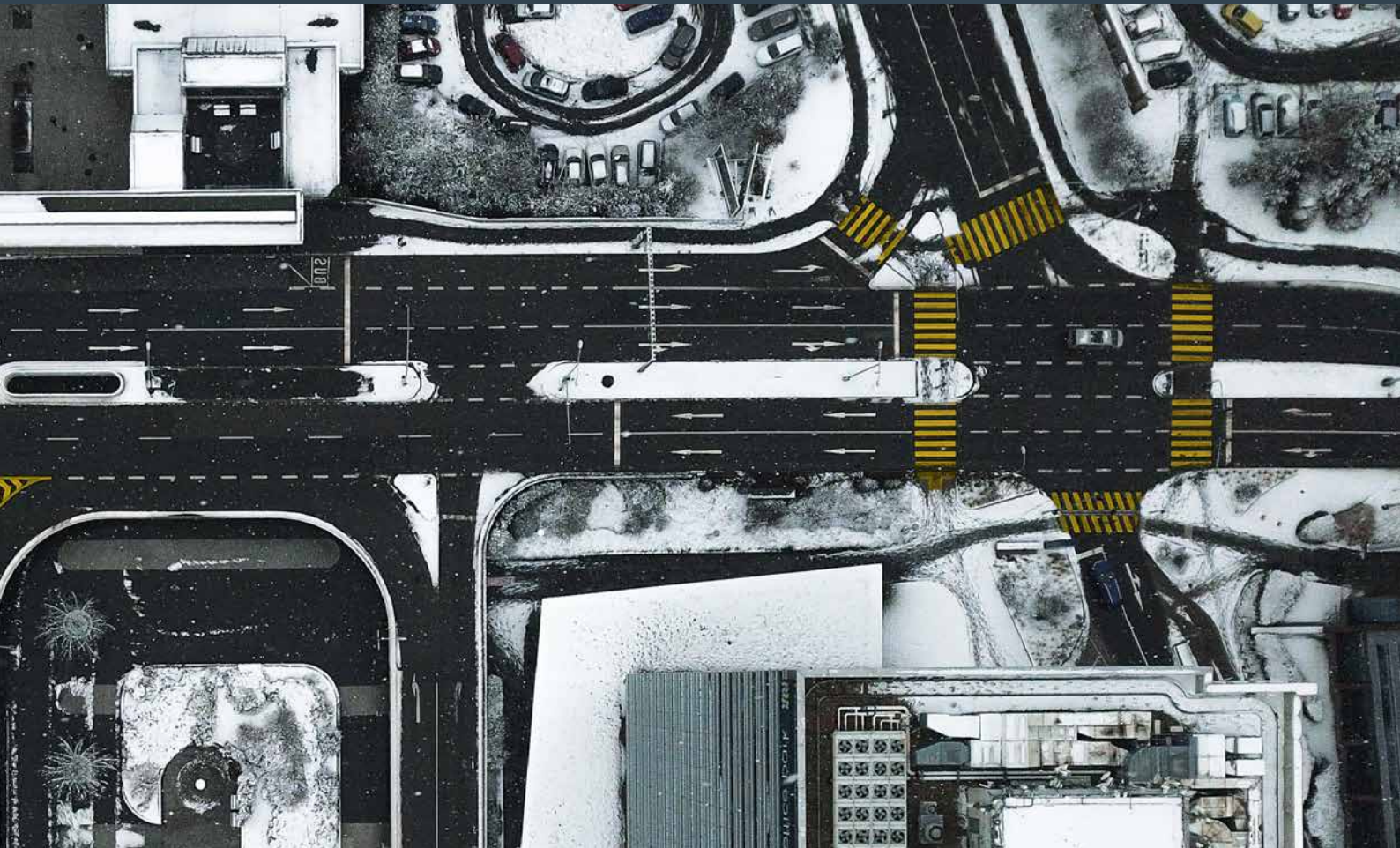


# AXACTOR

Report

# Q4 2019

12 February, 2020



# Highlights

## Fourth quarter and full year 2019

- Axactor continued its profitable growth journey throughout 2019, reporting growth in all business segments for both the fourth quarter and full year. Gross revenue increased by 32% to EUR 98.8 million in the fourth quarter and by 54% to EUR 368.1 million for the full year.
- Net revenue increased by 10% to EUR 74.8 million for the fourth quarter and by 38% to EUR 285.2 million for the full year. The lower growth rate for net revenue compared to gross revenue reflects higher amortization of NPL portfolios compared to previous periods.
- EBITDA increased by 22% to EUR 23.8 million in the fourth quarter and almost doubled to EUR 92.1 million for the full year. The full year EBITDA-margin improved from 22% to 32%, supported by operational advances such as centralization of traffic control, new debtor portal, and improved business intelligence and analytics capabilities. Cash EBITDA increased to EUR 66.8 million in the quarter and EUR 250.8 million for the full year.
- Earnings before tax ended at EUR 8.5 million for the fourth quarter 2019, up from EUR 5.4 million in the same quarter last year. For the full year 2019, earnings before tax grew to EUR 32.6 million (6.2). Net profit amounted to EUR 6.5 million in the fourth quarter, up from EUR 2.8 million in fourth quarter last year. Net profit for the full year increased to EUR 21.0 million from EUR 2.4 million in 2018.
- Axactor invested EUR 95 million into NPL portfolio acquisitions in the quarter, bringing overall capital expenditure on portfolios to EUR 399 million for the full year. ERC for the NPL portfolio exceeded EUR 2bn at the end of 2019, accounting for 93% of Group ERC. Remaining ERC for the REO portfolio was EUR 151 million.
- Axactor's main banking relations increased the funds available under a revolving credit facility by EUR 150 million to EUR 500 million in the fourth quarter, through the establishment of two accordion options of EUR 75 million each. Axactor exercised one option in October 2019, whereas the other remained unused at the end of the year. During the first nine months, Axactor increased its funding capacity by a total of EUR 235 million in the form of additional bank and bond debt and externally provided equity and loans in Axactor Invest 1, totaling at 310 million for the full year.

## Key events after the end of the period

- Axactor in January 2020 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.
- On 4 February, Axactor announced that it had terminated discussions regarding a potential public offer for the company. The decision followed receipt of an updated, conditional expression of interest submitted after conclusion of due diligence. The proposal included an offer price of NOK 22 per share.
- The company also disclosed certain preliminary financial information for the fourth quarter and full year 2019.
- The company sees a number of near-term opportunities in an increasingly attractive market for portfolio purchases, 3PC and forward flow agreements, and the Board of Directors concluded that putting full focus on execution of Axactor's strategy must take priority.
- 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.

