AXACTOR

Annual Report

2020

Content


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Axactor at a glance

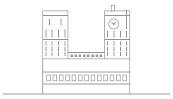
Axactor Group is a next-generation debt management company operating in Norway, Sweden, Finland, Germany, Spain and Italy with an ambitious growth strategy. Axactor acquires and collects on own NPL portfolios, as well as offer collection services to third-parties. After only five years in business, external analysis show that Axactor already has an industry leading cost-to-collect ratio on NPL.

Axactor was established in 2015 and today has 1,235 employees. The book value of own NPL portfolios was EUR 1.1bn at the end of 2020, with an estimated remaining collection of EUR 2.2bn.

Total income per country

ESP

44%

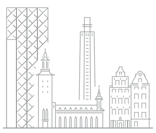


NOR

19%

DEU

16%



SWE

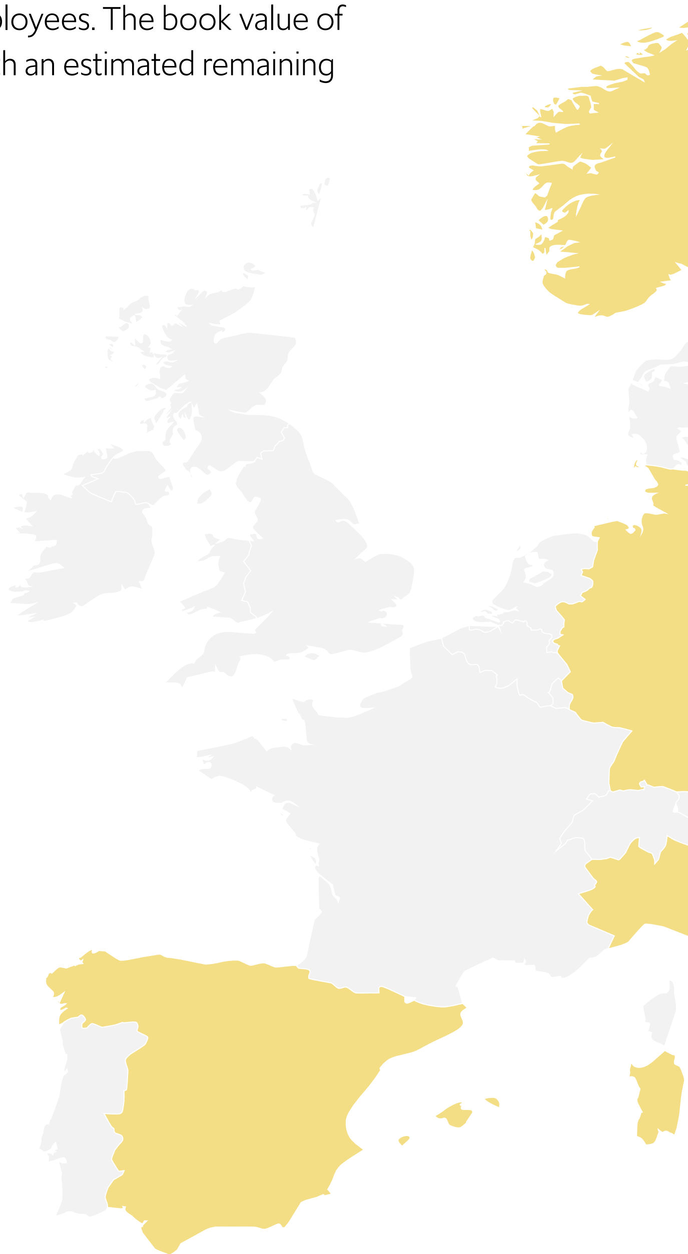
9%

ITA

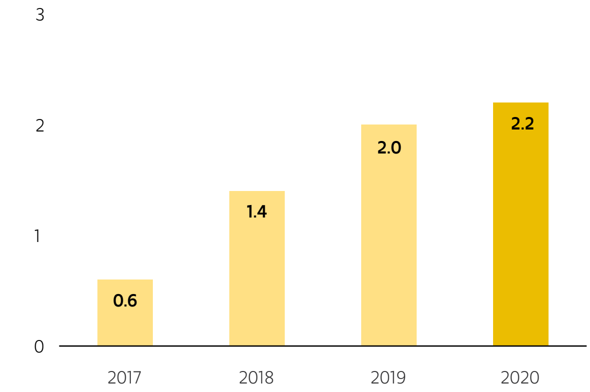
7%

FIN

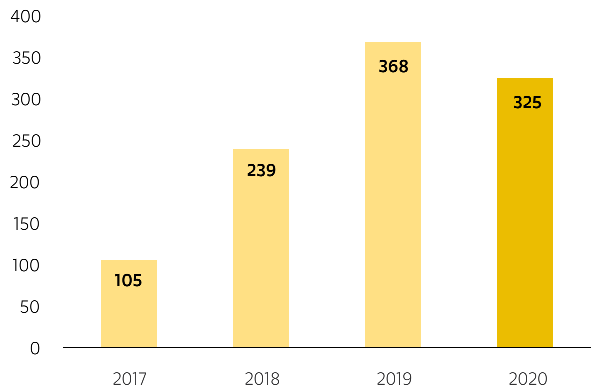
5%



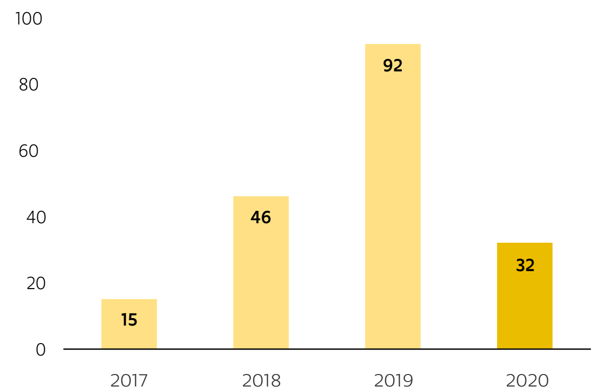
Estimated Remaining Collection (ERC), NPL
EUR billion



Gross revenue
EUR million



EBITDA
EUR million



From start-up to established player

After five years in business, Axactor is entering a new phase with increased focus on profitability and earnings

Start-up (2016-2020)

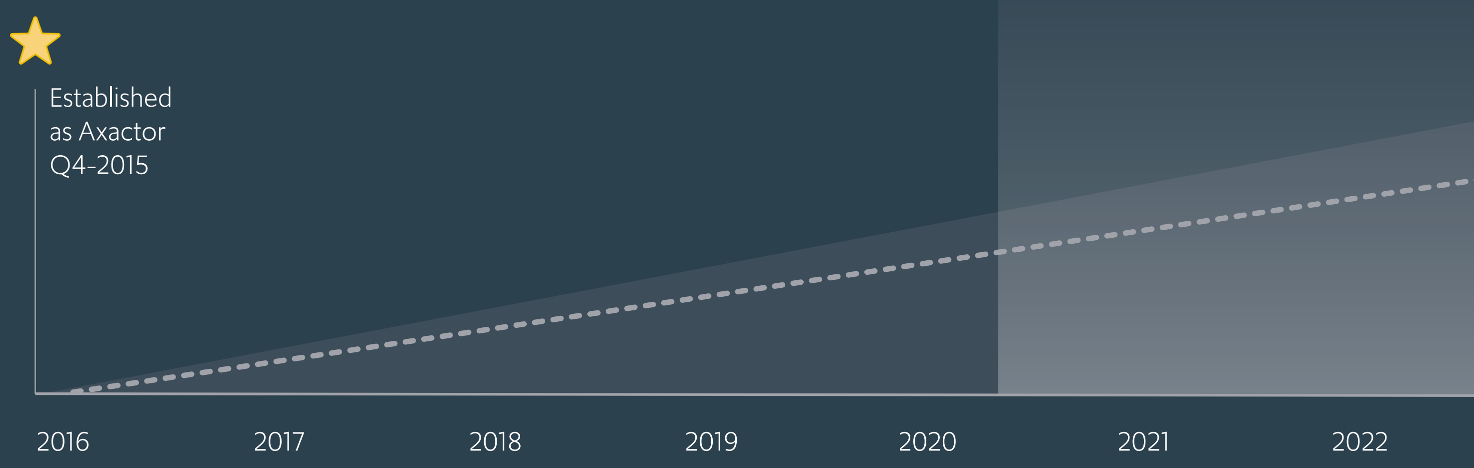
Grow revenue & scale

- Aggressive growth
- Market entries
- Establish IT and operations

Established player

Grow return on equity

- Grow size in existing markets
- Operational excellence
- Initiate dividend payments
- Take part in consolidation of the NPL industry



Through a clear growth strategy Axactor has expanded its operations into six geographies since the inception in 2015: Finland, Germany, Italy, Norway, Spain and Sweden. The aggressive growth has been targeted at sound markets for owning and collecting on non-performing loans (NPL) within Europe. Through an industry leading IT and operations platform and 1,235 skilled employees, Axactor have positioned themselves as an attractive partner for banks and the financial sector. With the restructuring of the balance sheet announced during the fourth quarter 2020, the growth journey will continue and Axactor is well positioned to take part in the expected consolidation of the NPL industry.

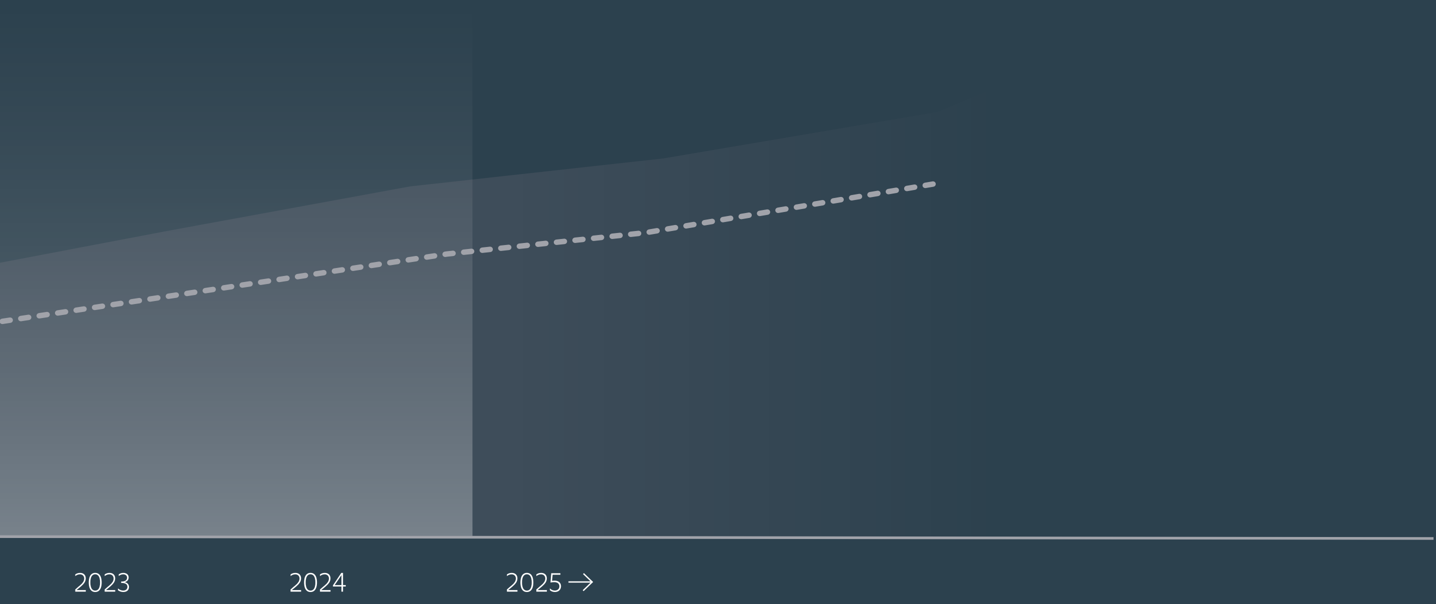
With a solid footprint established in all six countries of operation, the goal for the next five-year period is to build scale, improve efficiency and increase profitability. An increased return on equity will allow Axactor to initiate dividend payments during this period.

(2021-2024)

Steady state (2025→)

Grow presence

- Steady state
- Competitive cash return to shareholders
- Use superior operations to enter new markets and segments



Our values

Passion

The people of Axactor are always looking to improve whether it's results, deliveries, or personal goals. We understand the importance of our customer's deliveries and debtor's challenging situation, our aim is to help people and companies to a better future. The people of Axactor are not afraid of challenges, instead we see it as a chance to develop and learn. We are passionate and feel personal commitment in everything we do.

Trust

To be as efficient as possible, we always try to work as a team and communicate with each other. At Axactor, we treat everybody with respect. We work together, we win together, everyone matters. We work hard to deliver what we promise and to be best in our selected markets and segments.

Proactive

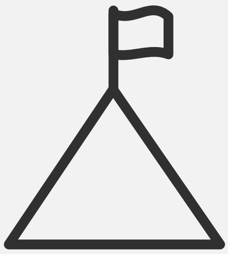
The people of Axactor are constantly learning from each other, we take advantage of the fact that we have people with great knowledge and experience. We strive to solve problems with an innovative and creative approach and to embrace the changes and challenges we face with the digital future. Our people are dedicated and continuously learning to be able to make Axactor the industry benchmark.

Our purpose and vision

Purpose

Our purpose is to help people and companies to a better future.

We wake up every morning proud of working for Axactor because we know we make a difference. Every day we passionately help people pay their bills and make sustainable plans to get out of debt. Every day we help hard-working companies to get paid for their products and services. Last but not least, every day, we serve as an important cornerstone of the financial system – enabling people to benefit from tomorrow's money today. No debt collection, no borrowing of tomorrow's money.



Vision

Our vision is to be the industry benchmark.

Axactor was founded because we believed it was possible to do it better. We were convinced it was possible to operate more efficiently with innovative and less costly IT systems, streamlined processes, and with an increased focus on key stakeholders without compromising on environmental, social or governmental standards.

We formed Axactor in 2015 to create the industry benchmark. With passion, trust and proactivity, we established a company to show how it is possible to do things differently. A company that delivers the best advice and fairest treatment of debtors, with more satisfied customers, happier employees and, with higher return to investors. Our vision is to be the industry benchmark and the most attractive place to work for people in the industry. The company that reinvents debt collection and that others will use as the benchmark when they want to improve.

Highlights of the year

Full year 2020

- A year heavily impacted by the Covid-19 pandemic and the measures to mitigate the spread of the virus
- Gross revenue of EUR 325.2 million in 2020, down from EUR 368.1 million in 2019
- Total income down from EUR 285.2 million in 2019 to EUR 201.2 million in 2020
- EBITDA of EUR 32.0 million in 2020, with an EBITDA-margin of 16%
- Cash EBITDA reduced by 16% to EUR 209.5 million
- Total portfolio investments amounted to EUR 208.2 million, of which EUR 196.1 million was invested under forward flow agreements
- Book value of the NPL portfolio was EUR 1.1 billion at the end of 2020, with estimated remaining collection (ERC) up 6% to EUR 2.2 billion
- REO segment treated as a run-off portfolio, with book value reduced 39% compared to last year, to EUR 78.8 million
- Net profit for 2020 was negative EUR 34.0 million
- Share capital was increased through a private placement of EUR 51 million in 2020, while a large restructuring of the balance sheet including share issues, refinancing of funding lines and the acquisition of the minority stake in Axactor Invest I was carried out after year-end
- Return on equity (excluding non-controlling interests) was -6.1%

Significant events in 2020

Axactor started the year in good form before being hit by the economic impact from the Covid-19 pandemic and the mitigating measures to contain the virus. Operations almost came to a complete stop in Spain and Italy during the first wave of infections in March, with closures of legal systems and notaries. Other countries faced a slow-down as well, and approximately 400 employees were temporarily laid off for periods of the year.

After the first wave of infections in Europe, societies have been better prepared. Collection processes returned to normal and all employees returned to work during the summer. The economic impacts and high uncertainty do, however, still impact Axactor's business in a negative way. During the year, a total net amount of EUR -36.9 million in NPL revaluations was booked, while the REO portfolio was impaired by EUR 16.1 million.

In order to safeguard liquidity in an uncertain time, Axactor scaled back on investments. The total amount deployed in NPL portfolios for the year was EUR 208.2 million, down from EUR 398.3 million during 2019. This meant that net cash flow after investments turned positive in the second half of the year, reducing the liquidity risk for the company significantly.

As a response to the uncertainty and pressured situation caused by the Covid-19 pandemic, Axactor implemented a number of cost reduction and efficiency measures throughout the year. This resulted in a significant improvement in EBITDA margins during the second half of 2020. Although some of the initiatives were temporary, Axactor expect to lever many of the improvements also going forward.

Axactor secured EUR 51 million in share capital during the start of 2020. Towards the end of the year, a large restructuring of the balance sheet was announced. The restructuring consists of several transactions, all closed during the first quarter 2021, including acquisition of the minority stake in Axactor Invest I, refinancing of the bond, share capital increase and refinancing of the main funding line from DNB and Nordea. The transaction has improved the liquidity, the investment capacity and the maturity profile significantly.

Although Axactor has secured significant funding capacity for 2021, the Group will remain disciplined and strictly select the most attractive NPL portfolios. For 2021, Axactor expect to deploy in excess of EUR 200 million in fresh unsecured consumer debt portfolios.

Through the year, Axactor has maintained a high focus on 3PC benchmark contracts in the bank & finance segment. This focus resulted in positive results on several important contracts, especially towards the end of the year. This mean Axactor has been, or will be, allocated additional volume through such contracts in Norway, Germany and Spain.

Key figures 2020

Gross Revenue	ERC, NPL	EBITDA	Cash EBITDA	Cash balance
325	2,169	32	210	48
EUR million	EUR million	EUR million	EUR million	EUR million
-12 % y/y	+6 % y/y	16 % margin		

Key Figures Axactor Group

EUR million	2020	2019
Gross revenue	**325.2**	368.1
Total income	**201.2**	285.2
EBITDA	**32.0**	92.1
Cash EBITDA 1)	**209.5**	250.8
Depreciation and amortization (excl Portfolio Amortization)	**10.8**	10.1
Net financial items	**-53.4**	-49.4
Tax (expense)	**-1.8**	-11.7
Net profit/(loss) after tax	**-34.0**	21.0
Return on Equity, excluding Non-controlling interests	**-6.1%**	6.0%
Return on Equity, including Non-controlling interests	**-9.1%**	5.6%
Cash and Cash Equivalents, end of period 2)	**47.8**	71.7
Gross revenue from NPL Portfolios	**236.5**	217.1
Gross revenue from REO Portfolios	**40.4**	91.2
Acquired NPL portfolios during the period	**208.2**	398.3
Acquired REO portfolios during the period	**0.4**	0.7
Book value of NPL, end of period	**1,124.7**	1,041.9
Book value of REO, end of period	**78.8**	129.0
Estimated Remaining Collection, NPL	**2,169.2**	2,038.4
Interest bearing debt, end of period	**936.2**	929.9
Number of Employees (FTEs), end of period	**1,128**	1,152
Price per share, last day of period	**10.70**	19.00

1) *Cash EBITDA is EBITDA adjusted for change in forward flow derivatives, calculated cost of share option program, portfolio amortizations, revaluations, REO cost of sales and REO impairments. See APM table*

2) *Restricted cash excluded*

Leaving 2020 behind as a stronger company

Letter from the CEO

A year of turmoil

Looking back on 2020, the Covid-19 pandemic is the first thing that comes to mind for most people. Like the rest of the world, we were heavily impacted by the pandemic and the mitigating measures put in place to contain it. Especially the Southern European parts of our business suffered severely from closure of courts and notaries, temporary halts in collection processes on the client side, and more. The setbacks hit us hard from March and into the second quarter, but we saw an improving trend starting around June and lasting throughout the year.

Our employees have made a fantastic effort to keep our business operational through an exceptionally difficult time. Temporary layoffs and salary reductions were imposed on a large part of our workforce during the second and third quarter. Additionally, most of our people have been forced to work from home for long periods of the year. Although we have the technical platform to make home office solutions work well, it still puts a lot of strain on our employees. I would like to thank all our hard-working employees for your positive attitude and the sacrifices you have made. Without you, Axactor would not be in the good position we are in today.

Our approach to debt collection is to find good solutions for both our customers and our debtors. We respect that many of our debtors have experienced a more difficult time in 2020, and payment plans and payment postponements were widely accepted. We feel we have managed to help many in a very difficult situation. At Axactor we always adhere to good collection practices and fair debtor treatment.

Updated strategic direction

During the fall of 2020, we made a revision of our strategy. After a period of geographical expansion and rapid growth, we now find ourselves among the larger established players in the European debt collection industry. It is time to look ahead and shift focus from growing scale to growing profits and to increase the return to our shareholders. The main element to extract from the updated strategic direction is an intensified focus on what Axactor does best: Efficient operations with low cost, unsecured business-to-consumer debt and serving customers within the financial sector.

Growing our capital light 3PC segment is a key element of our strategy. We strongly believe in synergies between 3PC servicing and acquisition of NPL portfolios. We are looking to build long-lasting relationships with banks and financial institutions. Axactor offers craftsmanship and skilled employees to customers who expect a high level of quality, both when it comes to financial results and fair debtor treatment. Building relationships and securing business from this customer base is demanding and requires time. Still, it remains our focus and we will not prioritize contracts with high volumes of small claims.

Axactor was founded on the basic idea that the European debt collection industry was inefficient and burdened by high legacy costs. Through a digital-by-default way of thinking and a lean setup with highly skilled employees, we already had the lowest cost-to-collect in the industry in 2019 . Despite the financial setbacks from the pandemic, our total operating expenses as share of gross revenue continued to decline in 2020. As the recovery from the Covid-19 pandemic continues and the results of the new initiatives implemented during 2020 come into full force, our competitive advantage is expected to be further improved.

Up until now, we have had certain competitive disadvantages due to our short history. Our funding cost has been high compared to many of our peers, our legal structure has been complicated due to our several sources of funding and our effective average tax rate has been too high. With a large restructuring of our balance sheet that was announced at the end of 2020 and finalized in 2021, we have simplified our legal structure, reduced our funding cost and improved the debt maturity profile of the Group. Combined with an expected gradual decline towards an average effective tax rate of 25%, these transactions will contribute to our future earnings and improve our return on equity.

We have used a difficult year to prepare for a better future

Increasing future earnings

With the funding situation sorted and a comfortable liquidity position, we have the ability to continue investing in profitable growth. The aftermath of the Covid-19 pandemic is expected to generate a large overhang of non-performing loans in European banks. Combined with increased regulatory pressure for banks to offload their balance sheets, we expect to see a good flow of both 3PC and NPL portfolios to the market in 2021. We will focus on fresh unsecured consumer debt originated within the financial sector and seek to establish partnerships with banks and financial institutions. Combining NPL acquisitions with 3PC offerings will enable us to lever synergies between our core segments.

We will strictly prioritize the most attractive deals, even if this limits our top-line growth. The key for us going forward is to deliver the best possible return on our deployed capital, to the benefit of both the company and our shareholders. As a natural result, we aim to initiate dividend payments as our return on equity gradually improves.

Johnny Tsolis,
CEO

Report of the Board of Directors

Axactor has grown from a start-up company to one of the leading debt management providers in Europe in just over five years with operations in six carefully selected geographies: Finland, Germany, Italy, Norway, Spain and Sweden. Axactor believes these countries offer the best risk/reward profile for the Group. Axactor is headquartered in Oslo, Norway, and listed on Oslo Børs with the ticker ACR.

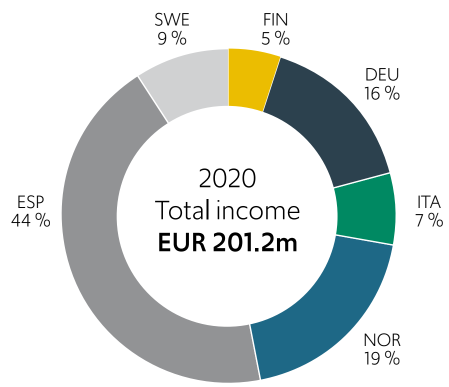
The Covid-19 pandemic that swept across Europe in 2020 is expected to further increase the supply of both 3PC portfolios and NPL portfolios for sale. The regulatory pressure on banks to offload their balance sheets continues across the European Economic Area and a potential negative macroeconomic impact will force the banks to either solve or sell their non-performing claims.

1. Market development

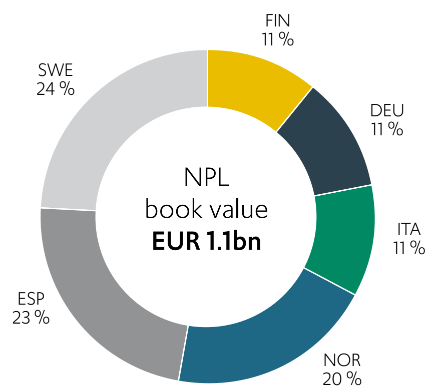
The main growth driver for the debt management market has been the high, and growing, credit-based spending among consumers and small businesses, at the same time as European financial institutions have been facing increasingly stricter capital requirements. Many lenders have therefore been required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

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

Total income per country
%



NPL book value per country
%



2. Strategy

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

Axactor is dependent on dedicated employees with great industry knowledge. The Axactor Academy has offered an increased number of courses. Common HR reporting standards and processes have been implemented and parameters to ensure equality and diversity assessed. An employer branding project is established to attract and retain talents.

The employees' commitment has been tested through 2020 due to the Covid-19 pandemic with remote work, temporary work- and salary reductions etc. Great efforts have been made to motivate the employees and facilitate good working conditions. A group wide survey conducted in January 2021 measuring the employees' satisfaction during 2020 showed that over 80% of the employees were satisfied with the handling of the work situation during the pandemic, worked efficiently from home, were well managed, received sufficient information, had close contact with their colleagues and experienced a good work-life balance.

With passion, trust and proactivity, Axactor was established to show that it is possible to do things more efficient than the established players in the European debt collection industry. With no legacy cost and a high focus on efficient and automated collection, Axactor aims to deliver high quality debt collection services with a low cost-to-collect. Axactor has built lean and scalable platforms for collection on both own and third-party debt portfolios. The modern core collection systems are adapted to handle the different legal frameworks in the individual markets supported by common debtor portals, payment solutions, data analysis, CRM and other outsourced, standardized modules for customer and debtor interface as well as common infrastructure. After five years in operation the Group is established as the market leader in terms of cost-to-collect[1)]. During the next five-year period Axactor will seek to further improve this competitive advantage.

Axactor had an ambitious plan for 2020 within system development and continuous improvements of IT operations. Some initiatives were temporarily put on hold during 2020, and discounts were negotiated and agreed with our largest IT vendors. At the end of Q3 2020 most initiatives had been re-scoped and were fully back in execution mode.

1) https://www.axactor.com/investors-relations/reports-and-presentations, Research of Axactor by ABG Sundal Collier (pdf), page 11

A common debtor portal, updated websites, new payment and communication channels were launched, and efficiency improvements made to the core collection systems. A group data warehouse was put in place, offering significantly improved business intelligence capabilities built on standardized KPIs across the markets. A common HR system was implemented which will among others improve the human capital development metrics and human capital risk assessment reporting. A group wide configuration management database was established, implementing role-based access control, increased control of the data privacy and single sign-on solutions.

With the strong cost control and changes in priority, the total IT spending ended 15% below the planned cost for 2020. Several system developments are planned for 2021 to further improve efficiency, quality and continue the OneAxactor standardization process under continued strict cost control.

As a startup company heavy investment are required to develop an efficient platform. To ensure growth, Axactor has invested in NPL portfolios during a time of historically high NPL prices.

The main focus for the next years is to increase presence in the current core markets to harvest economies of scale and increase focus on profitability and earnings without compromising on environmental, social or governmental standards. Further Axactor expects to be able to purchase NPL portfolios at lower prices which will gradually improve the blended IRR.

Axactor has united around a niche strategy, carefully selecting the markets and segments in which the company can excel – to the benefit of debtors, customers, employees, partners and shareholders. Axactor's core competence is collecting unsecured consumer debts provided by the regulated financial sector. This is the segment perceived as most attractive by Axactor and with the best expected risk/return relationship. To maximize margins, Axactor will focus primarily on the core competence, while remaining opportunistic to adjacent asset classes in selected markets.

Axactor see clear advantages acquiring NPL portfolios, and performing in-house collection on these, combined with 3PC services. It enables the Group to build competence through scale, as well as offering synergies in terms of business origination, collection execution and data generation. An example of such synergies is the combination deals that Axactor has entered in the Nordic countries during 2020. The combination deals include a 3PC servicing agreement for the initial phase post-default before the claims are acquired through a forward flow agreement. When acquiring NPL portfolios, combination deals and existing customers will be prioritized. Real estate portfolios acquired in Spain in 2017 and 2018, are expected to be realized over the next few years. Further REO portfolios will not be acquired.

To optimize cost-to-collect, Axactor initiated a wide range of cost saving initiatives, such as closure of several sites, renegotiations of funding and vendor agreements, work force reductions and temporary salary reductions. Although some of these cost savings were temporary in nature and sparked by the Covid-19 pandemic, Axactor will lever many of these initiatives going forward. Combined with the low-margin REO segment being phased out, Axactor expect to increase the EBITDA margins and return on equity over the next few years.

Axactor has through 2020 simplified the legal structure through merger and liquidation of some of its subsidiaries to reduce risk and administration costs as well as increase focus on the core. The simplification of the legal structure will continue through 2021.

A natural consequence of the updated strategic direction will be to initiate dividend payments as our return on equity gradually improves.

Overall, Axactor invested more than EUR 200 million in new NPL portfolios in 2020. This was funded by cash flow from operations and an equity issue of EUR 51 million.

A key competitive parameter for a capital-intensive industry like NPL acquisitions is the funding cost. At the end of 2020, Axactor announced a major restructuring of its balance sheet to improve funding cost going forward. The restructuring involved several separate transactions, all conditional of the approval from the general meeting 5 January 2021. The transactions were approved and will be completed during the first quarter of 2021.

Axactor acquired Geveran's shares and A-notes in Axactor Invest I, with the transaction settled through 50 million consideration shares. The shares were issued at a price of NOK 8 per share. After the transaction, Axactor has 100% ownership of Axactor Invest I. As part of the roll-up of Axactor Invest I, the EUR 140 million B-notes issued by Sterna were re-financed with a new EUR 140 million credit line from Sterna with Axactor SE as counterpart. The EUR 120 million revolving credit facility from DNB and Nordea was merged with Axactor's main credit line from the same banks.

The EUR 500 million revolving credit facility from DNB and Nordea had a maturity in 2021. This facility has been renegotiated to include the former Axactor Invest I bank facility and to extend the maturity to 2024. The new facility also has a new price mechanism, where Axactor is able to achieve a lower funding cost depending on the NPL loan-to-value ratio.

The bond loan, AXA01, had a maturity in June 2021. A new EUR 200m bond, AXACTOR02, was placed in January 2021. The majority of the AXA01 holders have agreed to roll their investment into the new bond, while the remaining outstanding amount was paid down in January 2021. AXACTOR02 has a similar structure, price, and covenants as AXA01 and matures in 2024.

Through a private placement conducted 9 December 2020, Axactor raised EUR 30 million in January 2021. The private placement was done at a price of NOK 8 per share. In February 2021, Axactor issued another EUR 20 million worth of shares through a subsequent offering.

Through the roll-up of Axactor Invest I, Geveran increased their ownership share in Axactor to 44.31%, triggering a mandatory offer for the remaining Axactor shares. The offer was placed at NOK 8 per share. The Board of Directors decided not to recommend shareholders to accept the offer. Geveran received valid acceptances under the mandatory offer for a total of 625,806 shares, corresponding to approximately 0.23% of the registered share capital and voting rights in the company.

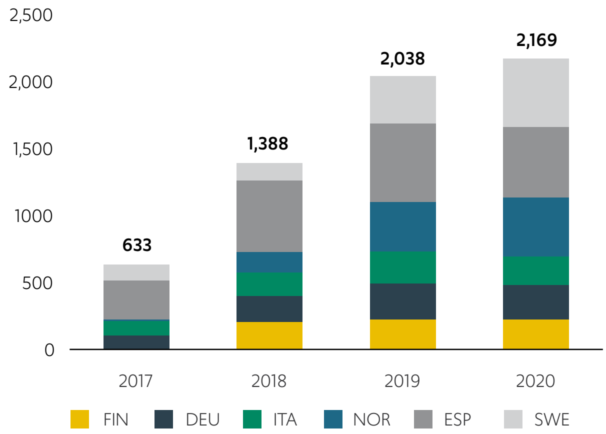
Following completion of the Mandatory Offer, Geveran owns 122,643,578 shares. Following registration of the share capital increase pertaining to the shares issued by the company on 23 February 2021, Geveran's relative shareholding is 40.59% of the total share capital and voting rights in the Company.

The above transactions have significantly increased equity and pushed the majority of debt maturities to 2024, leaving Axactor in a comfortable liquidity position. The roll-up of Axactor Invest I will be accretive for the shareholder's return on equity and contribute to the simplification of the legal structure of Axactor.

To further improve the balance sheet, Axactor will continue to improve operational performance, investment discipline and portfolio return, grow the capital light part of the business and intensify the investor relations work with banks, bond market, equity market and other sources of capital. Axactor has also decided to initiate a rating process with leading rating agencies. Axactor expect a rating to enable access to the global Euro Bond market and lower cost for the future.

Due to Covid-19, new temporary legislation was introduced in Spain and Italy giving debtors the possibility to postpone payment without cost or interest consequences. Together with this postponement, different variations of legal collection shutdown impacted Axactor's operations in Spain and Italy negatively. The postponement of payment effectively influenced the way Axactor's legal divisions could initiate collection strategies. The combination of the number of different measures from the authorities impacted the cash flow substantially.

NPL estimated remaining collections per country
EUR million



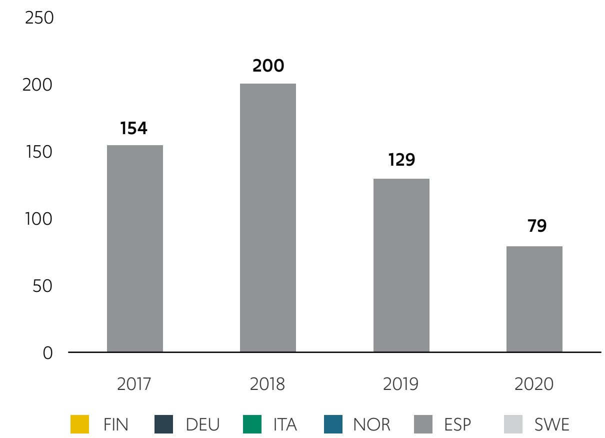
3. Operations

2020 was a different and challenging year for operations. The Covid-19 pandemic materially changed the operational conditions and the plans for 2020. The business continuity plan was effectuated when many of Axactor's employees were forced to work remotely with home office solutions in Q1 2020. The change was done efficiently and securely within a few days with very limited issues. At year-end Axactor still had 562 employees working from home office. At the peak in the first wave of Covid-19 in Q2 2020, approximately 35% of Axactor's employees were affected by temporary workforce reductions. This was necessary to mitigate risk and to secure a sustainable cost level when revenues were declining.

As the Covid-19 pandemic escalated, Axactor was still able to run an efficient operation within the call centers and pre-legal divisions. Many debtors and customers experienced more difficult times, but Axactor's employees worked hard to find good solutions for all the stakeholders. Payment plans and payment postponements were widely accepted. Axactor managed to help many in a very difficult situation. Axactor adhere to good collection practices as outlined in the sustainability section of this report.

The REO segment in Spain experienced a significant slowdown in Q1 and Q2, with limited real estate transactions being completed in the Spanish market. During second half of 2020 the sales activities picked up.

