AXACTOR

Report
Q3 2020

Highlights

Third quarter 2020

- Axactor delivered a strong financial performance in the third quarter of 2020, following a challenging first half year due to the Covid-19 outbreak. The pickup in performance observed towards the end of the second quarter continued through the third quarter. Both revenue and profit increased sharply for all business segments compared to the second quarter, despite the third quarter usually being seasonally weak.

- Gross revenue increased by 18% from the second quarter 2020 to EUR 83.3 million for the third quarter (87.3), while total income increased to EUR 62.3 million (64.3).

- The REO segment did particularly well compared to expectations, delivering 54% revenue growth from the second quarter 2020. Following the swift recovery of the REO segment both in terms of volume and price, combined with a strong fourth quarter pipeline, the company's valuation models allowed for a net reversal of EUR 5.1 million of the EUR 26.0 impairment accrual that was booked for the REO portfolio in the second quarter.

- EBITDA ended at EUR 30.3 million (20.0), including the EUR 5.1 million net reversal of REO impairment. The resulting EBITDA margin of 49% (31%) is the highest ever recorded for Axactor. Excluding the released REO impairment accrual the margin is 41%, which is still a record-high for the company.

- Cash EBITDA was EUR 56.2 million (59.7), up from EUR 44.4 million in the previous quarter. The company has obtained a waiver on its main credit facility for a covenant relating to the Cash EBITDA level for third quarter 2020.

- Earnings before tax ended at EUR 12.3 million (6.3) and net profit at EUR 6.5 million (3.7). Adjusting for minorities, this translates to an annualized return on equity for shareholders of 4.9% for the quarter, down from 6.6% in the same period last year.

- Axactor continue to hold back on new investments to safeguard liquidity and delever. Total NPL investments ended at EUR 34.6 million (85.1) for the third quarter 2020. All new NPL claims in the quarter were acquired under ongoing forward flow agreements, with no new contracts signed. As indicated in the second quarter 2020 report, net cash flow after investments turned positive in the third quarter and the company expects this to continue in the next quarter.

- During the third quarter 2020 Axactor was ranked as number one in the vast majority of the 3PC benchmark contracts the company participated in, across all six countries of operation. Gaining market share in the 3PC segment within the financial sector is considered a key element of the Axactor strategy, and the strong benchmark contract results in the third quarter is expected to lead to increased volumes.

Key Figures Axactor Group

EUR million	For the quarter end 30 Sep 2020	30 Sep 2019	Year to date 30 Sep 2020	30 Sep 2019	Full year 2019
Gross revenue	**83.3**	87.3	233.3	269.3	368.1
Total income	**62.3**	64.3	146.5	210.3	285.2
EBITDA	**30.3**	20.0	14.5	68.3	92.1
Cash EBITDA [1)]	**56.2**	59.7	148.7	184.0	250.8
Depreciation and amortization (excl Portfolio Amortization)	**-2.6**	-2.6	-7.9	-7.3	-10.1
Net financial items	**-15.4**	-11.1	-35.7	-36.9	-49.4
Tax (expense)	**-5.8**	-2.7	-5.4	-9.7	-11.7
Net profit/(loss) after tax	**6.5**	3.7	-34.4	14.4	21.0
Return on Equity, excluding Non-controlling interests , annualized	**4.9 %**	6.6 %	-8.1 %	5.5 %	6.0 %
Return on Equity, including Non-controlling interests , annualized	**7.1 %**	3.9 %	-12.3 %	5.3 %	5.6 %
Cash and Cash Equivalents, end of period [2)]	**33.1**	60.5	33.1	60.5	71.7
Gross revenue from NPL Portfolios	**61.9**	53.8	170.5	156.3	217.1
Gross revenue from REO Portfolios	**10.1**	20.2	28.2	70.0	91.2
Acquired NPL portfolios during the period	**34.6**	85.1	186.3	302.8	398.3
Acquired REO portfolios during the period	**0.0**	0.0	0.3	0.3	0.7
Book value of NPL, end of period	**1,115.5**	964.0	1,115.5	964.0	1,041.9
Book value of REO, end of period	**84.2**	148.1	84.2	148.1	129.0
Estimated Remaining Collection, NPL	**2,160.0**	1,876.6	2,160.0	1,876.6	2,038.4
Interest bearing debt, end of period	**925.0**	874.0	925.0	874.0	929.9
Number of Employees (FTEs), end of period	**1,145**	1,183	1,145	1,183	1,152
Price per share, last day of period	**7.43**	17.20	7.43	17.20	19.00

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

2) Restricted cash excluded

Operations

The third quarter saw a very positive operational development, with bailiffs and legal authorities returning to normal processing levels in all Axactor geographies. Both the NPL and 3PC segments performed well during the quarter, with Axactor continuing the strict cost focus initiated during the first half of 2020. Although close to 400 of Axactor's employees continue with home office solutions due to the Covid-19 pandemic, the company has not seen any substantial loss in efficiency or collection abilities so far. The positive effects of investments in business intelligence and a common IT platform are increasingly visible through a lower cost of collection. While holding back on new NPL investments, even more focus is directed towards increasing the performance on the existing book and third-party claims. As a result, solution rates and portfolio performance increased during the third quarter 2020.

Axactor is currently handling approximately 1.2 million active collection cases within the NPL segment, as well as a significant amount in 3PC. To handle this volume in the most efficient way, Axactor continuously works to improve its operational strategy. On a quarterly basis, all countries are measured on their progress within operations, business intelligence and IT using a maturity model as benchmark. This approach enables Axactor to deploy the theoretical framework into practice and use it to support development.

A low cost of collection is assumed to be the most important competitive advantage in order to be successful within the NPL segment. Axactor has already established itself as an industry leading player in terms of cost of collection in several of its markets. This has been achieved by using common systems and IT platform, advanced analytics and streamlined processes with a high degree of automation. Axactor always strives to improve and will continue to work to increase efficiency further.

OneAxactor – Common systems

During the third quarter, Axactor has continued to build new solutions and the systems are gradually being rolled-out to all countries.

Within Human Resource Management a new common system was launched with more functionality and significant improvements compared to the previous group platform. The new system will support employee processes, and is expected to give governance improvements in the way employee related information is handled for all countries, as well as immediate cost benefits.

For the ARM-product all clients have been transferred to an in-house made integration solution called Axactor Connect. Changing the integration solution improves the dialogue with clients and reduces the cost.

Axactor constantly works to improve processes by becoming more digital. The common debtor portal was further improved during the third quarter 2020 and is currently being launched in Norway. The portal is already fully operational in Italy, Spain and Sweden, with Finland scheduled to launch in the fourth quarter. Through active marketing, Axactor aims to direct more workflows through this self-service portal to enhance handling time and reduce cost in the call centers. In connection with the portal, the company is also developing support for modern digital payment solutions such as Swish and automized direct debit in Sweden and Vipps in Norway.

Advanced Analytics

Business intelligence development has a high priority within Axactor. The third quarter saw continued investments in the project to build the industry leading platform for big data handling, machine learning and artificial intelligence, enterprise data warehouse and KPI reporting. During the third quarter 2020, this work has enabled the launch of new prediction and scoring models with significantly improved quality. Such advanced analytical methods enable increased cost efficiency through improved targeting of debtors that are likely to pay. Information on inbound contacts is currently being analyzed as well, pointing to clear patterns on the debtors' willingness to pay. This data will be used to optimize opening hours and manning.