# Key Figures Axactor Group

EUR million	For the quarter end		Full Year	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Gross revenue	<b>98.8</b>	74.6	368.1	238.8
Net revenue	<b>74.8</b>	68.0	285.2	206.9
EBITDA	<b>23.8</b>	19.6	92.1	46.3
Cash EBITDA <sup>1)</sup>	<b>66.8</b>	44.7	250.8	136.0
Depreciation and amortization (excl Portfolio Amortization)	<b>-2.8</b>	-1.7	-10.1	-6.0
Net financial items	<b>-12.5</b>	-12.4	-49.4	-34.1
Tax (expense)	<b>-2.0</b>	-2.6	-11.7	-3.8
<b>Net profit/(loss) after tax</b>	<b>6.5</b>	2.8	21.0	2.4
Cash and Cash Equivalents, end of period <sup>2)</sup>	<b>71.7</b>	67.6	71.7	67.6
Gross revenue from NPL Portfolios	<b>60.8</b>	39.6	217.1	117.0
Gross revenue from REO Portfolios	<b>21.3</b>	20.3	91.2	69.8
Acquired NPL portfolios during the period	<b>95.4</b>	328.9	398.3	461.9
Acquired REO portfolios during the period	<b>0.3</b>	5.6	0.7	99.3
Book value of NPL, end of period	<b>1,041.9</b>	728.8	1,041.9	728.8
Book value of REO, end of period	<b>129.0</b>	200.0	129.0	200.0
Estimated Remaining Collection, NPL	<b>2,038.4</b>	1,388.2	2,038.4	1,388.2
Estimated Remaining Collection, REO	<b>150.9</b>	274.5	150.9	274.5
Interest bearing debt, end of period	<b>929.9</b>	737.1	929.9	737.1
Number of Employees (FTEs), end of period	<b>1,152</b>	1,040	1,152	1,040
Price per share, last day of period	<b>19.00</b>	18.65	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

# Operations

Axactor continued to invest in its portfolio of non-performing loans (NPL) throughout 2019, and the ERC of its NPL portfolio increased by close to 50% during 2019 to more than EUR 2 billion at the end of the year. Gross revenue increased 32% year-on-year to EUR 98.8 million in the fourth quarter, and 54% to EUR 368.1 million for the full year. Strong growth in the high-margin NPL segment and operational improvements also supported an increase in EBITDA-margin from 29% to 32% from the fourth quarter last year and from 22% to 32% for the full year.

## NPL – Continued profitable growth

Gross revenue in the NPL segment increased 54% to EUR 60.8 million in the fourth quarter (39.6), and by 86% to EUR 217.1 million for the full year 2019 (117.0).

NPL portfolio investments amounted to EUR 95.4 million in the fourth quarter, compared to an exceptionally high investment level of EUR 328.9 million in the fourth quarter last year.

This included investments under forward flow agreements of EUR 70.6 million in the fourth quarter.

During the fourth quarter, the company also acquired an Italian portfolio of payment plans secured against promissory notes, with an outstanding balance of EUR 60 million.

For the full year capital expenditure for NPL portfolio acquisitions amounted to EUR 398.3 million, down from EUR 461.9 million in 2018.

The ERC for the NPL portfolio stood at EUR 2,038 million at the end of the fourth quarter (1,388), an 9% increase during the quarter and up 47% since the end of 2018. Book value of the NPL portfolio stood at EUR 1,042 million (729) at the end of the year.

ERC for the coming 12 months is estimated at EUR 258 million.

The capex figures, ERC, and book values do not include volumes Axactor have not yet taken over under its forward flow agreements. Per the end of 2019, the company had signed forward flow agreements with an estimated capital requirement level of EUR 178 million for 2020. At the time of the report, this had increased to EUR 190 million.

Current funding and cash flow projections allow for a total investment level of approximately EUR 350-400 million in 2020.

## 3PC – Building for the future

Gross revenue from 3PC increased 6% to EUR 15.6 million in the fourth quarter (14.7) and by 11% to EUR 57.7 million for the full year (52.0).

The main growth contribution came from Axactor's stronghold in Spain where the client list includes the top-12 banks as well as leading insurance companies and real estate firms.

3PC is also well positioned to grow on cross-border deals in the bank/finance sector in the Nordic region. In January, Axactor renewed and expanded an existing forward flow contract where part of the forward flows will be managed in 3PC for a period prior to acquisition. Such combined 3PC/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/forward flow contracts to be a key growth area for the coming quarters, in particular in the Nordic market.

## REO – Asset sales set to unwind the portfolio

Gross revenue from the REO segment increased by 5% to EUR 21.3 million in the fourth quarter (20.3), and by 31% to EUR 91.2 million for the full year 2019 (69.8).

Both unit sales and average prices increased somewhat from 2018 to 2019. The fourth quarter increase from the corresponding quarter in 2018 reflected somewhat higher average prices but a slight decline in the number of units sold.

Average discounts in the fourth quarter were higher than the previous quarters, to support continued high volumes.

Axactor expects to continue this practice to maintain sales volumes from a rapidly declining asset inventory also in 2020. Remaining inventory stood at 4,024 units at the end of 2019, which was a decline of 13% in the quarter and 36% below year end 2018.

REO assets are considered non-core for Axactor's growth strategy. The company invested only a marginal EUR 0.3 million into REO assets in the fourth quarter (5.6), and EUR 0.7 million for the full year 2019 (99.3), all related to existing assets in inventory.

ERC of the REO portfolio stood at EUR 150.9 million at the end of 2019 (274.5), of which EUR 74.7 million is expected to be realized over the coming 12 months.

Due to the higher discounts given, ERC has been adjusted down to reflect the current price estimates going forward. The ERC value related to the assets sold during the fourth quarter was approximately EUR 5 million higher than the achieved sales price. In addition, remaining ERC has been adjusted down by EUR 16 million.

The book value of the REO portfolio stood at EUR 129 million at the end of the year (200).

Due to minority interests in the Reolux holding entity and two of the asset-owning subsidiaries of Reolux, Axactor's exposure to the REO stock is approximately 40%. The REO numbers are, however, consolidated on a 100%-basis in Axactor's financial statements.

## Organization and systems

Headquartered in Oslo, Norway, Axactor currently operates in six geographical markets; Spain, Norway, Germany, Italy, Sweden and Finland.

The number of FTEs increased by 11% to 1,152 during 2019, up from 1,040 at the end of 2018. The lower growth compared to the growth in asset base and revenue is one example of the scalability and operational leverage of the business model.