REO book value per country
EUR million



Both in Norway and Sweden site consolidations were initiated and finalized, with the offices in Stockholm (Sweden) and Stavanger, Molde and Harstad (Norway) being closed. Organizational changes were also executed in Germany and Italy. This was done to simplify our organizational structure, work more efficiently and reduce unnecessary cost.

One of the prioritized areas for Axactor in 2020 has been activities related to data privacy and information security as described in sustainability section in this report. Policies and procedures were improved, and all employees were given digital training throughout the year. Awareness training has been increasingly important in 2020 with many employees working remotely.

Axactor is continuously working to enhance and secure all aspects of internal control and ensure business continuity. A business continuity plan (BCP) update has been driven as a project during 2020. The project was formally started in January and involved employees from all countries and business areas. The result of the project has been a total update of all BCP strategies and documentation, with information campaigns and awareness training implemented across the company. Live crisis training was executed with an external vendor to further ensure that Axactor has a robust organization if business continuity plans need to be executed. Due to the Covid-19 pandemic, several parts of the business continuity plans were tested in practice. Every country had specific task force committees to ensure the safety of our employees, as well the operational capabilities.

Axactor is rapidly becoming more advanced regarding the usage of the data that is controlled in combination with business intelligence solutions. A key driver has been to integrate more of the core business applications to the Group data warehouse. The progress in 2020 was above expectations and the benefits of the investments is evident. Axactor can easier conduct value adding analysis, identifying possibilities to reduce cost and increase revenue through more efficient processes. With the establishment of an advanced analytics team in Spain servicing the whole group, exciting steps have been taken with regards to machine learning and sophisticated score card solutions enabling more efficient collection and securing good debt collection practices. This will be a key differentiator in the future and lead to increased performance, to benefit debtors, our customers and shareholders.

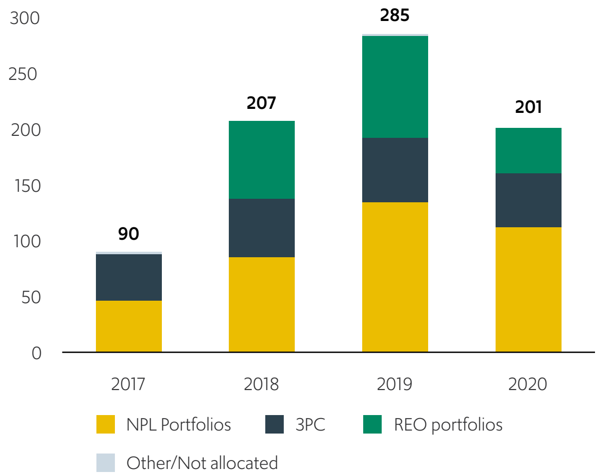
4. Corporate Social Responsibility

Axactor strives to maintain the highest level of professional standards and places maximum focus and importance upon honesty, integrity, accountability, transparency and compliance in all aspects of its conduct of business. Axactor is committed to comply with all applicable laws and regulations in all business activities and act in an ethical, sustainable, environmental and socially responsible manner, practice good corporate governance and respect internationally recognized human rights principles. To safeguard compliance and support the effectiveness of such acts, an open and ongoing dialogue on these issues, internally and externally is maintained.

The Board of Director and the Executive management of Axactor are committed to Environmental, Social and Governmental responsibility (ESG), support the UN global development goals with specific focus on number 5. Gender equality, 8. Decent work and economic growth and 16. Peace, justice and strong institutions, and respect the company's values and policies ensuring a sound corporate culture. The sustainability report on page 26 describes in detail Axactor's work on ESG, including the company's reviews of working environment, gender equality and external environment.

5. Financial performance

Total income by segment
EUR million



Total income

Total income for 2020 ended at EUR 201.2 million, down from EUR 285.2 million in 2019. The main driver of the decrease was a reduction in Gross revenue from EUR 368.1 million in 2019 to EUR 325.2 million in 2020. The decline came as a direct consequence of the Covid-19 pandemic and the mitigating measures put in place to limit the spread of the virus. Both the 3PC and the REO segment recorded lower Gross revenue for 2020 than for 2019, while continued investments in NPL portfolios secured Gross revenue growth for the NPL segment.

Total income also includes portfolio amortization and revaluations of EUR 123.2 million (82.9) for 2020. Net negative impacts of curve revisions were EUR 42.8 million, partly offset by a positive contribution from extending the rolling 180-month forecasts by twelve months of

EUR 5.9 million. The majority of the negative curve revisions came as a response to the economic impacts of the Covid-19 pandemic. Total income also includes a net amount of EUR 0.8 million in negative impact from the revaluation of forward flow derivatives. This comes as a result of reduced estimated market prices for certain agreements, for which the purchase price is pre-determined. The effect is partly offset by a positive impact from improved collection estimates on the same portfolios.

Gross revenue from NPL collection increased by 9% to EUR 236.5 million in 2020 (217.1). The increase is mainly explained by portfolio investments, partly offset by a weaker collection climate caused by the Covid-19 pandemic in Europe. Subtracting portfolio amortization and revaluations of EUR 123.2 million (82.9) and adding the contribution from change in forward flow derivatives of EUR -0.8 million (0.0), total income for the NPL segment ended at EUR 112.5 million (134.2). This corresponds to 56% of total income for the company (47%).

Axactor took immediate action following the Covid-19 pandemic and revised the NPL forecasts during the second quarter of 2020. This resulted in a healthy collection performance given the circumstances, of 96% of active forecast (98%). The performance was somewhat below average for the final quarter of the year, leading to further downward revisions of the NPL forecasts for 2021 and 2022.

Estimated remaining collection (ERC) on the NPL portfolios stood at EUR 2,169.2 million at the end of 2020 (2,038.4), of which EUR 283.4 million is expected to be collected in 2021.

Continued investments in NPL portfolios are expected to drive growth for the NPL segment in 2021. Axactor invested EUR 208.2 million in NPL portfolios in 2020 (398.3), of which EUR 199.6 million were invested under forward flow agreements (286.4). To safeguard liquidity in a time of high uncertainty, Axactor opted to reduce its investment commitments under forward flow agreements. The estimated investment committment for 2021 under forward flow contracts at the end of 2020 was in the region of EUR 45-50 million. Although a large restructuring of the balance sheet was announced at the end of 2020, the Group will be strict in prioritizing the most attractive deals in 2021. Axactor expects to invest more in one-off portfolios relative to forward flows, and to prioritize portfolios from 3PC customers. The total investment level into NPL portfolios for 2021 is expected to be in excess of EUR 200 million.

The 3PC business reported total income of EUR 48.3 million in 2020 (57.7), corresponding to 24% of total income for the company (20%). Revenue thus declined by 16%. The root cause for the negative development were related to the Covid-19 pandemic. When the first wave of infections surged across Europe, some countries and several customers imposed temporary halts in collection processes. In Spain and Italy, the legal and notary systems were closed for a period of time making it impossible to perform legal collection. In addition, closing new business has been difficult due to the uncertainty in the situation and the limitations in face-to-face meetings, which is still the most important meeting arena for doing business in several of Axactor's geographies.

During the second half of the year, most temporary collection restrictions were lifted and the market for new 3PC deals slowly began its return to normal. Banks across all markets seem more proactive to find new 3PC vendors and sell their NPL portfolios. The new 3PC contracts signed in Q4 2020 is a good steppingstone to achieve growth in the 3PC segment for 2021, and the trend is expected to continue.

Axactor has closed several combination deals where claims are handled under 3PC contracts during the initial period after default, before acquiring the remaining unsold claims under forward flow agreements. This has proved to be a good strategy to increase revenue without deploying capital and improve the quality in the operation process. Such combination deals will remain a key focus area for Axactor also in 2021.

Total income from REO portfolios amounted to EUR 40.4 million (91.2), corresponding to 20% of total income for Axactor (32%). The last REO portfolio acquisition was done in 2018 and the segment is treated as a run-off portfolio making up a smaller and smaller part of total income. Although REO sales almost came to a complete stop when the Covid-19 pandemic first arrived in Spain, the sales have held up far better than initially feared. A total of 1,403 assets were sold during the year (2,337), while 2,694 assets remain in inventory per year-end, including assets repossessed during the year. Although the numbers from the REO segment are consolidated into Axactor's financial statements on a 100%-basis, it should be noted that Axactor's exposure to the REO segment is approximately 40% due to minority interests in the Reolux holding entity and two asset-owning subsidiaries of Reolux.

Operating expenses

Operating expenses amounted to EUR 169.2 million (193.0), excluding depreciation and amortization.

This included REO cost of sales of EUR 36.8 million (74.1), representing reversal of the book value of sold assets, and REO impairments of EUR 16.1 million (0.4). The main reason for the increase in impairments relates to reduced price expectations following the Covid-19 pandemic.

Personnel costs accounted for EUR 54.9 million in 2020 (57.7). Axactor initiated a wide range of cost reduction initiatives to cope with the financial implications of the Covid-19 pandemic, including temporary work force and salary reductions. As of year-end, all furloughs are discontinued and no further temporary salary reductions are planned for 2021. Some of the permanent cost initiatives will, however, improve earnings in 2021.

Other expenses amounted to EUR 61.4 million (60.8), including IT/infrastructure costs, legal fees and REO servicing costs.

Contribution by segment

The total contribution margin amounted to EUR 71.7 million in 2020 (133.4). The contribution margin reflects the segments' contribution to EBITDA before local SG&A, IT and corporate cost. Please see Note 5 for more details.

The contribution margin from the NPL segment was EUR 75.3 million in 2020 (101.9), reflecting the net negative revaluations of 36.9 million (+8.1). The NPL contribution margin thus decreased to 67% of total income (76%).

The contribution margin from 3PC was EUR 17.4 million (22.4), corresponding to 36% of total income (39%).

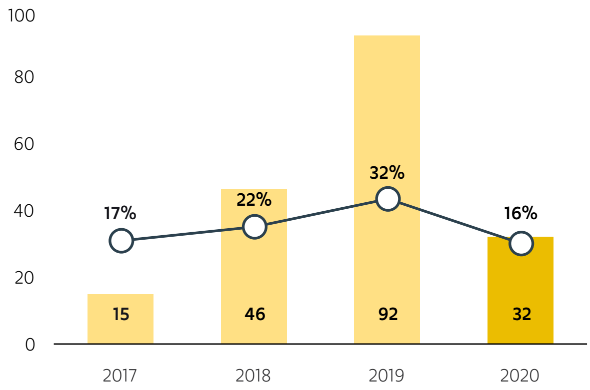
The contribution margin from REO was negative EUR 21.0 million (+7.1), after cost of secured assets sold of EUR 36.8 million (74.1) and impairments of EUR 16.1 million (0.4). The contribution margin was hence -52% (8%).

Local SG&A, IT and corporate cost amounted to EUR 39.7 million, down from 41.3 million in 2019. The reduction reflects the cost efficiency measures put in place during the Covid-19 pandemic. Although some initiatives were temporary, the relative cost level is expected to be lower going forward.

EBITDA

As a consequence of the negative NPL revaluations, REO impairments and lower 3PC sales during the Covid-19 pandemic, EBITDA shrunk from EUR 92.1 million in 2019 to EUR 32.0 million in 2020. The resulting EBITDA margin was 16% (32%). The year was in some ways split in two – the first wave of Covid-19 infections during the first half of the year caused a negative EBITDA margin of 19% for Axactor. When things took a turn for the better in the second half of the year, Axactor managed to deliver an EBITDA margin of 41%. Going forward, Axactor expects to deliver continued margin expansion.

EBITDA and EBITDA margin
EUR million and %



Cash EBITDA ended at EUR 209.5 million in 2020, down from EUR 250.8 in 2019. Further details on reported alternative performance measures are available on page 21.

Operating profit (EBIT)

Depreciation and amortization – excluding amortization of NPL portfolios – was EUR 10.8 million in 2020 (10.1), an increase of 7%.

Operating profit (EBIT) was hence EUR 21.2 million (82.0).

Net financial items

Net financial items were a negative EUR 53.4 million in 2020 (49.4), comprising financial revenue of EUR 12.6 million (2.8) and financial expenses of EUR 66.0 million (52.2).

Interest expenses on borrowings accounted for EUR 63.6 million (51.3). At the end of 2020 Axactor announced a plan to refinance an outstanding bond loan, two bank facilities and B-notes issued by Axactor Invest I. These transactions were closed during the first quarter of 2021, and amortized loan fees pertaining to the old facilities were thus written down in 2020. The write-down amounted to EUR 7.1 million and is included in interest expenses.

The financial revenue of EUR 12.6 million consist of unrealized exchange gain of EUR 11.9 million (2.6). This unrealized exchange gain is related to the net of gain and loss of NOK and SEK loans and intercompany receivables, NOK and SEK bank accounts and the SEK portfolios hold by the entity in Luxembourg.

Other net financial expenses amounted to EUR -1.3 million (-0.1).

Profits and tax

Profit before tax was negative EUR 32.2 million in 2020 (+32.6), and net profit negative EUR 34.0 million (+21.0).

Axactor recorded a tax expense of EUR 1.8 million in 2020, compared to a tax expense of EUR 11.7 million in 2019. The company thus had a tax expense despite a negative result for the year. Axactor expects to trend towards a normalized average effective tax rate of approximately 25% over time.

Net profit to shareholders was negative EUR 18.1 million (+16.3), whereas the net profit to non-controlling interests was negative EUR 15.9 million (+4.6).

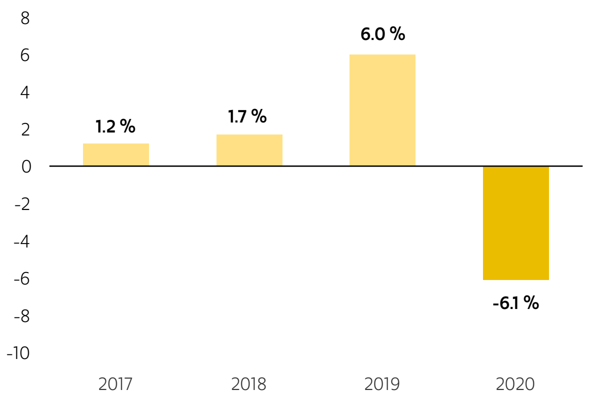
Total comprehensive income was negative EUR 45.3 million for 2020 (+19.1), with the deviation from reported net profit/(loss) after tax mainly explained by foreign currency translation differences from foreign operations. EUR -29.5 million of this loss was attributable to shareholders of the parent company (+14.4) and EUR -15.9 million to non-controlling interests (+4.6).

Earnings per share totalled EUR -0.099 (0.106) on an ordinary basis and EUR -0.099 on a fully diluted basis (0.093).

Financial position

Total assets amounted to EUR 1,363.6 million at the end of 2020 (1,371.6), of which book value of purchased NPL portfolios accounted for EUR 1,124.7 million (1,041.9).

Return on equity, excluding non-controlling interests
%



Total non-current assets amounted to EUR 1,216.3 million (1,139.0), including intangible assets of EUR 83.6 million (87.4). This reflects intangible assets and goodwill acquired since inception, as well as deferred tax assets of EUR 8.7 million (9.7). Note that certain loss-making entities are not yet allowed to recognize tax assets.

Current assets amounted to EUR 148.3 million (232.5), including stock of REO assets of EUR 78.8 million (129.0) and cash and cash equivalents of EUR 50.7 million (75.4).

Total interest-bearing debt stood at EUR 936.2 million at the end of 2020 (929.9), and net interest-bearing debt at EUR 885.5 million at the end of 2020 (854.5).

Total equity amounted to EUR 375.7 million (377.6), including non-controlling interests of EUR 74.1 million (97.0). The equity ratio hence stayed flat at 28%. The Group expects to maintain a long-term equity level between 25% and 30%.

Supervision of financial reporting

Under Norwegian securities laws, the Norwegian Financial Supervisory Authorities (FSA) oversees that the financial reporting of issuers of transferable securities which are quoted or for which admission to quotation has been requested on a regulated market within the EEA, are in compliance with law or regulations. Upon FSA's recommendation in the letter 8 September 2020, Axactor is considering changing the use of the term "Gross revenue» in the future financial reporting. As of this Annual Report, the definition of the APM "Gross revenue" has been changed to exclude the impact of change in derivative value for forward flow contracts. The APM "Cash EBITDA" was adjusted correspondingly. This contrasts the definitions applied in the Groups fourth quarter report for 2020.

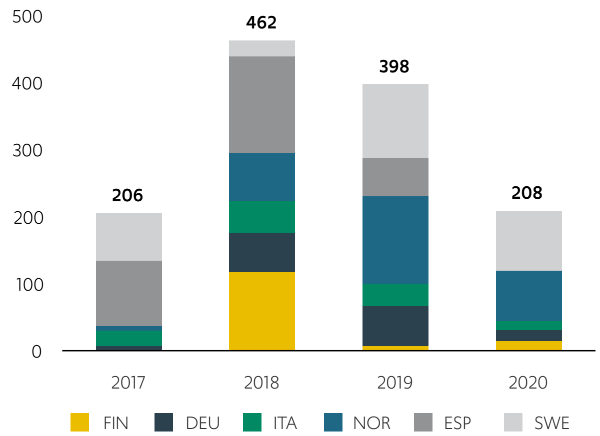
Axactor has upon FSA's request in a letter dated 16 September 2020, supplied information about the accounting practices relating to amortized cost measurement of purchased debt portfolios, the fair value measurement of forward flow derivative agreements, and whether disclosures of credit and liquidity risk are in compliance with requirements. As of the date of this statement Axactor has an ongoing process with the Norwegian FSA on the outcome. In this Annual Report, Axactor has made changes compared to the Group's fourth quarter 2020 report related to the valuation of forward flow contract derivatives based on input received from the Norwegian FSA.

6. Cash flow and Financing

Net cash flow from operating activities, including NPL and REO investments, amounted to EUR -4.9 million (-159.3). The improvement compared to 2019 is mainly due to reduced investments in NPL portfolios. The amount paid for NPL portfolios fell from EUR 401.6 million in 2019 to EUR 213.0 million in 2020, while investments in REOs were insignificant in both 2019 and 2020. The difference between the amount paid and total NPL investments for the year is related to deferred capex on certain contracts. Excluding investments in NPL and REO portfolios, cash flow from operating activities was EUR 206.5 million (242.1), with the decrease primarily explained by lower income on REO portfolios due to the covid-19 pandemic.

Net cash outflow from investing activities was EUR 6.1 million (9.8). There were no investments in subsidiaries in 2020 (0.3). Investments in intangible and tangible assets amounted to EUR 6.1 million (9.6), mainly reflecting IT and infrastructure investments.

Annual NPL investments per country
EUR million



Net cash flow from financing activities was EUR -12.5 million in 2020 (173.7). Net proceeds from borrowings were EUR -2.8 million after debt repayments (223.9), whereas proceeds from equity issues were EUR 50.8 million (0.5).

Proceeds to non-controlling interests were EUR 7.0 million for 2020 (1.4).

Interest payments, loan fees and costs related to share issues represented a cash outflow of EUR 53.5 million in 2020 (49.3).

Funding

The Covid-19 pandemic and the economic consequences caused a tightening of the liquidity for Axactor during the first half of 2020. The company thus sought to safeguard liquidity and delever. The reduced investment level helped the company to reduce the nominal value of its outstanding interest-bearing debt from EUR 941.6 million at the end of 2019 to EUR 936.8 million at the end of 2020.

The financial impacts caused by the Covid-19 pandemic put increased pressure on covenants. The company obtained waivers from DNB and Nordea for a covenant pertaining to NIBD/Pro-forma adjusted cash EBITDA for the second, third and fourth quarter of 2020. With the waiver, Axactor remained compliant with all covenants throughout the year.

The company successfully raised EUR 50.8 million in new equity through a private placement in February 2020. Axactor's main funding line, a revolving credit facility from DNB and Nordea, had a maturity in December 2020. Due to the high uncertainty in the markets during the year, this maturity was extended to December 2021.

As mentioned in chapter 1, Axactor launched a major restructuring of the balance sheet towards the end of 2020. The transactions will all be closed during the first quarter of 2021, and involve a EUR 200 million bond issue to refinance the current bond loan, refinancing of the main funding line from DNB and Nordea, including a merger with the revolving credit facility in Axactor Invest I, and a new EUR 140 million credit line from Sterna to refinance the B-notes in Axactor Invest I. In addition, the Group has raised a total of EUR 50 million through share issues. With these transactions, Axactor has a good foundation for further growth.

In addition to the above-mentioned credit lines, Axactor has a REO related loan agreement with Nomura Intl., entered through Reolux Holding in 2018. The outstanding balance was EUR 23.4 million per the end of 2020 (50.9), and the agreement matures in August 2022.

Axactor Italy s.p.a has its own credit line from local Italian banks. The Group has opted to keep this funding line as the cost of debt is viewed as attractive, but there is limited room for increasing the volume. Per the end of 2020 the outstanding balance was EUR 42.2 million (46.5).

7. Reported alternative performance measures

Axactor uses Gross revenue, cash EBITDA, ERC, ROE and Net interest-bearing debt as alternative performance measures (APM) to better reflect its operational business performance and to enhance comparability between financial periods. These alternative performance measures are reported in addition to, but not as a substitute for, the performance measures reported in accordance to IFRS. Numbers in brackets refer to the corresponding figure in the previous year. For definition and reconciliation tables of the used APMs, see page 132.

8. Proposed allocation of the company's results

The parent company, Axactor SE, had a net result after tax of EUR -27.2 million in 2020, compared to EUR -3.1 million in 2019. The result available for disposal of the Annual General Meeting is as follows:

EUR thousand	
Distribution to share premium	-27.231

9. Corporate Governance

The governance structure for Axactor SE complies with Norwegian corporate law and Norwegian securities legislation and stock exchange regulations. The shares of Axactor are freely negotiable. There are no restrictions on owning, trading, or voting for shares in the Articles of Association. The shares in the company are not subject to any transfer restrictions. The Board has approved guidelines for good corporate governance in accordance with the Norwegian Code of Practice for corporate governance issued by the Norwegian Corporate Governance Board (NCGB and NUES), last revised on 17 October 2018. Besides the Chairman's participation in the share option program, Axactor is fully compliant. Please see page 40 in this report for a detailed description of the corporate governance principles and reporting for 2020.

10. Risk profile

Axactor's regular business activities entail exposure to various types of risk. There is a risk that the Group will be unable to compete with businesses that offer more attractive pricing levels and the Group's competitors may have or develop competitive strengths that the Group is unable to match. Reputational damage due to an unforeseen event could adversely affect the business and ability to attract new customers. If the Group is unable to enter new debt collection contracts, fails to collect third party's or own debts, is unable to purchase portfolios at appropriate prices or to make acquisitions that prove unsuccessful e.g. due to incorrect assumptions, there is a risk that the business and ability to implement the business plan will be materially adversely affected. A failure to comply with applicable regulations in relevant jurisdictions may materially adversely affect the financial position due to e.g. loss of customers and/or fines to pay, and the ability to operate in such jurisdictions due to e.g. loss of license. A failure to employ and retain skilled personnel and to retain third-party service providers may have a material adverse effect on the operations. If the statistical models and analytical tools used are inaccurate the Group may not be able to achieve forecasted recoveries. A pandemic situation may, as experienced in 2020, affect the operational efficiency, impairment and the Group's financial results.

Enhanced focus from authorities and stricter rules and practices related to e.g. AML, GDPR, tax/vat and NPL are ongoing risks. The Group in all materiality complies with relevant rules and regulations for debt management providers in all its geographical markets. The implementation of the market abuse regulations 1 March 2021 will affect Axactor as a listed company. Axactor is also subject to regulatory changes in individual markets, such as temporary rules related to the Covid-19 pandemic, proposed stricter debt collection regulations in Germany, debt collection regulation changes which was entered in Norway in October 2020 and the currently discussed implementation of the NPL regulations (EU) 2019/630 of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures in Norway. Axactor adheres to new rules and believe the above-mentioned regulatory changes will have limited financial impact. Axactor monitors regulatory changes relevant for the business and is member of relevant association of debt collection and debt purchase companies locally such as ANGECO (member of FENCA) in Spain where one of the country managers of Axactor Spain is the president of the association.

Axactor also faces operational risks, mainly related to IT stability, application availability, as well as information security and data processing. The company seeks to mitigate these risks through partnerships with certified infrastructure, hardware and software and application providers and strict internal control including vendor management. These and other risk factors are covered in Note 3 of the Groups financial statement.

Axactor's financing and financial risks are managed within the Group in accordance with the Financial policy and Treasury policy established by the Board of Directors. Internal and external financial operations are concentrated to the Group's central finance function. Axactor's exposure to market risks relating to interest rates, currency developments, credit, liquidity and financing are also covered in detail in Note 3 to the Group's financial statement. The main risks related to interest rates, liquidity and financing can be summarized as follows: The interest rate risk relates to the variable rates on Group's interest-bearing debt, which amounted to EUR 936.2 million per the end of 2020 (929.9). An annualized increase/decrease of 100 basis points would increase/decrease profit before tax by EUR 9.4 million (9.3). The average effective interest rate for 2020 was 6.9% (5.8%).

With regards to liquidity, the Group's objective is to maintain a balance of financial assets that reflects the cash requirements of its operations and investments for the next 12-24 months. The cash flow from operating activities generated by the Group is negative due to the investments in NPL portfolios. These investments can be scaled down relatively quick, as evident by the 47% drop in amount paid for NPL portfolios from 2019 to 2020. The Group generates positive cash flow from operating activities before NPL and REO investments, and per the end of 2020 the Group held cash and cash equivalents of EUR 47.8 million excluding restricted cash (71.7). The liquidity is managed at Group level.

The Group has certain financial covenants tied to its funding facilities. During 2020, the financial impacts of the Covid-19 pandemic put pressure on these covenants. Axactor was granted waivers for a covenant pertaining to NIBD / Pro-forma adjusted Cash EBITDA on the Groups main bank facility for the second, third and fourth quarter of the year. With these waivers Axactor managed to remain compliant with all covenants throughout the year.

As described under section 1 Strategy in the Report of the Board of Directors, Axactor initiated a large restructuring of the balance sheet towards the end of 2020. These transactions will, when finalized during the first quarter of 2021, improve the Group's liquidity, extend the debt maturities of the main credit facilities, and reduce the leverage and pressure on loan covenants. They will also reduce the average effective interest cost.

Axactor plans for an investment level in NPL portfolios of more than EUR 200 million for 2021. Given the current financial position, cash flow projections, investment outlook and currently ongoing re-financing and capital increase, the Board of Directors consider the liquidity risk to be fairly low.

If any of the risks mentioned above were to materialize, either individually, cumulatively or together with other circumstances, it could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the shares. Axactor has adopted a regime to manage and mitigate the risks. The Board has adopted a risk management policy. Annually a bottom-up and top-down risk assessment covering the entire risk spectrum is carried out. The Chief of Staff has the operational responsibility for risk management. The countries provide status updates of the internal control, most important risks and mitigation measures to the Executive management on a monthly basis and ad-hoc when needed. Risks are discussed in the weekly Executive management meetings and are reported quarterly to the Board's audit committee.

10. Going concern

Based on the review of Axactor SE's financial statement, the Board of Directors confirms that the annual financial statements for 2020 have been prepared on the basis of a going concern assumption, and that this assumption has been made in accordance with Section 3-3a of the Norwegian Accounting Act.

11. Outlook

2020 was a year heavily impacted by the Covid-19 pandemic. Axactor booked negative revisions for both the NPL and REO book during the year and has aligned the collections curves for the next 18 months with the current performance.

After the pandemic low point in the second quarter of 2020, the underlying figures have shown a positive trend. Although the Covid-19 pandemic is far from over, the company considers the risk of a similar setback as was observed at the end of the first quarter and into the second quarter 2020 as low. There is however still a high degree of uncertainty in the situation, and short-term economic shocks could impact Axactor's results.

With the restructuring of the balance sheet completed in the first quarter 2021, Axactor is in a comfortable liquidity position. The company will, however, continue to strictly prioritize the most attractive NPL deals. Axactor expects a significant deal flow to the market in 2021 and 2022, although it might take some time to materialize. With a limited number of expected active buyers, prices are expected to come down, benefitting the market participants that have capital to deploy. Axactor expects to deploy in excess of EUR 200 million in fresh unsecured consumer debt NPL portfolios in 2021.

Axactor believes the current situation will boost demand for 3PC services, which represents an asset light revenue opportunity for the company. Signs of this trend were visible already towards the end of 2020 and the 3PC market is expected to become increasingly more active throughout 2021.

During 2020, an updated strategy plan was launched to improve the shareholders return on equity going forward. A combination of lower NPL portfolio prizes, improved scale benefits and efficiency, and a normalization of the effective average tax rate should over time increase the return on equity. The balance sheet restructuring in the first quarter 2021 will contribute positively through improved funding cost and the roll-up of Axactor Invest I will be accretive to shareholders. Favourable changes to the business mix will also have a positive impact through growth in the capital light 3PC segment and a decreasing REO portfolio.

Oslo, 24 March 2021
The Board of Directors

Glen Ole Rødland
Chairman of the Board

Brita Eilertsen
Board member

Merete Haugli
Board member

Lars Erich Nilsen
Board member

Kathrine Astrup Fredriksen
Board member

Terje Mjøs
Board member

Hans Harén
Board member

Johnny Tsolis
CEO

Responsibility Statement

We confirm that, to the best of our knowledge, the financial statements 2020 have been prepared in accordance with IFRS as adopted by EU, with such additional information as required by the Norwegian Accounting Act, and give a true and fair view of the Company's and the Group's consolidated assets, liabilities, financial position and results of operations.

We confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the Company and the Group, together with a description of the key risks and uncertainty factors that the company is facing.

Oslo, 24 March 2021
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Chairman of the Board

Brita Eilertsen
Board member

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Board member

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Board member

Kathrine Astrup Fredriksen
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Terje Mjøs
Board member

Hans Harén
Board member

Johnny Tsolis
CEO

Axactor sustainability report 2020

The foundation of Axactor's sustainability work

Axactor's purpose is to help people and companies to a better future. Axactor recognizes that business has a role to play in solving social challenges through responsible investments, by supporting and developing the skills of the employees, and by offering innovative products that cater to customers' needs. This combines faster payments and respectful treatment of debtors, brings down outstanding credits, secures a stronger financial market, and increases quality of life for many people in financial difficulties. Through the core business and supply chain, Axactor create economic value and opportunities for society and communities, provide jobs and develop capabilities among for employees and beyond the company. Axactor wants to be close to the community where it operates, where the country organisations are the hub of the customer relationships, based on knowing local regulations and market conditions for customers and debtors.

Responsible operations are essential for the license to operate and an enabler of long-term value creation. Sustainability begins from within the organization. Everyone from the top management level throughout the entire organization are accountable for conducting business in an ethical, sustainable, environmentally and socially responsible manner, practice good corporate governance, and respect internationally recognized human rights principles. Axactor has zero tolerance for corruption, fraud, money-laundering and terrorist financing. To safeguard compliance and support the effectiveness of such acts, the company will maintain an open and ongoing dialogue on these issues, internally and externally. Axactor strives to maintain the highest level of professional standards and places maximum focus and importance upon honesty, integrity, accountability, transparency and compliance in all aspects of its conduct of business.

Highlights from 2020

Sustainability has been a natural part of Axactor's business operations since the foundation of the company in 2015. Axactor has had the right mindset and a solid ESG platform always with strong focus on good debt collection practices, ethics, corporate governance and compliance among others but reporting and measurement has not been done in a systematic way. During 2020, Axactor has increased the maturity and awareness within the whole organization and improved policies, processes, systems and reporting mechanisms.

The new strategy has focus on sustainability as one of the key enablers for its success. As part of the strategy development, Axactor conducted a materiality analysis to identify its material sustainability aspects - the areas considered to be the most important for Axactor and its long-term value creation.

To ease access to information and ability to pay, digital solution has been developed like QuickPay in four countries and debtor portals in five countries. Many debtors and customers experienced more difficult times due to the pandemic situation. Axactor worked hard to find good solutions for everyone. Payment plans and payment postponements were widely accepted.

To further improve data privacy and information security, extensive awareness trainings have been given throughout the year including practical security training and phishing campaigns. This has been increasingly important in 2020 with many employees working remotely. Assessments are performed across the Group to identify improvement potential and secure the quality of the processes, new systems and processes implemented as further detailed below.

The policies and process to prevent and detect unethical behaviour, fraud, corruption, money-laundering and terrorist financing have been assessed and strengthened. Internal audit has thoroughly investigated systems, reporting, accounting and processes.

A common HR system including common HR reporting standards and processes is implemented which among others improve the human capital development metrics and human capital risk assessment reporting. Axactor Academy has increased number of courses. Parameters to ensure equality and diversity has been assessed and principles clearly communicated. An employer branding project is established to attract and retain talents.

Reporting on energy consumption is developed and several initiatives to further reduce energy consumption, travels and the waste hierarchy, both in the day-to-day operations and in the lifetime management of IT-equipment.

As described in the Board report chapter 4 Financial performance fewer portfolios have been purchased and fewer 3PC agreements entered. The momentum has been used to improve the know your customer (KYC), due diligence (DD), contractual and onboarding processes to improve responsible selection of clients and portfolios and to retain.

Strategic focus 2021

Axactor's vision is to be the industry benchmark. A company that delivers the best advice and fairest treatment of debtors, with more satisfied customers, happier employees and, with higher return to investors. Axactor's values "passion, trust and proactive" help set direction and guide the decisions, actions, and the way it interact with others. Axactor is constantly looking for areas to improve.

In addition to continuous work on the platform developed, a few examples of strategic improvement areas planned for 2021 follow. Axactor will set clearer KPIs, work more target oriented and implement new systems to increase focus and be able to measure and document better the results of all the good work conducted. Systems will among others include a governance, risk and compliance management and controlling system and a common tool for monitoring anti-money laundering to further improve internal control, complete implementation and increase usage of QuickPay and debtor portals and a new group wide system for recruitment connected to Axactor's web will increase focus on talent attraction. Focus on performance management will increase, especially talent development including ensuring that the many competent women in the organization is given the possibility to and grab the opportunities to develop within the company. The employer branding project will together with Axactor Academy increase number of and the participation in knowledge and performance developments offered. Employee and customer satisfaction surveys will be conducted. The debtor satisfaction score model established in 2020 will be implemented in all countries and strict KPIs for lost complaints on treatment in local courts/complaint boards set. Improved procedures for customer and portfolio selections will be implemented. The data privacy and information security platform developed will continuously be improved especially the communication interface with debtors. Vendor management will be strengthened in regard to data privacy, information security and risk areas such as fraud and corruption.

Reporting boundaries

Defining consistent boundaries for sustainability reporting is challenging due to the complexity of ownership and operational arrangements in six different countries with among others different legislation. Axactor strives to be consistent and transparent about variations in boundaries and provide a complete report in line with industry practice. Implementation of common reporting system and development of common definitions and reporting standards have raised the quality of the report, but there are still improvements to be made e.g. to be able to report correctly on incidents year over year and have HR data aligned for full year. Historic numbers are sometimes adjusted due to for example changes in reporting principles, changes of calculation factors used by authorities, or re-classification of incidents after investigations.

Policy documents

The Board's commitment for ensuring that the company keeps good corporate governance standards is explained in the Board's corporate governance report, and the commitment to sustainable operations in this sustainability report. The Board review and approve annually policies applicable for every employee in the Axactor group to ensure that everyone comply with these commitments. The Board approved the following policies in 2020 which all contains elements to ensure sustainable operations:

Corporate governance	Code of Conduct	IT and information security
Procurement	Finance	Communication
Human resources	Legal and Compliance	Operations
Delegation of authority	Physical security	CSR
Environmental	Debt purchase	Anti-corruption and anti-money laundering
Data protection	Insider	Treasury

To further strengthen Axactor's focus on sustainability and the commitment to the UN global development goal # 16 as described below, the Board approved 23 February 2021 new policies regulating trade sanctions, antitrust and anti-money laundering, and updated Code of Conduct and policies regulating legal & compliance and anti-fraud & anti-corruption. Due to the implementation of the market abuse regulations in Norway 1 March 2021, an updated Insider policy was also approved.

