Annual Report 2017

AXACTOR

Content

Key figures 2017

Revenue	ERC	EBITDA	Cash EBITDA	Cash balance
104.7	858	14.8	32.7	48.6
EUR million	EUR million	EUR million	EUR million	EUR million
+ 159 % y/y	+171 % y/y	16.5 % margin		

Key Figures Axactor AB (group)

EUR million	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2017	FY 2016
Gross revenue	34.5	23.6	26.9	19.7	**104.7**	40.5
Net Revenue	28.7	20.1	23.6	17.4	**89.8**	37.1
EBITDA	5.6	2.0	6.1	1.0	**14.8**	-6.5
Cash EBITDA [1)]	13.5	6.2	9.4	3.6	**32.7**	-2.5
Depreciation and Amortisaton (exl Portfolio Amortization)	-1.4	-1.3	-1.1	-1.4	**-5.3**	-3.1
Net Financial Items	-5.6	-1.0	0.2	-1.1	**-7.5**	-2.3
Tax	0.7	0.6	-0.6	-0.1	**0.6**	0.7
Net Result	-0.7	0.3	4.6	-1.7	**2.6**	-11.2
Cash and Cash Equivalents at end of period	48.6	54.7	19.6	52.8	**48.6**	64.6
Acquired NPL portfolios during the period [2) 3)]	234.1	7.0	54.3	66.5	**362.0**	75.6
Book Value of NPL portfolios at end of period [2)]	471.3	246.3	241.5	191.9	**471.3**	128.0
Gross Collection on Debt Portfolio during the quarter [2) 4)]	22.1	14.0	14.2	10.5	**60.8**	15.0
Estimated Remaining Collection (ERC) at end of quarter [2)]	858.3	525.8	510.7	427.1	**858.3**	317.1
Interest Bearing Debt at end of Period	298.8	116.1	128.2	66.0	**298.8**	74.0
Number of Employees (FTE) at end of period	934.0	892.0	888.0	885.0	**934.0**	850.0
Price per share at the end of reporting period (NOK)					**2.87**	2.65

1) Cash EBITDA is adjusted for: - calculated cost of share option program; - portfolio amortizations; - revaluations; - REO cost of sales
2) includes stock of secured assets
3) included portfolios on the balance sheet of CS Union and Altor at the time of acquisition
4) excluding collection on CS Union portfolios in Q2 2016 and Altor portfolios in Q3 2016

Highlights of the year

Full year 2017

- Gross collection for the year of EUR 104.7 million, a growth of 159 % from EUR 40.5 million in 2016.
- EBITDA of EUR 14.8 million and Cash EBITDA of EUR 32.7 million in 2017, compared to an EBITDA of EUR -6.5 million and a Cash EBITDA of EUR -2.5 million in 2016.
- Total portfolio investments of EUR 362.0 million, whereof EUR 155.5 million invested in REOs. This represents a significant growth in investments from EUR 75.6 million in 2016.
- Net profit for 2017 was EUR 2.6 million, up from the EUR -11.2 million in 2016.

Most significant 3PC contracts won in 2017

- In April Axactor signed a total of 7 new 3PC contracts with financial institutions in Spain for a combined estimated annual revenue of EUR 8 million. The contracts are renewable every 12 months.
- In July Axactor signed a total of 4 new 3PC contracts with financial institutions in Spain and Germany for a combined estimated annual revenue of EUR 5 million. The contracts are renewable every 12 months.

Significant events in 2017

- On 28 February Axactor AB announced that it had acquired the Swedish company Profact AB, a company that is offering credit management services and customer services in the Swedish market.
- On 14 August Axactor entered into a co-investment partnership with Geveran Trading Co. with a EUR 300 million investment capacity. The transaction closed in October 2017. On the same date in August Axactor did a Private Placement of 240 million new shares at a subscription price of NOK 2.49 equal to the close price on 11 August 2017. Gross proceeds from the transaction was NOK 598 million. The Private Placement was directed at Geveran Trading Co. Limited and other larger existing shareholders of Axactor. By year end, Geveran owned 173,9 million shares, representing 11.47 % of the outstanding shares.
- In December Axactor reached agreement with DNB Bank ASA and Nordea Bank AB about the terms for refinancing of the existing debt facility. The debt facility will increase from EUR 160 million to EUR 350 million, whereof 150 million are in the form of accordion options.

Most significant portfolio purchases in 2017

- On 31 March 2017 Axactor 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 12 June 2017 Axactor acquired a NPL portfolio from Santander with an outstanding balance of more than EUR 300 million across 60,000 cases.
- In November Axactor entered into partnership with Unicaja to take a majority position in two Spanish SPVs, containing more than 4,060 REO (Real Estate Owned) assets with an Appraisal Value in excess of EUR 228 million.
- In November Axactor closed the first transaction in partnership with Geveran Trading Co. Ltd. through the acquisition of a large Spanish portfolio consisting of secured and unsecured claims as well as a REO segment with combined face value of approximately EUR 700 million for the three segments.

Letter from the CEO

During 2017 we have successfully established a platform for further growth. Some of the major milestones and accomplishments being the entrance into the Swedish market, through the acquisition of Profact, we moved into the Real Estate Owned (REO) market in Spain and Geveran Trading became the largest shareholder and entered a co-investment partnership. We have also continued the focus on building ONE Axcator, to secure the best in class service and results for our stakeholders.

During 2017 Axactor has once again demonstrated the ability to deliver according to the company's strategy and ambitions. Gross revenue and ERC increased by 159 % and 171 % respectively during the year, and we completed portfolio purchases at a total value of EUR 362 million.

With our entrance into the Swedish market, Axactor now has operations in five markets; Germany, Spain, Italy, Sweden and Norway. In the future, we will prioritize growing and increasing our efficiency and earnings further in existing markets, but we have an opportunistic attitude towards opportunities that may emerge in other markets.

In August 2017 Geveran Trading entered as largest shareholder and we established a co-investment partnership with a EUR 300 million investment capacity in a joint SPV. Geveran strengthens Axactor´s investment capacity significantly, and they have relevant market experience that we can utilize to continue to develop the business.

The entry into the Spanish Real Estate Owned (REO) market, is a new and highly interesting market for Axactor over the next few years. REO´s are characterized by high cash flow and short payback time. The REO market is already a significant contributor to our ERC-growth. We see the REO market, especially in Spain, as very attractive and have a clear ambition to make further investments.

Another important strategic step in 2017 is the implementation of "One Axactor". Axactor has invested in new technology and to standardize systems within all our markets to support efficiency and cost initiatives. This gives us a significant competitive advantage.

In addition, we have welcomed around 150 new employees during the year and we have continued to build on our common values (passion/trust/proactive), and secured good integration into Axactor. Our organization is well positioned to deliver best in class debt collection services in all our markets.

The macro trends in Europe continue to be promising, with growth in economies and housing prices, expectations of increased employment and low interest rates. For our industry 2018 will be characterized by continued consolidation and the trend of carve-outs of collection platforms in Europe will continue.

Axactor moves into 2018 with great excitement and enthusiasm and we will continue the positive development. We will deliver on our clearly defined strategy and be an attractive and reliable business partner for European banks, financial institutions and companies selling off debts.

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.

Harald Torstein
Board member

Harald Thorstein is currently employed by Seatankers Consultancy Services (UK) Limited in London, prior to which he was employed in the Corporate Finance division of DnB NOR Markets, specializing in the offshore and shipping sectors and Arkwright. Mr. Thorstein has an MSc in Industrial Economics and Technology Management from the Norwegian University of Science and Technology. Mr. Thorstein serves as a director of Ship Finance, Seadrill Partners since 2012 and Solstad Farstad since June 2017. Mr. Thorstein previously served as a chairman of Aktiv Kapital.

Beate Skjerven Nygårdshaug
Board member

Ms. Skjerven Nygårdshaug holds several board positions and provide consultancy services within strategic, organizational and legal matters. She has developed a Senior Board Competence program for NHO and holds ownership in start-ups within Tech, Real Estate and Retail China. 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 Solstad Farstad 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.

Mr. Mjøs was CEO of Evry ASA from 2010 to 2015 and before that CEO of ErgoGroup AS from 2004 till 2010, and 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-two years. 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. 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 Ojy

Johnny Tsolis
Chief Financial Officer

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 than 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 – Acting Country Manager Norway

COO in Lindorff Group (2010-2014) COO of EDB Business Partner (2003-2010). Prior work experience includes various positions within IBM Norway, including being Departmental Director with responsibility for monitoring and coordinating IBM Norway overall activities.

Siv Farstad
Executive vice president, Human Resources [1)]

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.

1) Temporary responsible for Group Compliance pending newly employed Head of Legal & Compliance

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.

Former 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.

Doris Pleil

Country Manager Germany

Managing director of Heidelberger Inkasso GmbH (2011 – 2016), Managing director and COO in Lindorff Group (2007- 2010), forming and managing a start-up company with focus on debt collection (1995-2006). Former experience includes also positions at Intrum Justitia and Merkur Inkassoinstitut. Prior work experience includes many years of experience in the collection industry with focus on debt collection and compliance, development of a European collection strategy as well as broad experience in development and implementation of collection software.

Massimiliano Ciferri

Country Manager Italy

Prior to joining Axactor, he was the COO of Banca Sistema and a member of the Board of Directors of Axactor Italy s.p.A. He brings more than 20 years of international management and leadership experience gained at companies such as Accenture, GE Capital and Pirelli RE. He has a strong track record of innovation, new product development, cost-control, turnarounds and improving profitability. Mr. Ciferri Ceretti has also been teaching courses at ESCP London, Università' della Svizzera Italiana and the University of Turin.

Fredrik Kessler

Country Manager Sweden

16 years within the Intrum Justitia Group including responsible for Debt Surveillance Sweden, Debt Surveillance in Norway and Denmark and the last years Operation Manager Sweden including a seat in the Swedish management team.

Build up and owned Profact AB together with a former colleague from Intrum Justitia during 9 years before Axactor acquired Profact. Profact was a service provider to the debt collection industry.

Andres López
Country Manager Spain

Member of National Lawyer College of Spain since 2007. Developed its own career starting at AIG as Legal Consultant for financial entities across Europe.

Founder of “ALD Abogados” in 2011, Andrés developed lots of national projects within Justice sector in Spain. One of the first people in creating a national lawyers net to provide all the requirements in business process outsourcing for entities and financial institutions. General Manager of “ALD Abogados” before Axactor acquired it in 2015.

David Martín
Country Manager Spain

Sixteen years within the Solicitor College of Madrid, David Martin built his project providing services for Banco Santander, BBVA and Vodafone among others.

Founder of “ALD Abogados” in 2011, David developed lots of national projects within Justice sector in Spain. One of the first people in creating a national solicitor net to provide all the requirements in business process outsourcing for entities and financial institutions. General Manager of “ALD Abogados” before Axactor acquired it in 2015.

Shareholder information

The company's total capitalisation at 31 December 2017 was NOK 4.35 billion, based on a closing share price of that day of NOK 2.87.

Dividend policy

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

Shares and share capital

At 31 December 2017, Axactor had 1,516,488,769 ordinary shares outstanding with a par value of EUR 0.0523 per share (see Note 22 to the financial statement). The company has one share class, with each share conferring equal dividend rights and votes. At 31 December 2017, the company had 11,456 shareholders.

The company has issued 130 million American style warrants in Axactor to Geveran with an exercise price of NOK 3.25. The warrants expire after 2 years.

Listing

The Company's shares are quoted and traded in NOK at the Oslo Stock Exchange (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 41.8 million share options were awarded under this plan during 2017 and per 31 December 2017 85.5 million shares options are outstanding. Further information on the company's share option plan has been included in the note 23 to the consolidated financial statements.

Investor relations

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

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

Annual General meeting

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

20 largest shareholders as at 20 March 2018

Name	Shareholding	Share %
GEVERAN TRADING CO LTD	173,902,500	11.47 %
VERDIPAPIRFONDET DNB	106,704,919	7.04 %
TVENGE TORSTEIN INGVALD	70,000,000	4.62 %
FERD AS	53,351,399	3.52 %
SONGA TRADING INC	47,423,467	3.13 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	35,553,765	2.34 %
VERDIPAPIRFONDET ALFRED BERG NORGE	28,901,448	1.91 %
ARCTIC FUNDS PLC	24,845,540	1.64 %
GVEPSEBORG AS	20,364,945	1.34 %
VPF NORDEA NORGE VERDI	20,131,026	1.33 %
VERDIPAPIRFONDET DELPHI	19,241,228	1.27 %
STATOIL PENSJON	18,634,327	1.23 %
ALPETTE AS	16,616,431	1.10 %
SKØIEN AS	15,304,397	1.01 %
NORDNET LIVSFORSIKRING	15,132,690	1.00 %
PECUNIA FORVALTNING	13,900,000	0.92 %
VERDIPAPIRFONDET ALFRED BERG AKTIV	13,410,518	0.88 %
JPMORGAN CHASE BANK,	12,158,703	0.80 %
VPF NORDEA KAPITAL	12,147,486	0.80 %
MARTIN IBEAS DAVID	11,451,250	0.76 %
Total 20 largest shareholders	729,176,039	48.08 %
Other shareholders	787,312,730	51.92 %
Total number of shares	1,516,488,769	100.00 %

Geographic residence Shareholders as at 20 March 2018

	Shareholding	Share %
Norway	1,027,364,704	68 %
Cyprus	173,931,460	11 %
Great Britain	97,877,597	6 %
Sweden	90,792,612	6 %
Ireland	39,482,797	3 %
USA	33,566,526	2 %
Spain	23,361,107	2 %
Other	30,111,965	2 %
Total	1,516,488,769	100 %

Ownership structure by size of holding as at 20 March 2018

	Number of holders	Number of shares	Share
1- 10,000 Shares	7,392	15,700,592	1 %
10,001-100,000 Shares	2,792	101,923,263	7 %
100,001 - 1,000,000	796	234,756,828	15 %
1,000,001-5,000,000 Shares	113	255,155,626	17 %
Above 5,000,000 shares	42	908,952,460	60 %
	11,135	1,516,488,769	100 %

Responsibility Statement

We confirm that, to the best of our knowledge, the Financial Statements 2017, 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 management report includes a fair review of the information required under the Swedish annual account act.

Stockholm, 5 April 2018
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Harald Thorstein
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate S. Nygårdshaug
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO

Our audit report has been submitted on 5 April 2018

PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Report of the Board of Directors

1. Strategy implementation

At its inception Axactor has laid out an ambitious Pan European growth strategy within the credit management service industry. The strategy contains the following strategic choices:

- to establish a debt collection service platform in Spain.
- to become top 3 market share in debt collection in Spain and secure collection of debt on acquired NPL portfolios,
- to enter new growth markets with platform and portfolio acquisitions in Germany, Italy and Sweden
- to secure financing with a major co-investor partner
- to enter attractive REO market

The first three strategic choices were mainly delivered prior to 2017.

Axactor entered into the Swedish market by the acquisition of Profact AB in February 2017. Through this transaction a solid foundation for further growth within debt collection and debt purchase market in Sweden has been established. During 2017 Axactor Sweden purchased the largest unsecured NPL portfolio since the start in 2015, amounting to EUR 105 million, close to 15,200 cases.

