042
Axactor AS	100 %	100 %	Oslo	Norway	99	18,884
Axactor Norway Holding AS	100 %	100 %	Oslo	Norway	2,943	285,396
Axactor Holding Germany GmbH	100 %	100 %	Heidelberg	Germany	241	239
Axactor Espana SLU	100 %	100 %	Madrid	Spain	4,714	64,556
Axactor Norway AS	100 %	100 %	Drammen	Norway	2,390	311,872
Axactor Capital AS	100 %	100 %	Drammen	Norway	33	33
ALTOR GmbH	100 %	100 %	Heidelberg	Germany	246	172,042
Geslico - Gestión de Cobros, S.A	100 %	100 %	Madrid	Madrid	576	19,134
Supan Investments, S.L	100 %	100 %	Madrid	Madrid	29	29
ALD Abogados Servicios Integrales de Recuperacion, S.L	100 %	100 %	Madrid	Madrid	29	199,882
Heidelberg Inkasso GmbH	100 %	100 %	Heidelberg	Germany	2,440	2,446
Heidelberg Forderungskauf GmbH	100 %	100 %	Heidelberg	Germany	239	239
Altor Mobil Services GmbH	100 %	100 %	Heidelberg	Germany	478	20,720
Taloe Equity Mgmt GmbH	100 %	100 %	Heidelberg	Germany	239	263
Altor Heidelberger Forderungskauf 2 GmbH	100 %	100 %	Heidelberg	Germany	239	91
Gesellschafts für Wirtschaftsinkasso mbH	100 %	100 %	Heidelberg	Germany	239	287
ImmoAdvisors GmbH	100 %	100 %	Heidelberg	Germany	478	1,210
Vaba GmbH	100 %	100 %	Heidelberg	Germany	718	0
KAAM SP Z OO	94 %	94 %	Wroclaw	Poland	1,033	-
Total investment in subsidiaries					44,927	2,371,786

1) See note 25.

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

Note 18 Other non-current financial assets

Other long-term investments

SEK thousand	Office location, city	Office location, country	31.12.2016	31.12.2015
Nickel Mountain Resources AB	Stockholm	Sweden	2,210	-
Hocas AS	Hokksund	Norway	1,685	-
Other investments			202	267
Total other long-term investments			4,097	267

Other long term receivables of TSEK 9.544 mainly relates to rent guarantees and Insurance for severance Indemnity in CS Union, Italy.

Note 19 Other short term assets

Accounts receivables

SEK thousand	31.12.2016	31.12.2015
Accounts receivables	54,073	51,576

Aging Accounts receivables 31.12.2016

SEK thousand	Current	0-30 days	31-60 days	61-90 days	90 + days	Total
Customer per ledger	11,416	22,098	6,708	2,120	15,440	57,781
- Provision for bad debt	-236	-	-	-	-3,472	-3,708
Total	11,180	22,098	6,708	2,120	11,968	54,073

Prepaid expenses and accrued income

SEK thousand	31.12.2016	31.12.2015
Prepaid taxes	7,527	
Prepaid expenses	18,709	3,729
Deposits	1,718	
Accrued revenue/Work in Progress	44,367	
Receivables former shareholders	1,689	
Others	691	31
Total prepaid expenses and accrued revenue	74,701	3,760

Note 20 Cash and cash equivalents

SEK thousand	31.12.2016	31.12.2015
Cash and bank deposits	603,053	368,375
Restricted cash	12,625	4,000
Bank deposits client accounts	1,879	-
Total cash and cash equivalents	617,557	372,375

SEK thousand	31.12.2016	31.12.2015
NOK	445,463	353,756
SEK	6,124	3,724
EUR	165,971	14,895
Total cash and cash equivalents	617,557	372,375

Cash at bank earns Interest at floating rates based on daily bank deposit rates.

Restricted cash as per 31.12.16 relates to deposits for building rent guarantee, employee withholding taxes and a pledge bank account of 4 million SEK relating to a dispute with the previous Chairman of the Board Ulrik Jansson.

Note 21 Issued shares, share capital and reserves

Issued shares and share capital

	Number of shares	Share capital (SEK)
At 1 January 2015	90,809,360	45,404,680
New share issues	505,805,000	252,902,500
At 31 December 2015	596,614,360	298,307,180
New share issues, February	59,600,000	29,800,000
New Share issues, May	220,400,000	110,200,000
Acquisition subsidiary, IKAS group May	49,033,589	24,516,795
Acquisition subsidiary, CS Union June	20,840,820	10,420,410
New share issues, October	71,723,893	35,861,947
New share issues, November	158,276,107	79,138,054
New share issues, December	50,000,000	25,000,000
At 31 December 2016	1,226,488,769	613,244,385

Each share has the same rights and has a par value of SEK 0,50 per share.

20 largest shareholders and ownership interests as at 31 December 2016

Name	Shareholding	Share %
TVENGE, TORSTEIN	52,500,000	4.3 %
MOHN, STEIN	52,041,005	4.2 %
SOLAN CAPITAL AS ¹⁾	41,143,079	3.4 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	35,553,765	2.9 %
VERDIPAPIRFONDET DNB NORGE (IV)	34,286,407	2.8 %
FERD AS	34,000,000	2.8 %
ARCTIC FUNDS PLC	31,423,627	2.6 %
SPENCER TRADING INC	31,254,181	2.5 %
VERDIPAPIRFONDET HANDELSBANKEN	30,651,801	2.5 %
VERDIPAPIRFONDET ALFRED BERG NORGE	27,995,293	2.3 %
LOPEZ SANCHEZ, ANDERS ²⁾	22,902,500	1.9 %
MARTIN IBEAS, DAVID ³⁾	22,902,500	1.9 %
NOMURA INTERNATIONAL PLC	21,982,095	1.8 %
STATOIL PENSJON	21,844,142	1.8 %
VERDIPAPIRFONDET DNB SMB	20,545,311	1.7 %
GVEPSEBORG AS	20,364,945	1.7 %
DNB LIVSFORSIKRING ASA	19,670,315	1.6 %
VERDIPAPIRFONDET DELPHI NORDEN	19,303,199	1.6 %
NORRON SICAV - TARGET	18,550,000	1.5 %
ALPETTE AS ⁴⁾	16,616,431	1.4 %
Total 20 largest shareholders	575,530,596	46.9 %
Other shareholders	650,958,173	53.1 %
Total number of shares	1,226,488,769	100.0 %

