



Annual Report

2018

AXACTOR

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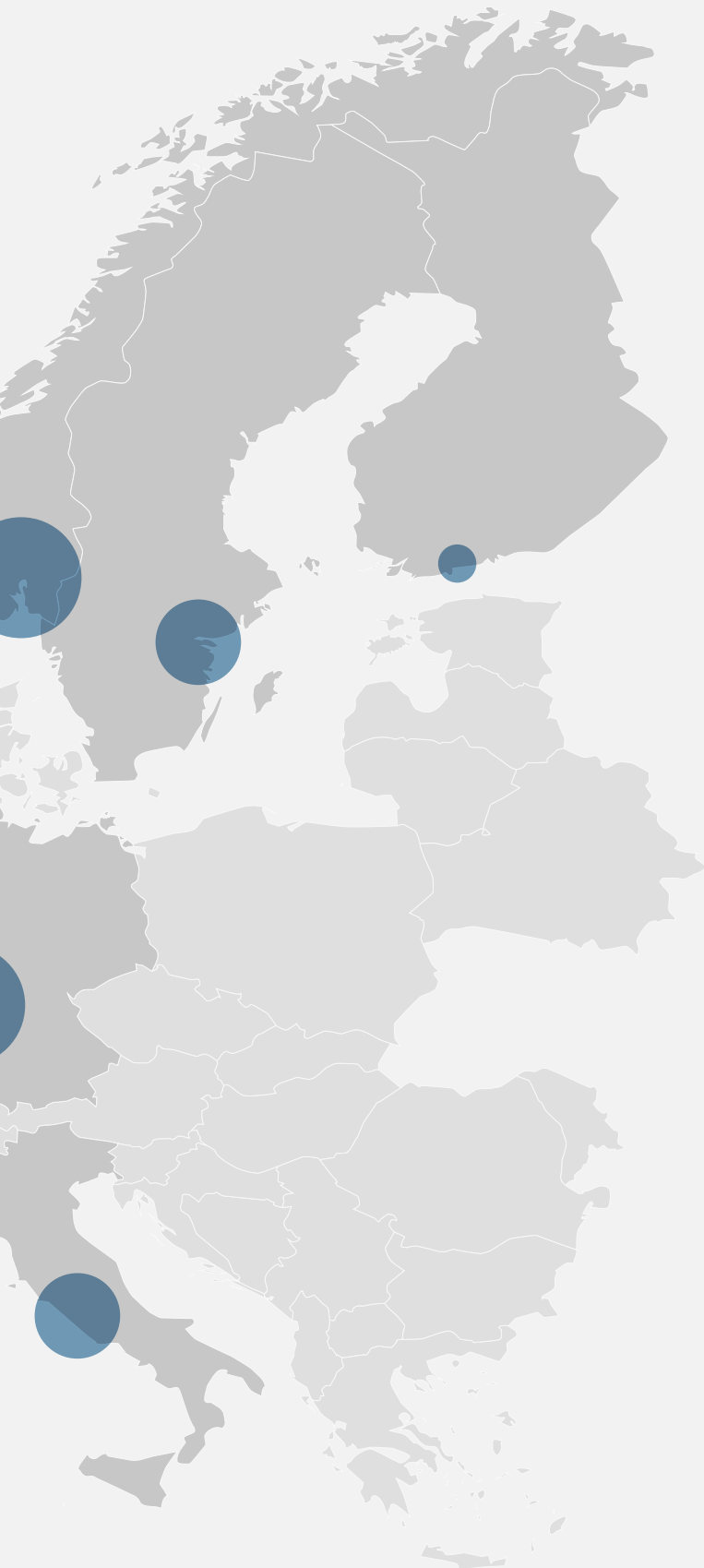
Axactor at a glance

Axactor has developed from a start-up to one of the top-10 debt management providers in Europe over the past three years. The company performs debt collection services on both own portfolios and third-party portfolio in six geographical markets - Spain, Norway, Germany, Italy, Sweden and Finland – and rolling out its account receivables management service across the same markets. The book value of own portfolios is EUR 1bn with estimated remaining collection of EUR 1.7 billion, and the company plans for further portfolio investments of EUR 350-400 million in 2019.

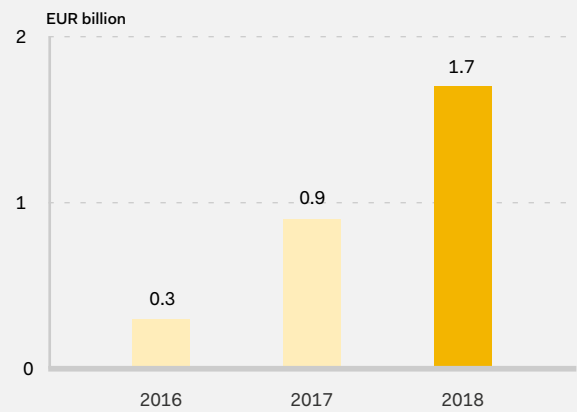
Gross Revenue per country

EUR million

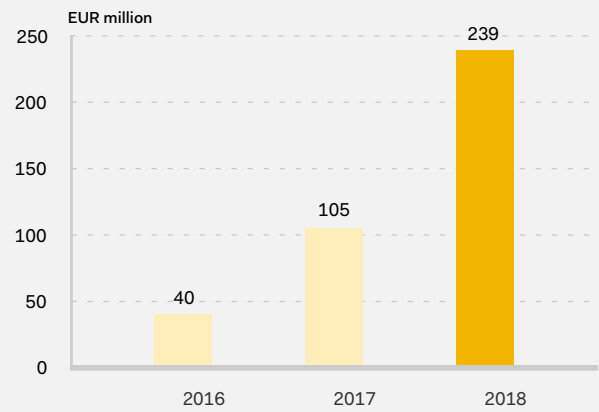




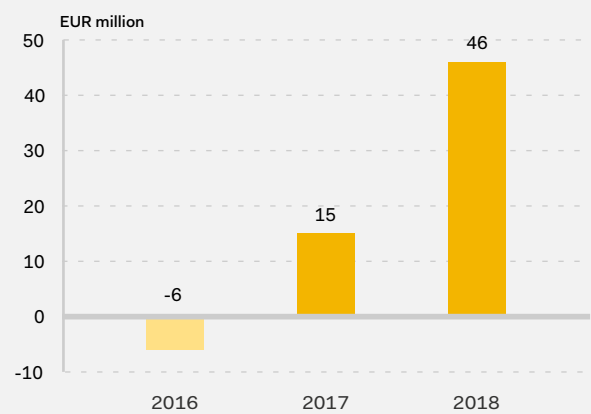
Estimated Remaining Collection (ERC)



Gross revenue



EBITDA



Highlights of the year

Full year 2018

- Gross collection more than doubled in 2018 to EUR 239 million
- EBITDA and Cash EBITDA more than tripled in 2018, to EUR 46 million and EUR 136 million respectively
- Net profit was EUR 2.4 million in 2018, compared to EUR 2.6 million in 2017, reflecting a high effective tax rate until all entities may recognise tax assets
- Portfolio investments amounted to EUR 561 million in 2018. Book value of the portfolio was around EUR 0.9 billion at the end of the year, with estimated remaining collection (ERC) on the portfolios of close to EUR 1.7 billion
- Axactor was converted from an AB company to a Societas Europaea (SE) in Q3 2018, with domicile relocation from Stockholm, Sweden to Oslo, Norway in Q4 2018. The changes are expected to reduce administrative expenses and achieve a more efficient group structure

Significant events in 2018

Axactor invested EUR 462 million in Non-Performing Loan (NPLs) portfolios in 2018, with the bulk of investment carried out in the fourth quarter of the year. The investments were distributed across all of Axactor's geographical markets, where the largest was Bank Norwegian portfolio in Finland.

Axactor entered into 19 new forward flow agreements with financial institutions during the year, where forward volumes are taken over Axactor upon default and included in the NPL portfolios. The estimated capital commitment for 2019 for forward flow agreements entered into in 2018 was EUR 258 million.

Axactor invested EUR 99 million in real estate assets (REOs) in 2018, with the majority of assets acquired during the second and third quarter. The company sold 2001 units during the year and held 6,323 units in inventory at the end of 2018. All of Axactor's real estate assets are in Spain.

Axactor signed several new contracts for Third-Party debt collection (3PC) with financial institutions across its geographical reach. Spain remained the most active market, where the company now has 3PC agreements with nine of the top-10 banks.

The Accounts Receivable Management (ARM) segment previously operated only in Norway. The service was rolled out in Sweden in 2018 and is currently being rolled out in Finland, Germany and Italy.

Axactor acquired SPT Group Ltd. in October, entering Finland as its sixth market alongside Spain, Norway, Germany, Italy and Sweden. The entry was fortified by the acquisition of Bank Norwegian's Finnish portfolio and extension of the forward flow agreement with Instabank to also include Finland.

In the first quarter 2018, Axactor placed an unsecured bond of EUR 150 million listed on the Oslo Stock Exchange. In the third quarter, Axactor and Reolux Holding S.à.r.l signed a secure term loan facility for its REO assets with Nomura International plc, with an outstanding balance of EUR 99 million at year end. Investments were otherwise funded by running cash flow and existing funding agreements, which will also cover the planned investment level of EUR 350-400 million for 2019. In February 2019, DnB and Nordea released EUR 100 million of a total EUR 150 in accordion options tied to an existing revolving credit facility.

Key figures 2018

Revenue	ERC	EBITDA	Cash EBITDA	Cash balance
238.8	1,662.7	46.3	136.0	70.8
EUR million	EUR million	EUR million	EUR million	EUR million
+ 128 % y/y	+94 % y/y	22.4 % margin		

Key Figures Axactor Group

EUR million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2018	FY 2017	FY 2016
Gross revenue	74.6	56.5	66.7	41.0	238.8	104.7	40.5
Total Revenue	68.0	48.7	54.4	35.8	206.9	89.8	37.1
EBITDA	19.6	10.0	10.6	6.1	46.3	14.8	-6.5
Cash EBITDA ¹⁾	44.7	32.7	40.6	18.1	136.0	32.7	-2.5
Amortisation and depreciation (exl Portfolio Amortisation)	-6.6	-7.8	-12.3	-5.2	-31.9	-14.9	-3.4
Net financial items	-12.4	-7.7	-8.5	-5.4	-34.1	-7.5	-2.3
Tax (expense)	-2.6	-0.4	-0.4	-0.3	-3.8	0.6	0.7
Net profit/(loss) after tax	2.8	0.4	0.2	-1.0	2.4	2.6	-11.2
Cash and Cash equivalents at end of period	70.8	112.0	121.0	195.9	70.8	48.6	64.6
Gross revenue from NPL portfolios	39.6	25.2	31.4	20.9	117.0	58.5	15.0
Gross revenue from REO portfolios	20.3	19.0	21.9	8.7	69.8	2.3	0.0
Acquired NPL portfolios during the period ²⁾	328.9	68.7	17.5	46.8	461.9	206.4	75.6
Acquired REO portfolios during the period	5.6	43.8	5.2	44.7	99.3	155.5	0.0
Book value of NPL at end of period ²⁾	728.8	419.1	358.5	354.0	728.8	317.1	128.0
Book value of REO at end of period	200.0	212.6	180.5	192.7	200.0	154.1	0.0
Estimated remaining collection NPL	1,388.2	820.9	729.0	726.2	1,388.2	633.0	317.1
Estimates remaining collection REO	274.5	304.2	249.7	274.3	274.5	225.3	0.0
Interest bearing debt end of period	734.4	477.4	406.6	467.0	734.4	298.8	74.0
Number of employees (FTEs) at end of period	1,040	1,023	996	947	1,040	934	850
Price per share	18.65	24.93	24.32	25.9	18.65	28.70	26.5

1) Cash EBITDA is adjusted for calculated cost of share option program, portfolio amortisations, revaluations, REO cost of sales and REO impairments

2) Included portfolios on the balance sheet of CS Union and Altor at the time of acquisition

Letter from the CEO

2018 was again a confirmation of our ability to deliver revenue growth, with the gross collection revenues more than doubling to EUR 239 million.

The revenue growth obviously reflects that we have made large investments. However, turning portfolio investments into profitable revenue generation requires a strong debt collections operation. The fact that our collection performance continues to exceed the original business case is a strong indicator that our operational model is working. The scalability of the business model is now beginning to show through, with earnings before depreciation, interest and taxes (EBITDA) more than tripling to EUR 46 million in 2018.

We believe the key success factors for a good operating model in the debt management industry are people, systems and funding. Furthermore, continuously developing and improving the organization, our operating model and our financing partners is critical. The One Axactor program is the enabler to make us a truly world-class debt management provider going forward.

With the One Axactor platform established over the previous years, we were able to make step changes in scale and scope during 2018. Our financial capacity, including the partnership with Geveran Trading, facilitated a significant increase in

portfolio acquisitions. We invested EUR 561 million in the NPL area last year. The book value of our portfolios end of year is EUR 1 billion at the and the estimated remaining collection on those portfolios is close to EUR 1.7 billion. We continue to see attractive investment opportunities in 2019. Our committed investments in the NPL monthly forward flow acquisitions, the co-invest strategy, the new collection servicing agreements signed in 2018, and the launch of our accounts receivable management product in new geographies, will ensure a significant step up in revenue and profit in 2019.

The Axactor family now counts more than 1,000 employees, including the new colleagues we welcomed after the acquisition of SPT Group Ltd. in Finland. We are present in six attractive European markets, with both own portfolios, Third-Party Collection services and accounts receivable management – and with a growing customer base.

We are proud to have made the journey from a start-up to one of the top-10 debt management providers in Europe in just three years of operations, and we will continue to move forward with the same enthusiasm that has got us this far.

Endre Rangnes, CEO



We believe the key success factors for a good operating model in the debt management industry are people, systems and funding.

Statement of Corporate Governance

Axactor is committed to good corporate governance that contributes to optimal value creation over time.

1. Statement on Corporate Governance

The objective of corporate governance is to regulate the division of roles between shareholders, the Board of Directors, the chief executive officer (the “CEO”) and the Company’s Executive Management team. The Company is a Norwegian SE-company listed on the Oslo Stock Exchange thus adheres to the Norwegian Code of Practice for Corporate governance (NUES), last revised 17 October 2018 (issued by the Norwegian Corporate Governance Board (NCGB)).

Axactor’s Board of Directors (the “Board”) has the ultimate responsibility for ensuring that good corporate governance is practiced. Corporate governance is subject to an annual evaluation and discussion by the Board. Confidence in Axactor and its business activities is essential for the Axactor Group’s continuing competitiveness. Axactor is committed to openness about its systems and procedures for the management of the Group. This strengthens value creation and builds internal and external confidence, while at the same time promoting an ethical and sustainable approach to business. The Board revised, discussed and adopted the

Corporate Governance policy which is the basis for the statement at a meeting on 12 December 2018.

Application of the Code of Practice is based on the “comply or explain” principle and any deviation from the Code of Practice is explained under each item. The corporate governance framework of Axactor is subject to an annual review by the board of directors. The updated report is found in the annual report, in accordance with the requirements for listed companies and the Code of Practice.

Deviations from the Code of Practice: None

2. Business activity

The Company’s business as set out in the Articles of Association is: “to directly or indirectly through subsidiaries or investment partnerships, conduct debt collection work, financial and administrative services, legal services, invoicing services, debt acquisition and other investment activities, as well as therewith associated activities”.

An overview of Axactor’ adherence to the 15 principles in the Code is summarised in the table below

Principle of the Code	Deviation from the Code	Explanation of Deviation
1. Implementation and reporting on corporate governance	None	
2. Business activity	None	
3. Equity and dividends	None	
4. Equal treatment of shareholders and transactions with related parties	None	
5. Freely transferable shares	None	
6. General meetings	None	
7. Nomination committee	None	
8. The Board of Directors – composition and independence	None	
9. Board of Directors’ work, procedures and responsibility	None	
10. Risk management and internal control	None	
11. Remuneration of the Board of Directors	None	
12. Executive Management remuneration	None	
13. Information and communication	None	
14. Takeovers	None	
15. Auditor	None	

Objectives and strategies

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 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;
- Maintain a sound corporate culture, efficient corporate governance and preserve Axactor's integrity by supporting employees to follow good business standards towards all people and players in all our markets; 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 our business concept and relations with customers, suppliers, employees, debtors, and other stakeholders and commit to our social responsibility to contribute to long term relationships and trust from our customers, partners and employees. The Company's ethical guidelines outlined in the Code of Conduct and the Corporate Social Responsibility policy are available at the Company's website.

The Board has developed clear objectives, strategies and risk profile for the business within the scope of the definition of its business, to create value over time. A description of the key risk factors and risk management can be found in the Board of directors' report on page 26 in this annual report. The company's objectives, strategies and risk profile are subject to regularly review by the Board.

Deviations from the Code of Practice: None

3. Company capital and dividend

The Board aims to maintain a satisfactory equity ratio in the Company considering 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.

At 31 December 2018, the Group had an equity ratio of 29.6%. The Board regards the current capital structure as appropriate in the context of objectives, strategy and risk profile.

The Board's authorities to increase the share capital and to buy own shares shall be granted under Norwegian law, and

not for periods longer than necessary.

The Annual General Meeting of Axactor held 4 May 2018 granted the following authorizations to the Board in 2018:

Decision to authorize the Board to decide on a new share issue:

The purpose of the board of the directors' proposal, as well as the rationales to allow new issue with derogation from the shareholders' right to pre-emption, is to enable the Company to acquire new legal entities and/or debt portfolios as well as that the Company is in need of preparedness to urgently improve its financial status and strengthen the shareholder value by finding one or several new investors.

- (i) *New issue shall be possible with or without derogation from the shareholders' right to pre-emption.*
- (ii) *The total maximum amount of shares that may be issued based on the authorization, by new issue of shares, exercising of warrants and/or conversion of convertible bonds (which do not hinder the warrants or the convertible bonds to be combined with recalculation conditions that if they were applied could result in another number of shares) shall be 300,000,000, or 30,000,000 if the Annual General Meeting decides to aggregate shares as proposed under item 15, which is equal to approx. 19.78 percent of the number of outstanding shares and votes after dilution (based on the number of shares and votes that are outstanding as of the date of the summon to the Annual General Meeting including outstanding warrants).*
- (iii) *New share issues through cash payment or off-set with derogation from the shareholders' right to preemption may only take place for a price no lower than the market value with deduction for such market discount that the board of directors considers necessary for the new issue to be issued. For a new issue with consideration for the shareholders' right to preemption, the pricing will be decided by the board of directors.*
- (iv) *The authorization shall contain the right to decide on new issue with cash payment, payment through off-set or payment with non-cash consideration, and otherwise combine with conditions referred in Chapter 2, Section 5, Paragraph 2, item 2-3 and 5, the Swedish Companies Act.*

Resolution regarding (a) aggregation of shares, (b) authorization for the board of directors to resolve on the record date, (c) adoption of new Articles of Association and (d) approval of a possible share issue in order to equalize the total numbers of shares in the Company:

- (a) *to aggregate the shares in relation 1:10, which implies that ten (10) existing shares will be aggregated into one (1) new share,*
- (b) *to authorize the board of directors to decide the date for completion of the aggregation (i.e. the record date),*
- (c) *to amend the Articles of Association in order to be able to*

carry out the aggregation which implies that the number of shares that may be issued changes from previously a minimum of 1,000,000,000 to a maximum of 2,000,000,000 to a minimum of 100,000,000 to a maximum of 400,000,000 and that the maximum share capital shall be raised from EUR 100,000,000 to EUR 200,000,000. Finally, the board of directors proposes that section 11 under paragraph 12 shall be stated *Nota bene*: “Other matters to be addressed at the Annual General Meeting pursuant to from time to time valid laws or regulations” and

- (d) to authorization the board of directors to resolve on a directed share issue in a maximum amount of nine (9) shares, by using its authorization in item 14 above, in order to be able to complete the aggregation of shares without having to withdraw shares.

