Annual Report

2019

Content


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Axactor at a glance

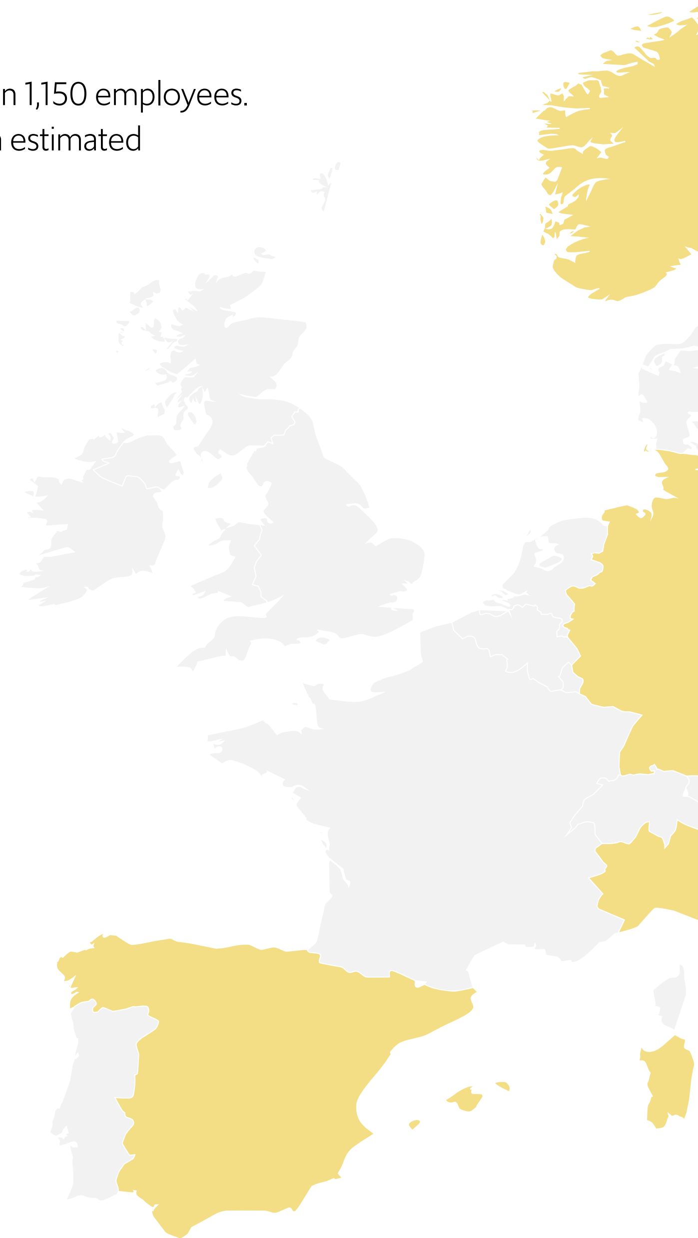
Axactor is an industry challenger providing innovative, cost efficient and IT powered next-generation debt management solutions. The company has risen from a start-up to Europe's top 10 in four years. Axactor performs debt purchases, debt collection and accounts receivables management as its main business activities and is currently operating in six markets – Spain, Norway, Germany, Italy, Sweden and Finland. Axactor is built on a passion for efficiency. Through its 'One Axactor' platform, efficiency is enabled through leading people, systems and funding.

Axactor was established in 2015 and today has more than 1,150 employees. The book value of own portfolios was EUR 1.2bn with an estimated remaining collection of EUR 2.2bn.

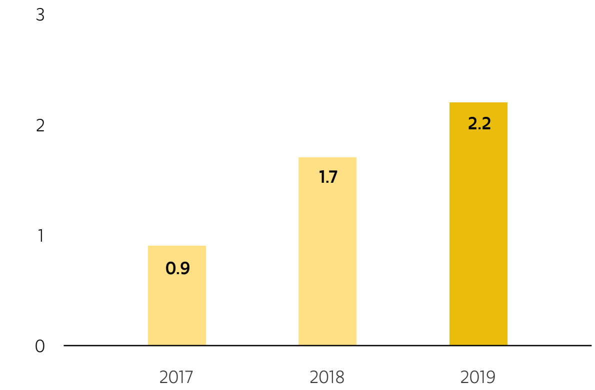
Gross Revenue per country
%

ESP	NOR	DEU
56%	13%	12%

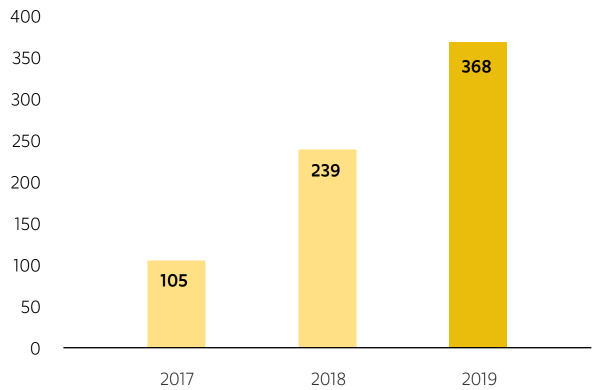
SWE	ITA	FIN
6%	6%	7%



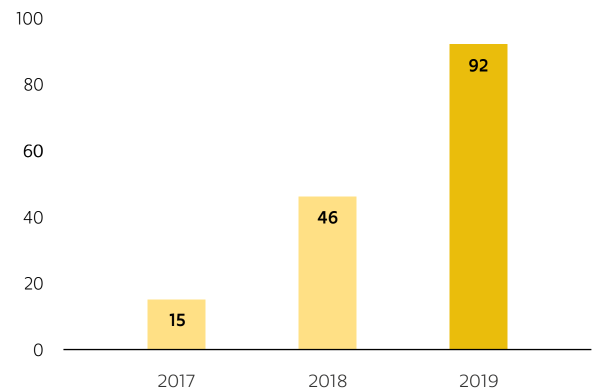
Estimated Remaining Collection (ERC)
EUR billion



Gross revenue
EUR million

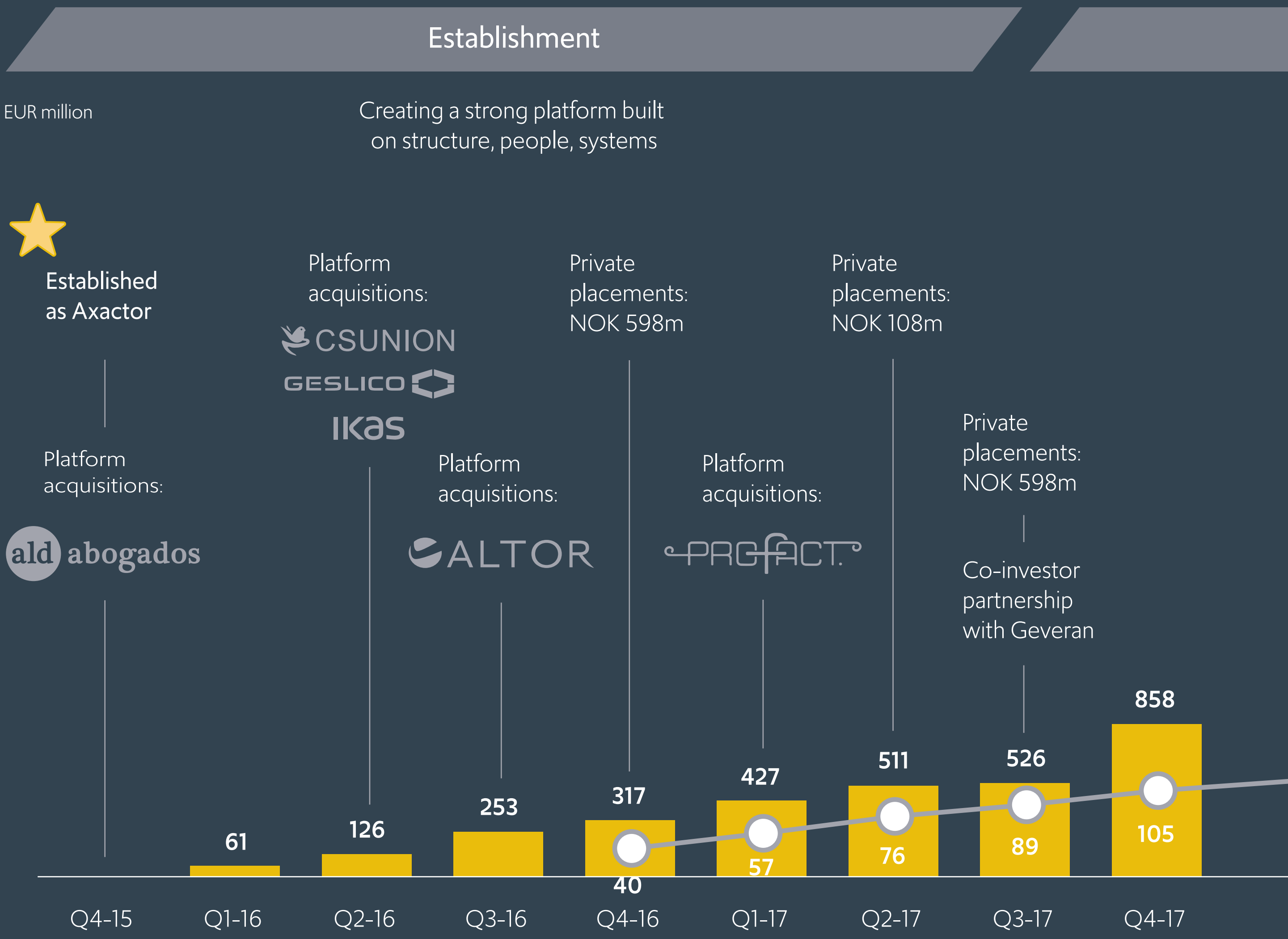


EBITDA
EUR million



Our journey

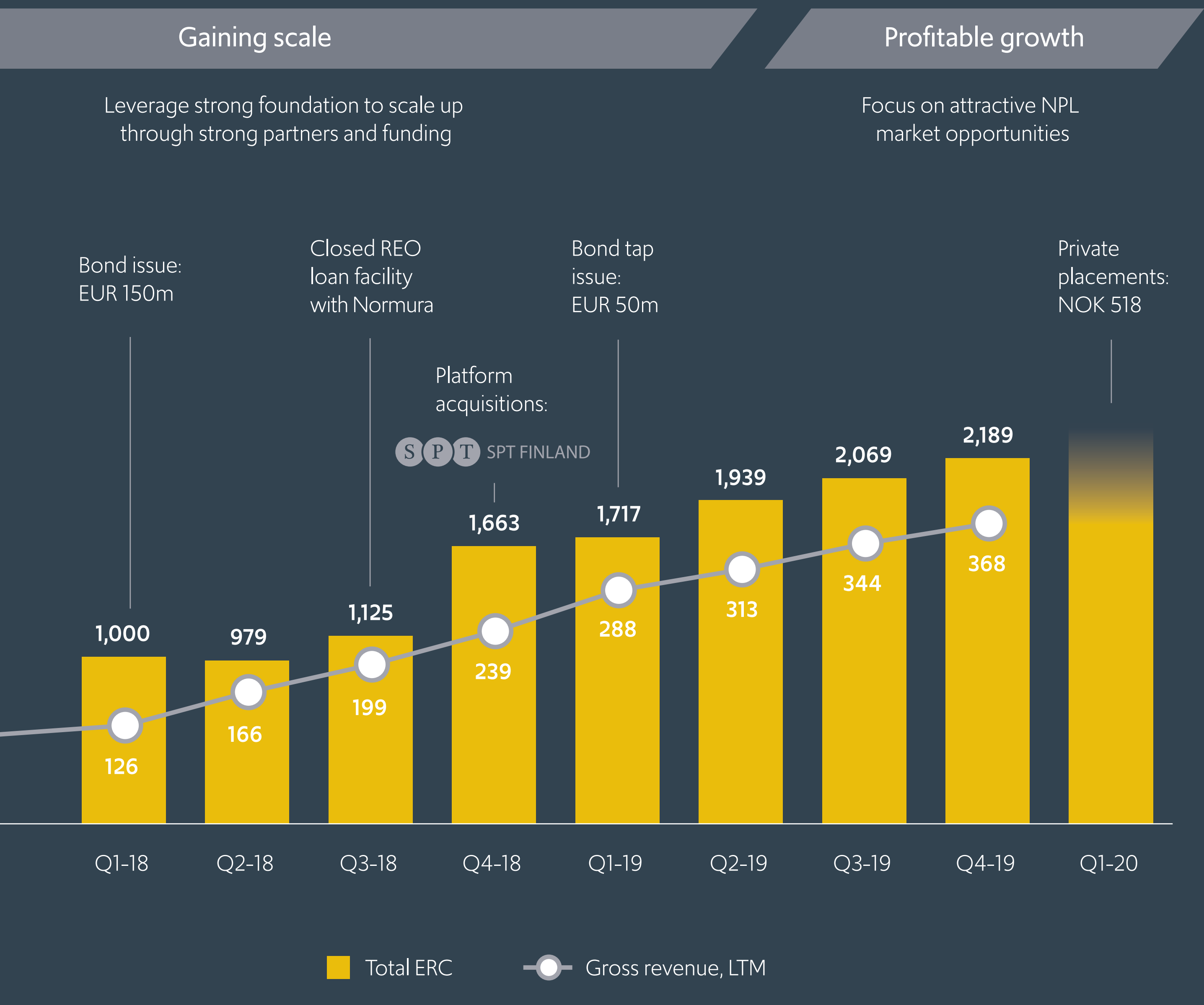
Axactor has become a European top 10 debt collector in 4 years and has build a solid platform for driving continued profitable growth



Axactor has a clear strategy for growth and has expanded across Europe over the past four years. Currently, our operations are in Norway, Sweden, Finland, Germany, Spain and Italy. From our home base in the Nordics, Axactor has an ambitious Pan-European growth strategy that targets sound markets for owning and collecting on Non-performing loans (NPL).

This market is estimated to be about EUR 1,000 billion across Europe, providing significant opportunities for Axactor's future expansion.

Through Axactor's journey the company has established a solid track record of growth and a strong financial position. Continuous investigation of new growth opportunities within existing and new markets is ongoing. Axactor looks for markets with regulatory framework and that are receptive to the next-generation debt management approach. Consolidation is also part of the growth strategy. Axactor's platform and ability to invest and deliver market leading, digitally driven operations makes the company an attractive partner for companies that lack the capabilities to realize their full potential.


Gaining scale
Leverage strong foundation to scale up through strong partners and funding
Profitable growth
Focus on attractive NPL market opportunities
Bond issue: EUR 150m
Closed REO loan facility with Normura
Platform acquisitions:
SPT FINLAND
Bond tap issue: EUR 50m
Private placements: NOK 518
1,000
979
1,125
1,663
1,717
1,939
2,069
2,189
126
166
199
239
288
313
344
368
Q1-18
Q2-18
Q3-18
Q4-18
Q1-19
Q2-19
Q3-19
Q4-19
Q1-20
Total ERC
Gross revenue, LTM

Our values

We are passionate people with deep industry knowledge. We create results by:

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

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

- Delivering what we promise
- Being straight and clear in our communication and treating everyone with respect
- Cooperating effectively together as a team and meeting our expectations

We are proactive in taking on future expectations by:

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

Sustainability

From within

We believe that sustainability begins from within the organization, everyone from the top management level throughout the entire organization are accountable for conducting business in an ethical, sustainable, environmentally, and socially responsible manner.

Consumer financing is a personal business, our employees must interact with our customers – and our customers' customers – in a way that communicates integrity and respect.

Open and transparent

To safeguard compliance and support transparency, we will encourage an open dialogue on any issue, internally and externally. All employees shall have thorough knowledge of Axactor's policies and know how to proceed if they detect behavior that violates Axactor's 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.

High ethical standards

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. This, combined with our vision statement and corporate principles lay the foundation for all work within corporate social responsibility.

Highlights of the year

Full year 2019

- Gross collection of EUR 368.1 million in 2019, with continued growth in all business segments
- EBITDA almost doubled to EUR 92.1 million in 2019, with a 10 percentage-points improvement in EBITDA-margin to 32%
- Cash EBITDA was up 84% to EUR 250.8 million
- Total portfolio investments amounted to EUR 399 million, of which EUR 286.4 million was invested under forward flow agreements
- Book value of the portfolio was EUR 1.2 billion at the end of 2019, with estimated remaining collection (ERC) up 32% to EUR 2.2 billion
- Net profit for 2019 was EUR 21.0 million, up EUR from 2.4 million in 2018
- Funding was increased by a total of EUR 310 million in 2019, and by a further EUR 51 million through a share issue after year-end

Significant events in 2019

Axactor has grown to become one of Europe's largest debt management providers during the last four years. In 2019, Axactor continued the scale-up by investing EUR 399 million, mainly into acquisitions of Non-performing loans (NPLs). The company made acquisitions in all its six geographical markets, with Norway the largest with over EUR 130 million invested.

Axactor invested EUR 286 million under forward flow agreements (FF) with financial institutions during 2019, primarily in the Nordics. The total estimated capital commitment for forward flow agreements for 2020 was EUR 178 million at the end of the year.

Axactor grew its asset-light third-party collection (3PC) business by 11% in 2019, signing several new contracts with financial institutions across its geographical reach. The leading position in Spain was cemented through partnership with all top-12 banks, and the company also made progress in the Nordic region.

No new real estate owned (REO) portfolios were acquired in 2019. The year-end book value of the REO assets was EUR 129 million, with ERC of EUR 151 million. Although the REO business is consolidated on a 100% basis, Axactor only has approximately 40% financial exposure to the REO segment due to minority interests in both Reolux Holding and two of its assets owning subsidiaries.

Axactor's next-generation debt management model continues to yield efficiency gains and supported a sharp increase in EBITDA margins from 22% in 2018 to 32% in 2019. The company made further advances in the standardization process through the 'One Axactor' program in 2019.

Customer satisfaction, measured as net promoter score, was very high in 2019, outperforming competitor averages in all geographies. Further improving customer satisfaction remains a key priority entering the new year.

Axactor strengthened its funding by EUR 310 million during the year, a key element to deliver on the growth strategy. Additional funding was secured through a private placement generating gross proceeds of approximately EUR 51 million in February 2020.

The planned investment level in NPL portfolios in 2020 is EUR 350-400 million.

Key figures 2019

Revenue	ERC	EBITDA	Cash EBITDA	Cash balance
368	2,189	92	251	72
EUR million	EUR million	EUR million	EUR million	EUR million
+ 54 % y/y	+32 % y/y	32 % margin		

Key Figures Axactor Group

	Full Year	
EUR million	31 Dec 2019	31 Dec 2018
Gross revenue	**368.1**	238.8
Net revenue	**285.2**	206.9
EBITDA	**92.1**	46.3
Cash EBITDA [1]	**250.8**	136.0
Amortization and depreciation (exl Portfolio Amortization)	**-10.1**	-6.0
Net financial items	**-49.4**	-34.1
Tax (expense)	**-11.7**	-3.8
Net profit/(loss) after tax	**21.0**	2.4
Cash and Cash equivalents at end of period [2]	**71.7**	67.6
Gross revenue from NPL portfolios	**217.1**	117.0
Gross revenue from REO portfolios	**91.2**	69.8
Acquired NPL portfolios during the period	**398.3**	461.9
Acquired REO portfolios during the period	**0.7**	99.3
Book value of NPL, end of period	**1,041.9**	728.8
Book value of REO, end of period	**129.0**	200.0
Estimated Remaining Collection, NPL	**2,038.4**	1,388.2
Estimated Remaining Collection, REO	**150.9**	274.5
Interest bearing debt, end of period	**929.9**	737.1
Number of Employees (FTEs), end of period	**1,152**	1,040
Price per share, last day of period	**19.00**	18.65

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

2) Restricted cash excluded

Value creating growth

Letter from the CEO

Scale and efficiency beginning to show

We continued to deliver on our growth strategy through 2019 and see that scale benefits and increasingly efficient operations generated sharp margin improvements. Total gross revenue increased by 54% to EUR 368 million - with growth in all our business segments - and EBITDA almost doubled to EUR 92 million.

Gross revenue in the NPL business increased by 86% last year, mainly driven by investments in both forward flow agreements and one-off portfolio acquisitions. We invested close to EUR 400 million in NPLs in 2019, and the estimated remaining collection (ERC) on these portfolios exceeded EUR 2 billion at the end of the year.

