



Report

Q1 2019

26 April, 2019

AXACTOR

Highlights

First Quarter of 2019

- Axactor continued its profitable growth journey and reinforced the position as a leading European debt management provider in the first quarter 2019. Gross collection and net revenue more than doubled year-over-year, to EUR 90.7 million and EUR 73.6 million, respectively.
- EBITDA more than tripled to EUR 22.1 million with the EBITDA-margin improving to 30%, showing the scalability and efficiency of the business model. Cash EBITDA also more than tripled to EUR 58.8 million, reflecting solid collection performance and increasing REO sales.
- Portfolio investments amounted to EUR 68.6 million in the first quarter, most of which in NPL volumes acquired through forward flow agreements. The bulk of investments came in the Nordic region, improving the geographical balance. Total ERC exceeded EUR 1.7 billion at the end of the quarter, of which NPL portfolio accounted for 86% and REO for 14%.
- The funding position was strengthened with the release of an additional EUR 100 million in bank loans and EUR 50 million increase of a bond loan. Co-investor Geveran increased funding for the co-investment vehicle Axactor Invest 1 S.à r.l. in April.
- Axactor sees attractive investment opportunities in the NPL segment and increased funding leaves room for increasing the total planned investment level in 2019 from EUR 350-400 million to EUR 400-450 million.
- The portfolio investments and solid collection performance point towards continued profitable growth for Axactor in 2019, supported by continued growth of 3PC and roll-out of ARM across new markets.

Key events after end of the report period

- Axactor and its co-investor and largest shareholder Geveran in April agreed to inject EUR 15 million each in new equity into the co-investment vehicle Axactor Invest 1. The investment capabilities of the vehicle was further increased by Geveran providing a EUR 20 million up-size of the existing mezzanine loan, on the same terms as before.
- Closed unsecured NPL portfolio transaction with a financial institution in Spain with an outstanding balance of approximately EUR 77m across more than 20,000 claims.

Key Figures Axactor Group

EUR million	For the quarter end/ YTD		Full year 2018
	31 March 2019	31 March 2018	
Gross revenue	90.7	41.0	238.8
Net revenue	73.6	35.8	206.9
EBITDA	22.1	6.1	46.3
Cash EBITDA ¹⁾	58.8	18.1	136.0
Depreciation and amortization (excl Portfolio amortization)	-2.3	-1.3	-6.0
Net financial items	-11.9	-5.4	-34.1
Tax (expense)	-3.3	-0.3	-3.8
Net profit/(loss) after tax	4.6	-1.0	2.4
Cash and Cash Equivalents, end of period	119.9	195.9	70.8
Gross revenue from NPL Portfolios	52.4	20.9	117.0
Gross revenue from REO Portfolios	24.7	8.7	69.8
Acquired NPL portfolios during the period	68.6	46.8	461.9
Acquired REO portfolios during the period	0.1	44.7	99.3
Book value of NPL, end of period	781.4	354.0	728.8
Book value of REO, end of period	181.1	192.7	200.0
Estimated Remaining Collection, NPL	1,473.1	726.2	1,388.2
Estimated Remaining Collection, REO	244.0	274.3	274.5
Interest bearing debt, end of period	783.3	467.0	734.4
Number of Employees (FTEs), end of period	1,075	947	1,040
Price per share, last day of period	18.38	25.90	18.65

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

Operations

Axactor invested EUR 68.6 million in portfolio acquisitions in the first quarter 2019, exclusively in NPL volumes and primarily in the Nordic market. This is in line with the strategic decision not to pursue further investment opportunities in the REO segment. The ERC of the NPL portfolio has more than doubled over the past year and stood at close to EUR 1.5 billion at the end of the first quarter. Axactor sees further attractive investment opportunities in the NPL segment also going forward. Operations ran well in the first quarter, with gross revenues more than doubling year-on-year to EUR 90.7 million, and EBITDA more than tripling to EUR 22.1 million. The EBITDA margin continued to improve to 30%, showing that Axactor increasingly benefits from scale economies with a lean and efficient organization.

Gross revenue from the NPL portfolio amounted to EUR 52.4 million in the first quarter 2019 (20.9), reflecting a significantly larger portfolio but also continued solid collection performance.

NPL portfolio investments of EUR 68.6 million in the first quarter 2019 marked a reversal to more normal levels after extraordinary high NPL investments of EUR 328.9 million in the fourth quarter last year but were nevertheless up 47% from the first quarter 2018.

The investments in the first quarter almost exclusively reflect volumes Axactor acquired under previously entered forward flow agreements. These agreements cover claims that are only being taken over by Axactor and included in the NPL portfolio upon default. These types of arrangements are so far most common in the Nordic region, and the first quarter investments had a sharply different geographical profile compared to last year.

Whereas Spain accounted for 88% of NPL acquisitions in the first quarter last year, Norway accounted for 48% and Sweden for 25% of the investments in the first quarter this year. Germany accounted for 18% of acquisitions in the first quarter 2019 and Italy for 8%, with Finland and Spain making up the last 1%.

The ERC of the NPL portfolio stood at EUR 1,473 million at the end of the first quarter (726), a 6% increase from last quarter. ERC for the coming twelve months is estimated at EUR 211 million. Book value of the NPL portfolio was EUR 781 million (354), compared to EUR 729 million at the end of 2018. The ERC and book values do not include volumes Axactor have not yet taken over under forward flow agreements. At the end of the first quarter, the estimated investments under forward flow agreements amounted to EUR 219 million for the remainder of the year.