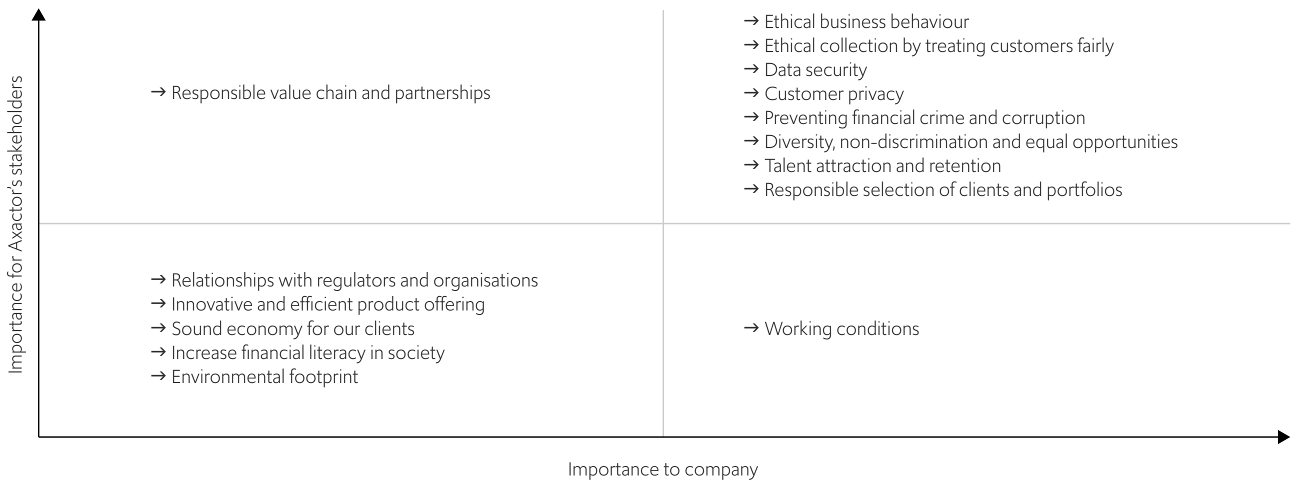
Material issues and stakeholder engagement

Axactor conducted a materiality analysis in 2020 to identify its material sustainability aspects - the areas considered to be the most important for Axactor and its long-term value creation. The materiality analysis defines the challenges and issues that Axactor and its stakeholders perceive as most essential, and where impact on society and the environment can be most significant.

The materiality analysis is based on feedback from external and internal stakeholders who have responded to and provided comments on a questionnaire based on relevant topics inspired by Global Reporting Initiative standards, either by survey or through interviews. External stakeholders included customers, partners, regulators, supply chain, investors, and lenders. Internal stakeholders included various Board, Executive management and employee representatives.

The survey covered key factors for Axactor's daily operations and long-term value creation related to governance, people and the environment. The response helped identify the most material challenges and opportunities that Axactor needs to focus on both its day-to-day operations and long-term strategic development to ensure sustainable value creation. The focus areas and associated issues are presented in the materiality matrix below.

Materiality matrix



Axactor's contribution to the UN's Sustainability Development Goals

The UN Sustainability Development Goals (SDGs) were agreed by all 193 UN member states in 2015, and provide a common guidance for governments, civil society and the private sector to help create a better future for people and the planet.

Axactor see the SDGs as important guidelines for the business, and the SDGs described below are those considered the most material, i.e. those where the Axactor group can have the greatest impact, but Axactor also takes responsibility for contributing to the other SDGs. Here are a few examples of how Axactor contribute through its daily operations:

UN Goal and Axactor main focus area	Examples on Axactor's contribution
5 GENDER EQUALITY **5 Achieve gender equality and empower all women and girls** 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.	Gender equality is important to Axactor's working environment, corporate culture, skills, decision making and debtor and customer service. 65% of the employees in Axactor are women and women are represented at all levels within the company. In 2020 more than 50% of new employees were woman. Performance management and succession planning are core HR processes which will be further developed in 2021 with specific focus on development of and facilitating work environment for talented women. Axactor aim to have an even gender balance within all managerial teams, where genders are represented within a range of 40%–60%.
8 DECENT WORK AND ECONOMIC GROWTH **8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all** 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	Debt collection generates many positive effects, promotes inclusive, long-term sustainable economic growth. Axactor wants to help create jobs and growth in countries where it conducts its operations. Axactor recognizes the importance of diversity of its people's backgrounds and personal qualities. Axactor wants to attract talent regardless of gender, age, ethnicity, sexual orientation, religion, or any other traits that are irrelevant to the job description. Axactor has many years of experience working inclusively with various job initiatives, such as student programs, so that more people enter the job market, which also helps the company to meet its own talent needs. The student program aims to support the company's succession- and competency planning to promote gender equality and diversity and provide work experience to groups who are outside of today's job market. As part of this program, students work at the office during their years of study, takes relevant professional development courses and get valuable work experience. Axactor has 255 employees below 30 years and 204 employees above 50 years. In Germany retired employees may continue to work on temporary contracts. Strong focus on creating equality for all employees through training plans, transparency in the selection process and promotion of equality and diversity. Ensure certain positions are filled by employees with disabilities. The payment solution service 'Quick Pay' offers debtors and companies to pay their debts smooth and quickly. The above initiatives are a few of many current initiatives where Axactor combines business and social benefits through increased integration and diversity.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS **16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels** 16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime. 16.5 Substantially reduce corruption and bribery in all their forms. 16.6 Develop effective, accountable and transparent institutions at all levels.	Policies and processes to prevent and detect unethical behaviour, fraud, corruption, money-laundering and terrorist financing have been established. The company is committed to zero tolerance policy. Knowledge is important to be able to combat financial crime and secure sound financial operations. All employees are given awareness training and key resources more in-debt customized training. Audits are conducted to identify weaknesses in the policies and processes. Axactor is, and will continue to be, a financially stable company, pay taxes and fees and employ staff, which encourages the building of accountable institutions at all levels. Axactor contributes to the wider community by paying taxes and government fees. Axactor is simplifying its legal structure and ownership structure to increase transparency and build more effective, accountable and inclusive institutions.

Building a viable financial system for people and society

The objectives of the Axactor Group are to engage efficiently, responsibly and profitable for investors, customers, debtors, partners and employees. Axactor assists improving cash flow, increase liquidity and minimize risk of its customers and help debtors get out of debt through fair debt collection practises and by providing support and advise. Axactor build trust and confidence through transparency. Strong ethical values promoting fair treatment of its stakeholders to protect reputation and company values are essential to the company's success. Mechanisms are in place to ensure employees are aware and updated on policies, frameworks and procedures to ensure ethical behaviour.

Axactor is committed to respect human rights, respect the rights of employees and their representatives, protect the environment, enable fair competition and fight financial crime. At Axactor, responsibility is always taken for own actions and decisions and rules are followed. Axactor shall comply with laws as well as internal and external rules, agreements with employee representatives and its Code of Conduct. In Axactor, one learns from the past and always rise to new challenges. Everyone is encouraged to stand up and contribute with their opinion when something is not right or does not feel right. Different opinions shall always be respected, and people are encouraged to question the decisions of others. The business principles and practices apply to all deals, large or small, and drive the behavior expected of every Axactor employee, including temporaries, in their conduct of Axactor's business.

At Axactor, everyone shall be treated with fairness and respect. Team spirit, mutual trust and a respectful attitude are important. It is the responsibility of management to lead by example, to ensure that all employees are aware of these principles and behave according to them. The Code of Conduct is explained to all employees, including temporaries, at the beginning of their employment.

Ethical business conduct compliance

The Group's corporate principles are reflected in policies, procedures which describe how to make decisions, act, and prioritise both while planning and when conducting day to day operations. Simply complying with the policies and procedures are not sufficient and it is essential that each employee, manager and partner always act with the highest standards of ethical behaviour enshrined with Axactor's values and business principles.

Axactor shall:

- always balance potential benefits of actions, against the consequences to society
- incorporate profitable business with social, ethical and environmental goals and actions
- clearly communicate its demands and expectations regarding corporate responsibility and ethical conduct to employees and business partners
- have corporate responsibility as a defining factor when developing financial products and services, and a defining factor in asset management operations
- work to reduce its environmental footprint, and when purchasing products or services, high environmental quality shall be emphasized
- work to prevent any potential criminal activities from occurring within the organisation
- have a transparent management structure in line with national and international standards for good corporate governance building
- have a strong compliance and internal control culture with an open reporting environment to receive and handle, in full confidentiality, at the earliest stage possible, all reports made about any occurrence, whether established or soundly suspected, of a breach of applicable laws and regulations, the company's Code of Conduct, or other ethical concerns reported
- only cooperate with customers, business partners and suppliers who operate in compliance with laws and regulations, good business practices and who maintain high ethical standards
- ensure that all shareholders and other financial market players are treated and informed equally, and that the information is consistent, reliable, available and not misleading

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

The risk management framework shall also ensure efficiency and control of the business operations in compliance with laws and regulation and the business ethics, as well as profitability and continuity. Axactor has adapted a three line of defence governance model to identify, analyse, define, address and mitigate risks. The design and implementation of effective internal controls are based on the framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission's ("COSO"). Axactor's internal control and risk management system consists of a set of policies and procedures covering e.g. strategy, operations, business ethics, regulatory compliance, and internal and external reporting. All employees receive adequate training regularly throughout the year. Compliance is monitored and reported, and continual improvement work carried out. Axactor operates a structured risk management process that includes strategic risk, financial risk, reputational risk, technical risk, and legislative and regulatory compliance risks. The Board carries out regular reviews of the most important areas of risk exposure and its internal control arrangements. The internal control framework shall assure that the operations are effective and aligned with the strategic goals and correct, reliable, complete and timely financial reporting and management information. The Board of Directors was not made aware of any material breaches of Axactor's processes in 2020. Axactor has implemented procedures for complaints and whistle-blower reports. Due to the Covid-19 pandemic customer satisfaction survey was not conducted in 2020, but the company kept close dialogue with the customers. Debtor and employee satisfaction were measured through surveys. In addition, Axactor is under the supervision of regulatory authorities in all its markets. None of these channels have uncovered any material deviations from the sustainability principles.

All new employees are introduced to the Code of Conduct as part of their training program and sign a declaration confirming they have read and understood it and re-confirm this during the employment. The company has established an independent whistle-blowing channel for all employees to report any concerns related to illegal or unethical conduct. The company's Chief of Staff is responsible for work related to business ethics.

Whistleblowing

The company has a whistle-blower channel for all employees within the Group to use if they wish to report censurable conditions, broadly unperpetrated, at or relating to Axactor, or if they require advice in relation to ethical matters. The whistleblowing channel is easily accessible by all employees through the "intranet", independent and available 24/7. The channel handles reported cases in local language with integrity, respect and confidentiality and ensure protection of any reporter reporting in good faith. The whistle-blower channel shall offer full anonymity and allows users to enter written dialogue and to exchange information without losing their anonymity. The whistle blower report shall be processed in accordance with the company's procedure and the Board be informed of all cases reported, the types of misconduct and measures taken.

In 2020, 6 internal notifications were registered in Axactor's whistle-blower channel, compared with 5 cases in 2019. The majority of cases in 2019 and 2020 were issues related to the working environment and what appeared to be personnel disputes. All reports have been followed up by HR Director and Compliance Officer locally who investigate improvements based on the findings.

Ethical debt collection by treating debtor fairly

Effective, secure and sound collection processes are essential tools to achieve Axactor's strategic, operational and financial targets. Axactor has implemented an operational policy to ensure that these targets can be met without compromising the highest ethical standards and principles of good collection practices. All debtors shall be treated with integrity and respect, while at the same time keeping the customer's best interest in mind. The creditor, being the customer under third party collection servicing, selects the debt collection agency, whereas the debtor pays the debt collection expenses. The debtor is responsible for his/her payment delay, but the consequences must not be unreasonable. Debt collection is in most of the countries Axactor operates strictly regulated through specific debt recovery acts requiring a license to operate. Operations are supervised by the authorities. Spain has no debt recovery act or licence requirement as such but follow the clear branch guidelines through the branch association ANGECO (member of FENCA) where one of the country managers of Axactor Spain is president. Axactor is in all countries also following other laws such as enforcements laws and data privacy laws. In addition, Axactor has developed policies and guidelines for good debt collection practises to ensure the fair treatment of debtors. Axactor seeks to find sustainable solutions for customers and debtors.

Axactor will among others always ensure that the process does not cause unreasonable consequences or unnecessary inconvenience to the debtor. Collection are only conducted on obsolete undisputed debt, guidance is provided, phone collection is not performed at inconvenient hours and all contacts replied within given deadlines. The case handlers shall always be tactful, never insulting and not put on unethical pressure to achieve payment but seek to find good solution e.g. by offering payment plans. The debtor's right to privacy must always be respected. Information provided shall be correct and not misleading about the consequences of neglecting to pay or about other matters that are important to the debtor. Collecting debt from minors is restricted. Axactor provides information and advices to debtors to prevent payment problems from becoming more serious.

To ensure compliance to good debt collection standards, extensive training and awareness campaigns are provided to all employees within operations. It is key that the case handlers have solid understanding of debt collection regulations and each debtor's situation. All calls are taped to ensure quality and security. Many employees within operations are certified. Axactor encourage the employees to get certified. Experienced personnel conduct reviews and give advice to ensure compliance and quality. An integrated part of the call center activities in Sweden is monthly debtor satisfaction survey. The results for the fourth quarter was an average score well above 4 out of 5. The debtor satisfaction survey will be rolled-out to all countries in 2021. Axactor has implemented a complaint process in each country. A limited number of complaints were received from debtors and none considered critical. All complaints are handled in accordance with the procedure; investigated, answered, errors (if any) corrected, reported and filed. Axactor's customer conducts regularly reviews to ensure compliance. Axactor has developed solid internal controls monitored by compliance.

Axactor is actively involved in the local branch organizations.

Ethical debt collection is not only about treating debtors fairly but also ensure that the products offered are sustainable and ethical, and ensure a responsible selection of customers, portfolios and vendors. Axactor are part of a value chain and will not be better than the weakest link. Axactor has a structured purchasing processes and sourcing strategies to ensure that the services and goods acquired are ethical and of high quality. Axactor ensure that suppliers involved in the debt collection process such as field collectors commit to Axactor's code of conduct and have implemented sufficient organizational and technical information security measures to protect the privacy of the personal data processed. Only collection agents through the acknowledged organization LIC are used for international collection.

Axactor's core business is collecting unsecured consumer debt mainly from regulated financial institutions. The customers are chosen among other due to the quality of the claims as the customers are operating under strict regulations and supervision from the authorities. A "know-your-customer" shall always be conducted before entering a contract. Customers which represent a reputational or compliance risk shall not be accepted. However, risks may be mitigated. Axactor has high focus on the mutual contractual obligations including ethics and compliance throughout the value chain. Information on good debt collection practices, requirements to the collection process related to information, transparency, guidance, interest etc. are provided to the customers to ensure compliance and high quality throughout the process. The process is monitored and where weaknesses are discovered corrective measures are implemented. If weaknesses or errors are discovered in the customer's process information is provided immediately.

Privacy protection and information security

Axactor respect the personal integrity of individuals. Different types of personal data are processed in different ways and situations, depending on whether a person is representative of a customer, vendor or public authority, debtor, employee, job applicant, visitor, etc. A robust data privacy framework is required when handling huge amount of data including sensitive data related to individual's financial and, in many cases, vulnerable situation. As a listed company and with great respect for the trust given by partners and investors, Axactor also focus on safeguarding confidential information and trade secrets of which Axactor has access.

One of the prioritized areas for Axactor in 2020 has been activities related to data privacy and information security. Policies and procedures have been adjusted to reflect the risk situation. Data protection impact assessments have been established for all relevant processing activities, art. 30 registers, privacy declarations and cookie policies updated, retention periods reviewed, efficient communication especially with debtors and use of encryption discussed, data privacy agreements reviewed, vendor agreements regulated by safe harbour framework updated due to the Schrems II verdict.

Regardless of situation, Axactor shall only process personal data in accordance with applicable data protection regulations. Appropriate technical and organizational measures are implemented in accordance with Regulation (EU) 2016/679 (GDPR) and local data protection laws. This year special focus has been on ensuring an appropriate security level and ensure the integrity of data subjects while working remote from home. Axactor had the following information security policies and procedures in 2020:

IT and Information Security	Access Control and Administration	Antivirus Security	Backup
Physical Security	Remote Access	Data Encryption and Communication	Security Incident Management
Vulnerability Management	IT Assets Inventory	Routines for IT development	Practice guidelines for IT & Information Security

Following the minimisation principle, only personal data necessary for the relevant processing is collected, and only processed fairly and lawfully towards the data subject. To ensure transparency and safeguard the rights of the data subject, information on Axactor's data processing is provided at Axactor's web pages, in email and letters sent, in agreements, internal communication and external calls. Personal data are deleted when Axactor no longer has legal grounds for processing and the purpose is fulfilled. Anonymisation and pseudonymisation techniques are used to remove unnecessary personal data, e.g. during system testing activities. Axactor process requests from data subjects regarding their rights and inform about data breaches in a timely manner. The number of complaints from debtors claiming breach of GDPR due to incorrect registration of the debtor in public debt register has increased. However, not the number of cases where the local supervisory authority has ruled in favour of the debtor complaining.

To build a solid security culture Axactor carries out awareness activities continuously. All employees receive regularly data privacy and information security awareness trainings including digital trainings covering both theoretical and technical aspects, more advanced trainings adjusted for respective job roles in combination with practical initiatives, e.g. phishing test campaigns to increase the employee's awareness of potential threats and cybersecurity issues. Due to the increased number of employees' working from home office, this has had increased focus during 2020.

The data privacy policy and IT and information security policy with detailed procedures applicable for all employees within the Group with clear roles and responsibilities have been reviewed and approved by the Board. The Group CISO role, the security committees and the data protection officers (DPOs) at group and country level monitor risks and govern compliance and report to management regularly, and the Board's audit committee at least quarterly. Data processing agreements are entered with all vendors processing data on Axactor's behalf. The vendor responsible for most of the Group's infrastructure confirms their compliance through independent third party ISAE 34002 Type II and ISAE 3000 Type II audit reports. The main vendor for application operations and IT development is ISO 27001 certified.

Access management has been improved through implementation of a role-based access management system, CMDB, common titles, single-sign on etc. as well as documented regular control activities. Practices and technology are adopted to preserve confidentiality, integrity and availability of data, through different forms of encryption, multi-factor authentication and vulnerability management. Automated internal security scans are performed regularly within the infrastructure area. A complementary external penetration test from an independent specialised company is conducted for an additional level of vulnerability identification.

Deviations and data breaches must be reported internally through the established incident and data breach notification channel. A clear operational process for security incident and data breach management has been implemented, but awareness must be improved and types of incidents to be reported and follow-up clarified. Awareness activities reflect the number of reported incidents. In 2020 focus has been on phishing.

Physical security assessments are performed at all locations to identify gaps and potential improvements to secure the quality of the processes.

Going forward focus will among others be on repeatable and optimizing the information security processes, early detection and root-cause mitigation, automatising of tools and workflows including improved incident reporting and continuous awareness.

Responsible selection of customer and portfolios

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

Management shall ensure responsible investments. No portfolios which include use of unethical lending terms or aggressive sales methods or are considered unethical for other reasons shall be purchased. Through a "know your customer" procedure Axactor conducts appropriate checks to avoid entering into agreements with customers involved in any fraudulent, corruptible, money-laundering or other illegal activities, or coming from a sanctioned country, and to prevent any conflict of interest. All Axactor's contracts shall contain warranties of compliance to relevant laws and regulations.

Preventing financial crime

Each year, millions of transactions pass through Axactor. This represent a risk for financial crime. Axactor is committed to comply with applicable laws and regulations to combat fraud, anti-money laundering, bribery and corruption in the jurisdictions in which Axactor operates, and to prevent Axactor from being used for any illegal activity. This also includes complying with all relevant trade sanctions regulations. Axactor has a zero-tolerance attitude. Non-compliance with policies to prevent financial crime may result in criminal or civil penalties which will vary according to the offence. Axactor prohibits facilitation payments, kickback or other improper payment for any reason. Axactor actively involves in local debt collection organization to protect its and the industry's interest, but always act with transparency and integrity and never mislead or try to obtain information dishonestly through inappropriate lobbying. Employees are not permitted to receive or give any stakeholders any gifts or other benefits that endanger the decision-making to be based on sound financial principles and /or strategic decisions. Legitimate charitable contributions may be given, but adequate measures shall be taken to prevent misuse before entering into such agreements. All donation requires Group approval. Charitable contributions to political parties shall never be approved. Axactor has strict rules for cash management and accounting. No invoices, customer or vendor who lack documented legal foundation shall be approved. Cash payments should be avoided, and when exceptionally used strict procedures must be followed. Axactor has detailed policies regulating different preventing and mitigating actions. These Board approved policies are updated annually to reflect the risks identified through the annual risk assessments.

All employees are made familiar with Axactor's Code of Conduct and shall confirm their awareness. Axactor shall provide adequate training for all employees consistent with Axactor's different operating units risk profile and appropriate to employee responsibilities on a regular basis. Axactor provided both general awareness training and awareness directed at specific groups e.g. focusing on conflict of interest and payments methods. Employees are encouraged to report of any suspicions of violations through one of the many reporting channels. Axactor is committed to follow up all reports of suspicion acts and take appropriate action.

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

Solid vendor management is another key area to fight financial crime. Axactor has a structured purchasing processes and sourcing strategies to ensure that the services and goods acquired are the result of transparent, objective, time and cost-effective decision making and risk management. Ethics, regulations, professionalism and equal treatment of suppliers are absolute requirements in this work. All purchases shall among others be fair, unbiased, consistent, and aim to attract the widest and most diverse pool of applicants possible and appropriate. Axactor shall never engage any suppliers involved in any fraudulent, corruptible, money-laundering or other illegal activities. Axactor has consequently partnered with e.g. IT contractors that are ISO-certified under 9001 Quality, 27001 Security or similar standard such as ISAE3402 type II and ISAE 3000 type II. Under these certifications, the contractors are obliged to ensure high information security standards.

Axactor encourages competition by ensuring non-discrimination in purchase and uses competitive purchasing processes and promotes use of resources in an efficient, effective and ethical manner. Decision making shall be conducted in an accountable and transparent manner in accordance with the Delegation of authority policy. The suppliers shall be compliant with good corporate governance and not involved in any illegal activities that can cause negative consequences and harm the reputation of Axactor, consistent with socially responsible, diverse and ethical business operations and practices. The selection of suppliers should be based on transparent and objective criteria, free from personal interests, biases, or other untoward or political influences. All records should be as complete and accurate as possible, and timely kept. During the contractual period the respective manager responsible for the contractual relationship should assess that relevant suppliers provides the right quality and quantity of goods or services at the greatest total value to Axactor. Axactor has implemented a Group contractual system and a Group accounting and invoicing system to management all vendor agreements and invoices in an appropriate manner. In 2021 Axactor aim to strengthen vendor management among others by establishing a tool to be used for monitoring and request the chosen suppliers to develop and close identified gaps to meet Axactor's expectations.

A financial management process is defined as a supporting process to Axactor's core business processes. The standardized Group systems and solutions are designed and built unison and transparent throughout the Group. The Group financial documents are more general principal documents, while local managers are responsible for building a robust financial function locally with the required detailed level. One example is the ERP system that is built on the same business model with standard chart of accounts, cost center structure, projects, service lines and segments. Finance functions locally are obligated to use the One Axactor standard systems and procedures and cannot build any procedures in conflict with Group procedures.

In addition to regular internal control activities, a self-assessment where respective managers need to confirm that all preventive actions within their area of responsibility are implemented has been conducted. All feedback was promptly received, the results documented, analysed and reported to the Board's Audit committee. Few, non-critical, deviations from the requirements were reported and a mitigation plan established.

Axactor regularly evaluate systems, internal control mechanisms and procedures, to ensure that they are effective and efficient. In addition, appropriate measures are taken to correct any identified deficiencies. All transactions must be executed in accordance with management's general or specific authorization. Accurate books and records that fairly document all financial transactions, risk assessments and due diligence shall be maintained available for inspection. Financial authorities across the jurisdictions Axactor operates are naturally interested in Axactor's efforts to combat financial crime and Axactor has an open and active dialogue with its regulators.

Part of the internal audit work is to provide the Board of Directors with reasonable assurance that controls are present and functioning, also from a fraud preventive perspective. Internal audit has during the year had focus on the implementation of segregation of duties and duality when conducting payments and transactions related to collection and the handling of client funds. The internal control structure and process when purchasing and managing Axactor purchased portfolios have also been evaluated. Further, Group Internal Audit has conducted audits of the anti-money laundering process in Sweden, including the local policy, the know your customer process, risk classification of customers, monitoring of transactions and risk assessments. Anti-money laundering and the preventing of terrorist financing will also be a focus for the Internal Audit in 2021. The results of internal audits are reported to Axactor Board of Directors, risks are when identified managed and mitigating actions are always followed up by the Board. No material findings were reported by Group Internal Audit in 2020.

Through 2020 Axactor has further simplified its legal and ownership structure to ease transparency e.g. by transferring the shares of Geveran to Axactor giving 100% ownership of the Axactor Invest 1 instead of shared ownership with a trust structure. This work will continue in 2021.

Sound economy for customers

Axactor generating financial value for its customers by helping customer get paid for their goods and services which enables further investments and economic growth. Axactor strives to ensure and improve customer satisfaction. Due to Covid-19 pandemic a customer satisfaction survey was not conducted in 2020. However, the feedback provided from the customers, numbers of complaints and contracts renewed show trust in Axactor and a high level of satisfaction in all the markets Axactor operates. Within the 3PC segment, Axactor has throughout the year won a high number of benchmarks resulting on increased volumes from the customers. Axactor has prepared to run a customer satisfaction survey in 1H 2021.

Axactor has a process for ensuring that new customers are satisfactorily evaluated and approved, to ensure compliance, avoid loss of reputation and secure an appropriate quality and service level according to both parties` expectations. A policy sets out clear and appropriate guiding principles for how new customers are approved and contracts are set up. As part of the onboarding process and throughout the contractual term guidance is given to ensure compliance to relevant regulations and to ensure good debt collection practices.

Innovative and efficient product offering

Axactor's core business is third party collection of unsecured consumer debt and purchase of portfolios for own collection. These operations are run on solutions with high degree of digitization and user-friendliness. In 2020 Axactor launched several digital solutions, e.g. debtor portals and Quick pay in several countries, contributing to shorter and more efficient payment processes towards companies and consumers, sounder payment flows in the market in a more environmentally friendly manner.

Operations are performed in accordance with common KPIs across Axactor. Through common reporting systems using advanced analytics and business intelligence, Axactor managers locally and at group monitor performance daily. This enables managers to act instantly and implement mitigating actions when deviations from expected performance occur. In 2021 Axactor will continue to mature in use of advanced analytics and business intelligence to among others build predictable scorecards to improve collection processes to increase efficiency and good debt collection practises through advanced segmentation tools enabling adjustment of means when approaching debtors. Axactor also plan to develop customer self-service portals. Other improvement projects to raise quality initiated during 2020 and planned for 2021 are described in the annual report chapter 2 Operations.

Axactor has a responsible product offering and monitors the social impact and risks of products and services. A process for approving new products and business developments prior to launch and to secure an appropriate quality and service level must be followed. Axactor strives to ensure and improve customer and debtor satisfaction. Each country has a complaint process. A limited number of complaints were received from debtors and none considered critical. All complaints are handled in accordance with the procedure; investigated, answered, errors (if any) corrected, reported and filed. Operations are performed in accordance with common KPIs across closely monitored by group and reported to the Board regularly. Several improvement project to raise the quality have been initiated and are closely monitored. Portfolio investments (NPL) and REOs are also closely monitored by the Group investment management team and the Board's Investment Committee quarterly.

Responsible value chain and partnerships

Management shall ensure that all investments conducted are responsible and the Axactor only cooperates with companies sharing good business ethics. Board approved procedures for know-your-customer, decision making, due diligence etc are followed.

Relations with regulators and organisations

Axactor operate under strict supervision by the authorities both as a listed company and through the business conducted. An open, honest and transparent dialogue with legislators, authorities and sector organisations are practised. Axactor are closely involved in local debt collection organizations and involve actively in discussions related to debt management regulations and practices.

Changes in the regulatory environment is monitored regularly and policies and processes adjusted accordingly e.g. adapting to the changes in the Norwegian debt collection act implemented 1 October 2020 and the expected changes in the German debt collection act.

People

Axactor is built around three crucial enablers – People, Systems and Funding. The employees are the carrier of the corporate values and culture which is vital to Axactor's success. The concept of how to run a successful collection business is based on trust and respect for the individual – customers, debtors and employees. With the expertise and dedication of its employees, Axactor can meet stakeholder expectations. Axactor strives to ensure that it remains an attractive workplace for its 1,235 employees by providing challenging and meaningful work and fostering a culture that empowers everyone to learn and grow. The company set clear expectations for its leaders to act as role models who promote the core values, drive customer centricity and inspire their employees to succeed by working with engagement.

Strategic goals, policies, processes, guidelines and routines coupled to recruiting, development and succession of employees are formulated at the Group level. The operating companies in the Group have a local HR Director managing all HR related matters on a daily basis and assisting the Group's managers and leaders in respective markets. Fundamental preconditions are also the ability to act according to laws and regulations coupled to labour law and the work environment and the Group-wide policies, local procedures and collective agreements.

Diversity and equal opportunities

The Group conducts long-term work on creating an inclusive work climate and increasing diversity. The ambition is that the employees in the organization will reflect society at large. A good mix of competencies and perspectives creates better results for the entire operation.

Axactor has zero tolerance towards discriminatory behaviour and does not tolerate discrimination based on age, gender, pregnancy, maternity or paternity leave, ethnicity, political opinion, philosophy of life, functional ability, religious beliefs and/or sexual orientation, or any other characteristics. The culture and work environment shall be inclusive, with a common respect for each other and benefit from different backgrounds, competencies and experiences. Axactor employees comes from many different backgrounds. In Sweden, as an example, approximatelly 25% of the employees have a foreign background.

Axactor wants to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion and recruiting. Axactor aims to have an even gender balance within all managerial teams, where genders are represented within a range of 40%–60%.

Examples of measures to increase diversity include writing advertisements for vacant positions in an inclusive manner among others to attract more women in leadership positions. In 2020, Axactor continued to include gender equality and diversity leadership courses for new managers and as part of leadership development activities in all countries. On an overall level, the company employed 65% women and 35% men at the year-end 2020. The percentage of women in the country management teams has increased by 8%, from 29% in 2019 to 37% in 2020. Regrettably, Axactor has not achieved a more balanced gender distribution across all levels, business functions and countries. The Group Executive Management consists of nine men and four women, and three out of seven board directors are women.

	2020			
Gender balance per country	Number	%	Women %	Men %
Finland	63	5%	76%	24%
Germany	225	18%	66%	34%
Italy	123	10%	76%	24%
Norway	136	11%	54%	46%
Spain	640	52%	64%	36%
Sweden	48	4%	65%	35%
Group total	1,235		65%	35%

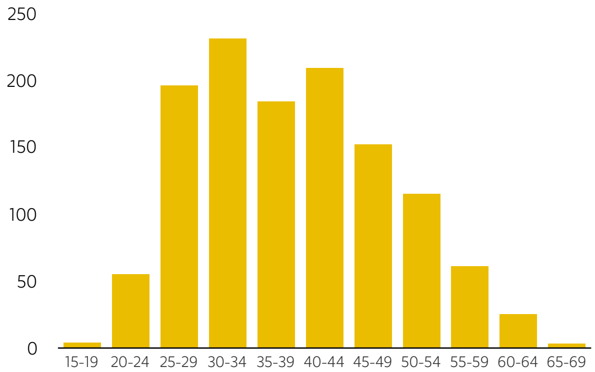
	2020			2019			2018		
Gender balance by management type	Number	Women %	Men %	Number	Women %	Men %	Number	Women %	Men %
Board of Directors	7	43%	57%	6	50%	50%	7	43%	57%
Executive management	13	31%	69%	13	31%	69%	13	38%	62%
Country managements	43	37%	63%	45	29%	71%	41	32%	68%
All Group employees	1,235	65%	35%	1,200	63%	37%	1,040	62%	38%

Axactor offers job opportunities to individuals with disabilities. In 2020, 2% of Axactor's employees in Spain were employees with a disability grade of more than 33%, and 7% in Italy were employees with a disability grade of more than 46%. All offices, except the Axactor office in Germany, are universally designed to accommodate employees with disabilities. In the spring of 2021, Axactor in Germany will move into new premises designed to accommodate employees with disabilities.

Hiring students provide young academics access to the right employers and increases employment in groups that can find themselves outside today's labour market. Axactor offers students different job training opportunities in several countries where it operates. The aim is to support the company's succession- and competency planning and promote gender equality and diversity. As part of the training, each student works at Axactor full-time or part times of their studies, takes relevant professional development courses and learns about the Axactor culture. Several students are offered jobs with Axactor, while others gained a valuable experience for their CVs. Spain has an agreement with the university offering students practical experiences. During the year, Axactor in Germany has offered 14 students and five vocational trainees job opportunities. In Norway and in Sweden 13 students have worked part-time combindes with their studies.

Axactor also has measures in place that help to ensure that older employees can continue working also after retirement age. The measures vary between countries. It includes the possibility of reduced working hours and extra holidays. Out of Axactor's 1,235 employees, 7% are in the age over 60 years.

Age breakdown 2020
Number of employees per age



Equal pay for equal work

The remuneration policy state the principle of equal pay for equal work or work of equal value considering the market condition. From a gender equality perspective and a legal perspective, it is important to monitor the development of pay differences between men and women. Axactor is working systematically to ensure equal pay for equal work or equal value and to rectify unwarranted pay differentials between women and men. An annual analysis is performed of all countries to facilitate discussions with people leaders, country management and the local unions on equal pay gaps. In 2020, Axactor worked closely with people leaders who oversee delivering fair and equal pay to create greater awareness and ensure that pay levels are correct. During 2020 Axactor has continued the work in developing a job framework across all countries to support both the identification of comparable roles, competencies and expectations and ongoing work on market-informed fair and equal pay.

It all starts from the top. The Board's remuneration for 2020 differentiates between the responsibility and type of committees, not men and woman. The remuneration for 2020 for the Group functions reporting to the CEO is harmonized. The remuneration for the country managers reporting to the CEO is harmonized with effect from 2021 but taken into account local market conditions. Unfortunately, the work to achieve equal pay for equal work is not easy to achieve short-term as salaries may not be reduced due to contractual obligations and be demotivating for the ones affected. Increase in salaries will on the other hand drive cost which is challenging for the competitive advantage of having the lowest cost-to-collect which again create value and job opportunities. Besides Germany, Axactor must comply with local collective bargaining agreements. A normal principle with a fixed percentage for salary increase for all employees will be challenged as it increases already identified differences. There are more men in the company's top positions, more women in support functions as e.g. HR and more women in part-time positions. However, these challenges are not hindering Axactor from reaching the goal of equal pay for equal work value long-term. The pay gap between women and men is being analysed to identify targeted measures to reduce the gap. In addition, guidelines for wage determination is being developed.