The Board have stated a policy for shareholder return as part of the overall strategy for the company. 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.

Deviations from the Code of Practice: None

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

The Company's share capital is in one class only. The Articles of Association do not impose any restrictions on voting rights and all shares have equal voting rights. The Company's Board and Executive Management are committed to treating all the company's shareholders equally.

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 General 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.

Deviations from the Code of Practice: None

5. Freely negotiable shares

The shares of Axactor are freely negotiable. There are no restrictions on owning, trading or voting for shares in the Articles of Association.

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

Deviations from the Code of Practice: None

6. The general meeting

The General Meeting (“GM”) is the Company's ultimate corporate body. The Board strives to ensure that the GM is an effective forum for communication between shareholders and the Board. All registered shareholders have the right to participate in the general meetings of the Company, which exercise the highest authority of the Company. The notice calling the Annual General Meeting (“AGM”) and any Extraordinary General Meeting (“EGM”) is made available on newsweb.no

General Meeting (GM)



Audits conducted by internal auditor on county level in Italy and Germany since 2017. Group Audit plan approved by the Board 12.12.2018 for implementation in the entire organization from 2019.

and the company's website (axactor.com) and will be sent to all shareholders no later than three weeks in advance of the meeting. Article 6 of the Company's Articles of Association stipulates that the supporting documents handling matters to be considered at a meeting can be made available on the company's website rather than being sent to shareholders by post. However, shareholders are still entitled to receive the documents by post upon request if they so wish.

The 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, the Company's auditor and the Nomination Committee shall be present at Annual General Meeting and at Extraordinary General Meetings when deemed necessary depending on items treated.

Notices for Annual General Meeting and Extraordinary General Meetings shall provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. The notice should also set out:

- (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy,

and

- (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting.

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

The Board decides the agenda for general meetings. The main agenda items for the Annual General Meeting are determined by the requirements of the Public Limited Liability Companies Act. The person chairing a general meeting should be independent of the Company and the Board. The minutes from general meetings are published on newsweb.no and on the Company's website at axactor.com.

Deviations from the Code of Practice: None

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 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 be made available to the shareholders at the time of the notice of the 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 is available on the Company's website. As of 31 December 2018, the members of the nomination committee were:

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

Deviations from the Code of Practice: None

8. The Board

Composition

The Board of Directors is elected by the GM. The Board of Directors shall constitute of minimum three and maximum six directors. In appointing members to the Board, it is emphasized 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. The Board has rules on conflicts of interest to ensure that any potential conflicts are identified and handled in a professional manner.

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, 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, that the Company's business and assets are managed, and risk management carried out in a prudent and satisfactory manner.

The annual report 2018 p 30 provides information to illustrate the expertise and capacity of the members of the Board, which is also available from the Group's website www.axactor.com.

9. The work of the Board

The chairman of the Board is 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 have ensured that the Company has a good management with clear internal distribution of responsibilities and duties. The Board shall appoint the CEO. A clear division of work between the Board and the Executive Management Team shall be maintained. The CEO is responsible for the operational management of the Axactor Group.

The Board have adopted 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 regularly receive information about the Company's operational and financial development. The Company's strategies are regularly subject to review and evaluation by the Board. The Board holds regular physical meetings, at least every three months. Extraordinary Board meetings are held between the ordinary meetings as and when required and may be conducted as telephone conferences or in exceptional circumstances the Board may take its decisions on the basis of circulating documents. In 2018, a total of 30 board meetings were held, of which 23 was extraordinary board meetings whereas 1 physical meeting, 5 held by telephone and 17 held by circulation related to portfolio investments and administrative decision such as EGM invite for domiciliation and loan and pledge obligations needed for specific dates where the cases have been processed by the board in ordinary board meetings. One meeting was an annual strategy meeting.

The Board prepares 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. The sub-committees shall provide subject matter advice to and preparation for the full Board.

The Audit Committee's main responsibilities are to supervise the Group's systems for internal control, to ensure that the auditor is independent and to ensure that the annual accounts give a fair picture of the Group's financial results and financial condition in accordance with generally accepted accounting practice. The Audit Committee shall review the procedures for risk management and financial controls in the major areas of the Group's business activities. The Audit

Committee shall receive reports on the work of the external auditor and the results of the audit.

The Audit Committee held 7 meetings in 2018.

As of 31 December 2018, the Audit Committee consisted of the following members:

- Terje Mjøs
- Merete Haugli (Chair)
- Beate Skjerven Nygårdshaug

The Remuneration Committee shall make proposals to the Board on the employment terms and conditions and total remuneration of the CEO and other executive personnel. These proposals may also be relevant for other employees.

The Remuneration Committee held 2 meetings in 2018.

As of 31 December 2018, the Remuneration Committee consisted of the following members:

- Bjørn Erik Næss (Chair)
- Lars Erich Nilsen

The Investment Committee is appointed by the board of directors to assist the Board in discharging its oversight responsibilities. The investment committee oversees the financial investment process- and proposals to ensure that the relevant investments meet company requirements with respect to expected return and due diligence prior to commitment of funds.

The Investment Committee held 25 meetings in 2018.

As of 31 December 2018, the Investment Committee consisted of the following members:

- Bjørn Erik Næss
- Lars Erich Nilsen (Chair)
- Brita Eilertsen

Deviations from the Code of Practice: None

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 Board has adopted a policy for the business and risk management that describes Axactor's guidelines for the management of the business, internal controls, and risk management. Head of Group legal and compliance has the operational responsibility for risk management in Axactor. Head of Group Legal and Compliance provide the Board with a status of the internal control, most important risks and mitigation measures on a quarterly basis.

The objective of the risk management and internal control system shall be to manage exposure to risks to ensure

successful conduct of the Company's business and to support the quality of its financial reporting. These systems form an integral part of the management's decision-making process.

The Company's internal control and risk management systems consist of the organizational structure, a set of policies and procedures, financial reviews and internal audits. The Code of Conduct and Group policies such as policies for procurement, finance and accounting, communication, legal and compliance, delegation of authority, CSR, environmental, debt purchasing, and IT are approved by the Board. The internal control framework ensures correct, reliable, complete and timely financial reporting and management information. The risk management framework shall control the business operations in compliance with laws and regulation and business ethics, as well as ensuring profitability, efficiency and continuity. All Group policies and procedures have a designated owner within the Executive Management who is responsible for developing and monitoring compliance with the principles stated. The internal control and risk management systems cover processes for the strategy, operations, business ethics, legislative and regulatory compliance, and internal and external reporting. All employees shall be trained, and key stakeholders receive targeted training within their area of responsibility. The controls shall be tested regularly, and continual improvement work shall be carried out to maintain quality. The Company operate a structured risk management process that includes relevant categories of risk, including strategic risk, financial risk, reputational risk, technical risk, and legislative and regulatory compliance risk.

Compliance with the Company's Code of Conduct is a key component of the Group's internal control system. The Group carry out annual processes to ensure that all business areas are familiar with and comply with the Code. All employees, including employees of wholly owned subsidiary companies, shall re-confirm yearly that they have read and understood the Code. All new employees are provided with an introduction to the Code as part of their training program and sign a declaration confirming they have read and understood it. The Company's Head of Legal and Compliance is responsible for work on business ethics issues.

The Board alongside the Executive Management of Axactor, is responsible for establishing and maintaining adequate internal control over financial reporting. The Audit Committee monitors the financial reporting and related internal control, including the application of accounting principles and judgements in financial reporting. The Executive Management and the Audit Committee have regular meetings with the external auditor present to discuss issues related to the financial reporting.

Axactor's separate entities prepares its financial statements within a standard international financial accounting system and these are automatically consolidated into the Group's results. This process is reviewed by the Group's auditor for each set of published financial statements.

Furthermore, the Audit Committee requests that the auditors present a review of the internal control procedures, including

identified weaknesses and proposals for improvement to the Board at least once a year.

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

The Company shall operate a whistle-blowing channel for all employees within the Group to use in the event that they wish to report a circumstance that could be a breach of the Code of Conduct, or if they require advice in relation to ethical matters. The whistle-blowing channel shall be easily accessed by all employees, be independent, handle reported cases with integrity, respect and confidentiality and ensure protection of any reporter reporting in good faith. The whistle-blower channel shall offer full anonymity, and also allow users to enter into written dialogue and to exchange information without losing their anonymity.

Deviations from the Code of Practice: None

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.

Further details in relation to the remuneration of the Board in note 8 to the Company's financial statements 2018 (p 62 in the Annual Report 2018).

Deviations from the Code of Practice: None

12. Compensation to employed management

The Board decides the salary and other compensation paid to the CEO. The CEO's salary and bonus is determined on the basis of an evaluation with emphasis on specific factors determined by the Board. The Board annually carries out an assessment of the salary and other remuneration to the CEO and a revision of the total compensation and criteria's for compensation without management present.

The CEO determines in consolidation with the Board the remuneration of executive employees. The Board have issued guidelines for the remuneration of the Executive Management. The guidelines 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 have been adopted.

The Board's statement regarding remuneration of the Executive Management can be found in note 7 to the Company's financial statements 2018 (p 61 in the Annual Report 2018).

Deviations from the Code of Practice: None

13. Information and communication

The Board and the Executive Management shall assign considerable importance to give 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 minimizes the risk of leaks. All material contracts to which the Company becomes a party shall, where appropriate, contain confidentiality clauses.

The Company have clear routines for speakers on behalf of the Company on different subjects, and responsible person for submitting information to the market and investor community. The CEO and the CFO are the main contact persons of the Company in such respects.

Financial information is published by producing quarterly reports and annual reports, in accordance with the latest version of continuing obligations for companies listed on the Oslo Stock Exchange.

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

Deviations from the Code of Practice: None

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.

Deviations from the Code of Practice: None

15. Auditor

Each year the auditor 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 attends at least one meeting each year with the Board at which the Company's Executive Management is not represented.

The auditor is 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. Two meetings were held in 2018.

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. The Audit Committee is responsible for control of the independence of the Auditor. Only the Company's CEO and/or CFO shall have the authority to enter into agreements in respect of such advisory assignments. The breakdown between the auditor's fee and consultancy fees for 2018 is described in Note 9.

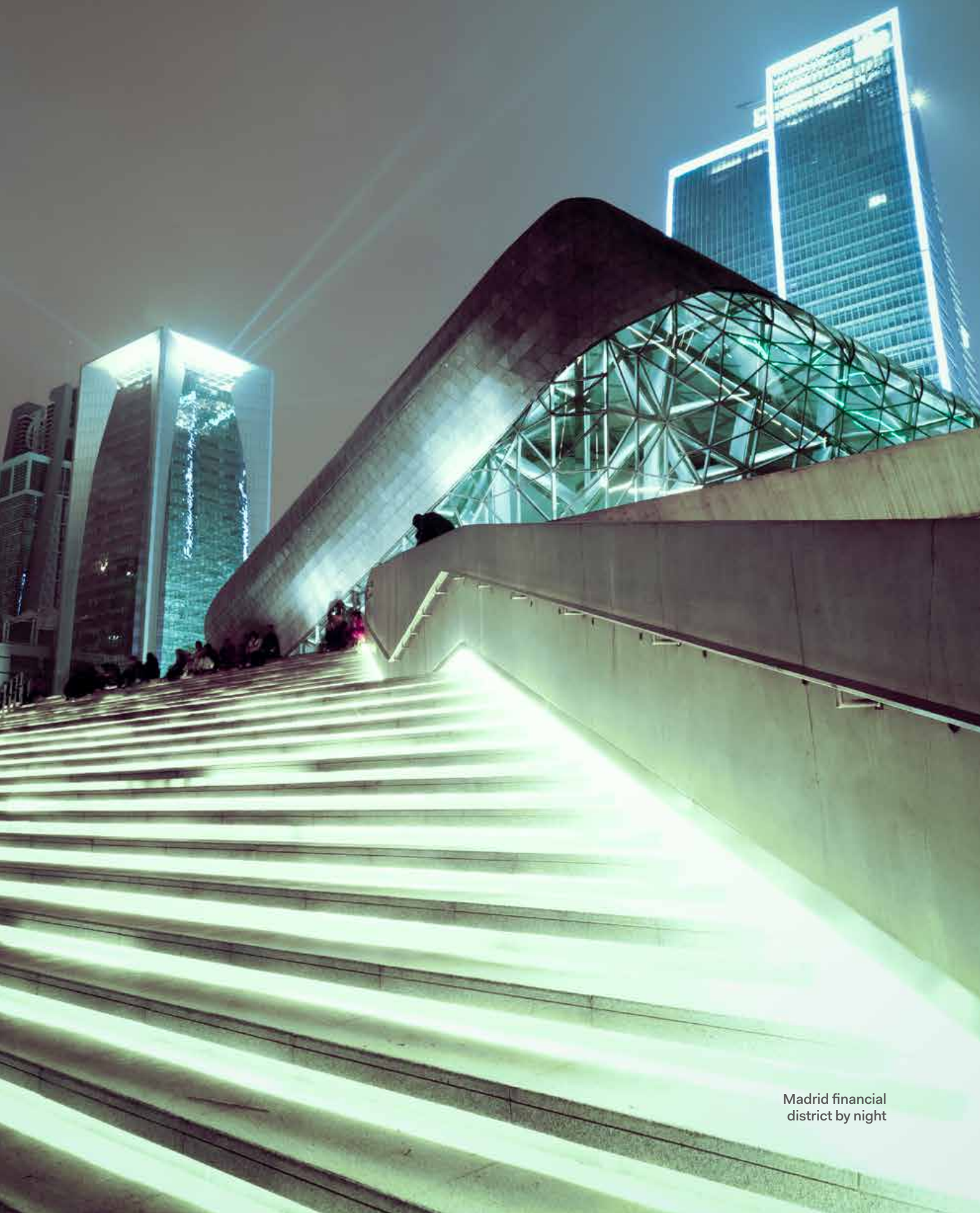
At the Annual General Meeting, the Board shall present a review of the compensation paid to the auditor for audit work required by law and remuneration for other concrete assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board specifically consider whether the auditor is performing his control function satisfactorily.

The Board will arrange for the auditor to attend all Annual General Meetings and Extraordinary General Meetings when deemed necessary depending on item treated.

The Company's auditor is PWC.

Deviations from the Code of Practice: None



Madrid financial
district by night

Report of the Board of Directors

1. Strategy implementation

Axactor is a debt management provider, operating an efficient, scalable platform for debt collection on both own and third-party portfolios as well as accounts receivables management services. The company has now established its debt collection platform in six geographical markets; Spain, Norway, Italy, Germany, Sweden and Finland.

Axactor also owns a significant real estate portfolio in Spain, acquired over the past 18 months and expected to be realized at a profit over the next few years.

Axactor was established to address the large and underserved debt collection market for non-performing loans in Europe, with an estimated outstanding balance of around EUR 1,000 billion. Axactor's primary market in unsecured consumer loans accounts for approximately 10% of this market, with the second line targets in secured B2C loans and B2B SME loans accounting for an additional 60% of the total.

These markets have had two main growth drivers which are still in place. Firstly, consumers and small businesses have seen a positive and more stable economic outlook, and has increased their credit-based spending, mortgages and loan-based investments. At the same time, European financial institutions are facing increasingly stricter capital requirements, forcing lenders to offload risk volumes from their balance sheets to comply with legal and commercial regulations and expectations.

The market dynamics and Axactor's business strategy have generated a steady flow of attractive business opportunities, and the company has grown from a start-up company to one of Europe's top-10 debt management providers in just three years of operation.

Starting out in Spain, Axactor quickly reached its strategic goal of becoming a top-3 player in the Spanish debt collection market.

The company firmly believes that efficient in-house collection offers a clear competitive advantage over portfolio acquirers basing their investment cases on outsourcing of the collection process. Axactor's third-party collection services further enhances the positive effects of this approach, offering synergies with the portfolio acquisition activities in terms of business origination, collection execution and data generation.

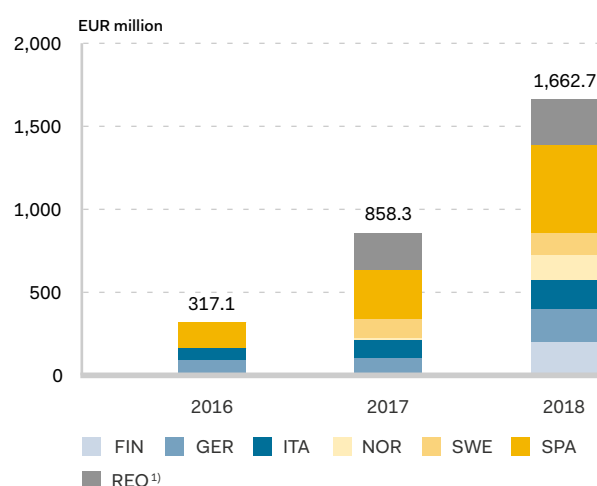
The second strategic goal was to enter new growth markets with both collection platforms and portfolio acquisitions, and Axactor has gradually managed to build a more balanced geographical footprint in term of both revenues and capital invested.

The acquisition of SPT Group Ltd. in Finland in 2018 marked the entry into the sixth geographical market, and was fortified with the acquisition of Bank Norwegian's Finnish portfolio and expansion of a forward flow agreement with Instabank to include Finland as well as Sweden and Norway.

The last cornerstone of Axactor's strategy has been to secure access to growth funding, and over the past years the company has established flexible financing agreements with major banks, issued a bond, and established a partnership with a major co-investor in Geveran Trading.

Although 2018 was an eventful year, the strategic direction remained unchanged. The funding sources secured in 2017 and 2018 allowed for an increase in both scope and size, and available funds have been deployed into significantly larger portfolio investments than in the previous years.

ERC by country



1) REO portfolios are located in Spain

Total portfolio investment in NPLs and REOs amounted to EUR 561 million in 2018, compared to EUR 362 million in 2017. The book value of portfolios to almost EUR 1 billion at the end of the year. The estimated remaining collection on these portfolios is almost EUR 1.7 billion.

The strategic focus on improving collection platform efficiency also continued in 2018, through the 'One Axactor' improvement program. The main areas included integration and alignment of people, business entities and operational units under the Axactor brand, on one IT-platform, and with common relationship management systems, reporting, policies, corporate governance and internal control.

Although Axactor believes it is already among the leaders in terms of cost efficiency, the company sees multiple ways to further sharpen the competitive position and achieve truly world-class operations. Operational improvement processes continue, and innovation and digitalization projects will enhance efficiency further for both the company, its customers and the debtors. The company is also implementing a sales acceleration program.

2. Operations

Axactor divides its operations into four business segments: Non-performing loans (secured and unsecured NPL), real estate assets (REOs), third-party collection (3PC), and account receivables management (ARM).

The NPL segment has been built through acquisitions of non-performing loans, to be collected on the company's own collection platform. Investments in NPL amounted to EUR 462 million in 2018, compared to EUR 206 million in 2017. The investments were skewed towards the end of the year and will provide for growth in 2019.

The collection performance on own NPL portfolios continued at a healthy level of 105% compared to the collection rates in the original investment case for the portfolios.

The REO segment comprises real estate assets bought from Spanish financial institutions at a discount to estimated sales values. These assets were originally taken in by banks as mortgage collateral after loan defaults, and Axactor saw an opportunistic business opportunity in taking over asset portfolios for resale through a network of local real estate brokerage houses.

The company invested EUR 99 million in REO portfolios in 2018, down from EUR 156 million in 2017.

The values realized from sale of REO assets has so far held up well compared to the original investment case, although the scaling-up of the number of sales is taking somewhat longer than expected. At the end of 2018 Axactor had 6,323 housing units in the inventory, and the company is currently exploring the opportunity for clustered sales of units in addition to the regular unit-by-unit sales processes.