Shares owned by related parties

Name	Shareholding	Share %
SOLAN CAPITAL AS ¹⁾	41,143,079	3 %
LOPEZ SANCHEZ, ANDRES ²⁾	22,902,500	2 %
MARTIN IBEAS, DAVID ³⁾	22,902,500	2 %
ALPETTE AS ⁴⁾	16,616,431	1 %
LATINO INVEST AS ⁵⁾	10,300,000	1 %
ELENA AS ⁶⁾	9,914,019	1 %
VARDFJELL AS ⁷⁾	9,914,019	1 %
CIPRIANO AS ⁸⁾	5,000,000	0 %
FARSTAD, SIV ⁹⁾	2,000,000	0 %
SCHNEIDER; SUSANNE LENE RANGNES ¹⁰⁾	398,320	0 %

1) Solan Capital is controlled by Gunnar Hvammen, member of the Board of Directors in Axactor AB in 2016

2) Andres Lopez Sanche is a member of the Axactor Spain management team and former owner of ALD, Spain

3) David Martin Ibeas is a member of the Axactor Spain management team and former owner of ALD, Spain

4) Alpette AS is controlled by Endre Rangnes who is the CEO of Axactor AB

5) Latino Invest AS is controlled by Johnny Tsois who is a member of the executive management team of Axactor AB

6) Elena AS is controlled by Tor Olaf Bekkevold who is a member of the executive management team of Axactor Norway AS

7) Vardfjell AS is controlled by Frode Reiersrud who is a member of the executive management team of Axactor Norway AS

8) Cipriano AS is controlled by Einar J. Greve who is the Chairman of the Board of Axactor AB

9) Siv Farstad is a member of the executive management team of Axactor AB

10) Susanne L. R. Schneider is related to the CEO of Axactor AB

Note 22 Share based Payment

Key employees of the Group receive remuneration in form of share-based payment. During 2016 Axactor AB have granted share options to key employees to subscribe for shares in the Company in 4 different series. The share options exercise price varies from NOK 1, - and NOK 1,30 per share.

The share options have a term of 4 years, and are exercisable between 15.02.2018 and 31.12.2020.

Employee share options are not subject to any performance-based vesting conditions. The Company have no legal obligation to repurchase or settle the share options or offer cash-settlements for options granted. Non-vested share options are cancelled when the employee has given notice of termination.

The total expense recognised for allotment of share options to employees, and arising from the Groups' equity-settled share based payment plan was approximately SEK 5,6 million for the year ended 31 December 2016.

The following table illustrate the numbers of options granted and their weighted average exercise price:

Share option plan

	2016		2015	
	Number of options	WAEP (NOK)	Number of options	WAEP (NOK)
Outstanding at the beginning of the year	-	-	-	-
Granted	12,217,500	1		
Granted	12,217,500	1.15		
Granted	12,217,500	1.25		
Granted	8,597,500	1.3		
Expired	-			
Forfeited	-			
Outstanding at the end of period	45,250,000	1.17		
Exercisable at the end of period	-	-		

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 1,53. The following table lists the key inputs to the model used for the year ended 31 December 2016:

The weighted average assumptions used

	2016	2015
Expected volatility (%)	0.40 %	
Risk-free interest rate (%)	-0.50 %	
Expected life of options (year)	4	
Turnover adjustment factor	5 %	
Weighted average share price (NOK)	2.65	

Note 23 Borrowings and other interest bearing debt

As of 31 December 2016, the Company had long-term loans of NOK 135 million relating to the financing of the Axactor Norway (former "IKAS") acquisition, EUR 17,1 million relating to the Altor acquisition and EUR 10,7 million relating to purchase of the Spanish Portfolios. The loans were drawn under the EUR 50 million Revolving Credit Facility with DNB and Nordea. The Facility agreement was entered into in March 2016 with repayment date in March 2019. All material subsidiaries of the group guarantee the commitments under the facility and have also granted a share pledge as part of the security package for this facility. Italian subsidiaries are not a part of the agreement and has separate local funding consisting of local overdraft facilities and portfolio acquisition facilities in total 53 million were 27 million was utilized at year end. Overdraft facilities have negative pledge and portfolio acquisition facilities are secured through pledge in the underlying portfolios.

As of December 31st, the company is in breach with its loan covenants and are in negotiations with the lending banks (DnB/NORDEA) to get a waiver in place. As a consequence of this all drawings under the facility is classified as short term at year end 2016. The breach has been resolved in 2017.

SEK thousand	Currency	Interest rate	Face value	Carrying amount	Year of maturity
Balance at 1 January 2016	SEK			5,000	2016
New issues					
DnB/NORDEA	NOK	Nibor 4 %	TNOK 135.000	142,290	2019
DnB/NORDEA	EUR	EURIBOR 4 %	EUR 28.700	274,570	2019
Italy ¹⁾	EUR	EURIBOR + 2 % - 3,5 %	€6.932 k	66,318	2016-2022
Loan through acquisition of subsidiaries					
Spain	EUR	4 %	€326 k	3,120	2017
Italy ¹⁾	EUR	EURIBOR + 2 % - 3,5 %	€22.550 k	277,919	2016-2022
Axactor Norway	NOK	3 % - 5,95 %	TNOK 680	678	2017-2020
Germany ²⁾	EUR	EURIBOR + 3 % - 8,45 %	€13.218	127,314 ²⁾	
Repayments					
Convertible loan By Norrlandsfonden				-5,000	
Axactor Norway	NOK		TNOK 680	-678	
Italy	EUR		€3.789k	-36,249	
DnB/NORDEA	EUR		EUR 925.000	-8,850	
Germany ²⁾	EUR	EURIBOR + 3 % - 8,45 %	€13.218	-127,314 ²⁾	
Other movements					
Capitalized loan fees				-14,552	
Amortized loan fees on loans				3,397	
Currency translations					
Balance at 31 December 2016				707,963	

1) Relates to different facilities and draw downs with an interest between EURIBOR + 2 % - 3,5 %.

2) Relates to different facilities and draw downs with an interest between EURIBOR 3 % - 8,45 %, which all have been repaid in fourth quarter 2016.

The capitalized loan fees are allocated and classified together with the loan and is amortized over the period until maturity of the loan (March 2019). The amortised loan fee are classified as Interest costs.

SEK thousand	31.12.2016	31.12.2015
Pledged bankaccounts	4,000	4,000

Note 24 Pension liability

Some of the Group companies operates unfunded defined benefit pension plans. The plans are final salary pension plans, which provide benefits to employees in the form of a guaranteed level of pension payable. The pension plan is funded through the company's operations, which means that the company meets the benefits payment obligation as it falls due.