Salary difference women vs. men, all employees by country %[1,2]	2020
Finland	-25%
Germany	-23%
Italy	-49%
Norway	-27%
Spain	-29%
Sweden	-14%
Group total	-27%

1) Also includes the Executive Management

2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Salary difference women vs. men Executive Management, %	2020
Executive Management	-24%
Group total[1]	-27%

1) Also includes the Executive Management

Talent attraction and retention

It is important for Axactor to attract and retain skilled employees. The recruitment process is a valuable opportunity to present a positive image of Axactor as an employer. Axactor strives for objectivity in its recruitment, and extensive work has been carried out to harmonize the recruitment process and make it more professional.

The view of internal recruitment is positive and all job vacancies are advertised internally. Managers encourages their employees to to apply for new positions in the Group actively. Axactor's internal mobility program helps retain crucial expertise, promote Axactor's culture and contribute to internal career development. The most recent example of internal mobility is Heidi Piispanen, who in December started her new position as the Country Manager for Axactor in Finland and previously held the role as the Group Operations Director. For the role of Group Operations Director, the company recruited the NPL collection Manager in Axactor Norway. Another example of internal recruitment is for the role of the Group Chief Information Security Officer, a position fulfilled by the IT Director of Axactor Italy. In Axactor Italy, all team leaders within operations were recruited internally.

Recruiting managers are responsible for the decisions made in connection with recruitment and conducting recruitment according to an established process. In 2020 a recruitment process with more digital system support was ready for implementation as a part of the Groups new HR-system.

A structured approach to succession planning is crucial to satisfy the current and future demand for managers. One important task for managers at Axactor is to identify, encourage and develop new managers. To prepare prospective managers, development programs are carried out that focus on change management and developing the business model. Managers at Axactor must be exemplary ambassadors for the company's corporate culture. Many managers are, therefore, recruited internally.

To ensure success on developing and attracting employees it is important to monitor the development of new hires and employee turnover. The Group employee turnover rate for 2020 was 11,2%, which was higher than in 2019 due to efficiency measures and organizational changes.

Employee turnover by country and gender, % [1]	2020 Total %	2020 Women %	2020 Men %	2019 Total %
Finland	12.0%	9.2%	20.0%	3%
Germany	9.6%	9.5%	9.8%	5.5%
Italy	11.7%	10.5%	15.1%	4%
Norway	15.9%	12.4%	20.2%	24%
Spain	9.8%	7.4%	14.0%	3.5%
Sweden	21.7%	11.3%	35.9%	11%
Group total	11.2%	8.8%	15.6%	8.5%

1) Employee turnover refers to the proportion of permanent employees who have left the company in relation to all permanent employees for the period 1.5.2020 - 31.12.2020 including voluntary turnover, retirement, death and dismissals.

New employees by country and gender	2020 Number	2020 Women %	2020 Men %
Finland	32	75%	25%
Germany	34	65%	35%
Italy	25	56%	44%
Norway	42	60%	40%
Spain	55	56%	44%
Sweden	27	59%	41%
Group total	215	61%	39%

Constant development

It is important to Axactor that everyone can develop in their role. In Axactor, customers and debtors are treated with trust and respect, provide professional and ethically advice based on the customer's and debtor's individual situation. Axactor's HR policy states that the company is committed to the continuous professional development of its employees.

The Axactor Academy is the Group's own centre for continuing education and competence development. All employees have the right and obligation to training and competence development. The Group can direct relevant training to specific employees. Axactor Academy provides the organization with a streamlined structure to manage the competence development for all employees. All employees receive training to secure compliance to relevant laws and regulations such as debt collection regulations, tax and financial regulations, anti-fraud and anti-corruption, data privacy, information security, anti-money laundering and terror financing and other business ethical standards. Axactor's leaders take the Axactor Academy's leadership courses. Training is carried out in a combination of on-the-job-training, sharing of best practices and knowledge, and numerous e-learning courses and classroom trainings. During the year, an even larger part of the learning took place using digital tools combined with physical meetings. Axactor now has access to more online courses than last year that provides targeted competence improvement-based competence for different roles in the company. Learning and development objectives are linked to Group-wide organizational objectives.

All new Axactor employees in all countries take part in an introduction day where the Country Manager and other key personal talks about the company's strategy, culture, values, competence-building, brand, ethics and more practical information.

Employees attend performance and learning dialogue with their immediate managers at least once a year, and together they draw up and establish the respective employees' development plans. 100% of all the employees had a performance and learning dialogue during Q2.

The company runs bi-annual employee satisfaction surveys to helps us measure engagement and well-being. The most recent Group survey was conducted in September 2018. Leaders have the largest impact on employees' performance, well-being and day-to-day engagement. During the strenuous year 2020, with impacts of the Covid-19 pandemic, the planned Group survey was exchanged to country-specific initiatives to be even closer to its employees and considering local market conditions. During the year, leaders engaged in daily and weekly dialogues within and across their teams to ensure everyone had the opportunity to perform and grow. The different outcomes/results show positive development especially in the focus areas: the right conditions to do a good job working from home office, support during periods of high workload, feedback and clear communication of expectations by managers. Managers have become better at informing, providing feedback and being aware of employees' performance. Many respondents state that they get support when there is a high workload, which has resulted in a decrease in stress.

In addition, a Group survey conducted in January 2021 measuring the employees' satisfaction during 2020 showed that over 80% of the employees were very satisfied with the handling of the work situation during the pandemic, worked efficiently from home, were well managed, received sufficient information, had close contact with their colleagues and experienced a good work-life balance, giving a score of 4-5 out of 5.

Remuneration and benefits

The main purpose of the company's remuneration is to encourage a strong and sustainable performance-based culture which supports growth in shareholder value over time, based on responsible business practices and aligned with company values. This is stated in the Group's remuneration policy, determined by the Board of Director and supported by the general meeting.

To attract and retain employees, Axactor offers competitive employment terms in line with local market conditions. The individual salaries are typically set in the annual salary dialogue review between manager and employee. Conditions and benefits differ within the Group and are adapted to the markets where the company operates and to the collective agreements which have been entered. The company has collective bargaining agreements in Sweden, Finland, Norway, Italy and Spain. 77% of all employees are covered by collective bargaining agreements. Axactor has also offered employees in Germany to sign up for collective bargaining agreements. Axactor commits to the International Labour Conventions on the freedom of association and the right to collective bargaining among its employees and has constructive discussions and collaboration with the unions. The collective bargaining agreements regulate, among others, salaries, terms of employment such as notice period. Axactor collaborates well with the unions and facilitates their work by offering use of Axactor offices and equipment for Axactor union-related work.

Axactor recognizes the importance of a good work-life balance and has a high number of part-time workers, of which most are women. To Axactor's knowledge, all part-time work is voluntarily chosen. It is mostly related to students working in combination with studies and mothers with younger children requesting part-time work after maternity leave. In Italy, the amicable and field collection advisors work part-time, 6 hours per day on a shift from 8 to 20. This has been part of a restructuring project of 2018, where the affected employees voluntarily accepted the part-time reduction. However, committing to the UN development goal #5, Axactor aims to decrease the number of part-time workers and encourage women to develop, grab the opportunities given, and facilitate a good work environment for talented women. The form of employment shall be a topic in all appraisal talks. None of the employees in Axactor SE works part-time. In Axactor SE two employees had paternity leave in 2020. The leave was taken without any restrictions or consequences for the remuneration, benefits or work tasks.

	2020		
Employees by form of employment	Number	Women %	Men %
Regular employment			
- Full time	920	63%	37%
- Part time	237	78%	22%
Temporary employment	78	58%	42%
Group total	1,235		

Other benefits such as pensions advice, salary exchange, fitness subsidies follow market conditions and best practice in each of the countries and apply equally for all employees in country regardless form of employment and percentage of employment. In Norway and Sweden, Axactor offers e.g. maternity and paternity pay greater than the statutory requirement.

Health and work environment

Axactor's continuously addresses risks and opportunities related to the workforce. To sustain a healthy and safe workplace – both physically and mentally – Axactor builds its efforts on an active working-environment organisation, councils and engagement initiatives, as well as collaboration with unions, employee representatives and local management. An ongoing dialogue between managers and their employees makes it possible to detect early signs of poor health and to ensure the work situation is sustainable in the long run.

Working actively to facilitate a positive work environment, Axactor encourages the employees to be physically active and take care of their health. There are several initiatives in all countries and offices to promote employees' health, e.g. arrangements to facilitate cycling to work, sponsoring of health club membership, common training for groups of employees, physiotherapist availability in the office regularly, internal football game arrangements, annual culture and value event dedicated to physical health, and separate health insurances.

Axactor does not accept any form of sexual harassment in the work environment. Specific focus to raise awareness is given among others through the digital ethical e-learning courses mandatory for all employees to conduct.

Most managers have access to tools to be able to act upon early signs of ill-health among employees and increase the work attendance rate through proactive wellness initiatives. Axactor monitors the sickness absence trend based on systems applied within the Group. Employees employed in Axactor SE had in total 45 sick leave days in 2020 of which 8 days were due to parents being home with sick children, and 7 of the remaining 37 days employee with a sick leave rate of 60%.

Axactor has a working council with representatives from all countries elected by the employees for two years. It is a forum for information and consultations for the employees in the Axactor Group. Representatives from Executive management provide a status of the company minimum twice a year. The agenda covers structure of the Axactor Group, the financial and the economic situation and envisaged developments, anticipated progress of the business, sales etc., significant changes to any company within the Axactor Group's company structure, transfer of undertakings, mergers, cutbacks or closures of undertakings, personnel policies of the Axactor Group and equality between men and women (as well as minorities) in the Axactor Group.

The employees' well-being is a key factor in relation to Axactor's ability to recruit, develop and retain a diverse and motivated workforce. It is only with such a workforce that Axactor will be able to provide an even better service to the customers.

Quality, health and safety are integral aspects of the company's operations, and systems are in place to monitor and follow up accidents or incidents. Axactor's business is by nature non-hazardous, and no accidents or injuries were recorded in 2020.

Minimizing the environmental footprint

The environment and climate change are one of the most important issues for society today. While Axactor's environmental impact is limited, the business by nature non-polluting and harmless to the external environment, Axactor works actively to reduce the environmental impacts its operations give rise to; those generated indirectly and directly through internal operations. The company's environmental policy is adopted annually by the Board of Directors and the principles reflected throughout the corporate governance structure.

Axactor´s emissions are largely generated by energy consumption in the company´s offices and through business travel as displayed in the following tables. The company's internal responsible for Axactor's offices encourages the use of energy-efficient and space-saving properties and works continuously with the property owners to adopt energy conservation measures in the buildings where the company operates. The company works continuously to decrease the percentage of physical meetings held using digital platforms, and by doing so free up more time and resources for the company's employees as well as reduce the environmental impact.

To limit its climate impact, Axactor works to lower greenhouse gas emissions, through measures such as a high level of resource efficiency, efficient use of energy in Axactor's offices, recycling and taking environmental impact into account in purchasing and travel. In 2020, Axactor started measuring and reporting on emission. Axactor will during 2021 continue to monitor the consumption and set KPIs to reduce the company's CO2 emissions over time.

Category	Subcategory	Unit of measure	User data	kg CO2e/unit	Emissions total	Prosentage emission
Scope 1	Company cars	Liter	80,422	2.54	203,979	30%
Scope 2	Electricity usage	kwh	735,348	0.40	291,198	43%
Scope 3	Flights and hotel nights	na	na	na	175,300	26%
Total emissions					670,477	100%

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

With regards to energy consumption, all Axactor offices shall – if feasible- have systems for time-regulated monitoring of ventilation, heating/cooling and lighting. No relocations or reconstructions of existing offices shall lead to higher energy consumption. An internal audit/self-assessment performed in the second half of 2020 showed only minor deviations in Spain. In Spain the mitigation plan was postponed due to Covid-19 pandemic but will be implemented as soon as the situation is normalized. The results are presented in a separate report to the Board of Directors.

Axactor's travel procedure specifies that employees are encouraged to limit travel whether to the office on day-to-day business or for business travels and use tele-/video conferencing as much as possible. Some travels are unavoidable due to the international scope of the company's operations. Axactor strives to lower the travel ratio and encourages less carbon intensive travels. Axactor has limited use of company cars and encourages the choice of low emission vehicles. It is mandatory to select models/specifications that have a lower than average fuel consumption and emission for its class, according to in the World Light Vehicle Test Procedures (WLTP). Only employees and managers with specific need for company car to perform their operational duties or where this historically have been agreed should have company cars.

Axactor is committed to reduce waste. The general waste hierarchy is to first reduce waste at the source, secondly to reuse items if possible, and thirdly to ensure that items not possible to reuse are recycled.

All offices shall have recycling of paper and systems for waste sorting to secure proper handling. Not all offices have system for recycling or ensured environmentally friendly destruction of used electronic office equipment and some do not offer to handle employees' private IT waste. Mitigations are planned for 2021.

Axactor has focused on partnering with certified IT contractors obliged to ensure recycling of IT-equipment and seek efficient and environmentally friendly alternatives for sourcing, packaging and transportation. The largest energy consumption within Axactor is the data centres which are mainly run by the infrastructure vendor Intility whom among others are environment certified as a green light house, operating with 100% renewable energy and also operate with the following certifications (ISO 9001, ISO27001, ISO14001 and OHSAS 18001). The energy consumption from the data centres are included in the table above. During 2021 all Axactor's servers will be run by the same infrastructure vendor to among others strengthen the environmental impact.

Axactor has a structured purchasing processes and sourcing strategies to ensure that the services and goods acquired are provided from suppliers with an acceptable environmental standard and use products and services that represent the lowest total impact on the environment.

During 2020, Axactor has investigated the opportunity to become an Eco-Lighthouse certified enterprise, to create and even more environmentally friendly and safer work environment. However, one common group wide certification applicable cross several European countries shown to be challenging to gain. The Covid-19 pandemic made this even further challenging. Axactor has rather investigated local certifications e.g. in Spain, which aim to get certified within early 2021.

Axactor Corporate Governance report

Axactor is committed to good corporate governance standards that contributes to optimal value creation over time and strengthen stakeholders' trust and confidence in the company. The company's corporate governance framework regulates the division of roles, responsibilities and accountability between shareholders, the Board of Directors (the "Board"), the chief executive officer (the "CEO") and the company's executive management, to ensure that the company's resources are utilised in an efficient and sustainable manner.

Axactor's Board of Directors has the ultimate responsibility for ensuring that good corporate governance is practiced. Confidence in Axactor and its business activities is essential for the Group's competitiveness. Axactor is committed to openness and transparency about its principles and procedures for how the Group is managed.

1. Implementation and reporting on corporate governance

Axactor SE (the "company" or the "group") is a Norwegian SE-company (Societates Europaeae) listed on the Oslo Børs, and thus bases its corporate governance structure on Norwegian legislation and recommended guidelines.

The company adheres to the Norwegian Code of Practice for corporate governance ("Code of Practice" or "Code"), last revised 17 October 2018, issued by the Norwegian Corporate Governance Board ("NCGB" or "NUES"). The principles and implementation of corporate governance are subject to annual reviews and discussions by the company's Board, last revised and approved by the Board 15 December 2020. The current corporate governance policy is available on the company's website.

This report addresses Axactor's main corporate governance policies and practices and how Axactor has complied with the Code of Practice in the preceding year. Application of the Code of Practice is based on the "comply or explain" principle and any deviation from the Code is explained under each item. By the company's own assessment, Axactor deviated on one section from the Code of Practice in 2020, pertaining to share options to board members (section 11 on Board remuneration).

2. Business activity

The company's business as set out in the articles of association is: "*to directly or indirectly through subsidiaries or investment partnerships, conduct debt collection work, financial and administrative services, legal services, invoicing services, debt acquisition and other investment activities, as well as therewith associated activities*".

The Board has developed clear objectives, strategies and a risk profile for the business within the scope of the definition of its business, to create value over time. Engaging in the activities described above, the company's long-term objective is to establish itself as a leading European player within the areas of its operations. The company will pursue the following main strategies to reach its overall objective:

- Putting emphasis on loyal and satisfied customers,
- Being an innovative player that takes full advantage of available technologies to achieve competitive advantages,
- Identifying and securing access to attractive debt portfolios and other opportunities in the marketplace based on responsible investment and product offering,
- Being an attractive employer, with a focus on creating an environment for professional and personal growth, with respect and due regard for each employee,
- Being a profitable company with a focus on organic and structural growth,
- Maintain a sound corporate culture, efficient corporate governance and preserve Axactor's integrity by supporting employees to follow good ethical business standards towards all people and players in all our markets, and
- Emphasis on becoming and maintaining a position as a leading, responsible and sustainable European player in the company's market

A description of the key risk factors and risk management can be found in the Board of directors' report on page 14 in the annual report.

During 2020, the company has reviewed its policies and procedures providing business practice guidance on environmental, social and governance matters including human resources, legal and compliance, data privacy, information security, anti-money laundering, corporate social responsibility, code of conduct and anti-fraud and anti-corruption. A separate report on how these policies and procedures are integrated with the company's activities and how they relate to value creation for the company's stakeholders can be found in the sustainability section in the annual report for 2020.

The company's objectives, strategies and risk profile are subject to regularly review by the Board throughout the year.

Deviations from the Code of Practice: None

3. Equity and dividend

The Board aims to maintain a satisfactory equity ratio in the company considering the company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board continuously assess the company's capital requirements in light of the company's strategy and risk profile.

At 31 December 2020, the Group had an equity ratio of 27.6% and a debt-to-equity ratio of 2.5x. The Board regards the current capital structure as appropriate in the context of Axactor's objectives, strategy and risk profile.

The Board has stated a policy for shareholder return as part of the overall strategy for the company. The company's objective is to generate a return for the shareholders at a level which is at least equal to other investment possibilities with comparable risk. After a period of significant growth Axactor is about to enter a new phase as an established player. The main goal going forward is to build scale, improve efficiency and increase profitability. An increased return on equity will allow Axactor to initiate dividend payments during the coming five-year period.

At the Annual General Meeting ("AGM") on 1 April 2020, three authorisations were granted to the Board:

- Authorisation to increase the share capital through the issue of new shares with a total nominal value of up to EUR 19,366,658, equal to 37 million shares, each with a nominal value of EUR 0.523423187712375. The authorisation may be exercised in connection with acquisitions of assets within the company's core areas of expertise. It covers both cash and non-cash considerations, including mergers. As of 31 December 2020, the authorisation has not been used.
- Authorisation to increase the share capital by up to EUR 7,067,810.52 by issuing up to 13,503,052 shares in Axactor with a nominal value of EUR 0.523423187712375, in connection with the share options allocated under ESOP 2019 and ESOP 2020 which are incentive programs for the company's senior management and key personnel. As of 31 December 2020, a total of 10,180,552 share options are approved under the authorisation.
- Authorisation to acquire treasury shares in connection with the share options allocated under ESOP 2019 and ESOP 2020 incentive programs for its senior management and key personnel. As per 31 December 2020, the authorisation has not been used.

All three authorisations are valid until the next AGM in 2021, and no later than 30 June 2021. There was a separate vote on each of the three authorisations. All three authorizations have a limited overall amount by which the Board is permitted to increase the company's share capital. For supplementary information, see the minutes of the AGM held on 1 April 2020 available from www.axactor.com.

Deviations from the Code of Practice: None

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

The company's Board and executive management are committed to treating all the company's shareholders equally, unless there is a factual basis for not to.

In the event of a capital increase based on authorisation from the AGM, where the pre-emptive rights of shareholders are set aside, the company shall provide reasons for the action in the stock exchange release in which the capital increase is announced. In 2020, Axactor completed two private placements and one transaction where settlement was conducted through a contribution in kind against issuing of new shares in Axactor as described below. The capital increases main objectives are to fund growth opportunities and general corporate purposes. In the first private placement, the pre-emptive rights of the shareholders were set aside by an existing board authorisation. For details, see stock exchange releases from February 2020. The Board did not consider a need for a repair share issue considering the low discount from a market perspective and the limited size of the offering a repair share issue was not considered necessary from a legal and market practice point of view. The second private placement and the share issuing due to the below-mentioned contribution in kind were performed 9 December 2020 prerequisite of the approval of the shareholders, which were given in the extraordinary general meeting 5 January 2021, ref. information available on www.axactor.com, stock exchange announcements given December 2020 and January 2021 and the notice to the general meeting dated 15 December 2020. The Board decided to offer a subsequent repair offering with a subscription price equal to the subscription price in the private placement.

Any transactions the company carries out in its own shares shall be carried out either through the stock exchange or at prevailing stock exchange prices. If there is limited liquidity in the company's shares, the company shall consider other ways to ensure equal treatment of all shareholders. There were no transactions in treasury shares in 2020.

For significant transactions with closely related parties, Axactor will use valuations and statements from an independent third party, if the transaction is not to be considered by the general meeting. There were one such transactions in 2020 with the largest shareholder Geveran Trading Co Limited and Sterna Finance Ltd. Axactor entered an agreement with these parties 9 December 2020, where they agreed to transfer their Axactor Invest 1 S.a.r.l shares and Axactor Invest A Notes to Axactor as a contribution in kind against issuance of a total of 50 million new shares in Axactor. An independent fairness opinion confirmed by an independent third party was arranged, and the independent declaration sent to the general meeting. For further details, see the notice to the extraordinary general meeting held 5 January 2021 and the stock exchange announcement of 9 December 2020.

On 17 February 2020, the Company entered into a servicing agreement with Seatankers Management Co. Ltd. (a company controlled by Geveran), under which Seatankers Management Co. Ltd. has agreed to provide the Company with advisory and other support services upon request. The agreement is entered on an arm-length basis and is not considered material.

For further details, see Note 30 to the annual financial statements for 2020.

Deviations from the Code of Practice: None

5. Shares and negotiability

Axactor has one class of shares, and each share carries equal voting rights. The shares of Axactor are freely negotiable. There are no restrictions on owning, trading or voting for shares in the company's articles of association.

Deviations from the Code of Practice: None

6. The general meeting

The General Meeting ("GM") is the company's ultimate corporate body. The Board strives to ensure that the GM is an effective forum for communication between shareholders and the Board. All registered shareholders have the right to participate in the GMs of the company, which exercise the highest authority of the company. In order to attend, nominee-registered shareholders must be registered in the VPS by the close of business the day before the GM.

Notices of GMs are made available on newsweb.no and the company's website (axactor.com) and are sent to all shareholders no later than three weeks in advance of the meeting. The company's articles of association stipulate that the supporting documents handling matters to be considered at a meeting can be made available on the company's website rather than being sent to shareholders by post. However, shareholders are still entitled to receive the documents by post upon request if they so wish.

Due to the Covid-19 situation, the AGM was conducted digital with no prior registration deadline. When attending the online GMs shareholders were able to listen to a live audiocast of the meeting, see the presentation, submit questions relating to the items on the agenda and cast their votes in the real time poll. Identification of the shareholders was secured. The EGM was conducted through a physical meeting under strict Covid-19 restrictions.

The notices included information providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the matters to be considered as well as all relevant information regarding attendance and voting procedures including a proxy form with and without voting instructions that permitted separate votes for each item up for consideration and each candidate up for election by the GM. Advanced votes and proxies must be provided the last business day prior to the GM by electronic means, in writing or by use of written proxy forms.

The chair of the Board has declared the GMs open. The person chairing the GM elected by the GM is independent of the company and the Board. Representatives of the Board, management and the company's auditor were present at AGM. The nomination committee chair was represented at the GMs through a statement given to the person chairing the GM and was available by phone to answer any questions. For the EGM only the chairman of the Board and CEO were present as deemed necessary given the items treated.

In 2020, Axactor held its AGM on 1 April 2020 with 47.05% of the shares represented. In addition, an EGM was held on 25 May 2020 to increase the constitution of the Board and elect a new Board member, with 35.22% of the shares represented.

The minutes from GMs is published on newsweb.no and on the company's website axactor.com.

Deviations from the Code of Practice: None

7. Nomination committee

The company has established a nomination committee, ref. articles of association article 8. It consists of two members:

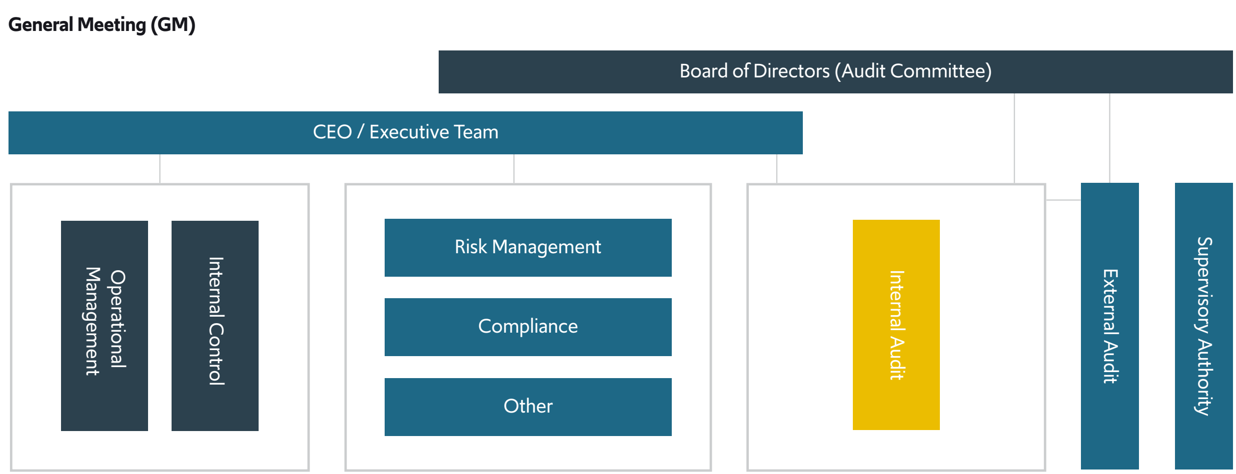
- Anne Lise E. Gryte (chair)
- Magnus Tvenge (member, re-elected)

Both were elected by the AGM in 2020 for a period of two years, until the AGM in 2022. Both members are considered independent of the Board and the executive personnel. Efforts is made to ensure that the composition of the nomination committee is broadly representative of shareholder interests and necessary expertise. The GM elected the leader of the nomination committee, and determined the remuneration based on the nature of the duties performed and the time invested.

The duties and responsibilities of the nomination committee is regulated by the instructions to the nomination committee approved by the AGM on 1 April 2020. The main responsibilities are to propose candidates for election to the Board and to recommend remuneration of board members. Grounds for recommendations are provided when nominees are presented to the GM, at latest at the time of the notice of the GM. All shareholders are entitled to nominate candidates to the Board, and information on whom to contact can be found on the company's website www.axactor.com.

The nomination committee monitor the need for any changes in the composition of the Board through contact with the board members and executive personnel. The nomination committee review the Board's report on its own performance as outlined in section 9 below.

Deviations from the Code of Practice: None



8. The Board

Composition

The Board of Directors shall constitute of three to seven directors as regulated in the articles of association clause 5. The Board and the chair are elected by the GM. At 31 December 2020, the Board of Directors consisted of the following seven directors:

Name	Role	Age	Considered independent of main shareholders	Served since	Term expires	Participation Board meetings 2020	Share ownership in Axactor (direct/indirect)
Glen Ole Rødland	Chair	56	Yes	01.04.2020	AGM 2021	16	0
Brita Eilertsen	Director	58	Yes	20.01.2017	AGM 2021	32	10,000
Merete Haugli	Director	56	Yes	20.01.2017	AGM 2021	32	0
Lars Erich Nilsen	Director	39	No	04.05.2018	AGM 2021	32	0
Kathrine Astrup Fredriksen	Director	37	No	01.04.2020	AGM 2021	16	0
Terje Mjøs	Director	59	Yes	20.01.2017	AGM 2021	32	100,000
Hans Harén	Director	70	Yes	25.05.2020	AGM 2021	13	22,150

All members of the Board are elected until the next AGM and may be re-elected. The composition of the Board is based on broad representation of the company's shareholders, as well as the company's need for competence, capacity and ability to form balanced decisions. Information on each Board member's expertise and capacity can be found in the annual report 2020 and on the company's website www.axactor.com.

Independence

The nomination committee has evaluated all of the board members to be independent of the company's executive management and material business contacts. Five out of seven board members are regarded as independent of the company's main shareholders.

Deviations from the Code of Practice: None

9. The work of the Board

The Board has the primary responsibility for overseeing and supervising the company's executive management and operations. The Board has adopted written instructions which describes the responsibilities and duties of the Board and regulate the allotment of work between the CEO and the Board. The instructions also regulate work related to the Board committees.

The Board prepares an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibilities include: (i) participating in the development and approval of the company's strategy and budget, (ii) performing necessary monitoring functions, and (iii) acting as an advisory body for the executive management team. The Board's duties may change over time, depending on the company's ongoing needs. The Board ensures that the operation of the company complies with the company's values, ethical guidelines and corporate social responsibility, that the company's business and assets are managed, and risk management and the financial reporting is carried out in a prudent and satisfactory manner.

The Board has established rules on conflicts of interest to ensure that any potential conflicts are identified and handled in a professional manner. If the Board is to consider material matters in which the chairperson is, or has been, personally involved, the consideration shall be chaired by another board member. There were no such cases in 2020.

The chairperson of the Board ensures that the Board's work is performed in an effective and correct manner. It is the Board's responsibility to ensure that the company has a good management with clear internal distribution of responsibilities and duties. The Board appoints the CEO, which is responsible for the day-to-day operations of Axactor Group and for ensuring that the Board receives accurate, relevant and timely information that is sufficient to allow it to carry out its duties. The duties, responsibilities and delegated authorities for the CEO is stated in a board instruction.

All members of the Board regularly receive information about the company's operational and financial development. The company's strategies are regularly subject to review and evaluation by the Board. The Board holds regular physical meetings, at least every two months. Extraordinary board meetings are held when necessary and may be conducted as telephone conferences or, in exceptional circumstances, the Board may take its decisions on the basis of circulating documents. In 2020, the Board held 32 board meetings. 4 of these were held prior to the interim reporting, while 4 were devoted to strategy discussions, business, operational and financial updates, risk and internal control, ESG discussions, portfolio assessments, remuneration and employee related matters, review of polices and instructions etc. In addition, 23 extraordinary board meetings were held to discuss a potential public offer for the company, private placements, business consequences of the Covid-19 situation, change of CEO and the Board's composition, portfolio purchase and restructuring of the company's balance sheet. The CEO has been present in all board meetings. However, the Board has discussions without management present in all board meetings and separate discussions with the auditor without management present.

The Board conducts an annual assessment of its performance and expertise, which is presented to the nomination committee. The last assessment was conducted by an external party in January 2020 and discussed in the board meeting 11 February 2020. Further, the Board's work, constitution of the board committees and the board instructions were discussed in the constitutional board meeting following the AGM.

Board committees

The Board has established an audit committee, an investment committee and a remuneration committee to provide subject matter advice to and preparation for the full Board.

The **audit committee's** main responsibilities is to supervise the Group's systems for internal control, to ensure that the auditor's independency and to ensure that the annual accounts give a fair picture of the Group's financial results and financial condition in accordance with generally accepted accounting practice. The audit committee works as the Board's risk committee, reviews the procedures for risk management and assess the company's risks and financial controls related to the Group's business activities. The audit committee ensures that the company has sufficient focus on ESG to contribute to sustainable development and appropriate risk management to minimise negative impact of the company's operations. The committee follow-up on regulatory changes, compliance matters that may have a material impact on the company's financial statements or policies, monitor material external investigations, sanctions, claims, litigations, substantial authority contact, licenses issues and follow up security incidents and whistle blower reports. The audit committee also receives reports on the work of the internal and the external auditor and the results of the audits.

As of 31 December 2020, the audit committee consisted of the following members:

- Hans Harén (Chair)
- Merete Haugli
- Terje Mjøs
- Brita Eilertsen

All of the members are independent of the company's executive management, and all of the member(s) has qualifications within accounting. The audit committee held seven meetings in 2020.

The **investment committee** oversees the financial investment process and proposals to ensure that the relevant investments meet the company's requirements with respect to expected return, responsible investments and due diligence prior to commitment of funds. Further, the investment committee quarterly reviews the impairments on portfolios and test whether a portfolio meets the performance criteria or not, assess regularly the risks of the market from a micro and macro perspective and evaluate and implement necessary mitigations to reduce the risks.

As of 31 December 2020, the Investment Committee consisted of the following members:

- Brita Eilertsen (Chair)
- Lars Erich Nilsen
- Kathrine Astrup Fredriksen
- Glen Ole Rødland

The investment committee held twelve meetings in 2020.

The **remuneration committee** develop the philosophy, policy and guidelines for remuneration that creates the link between remuneration levels, business performance and return to shareholders and makes proposals to the Board on the employment terms and total remuneration of the CEO and approve the terms and remuneration for the executive personnel which are communicated to the GM. These proposals are also relevant for other employees. Further, the committee oversees that the company has an appropriate succession plan, monitor employee satisfaction and assess and follow-up other material employment issues related to executive personnel.

As of 31 December 2020, the remuneration committee consisted of the following members:

- Terje Mjøs (Chair)
- Glen Ole Rødland

The remuneration committee held four meetings in 2020.

Deviations from the Code of Practice: None

10. Risk management and internal control

The Board is responsible for ensuring that the company has sound internal control and systems for risk and compliance management appropriate to the extent and nature of the company's activities.

The company's systems and procedures related to risk management and internal control contributes to efficient operations, timely and correct financial reporting and compliance with applicable laws and regulations. These systems form an integral part of the management's decision-making process.

The company's internal control and risk management systems consist of the organizational structure, managerial responsibilities for compliance, a set of policies and procedures, training, customer and supplier due diligence, monitoring through financial reviews and internal audits, incident investigations and corrective actions as well as reporting. The Code of Conduct and Group policies are reviewed and approved by the Board annually. All policies have designated owners within the executive management, responsible for developing and monitoring compliance with the relevant area.

The Board has approved the following policies in 2020:

Corporate governance	Code of Conduct	IT and information security
Procurement	Finance	Communication
Human resources	Legal and Compliance	Operations
Delegation of authority	Physical security	CSR
Environmental	Debt purchase	Anti-corruption and anti-money laundering
Data protection	Insider	Treasury

To each policy a set of procedures are established e.g. the Legal and Compliance policy has a procedure for managing internal control and risk management. The risk management framework shall ensure that the business operations follow laws and regulation, ESG and business ethics, as well as ensuring profitability, efficiency and continuity. The company operates a structured risk management process that includes relevant categories of risk, including strategic risk, financial risk, reputational risk, technical risk, and legislative and regulatory compliance risk. A top-down/bottom-up risk assessment is conducted annually, and risks reported and mitigations monitored through monthly business reviews with the executive management and quarterly reporting to the Board.

In 2020, special focus has been on updating the company's guidelines and practices on environmental, social and governance (ESG) to ensure that consideration for its stakeholders is well integrated into the company's strategy and value creation.

All employees are trained regularly, at least annually, through general training on business ethics, anti-fraud and anti-corruption, good debt collection practices, GDPR and anti-money laundering and customized training within their area of responsibility.

Compliance with the company's Code of Conduct is a key component of the Group's internal control system. The company has established an independent whistle-blowing channel for all employees to report any concerns related to illegal or unethical conduct.

Internal controls through self-assessments are conducted throughout the Group annually. Controls are tested, documented, deviations monitored and reported to the Board. Axactor's internal auditor conducted audits recommended by the Board and report to the Board at least quarterly. Axactor's separate entities prepares its financial statements within a standard financial accounting system which are automatically consolidated into the Group's results. Impairment testing of NPLs is conducted on a quarterly basis and goodwill and REOs on an annual basis. These processes are reviewed by the external auditor for each set of published financial statements. The external auditor presents a review of the internal control procedures, including identified weaknesses and proposals for improvement, to the Board at least once a year. The audit committee monitors the financial reporting and internal control regularly.