Winning benchmarks within Third party collection

Axactor is currently competing in multiple 3PC benchmark solutions within the bank/finance segment across all six countries of operation. In such benchmark contracts, Axactor is chosen as one of several suppliers, and the client distributes randomly selected claims between the servicers. The solution rates of the different vendors are then compared, and the highest performer(s) will receive a larger proportion of the total claims in the contract in the next period. With a clear strategy of continued growth within the 3PC segment and to become the preferred vendor for banks and financial institutions, winning such benchmark competitions are considered a top priority across the group. The company is thus very pleased to be ranked number one in the vast majority of these benchmark contracts for the third quarter 2020. As a result of this strong performance it is expected that volumes from these contracts will increase for the fourth quarter.

Automation of core collection systems

There are currently significant automation projects ongoing for the core collection systems in Finland, Germany and Spain, with the aim to further increase the operational efficiency. In Finland and Germany these improvements are done in collaboration with the respective software vendors. As the Spanish solution is an in-house development, the system development is being performed together with Axactor's IT-development partner Miratech. Axactor Finland has in the third quarter finalized the development of a direct link between the core collection system and the bailiff. This link will improve the time from legal payments to booking in the P&L and significantly reduce the workload for the back-office functions.

Sustainable operations

Axactor is continuously working to enhance sustainable operations and secure good corporate governance through solid internal control. Throughout the third quarter there has been several improvement initiatives. One important example is the Business Continuity Planning (BCP), where awareness training, live crisis training with an external vendor and an update of all BCP plans & documentation have taken place.

An important focus point has been to further improve information security. During the third quarter a thorough access control has been conducted and new access management routines launched, information security awareness campaigns and GDPR e-learning training has been provided to all employees, and the company has carried out security tests and physical security assessments.

In addition to the regular internal control activities, a self-assessment covering all areas of the business has been carried out to ensure compliance with all Axactor's board approved policies. All feedback was promptly received, and the results of the self-assessment have been documented, analyzed and reported to the Board's Audit committee. Axactor's internal auditor has assessed the risks of misuse of funds and evaluated the processes and internal control structure for client funds handling and cash collected handling in the Nordics and Germany. Internal audit has also assessed the AML processes in Sweden. No critical findings have been reported as part of these internal control activities.

The Human Resource processes related to succession planning, training, performance management, absence processes, recruitment and sustainability reporting have been improved during the quarter, supported by the new common Human Resource Management system.

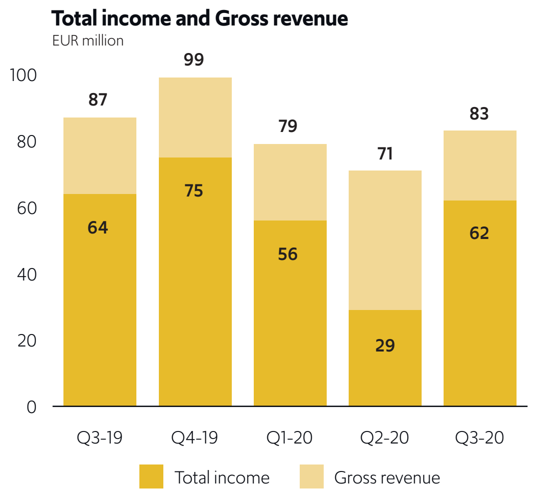
Changes in the regulatory environment is continuously monitored and Axactor's processes adjusted accordingly. The main focus for the third quarter 2020 has been the adaption to the changes in the Norwegian debt collection act implemented 1 October 2020 and preparations for the expected changes in the German debt collection act.

Cost efficiency initiatives

All country management teams, the executive management team at Headquarter and the Board of Directors have continued on the temporarily reduced compensation scheme implemented in the second quarter. The Norwegian site consolidation announced in the second quarter 2020 report, reducing the number of locations from five to two, has been carried out successfully in the third quarter. The previously announced suspension and price reductions on IT projects and services has decreased the outlook for IT expenses by EUR 2.1 million for the full year of 2020.

Financials

Income



Gross revenue continued the positive trend observed towards the end of the second quarter and increased by 18% from the second quarter to EUR 83.3 million (87.3) in the third quarter 2020. Considering that the third quarter is usually the seasonally weakest quarter of the year, the pickup from the first two quarters of 2020 was very strong. Comparing to the same quarter last year gross revenue declined by 5%, mainly reflecting the steady decline of the non-core REO book. The third quarter 2019 also included one-off revenue items of EUR 0.8 million, mainly relating to the disposal of two small non-core portfolios.

Total income amounted to EUR 62.3 million (64.3), down 3% from the corresponding period last year. The decline was driven by the decrease in gross revenue, partly offset by a 9% reduction in NPL portfolio amortization and revaluation. The NPL portfolio amortization and revaluation ended at EUR 21.0 million for the third quarter 2020, compared to EUR 23.1 million in the third quarter 2019.

The NPL segment recorded a 15% growth in gross revenue, from EUR 53.8 million in the third quarter 2019 to EUR 61.9 million in the third quarter 2020. The growth compared to the second quarter 2020 was 14%, illustrating the strong pickup in performance after the major Covid-19 lock downs across Europe. Total income for the NPL segment amounted to EUR 40.9 million, up from EUR 30.7 million in the third quarter last year, supported by the continued investments in forward flow contracts through 2020.

3PC total income amounted to EUR 11.3 million in the third quarter 2020 (12.5), which compares to EUR 9.7 million in the second quarter 2020. The volumes received from clients in Germany, Italy and Spain are still below normal levels due to the Covid-19 pandemic, but Axactor sees a strong improvement from the second quarter. Demand for 3PC services is expected to improve further in the fourth quarter.

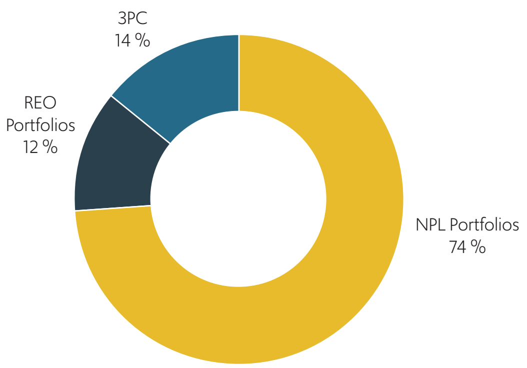
REO total income was EUR 10.1 million in the third quarter 2020 (20.2), which compares to EUR 6.6 million in the second quarter 2020. Due to Covid-19, REO asset sales almost came to a complete stop during the lockdown period in Spain. However, the activity level has improved quicker than previously anticipated, and the current pipeline indicates that sales will continue at this higher level.