Our growth journey has taken us from a start-up to a top-10 European debt management provider in just four years. Right from the outset we have said that the key enablers of a good operating model in the debt management industry are People, Systems, and Funding, and we have continued to strengthen all three factors over the past year.

We have grown the organization and have the right people onboard to continue to invest and collect on our own NPL portfolios at the same time as we accelerate the growth of our 3PC business. Our surveys show that we manage to combine solid 3PC performance with higher customer satisfaction than our competitors, measured as net promotor score. Our operations are built on a combination of strong industry standard core collection systems and standardized and scalable support systems, in a set-up that yields a very low cost-to-revenue ratio in an industry perspective. Finally, we have been able to attract funding to support a rapidly growing asset base.

Focusing our business on NPL and 3PC

Our business mix changed over the past years, as we are deploying all our investments into NPLs and are running-off our stock of real estate owned assets (REOs). NPLs now account for 93% of ERC, with REOs at 7% and declining. The asset base is also changing in geographical terms. We have been investing more into the currently very attractive Nordic markets, which now account for almost half of the estimated remaining collection on the NPLs. We see increasing synergies between the NPLs and the asset light 3PC business, and several of the forward flow contracts we have signed recently include a 3PC period before we acquire the claims. This should benefit our collection performance and our overall capital efficiency.

Attractive opportunities

Over the past year, we have seen an increasingly attractive market opportunity with declining portfolio prices and increasing IRRs. We are therefore glad to have secured the funding required to continue to invest EUR 350-400 million also in 2020, which will drive the scale benefits further. In combination with continued operational improvements under our 'One Axactor' program this will improve profitability and return on equity over time. We remain excited about the opportunities that Axactor and our employees, customers, partners and shareholders have in front of us.

Endre Rangnes,
CEO

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

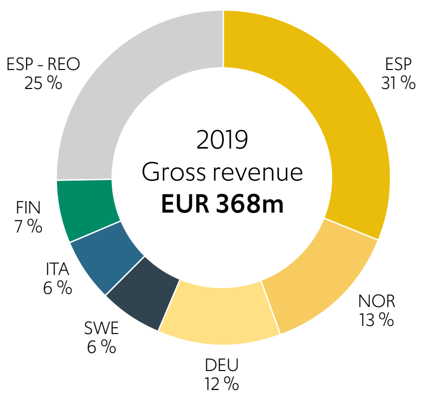
Report of the Board of Directors

1. Strategy

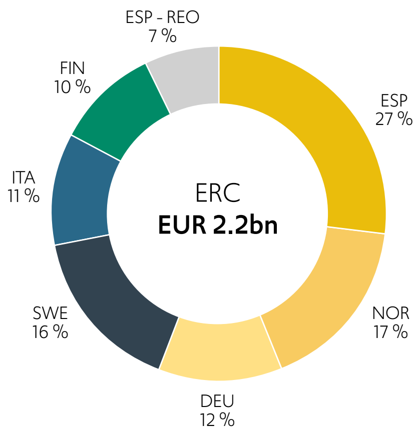
Axactor is one of the leading debt management providers in its geographical markets, operating an efficient, scalable platform for debt collection on own and third-party portfolios as well as accounts receivables management services. Headquartered in Oslo, Norway, the company currently operates in six countries; Spain, Norway, Italy, Germany, Sweden and Finland.

Axactor started out in Spain, and quickly reached its goal of becoming a top-3 player in the Spanish debt collection market. The second strategic goal was to broaden the geographical scope to other established growth markets, and Axactor has gradually built a more balanced geographical footprint in terms of both revenues and capital invested.

Gross Revenue per country
%



Estimated Remaining Collection (ERC)
%



The main growth driver for the debt management market has been the high and growing credit-based spending among consumers and small businesses, which has come at a time when European financial institutions have been facing increasingly stricter capital requirements. Many lenders have therefore been required to offload risk volumes from their balance sheets to comply with legal and commercial regulations and expectations.

These market dynamics and Axactor's business strategy have generated a steady flow of attractive business opportunities, and the company has in just four years of operations built a portfolio of non-performing loans with an estimated remaining collection of more than EUR 2 billion.

Axactor 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.

Axactor also owns a real estate portfolio in Spain, which was acquired prior to 2019 and no longer is considered core business for Axactor. These assets are expected to be realized over the next few years.

Axactor is built around three crucial enablers – **People, Systems and Funding**- and has established a skilled, scalable, lean and efficient organization that is well positioned to continue the company's growth journey going forward.

Axactor was founded by industry professionals with long experience and strong track records, and the management team has from the outset sought to establish a flexible and sustainable operation through a combination of centralized core functions and strong local operations.

Axactor has implemented modern core collection systems that are adapted to handle the different legal frameworks in each of the individual markets. These core collection systems are supported by outsourced, standardized modules for client and debtor interface, data analysis, and infrastructure and group functions such as finance/HR and CRM.

Axactor continues to push the standardization process further through the 'One Axactor' program. By the end of 2019, the company had launched a standard debtor portal alongside updated websites under the Axactor brand. Standard dialer software has been implemented in all markets, enabling a centralized traffic control team in Spain to serve all six countries. A common data warehouse was also put in place during the year, offering significantly improved business intelligence capabilities built on standardized KPIs across the markets.

The standardization of systems and processes offers scalability and improved business capabilities at a lower cost. One example of the operational leverage is that Axactor's IT and overhead costs have been steadily declining as a percentage of revenue. Increasing scale and continued cost efficiency programs are set to improve the cost ratio further.

Another example of the scalability is that the company handles sharply increasing volumes per employee. The number of FTEs increased to 1,152 at the end of 2019 from 1,040 at the end of 2018. The growth of 11% compares to a revenue growth of 54% in 2019.

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

Overall, Axactor invested close to EUR 400 million in new NPL portfolios in 2019. This was funded by cash flow from operations and a funding increase of EUR 310 million in the form of additional bank and bond debt, and externally provided new equity and loans in Axactor Invest 1 which is jointly owned with Geveran Trading.

To fund further growth, the company in February 2020 raised approximately EUR 50 million in gross proceeds through a private placement of 30 million shares at a subscription price of NOK 17.25 per share.

This will enable new portfolio investments of EUR 350-400 million also in 2020.

2. Operations

Axactor divides its operations into three business segments: Non-performing loans (NPL), third-party collection (3PC), and real estate owned (REO).

Non-performing loans (NPL)

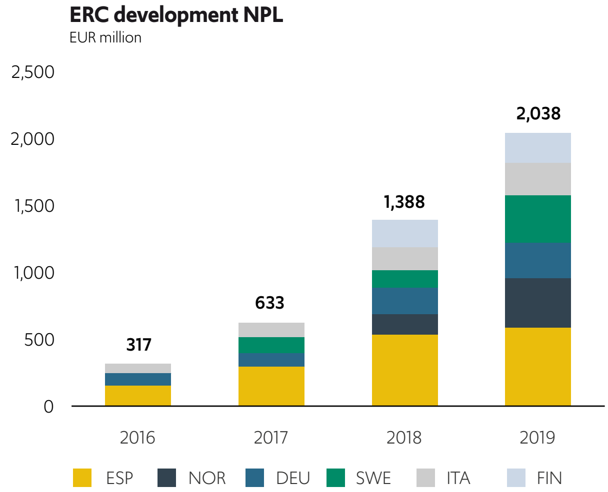
The NPL segment has been built through acquisitions of Non-performing loans for collection on the company's own collection platform. The collection performance on own NPL portfolios was 98% of the active collection forecasts for the portfolios.

Total portfolio investment in NPLs amounted to EUR 398 million in 2019, down from EUR 462 million in 2018.

The book value of the NPL portfolios was EUR 1,042 million at the end of the year, up from EUR 729 million at the end of 2018.

The estimated remaining collection (ERC) for the NPL portfolios was EUR 2,038 million at the end of 2019, which was an increase of 47% from EUR 1,388 million at the end of 2018. Per the end of 2019, the ERC for the coming 12 months was estimated at EUR 258 million.

An increasing part of the NPL investments come in the form of forward flow agreements, in which Axactor enter into agreements with financial institutions to acquire the loans upon default.



In 2019, the company invested EUR 286 million in NPL acquisitions under such forward flow agreements, primarily in Nordic major consumer banks. This has created a more balanced geographical footprint.

At the end of the year, Axactor had entered into forward flow agreements with an estimated capital requirement level of EUR 178 million for 2020, which was not included in the book values or ERC level per the end of 2019.

A significant portion of total 2019 investments were done through Axactor Invest 1, an SPV which is jointly owned with Axactor's largest shareholder Geveran Trading. The SPV was set up in 2017 with a total spending capacity of EUR 300 million. This was increased to EUR 350 million in 2019, when Axactor and Geveran injected an additional EUR 15m each in equity like Notes (A-Notes) and Geveran increased the mezzanine loan (B-Notes) by EUR 20m to EUR 140m. Taking into account the running forward flow agreements entered into by Axactor Invest 1, the vehicle was fully invested by year-end 2019. Running cashflow will be reinvested in the 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.

Third-party collection (3PC)

The 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 market position is particularly strong in Spain, where the company has established customer relationships with all of the top-12 banks, as well as with leading insurance companies and real estate firms. The position is also strengthening across Axactor's other geographical 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. A key focus area going forward will be combined 3PC and forward flow deals, where Axactor initially performs 3PC services prior to acquiring the claims under a forward flow agreement.

The size and scope of the third-party debt collection business (3PC) continued to develop positively in 2019, with the company signing several new 3PC contracts with both existing and new clients. During the year, the company also subordinated the account receivable management (ARM) services under the 3PC segment.

Real estate owned (REO)

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 did not acquire any new REO portfolios in 2019, and REO is not considered part of Axactor's core business going forward.

Sales volumes remained good throughout the year, although somewhat short of original expectations. A total of 2,337 assets were sold during 2019, with 4,024 assets left in stock at the end of the year. The book value of the remaining assets was EUR 129 million. ERC for the REO portfolio was EUR 151 million, of which EUR 75 million is expected to be realized in 2020.

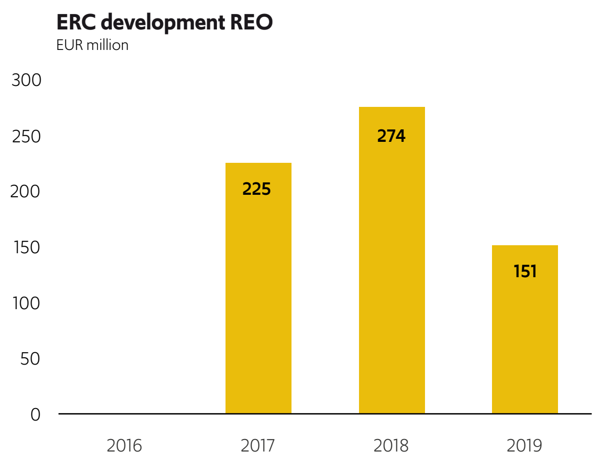
3. Corporate Social Responsibility

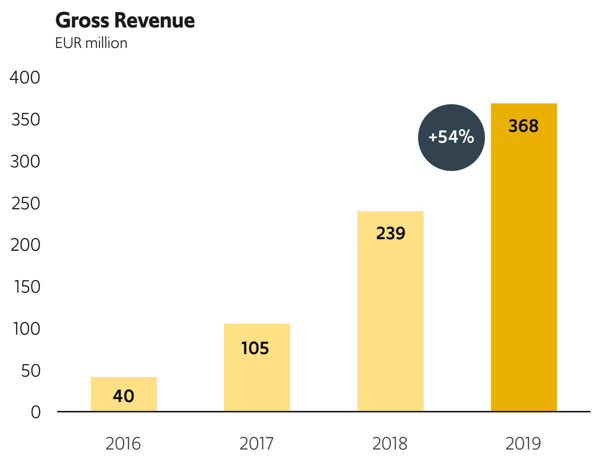
Axactor strives to maintain the highest level of professional standards and places maximum focus and importance upon honesty, integrity, accountability, transparency and compliance in all aspects of its conduct of business.

Axactor commits to comply with all applicable laws and regulations in all business activities. The company shall act in an ethical, sustainable, environmental and socially responsible manner, practice good corporate governance and respect internationally recognized human rights principles. To safeguard compliance and support the effectiveness of such acts, the company will maintain an open and ongoing dialogue on these issues, internally and externally.

The Board of Director and the Executive management of Axactor are committed to Environmental, Social and Governmental responsibility (ESG), and to the company's values, policies and guidelines for a sound corporate culture.

Please see page 24 in this annual report for a detailed description of Corporate Social Responsibility (CSR) activities, including the company's reviews of working environment, gender equality and external environment. The company Corporate Responsibility policy, Environmental policy and Code of Conduct are available on the company's website.

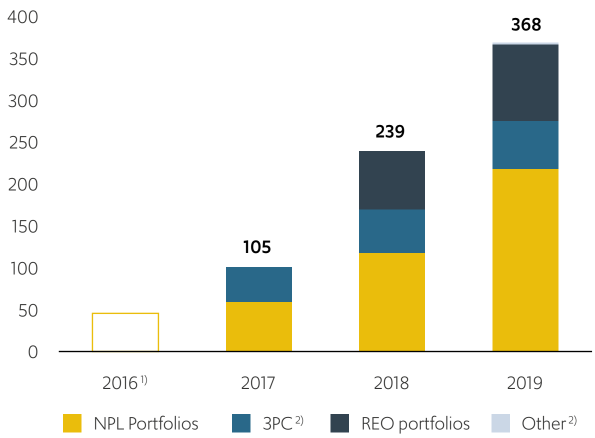




4. Financial performance

(Numbers in brackets refer to the corresponding figure in the previous year)

Gross revenue by segment
EUR million



1) Axactor did not operate with segments in 2016
2) ARM is reported as part of 3PC

Revenue

Gross revenue increased by 54% to EUR 368.1 million in 2019 (238.8), reflecting growth in all business segments. Debt collection on own portfolios (NPL) was the main growth driver, supported by the investments over the past couple of years.

Net revenue amounted to EUR 285.2 million (206.9), after deduction of EUR 82.9 million in portfolio amortization and revaluations (31.9).

Gross revenue from NPL collection increased by 86% to EUR 217.1 million in 2019 (117.0), corresponding to 59% of total gross revenues (49%). The increase is mainly explained by portfolio investments.

Collection performance remained healthy, with actual collection over the past 12 months at 98% of the active portfolio forecast.

Estimated remaining collection (ERC) on the NPL portfolios stood at EUR 2,038.4 million at the end of 2019 (1,388.2), of which EUR 258 million is expected to be collected in 2020.

The entry into forward flow agreements will further increase the size of the NPL portfolio and collection revenue going forward. Per the end of the year, the estimated capital expenditure commitment for signed forward flow agreements was EUR 178 million for 2020. Renewals of contracts expiring during the year is likely to increase the investment level further. The total investment level for 2020 is estimated to EUR 350-400 million, with the main focus on unsecured NPL acquisitions.

The Third-party collection (3PC) business reported gross revenue of EUR 57.7 million in 2019 (52.0), corresponding to 16% of total gross revenue in 2019. Revenue growth was hence 11%, which reflected both new contracts with existing clients and new customers.

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.

Spain still accounts for the bulk of 3PC revenues, reflecting a well-established position with all the top-12 Spanish banks and several leading insurers and real estate companies on the client list.

Going forward, 3PC is well positioned to grow on cross-border deals in the bank/finance sector in the Nordic region. The company in early 2020 renewed and expanded several existing forward flow contracts to include 3PC for a period prior to acquisition. Such combined 3PC and forward flow agreements lower the capital intensity of Axactor's business while remaining an attractive way for clients to offload their balance sheets. Axactor expect combined 3PC and forward flow contracts to be a key growth area going forward, in particular in the Nordic markets.

Gross revenue from REO portfolios amounted to EUR 91.2 million (69.8), corresponding to 25% of total gross revenues (29%).

Axactor increased the discounting to support volumes towards the end of 2019 and expects to continue this practice to maintain a high sales volume from a rapidly declining asset inventory also in 2020.

The company has lowered the ERC somewhat to reflect the higher discounting level and ended 2019 with a REO ERC of EUR 150.9 million (274.5). EUR 74.7 million of this is expected to be realized in 2020.

Although the numbers from the REO segment are consolidated into Axactor's financial statements on a 100%-basis, it should be Noted that Axactor's exposure to the REO segment is approximately 40% due to minority interests in the Reolux holding entity and two asset-owning subsidiaries of Reolux.

Operating costs

Operating expenses amounted to EUR 193.0 million (160.6), excluding depreciation and amortization.

This included REO cost of sales of EUR 74.1 million (54.5), representing reversal of the book value of sold assets, and REO impairments of EUR 0.4 million (1.9).

Personnel costs accounted for EUR 57.7 million (52.1). Measured as a percentage of net revenue, personnel expenses declined from 25% to 20%, which underlines the scalability of the business model.

Other expenses amounted to EUR 60.8 million (52.0), including IT/infrastructure costs, legal fees, and REO servicing costs. As a percentage of revenue, these other expenses declined from 25% to 21%.

Contribution by segment

The total contribution margin amounted to EUR 133.4 million in 2019 (83.4). The contribution margin reflects the segments' contribution to EBITDA before local SG&A, IT and corporate cost. Please see Note 5.

The contribution margin from the NPL segment was EUR 101.9 million in 2019 (62.0), reflecting both higher volumes and sound collection performance. The NPL contribution margin increased to 76% of net revenue (73%).

The contribution margin from 3PC was EUR 22.4 million (16.6), corresponding to 39% of net revenue (32%).

The contribution margin from REO was EUR 7.1 million (4.8), after cost of secured assets sold of EUR 74.1 million (54.5) and including a negative effect of EUR 0.4 million (1.9) from revaluation of assets in accordance with the IFRS lowest value principle. The contribution margin was hence 8% (7%).

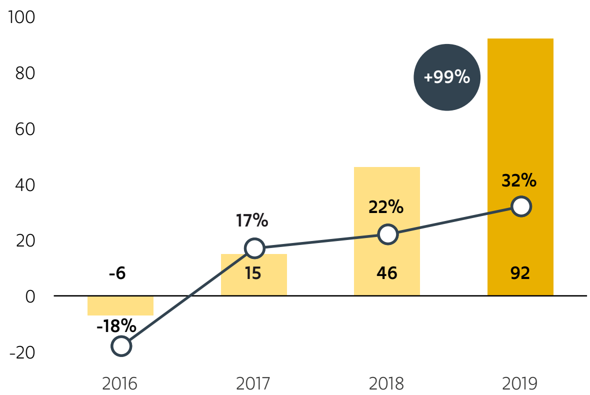
Local SG&A, IT and corporate cost amounted to EUR 41.3 million in 2019 (37.1), mainly reflecting the increased size of operations. Measured as percentage of Group net revenue, these costs declined to 14% in 2019 from 18% in 2018.

EBITDA

EBITDA almost doubled to EUR 92.1 million from EUR 46.3 million in 2018. The EBITDA margin thus increased to 32% from 22% the year before, 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 250.8 million in 2019, an increase of 84% from EUR 136.0 in 2018. Further details on reported alternative performance measures are available on page 20.

EBITDA and EBITDA margin
EUR million and %



Operating profit (EBIT)

Depreciation and amortization – excluding amortization of NPL portfolios – was EUR 10.1 million in 2019 (6.0). The increase is mainly explained by amortization of leasing contracts under IFRS 16, whereunder leasing costs are amortized over the lifetime of the contracts.

Operating profit (EBIT) was hence EUR 82.0 million (40.3).

Net financial items

Net financial items were a negative EUR 49.4 million in 2019 (34.1), comprising financial revenue of EUR 2.8 million (0.5) and financial expenses of EUR 52.2 million (34.6).

Interest expenses on borrowings accounted for EUR 51.3 million (29.7).

Net gain from foreign exchange were EUR 2.0 million (0.4). Other financial expenses amounted to EUR 2.3 million (2.0).

Net financials were positively affected by a reversal of EUR 2.1 million in distribution of interest on Notes that were classified as debt instruments in 2018.

Profits and tax

Profit before tax was EUR 32.6 million in 2019 (6.2), and net profit EUR 21.0 million (2.4).