Under Norwegian securities laws, the Norwegian Financial Supervisory Authorities (FSA) oversees that the financial reporting of issuers of transferable securities which are quoted or for which admission to quotation has been requested on a regulated market within the EEA, are in compliance with law or regulations. The Board accounts for the main features of the company's internal control and risk management systems in the annual report.

Deviations from the Code of Practice: None

11. Remuneration of the Board of Directors

The remuneration of Board members is stipulated annually by the AGM based on the nomination committee's recommendation. The remuneration reflects the Board's responsibilities, work, time invested and the complexity of the company.

The remuneration of Board members is not performance based and in principal the company does not grant share options to board members.

The chairperson of the Board receives a higher compensation than the other Board members, and work in board committees provides for additional compensation. The Board shall be informed if any board members perform other tasks for the company than exercising their role as Board members. There were no such arrangements in 2020.

Further details about the remuneration of the Board can be found in Note 8 to the accounts in the annual report for 2020.

Deviations from the Code of Practice:

The Code of Practice recommends that the company does not grant share options to board members. When Glen Ole Rødland was elected as Chairman of the Board at the AGM in 2020, it was agreed that he will provide advisory services in excess of the tasks that rests with the position as Chairperson for a three years term. As compensation for the advisory services, he has received an option to subscribe for up to 1,000,000 shares in the company. The options have a five-year duration and can be exercised with 1/3 after one year, 1/3 after the second year and 1/3 after the third year. If Rødland is not re-elected to the Board, or for other reasons resigns from the Board, the advisory arrangement will terminate and options that at such time has not been vested will be terminated.

12. Remuneration of executive management

The Board decides the salary and other compensation paid to the CEO. The CEO's salary and bonus are based on an evaluation with emphasis on specific factors determined by the Board. Each year, the Board carries out an assessment of the salary and other remuneration to the CEO and revise the total compensation and remuneration criteria without any executive management present.

The CEO determines the remuneration of executive employees together with the Board's remuneration committee. The Board have issued guidelines for the remuneration of the CEO and the executive management team which has been presented and approved by the AGM and published on the company's website. The salary level ensures that the company can attract and retain executive employees with the desired expertise and experience without harming the company's reputation or exceeding the norm in comparable companies. Performance related salary in the form of share options, bonus schemes or the like is linked to value creation for shareholders or the company's earnings performance over time, and subject to an absolute limit of 75% of the annual base salary for the CEO and 50% for the members of the executive team.

The Board's statement regarding remuneration of the executive management can be found in Note 8 to the company's annual accounts in the annual report for 2020.

Deviations from the Code of Practice: None

13. Information and communication

The company complies with the relevant recommendations and market practices for reporting financial and other IR information.

The Board and the executive management team prioritise to give shareholders quick, relevant and current information about the company and its activity areas, while ensuring equal treatment.

The Board has adopted an insider policy to increase awareness of the responsibility entailed by the possession of inside information and the consequences of misusing such information and to ensure that Axactor itself fulfils its responsibilities. The Board has also adopted a communication policy which regulates spokespersons on behalf of the company and disclosure of information to the market and investor community in a transparent, honest, consistent, reliable and timely manner. The CEO and the Chief of IR and strategy are the main contact persons of the company in such respects. Contact details of the company's IR representatives are available at the company website to facilitate the dialogue between the company and its shareholders.

Financial information is published by producing quarterly reports and annual reports as well as stock exchange notices, in accordance with the Oslo Børs' recommendation.

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

Deviations from the Code of Practice: None

14. Take-over bids

There are no restrictions in the company's articles of association to hinder the acquisition of shares in Axactor. Guidelines have been prepared for how the Board shall respond to any takeover bids. The guidelines are in accordance with the Code of Practice.

As announced 4 February 2020, Axactor terminated discussions regarding a potential public offer for the company that were initiated in Q4 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 termination by the Board, in consultation with its appointed advisors 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.

Further, as announced 9 December 2020 and approved by the EGM 5 January 2021, Axactor achieved 100% ownership of Axactor Invest 1 S.a.r.l through the acquisition of Geveran's 50% stake therein as one of multiple initiates taken to strengthen Axactor's financial platform in order to improve shareholder returns and support further growth. Axactor and Geveran agreed on a consideration of 50 million shares to be issued at a share price of NOK 8.00, corresponding to a value for the 50% stake of EUR 38 million. The transaction increased Geveran's ownership in Axactor from 31.95% to 46.41% and Geveran was consequently obliged to provide a mandatory offer to purchase the remaining shares. The offer was evaluated by an independent third-party expert approved by the Oslo Børs. Geveran received valid acceptances under the mandatory offer for a total of 625,806 shares, corresponding to approximately 0.23% of the registered share capital and voting rights in the company. Following completion of the mandatory offer and subject to due settlement of the shares for which acceptances are received, Geveran will own 122,643,578 shares representing 44.53% of the total registered share capital and voting rights in the company (based on 275,395,464 issued and registered shares in the company). Following registration of the share capital increase issued by the company on 23 February 2021, Geveran's relative shareholding will be 40.59% of the total share capital and voting rights in the company.

Deviations from the Code of Practice: None

15. Auditor

The auditor has attended one meeting with the Board at which the company's management was not present to review the company's financial reporting, accounting principles, risk areas, internal control routines, etc. and confirm in writing that independence and objectivity requirements are met. The Board's audit committee has met twice with the auditor during 2020 where the auditor presented a plan for the implementation of the audit work, observations, risks etc.

The auditor is only used as a financial advisor to the company if such use of the auditor cannot influence or call into question the auditors' independence and objectiveness in his capacity as auditor for the company. Such advisory assignments can only be entered into by the company's CEO and/or CFO. The breakdown between the auditor's fee and consultancy fees for 2020 is described in Note 9 to the annual accounts.

At the AGM, the Board presents a review of the compensation paid to the auditor for audit work required by law and remuneration for other concrete assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board also reviewed the work and performance of the auditor.

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

The company's auditor is PwC and considered independent from the company and the Board.

Deviations from the Code of Practice: None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Board of Directors

Glen Ole Rødland
Chairman

Mr Rødland has considerable experience as a board member and chairman of several Norwegian public companies and other international companies. He is currently Chairman of Seadrill, Prosafe and AqualisBraemar LOC. Mr Rødland has 25 years' experience in a number of industries, as well as extensive experience as an analyst and in corporate finance from investment banking, private office and private equity.

Mr Rødland's qualifications include an MBA and Postgraduate Studies in Finance completed at the Norwegian School of Economics and Business Administration (NHH) and UCLA.

Merete Haugli
Board member

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

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

Terje Mjøs
Board member

Mr Mjøs is the CEO of Visolit AS. He was the chairman of the Board of Solid Media Group and a senior advisor to Apax Partners (private equity) from 2015 to 2017. Mr Mjøs was CEO of EVRY ASA from 2010 to 2015 and before that CEO of ErgoGroup AS from 2004 till 2010, and has held several senior positions in Hydro IS Partner AS from 1989 till 2004.

Mr Mjøs has a Cand. Scient. Degree in Computer Science from the University of Oslo, and an MBA in Economics and Business Administration from Norwegian Business School BI.

Brita Eilertsen
Board member

Ms Eilertsen has vast experience from investment banking and consulting institutions like SEB Enskilda, Orkla Finans and Touche Ross Mgmt Consultants. She has held board positions for several listed and private companies in different industries since 2005. Eilertsen currently holds board positions for Pareto Bank, NRC Group and C WorldWide.

Ms Eilertsen holds a Master of Economics and Business Administration from the Norwegian School of Economics (NHH) and is a Certified Financial Analyst.

Lars Erich Nilsen
Board member

Mr Lars Erich Nilsen is the chairman and CEO of of Seatankers Management AS. He has experience as an investment analyst from Fearnley Advisors AS between 2013 to 2014 and equity analyst from Fearnley Securities AS between 2005 to 2013 and holds several directorships, including Norwegian Property ASA and Bulk Infrastructure Holding AS.

Mr Nilsen has a Master of Economics and Business Administration (Siviløkonom) from Norwegian Business School, BI.

Kathrine Astrup Fredriksen
Board member

Kathrine Astrup Fredriksen has served as a board member of Norwegian Property ASA since 2016 and SFL Corporation since April 2020. Ms. Fredriksen is currently employed by Seatankers Services (UK) LLP and has previously been on the boards of Seadrill, Golar LNG, Frontline and Deep Sea Supply.

Ms. Fredriksen was educated at the European Business School in London.

Hans Olov Harén
Board member

Mr. Harén has extensive experience from bank and finance within the consumer finance segment. He retired from the position as CEO of Gjensidige Bank ASA in 2017, a position that he held for eight years. Prior to that, he was Country Business Manager and General Manager Consumer Business in Citibank consumer segment in Norway. Mr Harén also has broad experience from senior positions in American Express, Wasa Insurance and Trygg Hansa Liv.

Mr Harén holds a degree in business administration (sv. marknadsekonom) from IHM Stockholm as well as a training in senior management from the Stockholm School of Economics.

Management

Johnny Tsolis

Chief Executive Officer

Mr Tsolis has eight years of experience from working as a consultant for the Lindorff Group. He had his main focus on PMI/cost, productivity improvement and post-merger acquisition processes. Mr Tsolis has a broad international experience with more than five years on projects abroad, primarily in Spain, Germany, the US, the Netherlands, Denmark, Sweden and Finland.

Mr Tsolis' former work experience includes positions as a partner at Cardo Partners AS, partner at DHT Corporate Services, Handelsbanken Capital Markets and Arkwright.

Arnt Andre Dullum

Chief Operating Officer

Mr Dullum is the Chief Operating Officer at Axactor Group, overseeing the company's business operations. Prior to the COO role, he was Head of Operations in Axactor Norway, and he has held multiple roles within Lindorff Group and Lindorff Norway, including Operational Director and Project Director.

Mr Dullum has extensive international experience, working on multiple Pan-European projects, and has also been stationed in Spain and the Netherlands for extended periods as an expatriate. He holds a bachelor's degree from BI Norwegian Business School and an MBA with the highest distinction from NHH Norwegian School of Economics.

Vibeke Ly

Chief of Staff

Ms Ly has more than 7 years of experience from the industry. Prior to joining Axactor, she held the positions as Group corporate lawyer and Group data protection officer in Intrum, and EVP group compliance and group corporate lawyer in Lindorff. Earlier she served as a group corporate lawyer in EVRY, as an associate in lawyers firm Grette and as a legal advisor in the Justice Department.

Robin Knowles

Chief Investment Officer

Mr Knowles has 7 years of experience working as the Investment Director at Lindorff Group. His main focus was to increase the size of the owned portfolio, across all territories within the Group.

Mr Knowles has broad industry experience across Scandinavia, Continental Europe and the UK covering the last 18 years, including positions in Aktiv Kapital (PRA), Cabot Financial and Morgan Stanley as well as his time in Lindorff.

Mr Knowles' former work experience includes Investment banking with Barclays Bank for 4 years and container shipping with P&O Nedlloyd for 4 years, where he also qualified as a Management Accountant in 1997.

Kyrre Svae

Interim Chief Financial Officer / Chief of Strategy and IR

Mr Svae is the interim Chief Financial Officer and the Chief of Strategy and IR at Axactor Group. He has 14 years of experience working primarily as a management consultant on projects in Norway, Sweden, Denmark, Finland, the Netherlands, Germany and the USA. Mr Svae has extensive experience from strategy development, operational improvement and M&A in a wide range of industries, including the debt management industry.

Mr Svae's former work experience includes positions as Founder and Managing Partner in Breidablikk Consulting AS and Partner in Cardo Partners AS.

Mr Svae holds an M.Sc. from Copenhagen Business School (Denmark), with part of the degree from Harvard University (USA) and China Europe Int. Business School (China).

Steffen Fink

Country Manager Germany

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

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

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

Lisa Sohtell
Country Manager Sweden

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

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

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

Heidi Piispanen
Country Manager Finland

Heidi Piispanen has close to twenty years of experience from the debt collection industry and from the banking and finance industry. Prior to the role as Country Manager in Finland, Heidi was Group Operations Director in Axactor. Most recently before joining Axactor, she held the position as Director of debt purchase in Lindorff in Finland, Baltics and Russia.

Former work experience includes positions as Director of the Non-Performing Loans Portfolio in Aktiv Kapital in Finland and as Collection department manager in Citibank.

Heidi holds a Bachelor of Business Administration, accounting & finance from Helsinki Metropolia University of Applied Sciences.

Stina Koren
Country Manager Norway

Stina Koren has over 14 years of experience working with dept collection and customer service. Prior to the role as Country Manager at Axactor Norway she have had several management roles in Lindorff Norway (2006 – 2017). Her experience comes from management in Operations and Business development and Digitalization. She has also had management assignments abroad.

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

Andrés López

Country Manager Spain

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

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

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

David Martín

Country Manager Spain

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

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

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

Antonio Cataneo

Country Manager Italy

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

Before acting as Country Manager in Axactor Italy, he held primary executive roles in KRUK Group in Italy (2016-2019) and was COO & Member of the Board of Credit Base International (2008-2016).

Shareholder information

The company's total capitalization at 31 December 2020 was NOK 1.98 billion, based on a closing share price of that day of NOK 10.70.

Dividend policy

The company is a growth company in a capital-intensive industry. At this stage, focus will be to finance purchase of portfolios and developing operations. The currently dividend policy is not to pay cash as dividend to shareholders. As the return on equity gradually improves, Axactor aims to update this policy and initiate dividend payments.

Shares and share capital

At 31 December 2020, Axactor had 185,395,464 ordinary shares outstanding with a par value of EUR 0.523 per share, see Note 24 to the financial statement. The company has one share class, with each share conferring equal dividend rights and votes. At 31 December 2020 the company had 10,805 shareholders.

Listing

The Company's shares are quoted and traded in NOK at Oslo Børs (Ticker: ACR) since 2015. The shares belong to the Finance category and are registered in the Norwegian Central Securities Depository (VPS), with DNB Issuer Service Registrar. The shares carry the security number ISIN SE0011309319.

Principal shareholders

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

Employee incentive plan

The company has a share option plan for the executive management and key employees. A total of 6.5 million share options were granted under this plan during 2020 and per 31 December 2020 13.8 million share options are outstanding. Further information on the company's share option plan has been included in Note 25 to the consolidated financial statements.

Investor relations

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

The CEO and the Chief of Strategy and IR are responsible for the company's investor relations activities and for all communication with the capital markets. All information is communicated within the framework established by security and accounting legislation and rules and regulations of Oslo Børs.

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

Annual General Meeting

The annual general meeting is normally held in April or May; pending on the Covid-19 measures the AGM might take place digitally. Written notice and additional relevant material are sent to all shareholders individually or to their custodian bank at least three weeks before the AGM is to take place. The notice is also made available on the company's website. Shareholders are encouraged to participate and to vote at the AGM. To vote, shareholder must either be physically or digitally present or be represented by a proxy.

30 largest shareholders as registered in VPS at 9 March 2021

Name	Shareholding	Share %
Geveran Trading Co Ltd	122,643,578	40.59%
Torstein Ingvald Tvenge	10,000,000	3.31%
Ferd AS	7,864,139	2.60%
Verdipapirfondet Nordea Norge Verd	3,238,830	1.07%
SEB Sto, SFMA 1	2,900,368	0.96%
Skandinaviska Enskilda Banken AB	2,500,000	0.83%
Nordnet Livsforsikring AS	2,363,043	0.78%
VPF DNB AM Norske Aksjer	2,298,751	0.76%
Verdipapirfondet First Generator	2,166,680	0.72%
Verdipapirfondet DNB Norge	2,039,947	0.68%
Gvepseborg AS	2,036,494	0.67%
Endre Rangnes	2,017,000	0.67%
Nordnet Bank AB	1,687,490	0.56%
Alpette AS	1,661,643	0.55%
Stavern Helse Og Forvaltning AS	1,600,000	0.53%
Verdipapirfondet Nordea Avkastning	1,549,528	0.51%
Skandinaviska Enskilda Banken AB	1,352,963	0.45%
Verdipapirfondet Nordea Kapital	1,250,037	0.41%
Avanza Bank AB	1,217,155	0.40%
Cam AS	1,212,000	0.40%
Andres Lopez Sanchez	1,177,525	0.39%
David Martin Ibeas	1,177,525	0.39%
Svein Dugstad	1,064,187	0.35%
Latino Invest AS	1,040,000	0.34%
Norus AS	1,037,500	0.34%
Titas Eiendom AS	1,000,000	0.33%
Gross Management AS	1,000,000	0.33%
Velde Holding AS	998,925	0.33%
Forte Trønder	975,169	0.32%
Klotind AS	971,162	0.32%
Total 30 largest shareholders	184,041,639	60.91%
Other shareholders	118,103,825	39.09%
Total number of shares	302,145,464	100%

Geographic residence Shareholders as registered in VPS at 9 March 2021

	Shareholding	Share %
Norway	147,283,351	49%
Cyprus	122,493,584	41%
United Kingdom	10,387,796	3%
Sweden	6,515,205	2%
Luxembourg	5,515,053	2%
Spain	2,523,400	1%
Ireland	2,284,230	1%
Other	5,142,845	2%
Total	302,145,464	100%

Ownership structure by size of holdig as registered in VPS at 9 March 2021

	Number of holders	Number of shares	Share %
1-10,000 Shares	9,619	15,829,702	5%
10,001- 100,000 Shares	1,455	45,396,824	15%
100,001- 1,000,000 Shares	225	61,972,555	21%
1,000,001- 5,000,000 Shares	22	38,588,666	13%
Above 5,000,000 shares	3	140,357,717	46%
	11,324	302,145,464	100%

Financials Statements of Axactor Group and Parent Company

Consolidated Statement of Profit and Loss

For the year ended 31 December 2020

EUR thousand	Note	2020	2019
Interest revenue from purchased loan portfolios		**163,093**	134,531
Net gain/(loss) purchased loan portfolios		**-49,813**	-319
Other operating revenue		**87,871**	148,926
Other income		**24**	2,021
Total income	5,6	**201,175**	285,159
Cost of REO's sold, incl impairment	21	**-52,932**	-74,464
Personnel expenses	7,8	**-54,872**	-57,708
Other operating expenses	9	**-61,372**	-60,847
Total operating expenses		**-169,176**	-193,019
EBITDA		**31,999**	92,140
Amortization and depreciation	10,14,15,16	**-10,838**	-10,115
EBIT		**21,161**	82,025
Financial revenue	11	**12,650**	2,787
Financial expenses	11	**-66,039**	-52,176
Net financial items		**-53,390**	-49,389
Profit/(loss) before tax		**-32,228**	32,636
Tax (expense)	12	**-1,774**	-11,667
Net profit/(loss) after tax		**-34,002**	20,969
Attributable to:			
Non-controlling interests		**-15,871**	4,643
Equity holders of the parent company		**-18,131**	16,326
Earnings per share: basic	13	**-0.099**	0.106
Earnings per share: diluted	13	**-0.099**	0.093

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2020

EUR thousand	2020	2019
Net profit/(loss) after tax	**-34,002**	20,969
Items that will not be classified subsequently to profit and loss		
Remeasurement of pension plans	**-58**	0
Items that may be classified subsequently to profit and loss		
Foreign currency translation differences - foreign operations	**-11,254**	-1,904
Other comprehensive income/(loss) afer tax	**-11,336**	-1,904
Total comprehensive income/(loss) for the period	**-45,338**	19,065
Attributable to:		
Non-controlling interests	**-15,871**	4,643
Equity holders of the parent company	**-29,467**	14,422

Consolidated Statement of Financial Position

For the year ended 31 December 2020

EUR thousand	Note	2020	2019
ASSETS			
Intangible non-current assets			
Intangible Assets	6,14	**19,989**	21,486
Goodwill	6,14,15	**54,879**	56,170
Deferred tax assets	12	**7,769**	9,742
Tangible non-current assets			
Property, plant and equipment	6,16	**2,530**	2,903
Right-of-use assets	6,10	**4,826**	5,846
Financial non-current assets			
Purchased debt portfolios	17,18	**1,124,699**	1,041,919
Other non-current receivables		**458**	765
Other non-current investments	17,20	**196**	193
Total non-current assets		**1,215,346**	1,139,025
Current assets			
Stock of Secured Assets	21	**78,786**	129,040
Accounts Receivable	22	**7,124**	13,135
Other current assets	22	**11,645**	14,960
Restricted cash	23	**2,946**	3,739
Cash and Cash Equivalents	23	**47,779**	71,657
Total current assets		**148,281**	232,531
TOTAL ASSETS		**1,363,627**	1,371,556

Consolidated Statement of Financial Position

For the year ended 31 December 2020

EUR thousand	Note	2020	2019
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital		**97,040**	81,338
Other paid-in equity		**236,562**	201,879
Retained Earnings		**-16,036**	2,153
Reserves		**-15,999**	-4,721
Non-controlling interests	11,26	**74,113**	96,977
TOTAL EQUITY	24	**375,680**	377,626
Non-current Liabilities			
Interest bearing debt	17,26	**579,282**	466,378
Deferred tax liabilities	12	**6,436**	17,591
Lease liabilities	6,10	**2,804**	3,481
Other non-current liabilities	11,27,28	**1,433**	1,415
Total non-current liabilities		**589,955**	488,864
Current Liabilities			
Accounts Payable		**6,147**	5,902
Current portion of interest bearing debt	17,26	**356,903**	463,555
Taxes Payable	12	**12,002**	6,570
Lease liabilities	6,10	**2,282**	2,549
Other current liabilities	29	**20,657**	26,491
Total current liabilities		**397,992**	505,066
TOTAL LIABILITIES		**987,947**	993,930
TOTAL EQUITY AND LIABILITIES		**1,363,627**	1,371,556

Oslo, 24 March 2021
The Board of Directors

Glen Ole Rødland
Chairman of the Board

Brita Eilertsen
Board member

Merete Haugli
Board member

Lars Erich Nilsen
Board member

Kathrine Astrup Fredriksen
Board member

Terje Mjøs
Board member

Hans Harén
Board member

Johnny Tsolis
CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Equity related to the shareholders of the parent company						
	Restricted	Non-restricted					
EUR thousand	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year	Total	Non controlling interest	Total Equity
Closing balance on 31 Dec 2018	81,115	200,298	-2,817	-14,172	**264,423**	63,746	**328,170**
Result of the period				16,326	**16,326**	4,643	**20,969**
Foreign currency translation differences - foreign operations			-1,904		**-1,904**		**-1,904**
Total comprehensive income for the period	0	0	-1,904	16,326	**14,422**	4,643	**19,065**
Proceeds from Non-controlling interests					**0**	28,588	**28,588**
New Share issues (exercise of share options)	222	325			**548**		**548**
Share based payment		1,256			**1,256**		**1,256**
Closing balance on 31 Dec 2019	81,338	201,879	-4,721	2,153	**280,648**	96,977	**377,626**
Result of the period				-18,131	**-18,131**	-15,871	**-34,002**
Remeasurement of pension plans				-58	**-58**		**-58**
Foreign currency translation differences - foreign operations			-11,278		**-11,278**		**-11,278**
Total comprehensive income for the period	0	0	-11,278	-18,190	**-29,467**	-15,871	**-45,338**
Proceeds from Non-controlling interests					**0**	-6,994	**-6,994**
New Share issues	15,703	35,064			**50,767**		**50,767**
Cost related to share issues		-959			**-959**		**-959**
Share based payment		578			**578**		**578**
Closing balance on 31 Dec 2020	97,040	236,562	-15,999	-16,036	**301,566**	74,113	**375,680**

Consolidated Statement of Cash Flow

For the year ended 31 December 2020

EUR thousand	Note	2020	2019
Operating activities			
Profit/(loss) before tax		**-32,228**	32,636
Taxes paid	12	**-5,515**	-4,741
Adjustments for:			
- Finance income and expenses		**53,390**	49,389
- Portfolio amortization and revaluation	18	**123,179**	82,934
- Cost of secured assets sold, incl. Impairment	21	**52,932**	74,464
- Depreciation and amortization	14,16	**10,838**	10,115
- Calculated cost of employee share options	25	**578**	1,256
Change in Working capital		**3,309**	-3,941
Cash flow from operating activities before NPL and REO investments		***206,482***	*242,112*
Sale of debt portfolio		**2,050**	885
Purchase of debt portfolios	18	**-213,032**	-401,646
Purchase of REO's	21	**-399**	-668
Net cash flow from operating activities		**-4,899**	-159,316
Investing activities			
Investment in subsidiaries	31	**0**	-250
Purchase of intangible and tangible assets	14,16	**-6,114**	-9,642
Interest received		**25**	98
Net cash flow from investing activities		**-6,089**	-9,794
Financing activities			
Proceeds from borrowings	26	**81,631**	303,984
Repayment of debt	26	**-84,395**	-80,089
Interest paid		**-48,058**	-44,149
Loan fees paid	26	**-4,503**	-5,168
New Share issues		**50,767**	547
Proceeds from Non-controlling interests		**-6,994**	-1,412
Costs related to share issues		**-959**	0
Net cash flow from financing activities		**-12,512**	173,713
Net change in cash and cash equivalents		**-23,499**	4,604
Cash and cash equivalents at the beginning of period		**75,396**	70,776
Currency translation		**-1,172**	16
Cash and cash equivalents at end of period, incl. restricted funds		**50,725**	75,396

Summary of Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

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

The principal activities of the Company and its subsidiaries (the Group) are debt management, specialising on both purchasing and collection on own debt portfolios and providing collection services for third-party owned portfolio. The activities are further described in Note 5.

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 24 March 2021 and will be submitted for approval to the Annual General Meeting on 15 April 2021.

Note 2 Summary of significant Accounting Principles

Statement of compliance

The Consolidated financial statements of Axactor SE and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with IFRSs as issued by the International Accounting Standards Board (IASB), effective at 31 December 2020.

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

2.1 Basis for the preparation

The Consolidated Statements have been compiled in accordance with EU-approved International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC).

The Parent Company's functional currency is the Euro (EUR) and this is also the reporting currency for the Group. All amounts in the financial reports are stated in thousands of EUR (EUR thousand) unless otherwise specified.

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

The most important accounting principles that have been applied are described below. These principles have been applied consistently for all years presented, unless otherwise specified.

2.2 Consolidation principles

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

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

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

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

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

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

Change in ownership interest without loss of control
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognized at fair value and the difference between the consideration and the carrying amount of the asset is recognized against the equity attributable to the parent.

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

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

2.4 Business combination and goodwill
Business combinations are accounted for using the acquisition accounting method. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and relevant conditions as at the acquisition date. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held for sale and recognized at fair value less cost to sell, and deferred tax assets and liabilities which are recognized at nominal value.

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

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

If the business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

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

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

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

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

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

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

The revenues from NPL portfolios are described in detail in 2.13.1. The group can sell a NPL portfolio to another debt collector. The revenue will be recognized at the time the portfolio is transferred to an external buyer.

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

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

2.7 Employee benefits

Pension obligations

The Group's pension obligations vary between countries depending on the local legislation and different pension systems, please see Notes 7, 8, 27 and 28 for further descriptions.

Defined contribution retirement plans are retirement plans where the company's payment obligations are limited to the fixed contributions and where the fees already have been undertaken. The retirement benefits for the individual employee is dependent on the contributions paid to the retirement plan or an insurance company by the employer, and the return of capital invested in the retirement fund. Consequently, it is the employee that holds the risk of return (that the return will be lower than expected) and the risk of the investment (the risk that the invested pension provision will not be sufficient to cover expected retirement compensation in the future). The obligations of the Company related to payments of defined contribution retirement plans are expensed in the income statement as they are earned by the employee for services conducted on behalf of the employer during the period.

For defined benefit plans, the pension obligations do not cease until the agreed pensions have been paid. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Share-based compensation

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The fair value of the options has been estimated at grant date and is not subsequently changed. When the options are exercised, and the company elects to issue new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium.

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

2.8 Borrowing expenses

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

2.9 Taxes

Income taxes consists of current tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized to the extent that is probable that future taxable profit will be available against for which unused tax losses and unused tax credits can be utilised. A deferred tax asset arising from unused tax losses or tax credit is only recognized to the extent that the entity has sufficient taxable temporary differences or that there is convincing other evidence supporting the utilisation of the tax losses and tax credits, including the impact of time restriction by local tax authorities. The carrying amount of deferred tax asset is reviewed at the end of each reporting period. Unrecognized deferred tax assets are reassessed at each balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset, only when a legally enforceable right exists to set off tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity or taxation authority.

2.10 Intangible assets

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

2.10.1 Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets. Goodwill that arises on the acquisition of subsidiaries is allocated to cash generating units (CGUs). Goodwill is measured at cost (residual) less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when there are indications of impairment. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. When the Group disposes of an operation within a CGU or group of CGUs to which goodwill has been allocated, a portion of the goodwill is included in the carrying amount of the operation when determining the gain of loss on disposal. The portion of the goodwill allocated is measured based on the relative values of the operation disposed of and the portion of the CGU retained at the date of the partial disposal, unless it can be demonstrated that another method better reflects the goodwill associated with the operation disposed of. The same principle is used for allocation of goodwill when the Group reorganizes its businesses.

2.10.2 Customer relationships and Databases

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

Development costs on an individual project are recognized as an intangible asset only when there is an identifiable asset that will generate expected future economic benefits and when the cost of such asset can be measured reliably, otherwise development costs are recognized as an expense when incurred. During 2020 the Group has been continuing the development of the Business Intelligence system and Business infrastructure, hereunder Debtor- and Client portals.

2.11 Tangible fixed assets

Tangible fixed assets are reported at cost in the balance sheet, with a deduction for accumulated depreciation and any impairment. Depreciation is made on a straight-line basis over the asset's estimated useful life, which is assessed on an individual basis, ranging from three to five years.

2.12 Right of use assets and Lease liabilities

The Group has applied IFRS 16 'Leases'. At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

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

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

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

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

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

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

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

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

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

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

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

2.13 Financial instruments

A financial asset or liability is recognized in the balance sheet as soon as the Group has a contractual commitment regarding such instrument. Financial instruments reported as assets in the balance sheet include non-current receivables, other receivables, accounts receivables and current receivables. All financial assets are classified into the following specified categories: financial non-current assets or current assets. Financial instruments reported as liabilities in the balance sheet consist of non-current liabilities, other liabilities, prepaid income, and accounts payable. All financial liabilities are presented in the balance sheet under the headings: financial non-current assets or current assets.

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

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

2.13.1 Non-performing loans (NPL)
Non-performing loans, presented as 'Purchased debts portfolios' in balance sheet, consists of portfolios of delinquent consumer debts purchased significantly below nominal value, reflecting incurred and expected credit losses, and thus defined as credit impaired.

For Non-performing loans timely collection of principal and interest is no longer reasonably assured at the date of purchase. Non-performing loans are recognized at fair value at the date of purchase. Since the loans are measured at fair value, which includes an estimate of future credit losses, no allowance for credit losses is recorded in the consolidated balance sheet on the day of acquisition of the loans. The loans are measured at amortized cost according to a credit adjusted effective interest rate. Since the delinquent consumer debt is a homogeneous group, the future cash flows are projected on a portfolio basis.

The carrying amount of each portfolio is determined by projecting future cash flows discounted to present value using the credit adjusted effective interest rate as at the date the portfolio was acquired. The total cash flows (both principal and interest) expected to be collected on purchased credit impaired loans are regularly reviewed. Changes in expected cash flow are adjusted in the carrying amount and are recognized in the profit or loss as income or expense in 'Net gain/(loss) purchased loan portfolios'. Interest revenue is recognized using a credit adjusted effective interest rate, included in 'Interest revenue from purchased loan portfolios'. The bulk of the Non-performing loans are unsecured. Only an immaterial part of the loans, approximately 2% of the loans are secured by a property object.

Estimating the timing and amount of cash flows requires significant management judgment regarding key assumptions, including severity of loss, amounts and timing of payment receipts and all of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan. Estimated future cash flow (ERC) from the portfolios is assessed and updated regularly and at the end of each quarter a review of the ERC is made for all the portfolios at a batch level.

This review is based on the Group's actual historical collection over time compared to the forecasted collection, as well as the Group's subjective view on the impact of expectation on an array of economic factors (see note 18) and conditions that will be experienced over time will affect the ERC curve. These loan portfolios consist of individual claims that are credit impaired at acquisition. The fact that the claims are credit impaired makes scenario analyses of the impact of the different factors redundant as there for reasonable variations in considered factors are no non-linear effects on credit losses. Although important macro factors such as unemployment rate, interest rates, average income and house price inflation do not define the liquidation of an NPL portfolio, their combination impact the level of refinancing (of the debtors debt) in the economy. The level of refinancing dictates how much of each portfolio is repaid in full and moved to a new (loan) or existing (mortgage) facility with a financial institution and how much is retained by the NPL acquirer, requiring conversion to an agreed repayment program, likely to be liquidated over a much longer period of time than indicated by the original maturity.

The lower the level of refinancing, the higher the level of interest income which will accrue to the NPL provider and therefore drives a higher ERC than in a period of high refinancing activity. In Spain and Italy, where interest income is not to applied on the debtors debt, the relatively low purchase price generates a similar relationship, as typically one off settlements attract a larger discount to the outstanding balance than payment plans arranged over a period of time requiring the debtor to pay a larger proportion of the outstanding debt. In Spain, it has also been noticeable that as GDPR develops and data is controlled, much more closely, the quality of cases being sold in Spain is improving allowing for a higher contact rate to be achieved than on older portfolios. This increasing contact rate allows for the overall solution rate on portfolios to improve over time (especially when you include tracing activity), generating an increased collection potential, but not linked to the macro economic factors outlined above.

The current 180 month forecast takes into account the effect that Covid-19 has on the refinancing level and the payment from the legal system and the Group's expectation for the cash flows going forward, with a decay rate aligned with both the historical data available and an estimate based on expert knowledge of each geographical market, any adjustments in the current active forecast will be based on the actual level of payments both in number and average payment achieved as the Group moves through 2021. In Note 4 'critical accounting estimates' information is disclosed that enables users of the financial statement to evaluate the effect of significant changes in key assumptions.

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

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

2.13.2 Forward Flow Agreements
The Group has entered into several forward flow agreements to purchase future non-perming loan portfolios, ref. Note 4. These are agreements whereby Axactor agrees to buy and the counterparty agrees to sell financial assets (loans) that fulfils a set of specified criteria's (past due status etc.). The price at which Axactor buys is pre-determined in the agreement. The value of a forward flow agreement is when possible based on a market value, using data from comparable transactions to assess the market value. If relevant market data is not available, internal data is used to estimate a value of the contract. The value of each loan is synonymous to a specified financial instrument price. The volume of the loans covered by the agreement is a variable

that may or may not be described as a non-financial variable specific to the seller. As a contract that contains both a non-financial variable and another variable is a derivative such an agreement passes the requirement in the definition of a derivative set out in IFRS 9, Appendix A.

Any change in fair value from the time of entering into the forward flow contract to the actual transfer of the portfolio will be recognized in the income statement under "other operating revenue".

2.13.3 Accounts receivable

Accounts receivable are recognized initially at fair value and measured at amortized cost. Evaluation of the value of overdue accounts receivable are based on individual judgment and/or from historical experience.

2.13.4 Trade and other payables

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

2.13.5 Client funds

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

2.13.6 Cash and Cash equivalent

Cash and cash equivalents include cash at banks and on hand and other short term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, any bank overdrafts are shown within borrowings in current liabilities.

2.13.7 Stock of secured assets / Real estate owned (REOs)

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

2.14 Provisions and contingent liabilities

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

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

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

2.15 Government grants

The Group has applied IAS 20 for Government grants and support received. Government grants are recognized when there is reasonable assurance that the grant will be received. If conditions are attached to the grant which must be satisfied before the Group is eligible to receive the contribution, these conditions will be disclosed. Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government granst relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.16 Classifications

Fixed assets and long-term liabilities consist of items expected to be settled more than twelve months after the balance sheet date. Current assets and current liabilities consist of amounts that are expected to be settled within twelve months after the balance sheet date.