Gross revenue from the REO portfolio amounted to EUR 24.7 million in the first quarter 2019 (8.7), which was a 22% increase from the fourth quarter 2018. The mix of assets sold during Q1 2019 was more favourable than in the previous quarter, lifting the contribution margin for REOs to 11% and the gross money multiple to 1.28.

ERC of the REO portfolio stood at EUR 244 million (274) at the end of the first quarter 2019. This was a decline of EUR 30 million from year-end 2018, which comprises both REO sales in the quarter and a EUR 6 million downward revision of ERC. The latter reflects somewhat softer price developments and correspondingly higher expected discount levels for parts of the portfolio.

Axactor will prioritize margins over volumes in the divestment of the REO assets and has adjusted the expected ERC profile accordingly. Expected ERC over the coming twelve months is EUR 123 million, or roughly half the total REO ERC.

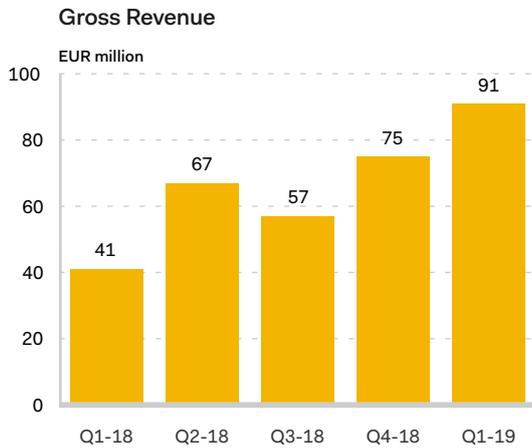
The book value of the REO portfolio stood at EUR 181 million at the end of the first quarter (193), compared to EUR 200 million at the end of 2018.

The third-party collection business (3PC) continued its year-on-year growth pattern, reporting 22% growth in gross revenue to EUR 12.1 million in the first quarter (10.0). After implementing the 3PC product in Sweden earlier in the year, the offering was expanded to Finland with the acquisition of SPT in the fourth quarter last year. This provided geographical diversification and an improved position to take cross-border deals, and Axactor is confident that the revenue growth will continue.

Accounts receivables management is still a relatively small operation, with Norway accounting for the main part of the EUR 1.5 million in gross revenue generated in the first quarter 2019 (1.5). Roll-out to new countries is ongoing, and revenue growth is expected to increase going forward.

Financials

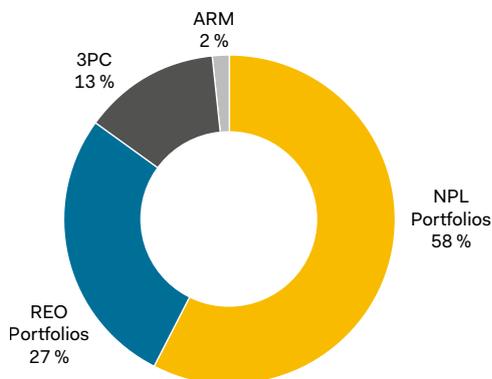
Revenues



Gross revenue for the first quarter of 2019 was EUR 90.7 million, an increase of 121% over the first quarter last year and 22% above the previous quarter. The NPL segment was the main growth contributor.

Net revenue amounted to EUR 73.6 million, corresponding to a 106% year-on-year increase and an 8% increase from the fourth quarter last year. Amortization and revaluation of NPL portfolios amounted to EUR 17.0 million in the first quarter (5.2). This was an increase from EUR 6.6 million in the fourth quarter 2018, which was supported by positive portfolio revaluations of EUR 3.2 million. Due to the shape of the collection curves, the amortization as a percentage of collections is generally expected to increase as the back book matures.

Gross Revenue mix Q1-19



The NPL segment accounted for EUR 52.4 million (20.9) of total gross revenue in the first quarter, reporting year-on-year growth of 151% and a growth of 32% from the previous quarter.

The continued strong growth in the NPL portfolio reflects both large investments made during the latter part of 2018 and continued solid collection performance.

Gross revenue from the REO segment amounted to EUR 24.7 million (8.7), which was an increase of 22% from the fourth quarter 2018. The increase from the previous quarter reflects higher sales of higher quality assets, as well as the first part of a cluster sale of assets to a specialized fund.

The 3PC segment continued its growth track with a 22% year-on-year gross revenue increase to EUR 12.1 (10.0), whereas Accounts Receivable Management reported more or less flat gross revenue at EUR 1.5 (1.5).

Operating expenses

Total operating expenses for the first quarter 2019 amounted to EUR 51.5 million (29.7), including REO cost of sales of EUR 19.3 million (6.1). The latter represents reversal of the book value of sold assets.

Depreciation and amortization - excluding amortization of NPL portfolios - was EUR 2.3 million (1.3m) for the first quarter 2019. The increase is mainly due to the implementation of IFRS 16, where all leasing contracts are booked in the balance and amortized over the contract period.

Operating results

Total contribution from the business segments amounted to EUR 33.8 million in the first quarter (14.4), up from EUR 30.9 million in the previous quarter. The contribution margin of net revenue increased to 46% (40%) from 45% in the previous quarter.