Tax expense was EUR 11.7 million in 2019, compared to EUR 3.8 million in 2018, with the high effective tax rate reflecting that certain loss-making entities are not yet allowed to recognize tax losses carried forward. The tax rate has come down significantly compared to the previous year and is expected to continue to normalize over time.

Net profit to equity holders was EUR 16.3 million (4.5), whereas the net profit to non-controlling interests was EUR 4.6 (-2.1). Note that the total compensation of non-controlling interests in 2018 included interest on Notes charged to financial expenses.

Total comprehensive income was EUR 19.1 million for 2019 (-0.4), with the deviation from reported net profit mainly explained by foreign currency translation differences from foreign operations. EUR 14.4 million of this was attributable to equity holders of the parent company (1.7) and EUR 4.6 million to non-controlling interests (-2.1).

Earnings per share totaled EUR 0.106 (0.029) on an ordinary basis and EUR 0.093 on a fully diluted basis (0.026).

Financial position

Total assets amounted to EUR 1,371.6 million at the end of 2019 (1,107.9), of which book value of purchased NPL portfolios accounted for EUR 1,041.9 million (728.8).

Total non-current assets amounted to EUR 1,139.0 million (814.9), including intangible assets of EUR 87.4 million (82.3). This reflects intangible assets and goodwill acquired since inception, as well as deferred tax assets of EUR 9.7 million (7.6). Note that certain loss-making entities are not yet allowed to recognize tax assets.

Current assets amounted to EUR 232.5 million (293.0), including stock of REO assets of EUR 129.0 million (200.0) and cash and cash equivalents of EUR 75.4 million (70.8).

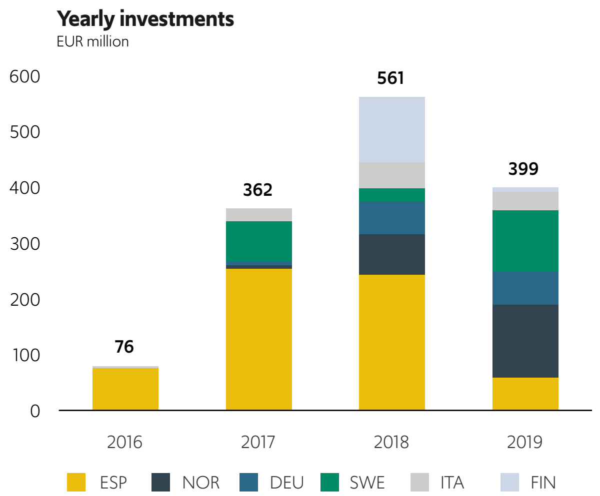
Total interest-bearing debt stood at EUR 929.9 million at the end of 2019 (737.1), and net interest-bearing debt at EUR 854.5 million at the end of 2019 (666.3).

Total equity amounted to EUR 377.6 million (328.2), including non-controlling interests of EUR 97.0 million (63.7). The equity ratio hence declined to 28% from 30% at the end of 2018. The company expects to maintain a long-term equity level around 30%.

5. Cash flow and Financing

Net cash flow from operating activities amounted to EUR 242.1 million in 2019 (136.3), with the increase primarily explained by higher collection on NPL portfolios and sale of REO assets.

Net cash outflow from investing activities was EUR 411.2 million (563.7), of which EUR 401.6 million was purchase of debt portfolios (456.3). Investments in REOs amounted to EUR 0.7 million (99.3), all related to assets in inventory.



Investments in subsidiaries amounted to EUR 0.3 million (1.1). No platform acquisitions were closed during 2019, whereas the company in 2018 acquired SPT Group Ltd. in Finland. Other investments in intangible and tangible assets amounted to EUR 9.6 million (7.0), mainly reflecting IT and infrastructure investments.

Net cash flow from financing activities was EUR 173.7 million in 2019 (447.8). Net proceeds from borrowings were EUR 223.9 million after debt repayments (443.9), whereas proceeds from equity issues were EUR 0.5 million (4.4).

Proceeds from non-controlling interests were a negative EUR 1.4 million, compared to a positive EUR 34.1 million in 2018.

Interest payments, loan fees and costs related to share issues represented a cash outflow of EUR 49.3 million in 2019 (34.5).

Funding

The increased leveraging of the company has been 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. EUR 150 million of the RCF was in the form of accordion options, of which EUR 100 million was released in February 2019 and EUR 50m in June. The RCF facility was increased in by EUR 150 million in October 2019, through the grant of two accordion options of EUR 75 million each. One of the accordion options had been released by the end of 2019.

The establishment of a co-investment partnership with Geveran Trading in Axactor Invest 1 in 2017 increased total investment capabilities by EUR 300 million. 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. During 2019, Axactor and Geveran each injected an additional EUR 15m in A-Notes, and Geveran at the same time increased the loan through B-Notes by EUR 20 million. This effectively increased the total investment capabilities of Axactor Invest I by EUR 50m to EUR 350m.

Axactor has one outstanding bond loan of EUR 200 million, maturing in June 2021. EUR 50 million of the bond was tapped in March 2019. One bond tap option of EUR 50m remains intact.

The REO assets are partly funded by a loan agreement with Nomura Intl., entered into through Reolux Holding in 2018. The outstanding balance was EUR 53 million per the end of 2019, and the agreement matures in August 2022.

In February 2020, the company raised new equity through a private placement of 30 million shares at a subscription price of NOK 17.25 per share. The gross proceeds were NOK 517.5 million (EUR 51 million).

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	92,140
Portf. Amorti/reval	82,934
REO cost of sale	74,464
Share option cost	1,256
Cash EBITDA	250,794

7. Proposed allocation of the company's results

The parent company, Axactor SE, had a net result after tax of EUR -3,135 million in 2019, compared to EUR 0.4 million in 2018.

The result available for disposal of the Annual General Meeting is as follows:

EUR thousand	
Distribution to share premium	-3,135

8. Corporate Governance

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

The shares of Axactor are freely negotiable. There are no restrictions on owning, trading or voting for shares in the Articles of Association. The shares in the company are not subject to any transfer restrictions.

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 28-34 in this annual report for a detailed description of the corporate governance principles and reporting for 2019.

9. Risk profile

Axactor's regular business activities entail exposure to various types of risk, including risk related to economic growth and employment levels in Axactor's markets. The company also operates in a highly regulated industry environment, with enhanced focus from authorities and stricter regulations and reporting requirements for areas such as consumer rights, good debt collection practices, anti-money laundering (AML), market abuse (MAR), and general data protection regulation (GDPR).

The company in all materiality complies with relevant rules and regulations for debt management providers in all its geographical markets.

The company is also subject to regulatory changes in individual markets, such as proposed stricter debt collection regulations in Norway and Germany. The company will adhere to new rules and believe the above-mentioned regulatory changes will have only a limited financial impact.

Axactor also faces operational risks, mainly related to IT stability and application availability, as well as information security. The company seeks to mitigate these risks through partnerships with certified hardware and software /application providers.

These and other risk factors are covered in detail in Note 3 of the Groups financial statement.

The Board has adopted a risk management policy, and annually carries out a bottom-up and top-down risk assessment covering the entire risk specter. Head of Group Legal and Compliance has the operational responsibility for risk management. The countries provide status updates of the internal control, most important risks and mitigation measures to the Executive management on a monthly basis. Head of Group Legal and Compliance report monthly to the Executive management and quarterly to the audit committee.

Axactor's financing and financial risks are managed within the Group in accordance with the Financial policy and Treasury policy established by the Board of Directors. Internal and external financial operations are concentrated to the Group's central finance function.

Axactor's exposure to market risks relating to interest rates, currency developments, credit, liquidity, and financing are also covered in detail in Note 3 to the Group's financial statement. The main risks related to interest rates, liquidity and financing can be summarized as follows:

The interest rate risk relates to the variable rates on Group's interest-bearing debt, which amounted to EUR 929.9 million per the end of 2019 (737.1). An annualized increase/decrease of 100 basis points would increase/decrease profit before tax by EUR 9.3 million (7.2). The average effective interest rate for 2019 was 5.8% (6.1%).

With regards to liquidity, the Group's objective is to maintain a balance of financial assets that reflects the cash requirements of its operations and investments for the next 12-24 months.

The Group generates positive cash flow from operating activities, and per the end of 2019 the Group held cash and cash equivalents of EUR 71.7 million excluding restricted cash (67.6). The liquidity is managed on the Group level.

Axactor plans for an investment level of EUR 350-400 million for 2020. This is dependent on an extension or refinancing of a EUR 500 million Revolving Credit Facility (RCF) which matures in December 2020.

In January 2020, the company strengthened its equity ratio and cash position through a private placement that generated gross proceeds of approximately EUR 51 million.

Given the current financial position and cash flow projections, and the investment outlook and financing opportunities, the Board of Directors believes refinancing can be achieved at improved terms and considers the liquidity risk to be manageable.

10. Going concern

Based on the review of Axactor SE's financial statement, the Board of Directors confirms that the annual financial statements for 2019 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.

11. Outlook

Axactor will continue to develop its position as a leading European debt management company in the years to come.

Axactor reported gross revenue growth of 54% in 2019, on the back of investments made through 2018 and 2019. The EBITDA-margin increased from 22% to 32% and EBITDA almost doubled in 2019, in reflection of sound collection performance, scale benefits, and the leverage effects of a lean and efficient business model.

The company will continue to sharpen its competitive edge through further standardization on the common 'One Axactor' platform.

Axactor sees increasingly attractive acquisition opportunities in its main markets, with lower prices and improved IRRs both for one-off portfolio investments and forward flow agreements. At the same time, Axactor monitors the current macroeconomic development including the effects from the Covid-19 virus. If the current situation develops into even more challenging financial markets and real economy conditions, the supply and prices of NPL portfolios may be positively affected, while access to capital and collection will be negatively affected.

Current funding and cash flow projections allow for an NPL investment level of approximately EUR 350-400 million in 2020, with the expected positive effects of improved IRR levels to be blended in over time.

Axactor will continue to seek growth opportunities for its capital light 3PC business, where the company has a strong position in the Spanish market and see a growth potential in combined 3PC and forward flow agreements in the financial sector in the Nordic region.

Axactor does not plan to deploy additional capital into the REO market in 2020, and the exposure to the area will diminish as the remaining stock is being sold off.

Overall, Axactor expects increased scale and growing profitability to improve return on equity over time.

Oslo, 10 March 2020
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 unaudited Financial Statements 2019, 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 Accounting act.

Oslo, 10 March 2020
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

Corporate social responsibility report

Axactor strives to maintain the highest level of professional standards and places maximum focus and importance upon honesty, integrity, accountability, transparency, and compliance in all aspects of its conduct of business. This includes effectively managing environmental, social and governance matters. We also recognize that business has a role to play in solving social challenges. We work to do so through responsible investments, by supporting and developing the skills of our employees, and by offering innovative products that cater to our customers' needs. This combines faster payments and respectful treatment of debtors, brings down outstanding credits, secures a stronger financial market, and increases quality of life for many people in financial difficulties.

The Board of Director and the Executive management is fully committed to the work to ensure that Axactor complies with all applicable laws and regulations and operates in line with Axactor's values, policies and guidelines in all business activities.

1. Promoting sustainable operations

The company shall act in an ethical, sustainable, environmentally and socially responsible manner, practice good corporate governance, and respect internationally recognized human rights principles. Axactor has zero tolerance for corruption, fraud, money-laundering and terrorist financing. To safeguard compliance and support the effectiveness of such acts, the company will maintain an open and ongoing dialogue on these issues, internally and externally. This is reflected in among others the Environmental policy, Corporate Governance policy, Anti-fraud, anti-corruption and anti-money laundering policy, our privacy declaration and Corporate Social Responsibility policy, which are all available on the company's website. Axactor has in addition a set of internal policies, procedures and guidelines specifying the principles in the mentioned policies.

Axactor sets clear responsibilities and expectations for our leaders, employees and partners. This enables us to operate efficiently with the necessary oversight and control. Effective governance structures further allow us to work smoothly by ensuring that everyone has a clear understanding of the distribution of roles, responsibilities, rights and accountability. The corporate governance of Axactor complies with formal regulations and generally accepted best practices.

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.

The risk management framework shall also ensure efficiency and control of the business operations in compliance with laws and regulation and our business ethics, as well as profitability and continuity. Axactor's internal control and risk management systems consist of a set of policies and procedures covering e.g. our strategy, operations, business ethics, regulatory compliance, and internal and external reporting. All employees receive adequate training. Compliance is monitored and reported, and continual improvement work carried out.

Axactor operates a structured risk management process that includes strategic risk, financial risk, reputational risk, technical risk, and legislative and regulatory compliance risks. The Board carries out regular reviews of the most important areas of risk exposure and its internal control arrangements. The internal control framework shall assure that the operations are effective and aligned with our strategic goals and correct, reliable, complete and timely financial reporting and management information.

The Board of Directors was not made aware of any material breaches of Axactor's policies in 2019.

The company measures customer and debtor satisfaction through surveys. Axactor has also implemented procedures for complaints and whistleblowers. In addition, Axactor is under the supervision of regulatory authorities in all its markets. None of these channels have uncovered any material deviations from the sustainability principles.

In addition to company-wide guidelines, procedures and policies, all markets have local CSR initiatives. Some examples from the Spanish unit include:

- Volunteer program to contribute to the local community
- Specific program to focus on reducing the environmental impact
- Strong focus on creating equality for all employees through training plans, transparency in the selection process and promotion of equality and diversity
- Ensure certain positions are filled by employees with disabilities

2. Environment

Axactor's business is by nature non-polluting and generally harmless to the external environment. Axactor is nevertheless committed to reduce its environmental footprint. Axactor's Environmental policy, approved by the Board, addresses how the company manages and controls environmental issues in its operations and services.
The Environmental policy is available on the company's website.

The main environmental issues relate to energy consumption, travel and the waste hierarchy, both in the day-to-day operations and in the lifetime management of IT-equipment.

Axactor monitors compliance to its policies and procedures through annual internal audits/self-assessments, with the results presented in a separate report to the Board of Directors towards the end of the year.

With regards to energy consumption, all Axactor offices shall – if feasible- have systems for time-regulated monitoring of ventilation, heating/cooling and lighting. No relocations or reconstructions of existing offices shall lead to higher energy consumption. An internal audit/self-assessment performed in the second half of 2019 showed compliance with the policy in all countries except Spain, where actions have been defined to mitigate and ensure policy compliance during 2020.

As part of Axactor's HR policy, the Travel Procedure specifies that employees are encouraged to limit travel and use tele-/video conferencing as much as possible, and that approval is needed before travels. Some travels are unavoidable due to the international scope of the company's operations. Axactor strives to lower the travel ratio and encourages less carbon intensive travels.

Axactor has also limited the use of company cars and encourages the choice of low emission vehicles. It is mandatory to select models/ specifications that have a lower than average fuel consumption and emission for its class, according to in the World Light Vehicle Test Procedures (WLTP).

Axactor is committed to reduce waste. The general waste hierarchy is to first reduce waste at the source, secondly to reuse items if possible, and thirdly to ensure that items not possible to reuse are recycled. All offices shall have recycling of paper and systems for waste sorting to secure proper handling.

The internal audit/self-assessment for 2019 confirmed that all countries are following these principles.

Axactor has partnered with IT contractors, as mentioned below, that are certified according to ISO or conduct its business in accordance with similar standard. Under these certifications, the contractors are obliged to ensure recycling of IT-equipment and seek efficient and environmentally friendly alternatives for sourcing, packaging and transportation.

During 2020, Axactor will investigate the opportunity to become an Eco-Lighthouse certified enterprise, in order to create and even more environmentally friendly and safer work environment. This will include CO2 reporting. The Eco Lighthouse Foundation has prepared industry specific requirements for a range of different industries. Certification is subject to independent assessments and re-certifications every three years. Certification will require issuance of annual environmental reports.

3. Privacy

Axactor respect the personal integrity of individuals. Axactor processes different types of personal data in different ways for different situations, depending on whether a person is a representative of a customer, vendor or public authority, a debtor, employee, a job applicant, visitors to our website(s) etc. Regardless of situation, Axactor shall only process personal data in accordance with applicable data protection regulation.

We are obliged to implement appropriate technical and organizational measures to ensure and to be able to demonstrate that processing is performed in accordance with Regulation (EU) 2016/679 (GDPR) and local data protection laws. Further, personal data shall only be collected for specified, explicit and legitimate purposes, and the data must be processed fairly and in a transparent manner in relation to the data subjects. Records of our processing activities shall be kept. Axactor shall process requests from data subjects regarding any of its rights in an appropriate manner and as deemed reasonably practical. In order to minimize the processing, personal data shall be deleted or anonymized when we no longer have legal grounds for processing the personal data. Only personal data necessary for the relevant processing are to be collected and processed. In order to ensure that we comply with the GDPR and local data protection laws, we have developed a Data Protection policy and procedures and guidelines applicable for the Axactor group with clear roles and responsibilities. However, even if the GDPR sets out a common general legal framework in all EEA countries, there are certain differences in the legal requirements, such as debt collection laws, administrative laws, civil proceedings laws and accounting laws. We adapt our procedures to reflect these differences. All our employees must complete a training program which shall include basic data protection training and more advanced data protection training adjusted for the data processing to be conducted by the employee. All deviations and data breaches must be reported internally through the established incident and data breach notification channel.

4. Our products and customers

Axactor has a process for approving new products and business development prior to launch and to secure an appropriate quality and service level. Axactor shall have a responsible product offering and monitors the social impact and risks of our products and services. Axactor strives to ensure and improve customer and debtor satisfaction, and customer and debtor satisfaction surveys conducted in 2019 showed a high level of satisfaction in all the markets we operate.

Axactor has a complaint process in each country. A limited number of complaints were received from debtors and none considered critical. All complaints are handled in accordance with the procedure; investigated, answered, errors (if any) corrected, reported and filed.

Operations are performed in accordance with common KPIs across Axactor, and are reported to Group on a monthly basis and the Board semi-annually. Several improvement project to raise the quality have been initiated and are closely monitored.

Portfolio investments (NPL) and REOs are also monitored closely by the Group investment management team on a regular basis, and the Board's Investment Committee quarterly.

Axactor has a process for ensuring that new customers are satisfactorily evaluated and approved, to ensure compliance, avoid loss of reputation and secure an appropriate quality and service level according to both parties` expectations. A policy sets out clear and appropriate guiding principles for how new customers are approved and contracts are set up.

Management shall ensure responsible investments. Through a "know your customer" procedure Axactor conducts appropriate checks to avoid entering into agreements with customers involved in any fraudulent, corruptible, money-laundering or other illegal activities, or coming from a sanctioned country, and to prevent any conflict of interest. All Axactor's contracts shall contain warranties of compliance to relevant laws and regulations.

5. Our suppliers

Axactor has a structured purchasing processes and sourcing strategies to ensure that the services and goods we acquire are the result of transparent, objective, time and cost-effective decision making and risk management. Ethics, regulations, professionalism and equal treatment of suppliers are absolute requirements in this work. All purchases shall among others be fair, unbiased, consistent, and aim to attract the widest and most diverse pool of applicants possible and appropriate. Axactor shall never engage any suppliers involved in any fraudulent, corruptible, money-laundering or other illegal activities, and ensure they comply with data privacy and have implemented sufficient organizational and technical information security measures to protect the privacy of the personal data processed. Axactor has consequently partnered with e.g. IT contractors that are ISO-certified under 9001 Quality, 14001 Environmental and 27001 Security or similar standard such as ISAE3402 type II and ISAE 3000 type II. Under these certifications, the contractors are obliged to ensure environmentally friendly alternatives for its business, high information security standards, compliance to e.g. GDPR etc.

Axactor shall encourage competition by ensuring non-discrimination in purchase and use competitive purchasing processes and promote the use of resources in an efficient, effective and ethical manner. The decision making shall be conducted in an accountable and transparent manner in accordance with Axactor Delegation of authority policy.

Our suppliers shall be compliant with good corporate governance and not involved in any illegal activities that can cause negative consequences and harm the reputation of Axactor, consistent with socially responsible, diverse and ethical business operations and practices. The selection of suppliers should be based on transparent and objective criteria, free from personal interests, biases, or other untoward or political influences. Axactor shall select suppliers with an acceptable environmental standard and use products and services that represent the lowest total impact on the environment. All records should be as complete and accurate as possible, and timely kept. During the contractual period the respective manager responsible for the contractual relationship should assess that relevant suppliers provides the right quality and quantity of goods or services at the greatest total value to the business, in accordance with the agreement and in compliance with laws, information security requirements and business ethics.