A significant portion of total 2018 investments were done through the Axactor Invest 1 SPV, which is jointly owned

with Axactor's largest shareholder Geveran Trading. The SPV was set up with a total spending capacity of EUR 300 million in 2017 and is now close to fully invested. However, running cashflow will be reinvested in signed forward flow agreements. All investments in the SPV are being serviced by Axactor's operating platforms, generating significant scale and skill benefits to the good of all shareholders.

The planned investment level for 2019 is EUR 350-400 million, which will be funded by running cash flow and existing funding facilities. At the end of 2018, Axactor had already signed forward flow agreements with an estimated capex effect of EUR 258 million through 2019. The remainder of the investments will also be geared towards NPL acquisitions, with limited capital expected to be deployed into further REO acquisitions.

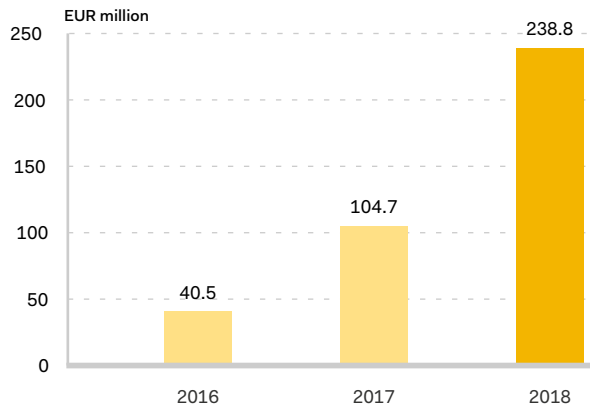
The third-party collection (3PC) segment performs debt collection services on behalf of clients that typically pay a fixed price or a commission on the collected amount. The customer base primarily consists of leading financial institutions. The position is particularly strong in Spain, where the company has established customer relationships with nine of the top-10 banks, as well as with leading insurance companies and real estate firms. The position is also strengthening across Axactor's other markets.

3PC generates capital-light, stable and cash-rich earnings for reinvestment, as well as strong customer relationships that are key to access attractive portfolio on a bilateral basis. Axactor has bought a number of NPL portfolios as carve-outs from larger portfolios under existing 3PC-agreements, and also established forward flow agreements with the basis in existing 3PC contracts.

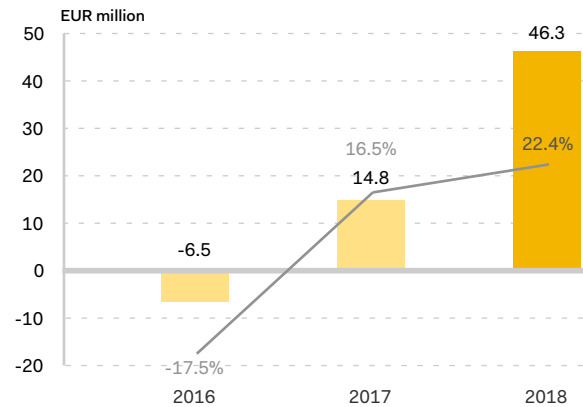
The size and scope of the third-party debt collection business (3PC) continued to develop positively in 2018, with the company signing several new 3PC contracts with existing and new clients in both existing and new markets.

Accounts receivable management (ARM) is the smallest business segment, offering collection of invoices ahead of default. This is a very complementary service to the 3PC service offering, and invoices are upon default normally transferred to the 3PC segment for debt collection. Axactor's ARM business started in Norway, although the service was launched in Sweden in 2018 and is currently being rolled-out in Finland, Germany and Italy.

Gross Revenue



EBITDA and EBITDA margin



3. Financial performance

Gross revenue from NPL collection doubled to EUR 117.0 million in 2018 (58.5), corresponding to 49% of total gross revenues. The increase is mainly explained by portfolio investments.

Collection performance remained healthy, with actual collection at 105% of the business case estimate.

Estimated remaining collection (ERC) on the NPL portfolios stood at EUR 1,388.2 million at the end of 2018 (633.0), of which EUR 183.5 million expected to be collected in 2019.

The entry into forward flow agreements will further increase the size of the NPL portfolio and collection revenue going forward. The estimated capital expenditure commitment for signed forward flow agreements was EUR 258 million for 2019 per the end of 2018. Renewals of contracts expiring during the year is likely to increase the investment level further. The total investment level for 2019 is estimated to EUR 350-400 million, with the focus on NPL acquisitions.

Gross revenue from REO portfolios amounted to EUR 69.8 million (2.3), corresponding to 29% of total gross revenues.

Estimated remaining collection (ERC) of the REO portfolios stood at EUR 274.5 million at the end of 2018 (225.3), of which EUR 161.0 million was expected to be realized in 2019. The latter reflects that the expected timing of asset realizations has been somewhat postponed compared to previous expectations. Although the underlying market,

price levels and asset values remain largely intact, sales activities did not scale as fast as expected during the second half of 2018. Axactor is currently exploring the opportunity for clustered divestments of assets to add to the regular unit-by-unit sales processes.

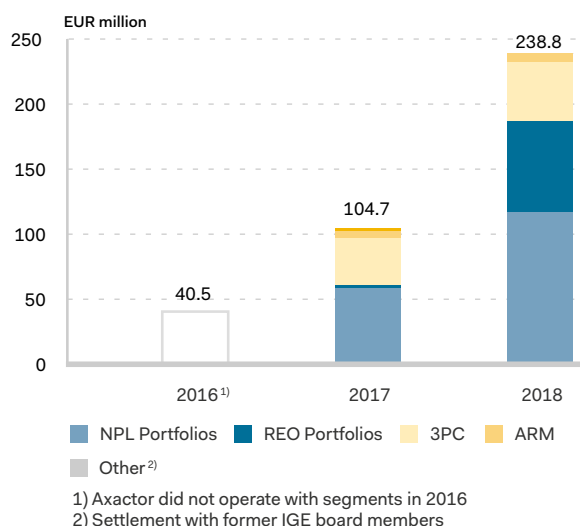
The third-party collection (3PC) business reported gross revenue of EUR 45.6 million in 2018 (35.8), corresponding to 19% of total gross revenue in 2018. Revenue growth was thus a healthy 27%, reflecting both new contracts with existing clients, new customers in existing markets, and geographical expansion.

The 3PC-business offers Axactor synergies in terms of business origination, collection execution and data generation, and generates capital light and cash-rich earnings for reinvestments. The focus on development of the 3PC business will strengthen going forward, and the company expects the profitable growth to continue.

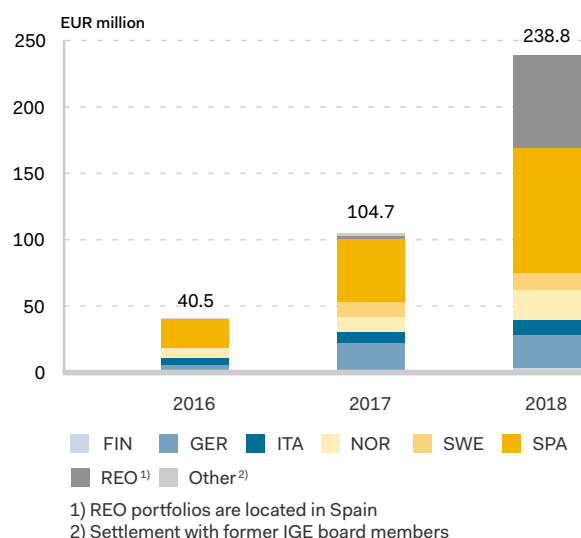
The accounts receivables management (ARM) business showed a moderate 5% growth in gross revenue in 2018, to EUR 6.4 million (6.1), and accounted for only 3% of total gross revenue. The bulk of revenues stem from Norway, although the product was rolled-out to Sweden in 2018 and is currently being rolled-out in Finland, Germany and Italy.

The acquisition of SPT Group Ltd. marked the entry into Finland towards the end of 2018. Axactor is currently present in six geographical markets, and a more balanced geographical footprint is emerging.

Gross revenue by segment



Gross revenue by country



Spain still accounts for the bulk of revenues, reflecting the large investments in both NPL and REO portfolios over the past years, and a broad portfolio of 3PC agreements with leading Spanish financial institutions.

Northern Europe is expected to increase in relative importance going forward. The distribution of investments was geographically more balanced in 2018. Axactor has also signed significant forward flow agreements in Sweden, Norway, Italy and Germany that will balance the distribution further for 2019.

EBITDA and Operating costs

EBITDA more than tripled to EUR 46.3 million in 2018, up from 14.8 million in 2017 and a loss of EUR 6.5 million in 2016. The EBITDA margin improved to 22% from 17% in the previous year, showing the scale benefits of higher volumes, a better geographical mix, and the positive effect of an efficient business model with high operational leverage.

Cash EBITDA reached EUR 136.0 million in 2018 (32.7). Further details on reported alternative performance measures are available on page 23.

Total operating expenses amounted to EUR 160.6 million in 2018 (75.0), of which cost of sold REO assets accounted for EUR 54.5 million (1.4).

Personnel expenses increased 15% to EUR 52.1 million (45.0). Measured as a percentage of net revenue, personnel expenses hence declined from 50% to 25%, underlining the scalability

of the business model and reflecting the increased share of REO business segment.

Other operating expenses increased to EUR 54.0 million (28.6), including increased investments in legal fees to secure future revenue, REO impairments and the increased size and scope of the business.

Contribution by segment

The NPL segment contributed EUR 62.0 million to EBITDA before unallocated costs in 2018 (29.9), reflecting both higher volumes and sound collection performance. The contribution margin increased to 73% (69).

The contribution from 3PC was EUR 13.3 million (10.2), with a stable contribution margin of 29%.

The contribution from REO was EUR 4.8 million (0.5) after cost of secured asset sold of EUR 54.5 million and including a negative effect of EUR 1.9 million from revaluation of assets in accordance with the IFRS lowest value principle. The contribution margin was hence 7% (22).

The smaller ARM business contributed EUR 3.3 million to EBITDA before unallocated cost (2.9), with a contribution margin of 51% (47).

Unallocated costs amounted to EUR 37.1 million (30.7), mainly reflecting the increased size of operations and entry into new markets.

Operating profit (EBIT)

Depreciation and amortisation amounted to EUR 6.0 million (5.3), including EUR 3.5 million in amortisation of intangible assets related to acquisitions (3.6).

Operating profit (EBIT) was hence EUR 40.3 million (9.5).

Net financial items

Net financial items were a negative EUR 34.1 million in 2018 (7.5), comprising financial revenue of EUR 0.5 million (3.1) and financial expenses of EUR 34.6 million (10.6).

Interest expenses on borrowings accounted for EUR 29.7 million (6.9) and distribution of interest on notes for EUR 2.1 million (0). The latter reflects payments to non-controlling interest in Axactor Invest 1.

Net losses from foreign exchange were EUR 0.8 million (3.2), of which EUR 0.5 million unrealized losses. Other financial expenses amounted to EUR 2.0 million (0.5).

Profits and tax

Profit before tax was EUR 6.2 million in 2018 (2.0), and net profit EUR 2.4 million (2.6).

Tax expense was EUR 3.8 million in 2018, compared to a tax income of EUR 0.6 million in 2017, with the high effective tax rate reflecting that certain loss-making entities are not yet allowed to recognise tax losses carried forward.

Net profit to equity holders was EUR 4.5 million (2.6), whereas net loss to non-controlling interests was EUR 2.1 (0). Note that total compensation of non-controlling interests also includes interest on notes which were charged to financial expenses.

Earnings per share totaled EUR 0.029 (0.002) and EUR 0.026 on fully diluted basis (0.002). Ref Note 13.

Total comprehensive income was a negative EUR 0.4 million for 2018 (-1.1), with the deviation from reported net profit mainly explained by foreign currency translation differences from foreign operations.

Financial position

Total assets amounted to EUR 1,107.8 million at the end of 2018 (622.5), of which book value of purchased NPL portfolios accounted for EUR 728.8 million (317.2).

Total non-current assets amounted to EUR 814.8 million (396.8), of which intangible assets accounted for EUR 74.7 million (71.9). This reflects intangible assets and goodwill acquired since inception, as well as deferred tax assets of

EUR 7.6 million (3.9). Note that certain loss-making entities are not yet allowed to recognise tax assets.

Current assets amounted to EUR 293.0 million (225.7), including REO assets of EUR 200.0 million (154.1) and cash and cash equivalents of EUR 70.8 million (48.6).

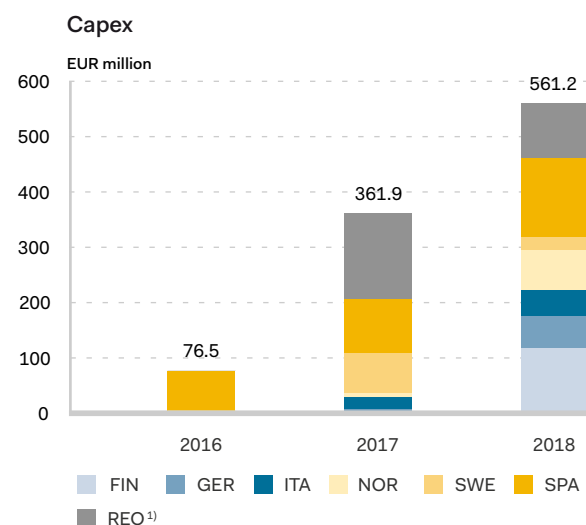
Total interest-bearing debt stood at EUR 734.4 million at the end of 2018 (298.8), and net interest-bearing debt at EUR 663.7 million at the end of 2018 (250.2).

Total equity amounted to EUR 328.2 million (291.8), including non-controlling interests of EUR 63.8 million (31.8). The equity ratio hence declined to 30% from 47% at the end of 2017, which is explained by a high leveraged investment level in accordance with the company's growth strategy.

4. Cash flow and Financing

Net cash flow from operating activities amounted to EUR 137.5 million in 2018 (23.4), with the increase primarily explained by sale of REO assets and higher collection on NPL portfolios. Net working capital declined by EUR 4.1 million. Net cash flow from investing activities was EUR -563.8 million (-361.7), of which EUR 555.6 million was purchase of debt portfolios and REOs (355.2).

Axactor acquired one platform company also in 2018 - SPT Group Ltd. in Finland, and investments in subsidiaries amounted to EUR 1.2 million (1.4). Other investments in intangible and tangible assets amounted to EUR 7.0 million (5.4), mainly reflecting IT and infrastructure investments.



Net cash flow from financing activities was EUR 446.6 million in 2018 (325.0). Net proceeds from borrowings were EUR 443.9 million after debt repayments (235.3), whereas proceeds from equity issues were EUR 3.1 million (75.3) and proceeds from non-controlling interests of EUR 34.1 million (31.8). The remainder reflects payments of interest, loan fees and share issue costs, totaling EUR 34.5 million (17.4).

The increased leveraging of the company is in alignment with the growth strategy and has required access to competitive financing solutions.

To this effect the company in 2017 negotiated a revolving credit facility (RCF) with DnB and Nordea for a total EUR 350 million, which allowed for higher gearing and increased operational flexibility. EUR 150 million of the RCF was in the form of accordion options, of which EUR 100 million was released in February 2019.

The RCF matures on in January 2021, with an option for a two years extension.

The establishment of a co-investment partnership with Geveran Trading in Axactor Invest 1 in 2017 increased total investment capabilities by EUR 300 million, which was close to fully deployed by the end of 2018. The underlying financing through a EUR 120 million debt facility and a EUR 120 million B notes loan mature in November 2021 and November 2022, respectively.

Axactor has one outstanding bond loan of EUR 150 million, maturing in June 2021. The bond loan has a EUR 100 million tap option.

The REO assets are partly funded by a loan agreement with Nomura Intl. entered into through Reolux Holding in 2018, which untied funds for reinvestment in NPL portfolios. The outstanding balance was EUR 99 million per the end of 2018, and the agreement matures in August 2022.

5. Parent company

Axactor SE, the Parent company of the Group have recorded a negative result of the year of EUR 0.4 million compared to a loss of EUR 1.1 million in 2017. The main activity of the Parent company is to hold shares and fund activities in the operating activities in the Group. The improvements in the results compared to last year mainly comes from the positive financial result due to increased finance income from loan to Group companies.

Total assets at 31 December 2018 was 430.2 million against 277 million in 2017. The equity amounted to EUR 280.5 million, which gives an equity ratio of 65.2% compared to 99.6% in 2017.

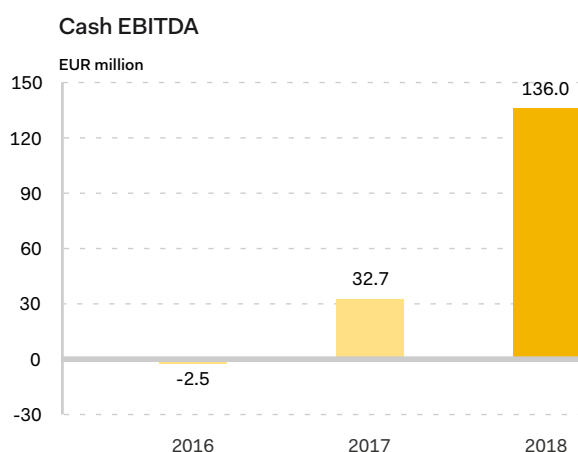
After the 150 million Bond issue, proceeds from share issues, investments and loans to subsidiaries the net cash flow for the year ended at EUR 17.6 million, compared to EUR – 34.5 million in 2017.

6. 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	46,306
Portf. Amorti/reval	31,900
REO cost of sale	56,432
Share option cost	1,374
Cash EBITDA	136,012



7. Proposed allocation of the Company's results

The board of Directors recommends the following allocations:

EUR thousand

Distribution to share premium	-442
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8. Our People

The Axactor organization continued to expand in 2018, with the number of employees increasing to approximately 1,040 employees from 950 employees at the end of 2017.

The main increase came at the call collection centers in Madrid and Valladolid in Spain. The company also grew organically in its other existing markets. The acquisition of SPT Group Ltd. added 27 employees.

Axactor's centralized HR function is led by an EVP of Human Resources in Oslo, Norway, who is responsible for continuous development and refinement of Axactor's HR policy. This is an overriding policy for Axactor's people practices and applies to all employees across the Group.

The HR policy states that Axactor shall always comply with local laws and regulations for employment and working conditions and fair employment practices. This is also embedded in the Code of Conduct.

The company embraces diversity and inclusiveness, and a healthy, safe and non-discriminatory working environment where everyone is treated equal and with respect, regardless of gender, nationality, race, religion, sexual orientations, disabilities, or marital status.

Any employee is free to participate in employee unions, and Axactor shall offer a working environment where it is possible to combine work, career, family life and spare time.

Country specific HR operations and adaptations to local regulations and norms have been delegated to the local HR teams.

Axactor seeks to achieve a gender balance within the occupational categories and organizational levels across the Group. At the end of 2018 the company overall employed 641 women and 399 men. On the managerial level 26% were women and 74% were men. 5 of 13 in the Executive Management were women.

3 of 6 directors of the Board were women.

Axactor's business is by nature non-hazardous, and no accidents or injuries were recorded in 2018.

People development

Axactor's HR policy states that the company is committed to continuous professional development of its employees.

Managers and employees cooperate in setting structured targets for the individual employee and holds regular performance development conversations. Managers have participated in a leadership development program.

Training is carried out in a combination of on-the-job-training, sharing of best practices and knowledge, and numerous e-learning courses and classroom trainings. Learning and development objectives are linked to Group-wide organizational objectives.

Collaboration and co-innovation across the Group are important elements in building an Axactor culture driven by the core values of Passion, Trust and Proactive.

Building One Axactor

Axactor views an efficient operational platform to be one of the main competitive advantages in the debt collection industry, and strives to achieve and sustain operational excellence through its 'One Axactor' program.

All entities in all countries are participating in the program, which focuses on integrating and aligning employees and operations on common HR practices, operational standards and KPIs, on a common IT platform, and through group wide policies and corporate governance structures.

The Axactor Leadership Platform secures that the managerial level conducts business in a professional manner and in compliance with Axactor's values, policies and procedures.