Contribution from the NPL segment was EUR 27.1 million (10.4), up from EUR 26.3 million in the fourth quarter 2018.

Contribution from the REO segment was EUR 2.8 million (1.3). This compares to a loss of EUR 0.8 million in the previous quarter, when Axactor under IFRS booked impairments that affected the contribution margin negatively by EUR 1.9 million.

Contribution from the 3PC and ARM segments were EUR 3.3 million (1.9) and EUR 0.6 million (0.8), respectively.

Reported EBITDA for the first quarter 2019 was EUR 22.1 million (6.1), up from EUR 19.6 million in the fourth quarter last year. The EBITDA margin thus continued to increase to 30% (17%) from 29% in the previous quarter, showing the scalability and efficiency of the business model.

The difference between contribution margin and EBITDA comprise unallocated SG&A and IT costs, amounting to EUR 11.7 million (8.3) in the first quarter. The absolute increase is mainly attributable to company acquisitions and increased size and scope of business activities. In percent of gross revenue, the unallocated costs declined from 20% in the first quarter last year to 13% in the first quarter 2019.

Cash EBITDA, defined as EBITDA excluding amortization and revaluations of NPL portfolios, REO cost of sales and impairments, and calculated costs related to the share option program, amounted to EUR 58.8 million (18.1m) in the first quarter 2019. This was an increase from EUR 44.7 million in the previous quarter, reflecting both strong cash flow from the NPL segment and higher REO sales at a higher margin.

The gross margin, defined as cash EBITDA to gross revenue, increased to 65% (44%) from 60% in the fourth quarter 2018.

Operating profit (EBIT) was EUR 19.9 million in the first quarter 2019 (4.8).

Net financial items

Total net financial items were a negative 11.9 million for the first quarter (5.4), comprising interest costs on outstanding debt of EUR 10.9 million (4.8), currency effects of EUR -0.4 million (0.0), and other minor financial items.

The increasing financial expenses are primarily a result of investment patterns through 2018 and into 2019.

Earnings and taxes

Profit before tax was EUR 8.0 million (-0.7) for the first quarter 2019. Net profit was EUR 4.6 million (-1.0), reflecting an average tax rate of 42%. The high effective tax rate is due to some loss-making entities not recognizing any new tax assets in the quarter, at the same time as some profit-making entities are in a taxable position.

Cash flow

The cash flow from operating activities amounted to EUR 66.3 million (21.5) in the first quarter 2019.

The deviation from the cash EBITDA of EUR 58.8 million mainly reflect increases in net working capital of EUR 9.1 million (4.7), and taxes paid of EUR 1.6 million (1.3).

The total amount paid for portfolio acquisitions in the first quarter was EUR 73.3 million (49.4). Other capital expenditure amounted to EUR 1.7 million (1.5), and the total cash flow from investments was thus EUR -75.0 million (-50.9).

Total cash flow from financing activities was EUR 64.1 million (176.7) in the first quarter 2019, mainly reflecting execution of a bond tap option of EUR 50 million in February and draw-downs on existing funding lines to fund portfolio investments in the quarter.

Total free cash and cash equivalents at the end of the period was EUR 119.9 million (195.9).

Equity position

Total equity for the Group was EUR 360.4 million (295.9) at the end of the first quarter 2019, including minority interests of EUR 92.6 million (40.1). The equity ratio was 30% (35%), which was unchanged from the end of 2018.

Funding

Axactor view access to competitive funding as one of the key success criteria for its growth strategy and has continued to strengthen its funding situation during the first part of this year. Axactor's main banking partners in February released EUR 100 million of an accordion option on a revolving credit facility, and Axactor in March executed a EUR 50 million bond tap option.

After the end of the first quarter, EUR 15 million of the funds have been reallocated to equity in Axactor Invest 1, with the co-investor Geveran also injecting new equity of EUR 15 million and providing addition funding of EUR 20 million in the form of a mezzanine loan.

Combined with running cash flow and existing funding lines, this leaves room for upwards revisions of the planned portfolio acquisition capex for 2019 from EUR 350-400 million to EUR 400-450 million.

The total estimated capex requirement for already signed forward flow agreements amounts to EUR 286 million for 2019, of which EUR 67 million was deployed in the first quarter. Contract renewals may further increase the capex level.

Outlook

Axactor went into 2019 with a strong momentum, as large investments made towards the end of 2018 became fully operational with effect from the first quarter 2019. This generated continued revenue growth and margin improvement in the first quarter of the year.

Axactor continues to see very interesting investment opportunities in the NPL segment, where supply/demand dynamics have lifted expected IRR on acquisition prospects in the market, particularly in the Nordic region. Compared to the first quarter of the year, Axactor therefore expects to increase the portfolio investment level in the remainder of the year.

Overall, Axactor expects that its increased scale, lean organization and sharp efficiency focus will generate continued profitable growth in 2019.

This report has not been reviewed by the auditor.