During 2017, Axactor entered into a co-investment SPV together with Geveran Trading with the purpose of acquiring non-performing loans, including REOs. The co-investor contributes with EUR 30 million in debt financing and EUR 120 million in mezzanine financing. Geveran has broad industry experience, is the largest shareholder and following that got board representation. This new SPV has a total spending capacity of EUR 300 million, and thus significantly increases Axactor's spending power. In addition, all investments in the SPV will be serviced by Axactor's operating platforms, enabling the company to leverage further on scale and skill benefits. The first investment in the SPV was made in Q4 2017.

Real Estate Owned (REO) assets comprise residential real estate assets owned by banks, usually as a result of loan defaults. REOs have attractive stand-alone IRR and contributes to a more diversified product and portfolio mix. NPL portfolios with finance claims are characterised by long and stable cash flows (+15 years), while REO portfolios typically last 3-5 years before depletion. Given the current macro economic indicators (like unemployment rate and housing prices) in Spain, this is right time to enter. Axactors strong relationship with Spanish banks is key element in getting access to bilateral negotiations.

To ensure the company's position on collection of debt on acquired NPL portfolios, the company acquired 64 portfolios corresponding to EUR 362 million, of which EUR 155 million in REOs. During 2017, 11 significant 3PC contracts were signed with financial institutions in Spain and Germany for a combined estimated annual revenue of EUR 13 million. The contracts are renewable every 12 months.

The program ONE Axactor focuses on integrating and aligning people and operations towards common HR practices, operational standards and KPI's, IT platform and systems. Several milestones have been achieved during 2017: one joint IT infrastructure, one ERP system, digitalisation of core collection system, debtor / client portals, joint CRM system as well as one Axactor branding, and increased efficiency in collection operation.

Market

The European market Axactor is in, is expected to remain dynamic and growing.

The size of European NPL market is about EUR 1.5 trillion. The primary focus of Axactor is the B2C unsecured, which is about 10 % of the total market. Axactors secondary focus is the B2C Secured and B2B SME, totally comprising 60 % of the market. There are two main drivers in the markets segments Axactor is in. Firstly after financial crisis the economy in the Eurozone is recovering, with unemployment rates improving, and consumer credit & residential mortgages rising again. Secondly, banks' balance sheets still contain significant NPL volumes but this is expected to be divested. The clean-up of the bank's balance sheet has just started, Banks seems eager to sell off secured assets and REO's in addition to unsecured portfolios.

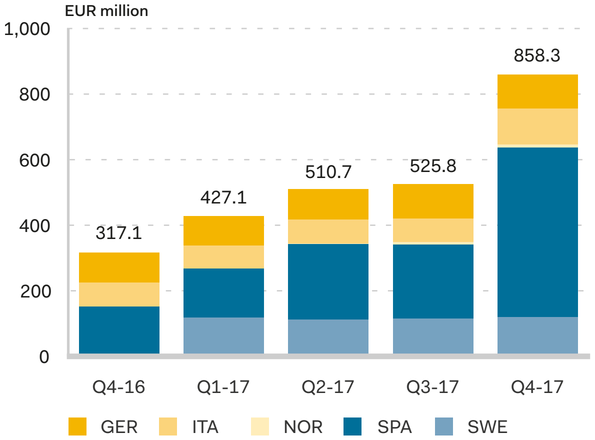
2. Operations

Axactor divides its operations into three main business segments: NPL portfolios, 3PC and ARM, all of which fall under the credit management services industry.

NPL portfolios acquires portfolios of non-performing loans (NPL), as well as real estate owned (REO) portfolios. The main focus is on unsecured B2C and B2B SME, although Axactor remain opportunistic regarding adjacent asset classes such as secured NPLs. As Axactor specializes in collecting non-performing loans, it has the ability to pay a fair price to the owner of the debt and at the same time make a profit on the collection. The typical portfolio has a collection forecast of 15 years as the basis for valuation, and the return on these portfolios is seen as attractive. As Axactor performs the debt collection process in-house, the company is of the view that it has a competitive advantage compared to players who invest in portfolios with the aim of outsourcing the collection.

During 2017, Axactor invested in REO portfolios for the first time. These portfolios are essentially real estate assets, mainly derived from mortgage shortfalls. These assets are not considered core business by the banks, and many banks, especially in Spain are looking to offload these assets from their balance

Historical development ERC



sheets. Axactor is acquiring the assets at a discount and are holding them purely for sale. The typical REO portfolio lasts 3-5 years, and the short payback time ensures attractive IRR levels.

The third-party collection (3PC) segment performs debt collection services on behalf of clients. As this is Axactor's field of expertise, collections can be made more efficiently, both in terms of amount collected and in terms of costs, than companies that do not specialize in debt collection. Customers typically pay a fixed price or a commission of the collected amount, depending on the services provided. The 3PC business is capital light and stable, and the company views this as an important part of its total offering. In addition, the 3PC business secures important network and serves as a gateway to become a trusted buyer of NPL portfolios

The accounts receivable management (ARM) segment performs services for external clients in the pre-default phase. The customer issues invoices before Axactor takes over the process. Axactor follows up on potential missed payments and provides reminder services if the invoice is not settled in due time. If an invoice is defaulted, the claim is typically transferred to Axactor 3PC for debt collection services. This product has so far only been active in Axactor Norway, but over the course of 2017 preparations have been made to roll out this product to several Axactor geographies. ARM delivers good margins, and in addition it feeds volumes into the 3PC business and complements the rest of Axactor's product offering.

The company has invested a total of EUR 362 million during 2017 in NPLs and REOs in the 5 countries where it operates, increasing the total ERC for the group to EUR 858 million.

The ERC increased with 171 % from EUR 317 million in 2016 to EUR 858 million per YE 2017. REO portfolios represents 26 % of the ERC, amounting to EUR 225 million.

REO Real Estate Owned (REO) assets comprise residential real estate assets owned by banks, usually as a result of loan defaults. Through REO portfolio acquisitions to date, Axactor has acquired approx. 5000 real estate assets across Spain.

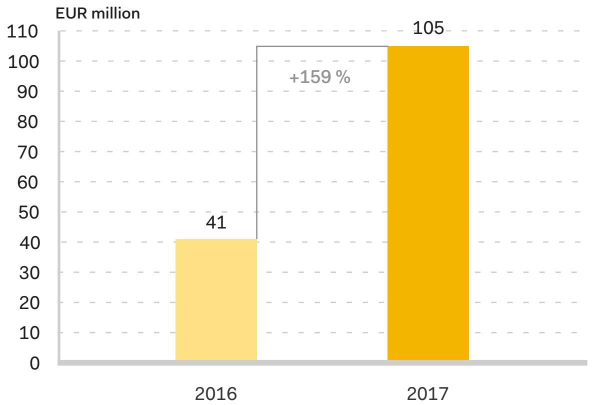
Sales operations are outsourced to local providers of brokerage services. Axactor monitors the sales process closely. Although REOs typically have a lower money multiple, the shorter payback time ensures healthy IRR levels.

3. Financial performance

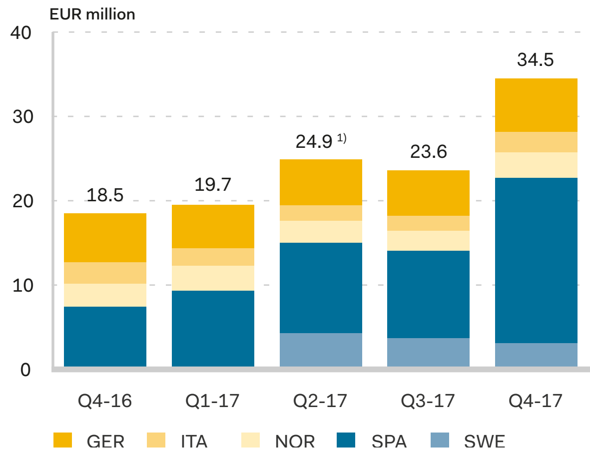
Gross revenue recorded an increase of 159 % in 2017 to EUR 105 million, driven by NPL acquisitions in all countries, as well as growth in the 3PC segment, particularly in Spain.

The acquisition of Profact and the Bank Norwegian portfolio

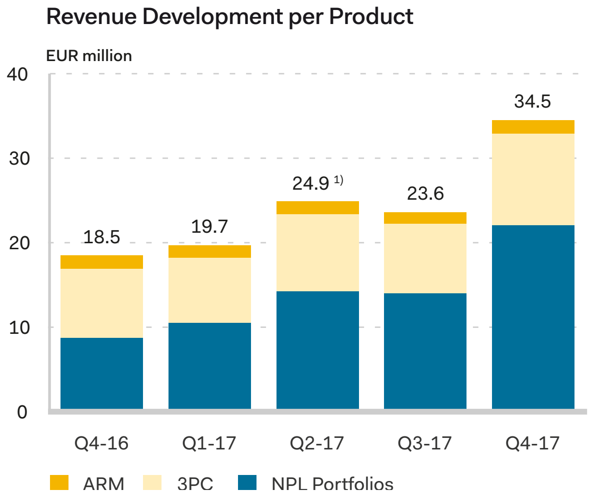
Gross Revenue

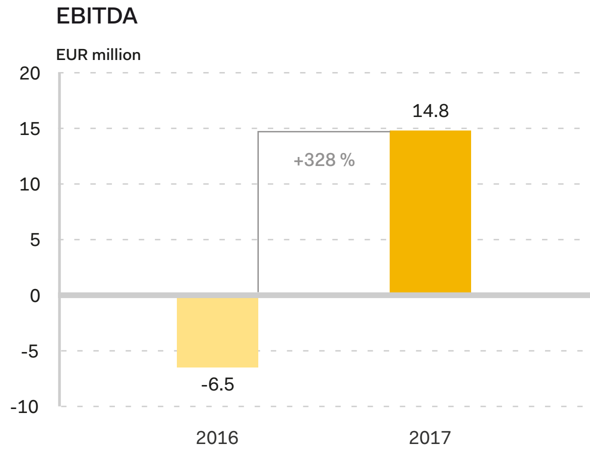


Development gross revenue mix



1) Without BoD settlement





in Sweden contributed to the growth of revenue with EUR 11 million. Germany gross revenue increased with EUR 16 million. Italy and Norway contributed with EUR 3 million each. The main contributor to the sales growth comes from Spain with EUR 23 million in growth.

Axactor segment mix shows a good balance between NPL and 3PC. The NPL Segment includes REOs and has been growing significantly during the year, driven by the high investment level. NPL portfolios continues to be the largest segment both in terms of gross revenue, accounting for EUR 58 million of total gross revenue.

The 3PC segment delivered a gross revenue of EUR 35.8 million and accounted for 34 % of total gross revenue. Several new 3PC contracts of significant size in Spain and Germany were driving the growth in 3PC segment

The revenue from the ARM segment which during 2017 was only offered in Norway has been stable; the segment contributed EUR 6 million of the total gross revenue for the period 2017.

EBITDA improved significantly in 2017, from EUR -6.5 million in 2016 to EUR 14.8 million in 2017, representing a margin of 16,5 % (2016: EUR -17.5 %). The main drivers for the significant improved result are better utilization of resources and significant revenue growth. While revenues went up by 159 %, personnel costs only went up by 107 %, and Operating Expenses only by 31 %.

Operating Expenses include REO cost of sales amounting to EUR 1.4 million, which represent the reversal of book value of the sold assets. In addition, reduction in M&A activities during 2017 had a positive effect on the result.

Cash EBITDA reached EUR 32.7 million, an improvement of 35.2 million vs 2016.

Further details on Alternative performance measures are available in section Reported alternative performance measures on page 21.

Depreciation and amortization amounted to EUR 5.3 million including EUR 3.6 million in amortization of acquisition related intangible assets. Net financial expenses stood at EUR 7.5 million (2016: EUR 2.3 million). Net interest expenses were EUR 6.8 million (2016: EUR 1.9 million) and net losses from foreign exchange EUR 0.4 million (2016: EUR 0.5 million). Other financial income and expenses amounted to EUR -0.2 million (2016: EUR -0.2 million)

Earnings per share totalled EUR 0.002 (2016: EUR -0.013).

Net profit for the year 2017 amounts to EUR 2.6 million (2016: EUR -11.2 million), of which EUR 2.6 million is attributable to the equity holders.

Financial position

At the end of December 2017 total assets for Axactor equalled to EUR 622.5 million (2016: EUR 282.2). Non-current assets amounted to EUR 396.8 million (EUR 205.0 million) of which EUR 71.9 million (2016: EUR 71.8 million) is intangible assets and goodwill emanating from the company acquisitions made during 2015, 2016 and 2017.

Another EUR 317.2 million (2016: EUR 128.0 million) represents the book value of the portfolios. And REOs amount to 154 million (2016: EUR 0 million). Current assets represent a total value of EUR 225.7 million (2016: EUR 77.2 million) whereof EUR 50.5 million (EUR 64.0 million) is cash and cash equivalents.

As of 31 December 2017, the Company had total Interest-bearing debt of EUR 237.6 million (2016: EUR 25.2 million).

1) Without BoD settlement

At end of the year, total equity equals EUR 291.8 million (2016: EUR 182.9 million). The resulting equity ratio at the end of the year was 47 % compared to 65 % in 2016.

4. Cash flow and Financing

Net cash flow from operations amounted to EUR 23.4 million (2016: EUR -13.8 million) , including the increase of EUR 8 million in net working capital.

Net cash flow from investing activities is EUR -361.7 million (EUR -125.4 million) . Axactor acquired one platform company in in 2017 (Profact AB). The purchase price was EUR 1.3 million. The company further invested EUR 206 million in NPL portfolios and EUR 155 million was invested in REO´s in Spain.

Net cash flow from financing activities in 2017 EUR 325 million (EUR 164 million). Share capital was increased three times both through private placement as well as open. Net proceeds from share capital increases, was EUR 75 million.

Net borrowings during the year were EUR 235 million. To ensure the growth of the company, the competitive financing of the purchase of portfolios is of strategically importance. The existing debt facility with DNB & Nordea was renegotiated and the size of the facility has increased by nearly EUR 200 million to EUR 350 million, of which EUR 150 million is in the form of accordian options. The facility now allows for a higher gearing and more operations flexibility.

In addition, a co-investment partnership with Geveran was established. This lead to issue of EUR 150 million Notes.

Fees and interest paid during the year amounted to EUR 15.5 million. Total cash and cash equivalents available at the end of 2017 were EUR 50.5 million (EUR 64.0 million).

5. Our People

During 2017 Axactor experienced further growth in the number of employees. The company grew from 760 employees to 950 employees in 5 European countries. The growth comes from the acquisition of Profact in Sweden and organic growth at our collection centres in Madrid and Valladolid in Spain.

The Axactor HR department is responsible for developing the people practices for the company. The HR function is led by the EVP HR at Group level, and the country HR teams are responsible for the country specific HR-operations.

The Axactor HR Policy serves as the overall strategic direction for the Axactor people practices and apply to all employees in all countries.

The HR policy states that Axactor shall always comply with local laws and regulations for diversity and inclusion and not treat anyone less favourable due to their gender, disability, union affiliation, marital status, religion or sexual orientation.