The amounts recognised in the financial position are determined as follows:

SEK thousand	2016	2015
Fair value of plan assets	1,626	-
Present value of unfunded obligations	-17,507	-
Pension liabilities	15,881	-

The movement in the defined benefit liability over the year is as follows:

Present value of obligation

SEK thousand	2016	2015
At acquisition	18,235	-
Acquisition of Business	-	-
Current service cost	909	-
Local tax	-	-
Interest expense/(income)	77	-
	19,220	-

Remeasurements:

(Gain)/Loss from change in financial assumptions	-1,454	-
	-1,454	-

Payments from plans:

Benefits payments	-258	-
Settlements	-	-
At 31 December 2016	17,507	-

Net expense recognized in the statement of profit and loss	985	-
--	-----	---

Net expense recognized over comprehensive Income statement	1,209	-
--	-------	---

The significant actuarial assumptions were as follows:

	Italy 2016
Discount rate	1.31 %
Inflation	1.50 %
Salary growth rate	1.00 %
Pension growth rate	2.63 %

	Germany 2016
Discount rate	1.90 %
Inflation	0.00 %
Salary growth rate	0.00 %
Pension growth rate	2.00 %

Note 25 Other long-term liabilities

SEK thousand	2016	2015
Fair value liability to minority option in CS Union ¹⁾	13,811	-
Long term accruals	2,696	500
Other long-term debt	16,507	500

1) On the 28th June 2016 Axactor acquired 90% of the shares in CS Union for a cash and share consideration.

According to the SPA the following was agreed:

- A cash consideration of €5.940k
- 20.84 mill shares in Axactor (€0,18 per share at 28.06.16) €3.829k

For the remaining 10%, held by Banca Sistema (BS), a shareholder agreement was entered into between Axactor and BS which includes a put/call option. The put/call clause gives the BS the right to sell the shares to Axactor, and Axactor the right to buy the shares from BS at certain dates in the future or/if certain events occur.

These options can be exercised in the period between 1th Jan – 15. Jan each year, starting 2018 and 5 years ahead. Based on the put/call clause in the agreement the terms relating to this gives Axactor ownership interest as the terms are identical for both the put and the call, and it is likely just a question of time before either the put or the call is exercised. Hence, Axactor will account for acquisition on 100% basis and estimate a redemption amount. This put/call will generate a liability equal to the present value of the redemption amount and accounted for in the acquiring entity.

Note 26 Other current liabilities

SEK thousand	2016	2015
Bank overdrafts	8,378	-
Client liabilities	7,307	-
Public duties	19,173	-
Personnel related liabilities	27,108	5,131
Accrued solicitors	4,539	-
Accrued interests	4,879	-
Other short term interest bearing loans	4,000	4,000
Remaining part purchase considerations	9,814	51,407
Other accruals	8,233	28,035
Total other liabilities	93,431	88,573

Note 27 Discontinued Operation

Discontinued operation in 2015 relates to the nickel operations on subsidiary level to Swedish mineral company Archelon in December 2015.

SEK thousand	2016	2015
Other operating expense	-	40
other external expenses	-	-588
Personnel expenses	-	-297
Depreciation/impairment of fixed assets	-	-104,477
Operating result	-	-105,322
Result from financial items		
Financial revenue	-	4
Financial expenses	-	-
Total financial items	-	4
Result before tax	-	-105,288
Income tax	-	-
Loss from discontinued operations	-	-105,288

Cash flow from operations

SEK thousand	2016	2015
Result after financial items	-	-105,288
Impairment losses on intangible fixed assets	-	101,665
Depreciation of tangible fixed assets	-	136
Incometax paid	-	-
Total cash flow from operations before change in working capital	-	-3,487
Total cash flow from change in working capital	-	-1,293
Total cash flow used for investments	-	-
Total cash flow from financial investments	-	4,772
Change in cash and bank	-	-8
Cash and bank on 1 january	-	135
Cash and bank at the end of reporing period	-	127

Note 28 Transaction with related parties

SEK thousand	2016	2015
Strata Marine & Offshore AS, a previous major shareholder. Managerial services for first half of 2015	-	94
Ferncliff TIH II AS, a company closely related to Strata Marine & Offshore. Success fee of NOK 4 million for services rendered in connection with the ALD Acquisition. Agreement approved and ratified by the EGM in November 17, 2015	-	3,757
In EGM in November 17, 2015 a success fee agreement was also approved and entered between three companies controlled by Mrsr. Endre Rangnes, Johnny Tsolis and Einar Greve. These subsequently, after the ALD acquisition, were appointed CEO, Head of Strategy and Chairman of the Board. The paid out amounts were 1,85 MNOK, 1,65 MNOK and 3 MNOK, respectively.	-	6,105
Wistrand Law Firm in Gotenburg. Axactor's member of the Board of Directors, Per Dalemo is employed by Wistrand Law firm, which was legal advisors in regard to the acquisition of ALD in Spain and various share issues in 2015. Per Dalemo was not a part of the legal team extending services to Axactor.	1,675	2,366
Related Party balances as per year end		
Loan from Ulrik Jansson (previous Chairman of the Board)	5,749	5,167
Accounts payables, Wistrand	-	2,366

Note 29 Purchase price allocations

Axactor has during 2016 acquired the below companies and consequently controls the subsidiaries from the date of acquisition. In the purchase price allocations (PPA), the assets and liabilities of the companies have been measured at the estimated fair value at the acquisition date.

The preliminary purchase price allocation identified fair value adjustments on Intangible assets like customer relations, databases, off market contracts, goodwill and deferred tax liabilities/assets. The residual value of the purchase price allocation is allocated to goodwill.