These principles are outlined in Axactor's procurement policy which is approved by the board.

6. Our People

The Axactor organization continued to expand in 2019, with the number of employees increasing to approximately 1,150 FTEs from 1,040 FTEs at the end of 2018. Axactor has employees located in all its operating markets. At the end of 2019, Axactor had 656 FTEs in Spain, 198 in Germany, 117 in Norway, 106 in Italy, 34 in Sweden and 28 in Finland. In addition, the company employed five in Latvia and eighth in Estonia related to the Finnish operations.

Axactor's centralized HR function in Oslo, Norway, is led by an EVP of Human Resources 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. Country specific HR operations and adaptations to local regulations and norms have been delegated to the local HR teams.

The HR policy clearly states that the company shall always comply with local laws and regulations for employment and working conditions, and fair employment practices are embedded in the Code of Conduct and Corporate Social Responsibility policy. 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. Axactor conducts diversity monitoring and audits to ensure compliance.

Any and all employees are free to participate in any employee unions and have the right to collective bargaining. Axactor shall offer a working environment where it is possible to combine work, career, family life and spare time.

The Group aims to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion and recruiting. Axactor seeks to achieve a gender balance within the occupational categories and organizational levels across the Group. At the end of 2019 the company overall employed 760 women (63%) and 440 men (37%). On the managerial level 31% were women and 69% men, whereas 2 of 7 country managers were women. The Board of Directors consisted of 3 women and 3 men.

New reporting regulations for gender equality will be in effect from 2020. Axactor is implementing a new HR system during 2020 and will develop a HR reporting structure that is compliant with the new regulations. This system will also improve the human capital development metrics and human capital risk assessment reporting.

Quality, health and safety are integral aspects of the Company's operations, and systems are in place to monitor and follow up accidents or incidents. Axactor's business is by nature non-hazardous, and no accidents or injuries were recorded in 2019. There are several local initiatives to promote employees' health, e.g. sponsoring of health club membership, common training for groups of employees, physiotherapist availability in the office on a regular basis, internal football match arrangements, annual culture and value event dedicated to physical health, and separate health insurances.

The internal working environment is considered 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. Employee's personal data is processed in accordance with GDPR and local data privacy regulations and their privacy protected.

The Company runs biannual employee engagement surveys to ensure that the company has a healthy and engaged workforce aligned with the company's values, operating model, policies and procedures. Based on the result of the last survey the employees show an overall high level of satisfaction and motivation related to their work in Axactor. This is also reflected in the turnover for 2019 with an average rate of 3,5% for Spain, 3% for Finland, 11% in Sweden, 4% in Italy, and 5,5% for Germany. Germany has a higher turnover than previous years due to larger organizational changes conducted in 2019. In Norway the turnover for 2019 was much higher than normal with 24%. This is due to several employees seeking employment at their previous employer who have started competitive business, changes to the bonus model and working methodology for 3PC and larger transformations within the sales organization. The turnover for Norway is expected to decrease substantially in 2020 when the planned operational changes have been finalized.

All countries have defined actions according to the recommended focus areas for Axactor, combined with their local results. Each country's action plan is followed up during the quarterly HR reviews per country. The country action plans are aligned by Group and best practices shared. No red flags are identified, and all actions are on track. Axactor also has a whistleblowing channel, presented in the Corporate Governance report, where employees anonymously can report on non-compliance to the above mention sustainability principles. No material issues have been reported.

People development

Axactor's HR policy states that the company is committed to continuous professional development of its employees. To secure this the company drives all training through the Axactor Academy. The Axactor Academy provides the organization with a streamlined structure to manage the competence development for all employees. Control mechanisms are in place to assess the quality of the skills development and monitor the training and certification of all employees. All markets have a defined training curriculum.

Managers and employees cooperate in setting structured career development targets for the individual employee and holds regular performance development conversations. An open feedback culture is promoted. 32 top managers have participated in a leadership development program delivered by AFF. 16 new top managers will participate in the same program during 2020.

All markets offer team leader training, to secure well qualified team leaders that knows what is expected and how to carry out the role in the local market. The sales managers and sales force in general also undergo structured training with focus on the sales process, customer service and follow-up. In Operations the training is directed to improve efficiency, best use of systems and secure the best debtor follow-up and care. In addition, all employees receive trainings to secure compliance to relevant laws and regulations such as debt collection regulations, tax and financial regulations, anti-fraud and anti-corruption, data privacy, information security, anti-money laundering and terror financing and other business ethical standards. 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's efficient operational platform is viewed as one of its main competitive advantages in the debt collection industry, and the company 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, common 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.

During Q4 2019 the company started the implementation of a new HR system that will be fully implemented during first half of 2020.

Statement of Corporate Governance

The objective of Axactor is to create and perform sound, sustainable, responsible and competitive business – creating long-term value and returns for the company's stakeholders. To achieve such objectives and to have a well-run business, effective corporate governance is indispensable. In Axactor, such governance forms the foundation of business. Accordingly, Axactor sets clear responsibilities and expectations for leaders, employees and partners through governance. This enables Axactor to operate efficiently as well as having the necessary oversight and control. Effective corporate governance ensures that everyone has a clear understanding of the distribution of roles, responsibilities, rights and accountability. Corporate governance in Axactor complies with formal regulations and generally accepted best practice.

Axactor's Corporate Governance policy of 2019 can be found on the company's website.

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 approved the Corporate Governance policy 12 December 2019.

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.

Deviations from the Code of Practice in 2019: None

1. Statement on Corporate Governance

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

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".

Objectives and strategies

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

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

Principle of the Code	Devatiation from the Code	Explanation of Devation
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	

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 based on responsible investment and product offering;
- Being an attractive employer, with a focus on creating an environment for professional and personal growth, with respect and 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 ethical business standards towards all people and players in all our markets; and
- Emphasis on becoming and maintaining a position as a leading, responsible and sustainable European player in the company's market.

Ethical guidelines and values

The company shall 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, as approved by the Board, are available at the company's website. The company has measures to deter non-compliance and reduce exposure to unethical opportunities.

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 20 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 2019, the Group had an equity ratio of 28% and a debt-to-equity ratio of 2.6x. 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 10 March 2019 granted the following authorizations to the Board in 2019:

Decision to authorize the Board to increase the share capital through the issue of new shares:
In accordance with the proposal from the board, the general meeting adopted the following resolution:

(i) Pursuant to section 10-14 of the Public Limited Liability Companies Act, the board is granted authorization to increase the company's share capital by issuing new shares with a total nominal value of up to EUR 15,702,696, equal to 30,000,000 shares, each with a nominal value of EUR 0.523423187712375.

(ii) The authorization may be exercised in one or several capital increases.

(iii) This authorization may be exercised in connection with (i) placements and issuances of shares to eligible investors to obtain more capital for the company, or (ii) as full or partial consideration for investments in other businesses or acquisitions of assets within the company's core areas of expertise.

(iv) The existing shareholders' pre-emptive rights may be waived.

(v) Payment of share capital in connection with a capital increase under this authorization may also be made by a contribution in kind or otherwise as described in section 10-2 of the Public Limited Liability Companies Act.

(vi) The authorization also comprises issuance of shares in connection with a merger.

(vii) The board is granted the power to determine the subscription rate and the conditions for subscription, and to amend the articles of association section 4 according to the increase in the share capital.

(viii) The authorization is valid until the annual General Meeting in 2020, expiring at the latest on 30 June 2020."

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 does not foresee declaring dividends during the growth phase.

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 shareholders' meeting.

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

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

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 GMs 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 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 AGM and at EGMs when deemed necessary depending on items treated.

Notices for AGM and EGMs shall provide information on the procedure 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,

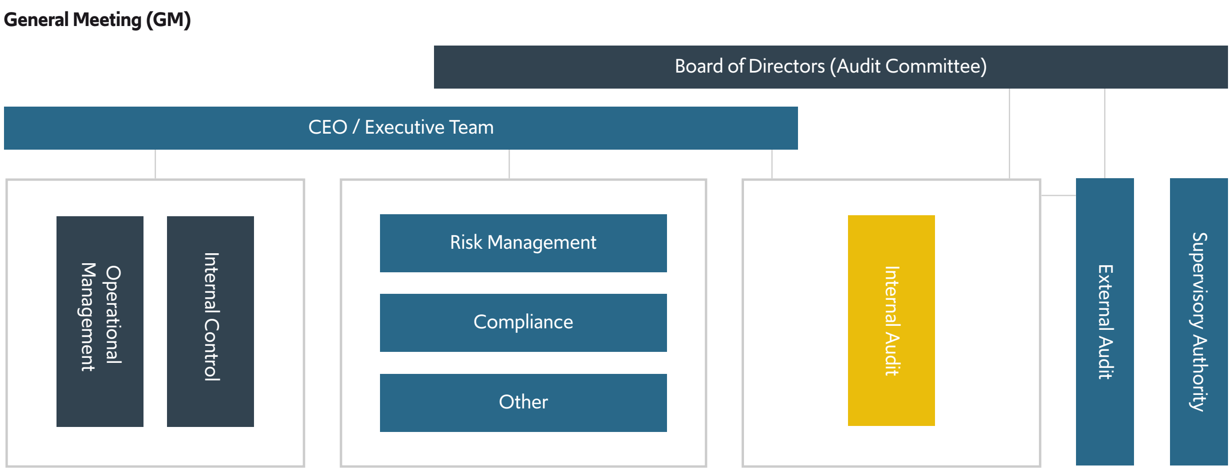
and

(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 GMs. The main agenda items for the AGM 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 GMs shall be published on newsweb.no and on the company's website at axactor.com.

Deviations from the Code of Practice: None



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.

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 GM 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 AGM. The Nomination Committee's main responsibilities are to propose candidates for election to the Board and to recommend remuneration for board members. Reasonable rationales should be provided for the Nomination Committee's recommendations, and relevant information should be provided about the candidates and their independence. The recommendations of the Nomination Committee shall generally be made available to the shareholders at the time of the notice of the GM. 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 and the contact details of the Chair shall be available on the company's website. As of 31 December 2019, the members of the nomination committee were:

- Robin Bakken (Chair)
- Magnus Tvenge (Member)
- Cathrine Lofterød Fegth (Member)

Deviations from the Code of Practice: None

8. The Board

Composition

The Board of Directors shall be elected by the GM. The Board of Directors shall constitute of minimum three and maximum six directors as regulated in the Articles of Association clause 5 available at the company's website. 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. The Nomination Committee has evaluated the Directors of the Board and found all of the Directors to be independent of the company and only five out of six members independent of the company's significant shareholders. The independence of the board members shall also be evaluated by the Board and the board members inform the Board if any changes in these circumstances occur, in which case their independence will be re-evaluated. 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 shall have 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 depend on the company's ongoing needs. The Board ensures that the operation of the company complies 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 2019 pg. 36-39 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 shall ensure that the Board's work is performed in an effective and correct manner.

The Board shall annually adopt working procedures for the Board.

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

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

All members of the Board shall regularly receive information about the company's operational and financial development. The company's strategies shall regularly be subject to review and evaluation by the Board. The Board shall hold regular physical meetings, at least every two months. Extraordinary Board meetings shall be hold 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 2019, a total of 21 board meetings were held. 14 of these were extraordinary board meetings, of which 5 physical meetings and 4 held by telephone meetings. 5 extra ordinary board meetings related to portfolio investments and administrative decisions needed for specific dates were held by circulation. One meeting was an annual strategy meeting.

The Board shall prepare an annual evaluation of its work.

Sub-committees of the Board

The Board shall establish 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 shall be 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. A majority of the members shall be independent of the company's executive management, and at least one member shall have qualifications within accounting or auditing. The Audit Committee shall receive reports on the work of the external auditor and the results of the audit.

The Audit Committee held 6 meetings in 2019.

As of 31 December 2019, the Audit Committee consisted of the following members:

- Merete Haugli (Chair)
- Terje Mjøs
- 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 which shall be communicated to the GM. These proposals may also be relevant for other employees.

The guidelines for the remuneration of the CEO and executive personnel shall set out the main principles applied in determining the salary and other remuneration of the executive personnel. Performance-related remuneration of the executive personnel shall be linked to value creation for shareholders or the company's earnings performance over time and be subject to an absolute limit.

The Remuneration Committee held 6 meetings in 2019.

As of 31 December 2019, the Remuneration Committee consisted of the following members:

- Bjørn Erik Næss (Chair)
- Lars Erich Nilsen

The Investment Committee shall be appointed by the Board to assist the Board in discharging its oversight responsibilities. The Investment Committee shall oversee the financial investment process and proposals to ensure that the relevant investments meet the company's requirements with respect to expected return, responsible investments and due diligence prior to commitment of funds.

The Investment Committee held 13 meetings in 2019.

As of 31 December 2019, the Investment Committee consisted of the following members:

- Lars Erich Nilsen (Chair)
- Bjørn Erik Næss
- 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 and compliance management that are appropriate in relation to the extent and nature of the company's activities. The Board has adopted a policy for compliance and 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 and provides 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, managerial responsibilities for compliance, a set of policies and procedures, training, customer and supplier due diligence, monitoring through financial reviews and internal audits, incident investigations and corrective actions as well as reporting. The Code of Conduct and Group policies such as policies for procurement, finance and accounting, communication, legal and compliance, delegation of authority, CSR, environmental, debt purchasing, operations, physical security, data privacy, and IT and information security are approved by the Board annually. 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, ESG and business ethics, as well as ensuring profitability, efficiency and continuity. All Group policies and procedures have a designated owner within 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, ESG, 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 within e.g. business ethics including anti-fraud and anti-corruption, good debt collection practices, GDPR and anti-money laundering and terrorist financing. 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 and governance issues. 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 financial accounting system and these are automatically consolidated into the Group's results. Impairment testing of NPLs is conducted on a quarterly basis and goodwill and REOs on an annual basis. These processes are reviewed by the external 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 in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting.

The company shall operate a whistle-blowing channel for all employees within the Group to use if 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 is easily accessible by all employees, independent and available 24/7. The channel handles reported cases in local language with integrity, respect and confidentiality and ensure protection of any reporter reporting in good faith. The whistle-blower channel shall offer full anonymity and allows users to enter into written dialogue and to exchange information without losing their anonymity. The whistle blower report shall be processed in accordance with the company's procedure and the Board be informed of all cases reported, the types of misconduct and measures taken.

Deviations from the Code of Practice: None

11. Board compensation

The GM 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 2019 (page 68 in the Annual Report 2019.

Deviations from the Code of Practice: None

12. Compensation to employed management

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

The CEO shall determine in consolidation with the Board the remuneration of executive employees. The Board have issued guidelines for the remuneration of the CEO and the Executive Management Team. 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 CEO and the Executive Management Team have been adopted, approved by the AGM and published on the company's website.

The Board's statement regarding remuneration of the executive management can be found in Note 8 to the company's financial statements 2019 (page 68 in the Annual Report 2019).

Deviations from the Code of Practice: None

13. Information and communication

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

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

The company shall have clear routines for speakers on behalf of the company on different subjects, and responsible persons 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 GM.

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 shall 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 shall 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 shall 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 shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity. The auditor shall attend at least one meeting each year with the Board at which the company's management is not represented.

The auditor shall be present at board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines, etc. One meeting was held in 2019.

The auditor shall 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 2019 is described in Note 9.

At the AGM, 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 shall specifically consider whether the auditor is performing his control function satisfactorily.

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

The company's auditor is PWC.

Deviations from the Code of Practice: None

Board of Directors

Bjørn Erik Næss

Chairman, Investment Committee, Remuneration Committee

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

Beate Skjerven Nygårdshaug

Board member, Audit Committee

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 Legal Director for Kistefos AS from 2006-2014 and the Legal Counsel for TDC Song from 2003-2006. In addition she has experience from law firms, startups and consultancy, and she has developed a Senior Board Competance program for NHO.

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, Investment Committee

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, Audit Committee

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

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

Terje Mjøs

Board member, Audit Committee

Mr. Mjøs is the CEO of Visolit AS. Mr. Mjøs has been the chairman of the Board of Solid Media Group from 2015-2017 and has been a senior advisor to Apax Partners (private equity) from 2015-2017. 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 in Economics and Business Administration from Norwegian Business School BI.

Lars Erich Nilsen

Board member, Investment Committee, Remuneration Committee

Mr Lars Erich Nilsen has been employed by Seatankers Management 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 of Economics and Business Administration (Siviløkonom) from Norwegian Business School, BI.

Management

Endre Rangnes
Chief executive officer

CEO in Lindorff Group AB (2010-2014), CEO of EDB Business Partner ASA, now EVRY ASA (2003-2010).

Prior work experience includes various positions within the IBM Group (including being Country Manager Norway and serving as member of IBM Nordic's executive and top management teams).

Other current assignments/positions: Board member of Tieto Ojy.

Johnny Tsolis
Chief Financial Officer

8 years of experience from working with the Lindorff Group. He has his main focus on PMI/cost and productivity improvement.

Broad international experience, more than 5 years on projects abroad, primarily in Spain, Germany, the US, the Netherlands, Denmark, Sweden and Finland.

Former work experience includes positions as partner at Cardo Partners AS, partner at DHT Corporate Services, Handelsbanken Capital Markets and Arkwright.

Oddgeir Hansen
Chief Operating Officer

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

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

Siv Farstad [1)]

Executive vice president, Human Resources

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

Earlier she served as HR manager for Microsoft Development Center Norway and EVP HR for NRK. In her earlier career, she has worked 14 years in Accenture where she held several consulting positions.

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

Head of Group Legal & Compliance

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.

1) Siv Farstad has resigned from her position as Executive vice president, Human Resources, effective from 01.04.2020

Steffen Fink

Country Manager Germany

Steffen Fink started in 08/19 as the new Country Manager and Managing Director of Axactor Germany.

For the last 22 years Steffen Fink has held various management positions for an international credit insurer. Most recently he was "Head of Nordics" with responsibility for all Scandinavian subsidiaries in Denmark, Norway, Sweden and Finland. He was also CEO of two debt collection companies in Denmark and Sweden.

Until 2014 Steffen Fink was Regional Claims and Debt Collection Director with the same credit insurer in Germany and responsible for activities in Germany, Russia, the Netherlands and Scandinavia.

Lisa Sohtell

Country Manager Sweden

Lisa Sohtell has over 20 years' 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-).

Her focus is on change management, credit management and collection services. She has a high drive towards creating strong management teams with a high performance culture.

Jarkko Jalonen

Country Manager Finland

Jarkko Jalonen has over 10 years of experience in leading debt collection businesses. Before the role as Country Manager for Axactor Finland, he has been CEO and entrepreneur of SPT (2008-2018) and in IT businesses (2001-2008). He has degrees within scientific studies in ethics of the debt collection business and has an analytical mindset.

He is strong in leadership and inspiring the teams to overcome the challenges.

Stina Koren

Country Manager Norway

Stina 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.

She is highly committed to performance management, building strong management teams and develop and deliver the best services and results for the clients.

Andrés López

Country Manager Spain

Andrés López began his professional career advising on legal matters at AIG Europe Limited company before becoming one of the founding partners of ALD Abogados, a solicitor and legal startup acquired by Axactor in 2015.

Over the past 15 years he has specialized in the Spanish market, consolidating his experience in acquiring & valuating Debt Portfolios.

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

David Martín

Country Manager Spain

David Martín began his professional career as solicitor and partner in Ibeas & Ayudarte Consultancy Services, and was one of the founding partners of ALD Abogados, a solicitor and legal startup acquired by Axactor in 2015.

David Martín has strong experience in Third Party Collections Services in Spain, including automatization and optimization of business processes, enhancing customer experience and development of new business lines.

David Martín holds a degree in law from Carlos III University of Madrid, and a PDD from IESE Business School.

Antonio Cataneo

Country Manager Italy

Antonio Cataneo, after having held managerial roles in other sectors, has over 10 years experience in running debt collection businesses.

Before acting as Country Manager in Axactor Italy, he held primary executive roles in KRUK Group in Italy (2016-2018) and was COO & Member of the Board of Credit Base International (2008-2016).