Oslo, 25 April 2019
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Lars Erich Nilsen
Board member

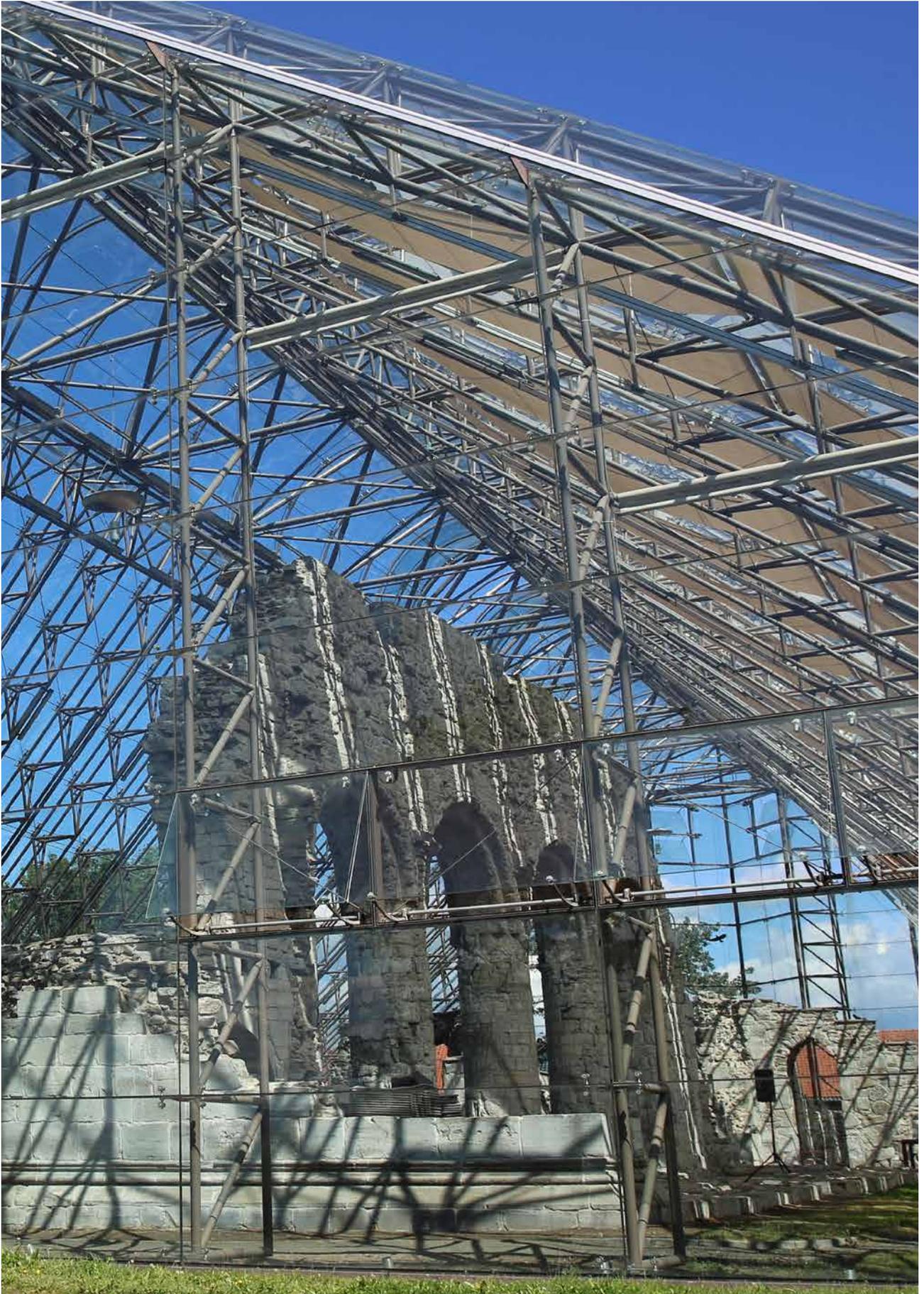
Merete Haugli
Board member

Brita Eilertsen
Board member

Beate S. Nygårdshaug
Board member

Terje Mjø
Board member

Endre Rangnes
Chief Executive Officer



Consolidated Statement of Profit and Loss

EUR thousand	Note	For the quarter end/ YTD		Full year 2018
		31 March 2019	31 March 2018	
Interest income from purchased loan portfolios	6	28,989	17,442	74,536
Net gain/loss purchased loan portfolios	6	6,371	-1,802	10,599
Other operating revenue		38,289	20,160	121,774
Total Revenue	3,4	73,649	35,800	206,909
Cost of REO's sold	7	-19,302	-6,123	-54,491
Personnel expenses operations		-9,433	-8,086	-32,585
Personnel expenses other		-6,102	-5,274	-19,548
Operating expenses		-16,671	-10,219	-53,978
Total operating expense		-51,508	-29,702	-160,602
EBITDA		22,140	6,097	46,306
Amortization and depreciation		-2,266	-1,341	-6,009
EBIT		19,875	4,757	40,298
Financial revenue	5	16	91	453
Financial expense	5	-11,919	-5,541	-34,591
Net financial items		-11,903	-5,450	-34,138
Profit/(loss) before tax		7,972	-693	6,160
Tax (expense)		-3,348	-303	-3,770
Net profit/(loss) after tax		4,624	-996	2,390
Net profit/(loss) to Non-controlling interests	5	2,584	425	-2,103
Net profit/(loss) to equity holders		2,040	-1,421	4,492
Earnings per share: basic		0.013	-0.001	0.029
Earnings per share: diluted		0.012	-0.001	0.026