SEK thousand	Geslico SA	Axactor Norway (IKAS)	CS Union S.t.A.	Altor
Date of acquisition	May 5, 2016	April 1, 2016	June 22, 2016	Sep 30, 2016
Acquired part of company	100 %	100 %	100 %	100 %
Purchase price	18,548	284,755	103,819	172,604
- whereof cash consideration	18,548	197,861	55,432	172,604
- whereof share consideration	-	86,894	35,733	
- whereof Put/Call option liability			12,653	
ASSETS				
Non-current assets				
<i>Intangible assets</i>				
Deferred tax assets	718	-	1,504	-
Customer Relationship	-	61,036	8,315	13,119
Database	-	12,963	3,570	10,938
Other intangible fixed assets	3,466	-	3,321	1,817
Off market contracts	-	-	8,399	-
Goodwill	-	216,146	64,171	62,998
<i>Tangible assets</i>				
Plant and machinery	6,560	8,149	3,101	4,309
<i>Long term financial assets</i>				
Purchased debt	-	-	285,513	249,381
Other long-term receivables	846	690	7,772	11,352
Other long-term investments	-	1,275	-	-
Total non-current assets	11,590	300,259	385,666	353,914
Current assets				
Current receivables	16,684	6,173	9,082	6,291
Other current assets	5,339	870	5,398	20,637
Cash & cash equivalents	6,036	35,590	4,507	9,198
Total current assets	28,059	42,633	18,986	36,126
Total Assets	39,649	342,892	404,652	390,040
Non-current liabilities				
Long-term interest bearing debt	4,684	595	210,430	127,314
Deferred tax liabilities	-	17,167	5,578	32,250
Other long-term liabilities	11	206	10,452	11,203
Total non-current liabilities	4,695	17,968	226,460	170,767
Current liabilities				
Trade payables	9,201	4,131	52,242	3,359
Tax liabilities	-	6,870	-	-
Other short-term liabilities	4,223	22,871	14,420	43,340
Other public duties payable	2,982	6,297	7,710	-
Total current liabilities	16,406	40,168	74,372	46,699
Total Net assets	18,548	284,755	103,819	172,574
Net sales 2016 (from aquisition)	57,510	74,481	53,364	49,891
Profit 2016 (from aquisition)	-2,913	15,705	7,317	6,248
Net sale 2016 (full year)	99,295	100,209	90,221	185,895
Profit/(loss) 2016 (full year)	-8,495	21,553	5,050	3,130

Note 30 Subsequent events

On January 20th, 2017 an extraordinary general meeting (EGM) was held and the EGM elected the following persons as new Board of Directors: Bjørn Erik Næss (Chairman of the Board from 01.03.17); Dag W. R. Strømme (acting Chairman until 01.03.17); Merete Haugli Brita Eilertsen; Beate Skjerven Nygårdshaug; Terje Mjøs; Michael Hylander (deputy board member)

On 6 February 2017 - the 3rd tranche under the EUR 100 million Recurring Credit Facility which Axactor has with DNB Bank ASA and Nordea Bank AS was made available to the company, thereby increasing the available amount under the facility from EUR 50 million to EUR 75 million. After this event, an additional EUR 25 million is remaining under the facility.

On 28 February, 2017 - Axactor AB announced that it had acquired the Swedish company Profact AB. Profact is offering

credit management services and customer services in the Swedish market. The transaction closed on March 1, 2017.

On 31 March 2017 Axactor has acquired the largest unsecured NPL portfolio since starting up in the fourth quarter of 2015. The portfolio was originated by Bank Norwegian in Sweden and included unsecured credit with a total Outstanding Balance (OB) of approximately EUR 105 million, across close to 15,200 open accounts of individual loans and credit card debt.

On 4 April 2017 Axactor signed 3 new servicing contracts with 2 large Financial Institutions and a Large

Preliminary purchase price allocation of the acquisition of Profact (see below):

The identified fair values of the assets and liabilities of Profact at the date of acquisition were:

SEK thousand	Profact AB
Date of acquisition	28.02.2017
Acquired part of company	100 %
Purchase price	12 000
- whereof cash consideration	12 000
ASSETS	
Non-current assets	
<i>Intangible assets</i>	
Other intangible fixed assets	3 000
Goodwill	11 855
<i>Tangible assets</i>	
Plant and machinery	479
<i>Long term financial assets</i>	
Total non-current assets	15 334
Current assets	
Current receivables	3 349
Other current assets	890
Total current assets	4 239
Total Assets	19 573
Non-current liabilities	
Total non-current liabilities	-
Current liabilities	
Trade payables	4 132
Other short-term liabilities	2 617
Other public duties payable	824
Total current liabilities	7 573
Total Net assets	12 000

Parent Company Income Statement

For the year ended 31 December 2016

SEK thousand	Note	2016	2015
Other operating income	3	10,523	
Operating expenses	4	-39,668	-24,740
Personell expences		-	-
EBITDA		-29,145	-24,740
Amortization and depreciation		-	-160,799
EBIT		-29,145	-185,539
Financial revenue	5	75,257	1,665
Financial expences	5	-5,476	-20,883
Net financial items		69,781	-19,218
Profit/(loss) before tax		40,636	-204,757
Tax expense	6	-	-
Net profit/(loss) to equity holders		40,636	-204,757

There are no transaction recorded as other comprehensive income in the parent company.

Parent Company Financial Statement

For the year ended 31 December 2016

SEK thousand	Note	31.12.2016	31.12.2015
ASSETS			
Intangible non-current assets			
Shares in subsidiaries	7	1,293,347	2,185
Loans to group companies	8	204,395	366,360
Other long-term investments	9	568	-
Total non-current assets		1,498,310	368,545
Current assets			
Short-term intercompany receivables	8	12,534	-
Other current assets		83	1,801
Restricted cash	10	4,000	4,000
Cash and cash equivalents	10	401,244	138,948
Total current assets		417,862	144,749
TOTAL ASSETS		1,916,172	513,294
SHAREHOLDERS' EQUITY			
<i>Restricted equity</i>			
Share Capital		613,244	298,307
Statutory reserve		2,300	2,300
Total restricted equity		615,544	300,607
<i>Non-restricted equity</i>			
Share premium reserve		2,510,967	1,468,788
Retained earnings		-1,275,969	-1,071,212
Result for the period		40,636	-204,757
Total non-restricted equity		1,275,634	192,819
TOTAL SHAREHOLDERS' EQUITY		1,891,178	493,425
LIABILITIES			
Non-current liabilities			
Convertible loan		-	5,000
Other long term liabilities	11	13,811	
Total non-current liabilities		13,811	5,000
Current liabilities			
Accounts payables		898	5,972
Other current liabilities		10,285	8,897
Total current liabilities		11,184	14,869
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,916,172	513,294