The company has established clear roles and responsibilities for all level of the organization, with clear decision-making processes in an authority matrix.

9. Environment

Axactor's business is non-polluting and harmless to the external environment. Nevertheless, Axactor is committed to reduce its environmental footprint to preserve the global environment though environmental focus within IT and daily operations through the contribution of all our employees. Axactor's Environmental policy addresses how to manage and

control environmental issues in its operations and services. The internal working environment is considered to be healthy and safe. Axactor has a policy describing the security of its premises, e.g. to deny unauthorized access to office facilities, equipment and resources, and to protect personnel and property from damage or harm. Physical security also provides measures to safeguard employees from the threat of physical violence.

Quality, health, safety and the environment are integral aspects of the company's operations, and systems are in place to monitor and follow up accidents or incidents.

10. Corporate Social Responsibility

The Board and management of Axactor is committed to CSR. Values, policies and guidelines are established to maintain a sound corporate culture.

Axactor will maintain a high ethical standard in business concept and relations with customers, suppliers, employees, debtors, and other stakeholders and commit to social responsibility to contribute to long term relationships and trust from customers, partners and employees. Axactor's ethical guidelines outlined in the Code of Conduct and the Corporate Social Responsibility policy are available at the Company's website.

Axactor continuously works to ensure awareness of – and compliance to- company policies on ethical and good business standards and professional behavior towards all people and organizations in all its markets.

All employees shall have thorough knowledge of Axactor's policies and know how to proceed if they detect behavior that violates the policies. Axactor is determined to run its operations with a best practice attitude towards human rights, employment and the way we treat our fellow workers and those we meet through our work. Axactor shall act with professionalism, expertise and high ethical standards at all levels.

Axactor shall have a strong global commitment, anchored in our core values and the way we run our business. Axactor shall comply with applicable laws and regulations and act in an ethical, sustainable and socially responsible manner. Combined with our vision statement and corporate principles, this lays the foundation for all work within corporate responsibility.

Compliance with these policies is a requirement for Axactor to preserve its integrity and earn the trust of customers and partners, employees, debtors, regulators and society at large.

The management nor any of the Board of Directors of Axactor was made aware of any material breach of its policies in 2018.

Effective, secure and sound collection processes are essential tools to achieve Axactor's strategic, operational and financial targets, and the company has implemented an operational policy to ensure that these targets can be met without compromising the highest ethical standards and principles of good collection practices.

Axactor is closely watching the regulatory environment to ensure compliance with laws and good collection practices.

Axactor regularly examines and audits its practices through risk assessments and reporting, mitigation management, and random controls.

Operations are performed in accordance with common KPIs across Axactor.

Customer and debtor satisfaction are measured through surveys, and Axactor has implemented procedures for complaints and whistle blowing.

11. Corporate Governance

Axactor in 2018 re-registered from a Swedish public company to a *Societas Europea* (SE)-company under EU law, and later in the year also relocated from Stockholm, Sweden to Oslo, Norway.

The governance structure complies with Norwegian corporate law and Norwegian securities legislation and stock exchange regulations.

Axactor's Board has approved guidelines for good corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES), last revised on 17 October 2018. Axactor is fully compliant with no deviations. Please see page 10 in this annual report for a detailed description of the corporate governance principles and reporting for 2018.

12. Risk profile

Axactor's business activities entail exposure to various types of risk, and Axactor conducts risk management in a systematic manner on both the Group and company level.

The credit management sector is exposed to economic fluctuations, as employment opportunities and interest rate levels are important for debtors' ability to repay debts. Risks associated with changes in economic conditions are managed through on-going dialogue with each country managers and regular checks on the economic development in each country. Regulatory risk is also monitored on a continuing basis to indicate potentially negative effects.

Axactor's financing and financial risks are managed within the Group in accordance with the treasury policy established by the Board of Directors, and internal and external financial operations are concentrated to the Group's central finance function in Oslo to ensure economies of scale and reduce the Group's total interest expense.

Axactor's risk related to purchased debt is minimised through cautious purchase decisions, with a focus on small and medium-sized portfolios with relatively low average amounts to spread risk. 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 places high yield requirements on purchased debt portfolios. Careful assessments are made before every acquisition, based on future cash flow projections aided by statistical scoring models and subject to second opinion from specialised industry consultants.

Interest rate risk primarily relates to the Group's interest-bearing debt, which amounted to EUR 734.4 million at the end of 2018 (298.8). The average interest rate for 2018 was 6.1% (5.1%) and any annualised increase/decrease of 100 basis points in the interest rate would increase/decrease the Group's profit before tax by EUR 7.2 million (2.8).

The majority of the Group's business operation is in euro countries and the Company's accounts held in Euro (EUR). Business operation outside of the Euro zone, i.e. in Norway and Sweden, creates foreign exchange exposure which may affect the Company's results, and recalculation of the balance sheets of foreign subsidiaries into EUR may generate translation exposure affecting the consolidated shareholders' equity. Such translation exposure is mitigated by raising loans in the relevant foreign currencies.

Axactor is exposed to credit risks from its operating activities, primarily related to cash and cash equivalents, trade receivables, purchased debts and outlays on behalf

of clients. Such risk is managed under established policies, procedures and controls and the maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Group monitors its liquidity risk through monthly rolling consolidated forecasts for result and cash flow, and the Group's objective is to maintain a balance of financial assets that reflect the cash requirements of its operations and investments for the next 12-24 months. The Group generates positive cash flow from its operating activities and held cash and cash equivalents of EUR 70.8 million at the end of 2018 (50.5). Based on the current cash position, the Group assesses the liquidity risk to be adequate.

Securing non-current financing at competitive terms is a major part of the Group's long-term liquidity planning, and the Group continuously works to secure necessary committed and alternatively funding source.

13. Going concern

Based on the review of Axactor SE's financial statement, the Board of Directors confirms that the annual financial statements for 2018 have been prepared on the basis of a going concern assumption, and that this assumption has been made in accordance with Section 3-3a of the Norwegian Accounting Act.

14. Outlook

Axactor will continue to develop its position as a leading European debt management company, through strong collection performance on own portfolios, the entry into new forward flow agreements with leading financial institutions, and new portfolio acquisitions. The company will also continue growing its third-party collection and accounts receivables management businesses, with both existing and new clients, and continue to sharpen its competitive edge through further development of its common operational platform 'One Axactor'.

Axactor continues to see attractive acquisition opportunities as well as a healthy macroeconomic backdrop for its collection performance.

More markets have opened up over the past year, enabling significant portfolio acquisitions in all of Axactor's markets. Financial institutions in Northern Europe are increasingly engaging in forward flow agreements, and Axactor expects to the volume inflow under this type of agreements continue to increase. The company signed its largest forward flow agreement to date in Sweden late in 2018, with effect from first quarter 2019.

Given that the availability of attractively priced NPL portfolios and forward flow agreements has increased, Axactor does not expect to deploy significant additional capital into the REO market in 2019.

Axactor entered 2019 with a strong momentum after investing EUR 561 million in 2018, most of which was deployed towards the end of the year. Overall investments for 2019 are expected to amount to EUR 350-400 million, which will be financed through running cash flow and existing funding lines.

Axactor expects that increased scale, a lean organization and continued sharp focus on efficiency will generate profitable growth also in 2019. The margin expansion trajectory might however be dampened by changes in the business mix, as realization of REO assets carry below average margins.

Oslo, 20 March 2019
The Board of Directors



Bjørn Erik Næss
Chairman of the Board



Lars Erich Nilsen
Board member



Merete Haugli
Board member



Brita Eilertsen
Board member



Beate Skjerven Nygårdshaug
Board member



Terje Mjøs
Board member



Endre Rangnes
CEO

Responsibility Statement

We confirm that, to the best of our knowledge, the Financial Statements 2018, 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 Norwegian annual account act.

Oslo, 20 March 2019
The Board of Directors



Bjørn Erik Næss
Chairman of the Board



Lars Erich Nilsen
Board member



Merete Haugli
Board member



Brita Eilertsen
Board member



Beate Skjerven Nygårdshaug
Board member



Terje Mjøs
Board member



Endre Rangnes
CEO



Frankfurt
financial district

Board of Directors



Bjørn Erik Næss
Chairman

Mr. Næss retired from the position as CFO of DNB ASA on March 1st, 2018, 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.



Beate Skjerven Nygårdshaug
Board member

Ms. Skjerven Nygårdshaug is Legal Director of OSM Aviation Group. She holds several board positions in listed and non-listed companies. Ms. Skjerven Nygårdshaug was the Legal Director for Kistefos AS from 2006-2014 and the Legal Counsel for TDC Song from 2003-2006. She also have experience as consultant and managing director in start ups and NEX.

She has an executive MBA from IMD Switzerland, a master of law from University of Oslo, a Master of International law from San Francisco as well as an IEL program from Harvard University of Boston.



Brita Eilertsen
Board member

Ms. Eilertsen has more than 15 years of experience from investment banking and consulting institutions like SEB Enskilda, Orkla Finans and Touche Ross Mgmt Consultants. She has, since 2005, held board positions for several listed and private companies in different industries. Eilertsen currently holds board positions for Pareto Bank, NRC Group, Next Biometrics, C World Wide and Unifor. She holds a Master of Economics and Business Administration from the Norwegian School of Economics (NHH) and is a Certified Financial Analyst.



Merete Haugli
Board member

Ms. 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

Mr. Mjøs is the CEO of Visolit AS. Mr. Mjøs has been the chairman of the Board of Solid Media Group since 2015 and has been a senior advisor to Apax Partners (private equity) since 2015. Mr. Mjøs was CEO of Evry ASA from 2010 to 2015 and before that CEO of Ergo Group AS from 2004 till 2010, as has held several senior positions in Hydro IS Partner AS 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.



Lars Erich Nilsen
Board member, Investment Committee

Mr. Nilsen is the CEO of Seatankers management and has been employed since 2014. He has experience as an investment analyst from Fearnley Advisors AS (2013-2014) and equity analyst from Fearnley Securities AS (2005-2013), and is currently board member at Norwegian Property ASA (since 2017). He has a Master in Business and Economics from Norwegian Business School, BI (siviløkonom).

Seatankers Management is related to Geveran Trading Co Ltd which holds 173,902,500 shares in Axactor.



Michael Hylander
Board member (Deputy)

Mr. 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 Oyj



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

Ms. Siv Farstad has more than 5 years of experience 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 2016. 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.



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.



Vibeke Ly

Group Legal and compliance manager

Ms. Vibeke Ly has more than 5 years of experience from the industry. Prior to joining Axactor, Ms Ly held the positions as group corporate lawyer and group data protection officer in Intrum, and EVP group compliance and group corporate lawyer in Lindorff. Earlier she served as a group corporate lawyer in Evry, as an associate in lawyers firm Grette and as a legal advisor in the Justice department.



Doris Pleil

Country Manager Germany

Managing director of Heidelberger Inkasso GmbH (2011 – 2017), 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.



Lisa Sohtell

Country Manager Sweden

Ms. Sohtell has over 20 years of experience of customer service as Site Manager for multiple call centers at Transcom (2000-2003) and Teleperformance (2004 -2013)

Prior to entering the position as Country Manager at Axactor Sweden she has spent several years as Head of operations at both Lindorff (2014- 2016) and Axactor (2017-).



Jarkko Jalonen

Country Manager Finland

Mr. Jalonen has over 10 years of experience in leading debt collection businesses. Prior to entering the position as Country Manager for Axactor Finland, he has been CEO and entrepreneur of SPT (2008-2018) and in IT businesses (2001-2008).



Stina Koren

Country Manager Norway

Ms. Koren has over 14 years of experience working with dept collection and customer service. Prior to the role as Country Manager at Axactor Norway she have had several management roles in Lindorff Norway (2006–2017).

Her experience comes from management in Operations and Business development and Digitalization. She has also had management assignments abroad.



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 2016.



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 2016.



Antonio Cataneo *Country Manager Italy*

Mr. Cataneo has over 10 years of experience in running debt collection business. Prior to entering the role as Country Manager in Axactor Italy, he was General Director in Agecredit (KRUK Group) and Operational Director of Servicing Area in KRUK Italy.

From 2008 to 2016 he was COO & Member of the Board of Credit Base International.

Shareholder information

The company's total capitalisation at 31 December 2018 was NOK 2.89 billion, based on a closing share price of that day of NOK 18.65.

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 31st December 2018, Axactor had 154,971,114 ordinary shares outstanding with a par value of EUR 0.523 per share (see Note 24 to the financial statement). The company has one share class, with each share conferring equal dividend rights and votes. At 31 December 2018, the company had 9,235 shareholders.

In 2017, the company issued 13 million American style warrants in Axactor to Geveran with an exercise price of NOK 32.50. The warrants expire after two 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 NO0010840515.

Principal shareholders

The 20 largest shareholders of Axactor are predominantly Norwegian and international institutional investors. A table of the 30 largest shareholders is included in this chapter.

Employee incentive plan

The company has a share option plan for the Executive Management and key employees. A total of 0.7 million share options were granted under this plan during 2018 and per 31 December 2018 5.6 million share options are outstanding. Further information on the company's share option plan has been included in the Note 25 to the consolidated financial statements.

Investor relations

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

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

30 largest shareholders as at 26 Feb 2019

Name	Shareholding	Share %
Geveran Trading Co Ltd	29,571,249 ¹⁾	19.08%
Verdipapirfondet Dnb Norge (Iv)	10,303,065	6.65%
Torstein Ingvald Tvenge	7,100,000	4.58%
Ferd AS	5,335,139	3.44%
Verdipapirfondet Alfred Berg Gamba	3,555,376	2.29%
Verdipapirfondet Alfred Berg Norge	2,890,144	1.86%
Verdipapirfondet Delphi Norden	2,514,978	1.62%
Gvæpseborg AS	2,036,494	1.31%
J.P. Morgan Bank Luxembourg S.A.	2,014,113	1.30%
Vpf Nordea Norge Verdi	2,013,102	1.30%
Songa Trading Inc	2,000,000	1.29%
Verdipapirfondet Alfred Berg Aktiv	1,854,655	1.20%
Alpette AS	1,661,643	1.07%
Ubs AG	1,635,202	1.06%
Rmb International Fund	1,472,238	0.95%
Nordnet Livsforsikring AS	1,416,435	0.91%
Citibank, N.A.	1,234,706	0.80%
Vpf Nordea Kapital	1,214,748	0.78%
Andres Lopez Sanchez	1,166,725	0.75%
David Martin Ibeas	1,166,725	0.75%
Klotind AS	1,123,523	0.72%
Latino Invest AS	1,030,000	0.66%
Vpf Nordea Avkastning	1,027,387	0.66%
Vardfjell AS	915,401	0.59%
Elena AS	894,000	0.58%
Nomura International Plc	874,058	0.56%
Endre Rangnes	864,000	0.56%
Verdipapirfondet Delphi Norge	836,499	0.54%
Statoil Pensjon	705,132	0.46%
Arctic Funds Plc	688,554	0.44%
Total 30 largest shareholders	91,115,291	58.80%
Other shareholders	63,855,823	41.20%
Total number of shares	154,971,114	100%

1) Geveran has during March 2019 acquired additional shares and holds, as at 18th March, 35,402,559 shares in Axactor (22.84%).

Geographic residence Shareholders as at 26 Feb 2019

	Shareholding	Share %
Norway	88,774,456	57%
Cyprus	32,111,565	21%
United Kingdom	10,406,983	7%
Sweden	10,202,414	7%
United States	3,511,751	2%
Ireland	2,937,939	2%
Spain	2,498,121	2%
Other	4,527,885	3%
Total	154,971,114	100%

Ownership structure by size of holdig as at 26 Feb 2019

	Number of holders	Number of shares	Share
1-10,000 Shares	8,242	11,022,448	7%
10,001- 100,000 Shares	747	21,772,512	14%
100,001- 1,000,000 Shares	132	37,399,043	24%
1,000,001- 5,000,000 Shares	17	29,869,519	19%
Above 5,000,000 shares	4	54,907,592	35%
	9,142	154,971,114	100%

Financial statements

Axactor Group and Parent Company

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Consolidated Statement of Profit and Loss

For the year ended 31 December 2018

EUR thousand	Note	2018	2017
Interest income from purchased loan portfolios		74,536	45,374
Net gain/loss purchased loan portfolios		10,599	-1,770
Other operating revenue		121,774	44,141
Other revenue		0	2,040
Total Revenue	5, 6	206,909	89,785
Cost of REOs sold	21	-54,491	-1,445
Personnel expenses	7, 8	-52,133	-44,956
Operating expenses	9, 10	-53,978	-28,569
Total operating expense		-160,602	-74,970
EBITDA		46,306	14,815
Amortisation and depreciation	14, 15, 16	-6,009	-5,327
EBIT		40,298	9,488
Financial revenue	11	453	3,070
Financial expenses	11	-34,591	-10,585
Net financial items		-34,138	-7,515
Profit/(loss) before tax		6,160	1,974
Tax (expense)	12	-3,770	611
Net profit/(loss) after tax		2,390	2,585
Attributable to:			
Net profit/(loss) to Non-controlling interests		-2,103	-32
Net profit/(loss) to equity holders		4,492	2,617
Earnings per share: basic	13	0.029	0.002 ¹⁾
Earnings per share: diluted	13	0.026	0.002 ¹⁾

1) Weighted average numbers of shares in 2017 is before the reverse split in ratio 10:1, completed in in 2018.

Consolidated Statement of Comprehensive Loss

For the year ended 31 December 2018

EUR thousand	2018	2017
Profit/(loss) after tax	2,390	2,585
<i>Items that will not be classified subsequently to profit or loss</i>		
Remeasurement of pension plans	50	8
<i>Items that may be classified subsequently to profit or loss</i>		
Foreign currency translation differences - foreign operations	-2,830	-3,702
Other comprehensive income/(loss) after tax	-2,780	-3,694
Total comprehensive loss for the period	-390	-1,109
Attributable to:		
Equity holders of the parent company	1,713	-1,077
Non-controlling interests	-2,103	-32

Consolidated Statement of Financial Position

For the year ended 31 December 2018

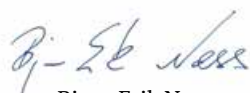
EUR thousand	Note	2018	2017
ASSETS			
<i>Intangible non-current assets</i>			
Intangible Assets	14	19,170	18,359
Goodwill	14, 15	55,577	53,582
Deferred tax assets	12	7,564	3,945
<i>Tangible non-current assets</i>			
Property, plant and equipment	16	2,683	2,499
<i>Financial non-current assets</i>			
Purchased debt portfolios	18	728,820	317,150
Other non-current receivables		293	1,065
Other non-current investments	20	778	191
Total non-current assets		814,885	396,791
<i>Current assets</i>			
Stock of Secured Assets	21	200,009	154,101
Accounts Receivable	22	9,459	8,047
Other current assets	22	12,774	13,070
Restricted cash	23	3,184	1,878
Cash and bank deposits	23	67,593	48,604
Total current assets		293,018	225,700
TOTAL ASSETS		1,107,903	622,491

Consolidated Statement of Financial Position

For the year ended 31 December 2018

EUR thousand	Note	2018	2017
EQUITY AND LIABILITIES			
<i>Equity attributable to equity holders of the parent</i>			
Share Capital		81,115	79,377
Other paid-in equity		200,298	196,298
Retained Earnings		-14,172	-15,630
Reserves		-2,817	13
Non-controlling interests		63,746	31,776
TOTAL EQUITY	24	328,170	291,834
<i>Non-current Liabilities</i>			
Interest bearing debt	26	567,829	237,571
Deferred tax liabilities	12	11,124	5,887
Other non-current liabilities	27, 28	1,180	3,002
Total non-current liabilities		580,132	246,459
<i>Current Liabilities</i>			
Accounts Payable		4,522	4,029
Current portion of interest bearing debt	26	169,296	61,189
Taxes Payable	12	1,610	1,376
Other current liabilities	29	24,172	17,603
Total current liabilities		199,600	84,198
TOTAL LIABILITIES		779,732	330,657
TOTAL EQUITY AND LIABILITIES		1,107,903	622,491

Oslo, 20 March 2019
The Board of Directors


Bjørn Erik Næss
Chairman of the Board


Lars Erich Nilsen
Board member


Merete Haugli
Board member


Brita Eilertsen
Board member


Beate Skjerven Nygårdshaug
Board member


Terje Mjøs
Board member


Endre Rangnes
CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

EUR thousand	Equity related to the shareholders of the Parent Company					Non controlling interest	Total Equity
	Restricted	Non-restricted			Total		
	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year			
Balance on 1 Jan 2017	64,198	262,127	3,714	-147,151	182,888	0	182,888
Allocation of result from discontinued operations ¹⁾		-128,896		128,896	0		0
Result for the period				2,617	2,617	-32	2,585
Remeasurement of pension plans				8	8		8
Foreign currency translation differences - foreign operations			-3,702		-3,702		-3,702
Total comprehensive income for the period	0	0	-3,702	2,625	-1,077	-32	-1,109
Proceeds from Non-controlling interests					0	31,807	31,807
New Share issues, May	2,617	8,799			11,417		11,417
New Share issues, Aug	3,957	16,223			20,180		20,180
New Share issues, Sep	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 Dec 2017	79,377	196,298	13	-15,630	260,057	34,074	291,833
Adjustment on initial application of IFRS 15 (net of tax)				-3,087	-3,087		-3,087
Balance on 1 Jan 2018	79,377	196,298	13	-18,717	256,970	34,074	288,746
Result of the period				4,492	4,492	-2,103	2,390
Remeasurement of pension plans				50	50		50
Foreign currency translation differences - foreign operations			-2,830		-2,830		-2,830
Total comprehensive income for the period	0	0	-2,830	4,543	1,712	-2,103	-390
Proceeds from Non-controlling interests					0	34,073	34,073
New Share issues (exercise of share options)	1,465	1,682			3,147		3,147
New Share issues	273	975			1,248		1,248
Costs related to share issues		-31			-31		-31
Share based payment		1,374			1,374		1,374
Closing balance on 31 Dec 2018	81,115	200,298	-2,817	-14,172	264,423	63,746	328,170

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

2) 13 m American style warrants in Axactor to Geveran with an exercise price of NOK 32.50 have been granted. The warrants expire after two years.