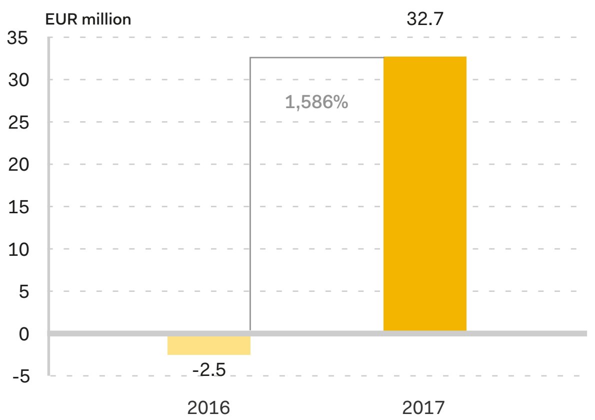
Axactor strive to have a gender balance within the various occupational categories and organizational levels. The overall gender balance as of end 2017 for Axactor, including all countries is 36 % males and 64 % females.

No accidents or injuries were recorded in 2017.

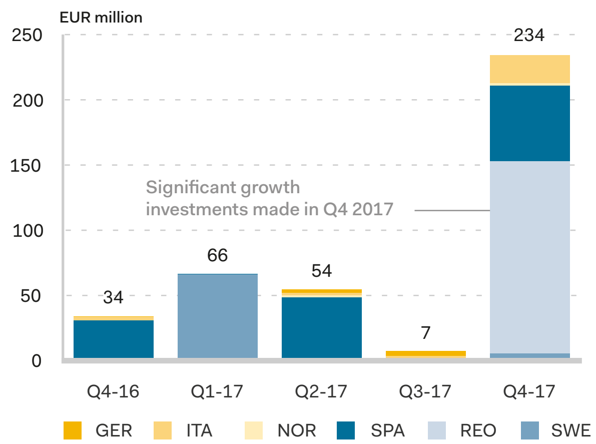
People development

The Axactor HR Policy states that Axactor is committed to continuous development of our employees. This is done through structured target settings, performance development conversations and training.

Cash EBITDA



Capex



Training is provided through a combination of on-the job training, best practice and active knowledge sharing, in addition to some classroom training. The learning and development objectives and strategies links with the broader organizational objectives.

Building ONE Axactor

Collaboration and co-innovation across the company are important elements in building the Axactor culture. Axactor continues to drive for operational excellence through the ONE Axactor program. Focusing on integrating and aligning people and operations towards common HR practices, operational standards and KPI's, IT platform and systems.
All countries are participating in the program.

Our leaders are guided by the Axactor Leadership Platform and the Axactor values, policies and procedures to deliver our services. We have also defined clear roles and responsibilities for all levels of the organization and we have clear decision-making processes and authority matrix.

Our values across the company are Passion, Trust and Proactive.

6. Environment

Axactor is committed to ensuring that our operations are safe and do not harm either its staff or the natural environment. Axactor's debt collection business is non-polluting. 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.

7. Corporate governance

Axactor is committed to good corporate governance. As a public limited company organized under Swedish law, our governance structure complies Swedish law and in addition, since the company is listed on the Oslo stock exchange, the governance structure is also compliant with Norwegian corporate law. Our primary listing is on the Oslo stock exchange and subject to Norwegian securities legislation and stock exchange regulations.

Governance at Axactor

Effective corporate governance allows us to work smoothly by ensuring that everyone has a clear understanding of the distribution of roles, responsibilities, rights and accountability. Corporate governance in Axactor complies with formal regulations and generally accepted best practice.

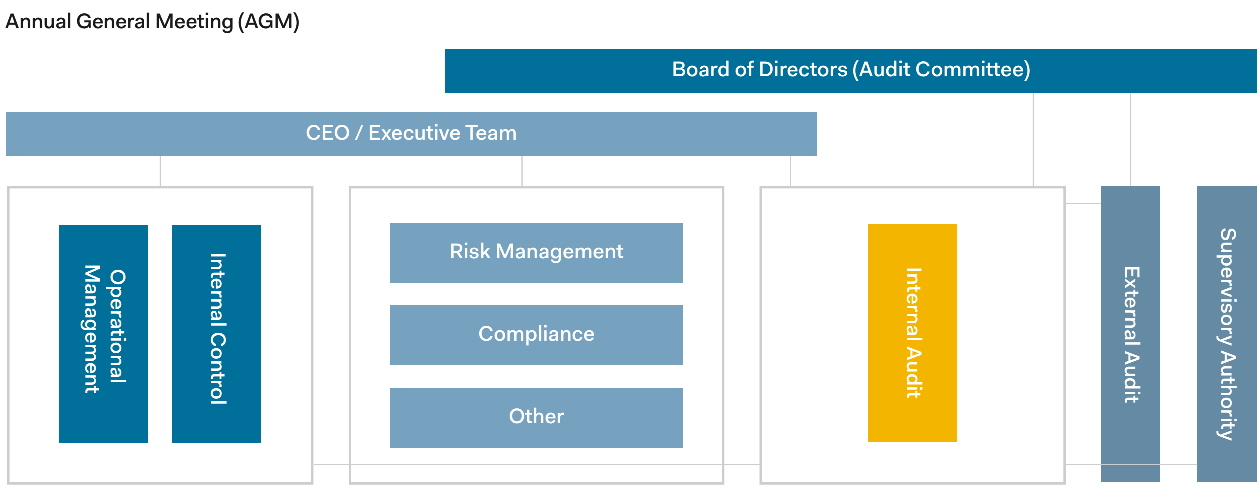
The Annual General Meeting (AGM) is the main governing body. The AGM has appointed the Nomination Committee for the Board of Directors (BOD).

The current Nomination Committee was elected on the Extraordinary General Meeting (EGM) held 20. January 2017:

- Jarle Sjo (Chair)
- Magnus Tvenge (Member)
- Cathrine Lofterød Fegth (Member)

None of the members are employees of Axactor AB (Publ.) or members of the board of directors.

The Board of Directors (BoD) has the responsibility to manage the Axactor Group, supervising the day to day management and operations.



The Board of Directors has appointed the following committees:

- The Audit committee
- The Investment committee
- The Remuneration committee

Axactors policy regarding corporate governance can be found on pages 82-85 of this annual report and on the company's website.

Internal control and risk management

Axactor's internal control framework supports the execution of the strategy and ensures regulatory compliance. The basis for intern control is the risk management framework, monthly business and financial reviews, internal audits and supporting policies, procedures and local processes.

The aim of Axactor's internal control framework is to assure that the operations are effective and aligned with our strategic goals. The internal control framework intends to ensure correct, reliable, complete and timely financial reporting and management information.

Axactor has a systematic risk management framework, intended to develop efficiency and control of the business operations, as well as profitability and continuity.

During 2017 Axactor continued to develop a one Axactor internal control framework. This will be implemented during Q1 in 2018.

8. Corporate social responsibility

The board and management of Axactor strongly believe that our commitment to CSR contribute to long term relationships and trust from our customers, partners and employees. Axactor has developed and implemented guidelines on values and ethics, to establish and maintain a sound corporate culture and preserve Axactor's integrity by supporting employees to follow good business standards towards all people and players in all our markets.

Axactor strives to ensure awareness of and compliance with the company's internal guidelines at all our offices in all markets we have operations.

The company is not aware of any breach of the guidelines.

9. Risk profile

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.

The complete range of risk factors is discussed in detail in Note 3 of the Group financial statements.

10. Reported Alternative performance measure

Axactor uses Cash EBITDA as an alternative performance measure to better reflect its operational business performance and to enhance comparability between financial periods. This alternative performance measure is reported in addition to, but not as a substitute for the performance measures reported in accordance to IFRS. Adjustment items include the main non-cash items in the EBITDA, and can be reconciled as follows.

EUR thousand	
EBITDA	14,815
Portf. Amort/reval	14,948
REO cost of sales	1,445
Share option cost	1,889
Settlement with former board (non-cash part)	-402
Cash EBITDA	32,695

11. Proposed Allocation of the company's Result

At the disposal of the AGM is the following:

EUR thousand	
Share premium reserve	196,607
Retained earnings	-
Result for the period	-1,135
Total non restricted equity	195,472

The board of Directors recommends the following allocations:

EUR thousand	
Total non restricted equity carried forward	195,472

12. Outlook

The market for purchase of NPL portfolios remains strong and Axactor see interesting opportunities in both Spain, the Nordics and Italy, while Germany remains somewhat less active. The competition for NPL portfolios remains robust and some of the price pressure we experienced at the end of 2017 will continue in the beginning of 2018.

In the Nordics we see an increasing interest from banks in doing forward flow agreements, typically for periods of 12 or 24 months, in parallel with larger one-off NPL sales being discussed.

The REO market in Spain continues to present attractive investment opportunities for Axactor, and the company expect to deploy additional capital to this segment in the coming quarters.

Axactor has become an established player in the European debt purchase- and service market, we will continue to drive efficiency and cost initiative through One Axactor.

13. Subsequent Event

- On 15 February Axactor entered into a two year forward flow contract with Monobank ASA. The claims will be acquired on a monthly basis, and Axactor estimates the annual capex to be EUR 15-20 million. This transaction will be a valuable contribution for increasing the regular NPL volumes and to build critical scale in the Norwegian business unit.

- Axactor acquired on 22 February a portfolio with a total outstanding balance of EUR 133 million from "Santander Consumer Finance", one of the largest financial institution in Spain. The portfolio consists of more than 15,000 cases coming from non-performing loans on auto market.

- On 12 March Axactor entered into a forward flow contract with a leading consumer financing company in Sweden. The claims will be acquired on a monthly basis, and Axactor estimates the annual outstanding balance to be EUR 7-10 million. This transaction will be a valuable contribution for increasing the regular NPL volumes and to continue growing the Swedish business unit.

- Axactor AB has successfully completed a EUR 150 million senior unsecured bond issue with maturity in June 2021. Settlement date is expected to be 23 March 2018. The bonds will be listed on Oslo Børs.

- In the period of 16-19 March 27,992,250 share options held by employees were exercised and the corresponding number of shares will be issued by the company.

- Axactor acquired on 22 March a REO portfolio with the appraisal value of more than EUR 26 million from the financial institution Cajamar. The portfolio consists of approximately 650 assets and is the second portfolio acquisition in Spain this year. The acquisition will be financed through Axactor's exciting funding facilities.

- On 23 March Axactor AB announced her intention to relocate its registered office from Sweden to Norway in order to reduce the burden of administrative expenses and achieve a more efficient group structure. The contemplated transfer of the Company from Sweden to Norway will be carried out in two separate steps by first i) converting the Company's legal form from a Swedish AB into a so called Societas Europaea or SE-company and thereafter ii) change its registered office from Sweden to Norway. The listing of the Company's shares on Oslo Børs will not be affected by the contemplated relocation.

- Axactor signed on 23 March a new portfolio transaction with a large Spanish financial group. The portfolio consists of two different segments, a REO segment and unsecured consumer loans. The total capex is close to EUR 40 million and will be done through the investment companies co-owned with Geveran. The transaction has been executed as a bilateral process. The REOs segment has an appraisal value in excess of EUR 75 million and consists of more than 1,500 assets.

Stockholm, 5 April 2018
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Harald Thorstein
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate S. Nygårdshaug
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO

Financial statements

Axactor AB Group & Parent Company

Consolidated Statement of Profit and Loss

For the year ended 31 December 2017

EUR thousand	Note	2017	2016
Net revenue	5	**87,745**	37,074
Other revenue		**2,040**	-
Total revenue		**89,785**	37,074
Cost of secured assets sold		**-1,445**	
Personnel expenses	6	**-44,956**	-21,741
Operating expenses	8	**-28,569**	-21,821
EBITDA		**14,815**	-6,488
Amortization and depreciation	13, 14, 15	**-5,327**	-3,126
EBIT		**9,488**	-9,614
Financial revenue	10	**3,070**	1,279
Financial expenses	10	**-10,585**	-3,562
Net financial items		**-7,515**	-2,283
Profit/(loss) before tax		**1,974**	-11,897
Tax expense	11	**611**	727
Net profit / (loss)		**2,585**	-11,169
Net profit/(loss) to minority interest		**-32**	-
Net profit/(loss) to equity holders		**2,617**	-11,169
Earnings per share: basic	12	**0.002**	-0.013
Earnings per share: diluted	12	**0.002**	-0.013

Consolidated Statement of Comprehensive Loss

For the year ended 31 December 2017

EUR thousand	2017	2016
Net profit/(loss) for the period net of income tax	**2,585**	-11,169
Items that will not be classified subsequently to profit or loss		
Remeasurement of pension plans	**8**	124
Items that may be classified subsequently to profit or loss		
Foreign currency translation differences – foreign operations	**-3,702**	2,226
Other comprehensive income/ (loss) for the period net of income tax	**-3,694**	2,350
Total comprehensive income for the period attributable to:	**-1,109**	-8,819
Equity holders of the parent company	**-1,077**	-8,819
Non-Controlling interests	**-32**	-

Consolidated Statement of Financial Position

For the year ended 31 December 2017

EUR thousand	Note	2017	2016
ASSETS			
Intangible non-current assets			
Intangible assets	13, 14	**18,359**	18,347
Goodwill	13, 14	**53,582**	53,491
Deferred tax asset	11	**3,945**	1,442
Tangible non-current assets			
Property, Plant and equipment	15	**2,499**	2,365
Financial non-current assets			
Purchased debt portfolios	16	**317,150**	127,989
Other long term receivables	18	**1,065**	998
Other long term investments	18	**191**	415
Total non-current assets		**396,791**	205,046
Current assets			
Stock of secured assets	19	**154,101**	
Accounts receivables	20	**8,047**	5,652
Other current assets	20	**13,070**	7,563
Restricted cash	21	**1,878**	1,510
Cash and cash equivalents	21	**48,604**	62,476
Total current assets		**225,700**	77,202
TOTAL ASSETS		**622,491**	282,248

Consolidated Statement of Financial Position

For the year ended 31 December 2017

EUR thousand	Note	2017	2016
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital	22	**79,377**	64,198
Other paid-in equity		**196,298**	262,127
Retained earnings profit/(Loss)		**-15,630**	-147,151
Reserves		**13**	3,714
Non-controlling interests		**31,776**	-
Total equity		**291,833**	182,888
Non-current liabilities			
Non-current interest bearing debt	24	**237,571**	25,149
Deferred tax liabilities	11	**5,887**	5,960
Other non-current liabilities	25, 26	**3,002**	3,400
Total non-current liabilities		**246,459**	34,510
Current liabilities			
Accounts payables		**4,029**	6,648
Current portion of non-current borrowings	24	**61,189**	48,852
Taxes Payable	11	**1,376**	387
Other current liabilities	27	**17,603**	8,962
Total current liabilities		**84,198**	64,850
TOTAL EQUITY AND LIABILITIES		**622,491**	282,248

Stockholm, 5 April 2018
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Harald Thorstein
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate S. Nygårdshaug
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Equity related to the shareholders of the Parent Company						
	Restricted Equity		Non restricted Equity				
EUR thousand	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year	Total	Non controlling interest	Total Equity
Closing balance on 31 December 2015	32,655	160,787	-11	-141,216	52,215		**52,215**
Balance on 1 January 2016	32,655	160,787	-11	-141,216	52,215		**52,215**
Net result for the period	-	-	-	-11,169	-11,169		**-11,169**
Comprehensive loss for the period			2,226	124	2,350		**2,350**
Total comprehensive result	0	0	2,226	-11,045	-8,819		**-8,819**
FX differences	-1,726	-8,748	1,500	5,110	-3,864		**-3,864**
New share issues, February	3,148	7,883			11,031		**11,031**
New Share issues, May	11,642	27,853			39,493		**39,493**
Acquisition subsidiary, IKAS group	2,590	6,589			9,179		**9,179**
Acquisition subsidiary, CS Union [1]	1,101	2,829			3,930		**3,930**
New share issues, October	3,788	17,753			21,541		**21,541**
New share issues, November	8,360	39,157			47,517		**47,517**
New share issues, December	2,641	11,898			14,539		**14,539**
Costs related to fund-raising		-4,470			-4,470		**-4,470**
Share based payment		595			595		**595**
Closing balance on 31 December 2016	64,198	262,127	3,714	-147,151	182,888		**182,888**
Balance on 1 January 2017	64,198	262,127	3,714	-147,151	182,888		**182,888**
Allocation of result from discontinued operations [1]		-128,896		128,896	0		**0**
Net result for the period				2,617	2,617	-32	**2,585**
Comprehensive Profit/(Loss) Foreign currency translation differences – foreign operations			-3,702		-3,702		**-3,702**
Comprehensive Profit/(Loss) Remeasurement of pension plans				8	8		**8**
Total comprehensive result for the period	0	0	-3,702	2,625	-1,077	-32	**-1,109**
Minority of newly consolidated companies						31,807	**31,807**
New Share issues, May	2,617	8,799			11,417		**11,417**
New Share issues, August	3,957	16,223			20,180		**20,180**
New Share issues, September	8,605	35,073			43,678		**43,678**
Costs related to fund-raising		-1,885			-1,885		**-1,885**
Share based payment		1,806			1,806		**1,806**
Grant of Warrants [2]		3,051			3,051		**3,051**
Closing balance on 31 December 2017	79,377	196,298	13	-15,630	260,057	31,776	**291,833**

1) Ref. resolution in Annual general meeting on 31. May 2017

2) 130 million American style warrants in Axactor to Geveran with an exercise price of NOK 3,25 have been granted. The warrants expire after 2 years.