Parent Company Statement of Changes in Equity

For the year ended 31 December 2016

SEK thousand	Restricted Equity		Non restricted Equity			
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Result for the period	Total Equity
Opening balance of January 1, 2015	45,405	2,300	1,239,565	-1,030,070	-41,142	216,057
Transfer of prior year's net result	-	-	-	-41,142	41,142	-
Cost related to fund-raising	-	-	-24,280	-	-	-24,280
New share issues	252,902	-	253,503	-	-	506,405
Result for the period	-	-	-	-	-204,757	-204,757
Closing balance on 31 December 2015	298,307	2,300	1,468,788	-1,071,212	-204,757	493,425
Balance on 1 January 2016	298,307	2,300	1,468,788	-1,071,212	-204,757	493,425
Transfer of prior years net result	-	-	-	-204,757	204,757	0
New share issues, February	29,800		74,630			104,430
New Share issues, May	110,200		263,675			373,875
Acquisition subsidiary, IKAS group	24,517		62,377			86,894
Acquisition subsidiary, CS Union	10,420		26,785			37,205
New share issues, October	35,862		168,066			203,928
New share issues, November	79,138		370,693			449,831
New share issues, December	25,000		112,635			137,635
Costs related to fund-raising	-		-42,314	-		-42,314
Share based payment	-		5,635	-		5,635
Result of the period					40,636	40,636
Closing balance on 31 December 2016	613,244	2,300	2,510,970	-1,275,969	40,636	1,891,178

Parent Company Statement of Cash Flow

For the year ended 31 December 2016

SEK thousand	2016	2015
Operating activities		
Profit before tax	40,636	-204,757
Taxes paid	-	-
Finance income and expense	-69,370	-
Foreign exchange gain on group loans	53,195	-
Depreciation and amortization	-	-
Impairment losses on intangible assets	-	160,799
Calculated cost of employee share options	5,635	-
Loss from sold companies	-	9,532
Working capital changes	9,403	15,672
Net cash flows operating activities	39,499	-18,754
Investing activities		
Purchase of subsidiaries	-	-2,185
Investment in subsidiary (CS Union, Italy)	-55,432	-
Loans to subsidiaries converted into investments in subsidiaries	-901,342	-
Share issue in subsidiary (in connection with acquisition of IKAS)	-198,472	-
Net cash flows investing activities	-1,155,246	-2,185
Financing activities		
Loan to subsidiaries/repaid from subsidiaries	156,965	-320,551
Proceeds from share issue	1,269,700	460,386
Share issue costs	-42,314	-24,281
Net cash flows financing activities	1,384,351	115,554
Net change in cash and cash equivalents	268,604	94,615
Exchange difference in liquid fund	-6,308	-13,033
Cash and cash equivalents at the beginning of period	142,948	61,366
Cash and cash equivalents at end of period	405,244	142,948

Summary of Notes Parent Company

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Notes to the Parent Company Financial Statements

Note 1 Corporate Information

Axactor AB is a limited company and its registered office is Hovslagargatan 5B, SE-111 48 Stockholm, Sweden and its shares are listed on Oslo Stock Exchange in Norway under the ticker Axactor.

The financial statements were approved for release by the Board of Directors on 19 April 2017.

Note 2 Summary of significant accounting policies

policies have been consistently applied to all the years presented, unless otherwise stated.

Basis for preparation

The financial statement has been prepared in accordance with Swedish annual accounts and RFR2. The parent Company's accounting principles follow the same as the Group with exception of the mandatory regulations stipulated in the Swedish Financial Board's recommendation, RFR "Accounting for legal entities".

Investments in subsidiaries and associated companies

Investments in subsidiaries are accounted for using the cost method in the parent company accounts. The Investments are valued at cost unless Impairment losses. Write-down to fair value is recognized under Impairment in the Income statement.

Segment reporting

Axactor AB'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 Other operating income

SEK thousand	2016	2015
Management services to group companies	10,523	-
Other operating income	10,523	-

Note 4 Other operating expenses

SEK thousand	2016	2015
Rent	-110	-105
External services	-14,916	-2,892
Fees to Board of Directors	-1,826	-572
Administrative costs	-17,762	-
External fees relating to listing	-1,696	-
Administrative costs relating to listing	-	-18,431
Other expenses	-3,358	-2,740
Other operating expenses	-39,668	-24,740

Remuneration to the auditors

SEK thousand	2016	2015
Fees, auditing	-1,566	-747
Fees, tax advisory	-	-
Fees, other services	-1,582	-663
Total fee to auditors	-3,148	-1,410

Note 5 Financial item

Financial income

SEK thousand	2016	2015
Exchange gain	47,690	85
Interest income	411	1,580
Interest income from group companies	27,156	-
Total financial revenue	75,257	1,665

Financial expenses

SEK thousand	2016	2015
Exchange losses	-2,364	-10,606
Interest expenses	-	-745
Sale of group company	-	-9,532
Interest expenses paid to group companies	-1,654	-
Other financial expenses	-1,458	-
Total financial revenue	-5,476	-20,883

Note 6 Taxes

Income tax calculation

SEK thousand	2016	2015
Ordinary result before taxes	40,636	-204,757
Basis for income tax	40,636	-204,757
Income tax payable	-8,940	45,047
Tax effect of change in net deferred income tax liability/asset	-	-
Tax effect on permanent differences	-	-37,474
Effect on foreign exchange rates	-	-
Utilization of tax losses, not recognized from previous years	8,940	-
Tax losses for which no deferred tax asset was recognized	-	-7,573
Income tax expense	-	-

Axactor AB has losses to be carried forward. The tax losses are not recognized as a deferred tax asset due to uncertainty relating to utilization in the Swedish tax regime. As per 31.12.2016 the most of the operating activity is outside Sweden, thus utilization through the group contribution may be limited.

There is no time limit associated with the utilization of the losses.

Note 7 Investments in subsidiaries

Subsidiary company

SEK thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Share capital in subsidiary	Book value in parent company	Result 2016	Equity 2016
CS Union S.p.A	90 %	90 %	Cuneo	Italy	27,274	104,483	7,317	33,370
Axactor Incentives AB	100 %	100 %	Stockholm	Sweden	50	50	-	50
Axactor Portfolio Holding AB	100 %	100 %	Stockholm	Sweden	50	432,889	-53,405	370,144
Axactor Platform Holding AB	100 %	100 %	Stockholm	Sweden	150	737,042	-36,109	699,907
Axactor AS	100 %	100 %	Oslo	Norway	99	18,884	-22,878	-5,742
Total investment in subsidiaries					27,623	1,293,347	-105,075	1,097,729

Note 8 Loans and receivables to group companies

Transactions between related parties

SEK thousand	Loans to group companies	Short-term intercompany receivables
CS Union S.p.A	-	140
ALD Abogados Servicios Integrales de Recuperacion, S.L	-	2,285
Axactor Portfolio Holding AB	193,802	318
Axactor Platform Holding AB	-	627
Axactor AS	10,593	8,936
ALTOR GmbH	-	228
	204,395	12,534

The loans to Axactor Portfolio Holding and Axactor AS carry an annual interest rate of 6%, to be paid quarterly in arrears.