Operating expenses

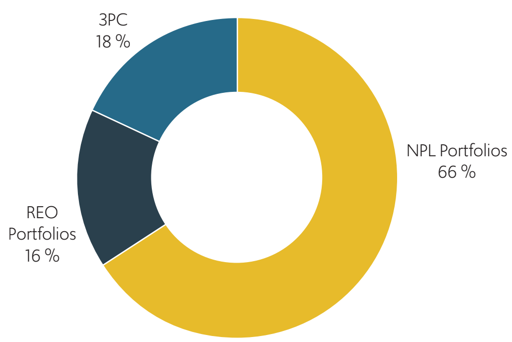
Total operating expenses before depreciation and amortization amounted to EUR 31.9 million for the third quarter (44.2), including a net EUR 5.1 million reversal of impairment of REO assets.

Axactor continues to pay close attention to the cost level and has prolonged several of the temporary initiatives implemented during the first half of 2020, such as management salary reductions, reductions of IT investments and more. The company has also implemented permanent cost initiatives and efficiency measures to further improve the company's already industry leading cost level. Examples of such

Gross revenue mix Q3-20



Total income mix Q3-20



permanent initiatives include, among others, implementation of direct link between the core collection system and the bailiff in Finland, further use of advanced analytics to improve debtor targeting, and increased use of self-service debtor portals.

Axactor took a prudent approach and booked EUR 26.0 million in accrual for impairment on the REO book value in the second quarter 2020. Following the swift recovery of the REO segment both in terms of volume and price, combined with a strong fourth quarter pipeline, the company's valuation models show a reduced impairment need. A net amount of EUR 5.1 million of the REO impairment was thus released in the third quarter 2020, of which EUR 1.7 million relates to either assets where Axactor has received a higher than expected valuation from an external party, or to assets sold for a better price than expected during the third quarter. The remaining EUR 3.4 million is based on updated estimates from the improved outlook for REO sales and expected sales prices. A full valuation of the company's remaining REO assets is currently being carried out by an external party, and there is no indication that there will be any need for further impairments.

Depreciation and amortization, excluding amortization of NPL portfolios, was EUR 2.6 million for the third quarter (2.6).

Operating results

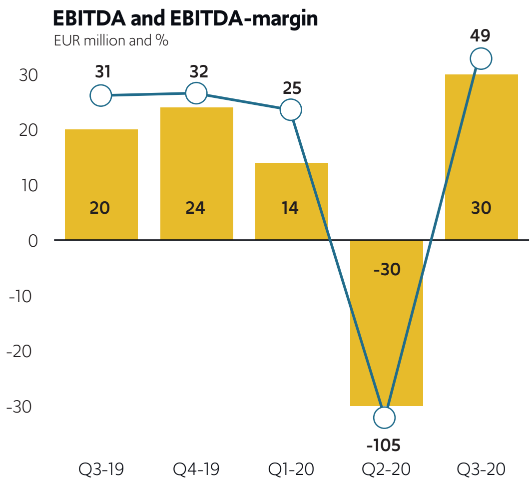
Total contribution from the business segments amounted to EUR 39.0 million in the third quarter (28.9). The 35% increase from the corresponding period last year is mainly attributable to the NPL segment, supported by continued portfolio investments over the last twelve months. The contribution from the REO segment includes the EUR 5.1 million net reversal of impairment.

Contribution from the NPL segment was EUR 31.9 million in the third quarter (22.3). This corresponded to 78% margin on total segment revenue (73%).

Contribution from 3PC was EUR 4.5 million (4.3), compared to EUR 1.9 million in the previous quarter, with the increase mainly reflecting a return towards a more normal activity level following the temporary collection suspension initiated by Italian and Spanish banks during the coronavirus lockdowns. The margin on total segment revenue was 40% (34%).

Contribution from the REO segment was EUR 2.6 million in the third quarter (1.5), including a net reversal of impairment of EUR 5.1 million. This compares to contributions of EUR -0.5 million in the first quarter and EUR -27.0 million in the second quarter.

EBITDA was EUR 30.3 million in the third quarter, compared to EUR 20.0 million in the corresponding quarter last year. The EBITDA margin of 49% (31%) for the quarter was an all-time high for Axactor, even excluding the REO impairment reversal.



The difference between contribution margin and EBITDA comprises unallocated SG&A and IT costs, which amounted to EUR 8.6 million in the third quarter (8.8). This was a decline from EUR 9.0 million in the second quarter and from EUR 11.3 million in the first quarter, reflecting the impact of the significant cost reductions initiated during the first half of the year.

Cash EBITDA amounted to EUR 56.2 million (59.7), compared to EUR 44.4 million in the second quarter. The 6% decline compared to the third quarter last year is primarily explained by lower REO sales. Cash EBITDA is defined as EBITDA excluding amortization and revaluations of NPL portfolios, REO cost of sales and impairments, and calculated costs related to the share option program.

Operating profit (EBIT) was EUR 27.7 million in the third quarter 2020 (17.4).

Net financial items

Total net financial items were a negative EUR 15.4 million for the third quarter (11.1), comprising interest expense on borrowings of EUR 14.0 million (13.4), a net foreign exchange loss of EUR 1.2 million (+2.8) and other financial items of a negative EUR 0.2 million (0.4). The increase in interest expense generally reflects financing of the investments carried out in the respective periods.

Earnings and taxes

Earnings before tax was EUR 12.3 million for the third quarter 2020 (6.3), whereas net profit was EUR 6.5 million (3.7).

Net profit to non-controlling interests amounted to EUR 2.9 million for the third quarter 2020, versus a net loss of EUR 0.8 million in the third quarter 2019.

Net profit to equity holders amounted to EUR 3.6 million, compared to a net profit of EUR 4.5 million in the third quarter 2019.

Earnings per share was hence EUR 0.019 on a reported basis (0.029), and EUR 0.018 on a fully diluted basis (0.025), based on the average number of shares outstanding in each period.

Cash flow

Cash flow from operating activities amounted to EUR 52.9 million (51.0) in the third quarter 2020. The deviation from cash EBITDA reflects changes in working capital and taxes paid.

The total amount paid for NPL portfolio acquisitions was EUR 41.7 million (85.8) in the third quarter, and total net cash flow from investments EUR -43.1 million (-87.2).

Total cash flow from financing activities was EUR -7.0 million (+29.7) in the third quarter, mainly reflecting repayments and interest payments on outstanding loans, partly offset by drawdowns to fund NPL acquisitions.

Total cash and cash equivalents were EUR 35.8 million at the end of the third quarter 2020 (63.1), compared to EUR 75.4 million at the end of 2019 and EUR 34.3 million at the end of the second quarter 2020.

Equity position and balance sheet considerations

Total equity for the Group was EUR 364.9 million at the end of the third quarter 2020 (371.1), including minority interests of EUR 75.0 million (99.1). This compares to EUR 363.1 million at the end of the second quarter 2020.

The equity ratio was 27% at the end of the third quarter 2020 (29%), unchanged from the end of the second quarter.

Improved Return on Equity

Axactor targets improved return on equity over time, based on increasing economies of scale, changes in the business mix, reduced funding cost and the gradual blending in of lower NPL Portfolio prices. The company sees growth opportunities in the capital light 3PC segment and increasing 3PC and NPL synergies, whereas the non-core REO business will be phased-out over time. The company also expects a gradual lowering of the effective tax rate towards 25% to support the return on equity.

The annualized return on equity in the third quarter 2020 was 7.1% on a reported basis (3.9%), and 4.9% excluding non-controlling interests (6.6%).