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

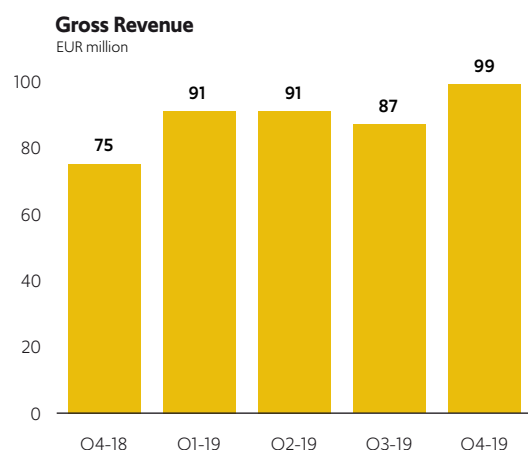
Axactor has built a flexible and sustainable business system, with centralized group functions, a standardized organizational set-up with scalable solutions, and strong local operations in each market.

The company has implemented modern core collection systems adapted to handle different legal frameworks in the individual markets. These core collection systems are supported by outsourced, standardized modules for client and debtor portals, robot dialers, data warehouse and business intelligence, accounts receivables management systems, and infrastructure and group functions such as finance/HR and CRM.

Axactor continued pushing the standardization process further in 2019. At the end of the year the company had launched a standard debtor portal alongside updated websites under the Axactor brand. Standard dialer software had 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.

# Financials

## Revenues

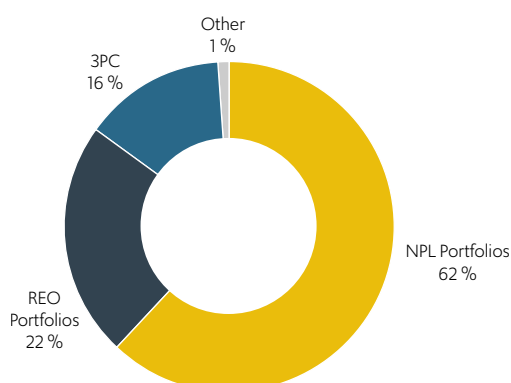


Gross revenue for the fourth quarter of 2019 was EUR 98.8 million, an increase of 32% over the fourth quarter last year and 13% above the previous quarter.

All segments showed growth compared to both the fourth quarter last year and the previous quarter.

Net revenue amounted to EUR 74.8 million, which was an increase of 10% from the fourth quarter last year and 16% above the previous quarter. Amortization and revaluation of NPL portfolios amounted to EUR 24.0 million in the fourth quarter (6.6), compared to EUR 23.1 million in the previous quarter.

### Gross Revenue mix Q4-19



The NPL segment accounted for EUR 60.8 million (39.6) of total gross revenue in the fourth quarter, reporting year-on-year growth of 54% in reflection of continued investments through 2018 and 2019. Gross NPL revenue was up 13% from the previous quarter.

The development through the second half of the year was in line with statements in the half-year report, that investments and collection profiles pointed towards sequential growth.

Third party collection services (3PC) reported a gross revenue of EUR 15.6 million in the fourth quarter (14.7), an increase of 6% year on year and 25% higher than in the seasonally weaker third quarter. The increases were mainly attributable to the Spanish, Italian and German operations.

Gross revenue from the REO segment amounted to EUR 21.3 million in the fourth quarter (20.3), corresponding to 5% growth both year-on-year and compared to the previous quarter.

Other income amounted to EUR 1.1 million in the fourth quarter (0.0), mainly reflecting gain on sale of some underperforming portfolios in Italy and a positive legal settlement.

For the full year 2019, gross revenue increased by 54% to 368.1 million, led by an 86% increase in NPL gross revenue to EUR 217.1 million. 3PC revenue increased by 11% to EUR 57.7 million in 2019, whereas REO revenue increased by 31% to EUR 91.2 million. Other income amounted to EUR 2.0 million (0.0).

Net revenue increased by 38% to EUR 285.2 million for the full year 2019.

## Operating expenses

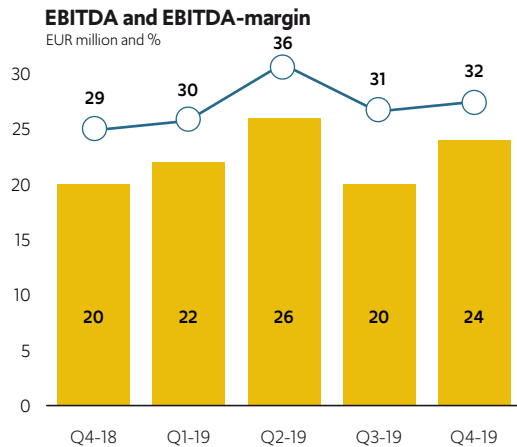
Total operating expenses for the fourth quarter 2019 amounted to EUR 51.0 million (48.5), including REO cost of sales of EUR 18.4 million (18.4). The latter represents reversal of the book value of sold assets.

Measured as a percentage of revenue, the operating expenses declined to 68% in the fourth quarter from 71% in the same quarter last year.

For the full year 2019, total operating expenses amounted to EUR 193.0 million (160.6), with OPEX declining to 68% from 78% in 2018.

Depreciation and amortization - excluding amortization of NPL portfolios - were EUR 2.8 million (1.7) for the fourth quarter.

For the full year 2019, depreciation and amortization amounted to EUR 10.1 million (6.0), with the increase mainly explained by amortization of leasing contracts under IFRS 16.



## Operating results

Total contribution from the business segments amounted to EUR 35.6 million in the fourth quarter (30.9), with the contribution margin on net revenue increasing from 45% to 48%.

Contribution from the NPL segment was EUR 27.6 million (26.3), corresponding to 75% margin on net segment revenue (80%). The lower margin reflects higher portfolio amortization.

Contribution from 3PC was EUR 6.3 million (5.4), or 40% margin on net segment revenue (36%).

Contribution from the REO segment was EUR 0.6 million (-0.8), corresponding to 3% margin on net segment revenue (-4%).

Unallocated contribution in the quarter was EUR 1.1 million (0.0), reflecting sales of portfolios in Italy and a positive legal settlement.

For the full year 2019, the total contribution margin from the business segment increased by 60% to EUR 133.4 million (83.4), of which NPL accounted for 76%, 3PC for 17% and REO for 5%.

The contribution margin on net revenue increased from 40% in 2018 to 47% in 2019, which is explained by a change in business composition with relatively higher shares of NPL and 3PC and lower share of REO, as well as operational improvements.

Reported EBITDA was EUR 23.8 million in the fourth quarter, an increase of 22% from EUR 19.6 million in the fourth quarter 2018, and up 19% from the previous quarter.

The EBITDA margin improved to 32% from 29% in the same quarter last year, showing continued positive scale benefits.

For the full year 2019, EBITDA almost doubled to EUR 92.1 million (46.3), with the EBITDA margin improving from 22% to 32%.