Shareholder information

The company's total capitalization at 31 December 2019 was NOK 2.95 billion, based on a closing share price of that day of NOK 19.00.

Dividend policy

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

Shares and share capital

At 31 December 2019, Axactor had 155,395,464 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 2019 the company had 8,460 shareholders.

In 2017, the company issued EUR 13 million American style warrants in Axactor to Geveran with an exercise price of NOK 32.5. The warrants expired in 2019. For more info, see Note 11.

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 SE0011309319.

Principal shareholders

The 30 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 3.7 million share options were granted under this plan during 2019 and per 31 December 2019 8.7 million share options are outstanding. Further information on the company's share option plan has been included in 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 registered in VPS at 28 February 2020

Name	Shareholding	Share %
Geveran Trading Co Ltd	58,068,772	31.32 %
Verdipapirfondet Dnb Norge	7,938,738	4.28 %
Torstein Ingvald Tvenge	7,150,000	3.86 %
Ferd AS	6,364,139	3.43 %
Verdipapirfondet Alfred Berg Gamba	3,755,030	2.03 %
Verdipapirfondet Alfred Berg Norge	3,560,144	1.92 %
Verdipapirfondet Alfred Berg Aktiv	2,629,655	1.42 %
Vatne Equity AS	2,121,599	1.14 %
Verdipapirfondet Nordea Norge Verd	2,086,030	1.13 %
Gvepseborg AS	2,036,494	1.10 %
Ubs Switzerland AG	1,938,416	1.05 %
Alpette AS	1,661,643	0.90 %
Nordnet Livsforsikring AS	1,416,277	0.76 %
Klotind AS	1,365,244	0.74 %
Citibank (Nominee)	1,305,737	0.70 %
Andres Lopez Sanchez	1,177,525	0.64 %
David Martin Ibeas	1,177,525	0.64 %
KLP Aksjenorge Indeks	1,061,741	0.57 %
Latino Invest AS	1,030,000	0.56 %
Verdipapirfondet Nordea Kapital	1,005,137	0.54 %
Verdipapirfondet Nordea Avkastning	998,028	0.54 %
Tveco AS	903,541	0.49 %
Reodor AS	901,881	0.49 %
Vardfjell AS	891,401	0.48 %
Bnp Paribas Securities Services	890,000	0.48 %
Endre Rangnes	864,000	0.47 %
Elena AS	860,000	0.46 %
Svein Dugstad	825,000	0.44 %
Citibank (Nominee)	769,948	0.42 %
Titas Eiendom AS	728,550	0.39 %
Total 30 largest shareholders	117,482,195	63.37 %
Other shareholders	67,913,269	36.63 %
Total number of shares	185,395,464	100 %

Geographic residence Shareholders as registered in VPS at 28 February 2020

	Shareholding	Share %
Norway	94,147,074	51 %
Cyprus	58,068,778	31 %
Sweden	12,229,418	7 %
United Kingdom	7,136,710	4 %
Ireland	3,206,367	2 %
Switzerland	2,720,615	1 %
Spain	2,582,258	1 %
Other	5,304,244	3 %
Total	185,395,464	100 %

Ownership structure by size of holdig as registered in VPS at 28 February 2020

	Number of holders	Number of shares	Share %
1-10,000 Shares	7,737	10,983,075	6 %
10,001- 100,000 Shares	840	25,829,621	14 %
100,001- 1,000,000 Shares	142	39,732,922	21 %
1,000,001- 5,000,000 Shares	16	29,328,197	16 %
Above 5,000,000 shares	4	79,521,649	43 %
	8,739	185,395,464	100 %

Financial statements

Axactor Group and Parent Company

Consolidated Statement of Profit and Loss

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
Interest revenue from purchased loan portfolios		**134,531**	74,536
Net gain/loss purchased loan portfolios		**-319**	10,599
Other operating revenue		**148,926**	121,774
Other revenue		**2,021**	0
Total Revenue	5, 6	**285,159**	206,909
Cost of REO's sold, incl impairment	21	**-74,464**	-56,438
Personnel expenses	7, 8	**-57,708**	-52,133
Other operating expenses	9	**-60,847**	-52,032
Total operating expense		**-193,019**	-160,602
EBITDA		**92,140**	46,306
Amortization and depreciation	10, 14, 15, 16	**-10,115**	-6,009
EBIT		**82,025**	40,298
Financial revenue	11	**2,787**	453
Financial expenses	11	**-52,176**	-34,591
Net financial items		**-49,389**	-34,138
Profit/(loss) before tax		**32,636**	6,160
Tax (expense)	12	**-11,667**	-3,770
Net profit/(loss) after tax		**20,969**	2,390
Net profit/(loss) to Non-controlling interests		**4,643**	-2,103
Net profit/(loss) to equity holders		**16,326**	4,492
Earnings per share: basic	13	**0.106**	0.029
Earnings per share: diluted	13	**0.093**	0.026

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2019

EUR thousand	2019	2018
Net profit/(loss) after tax	**20,969**	2,390
Items that will not be classified subsequently to profit and loss		
Remeasurement of pension plans	**0**	50
Items that may be classified subsequently to profit and loss		
Foreign currency translation differences - foreign operations	**-1,904**	-2,830
Other comprehensive income/(loss) afer tax	**-1,904**	-2,780
Total comprehensive income for the period	**19,065**	-390
Attributable to:		
Non-controlling interests	**4,643**	-2,103
Equity holders of the parent company	**14,422**	1,713

Consolidated Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
ASSETS			
Intangible non-current assets			
Intangible Assets	14	**21,487**	19,170
Goodwill	14, 15	**56,170**	55,577
Deferred tax assets	12	**9,742**	7,564
Tangible non-current assets			
Property, plant and equipment	16	**2,903**	2,683
Right-of-use assets	10	**5,846**	0
Financial non-current assets			
Purchased debt portfolios	17, 18	**1,041,919**	728,820
Other non-current receivables		**765**	293
Other non-current investments	17, 20	**193**	778
Total non-current assets		**1,139,025**	814,885
Current assets			
Stock of Secured Assets	21	**129,040**	200,009
Accounts Receivable	22	**13,135**	9,459
Other current assets	22	**14,960**	12,774
Restricted cash	23	**3,739**	3,184
Cash and Cash Equivalents	23	**71,657**	67,593
Total current assets		**232,531**	293,018
TOTAL ASSETS		**1,371,556**	1,107,903

Consolidated Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital		**81,338**	81,115
Other paid-in equity		**201,879**	200,298
Retained Earnings		**2,153**	-14,172
Reserves		**-4,721**	-2,817
Non-controlling interests	11, 26	**96,977**	63,746
TOTAL EQUITY	24	**377,626**	328,170
Non-current Liabilities			
Interest bearing debt	17, 26	**466,378**	567,829
Deferred tax liabilities	12	**17,591**	11,124
Lease liabilities	10	**3,481**	0
Other non-current liabilities	11, 27, 28	**1,415**	1,180
Total non-current liabilities		**488,864**	580,132
Current Liabilities			
Accounts Payable		**5,902**	4,522
Current portion of interest bearing debt	17, 26	**463,555**	169,296
Taxes Payable	12	**6,570**	1,610
Lease liabilities	10	**2,549**	0
Other current liabilities	29	**26,491**	24,172
Total current liabilities		**505,066**	199,600
TOTAL LIABILITIES		**993,930**	779,732
TOTAL EQUITY AND LIABILITIES		**1,371,556**	1,107,903

Oslo, 10 March 2020
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 2019

	Equity related to the shareholders of the Parent Company						
	Restricted	Non-restricted					
EUR thousand	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year	Total	Non controlling interest	Total Equity
Closing balance on 31 Dec 2017	79,377	196,298	13	-15,630	**260,057**	31,776	**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**	31,776	**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**
Result of the period				16,326	**16,326**	4,643	**20,969**
Foreign currency translation differences - foreign operations			-1,904		**-1,904**		**-1,904**
Total comprehensive income for the period	0	0	-1,904	16,326	**14,422**	4,643	**19,065**
Proceeds from Non-controlling interests					**0**	28,588	**28,588**
New Share issues (exercise of share options)	222	325			**548**		**548**
Share based payment		1,256			**1,256**		**1,256**
Closing balance on 31 Dec 2019	81,338	201,879	-4,721	2,153	**280,648**	96,977	**377,626**

Consolidated Statement of Cash Flow

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
Operating actitvities			
Profit/(loss) before tax		**32,636**	6,160
Taxes paid	12	**-4,741**	-2,543
Adjustments for:			
- Finance income and expense		**49,389**	34,138
- Portfolio amortization and revaluation	18	**82,934**	31,900
- Cost of secured assets sold, incl. Impairment	21	**74,464**	56,432
- Depreciation and amortization	14, 16	**10,115**	6,009
- Calculated cost of employee share options	25	**1,256**	1,374
Change in Working capital		**-3,941**	2,783
Net cash flows operating activities		**242,112**	136,253
Investing actitvities			
Purchase of debt portfolios	18	**-401,646**	-456,339
Sale of debt portfolio		**885**	0
Purchase of REO's	21	**-668**	-99,310
Investment in subsidiaries	31	**-250**	-1,086
Purchase of intangible and tangible assets	14, 16	**-9,642**	-6,995
Interest received		**98**	17
Net cash flows investing activities		**-411,222**	-563,713
Financing actitvities			
Proceeds from borrowings	26	**303,984**	600,651
Repayment of debt	26	**-80,089**	-156,791
Interest paid		**-44,149**	-24,405
Loan fees paid	26	**-5,168**	-10,090
New Share issues		**547**	4,395
Proceeds from Non-controlling interests		**-1,412**	34,073
Costs related to share issues		**0**	-31
Net cash flows financing activities		**173,713**	447,802
Net change in cash and cash equivalents		**4,604**	20,341
Cash and cash equivalents at the beginning of period		**70,776**	50,482
Currency translation		**16**	-47
Cash and cash equivalents at end of period, incl. restricted funds		**75,396**	70,776

Summary of Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The Parent Company Axactor SE (publ) ("Axactor"), with Norwegian corporate identity number 921 896 328 is a joint stock company, 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 10 March 2020 and will be submitted for approval to the Annual General Meeting on 1 April 2020.

Note 2 Summary of significant Accounting Principles

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 2019.

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

2.1 Basis for 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 (EUR thousand) 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.

2.2 Consolidation principles

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the 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 recognized at fair value and the difference between the consideration and the carrying amount of the asset is recognized against the equity attributable to the parent.

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

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

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

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

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

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

2.6 Segment reporting
Axactor derives its revenues from the following operating segments: Non-performing loans (NPL); Real estate owned (REO) and Third-party collection (3PC). The operations are being managed by segments. Axactor reports its business through reporting segments which corresponds to the operating segments. Segment profitability and country profitability are the two most important dimensions when making strategic priorities and deciding where to allocate the Groups resources. For management purposes, the Group is in addition organized 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.

2.7 Revenue and revenue recognition
Axactor's revenue is derived from the tree main streams: Non-performing loans (NPL); Real estate owned (REO) and Third-party collection (3PC).

Revenue from portfolios is recognized according to IFRS 9 'Financial instruments' using the effective interest rate method while 3PC is recognized according to IFRS 15 'Revenue from contracts with customers'.

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

The revenues from NPL portfolios are described in detail in 2.14.1. The group can sell a NPL portfolio to another debt collector. The revenue will be recognized at the time the portfolio is transferred to an external buyer.

3PC 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. From Q3 2019, Axactor subordinated its accounts receivables management (ARM) activities under its Third-party collection segment.

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, 8, 27 and 28 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 recognized 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 group do not have a defined benefit plan per 31.12.2019.

Share-based compensation

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognizes the impact of the revision to original estimates, if any, in the 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 Borrowing expenses

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

2.10 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 recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized to the extent that 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 recognized to the extent that the entity has sufficient taxable temporary differences or that there is convincing other evidence supporting the utilisation of the tax losses and tax credits, including the impact of time restriction by local tax authorities. The carrying amount of deferred tax asset is reviewed at the end of each reporting period. Unrecognized 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.

2.11 Intangible assets

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

2.11.1 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 it's carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. When the group disposes of an operation within a CGU or group of CGUs to which goodwill has been allocated, a portion of the goodwill is included in the carrying amount of the operation when determining the gain of loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of the partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the group reorganizes its businesses.

2.11.2 Customer relationships and Databases

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

Development costs on an individual project are recognized as an intangible asset only when there is an identifiable asset that will generate expected future economic benefits and when the cost of such asset can be measured reliably, otherwise development costs are recognized as an expense when incurred. During 2019 the Group has been continuing the development of a standard consolidation system, ERP system (hence the acquisition of SVP Finland) business infrastructure and Business Intelligence system.

2.12 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.

2.13 Right of use assets and Lease liabilities

From 1 January 2019 the Group has applied IFRS 16 'Leases' using the modified retrospective approach. The impact of changes in accounting policies and impact of the initial application is disclosed in section 2.18 and Note 10.

At the inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

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

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

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

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

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

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

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

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

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

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

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

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

A financial liability is derecognized when the contractual obligation has been paid by Axactor. Interest Income and interest cost are calculated using the effective interest rate method.

2.14.1 Non-performing loans (NPL)

Non-performing loans, presented as 'Purchased debts portfolios' in 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 recognized at fair value at the date of purchase. Since the loans are measured at fair value, which includes an estimate of future credit losses, no allowance for credit losses is recorded in the consolidated balance sheet on the day of acquisition of the loans. The loans are measured at amortized cost according to credit adjusted effective interest rate. 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 recognized in the profit or loss as income or expense in 'Net gain/loss purchased loan portfolios'. Interest income is recognized using credit adjusted effective interest rate, 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 owned (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 loans according to IFRS 9, hence all values relating to the asset is de-recognized from the portfolio value in the balance sheet.

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

2.14.2 Forward Flow Agreements

The Group has entered into several forward flow agreements to purchase future non-perming 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 recognized in the income statement under "net gain/loss purchase loan portfolios".

2.14.3 Accounts receivable

Accounts receivable are recognized 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 amortized cost.

2.14.4 Trade and other payables

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

2.14.5 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.

2.14.6 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.

2.15 Stock of secured assets/Real estate owned

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

2.16 Provisions and contingent liabilities

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

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

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

2.17 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.

2.18 Changes in Accounting Policies and disclosures implemented in 2019

IFRS 16 'Leases' was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Effective from 1 January 2019 the Group adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. The Group recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings. At the date of initial application of IFRS 16, the Group measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019. Further, the Group recognized right-of-use assets at an amount equal to the lease liability.

EUR thousand	Total
Operating lease commitments disclosed as at 31 Dec 2018	7,442
Discounted using the Group's incremental borrowing rate of 6%	6,445
Add: adjustments to Discounted using the Group's incremental borrowing rate of 6%	436
Add: finance lease liabilities recognized as at 31 Dec 2018	58
(Less): short-term leases recognized on a straight-line basis as expense	-20
(Less): low-value leases recognized on a straight-line basis as expense	-109
(Less): adjustments for leasing contracts starting after 01.01.2019	-1,071
Add: adjustments relating to changes in the index or rate affecting variable payments	4
Lease liabilies recognized as at 1 Jan 2019	5,743

The Group has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets
- Excluded any initial direct costs from the measurement of the right-of-use asset
- Applied hindsight when determining the lease term for contracts containing options
- Interest rate used is equal to the intercompany borrowing rate

The Group leases a limited number of assets such as buildings and vehicles.

2.19 Changes in Accounting Policies and disclosures for 2020 calendar year or thereafter

Standards and interpretations that will be in effect from 1 January 2020 or later is disclosed below.

- IFRS 17 'Insurance contracts' - This standard is not applicable to the Group.
- Amendments to IAS 1 and IAS 8 - The International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materially judgments. This amendment will not bring about significant changes for the Group.
- Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform. This amendment will not affect the Group

Note 3 Financial risk management objectives and policies

Axactor defines risk as all factors which could have a negative impact on the ability of the Group to achieve its business objectives. All economic activities are associated with risk. In order to manage risk in a balanced way, it must first be identified and assessed. Axactor conducts risk management at both a Group and company level, where risks are evaluated in a systematic manner. The following summary is by no means comprehensive but offers an overview of all material risk factors which are considered especially important for Axactor's future development.

The credit management sector is affected negatively by a weakened economy. Unemployement rate, interest rate and other macro factors affecting disposable income, will in turn impact debtors ability to repay their outstanding loans. 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. There are upcoming proposed stricter debt collection regulations in Norway and Germany which the Group will adhere to. The financial effect is expected to have limited impact for the Group.

Interest rate risks

Interest risk is related to the risk the group is exposed to from changes in the market's interest rate which can affect the net profit. Interest rate risk relate primarily to the Group's interest-bearing debt, which amounted to EUR 929.9 million on 31 December 2019 (2018: EUR 734.4m). The loan carries a variable interest rate based on the interbank rate in each currency with a margin. Any annualised increase/decrease by 100 basis point would increase/decrease the Groups profit before tax by EUR 9.3 million. (2018: EUR 7.2m). The average effective interest rate for 2019 was 5.8% (2018: 6.1%).

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 Groups business operation is in euro countries. The Company's accounts are therefore held in Euro (EUR). However, some of its business operation is in other than Euro countries like Norway and Sweden. This foreign exchange exposure may affect the Company's results and the number of liquid assets. When the balance sheets of foreign subsidiaries are recalculated in EUR, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in foreign currencies, stated 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 are exposed to credit risk from its operating activities, primarily related to cash and cash equivalents, trade receivables, purchased debts and outlays on behalf of clients.

Customer credit risk is managed subject to established 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, the customer's payment capacity 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 is has the expertise required to evaluate these types of receivables.

Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk of a shortage of funds using cash flow forecasts. The Group generate positive cash flow from operating activities. The Group had cash and cash equivalents of EUR 75.4m at 31 December 2019 (2018: EUR 70.8m).

The following table detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn based on the undiscounted cash flows of financial liabilities based on the most likely date on which the Group can be required to pay. The table include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. . The contractual maturity is based on the 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 2019

EUR thousand	Within one year	1-2 years	2-4 years	4+ years	Total
Interest bearing loans DnB/Nordea	382,408	0	0	0	**382,408**
Interest bearing loans Italy	15,769	21,241	9,457	0	**46,467**
Interest bearing loans Nomura	33,855	19,039	0	0	**52,894**
Bond loan	0	200,000	0	0	**200,000**
Interest bearing A & B Notes	0	140,000	0	0	**140,000**
Interest bearing loans DnB/Nordea (Axactor Invest I)	39,788	80,061	0	0	**119,849**
Accrued interest	612	0	0	0	**612**
Trade Payables	5,902	0	0	0	**5,902**
Other Liabilities	26,491	0	0	0	**26,491**
Taxes payables	6,570	0	0	0	**6,570**
Deferred tax liabilities	0	5,864	5,864	5,864	**17,591**
Forward Flow NPL agreements [1)]	190,281	29,097	0	0	**219,378**
Leasing agreements [2)]	2,816	1,935	1,491	297	**6,538**
Accruals	6,265	0	0	0	**6,265**
Total	710,757	497,236	16,812	6,161	**1,230,965**

1) Ref Note 2.14.2

2) Ref Note 2.18

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 471.8 million. The calculation is made under the assumption that no new portfolios are acquired in 2020 and that Axactor therefore partly need to repay the facility to stay below the LTV covenant (Loan to Value) in order to match portfolio amortization 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 2020 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 2017-2019. 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 47.9 million, in addition to unrestricted cash and cash equivalents of EUR 72 million. In mid- February, EUR 100m out of the total EUR 150m accordion option the RCF with DNB and Nordea was released. The remaining accordion option of EUR 50 million was released in June. In October Axactor expanded RCF with two new accordion options, each for EUR 75m, one of the options exercised in October, the other unused per year end 2019.

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

Capital management

The primary objective of the Group's capital management is to ensure the Company maintains a solid capital structure enabling it to develop and build its business to maximise shareholder value. The Group's objective is to maintain a balance of financial assets that reflects the cash requirement of its operations and investments for the next 12-24 months. No change was made in the objectives, policies or process for managing capital during the year ended 31 December 2019.

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 amortized 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 loans and receivables

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

Fair value estimation of 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 1,061m (2018: 729m) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is EUR 1,042m. (2018: 729m), 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 2019. 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 8.1% (2018: 6.9%) as at 31 December 2019 (details of the calculation is shown below). Based on this rate, the discounted value of the estimated net cash flows indicates that the fair value of portfolios is approximately EUR 1,061m (2018: 729m). To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below in order to see the effect of deviations to the cash flow estimates and variations in the cost of capital.