Capital expenditure and Funding

Axactor invested EUR 34.6 million (85.1) in NPL portfolio acquisitions in the third quarter of 2020, down from EUR 62.0 million in the previous quarter. REO portfolio investments have been insignificant in 2019 and 2020. The investments have been financed with own cash flow and drawdowns on existing credit facilities.

The NPL investments in 2020 have primarily reflected investment obligations under forward flow contracts. As previously communicated, Axactor continue to hold back on its investments to safeguard liquidity and delever. Combined with cost reductions this has resulted in a shift to positive cash flow after investments in the third quarter 2020 and this is expected to continue through the fourth quarter. Overall, the company estimates the capex requirement for its remaining forward flow agreements to be in the region of EUR 25 million for the remainder of 2020.

The main component of the company's external funding is a EUR 500 million revolving credit facility with the main banking partners DNB and Nordea, of which EUR 75 million in an accordion option. As per the end of the third quarter 2020 the company had drawn EUR 401.0 million on the RCF.

Due to the financial impact of the Covid-19 situation, Axactor has been granted a waiver for an RCF covenant pertaining to NIBD/Pro-forma adjusted Cash EBITDA for the third quarter of 2020. The company was thus not in breach with any covenant as per the end of the third quarter of 2020.

Axactor's outstanding bond loan of EUR 200.0 million matures 23 June 2021.

Axactor's Italian entity is locally funded through different facilities with a number of Italian banks, with a total outstanding amount of EUR 43.0 million.

Axactor Invest 1, which is jointly owned with Geveran, is externally financed through a senior debt loan of EUR 120 million and a mezzanine loan of EUR 140 million, both of which are fully drawn. Axactor also has a balance of EUR 31.2 million on a REO financing arrangement in Reolux with Nomura.

Total interest-bearing debt including capitalized loan fees and accrued interest amounted to EUR 925.0 million per the end of the third quarter 2020 (874.0), up from EUR 918.5 million at the end of the second quarter 2020.

Risk assessment

As described in the Annual Report for 2019, Axactor's regular business activities entail exposure to various types of risk, including risk related to economic growth and employment levels in Axactor's markets.

These risk factors were underlined with the coronavirus outbreak hitting Europe in the first half of 2020, which had a significant impact on the results for the first three quarters of the year and must be expected to impact the financial statements also going forward. The company remains committed to responsible collection practices in this situation, with the aim to find the best possible solutions for its customers, debtors and partners.

Axactor has operated responsibly and in compliance with rules and recommendations from local and national authorities in all the six countries with operations, both to safeguard its employees and their families and local communities, and to ensure that the company remained operational for its customers, debtors and partners.

Axactor's business continuity plans have ensured that the company has remained in full operation, although most of the staff have worked from home for parts of the year. This has been enabled by an operating model with secure and scalable core digital solutions, cloud-based collection systems, and outsourced IT-solutions. At the end of the third quarter, approximately 400 of Axactor's employees were still using home office solutions.

The company has taken action to mitigate the negative financial effects of the coronavirus, including temporary workforce reductions, temporary salary cuts for all employees at the headquarter and selected management teams, suspension of bonus models, temporary suspension of IT development projects, temporary price reductions from IT vendors, and other cost savings initiatives. While approximately 400 FTEs were furloughed in April, all of which have resumed work during the third quarter 2020.

Axactor revised its forecasts for the NPL portfolio during the third quarter 2020, with a negative book value impact of EUR 1.9m. This net negative revision was partly offset by the impact of extending the rolling 180 month forecast by three months, leaving the total NPL revaluations at EUR -0.4 million. The forecasts are continuously under review, but there are currently no indications of any major write-downs for the future.

Axactor had equity of EUR 364.9 million and an equity ratio of 27% per the end of the third quarter 2020. Due to the financial impact of Covid-19, the company requested and was granted a waiver from its banking relations for an RCF covenant for the third quarter 2020.

Cash flow from operations was EUR 52.9 million in the third quarter 2020, whereas the cash outflow from investing activities was EUR 43.1 million. The company has worked to reduce its financing commitments for 2020 and expects an even more positive net cash flow after investments in the fourth quarter.

Axactor had a cash position of EUR 35.8 million per the end of the third quarter 2020, which is considered sufficient given the current investment plans. The company expects to generate positive cash flow after investments in the coming quarters, with a sharp focus on liquidity and deleveraging. The company is working on refinancing plans designed to reduce funding costs and extend the debt maturity profile. Per the end of the third quarter 2020 the company had interest bearing debt of EUR 925.0 million.

For the assessment of other risk factors, please refer to the Board of Directors report in the Annual Report for 2019.

Outlook

The strong pickup towards the end of the second quarter 2020 continued through the third quarter. The effects of the Covid-19 pandemic overshadow normal seasonal variations, and this pickup generated exceptionally strong figures in the seasonally slow third quarter. Even though there are no signs of reduced activity the company does not expect to see the usual high growth from the third quarter to the fourth quarter this year. It should also be noted that the net reversal of REO impairments of EUR 5.1 million lifted earnings and margins in the third quarter.

Axactor continue to hold back on investments to safeguard liquidity and the company expects the positive trend in net cash flow after investments to continue in the fourth quarter. The company reiterates the NPL capex guiding of more than EUR 200m for 2020, which will generate growth through 2021.

Despite a resurgence of Covid-19 infections in several of the six countries where Axactor operates, there are currently no signs of a new shut-down of legal systems and bailiff offices. Axactor were quick to establish home office solutions and new work routines where needed when the pandemic first hit, and employees in the areas currently hardest hit are still working from home. As long as external processing of legal claims continue as normal Axactor does not expect any significant short-term impact of a second Covid-19 wave. The long-term effects on economic activity, unemployment levels and debtors' debt servicing abilities remain uncertain.

The current situation is expected to boost demand for 3PC services, which represents an asset light revenue opportunity for the company. The changing market environment has also generated a significant downward shift in the pricing of NPL portfolios, which may open profitable growth opportunities for the company in the longer run.