Consolidated Statement of Comprehensive Profit and Loss

EUR thousand	For the quarter end/ YTD		
	31 March 2019	31 March 2018	Full year 2018
Net profit/(loss) after tax	4,624	-996	2,390
Items that will not be classified subsequently to profit and loss			
Remeasurement of pension plans	0	0	50
Items that may be classified subsequently to profit and loss			
Foreign currency translation differences - foreign operations	1,142	-396	-2,830
Other comprehensive income/(loss) after tax	1,142	-396	-2,780
Total comprehensive income for the period	5,766	-1,392	-390
Attributable to:			
Equity holders of the parent company	3,182	-1,817	1,713
Non-controlling interests	2,584	425	-2,103

Interim Consolidated Statement of Financial Position

EUR thousand	Note	31 March 2019	31 March 2018	31 Dec 2018
ASSETS				
<i>Intangible non-current assets</i>				
Intangible Assets		18,992	18,522	19,170
Goodwill		56,281	54,260	55,577
Deferred tax assets		6,852	5,186	7,564
<i>Tangible non-current assets</i>				
Property, plant and equipment		2,851	2,491	2,683
Right-of-use assets	9	5,874	0	0
<i>Financial non-current assets</i>				
Purchased debt portfolios	6	781,361	353,969	728,820
Other non-current receivables		294	843	293
Other non-current investments		778	170	778
Total non-current assets		873,283	435,441	814,885
<i>Current assets</i>				
Stock of Secured Assets	7	181,121	192,694	200,009
Accounts Receivable		8,931	7,817	9,459
Other current assets		9,832	8,311	12,774
Restricted cash		5,309	1,825	3,184
Cash and Cash Equivalents		119,887	195,907	67,593
Total current assets		325,080	406,554	293,018
TOTAL ASSETS		1,198,363	841,995	1,107,903

Interim Consolidated Statement of Financial Position

EUR thousand	Note	31 March 2019	31 March 2018	31 Dec 2018
EQUITY AND LIABILITIES				
<i>Equity attributable to equity holders of the parent</i>				
Share Capital		81,115	79,377	81,115
Other paid-in equity		200,485	196,946	200,298
Retained Earnings		-12,132	-20,142	-14,172
Reserves		-1,675	-584	-2,817
Non-controlling interests		92,605	40,077	63,746
Total Equity		360,398	295,873	328,170
<i>Non-current Liabilities</i>				
Interest bearing debt	8	579,436	432,303	567,829
Deferred tax liabilities		10,925	5,670	11,124
Lease liabilities	9	3,641	0	0
Other non-current liabilities		991	3,072	1,180
Total non-current liabilities		594,992	441,045	580,132
<i>Current Liabilities</i>				
Accounts Payable		4,046	3,504	4,522
Current portion of interest bearing debt	8	207,572	34,660	169,296
Taxes Payable		5,076	1,862	1,610
Lease liabilities	9	2,253	0	0
Other current liabilities		24,026	65,050	24,172
Total current liabilities		242,973	105,076	199,600
Total Liabilities		837,964	546,121	779,732
TOTAL EQUITY AND LIABILITIES		1,198,363	841,995	1,107,903

Interim Consolidated Statement of Cash Flow

EUR thousand	Note	For the quarter end/ YTD		Full year 2018
		31 March 2019	31 March 2018	
Operating activities				
Profit before tax		7,972	-693	6,160
Taxes paid		-1,595	-1,275	-2,543
Adjustments for:				
- Finance income and expense		11,903	5,450	34,138
- Amortization of debt portfolios		17,012	5,214	31,900
- Cost of secured assets sold, incl. Impairment		19,514	6,123	56,432
- Depreciation and amortization		2,266	1,341	6,009
- Calculated cost of employee share options		187	656	1,374
Change in Working capital		9,066	4,706	2,783
Net cash flows operating activities		66,324	21,522	136,253
Investing activities				
Purchase of debt portfolios	6	-73,231	-49,420	-456,339
Purchase of REO's	7	-56	0	-99,310
Investment in subsidiaries		0	0	-1,086
Purchase of intangible and tangible assets		-1,700	-1,496	-6,995
Interest received		0	0	17
Net cash flows investing activities		-74,986	-50,916	-563,713
Financing activities				
Proceeds from borrowings	8	91,275	195,895	600,651
Repayment of debt	8	-11,389	-22,907	-156,791
Interest paid	8	-9,144	-1,630	-24,405
Loan fees paid	8	-2,894	-2,478	-10,090
New Share issues		0	0	4,395
Proceeds from Non-controlling interests		-3,725	7,875	34,073
Costs related to share issues		0	-12	-31
Net cash flows financing activities		64,122	176,743	447,802
Net change in cash and cash equivalents		55,460	147,349	20,341
Cash and cash equivalents at the beginning of period		70,776	50,482	50,482
Currency translation		-1,040	-99	-47
Cash and cash equivalents at end of period		125,197	197,732	70,776

Interim Consolidated Statement of Changes in Equity

EUR thousand	Equity related to the shareholders of the Parent Company				Total	Non-controlling interest	Total Equity
	Restricted	Non-restricted					
	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year			
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				2,040	2,040	2,584	4,624
Foreign currency translation differences - foreign operations			1,142		1,142		1,142
Total comprehensive income for the period	0	0	1,142	2,040	3,182	2,584	5,766
Proceeds from Non-controlling interests					0	26,275	26,275
Share based payment		187			187		187
Closing balance on 31 Mar 2019	81,115	200,485	-1,675	-12,132	267,793	92,605	360,398

Notes to the Financial Report

Note 1 Reporting entity and Accounting Principles

The Parent Company Axactor SE (Company) is a company domiciled in Norway. These condensed consolidated interim statements ("interim financial statements") comprise the Company and its subsidiaries (together referred to as "the Group"). The group is primarily involved in debt management, specialising on both purchasing and collection on own portfolios and providing collection services for 3rd party owned portfolio. The activities are further described in note 3.