Consolidated Statement of Cash Flow

For the year ended 31 December 2018

EUR thousand	Note	2018	2017
Operating activities			
Profit/(loss) before tax		6,160	1,974
Taxes paid	12	-2,543	-1,531
Adjustments for:			
- Finance income and expense		34,138	7,514
- Amortisation and revaluation of debt portfolios	18	31,900	14,957
- Cost of REOs sold, incl. impairment	21	56,432	1,445
- Depreciation and amortisation	14, 16	6,009	5,327
- Calculated cost of employee share options	25	1,374	1,806
Change in Working capital		2,783	-8,099
Net cash flows operating activities		136,253	23,393
Investing activities			
Purchase of debt portfolios	18	-456,339	-199,656
Purchase of REO's	21	-99,310	-155,546
Investment in subsidiaries	31	-1,086	-1,409
Purchase of intangible and tangible assets	14, 16	-6,995	-5,401
Sales of financial assets		0	175
Interest received		17	96
Net cash flows investing activities		-563,713	-361,741
Financing activities			
Proceeds from borrowings	26	600,651	277,752
Repayment of debt	26	-156,791	-42,485
Interest paid		-24,405	-5,315
Loan fees paid	26	-10,090	-10,188
New Share issues		4,395	75,274
Proceeds from Non-controlling interests		34,073	31,808
Costs related to share issues		-31	-1,885
Net cash flows financing activities		447,802	324,961
Net change in cash and cash equivalents		20,341	-13,387
Cash and cash equivalents at the beginning of period		50,482	63,986
Currency translation		-47	-117
Cash and cash equivalents at end of period		70,776	50,482

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Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The Parent Company Axactor SE (publ) ("Axactor"), with Norwegian corporate identity number 921 896 328 is a joint stock company, incorporated in Norway. The registered address is Drammensveien 167, NO-0277 Oslo. 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 third party owned portfolio. The activities are further described in note 5.

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 20th March 2019 and will be submitted for approval to the Annual General Meeting on 10th April 2019.

Note 2 Summary of significant Accounting Principles

2.1 Statement of compliance

The Consolidated financial statements of Axactor SE and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with IFRSs as issued by the International Accounting Standards Board (IASB), effective at 31 December 2018.

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).

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 (EURk) unless otherwise specified.

Items have been valued at fair value in the consolidated accounts, except for certain financial assets and liabilities, which have been valued at their carrying amount. The Parent Company's accounting principles follow those of the Group.

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 SE and entities in which Axactor SE has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with

the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

Non-controlling interests is presented separately under equity in the Group's balance sheet.

Change in ownership interest without loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is 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.

Loss of control

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are 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 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.

2.4 Functional currencies and Presentation currency

The financial statements are presented in EUR, which is the functional currency of the Parent company, as well as being the presentation currency for the Group. For the purposes of presenting this consolidated financial statement, the assets and liabilities of the Group's non-euro operations (i.e. Sweden and Norway) are translated 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.

2.5 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 recognised 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.

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.

2.6 Intangible assets

Expenditures for software development that can be attributed to identifiable assets under the Group's control and with anticipated future economic benefits are capitalised and recognised as intangible assets, as in accordance with IAS 38. These capitalised expenses can include staff expenses if the resource has been taken out of its ordinary course of work for a longer period to work on the development project, which has been recognised as having future economic benefits. Customer relationships that are recognised as fixed assets relate to fair value revaluations recognised upon acquisition in accordance with IFRS 3. They are amortised on a straight-line basis over their estimated period of use (5–10 years). Other intangible fixed assets relate to other acquired rights are amortised on a straight-line basis over their estimated period of use.

2.6.1 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 or loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of the partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the Group reorganises its businesses.

2.6.2 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 amortisation. Amortisation 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 2018 the Group has been developing and implementing a standard consolidation system and also further development of ERP, business infrastructure and a Business Intelligence system.

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 three to five 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 non-current receivables, other receivables, prepaid expenses, accrued income, accounts receivables and current 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 non-current liabilities, 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 derecognised 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 derecognised 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 or carrying value, depending on the initial categorisation under IFRS 9. All financial assets are measured at amortised cost, except for Non-Performing Loans, which are described below. The liabilities classified as other non-current financial liabilities are measured at amortised cost, see note 17 and 28.

On each reporting date, the company considers whether any indications of impairment exist. 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.

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, 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 recognised 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 of acquisition of the loans. The loans are measured at amortised 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 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 purchased credit impaired loans are regularly reviewed. Changes in expected cash flow are adjusted in the carrying amount and are recognised in the profit or loss as income or expense in 'Net gain/loss purchased loan portfolios'. Interest income is recognised using the effective interest method, included in 'Interest income from purchased loan portfolios'.

Estimating the timing and amount of cash flows requires significant management judgement regarding key assumptions, including 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.

Non-Performing Loans that are secured by a property may have the securing property repossessed. In such cases assets are being internally transferred to another Axactor Real Estate Own (REO) entity at fair value. Any internal gains/losses arising from the transaction is eliminated at group level until external sale take place. These assets are no longer classified as Non-Performing Loan according to IFRS 9, hence all values relating to the asset is de-recognised from the portfolio value in the balance sheet.

All Non-Performing Loans are classified as non-current assets.

Forward Flow Agreements

The Group has entered into several forward flow agreements to purchase future non-performing loan portfolios, ref Note 4. These agreements are entered at a fixed agreed price and are considered to be a derivative according to IFRS 9. Any change in fair value from the time of entering into the forward flow contract to the actual transfer of the portfolio will be recognised in the income statement under "net gain/loss purchase loan portfolios".

2.7.2 Real Estate Own (REOs)

Real Estate Owned consists of portfolios of properties held for sale as a part of the ordinary course of business. The properties are acquired exclusively with a view to subsequent resale in the near future and getting involved in renting out is not part of the business idea. Since REOs are held for sale, the company considers the REOs as stock of secured assets in accordance to IAS 2 and valued at the lower of cost and net realisable value.

2.7.3 Accounts receivable

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

2.7.4 Trade and other payables

Trade payables are recognised at the original invoiced amount. Other payables are recognised 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 7 and 27 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 recognised in the balance sheet as a fixed asset and the estimated present value of the future lease payments is recognised 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 plan's 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 consist 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 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

The Group applies IAS 23 Borrowing Costs and IFRS 9 Financial Instruments: Recognition and Measurements. Expenses to secure bank financing are amortised across the term of the loan as financial expenses in the consolidated income statement. The amount is recognised in the balance sheet as a deduction to the loan liability.

2.14 Segment reporting

Axactor derives its revenues from the following four operating segments: Non-Performing Loans (NPL); Real Estate Owned (REO) 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 Group's resources. For management purposes, the Group is in addition organised into business units based on the geographical regions.

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

2.15 Revenue and revenue recognition

Axactor's revenues is derived from the four main streams: Non-Performing Loans (NPL); Real Estate Own (REO); Third Party Collection (3PC) and Accounts Receivable Management (ARM).

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

Revenues from REO are recognised at the point of time where the ownership of the property have been transferred to an external buyer of the property.

3PC revenues are derived from a combination of fixed fees paid by Axactor's customers for services provided and commissions for solved cases and/or fees paid by the debtors belong to an Axactor entity.

The revenue derived from the ARM segment relates to the services Axactor delivers to its customer for taking over their ARM processes.

2.16 Changes in Accounting Policies and disclosures implemented in 2018

IFRS 9, financial instruments

The standard came into force for the financial year 2018 and replaced IAS 39. The standard 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 have not had 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

IFRS 15 came into force from the 1 January 2018 and replaces existing standards and interpretations on revenues. 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 Group adopted IFRS 15 using the modified retrospective method with effect of applying this standard from 1 January 2018 without presenting 2017 restated.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and NCI at 1 January 2018.

Impact of adopting IFRS 15 at 1 January 2018:

EUR thousand	Total
Retained earnings	
Accrued revenue	3,304
Related tax	217
Impact at 1 Jan 2018	3,087
Non-controlling interests	
Impact	0

2.17 Changes in Accounting Policies and disclosures for 2019 calendar year or thereafter

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 recognised 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 standard is applicable for annual reporting periods beginning on or after January 1, 2019.

The Group leases a limited number of assets such as buildings and vehicles. The Group's right-of-use assets are categorized and presented in the table below:

EUR thousand	Note	Total
Operating lease commitments disclosed as at 31 Dec 2018	10	7,442
Discontinued using the Group's incremental borrowing rate of 6%		6,445
Add: finance lease liabilities recognised as at 31 Dec 2018		58
(Less): short-term leases recognised on a straight-line basis as expense		-20
(Less): low-value leases recognised on a straight-line basis as expense		-109
Add/(less): adjustments for leasing contracts starting after 01.01.2019		-1,071
Add/(less): adjustments relating to changes in the index or rate affecting variable payments		4
Lease liability recognised as at 1 Jan 2019		5,304

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.

The credit management sector is affected negatively by a weakened economy. 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 currency 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 as the aforementioned countries.

Regulatory risks

Regulatory risks, because of enhanced focus from authorities and stricter rules e.g. MAR, AML, GDPR, debt collection laws and BEPS, are monitored. Debt collection industry has a high risk of lower fees, higher cost and interest rates and more reporting as a consequence of more consumer-friendly legislation in many countries. 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 734.4 million on 31st December 2018 (2017: EUR 298.8 million). The loans carry 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 Group's profit before tax by EUR 7.2 million. (2017: EUR 2.8 million). The average interest rate for 2018 was 6.1% (2017: 5.1%).

Currency risk

Currency risk refers to the risk that the value of liquid and financial instruments may shift as a result of changes in currencies conversion rates. The majority of the Group's 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 as the aforementioned countries.

Credit risk

Credit risks is the risk that counterparty will not meet its obligations under a financial contract or customer contract, leading to a financial loss. The Group is exposed to credit

risk from its operating activities, primarily related to cash and cash equivalents, trade receivables, purchased debts and outlays on behalf of clients.

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

The credit risk is not considered to be a material factor in Axactor.

Risk inherent in purchased debt

To minimise the risks in this business, caution is exercised in purchase decisions. The focus is small and medium-sized portfolios with relatively low average amounts, to help spread risks. The acquisitions generally involve unsecured debt, which reduces the capital investment and significantly simplifies administration compared with collateralised receivables. Purchased debt portfolios are usually purchased at prices significantly below the nominal value of the receivables, and Axactor retains the entire amount 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 that the customer's payment capacity

is being assessed with the aid of statistical analysis. Axactor also uses specialised industry consultants for getting a second opinion on each contemplated debt portfolio purchase. Axactor therefore believes that it has the expertise required to evaluate these types of receivables.

Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk of a shortage of funds using cash flow forecasts. The Group generates positive cash flow from operating activities. The Group held cash and cash equivalents of EUR 70.8m at 31 December 2018 (2017: EUR 50.5m).

The table below detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table 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 2018

EUR thousand	Within one year	1-2 years	2-4 years	4+ years	Total
Interest bearing loans DnB/Nordea	75,496	99,691	84,696	37,919	297,802
Interest bearing loans Italy	12,377	15,701	19,429	3,999	51,506
Interest bearing loans Nomura	81,450	16,257	0	0	97,707
Bond loan	0	0	150,000	0	150,000
Interest bearing A & B notes	0	0	150,000	0	150,000
Accrued interest	2,708	0	0	0	2,708
Trade Payables	4,522	0	0	0	4,522
Other Liabilities	12,422	0	0	0	12,422
Taxes payables	1,610	0	0	0	1,610
Deferred tax liabilities	0	3,708	3,708	3,708	11,124
Payment to minority of CS Union	2,267	0	0	0	2,267
Forward Flow NPL agreements ¹⁾	260,260	147,984	44,541	0	452,785
Leasing agreements ²⁾	2,584	1,214	1,214	2,429	7,441
Accruals	10,663	0	0	0	10,663
Total	466,359	284,555	453,588	48,055	1,252,557

1) Ref Note 2.7.1

2) Ref Note 2.16

The Group manage the liquidity risk by continuously monitor the liquidity status and the monthly rolling consolidated result- and cash flow forecasts. The estimated 12 months cash payments from the table above shows an estimated calculation of repayment on interest bearing loans of EUR 169.3 million. The calculation is made under the assumption that no new portfolios are acquired in 2019 and that Axactor therefore partly need to repay the facility to stay below the LTV covenant (Loan to Value) in order to match portfolio amortisation and decrease in portfolio value. This is a theoretical scenario, not reflecting a going concern assumption. Following the same principal for the Nomura facility (REO financing), that is based on the estimated sale of REOs coming year. Any REO sale during 2019 will generate a cash inflow corresponding to the sales price as all Capex was made, mainly in 2018.

The cash flow from operating activities in future years will positively be affected by the strong growth in investments during 2017 and 2018. Together with the Group's RCF and bond loan this will meet the future payment obligations.

The Group had an unused part of the RCF agreement of EUR 5 million, in addition to cash and cash equivalents of EUR 68 million. During February 2019 the Group released an accordion option of EUR 100 million (of EUR 150 million) on the RCF.

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

Financing risk

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

Capital management

The primary objective of the Group's capital management is to ensure the Company maintain 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 2018.

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 IFRS 9.5.5.14. Events or changes in assumptions and managements judgment will affect the recognition of revenue in the period.

Book value of Purchased debt portfolios 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 18.

Purchased debt portfolios 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. See note 17.

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 729m (2017: 317m) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is EUR 729m. (2017: 317m), which is based on IFRS 9 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 2018. 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 6.9% (2017: 9.8%) as at 31 December 2018 (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 729m (2017: 317m). 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

EUR million	Performance				
	90 %	95 %	100 %	105 %	110 %
WACC					
7%	722	765	809	852	896
8%	685	726	767	809	850
9%	659	699	738	778	818
10%	635	673	711	749	788
11%	612	649	686	723	760
12%	591	627	663	698	734
13%	572	606	641	675	710

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 6.9%.

Cost of equity

	2018	2017	
Risk free rate	0.240 %	0.427 %	10 year risk free rate
Market risk premium	6.3 %	6.3 %	Damodaran 1 Jul 2016 ¹⁾
Estimated Beta (equity)	0.90	0.60	Observed Beta for Axactor
Company specific premium	6.0 %	6.0 %	Ibbotson research 2014 ¹⁾
Cost of equity before tax	11.9 %	16.3 %	
Cost of equity after tax	6.9 %	9.8 %	

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 0.24%. 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 two 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 18 for further details.

Goodwill

In accordance with the stated accounting policy, the Group annually tests whether goodwill has suffered any impairment or more frequently if impairment indicators are identified.

The recoverable 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 15 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 12.

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 25.

Note 5 Segment reporting

Axactor delivers credit management services and the company's revenue is derived from the following four operating segments: Non-Performing Loans (NPL), Real Estate Own (REO), Third Party Collection (3PC) and accounts receivable management (ARM). Axactor's operations are managed through these four operating segments.

The NPL segment invests in portfolios of Non-Performing Loans. Subsequently, the outstanding debt is collected through either amicable or legal proceedings.

The REO segment invests in real estate assets held for sale. The 3PC segment's 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 issues 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 1. Segment contribution margin represents contribution margin earned by each segment without allocation of management fee, central administration costs, other gains and losses as well as finance costs. The measurement basis of the performance of the segment is the segment's contribution margin.

Year to date 31 December 2018

EUR thousand	NPL	REO	3PC ¹⁾	ARM	Eliminations/ Not allocated	Total
Collections on own portfolios	117,034	69,810	0	0	0	186,844
Other operating revenue	0	0	45,591	6,373	0	51,964
Portfolio amortisation and revaluation	-31,900	0	0	0	0	-31,900
Net revenue	85,135	69,810	45,591	6,373	0	206,909
REO cost of sales	0	-54,486	0	0	0	-54,486
Impairment REOs	0	-1,946	0	0	0	-1,946
Direct operating expenses	-23,100	-8,609	-32,256	-3,096	0	-67,061
Contribution margin	62,035	4,769	13,335	3,277	0	83,416
Local SG&A, IT and corporate cost					-37,110	-37,110
EBITDA						46,306
Total opex	-23,100	-65,041	-32,256	-3,096	-37,110	-160,603
CM1 Margin	72.9 %	6.8 %	29.2 %	51.4 %	na	40.3 %
EBITDA Margin						
Dopex / Gross revenue	19.7 %	93.2 %	70.8 %	48.6 %	na	51.7 %
Local SG&A, IT and corporate cost / Gross revenue						15.5 %

1) External revenue

Year to date 31 December 2017

EUR thousand	NPL	REO	3PC ¹⁾	ARM	Eliminations/ Not allocated	Total
Collections on own portfolios	58,552	2,282	0	0	-30	60,805
Other operating revenue	0	0	35,830	6,059	2,040	43,929
Portfolio amortisation and revaluation	-14,948	0	0	0	0	-14,948
Net revenue	43,604	2,282	35,830	6,059	2,010	89,786
REO cost of sales	0	-1,445	0	0	0	-1,445
Impairment REOs	0	0	0	0	0	0
Direct operating expenses	-13,692	-345	-25,585	-3,195	0	-42,817
Contribution margin	29,912	492	10,245	2,864	2,010	45,523
Local SG&A, IT and corporate cost					-30,708	-30,708
EBITDA						14,815
Total opex	-13,692	-1,790	-25,585	-3,195	-30,708	-74,970
CM1 Margin	68.6 %	21.6 %	28.6 %	47.3 %	na	50.7 %
EBITDA Margin						
Dopex / Gross revenue	23.4 %	78.4 %	71.4 %	52.7 %	na	42.3 %
Local SG&A, IT and corporate cost / Gross revenue						29.3 %

1) External revenue

2) Settlement former BoD

Note 6 Revenue

The Group operates in the following European countries: Finland, 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 same applies for some German and Finnish debt portfolios that are acquired from a Luxembourg entity and operated from Germany and Finland, respectively. 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 held in Swedish and Luxembourg entities, related to Spanish portfolios are allocated to the country Spain.