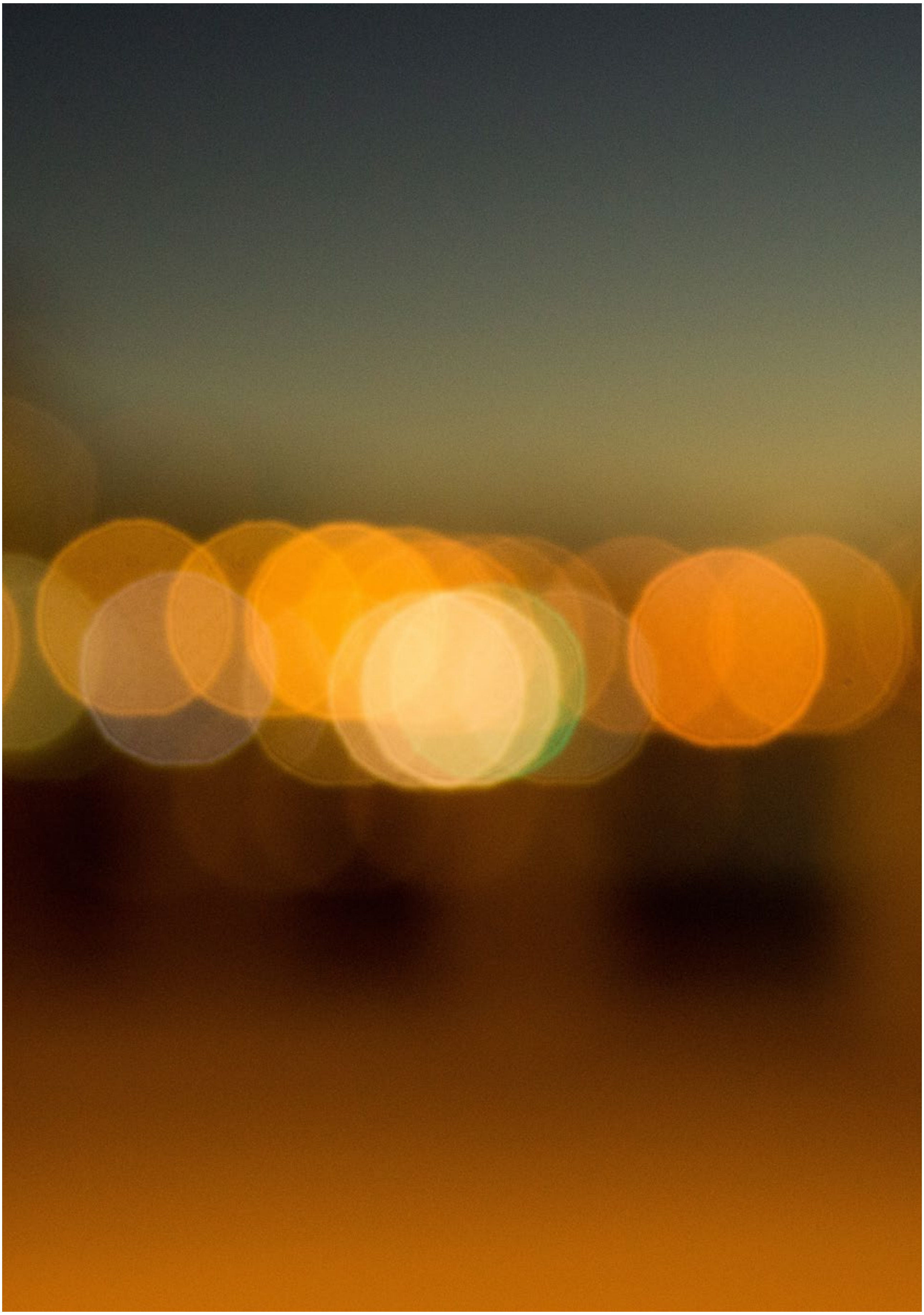
Axactor aims to deleverage and increase focus on return on equity going forward. The return on equity should increase over time, based on a combination of lower NPL portfolio prizes, improved scale benefits and efficiency, improved funding cost and a normalization of effective average tax rate.

Responsibility Statement

We confirm that, to the best of our knowledge, the unaudited Financial Statements for the third quarter of 2020, which have been prepared in accordance with IFRS as adopted by EU, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the management report includes a fair review of the information required under the Norwegian account act.

Oslo, 27 October 2020
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 Chief Executive Officer



Consolidated Statement of Profit and Loss

		For the quarter end		Year to date		
EUR thousand	Note	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	Full year 2019
Interest income from purchased loan portfolios	6	**41,497**	35,828	121,335	97,292	134,531
Net gain/loss purchased loan portfolios	6	**-624**	-5,089	-37,530	93	-319
Other operating revenue		**21,457**	32,714	62,679	112,061	148,926
Other income		**-50**	809	49	884	2,021
Total income	3,4	**62,280**	64,263	146,533	210,329	285,159
Cost of REO's sold, incl impairment	7	**-4,749**	-16,374	-46,956	-56,093	-74,464
Personnel expenses		**-13,255**	-13,010	-41,079	-42,471	-57,708
Operating expenses		**-13,933**	-14,849	-43,991	-43,451	-60,847
Total operating expense		**-31,937**	-44,233	-132,026	-142,015	-193,019
EBITDA		**30,343**	20,029	14,506	68,314	92,140
Amortization and depreciation		**-2,633**	-2,625	-7,856	-7,287	-10,115
EBIT		**27,710**	17,405	6,650	61,027	82,025
Financial revenue	5	**337**	2,892	8,877	2,262	2,787
Financial expenses	5	**-15,751**	-13,961	-44,570	-39,166	-52,176
Net financial items		**-15,414**	-11,069	-35,693	-36,904	-49,389
Profit/(loss) before tax		**12,296**	6,336	-29,043	24,123	32,636
Tax (expense)		**-5,795**	-2,679	-5,402	-9,688	-11,667
Net profit/(loss) after tax		**6,501**	3,657	-34,445	14,435	20,969
Net profit/(loss) to Non-controlling interests	5	**2,938**	-801	-16,500	3,333	4,643
Net profit/(loss) to equity holders		**3,563**	4,457	-17,945	11,103	16,326
Earnings per share: basic		**0.019**	0.029	-0.099	0.072	0.106
Earnings per share: diluted		**0.018**	0.025	-0.093	0.064	0.093

Consolidated Statement of Comprehensive Profit and Loss

	For the quarter end		Year to date		
EUR thousand	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	Full year 2019
Net profit/(loss) after tax	**6,501**	3,657	-34,445	14,435	20,969
Items that may be classified subsequently to profit and loss					
Foreign currency translation differences - foreign operations	**-3,159**	-5,469	-23,122	-4,906	-1,904
Other comprehensive income/(loss) afer tax	**-3,159**	-5,469	-23,122	-4,906	-1,904
Total comprehensive income for the period	**3,342**	-1,812	-57,567	9,529	19,065
Attributable to:					
Non-controlling interests	**2,938**	-801	-16,500	3,333	4,643
Equity holders of the parent company	**404**	-1,012	-41,067	6,196	14,422

Interim Consolidated Statement of Financial Position

EUR thousand	Note	30 Sep 2020	30 Sep 2019	Full year 2019
ASSETS				
Intangible non-current assets				
Intangible Assets		**20,885**	20,098	21,486
Goodwill		**53,784**	55,740	56,170
Deferred tax assets		**5,111**	6,336	9,742
Tangible non-current assets				
Property, plant and equipment		**2,684**	3,000	2,903
Right-of-use assets	9	**5,332**	5,938	5,846
Financial non-current assets				
Purchased debt portfolios	6	**1,115,480**	963,953	1,041,919
Other non-current receivables		**503**	295	765
Other non-current investments		**193**	662	193
Total non-current assets		**1,203,972**	1,056,021	1,139,025
Current assets				
Stock of Secured Assets	7	**84,163**	148,101	129,040
Accounts Receivable		**5,743**	10,782	13,135
Other current assets		**13,632**	13,144	14,960
Restricted cash		**2,718**	2,611	3,739
Cash and Cash Equivalents		**33,083**	60,481	71,657
Total current assets		**139,339**	235,119	232,531
TOTAL ASSETS		**1,343,310**	1,291,140	1,371,556