Fair value sensitivity table

	Performance				
EUR million	90%	95%	100%	105%	110%
WACC					
7%	993	1,052	1,112	1,172	1,231
8%	947	1,004	1,061	1,118	1,175
9%	910	965	1,019	1,074	1,129
10%	873	926	978	1,031	1,084
11%	839	890	940	991	1,042
12%	808	856	905	954	1,003
13%	778	825	872	919	966

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 8.1%.

Cost of equity

	2019	2018	
Risk-free rate	**1.550%**	0.240%	10 year risk-free rate
Market risk premium	**6.3%**	6.3%	Damodaran 1 Jul 2016 1)
Estimated Beta (equity)	**1.24**	0.90	Observed Beta for Axactor
Company specific premium	**6.0%**	6.0%	Ibbotson research 2014 1)
Cost of equity before tax	**15.4%**	11.9%	
WACC	**8.1%**	6.9%	

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 in NOK risk-free interest rate, which on 31st December was priced at 1.55%. However, the Group has some part of the cash flows in other currencies, the largest being EUR and SEK. Given the fluctuations in the yield for these bonds we deem it reasonable and conservative to use the NOK 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, defined as the loan interest in the loan agreements divided by the individual loan balances at 31.12 is 5.1%. For information about the average effective interest, please see Note 3, section "Interest rate risks".

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 recognized 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 recognized, based upon the likely timing and the level of future taxable profits, and deferred tax assets have been recognized in the balance sheet. The recognized 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 three operating segments: Non-performing loans (NPL), Real estate owned (REO), and Third-party collection (3PC). Axactor's operations are managed through these three operating segments.

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

The 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. With effect from Q2 2019, Accounts receivables management (ARM) is subordinated under the 3PC segment. The ARM services include the handling of invoices between the invoice date and the default date, as well as sending out reminders.

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 group's resources.

Segment revenue reported below represents revenue generated from external customers.

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

Year to date 31 December 2019

EUR thousand	NPL	REO	3PC [1]	Eliminations/ Not allocated	Total
Collections on own portfolios	217,147	91,249	0	0	**308,396**
Other operating revenue	0	0	57,677	2,021	**59,698**
Portfolio amortization and revaluation	-82,934	0	0	0	**-82,934**
Net revenue	134,212	91,249	57,677	2,021	**285,159**
REO cost of sales	0	-74,052	0	0	**-74,052**
Impairment REOs	0	-412	0	0	**-412**
Direct operating expenses	-32,321	-9,656	-35,279	0	**-77,256**
Contribution margin	101,891	7,129	22,398	2,021	**133,439**
Local SG&A, IT and corporate cost				-41,299	**-41,299**
EBITDA					**92,140**
Total opex	-32,321	-84,120	-35,279	-41,299	**-193,019**
CM1 Margin	75.9 %	7.8 %	38.8 %	na	**46.8 %**
EBITDA Margin					**32.3 %**
Dopex / Gross revenue	14.9 %	92.2 %	61.2 %	na	**41.2 %**
SG&A, IT and corporate cost / Gross revenue					**11.2 %**

1) *External revenue*

Year to date 31 December 2018

EUR thousand	NPL	REO	3PC [1]	Eliminations/ Not allocated	Total
Collections on own portfolios	117,034	69,810	0	0	**186,844**
Other operating revenue	0	0	51,964	0	**51,964**
Portfolio amortization and revaluation	-31,900	0	0	0	**-31,900**
Net revenue	85,135	69,810	51,964	0	**206,909**
REO cost of sales	0	-54,492	0	0	**-54,492**
Impairment REOs	0	-1,946	0	0	**-1,946**
Direct operating expenses	-23,100	-8,603	-35,352	0	**-67,055**
Contribution margin	62,035	4,769	16,612	0	**83,416**
Local SG&A, IT and corporate cost				-37,110	**-37,110**
EBITDA					**46,306**
Total opex	-23,100	-65,041	-35,352	-37,110	**-160,603**
CM1 Margin	72.9 %	6.8 %	32.0 %	na	**40.3 %**
EBITDA Margin					**22.4 %**
Dopex / Gross revenue	19.7 %	93.2 %	68.0 %	na	**51.7 %**
Local SG&A, IT and corporate cost / Gross revenue					**15.5 %**

1) *External revenue*

Note 6 Revenue

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

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

The portfolios acquired in Spain are owned by Swedish and Luxembourg entities. The operations of the portfolios are performed by a Spanish entity. In addition, the customers are resident in Spain. The information above is based on the location of the customers, thus the revenue recognized 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]	
	2019	2018	2019	2018
Germany	**28,345**	21,204	**13,873**	15,667
Italy	**16,869**	4,054	**9,679**	9,803
Finland	**15,613**	3,682	**4,289**	2,369
Norway	**31,278**	23,896	**35,444**	28,971
Spain	**176,427**	145,060	**20,592**	18,965
Sweden	**16,626**	9,012	**2,529**	1,656
Total	**285,159**	206,909	**86,405**	77,430

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	2019	2018
Yield [1]	**134,531**	74,536
CU1 [2]	**-8,408**	8,454
CU2 [3]	**3,654**	447
CU2 tail [4]	**4,434**	1,697
Net revenue	**134,212**	85,135

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	2019	2018
Salaries	**38,315**	35,199
Bonus	**3,773**	3,755
Commission	**1,918**	1,650
Social contribution	**9,619**	8,130
Pension cost	**915**	555
Share Option Programme	**1,256**	1,093
Other benefits	**1,912**	1,751
Total personnel expenses	**57,708**	52,133

Average number of employees

	2019	2018
Number of FTE's, start of year	**1,040**	934
Number of FTE's, end of year	**1,152**	1,040
Average number of FTE's	**1,096**	987

Post-employment benefits

EUR thousand	2019	2018
Salaries	**204**	1,172
Pension cost	**0**	4
Share option	**2**	-15
Other benefits	**0**	13
Total post-employment benefits	**205**	1,173

Axactor group meets the different local mandatory occupational pension requirement. For information on the country specific pension schemes see Note 27.

Note 8 Key Management Compensation

Board of Directors remuneration

EUR thousand	2019	2018
Bjørn Erik Næss	**56**	115
Beate S. Nygårdshaug [1)]	**30**	57
Brita Eilertsen	**30**	64
Merete Haugli [1)]	**31**	59
Terje Mjøs [1)]	**30**	58
Harald Thorstein [2)]	**0**	31
Lars Erich Nilsen [2)]	**36**	32
Total	**213**	416

1) Includes the remuneration for membership in audit committee

2) Harald Thorstein resigned in May 2018, and was replaced by Lars Erich Nilsen

There is a timing difference for when the remuneration was paid - in 2018, compensation for five quarters was paid, while in 2019, four quarters was paid. There has also been fewer BIC-meetings (Board Investment Committee) in 2019 and the final payment for 2019 was paid in January 2020.

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

Nomination committee

EUR thousand	2019	2018
Jarle Sjo [1)]	**4**	7
Magnus Tvenge	**2**	3
Cathrine Loferød Feght	**2**	4
Total	**9**	14

1) Member until April 2019

Executive Management remuneration 2019

EUR thousand	Salary	Bonus	Pension	Other	Share option [1)]	Total
Endre Rangnes, CEO	573	472	7	1	179	**1,232**
Johnny Tsolis, CFO	308	137	7	2	108	**561**
Oddgeir Hansen, COO	282	214	7	1	79	**582**
Siv Farstad, EVP HR	181	84	7	1	17	**290**
Vibeke Ly, Head of Group Legal and Compliance	148	22	7	1	23	**201**
Robin Knowles, EVP Portfolio acquisitions	220	131	1	0	67	**419**
Doris Pleil [2)]	46	68	0	109	20	**244**
Steffen Fink [3)]	91	0	0	4	0	**95**
Andres Lopez	242	115	0	9	63	**429**
David Martin	242	115	0	9	63	**429**
Lisa Sohtell	246	77	69	12	48	**452**
Stina Koren	159	0	7	2	39	**207**
Antonio Cataneo [4)]	214	0	10	0	36	**260**
Jarkko Jalonen	140	0	0	0	38	**178**
Total	3,091	1,435	122	151	781	**5,580**

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

2) Country Manager Germany until 31 Mar 2019

3) Country Manager Germany from 15 Aug 2019

4) Country Manager Italy from 7 Jan 2019

Executive Management remuneration 2018

EUR thousand	Salary	Bonus	Pension	Other	Share option[1]	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[5]	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) Cost in relation to Share option programme, not exercised
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) Country Manager Italy until 14 Sep 2018
6) CFO until 14 Feb 2018, severence payments
7) Country Manager Finland (acquired 30 Oct 2018)
8) Head of Legal and Compliance from 1 Jul 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. Bonus stated in tables above is paid amounts during the year.

At the end of 2019 no loan or prepayments were granted to Board of Directors and Executive management.

Note 9 Other operating expenses

Other operating expenses

EUR thousand	2019	2018
Direct operating expenses, excluding salary	**11,490**	7,720
External services	**32,824**	28,147
IT expenses	**9,236**	7,874
Other operating expenses	**7,298**	8,291
Total other operating expenses [1]	**60,847**	52,032

1) *Impairment of REOs reclassified to Cost of REOs sold from 2019*

Remuneration to company auditors PricewaterhouseCoopers

EUR thousand	2019	2018
Fees, auditing	**896**	767
Fees, audit related services	**128**	16
Fees, tax advisory	**78**	30
Fees, other services	**17**	52
Total fees, PwC	**1,120**	865

Note 10 Commitments and leases / Right-of-use assets

The group leases premises, office equipment and vehicles under non-cancellable lease agreements. The lease terms are between 1- 6 years and the majority of lease agreements are renewable after the end of the lease period. Leasing contracts are classified as lease liabilities and right-of-use assets under IFRS 16. See Note 2, section 2.13 and 2.18.

Right-of-use assets

EUR thousand	Buildings	Vehicles	Other	Total
Right-of-use assets per 1 Jan	5,043	611	89	**5,743**
New leases	2,290	274	388	**2,952**
Depreciation of the year	-2,264	-336	-211	**-2,811**
Disposals	0	-5	0	**-5**
Currency exchange effects	-31	-2	0	**-33**
Carrying amount of right-of-use assets 31 Dec 2019	5,070	548	267	**5,846**
Remaining lease term	1-6 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	

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

Lease liabilities

EUR thousand	Total
Undiscounted lease liabilities and maturity of cash outflow	
< 1 year	2,816
1-2 years	1,935
2-3 years	845
3-4 years	646
4-5 years	152
> 5 years	145
Total undiscounted lease liabilities at 31 Dec 2019	**6,538**
Discount element	-509
Total discounted lease liabilities at 31 Dec 2019	**6,029**

Note 11 Financial items

EUR thousand	2019	2018
Financial revenue		
Interest on bank deposits	**81**	17
Exchange gains realized	**47**	381
Net unrealized exchange gain	**2,604**	0
Other financial income	**55**	54
Total financial revenue	**2,787**	453
Financial expense		
Interest expense on borrowings	**-51,251**	-29,713
Interest on Notes to NCI [1)]	**2,080**	-2,080
Exchange losses realized	**-696**	-294
Net unrealised exchange losses	**0**	-456
Other financial expense [2)]	**-2,310**	-2,047
Total financial expense	**-52,176**	-34,591
Net financial items	**-49,389**	-34,138

1) *Interest on Notes classified as Debt instruments in 2018, reversed in 2019. Also see Note 26.*

2) *Includes amortization of warrants of 1.5m in 2018 and 1.2m in 2019*

Note 12 Income tax and tax assets and liability

Income tax calculation

EUR thousand	2019	2018
Ordinary result before taxes	**32,636**	6,160
Basis for income tax	**32,636**	6,160
Income tax payable calculated	**-7,057**	-470
Tax effect on permanent difference	**-558**	343
Adjustment for previous year	**-117**	-22
Tax effect on tax rate reduction	**129**	-73
Limitation of interest deduction, for which no deferred tax asset was recognized	**-1,245**	0
Limitation interest deduction, recognized in deferred tax	**-2,739**	0
Use of tax losses, previously not recognized	**2,743**	0
Tax assets, previously not recognized	**2,737**	0
Tax losses for which no deferred tax asset was recognized	**-2,199**	-2,593
Tax effect of change in net deferred income tax liabilites/assets	**-4,289**	-1,819
Effect on foregin exchange rates	**928**	864
Income tax expense	**-11,667**	-3,770

Temporary differences

EUR thousand	2019	2018
Non-current portfolios	**-14,940**	-8,892
Non-current intangible assets/liabilities	**-2,386**	-2,012
Current assets	**-158**	868
Non-current liabilities	**70**	44
Limitation interest carried forward	**2,739**	0
Re-classification deferred taxes relating to group contribution	**-936**	0
Tax losses carried forward	**7,763**	6,432
Net income tax reduction temporary differences	**-7,849**	-3,560
Deferred tax asset	**9,742**	7,564
Deferred tax liability	**-17,591**	-11,124
Net deferred tax	**-7,849**	-3,560

Note 13 Earnings per share

Basic earnings per share (EPS) are calculated by diving 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	2019	2018
Net profit/(loss) to equity holders	**16,326**	4,492
Total	**16,326**	4,492
Number of shares (in thousands)		
Weighted average number of ordinary shares	**154,488**	154,795
Effects on dilution from share options	**20,739**	18,683
Weighted average number of shares adjusted for the effect of dilution	**175,226**	173,478
Basic earnings per share	**0.106**	0.029
Diluted earnings per share	**0.093**	0.026

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

	2019	2018
Employee share options	**8,728,110**	5,682,625

Note 14 Intangible assets

EUR thousand	Customer relations	Databases	Software	Goodwill	Other intangibles	Total
Cost						
Cost at 1 Jan 2018	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**
Acquisition of SPT Group Finland	0	0	0	250	0	**250**
Acquisition	0	0	7,594	0	948	**8,542**
Reclassification	0	0	2,112	0	-2,641	**-529**
Disposals at cost price	0	0	-198	0	0	**-198**
Currency exchange effects	106	22	29	343	3	**503**
Cost at 31 Dec 2019	12,700	3,694	23,150	56,170	3,426	**99,140**
Amortization and impairment						
Accumulated amortizations at 1 Jan 2018	-5,855	-1,026	-2,804	0	-451	**-10,136**
Disposals accumulated depreciation	-2,574	-672	-1,430	0	-616	**-5,292**
Amortization of the year	1,311	-55	-1,705	0	-104	**-553**
Currency exchange effects	97	17	28	0	14	**156**
Accumulated amortizations at 31 Dec 2018	-7,022	-1,736	-5,911	0	-1,156	**-15,825**
Amortization of the year	-2,541	-667	-2,688	0	-416	**-6,312**
Reclassification	0	0	338	0	191	**529**
Disposals acc. depr/amort.	0	0	205	0	0	**205**
Currency exchange effects	-57	-10	-14	0	-0	**-81**
Accumulated amortizations at 31 Dec 2019	-9,620	-2,412	-8,070	0	-1,381	**-21,483**
Carrying amount at 31 Dec 2019	3,080	1,282	15,081	56,170	2,044	**77,656**
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). Recognized goodwill amounts to 56.2 EUR million as of 31 December 2019. Other intangibles assets related to excess values in the Group accounts are customer relations, databases and software, with a carrying amount of EUR 4.4m as per 31 December 2019.

Only goodwill has an indefinite lifetime, as all other intangible assets are amortized, 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 2019.

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 collection business” for the following CGU “Countries”:

EUR thousand	2019	2018
Spain	**14,328**	14,328
Germany	**9,301**	9,301
Italy	**7,310**	7,310
Norway	**21,502**	21,142
Sweden	**1,136**	1,154
Finland	**2,592**	2,342
Total	**56,169**	55,577

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 2020-2024 consist of approved budgets for 2020 and estimates for 2021 and beyond. The cash flow projections have been extrapolated based on an expected growth rate of 2% (2018: 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 2024 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	0.57 %	1.42 %	0.27 %
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 aggregated recoverable amount of the CGU.

Note 16 Tangible assets

EUR thousand	Land & Buildings	Fixtures	Vehicles	Machines and office equipm.	Other	Total
Cost						
Cost at 1 Jan 2018	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**
Acquisition	7	630	35	616	0	**1,288**
Disposals at cost price	0	-61	-23	-18	0	**-101**
Currency exchange effects	0	-0	1	5	0	**5**
Cost at 31 Dec 2019	1,305	3,068	82	3,326	0	**7,781**
Depreciation and impairment						
Accumulated depreciations at 1 Jan 2018	0	-1,578	-31	-840	-1,279	**-3,728**
Acquisition of SPT Group Finland [1)]	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**
Acquisition of SPT Group Finland [1)]	0	-23	0	-19	0	**-42**
Depreciation of the year	-77	-282	-5	-628	0	**-993**
Disposals acc. depr/amort.	0	51	1	15	0	**67**
Currency exchange effects	0	0	-1	-4	0	**-4**
Accumulated depreciations at 31 Dec 2019	-1,278	-1,490	-49	-2,060	0	**-4,877**
Carrying amount at 31 Dec 2019	27	1,578	33	1,265	0	**2,904**
Useful life	30-35 yr	3-6 yr	5 yr	3-5 yr	na	

1) *Adjustment of balance values in entites acquired last year*

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

	Carrying amount			Fair value			
EUR thousand	Loans and receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total
31 Dec 2019							
Financial assets							
NPL portfolios	1,041,919	0	**1,041,919**	0	0	1,060,871	**1,060,871**
Other financial assets	0	193	**193**	0	193	0	**193**
Total Financial assets	1,041,919	193	**1,042,112**	0	193	1,060,871	**1,061,064**
Financial liabilities							
Interest-bearing debt	929,932	0	**929,932**	193,000	729,932	0	**922,932**
Total Financial liabilities	929,932	0	**929,932**	193,000	729,932	0	**922,932**
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	0	**778**
Total Financial assets	728,820	778	**729,598**	0	778	728,820	**729,598**
Financial liabilities							
Interest-bearing debt	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**

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	2019	2018
Opening balance	**728,819**	317,150
Acquisitions during the year	**398,286**	461,910
Collection	**-217,147**	-117,034
Yield - Interest income from purchased loan portfolios	**134,531**	74,536
Net gain/loss purchased loan portfolios [1)]	**-319**	10,599
Repossession of secured NPL to REO	**-2,823**	-2,953
Disposals [1) 2)]	**-187**	-9,416
Translation difference	**758**	-5,972
Closing balance	**1,041,919**	728,819
Payments during the year for investments in purchased debt amounted to EUR	**401,646**	456,339
Deferred payment	**10,286**	5,572