The interim report has been prepared in accordance with IAS 34. The accounting principles applied correspond to those described in the Annual Report for the Financial Year 2018. This interim report does not contain all the information and disclosures available in the annual report and the interim report should be read together with the Annual Report for the Financial Year 2018.

In preparing these interim financial statements, management has made judgements and estimates that effects the application and accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. Critical Accounting estimates and judgements in terms of accounting policies are more comprehensive discussed in the Company Annual report for the Financial Year 2018, which is available on Axactors website: www.axactor.com.

The significant judgements made by managements applying the Group's accounting policies and the key resources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new leasing standard, IFRS 16, which is described below.

In January 2016 IASB introduced a new leasing standard that will replace IAS 17, leasing agreements and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard demands that essentially all assets and liabilities related to a leasing agreement get recognized in the balance sheet with only a few exceptions. The new standard is based on the view that the lessee has a right to use an asset during a specified time period and at the same time an obligation to pay for it. The standard is applicable for annual reporting periods beginning on or after January 1, 2019.

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

EUR thousand	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 liabilities recognized as at 1 Jan 2019	5,743

Note 2 Risks and uncertainties

Axactor's regular business activities entail exposure to various types of risk. The company manages such risks proactively and the board of directors regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure. Axactor gives strong emphasis to quality assurance and has quality systems implemented, or under implementation in line with the requirements applicable to its business operations. The risks include but are not limited to credit risk, risk inherent in purchased debt, interest rate risk, regulatory risk, liquidity risks and financing risks. For a more elaborate discussion on the aforementioned risks one is referred to the Company's Annual Report for the Financial Year 2018, which is available on Axactor website: www.axactor.com (note 3 of the Group financial statement).

Note 3 Segment note

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

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

The REO segment invests in real estate assets held for sale.

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

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

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment contribution margin represents contribution margin earned by each segment without allocation of management fee, central administration costs, other gains and losses as well as finance costs. The measurement basis of the performance of the segment is the segment's contribution margin.

For the quarter end / YTD 31 March 2019

EUR thousand	NPL	REO	3PC ¹⁾	ARM	Eliminations/ Not allocated	Total
Collections on own portfolios	52,371	24,665	0	0	0	77,036
Other operating revenue	0	0	12,115	1,479	30	13,625
Portfolio amortization and revaluation	-17,012	0	0	0	0	-17,012
Net revenue	35,359	24,665	12,115	1,479	30	73,649
REO cost of sales	0	-19,302	0	0	0	-19,302
Impairment REOs	0	-213	0	0	0	-213
Direct operating expenses	-8,294	-2,357	-8,804	-852	0	-20,307
Contribution margin	27,065	2,793	3,311	627	30	33,828
Local SG&A, IT and corporate cost					-11,687	-11,687
EBITDA						22,140
Total opex	-8,294	-21,871	-8,804	-852	-11,687	-51,508
CM1 Margin	76.5 %	11.3 %	27.3 %	42.4 %	na	45.9 %
EBITDA Margin						30.1 %
Dopex / Gross revenue	15.8 %	88.7 %	72.7 %	57.6 %	na	43.9 %
Local SG&A, IT and corporate cost / Gross revenue						12.9 %

1) External revenue

For the quarter end / YTD 31 March 2018

EUR thousand	NPL	REO	3PC ¹⁾	ARM	Eliminations/ Not allocated	Total
Collections on own portfolios	20,853	8,672	0	0	0	29,526
Other operating revenue	0	0	9,954	1,534	0	11,488
Portfolio amortization and revaluation	-5,214	0	0	0	0	-5,214
Net revenue	15,639	8,672	9,954	1,534	0	35,800
REO cost of sales	0	-6,123	0	0	0	-6,123
Impairment REOs	0	0	0	0	0	0
Direct operating expenses	-5,226	-1,287	-8,049	-740	0	-15,302
Contribution margin	10,414	1,262	1,905	794	0	14,374
Local SG&A, IT and corporate cost					-8,278	-8,278
EBITDA						6,097
Total opex	-5,226	-7,410	-8,049	-740	-8,278	-29,704
CM1 Margin	66.6 %	14.6 %	19.1 %	51.7 %	na	40.2 %
EBITDA Margin						17.0 %
Dopex / Gross revenue	25.1 %	85.4 %	80.9 %	48.3 %	na	52.2 %
Local SG&A, IT and corporate cost / Gross revenue						20.2 %