Interim Consolidated Statement of Financial Position

EUR thousand	Note	30 Sep 2020	30 Sep 2019	Full year 2019
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share Capital		**97,040**	81,338	81,338
Other paid-in equity		**236,502**	201,503	201,879
Retained Earnings		**-15,791**	-3,070	2,153
Reserves		**-27,843**	-7,724	-4,721
Non-controlling interests		**74,958**	99,067	96,977
Total Equity		**364,866**	371,114	377,626
Non-current Liabilities				
Interest bearing debt	8	**585,094**	641,095	466,378
Deferred tax liabilities		**11,142**	10,417	17,591
Lease liabilities	9	**3,056**	3,578	3,481
Other non-current liabilities		**1,324**	1,917	1,415
Total non-current liabilities		**600,616**	657,007	488,864
Current Liabilities				
Accounts Payable		**3,099**	1,384	5,902
Current portion of interest bearing debt	8	**339,953**	232,915	463,555
Taxes Payable		**9,547**	8,658	6,570
Lease liabilities	9	**2,533**	2,436	2,549
Other current liabilities		**22,697**	17,626	26,491
Total current liabilities		**377,829**	263,019	505,066
Total Liabilities		**978,445**	920,026	993,930
TOTAL EQUITY AND LIABILITIES		**1,343,310**	1,291,140	1,371,556

Interim Consolidated Statement of Cash Flow

		For the quarter end		Year to date		
EUR thousand	Note	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	Full year 2019
Operating actitvities						
Profit/(loss) before tax		**12,296**	6,336	-29,043	24,123	32,636
Taxes paid		**-3,385**	-1,333	-4,243	-4,441	-4,741
Adjustments for:						
- Finance income and expense		**15,414**	11,069	35,693	36,904	49,389
- Portfolio amortization and revaluation		**21,023**	23,086	86,736	58,942	82,934
- Cost of secured assets sold, incl. Impairment		**4,749**	16,374	46,956	56,093	74,464
- Depreciation and amortization		**2,633**	2,625	7,856	7,287	10,115
- Calculated cost of employee share options		**47**	362	518	880	1,256
Change in Working capital		**89**	-7,529	2,350	-12,468	-3,941
Net cash flows operating activities		**52,865**	50,989	146,824	167,320	242,112
Investing actitvities						
Purchase of debt portfolios	6	**-41,735**	-85,754	-189,906	-306,209	-401,646
Sale of debt portfolio	6	**150**	519	900	519	885
Purchase of REO's	7	**-33**	-7	-325	-305	-668
Investment in subsidiaries		**0**	0	0	0	-250
Purchase of intangible and tangible assets		**-1,481**	-2,036	-5,042	-6,479	-9,642
Interest received		**0**	77	22	98	98
Net cash flows investing activities		**-43,099**	-87,200	-194,351	-312,375	-411,222
Financing actitvities						
Proceeds from borrowings	8	**13,409**	84,065	81,631	235,941	303,984
Repayment of debt	8	**-6,856**	-38,103	-76,608	-65,052	-80,089
Interest paid	8	**-11,936**	-11,737	-35,996	-32,133	-44,149
Loan fees paid	8	**-24**	-1,212	-4,503	-4,181	-5,168
New Share issues		**0**	0	50,767	547	547
Proceeds (repayments) from (to) Non-controlling interests		**-1,575**	-3,349	-5,519	1,988	-1,412
Cost related to share issues		**0**	0	-959	0	0
Net cash flows financing activities		**-6,982**	29,664	8,813	137,110	173,713
Net change in cash and cash equivalents		**2,784**	-6,547	-38,715	-7,945	4,604
Cash and cash equivalents at the beginning of period		**34,289**	69,335	75,396	70,776	70,776
Currency translation		**-1,272**	304	-880	261	16
Cash and cash equivalents at end of period, incl. restricted funds		**35,801**	63,092	35,801	63,092	75,396

Interim Consolidated Statement of Changes in Equity

	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				-17,945	**-17,945**	-16,500	**-34,445**
Foreign currency translation differences - foreign operations			-23,122		**-23,122**		**-23,122**
Total comprehensive income for the period	0	0	-23,122	-17,945	**-41,067**	-16,500	**-57,567**
Proceeds from Non-controlling interests					**0**	-5,519	**-5,519**
New Share issues	15,703	35,064			**50,767**		**50,767**
Cost related to share issues		-959			**-959**		**-959**
Share based payment		518			**518**		**518**
Closing balance on 30 Sep 2020	97,040	236,502	-27,843	-15,791	**289,907**	74,958	**364,866**

Notes to the Financial Report

Note 1 Reporting entity and Accounting Principles

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

The activities are further described in Note 3.

The interim report has been prepared in accordance with IAS 34. The accounting principles applied correspond to those described in the Annual Report for the Financial Year 2019. This interim report does not contain all the information and disclosures available in the annual report and the interim report should be read together with the Annual Report for the Financial Year 2019.

In preparing these interim financial statements, management has made judgements and estimates that effects the application and accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. Critical Accounting estimates and judgements in terms of accounting policies are more comprehensive discussed in the Company Annual report for the Financial Year 2019, which is available on Axactor's website: www. axactor.com.

The significant judgements made by management applying the Group's accounting policies and the key resources of estimation uncertainty were the same as those described in the last annual financial statements. However, considering the uncertainty arising from the Covid-19 pandemic there is clearly a high level of judgement required in the assessment of future collection/cash flows/forecasts. Especially considering the uncertainty around the duration and intensity of the crisis at this stage. The management have assessed the data and information available at the balance date and made impairments on NPL portfolios and REO, ref Note 6 in this quarterly report for impairment on NPL and Note 7 for impairment of REO.

Note 2 Risks and uncertainties

Axactor's regular business activities entail exposure to various types of risk. The company manages such risks proactively and the board of directors regularly analyses its operations and potential risk factors and takes steps to reduce risk exposure. Axactor gives strong emphasis to quality assurance and has quality systems implemented, or under implementation in line with the requirements applicable to its business operations.

The risks include but are not limited to credit risk, risk inherent in purchased debt, interest rate risk, regulatory risk, liquidity risks and financing risks. Following the Covid-19 pandemic, the Group tightly monitors its different risks in all countries were Axactor companies are present. All counties experienced a lock down period in Q1, that was gradually opened in Q2 and normalized during Q3, with many employees still working partly from home offices. Management do not expect that the macroeconomic situation during 2020 will impact the NPL collection and REO sale significantly in the short-term as long as the external processing of legal claims continue to be open. The long-term effects remain uncertain. For a more elaborate discussion on the aforementioned risks one is referred to the Company's Annual Report for the Financial Year 2019, which is available on Axactor's website: www.axactor.com (Note 3 of the Group financial statement).

The Group tightly monitors its risk relating to meet its contractual obligations when due. The Group had cash and cash equivalent of EUR 35.8 million at 30 September 2020 (31.12.2019 EUR 75.4 million). The following table detail the Group's remaining contractual quarterly maturity for its financial liabilities based on the most likely date on which cash flows can be required to pay.