2.17 Changes in Accounting Policies and disclosures implemented in 2020

The accounting principles applied during 2020 are consistent with principles applied in the previous accounting period. No new Standards or other changes in accounting policies have been implemented during 2020.

2.18 Changes in Accounting Policies and disclosures for 2021 calendar year or thereafter

Standards and interpretations that will be in effect from 1 January 2021 or later are disclosed below. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to the IBOR reform (Phase 2 amendments). This amendment will not have any material affect on the Group.

Note 3 Financial risk management objectives and policies

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

The credit management sector is affected negatively by a weakened economy, and the industry as such is also negatively impacted by the ongoing Covid-19 pandemic. Risks associated with changes in economic conditions are monitored through on-going dialogue with each country management team and through regular checks on developments in each country, supported

Market risks

Axactor's financing and financial risks are managed within the Group in accordance with the treasury policy established and overseen by the Board of Directors. The treasury policy contains rules for managing financial activities, delegating responsibility, measuring, identifying, and reporting financial risks and limiting these risks. Internal and external financial operations are concentrated to the Group's central finance function in Oslo, which ensures both economies in scale when pricing financial transactions as well as concentration of competent resources. Because the finance function can take advantage of temporary surplus deficits in the Group's various countries of operation, the Group's total interest expense can be reduced. In each country, investments, revenues, and most operating expenses are denominated in local currencies, and thus currency fluctuations have a relatively minor effect on operating earnings. Revenues and expenses in national currency are thereby hedged in natural way, which limits transaction exposure.

When the balance sheets of foreign subsidiaries (currently in Sweden and Norway) are recalculated in EUR, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in the same foreign currencies, stated as the aforementioned countries.

Regulatory risks

Regulatory risks, because of increased focus from authorities and stricter rules e.g. MAR (Markedsmisbruksdirektiv), AML (Anti money laundering), GDPR (General data protection regulation), debt collection laws and BEPS (base erosion and profit shifting), are being monitored continuously. During Covid-19 pandemic Axactor was faced with temporary changes in debt collection regulations in a few countries. The Debt collection industry is also facing reduction of (regulatory) collection fees as a consequence of a more consumer-friendly legislation in both EU as Norway. Axactor continuously monitors the EU's regulatory efforts to be able to indicate potentially negative effects for European credit management companies and to work for favourable regulatory changes.

The financial effect is expected to have limited impact for the Group.

Interest rate risks

Interest risk is related to the risk the Group is exposed to from changes in the market's interest rate which can affect the net profit. The Group's main interest rate risk arises from long-term borrowings with variable rates, which amounted to EUR 936.2 million on 31 December 2020 (2019: EUR 929.9m). The loan carries a variable interest rate based on the interbank rate in each currency with a margin.

Any annualised increase/decrease by 100 basis point would increase/ decrease the Groups profit before tax by EUR 9.4 million. (2019: EUR 9.3m). The average interest rate is effected by the expense of the capitalized loan fees 7.1m, related to the refinancing. Taken this into account the average interest rate is 6.2%.

Currency risk

Currency risk refers to the risk that the value of liquid and financial instruments may shift because of changes in currencies conversion rates. Much of the Groups business operation is taking place in Euro countries. The Groups functional currency is therefore held in Euro (EUR). However, some of its business operations is in other than Euro countries like Norway and Sweden. This foreign exchange exposure may affect the Company's results and the number of liquid assets. When the balance sheets of foreign subsidiaries are recalculated in EUR, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in foreign currencies, stated as the aforementioned countries.

Credit risk

Credit risks is the risk that counterparty will not meet its obligations under a financial contract or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily related to cash and cash equivalents, trade receivables, purchased debts (see here after and outlays on behalf of clients.

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

The credit risk (excluding purchased debt) is not considered to be a material factor in Axactor.

Risk inherent in purchased debt

To minimise the risks in this business, caution is exercised in purchase decisions. The focus is small and medium-sized portfolios with relatively low average amounts, to help spread risks. The acquisitions generally involve unsecured debt, which reduces the capital investment and significantly simplifies administration compared with collateralised receivables. Purchased debt portfolios are usually purchased at prices significantly below the nominal value of the receivables, and Axactor retains the entire amount it collects, including interests and fees. Axactor places high yield requirements on purchased debt portfolios. Before every acquisition a careful assessment is made based on a projection of future cash flows (collected amount) from the portfolio. In its calculations, Axactor is aided by its scoring models and historical data. Scoring entails, the customer's payment capacity being assessed with the aid of statistical analysis. The historical data helps Axactor to assess the impact on future cash flows of external macro factors and events, such as the current Covid-19 pandemic. In addition, Axactor also uses specialised industry consultants for getting a second opinion on each contemplated debt portfolio purchase. Axactor therefore believes that is has the expertise required to evaluate these types of receivables.

Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk of a shortage of funds using cash flow forecasts regularly. The driver of negative cash flow from operating activities is investments in NPL portfolios. These investments can be scaled down relatively quick, as evident by the 47% drop in amount paid for NPL portfolios from 2019 to 2020. The Group generates positive cash flow from operating activities before NPL and REO investments. The Group had cash and cash equivalents of EUR 50.7m at 31 December 2020 (2019: EUR 75.4m). The Covid-19 pandemic and the economic consequences caused a tightening of the liquidity for Axactor during the first half of 2020.

Due to the uncertainty of the impact of the Covid-19 pandemic on its cash-flow the Group, took several mitigating measures. The Group was able to extend the maturity of the revolving credit facility from DNB and Nordea, with an original maturity in December 2020 till December 2021. The Group also successfully raised EUR 50.8 million in new equity through a private placement in February 2020. In addition, new investments in NPL were held back.

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

The amounts presented are subject to change dependent on a change in variable interest rates.

Year ended 31 December 2020

EUR thousand	Q1-21	Q2-21	Q3-21	Q4-21	1-2 years	2-4 years	4+ years	Total
Forward Flow NPL agreements [1) 2)]	12,702	12,205	9,636	7,173	21,518	0	0	**63,234**
Interest bearing loans DnB/Nordea	20,139	22,312	18,446	20,996	73,434	254,588	0	**409,915**
Interest bearing loans Italy	1,945	2,665	3,331	3,294	12,125	16,454	2,400	**42,215**
Interest bearing loans Nomura	7,515	6,806	6,465	3,790	0	0	0	**24,576**
Bond loan	200,311	0	0	0	0	0	0	**200,311**
Interest bearing A- & B-notes	0	0	0	0	140,000	0	0	**140,000**
Interest bearing loans DnB/Nordea (Axactor Invest 1)	7,502	8,651	13,635	10,382	34,436	45,845	0	**120,450**
Deferred tax liabilities	0	0	0	0	2,463	2,463	2,463	**7,388**
Leasing liabilities [3)]	736	668	615	476	1,396	1,027	572	**5,492**
Other non-current liabilities	0	0	0	0	0	0	1,433	**1,433**
Accounts Payable	6,148	0	0	0	0	0	0	**6,148**
Taxes payable	1,409	213	341	10,039	0	0	0	**12,002**
Other current liabilities	16,112	4,159	386	0	0	0	0	**20,657**
Total	274,518	57,679	52,856	56,150	285,372	320,377	6,867	**1,052,867**

1) Ref Note 2.13.2

2) Expected cash flows. Cash flows are limited to EUR 102.6 million by contracted capex limits

3) Ref Note 2.18

See Note 18 for expected incoming cash flow (ERC) from NPL portfolios

The Group manages the liquidity risk by continuously monitoring the liquidity status and the monthly rolling consolidated result- and cash flow forecasts. The estimated 12 months cash payments from the table above shows an estimated calculation of repayment on interest bearing loans of EUR 358.2 million. The calculation is made under the assumption that no new portfolios are acquired in 2021 and that Axactor therefore partly need to repay the facility to stay below the LTV covenant (Loan to Value) in order to match portfolio amortization and decrease in portfolio value. This is a theoretical scenario, not reflecting a going concern assumption. Following the same principal for the Nomura facility (REO financing), that is based on the estimated sale of REOs coming year. Any REO sale will generate a cash inflow corresponding to the sales price as all Capex have been made already, mainly in 2018.

The cash flow from operating activities in future years will positively be affected by the investment levels during 2018-2020. Together with the Group's RCF and bond loan this will meet the future payment obligations. The Group had an unused part of the RCF agreement of EUR 15 million + uncommitted accordion option of 75 million, in addition to unrestricted cash and cash equivalents of EUR 48 million. In January 2021 (see events after the balance date) the two RCF were merged into one new agreement with maturity in January 2024 and Geveran's minority share in Axactor Invest 1 was acquired giving Axactor access to 100% of the cash flow from Axactor Invest 1.

The financial impacts caused by the Covid-19 pandemic put increased pressure on covenants. The company obtained waivers from DNB and Nordea for a covenant pertaining to NIBD/Pro-forma adjusted cash EBITDA for the second, third and fourth quarter of 2020. With the waiver, Axactor remained compliant with all covenants throughout the year.

For change in liquidity after year end, see note 33 Subsequent Event.

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

Financing risk

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

Capital management

The primary objective of the Group's capital management is to ensure the Company maintains a solid capital structure enabling it to develop and build its business to maximise shareholder value. The Group's objective is to maintain a balance of financial assets that reflects the cash requirement of its operations and investments for the next 12-24 months. No change was made in the objectives, policies, or process for managing capital during the year ended 31 December 2020. One of the measurements taken is a major restructuring of the balance sheet which was announced at the end of 2020. See Note 33 Subsequent Event.

Note 4 Critical accounting estimates and judgments in terms of accounting policies

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, where the effect of the current Covid-19 impact has been considered and expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition of NPL Portfolios

The Group uses the credit-adjusted effective interest rate method to account for the revenue for portfolios of purchased originally credit impaired loans. The use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows from the NPL portfolios at each balance sheet date. The underlying estimates that form the basis for revenue recognition depend on variables such as the ability to contact the debtor and reach an agreement, timing of cash flows, general economic environment, and statutory regulations. If the estimations are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IFRS 9.5.5.14. Events or changes in assumptions and managements judgment will affect the recognition of revenue in the period.

Book value of NPL portfolios

Non-performing loans presented as 'Purchased debts portfolios' in balance sheet consist of acquired non-performing (credit impaired) unsecured loans. Such assets are recognized at amortized cost using the effective interest method. Events (like the Covid-19 pandemic) or changes in assumptions and managements judgment will affect the expected cash flow for the portfolios and therefore also the net present value of future cash flows and the book value of the portfolios. See Note 18.

The Group determines the carrying value by calculating the present value of estimated future cash flows at the receivables' initial effective interest rate. Adjustments are recognized in the income statement. The valuation method uses results in the best estimate of the fair value of debt portfolios.

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

Fair value estimation of NPL portfolios

The fair value of financial instruments that are not traded in an active market (e.g. NPL portfolios) is determined by using valuation techniques such as net present value of estimated cash flows. For NPL portfolios, the discount rate used is the weighted average cost of capital, which is weighted value of the Group's cost of debt and the cost of equity. The cost of equity is estimated by applying the capital asset pricing model.

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

The preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from portfolios. The estimated future portfolio cash flows are reviewed by management each quarter considering the current collection environment and effects of the current Covid-19 pandemic. The fair value is estimated to be approximately EUR 1,248m (2019: 1,061m) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is EUR 1,125m. (2019: 1,042m), which is based on IFRS 9 using the estimated gross future cash flows, where the discount factor is the individual IRR for each portfolio.

The fair value estimation is based on estimated annual net cash flows from portfolios. The estimated annual net cash flows from portfolios is the assumed annual future collection on portfolios per country, less assumed annual collection costs per portfolio before tax. Collection costs consist of operational costs in the portfolio segment, i.e. commission to debt collection, payroll expenses, premises, communication costs, depreciation, and other costs directly attributable to the Debt Purchasing segment. The collection costs as a percentage of the portfolio collection differ from portfolio to portfolio, ranging from 10% to over 50%. In addition, the country specific marginal tax rate is applied. This individual collection cost and tax rate is applied to each portfolio's estimated future cash flow, adding up to an estimated total net cash flow for the Group. The weighted average cost of capital after tax for the portfolio segment is estimated to 5.4% (2019: 8.1%) as at 31 December 2020 (details of the calculation is shown below). Based on this rate, the discounted value of the estimated net cash flows indicates that the fair value of portfolios is approximately EUR 1,248m (2019: 1,061m). To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below to see the effect of deviations to the cash flow estimates and variations in the cost of capital.

Fair value sensitivity table

	Performance				
EUR million	90%	95%	100%	105%	110%
WACC					
4%	1,204	1,269	1,334	1,399	1,464
5%	1,126	1,187	1,248	1,308	1,369
9%	958	1,011	1,063	1,115	1,167
10%	920	970	1,020	1,071	1,121
11%	885	933	981	1,029	1,078
12%	852	898	945	991	1,038
13%	821	866	911	956	1,000

The cost of capital after tax for the Portfolio segment is calculated using the capital asset pricing model (CAPM) in combination with the weighted average cost of capital (WACC). Based on the variables from the table below, the estimated cost of capital after tax is approximately 5.4%.

Cost of equity

	2020	2019	
Risk-free rate	**-0.724%**	1.550%	5 year Euro area tripple A rated government bonds, as reported by the European Central Bank
Market risk premium	**4.7%**	6.3%	Damodaran 28 Jan 2021
Estimated Beta (equity)	**1.76**	1.24	Observed Beta for Axactor
Company specific premium	**6.0%**	6.0%	Ibbotson research 2014 [1)]
Cost of equity before tax	**8.1%**	15.4%	
WACC	**5.4%**	8.1%	

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

Risk free rate

The risk-free rate used in the calculation of the WACC is based in EUR risk-free interest rate, which on 31 December was priced at negative 0.724%. Most of the Group's cash flow is in EUR, although the Group has some part of the cash flows in other currencies, the largest being NOK and SEK. Calculating a currency specific WACC, the risk-free rate element would have increased the WACC slightly compared to the WACC estimated for the Group.

Risk premium

Based on empirical research done the long-term risk premium is about 4-6%. It is reasonable to assume that the risk of investing in Non-performing loan portfolios is in the higher end of the observed average market risk premium. Therefore, a company risk premium of 6% is added to the calculation. These risk premiums are based on the research found by Ibbotson Risk Premiums Over Time Report.

Equity Beta

The equity beta is based on observations for the Axactor share two years of weekly observations. The calculations are based on data from Reuters. Thereafter this is used as a basis for the Beta used to calculate cost of equity for Axactor.

Cost of Debt

At the end of 2020 the Group initiated a large restructuring of the balance sheet, with the transactions finalized during the first quarter of 2021. Most debt facilities were refinanced at equal or improved terms and capitalized loan fees related to the former facilities were expensed during 2020. Applying the new capital structure the estimated average cost of debt, including amortized loan fees, will be reduced.

The average cost of debt for 2020, defined as the loan interest in the loan agreements divided by the individual loan balances at 31 December, is 6.9%. The interest is affected by the expensed capitalized loan fees due to the restructuring, total 7.1m. The average interest without this cost, is 6.2%. For information about the average effective interest, please see Note 3, section "Interest rate risks".

Future cash flow estimates

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

See Note 18 for further details.

Goodwill

In accordance with the stated accounting policy, the Group annually tests whether goodwill has suffered any impairment or more frequently if impairment indicators are identified. The recoverable number of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the five years business plan approved by the board of directors, and do not include significant investments that will enhance the performance of the CGU being tested, except from already committed. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows (sensitive to estimates of sales and cost levels) and the growth rate used for extrapolation purposes. Further details about goodwill and impairment reviews are included in Note 15 Impairment.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, and deferred tax assets have been recognized in the balance sheet. The recognized amount is most sensitive to expected future taxable profits. Information on deferred tax assets is disclosed in Note 12.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the options at the date at which they are granted. Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including expected life of the share option and volatility and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transaction are disclosed in Note 25.

Change from Q4 reporting

In this Annual Report, Axactor has made changes compared to the Group's fourth quarter 2020 report related to the valuation of forward flow contract derivatives. As stated in note 2.13.2 the value of a forward flow agreement is based on market value, using data from comparable transactions to assess the market value. This has led to negative change of total income of EUR 3.9 million, and after tax effect of 2.9 million EUR.

Note 5 Segment reporting

Axactor delivers credit management services and the Group's revenue is derived from the following three operating segments: Non-performing loans (NPL), Third-party collection (3PC) and Real estate owned (REO). 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 3PC segment's 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.

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

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

Segment revenue reported below represents revenue generated from external customers.

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

Year to date 31 December 2020

EUR thousand	NPL	3PC	REO	Eliminations/ Not allocated	Total
Collection on own portfolios	236,459	0	40,407	0	**276,866**
Portfolio amortization and revaluation	-123,179	0	0	0	**-123,179**
Other operating revenue/income:					
-Change in forward flow derivatives	-826	0	0	0	**-826**
-Other operating revenue and other income	0	48,290	0	24	**48,314**
Total income	112,454	48,290	40,407	24	**201,175**
REO cost of sales	0	0	-36,818	0	**-36,818**
Impairment REOs	0	0	-16,114	0	**-16,114**
Direct operating expenses	-37,174	-30,938	-8,433	0	**-76,546**
Contribution margin	75,280	17,352	-20,958	24	**71,698**
SG&A, IT and corporate cost				-39,699	**-39,699**
EBITDA					**31,999**
Amortization and depreciation				-10,838	**-10,838**
EBIT					**21,161**
Total opex	-37,174	-30,938	-61,365	-39,699	**-169,176**
CM1 Margin	66.9%	35.9%	-51.9%	na	**35.6%**
EBITDA Margin					**17.5%**
Opex ex SG&A, IT and corp.cost / Gross revenue	15.7%	64.1%	151.9%	na	**39.8%**
SG&A, IT and corporate cost / Gross revenue					**12.2%**

Year to date 31 December 2019

EUR thousand	NPL	3PC	REO	Eliminations/ Not allocated	Total
Collection on own portfolios	217,147	0	91,249	0	**308,396**
Portfolio amortization and revaluation	-82,934	0	0	0	**-82,934**
Other operating revenue/income:					
-Change in forward flow derivatives	0	0	0	0	**0**
-Other operating revenue and other income	0	57,677	0	2,021	**59,698**
Total income	134,212	57,677	91,249	2,021	**285,159**
REO cost of sales	0	0	-74,052	0	**-74,052**
Impairment REOs	0	0	-412	0	**-412**
Direct operating expenses	-32,321	-35,279	-9,656	0	**-77,256**
Contribution margin	101,891	22,398	7,129	2,021	**133,439**
SG&A, IT and corporate cost				-41,299	**-41,299**
EBITDA					**92,140**
SG&A, IT and corporate cost				-10,115	**-10,115**
EBIT					**82,025**
Total opex	-32,321	-35,279	-84,120	-41,299	**-193,019**
CM1 Margin	75.9%	38.8%	7.8%	na	**46.8%**
EBITDA Margin					**32.3%**
Opex ex SG&A, IT and corp.cost / Gross revenue	14.9%	61.2%	92.2%	na	**41.2%**
SG&A, IT and corporate cost / Gross revenue					**11.2%**

Note 6 Income

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

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

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

Geographical information

	Total income		Non-current assets[1]	
	2020	2019	2020	2019
Finland	**10,710**	15,613	**4,539**	4,289
Germany	**31,964**	28,345	**13,497**	13,873
Italy	**14,424**	16,869	**9,720**	9,679
Norway	**37,949**	31,278	**33,004**	35,444
Spain	**87,962**	176,427	**19,176**	20,592
Sweden	**18,165**	16,626	**2,286**	2,529
Total	**201,175**	285,159	**82,223**	86,405

1) Non-current assets consists of intangible assets, goodwill, property, plant and equipment and right-of-use assets.

The relation between Yield and revenue is presented as follows:

Portfolio revenue

EUR thousand	Yield[1]	CU1[2]	CU2[3]	CU2 tail[4]	Net revenue 2020
Finland	14,727	-2,155	-3,218	0	**9,353**
Germany	23,015	-2,260	355	595	**21,705**
Italy	16,996	-1,776	-3,559	275	**11,936**
Norway	29,703	1,997	-4,032	1,775	**29,443**
Spain	47,790	-2,427	-23,574	978	**22,767**
Sweden	30,864	-6,325	-8,728	2,266	**18,076**
Total	163,093	-12,946	-42,755	5,888	**113,280**

EUR thousand	Yield[1]	CU1[2]	CU2[3]	CU2 tail[4]	Net revenue 2019
Finland	13,880	-315	396	59	**14,020**
Germany	20,452	-3,940	1,342	534	**18,387**
Italy	14,304	-3,915	2,314	299	**13,001**
Norway	18,491	-119	386	1,084	**19,842**
Spain	50,627	2,125	-1,141	924	**52,535**
Sweden	16,777	-2,245	359	1,535	**16,427**
Total	134,531	-8,408	3,655	4,434	**134,212**

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, except for Finland who is limited to 180 months from legal date

Note 7 Employees, Salaries and other Compensations

Personnel expenses

EUR thousand	2020	2019
Salaries	**36,991**	34,841
Bonus	**3,557**	7,248
Commission	**1,822**	1,918
Social contribution	**9,340**	9,619
Pension cost	**1,320**	915
Share Option program	**580**	1,256
Other benefits	**1,262**	1,912
Total personnel expenses	**54,872**	57,708

Average number of employees

	2020	2019
Number of FTE's, start of year	**1,152**	1,040
Number of FTE's, end of year	**1,128**	1,152
Average number of FTE's	**1,140**	1,096

Number of FTE's at end of year, per country

	2020	2019
Finland	**57**	41
Germany	**187**	198
Italy	**103**	106
Norway	**121**	117
Spain	**614**	656
Sweden	**45**	34
Total number of FTE's	**1,128**	1,152

Post-employment benefits

EUR thousand	2020	2019
Salaries	**742**	204
Share option	**0**	2
Other benefits	**1**	0
Total post-employment benefits	**743**	205

Axactor Group is compliant with the different local mandatory occupational pension requirement. For information on the country specific pension schemes please see Note 27.

The Group has received government assistance as result of the covid-19 pandemic for operations in Spain, Norway, Germany, Sweden, and Italy. The type and nature of financial support following the outbreak of the covid-19 is different from country to country. All received assistance relates to support of employee costs.

Overview of received government assistance

EUR thousand		Nature of assistance	Unfulfilled conditions
Finland	**0**	na	na
Germany	**121**	Short time allowance	No
Italy	**129**	Temporary lay off scheme	No
Norway	**47**	Reduction social security	No
Spain	**906**	Temporary workforce reduction program	No
Sweden	**7**	Reduction social security	No
	1,208		

Note 8 Key Management Compensation

Board of Directors remuneration

EUR thousand	2020	2019
Glen Ole Rødland [2)]	**44**	0
Bjørn Erik Næss [3)]	**34**	56
Lars Erich Nilsen	**47**	36
Kathrine Astrup Fredriksen	**28**	0
Merete Haugli [1)]	**41**	31
Terje Mjøs [1)]	**44**	30
Brita Eilertsen	**50**	30
Hans Harén	**21**	0
Beate S. Nygårdshaug [1) 4)]	**13**	30
Total	**322**	213

1) Includes the remuneration for membership in audit committee

2) Chairman of the Board from April 2020

3) Chairman of the Board until March 2020

4) Board member until March 2020

During Q4 2019, there were several extra Board meetings in relation to the potential bid of the Group, resulting in higher final payments for 2019 in January 2020. In addition, the base fee for Board members was increased during 2020.

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

Nomination committee

EUR thousand	2020	2019
Anne Lise Ellingsen Gryte [1)]	**0**	0
Magnus Tvenge	**3**	2
Cathrine Loferød Feght	**3**	2
Robin Bakken [2)]	**4**	0
Jarle Sjo [3)]	**0**	4
Total	**10**	9

1) Member from April 2020

2) Member until April 2020

3) Member until April 2019

Executive Management remuneration 2020

EUR thousand	Salary	Bonus	Pension	Other	Share option [1]	Total
Johnny Tsolis, CEO [2]	336	109	6	1	72	**524**
Endre Rangnes, CEO [3]	700	329	6	0	-45	**991**
Teemu Alaviitala, CFO [4]	72	0	3	0	4	**78**
Arnt Andre Dullum, COO [5]	72	0	3	0	29	**104**
Oddgeir Hansen, COO [6]	270	94	6	0	-25	**346**
Kyrre Svae, Chief Strategy and IR [7]	72	0	3	0	4	**78**
Vibeke Ly, Chief of staff	169	37	6	0	25	**238**
Siv Farstad, EVP HR [8]	102	0	3	0	-20	**84**
Robin Knowles, Chief of investment	259	91	3	1	36	**390**
Steffen Fink	234	18	0	12	3	**267**
Andres Lopez	244	63	0	50	52	**408**
David Martin	244	63	0	50	52	**408**
Lisa Sohtell	202	82	0	9	45	**338**
Stina Koren	164	75	6	2	40	**287**
Antonio Cataneo	201	95	10	0	38	**344**
Heidi Piispanen [9]	15	0	2	0	0	**17**
Jarkko Jalonen [10]	123	70	35	0	40	**267**
Total	3,476	1,125	94	126	348	**5,170**

1) Cost in relation to Share option program, not exercised
2) CFO until 26 June 2020, interim CEO from 3 April 2020, permanent CEO from 26 June 2020
3) CEO until 3 April 2020
4) CFO from 1 August 2020 until 31 January 2021
5) COO 50% from 19 May 2020, 100% from 1 September 2020
6) COO until 1 July 2020
7) Chief of Stategy and IR from 1 August 2020
8) Head of HR until 31 March 2020
9) Country manager Finland from 4 December 2020
10) Country manager Finland until 3 December 2020

Executive Management remuneration 2019

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

1) *Cost in relation to Share option program, not exercised*
2) *Country Manager Germany until 31 March 2019*
3) *Country Manager Germany from 15 August 2019*
4) *Country Manager Italy from 7 January 2019*

The CEO, Johnny Tsolis, has a six-month notice period and is entitled to a severance pay of six months in case of termination by the company. In addition, there is a non-compete and non-solicitation clause in the employment agreement.

The share-based option program is presented in Note 25. Bonus stated in tables above reflects the paid amounts during the year.

At the end of 2020 no loan or prepayments were granted to Board of Directors and Executive management.

Note 9 Other operating expenses

Other operating expenses

EUR thousand	2020	2019
Direct operating expenses, excluding salary	**9,597**	11,490
External services	**32,949**	32,824
IT expenses	**11,976**	9,236
Restructuring cost	**1,277**	0
Other operating expenses	**5,573**	7,298
Total other operating expenses	**61,372**	60,847

Remuneration to company auditors PricewaterhouseCoopers

EUR thousand	2020	2019
Fees, auditing	**780**	896
Fees, audit related services	**0**	128
Fees, tax advisory	**33**	78
Fees, other services	**119**	17
Total fees, PwC	**932**	1,120

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

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

Right-of-use assets

EUR thousand	Buildings	Vehicles	Other	Total
Right-of-use assets per 1 Jan 2019	5,043	611	89	**5,743**
New leases	2,290	274	388	**2,952**
Depreciation of the year	-2,264	-336	-211	**-2,811**
Disposals	0	-5	0	**-5**
Currency exchange effects	-31	-2	0	**-33**
Right-of-use assets per 1 Jan 2020	5,039	541	267	**5,846**
New leases	1,421	780	0	**2,201**
Depreciation of the year	-2,358	-502	-187	**-3,048**
Disposals	-94	-18	0	**-112**
Currency exchange effects	-58	-3	0	**-61**
Carrying amount of right-of-use assets, end of period	3,949	797	80	**4,826**

Remaining lease term	1-6 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	

The interest costs relating to IFRS 16 leases during the year are reflected in the profit and loss statement with EUR 334 thousand (EUR 388 thousand). The interest rate used for discounting the lease liability is based on the same as according to the terms of interest rate from the Group's external financing. Any movement of the interest rate +/- 1% will impact the lifetime discount element, ref table below, with approximately EUR 150 thousand.

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

Lease liabilities

EUR thousand	2020	2019
Undiscounted lease liabilities and maturity of cash outflow		
< 1 year	**2,496**	2,816
1-2 years	**1,396**	1,935
2-3 years	**1,027**	845
3-4 years	**368**	646
4-5 years	**125**	152
> 5 years	**78**	145
Total undiscounted lease liabilities, end of period	**5,492**	**6,538**
Discount element	**-405**	-509
Total discounted lease liabilities, end of period	**5,086**	**6,029**

Note 11 Financial items

EUR thousand	2020	2019
Financial revenue		
Interest on bank deposits	**25**	81
Exchange gains realized	**705**	47
Net unrealized exchange gain	**11,901**	2,604
Other financial income	**20**	55
Total financial revenue	**12,650**	2,787
Financial expenses		
Interest expense on borrowings [1)]	**-63,554**	-51,251
Interest on Notes to NCI [2)]	**0**	2,080
Exchange losses realized	**-1,153**	-696
Other financial expenses [3) 4)]	**-1,332**	-2,310
Total financial expenses	**-66,039**	-52,176
Net financial items	**-53,390**	-49,389

1) *Includes expensed capitalized loan fees of EUR 7.1 million related to the refinancing. See Note 28 Loans and borrowings for more information.*

2) *Interest on Notes classified as Debt instruments in 2018, reversed in 2019.*

3) *Includes interest from negative bankaccounts in group multicurrency cash pool.*

4) *Includes amortization of warrants of EUR 1.2 million in 2019.*

Note 12 Income tax and tax assets and liability

Income tax calculation

EUR thousand	2020	2019
Profit/(loss) before tax	**-32,228**	32,636
Basis for income tax	**-32,228**	32,636
Income tax payable calculated	**15,892**	-7,057
Tax effect on permanent differences	**-5,886**	-558
Adjustment for previous year	**-621**	-117
Tax effect on tax rate reduction	**-154**	129
Limitation of interest deduction, for which no deferred tax asset was recognized	**-2,637**	-1,245
Limitation interest deduction, recognized in deferred tax	**1,465**	-2,739
Use of tax losses, previously not recognized	**108**	2,743
Tax assets, previously not recognized	**-216**	2,737
Tax losses for which no deferred tax asset was recognized	**-16,009**	-2,199
Tax effect of change in net deferred income tax liabilites/assets	**6,462**	-4,289
Effect on foregin exchange rates	**-178**	928
Income tax expense	**-1,774**	-11,667

Deferred Taxes

EUR thousand	2020	2019
Non-current portfolios	**-4,415**	-14,940
Non-current intangible assets/liabilities	**-1,076**	-2,386
Current assets	**1,168**	-158
Non-current liabilities	**-822**	70
Limitation interest carried forward	**1,274**	2,739
Re-classification deferred taxes relating to group contribution	**-1,261**	-936
Tax losses carried forward	**6,466**	7,763
Net deferred tax	**1,333**	-7,849
Presented in the statement of financial position as:		
Deferred tax asset	**7,769**	9,742
Deferred tax liability	**-6,436**	-17,591
Net deferred tax	**1,333**	-7,849

Unrecognized deferred tax

Temporary differences relating to tax losses carried forward and interest carried forward have arisen as it is not likely to generate taxable income in these subsidiaries in the foreseeable future:

EUR thousand	2020	2019
Tax losses carried forward, not recognized	**21,120**	7,242
Limitation of interest deduction, not recognized	**3,992**	1,492
Total unrecognized deferred tax	**25,112**	8,733

Income tax expense per country

EUR thousand	2020	2019
Finland	**56**	-189
Germany	**1,677**	1,539
Italy	**-493**	-769
Luxembourg	**2,053**	-2,324
Norway	**-5,107**	127
Spain	**375**	-965
Sweden	**-335**	-9,087
Income tax expense	**-1,774**	-11,667

Note 13 Earnings per share

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

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be Issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the Income and share data used in the basic and diluted EPS calculations:

EUR thousand	2020	2019
Net profit/(loss) to equity holders	**-18,131**	16,326
Total	**-18,131**	16,326
Number of shares (in thousands)		
Weighted average number of ordinary shares	**182,445**	154,488
Effects on dilution from share options	**11,544**	20,739
Weighted average number of shares adjusted for the effect of dilution	**193,989**	175,226
Basic earnings per share	**-0.099**	0.106
Diluted earnings per share	**-0.099**	0.093

The following instruments that could potentially dilute basic earnings per share in the future, have been included in the calculation of diluted earnings per share:

Number of instruments

	2020	2019
Employee share options	**13,775,508**	8,728,110

Note 14 Intangible assets

EUR thousand	Customer relations	Databases	Software	Goodwill	Other intangibles	Total
Cost price						
Cost price at 1 Jan 2019	12,594	3,672	13,613	55,577	5,116	**90,572**
Acquisition of SPT Group Finland	0	0	0	250	0	**250**
Acquisition	0	0	7,594	0	948	**8,542**
Reclassification	0	0	2,112	0	-2,641	**-529**
Disposals at cost price	0	0	-198	0	0	**-198**
Currency exchange effects	106	22	29	343	3	**503**
Cost price at 31 Dec 2019	12,700	3,694	23,150	56,170	3,426	**99,140**
Acquisition	0	0	4,988	0	491	**5,479**
Reclassification	0	0	-0	0	0	**0**
Disposals at cost price	0	0	-62	0	0	**-62**
Currency exchange effects	-392	-83	-0	-1,291	-11	**-1,778**
Cost price at 31 Dec 2020	12,308	3,611	28,076	54,879	3,905	**102,779**
Amortization and impairment						
Accumulated amortizations at 1 jan 2019	-7,022	-1,736	-5,911	0	-1,156	**-15,825**
Amortization of the year	-2,541	-667	-2,688	0	-416	**-6,312**
Reclassification	0	0	338	0	191	**529**
Disposals accumulated amortizations	0	0	205	0	0	**205**
Currency exchange effects	-57	-10	-14	0	-0	**-81**
Accumulated amortizations at 31 Dec 2019	-9,620	-2,412	-8,070	0	-1,381	**-21,483**
Amortization of the year	-2,371	-649	-3,463	0	-318	**-6,800**
Reclassification	0	0	0	0	0	**0**
Disposals accumulated amortizations	0	0	62	0	0	**62**
Currency exchange effects	272	48	-12	0	2	**310**
Accumulated amortizations at 31 Dec 2020	-11,718	-3,013	-11,483	0	-1,697	**-27,911**
Carrying amount at 31 Dec 2020	589	598	16,593	54,879	2,208	**74,868**
Useful life	3-5 yr	3-6 yr	3-10 yr	na	1-10 yr	

For Impairment testing on Goodwill see Note 15.

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

Goodwill and intangible assets stated in the consolidated financial position are mainly derived from excess value following the acquisitions of ALD Abogados (2015); IKAS Group in Norway (2016), CS Union in Italy (2016), Altor Group in Germany (2016), Profact in Sweden (2017) and SPT Group Finland (2018). Recognized goodwill amounts to 54.9 EUR million as of 31 December 2020. Other intangibles assets related to excess values in the Group accounts are customer relations, databases, and software, with a carrying amount of EUR 1.2m as per 31 December 2020.

Only goodwill has an indefinite lifetime, all other intangible assets are amortized, ref Note 14.

Goodwill is tested for impairment for each cash generating unit (CGU) prior to preparation of the annual accounts. The test is performed annually, and when there are indications of impairment. Despite the effects of covid-19, the impairment testing showed no impairment is necessary for the Goodwill.

The recoverable amount for each CGU has been determined estimating their Value in Use (VIU) and comparing that to the carrying amount of the specific CGU. The calculation of VIU has been based on management's best estimate, reflecting the Group's five-year strategy plan set up during 2020. The discount rates are derived as the weighted average cost of capital (WACC) for a similar business in the same business environment.