1) External revenue

Full year 2018

EUR thousand	NPL	REO	3PC ¹⁾	ARM	Eliminations/ Not allocated	Total
Collections on own portfolios	117,034	69,810	0	0	0	186,844
Other operating revenue	0	0	45,591	6,373	0	51,964
Portfolio amortization and revaluation	-31,900	0	0	0	0	-31,900
Net revenue	85,135	69,810	45,591	6,373	0	206,909
REO cost of sales	0	-54,486	0	0	0	-54,486
Impairment REOs	0	-1,946	0	0	0	-1,946
Direct operating expenses	-23,100	-8,609	-32,256	-3,096	0	-67,061
Contribution margin	62,035	4,769	13,335	3,277	0	83,416
Local SG&A, IT and corporate cost					-37,110	-37,110
EBITDA						46,306
Total opex	-23,100	-65,041	-32,256	-3,096	-37,110	-160,603
CM1 Margin	72.9 %	6.8 %	29.2 %	51.4 %	na	40.3 %
EBITDA Margin						22.4 %
Dopex / Gross revenue	19.7 %	93.2 %	70.8 %	48.6 %	na	51.7 %
Local SG&A, IT and corporate cost / Gross revenue						15.5 %

1) External revenue

Note 4 Revenue

Portfolio Revenue

EUR thousand	For the quarter end/YTD		
	31 March 2019	31 March 2018	Full year 2018
Yield ¹⁾	28,989	17,442	74,536
CU1 ²⁾	5,896	-2,098	8,454
CU2 ³⁾	-342	-36	447
CU2 tail ⁴⁾	816	331	1,697
Net revenue	35,359	15,639	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 5 Financial items

EUR thousand	For the quarter end/YTD		
	31 March 2019	31 March 2018	Full year 2018
Financial revenue			
Interest on bank deposits	8	1	17
Exchange gains	0	5	0
Exchange gains realized	0	56	381
Other financial income	8	29	54
Total financial revenue	16	91	453
Financial expense			
Interest expense on borrowings	-10,863	-4,813	-29,713
Distribution of interest on Notes to NCI ¹⁾	0	0	-2,080
Exchange losses	0	-7	0
Exchange losses realized	-36	-99	-294
Net unrealized exchange losses	-402	0	-456
Other financial expense ²⁾	-618	-623	-2,047
Total financial expense	-11,919	-5,541	-34,591
Net financial items	-11,903	-5,450	-34,138

1) Notes are classified as Debt instruments in 2018, hence distribution over P&L

2) Includes amortization of warrants of 0.4m Q1-19, 0.4 Q1-18 and 1.5m full year 2018

Note 6 Non-performing loans

EUR thousand	For the quarter end/YTD		
	31 March 2019	31 March 2018	Full year 2018
Opening balance	728,819	317,150	317,150
Acquisitions during the year	68,593	46,792	461,910
Collection	-52,371	-20,853	-117,034
Yield - Interest income from purchased loan portfolios	28,989	17,442	74,536
Net gain/loss purchased loan portfolios ¹⁾	6,371	-1,802	10,599
Repossession of secured NPL to REO	-570	0	-2,953
Disposals ¹⁾²⁾	0	-2,816	-9,416
Translation difference	1,531	-1,943	-5,972
Closing balance	781,361	353,969	728,819
Payments during the year for investments in purchased debt amounted to EUR	73,231	49,420	456,339
Deferred payment	934	2,628	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.

Note 7 Stock of secured assets - REO

EUR thousand	For the quarter end/YTD		
	31 March 2019	31 March 2018	Full year 2018
Acquisition cost, opening balance	200,009	154,101	154,101
Acquisitions during the year	56	44,716	99,310
Repossession of secured NPL	570	0	2,953
Cost of sold secured assets	-19,302	-6,123	-54,491
Other	0	0	82
Total acquisition cost	181,333	192,694	201,955
Impairment	-213	0	-1,946
Closing balance	181,121	192,694	200,009
Number of assets	5,773	6,338	6,323

Note 8 Loans and borrowings

EUR thousand	Currency	Interest rate	Carrying amount	Year of maturity
Balance at 1 Jan 2019	EUR / NOK	Variable	737,125	2019-2022
New issues				
Italian Banks ²⁾	EUR		2,028	2019-2022
DnB/Nordea ¹⁾	Various		39,202	2020
Listed Bond Loan ⁴⁾	EUR		50,000	2021
Nomura ⁵⁾	EUR		0	2021
Finnish Banks	EUR		45	2020-2021
Repayments				
Italian Banks	EUR		-2,672	
Conversion to equity Notes, NCI	EUR		-30,000	
Nomura ⁵⁾	EUR		-8,690	
Other ³⁾	EUR		-27	
Other movements				
Capitalized loan fees			-2,894	
Amortized loan fees on loans			1,495	
Accrued interest			1,343	
Currency translations			53	
Balance at 31 Mar 2019			787,008	
Non-current portion of interest-bearing debt			579,436	
Current portion of of interest-bearing debt			207,572	
Of which in currency				
NOK			74,520	
SEK			39,582	
EUR			672,906	

1) The debt facility agreement with DNB Bank ASA and Nordea Bank AB is EUR 350 million, whereof 50 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: the Group NIBD Ratio < 3; the Portfolio Leverage Ratio < 60% and Collection performance > 90%

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

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 24 million.