Consolidated Statement of Cash Flow

For the year ended 31 December 2017

EUR thousand	Note	2017	2016
Operating actitvities			
Profit before tax		**1,974**	-11,897
Taxes paid	11	**-1,531**	-2,271
Adjustments for:			
- Finance income and expense		**7,514**	2,283
- Amortization of debt portfolios	16	**14,957**	3,417
- Cost of sales stock of secured assets		**1,445**	-
- Depreciation and amortization	13, 15	**5,327**	3,126
- Calculated cost of employee share options	23	**1,806**	603
- Unrealised foreign currency (gains)/losses		**-**	-2,875
Working capital changes		**-8,099**	-6,151
Net cash flows operating activities		**23,393**	-13,765
Investing actitvities			
Purchase of debt portfolios and REO's	5	**-355,202**	-75,610
Investment in subsidiaries	8	**-1,409**	-47,707
Purchase of intangible and tangible assets		**-5,401**	-2,209
Sales of financial assets		**175**	-
Interest received		**96**	89
Net cash flows investing activities		**-361,741**	-125,436
Financing actitvities			
Proceeds from borrowings	24	**277,752**	57,134
Repayment of debt	24	**-42,485**	-18,307
Interest paid		**-5,315**	-1,306
Loan fees paid	24	**-10,188**	-1,491
Proceeds from share issue		**75,274**	132,620
Proceeds from non-controlling interests		**31,808**	
Share issue costs		**-1,885**	-4,434
Net cash flows financing activities		**324,961**	164,215
Currency translation		**-117**	-1,792
Net change in cash and cash equivalents		**-13,387**	25,014
Cash and cash equivalents at the beginning of period		**63,986**	40,764
Cash and cash equivalents at end of period		**50,482**	63,986

Summary of Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The Parent Company Axactor AB (publ), with Swedish corporate identity number 556227-8043 is a joint stock company, incorporated in Sweden. 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 principal activities of the Company and its subsidiaries (the Group) are debt management, specialising on both purchasing and collection on own debt portfolios and providing collection services for 3rd party owned portfolio. The activities are further described in note 5.

The corporation was prior to December 2015 named Nickel Mountain Group AB (publ).

The Annual Report and Parent Company Report for Axactor AB (publ) were adopted by the Board of Directors on 5 April 2018 and will be submitted for approval to the Annual General Meeting on 4 May 2018.

Note 2 Summary of significant Accounting Principles

2.1 Statement of compliance

The Consolidated financial statements of Axactor AB and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with IFRSs as issued by the International Accounting Standards Board (IASB), effective at 31 December 2017.

2.2 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 Standards 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 Euro (EUR) and this is also the reporting currency for the Group. All amounts in the financial reports are stated in thousands of EUR (TEUR) unless otherwise specified. The company has converted the presentation currency from SEK to EUR in 2017 to better reflect the currency in which the business operates. Comparable figures relating to 2016 are calculated based on the historic currency translation rate at the actual presented period.

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.

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

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.

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 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.

2.4 Business combination and goodwill

Business combinations are accounted for using the acquisition accounting method. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions as at the acquisition date. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are 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 against 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 depending on their prior classification in other comprehensive income.

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.

2.5 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, as in accordance with IAS 38. These capitalized expenses can include staff expenses if the resource has been taken out of its ordinary course of work for a longer period to work on the development project, which has been recognised as having future economic benefits. 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.

2.5.1 Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets. Goodwill that arises on the acquisition of subsidiaries is allocated to cash generating units (CGUs). Goodwill is measured at cost (residual) less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when there are indications of impairment. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is 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 of loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of the partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the group reorganizes its businesses.

2.5.2 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 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. During 2017 the Group has been developing and implementing ERP system, business infrastructure and a Business Intelligence system.

2.6 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 35 years.

2.7 Financial instruments

A financial asset or liability is reported in the balance sheet as soon as the Company has a contractual commitment regarding such instrument. Financial instruments reported as assets in the balance sheet include: long-term receivables, other receivables, prepaid expenses, accrued income, liquid funds, accounts receivables and short-term receivables. All financial assets are classified into the following specified categories: financial non-current assets or current assets. Financial instruments reported as liabilities in the balance sheet consist of long-term liabilities, convertible loans, other liabilities, accrued expenses, prepaid income and accounts payable. All financial liabilities are classified into the following specified categories: non-current liabilities or current liabilities.

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

A financial liability is derecognized when the contractual obligation has been paid by Axactor.

Interest Income and interest cost are calculated using the effective interest rate method.

Financial instruments are reported using the fair value, accumulated value or acquisition value, depending on the initial categorization under IAS 39. All financial assets are measured at amortized cost, except for Non -performing Loans, which are described below. The liabilities classified as other non-current financial liabilities are reported at amortized cost, except for the put/call option for CS Union, recorded at present value see note 26.

On each reporting date, the company considers whether any objective evidence of impairment exists. If there is objective evidence that an impairment loss has been incurred the company perform necessary write-downs on the financial asset or group of financial assets.

Axactor does not have any derivatives and is not for the time being not engage in hedging, in accordance with treasury policy.

2.7.1 Non-Performing loans

Non-performing loans (presented as purchased debts portfolios in the balance sheet) consists of portfolios of delinquent consumer debts purchased significantly below nominal value of debt, reflecting incurred and expected credit losses. For non-performing loans timely collection of principal and interest is no longer reasonably assured at the date of purchase. Non-performing loans are recognized at fair value at the date of purchase. Since the loans are measured at fair value, which includes an estimate of future credit losses, no allowance for credit losses is recorded in the consolidated balance sheet on the day we acquire the loans. The loans are measured at amortized cost according to the effective interest method. Since the delinquent consumer debt are a homogenous group, the future cash flows are projected on a portfolio basis.

The carrying amount of each portfolio is determined by projecting future cash flows that is discounted to present value using the effective interest rate, as at the date the portfolio was acquired. The total cash flows (both principal and interest) expected to be collected on PCI loans is regularly reviewed. Changes in expected cash flow are adjusted in the carrying amount and are recognized in the profit or loss as income or expense. Interest income is recognized using the effective interest method.

Estimating the timing and amount of cash flows requires significant management judgement regarding key assumptions, including the probability of default, severity of loss, amounts and timing of payment receipts and All of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan. Accordingly, we disclose information that enables users of the financial statement to evaluate the effect of significant changes in key assumptions. See note 4 Critical accounting estimates and judgements for further information.

2.7.2 Real Estate Owned

Real Estate Owned consists of portfolios of properties held for sale as a part of the ordinary course of business. The properties are acquired exclusively with a view to subsequent resale in the near future, and getting involved in renting out is not part of the business idea. Since REO are held for sale, the company considers the REO's as stock of secured assets and they are valued according to IAS2, at the lower of cost and net realisable value.

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

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

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

2.7.6 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.

2.8 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 26 for further descriptions.

Defined contribution retirement plans are retirement plans where the company's payment obligations are limited to the fixed contributions and where the fees already have been undertaken. The retirement benefits for the individual employee is dependent on the contributions paid to the retirement plan or an insurance company by the employer, and the return of capital invested in the retirement fund. Consequently, it is the employee that holds the risk of return (that the return will be lower than expected) and the risk of the investment (the risk that the invested pension provision will not be sufficient to cover expected retirement compensation in the future). The obligations of the 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 define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability 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 an independent actuary 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 (par value) and share premium.

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

2.9 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, bears the risks and rewards of the leased assets, the lease 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.

2.10 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.

2.11 Classifications
Fixed assets and long-term liabilities consist 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 months after the balance sheet date.

2.12 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 it 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 asset arising from unused tax losses or tax credit is only recognised to the extent that the entity has sufficient taxable temporary differences or that there is convincing other evidence supporting the utilisation of the tax losses and tax credits, including the impact of time restriction by local tax authorities. The carrying amount of deferred tax asset is reviewed at the end of each reporting period.

Unrecognised deferred tax assets are reassessed at each balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset, when a legally enforceable right exists to set off tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity or taxation authority.

2.13 Borrowing expenses
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.

2.14 Segment reporting
Axactor derives its revenues from the following three operating segments: Non-Performing Loans (NPL); Third Party Collection (3PC) and Accounts Receivable Management (ARM). The operations are being managed by segments. Axactor reports its business through reporting segments which corresponds to the operating segments. Segment profitability and country profitability are the two most important dimensions when making strategic priorities and deciding where to allocate the Groups resources. For management purposes, the Group is in addition organised into business units based on the geographical regions.

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

2.15 Revenue and revenue recognition
Axactor's revenues is derived from the three main streams: Non-Performing Loans (NPL); Third Party Collection (3PC) and Accounts Receivable Management (ARM).

Revenue is recognised when it is probable that transactions 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.

The revenues from NPL portfolios are described in detail in § 2.8.1.

3PC revenues are derived from a combination of fixed fees paid by Axactor's customers for services provided and commissions for solved cases, except in Norway where fees paid by the debtors belong to Axactor. The revenue derived from the ARM segment relates to the services Axactor delivers to its customer for taking over their ARM process.

2.16 Conversion of foreign currency
In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, both monetary and non-monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Currency differences which arise during conversion are accounted for in profit or loss.

The financial statements are presented in EUR, which is Axactor's functional currency, as well as being the presentation currency. For the purposes of presenting these consolidated financial statement, the assets and liabilities of the Group's non-euro operations (i.e. Sweden and Norway) are translated into EUR using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for each quarter. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. On the disposal of a foreign operation all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.17 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).

2.18 Changes in Accounting Policies and disclosures for 2018 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 will not have any material impact on the Group as the treatment of the NPL portfolios under IFRS 9 will remain as according to IAS 39 due to the fact that IAS 39 AG8 is unchanged in IFRS 9.

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 will impact on the Group accounts in 2018 and will be treated as a change in the opening balance on the equity on 1 January with EUR 3.3 million. The main part of this (EUR 2.4 million) relates to timing of revenue recognition of Solicitor services in Spain, which is part of the 3PC segment. The remaining relates to timing of revenue recognition of third party collection services in Norway that are based work performed on contracts with no cure no pay clause.

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 only 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 1 January, 2019. It is voluntary to apply the standard before this date.

The standards and interpretations presented are those that may, in the opinion of the Group, have an effect on the profit and potentially effecting the solidity in the future. However, the Group does not consider this impact to be material. 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 are 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 an overview of all material 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 (currently in Sweden and Norway) are recalculated in EUR, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in foreign currencies, stated of the aforementioned countries.

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 EUR 298.8 million on 31 December 2017 (2016: EUR 74.0 million). The loan carries a variable interest rate based on the interbank rate in each currency with a margin. Any annualised increase/decrease by 100 basis point would increase/decrease the Groups profit before tax by EUR 2.9 million. (2016: EUR 0.71 million). The average interest rate for 2017 was 5.1 % (2016: 4.23 %).

Currency risk

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 majority of the Groups business operation is in euro countries. The Company's accounts are therefore held in Euro (EUR). However, some of its business operation is in other than Euro countries like Norway and Sweden. This foreign exchange exposure may affect the Company's results and the number of liquid assets. When the balance sheets of foreign subsidiaries are recalculated in EUR, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in foreign currencies, stated of the aforementioned countries.

Credit risk

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 is 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 2017 the Group generate positive cash flow. The Group had cash and cash equivalents of EUR 50.5 million at 31 December 2017 (2016: EUR 63.9 million), of which EUR 1.9 million was in restricted cash. Based on the current cash position, the Group assesses the liquidity risk to be low.

The following table detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn based on the undiscounted cash flows of financial liabilities based on the most likely date on which the Group can be required to pay. The table include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. The contractual maturity is based on the on the most likely date on which the Group may be required to pay.

The amounts presented are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Year ended 31 December 2017

EUR thousand	Within one year	1-2 years	2-4 years	4+ years	Total
Interest bearing loans DnB/Nordea	40,269	48,345	30,722	-	**119,336**
Interest bearing loans Italy	32,915	21,770	2,444	1,224	**58,353**
Interest bearing A & B notes	7,650	15,300	165,300	-	**188,250**
Trade Payables	4,029	-	-	-	**4,029**
Other Liabilities	1,875	1,127	-	-	**3,002**
Taxes payables	1,376	-	-	-	**1,376**
Deferred tax liabilities	-	4,709	1,177	-	**5,887**
Payment to minority of CS Union	3,073	-	-	-	**3,073**
Accruals	14,531	-	-	-	**14,531**
Total	105,719	91,251	199,644	1,224	**397,838**

Financing risk

To supports the Groups growth ambitions, the Group continuously work on securing necessary committed financing and alternative funding sources. Securing long term financing at competitive terms are a major part of the Group's long -term liquidity planning. Through the Group's largest owner and co-investor Geveran Trading, Axactor has an unique position in terms of financing portfolio larger portfolio purchases and further fuel the growth for the company. Short term financing risk would be changes in market conditions and or business performance that limits our ability to source funding at competitive terms.

Capital management

The primary objective of the Group's capital management is to ensure the Company maintains a solid capital structure enabling it to develop and build its business to maximise shareholder value. The Group's objective is to maintain a balance of financial assets that reflects the cash requirement of its operations and investments for the next 12-24 months. No change was made in the objectives, policies or process for managing capital during the year ended 31 December 2017.