Geographical information

	Net revenue		Non-current assets ¹⁾	
	2018	2017	2018	2017
Germany	21,204	19,614	15,667	12,194
Italy	4,054	8,161	9,803	10,069
Finland	3,682	0	2,369	0
Norway	23,896	11,015	28,971	31,531
Spain	145,060	40,037	18,965	19,057
Sweden	9,012	8,918	1,656	1,589
Other	0	2,040	0	0
Total	206,909	89,785	77,430	74,440

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

The relation between Yield and revenue is presented as follows:

Portfolio revenue

EUR thousand	2018	2017
Yield ¹⁾	74,536	45,374
CU1 ²⁾	8,454	-2,576
CU2 ³⁾	447	446
CU2 tail ⁴⁾	1,697	360
Net revenue	85,135	43,604

1) The effective interest rate on portfolios

2) Catch up 1. Over- or underperformance compared to collection forecast

3) Catch up 2. Revaluations and net present value of changes in forecast

4) Catch up 2 tail. The net present value effect of rolling 180 months forecast

Note 7 Employees, Salaries and other Compensations

Personnel expenses

EUR thousand	2018	2017
Salaries	35,199	28,584
Bonus	3,755	3,828
Commission	1,650	1,501
Social contribution	8,130	6,777
Pension cost	555	317
External fee to Board of Directors	352	186
Share Option Programme	1,093	1,866
Other benefits	1,398	1,897
Total personnel expenses	52,133	44,956

Average number of employees

	2018	2017
Number of FTE's, start of year	934	794
Number of FTE's, end of year	1,040	934
Average number of FTE's	987	864

Post-employment benefits

EUR thousand	2018	2017
Salaries	1,172	666
Pension cost	4	0
Other benefits	13	0
Total post-employment benefits	1,189	666

For information on the country specific pension schemes see Note 27.

Note 8 Key Management Compensation

Board of Directors remuneration

EUR thousand	Board fee 2018	Board fee 2017
Bjørn Erik Næss	115	44
Beate S. Nygårdshaug ¹⁾	57	22
Brita Eilertsen	64	24
Merete Haugli ¹⁾	59	23
Terje Mjøs ¹⁾	58	22
Dag Strømme ³⁾	0	42
Einar Jørgen Greve ²⁾	0	5
Gunnar Hvammen ²⁾	0	3
Harald Thorstein ⁴⁾	31	0
Lars Erich Nilsen	32	0
Total	416	186

1) Includes also the remuneration for membership in Audit Committee

2) Resigned at EGM 20 Jan 2017

3) Resigned 1 Mar 2017

4) Resigned May 2018

The following remuneration have been made to the members of the nomination committee during 2018.

Nomination committee

EUR thousand	2018	2017
Jarle Sjø	7	0
Magnus Tvenge	3	1
Cathrine Loferød Feght	4	0
Total	14	1

Executive Management remuneration 2018

EUR thousand	Salary	Bonus	Pension	Other	Share option ⁵⁾	Total
Endre Rangnes, CEO	506	460	7	1	245	1,218
Johnny Tsolis, CFO	275	102	7	2	136	521
Geir Johansen, CFO ⁶⁾	217	204	4	1	-15	411
Oddgeir Hansen, COO	222	88	7	1	96	413
Siv Farstad, EVP HR	177	49	7	1	33	267
Vibeke Ly, Head of Group Legal and Compliance ⁸⁾	74	0	3	13	1	91
Robin Knowles, EVP Portfolio acquisitions	203	0	1	42	121	367
Doris Pleil	185	90	0	9	48	332
Massimiliano Ciferri ¹⁾	195	0	0	10	-18	187
Andres Lopez	230	280	0	7	52	569
David Martin	230	280	0	7	52	569
Fredrik Kessler ³⁾	200	0	31	0	21	251
Lisa Sohtell ⁴⁾	78	30	31	0	18	156
Stina Koren ²⁾	55	0	1	1	2	58
Jarkko Jalonen ⁷⁾	50	0	0	0	1	51
Total	2,895	1,584	97	94	791	5,461

1) Country Manager Italy until 14 Sep 2018

2) Country Manager Norway from 1 Sep 2018

3) Country Manager Sweden until 28 Feb 2018

4) Country Manager Sweden from 28 Jun 2018

5) Cost in relation to Share option programme, not exercised

6) CFO until 14 Feb 2018, severance payments

7) Country Manager Finland (acquired 30 Oct 2018)

8) Head of Group Legal and Compliance from 1 Jul 2018

Executive Management remuneration 2017

EUR thousand	Salary	Bonus	Pension	Other	Share option ⁵⁾	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 Strategy and Projects ²⁾	219	54	2	1	182	458
Robin Knowles, EVP Portfolio acquisitions	159	62	0	0	190	412
Doris Pleil	192	0	0	11	73	276
Massimiliano Ciferri	92	0	0	3	0	95
Andres Lopez	171	8	0	7	44	229
David Martin	171	8	0	7	44	229
Fredrik Kessler	139	0	15	8	84	246
Total	2,219	398	26	40	1,113	3,797

1) CFO until 14 Feb 2018

2) CFO from 15 Feb 2018

The CEO, Endre Rangnes has a six-month notice period and is entitled to a severance pay for twelve 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 25.

At the end of 2018 no loan or prepayments were granted to Board of Directors and Executive Management.

Note 9 Other operating expenses

Other operating expenses

EUR thousand	2018	2017
Direct operating expenses, excluding salary	7,720	16,345
External services	28,147	3,422
IT expenses	7,874	4,144
Impairment REOs	1,946	0
Other operating expenses	8,290	4,658
Total other operating expenses	53,978	28,569

Remuneration to company auditors

EUR thousand	2018	2017
PricewaterhouseCoopers		
Fees, auditing	767	661
-whereof PricewaterhouseCoopers	767	249
Fees, audit related services	20	10
-whereof PricewaterhouseCoopers	16	10
Fees, tax advisory	128	37
-whereof PricewaterhouseCoopers	30	37
Fees, other services	52	200
-whereof PricewaterhouseCoopers	52	0
Total fees, PwC	865	296

Note 10 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 costs for operational leases are included in the Other operation costs. The payment recognised as expenses in are as follows:

EUR thousand	2018	2017
Operating leases expenses	2,772	2,805

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

EUR thousand	2018	2017
Non-cancellable operating lease commitments		
Not later than 1 year	2,584	2,054
Later than 1 year and not later than 5 years	4,857	4,045
Later than 5 years	0	0
Total	7,441	6,100

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	2018	2017
Non-cancellable financial lease commitments		
Not later than 1 year	60	60
Later than 1 year and not later than 5 years	17	41
Later than 5 years	0	0
Total	77	101

Financial lease included in tangible assets, ref Note 16:

EUR thousand	2018	2017
Net book value of assets on financial lease		
Office equipment	58	121
Total	58	121

Note 11 Financial items

EUR thousand	2018	2017
Financial revenue		
Interest on bank deposits	17	109
Exchange gains	0	2,704
Exchange gains realised	381	0
Other financial income	54	257
Total financial revenue	453	3,070
Financial expense		
Interest expense on borrowings	-29,713	-6,942
Distribution of interest on Notes to NCI ¹⁾	-2,080	0
Exchange losses	0	-3,144
Exchange losses realised	-294	0
Net unrealised exchange losses	-456	0
Other financial expense ²⁾	-2,047	-498
Total financial expense	-34,591	-10,585
Net financial items	-34,138	-7,515

1) Notes are classified as Debt instruments, hence distribution over P&L

2) Includes amortisation of warrants of 1.5m

Note 12 Income tax and tax assets and liabilities

Income tax calculation

EUR thousand	2018	2017
Ordinary result before taxes	6,160	1,974
Basis for income tax	6,160	1,974
Income tax payable	-470	-434
Tax effect of change in net deferred income tax liabilities/assets	-1,819	2,361
Tax effect on permanent differences	343	0
Effect on foreign exchange rates	864	39
Adjustments for previous years	-22	-2
Tax losses for which no deferred tax asset was recognised	-2,593	-837
Tax effect tax rate reduction	-73	-516
Income tax expense	-3,770	611

Temporary differences

EUR thousand	2018	2017
Non-current portfolios	-8,892	-2,514
Non-current intangible assets/liabilities	-2,012	-2,673
Current assets	868	120
Non-current liabilities	44	56
Current liabilities	0	-270
Losses carried forward	6,232	3,340
Net income tax reduction temporary differences	-3,760	-1,942
Net deferred tax asset	7,364	3,945
Net deferred tax liability	11,124	5,887

Note 13 Earnings per share

Basic earnings per share (EPS) are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in Issue during the year according to Note 24.

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	2018	2017
Net profit/(loss) to equity holders	4,492	2,617
Total	4,492	2,617
Number of shares (in thousands)		
Weighted average number of ordinary shares	154,795	1,327,031 ¹⁾
Effects on dilution from share options	18,683	69,770
Weighted average number of shares adjusted for the effect of dilution	173,478	1,396,801 ¹⁾
Basic earnings per share	0.029	0.002 ¹⁾
Diluted earnings per share	0.026	0.002 ¹⁾

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

	2018	2017
Employee share options	5,682,625	85,528,250 ¹⁾

1) Weighted average numbers of shares in 2017 is before the reverse split in ratio 10:1 completed in in 2018.

Note 14 Intangible assets

EUR thousand	Customer relations	Databases	Software	Goodwill	Other intangibles	Total
Cost						
Cost at 1 Jan 2017	15,228	5,569	2,641	53,491	947	77,876
Acquisition of Profact AB, Sweden	0	0	0	1,203	0	1,203
Adjustment PPA Spain	0	0	0	702	0	702
Additions	0	1,907	2,966	0	0	4,873
Reclassification	0	-1,184	1,184	0	0	-0
Disposals at cost price	0	-68	0	0	0	-68
Currency exchange effects	-535	-114	0	-1,814	-47	-2,509
Cost at 31 Dec 2017	14,693	6,110	6,791	53,583	900	82,077
Acquisition of SPT Group Finland	0	0	0	2,342	0	2,342
Acquisition	0	0	4,024	0	2,500	6,524
Reclassification	-2,099	-2,439	2,906	0	2,185	553
Disposals at cost price	0	0	0	0	-189	-189
Currency exchange effects	0	0	-108	-348	-280	-736
Cost at 31 Dec 2018	12,594	3,672	13,613	55,577	5,116	90,572
Amortisation and impairment						
Accumulated amortisations at 1 Jan 2017	-3,569	-230	-2,089	0	-151	-6,038
Disposals accumulated depreciation	0	65	0	0	0	65
Amortisation of the year	-2,616	-914	-839	0	-300	-4,669
Currency exchange effects	330	53	124	0	0	506
Accumulated amortisations at 31 Dec 2017	-5,855	-1,026	-2,804	0	-451	-10,136
Amortisation of the year	-2,574	-672	-1,430	0	-616	-5,292
Reclassification	1,311	-55	-1,705	0	-104	-553
Currency exchange effects	97	17	28	0	14	156
Accumulated amortisations at 31 Dec 2018	-7,022	-1,736	-5,911	0	-1,156	-15,825
Carrying amount at 31 December 2018	5,572	1,936	7,702	55,577	3,960	74,747
Useful life	3-5 yr	3-6 yr	3-10 yr	na	1-5 yr	

For Impairment testing on Goodwill see Note 15.

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

Goodwill and intangible assets stated in the consolidated financial position are mainly derived from excess value following the acquisitions of ALD Abogados (2015); IKAS Group in Norway (2016), CS Union in Italy (2016), Altor Group in Germany (2016) Profact in Sweden (2017) and SPT Group Finland (2018). Recognised goodwill amounts to EUR 55,6 million as of 31 December 2018. Other intangibles assets related to excess values in the Group accounts are customer relations, databases and software, with a carrying amount of EUR 7.7 million as per 31 December 2018.

Only goodwill has an indefinite life time, as all other intangible assets are amortised, ref Note 14.

Goodwill is tested for impairment for each cash generating unit (CGU) prior to preparation of the annual accounts. The test is performed annually and when there are indications of impairment. There were no impairment indications for the acquired businesses, thus no impairment has been done in 2018.

The recoverable amount for each CGU has been determined estimating their Value in Use (VIU) and comparing that to the carrying amount of the specific CGU. The calculation of VIU has been based on management's best estimate, reflecting the Group's 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 CGU "third party business" for the following CGU "Countries":

EUR thousand	2018	2017
Spain	14,328	14,328
Germany	9,301	9,196
Italy	7,310	7,310
Norway	21,142	21,545
Sweden	1,154	1,203
Finland	2,342	0
Total	55,577	53,583

Cash flow projections and assumptions

A five-year forecast of discounted cash flows plus a terminal value 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 2019-2023 consist of approved budgets for 2019 and estimates for 2020 and beyond. The cash flow projections have been extrapolated based on an expected growth rate of 2% (2017: 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 2023 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:

EUR thousand	EUR	NOK	SEK
Beta	0.90	0.90	0.90
Risk free interest	0.47%	1.79%	0.47%
Market risk premium	6.30%	6.30%	6.30%
Small cap premium	6.00%	6.00%	6.00%
Country risk premium	0.00%	0.00%	0.00%
WACC (assuming no debt)	12.00%	13.00%	12.00%

- Risk free rate: 10-year 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%.

Observer beta:

Comparable companies	Beta Equity Beta levered	Avg D/E	Beta Asset Beta unlevered
Encore Capital Group	1.28	182%	0.45
Intrum Justitia AB	0.61	32%	0.46
PRA Group, Inc	1.18	35%	0.87
Average	1.02	71%	0.60
Axactor	2.13	138%	0.90

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 organisation.

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 16 Tangible assets

EUR thousand	Land & Buildings	Fixtures	Vehicles	Machines and office equipm.	Other	Total
Cost at 1 Jan 2017	222	2,445	331	1,609	1,235	5,843
Acquisition of Profact AB, Sweden	0	8	0	62	0	70
Acquisition	0	199	0	621	227	1,047
Disposals at cost price	-222	-89	-266	-155	0	-732
Currency exchange effects	0	1	0	-1	0	-0
Cost at 31 Dec 2017	0	2,564	65	2,136	1,462	6,227
Acquisition of SPT Group Finland	0	0	0	39	0	39
Acquisition	5	224	23	648	0	900
Disposals at cost price	1,294	-286	-18	-87	-1,462	-559
Currency exchange effects	-0	-4	-1	-13	0	-18
Cost at 31 Dec 2018	1,298	2,498	69	2,723	0	6,589
Depreciation and impairment						
Accumulated depreciations at 1 Jan 2017	-105	-1,538	-99	-623	-1,112	-3,478
Acquisition of Profact AB, Sweden	0	0	1	-18	0	-18
Depreciation of the year	-4	-122	-42	-323	-166	-657
Disposals accumulated depreciation	109	84	109	124	0	427
Currency exchange effects	0	-2	0	0	0	-2
Accumulated depreciations at 31 Dec 2017	0	-1,578	-31	-840	-1,279	-3,728
Acquisition of SPT Group Finland	0	0	0	-10	0	-10
Depreciation of the year	-82	-217	-10	-408	0	-716
Disposals acc. depr/amort.	-1,118	556	-4	-174	1,279	538
Currency exchange effects	0	3	1	7	0	11
Accumulated depreciations at 31 Dec 2018	-1,200	-1,236	-45	-1,424	0	-3,906
Carrying amount at 31 Dec 2018	98	1,262	24	1,299	0	2,683
Useful life	30-35 yr	3-6 yr	5 yr	3-5 yr	na	

Note 17 Financial Instruments

Set out below is a comparison by class of carrying amounts and fair values of all financial instruments that are carried in the financial statements:

The financial assets principally consist of cash and cash equivalents obtained through the operating business. The financial liabilities principally consist of trade and other payables arising directly from its operations. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market price and rely as little as possible on entity-specific estimates. If all significant inputs require to fair value an Instrument are observable.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments

EUR thousand	Carrying amount			Fair value			
	Loans and receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total
At 31 Dec 2018							
Financial assets							
NPL portfolios	728,820	0	728,820	0	0	728,820	728,820
Other financial assets	0	778	778	0	778		778
Total Financial assets	728,820	778	729,598	0	778	728,820	729,598
Financial liabilities							
Interestbearing loans	737,125	0	737,125	144,750	587,125	0	731,875
Total Financial liabilities	737,125	0	737,125	144,750	587,125	0	731,875
At 31 Dec 2017							
Financial assets							
NPL portfolios	317,150	0	317,150	0	0	317,150	317,150
Other financial assets	0	191	191	0	191	0	191
Total Financial assets	317,150	191	317,341	0	191	317,150	317,341
Financial liabilities							
Interest-bearing loans	298,760	0	298,760	0	298,760	0	298,760
Total Financial liabilities	298,760	0	298,760	0	298,760	0	298,760

The fair value of the bond loan was determined using the quoted market price for the bond loan from the Norwegian Stock Exchange. The fair value of the other interest-bearing loans is equal to the booked value of the loans.

Note 18 Purchased debt Portfolios

EUR thousand	2018	2017
Opening balance	317,150	127,985
Acquisitions during the year ²⁾	461,910	206,446
Collection	-117,034	-58,552
Interest income from purchased loan portfolios	74,536	45,374
Net gain/loss purchased loan portfolios ¹⁾	10,599	-1,770
Repossession of secured NPL to REO	-2,953	0
Disposals ^{1), 3)}	-9,416	-78
Translation difference	-5,972	-2,255
Closing balance	728,819	317,150

1) Gain on disposals is netted in P&L as 'Net gain/loss purchased loan portfolios'

2) Deferred payment of EUR 5.6mEUR at end of 2018

3) Disposals relates to portfolio purchase agreements entered with Unicaja to purchase REOs. The agreement was entered with a first and second closing. The condition for the second closing was that Axactor was committed to purchase the defined assets in the contract. Assets that was in a sales process on the date of signing were held back pending on a sale. A sale of committed, not transferred assets are treated as a cash flow from NPL portfolio revenue. Assets still unsold within a defined period from signing of the contract was treated as a disposal and transferred to REOs.