3) Following the co-investment partnership with Geveran, Notes in the amount of EUR 180 million has been issued, of which for EUR 150 million has been subscribed to by Sterna Finance, a company in the Geveran Group. The remainder has been subscribed to by Axactor SE. This consists of EUR 120 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. Settlement for the tap issue is expected to take place on or about 26 March 2019 and net proceeds will be used for general corporate purposes.

The bonds are listed on Oslo Exchange. The coupon rate is 3m EURIBOR + 700 bps pa. The following financial covenants: Interest coverage ratio: >4.0x (Pro-Forma Adjusted Cash EBITDA to net interest expenses); Leverage ratio: <4.0x (NIBD to Pro-Forma Adjusted Cash EBITDA); Net loan to value: <75% (NIBD to total book value all debt portfolios and REOs); Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs). Trustee: Nordic Trustee

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

Note 9 Leasing

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	700	0	0	700
Accumulated depreciation	-482	-75	-12	-569
Carrying amount of right-of-use assets 31 Mar 2019	5,261	535	78	5,874
Remaining lease term	1-6 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

EUR thousand	Total
Discounted lease liabilities and maturity of cash outflow	
< 1 year	2,253
1-2 years	1,930
2-3 years	999
3-4 years	393
4-5 years	298
> 5 years	21
Total discounted lease liabilities at 31 Mar 2019	5,894

Note 10 Shares

Issued shares and share capital

	Number of shares	Share capital (EUR thousand)
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
At 31 Mar 2019	154,971,114	81,115,475

30 largest shareholders as at 31 Mar 2019

Name	Shareholding	% Share
Geveran Trading Co Ltd	34,656,148	22.4 %
Verdipapirfondet Dnb Norge (Iv)	10,055,727	6.5 %
Torstein Ingvald Tvenge	7,150,000	4.6 %
Ferd AS	5,335,139	3.4 %
Verdipapirfondet Alfred Berg Gamba	3,805,376	2.5 %
Verdipapirfondet Alfred Berg Norge	2,890,144	1.9 %
Gvapseborg AS	2,036,494	1.3 %
Verdipapirfondet Nordea Norge Verd	2,013,102	1.3 %
Verdipapirfondet Alfred Berg Aktiv	2,004,655	1.3 %
Rmb International Fund	1,819,644	1.2 %
J.P. Morgan Bank Luxembourg S.A.	1,725,000	1.1 %
Alpette AS	1,661,643	1.1 %
Citibank, N.A.	1,522,387	1.0 %
Nordnet Livsforsikring AS	1,361,512	0.9 %
Andres Lopez Sanchez	1,166,725	0.8 %
David Martin Ibeas	1,166,725	0.8 %
	1,098,523	0.7 %
Latino Invest AS	1,030,000	0.7 %
Verdipapirfondet Nordea Avkastning	1,027,387	0.7 %
Songa Trading Inc	1,000,000	0.6 %
Verdipapirfondet Nordea Kapital	992,918	0.6 %
BNP Paribas Securities Services	992,385	0.6 %
Elena AS	894,000	0.6 %
Vardfjell AS	891,401	0.6 %
Vatne Equity AS	886,599	0.6 %
Endre Rangnes	864,000	0.6 %
Citibank, N.A.	710,226	0.5 %
Skøien AS	700,000	0.5 %
Arctic Funds Plc	688,554	0.4 %
Svein Dugstad	680,000	0.4 %
Total 30 largest shareholders	92,826,414	59.9 %
Other shareholders	62,144,700	40.1 %
Total number of shares	154,971,114	100%
Total number of shareholders	9,098	

Shares owned by related parties

Name	Shareholding	% Share
Geveran Trading Co Ltd ¹⁾	34,656,148	22.4 %
Alpette AS ²⁾	1,661,643	1.1 %
Andres Lopez Sanchez ³⁾	1,166,725	0.8 %
David Martin Ibeas ³⁾	1,166,725	0.8 %
Latino Invest AS ⁴⁾	1,030,000	0.7 %
Endre Rangnes ²⁾	864,000	0.6 %
Banca Sistema S.P.A ⁵⁾	604,504	0.4 %
Fryden AS / Oddgeir Hansen ⁶⁾	576,000	0.4 %
Johnny Tsolis Vasili ⁴⁾	540,000	0.3 %
Siv Farstad ⁶⁾	281,000	0.2 %
Robin Knowles ⁶⁾	121,887	0.1 %
Bjørn Erik Næss ⁷⁾	100,000	0.1 %
Susanne Lene Rangnes Schneider ²⁾	39,832	0.0 %
Nomura International Plc	37,352	0.0 %
Anders Gulbrandsen ⁸⁾	16,975	0.0 %
Bergsjø AS / Beate Skjerven Nugårdshaug ⁷⁾	12,500	0.0 %
Lars Valseeth ⁸⁾	12,188	0.0 %
Sicubi AS / Bente Brocks ^{8) 9)}	10,800	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 the new ISIN and new face value. Ratio: 10 old shares give 1 new share. New ISIN: NO0010840515. New Face value: EUR 0.5234232

Terms and abbreviations

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

Financial calendar 2019

Quarterly Report - Q1	26.04.2019
Quarterly Report - Q2	24.07.2019
Quarterly Report - Q3	25.10.2019
Quarterly Report - Q4	TBD

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