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 amount 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 addressed 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 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 Group has assumed that this WACC is the same as the market would use, in order to get to the fair value of the portfolios.

The preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from portfolios. The estimated future portfolio cash flows are reviewed by management each quarter. The fair value is estimated to be approximately EUR 317 million (2016: EUR 132 million) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is EUR 317 million. (2016: EUR 128 million), 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 2017. 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 10 % to over 50 %. In addition, the country specific marginal tax rate is applied. This individual collection cost and tax rate is applied to each portfolio's estimated future cash flow, adding up to an estimated total net cash flow for the Group. The weighted average cost of capital after tax for the portfolio segment is estimated to 9.8 % (2016: 13.4 %) as at 31 December 2017 (details of the calculation is shown below). Based on this rate, the discounted value of the estimated net cash flows indicates that the fair value of portfolios is approximately EUR 317 million (2016: EUR 132 million). 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

	Performance				
EUR million	90 %	95 %	100 %	105 %	110 %
WACC					
9 %	289	307	326	344	362
10 %	281	299	317	335	352
11 %	270	287	304	321	339
12 %	261	278	294	311	328
13 %	253	269	285	301	318
14 %	245	261	277	292	308
15 %	238	253	269	284	299

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 9.8 %.

Cost of equity

	2017	2016	
Risk free rate	0.427 %	0.549 %	10 year risk-free rate
Market risk premium	6.3 %	6.3 %	Damodaran 1st July 2016 1)
Estimated Beta (equity)	1.56	0.60	Observed Beta for Axactor
Company specific premium	6.0 %	6.0 %	Ibbotson research 2014 1)
Cost of equity before tax	16.3 %	13.4 %	
Cost of equity after tax	9.8 %	13.4 %	

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

Risk free rate

The risk-free rate used in the calculation of the WACC is based on the EUR risk free interest rate, which on 31st December was priced at 0.427 %. However, the Group has some part of the cash flows in other different currencies, the largest being SEK. Given the fluctuations in the yield for these bonds we deem it reasonable and conservative to use the EUR risk free rate as basis for the risk-free rate for the Group. Calculating a currency 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 the Axactor share 2 years of weekly observations. The calculations are based on data from Reuters. We have then used this as a basis for our Beta used to calculate cost of Equity.

Cost of Debt

The average cost of debt is 4.5 %

Future cash flow estimates

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

See note 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 23.

Note 5 Segment reporting

Axactor delivers credit management services and the company's revenue is derived from the following three operating segments: Non-Performing Loans (NPL); Third Party Collection (3PC) and Accounts Receivable Management (ARM). Axactor's operations are managed through these operating segments.

The NPL segment invests in portfolios of non-performing loans, as well as real estate assets held for sale. Subsequently, the outstanding debt is collected through either amicable or legal proceedings and the real estate assets are prepared for sale and offloaded to third parties.

The 3PC segments main focus is to perform debt collection services on behalf of third-party clients. They apply both amicable and legal proceedings in order to collect the non-performing loans, and typically receive a commission for these services. They also help creditors to prepare documentation for future legal proceedings against debtors, and for this they typically receive a fixed fee.

ARM handles claims between the invoice date and the default date. The customer issue an invoice to the debtor, and Axactor ARM monitors the claim and makes sure the payment is made in due time. If a debtor defaults on the payment, the claim is typically transferred to 3PC for debt collection services.

Axactor reports its business through reporting segment which corresponds to the operating segments. Segment profitability and country profitability are the two most important dimensions when making strategic priorities and deciding where to allocate the Groups resources.

Segment revenue reported below represents revenue generated from external customers. There were no intersegment sales in the current year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment contribution margin represents contribution margin earned by each segment without allocation of management fee, central administration costs, other gains and losses as well as finance costs. The measurement basis of the performance of the segment is the segment's contribution margin.

There are no comparative data for the segments available for previous year. In the tables below, deferred tax assets and equity accounted investments are not allocated to the segments.

There is no single customer who contributed 10 % or more to the Groups revenue.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Year to date 31 December 2017

EUR thousand	NPL	3PC [1]	ARM	Eliminations/ Not allocated	Total
Collections on own portfolios	58,552			-30	**58,523**
REO sales	2,282				**2,282**
Other revenue		35,830	6,059	2,040 [2]	**43,929**
Portfolio amortization and revaluation	-14,948				**-14,948**
Net revenue [1]	45,886	35,830	6,059	2,010	**89,786**
REO cost of sales	-1,445				**-1,445**
Direct operating exspenses	-14,037	-25,585	-3,195	-0	**-42,817**
Contribution margin	30,405	10,245	2,864	2,010	**45,523**
Local SG&A, IT and corporate cost				-30,707	**-30,707**
EBITDA				-28,697	**14,815**
Total Opex	-15,482	-25,585	-3,195	-30,707	**-74,970**
CM1 margin	66.3 %	28.6 %	47.3 %	100.0 %	**50.7 %**
EBITDA margin					**16.5 %**
Dopex / Gross revenue	25.4 %	71.4 %	52.7 %	0.0 %	**42.3 %**
Local SG&A, IT and corporate cost / Gross revenue					**29.3 %**
Segment assets	484,571	20,157	4,032	113,731 [3]	**622,491**
Segment liabilities	307,637	12,022	5,113	5,887	**330,658**

1) External revenue
2) Settlement former BoD
3) This relates mainly to unallocated goodwill and cash.

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

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

The portfolios acquired in Spain are owned by Swedish and Luxembourg entities. The operations of the portfolios are performed by a Spanish entity. In addition, the customers are resident in Spain. The information above is based on the location of the customers, thus the revenue recognised from the Spanish portfolios is allocated to the country Spain in the table below. The same principle is used for the allocation of the non-current assets. For the non-currents hold in Swedish and Luxembourg entities, related to Spanish portfolios are allocated to the country Spain.

The relation between Yield and NPL revenue is presented as follows:

Portfolios

EUR thousand	
Yield	44 ,730
Revaluation	1,126
REOs Sales	2,282
Net Revenue NPL	45,886

Geographical information

	External Revenue		Non Current Assets	
	2017	2016	2017	2016
Germany	**19,614**	5,113	**12,194**	37,856
Italy	**8,161**	5,641	**10,069**	45,733
Luxembourg	**-**		**-**	
Norway	**11,015**	7,782	**31,531**	32,859
Spain	**40,037**	18,538	**19,057**	88,372
Sweden	**10,958**	0	**1,589**	227
Other			**-**	
	89,785	37,074	**74,440** [1)]	205,046

1) Non-current assets are presented ex financial instruments and deferred taxes

Note 6 Employees, Salaries and other Compensations

Personnel expenses

EUR thousand	2017	2016
Salaries	**28,584**	15,891
Bonus	**3,828**	-234
Commision	**1,501**	423
Social contribution	**6,777**	3,189
Pension cost	**317**	215
Board of Directors	**186**	191
Share Option Programme	**1,866**	844
Other benefits	**1,891**	1,222
Total Personnel expenses	**44,956**	21,741

Average number of employees

	2017	2016
Number of FTE's, start of year	**794**	68
Number of FTE's, end of year	**934**	794
Average number of FTE's	**864**	431

Post-employment benefits

EUR thousand	2017	2016
Salaries	**666**	46
Pension cost	**-**	877
Other benefits	**-**	-
Total post-employment benefits	**666**	923

For information on the country specific pension schemes please see note 26

Note 7 Key Management Compensation

Board of Directors remuneration

EUR thousand	Board fee 2017	Board fee 2016
Bjørn Erik Næss	**44**	
Beate S. Nygårdshaug [1]	**22**	
Brita Eilertsen	**24**	
Merete Haugli [1]	**23**	
Terje Mjøs [1]	**22**	
Michael Hylander	**-**	
Harald Thorstein	**-**	
Dag Strømme [3]	**42**	
Einar Jørgen Greve [2]	**5**	96
Gunnar Hvammen [2]	**3**	48
Per Dalemo [2]	**-**	47
Total	**186**	191

1) Includes also the remuneration for membership in audit committee
2) Resigned at EGM 20 January 2017
3) Resigned 1 March 2017

The following remuneration has been made to the members of the nomination committee during 2017. During 2016 there was no such committee in place.

Nomination committee

EUR thousand	2017	2016
Jarle Sjo	**-**	
Magnus Tvenge	**1**	
Cathrine Lofterød Fegth	**-**	
Total	**1**	

Executive management remuneration 2017

EUR thousand	Salary	Bonus	Pension	Other	Share option	Total
Endre Rangnes, CEO	495	145	2	1	270	**913**
Geir Johansen, CFO [1]	219	65	2	1	95	**382**
Oddgeir Hansen, COO	187	37	2	1	97	**323**
Siv Farstad, EVP HR	176	21	2	1	35	**235**
Johnny Tsolis, EVP Stategy and Projects [2]	219	54	2	1	182	**458**
Robin Knowles, EVP Portfolio acquisitions	159	62	0	-	190	**412**
Doris Pleil	192	-		11	73	**276**
Massimiliano Ciferri	92			3	-	**95**
Andres Lopez	171	8	-	7	44	**229**
David Martin	171	8	-	7	44	**229**
Fredrik Kessler	139	-	15	8	84	**246**
Total	2,219	398	26	40	1,113	**3,797**

1) CFO till 14 February 2018
2) CFO from 15 February 2018

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.

The share based option program is presented in note 23.

At the end of 2017 no loan or prepayments were granted to Board of Directors and Executive management.

2016 Executive management remuneration

EUR thousand	Salary	Bonus	Pension	Other	Share option	Total
Endre Rangnes, CEO	453	-	2	0	196	**652**
Geir Johansen, CFO	195	-	2	1	73	**271**
Oddgeir Hansen, COO	168	-	2	1	49	**220**
Siv Farstad, EVP HR	167	-	2	1	18	**189**
Johnny Tsolis, EVP Stategy and Projects	197	-	2	1	123	**323**
Robin Knowles, EVP Portfolio acquisitions (ultimo apr-dec)	96	-	-	-	46	**142**
Total	1,277	-	11	4	505	**1,797**

Note 8 Other operating expenses

Other operating expenses

EUR thousand	2016	2015
Direct operating expenses, excluding salary	**16,345**	11,153
External services	**3,422**	6,022
IT expenses	**4,144**	2,032
Other expenses	**4,658**	2,615
Other operating expenses	**28,569**	21,821

Remuneration to the auditors

EUR thousand	2017	2016
PricewaterhouseCoopers		
Fees, auditing	**661**	361
- whereof PricewaterhouseCoopers AB	**249**	
Fees, audit related services	**10**	**0**
- whereof PricewaterhouseCoopers AB	**10**	
Fees, tax advisory	**37**	**15**
- whereof PricewaterhouseCoopers AB	**37**	
Fees, other services	**200**	**231**
- whereof PricewaterhouseCoopers AB	**0**	
Total fee, PwC	**908**	607

As of financial year 2017, the audit fee concerning the audit firm in Sweden elected by the Annual General Meeting are disclosed.

Note 9 Commitments and leases

The group leases premises, office equipment and vehicles under non-cancellable lease agreements. The lease terms are between 1- 7 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 payment recognized as expenses in 2017 and 2016 are as follows

EUR thousand	2017	2016
Operating leases expenses	**2,805**	1,824

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

EUR thousand	2017	2016
Non-cancellable operating lease commitments		
Not later than 1 year	**2,054**	2,216
Later than 1 year and not later than 5 years	**4,045**	4,128
Later than 5 years	**-**	-
Total	**6,100**	6,344

Financial lease

Financial leasing relates to the leasing of office equipment only.

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

EUR thousand	2017	2016
Non-cancellable financial lease commitments		
Not later than 1 year	**60**	119
Later than 1 year and not later than 5 years	**41**	180
Later than 5 years	**-**	-
Total	**101**	298

Financial lease included in tangible assets, ref Note 14:

EUR thousand	2017	2016
Net book value of assets on financial lease		
Fixtures	**-**	139
Vehicles	**-**	35
Office equipment	**121**	195
Total	**121**	369

Note 10 Financial Items

EUR thousand	Year to date 2017	2016
Financial revenue		
Interest on bank deposits	**109**	89
Re-evaluation external investments	**-**	309
Exchange gains	**2,704**	881
Other financial income	**257**	-
Total financial revenue	**3,070**	1,279
Financial expenses		
Interest expenses on borrowings	**-6,942**	-2,003
Exchange losses	**-3,144**	-1,373
Other financial expenses	**-498**	-186
Total financial expenses	**-10,585**	-3,562
Net finance	**-7,515**	-2,283

Note 11 Income tax calculation

Income tax calculation

EUR thousand	2017	2016
Ordinary result before taxes	**1,974**	-11,897
Proft before tax from discontinued operation	**-**	
Basis for income tax	**1,974**	-11,897
Income tax payable	**-434**	2,617
Tax effect of change in net deferred income tax liability/asset	**2,361**	585
Tax effect on permanent differences	**0**	-4
Effect on foreign exchange rates	**39**	17
Adjustments for 2015	**-2**	-173
Tax losses for which no deferred tax asset was recognized	**-837**	-1,697
Tax effect tax rate reduction	**-216**	-89
Effect on different tax rates from Sweden	**-300**	-530
Income tax expense	**611**	727

Temporary differences

EUR thousand	2017	2016
Non-current fixed assets and portfolios	**-2,514**	-1,842
Non-current intangible assets	**-2,673**	-3,728
Current assets	**120**	-
Non-current liabilities	**56**	198
Current liabilities	**-270**	39
Losses carried forward	**3,340**	814
Net income tax reduction temporary differences	**-1,942**	-4,518
Net deferred tax asset	**3,945**	1,442
Net deferred tax liability	**5,887**	5,960

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 during the year according to note 22.