Note 9 Other Investments

Axactor received a share issue in kind in Nickel Mountain Resources AB as a part of the sale of nickel projects to Arhelon AB. 3,550,827 B shares at a price of SEK 0,6 per share, Total SEK 568 thousand.

Note 10 Cash and Cash equivalents

SEK thousand	31.12.2016	31.12.2015
Cash and bank deposits	401,244	138,948
Restricted cash	4,000	4,000
Total cash and cash equivalents	405,244	142,948

SEK thousand	31.12.2016	31.12.2015
NOK	391,497	137,284
SEK	6,024	4,857
EUR	7,723	807
Total cash and cash equivalents	405,244	142,948

Note 11 Long term liabilities

Long term liabilities is the redemption amount estimated per 31.12.2016 relating to the put/call option in connection with the acquisition of CS Union Italy in June 2016, see Group note 25.

Note 12 Proposed allocation of the company's result

SEK thousand	2016	2015
At the disposal of the AGM is the following		
Share premium reserve	2,510,970	1,468,788
Retained earnings	-1,275,969	-1,071,213
Result for the period Total non-restricted equity	40,636	-204,757
Total non-restricted equity	1,275,634	192,818
The Board of Directors recommends the following allocations		
Retained earnings brought forward	1,275,634	192,818
The Board of Directors recommends the following re-classification		
Share premium reserve	-1,231,282	-
Retained earnings brought forward	1,231,282	-

The Board of Directors recommend a re-classification of TSEK 1.231.282, which relates to discontinued operations, to better reflect the continuing structure within equity in the continuing operations.



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Auditor's report

To the general meeting of the shareholders of Axactor AB (publ), Corporate Identity Number 556227-8043

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Axactor AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 1-64 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are

inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

In our audit, we have focused on those units having the greatest impact on the financial reporting with regard to the group's revenues, results, assets and liabilities. The audit of the Swedish companies is undertaken by the central audit team and for companies outside Sweden the audit is undertaken by local auditors. The work executed by the local auditors is based on instructions from the central audit team who continually monitor and evaluate the work of the local auditors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of the credit portfolios <i>Reference to Notes 2, 3, 4 and 16 in the annual report</i></p> <p>During the year, the group acquired credit portfolios at significant amounts in Spain, Italy and Germany.</p> <p>The valuation of the group's credit portfolios is based on estimates of forecasted future cash flows produced by the group.</p> <p>The valuation of the credit portfolios comprises a key audit matter in our audit against the background of the significance of these assets and the inherent uncertainty in the associated estimations and judgements.</p>	<p>We have evaluated the group's calculation models and have assessed whether these are consistent with generally accepted valuation techniques.</p> <p>We have tested the reasonability of the assumptions applied in the model for the credit portfolios and which are described in Notes 2 and 4. In our evaluation of the assumptions regarding future cash flows, we have compared these with the business plans and other information regarding expected future developments.</p> <p>We have evaluated the company's analysis of the sensitivity of the valuation to changes in significant assumptions and the risk of such changes giving rise to an impairment requirement.</p>
<p>Business combinations <i>Reference to Notes 2 and 29</i></p> <p>During 2016, the group has been in a strong phase of expansion, undertaking acquisitions in Spain, Norway, Italy and Germany.</p> <p>All of the acquisitions were proceeded by strategic analysis work including due diligence and valuation of the potential acquisitions.</p> <p>The business combinations comprise a key audit matter for our audit considering the importance of these large amounts to the group as a whole, including consideration of the surplus values reported as a result of the acquisitions.</p>	<p>Our audit procedures regarding the business combinations include an evaluation of the methods used by the group in preparing the acquisition analysis and subsequent consolidation of the respective acquisitions.</p> <p>In addition, we have examined the acquisition analyses including any possible excess values and whether these agree with IFRS and we have, to the relevant degree, tested the acquisition's initial values as reported in the group against underlying documentation.</p>
<p>Accrued solicitor expenses in Spain <i>Reference to Note 4</i></p> <p>The group reports provisions, on an ongoing basis, for estimated solicitor expenses in the Spanish operations referring to contracted legal representatives working in the daily operations. The provisions for these accrued legal expenses are included in the group's reporting on its financial position in the item, Other current liabilities.</p> <p>Accrued expenses in the Spanish operations comprise a key audit matter considering the assumptions and estimations that company management undertake in order to determine the amount of non-invoiced fees.</p>	<p>Our audit procedures regarding accrued costs in the Spanish operations have included an evaluation of the methods used by the company to calculate the amount of liabilities in the yearend closing as at 31 December 2016.</p> <p>Our audit procedures have also included discussions with management regarding the relevant assumptions applied in reporting provisions.</p> <p>In addition, we have controlled, on a random sample basis, the recorded costs against the relevant documentation received from the company and external parties.</p> <p>We have also executed analyses to assess the risk of the need of further provisions.</p>

Other Information than the annual accounts and consolidated accounts

The English translation of the annual report also contains other information than the annual accounts and consolidated accounts and is found on pages 4-11. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, 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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence

the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionens website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Axactor AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of

assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionens website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

This is a direct translation of the Swedish official auditor's report. The auditor's report relates to pages 12-71 in this translated annual report.

Gothenburg April 20, 2017

PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant

Report on Corporate Governance

1. Introduction to the corporate governance policy

The board of directors of Axactor AB (the "Company") has prepared this corporate governance policy document (the "Policy"). As the Company is a Swedish private limited liability listed on the Oslo Stock Exchange, the Norwegian Recommendation for Corporate Governance (the "Recommendation") does not apply directly to the Company. However, with due regard to the fact that the Company is listed in Norway and to a substantial degree approaches the Norwegian investor market, and considering that Company wishes to place emphasis on sound corporate governance, the Company has prepared this policy document on the basis of the Norwegian Recommendation, but made certain necessary adjustments given the Company's Swedish domicile.

This Policy addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the board of directors (the "Board"), the chief executive officer (the "CEO") and the Company's executive management team (the "Executive Management Team").