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

2) *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.*

Description of Axactor's accounting principles for Purchased Debt, see Note 2 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 2019	Equity 2019
Axactor Italy Holding Srl	100.0 %	100.0 %	Cuneo	Italy	-854	17,254
Axactor Italy SpA	100.0 %	100.0 %	Cuneo	Italy	1,616	15,730
Axactor Capital Italy Srl	100.0 %	100.0 %	Cuneo	Italy	102	-78
Axactor Incentive AB	100.0 %	100.0 %	Gothenburg	Sweden	0	4
Axactor Portfolio Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	2,296	150,937
Axactor Platform Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	-5,780	108,581
Axactor Sweden AB	100.0 %	100.0 %	Gothenburg	Sweden	2,707	35,509
Axactor Sweden Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	-7	31,230
Axactor Norway Holding AS	100.0 %	100.0 %	Oslo	Norway	9,110	98,085
Axactor Capital AS	100.0 %	100.0 %	Drammen	Norway	9,847	111,074
Axactor Norway AS	100.0 %	100.0 %	Drammen	Norway	61	1,383
ReoLux SarL [1)]	50.0 %	50.0 %	Luxembourg	Luxembourg	-9,051	34,884
Axactor Invest 1 Sarl [1)]	50.0 %	50.0 %	Luxembourg	Luxembourg	14,654	108,046
Axactor Capital Luxembourg Sarl	100.0 %	100.0 %	Luxembourg	Luxembourg	13,304	84,263
Beta Properties SLU	100.0 %	100.0 %	Madrid	Spain	-202	7,879
Borneo Commercial Investments SLU	100.0 %	100.0 %	Madrid	Spain	-616	1,525
Alcala Lands Investments SLU	100.0 %	100.0 %	Madrid	Spain	-26	605
PropCo Malagueta SL [2)]	75.0 %	75.0 %	Malaga	Spain	3,033	60,407
Proyector Lima SL [2)]	75.0 %	75.0 %	Madrid	Spain	783	44,246
Axactor Espana SLU	100.0 %	100.0 %	Madrid	Spain	-1,283	10,905
Axactor Espana Platform SA	100.0 %	100.0 %	Madrid	Spain	9,435	13,950
Axactor Germany Holding GmbH	100.0 %	100.0 %	Heidelberg	Germany	69	-102
Axactor Germany GmbH	100.0 %	100.0 %	Heidelberg	Germany	-5,038	-6,127
Heidelberger Forderingskauf GmbH	100.0 %	100.0 %	Heidelberg	Germany	2,888	13,987
Heidelberger Forderungskaurf II GmbH	100.0 %	100.0 %	Heidelberg	Germany	-921	371
Taloa Equity Management GmbH	100.0 %	100.0 %	Heidelberg	Germany	157	1,515
VABA GmbH	100.0 %	100.0 %	Heidelberg	Germany	-11	-19
Axactor Finland Holding OY	100.0 %	100.0 %	Jyväskylä	Finland	116	466
Axactor Finland OY	100.0 %	100.0 %	Jyväskylä	Finland	747	833
SPT Latvija SIA	100.0 %	100.0 %	Riga	Latvia	4	-127
SPT Inkasso OÜ	100.0 %	100.0 %	Tallin	Estonia	23	51
Axactor Finland Software OY [3)]	100.0 %	100.0 %	Jyväskylä	Finland	33	3
UAB Isieskojimu kontora [3)]	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 investros, the Group has sufficient dominant voting interest and therefor, the Group ahs concluded that the Group has control of Axactor Invest 1 and it is consolidated in the Group's financial statements.*

2) *Direct ownership stated in table*

3) *Axactor Software and Lithuania was reported consolidated in 2019*

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	2019	2018
Other non-current investments				
Nickel Mountain Resources AB [1)]	Stockholm	Sweden	**0**	157
Club Financiero Génova, S.A	Madrid	Spain	**21**	21
Insurance founds (severence scheme in Italy)			**171**	554
Other Investments			**1**	46
Total other non-current investments			**193**	778

1) See Note 13 in Parent Company

Note 21 Stock of secured Assets, REOs

EUR thousand	2019	2018
Acquisition cost, opening balance	**200,009**	154,101
Acquisitions during the year	**668**	99,310
Repossession of secured NPL	**2,823**	2,953
Cost of sold secured assets	**-74,052**	-54,491
Other	**0**	82
Total acquisition cost	**129,448**	201,955
Impairment	**-412**	-1,946
Disposals	**5**	0
Closing balance	**129,041**	200,009
Number of assets	**4,024**	6,323

Note 22 Other current assets

Accounts receivable

EUR thousand	2019	2018
Accounts receivable	**13,135**	9,459

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

Prepaid expenses and accrued income

EUR thousand	2019	2018
Prepaid taxes	**2,442**	628
Prepaid expenses	**2,317**	2,260
Accrued revenue / Work in progress [1)]	**5,946**	6,982
Capitalized cost related to 13m Warrants issued to Geveran	**0**	1,159
Other	**4,254**	1,745
Total prepaid expenses and accrued income	**14,960**	12,774

1) Accrued revenue relates to 3PC business and a legal settlement agreed in Dec 2019

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 perod as show in the Cash Flow statement can be reconciled to the related items in the consolidated statement of the financials position as follows.

Bank overdrafts are classified under current portion of non-current borrowings, presented in Note 26.

EUR thousand	2019	2018
Cash and bank deposits	**71,657**	67,593
Restricted cash and bank deposits client accounts	**3,739**	3,184
Total cash and cash equivalents	**75,396**	70,776

The composition of the cash per currency is shown below.

EUR thousand	2019	2018
NOK	**-6,074**	4,368
SEK	**-487**	1,807
EUR	**81,954**	64,592
GBP	**3**	9
Total cash and cash equivalents	**75,396**	70,776

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 client accounts.

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
New share issues, May	424,350	222,115
At 31 Dec 2019	155,395,464	81,337,590

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

30 largest shareholders as at 31 Dec 2019

Name	Shareholding	Share %
Geveran Trading Co Ltd	44,710,233	28.8 %
Verdipapirfondet Dnb Norge	7,588,738	4.9 %
Torstein Ingvald Tvenge	7,150,000	4.6 %
Ferd AS	5,335,139	3.4 %
Verdipapirfondet Alfred Berg Gamba	3,805,376	2.4 %
Verdipapirfondet Alfred Berg Norge	3,560,144	2.3 %
Verdipapirfondet Alfred Berg Aktiv	2,375,621	1.5 %
Verdipapirfondet Nordea Norge Verd	2,086,030	1.3 %
Gvepseborg AS	2,036,494	1.3 %
Ubs Switzerland AG	1,803,827	1.2 %
Alpette AS	1,661,643	1.1 %
Vatne Equity AS	1,391,599	0.9 %
Nordnet Livsforsikring AS	1,330,328	0.9 %
Citibank (nominee)	1,305,737	0.8 %
Andres Lopez Sanchez	1,177,525	0.8 %
David Martin Ibeas	1,177,525	0.8 %
Klotind AS	1,144,244	0.7 %
Klp Aksjenorge Indeks	1,055,049	0.7 %
Latino Invest AS	1,030,000	0.7 %
Verdipapirfondet Nordea Kapital	1,005,137	0.6 %
Verdipapirfondet Nordea Avkastning	998,028	0.6 %
Bnp Paribas Securities Services	942,000	0.6 %
Vardfjell AS	891,401	0.6 %
Endre Rangnes	864,000	0.6 %
Elena AS	860,000	0.6 %
Citibank (nominee)	830,793	0.5 %
Svein Dugstad	665,000	0.4 %
Banca Sistema S.P.A	604,504	0.4 %
Bente Mowinckel Tvenge	600,000	0.4 %
Fryden AS	576,000	0.4 %
Total 30 largest shareholders	100,562,115	64.7 %
Other shareholders	54,833,349	35.3 %
Total number of shares	155,395,464	100 %

Total number of shareholders	8,460	

Shares owned by related parties

Name	Shareholding	Share %
Geveran Trading Co Ltd [1)]	44,710,233	28.8 %
Alpette AS [2)]	1,661,643	1.1 %
Andres Lopez Sanchez [3)]	1,177,525	0.8 %
David Martin Ibeas [3)]	1,177,525	0.8 %
Latino Invest AS [4)]	1,030,000	0.7 %
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)]	294,810	0.2 %
Robin Knowles [6)]	278,180	0.2 %
Bjørn Erik Næss [7)]	100,000	0.1 %
Susanne Lene Rangnes Schneider [2)]	39,832	0.0 %
Anders Gulbrandsen [8)]	22,375	0.0 %
Sicubi AS / Bente Brocks [8) 9)]	16,200	0.0 %
Bergsjo AS / Beate Skjerven Nygårdshaug [7)]	16,200	0.0 %
Lars Valseth [8)]	12,188	0.0 %
Brita Eilertsen [7)]	10,000	0.0 %
Terje Mjøs [7)]	10,000	0.0 %

1) *Geveran 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 SE/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 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 amortized 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 recognized for the share-based programs during 2019 was EUR 1,256m. Total social security provisions amounts to EUR 0,142m per 31.12.2019 (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 1,031m at 31.12.2019.

During 2019, 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 2019

Parameters connected to instruments granted in 2019

Instrument	Quantity 31.12.2019 (instruments)	Quantity 31.12.2019 (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	3,680,552	3,680,552	5.00	26.33	22.80	3.00	37.62%	1.39%	0.00	4.98	Four tranches - 25% vest annually with the first vesting approximately one year from grant	1st tranche: 30 NOK 2nd tranche: 32 NOK 3rd tranche: 35 NOK 4th tranche: 37.50 NOK

1) Weighted average fair value parameters at grant of instrument - All new instruments in 2019 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 to 2019 and the exercise prices vary from 12.50 NOK to 37.50 NOK per option.

The table below illustrates the status on all outstanding options at 31.12.2019 and the activity during the year.

Quantity and weighted average prices

	2019	
Activity	Number of options	WAEP (NOK)
Outstanding at beginning of year	5,582,625	25.90
Granted	3,680,552	26.33
Exercised	-424,350	12.50
Forfeited	-110,717	31.62
Outstanding at end of year	8,728,110	26.66
Vested CB	2,549,708	24.92

Outstanding Instruments Overview

	Outstanding instruments			Vested instruments
Strike price (NOK)	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price (NOK)	Vested instruments 31.12.2019
12.50	834,975	1.25	12.50	834,975
13.00	790,083	1.25	13.00	3,483
24.50	1,226,840	4.32	24.50	0
26.50	1,226,840	4.32	26.50	0
28.00	1,226,872	4.32	28.00	0
30.00	855,625	2.54	30.00	855,625
32.00	855,625	2.54	32.00	855,625
35.00	855,625	2.54	35.00	0
37.50	855,625	2.54	37.50	0
Total	8,728,110			2,549,708

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 2019	EUR / NOK / SEK	Variable	737,124	2020-2024
New issues				
Italian Banks [2]	EUR		25,490	2020-2024
DnB/Nordea [1]	Various		205,501	2020-2021
Listed Bond Loan [4]	EUR		50,000	2021
Nomura [5]	EUR		22,993	2022
Finnish Banks	EUR		0	2020-2021
Repayments				
Italian Banks	EUR		-32,209	
Conversion to Equity Notes, NCI	EUR		-30,000	
Nomura [5]	EUR		-47,813	
Other [3]	EUR		-68	
Other movements				
Capitalized loan fees			-5,168	
Amortized loan fees on loans			7,245	
Accrued interest			-2,096	
Currency translations			-1,069	
Balance at 31 Dec 2019			929,933	
Non-current portion of interest-bearing debt			466,378	
Current portion of interest-bearing debt			463,555	
Of which in currency				
NOK			123,632	
SEK			85,070	
EUR			721,231	

1) *The debt facility agreement with DNB Bank ASA and Nordea Bank AB is EUR 425 million, in addition EUR 75 million in the form of accordion options. 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; 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.

2) *The facilities of the Italian banks relate to eleven different facilities and agreements with several Italian banks. The loans carries variable interest rates based on the interbank rate with a margin. Some of the loans are secured with collaterals worth EUR 29 million.*

3) *Following the co-investment partnership with Geveran, Notes in the amount of EUR 230 million has been issued, of which for EUR 185 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 140 million class B-notes, subordinated secured note, fully subscribed by Geveran. The maturity is in 2022.*

4) *In March 2019, Axactor SE completed a tap issue of EUR 50 million in its outstanding senior unsecured bonds due 23 June 2021 (ISIN NO0010840515). Following the tap issue the total nominal amount outstanding under the bonds will be EUR 200 million.*

   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 EUR 96 million 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.*

EUR thousand	DNB/Nordea RCF	Bond	Sterna	DNB/Nordea RCF	Nomura	Local banks	Total
Borrowings per facility							
Gross interest-bearing debt	382,408	200,000	140,000	119,849	52,894	46,467	**941,618**
Capitalized loan fee	-5,813	-1,242	-1,701	-1,278	-2,264	0	**-12,297**
Accrued interest	48	311	0	12	241	0	**612**
Interest-bearing debt, end of period	376,644	199,069	138,299	118,583	50,871	46,467	**929,933**

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 recognized in P&L amounts to EUR 0.9 million (2018: EUR 0.6m) 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	2019	2018
Other non-current accruals	**361**	219
Pension liability (Note 27)	**1,054**	961
Total other non-current liabilities	**1,415**	1,180

Note 29 Other current liabilities

EUR thousand	2019	2018
Public duties	**4,113**	5,293
Personnel related liabilities	**5,827**	5,006
Accrued solicitors	**620**	1,158
Remaining part purchase considerations [1)]	**0**	2,266
Deferred payments relating to NPL, see Note 18	**10,286**	5,572
Other accruals	**5,645**	4,878
Total other current liabilities	**26,491**	24,172

1) Ref. Note 33

Note 30 Transactions with related parties

EUR thousand	2019	2018
Related Party balances as per year end		
Geveran Trading Co LTD owns 50% of Axactor Invest 1, a company controlled and consolidated by Axactor Group, has by one of its subsidiaries subscribed to deeply subordinated income sharing Notes issued by Axactor Invest 1	**140,000**	150,000
Geveran Trading Co LTD, owns 50% of Axactor Invest 1, a company controlled and consolidated by Axactor Group owns 13 mill American style warrants in Axactor	**0**	1,159

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 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 160m 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
Date of acquisition	30 Oct 2018
Acquired part of company	100%
Purchase price	2,435
- whereof cash consideration	1,186
- whereof share consideration	1,249
ASSETS	
Non-current assets	
Intangible assets	
Database	0
Goodwill	2,342
Tangible assets	
Plant and machinery	18
Non-current financial assets	
Other non-current receivables	3
Total non-current assets	2,363
Current assets	
Current receivables	380
Other current assets	0
Cash and cash equivalents	100
Total current assets	480
Total Assets	2,843
Non-current liabilities	
Non-current interest bearing debt	72
Total non-current liabilities	72
Current liabilities	
Trade payables	79
Other short-term liabilities	258
Other public duties payable	
Total current liabilities	337
Total Net assets	2,435
Net sales 2018 (full year)	1,834
Profit 2018 (full year)	225
Net sales 2018 for Axactor period	532
Profit 2018 for Axactor period	131

Note 32 Pledged Assets

EUR thousand	2019	2018
Group	**798,981**	674,255
Parent	**271,504**	278,831

Note 33 Subsequent Event

In January 2020 Axactor renewed and expanded an existing forward flow agreement for 12 months starting in February. Part of the forward flow will be managed in 3PC for a period prior to acquisition, and the expected annual capex is around EUR 10 million.

To fund the growth strategy, the company on 5 February raised NOK 517.5 million (EUR 51 million) in gross proceeds from a private placement of 30 million shares at subscription price of NOK 17.25 per share.

Parent Company Statement of Profit and Loss

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
Management services to group companies		**6,436**	1,736
Other revenue		**1,078**	0
Total Revenue		**7,514**	1,736
Personnel expenses	3	**-5,908**	0
Operating expenses	5	**-5,327**	-4,638
Total operating expense		**-11,236**	-4,638
EBITDA		**-3,722**	-2,902
Amortization and depreciation	6, 9, 10	**-1,371**	0
EBIT		**-5,093**	-2,902
Financial revenue	7	**17,013**	13,200
Financial expenses	7	**-15,924**	-10,795
Net financial items		**1,088**	2,404
Profit/(loss) before tax		**-4,005**	-498
Tax (expense)	8	**870**	55
Net profit/(loss) after tax		**-3,135**	-442
Distibution to share premium reserve		**-3,135**	-442

Parent Company Statement of Comprehensive Loss

For the year ended 31 December 2019

EUR thousand	2019	2018
Net profit/(loss) after tax	**-3,135**	-442
Items that will not be classified subsequently to profit and loss		
Remeasurement of pension plans	**0**	0
Items that may be classified subsequently to profit and loss		
Foreign currency translation differences - foreign operations	**0**	0
Other comprehensive income/(loss) afer tax	**0**	0
Total comprehensive income for the period	**-3,135**	-442

Parent Company Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
ASSETS			
Intangible non-current assets			
Intangible Assets	10	**9,876**	0
Deferred tax assets	8	**2,761**	55
Investment in subsidiaries	12	**359,750**	322,078
Tangible non-current assets			
Property, plant and equipment	9	**38**	0
Right-of-use assets	6	**54**	0
Financial non-current assets			
Loans to group companies	16	**78,055**	80,564
Other non-current investments	13	**0**	170
Total non-current assets		**450,634**	402,868
Current assets			
Current intercompany receivable	16	**16,564**	3,037
Other current assets	14	**1,475**	1,174
Restricted cash	15	**258**	0
Cash and Cash Equivalents	15	**14,543**	23,139
Total current assets		**32,840**	27,349
TOTAL ASSETS		**483,374**	430,217

Parent Company Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
EQUITY AND LIABILITIES			
Restricted equity			
Share Capital		**81,338**	81,115
Total restricted equity		**81,338**	81,115
Non-restricted equity			
Share premium reserve		**188,032**	199,825
Result for the period		**-3,135**	-442
Total restricted equity		**184,896**	199,382
Total Equity	11	**266,235**	280,498
Non-current Liabilities			
Interest bearing debt	17	**198,757**	148,742
Interest bearing debt from group companies	17	**3,170**	0
Total non-current liabilities		**201,927**	148,742
Current Liabilities			
Accounts payables		**1,109**	23
Current intercompany liabilities	16	**10,654**	598
Current portion of interest bearing debt	17	**311**	0
Taxes payable	8	**780**	0
Current portion of lease liabilities	6	**56**	0
Other current liabilities	18	**2,303**	356
Total current liabilities		**15,212**	978
Total Liabilities		**217,139**	149,720
TOTAL EQUITY AND LIABILITIES		**483.374**	430,217

Oslo, 10 March 2020
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 2019

	Equity related to the shareholders of the Parent Company				
	Restricted	Non-restricted			
EUR thousand	Share capital	Other paid in capital	Profit for the year	Total	Total Equity
Balance on 1 Jan 2018	79,377	196,959	-1,135	**195,824**	**275,201**
Transfer of prior years net result [1]		-1,135	1,135	**0**	**0**
Result of the period			-442	**-442**	**-442**
New Share issues (exercise of share options)	1,465	1,682		**1,682**	**3,147**
New Share issues	273	975		**975**	**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	199,824	-442	**199,382**	**280,498**
Merger effect when merged with subsidiary Axactor AS		-3,165		**-3,165**	**-3,165**
Transfer of prior years net result [1]		-442	442	**0**	**0**
Result of the period			-3,135	**-3,135**	**-3,135**
Total comprehensive income for the period		-442	-2,693	**-3,135**	**-3,135**
New Share issues (exercise of share options)	222	325		**325**	**548**
Share based payment		1,256		**1,256**	**1,256**
Group contribution		-9,766		**-9,766**	**-9,766**
Closing balance on 31 Dec 2019	81,338	188,033	-3,135	**184,897**	**266,235**

1) *Ref. resulution in Annual general meeting on 31 May 2018 and 10 April 2019*

Parent Company Statement of Cash Flow

For the year ended 31 December 2019

EUR thousand		2019	2018
Operating actitvities			
Profit/(loss) before tax		**-4,005**	-498
Taxes paid	8	**8**	0
Adjustments for:			
- Finance income / (expense)	17	**-1,088**	-2,404
- Agio gain / (loss) on group loans	16	**1**	-1,436
- Depreciation and amortization	6, 9, 10	**1,371**	0
- Calculated cost of employee share options		**1,256**	1,374
Change in Working capital		**445**	-301
Net cash flows operating activities		**-2,013**	-3,265
Investing actitvities			
Investment / share issue in subsidiaries		**7,328**	-16,000
Purchase of intangible and tangible assets	9, 10	**-5,528**	0
Sale Other non-current investments	13	**160**	0
Interest received		**10**	651
Net cash flows investing activities		**1,970**	-15,349
Financing actitvities			
Proceeds from external borrowings	17	**50,000**	150,000
Loan to subsidiaries / repaid from subsidiaries	17	**151**	-108,424
Conversion of IC debt to equity	16	**-45.000**	0
Interest paid		**-13,615**	-8,176
Loan fees paid	17	**0**	-1,593
New Share issues		**547**	4,395
Costs related to share issues		**0**	-31
Net cash flows financing activities		**-7,916**	36,171
Net change in cash and cash equivalents		**-7,960**	17,557
Cash and cash equivalents at the beginning of period		**23,139**	5,641
Merger effect when merged with subsidiary Axactor AS		**-618**	0
Currency translation		**241**	-59
Cash and cash equivalents at end of period, incl. restricted funds		**14,801**	23,139

Summary of Notes to the Parent Company

Notes to the Parent Company Financial Statements

Note 1 Corporate Information

The Parent Company Axactor SE (publ), with Norwegian corporate identity number 921 896 328 is a joint stock company, 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 10th March 2020 and will be submitted for approval to the Annual General Meeting on 1 April 2020.