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:

EUR thousand	2017	2016
Profit/Loss from continuing operatins attributable to owners of the parent	**2,617**	-11,169
Total	**2,617**	-11,169
Weighted average number of ordinary shares (in thousands)	**1,327,031**	849,072
Effects of dilution from share options	**69,770**	40,097
Weighted average number of ordinary shares adjusted for the effect of dilution (in thousands)	**1,396,801**	889,169
Basic earnings per share EUR	**0.002**	-0.013
Diluted earnings per share	**0.002**	-0.013

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

EUR thousand	2017	2016
Employee share options	**85,528,250**	46,250,000

Note 13 Intangible assets

EUR thousand	Customer relations	Databases	Software	Goodwill	Other intangibles	Total
Cost						
Cost at 1 January 2016	3,950	798	-	13,010	47	**17,806**
Acquisitions	11,445	2,974	2,808	39,894	900	**58,021**
Additions	98	1,785	-	-	-	**1,883**
Disposals at cost price	-204	-	-167	-	-	**-371**
Currency exchange effects	-61	12	-0	587	-	**537**
Cost at 31 December 2016	15,228	5,569	2,641	53,491	947	**77,876**
Acquisition of Profact AB, Sweden	-	-	-	1,203	-	**1,203**
Reclassification		-1,184	1,184			**0**
Adjustment PPA Spain				702		702
Additions	-	1,907	2,966	-	-	**4,873**
Disposals at cost price		-68	-			**-69**
Currency exchange effects	-535	-114	-	-1,814	-47	**-2,509**
Cost at 31 December 2017	14,693	6,111	6,791	53,582	900	**82,077**
Amortization and impairment						
Accumulated amortization at 1 January 2016	-70	-11	-	-	-	**-81**
Acquisition	-1,999	-	-1,533	-	-	**-3,532**
Disposals	200	-	168	-	-	**368**
Amortization of the year	-1,700	-218	-725	-	-151	**-2,794**
Currency exchange effects	-	-	-	-	-	**-**
Accumulated amortization at 31 December 2016	-3,569	-230	-2,089	-	-151	**-6,038**
Disposals accumulated depreciation		65				**65**
Amortization of the year	-2,616	-914	-839	-	-300	**-4,669**
Impairment of the year						**-**
Currency exchange effects	330	53	124	-	-	**506**
Accumulated amortizations at 31 December 2017	-5,855	-1,026	-2,804	-	-451	**-10,136**
						-
Carrying amount at 31 December 2017	8,838	5,085	3,987	53,582	449	**71,941**
Useful life	3-5 yr	3-6 yr	3-10 yr		1-5 yr	

For impairment testing on Goodwill see note 14

Note 14 Impairment testing of intangible assets with an indefinite life time

Goodwill and intangible assets stated in the consolidated financial position are mainly derived from excess value following the acquisitions of ALD Abogados (2015); IKAS Group in Norway (2016), CS Union in Italy (2016), and the Altor Group in Germany and Profact in Sweden (2017). Recognised goodwill amounts to EUR 53.6 million as of 31 December 2017. Other intangibles assets related to excess values in the Group accounts are customer relations, databases and software, this amounts to EUR 10 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) prior to preparation of the annual accounts. The group has five CGUs – Italy, Norway, Sweden, Spain, and Germany. Goodwill and intangible assets with an indefinite life are tested for impairment annually, and when there are indications of impairment. There were no impairment indications for the acquired businesses in 2017, thus no impairment tests performed for these in 2017.

The recoverable amount for each CGU has been determined estimating their Value in Use (VIU), and comparing that against the carrying amount of the specific 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.

Goodwill has been allocated for impairment testing purposes to the following CGU

EUR thousand	2017	2016
Spain	14,328	13,625
Germany	9,196	9,196
Italy	7,311	7,311
		-
Norway	21,545	23,358
Profact	1,203	
Total	53,582	53,491

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 2018-2022 consist of approved budgets for 2018 and estimates for 2019 and beyond. The cash flow projections have been extrapolated based on an expected growth rate of 2 % (2016: 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 2022 figures.

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 EUR risk free bond per country
- 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 on 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 value. 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.

Impairment – test results and conclusion

The VIU exceeds carrying amount for each of the CGUs. The impairment test did not indicate a requirement for write-down for goodwill. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Note 15 Tangible assets

EUR thousand	Land & Buildings	Fixtures	Vehicles	Machines and office equipm.	Other	Total
Cost price 1 January 2016				64		**64**
Additions according to purchase of companies	835	2,380	353	2,228	1,384	**7,180**
Additions at cost price	-	522	-	758	20	**1,299**
Disposals at cost price (incl. writedown)	-597	-473	-22	-1,441	-168	**-2,701**
Currency translation difference	-16	16				**-**
Cost price 31 December 2016	222	2,445	331	1,609	1,235	**5,843**
Additions according to purchase of companies	-	8	-	62	-	**70**
Additions at cost price	-	199	-	621	227	**1,047**
Disposals at cost price (incl. writedown)	-222	-89	-266	-155	-	**-732**
Currency translation difference	-	1	-	-1	0	**-0**
Cost price 31 December 2017	0	2,564	65	2,136	1,462	**6,227**
Accumulated depreciation 1 January 2016						
Acc depreciation according to purchase of companies	-235	-1,898	-35	-1,873	-1,249	**-5,291**
Depreciation in 2017	-12	-70	-76	-139	-25	**-322**
Disposals accumulated depreciation	129	463	12	1,434	157	**2,195**
Currency translation difference	13	-34	-	-44	1	**-64**
Accumulated depreciation 31 December 2016	-105	-1,538	-99	-623	-1,112	**-3,478**
Acc depreciation according to purchase of companies	-	-	1	-18	-	**-18**
Depreciation in 2017	-4	-122	-42	-323	-166	**-657**
Disposals accumulated depreciation	109	84	109	124	-	**427**
Currency translation difference		-2				**-2**
Accumulated depreciation 31 December 2017	-	-1,578	-31	-840	-1,279	**-3,728**
Book value 31 December 2017	0	986	34	1,295	184	**2,499**
Useful life	30-35 yr	3-6 yr	5 yr	3-5 yr	5-10 yr	

Note 16 Purchased debt Portfolios

EUR thousand	2017	2016
Acquisition cost, opening balance	**131,729**	-
Purchase	**206,446**	74,955
Purchase from acquired business	**-**	56,408
Disposals	**-132**	
Translation differences	**-652**	366
Accumulated acquisition cost	**337,391**	131,729
Amortization, opening balance	**-3,744**	
Re-valuation opening balance	**-**	-
Amortization for the year	**-16,139**	-3,744
disposals	**55**	
Re-valuation of the year	**1,190**	
Translation differences	**-1,603**	
Accumulated amortization, closing balance	**-20,240**	-3,744
Net book value	**317,150**	127,985

Payments during the year for investments in purchased debt amounted to EUR 205.8 million (2016: EUR 75.3 million).

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

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Result 2017	Equity 2017
Axactor Italy Holding Srl	90 %	90 %	Cuneo	Italy	-74	1,026
Axactor Italy SpA	100 %	100 %	Cuneo	Italy	-1,398	6,597
Axactor Incentive AB	100 %	100 %	Stockholm	Sweden	-	5
Axactor Portfolio Holding AB	100 %	100 %	Stockholm	Sweden	3,392	42,081
Axactor Platform Holding AB	100 %	100 %	Stockholm	Sweden	3,059	76,217
Axactor Sweden AB	100 %	100 %	Stockholm	Sweden	2,867	34,713
Axactor Sweden Holding AB	100 %	100 %	Stockholm	Sweden	-86	33,072
Axactor AS	100 %	100 %	Oslo	Norway	-3,158	214
Axactor Norway Holding aS	100 %	100 %	Oslo	Norway	-60	29,494
Axactor Capital AS	100 %	100 %	Drammen	Norway	-262	1,724
Axactor Norway AS	100 %	100 %	Drammen	Norway	1,200	1,384
ReoLux SarL [1)]	95 %	10 %	Luxembourg	Luxembourg	529	4,531
Luxco Invest 1 Sarl [2)]	50 %	50 %	Luxembourg	Luxembourg	-100	-88
Axactor Capital Luxembourg Sarl	100 %	100 %	Luxembourg	Luxembourg	1,083	58,501
Beta Properties SLU	100 %	100 %	Madrid	Spain	71	74
Borneo Commercial Investments SLU	100 %	100 %	Madrid	Spain	-58	5
Alcala Lands Investments SLU	100 %	100 %	Madrid	Spain	-71	-8
PropCO Malagueta SL	75 %	75 %	Malaga	Spain	-76	84,585
Proyector Lima SL	75 %	75 %	Madrid	Spain	-61	42,483
Axactor Espana SLU	100 %	100 %	Madrid	Spain	-1,392	3,163
Axactor Espana Platform SA	100 %	100 %	Madrid	Spain	-1,085	841
Axactor Germany Holding GmbH	100 %	100 %	Heidelberg	Germany	-2,463	25
Axactor Germany GmbH	100 %	100 %	Heidelberg	Germany	2,728	255
Axactor Mobile Services Germany GmbH	100 %	100 %	Heidelberg	Germany	-587	26
Heidelberger Forderingskauf GmbH	100 %	100 %	Heidelberg	Germany	1,208	25
Heidelberger Forderungskaurf II GmbH	100 %	100 %	Heidelberg	Germany	521	25
Taloa Equity Management GmbH	100 %	100 %	Heidelberg	Germany	405	25
VABA GmbH	100 %	100 %	Heidelberg	Germany	0	25

1) The Group owns through another group company, 100% equity shares of ReoLux Sarl shares. Consequently, ReoLux is 100% consolidated into the Group.

2) The Group owns 50% equity shares of Luxco Invest1. However, based on the contractual arrangements between the Group and other investors, the Group has sufficiently dominant voting interest and therefore, the Group has concluded that the Group has control over Luxco Invest1 and it is consolidated in the Group's financial statements.

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

EUR thousand	Office location, city	Office location, country	2017	2016
Other long-term investments				
Nickel Mountain Resources AB [3]	Stockholm	Sweden	**170**	224
Club Financiero Génova, S.A	Madrid	Spain	**21**	21
Hocas AS	Hokksund	Norway	**-**	171
Total other long-term investments			**191**	415
Other long-term receivables				
Italy, asset pension entitlement [1]			**940**	666
Rent deposit ALD				54
Asset pension entitlement Altor [2]				143
Other			**125**	135
Total other long-term receivables			**1,065**	998

1) For the pension in Italy see note 26.
2) Pension has been settled in Germany see note 26
3) See note 9 in Parent Company

Note 19 Stock of secured Assets REO's

EUR thousand	2017	2016
Acquisition cost, opening balance	**0**	0
Purchase	**155,546**	
Cost of sold secured assets	**-1,445**	
Total	**154,101**	0

Stock of secured assets consists of approximately 4800 properties held for sale as a part of the ordinary course of business. These Real Estate Owned assets are part of the NPL segment, see note 5.

Note 20 Other short-term assets

Accounts receivables

EUR thousand	2017	2016
Accounts receivable	**8,047**	5,652

EUR thousand	Current	0-30 days	31-60 days	61-90 days	90 + days	Total
Customer per ledger	4,612	2,110	297	222	828	**8,070**
- Provision for bad debt	-	-	-	-	-22	**-22**
Total	4,612	2,110	297	222	806	**8,047**

Due to nature of the business the amount of outstanding accounts receivable is low and shows an acceptable ageing. Allowances for doubtful debts are recognised against trade receivables based on individual basis, set per country.

Prepaid expenses and accrued income

EUR thousand	2017	2016
Prepaid taxes	**1,048**	762
Prepaid expenses	**1,536**	1,894
Deposits		174
Accrued revenue/Work in Progress [1)]	**6,379**	4,492
Receivables former shareholders		171
Capitalised costs related to 130 million Warrants issued to Geveran	**2,684**	
Other	**1,422**	70
Total prepaid expenses and accrued revenue	**13,070**	7,563

1) Accrued revenues relate to 3PC business

Note 21 Cash and cash equivalents

For the purpose of the consolidated Cash flow statement cash and bank deposits include cash on hand and in banks, excluding bank overdrafts. Cash and cash equivalent at the end of the reporting perod as show in the Cash Flow statement can be reconciled to the related items in the consolidated statement of the financials position as follows.

Bank overdrafts are classified under current portion of non-current borrowings, presented in note 24.

EUR thousand	2017	2016
Cash and bank deposits	**48,604**	62,470
Restricted cash	**1,443**	1,320
Bank deposits client accounts	**435**	196
Total cash and cash equivalents	**50,482**	63,986

The composition of the cash per currency is shown below.

EUR thousand	2017	2016
NOK	**5,918**	45,998
SEK	**3,781**	640
EUR	**40,782**	17,348
Total cash and cash equivalents	**50,482**	63,986

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

Restricted cash as per end of reporting period relates to deposits for building rent guarantee, employee withholding taxes and a pledge bank account of SEK 4 million relating to a dispute with the previous Chairman of the Board Ulrik Jansson. Although this case was solved in 2017, the pledge on the bank account was not released until February 2018.

Note 22 Issued shares, share capital and reserves

Issued shares and share capital

	Number of shares	Share capital (EUR)
At 1 January 2016	596,614,360	30,928,831
New share issues	629,874,409	33,268,437
At 1 January 2017	1,226,488,769	64,197,268
New share issues, May	50,000,000	2,617,116
New share issues, August	75,600,000	3,957,000
New share issues, September	164,400,000	8,605,077
At 31 December 2017	1,516,488,769	79,376,461

Each share has the same rights and has a par value of EUR 0.0523.

20 largest shareholders and ownership Interests as at 31 December 2017

Name	Shareholding	Share %
GEVERAN TRADING CO LTD	173,902,500	11.47 %
VERDIPAPIRFONDET DNB	104,394,050	6.89 %
TVENGE TORSTEIN INGVALD	70,000,000	4.62 %
FERD AS	53,351,399	3.52 %
SONGA TRADING INC	47,423,467	3.13 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	35,553,765	2.34 %
VERDIPAPIRFONDET DELPHI NORDEN	28,848,609	1.90 %
ARCTIC FUNDS PLC	24,845,540	1.64 %
VERDIPAPIRFONDET ALFRED BERG NORGE	21,901,448	1.44 %
FIRST GENERATOR	20,537,076	1.35 %
STATOIL PENSJON	20,494,327	1.35 %
GVEPSEBORG AS	20,364,945	1.34 %
VPF NORDEA NORGE VERDI	20,131,026	1.33 %
DnB NOR MARKETS, AKSJEHAND/ANALYSE	18,627,202	1.23 %
MOHN STEIN	17,506,240	1.15 %
ALPETTE AS	16,616,431	1.10 %
NORDNET LIVSFORSIKRING AS	15,682,640	1.03 %
CITIBANK, N.A.	13,870,653	0.91 %
NOMURA INTERNATIONAL PLC	11,955,765	0.79 %
VERDIPAPIRFONDET ALFRED BERG AKTIV	11,910,518	0.79 %
Total 20 largest shareholders	747,917,601	49.32 %
Other shareholders	768,571,168	50.68 %
Total number of shares	1,516,488,769	100 %
Total number of shareholders	11,456	

Shares owned by related parties

Name	Shareholding	Share %
GEVERAN TRADING CO LTD [1]	173,902,500	11.47 %
LOPEZ SANCHEZ, ANDRES [2]	11,451,250	0.76 %
MARTIN IBEAS, DAVID [3]	11,451,250	0.76 %
ALPETTE AS [4]	16,616,431	1.10 %
LATINO INVEST AS [5]	10,300,000	0.68 %
BANCA SISTEMA S.P.A [6]	6,045,041	0.40 %
FARSTAD, SIV [7]	2,000,000	0.13 %
BJØRN ERIK NESS [8]	775,000	0.05 %
SCHNEIDER, SUSANNE LENE RANGNES [9]	398,320	0.03 %
BRITA EILERTSTEN [10]	100,000	0.01 %
BERGSJO AS [11]	63,000	0.00 %

1) Geveran Trading Co Ltd owns 10 % of Luxco Invest1 S.A., a company controlled and consolidated by Axactor Group.
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 Tsolis who is a member of the executive management team of Axactor AB
6) Banca Sistema S.P.A. owns 10 % of the shares in CS Union, the Axactor collection platform in Italy
7) Siv Farstad is a member of the executive management team of Axactor AB
8) Bjørn Erik Ness is the chairman of the Board of Directors of Axactor AB
9) Susanne L. R. Schneider is related to the CEO of Axactor AB
10) Brita Eilertsten is member of the Board of Directors of Axactor AB
11) Bergsjo AS is controlled by Beate Nygårdshaug who is member of the Board of Directors of Axactor AB

Note 23 Share based Payment

Key employees of the Group receive part of their remuneration in form of a share-based payment. During 2016 and 2017 Axactor AB have granted share options to key employees to subscribe for shares in the Company in 8 different series. The share options exercise price varies from NOK 1, - and NOK 3.70 per share. The share options have a term of 4 years, and depending on the series may be exercised from 15.02.2018 and 31.12.2021.