EUR thousand	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	2022 ->	Total
Interest bearing loans DNB/Nordea	14,417	17,802	19,739	15,821	18,147	315,100	**401,026**
Interest bearing loans Italy	2,037	2,063	2,524	2,789	2,825	30,783	**43,020**
Interest bearing loans Nomura	6,225	6,225	6,188	6,188	6,398	0	**31,223**
Bond loan	0	0	200,000	0	0	0	**200,000**
Interest bearing A & B notes	0	0	0	0	0	140,000	**140,000**
Interest bearing loans DNB/Nordea (Axactor Invest 1)	9,442	9,693	9,811	16,772	12,672	61,319	**119,710**
Accrued interest	481	0	0	0	0	0	**481**
Trade Payables	3,099	0	0	0	0	0	**3,099**
Other Liabilities	18,318	1,785	2,594	0	0	0	**22,697**
Taxes payables	2,911	973	973	973	973	2,743	**9,547**
Deferred tax liabilities	0	0	0	0	0	11,142	**11,142**
Forward flow NPL agreements [1]	24,492	14,054	12,173	9,636	7,173	21,518	**89,046**
Leasing agreements	818	712	645	592	452	2,824	**6,044**
Accruals	0	0	0	0	0	1,324	**1,324**
Total	82,239	53,307	254,647	52,772	48,641	586,754	**1,078,360**

1) *Forward flow NPL agreements split by countries:*

Norway	*86 %*
Sweden	*8 %*
Finland	*5 %*
Italy	*1 %*

The table above shows an estimated calculation of repayment on interest bearing loans of EUR 32.6 million for the rest of 2020. The calculation is made under the assumption that no new portfolios are acquired in 2020 and that Axactor therefore partly need to repay the facility to stay below the LTV covenant (Loan to Value) in order to match portfolio amortization and decrease in portfolio value. The same mechanism as for amortization applies for any impairment situation. The table above does not reflect any repayments based on impairment.

As the Covid-19 situation will impact the 2020 financials, the Group has implemented a wide range of initiatives to ensure a satisfactory liquidity situation, whereof one of the initiatives is to reduce the investment activity.

Goodwill

As stated in Note 4 in the 2019 annual financial statement the Group tests whether goodwill has suffered any impairment when impairment indicators are identified. The recent weakening of the economic situation caused by Covid-19 together with the weakening of the NOK currency in which the Axactor shares are listed required a semiannual impairment as per June 2020. The recoverable amount of cash-generating units have been calculated based on a discounted cash flow model reflecting the value-in-use. The cash flows are derived from the forecasts for 2020 and the following next four years, as performed by the management, and do not include significant investments that will enhance the performance of the CGU being tested, except from already committed.

The test result and conclusion are that the Value-in-use exceeds carrying amount for each the tested CGUs. The impairment test did not indicate any required impairment of goodwill.

Note 3 Segment note

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

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

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

The 3PC segments main focus is to perform debt collection services on behalf of third-party clients. They apply both amicable and legal proceedings in order to collect the non-performing loans, and typically receive a commission for these services. They also help creditors to prepare documentation for future legal proceedings against debtors, and for this they typically receive a fixed fee. With effect from Q2 2019, Accounts Receivables Management (ARM) is subordinated under the 3PC segment. The ARM services include the handling of invoices between the invoice date and the default date, as well as sending out reminders.

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

Segment revenue reported below represents revenue generated from external customers.

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

For the quarter end 30 Sep 2020

EUR thousand	NPL	REO	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	61,896	10,141	0	0	**72,036**
Other operating revenue and other income	0	0	11,317	-50	**11,266**
Portfolio amortization and revaluation	-21,023	0	0	0	**-21,023**
Total income	40,873	10,141	11,317	-50	**62,280**
REO cost of sales	0	-9,860	0	0	**-9,860**
Impairment REOs	0	5,111	0	0	**5,111**
Direct operating expenses	-9,004	-2,747	-6,796	0	**-18,547**
Contribution margin	31,869	2,645	4,520	-50	**38,983**
SG&A, IT and corporate cost				-8,641	**-8,641**
EBITDA					**30,343**
Total opex	-9,004	-7,496	-6,796	-8,641	**-31,937**
CM1 Margin	78.0 %	26.1 %	39.9 %	na	**62.6 %**
EBITDA Margin					**48.7 %**
Opex ex SG&A, IT and corp.cost / Gross revenue	14.5 %	73.9 %	60.1 %	na	**28.0 %**
SG&A, IT and corporate cost / Gross revenue					**10.4 %**

For the quarter end 30 Sep 2019

EUR thousand	NPL	REO	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	53,825	20,248	0	0	**74,073**
Other operating revenue and other income	0	0	12,466	809	**13,275**
Portfolio amortization and revaluation	-23,086	0	0	0	**-23,086**
Total income	30,739	20,248	12,466	809	**64,263**
REO cost of sales	0	-16,374	0	0	**-16,374**
Impairment REOs	0	0	0	0	**0**
Direct operating expenses	-8,397	-2,408	-8,215	0	**-19,020**
Contribution margin	22,342	1,466	4,251	809	**28,868**
SG&A, IT and corporate cost				-8,839	**-8,839**
EBITDA					**20,029**
Total opex	-8,397	-18,782	-8,215	-8,839	**-44,233**
CM1 Margin	72.7 %	7.2 %	34.1 %	na	**44.9 %**
EBITDA Margin					**31.2 %**
Opex ex SG&A, IT and corp.cost / Gross revenue	15.6 %	92.8 %	65.9 %	na	**40.5 %**
SG&A, IT and corporate cost / Gross revenue					**10.1 %**

Year to date 30 Sep 2020

EUR thousand	NPL	REO	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	170,541	28,227	0	0	**198,768**
Other operating revenue and other income	0	0	34,452	49	**34,501**
Portfolio amortization and revaluation	-86,736	0	0	0	**-86,736**
Total income	83,805	28,227	34,452	49	**146,533**
REO cost of sales	0	-24,960	0	0	**-24,960**
Impairment REOs	0	-21,997	0	0	**-21,997**
Direct operating expenses	-26,795	-6,060	-23,232	0	**-56,087**
Contribution margin	57,010	-24,789	11,220	49	**43,490**
SG&A, IT and corporate cost				-28,983	**-28,983**
EBITDA					**14,506**
Total opex	-26,795	-53,017	-23,232	-28,983	**-132,026**
CM1 Margin	68.0 %	-87.8 %	32.6 %	na	**29.7 %**
EBITDA Margin					**9.9 %**
Opex ex SG&A, IT and corp.cost / Gross revenue	15.7 %	187.8 %	67.4 %	na	**44.2 %**
SG&A, IT and corporate cost / Gross revenue					**12.4 %**

Year to date 30 Sep 2019

EUR thousand	NPL	REO	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	156,327	69,963	0	0	**226,290**
Other operating revenue and other income	0	0	42,098	884	**42,981**
Portfolio amortization and revaluation	-58,942	0	0	0	**-58,942**
Total income	97,385	69,963	42,098	884	**210,329**
REO cost of sales	0	-55,881	0	0	**-55,881**
Impairment REOs	0	-212	0	0	**-212**
Direct operating expenses	-23,047	-7,343	-25,964	0	**-56,354**
Contribution margin	74,338	6,526	16,134	884	**97,882**
SG&A, IT and corporate cost				-29,568	**-29,568**
EBITDA					**68,314**
Total opex	-23,047	-63,437	-25,964	-29,568	**-142,015**
CM1 Margin	76.3 %	9.3 %	38.3 %	na	**46.5 %**
EBITDA Margin					**32.5 %**
Opex ex SG&A, IT and corp.cost / Gross revenue	14.7 %	90.7 %	61.7 %	na	**41.8 %**
SG&A, IT and corporate cost / Gross revenue					**11.0 %**