The difference between contribution margin and EBITDA comprise unallocated SG&A and IT costs, amounting to EUR 11.7 million (11.3) for the fourth quarter.

For the full year 2019, unallocated SG&A and IT costs amounted to EUR 41.3 million (37.1) and thus declined from 16% to 11% of gross revenue.

Cash EBITDA amounted to EUR 66.8 million (44.7) in the fourth quarter, and to EUR 250.8 million (136.0) million for the full year 2019.

Cash EBITDA is 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.

The gross margin – defined as cash EBITDA to gross revenue – increased to 68% for both the fourth quarter (60%) and the full year 2019 (57%).

Operating profit (EBIT) was EUR 21.0 million in the fourth quarter (17.9), and EUR 82.0 million for the full year 2019 (40.3).

## Net financial items

Total net financial items were a negative EUR 12.5 million for the fourth quarter (12.4), comprising interest expense on borrowings of EUR 13.9 million (9.5), positive impact from reversal of note interest to minorities of EUR 2.1 million (-2.1) and negative currency effects of EUR 0.1 million (0.3), and other minor financial items of negative EUR 0.6 million (0.5). The reversal of note interest to minorities comes as a result of changing the accounting standard for the co-owned Axactor Invest I in Luxembourg from IFRS to local GAAP. The now reversed interest accrual has no cash impact.

For the full year 2019 total net financial items were a negative EUR 49.4 million (34.1), of which interest expense on borrowings accounted for EUR 51.3 million (29.7), and warrant cost of EUR 1.1 million (1.5). The distribution of interest on notes made in Q4 2018 was reversed in Q4 2019, reducing financial expenses by EUR 2.1 million (-2.1).

The increase in interest expense generally reflects financing of the investments carried out in the respective periods.

## Earnings and taxes

Profit before tax was EUR 8.5 million (5.4) for the fourth quarter 2019, whereas net profit was EUR 6.5 million (2.8). The average tax rate was thus 23%. The reason for the relatively low tax rate in the quarter is



that certain entities have, during the year-end closing process, been able to utilize tax losses carried forward that had not been recognized as deferred tax assets in the balance sheet.

For the full year 2019 the profit before tax was EUR 32.6 million (6.2) and the net profit EUR 21.0 million (2.4).

The effective tax rate for the full year continue to reflect that some loss-making entities are not entitled to recognize tax assets while profit-making entities are in a taxable position.

Net profit to non-controlling interest amounted to EUR 4.6 million for 2019, versus a loss of EUR 2.1 million in 2018.

Net profit to equity holders amounted to EUR 16.3 million, compared to a net profit of 4.5 million in 2018.

Earnings per share for the full year was hence EUR 0.106 on a reported basis (0.029), and EUR 0.093 on a fully diluted basis (0.026).

## Cash flow

Cash flow from operating activities amounted to EUR 75.3 million (42.6) in the fourth quarter 2019, and to EUR 245.4 million for the full year 2019 (136.3).

The deviations from cash EBITDA reflect changes in working capital and taxes paid.

The total amount paid for portfolio acquisitions was EUR 95.8million (333.5) in the fourth quarter, and EUR 402.3 million for the full year 2019 (555.6).

Total net cash flow from investments was EUR -98.8 million in the fourth quarter (-335.8).

Total cash flow from financing activities was EUR 36.1 million (250.0) in the fourth quarter and EUR 173.2 million for the full year 2019 (447.8), mainly reflecting drawdowns on existing and new funding lines.

Total free cash and cash equivalents at the end of the period was EUR 71.7 million, compared to EUR 67.6 million at the end of 2018.

## Equity position

Total equity for the Group was EUR 3776 million at the end of 2019 (328.2), including minority interests of EUR 97.0 million (63.7).

While equity increased by EUR 49.5 million during the year, the equity ratio declined to 28% from 30% at the end of 2018. The equity ratio is expected to be approximately 30% over time.

## Capital expenditure and Funding

Axactor invested EUR 95.7 million in portfolio acquisitions in the fourth quarter of 2019 (334.5) and EUR 399.0 million for the full year 2019 (561.2).

The investments were thus very close to the EUR 400 million level that was indicated for the full year in the financial report for the third quarter 2019.

The investments have been financed through available cash flow from operation and drawdowns on existing and new credit facilities.

Per the end of the year, Axactor had signed forward flow agreements with an estimated capex requirement of EUR 178 million for 2020. At the time of the report, this had increased to EUR 190 million

During the fourth quarter, available funds were expanded through a EUR 150 million increase of a revolving credit facility with the main banking partners DnB and Nordea. This was structured as two accordion options of EUR 75 million each. One of the options was executed in October, whereas the other remained unused at the end of the year.

Overall, Axactor increased its deployed funding by EUR 310 million during 2019, in the form of additional bank debt and bond debt, and externally provided new equity and loans in Axactor Invest 1 which is jointly owned with Geveran Trading.

In February 2020, the company further strengthened its funding position through a private placement generating gross proceeds of NOK 517.5 million (EUR 51 million).

## Termination of discussions regarding a potential public offer

Axactor on 4 February announced that it had terminated discussions regarding a potential public offer for the Company that were initiated in the fourth quarter 2019. The decision followed receipt of an updated, conditional expression of interest, which was submitted after conclusion of due diligence. The proposal included an offer price of NOK 22 per share. The company also disclosed certain preliminary financial information for the fourth quarter and full year 2019.

The termination by the Board of Axactor was made on the basis of an overall assessment of the proposal, including the indicated timeline, and a determination that confirmation of a definitive offer at adequate terms would not materialise in a timely manner.

The Board hence concluded that putting full focus on execution of Axactor's strategy must take priority, also as the company sees a number of near-term opportunities in an increasingly attractive market for portfolio purchases, 3PC and forward flow agreements.

## Private placement

Axactor on 5 February announced that it had completed a private placement of 30 million new shares, representing 19.3% of the outstanding share capital of the company. The shares were subscribed at NOK 17.25 per share.

The company intends to use the net proceeds from the private placement to fund further growth and general corporate purposes.

The share subscriptions were settled with existing shares through a share lending agreement with the largest shareholder Geveran Trading Co., and tradeable from allocation. The share loan will be settled with a corresponding number of new shares to be issued by the Board of Directors pursuant to an authorization granted at the AGM in April 2019.

The Board of Directors acknowledges its equal treatment obligations under the Norwegian Securities Trading Act and Oslo Børs' regulations. The Board is of the view that the private placement was in the common interest of the company and its shareholders, in view of current market conditions and the growth opportunities currently available in the market.

## Outlook

Axactor reported gross revenue growth of 54% in 2019, on the back of investments made through 2018 and 2019. The reported margin improvements reflect solid collection performance, scale benefits and a lean and efficient organization and business model.