Each employee share option converts into one ordinary share of Axactor on exercise. A variable amount, pending on which option series are paid or payable by the recipient on date of exercise of the option. The options carry neither right to dividends nor voting rights.

Employee share options are not subject to any performance-based vesting conditions. The Company has 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 EUR 1.8 million for the year ended 31 December 2017 (2016: EUR 0.5 million). Social costs are accrued for on a quarterly basis.

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

Share option plan

	2017		2016	
	Number of options	WAEP (NOK)	Number of options	WAEP (NOK)
Outstanding at the beginning of the year	**45,250,000**	**1.17**	-	0
Granted	**41,805,750**	**2.98**	45,250,000	1.17
Excercised	**-**			
Expired	**-**		-	
Forfeited	**-1,527,500**	**1.17**	-	
Outstanding at the end of period	**85,528,250**	**2.04**	45,250,000	1.17
Excercisable at the end of period	**-**		-	

The share options outstanding at the end of the year had a weighted average exercise price of NOK 2.04 and a weighted average remaining contractual life of 454 days.

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 following table list the key Inputs to the model using used for the year ended 31 December 2017:

The weighted average assumptions used

	2017	2016
Expected volatility (%)	**0.40 %**	0.40 %
Risk-free interest rate (%)	**-0.50 %**	-0.50 %
Expected life of options (year) between	**0.2-4 years**	4
Turnover adjustment factor	**5 %**	5 %
Share price end of year (NOK)	**2.9**	2.65

The weighted average fair value of share options granted to employees during the period was NOK 0.67 (2016: NOK 1.53).

For rewards to executive management, see note 7.

Note 24 Borrowings and other interest-bearing debt

EUR thousand	Currency	Carrying amount 31.12.2017	Year of maturity
Balance at 1 January 2017	EUR / NOK [1]	74,002	2017-2022
New issues			
Italian Banks [2]	EUR	30,188	2017-2022
DnB/Nordea [1]	EUR / NOK / SEK	97,564	2020
A/ B Notes [3]	EUR	150,000	2022
Repayments			
Italian Banks	EUR	-8,904	
DnB/Nordea	EUR / NOK / SEK	-33,256	
Other	EUR	-325	
Other movements			
Capitalized loan fees		-10,188	
Amortized loan fees on loans		1,230	
Currency translations		-1,551	
Balance at 31 December 2017		298,760	
Non current interest bearing debt		237,571	
Current portion of non current borrowings		61,189	
Of which			
In NOK		10,287	
In SEK		30,957	
In EUR		257,516	

1) *The existing debt facility agreement with DNB Bank ASA and Nordea Bank AB has been renegotiated in 2017. The debt facility will increase from current EUR 160 million to EUR 350 million, whereof 150 million are in the form of accordion options. The new facility allows for a significant increase of the current NPL loan-to-value ratio for new and existing NPL portfolios, including a true borrowing base concept and removes the current cash sweep mechanism. The new facility has final maturity 3 years after signing.*

   As of 31 December 2017, the Company had utilized EUR 97 million of the loan facility from DNB/Nordea. Of this EUR 10.2 million relating to the financing of the Axactor Norway (former "IKAS") acquisition in Q2 2016; EUR 15 million relating to the Altor acquisition in Q4 2016, EUR 43 million relating to purchase of portfolios and secured assets In Spain and EUR 29 million relating to the purchase of Swedish portfolios.

   The loan carries a variable interest rate based on the interbank rate in each currency with a margin. See note 3 for Interest rate risk.

   Under the terms of this debt facility the group is required to comply with the following financial covenants: the Group NIBD Ratio < 3; the Portfolio Leverage Ratio < 60 % and Collection performance > 90 %

   The company has been in breach with the loan covenant in Q1 and Q2 in 2017, which were waived by the lending banks. No further breaches have occurred during 2017.

   All material subsidiaries of the group are guarantors and have granted a share pledge and bank account pledge as part of the security package for this facility. Italian subsidiaries together with the co-Invest Vehicle in Luxembourg as well as the REO Holding company In Luxembourg are not a part of the agreement nor the security arrangement.

2) *The facilities of the Italian banks relate to 11 different facilities and agreements with several Italian banks. Banca Sistema (which has a minority share of 10 % in the Italian subsidiary) is providing one of these facilities, and has granted a facility of EUR 29.5 million to finance further acquisitions of portfolios. The loan carries a variable interest rate based on the interbank rate with a margin. The loans are secured with collaterals worth EUR 24 million.*

3) *Following the establishment of the co-investment partnership with Geveran, Notes in the amount of EUR 180 million has been Issued, of which for EUR 150 million has been scribed to by Sterna Finance, a company in the Geveran Group. The remainder has been subscribed to by Axactor AB. This consists of EUR 60 million in class A, deeply subordinated income sharing notes and EUR 120 million in class B, subordinated secured notes. The maturity of these notes is 2022.*

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

Note 25 Other non-current liabilities

EUR thousand	2017	2016
Present value liability to minority option in CS Union [1)]	**1,548**	1,444
Other Long term accruals	**327**	297
Pension liability (note 26)	**1,127**	1,660
Other non current liabilities	**3,002**	3,400

1) On 28 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 EUR 5.9 million
- 20.84 million shares in Axactor (EUR 0.18 per share at 28.06.16) EUR 3.829 million

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 BS the right to sell the shares to Axactor, and Axactor the right to buy the shares from Banca Sistema at certain dates in the future or/if certain events occur.

These options can be exercised in the period between 1 Jan-15 Jan yearly, starting 2018 and 5 years ahead. Based on the put/call clause in the agreement the terms relating to this will give Axactor ownership interest as the terms are identical for both the put and the call option. The options were not exercised in the open period in 2018. Axactor consider it likely just a matter 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 Pension liability

Axactor group meets the different local mandatory occupational pension requirement.

Axactor operates defined contribution retirement benefit plans for all qualifying employees of its subsidiaries in Sweden and Norway. The only obligation of the group with respect to retirement benefit plan is to make the specified contributions.

In Italy all employees are entitled to a termination indemnity (TFR,) upon termination of employment for any reason. This TFR is considered a defined benefit obligation to be accounted for in accordance with IAS19. Axactor funds defined benefit plans for qualifying employees.

The employees of the Spanish and German subsidiaries are member of a state managed retirement benefit plan operated by the government of respectively Spain and Germany. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The total expense recognised in P&L amounts to EUR 0.3 million (2016: EUR 0.2 million), and represents contributions payable to these plans by Axactor at rates specified in the rules of the plans. As at 31 December 2017 contributions of EUR 0.006 million (2016: 0) due in respect of the 2017 reporting period have not been paid.

The defined benefit plan in Germany related to one person and has been ended in 2017.

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

EUR thousand	2017	2016
Fair value of plan assets	**940**	170
Present value of unfunded obligations	**187**	-1,830
Pension liabilities	**1,127**	1,660

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

Present value of obligation

EUR thousand	2017	2016
At 01.01 of year	**1,830**	1,906
Current service cost	**-19**	95
Interest expense/(income)	**16**	8
	1,827	2,009
Remeasurements:		
(Gain)/Loss from change in financial assumptions	**-8**	-152
	-8	-152
Payments from plans:		
Benefits payments	**-691**	-27
Settlements	**-**	-
At 31 December 2017	**1,127**	1,830
Net expense recognized in the statement of profit and loss	**-3**	103
Net expense recognized over comprehensive Income statement	**-6**	128

The significant actuarial assumptions are as follows:

	Italy 2017	Italy 2016
Discount rate	1.30 %	1.31 %
Inflation	1.50 %	1.50 %
Salary growth rate	1.00 %	1.00 %
Pension growth rate	2.63 %	2.63 %

Note 27 Other current liabilities

EUR thousand	2017	2016
Bank overdrafts		876
Client liabilities	**435**	764
Public duties	**1,219**	2,004
Personnel related liabilities	**4,039**	2,834
Accrued solicitors	**1,613**	374
Accrued interests		410
Other short term interest bearing loans		418
Remaining part purchase considerations	**3,063**	1,026
Other accruals	**7,234**	257
Total other liabilities	**17,603**	8,962

Note 28 Transactions with related parties

EUR thousand	2017	2016
Michael Hylander, deputy board member, is also partner in Lawyer firm MAQS which also delivers legal services to Axactor AB	**326**	
Banca Sistema owns 10 % in CS Union, a company controlled and consolidated by Axactor Group, has granted facility of EUR 29.5 million	**29,500**	
Banca Sistema owns 10 % in CS Union, a company controlled and consolidated by Axactor Group, is also a customer for 3PC business, and assigns cases to CS Union at market terms and conditions	**104**	
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 serices to Axactor.		175
Related Party balances as per year end		
Geveran Trading Co LTD, owns 50 % of Luxco Invest1SA, a company controlled and consolidated by Axactor Group, has by one of its subsidiaries subscribed to deeply subordinated income sharing notes issued by Luxco Invest1.	**150,000**	
Geveran Trading Co LTD, owns 50 % of Luxco Invest1SA, a company controlled and consolidated by Axactor Group owns 130 mill American style warrants in Axactor see note 10	**2,684**	
Loan from Ulrik Jansson (previous Chairman of the Board)	**-**	601
Banca Sistema owns 10 % in CS Union, a company controlled and consolidated by Axactor Group, has given a loan on market terms to CS Union	**3,175**	

Note 29 Purchase Price Allocations

Axactor has during the last twelve months acquired shares in the companies mentioned below 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

EUR thousand	Profact
Date of acquisition	28 February, 2017
Acquired part of company	100 %
Purchase price	1,257
- whereof cash consideration	1,257
- whereof share consideration	
- whereof Put/Call option liability	
ASSETS	
Non-current assets	
Intangible assets	
Database	314
Goodwill	1,242
Tangible assets	
Plant and machinery	50
Long term financial assets	
Total non-current assets	1,606
Current assets	
Current receivables	351
Other current assets	94
Cash & cash equivalents	
Total current assets	445
Total Assets	2,051
Non-current liabilities	
Total non-current liabilities	-
Current liabilities	
Trade payables	433
Other short-term liabilities	361
Total current liabilities	794
Total Net assets	1,257
Net sales 2017 (full year)	9,176
Profit 2017 (full year)	2,874
Net sales 2017 for Axactor period	8,917
Profit 2017 for Axactor period	2,867

Comparative figures for 2016 are as follows:

EUR thousand	Geslico SA	Axactor Norway (IKAS group)	CS Union S.t.A.	Altor
Date of acquisition	5 May, 2016	1 April, 2016	22 June, 2016	30 September, 2016
Acquired part of company	100 %	100 %	100 %	100 %
Purchase price	2,100	31,100	11,125	17,983
- whereof cash consideration	2,100	21,792	5,940	17,983
- whereof share consideration	-	9,308	3,829	
- whereof Put/Call option liability			1,355	
ASSETS				
Non-current assets				
Intangible assets				
Deferred tax assets	77		501	940
Customer Relationship		6,666	891	1,362
Database		1,415	382	1,135
Other intangible fixed assets	373		356	337
Off market contracts			900	-
Goodwill	100	22,716	7,228	9,276
Tangible assets				
Plant and machinery	707	890	332	447
Long term financial assets				
Purchased debt		-	29,975	25,891
Other long-term receivables	91	75	833	28
Other long-term investments		139	-	
Total non-current assets	1,348	31,901	41,398	39,416
Current assets				
Current receivables	1,799	1,531	973	655
Other current assets	576	95	409	2,362
Cash & cash equivalents	651	3,887	483	1,024
Total current assets	3,026	5,513	1,865	4,041
Total Assets	4,374	37,414	43,263	43,457
Non-current liabilities			-	
Long-term interest bearing debt	505	65	14,114	13,287
Deferred tax liabilities		1,875	597	3,238
Other long-term liabilities	1	22	1,120	1,432
Total non-current liabilities	506	1,962	15,831	17,957
Current liabilities				
Trade payables	992	451	5,598	653
Tax liabilities		536	426	454
Other short-term liabilities	455	2,712	9,858	6,410
Other public duties payable	321	653	425	
Total current liabilities	1,768	4,352	16,307	7,517
Total Net assets	2,100	31,100	11,125	17,983
	-	-	-	-
Net sales 2016 (full year)	10,406	10,502	9,455	19,482
Profit 2016 (full year)	-3,316	2,259	529	328

Note 30 Pledged Assets

EUR thousand	2017	2016
Group	**340,847**	231,720
Parent	**124,451**	124,263

Note 31 Subsequent Event

- On 15 February Axactor entered into a two year forward flow contract with Monobank ASA. The claims will be acquired on a monthly basis, and Axactor estimates the annual capex to be EUR 15-20 million. This transaction will be a valuable contribution for increasing the regular NPL volumes and to build critical scale in the Norwegian business unit.

- Axactor acquired on 22 February a portfolio with a total outstanding balance of EUR 133 million from "Santander Consumer Finance", one of the largest financial institution in Spain. The portfolio consists of more than 15,000 cases coming from non-performing loans on auto market.

- On 12 March Axactor entered into a forward flow contract with a leading consumer financing company in Sweden. The claims will be acquired on a monthly basis, and Axactor estimates the annual outstanding balance to be EUR 7-10 million. This transaction will be a valuable contribution for increasing the regular NPL volumes and to continue growing the Swedish business unit.

- Axactor AB has successfully completed a EUR 150 million senior unsecured bond issue with maturity in June 2021. Settlement date is expected to be 23 March 2018. The bonds will be listed on Oslo Børs.

- In the period of 16-19 March 27,992,250 share options held by employees were exercised and the corresponding number of shares will be issued by the company.

- Axactor acquired on 22 March a REO portfolio with the appraisal value of more than EUR 26 million from the financial institution Cajamar. The portfolio consists of approximately 650 assets and is the second portfolio acquisition in Spain this year. The acquisition will be financed through Axactor's exciting funding facilities.

- On 23 March Axactor AB announced her intention to relocate its registered office from Sweden to Norway in order to reduce the burden of administrative expenses and achieve a more efficient group structure. The contemplated transfer of the Company from Sweden to Norway will be carried out in two separate steps by first i) converting the Company's legal form from a Swedish AB into a so called Societas Europaea or SE-company and thereafter ii) change its registered office from Sweden to Norway. The listing of the Company's shares on Oslo Børs will not be affected by the contemplated relocation.

- Axactor signed on 23 March a new portfolio transaction with a large Spanish financial group. The portfolio consists of two different segments, a REO segment and unsecured consumer loans. The total capex is close to EUR 40 million and will be done through the investment companies co-owned with Geveran. The transaction has been executed as a bilateral process. The REOs segment has an appraisal value in excess of EUR 75 million and consists of more than 1,500 assets.