Goodwill has been allocated for impairment testing purposes to the CGU "Third-party collection business" for the following CGU "Countries":

EUR thousand	2020	2019
Finland	**2,592**	2,592
Germany	**9,301**	9,301
Italy	**7,310**	7,310
Norway	**20,166**	21,502
Spain	**14,328**	14,328
Sweden	**1,181**	1,136
Total	**54,878**	56,169

Cash flow projections and assumptions

A five-year forecast of discounted cash flows plus a terminal value was used to determine net present value of the CGU. Discounted cash flows related to the third-party collection business were calculated pre-tax and applying a pre-tax WACC. The pre-tax WACC was derived by back-solving based on the estimated value using the post-tax WACC and the post-tax cash flow.

During the Fall of 2020, Axactor conducted a strategic update project. As part of this process a new five-year financial plan was developed. The cash flow projections applied in the goodwill test are based on the weighted average of this business plan as presented to the Axactor Board of Directors, and an alternative scenario where more conservative assumptions have been applied. There are three main differences between the two scenarios that impact the goodwill impairment test. The first difference is a more modest top line development caused by lower new 3PC sales and an indirect impact on the servicing platforms from an underperformance on the NPL curves and a lower inflow of new NPL cases in the alternative scenario. This lower income sparks the second difference, which is higher relative overhead cost caused by less scale benefits. The third difference is a higher cost-to-collect in the alternative scenario. The respective weights applied to the two scenarios are 75% and 25%, with the outcome perceived as probability neutral by the Group.

The terminal value is based on the estimated pre-tax net cash flow in 2025, using a standard perpetuity formula with a long-term growth rate of 1.5% (2019: 2.0%). The reduction in long-term growth rate compared to 2019 is done to account for a lower estimated interest level for the coming years due to the macroeconomic impacts of the covid-19 pandemic and the mitigating measures to contain the virus.

Key assumptions for the value in use calculations

The calculation of VIU for the CGU is most of all sensitive when it comes to the following assumptions:

Discount rate

The input data for the WACC is gathered from representative sources, peer groups etc., and this is used to determine best estimate. The WACC was calculated after tax, and then back solved to arrive at a pre-tax WACC. All parameters were set to reflect the long-term period of the assets and time horizon of the forecast period of the cash flows.

Key inputs for the WACC for the CGU:

EUR thousand	EUR	NOK	SEK
Beta	0.61	0.59	0.59
Risk-free interest	-0.72%	0.64%	-0.30%
Market risk premium	4.72%	4.72%	4.72%
Small cap premium	6.00%	6.00%	6.00%
Cost of equity	8.14%	9.43%	8.47%
Equity ratio	30.51%	30.51%	30.51%
Cost of debt	5.56%	5.56%	5.56%
WACC	5.40%	5.90%	5.60%

- Risk free rate: 10-year risk free bond per country
- Beta (equity): Unlevered beta based on observed monthly levered beta for Axactor last five years
- Market risk premium: The market risk premium is based on empirical data for risk premium (Damodaran).
- Company specific / Small cap premium: The company specific premium is based on the size of the CGU and according to Ibbotson analysis
- Capital structure: Applied 31% equity ratio based on company estimates for 2021
- Cost of debt: Applied cost of debt of 5.6% based on refinancing initiated during 2020 and conducted during the first quarter of 2021

Growth rate

The growth rate in the forecast period is based on management's expectation for the development in the different markets, and management's strategic plan. The terminal growth rate is reduced from 2.0% applied in 2019 to 1.5% in 2020. The reason for reducing the applied long-term growth rate is to reflect an expectation of historically low interest rates for the coming years. The applied long-term growth rate is below the inflation targets and expected economic growth rates for the markets in which Axactor operates.

Cash Flow

The calculation includes cash flows for five years, adjusted for covid-19 effect, in addition to terminal value. Cash Flow estimates are based on a weighted average of a five-year financial plan reviewed by the Board of Directors and a base case with more conservative assumptions.

The cash flow shows expectation of gross profit improvement and revenue growth handled by the existing organization.

Impairment – test results and conclusion

The VIU exceeds carrying amount for each of the CGUs. The impairment test did not indicate that the value of the goodwill needs to be impaired. Based on a sensitivity analysis, the ceteris paribus impact of reducing the terminal growth rate from 1.5% to 0.5% would not result in any impairment of goodwill. Similarly, the ceteris paribus impact of increasing the WACC by one percentage point would not result in any impairment of goodwill. Management has considered and assessed reasonably possible changes for key assumption and has not identified any instance that could cause the carrying amount of the GW to exceed its recoverable amount.

Note 16 Tangible assets

EUR thousand	Land & Buildings	Fixtures	Vehicles	Machines and office equipm.	Total
Cost price					
Cost price 1 Jan 2019	1,298	2,498	69	2,723	**6,589**
Acquisition	7	630	35	616	**1,288**
Disposals at cost price	0	-61	-23	-18	**-101**
Currency exchange effects	0	-0	1	5	**5**
Cost price 31 Dec 2019	1,305	3,068	82	3,326	**7,781**
Acquisition	0	201	0	434	**635**
Reclassification	0	5	0	-4	**1**
Disposals at cost price	0	-8	0	-129	**-137**
Currency exchange effects	0	10	-2	-27	**-19**
Cost price 31 Dec 2020	1,305	3,276	80	3,600	**8,260**
Depreciation and impairment					
Accumulated depreciations at 1 Jan 2019	-1,200	-1,236	-45	-1,424	**-3,906**
Acquisition of SPT Group Finland [1)]	0	-23	0	-19	**-42**
Depreciation of the year	-77	-282	-5	-628	**-993**
Disposals accumulated depreciations	0	51	1	15	**67**
Currency exchange effects	0	0	-1	-4	**-4**
Accumulated depreciations at 31 Dec 2019	-1,278	-1,490	-49	-2,060	**-4,877**
Depreciation of the year	-10	-326	-8	-645	**-990**
Reclassification	0	-3	0	2	**-1**
Disposals accumulated depreciations	0	3	0	118	**122**
Currency exchange effects	0	-4	2	17	**16**
Accumulated depreciations at 31 Dec 2020	-1,288	-1,819	-55	-2,568	**-5,730**
Carrying amount at 31 Dec 2020	17	1,457	25	1,031	**2,530**
Useful life	30-35 yr	3-6 yr	5 yr	3-5 yr	

1) Adjustment of balance values in entites acquired 2018.

Note 17 Financial Instruments

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

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

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

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

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

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

Financial instruments

	Carrying amount			Fair value			
EUR thousand	Loans and receivables	Other financial assets and FF derivatives	Total	Level 1	Level 2	Level 3	Total
31 Dec 2020							
Financial assets							
NPL portfolios	1,124,699	0	**1,124,699**	0	0	1,247,501	**1,247,501**
Forward flow derivatives, asset	0	257	**257**	0	0	257	**257**
Other financial assets	0	196	**196**	0	196	0	**196**
Total Financial assets	1,124,699	453	**1,125,152**	0	196	1,247,758	**1,247,954**
Financial liabilities							
Interest-bearing debt	936,185	0	**936,185**	204,000	736,185	0	**940,185**
Forward flow derivatives, liability	0	1,091	**1,091**	0	0	1,091	**1,091**
Total Financial liabilities	936,185	1,091	**937,276**	204,000	736,185	1,091	**941,276**
31 Dec 2019							
Financial assets							
NPL portfolios	1,041,919	0	**1,041,919**	0	0	1,060,871	**1,060,871**
Other financial assets	0	193	**193**	0	193	0	**193**
Total Financial assets	1,041,919	193	**1,042,112**	0	193	1,060,871	**1,061,064**
Financial liabilities							
Interest-bearing debt	929,932	0	**929,932**	193,000	729,932	0	**922,932**
Total Financial liabilities	929,932	0	**929,932**	193,000	729,932	0	**922,932**

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

Forward flow derivatives, balance movements

EUR thousand	2020
Opening balance at 1 Jan	**0**
Deliveries	**-882**
Value change	**48**
Closing balance	**-834**

Note 18 Purchased debt Portfolios

EUR thousand	2020	2019
Balance at 1 Jan	**1,041,919**	728,819
Acquisitions during the year [2]	**208,250**	398,286
Collection	**-236,459**	-217,147
Yield - Interest income from purchased loan portfolios	**163,093**	134,531
Net gain/(loss) purchased loan portfolios [1]	**-49,813**	-319
Repossession of secured NPL to REO	**-2,279**	-2,823
Disposals [1]	**-403**	-187
Translation difference	**392**	758
Balance at end of period	**1,124,699**	1,041,919

Payments during the year for investments in purchased debt amounted to EUR	**213,032**	401,646
Deferred payment	**5,504**	10,286

1) Gain on disposals is netted in P&L as 'Net gain/(loss) purchased loan portfolios'
2) Reconciliation of credit impaired acquisitions during the year;

Nominal value acquired portfolios	***424,062***	*1,370,163*
Expected credit losses at acquisition	***-215,812***	*-971,877*
Credit impaired acquisitions during the year	***208,250***	*398,286*

Description of Axactor's accounting principles for Purchased Debt, see Note 2 and description of revenue recognition and fair value estimation, see Note 4.

Non-performing loans consist of portfolios of delinquent consumer debts purchased significantly below nominal value, reflecting incurred and expected credit losses, and thus defined as credit impaired. NPLs are recognized at fair value at the date of purchase. Since the loans are measured at fair value, which includes an estimate of future credit losses, no allowance for credit losses is recorded in the consolidated balance sheet on the day of acquisition of the loans. The loans are measured at amortized cost applying a credit adjusted effective interest rate.

Since the delinquent consumer debt are a homogenous group, the future cash flows are projected on a portfolio basis.

The carrying amount of each portfolio is determined by projecting future cash flows discounted to present value using the credit adjusted effective interest rate as at the date the portfolio was acquired. The total cash flows (both principal and interest) expected to be collected on purchased credit impaired loans are regularly reviewed. Changes in expected cash flow are adjusted in the carrying amount and are recognized in the profit or loss as income or expense in 'Net gain/(loss) purchased loan portfolios'. Interest income is recognized using a credit adjusted effective interest rate, included in 'Interest income from purchased loan portfolios'.

The bulk of the non-performing loans are unsecured. Only an immaterial part of the loans, approximately 2% are secured by a property object.

EUR thousand		Factors considered in the estimation of future cash flows	
Market	Book value	Market specific	All markets
Finland	118,225	· Level of settlements vs payment agreements · Efficient legal system · Interest charges · High recovery rate · Interest level · House pricing	· Documentation of claims · Operational efficiency · Economic growth · Unemployment rate · Debtor contact information
Germany	126,689		
Norway	230,338		
Sweden	267,432		
Italy	122,832	· Discounts · Economic growth · Tracing activity · Legal activities costly and time consuming	
Spain	259,183		
Total	1,124,699		

For additional information, see Note 2.13.1

As at the end of 2020, Axactor has incorporated into the ERC the effect of the economic factors and conditions that is expected to influence collections going forward, based on the continued Covid-19 crisis and its development. An analysis of the effects of historical crisis like the financial crisis in 2008 and the experience on collections of the Covid-19 over the last three quarters of 2020 has formed the basis for the current ERC.

The ERC represent the expected gross collection on the NPL portfolios, and can be broken down per year as follows (year 1 means the first 12 months from the reporting date):

EUR thousand	Estimated remaining collection (ERC) per year														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**Total ERC**
ERC	283,369	253,413	222,474	198,545	178,731	160,049	142,649	128,421	116,276	105,617	95,752	87,016	79,133	65,609	52,099	**2,169,153**

Note 19 Shares and participations in subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Result 2020	Equity 2020
Axactor Italy Holding Srl	100.0%	100.0%	Cuneo	Italy	-1,200	18,053
Axactor Italy SpA	100.0%	100.0%	Cuneo	Italy	-3,883	15,189
Axactor Capital Italy Srl	100.0%	100.0%	Cuneo	Italy	2,015	1,938
Axactor Portfolio Holding AB	100.0%	100.0%	Gothenburg	Sweden	793	152,030
Axactor Platform Holding AB	100.0%	100.0%	Gothenburg	Sweden	-18,734	89,847
Axactor Sweden AB	100.0%	100.0%	Gothenburg	Sweden	-7,131	29,488
Axactor Sweden Holding AB	100.0%	100.0%	Gothenburg	Sweden	-13	32,455
Axactor Norway Holding AS	100.0%	100.0%	Oslo	Norway	1,629	92,564
Axactor Capital AS	100.0%	100.0%	Drammen	Norway	12,478	116,754
Axactor Norway AS	100.0%	100.0%	Drammen	Norway	330	1,669
ReoLux SarL [1)]	50.0%	50.0%	Luxembourg	Luxembourg	-26,372	8,511
Axactor Invest 1 Sarl [1)]	50.0%	50.0%	Luxembourg	Luxembourg	-9,923	98,123
Axactor Capital Luxembourg Sarl	100.0%	100.0%	Luxembourg	Luxembourg	11,685	95,648
Beta Properties SLU	100.0%	100.0%	Madrid	Spain	-6,437	3,442
Borneo Commercial Investments SLU	100.0%	100.0%	Madrid	Spain	-1,839	1,185
Alcala Lands Investments SLU	100.0%	100.0%	Madrid	Spain	-1,511	794
PropCo Malagueta SL [2)]	75.0%	75.0%	Malaga	Spain	-6,121	37,311
Proyector Lima SL [2)]	75.0%	75.0%	Madrid	Spain	-6,327	26,919
Axactor Espana SLU	100.0%	100.0%	Madrid	Spain	-562	16,206
Axactor Espana Platform SA	100.0%	100.0%	Madrid	Spain	-112	4,660
Axactor Germany Holding GmbH	100.0%	100.0%	Heidelberg	Germany	38	-64
Axactor Germany GmbH	100.0%	100.0%	Heidelberg	Germany	-5,047	-12,126
Heidelberger Forderingskauf GmbH	100.0%	100.0%	Heidelberg	Germany	2,914	18,398
Heidelberger Forderungskaurf II GmbH	100.0%	100.0%	Heidelberg	Germany	-1,568	-1,198
Axactor Finland Holding OY	100.0%	100.0%	Jyväskylä	Finland	-14	3,998
Axactor Finland OY	100.0%	100.0%	Jyväskylä	Finland	-256	4,031
SPT Latvija SIA	100.0%	100.0%	Riga	Latvia	39	-89
SPT Inkasso OÜ	100.0%	100.0%	Tallin	Estonia	12	63
UAB Isieskojimu kontora [3)]	100.0%	100.0%	Vilnius	Lithuania	0	0
Axactor Finland Software OY [3)]	100.0%	100.0%	Jyväskylä	Finland	0	0

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

2) *Direct ownership stated in table*

3) *Dormant, to be liquidated*

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

During 2020, several small entities have been closed or merged into other Axactor entities as a result of the process to optimize the legal structure within the Group.

Note 20 Other non-current investments

EUR thousand	Office location, city	Office location, country	2020	2019
Other non-current investments				
Club Financiero Génova, S.A	Madrid	Spain	**21**	21
Insurance funds (severence scheme in Italy)			**174**	171
Other Investments			**1**	1
Total other non-current investments			**196**	193

Note 21 Stock of secured Assets, REOs

EUR thousand	2020	2019
Acquisition cost, opening balance	**129,040**	200,009
Acquisitions during the year [1]	**399**	668
Repossession of secured NPL	**2,279**	2,823
Cost of sold secured assets	**-36,818**	-74,052
Total acquisition cost	**94,901**	129,448
Impairment	**-16,114**	-412
Disposals	**0**	5
Closing balance	**78,786**	129,041
Number of assets	**2,694**	4,024

1) *Capex includes expenses for registry, inscription and upgrades to existing assets in inventory*

REO assets are held for sale and therefore considered as stock of secured assets in accordance to IAS 2 Inventories, valued at the lower of cost price and net realizable value. All REO assets are located in Spain and owned by Spanish entities.

The challenging pricing conditions have affected the projected estimates for this business after the state of emergency due to Covid-19 pandemic. In Q2, a rough estimated impairment was made amounting to EUR 26.0 million to reflect the net fair value. During the second half of 2020 Axactor experienced improved sales and sales prices for which a reversed impairment was made in Q3, amounting to EUR 5.1 million. During Q4, external valuations have been made of the assets and the estimate booked has been replaced with actual impairments based on those, with a positive effect amounting to EUR 5.9 million.

Note 22 Accounts Receivable and Other current assets

Accounts receivable

EUR thousand	2020	2019
Accounts receivable	**7,124**	13,135

Due to the nature of the business the amount of outstanding accounts receivable is low and shows an acceptable ageing. Allowances for doubtful debts are recognized against account receivables based on individual basis, set per country. The allowance amount recognized in balance sheet is not material.

Other current assets

EUR thousand	2020	2019
Prepaid taxes	**2,132**	2,442
Prepaid expenses	**2,791**	2,317
Accrued revenue / Work in progress 1)	**2,989**	5,946
Forward flow derivatives, asset	**257**	0
Other	**3,477**	4,254
Total other current assets	**11,645**	14,960

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

A forward flow agreement is an obligation to acquire a portfolio of cases described in a contract. Typically, these agreements are to buy defaulted cases from the vendor on a monthly basis. The total volume under the contract can be capped. The price for the cases in the forward flow is agreed upfront when the contract is signed. Initially the value of the derivative is 0, as the future expected collection level is unchanged from the valuation assumption underlying the contract. If the future cash flow estimates for the forward flow changes from the assumed level when signing the contract, there can be a change in the value of the derivative.

For forward flow derivatives, see note 2.13.2.

Note 23 Cash and cash equivalents

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

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

EUR thousand	2020	2019
Cash and bank deposits	**47,779**	71,657
Restricted cash and bank deposits client accounts	**2,946**	3,739
Total cash and cash equivalents	**50,725**	75,396

The composition of the cash per currency is shown below:

EUR thousand	2020	2019
NOK	**10,510**	-6,074
SEK	**-6,808**	-487
EUR	**47,012**	81,954
GBP	**10**	3
Total cash and cash equivalents	**50,725**	75,396

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

Restricted cash as per end of reporting period relates to deposits for building rent guarantee, employee withholding taxes and client accounts.

Note 24 Issued shares, share capital and reserves

Issued shares and share capital

	Number of shares	Share capital (EUR)
At 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
New share issues, Feb	30,000,000	15,702,696
At 31 Dec 2020	185,395,464	97,040,286

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

30 largest shareholders as at 31 Dec 2020

Name	Shareholding	Share %
Geveran Trading Co Ltd	59,237,772	32.0%
Torstein Ingvald Tvenge	9,000,000	4.9%
Ferd AS	6,364,139	3.4%
Skandinaviska Enskilda Banken AB	2,090,700	1.1%
Verdipapirfondet Nordea Norge Verd	2,086,030	1.1%
Gvepseborg AS	2,036,494	1.1%
Nordnet Livsforsikring AS	1,932,634	1.0%
Alpette AS	1,661,643	0.9%
Stavern Helse Og Forvaltning AS	1,600,000	0.9%
Endre Rangnes	1,364,000	0.7%
VPF DNB AM Norske Aksjer	1,355,827	0.7%
Verdipapirfondet KLP Aksjenorge In	1,305,613	0.7%
Andres Lopez Sanchez	1,177,525	0.6%
David Martin Ibeas	1,177,525	0.6%
Norus AS	1,100,000	0.6%
Latino Invest AS	1,030,000	0.6%
Verdipapirfondet Nordea Avkastning	998,028	0.5%
Nordnet Bank AB	991,691	0.5%
Vardfjell AS	891,401	0.5%
Svein Dugstad	885,000	0.5%
Verdipapirfondet Nordea Kapital	805,137	0.4%
Titas Eiendom AS	784,000	0.4%
Cam AS	750,000	0.4%
Elena Holding AS	720,000	0.4%
Klotind AS	718,162	0.4%
Velde Holding AS	701,250	0.4%
Magnus Tvenge	635,000	0.3%
Banca Sistema S.P.A	604,504	0.3%
Marianne Tvenge	599,689	0.3%
Citibank	598,332	0.3%
Total 30 largest shareholders	105,202,096	56.7%
Other shareholders	80,193,368	43.3%
Total number of shares	185,395,464	100%

Total number of shareholders	10,805	

Shares owned by related parties

Name	Shareholding	Share %
Geveran Trading Co Ltd [1]	59,237,772	32.0%
Andres Lopez Sanchez [2]	1,177,525	0.6%
David Martin Ibeas [2]	1,177,525	0.6%
Latino Invest AS [3]	1,030,000	0.6%
Johnny Tsolis Vasili [3]	540,000	0.3%
Robin Knowles [2]	278,180	0.2%
Terje Mjøs Holding AS [4]	100,000	0.1%
Kyrre Svae [2]	79,000	0.0%
Arnt Andre Dullum [2]	70,674	0.0%
Anders Gulbrandsen [5]	22,375	0.0%
Hans Olov Harén [4]	22,150	0.0%
Sicubi AS / Bente Brocks [5] [6]	16,200	0.0%
Lars Valseth [5]	12,188	0.0%
Brita Eilertsen [4]	10,000	0.0%
Teemu Alaviitala [2]	1,400	0.0%
Lars Holmen [5]	370	0.0%

1) *Geveran Trading Co Ltd owns 50% of Luxco Invest 1 Sarl. and Reolux Holding S.à.r.l., companies controlled by Axactor Group*
2) *Member of the Executive Management Team of Axactor*
3) *CEO/Related to the CEO of Axactor*
4) *Member of the Board of Directors of Axactor / controlled by member of the Board of Directors of Axactor*
5) *Primary insider of Axactor*
6) *Company controlled by primary insider of Axactor*

Note 25 Share based Payment

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

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

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

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

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

The total expense recognized for the share-based programs during 2020 was EUR 0.578m. Total social security provisions amounts to EUR 0 per 31.12.2020 (social security costs on exercised options has been paid in connection with the relevant exercises, hence taken out of the provisions accounts). The total intrinsic value of the employee stock options is EUR 0 at 31.12.2020 as the lowest strike value is higher than the share price at period end.

During 2020, the Company's granted share-based payment arrangements are quantitatively described with their weighted average parameters to the Black-Scholes-Merton Option Pricing Model.

Granted Instruments 2020

Parameters connected to instruments granted in 2020

Instrument	Quantity 31.12.2020 (instruments)	Quantity 31.12.2020 (shares)	Contractual life[1]	Strike price[1] (NOK)	Share price[1] (NOK)	Expected lifetime[1]	Volatility[1]	Interest rate[1]	FV per instrument[1]	Vesting conditions	Vesting structure	Strike structure
Options	6,500,000	6,500,000	5.00	24.10	6.15	3.00	54.61%	0.21%	0.00	0.36	The Award are vesting annually over three years with the first vesting approximately one year from grant.	20% of the total award has a Strike price = 17.50 NOK 30% of the total award has a Strike price = 22.00 NOK 50% of the total award has a Strike price = 28.00NOK

1) Weighted average fair value parameters at grant of instrument - All new instruments in 2020 were granted after reverse split

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

At year end the Group has options outstanding that were granted from 2015 to 2020 and the exercise prices vary from 12.5 NOK to 37.5 NOK per option.

The table below illustrates the status on all outstanding options at 31.12.2020 and the activity during the year.

Share option plan

	2020	
Activity	Number of options	WAEP (NOK)
Outstanding at beginning of year	8,728,110	26.66
Granted	6,500,000	24.10
Forfeited	-1,452,602	31.18
Outstanding at end of year	13,775,508	24.98
Vested CB	4,708,381	23.75

Outstanding Instruments Overview

	Outstanding instruments			Vested instruments
Strike price (NOK)	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price (NOK)	Vested instruments 31.12.2020
12.50	834,975	0.25	12.50	834,975
13.00	790,083	0.25	13.00	790,083
17.50	1,299,999	4.50	17.50	0
22.00	1,950,000	4.50	22.00	0
24.50	1,097,698	3.32	24.50	1,097,698
26.50	1,007,299	3.32	26.50	0
28.00	4,257,329	4.22	28.00	0
30.00	661,875	1.54	30.00	661,875
32.00	661,875	1.54	32.00	661,875
35.00	661,875	1.54	35.00	661,875
37.50	552,500	1.54	37.50	0
Total	13,775,508			4,708,381

Note 26 Borrowings and other interest-bearing debt

EUR thousand	Currency	Facility limit	Nominal value	Capitalized loan fees	Accrued interest	Carrying amount, EUR	Interest coupon	Maturity
Facility								
ISIN NO 0010819725	EUR		200,000	-28	311	200,283	3m EURIBOR+700pbs	23.06.2021
Total Bond loan						200,283		
Revolving credit facility DNB/Nordea	EUR	500,000	231,556	-71	47	231,532	EURIBOR+ margin	21.12.2021
(multiple currency facility)	NOK		98,833			98,833	NIBOR+ margin	21.12.2021
	SEK		79,480			79,480	STIBOR+ margin	21.12.2021
Revolving credit facility DNB/Nordea	EUR	120,000	105,000	-17	12	104,995	EURIBOR+ margin	24.11.2021
	SEK		15,438			15,438	STIBOR+ margin	24.11.2021
Total Credit facilities						530,278		
Sterna	EUR	na	140,000	-2	0	139,998	6.500%	24.11.2022
Nomura	EUR	na	24,465	-1,165	111	23,411	EURIBOR+ margin	02.08.2022
Italian banks	EUR	na	41,991	0	224	42,215	EURIBOR+ margin	2021-2026
Total Other borrowings						205,625		
Total Borrowings at end of period						936,185		
whereof:								
Non-current borrowings						579,282		
Current borrowings						356,903		
of which in currency:								
NOK						98,833		
SEK						94,918		
EUR						742,435		

EUR thousand	Bond loan	Credit facilities	Other borrowings	Total Borrowings
Balance at 1 Jan	199,069	495,318	235,546	**929,933**
Proceeds from loans and borrowings	0	73,302	8,329	**81,631**
Repayment of loans and borrowings	0	-43,251	-41,144	**-84,395**
Loan fees	0	-4,503	0	**-4,503**
Total changes in financial cash flow	0	25,548	-32,815	**-7,267**
Change in accrued interest	0	-2	94	**92**
Amortization Capitalized loan fees [1]	1,214	11,521	2,799	**15,534**
Currency translation differences	0	-2,106	0	**-2,106**
Total Borrowings at end of period	200,283	530,278	205,625	**936,185**

1) *Includes expensed capitalized loan fees of 7.1 million related to the refinancing.*

Maturity

EUR thousand	Currency	Carrying amount	Total future cash flow	Estimated future cash flow within 6 months or less	6-12 months	1-2 years	2-5 years
ISIN NO 0010819725	EUR	200,283	200,311	200,311	0	0	0
Total Bond loan		200,283	200,311	200,311	0	0	0
Revolving credit facility DNB/Nordea (multiple currency facility)	NOK/SEK/EUR	409,845	409,916	42,452	39,442	73,434	254,588
Revolving credit facility DNB/Nordea	EUR/SEK	120,433	120,450	16,153	24,017	34,436	45,845
Total Credit facilities		530,278	530,366	58,604	63,459	107,870	300,433
Sterna	EUR	139,998	140,000	0	0	140,000	0
Nomura	EUR	23,411	24,576	14,321	10,255	0	0
Italian banks	EUR	42,215	42,215	4,610	6,626	12,125	18,854
Total Other borrowings		205,625	206,791	18,931	16,881	152,125	18,854
Total Borrowings at end of period		936,185	937,468	277,846	80,340	259,995	319,287

The estimated maturity calculation is made under the assumption that no new portfolios or forward flow agreements are acquired and that Axactor therefore partly need to repay the facility to stay below the LTV covenant (Loan to Value) in order to match portfolio amortization and decrease in portfolio value. The same mechanism as for amortization applies for any impairment situation. The table above does not reflect any repayments based on impairment.

Bond loan

In March 2019, Axactor SE completed a tap issue of EUR 50 million in its outstanding senior unsecured bonds due 23 June 2021 (ISIN NO 0010819725). Following the tap issue the total nominal amount outstanding under the bonds will be EUR 200 million.

The bonds are listed on Oslo Børs. The coupon rate is 3m EURIBOR + 700 bps pa.

The following financial covenants apply:

- 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

During the fourth quarter 2020, a refinancing of the AXA01 bond loan was announced. A new bond, AXACTOR02 (ISIN NO 0010914666), was fully subscribed in December 2020 with the majority of AXA01 holders agreeing to roll the debt into the new bond. AXACTOR02 is placed on similar terms as AXA01, at 7.00% interest, the same covenant structure, and a maturity date in January 2024. The deal will be effective as of the first quarter 2021 and is thus not included in the above table.

The AXA01 bonds that were not rolled into AXACTOR02 will be liquidated during the first quarter 2021. Due to the refinancing, remaining capitalized loan fees relating to AXA01, except the ones relating to the days in 2021 until the refinancing took place, has been expensed during the fourth quarter 2020.

Revolving credit facility DNB/Nordea

The debt facility agreement with DNB Bank ASA and Nordea Bank AB is EUR 500 million, whereof 75 million in the form of accordion options. The loan carries a variable interest rate based on the interbank rate in each currency with a margin.

Under the terms of this debt facility the Group is required to comply with the following financial covenants:

- Group NIBD Ratio to Pro-Forma Adjusted Cash EBITDA < 3:1
- Portfolio Loan to Value Ratio < 60%
- Portfolio 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.

During the fourth quarter 2020, a refinancing of the revolving credit facility with DNB/Nordea was announced. As part of a larger restructuring of the balance sheet, Axactor SE acquired the minority stake in Axactor Invest I. The revolving credit facility in Axactor Invest will during the first quarter 2021 be merged with this revolving credit facility and has a total limit of EUR 620 million, whereof EUR 75 million in the form of accordion options. The new facility will have a similar covenant structure as the existing one, and a price mechanism that is dependent on the portfolio loan to value ratio. The maturity date for the new facility is January 2024. The new loan agreement was signed in Q4 with effective date in January 2021. The maturity table above reflects the projected repayment schedule for the portfolios owned as of end of Q4 2020. Due to the refinancing, remaining capitalized loan fees relating to the current revolving credit facility, except the ones relating to the days in 2021 until the refinancing took place, has been expensed during the fourth quarter 2020.

Sterna and Revolving credit facility DNB/Nordea

Following the co-investment partnership with Geveran, Notes in the amount of EUR 230 million have 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.

In addition, there is a EUR 120 million facility agreement with DNB Bank ASA and Nordea Bank AB with maturity in Q4 2021. 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 co-investment partnership is required to comply with the following financial covenants:

- NIBD to Pro-Forma Adjusted Cash EBITDA < 3:1
- Senior Portfolio Loan to Value Ratio < 40%
- Total Portfolio Loan to Value Ratio < 80%
- Portfolio Collection performance > 90%

During the fourth quarter 2020, Axactor announced that they will acquire the minority stake in Axactor Invest I, as well as the remaining outstanding A-notes. The transaction will be settled by a conversion to shares in Axactor SE. The class B-notes of EUR 140 million will be settled, funded by a new facility from Sterna Finance to Axactor SE of the same amount. This new facility matures in the second quarter 2024 and has a similar cost level as the current class B-notes. As part of the transaction, the EUR 120 million revolving credit facility with DNB/Nordea will be merged with Axactor’s main revolving credit facility (further information is given under the heading Revolving credit facility DNB/Nordea). All these transactions are effective from the first quarter 2021 and are thus not reflected in the above table, exempt the facility agreement with DNB Bank ASA and Nordea Bank AB. See comment under Revolving credit facility DNB/Nordea. Due to the refinancing, remaining capitalized loan fees relating to the class B-notes and the Axactor Invest I revolving credit facility, except the ones relating to the days in 2021 until the refinancing took place, has been expensed during the fourth quarter 2020.

Nomura

In August 2018, Reolux Holding S.à.r.l signed a EUR 96 million senior secured term loan facility with Nomura International plc ("Nomura") to refinance Reolux's existing Spanish Real Estate Owned (REO) investments. The facility was amended in September 2019 to facilitate new Spanish Real Estate Owned (REO) investments.

Italian Banks

The facilities of the Italian banks relate to different facilities and agreements with several Italian banks. The loans carry variable interest rates based on the interbank rate with a margin. Some of the loans are secured with collaterals worth EUR 34 million.

Note 27 Pension liabilities

Axactor group meets the different local mandatory occupational pension requirements in the countries where Axactor operates.

Axactor operates defined contribution retirement benefit plans for all qualifying employees of its subsidiaries in Sweden and Norway. The Group's legal obligation for these plans is limited to the contributions.

The employees of the Finnish, Spanish and German subsidiaries are member of a state managed retirement benefit plan operated by the government of respectively Finland, Spain, and Germany. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The Group's legal obligation for these plans is limited to the contributions.

In Italy all employees are entitled to a termination indemnity (TFR) upon termination of employment for any reason. This TFR is considered a defined benefit obligation to be accounted for in accordance with IAS19. Axactor funds defined benefit plans for the qualifying employees. Pension liabilities are recognized in the balance sheet as other non-current liabilities (Note 28).

The total pension expenses recognized in P&L amount to EUR 1.3 million (2019: EUR 0.9m) and represent contributions payable to these plans by Axactor at rates specified in the rules of the plans.

Note 28 Other non-current liabilities

EUR thousand	2020	2019
Other non-current accruals	**222**	361
Pension liability (Note 27)	**1,210**	1,054
Total other non-current liabilities	**1,433**	1,415

Note 29 Other current liabilities

EUR thousand	2020	2019
Public duties	**3,983**	4,113
Personnel related liabilities	**3,828**	5,827
Accrued solicitors	**492**	620
Deferred payments relating to NPL, see Note 18	**5,504**	10,286
Forward flow derivatives, liability	**1,091**	0
Accrued restructuring cost	**439**	0
Other accruals	**5,320**	5,645
Total other current liabilities	**20,657**	26,491

Note 30 Transactions with related parties

EUR thousand	2020	2019
Related Party balances as per year end		
Geveran Trading Co LTD owns 50% of Axactor Invest 1, a company controlled and consolidated by Axactor Group, has by one of its subsidiaries subscribed to deeply subordinated income sharing notes issued by Axactor Invest 1	**140,000**	140,000
Following the co-investment partnership with Geveran, Notes in the amount of EUR 230 million have been issued, of which for EUR 185 million has been subscribed to by Sterna Finance, a company in the Geveran Group. See Note 26.	**185,000**	185,000
On 17 February 2020, the Company entered into a servicing agreement with Seatankers Management Co. Ltd., a company controlled by Geveran, under which Seatankers Management Co. Ltd. has agreed to provide the Company with advisory and other support services upon request. The agreement is entered on an arm-length basis and is not considered material.	**114**	0

For additional information on agreements entered with related parties, see corporate governance section.

Note 31 Purchase Price Allocations

Axactor has, during the last twelve months, not acquired any shares in other companies.

Note 32 Pledged Assets

EUR thousand	2020	2019
Group	**776,050**	798,981
Parent	**271,504**	271,504

Note 33 Subsequent Event

Balance Sheet Restructuring

During the fourth quarter 2020 Axactor announced a large restructuring of its balance sheet. The restructuring involves a number of transactions that were approved by an extraordinary general meeting on 5 January 2021. The transactions will be closed during the first quarter 2021.