Going forward, Axactor will sharpen its focus on the development of the 3PC business, which holds growth potential in all six markets and particularly interesting opportunities in combined 3PC and forward flow agreements in the bank/finance sector in the Nordic region.

The company also sees increasingly attractive NPL investment opportunities in its main markets, with declining portfolio prices and increasing IRRs both for one-off portfolio investments and forward flow agreements.

Current funding and cash flow projections allow for an investment level of approximately EUR 350-400 million in 2020.

# Responsibility Statement

We confirm that, to the best of our knowledge, the unaudited Financial Statements for fourth quarter 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 account act.

Oslo, 11 February 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 Mjøs  
Board member

Endre Rangnes  
Chief Executive Officer

# Consolidated Statement of Profit and Loss

EUR thousand	Note	For the quarter end		Full Year	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Interest income from purchased loan portfolios	6	<b>37,239</b>	22,289	134,531	74,536
Net gain/loss purchased loan portfolios	6	<b>-412</b>	10,751	-319	10,599
Other operating revenue		<b>36,865</b>	34,994	148,926	121,774
Other revenue		<b>1,137</b>	0	2,021	0
<b>Total Revenue</b>	3,4	<b>74,830</b>	68,034	285,159	206,909
Cost of REO's sold, incl impairment	7	<b>-18,371</b>	-18,364	-74,464	-56,438
Personnel expenses operations		<b>-10,041</b>	-8,815	-38,203	-32,584
Personnel expenses other		<b>-5,196</b>	-5,211	-19,506	-19,548
Operating expenses		<b>-17,397</b>	-16,073	-60,847	-52,033
<b>Total operating expense</b>		<b>-51,004</b>	-48,463	-193,019	-160,602
<b>EBITDA</b>		<b>23,826</b>	19,571	92,140	46,306
Amortization and depreciation		<b>-2,828</b>	-1,686	-10,115	-6,009
<b>EBIT</b>		<b>20,998</b>	17,885	82,025	40,298
Financial revenue	5	<b>526</b>	58	2,787	453
Financial expenses	5	<b>-13,011</b>	-12,504	-52,176	-34,590
<b>Net financial items</b>		<b>-12,485</b>	-12,447	-49,389	-34,138
<b>Profit/(loss) before tax</b>		<b>8,513</b>	5,438	32,636	6,160
Tax (expense)		<b>-1,979</b>	-2,624	-11,667	-3,770
<b>Net profit/(loss) after tax</b>		<b>6,534</b>	2,814	20,969	2,390
Net profit/(loss) to Non-controlling interests	5	<b>1,310</b>	-1,578	4,643	-2,103
<b>Net profit/(loss) to equity holders</b>		<b>5,223</b>	4,392	16,326	4,492
Earnings per share: basic		<b>0.034</b>	0.028	0.106	0.029
Earnings per share: diluted		<b>0.029</b>	0.025	0.093	0.026

# Consolidated Statement of Comprehensive Profit and Loss

EUR thousand	For the quarter end		Full Year	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net profit/(loss) after tax	<b>6,534</b>	2,814	20,969	2,390
<i>Items that will not be classified subsequently to profit and loss</i>				
Remeasurement of pension plans	<b>0</b>	50	0	50
<i>Items that may be classified subsequently to profit and loss</i>				
Foreign currency translation differences - foreign operations	<b>3,002</b>	-2,352	-1,904	-2,830
Other comprehensive income/(loss) after tax	<b>3,002</b>	-2,302	-1,904	-2,780
<b>Total comprehensive income for the period</b>	<b>9,536</b>	512	19,065	-390
Attributable to:				
Non-controlling interests	<b>1,310</b>	-1,578	4,643	-2,103
Equity holders of the parent company	<b>8,226</b>	2,090	14,422	1,713

# Interim Consolidated Statement of Financial Position

EUR thousand	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<i>Intangible non-current assets</i>			
Intangible Assets		<b>21,487</b>	19,170
Goodwill		<b>56,170</b>	55,577
Deferred tax assets		<b>9,742</b>	7,564
<i>Tangible non-current assets</i>			
Property, plant and equipment		<b>2,903</b>	2,683
Right-of-use assets	9	<b>5,846</b>	0
<i>Financial non-current assets</i>			
Purchased debt portfolios	6	<b>1,041,919</b>	728,820
Other non-current receivables		<b>765</b>	293
Other non-current investments		<b>193</b>	778
<b>Total non-current assets</b>		<b>1,139,025</b>	814,885
<i>Current assets</i>			
Stock of Secured Assets	7	<b>129,040</b>	200,009
Accounts Receivable		<b>13,135</b>	9,459
Other current assets		<b>14,960</b>	12,774
Restricted cash		<b>3,739</b>	3,184
Cash and Cash Equivalents		<b>71,657</b>	67,593
<b>Total current assets</b>		<b>232,531</b>	293,018
<b>TOTAL ASSETS</b>		<b>1,371,556</b>	1,107,903

# Interim Consolidated Statement of Financial Position

EUR thousand	Note	31 Dec 2019	31 Dec 2018
<b>EQUITY AND LIABILITIES</b>			
<i>Equity attributable to equity holders of the parent</i>			
Share Capital		<b>81,338</b>	81,115
Other paid-in equity		<b>201,879</b>	200,298
Retained Earnings		<b>2,153</b>	-14,172
Reserves		<b>-4,721</b>	-2,817
Non-controlling interests		<b>96,977</b>	63,746
<b>Total Equity</b>		<b>377,626</b>	328,170
<i>Non-current Liabilities</i>			
Interest bearing debt	8	<b>466,378</b>	567,829
Deferred tax liabilities		<b>17,591</b>	11,124
Lease liabilities	9	<b>3,481</b>	0
Other non-current liabilities		<b>1,415</b>	1,180
<b>Total non-current liabilities</b>		<b>488,864</b>	580,132
<i>Current Liabilities</i>			
Accounts Payable		<b>5,902</b>	4,522
Current portion of interest bearing debt	8	<b>463,555</b>	169,296
Taxes Payable		<b>6,570</b>	1,610
Lease liabilities	9	<b>2,549</b>	0
Other current liabilities		<b>26,491</b>	24,172
<b>Total current liabilities</b>		<b>505,066</b>	199,600
<b>Total Liabilities</b>		<b>993,930</b>	779,732
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,371,556</b>	1,107,903