Parent Company Income Statement

For the year ended 31 December 2017

EUR thousand	Note	2017	2016
Other operating income	3	**5,809**	1,133
Operating expenses	4	**-7,380**	-4,243
Personell expences		**-**	-
EBITDA		**-1,571**	-3,110
Amortization and depreciation		**-**	-
EBIT		**-1,571**	-3,110
Financial revenue	5	**5,406**	7,969
Financial expenses	5	**-4,971**	-582
Net financial items		**435**	7,387
Profit/(loss) before tax		**-1,135**	4,277
Tax expense	6	**-**	-
Net profit/(loss) to equity holders		**-1,135**	4,277

Parent Company Financial Statement

For the year ended 31 December 2017

EUR thousand	Note	2017	2016
ASSETS			
Intangible non-current assets			
Investment in subsidiaries	7	**129,562**	135,190
Loans to group companies	8	**135,602**	21,365
Other long-term investments	9	**58**	59
Total non-current assets		**265,221**	156,614
Current assets			
Short-term intercompany receivables	8	**3,238**	1,310
Other current assets	10	**2,838**	9
Restricted cash	11	**406**	418
Cash and cash equivalents	11	**5,235**	41,941
Total current assets		**11,717**	43,678
TOTAL ASSETS		**276,938**	200,292
Equity and liabilities			
Restricted equity			
Share Capital		**79,377**	64,197
Statutory reserve		**240**	240
Total restricted equity		**79,617**	64,437
Non-restricted equity			
Share premium reserve		**196,607**	262,131
Retained earnings		**-**	-132,867
Result for the period		**-1,135**	4,277
Total non-restricted equity		**195,472**	133,541
TOTAL SHAREHOLDERS' EQUITY		**275,088**	197,978
LIABILITIES			
Non-current liabilities			
Other long term liabilities		**-**	1,444
Total non-current liabilities		**-**	1,444
Current liabilities			
Accounts payables		**188**	94
Short-term intercompany liabilities	8	**1,531**	-
Other current liabilities		**131**	775
Total current liabilities		**1,849**	869
TOTAL EQUITY AND LIABILITIES		**276,938**	200,292

Parent Company Statement of Changes in Equity

For the year ended 31 December 2017

Consolidated Statement of changes in equity Parent Company

	Restricted Equity		Non restricted Equity				
EUR thousand	Share capital	Statutory reserve	Share premium reserve	Exchange differences	Retained earnings	Result for the period	Total
Opening balance of 1 January, 2016	32,655	240	160,787		-117,265	-22,415	**54,001**
Transfer of prior year's net result		-	-		-21,629	21,629	**0**
New share issues, February	3,148		7,883				**11,031**
New Share issues, May	11,641		27,853				**39,493**
Acquisition subsidiary, IKAS group	2,590		6,589				**9,179**
Acquisition subsidiary, CS Union	1,101		2,829				**3,930**
New share issues, October	3,788		17,753				**21,541**
New share issues, November	8,360		39,157				**47,517**
New share issues, December	2,641		11,898				**14,539**
Costs related to fund-raising			-4,470				**-4,470**
Share based payment			595				**595**
Result of the period						4,277	**4,277**
Translation differences	-1,725		-8,744	-23	6,049	786	**-3,657**
Closing balance on 31 December 2016	64,197	240	262,131	-23	-132,845	4,277	**197,978**
Balance on 1 January 2017	64,197	240	262,131	-23	-132,845	4,277	**197,978**
Transfer of prior years net result	-	-	-		4,277	-4,277	**0**
Allocation of result from discontinued operations [1]			-128,568		128,568		**0**
New Share issues, May	2,617		8,799				**11,416**
New Share issues, August	3,957		16,223				**20,180**
New Share issues, September	8,605		35,073				**43,678**
Costs related to fund-raising			-1,885				**-1,885**
Share based payment	-		1,806		-		**1,806**
Grant of Warrants [2]			3,051				**3,051**
Comprehensive Profit/(Loss) Foreign currency translation differences – foreign operations							**0**
Result of the period						-1,135	**-1,135**
Closing balance on 31 December 2017	79,377	240	196,630	**-23**	0	-1,135	**275,088**

1) Ref. resolution in Annual general meeting on 31 May 2017

2) 130 million American style warrants in Axactor to Geveran with an exercise price of NOK 3.25 have been granted. The warrants expire after 2 years.

Parent Company Statement of Cash Flow

For the year ended 31 December 2017

EUR thousand	2017	2016
Operating actitvities		
Profit before tax	**-1,135**	4,277
Finance income and expense		-7,301
Agio gain on group loans	**3,133**	5,599
Calculated cost of employee share options	**1,806**	595
Working capital changes	**-3,777**	990
Net cash flows operating activities	**27**	4,160
Investing actitvities		
Investment in subsidiary (ReoLux and Luxco Invest1)	**-5,106**	-6,428
Loans to subsidiaries converted into investments in subsidiaries		-104,516
Share issue in subsidiary (in connection with acquisition of IKAS)		-23,014
Net cash flows investing activities	**-5,106**	-133,958
Financing actitvities		
Loan to subsidiaries/repaid from subsidiaries	**-102,858**	18,201
Proceeds from share issue	**75,274**	143,573
Share issue costs	**-1,885**	-4,470
Net cash flows financing activities	**-29,469**	157,304
Net change in cash and cash equivalents	**-34,548**	27,506
Exchange difference in liquid fund	**-2,170**	-170
Cash and cash equivalents at the beginning of period	**42,359**	15,024
Cash and cash equivalents at end of period	**5,641**	42,359

Summary of Notes Parent Company

Notes to the Parent Company Financial Statements

Note 1 Corporate Information

The Parent Company Axactor AB (publ), with Swedish corporate identity number 556227-8043 is a joint stock company, incorporated in Sweden. 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 financial statements were approved for release by the Board of Directors on 5 April 2018.

Note 2 Summary of significant accounting policies

These parent company financial statements should be read in connection with the Consolidated financial statements of Axactor, published together with these financial statements. With the exceptions described below, Axactor AB applies the accounting policies of the group, as described in Axactor's disclosure note 2 Significant Accounting Policies, and reference is made to the Axactor note for further details. Insofar that the company applies policies that are not described in the Axactor note due to group level materiality considerations, such policies are included below if necessary for a sufficient understanding of Axactor's accounts.

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

Basis for preparation

The Consolidated Statements have been compiled in accordance with EU-approved International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Standards 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 Euro (EUR) and this is also the reporting currency for the Group. All amounts in the financial reports are stated in thousands of EUR (TEUR) unless otherwise specified.

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".

Investments In subsidiaries and associated companies, and other long term Investments

Investments In subsidiaries are accounted for using the cost method in the parent company accounts. The Investments are valuated at cost unless Impairment losses occur. Write-down 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

EUR thousand	2017	2016
Management services to group companies	**3,769**	1,133
Settlement previous BoD	**2,040**	
Other operating income	**5,809**	1,133

Note 4 Other operating expenses

EUR thousand	2017	2016
Rent	**19**	12
External services	**1,271**	1,596
Fees to Board of Directors	**186**	191
Administrative costs	**6**	1,900
External fees relating to listing	**71**	181
Management fee	**5,293**	-
Other expenses	**535**	363
Other operating expenses	**7,380**	4,243

Remuneration to the auditors

EUR thousand	2017	2016
PricewaterhouseCoopers AB		
Fees, auditing	**249**	168
Fees, audit related services	**10**	0
Fees, tax advisory	**37**	0
Fees, other services	**0**	169
Totalt fee to auditors	**296**	337

Read more in the Group note, 8.

Note 5 Financial items

Financial income

EUR thousand	2017	2016
Exchange gain	**1,394**	5,050
Interest income		44
Interest income from group companies	**3,572**	2,876
Other financial income	**441**	-
Total financial revenue	**5,406**	7,969

Financial expenses

EUR thousand	2017	2016
Exchange losses	**-4,527**	-251
Interest expenses paid to group companies		-176
Other financial expenses	**-444**	-155
Total financial revenue	**-4,971**	-582

Note 6 Taxes

Income tax calculation

EUR thousand	2017	2016
Ordinary result before taxes	**-1,135**	4,277
Basis for income tax	**-1,135**	4,277
Income tax payable	-	-941
Utilization of tax losses, not recognized from previous years	-	979
Tax losses for which no deferred tax asset was recognized		-
Income tax expense	-	38

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. Utilization through the group is limited due to the fact that most of the operating activity is outside Sweden.

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

The losses carried forward amount per 31 December 2017 EUR 26.6 million, of which EUR 23.2 million is blocked as defined by Swedish tax jurisdiction.

Note 7 Investments in subsidiaries

Subsidiary company

EUR thousand	Share of owner-ship	Share of voting rights	Office location, city	Office location, country	Book value in parent company	Result 2017	Equity 2017
Axactor Italy Holding Srl	100 %	100 %	Cuneo	Italy	1,100	-74	1,026
Axactor Incentive AB	100 %	100 %	Stockholm	Sweden	5	-	5
Axactor Portfolio Holding AB	100 %	100 %	Stockholm	Sweden	45,317	3,392	42,081
Axactor Platform Holding AB	100 %	100 %	Stockholm	Sweden	77,157	3,059	76,217
Axactor AS	100 %	100 %	Oslo	Norway	1,977	-3,158	214
ReoLux SarL [1)]	10 %	10 %	Luxembourg	Luxembourg	4,000	529	4,531
Luxco Invest 1 Sarl [2)]	50 %	50 %	Luxembourg	Luxembourg	6	-100	-88
Total investment in subsidiaries					129,562	3,647	123,986

1) *The Group owns through another group company, 100 % equity shares of ReoLux Sarl shares. Consequently, ReoLux is 100 % consolidated into the Group.*

2) *The Group owns 50 % equity shares of Luxco Invest1. However, based on the contractual arrangements between the Group and other investors, the Group has sufficiently dominant voting interest. Therefore, the Group has concluded that the Group has control over Luxco Invest1 and it is consolidated in these financial statements.*

Note 8 Loans and receivables to group companies

	2017			2016		
EUR thousand	Loans to group Companies	ST IC receivables	ST IC Payables	Loans to group Companies	ST IC receivables	ST IC Payables
Axactor Portfolio Holding AB [1)]	**28,147**	**48**		20,258	33	
Axactor Platform Holding AB [1)]	**61,664**	**190**	**-1**		66	
Axactor Italy Holding [1)]	**11,379**	**49**				
Axactor AS [1)]	**4,412**	**527**	**-1,530**	1,107	934	
Luxco Invest 1 Sarl [2)]	**30,000**					
Axactor Italy SpA [1)]		**150**			15	
Axactor Germany Holding GmbH		**103**			239	
Axactor Germany GmbH		**49**			24	
Taola Equity Management GmbH		**342**				
Axactor Espana Platform SA		**682**				
Axactor Norway AS		**175**				
Axactor Sweden aB		**583**				
Axactor Capital Luxembourg SarL		**340**				
Total	**135,602**	**3,238**	**-1,531**	21,365	1,310	-

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

2) The loan to Luxco Invest 1 Sarl concerns the A notes, as described in note 24 of the consolidated accounts.

Note 9 Other long-term receivables

EUR thousand	2017	2016
Shares in Nickel Mountain Resources AB	**58**	59
Total	**58**	59

In 2015 Axactor received a share issue in kind in Nickel Mountain Resources AB as a part of the sale of nickel projects to Arhelon AB. Total holding is 3,550,827 B shares at a price of SEK 0.6 per share. Nickel Mountain Resources is listed on the stock exchange of Stockholm. This investment is in the Parent company valued at historical costs, while in the Group the valuation is at IFRS. The difference in valuation is EUR 0.112 million.

Note 10 Other Current Assets

EUR thousand	2017	2016
Capitalised costs related to 130 million Warrants issued to Geveran	**2,684**	-
Other	**154**	9
Total	**2,838**	9

Note 11 Cash and Cash equivalents

EUR thousand	2017	2016
Cash and bank deposits	**5,235**	41,941
Restricted cash	**406**	418
Total cash and cash equivalents	**5,641**	42,359

	2017	2016
NOK	**2,632**	40,922
SEK	**714**	630
EUR	**2,295**	807
Total cash and cash equivalents	**5,641**	42,359

Note 12 Proposed allocation of the company's result

EUR thousand	2017	2016
At the disposal of the AGM is the following:		
Share premium reserve	**196,607**	262,131
Retained earnings	**-**	-132,845
Result for the period:	**-1,135**	4,277
Total non restricted equity	**195,472**	133,563
The board of Directors recommends the following allocations:		
Retained earnings brought forward	**-**	133,563
Total non restricted equity carried forward	**195,472**	
The board of Directors recommends the following reclassification:		
Share premium reserve	**0**	-128,896
Retained earnings brought forward	**0**	128,896

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 2017.

The annual accounts and consolidated accounts of the company are included on pages 3-68 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 2017 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 2017 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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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.

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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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 judgment, 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
Valuation of credit portfolios *Reference to Notes 2, 3, 4, 5 and 16 in the annual report* The Group has over the last years acquired several purchased debt portfolios which has a book value of MEUR 317. The valuation of the Group's debt portfolios is based on management's estimates of forecasted future cash flows. The valuation of the debt portfolios comprise 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.	We have evaluated the Group's accounting policy and calculation models and assessed whether these are consistent with IFRS and the generally accepted valuation techniques. We have tested the reasonability of the assumptions applied in the model for the debt portfolios, 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. 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.

Other Information than the annual accounts and consolidated accounts

The English translation of the annual accounts and consolidated accounts also contains other information and is found on pages 1-13 & 88-89. 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. 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 2017 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 fulfill 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

PricewaterhouseCoopers AB, 405 32 Gothenburg, was appointed auditor of Axactor AB by the general meeting of the shareholders on the 31 May 2017 and has been the company's auditor since the 17 December 2014.

This is a direct translation of the Swedish official auditor's report. The auditor's report relates to pages 14-77 in this translated annual report.

Gothenburg 5 April, 2018

PricewaterhouseCoopers AB

Signature on Swedish original

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.

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 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.

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.

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.

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.

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.

Sub-committees of the Board

The Board has established an Audit Committee, an Investment Committee and 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 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.

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.

A declaration of remuneration policy for the Executive Management Team has been adopted.

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.

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

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 74-80 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been 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 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the 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 82-85 in this translated annual report.

Gothenburg 5 April, 2018

PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Terms and abbreviations

3PC	*Third Party Collection*
ARM	*Accounts Receivable Management*
B2B	*Business to Business*
B2C	*Business to Consumer*
BoD	*Board of Directors*
CGU	*Cash Generating Unit*
CM1	*Contribution Margin*
Dopex	*Direct Operating expenses*
ERC	*Estimated Remaining Collection*
EPS	*Earnings Per Share*
EUR	*Euro*
FTE	*Full Time Equivalent*
IFRS	*International Financial Reporting Standards*
NOK	*Norwegian Krone*
NPL	*Non- Performing Loan*
OB	*Outstanding Balance*
PCI	*Purchased Credit Impaired*
PPA	*purchase price allocations*
REO	*Real Estate Owned*
SEK	*Swedish Krone*
SG&A	*Selling, General & Administrative Expenses*
SPV	*Special Purpose Vehicle*
VIU	*Value in Use*
WAEP	*Weighted average exercise price*

Financial calendar 2018

Quarterly Report - Q1	*03.05.2018*
Quarterly Report - Q2	*25.07.2018*
Quarterly Report - Q3	*30.10.2018*
Quarterly Report - Q4	*01.02.2019*
Annual General meeting	*04.05.2018*

The company's annual report will be available on the company's website.

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