- A share capital increase by contribution in kind was done as payment for the minority stake in the co-invest vehicle Axactor Invest I. After the transaction Axactor owns 100% of shares and A-notes in Axactor Invest I. As part of the transaction, the B-notes currently held by Sterna Finance were converted into a bond-like debt instrument with Axactor SE as counterpart
- Axactor's main funding line, a revolving credit facility from DNB and Nordea, has been refinanced with its maturity extended to 2024. As part of the refinancing, the revolving credit facility in Axactor Invest I was merged with the main funding line. The new loan agreement has similar terms as the previous main funding line, but with a pricing mechanism dependent on the portfolio loan-to-value. The total facility is of EUR 620 million, of which EUR 75 million in the form of an accordion option
- The outstanding bond loan, AXA01, was refinanced with a new bond issue, AXACTOR02. The vast majority of the AXA01 bonds were rolled into AXACTOR02 bonds, with the remaining AXA01 bonds settled in the first quarter 2021. Pricing and general terms for AXACTOR02 are similar as for AXA01
- Subsequent to the share capital increase by contribution in kind, a private placement of EUR 30 million was carried out. Following the private placement, an additional EUR 20 million was raised through a repair issue
- As a consequence of the purchase of outstanding shares and A-notes in Axactor Invest I from Geveran, settled through consideration shares, Geveran exceeded 33.3% of voting rights in Axactor. This triggered a mandatory offer for the remaining outstanding shares of NOK 8.00 per share. The Axactor Board of Directors has recommended shareholders to reject the offer.

New Ticker ACR

Effective from 21 January 2021, Axactor has changed its ticker on Oslo Børs from AXA to ACR to avoid confusion with companies with a similar name.

Parent Company Statement of Profit and Loss

For the year ended 31 December 2020

EUR thousand	Note	2020	2019
Management services to group companies		**7,675**	6,436
Other revenue		**0**	1,078
Total Revenue		**7,675**	7,514
Personnel expenses	3	**-4,289**	-5,908
Operating expenses	5	**-6,331**	-5,327
Total operating expenses		**-10,620**	-11,236
EBITDA		**-2,945**	-3,722
Amortization and depreciation	6,9,10	**-1,665**	-1,371
EBIT		**-4,610**	-5,093
Financial revenue	7	**21,345**	17,013
Financial expenses	7	**-44,720**	-15,924
Net financial items		**-23,375**	1,088
Profit/(loss) before tax		**-27,985**	-4,005
Tax (expense)	8	**754**	870
Net profit/(loss) after tax		**-27,231**	-3,135
Distibution to share premium reserve		**-27,231**	-3,135

Parent Company Statement of Comprehensive Loss

For the year ended 31 December 2020

EUR thousand	2020	2019
Net profit/(loss) after tax	**-27,231**	-3,135
Items that will not be classified subsequently to profit and loss		
Remeasurement of pension plans	**0**	0
Items that may be classified subsequently to profit and loss		
Foreign currency translation differences - foreign operations	**0**	0
Other comprehensive income/(loss) afer tax	**0**	0
Total comprehensive income for the period	**-27,231**	-3,135

Parent Company Statement of Financial Position

For the year ended 31 December 2020

EUR thousand	Note	2020	2019
ASSETS			
Intangible non-current assets			
Intangible Assets	10	**10,451**	9,876
Deferred tax assets	8	**1,227**	2,761
Investment in subsidiary	12	**334,804**	359,750
Tangible non-current assets			
Property, plant and equipment	9	**103**	38
Right-of-use assets	6	**681**	54
Financial non-current assets			
Loans to group companies	15	**116,030**	78,055
Total non-current assets		**463,296**	450,534
Current assets			
Current intercompany receivable	15	**38,438**	16,564
Other current assets	13	**404**	1,475
Restricted cash	14	**446**	258
Cash and Cash Equivalents	14	**10,542**	14,543
Total current assets		**49,830**	32,840
TOTAL ASSETS		**513,126**	483,374

Parent Company Statement of Financial Position

For the year ended 31 December 2020

EUR thousand	Note	2020	2019
EQUITY AND LIABILITIES			
Restricted equity			
Share Capital		**97,040**	81,338
Total restricted equity		**97,040**	81,338
Non-restricted equity			
Share premium reserve		**219,580**	188,032
Result for the period		**-27,231**	-3,135
Total restricted equity		**192,349**	184,896
Total Equity	11	**289,389**	266,235
Non-current Liabilities			
Interest bearing debt	16	**0**	198,757
Interest bearing debt from group companies	15	**0**	3,170
Lease liabilities	6	**558**	0
Total non-current liabilities		**558**	201,927
Current Liabilities			
Accounts payables		**842**	1,109
Current intercompany liabilities	15	**18,999**	10,654
Current portion of interest bearing debt	16	**200,283**	311
Taxes Payable	8	**1,787**	780
Current portion of lease liabilities	6	**144**	56
Other current liabilities	17	**1,124**	2,303
Total current liabilities		**223,179**	15,212
Total Liabilities		**223,737**	217,139
TOTAL EQUITY AND LIABILITIES		**513,126**	483,374

Oslo, 24 March 2021
The Board of Directors

Glen Ole Rødland
Chairman of the Board

Brita Eilertsen
Board member

Merete Haugli
Board member

Lars Erich Nilsen
Board member

Kathrine Astrup Fredriksen
Board member

Terje Mjøs
Board member

Hans Harén
Board member

Johnny Tsolis
CEO

Parent Company Statement of Changes in Equity

For the year ended 31 December 2020

	Equity related to the shareholders of the Parent Company				
	Restricted	Non-restricted			
EUR thousand	Share capital	Other paid in capital	Profit for the year	Total	Total Equity
Balance on 1 Jan 2019	81,115	199,824	-442	**199,382**	**280,497**
Merger effect when merged with subsidiary Axactor AS		-3,165		**-3,165**	**-3,165**
Transfer of prior years net result 1)		-442	442	**0**	**0**
Result of the period			-3,135	**-3,135**	**-3,135**
Total comprehensive income for the period		-442	-2,693	**-3,135**	**-3,135**
New Share issues (exercise of share options)	222	325		**325**	**548**
Share based payment		1,256		**1,256**	**1,256**
Group contribution		-9,766		**-9,766**	**-9,766**
Closing balance on 31 Dec 2019	81,338	188,033	-3,135	**184,897**	**266,235**
Transfer of prior years net result 1)		-3,135	3,135	**0**	**0**
Result of the period			-27,231	**-27,231**	**-27,231**
Total comprehensive income for the period		-3,135	-24,096	**-27,231**	**-27,231**
New Share issues	15,703	35,064		**35,064**	**50,767**
Cost related to share issues		-959		**-959**	**-959**
Share based payment		578		**578**	**578**
Closing balance on 31 Dec 2020	97,040	219,580	-27,231	**192,349**	**289,389**

1) *Ref. rresolution in Annual general meeting on 10 April 2019 and 1 April 2020*

Parent Company Statement of Cash Flow

For the year ended 31 December 2020

EUR thousand		2020	2019
Operating activities			
Profit/(loss) before tax		**-27,985**	-4,005
Taxes paid	8	**-726**	8
Adjustments for:			
- Finance income and expenses	7	**-5,340**	-1,088
- Impairment of subsidiaries	7	**26,946**	0
- Net exchange gain (/loss) realized	7,16	**1,769**	1
- Depreciation and amortization	6,9,10	**1,665**	1,371
- Calculated cost of employee share options		**81**	529
Change in Working capital		**2,688**	1,172
Net cash flows operating activities		**-902**	-2,013
Investing activities			
Investment / share issue in subsidiaries		**-2,000**	7,328
Purchase of intangible and tangible assets	9,10	**-2,130**	-5,528
Sale Other non-current investments	13	**0**	160
Interest received		**4**	10
Net group contribution received		**4,234**	0
Net cash flows investing activities		**108**	1,970
Financing activities			
Proceeds from external borrowings	16	**0**	50,000
Loans to subsidiaries / repaid from subsidiaries	15	**-37,975**	151
Conversion of IC debt to equity	15	**0**	-45,000
Interest paid		**-14,502**	-13,615
New Share issues		**50,767**	547
Costs related to share issues		**-959**	0
Net cash flows financing activities		**-2,670**	-7,916
Net change in cash and cash equivalents		**-3,464**	-7,960
Cash and cash equivalents at the beginning of period		**14,801**	23,139
Merger effect when merged with subsidiary Axactor AS		**0**	-618
Currency translation		**-350**	241
Cash and cash equivalents at end of period, incl. restricted funds		**10,988**	14,801

Summary of Notes to the Parent Company

Notes to the Parent Company Financial Statements

Note 1 Corporate Information

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

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 24 March 2021 and will be submitted for approval to the Annual General Meeting on 15 April 2021.

Note 2 Summary of significant Accounting Principles

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

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

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

2.1 Basis for preparation

The Consolidated Statements have been compiled in accordance with EU-approved International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC).

The Parent Company's functional currency is Euro (EUR) and this is also the reporting currency for the Group. All amounts in the financial reports are stated in EUR thousands unless otherwise specified.

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

01.01.2019, the subsidiary Axactor AS was merged into Axactor SE.

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

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

2.3 Segment reporting

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

Note 3 Personnel expenses

EUR thousand	2020	2019
Salaries	**2,801**	3,348
Bonus	**272**	1,274
Social contribution	**384**	613
Pension cost	**107**	77
Share Option program	**81**	529
Other benefits	**644**	68
Total personnel expenses	**4,289**	5,908

Axactor SE meets the local mandatory occupational pension requirement.

Average number of employees

EUR thousand	2020	2019
Number of FTE's, start of year	**18**	0
Number of FTE's, end of year	**16**	18
Average number of FTE's	**17**	9

Post-employment benefits

EUR thousand	2020	2019
Salaries	**528**	122
Other benefits	**1**	0
Total post-employment benefits	**529**	122

Note 4 Key management compensation

Board of Directors remuneration

EUR thousand	2020	2019
Glen Ole Rødland 2)	**44**	0
Bjørn Erik Næss 3)	**34**	56
Lars Erich Nilsen	**47**	36
Kathrine Astrup Fredriksen	**28**	0
Merete Haugli 1)	**41**	31
Terje Mjøs 1)	**44**	30
Brita Eilertsen	**50**	30
Hans Harén	**21**	0
Beate S. Nygårdshaug 1) 4)	**13**	30
Total	**322**	213

1) Includes the remuneration for membership in audit committee

2) Chairman of the Board from April 2020

3) Chairman of the Board until March 2020

4) Board member until March 2020

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

Nomination committee

EUR thousand	2020	2019
Anne Lise Ellingsen Gryte [1)]	**0**	0
Magnus Tvenge	**3**	2
Cathrine Loferød Feght	**3**	2
Robin Bakken [2)]	**4**	0
Jarle Sjo [3)]	**0**	4
Total	**10**	9

1) Member from April 2020

2) Member until April 2020

3) Member until April 2019

Executive management remuneration 2020

EUR thousand	Salary	Bonus	Pension	Other	Share option [1)]	Total
Johnny Tsolis, CEO [2)]	336	109	6	1	72	**524**
Endre Rangnes, CEO [3)]	700	329	6	0	-45	**991**
Teemu Alaviitala, CFO [4)]	72	0	3	0	4	**78**
Arnt Andre Dullum, COO [5)]	72	0	3	0	29	**104**
Oddgeir Hansen, COO [6)]	270	94	6	0	-25	**346**
Kyrre Svae, Chief Strategy and IR [7)]	72	0	3	0	4	**78**
Vibeke Ly, Chief of staff	169	37	6	0	25	**238**
Siv Farstad, EVP HR [8)]	102	0	3	0	-20	**84**
Robin Knowles, Chief of investment	259	91	3	1	36	**390**
Total	2,051	660	40	3	79	**2,834**

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

2) CFO until 26 June 2020, interim CEO from 3 April 2020, permanent CEO from 26 June 2020

3) CEO until 3 April 2020

4) CFO from 1 August 2020 until 31 January 2021

5) COO 50% from 19 May 2020, 100% from 1 September 2020

6) COO until 1 July 2020

7) Chief of Stategy and IR from 1 August 2020

8) Head of HR until 31 March 2020

Executive management remuneration 2019

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

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

The CEO, Johnny Tsolis, has a six-month notice period and is entitled to a severance pay of six months in case of termination by the company. In addition, there is a non-compete and non-solicitation clause in the employment agreement.

The share-based option program is presented in Group Note 25. Bonus stated in tables above is paid amounts during the year.

At the end of 2020 no loan or prepayments were granted to Board of Directors and Executive management.

Note 5 Other operating expenses and remuneration to auditors

Operating expenses

EUR thousand	2020	2019
Direct operating expenses, excluding salary	**1,008**	911
External services	**1,049**	1,291
IT expenses	**4,037**	2,379
Other operating expenses	**236**	747
Total other operating expenses	**6,331**	5,327

Remuneration to company auditors PricewaterhouseCoopers

EUR thousand	2020	2019
Fees, auditing	**113**	153
Fees, audit related services	**0**	120
Fees, tax advisory	**33**	77
Fees, other services	**79**	0
Total fees, PwC	**225**	350

Note 6 Commitments and leases

The company leases premises only. The Facility contract was entered from 01.04.2020 and is be booked as right-of-use asset and lease liability from this date.

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

Right-of-use assets

EUR thousand	Buildings	Total
Right-of-use assets per 1 Jan 2019	161	**161**
Depreciation of the year	-107	**-107**
Right-of-use assets per 1 Jan 2020	54	**54**
New leases	801	**801**
Depreciation of the year	-174	**-174**
Carrying amount of right-of-use assets 31 Dec 2020	681	**681**
Remaining lease term	1-6 years	
Depreciation method	Linear	

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

Lease liabilities

EUR thousand	2020	2019
Undiscounted lease liabilities and maturity of cash outflow		
< 1 year	**181**	57
1-2 years	**185**	0
2-3 years	**188**	0
3-4 years	**192**	0
4-5 years	**49**	0
> 5 years	**0**	0
Total undiscounted lease liabilities at 31 Dec 2020	**795**	**57**
Discount element	**-94**	-1
Total discounted lease liabilities at 31 Dec 2020	**701**	**56**

Facility contract expired 31.03.2020. A new contract was entered from 01.04.2020.

Note 7 Financial items

EUR thousand	2020	2019
Financial revenue		
Interest on bank deposits	**4**	10
Interest on intercompany loans [1)]	**16,468**	2,745
Group contribution	**4,625**	14,000
Exchange gains realized	**249**	45
Net unrealized exchange gain	**0**	194
Other financial income	**0**	19
Total financial revenue	**21,345**	17,013
Financial expenses		
Interest expense on borrowings	**-15,498**	-14,389
Exchange losses realized	**-2,017**	-121
Impairment of subsidiary	**-26,941**	0
Other financial expenses [2)]	**-264**	-1,414
Total financial expenses	**-44,720**	-15,924
Net financial items	**-23,375**	1,088

1) Includes expensed capitalized loan fees of EUR 0.4 million related to the refinancing, see Note 16.

2) Includes amortization of warrants of EUR 1.2 million in 2019.

Note 8 Income tax and tax assets and liabilities

EUR thousand	2020	2019
Ordinary result before taxes	**-27,985**	-4,005
Non deductable expenses	**12**	4
Other permanent differences	**24,731**	98
Group contribution with tax effect	**19,733**	0
Change in deferred tax	**-7,037**	9,522
Adjustment for currency differences due to tax calculation in NOK	**149**	0
Basis for income tax	**9,603**	5,619
Tax payable in the balance	**2,113**	1,236
Skattefunn [1)]	**-326**	-456
Tax payable in the balance	**1,787**	780
Tax payable	**0**	-1,236
Change in deferred taxes [2)]	**1,534**	2,095
Adjustment for previouse year	**198**	0
Tax effect on permanent difference	**1,431**	22
Effect on foreign exchange rates	**-180**	-11
Tax on Group contribution	**-2,228**	0
Income tax expense	**754**	870

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

2) 2019: Change in deferred taxes includes tax losses carried forward from the merger with Axactor AS, EUR 611 thousand.

Temporary differences

EUR thousand	2020	2019
Current assets	**175**	101
Limitation interest carried forward	**1,209**	2,093
Tax losses carried forward, recognized	**0**	665
Differences not included in the calculation of deferred tax	**-156**	-100
Net income tax reduction temporary differences	**1,227**	2,761
Net deferred tax asset	**1,227**	2,761
Net deferred tax liability	**0**	0
Net deferred tax	**1,227**	2,761

Note 9 Tangible fixed assets

EUR thousand	Land & buildings	Fixtures	Machines and office eqipm.	Total
Cost price				
Cost price at 1 Jan 2019	0	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	9	92	39	**140**
Cost price at 31 Dec 2019	9	92	39	**140**
Acquisition	0	45	56	**101**
Cost price at 31 Dec 2020	9	137	95	**241**
Amortization and impairment				
Accumulated depreciations at 1 Jan 2019	0	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	-2	-41	-28	**-70**
Depreciation of the year	-2	-18	-12	**-32**
Accumulated depreciations at 31 Dec 2019	-3	-59	-39	**-102**
Depreciation of the year	-2	-24	-11	**-36**
Accumulated depreciations at 31 Dec 2020	-5	-83	-50	**-138**
Carrying amount at 31 Dec 2020	4	54	45	**103**
Useful life	3-10 yr	1-5 yr	1-5 yr	

Note 10 Intangible fixed assets

EUR thousand	Software	Other Intangibles	Total
Cost price			
Cost price at 1 Jan 2019	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	2,326	4,005	**6,330**
Acquisition	3,467	900	**4,368**
IC Acquisition	1,161	0	**1,161**
Reclassification	2,641	-2,641	**-0**
Disposals at cost price	-210	0	**-210**
Cost price at 31 Dec 2019	9,385	2,264	**11,648**
Acquisition	1,549	481	**2,029**
Disposals at cost price	-62	0	**-62**
Cost price at 31 Dec 2020	10,871	2,745	**13,616**
Amortization and impairment			
Accumulated amortizations at 1 Jan 2019	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	-371	-379	**-750**
Amortization of the year	-1,011	-221	**-1,233**
Reclassification	-191	191	**0**
Disposals of accumulated amortizations	210	0	**210**
Accumulated amortizations at 31 Dec 2019	-1,363	-409	**-1,772**
Amortization of the year	-1,144	-311	**-1,455**
Disposals of accumulated amortizations	62	0	**62**
Accumulated amortizations at 31 Dec 2020	-2,445	-720	**-3,165**
Carrying amount at 31 Dec 2020	8,426	2,024	**10,451**
Useful life	3-10 yr	1-10 yr	

Note 11 Share capital and shareholder information

Issued shares and Share capital

	Number of shares	Share capital (EUR)
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
New share issues, Feb	30,000,000	15,702,696
At 31 Dec 2020	185,395,464	97,040,286

30 largest shareholders as at 31 Dec 2020

Name	Shareholding	Share %
Geveran Trading Co Ltd	59,237,772	32.0%
Torstein Ingvald Tvenge	9,000,000	4.9%
Ferd AS	6,364,139	3.4%
Skandinaviska Enskilda Banken AB	2,090,700	1.1%
Verdipapirfondet Nordea Norge Verd	2,086,030	1.1%
Gvepseborg AS	2,036,494	1.1%
Nordnet Livsforsikring AS	1,932,634	1.0%
Alpette AS	1,661,643	0.9%
Stavern Helse Og Forvaltning AS	1,600,000	0.9%
Endre Rangnes	1,364,000	0.7%
VPF DNB AM Norske Aksjer	1,355,827	0.7%
Verdipapirfondet KLP Aksjenorge In	1,305,613	0.7%
Andres Lopez Sanchez	1,177,525	0.6%
David Martin Ibeas	1,177,525	0.6%
Norus AS	1,100,000	0.6%
Latino Invest AS	1,030,000	0.6%
Verdipapirfondet Nordea Avkastning	998,028	0.5%
Nordnet Bank AB	991,691	0.5%
Vardfjell AS	891,401	0.5%
Svein Dugstad	885,000	0.5%
Verdipapirfondet Nordea Kapital	805,137	0.4%
Titas Eiendom AS	784,000	0.4%
Cam AS	750,000	0.4%
Elena Holding AS	720,000	0.4%
Klotind AS	718,162	0.4%
Velde Holding AS	701,250	0.4%
Magnus Tvenge	635,000	0.3%
Banca Sistema S.P.A	604,504	0.3%
Marianne Tvenge	599,689	0.3%
Citibank	598,332	0.3%
Total 30 largest shareholders	105,202,096	56.7%
Other shareholders	80,193,368	43.3%
Total number of shares	185,395,464	100%

Total number of shareholders	10,805	

Shares owned by related parties

	Shareholding	Share %
Geveran Trading Co Ltd [1]	59,237,772	32.0%
Andres Lopez Sanchez [2]	1,177,525	0.6%
David Martin Ibeas [2]	1,177,525	0.6%
Latino Invest AS [3]	1,030,000	0.6%
Johnny Tsolis Vasili [3]	540,000	0.3%
Robin Knowles [2]	278,180	0.2%
Terje Mjøs Holding AS [4]	100,000	0.1%
Kyrre Svae [2]	79,000	0.0%
Arnt Andre Dullum [2]	70,674	0.0%
Anders Gulbrandsen [5]	22,375	0.0%
Hans Olov Harén 4)	22,150	0.0%
Sicubi AS / Bente Brocks [5] [6]	16,200	0.0%
Lars Valseth [5]	12,188	0.0%
Brita Eilertsen [4]	10,000	0.0%
Teemu Alaviitala [2]	1,400	0.0%
Lars Holmen [5]	370	0.0%

1) *Geveran Trading Co Ltd owns 50% of Luxco Invest 1 Sarl. and Reolux Holding S.à.r.l., companies controlled by Axactor Group*
2) *Member of the Executive Management Team of Axactor*
3) *CEO/Related to the CEO of Axactor*
4) *Member of the Board of Directors of Axactor / controlled by member of the Board of Directors of Axactor*
5) *Primary insider of Axactor*
6) *Company controlled by primary insider of Axactor*

Note 12 Subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Book value in parent company	Result 2020	Equity 2020
Axactor Italy Holding Srl	100.0%	100.0%	Cuneo	Italy	18,905	-1,200	18,053
Axactor Portfolio Holding AB	100.0%	100.0%	Gothenburg	Sweden	153,963	793	152,030
Axactor Platform Holding AB	100.0%	100.0%	Gothenburg	Sweden	117,540	-18,734	89,847
ReoLux SarL	50.0%	50.0%	Luxembourg	Luxembourg	6,760	-26,372	8,511
Axactor Invest 1 Sarl	50.0%	50.0%	Luxembourg	Luxembourg	37,635	-9,923	98,123

Note 13 Other current receivables

Prepaid expenses and accrued income

EUR thousand	2020	2019
Prepaid expenses	**407**	403
Accrued revenue [1]	**0**	1,054
Other	**-2**	18
Total prepaid expenses and accrued income	**404**	1,475

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

Note 14 Cash and cash equivalents

EUR thousand	2020	2019
Cash and bank deposits	**10,542**	14,543
Restricted cash	**446**	258
Total cash and cash equivalents	**10,988**	14,801
Composition of the cash per currency		
NOK	**1,435**	1,278
SEK	**358**	635
EUR	**9,185**	12,886
GBP	**10**	3
Total cash and cash equivalents	**10,988**	14,801

Note 15 Loans and receivables to group companies

EUR thousand	2020 Loans to group Companies 1)	2020 Current IC receivables	2020 Loans from group Companies	2020 Current IC payables	2019 Loans to group Companies 1)	2019 Current IC receivables	2019 Loans from group Companies	2019 Current IC payables
Axactor Portfolio Holding AB	**0**	**-11**	**0**	**0**	0	58	0	0
Axactor Platform Holding AB	**54,357**	**89**	**0**	**-3,187**	27,674	269	-3,170	0
Axactor Norway Holding AS	**0**	**6,013**	**0**	**0**	0	1,480	0	0
Axactor Norway AS	**0**	**1,152**	**0**	**-427**	0	451	0	-461
Axactor Capital AS	**0**	**19,241**	**0**	**-14,995**	0	12,105	0	-9,542
Axactor Sweden AB	**0**	**220**	**0**	**-179**	0	549	0	-103
Axactor Germany Holding GmbH	**0**	**0**	**0**	**0**	0	35	0	0
Axactor Germany GmbH	**0**	**1,605**	**0**	**0**	0	924	0	-298
Axactor Espana, S.L.U.	**0**	**26**	**0**	**0**	0	108	0	0
Axactor Platform España S.A	**0**	**392**	**0**	**-146**	0	4	0	-203
Axactor Capital Luxembourg S.a.r.l.	**0**	**41**	**0**	**0**	0	-152	0	0
Axactor Italy Holding S.r.l.	**16,758**	**0**	**0**	**0**	14,143	0	0	0
Axactor Italy S.p.A	**5,100**	**457**	**0**	**-26**	0	245	0	-46
Axactor Capital Italy Srl	**0**	**-21**	**0**	**0**	0	100	0	0
Axactor Invest 1 S.a.r.l. 2)	**0**	**8,960**	**0**	**0**	0	162	0	0
Reolux Holding S.a.r.l	**39,815**	**12**	**0**	**0**	36,238	87	0	0
Axactor Finland Holding OY	**0**	**0**	**0**	**0**	0	13	0	0
Axactor Finland OY	**0**	**262**	**0**	**-38**	0	126	0	0
Closing balance at 31 Dec	**116,030**	**38,438**	**0**	**-18,999**	78,055	16,564	-3,170	-10,654

1) Loans to subsidiaries carries an interest rate of 6.3-7.38 %, to be paid at year end.

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

Note 16 Borrowing

EUR thousand	Currency	Facility limit	Nominal value	Capitalized loan fees	Accrued interest	Carrying amount, EUR	Interest coupon	Maturity
Facility								
ISIN NO 0010819725	EUR		200,000	-28	311	200,283	3m EURIBOR + 700pbs	23.06.2021
Total Bond loan						200,283		
Total Borrowings at end of period						202,238		
whereof:								
Non-current borrowings						0		
Current borrowings						200,283		

EUR thousand	Bond loan	Total Borrowings
Balance at 1 Jan	199,069	**199,069**
Change in accrued interest	0	**0**
Amortization Capitalized loan fees [1)]	1,214	**1,214**
Total Borrowings at end of period	200,283	**200,282**

1) *Includes expensed capitalized loan fees of 0.4 related to the refinansing of the bond*

Maturity

				Estimated future cash flow within			
EUR thousand	Currency	Carrying amount	Total future cash flow	6 months or less	6-12 months	1-2 years	2-5 years
ISIN NO 0010819725	EUR	200,283	200,311	200,311	0	0	0
Total Bond loan		200,283	200,311	200,311	0	0	0
Total Borrowings at end of period		200,283	200,311	200,311	0	0	0

In March 2019, Axactor SE completed a tap issue of EUR 50 million on its outstanding senior unsecured bonds due 23 June 2021 (ISIN NO0010819725). Following the tap issue the total nominal amount outstanding under the bonds is EUR 200 million.

The bond is listed on Oslo Exchange. The coupon rate is 3m EURIBOR + 700 bps pa.

The following financial covenants apply:

- 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.

The bond loan, AXA01 (ISIN NO 0010819725), had a maturity 23 June 2021. A new EUR 200m bond, AXACTOR02 (ISIN NO 0010914666), was placed in January 2021. The majority of the AXA01 holders have agreed to roll their investment into the new bond, while the remaining outstanding amount was paid down in January 2021. AXACTOR02 has a similar structure, price, and covenants as AXA01, and matures in 2024.

Note 17 Other current liabilities

EUR thousand	2020	2019
Public duties	**283**	306
Personnel related liabilities	**717**	1,680
Other accruals	**123**	318
Total other current liabilities	**1,124**	2,303

Auditor's report

To the General Meeting of Axactor SE

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Axactor SE (the Company), which comprise the Statement of Financial Position sheet as at 31 December 2020, the Statement of Profit and Loss, Statement of Comprehensive Loss, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Axactor SE and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Profit and Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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Independent Auditor's Report - Axactor SE

Key Audit Matters

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

The business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2020 financial statements. The valuation of the portfolios contains the same characteristics and risks as last year and continue to be an important focus area in our audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of debt portfolios	
Debt portfolios represent a considerable part of the Group's total assets. The valuation of the portfolios includes elements of management judgement. The book value of debt portfolios is determined by projecting expected future cash flows and discounting them to present value using the effective interest rate as of the date the portfolios were acquired. Some of the key judgmental assumptions related to the valuation includes the size of expected future cash flows, and timing of future payments. The estimated timing and size of payments of cash flows require judgement and experience to assess and this may differ from actual timing and size of payments. Management performs Quarterly Performance Reviews (QPR) in which they assess the performance of the group's portfolios, with particular focus directed towards whether portfolios meet certain performance criteria. The procedure is designed to identify portfolios with need to adjust the book value. Our focus on valuation of debt portfolios is justified by the fact that judgmental assumptions carry an inherent risk of errors that have a potential to affect the Groups net profit.	We satisfied ourselves to the accuracy of initial recognition of portfolios by tracing purchase prices in the contracts back to registration in the system on a sample basis. We also checked completeness, by reconciling value per 31.12.2020 of the debt portfolios from the database, which is used as a source for the performance review, to the booked value. Additionally, we also performed procedures in regard to cash collection where we sampled and matched cash collection reported with underlying bank statements. Correspondingly, we obtained cash collection reports and traced the amounts to the database. In order to achieve desired level of evidence in regard to valuation, we sampled all portfolios not meeting Management's defined performance criteria. Based on obtained documentation for these portfolios, including inspection of the underlying figures in the database, we challenged Management's assumptions and conclusions noted in their QPRs. We discussed with them their assessments and tested assumptions, and where deemed necessary obtained and evaluated additional documentation that substantiated Management's conclusions. We performed recalculation based on our own models to test the completeness and accuracy of the company's, portfolio database. The result of our interviews and testing showed that management had used appropriate assumptions, reasonable input data and calculations. We also evaluated the models they used to discount the cash flows and tested the accuracy of the inputs and whether the models made calculations as expected. Any differences encountered as part of our detailed testing fell within a reasonable range.

Independent Auditor's Report - Axactor SE

The Group notes 2.13.1, note 4 and note 18 to the financial statements are relevant for the description of the Group's debt portfolios. We read the notes and found them to be adequate and give a balanced overview of the different parameters and judgmental assumptions used.

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 24 March 2021
PricewaterhouseCoopers AS

Anne Lene Stensholdt
State Authorised Public Accountant

Alternative Performance Measures

Alternative Performance Measures (APM) used in Axactor

APM	Definition	Purpose of use	Reconciliation IFRS
Gross revenue	3PC revenue, REO sale, cash collected on own portfolios and other revenue/income, excluding change in forward flow derivatives	To review the revenue before split into interest and amortization (for own portfolios)	Total income, P&L
Cash EBITDA	EBITDA adjusted for changes in forward flow derivatives, calculated cost of share option program, portfolio amortizations and revaluations, REO cost of sales and REO impairments	To reflect cash from operating activities, excluding timing of taxes paid and movement in working capital	EBITDA in P&L and Net cash flows operating activities in the Cash flow statement
ERC	Estimated Remaining Collection express the expected future cash collection on own portfolios (NPLs) in nominal values, over the next 180 months.	ERC is a standard APM within the industry with the purpose to illustrate the future cash collection including estimated interest revenue and opex	Purchased debt portfolios in Balance sheet
Net interest bearing debt (NIBD)	Net Interest Bearing Debt means the aggregated amount of interest bearing debt, less aggregated amount of unrestricted cash and bank deposits, on a consolidated basis	NIBD is used as an indication of the Group's ability to pay off all of its debt	Note 26, Borrowings and other interest-bearing debt
Return on equity (ROE), including or excluding non-controlling interests	Last twelve months' result divided by last four quarters' average equity	Measures the profitability in relation to stockholders' equity	Equity

APM tables

EUR million	2020	2019
Total income	201.2	285.2
Portfolio amortizations and revaluations	123.2	82.9
Change in forward flow derivatives	0.8	0.0
Gross revenue	325.2	368.1

EUR million	2020	2019
EBITDA	32.0	92.1
Change in forward flow derivatives	0.8	0.0
Calculated cost of share option program	0.6	1.3
Portfolio amortizations and revaluations	123.2	82.9
REO Cost of sale, including impairment	52.9	74.5
Cash EBITDA	209.5	250.8
Taxes paid	-5.5	-4.7
Change in forward flow derivatives	-0.8	0.0
Change in Working capital	3.3	-3.9
Cash flow from operating activities before NPL and REO investments	206.5	242.1

EUR million	2020	2019
Purchased debt portfolios	1,124.7	1,041.9
Estimated opex for future collection at time of acquisition	303.7	307.6
Estimated discounted gain (after tax)	740.7	688.9
Estimated Remaining Collection, NPL	2,169.2	2,038.4

APM / KPI definition

Cash EBITDA	EBITDA adjusted for changes in forward flow derivatives, calculated cost of share option program, portfolio amortizations and revaluations, REO cost of sales and REO impairments
CM1 Margin	Total operating expenses (excluding SG&A, IT and corporate cost) as a percentage of total income
Debt-to-equity ratio	Total interest bearing debt as a percentage of total equity
Discount	The rate of discount of original debt balance used to negotiate repayment of debt
EBITDA margin	EBITDA as a percentage of Total income
Economic growth	GDP (Gross Domestic Product) growth
Efficient Legal system	Governmental bailiff exchanging information electronically
Equity ratio	Total equity and liabilities as a percentage of total equity
ERC	Estimated Remaining Collection express the expected future cash collection on own portfolios (NPLs) in nominal values, over the next 180 months
Gross margin	Cash EBITDA as a percentage of gross revenue
Gross revenue	3PC revenue, REO sale, cash collected on own portfolios and other revenue, excluding change in forward flow derivatives
House pricing	House price index, development of real estate values
Interest changes	The interest charged to debtors on active claims
Interest level	Lending rate in the market
NIBD	Net Interest Bearing Debt means the aggregated amount of interest bearing debt, less aggregated amount of unrestricted cash and bank deposits, on a consolidated basis
Opex ex SG&A, IT and corp.cost	Total expenses excluding overhead functions
Payment agreement	Agreement with the debtors to repay their debt
Recovery rate	Portion of the original debt repaid
Return on Equity (ROE), excluding minorities	Last twelve months' net profit/(loss) as a percentage of last four quarters' average total equity, all excluding non-controlling interests
Return on Equity (ROE), including minorities	Last twelve months' net profit/(loss) as a percentage of last four quarters' average total equity
Settlements	One payment of full debt
SG&A, IT and corporate cost	Total operating expenses for overhead functions
Solution rate	Accumulated paid principal amount for the period divided by accumulated collectable principal amount for the period. Usually expressed on a monthly basis
Total estimated capital commitments for forward flow agreements	The total estimated capital commitments for the forward flow agreements are calculated based on the volume received over that last months and limited by the total capex commitment in the contract.
Total income	Gross revenue minus portfolio amortization and revaluation
Tracing activity	Finding and updating debtor contact information
SG&A	Selling, General & Administrative Expenses
SPV	Special Purpose Vehicle
VIU	Value in Use
WACC	Weighted Average Cost of Capital
WAEP	Weighted average exercise price

Terms and abbreviations

3PC	Third-party collection
AML	Anti Money Laundering
APM	Alternative Performance Measures
ARM	Accounts Receivable Management
BEPS	Base Erosion and Profit Shifting
B2B	Business to Business
B2C	Business to Consumer
BoD	Board of Directors
CGU	Cash Generating Unit
CM1	Contribution Margin
Dopex	Direct Operating expenses
EBIT	Operating profit, Earning before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ECL	Expected Credit Loss
EPS	Earnings Per Share
EUR	Euro
FTE	Full Time Equivalent
GDPR	General Data Protection Regulation
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicatior
KYC	Know Your Customer
MAR	Marked Abuse Regulation
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
REO	Real Estate Owned
SEK	Swedish Krone
SG&A	Selling, General & Administrative
SPV	Special Purpose Vehicle
VIU	Value in Use
WACC	Weighted Average Cost of Capital
WAEP	Weighted Average Exercise Price

Financial calendar 2021

Quarterly Report - Q1	*30.04.2021*
Quarterly Report - Q2	*17.08.2021*
Quarterly Report - Q3	*27.10.2021*
Quarterly Report - Q4	*24.02.2022*

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