# Interim Consolidated Statement of Cash Flow

EUR thousand	Note	For the quarter end		Full Year	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>Operating activities</b>					
Profit/(loss) before tax		<b>8,513</b>	5,438	32,636	6,160
Taxes paid		<b>-300</b>	-170	-4,741	-2,543
Adjustments for:					
- Finance income and expense		<b>12,485</b>	12,447	49,389	34,138
- Portfolio amortization and revaluation		<b>23,992</b>	6,558	82,934	31,900
- Cost of secured assets sold, incl. Impairment		<b>18,371</b>	18,358	74,464	56,432
- Depreciation and amortization		<b>2,828</b>	1,685	10,115	6,009
- Calculated cost of employee share options		<b>376</b>	194	1,256	1,374
Change in Working capital		<b>9,074</b>	-1,930	-679	2,783
<b>Net cash flows operating activities</b>		<b>75,338</b>	42,581	245,373	136,253
<b>Investing activities</b>					
Purchase of debt portfolios	6	<b>-95,437</b>	-234,193	-401,646	-456,339
Sale of debt portfolio	6	<b>366</b>	0	885	0
Purchase of REO's	7	<b>-363</b>	-99,310	-668	-99,310
Investment in subsidiaries		<b>-250</b>	-1,086	-250	-1,086
Purchase of intangible and tangible assets		<b>-3,163</b>	-1,182	-9,642	-6,995
Interest received		<b>0</b>	17	98	17
<b>Net cash flows investing activities</b>		<b>-98,847</b>	-335,754	-411,222	-563,713
<b>Financing activities</b>					
Proceeds from borrowings	8	<b>68,043</b>	264,593	303,984	600,651
Repayment of debt	8	<b>-15,037</b>	-2,482	-80,089	-156,791
Interest paid	8	<b>-12,016</b>	-7,873	-44,149	-24,405
Loan fees paid	8	<b>-1,533</b>	-5,032	-5,714	-10,090
New Share issues		<b>0</b>	1,248	547	4,395
Proceeds from Non-controlling interests		<b>-3,400</b>	-475	-1,412	34,073
Costs related to share issues		<b>0</b>	-10	0	-31
<b>Net cash flows financing activities</b>		<b>36,057</b>	249,969	173,167	447,802
Net change in cash and cash equivalents		<b>12,548</b>	-43,204	7,319	20,341
Cash and cash equivalents at the beginning of period		<b>63,092</b>	112,072	70,776	50,482
Currency translation		<b>-244</b>	1,909	-2,699	-47
<b>Cash and cash equivalents at end of period, incl. restricted funds</b>		<b>75,396</b>	70,776	75,396	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	<b>260,057</b>	31,776	<b>291,833</b>
Adjustment on initial application of IFRS 15 (net of tax)				-3,087	<b>-3,087</b>		<b>-3,087</b>
Balance on 1 Jan 2018	79,377	196,298	13	-18,717	<b>256,970</b>	31,776	<b>288,746</b>
Result of the period				4,492	<b>4,492</b>	-2,103	<b>2,390</b>
Remeasurement of pension plans				50	<b>50</b>		<b>50</b>
Foreign currency translation differences - foreign operations			-2,830		<b>-2,830</b>		<b>-2,830</b>
Total comprehensive income for the period	0	0	-2,830	4,543	<b>1,712</b>	-2,103	<b>-390</b>
Proceeds from Non-controlling interests					<b>0</b>	34,073	<b>34,073</b>
New Share issues (exercise of share options)	1,465	1,682			<b>3,147</b>		<b>3,147</b>
New Share issues	273	975			<b>1,248</b>		<b>1,248</b>
Costs related to share issues		-31			<b>-31</b>		<b>-31</b>
Share based payment		1,374			<b>1,374</b>		<b>1,374</b>
Closing balance on 31 Dec 2018	81,115	200,298	-2,817	-14,172	<b>264,423</b>	63,746	<b>328,170</b>
Result of the period				16,326	<b>16,326</b>	4,643	<b>20,969</b>
Foreign currency translation differences - foreign operations			-1,904		<b>-1,904</b>		<b>-1,904</b>
Total comprehensive income for the period	0	0	-1,904	16,326	<b>14,422</b>	4,643	<b>19,065</b>
Proceeds from Non-controlling interests					<b>0</b>	28,588	<b>28,588</b>
New Share issues (exercise of share options)	222	325			<b>548</b>		<b>548</b>
Share based payment		1,256			<b>1,256</b>		<b>1,256</b>
Closing balance on 31 Dec 2019	81,338	201,879	-4,721	2,153	<b>280,648</b>	96,977	<b>377,626</b>

# 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](http://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
<b>Lease liabilities recognized as at 1 Jan 2019</b>	<b>5,743</b>

## Note 2 Risks and uncertainties

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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](http://www.axactor.com) (note 3 of the Group financial statement).

## Note 3 Segment note

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Axactor delivers credit management services and the company's revenue is derived from the following three operating segments: Non-Performing Loans (NPL), Real Estate Own (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 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. 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 Groups 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 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 31 Dec 2019

EUR thousand	NPL	REO	3PC <sup>1)</sup>	Eliminations/ Not allocated	Total
Collections on own portfolios	60,819	21,286	0	0	<b>82,105</b>
Other operating revenue	0	0	15,579	1,137	<b>16,716</b>
Portfolio amortization and revaluation	-23,992	0	0	0	<b>-23,992</b>
<b>Net revenue</b>	<b>36,828</b>	<b>21,286</b>	<b>15,579</b>	<b>1,137</b>	<b>74,830</b>
REO cost of sales	0	-18,171	0	0	<b>-18,171</b>
Impairment REOs	0	-199	0	0	<b>-199</b>
Direct operating expenses	-9,275	-2,313	-9,315	0	<b>-20,902</b>
<b>Contribution margin</b>	<b>27,553</b>	<b>603</b>	<b>6,264</b>	<b>1,137</b>	<b>35,557</b>
Local SG&A, IT and corporate cost				-11,731	<b>-11,731</b>
<b>EBITDA</b>					<b>23,826</b>
Total opex	-9,275	-20,683	-9,315	-11,731	<b>-51,004</b>
CMI Margin	74.8 %	2.8 %	40.2 %	na	<b>47.5 %</b>
EBITDA Margin					<b>31.8 %</b>
Dopex / Gross revenue	15.2 %	97.2 %	59.8 %	na	<b>39.7 %</b>
SG&A, IT and corporate cost / Gross revenue					<b>11.9 %</b>