EUR thousand	2018	2017
Payments during the year for investments in purchased debt amounted to EUR	456,339	199,656
Deferred payment	5,572	6,790

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 19 Shares and participations in subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Result 2018	Equity 2018
Axactor Italy Holding Srl	100.0 %	100.0 %	Cuneo	Italy	-51	18,108
Axactor Italy SpA	90.0 %	90.0 %	Cuneo	Italy	-8,145	9,713
AxactorCapital Italy Srl	100.0 %	100.0 %	Cuneo	Italy	-190	-180
Axactor Incentive AB	100.0 %	100.0 %	Gothenburg	Sweden	-1	4
Axactor Portfolio Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	7,864	156,505
Axactor Platform Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	-2,239	116,448
Axactor Sweden AB	100.0 %	100.0 %	Gothenburg	Sweden	1,195	33,271
Axactor Sweden Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	-28	31,726
Axactor AS	100.0 %	100.0 %	Oslo	Norway	-2,492	4,163
Axactor Norway Holding AS	100.0 %	100.0 %	Oslo	Norway	-169	43,735
Axactor Capital AS	100.0 %	100.0 %	Drammen	Norway	7,009	28,356
Axactor Norway AS	100.0 %	100.0 %	Drammen	Norway	1,925	1,298
Reolux Holding Sarl ¹⁾	50.0 %	50.0 %	Luxembourg	Luxembourg	-6,595	43,934
Axactor Invest 1 Sarl ¹⁾	50.0 %	50.0 %	Luxembourg	Luxembourg	3,480	3,392
Axactor Capital Luxembourg Sarl	100.0 %	100.0 %	Luxembourg	Luxembourg	2,508	61,009
Beta Properties SLU	100.0 %	100.0 %	Madrid	Spain	-1,344	6,480
Borneo Commercial Investments SLU	100.0 %	100.0 %	Madrid	Spain	-1,064	1,440
Alcala Lands Investments SLU	100.0 %	100.0 %	Madrid	Spain	-812	81
PropCo Malagueta SL ³⁾	75.0 %	75.0 %	Malaga	Spain	3,077	100,571
Proyector Lima SL ³⁾	75.0 %	75.0 %	Madrid	Spain	47	65,913
Axactor Espana SLU	100.0 %	100.0 %	Madrid	Spain	-1,337	6,627
Axactor Espana Platform SA	100.0 %	100.0 %	Madrid	Spain	4,035	4,515
Axactor Germany Holding GmbH	100.0 %	100.0 %	Heidelberg	Germany	-1,679	-171
Axactor Germany GmbH	100.0 %	100.0 %	Heidelberg	Germany	-1,384	-1,089
Axactor Mobile Services Germany GmbH	100.0 %	100.0 %	Heidelberg	Germany	-533	-500
Heidelberger Forderingskauf GmbH	100.0 %	100.0 %	Heidelberg	Germany	2,940	11,099
Heidelberger Forderungskauf II GmbH	100.0 %	100.0 %	Heidelberg	Germany	568	1,292
Taloe Equity Management GmbH	100.0 %	100.0 %	Heidelberg	Germany	265	1,358
VABA GmbH	100.0 %	100.0 %	Heidelberg	Germany	96	-7
Axactor Finland Holding OY ²⁾	100.0 %	100.0 %	Jyväskylä	Finland	130	388
Axactor Finland OY ²⁾	100.0 %	100.0 %	Jyväskylä	Finland		
Axactor Finland Software OY ²⁾	100.0 %	100.0 %	Jyväskylä	Finland		
SPT Latvija SIA ²⁾	100.0 %	100.0 %	Riga	Latvia		
SPT Inkasso OÜ ²⁾	100.0 %	100.0 %	Tallin	Estonia		
UAB Isieskojimu kontora ²⁾	100.0 %	100.0 %	Vilnius	Lithuania		

1) The Group owns 50% equity shares of Axactor Invest 1 and Reolux Holding. However, based on the contractual arrangements between the Group and other investors, the Group has sufficient dominant voting interest and therefor, the Group has concluded that the Group has control of Axactor Invest 1 and it is consolidated in the Group's financial statements.

2) Finland, Latvia, Estonia and Lithuania was reported consolidated in 2018.

3) Direct ownership stated in table.

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

Note 20 Other non-current investments

EUR thousand	Office location, city	Office location, country	2018	2017
Other non-current investments				
Nickel Mountain Resources AB ¹⁾	Stockholm	Sweden	157	170
Club Financiero Génova, S.A	Madrid	Spain	21	21
Insurance funds (severance scheme in Italy)			554	0
Other Investments			46	0
Total other non-current investments			778	191

1) See Note 9 in Parent Company.

Note 21 Stock of REO's

EUR thousand	2018	2017
Acquisition cost, opening balance	154,101	0
Acquisitions during the year	99,310	155,546
Repossession of secured NPL	2,953	0
Cost of REOs sold	-54,491	-1,445
Other	82	0
Total acquisition cost	201,955	154,101
Impairment	-1,946	0
Total	200,009	154,101
Number of assets	6,323	4,800

Note 22 Other current assets

Accounts receivable

EUR thousand	2018	2017
Accounts receivable	9,459	5,652

EUR thousand	Current	0-30 days	31-60 days	61-90 days	90 + days	Total
Customer per ledger	6,567	1,493	461	163	1,253	9,937
- Provision for bad debt	0	0	0	0	-478	-478
Total	6,567	1,493	461	163	775	9,459

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	2018	2017
Prepaid taxes	628	1,048
Prepaid expenses	2,260	1,536
Accrued revenue / Work in progress ¹⁾	6,982	6,379
Capitalised cost related to 13m Warrants issued to Gevean	1,159	2,684
Other	1,745	1,422
Total prepaid expenses and accrued income	12,774	13,070

1) Accrued revenue relates to 3PC business

Note 23 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 period 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 26.

EUR thousand	2018	2017
Cash and bank deposits	67,593	48,604
Restricted cash	3,184	1,443
Bank deposits client accounts	0	435
Total cash and cash equivalents	70,776	50,482

The composition of the cash per currency is shown below.

EUR thousand	2018	2017
NOK	4,368	5,918
SEK	1,807	3,781
EUR	64,592	40,782
GBP	9	0
Total cash and cash equivalents	70,776	50,482

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, in 2017, a pledge bank account of 4 million SEK 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 24 Issued shares, share capital and reserves

Issued shares and share capital

	Number of shares	Share capital (EUR)
At 1 Jan 2017	1,226,488,769	64,197,268
New share issues, May	50,000,000	2,617,116
New share issues, Aug	75,600,000	3,957,079
New share issues, Sep	164,400,000	8,605,077
At 31 Dec 2017	1,516,488,769	79,376,540
Exercise of share options, Apr	27,992,250	1,465,179
New share issues, May	1	0
Reverse split 1:10, May		
at 30 Jun after Reverse split 1:10	154,448,102	80,841,720
New share issues, Nov 2018	523,012	273,756
at 31 Dec 2018	154,971,114	81,115,475

Each share has the same rights and has a par value of EUR 0.523.

30 largest shareholders as at 31 Dec 2018

Name	Shareholding	Share %
Geveran Trading Co Ltd	29,571,249	19.1 %
Verdipapirfondet Dnb Norge (Iv)	10,303,065	6.6 %
Torstein Ingvald Tvenge	7,100,000	4.6 %
Ferd AS	5,335,139	3.4 %
Verdipapirfondet Alfred Berg Gamba	3,555,376	2.3 %
Verdipapirfondet Alfred Berg Norge	2,890,144	1.9 %
Verdipapirfondet Delphi Norden	2,514,978	1.6 %
Gvapseborg AS	2,036,494	1.3 %
J.P. Morgan Bank Luxembourg S.A.	2,014,113	1.3 %
Vpf Nordea Norge Verdi	2,013,102	1.3 %
Songa Trading Inc	2,000,000	1.3 %
Verdipapirfondet Alfred Berg Aktiv	1,854,655	1.2 %
Alpette AS	1,661,643	1.1 %
Ubs AG	1,635,202	1.1 %
Rmb International Fund	1,472,238	1.0 %
Nordnet Livsforsikring AS	1,416,435	0.9 %
Citibank, N.A.	1,234,706	0.8 %
Vpf Nordea Kapital	1,214,748	0.8 %
Andres Lopez Sanchez	1,166,725	0.8 %
David Martin Ibeas	1,166,725	0.8 %
Klotind AS	1,123,523	0.7 %
Latino Invest AS	1,030,000	0.7 %
Vpf Nordea Avkastning	1,027,387	0.7 %
Vardfjell AS	915,401	0.6 %
Elena AS	894,000	0.6 %
Nomura International Plc	874,058	0.6 %
Endre Rangnes	864,000	0.6 %
Verdipapirfondet Delphi Norge	836,499	0.5 %
Statoil Pensjon	705,132	0.5 %
Arctic Funds Plc	688,554	0.4 %
Total 30 largest shareholders	91,115,291	58.8 %
Other shareholders	63,855,823	41.2 %
Total number of shares	154,971,114	100 %
Total number of shareholders	9,235	

Shares owned by related parties

Name	Shareholding	Share %
Geveran Trading Co Ltd ¹⁾	29,571,249	19.1 %
Alpette AS ²⁾	1,661,643	1.1 %
Andres Lopez Sanchez ³⁾	1,166,725	0.8 %
David Martin Ibeas ³⁾	1,166,725	0.8 %
Latino Invest AS ⁴⁾	1,030,000	0.7 %
Nomura International Plc	874,058	0.6 %
Endre Rangnes ²⁾	864,000	0.6 %
Banca Sistema S.P.A ⁵⁾	604,504	0.4 %
Fryden AS / Oddgeir Hansen ⁶⁾	576,000	0.4 %
Johnny Tsolis Vasili ⁴⁾	540,000	0.3 %
Siv Farstad ⁶⁾	281,000	0.2 %
Robin Knowles ⁶⁾	121,887	0.1 %
Bjørn Erik Næss ⁷⁾	100,000	0.1 %
Susanne Lene Rangnes Schneider ²⁾	39,832	0.0 %
Anders Gulbrandsen ⁸⁾	16,975	0.0 %
Bergsjo AS ⁷⁾	12,300	0.0 %
Lars Valseth ⁸⁾	12,188	0.0 %
Sicubi AS / Bente Brocks ^{8), 9)}	10,800	0.0 %
Brita Eilertsen ⁷⁾	10,000	0.0 %

1) Gevevan Trading Co Ltd owns 50% of Luxco Invest1 S.A and Reolux Holding S.à.r.l., companies controlled by Axactor Group

2) CEO/Related to the CEO of Axactor SE

3) Member of the Executive Management team of Axactor SE and former owner of ALD, Spain

4) Related to the CFO of Axactor SE

5) Banca Sistema S.P.A. owns 10% of the shares in Axactor Italy Srl, a company controlled by Axactor Group

6) Member of the Executive Management team of Axactor SE

7) Member of the Board of Directors of Axactor AB/controlled by member of the Board of Directors of Axactor SE

8) Primary insider of Axactor SE

9) Company controlled by primary insider of Axactor SE

As from 31 May 2018 the shares in Axactor SE are traded ex reverse split, with the new ISIN and new face value. Ratio: 10 old shares give 1 new share. New ISIN: NO0010840515. New Face value: EUR 0.5234232

Note 25 Share based Payment

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

The Company uses the Black-Scholes-Merton Option Pricing Model at time of grant to determine the impact of stock option grants in accordance with IFRS 2 - Share-based payment.

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

Further the total Fair Value of the options is amortised over the vesting period.

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

The total expense recognised for the share-based programs during 2018 was EUR 1,374 million. Total social security provisions amounts to EUR 0,148 million per 31.12.2018 (social security costs on exercised options has been paid in connection with the relevant exercises, hence taken out of the provisions accounts). The total intrinsic value of the employee stock options is EUR 1,233 million at 31.12.2018.

During 2018, the Company's granted share-based payment arrangements are quantitatively described with their weighted average parameters to the Black-Scholes-Merton Option Pricing Model.

Granted Instruments 2018

Parameters connected to instruments granted in 2018

Instrument	Quantity 31.12.2018 (instruments)	Quantity 31.12.2018 (shares)	Contractual life ¹⁾	Strike price ¹⁾ (NOK)	Share price ¹⁾ (NOK)	Expected lifetime ¹⁾	Volatility ¹⁾	Interest rate ¹⁾	FV per instrument ¹⁾	Vesting conditions	Vesting structure	Strike structure
Options	705,000	705,000	3.83	33.63	23.59	1.46	35.31 %	0.91 %	1.53	Only rendering service	Four tranches - 25% vest annually with the first vesting approximately one year from grant	1st tranche: NOK 30 2nd tranche: NOK 32 3rd tranche: NOK 35 4th tranche: NOK 37.5

1) Weighted average fair value parameters at grant of instrument - All new instruments in 2018 were granted after reverse split

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

At year end the company has options outstanding that were granted from 2015, 2016, 2017 and 2018, and the exercise prices vary from NOK 12.5 to NOK 37.5 per option.

The table below illustrates the status on all outstanding options at 31.12.2018 and the activity during the year.

Quantity and weighted average prices

Activity	2018	
	Number of options	WAEP (NOK)
Outstanding at beginning of year	8,523,325	20.51
Granted	705,000	33.63
Exercised	-2,799,225	10.63
Forfeited	-821,475	28.13
Expired	-25,000	30.00
Outstanding at end of year	5,582,625	25.90
Vested CB	908,750	29.46

NB: all instruments are adjusted for the reverse split (ratio: 10 old options are converted to 1 option, and the strike price is multiplied by 10) 31.05.2018 <https://newsweb.oslobors.no/message/452592>

Outstanding Instruments Overview

	Outstanding instruments			Vested instruments	
	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price (NOK)	Weighted Average Strike Price (NOK)	Weighted Average Strike Price (NOK)
12.50	1,260,225	2.10	12.50	28,125	12.50
13.00	799,900	2.25	13.00	0	0
30.00	880,625	3.54	30.00	880,625	30.00
32.00	880,625	3.54	32.00	0	0
35.00	880,625	3.54	35.00	0	0
37.50	880,625	3.54	37.50	0	0
Total	5,582,625			908,750	

NB: All instruments are adjusted for the reverse split (Ratio: 10 old options are converted to 1 option, and the strike price is multiplied by 10) 31.05.2018 <https://newsweb.oslobors.no/message/452592>

Note 26 Borrowings and other interest-bearing debt

EUR thousand	Currency	Interest rate	Carrying amount 31.12.2018	Year of maturity
Balance at 1 Jan 2018	EUR / NOK	Variable	298,760	2017-2022
New issues				
Italian Banks ²⁾	EUR		29,830	2018-2022
DnB/Nordea ¹⁾	Various		323,114	2020
Listed Bond Loan ⁴⁾	EUR		150,000	2021
Nomura ⁵⁾	EUR		97,707	2021
Finnish Banks	EUR		68	2020-2021
Repayments				
Italian Banks	EUR		-29,791	
DnB/Nordea	EUR		-47,000	
Other ³⁾	EUR		-80,000	
Other movements				
Capitalized loan fees			-10,090	
Amortised loan fees on loans			5,577	
Accrued interest			2,708	
Currency translations			-3,759	
Balance at 31 Dec 2018			737,125	
Non-current portion of interest bearing debt			567,829	
Current portion of of interest bearing debt			169,296	
Of which in currency				
NOK			30,105	
SEK			54,340	
EUR			655,336	

1) The debt facility agreement with DNB Bank ASA and Nordea Bank AB is EUR 350 million, whereof 150 million are in the form of accordion options. The facility has final maturity three years after signing. The loan carries a variable interest rate based on the interbank rate in each currency with a margin.

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

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. See Note 32.

2) The facilities of the Italian banks relate to eleven 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. Some of 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 subscribed to by Sterna Finance, a company in the Geveran Group. The remainder has been subscribed to by Axactor SE. This consists of EUR 60 million in class A, deeply subordinated income sharing notes, subscribed by Axactor SE and Geveran (50/50) and EUR 120 million in class B, subordinated secured note, fully subscribed by Geveran. The maturity of these notes is 2022. Axactor repaid EUR 80 million of the 120 million facility to Sterna in Q2 2018, the notes can be redrawn in increments of 40 million. A waiver was given during Q1 related to financing of acquisitions of REO's (through Reolux Holding). Corresponding waiver fee was EUR 240k. This relates to the unused facility of DNB.

4) In March 2018 Axactor SE successfully completed a EUR 150 million senior unsecured bond issue with maturity in June 2021. The bonds are listed on Oslo Exchange. The coupon rate is 3m EURIBOR + 700 bps pa. The following financial covenants: Interest coverage ratio: >4.0x (Pro-Forma Adjusted Cash EBITDA to net interest expenses); Leverage ratio: <4.0x (NIBD to Pro-Forma Adjusted Cash EBITDA); Net loan to value: <75% (NIBD to total book value all debt portfolios and REOs); Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs). Trustee: Nordic Trustee

5) In August 2018 Reolux Holding S.à.r.l signed a 96 mill EUR senior secured term loan facility with Nomura International plc ("Nomura") to refinance Reolux's existing Spanish Real Estate Owned (REO) investments. The facility was amended in September to facilitate new Spanish Real Estate Owned (REO) investments. The maturity on this loan facility is 2021.

Note 27 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 (2017: EUR 0.2m), and represents contributions payable to these plans by Axactor at rates specified in the rules of the plans.

Note 28 Other non-current liabilities

EUR thousand	2018	2017
Present value liability to minority option in CS Union ^{1), 2)}	0	1,548
Other non-current accruals	218	327
Pension liability (Note 27)	961	1,127
Total other non-current liabilities	1,179	3,002

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

2) Reclassified to current liability in Dec 2018. Ref Note 33

Note 29 Other current liabilities

EUR thousand	2018	2017
Client liabilities	945	435
Public duties	5,293	1,219
Personnel related liabilities	5,006	4,039
Accrued solicitors	1,158	1,613
Remaining part purchase considerations ¹⁾	2,266	0
Other accruals	9,505	10,297
Total other current liabilities	24,172	17,603

1) Ref. Note 33

Note 30 Transactions with related parties

EUR thousand	2018	2017
Michael Hylander, deputy board member, is also partner in Lawyer firm MAQS which delivers legal services to Axactor SE	250	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	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	110	104
Related Party balances as per year end		
Geveran Trading Co LTD owns 50% of Axactor Invest1, a company controlled and consolidated by Axactor Group, has by one of its subsidiaries subscribed to deeply subordinated income sharing notes issued by Axactor Invest1	150,000	150,000
Geveran Trading Co LTD, owns 50% of Axactor Invest1, a company controlled and consolidated by Axactor Group owns 13 mill American style warrants in Axactor	1,159	3,051
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	22,844	3,175

Note 31 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.

Axactor acquired the SPT Group in Finland on the 30 October 2018. The acquisition is carried out in line with Axactor's strategy for entering new geographic markets; acquire a small and efficient platform and deploy Axactor's competencies and financial capacity to accelerate the value creation. In November 2018, Axactor acquired an NPL portfolio in Finland that contains unsecured consumer claims with a total Outstanding Balance (OB) of approximately EUR 160 million across more than 16,000 thousand credit card and personal loan accounts.

The labour force and 'going concern' elements are the main part of the acquired excess value and has been allocated to goodwill in accordance with IFRS 3. All goodwill in relation to the acquisition is related to CGU 3PC business. None of the deferred tax relating to goodwill is deductible.

EUR thousand	2018 SPT group	2017 Profact AB
Date of acquisition	30 Oct 2018	28 feb 2017
Acquired part of company	100%	100%
Purchase price	2,435	1,257
- whereof cash consideration	1,186	1,257
- whereof share consideration	1,249	0
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Database	0	314
Goodwill	2,342	1,242
<i>Tangible assets</i>		
Plant and machinery	18	50
<i>Non-current financial assets</i>		
Other non-current receivables	3	0
Total non-current assets	2,363	1,606
Current assets		
Current receivables	380	351
Other current assets	0	94
Cash and cash equivalents	100	0
Total current assets	480	445
Total Assets	2,843	2,051
Non-current liabilities		
Non-current interest bearing debt	72	0
Total non-current liabilities	72	0
Current liabilities		
Trade payables	79	433
Other short-term liabilities	258	361
Other public duties payable		
Total current liabilities	337	794
Total Net assets	2,435	1,257
Net sales 2018 (full year)	1,834	9,176
Profit 2018 (full year)	225	2,874
Net sales 2018 for Axactor period	532	8,917
Profit 2018 for Axactor period	131	2,867

Note 32 Pledged Assets

EUR thousand	2018	2017
Group	283,782	340,847
Parent	278,831	124,451

Note 33 Subsequent Event

In February 2019, Axactor acquired the remaining 10% of the shares in Axactor Italy S.p.A from CS union and now hold 100% of the shares in the company.

In mid-February, EUR 100m out of the total EUR 150m accordion option on the RCF with DNB and Nordea was released.