2. Business activity

The Company's business as set out in the articles of association is: "The Company shall, directly or through subsidiaries or via co-operations with others, conduct debt collection work, extend financial and administrative services, legal and invoicing services, acquire debt, investment operations, as well as therewith associated activities".

Objectives and strategies

Engaging in the activities described above, the Company's long term objective is to establish itself as a leading European player within the areas of its operations as defined by the articles of association.

The Company will 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;
- Being an attractive employer, with a focus on creating an environment for professional and personal growth, with respect and due regard for each employee;
- Being a profitable company with a focus on organic and structural growth; and
- Putting emphasis on becoming and sustaining a position as a leading European player in the Company's market.

Ethical guidelines and values

The Company will maintain a high ethical standard in its business concept and relations with customers, suppliers, employees and other stakeholders. The following ethical guidelines shall be practiced in the Company, and shall apply to all employees of the Company:

- **Personal conduct:** All employees and representatives of the Company shall behave with respect and integrity towards business relations and partners, customers and colleagues. The Executive Management Team has a particular responsibility to promote openness, loyalty and respect.
- **Conflict of interests:** The Company's employees and representatives shall avoid situations wherein a conflict between their own personal and/or financial interests and the Company's interests may occur.
- **Confidential information:** Employees and representatives of the Company possessing confidential information related to the Company shall conduct themselves and safeguard such information with great care and loyalty, and comply with any and all signed confidentiality statements.
- **Influence:** The Company's employees or representatives shall neither directly nor indirectly offer, promise, request, demand or accept illegal or unjust gifts of money or any other remuneration in order to achieve a commercial benefit.
- **Competition:** The Company supports fair and open competition. The Company's employees or representatives shall never take part in any activities that may constitute a breach of competition legislation.
- **Breach of ethical guidelines:** Any breach of these ethical guidelines may have severe consequences for the Company, and any breach may have consequences for the person in question.

3. Company capital and dividend

The Board aims to maintain a satisfactory equity ratio in the Company in light of the Company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board shall continuously assess the Company's capital requirements in light of the Company's strategy and risk profile.

The Board's authorities to increase the share capital and to buy own shares shall be granted under Swedish law, and not for periods longer than necessary.

The Company's 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 Company does not distinguish between such a return in the form of dividends and in the form of capital appreciation. The Company is in a phase of growth, and does not foresee declaring dividends during the initial growth phase of the Company.

During 2016, a total of 629.9 million new Axactor shares were issued at NOK 1 per share, thus at the end of the year total outstanding shares are 1 226.5 million.

The annual general meeting 2016 decided to authorize the board of directors to issue new shares in accordance with the annual general meeting's approval.

4. Equal treatment of shareholders and transactions with closely related parties

The Company's share capital is in one class only.

Any transactions, agreements or arrangements between the Company and its shareholders, members of the Board, members of the Executive Management Team or close associates of any such parties shall only be entered into as part of the ordinary course of business and on arms-length market terms. With respect to any material related party transactions, the Board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question must be considered to be immaterial or the arrangement is subject to approval by the shareholders' meeting.

No person or company mentioned in the above paragraph shall vote or otherwise participate in any decision by the Company regarding a transaction, agreement or arrangement with such person or company as a counterparty.

Board members and members of the Executive Management Team shall forthwith notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

An overview of the transactions with related parties are presented in note 28.

5. Transfer of shares

The shares in the Company are not subject to any transfer restrictions.

6. The general meeting

All registered shareholders have the right to participate in the general meetings of the Company, which exercise the highest authority of the Company. The Company shall summon the shareholders to any general meeting with the notice required by law, and otherwise with such advance notice as is practicable. The person chairing a general meeting should be independent of the Company and the Board.

The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the matters to be considered as well as all relevant information regarding

attendance and voting procedures. Representatives of the Board and the Company's auditor, as well as the nomination committee, shall be present at annual general meetings.

Notices for general meetings shall provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting.

Any cut-off for confirmation of attendance shall be set as short as practicable, and the Board shall arrange matters so that shareholders who are unable to attend in person are able to vote by proxy. The form of proxy shall be distributed with the notice.

The Company held ordinary general meeting on May 26th 2016.

On December 6th 2016 Shareholders representing more than 10 % of the shares

of Axactor AB did with reference to chapter 7, section 13 of the Swedish companies act, request that the board of directors convenes an extraordinary shareholders' meeting for the election of new board of directors. Subsequently, on December 23, 2016 the Board of Directors issued a notice of extraordinary general meeting to be held on January 29th, 2017.

The extraordinary general meeting was held on January 20th, 2017 and election of new Board of Directors and a new Nomination Committee was conducted.

7. Nomination committee

The Company shall have a nomination committee ("Nomination Committee"). The general meeting shall elect the leader of the Nomination Committee and its members, and determine their remuneration based on the nature of the duties performed and the time invested. The Nomination Committee shall consist of between two and four members and shall be elected by the annual general meeting for a period of one year at a time.

The duties and responsibilities of the Nomination Committee shall be set out in the instructions to the Nomination Committee established by the general meeting. The Nomination Committee's main responsibilities are to propose candidates for election to the Board and to recommend remuneration for board members. Reasonable rationales should be provided for the Nomination Committee's recommendations, and relevant information should be provided about the candidates and their independence. The recommendations of the Nomination Committee shall generally be made available to the shareholders at the time of the notice of the annual general meeting. Efforts shall be made to ensure that the composition of the Nomination Committee is broadly representative of shareholder interests and necessary expertise.

The majority of the members of the Nomination Committee should be independent of the Board and the executive personnel. The Nomination Committee should ensure renewal of members that have served in the committee for an extensive period of time. An overview of Nomination Committee members shall be available on the Company's website.

At the Annual General Meeting of 2016 Gunnar Hvammen as Chairman and Magnus Tvenge was elected as members of the Nomination Committee. On the extra ordinary general meeting held on January 20, 2017 Gunnar Hvammen and Magnus Tvenge was however dismissed and a new composition consisting of Jarle Sjø as Chairman, Magnus Tvenge and Cathrine Løfterød Fegth was elected as members of the Nomination Committee.

8. The Board

Composition

In appointing members to the Board, it is emphasised that the Board shall have the requisite expertise to evaluate independently the matters presented by the Executive Management Team, as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues. Board members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board members shall be encouraged to own shares in the Company.