1) External revenue

## For the quarter end 31 Dec 2018

EUR thousand	NPL	REO	3PC <sup>1)</sup>	Eliminations/ Not allocated	Total
Collections on own portfolios	39,598	20,271	0	0	<b>59,869</b>
Other operating revenue	0	0	14,723	0	<b>14,723</b>
Portfolio amortization and revaluation	-6,558	0	0	0	<b>-6,558</b>
<b>Net revenue</b>	<b>33,040</b>	<b>20,271</b>	<b>14,723</b>	<b>0</b>	<b>68,034</b>
REO cost of sales	0	-16,417	0	0	<b>-16,417</b>
Impairment REOs	0	-1,946	0	0	<b>-1,946</b>
Direct operating expenses	-6,696	-2,707	-9,351	0	<b>-18,754</b>
<b>Contribution margin</b>	<b>26,344</b>	<b>-799</b>	<b>5,372</b>	<b>0</b>	<b>30,917</b>
Local SG&A, IT and corporate cost				-11,345	<b>-11,345</b>
<b>EBITDA</b>					<b>19,571</b>
Total opex	-6,696	-21,070	-9,351	-11,345	<b>-48,462</b>
CMI Margin	79.7 %	-3.9 %	36.5 %	na	<b>45.4 %</b>
EBITDA Margin					<b>28.8 %</b>
Dopex / Gross revenue	16.9 %	103.9 %	63.5 %	na	<b>49.8 %</b>
SG&A, IT and corporate cost / Gross revenue					<b>15.2 %</b>

1) External revenue

## Full Year 31 Dec 2019

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

1) External revenue

## Full Year 31 Dec 2018

EUR thousand	NPL	REO	3PC <sup>1)</sup>	Eliminations/ Not allocated	Total
Collections on own portfolios	117,034	69,810	0	0	<b>186,844</b>
Other operating revenue	0	0	51,964	0	<b>51,964</b>
Portfolio amortization and revaluation	-31,900	0	0	0	<b>-31,900</b>
<b>Net revenue</b>	<b>85,135</b>	<b>69,810</b>	<b>51,964</b>	<b>0</b>	<b>206,909</b>
REO cost of sales	0	-54,492	0	0	<b>-54,492</b>
Impairment REOs	0	-1,946	0	0	<b>-1,946</b>
Direct operating expenses	-23,100	-8,603	-35,352	0	<b>-67,055</b>
<b>Contribution margin</b>	<b>62,035</b>	<b>4,769</b>	<b>16,612</b>	<b>0</b>	<b>83,416</b>
Local SG&A, IT and corporate cost				-37,110	<b>-37,110</b>
<b>EBITDA</b>					<b>46,306</b>
Total opex	-23,100	-65,041	-35,352	-37,110	<b>-160,602</b>
CMI Margin	72.9 %	6.8 %	32.0 %	na	<b>40.3 %</b>
EBITDA Margin					<b>22.4 %</b>
Dopex / Gross revenue	19.7 %	93.2 %	68.0 %	na	<b>51.7 %</b>
SG&A, IT and corporate cost / Gross revenue					<b>15.5 %</b>

1) External revenue

## Note 4 Revenue

### Portfolio Revenue

EUR thousand	For the quarter end		Full Year	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Yield <sup>1)</sup>	<b>37,239</b>	22,289	134,531	74,536
CU1 <sup>2)</sup>	<b>-3,697</b>	7,512	-8,408	8,454
CU2 <sup>3)</sup>	<b>1,876</b>	2,682	3,654	447
CU2 tail <sup>4)</sup>	<b>1,409</b>	557	4,434	1,697
<b>Net revenue</b>	<b>36,828</b>	33,040	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 5 Financial items

EUR thousand	For the quarter end		Full Year	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>Financial revenue</b>				
Interest on bank deposits	<b>-17</b>	10	81	17
Exchange gains	<b>0</b>	0	0	0
Exchange gains realized	<b>40</b>	17	47	381
Net unrealized exchange gain	<b>483</b>	0	2,604	0
Other financial income	<b>20</b>	30	55	54
<b>Total financial revenue</b>	<b>526</b>	58	2,787	453
<b>Financial expense</b>				
Interest expense on borrowings	<b>-13,937</b>	-9,518	-51,251	-29,713
Distribution of interest on Notes to NCI <sup>1)</sup>	<b>2,080</b>	-2,080	2,080	-2,080
Exchange losses realized	<b>-573</b>	-15	-696	-294
Net unrealized exchange loss	<b>0</b>	-331	0	-456
Other financial expense <sup>2)</sup>	<b>-580</b>	-560	-2,310	-2,047
<b>Total financial expense</b>	<b>-13,011</b>	-12,504	-52,176	-34,591
<b>Net financial items</b>	<b>-12,485</b>	-12,447	-49,389	-34,138

1) Interest on Notes classified as Debt instruments in 2018, reversed in 2019

2) Includes amortization of warrants of 0.4m in Q1-3 2019, 0.4 each Q 2018 and 1.5m full year 2018

## Note 6 Non-performing loans

EUR thousand	Full Year	
	30 Dec 2019	30 Dec 2018
Opening balance	<b>728,819</b>	317,150
Acquisitions during the year	<b>398,286</b>	461,910
Collection	<b>-217,147</b>	-117,034
Yield - Interest income from purchased loan portfolios	<b>134,531</b>	74,536
Net gain/loss purchased loan portfolios <sup>1)</sup>	<b>-319</b>	10,599
Repossession of secured NPL to REO	<b>-2,823</b>	-2,953
Disposals <sup>1)2)</sup>	<b>-187</b>	-9,416
Translation difference	<b>758</b>	-5,972
<b>Closing balance</b>	<b>1,041,919</b>	728,819
Payments during the year for investments in purchased debt amounted to EUR	<b>401,646</b>	456,339
Deferred payment	<b>1,287</b>	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	Full Year	
	31 Dec 2019	31 Dec 2018
Acquisition cost, opening balance	<b>200,009</b>	154,101
Acquisitions during the year	<b>668</b>	99,310
Repossession of secured NPL	<b>2,823</b>	2,953
Cost of sold secured assets	<b>-74,052</b>	-54,491
Other	<b>0</b>	82
<b>Total acquisition cost</b>	<b>129,448</b>	201,955
Impairment	<b>-412</b>	-1,946
Disposals	<b>5</b>	0
<b>Closing balance</b>	<b>129,041</b>	200,009
Number of assets	<b>4,024</b>	6,323

## Note 8 Loans and borrowings

EUR thousand	Currency	Interest rate	Carrying amount	Year of maturity
Balance at 1 Jan 2019	EUR / NOK / SEK	Variable	737,125	2019-2024
<b>New issues</b>				
Italian Banks <sup>2)</sup>	EUR		25,490	2019-2024
DnB/Nordea <sup>1)</sup>	Various		205,501	2020-2021
Listed Bond Loan <sup>4)</sup>	EUR		50,000	2021
Nomura <sup>5)</sup>	EUR		22,993	2022
<b>Repayments</b>				
Italian Banks	EUR		-32,209	
Coverion to Equity Notes, NCI	EUR		-30,000	
Nomura <sup>5)</sup>	EUR		-47,813	
Other <sup>3)</sup>	EUR		-68	
<b>Other movements</b>				
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	