Parent Company Statement of Profit and Loss

For the year ended 31 December 2018

EUR thousand	Note	2018	2017
Management services to group companies		1,736	3,769
Settlement previous BoD		0	2,040
Operating revenue		1,736	5,809
Operating expenses	3	-4,638	-7,380
EBITDA		-2,902	-1,571
Amortisation and depreciation		0	0
EBIT		-2,902	-1,571
Financial revenue	4	13,200	5,406
Financial expenses	4	-10,795	-4,971
Net financial items		2,404	435
Profit/(loss) before tax		-498	-1,135
Tax (expense)	5	55	0
Profit/(loss) after tax		-442	-1,135
Distribution			
Distribution to share premium reserve		-442	-1,135

Parent Company Statement of Comprehensive Loss

For the year ended 31 December 2018

EUR thousand	2018	2017
Profit/(loss) after tax	-442	-1,135
<i>Items that will not be classified subsequently to profit or loss</i>	0	0
<i>Items that may be classified subsequently to profit or loss</i>	0	0
Other comprehensive income/(loss) after tax	0	0
Total comprehensive loss for the period	-442	-1,135
<i>Attributable to:</i>		
Equity holders of the parent company	-442	-1,135

Parent Company Statement of Financial Position

For the year ended 31 December 2018

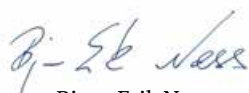
EUR thousand	Note	2018	2017
ASSETS			
<i>Intangible non-current assets</i>			
Deferred tax assets		55	0
Investment in subsidiaries	6	322,078	129,562
Loans to group companies	7	80,564	135,602
Other non-current investments	8	170	170
Total non-current assets		402,868	265,334
<i>Current assets</i>			
Current intercompany receivables	7	3,037	3,238
Other current assets	9	1,174	2,838
Restricted cash	10	0	406
Cash and bank deposits	10	23,139	5,235
Total current assets		27,349	11,717
TOTAL ASSETS		430,217	276,938

Parent Company Statement of Financial Position

For the year ended 31 December 2018

EUR thousand	Note	2018	2017
EQUITY AND LIABILITIES			
<i>Restricted equity</i>			
Share Capital		81,115	79,377
Total restricted equity		81,115	79,377
<i>Non-restricted equity</i>			
Share premium reserve		199,825	196,959
Result for the period		-442	-1,135
Total non-restricted equity		199,382	195,824
TOTAL EQUITY		280,498	275,201
<i>Non-current liabilities</i>			
Non-current liability	11	148,742	0
Total non-current liabilities		148,742	0
<i>Current liabilities</i>			
Accounts payables		23	188
Current intercompany liabilities	7	598	1,531
Other current liabilities		356	131
Total current liabilities		978	1,849
TOTAL LIABILITIES		149,720	1,849
TOTAL EQUITY AND LIABILITIES		430,217	276,938

Oslo, 20 March 2019
The Board of Directors


Bjørn Erik Næss
Chairman of the Board


Lars Erich Nilsen
Board member


Merete Haugli
Board member


Brita Eilertsen
Board member


Beate Skjerven Nygårdshaug
Board member


Terje Mjøs
Board member


Endre Rangnes
CEO

Parent Company Statement of Changes in Equity

For the year ended 31 December 2018

EUR thousand	Restricted Equity		Non-restricted Equity			Total
	Share capital	Statutory reserve	Share premium reserve	Exchange differences	Retained earnings	
Closing balance on 31 December 2016	64,197	240	262,131	-23	-128,568	197,976
Transition to IFRS moving to Norway		-240	329	23		112
Closing balance IFRS on 31 December 2016	64,197	0	262,460	0	-128,568	198,088
Balance on 1 Jan 2017	64,197	0	262,460	0	-128,568	198,088
Result of the period					-1,135	-1,135
Allocation of result from discontinued operation			-128,568		128,568	0
New Share issues, May	2,617		8,799			11,416
New Share issues, Aug	3,957		16,223			20,180
New Share issues, Sep	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
Closing balance on 31 Dec 2017	79,377	0	196,959	0	-1,135	275,201
Balance on 1 Jan 2018	79,377	0	196,959	0	-1,135	275,201
Transfer of prior years net result			-1,135		1,135	0
Result of the period					-442	-442
New Share issues, Mar	1,465		1,682			3,147
New share issue, Dec	273		975			1,248
Share issue cost			-31			-31
Share based payment			1,374			1,374
Closing balance on 31 Dec 2018	81,115		199,824	0	-442	280,498

1) Ref. resolution in Annual general meeting on 31 May 2018

2) 13 million American style warrants in Axactor to Geveran with an exercise price of NOK 32.50 have been granted. The warrants expire after 2 years.

Parent Company Statement of Cash Flow

For the year ended 31 December 2018

EUR thousand		2018	2017
Operating activities			
Profit/(loss) before tax		-498	-1,135
Adjustments for:			
- Finance income and expense	4	-2,404	0
- Agio gain/(loss) on group loans		-1,436	3,133
- Calculated cost of employee share options		1,374	1,806
Change in Working capital		-301	-3,777
Net cash flows operating activities		-3,265	27
Investing activities			
Investment / share issue in subsidiaries		-16,000	-5,106
Interest received		651	0
Net cash flows investing activities		-15,349	-5,106
Financing activities			
Proceeds from borrowings	11	150,000	0
Loan to subsidiaries/repaid from subsidiaries	7	-108,424	-102,858
Interest paid on interest bearing loans		-8,176	0
Loan fees paid on proceeds from borrowings	8	-1,593	0
Proceeds from share issue	11	4,395	75,274
Share issue costs		-31	-1,885
Net cash flows financing activities		36,171	-29,469
Net change in cash and cash equivalents		17,557	-34,548
Cash and cash equivalents at the beginning of period		5,641	42,359
Currency translation		-59	-2,170
Cash and cash equivalents at end of period		23,139	5,641

Summary of Notes to the Parent Company

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Notes to the Parent Company Financial Statements

Note 1 Corporate Information

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

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 20th March 2019 and will be submitted for approval to the Annual General Meeting on 10th April 2019.

Note 2 Summary of significant Accounting Principles

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 SE 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 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).

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 EUR thousands unless otherwise specified.

The financial statements of the Parent company are prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014. The Company follow the exception from IAS 10 regarding timing of recognition of Group contribution and dividend.

Transition to IFRS

Axactor SE moved the company to Norway on the 21 December 2018. The accounts have up to 31.12.2017 been prepared in accordance with Swedish GAAP, that are further described In the annual report of 2017.

IFRS 1 Is applied in preparing the opening balance at 01.01.2017. The accounting impact of changes in accounting principles are recorded directly against equity.

There have been no effects from the IFRS transition on the Profit and Loss. Effect of the IFRS transition on the Company's balance sheet:

EUR thousand	IFRS 31.12.2017	SGAAP 31.12.2017	IFRS 31.12.2016	SGAAP 31.12.2016
Investments in subsidiaries	129,562	129,562	135,190	135,190
Loans to group companies	135,602	135,602	21,365	21,365
Other non-current investments	170	58	170	58
Current intercompany receivables	3,238	3,238	1,310	1,310
Other current assets	2,838	2,838	9	9
Restricted cash	406	406	418	418
Cash and bank deposit	5,235	5,235	41,941	41,941
Total assets	277,051	276,939	200,403	200,291
Non-current liabilities	0	0	1,444	1,444
Accounts payables	188	188	94	94
Current intercompany liabilities	1,530	1,530	0	0
Other current liabilities	131	131	775	775
Total liabilities	1,849	1,849	2,313	2,313
Share Capital	79,377	79,377	64,197	64,197
Share premium reserve	196,959	196,847	129,616	129,504
Retained earnings	-1,135	-1,135	4,277	4,277
Total equity	275,201	275,088	198,090	197,978
Total liabilities and equity	277,051	276,937	200,403	200,291

See the Company Statement of Changes In Equity for quantitative changes in equity.

Investments in subsidiaries and associated companies, and other non-current Investments.
Investments in subsidiaries are accounted for using the cost method in the parent company accounts. The investments are valued at cost unless impairment losses occur.

Write-down to fair value is recognised under 'Impairment' in the Income statement.

Segment reporting

Axactor SE's activities are currently organised as one operating unit for internal reporting purposes, thus no segment information is presented in these financial statements.

Note 3 Other operating expenses

EUR thousand	2018	2017
Rent	3	19
External services	858	1,271
Fees to Board of Directors	268	186
Administrative costs	0	6
External fees relating to listing	313	71
Management fee	3,074	5,293
Other operating expenses	123	535
Total other operating expenses	4,638	7,380

Remuneration to company auditors

EUR thousand	2018	2017
Fees, auditing	309	249
Fees, tax advisory	23	37
Fees, audit related services	0	10
Fees, other services	43	0
Total fee to auditors	375	296

Note 4 Financial items**Financial revenue**

EUR thousand	2018	2017
Exchange gain	924	1,394
Intercompany interest revenue	12,270	3,572
Other financial income	6	441
Total financial revenue	13,200	5,406

Financial expense

EUR thousand	2018	2017
Exchange losses	-445	-4,527
Interest expenses on borrowings	-8,794	0
Other financial expenses	-1,556	-444
Total financial expense	-10,795	-4,971
Net Financial Items	2,404	436

Note 5 Income tax and tax assets and liabilities**Income tax calculation**

EUR thousand	2018	2017
Ordinary result before taxes	-442	1,135
Basis for income tax	-442	1,135
Change in deferred tax	97	0
Tax losses for which no deferred tax asset can be carry forward	-42	0
Income tax expense	55	0
Tax loss carry forward recognised	-251	0
Tax expense	-55	0

Note 6 Investment in subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Book value in parent company	Result 2018	Equity 2018
Axactor Italy Holding Srl	100%	100%	Cuneo	Italy	18,235	-51	18,108
Axactor Incentive AB	100%	100%	Stockholm	Sweden	5	-1	4
Axactor Portfolio Holding AB	100%	100%	Stockholm	Sweden	153,963	7,864	156,505
Axactor Platform Holding AB	100%	100%	Stockholm	Sweden	117,540	-2,239	116,448
Axactor AS	100%	100%	Oslo	Norway	7,328	-2,492	4,163
Reolux Holding Sarl ¹⁾	50%	50%	Luxembourg	Luxembourg	25,000	-6,595	43,934
Axactor Invest 1 Sarl ¹⁾	50%	50%	Luxembourg	Luxembourg	6	3,480	3,392
Total investment in subsidiaries					322,078	-34	342,555

1) The group owns 50% equity shares of Axactor Invest 1 and Reolux Holding. However, based on the contractual arrangements between the Group and other investors, the Group has sufficient dominant voting interest. Therefore, the Group has concluded that the Group has control of Axactor invest 1 and Reolux Holding and it is fully consolidated in the Group's financial statements.

Note 7 Loans and receivables to group companies

EUR thousand	2018			2017		
	Loans to group Companies	Current IC receivables	Current IC Payables	Loans to group Companies	Current IC receivables	Current IC Payables
Axactor Portfolio Holding AB ¹⁾	6,511	128	0	28,147	48	0
Axactor Platform Holding AB ¹⁾	1,650	176	0	61,664	190	-1
Axactor Italy Holding Srl ¹⁾	0	0	0	11,379	49	0
Axactor AS ¹⁾	0	132	-598	4,412	527	-1,530
Axactor Invest 1 Sarl ²⁾	33,000	2,086	0	30,000	0	0
Reolux Holding Sarl ¹⁾	39,403	0	0	0	0	0
Axactor Italy SpA ¹⁾	0	142	0	0	150	0
Axactor Germany Holding GmbH	0	21	0	0	103	0
Axactor Germany GmbH	0	40	0	0	49	0
Taola Equity Management GmbH	0	0	0	0	342	0
Axactor Espana Platform SA	0	0	0	0	682	0
Axactor Espana S.L.U.	0	139	0	0	0	0
Axactor Norway AS	0	17	0	0	175	0
Axactor Sweden AB	0	155	0	0	583	0
Axactor Finland Holding OY	0	1	0	0	0	0
Axactor Capital Luxembourg Sarl	0	0	0	0	340	0
Total	80,564	3,037	-598	135,602	3,238	-1,530

1) The loans to subsidiaries carry an interest rate of 6%, to be paid at year end.

2) The loan to Luxco Invest 1 Sarl concerns the A notes, as described in Note 26 of the consolidated accounts.

An ECL (Expected Credit Loss) assessment according to IFRS 9 have been carried out and concludes that there is no expected credit loss on receivables to Group companies.

Note 8 Other non-current investments

EUR thousand	2018	2017
Shares in Nickel Mountain Resources AB	157	170
Other	13	0
Total	170	58

Note 9 Other current assets

EUR thousand	2018	2017
Capitalised cost related to 13m Warrants issued to Geveran	1,159	2,684
Other	15	154
Total	1,174	2,838

Note 10 Cash and cash equivalents

EUR thousand	2018	2017
Cash and bank deposits	23,139	5,235
Restricted cash	0	406
Total cash and cash equivalents	23,139	5,641

	2018	2017
NOK	37	2,632
SEK	442	714
EUR	22,659	2,295
Total cash and cash equivalents	23,139	5,641

Note 11 Borrowings

EUR thousand	Currency	Interest rate	Carrying amount 31.12.2018	Year of maturity
Balance at 1 Jan 2018	EUR	Variable	0	
New issues				
Listed Bond Loan	EUR		150,000	2021
Other movements				
Capitalized loan fees			-1,593	
Amortized loan fees on loans			335	
Balance at 31 Dec 2018			148,742	

In March 2018 the company successfully completed a EUR 150 million senior unsecured bond issue with maturity in June 2021. The bonds are listed on Oslo Stock Exchange. The coupon rate is 3m EURIBOR + 700 bps pa. The following financial covenants: Interest coverage ratio: >4.0x (pro-forma adjusted cash EBITDA to Net Interest Expenses); Leverage ratio: <4.0x (NIBD to pro-forma adjusted cash EBITDA); Net loan to value: <75% (NIBD to total book value all debt portfolios and REOs); net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs). Trustee: Nordic trustee

Auditor's report



To the General Meeting of Axactor SE

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Axactor SE, which comprise:

- The financial statements of the parent company Axactor SE (the Company), which comprise the parent company financial position as at 31 December 2018, the parent company profit and loss, parent company statement of comprehensive loss, parent company statement of changes in equity and parent company statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Axactor SE and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss, the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Auditors Report - Axactor SE

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Valuation of debt portfolios</i>	
<p>Debt portfolios represent a considerable part of the Group's total assets. The valuation of the portfolios includes elements of management judgement. The book value of debt portfolios are determined by projecting expected future cash flows and discounting them to present value using the effective interest rate as of the date the portfolios were acquired.</p> <p>Some of the key judgmental assumptions related to the valuation includes the size of expected future cash flows, and timing of future payments. The estimated timing and size of payments of cash flows require judgement and experience to assess and this may differ from actual timing and size of payments.</p> <p>The Group's internal controls in relation to monitor and detect portfolios, which shows signs of being impaired is central. We therefore focused some of our audit effort towards these controls.</p> <p>Our focus on valuation of debt portfolios is justified by the fact that judgmental assumptions carry an inherent risk of errors that have a potential to affect the Groups net profit.</p>	<p>We evaluated and tested the design and effectiveness of internal controls related to portfolio performance. These controls were directed towards how the portfolios are performing over time. We tested if management were performing timely assessments of the value of the portfolios and that they made necessary adjustments. We concluded that we could rely on this control in our audit.</p> <p>We satisfied ourselves as to the accuracy of initial recognition of portfolios by tracing purchase prices in the contracts back to registration in the system on a sample basis. We also evaluated the historical accuracy of management's forecasts. We did this by testing when payments actually arrived against when they originally were projected to arrive in the company's historical forecasts. Our testing showed that historical forecasts were reasonably accurate, hence it is reasonable to expect the same degree of accuracy in the current basis for valuation.</p> <p>Further, we interviewed and challenged management and senior personnel, and discussed with them about their assessments and tested their assumptions, where possible, against internal data. The result of our interviews and testing showed that management had used appropriate assumptions based on reasonable input data.</p> <p>We also evaluated the models they used to discount the cash flows and tested the accuracy of the inputs and whether the models made correct calculations. Any differences encountered as part of our detailed testing fell within a reasonable range.</p> <p>The Group note 2.7.1, note 4 and note 18 to the financial statements are relevant for the description of the Group's debt portfolios. We read the notes and found them to be adequate and give a balanced overview of the different parameters and judgmental assumptions used.</p>

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with



Auditors Report - Axactor SE

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the



Auditors Report - Axactor SE

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 20 March 2019

PricewaterhouseCoopers AS

Geir Julsvoll

State Authorised Public Accountant

Terms and abbreviations

<i>3PC</i>	<i>Third-Party Collection</i>
<i>ARM</i>	<i>Accounts Receivable Management</i>
<i>B2B</i>	<i>Business to Business</i>
<i>B2C</i>	<i>Business to Consumer</i>
<i>BoD</i>	<i>Board of Directors</i>
<i>Cash EBITDA</i>	<i>EBITDA adjusted for calculated cost of share option program, portfolio amortisations, revaluations, REO cost of sales and REO impairments</i>
<i>CGU</i>	<i>Cash Generating Unit</i>
<i>CM1</i>	<i>Contribution Margin</i>
<i>Dopex</i>	<i>Direct Operating expenses</i>
<i>EBITDA</i>	<i>Earnings Before Interest, Tax, Depreciation and Amortisation</i>
<i>ECL</i>	<i>Expected credit loss</i>
<i>ERC</i>	<i>Estimated Remaining Collection, the total of expected collection on portfolios over the next 180 months. The discounted value of the ERC for NPLs is booked as Closing balance in the Financial Position</i>
<i>EPS</i>	<i>Earnings Per Share</i>
<i>EUR</i>	<i>Euro</i>
<i>FTE</i>	<i>Full Time Equivalent</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>NIBD</i>	<i>Net Interest Bearing Debt - Interest bearing debt less cash</i>
<i>NOK</i>	<i>Norwegian Krone</i>
<i>NPL</i>	<i>Non- Performing Loan</i>
<i>OB</i>	<i>Outstanding Balance, the total amount Axactor can collect on claims under management, including outstanding principal, interest and fees</i>
<i>PCI</i>	<i>Purchased Credit Impaired</i>
<i>PPA</i>	<i>Purchase Price Allocations</i>
<i>Pro-forma Cash EBITDA</i>	<i>Cash EBITDA adjusted for acquired/sold business (and portfolios in regards of covenants)</i>
<i>REO</i>	<i>Real Estate Owned</i>
<i>SEK</i>	<i>Swedish Krone</i>
<i>SG&A</i>	<i>Selling, General & Administrative Expenses</i>
<i>SPV</i>	<i>Special Purpose Vehicle</i>
<i>VIU</i>	<i>Value in Use</i>
<i>WAEP</i>	<i>Weighted average exercise price</i>

Financial calendar 2019

Annual General Meeting 2018	10.04.2019
Quarterly Report - Q1	26.04.2019
Quarterly Report - Q2	24.07.2019
Quarterly Report - Q3	25.10.2019
Quarterly Report - Q4	TBD

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The shares of Axactor SE (publ.) are listed on the Oslo Stock Exchange, ticker AXA.

Cautionary Statement: *Statements and assumptions made in this document with respect to Axactor SE's ("Axactor") current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of Axactor. Forward-looking statements include, but are not limited to, those using words such as "may", "might", "seeks", "expects", "anticipates", "estimates", "believes", "projects", "plans", strategy, "forecast" and similar expressions. These statements reflect management's expectations and assumptions in light of currently available information. They are subject to a number of risks and uncertainties, including, but not limited to, (i) changes in the economic, regulatory and political environments in the countries where Axactor operates; (ii) changes relating to the statistic information available in respect of the various debt collection projects undertaken; (iii) Axactor's continued ability to secure enough financing to carry on its operations as a going concern; (iv) the success of its potential partners, ventures and alliances, if any; (v) currency exchange rate fluctuations between the euro and the currencies in other countries where Axactor or its subsidiaries operate. In the light of the risks and uncertainties involved in the debt collection business, the actual results could differ materially from those presented and forecast in this document. Axactor assumes no unconditional obligation to immediately update any such statements and/or forecasts.*