At the extraordinary general meeting held on January 20th, 2017 the EGM elected the following persons as new Board of Directors:

- Bjørn Erik Næss (Chairman of the Board as from 01.03.17)
- Dag Strømme (acting Chairman until and including 28.02.17)
- Merete Haugli
- Brita Eilertsen
- Beate Skjerven Nygårdshaug
- Terje Mjøs
- Michael Hylander (deputy board member)

The board is considered independent from the company's day-to-day management.

9. Responsibility of the Board

The Board shall prepare an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibilities shall be: (i) participating in the development and approval of the Company's strategy, (ii) performing necessary monitoring functions, and (iii) acting as an advisory body for the Executive Management Team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company is in compliance with the Company's values and ethical guidelines.

The chairman of the Board shall be responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall annually adopt working procedures for the Board.

The Board shall ensure that the Company has a good management with clear internal distribution of responsibilities and duties. A clear division of work between the Board and the Executive Management Team shall be maintained. The CEO is responsible for the executive management of the Company.

The Board shall adopt written instructions to establish the allotment of work between the CEO and the Board as well as in relation to any other corporate body established by the Board.

All members of the Board shall regularly receive information about the Company's operational and financial development. The Company's strategies shall regularly be subject to review and evaluation by the Board.

The Board shall prepare an annual evaluation of its work.

In 2016, the board of directors conducted 25 board meetings.

Sub-committees of the Board

Subsequent to the extraordinary general meeting held on January 20th, 2017, the Board has established an Audit Committee and an Investment Committee.

Members of the Audit Committee are: Merete Haugli (head of committee), Beate Skjerven Nygårdshaug (member) and Terje Mjøs (member)

Members of the Investment Committee are: Bjørn Erik Næss (head of committee), Dag W. R. Strømme (member), Brita Eilertsen (member).

The Board has not found it necessary to establish a remuneration committee.

10. Risk management and internal control

The Board shall ensure that the Company has sound internal controls and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The objective of the risk management and internal controls shall be to manage exposure to risks in order to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

The Board shall provide an account in the annual report of the main features of the Company's internal control and

risk management systems as they relate to the Company's financial reporting.

11. Board compensation

The general meeting shall determine the Board's remuneration annually. Remuneration of board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The compensation shall be a fixed annual amount.

The chairman of the Board may receive a higher compensation than the other board members. The Board shall be informed if individual board members perform other tasks for the Company than exercising their role as board members. Work in sub-committees may be compensated in addition to the remuneration received for board membership.

The Company's financial statements shall provide further information about the Board's compensation.

The Company's financial statements provide further information about the Board's compensation, see note 7 in the annual accounts.

12. Compensation to employed management

The Board shall decide the salary and other compensation paid to the CEO. The CEO's salary and bonus shall be determined on the basis of an evaluation with emphasis on specific factors determined by the Board. The Board shall annually carry out an assessment of the salary and other remuneration to the CEO.

The Company's financial statements shall provide further information about salary and other compensation paid to the CEO and the Executive Management Team.

The CEO shall determine the remuneration of executive employees. The Board shall issue guidelines for the remuneration of the Executive Management Team. The guidelines shall lay down the main principles for the Company's management remuneration policy. The salary level should not be of a size that could harm the Company's reputation, or above the norm in comparable companies. The salary level should, however, ensure that the Company can attract and retain executive employees with the desired expertise and experience.

The Board intends, prior to the 2017 AGM, to issue guidelines for the remuneration of the Executive Management Team as well as main principles for the Company's management remuneration policy.

The compensation to employed management is presented in note 7.

13. Information and communication

The Board and the Executive Management Team shall assign considerable importance to giving the shareholders quick, relevant and current information about the Company and its activity areas. Emphasis shall be placed on ensuring that the shareholders receive identical and simultaneous information.

Sensitive information shall be handled internally in a manner that minimises the risk of leaks. All material contracts to which the Company becomes a party shall, where appropriate, contain confidentiality clauses.

The Company shall have clear routines for who is allowed to speak on behalf of the Company on different subjects, and who shall be responsible for submitting information to the market and investor community. The CEO and the CFO shall be the main contact persons of the Company in such respects.

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.

14. Take-over bids

The Company's articles of association do not set any restrictions on acquisition of the shares in the Company. In the event of a take-over bid for the Company, the Board will follow the overriding principle of equal treatment of all shareholders. Further, the Board will strive to ensure that the Company's business activities are not unnecessarily disrupted. The Board will further strive to ensure that the shareholders are given sufficient information and time to assess the offer.

The Board will not seek to prevent any take-over bids unless it believes that the interests of the Company and the shareholders justify such actions. The Board will not exercise mandates or pass any resolutions with the intention of obstructing any take-over bid unless it is approved by the general meeting following the announcement of the bid.

The Board will issue a statement in accordance with statutory requirements and the recommendations in the Norwegian corporate governance code. The Board shall also consider obtaining a valuation from an independent expert.

If a bid is made for the shares in the Company, the Company will not limit others from presenting similar bids for the shares, unless this is clearly justified as being in the Company's and shareholders' common interest. In the event of a bid for the shares in the Company, the Company will publish the required disclosures pursuant to legislation and regulations for companies listed on the Oslo Stock Exchange.

15. Auditor

Each year the auditor shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the Company's accounting principles, risk areas, internal control routines, etc.

The auditor may only be 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

his capacity as auditor for the Company. Only the Company's CEO and/or CFO shall have the authority to enter into agreements in respect of such advisory assignments.

At the annual general meeting, the Board shall present 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 should specifically consider whether the auditor is performing his control function satisfactorily.

The Board shall arrange for the auditor to attend all general meetings.

**pwc**

Auditor's report on the Corporate Governance report

To the annual meeting of the shareholders
of Axactor AB (publ), Corporate Identity Number
556227-8043

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 70-75 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with

International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

This is a direct translation of the Swedish official auditors report on the corporate governance report. The auditor's report relate to pages 76-80 in this translated annual report.

Gothenburg April 20, 2017

PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant

Financial year 2017

<i>Quarterly Report - Q1</i>	<i>08.05.2017</i>
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<i>Quarterly Report - Q2</i>	<i>24.08.2017</i>
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<i>Quarterly Report - Q3</i>	<i>01.11.2017</i>
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<i>Quarterly Report - Q4</i>	<i>23.02.2018</i>
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<i>Annual General meeting</i>	<i>31.05.2017</i>
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<i>Annual Report</i>	<i>20.04.2017</i>
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The company's annual report will be available on the company's on the company's website.

Contact details

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