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

1) The debt facility agreement with DNB Bank ASA and Nordea Bank AB is EUR 425 million, in addition 75 millions 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 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 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	<b>5,743</b>
New leases	2,290	274	388	<b>2,952</b>
Depreciation of the year	-2,264	-336	-211	<b>-2,811</b>
Disposals	0	-5	0	<b>-5</b>
Currency exchange effects	-31	-2	0	<b>-33</b>
Carrying amount of right-of-use assets 31 Dec 2019	5,039	541	267	<b>5,846</b>
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	<b>2,549</b>
1-2 years	<b>1,799</b>
2-3 years	<b>779</b>
3-4 years	<b>617</b>
4-5 years	<b>145</b>
> 5 years	<b>140</b>
Total discounted lease liabilities at 31 Dec 2019	<b>6,029</b>

## 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
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 %
Gvæpseborg 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, N.A.	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, N.A.	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 <sup>1)</sup>	44,710,233	28.8 %
Alpette AS <sup>2)</sup>	1,661,643	1.1 %
Andres Lopez Sanchez <sup>3)</sup>	1,177,525	0.8 %
David Martin Ibeas <sup>3)</sup>	1,177,525	0.8 %
Latino Invest AS <sup>4)</sup>	1,030,000	0.7 %
Endre Rangnes <sup>2)</sup>	864,000	0.6 %
Banca Sistema S.P.A. <sup>5)</sup>	604,504	0.4 %
Fryden AS / Oddgeir Hansen <sup>6)</sup>	576,000	0.4 %
Johnny Tsolis Vasili <sup>4)</sup>	540,000	0.3 %
Siv Farstad <sup>6)</sup>	294,810	0.2 %
Robin Knowles <sup>6)</sup>	278,180	0.2 %
Bjørn Erik Næss <sup>7)</sup>	100,000	0.1 %
Susanne Lene Rangnes Schneider <sup>2)</sup>	39,832	0.0 %
Anders Gulbrandsen <sup>8)</sup>	22,375	0.0 %
Sicubi AS / Bente Brocks <sup>8) 9)</sup>	16,200	0.0 %
Bergsjø AS / Beate Skjerven Nygårdshaug <sup>7)</sup>	16,200	0.0 %
Lars Valseth <sup>8)</sup>	12,188	0.0 %
Brita Eilertsen <sup>7)</sup>	10,000	0.0 %
Terje Mjøs <sup>7)</sup>	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

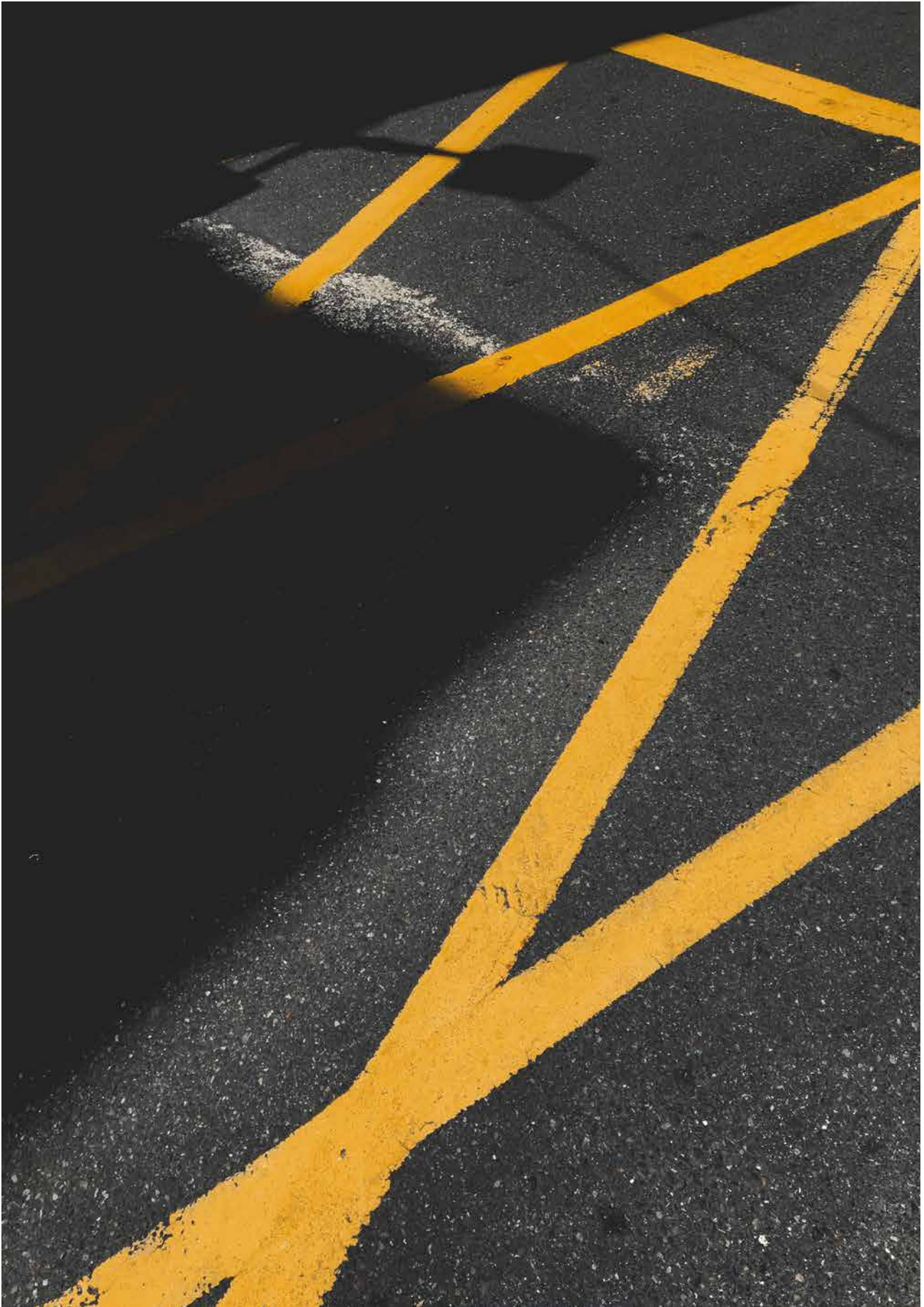
6) Member of the executive management team of Axactor SE

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



## Terms and abbreviations

3PC	Third-Party Collection
ARM	Accounts Receivable 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
CMI	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
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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The shares of Axactor SE (publ.) are listed on the Oslo Stock Exchange, ticker AXA.

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