Note 2 Summary of significant Accounting Principles

These parent company financial statements should be read in connection with the Consolidated financial statements of Axactor group, published together with these financial statements. With the exceptions described below, Axactor SE applies the accounting policies of the group, as described in Axactor'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.

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

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 Euro (EUR) and this is also the reporting currency for the Group. All amounts in the financial reports are stated in EUR thousand unless otherwise specified.

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.

01.01.2019, the subsidiary Axactor AS was merged into Axactor SE. Comparable numbers for 2018 are not provided in tables in this report.

Investments In subsidiaries and associated companies, and other non-current Investments.

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

Segment reporting

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

Note 3 Personnel expenses

EUR thousand	2019	2018
Salaries	**4,374**	0
Bonus	**247**	0
Social contribution	**613**	0
Pension cost	**77**	0
Share Option Programme	**529**	0
Other benefits	**68**	0
Total personnel expenses	**5,908**	0

Axactor SE meets the local mandatory occupational pension requirement.

Average number of employees

EUR thousand	2019	2018
Number of FTE's, start of year	**0**	0
Number of FTE's, end of year	**18**	0
Average number of FTE's	**9**	0

Post-employment benefits

EUR thousand	2019	2018
Salaries	**122**	0
Total post-employment benefits	**122**	0

Note 4 Key management compensation

Board of Directors remuneration

EUR thousand	2019	2018
Bjørn Erik Næss	**56**	0
Beate S. Nygårdshaug [1)]	**30**	0
Brita Eilertsen	**30**	0
Merete Haugli [1)]	**31**	0
Terje Mjøs [1)]	**30**	0
Lars Erich Nilsen	**36**	0
Total	**213**	0

1) *Includes the remuneration for membership in audit committee*

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

EUR thousand	2019	2018
Jarle Sjo [1)]	**4**	0
Magnus Tvenge	**2**	0
Cathrine Loferød Feght	**2**	0
Total	**9**	0

1) *Member until April 2019*

Executive management remuneration 2019

EUR thousand	Salary	Bonus	Pension	Other	Share option [1]	Total
Endre Rangnes, CEO	573	472	7	1	179	**1,232**
Johnny Tsolis, CFO	308	137	7	2	108	**561**
Oddgeir Hansen, COO	282	214	7	1	79	**582**
Siv Farstad, EVP HR	181	84	7	1	17	**290**
Vibeke Ly, Head of Group Legal and Compliance	148	22	7	1	23	**201**
Robin Knowles, EVP Portfolio acquisitions	220	131	1	0	67	**419**
Total	1,712	1,059	35	6	474	**3,286**

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 Group Note 25. Bonus stated in tables above is paid amounts during the year.

At the end of 2019 no loan or prepayments were granted to Board of Directors and Executive management.

Note 5 Other operating expenses and remuneration to auditors

EUR thousand	2019	2018
Direct operating expenses, excluding salary	**911**	868
External services	**1,291**	1,471
IT expenses	**2,379**	2,226
Other operating expenses	**747**	73
Total other operating expenses	**5,327**	4,638

Remuneration to company auditors PricewaterhouseCoopers

EUR thousand	2019	2018
Fees, auditing	**153**	309
Fees, audit related services	**120**	0
Fees, tax advisory	**77**	23
Fees, other services	**0**	43
Total fees, PwC	**350**	375

Note 6 Commitments and leases

The company leases premises only. The Facility contract at year end 2019 expires 31.03.2020. A new contract is entered from 01.04.2020 and will be booked as right-of-use asset and lease liability from this date.

Leasing contracts are classified as lease liabilities and right-of-use assets under IFRS 16. See Group Note 2.13.

EUR thousand	Buildings	Total
Right-of-use assets per 1 Jan	161	**161**
Depreciation of the year	-107	**-107**
Carrying amount of right-of-use assets 31 Dec 2019	54	**54**
Remaining lease term	1-6 years	
Depreciation method	Linear	

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

EUR thousand	Total
Undiscounted lease liabilities and maturity of cash outflow	
< 1 year	57
Total undiscounted lease liabilities at 31 Dec 2019	**57**
Discount element	-1
Total discounted lease liabilities at 31 Dec 2019	**56**

Note 7 Financial items

EUR thousand	2019	2018
Financial revenue		
Interest on bank deposits	**10**	924
Interest on intercompany loans	**2,745**	12,270
Group contribution	**14,000**	0
Exchange gains realized	**45**	0
Net unrealized exchange gain	**194**	0
Other financial income	**19**	6
Total financial revenue	**17,013**	13,200
Financial expense		
Interest expense on borrowings	**-14,389**	-8,794
Exchange losses realized	**-121**	-445
Other financial expense 1)	**-1,414**	-1,556
Total financial expense	**-15,924**	-10,795
Net financial items	**1,088**	2,404

1) Includes amortization of warrants of 1.5m in 2018 and 1.2m in 2019

Note 8 Income tax and tax assets and liabilities

EUR thousand	2019	2018
Ordinary result before taxes	**-4,005**	-498
Non deductable expenses	**4**	0
Other permanent differences	**98**	0
Change in deferred tax	**9,522**	0
Basis for income tax	**5,619**	-498
Tax payable over profit and loss	**1,236**	0
Skattefunn [1]	**-456**	0
Tax payable in the balance	**780**	0
Tax payable	**-1,236**	0
Change in deferred taxes [2]	**2,095**	97
Tax effect on permanent difference	**22**	0
Effect on foregin exchange rates	**-11**	0
Tax losses for which no deferred tax asset was recognized	**0**	-42
Income tax expense	**870**	55

1) Skattefunn - Tax deduction scheme in Norway for companies with research and develoment projects

2) Change in deferred taxes includes tax lossess carried forward from the merger with Axactor AS, EUR 611 thousand

Temporary differences

EUR thousand	2019	2018
Current assets	**101**	0
Limitation interest carried forward	**2,093**	0
Tax losses carried forward reognized [2]	**665**	55
Differences not included in the calculation of deferred tax	**-100**	0
Net income tax reduction temporary differences	**2,761**	55
Net deferred tax asset	**2,761**	55
Net deferred tax liability	**0**	0
Net deferred tax	**2,761**	55

Note 9 Tangible fixed assets

EUR thousand	Land & buildings	Fixtures	Machines and office eqipm.	Total
Cost				
Cost at 31 Dec 2018	0	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	9	92	39	**140**
Cost at 31 Dec 2019	9	92	39	**140**
Amortization and impairment				
Accumulated depreciations at 31 Dec 2018	0	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	-2	-41	-28	**-70**
Depreciation of the year	-2	-18	-12	**-32**
Accumulated depreciations at 31 Dec 2019	-3	-59	-39	**-102**
Carrying amount at 31 Dec 2019	5	32	0	**38**
Useful life	3-10 yr	1-5 yr	1-5 yr	

Note 10 Intangible fixed assets

EUR thousand	Software	Other Intangibles	Total
Cost			
Cost at 31 Dec 2018	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	2,326	4,005	**6,330**
Acquisition	3,467	900	**4,368**
IC Acquisition	1,161	0	**1,161**
Reclassification	2,641	-2,641	**-0**
Disposals at cost price	-210	0	**-210**
Cost at 31 Dec 2019	9,385	2,264	**11,648**
Amortization and impairment			
Accumulated amortizations at 31 Dec 2018	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	-371	-379	**-750**
Amortization of the year	-1,011	-221	**-1,233**
Reclassification	-191	191	**0**
Disposals at cost price	210	0	**210**
Accumulated amortizations at 31 Dec 2019	-1,363	-409	**-1,772**
Carrying amount at 31 Dec 2019	8,022	1,855	**9,876**
Useful life	3-10 yr	1-5 yr	

Note 11 Share capital and shareholder information

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
New share issues, May	424,350	222,115
At 31 Dec 2019	155,395,464	81,337,590

30 largest shareholders as at 31 Dec 2019

Name	Shareholding	Share %
Geveran Trading Co Ltd	44,710,233	28.8 %
Verdipapirfondet Dnb Norge	7,588,738	4.9 %
Torstein Ingvald Tvenge	7,150,000	4.6 %
Ferd AS	5,335,139	3.4 %
Verdipapirfondet Alfred Berg Gamba	3,805,376	2.4 %
Verdipapirfondet Alfred Berg Norge	3,560,144	2.3 %
Verdipapirfondet Alfred Berg Aktiv	2,375,621	1.5 %
Verdipapirfondet Nordea Norge Verd	2,086,030	1.3 %
Gvepseborg AS	2,036,494	1.3 %
Ubs Switzerland AG	1,803,827	1.2 %
Alpette AS	1,661,643	1.1 %
Vatne Equity AS	1,391,599	0.9 %
Nordnet Livsforsikring AS	1,330,328	0.9 %
Citibank (nominee)	1,305,737	0.8 %
Andres Lopez Sanchez	1,177,525	0.8 %
David Martin Ibeas	1,177,525	0.8 %
Klotind AS	1,144,244	0.7 %
Klp Aksjenorge Indeks	1,055,049	0.7 %
Latino Invest AS	1,030,000	0.7 %
Verdipapirfondet Nordea Kapital	1,005,137	0.6 %
Verdipapirfondet Nordea Avkastning	998,028	0.6 %
Bnp Paribas Securities Services	942,000	0.6 %
Vardfjell AS	891,401	0.6 %
Endre Rangnes	864,000	0.6 %
Elena AS	860,000	0.6 %
Citibank (nominee)	830,793	0.5 %
Svein Dugstad	665,000	0.4 %
Banca Sistema S.P.A	604,504	0.4 %
Bente Mowinckel Tvenge	600,000	0.4 %
Fryden AS	576,000	0.4 %
Total 30 largest shareholders	100,562,115	64.7 %
Other shareholders	54,833,349	35.3 %
Total number of shares	155,395,464	100 %

Total number of shareholders	8,460	

Shares owned by related parties

	Shareholding	Share %
Geveran Trading Co Ltd [1]	44,710,233	28.8 %
Alpette AS [2]	1,661,643	1.1 %
Andres Lopez Sanchez [3]	1,177,525	0.8 %
David Martin Ibeas [3]	1,177,525	0.8 %
Latino Invest AS [4]	1,030,000	0.7 %
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]	294,810	0.2 %
Robin Knowles [6]	278,180	0.2 %
Bjørn Erik Næss [7]	100,000	0.1 %
Susanne Lene Rangnes Schneider [2]	39,832	0.0 %
Anders Gulbrandsen [8]	22,375	0.0 %
Sicubi AS / Bente Brocks [8] [9]	16,200	0.0 %
Bergsjo AS / Beate Skjerven Nygårdshaug [7]	16,200	0.0 %
Lars Valseth [8]	12,188	0.0 %
Brita Eilertsen [7]	10,000	0.0 %
Terje Mjøs [7]	10,000	0.0 %

1) *Geveran 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 SE/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 new ISIN and new face value. Ratio: 10 old shares give 1 new share. New ISIN: NO0010840515. New Face value: EUR 0.5234232

Note 12 Subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Book value in parent company	Result 2019	Equity 2019
Axactor Italy Holding Srl	100.0%	100.0%	Cuneo	Italy	18,235	-854	17,254
Axactor Incentive AB	100.0%	100.0%	Gothenburg	Sweden	5	0	4
Axactor Portfolio Holding AB	100.0%	100.0%	Gothenburg	Sweden	153,963	2,296	150,937
Axactor Platform Holding AB	100.0%	100.0%	Gothenburg	Sweden	117,540	-5,780	108,581
ReoLux SarL	50.0%	50.0%	Luxembourg	Luxembourg	25,000	-9,051	34,884
Axactor Invest 1 Sarl	50.0%	50.0%	Luxembourg	Luxembourg	45,006	14,654	108,046

Note 13 Other non-current investments

EUR thousand	Office location, city	Office location, country	2019	2018
Other non-current investments				
Nickel Mountain Resources AB	Stockholm	Sweden	**0**	157
Other Investments			**0**	13
Total other non-current investments			**0**	170

Note 14 Other current receivables

Prepaid expenses and accrued income

EUR thousand	2019	2018
Prepaid expenses	**403**	0
Accrued revenue [1]	**1,054**	0
Capitalized cost related to 13m Warrants issued to Geveran	**0**	1,159
Other	**18**	15
Total prepaid expenses and accrued income	**1,475**	1,174

1) *Accrued revenue relates to a legal settlement agreed in Dec 2019*

Note 15 Cash and cash equivalents

EUR thousand	2019	2018
Cash and bank deposits	**14,543**	23,139
Restricted cash	**258**	0
Total cash and cash equivalents	**14,801**	23,139
Composistion of the cash per currency		
NOK	**1,278**	37
SEK	**635**	442
EUR	**12,886**	22,659
GBP	**3**	0
Total cash and cash equivalents	**14,801**	23,139

Note 16 Loans and receivables to group companies

	2019				2018			
EUR thousand	Loans to group Companies[1]	Current IC receivables	Loans from group Companies	Current IC payables	Loans to group Companies[1]	Current IC receivables	Loans from group Companies	Current IC payables
Axactor Portfolio Holding AB	**0**	**58**	**0**	**0**	6,511	128	0	0
Axactor Platform Holding AB	**27,674**	**269**	**-3,170**	**0**	1,650	176	0	0
Axactor AS	**0**	**0**	**0**	**0**	0	132	0	-598
Axactor Norway Holding AS	**0**	**1,480**	**0**	**0**	0	0	0	0
Axactor Norway AS	**0**	**451**	**0**	**-461**	0	17	0	0
Axactor Capital AS	**0**	**12,105**	**0**	**-9,542**	0	0	0	0
Axactor Sweden AB	**0**	**0**	**0**	**0**	0	155	0	0
Axactor Germany Holding GmbH	**0**	**35**	**0**	**0**	0	21	0	0
Axactor Germany GmbH	**0**	**924**	**0**	**-298**	0	40	0	0
Axactor Espana, S.L.U.	**0**	**108**	**0**	**0**	0	139	0	0
Axactor Platform España S.A	**0**	**4**	**0**	**-203**	0	0	0	0
Axactor Sweden AB	**0**	**549**	**0**	**-103**	0	0	0	0
Axactor Capital Luxembourg S.a.r.l.	**0**	**-152**	**0**	**0**	0	0	0	0
Axactor Italy Holding S.r.l.	**14,143**	**0**	**0**	**0**	0	0	0	0
Axactor Italy S.p.A	**0**	**245**	**0**	**-46**	0	142	0	0
Axactor Capital Italy Srl	**0**	**100**	**0**	**0**	0	0	0	0
Reolux Holding S.a.r.l.	**0**	**0**	**0**	**0**	39,403	0	0	0
Axactor Invest 1 S.a.r.l.[2]	**0**	**162**	**0**	**0**	33,000	2,086	0	0
Reolux S.a.r.l	**36,238**	**87**	**0**	**0**	0	0	0	0
Axactor Finland Holding OY	**0**	**13**	**0**	**0**	0	1	0	0
Axactor Finland OY	**0**	**126**	**0**	**0**	0	0	0	0
Closing balance at 31 Dec	**78,055**	**16,564**	**-3,170**	**-10,654**	80,564	3,037	0	-598

1) Loans to subsidiaries carries an interest rate of 6%, to be paid at year end.

2) The loan to Axactor Invest 1 Sarl concerns 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 17 Borrowings

EUR thousand	Currency	Interest rate	Carrying amount	Year of maturity
Balance at 1 Jan 2019	EUR / NOK / SEK	Variable	148,742	2019-2024
Merger effect when merged with subsidiary Axactor AS	NOK		2,937	
New issues				
Listed Bond Loan [4)]	EUR		50,000	2021
Loan from Group company	NOK		151	na
Other movements				
Capitalized loan fees			-740	
Amortized loan fees on loans			755	
Accrued interest			311	
Currency translations			82	
Balance at 31 Dec 2019			202,238	
Non-current portion of interest-bearing debt			201,927	
Current portion of interest-bearing debt			311	
Of which in currency				
NOK			3,170	
EUR			199,068	

EUR thousand	Bond	Other	Total
Borrowings per facility			
Gross interest-bearing debt	200,000	3,170	**203,170**
Capitalized loan fee	-1,242	0	**-1,242**
Accrued interest	311	0	**311**
Interest-bearing debt, end of period	199,069	3,170	**202,238**

In March 2019, Axactor SE completed a tap issue of EUR 50 million in its outstanding senior unsecured bonds due 23 June 2021 (ISIN NO0010840515). Following the tap issue the total nominal amount outstanding under the bonds will be EUR 200 million.

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.

Note 18 Other current liabilities

EUR thousand	2019	2018
Public duties	**306**	168
Personnel related liabilities	**1,680**	0
Other accruals	**317**	188
Total other current liabilities	**2,303**	356

Auditor's report

To the General Meeting of Axactor SE

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Axactor SE (the Company), which comprise the Statement of Financial Position sheet as at 31 December 2019, the Statement of Profit and Loss, Statement of Comprehensive Loss, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Axactor SE and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Profit and Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 2019, 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 2019, 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.

Independent Auditor's Report - Axactor SE

Key Audit Matters

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

The business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2019 financial statements. The valuation of the portfolios contains the same characteristics and risks as last year and continue to be an important focus area in our audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of debt portfolios	
Debt portfolios represent a considerable part of the Group's total assets. The valuation of the portfolios includes elements of management judgement. The book value of debt portfolios is determined by projecting expected future cash flows and discounting them to present value using the effective interest rate as of the date the portfolios were acquired. Some of the key judgmental assumptions related to the valuation includes the size of expected future cash flows, and timing of future payments. The estimated timing and size of payments of cash flows require judgement and experience to assess and this may differ from actual timing and size of payments. Management performs Quarterly Performance Reviews (QPR) in which they assess the performance of the group's portfolios, with particular focus directed towards whether portfolios meet certain performance criteria. The procedure is designed to identify portfolios with need to adjust the book value. Our focus on valuation of debt portfolios is justified by the fact that judgmental assumptions carry an inherent risk of errors that have a potential to affect the Groups net profit.	We satisfied ourselves 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. We obtained quarterly performance review documentsfor 2019 from management. 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. We performed recalculation based on our own models to test the completeness and accuracy of the company's, QPR – reviews. The result of our interviews and testing showed that management had used appropriate assumptions, reasonable input data and calculations. We also evaluated the models they used to discount the cash flows and tested the accuracy of the inputs and whether the models made correct calculations. Any differences encountered as part of our detailed testing fell within a reasonable range. The Group notes 2.14.1, 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.

Independent Auditor's Report - Axactor SE

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 10 March 2020
PricewaterhouseCoopers AS

Anne Lene Stensholdt
State Authorised Public Accountant

Terms and abbreviations

3PC	Third-party collection
ARM	Accounts receivables management
B2B	Business to Business
B2C	Business to Consumer
BoD	Board of Directors
Cash EBITDA	EBITDA adjusted for calculated cost of share option program, portfolio amortizations, revaluations, REO cost of sales and REO impairments
CGU	Cash Generating Unit
CM1	Contribution Margin
Dopex	Direct Operating expenses
EBITDA	Earnings Before Interest, Tax, Depreciation and amortization
ECL	Expected credit loss
ERC	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
EPS	Earnings Per Share
EUR	Euro
FTE	Full Time Equivalent
IFRS	International Financial Reporting Standards
NIBD	Net Interest Bearing Debt - Interest bearing debt less cash
NCI	Non-controlling interests
NOK	Norwegian Krone
NPL	Non-performing loan
OB	Outstanding Balance, the total amount Axactor can collect on claims under management, including outstanding principal, interest and fees
PCI	Purchased Credit Impaired
PPA	Purchase Price Allocations
Pro-forma Cash EBITDA	Cash EBITDA adjusted for acquired/sold business (and portfolios in regards of covenants)
REO	Real estate owned
SEK	Swedish Krone
SG&A	Selling, General & Administrative Expenses
SPV	Special Purpose Vehicle
VIU	Value in Use
WACC	Weighted Average Cost of Capital
WAEP	Weighted average exercise price

Financial calendar 2020

Quarterly Report - Q1	*21.04.2020*
Quarterly Report - Q2	*23.07.2020*
Quarterly Report - Q3	*28.10.2020*
Quarterly Report - Q4	*11.02.2021*

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