Full Year 2019

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

Note 4 Income

Portfolio Revenue

	For the quarter end		Year to date		
EUR thousand	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	Full year 2019
Yield [1]	**41,497**	35,828	121,335	97,292	134,531
CU1 [2]	**-197**	-9,369	-9,555	-4,711	-8,408
CU2 [3]	**-1,950**	3,093	-32,424	1,779	3,654
CU2 tail [4]	**1,522**	1,187	4,449	3,025	4,434
Total income	**40,873**	30,739	83,805	97,385	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*

The result from the fair value calculation of the derivative (forward flow agreements) appears in the line 'other income' in the Profit and loss statement. The fair value adjustment of both realized and unrealized derivatives are recognized with EUR 42 thousand during the period.

Note 5 Financial items

EUR thousand	For the quarter end 30 Sep 2020	For the quarter end 30 Sep 2019	Year to date 30 Sep 2020	Year to date 30 Sep 2019	Full year 2019
Financial revenue					
Interest on bank deposits	**0**	68	22	98	81
Exchange gains realized	**333**	8	581	7	47
Net unrealized exchange gain	**0**	2,794	8,261	2,121	2,604
Other financial income	**4**	21	14	36	55
Total financial revenue	**337**	2,892	8,877	2,262	2,787
Financial expense					
Interest expense on borrowings	**-14,021**	-13,411	-42,286	-37,314	-51,251
Interest on Notes to NCI [1]	**0**	0	0	0	2,080
Exchange losses realized	**-102**	-39	-1,079	-123	-696
Net unrealized exchange loss	**-1,394**	0	0	0	0
Other financial expense [2] [3]	**-235**	-510	-1,205	-1,729	-2,310
Total financial expense	**-15,751**	-13,961	-44,570	-39,166	-52,176
Net financial items	**-15,414**	-11,069	-35,693	-36,904	-49,389

1) *Interest on Notes classified as Debt instruments in 2018, reversed in 2019*
2) *Includes interest from negative bankaccounts in group multicurrency cash pool*
3) *Includes amortization of warrants of 0.4m in each Q, Q1-3 2019*

Note 6 Non-performing loans

EUR thousand	Year to date 30 Sep 2020	Year to date 30 Sep 2019	Full year 2019
Balance at 1 Jan	**1,041,919**	728,819	728,819
Acquisitions during the year [2]	**186,323**	302,849	398,286
Collection	**-170,541**	-156,327	-217,147
Yield - Interest income from purchased loan portfolios	**121,335**	97,292	134,531
Net gain/loss purchased loan portfolios [1]	**-37,530**	93	-319
Repossession of secured NPL to REO	**-1,754**	-3,881	-2,823
Disposals [1]	**-384**	-167	-187
Translation difference	**-23,889**	-4,725	758
Balance at end of period	**1,115,480**	963,953	1,041,919
Payments during the year for investments in purchased debt amounted to EUR	**189,906**	306,209	401,646
Deferred payment	**6,703**	1,278	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	***375,050***	*1,251,615*	*1,370,163*
Expected credit losses at acquisition	***-188,727***	*-948,767*	*-971,877*
Credit impaired acquisitions during the year	***186,323***	*302,849*	*398,286*

Non-performing loans consists 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.

		Factors affecting the estimation of future cash flow	
Market	Book value	Market specific	All markets
Finland	119,797	· 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
Norway	212,852		
Sweden	253,574		
Germany	131,608		
Italy	124,928	· Discounts · Economic growth · Tracing activity · Legal activities costly and time consuming	
Spain	272,721		
Total	1,115,480		

As at the end of Q3 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 current 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 two quarters has formed the basis for the current ERC.

Note 7 Stock of secured assets - REO

	Year to date		
EUR thousand	30 Sep 2020	30 Sep 2019	Full year 2019
Acquisition cost at 1 Jan	**129,041**	200,009	200,009
Acquisitions during the year	**325**	305	668
Repossession of secured NPL	**1,754**	3,881	2,823
Cost of sold secured assets	**-24,960**	-55,881	-74,052
Total acquisition cost	**106,160**	148,314	129,448
Impairment	**-21,997**	-212	-412
Disposals	**0**	0	5
Balance at end of period	**84,163**	148,101	129,041
Number of assets	**3,076**	4,612	4,024

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.

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. During Q3 Axactor experienced improved sales and sales prices for which a reversed impairment has been made with EUR 5.1 million to reflect the net fair value.

Note 8 Loans and borrowings

EUR thousand	Currency	Facility limit	Nominal value	Capitalized loan fees	Accrued interest	Carrying amount, EUR	Interest coupon	Maturity
Facility								
ISIN NO 0010840515	EUR		200,000	-639	272	199,634	3m EURIBOR+700pbs	23.06.2021
Total Bond loan						199,634		
Revolving credit facility DNB/Nordea	EUR	500,000	231,556	-6,417	0	225,139	EURIBOR+ margin	21.12.2021
(multiple currency facility)	NOK		93,740			93,740	NIBOR+ margin	21.12.2021
	SEK		75,729			75,729	STIBOR+ margin	21.12.2021
Revolving credit facility DNB/Nordea	EUR	120,000	105,000	-1,545	0	103,455	EURIBOR+ margin	24.11.2021
	SEK		14,710			14,710	STIBOR+ margin	24.11.2021
Total Credit facilities						512,774		
Sterna	EUR	na	140,000	-368	0	139,632	6.500 %	24.11.2022
Nomura	EUR	na	31,223	-1,445	142	29,920	EURIBOR+ margin	02.08.2022
Italian banks	EUR	na	43,020	0	67	43,088	EURIBOR+ margin	2020-2026
Total Other borrowings						212,640		
Total Borrowings at end of period						925,047		
whereof:								
Non-current borrowings						585,094		
Current borrowings						339,953		
of which in currency:								
NOK						93,740		
SEK						90,439		
EUR						740,868		

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	-33,357	**-76,608**
Loan fees	0	-4,503	0	**-4,503**
Total changes in financial cashflow	0	25,548	-25,028	**520**
Change in accrued interest	-39	-58	-32	**-128**
Amortization capitalized loan fees	604	3,630	2,153	**6,387**
Currency translation differences	0	-11,664	0	**-11,664**
Total Borrowings at end of period	199,633	512,774	212,641	**925,047**

Maturity

EUR thousand	Currency	Carrying amount	Total future cashflow	Estimated future cash flow within: 6 months or less	6-12 months	1-2 years	2-5 years
ISIN NO 0010840515	EUR	199,634	200,272	272	200,000	0	0
Total Bond loan		199,634	200,272	272	200,000	0	0
Revolving credit facility DNB/Nordea (multiple currency facility)	NOK/SEK/EUR	394,609	401,026	32,219	35,560	333,247	0
Revolving credit facility DNB/Nordea	EUR/SEK	118,164	119,710	19,135	26,583	73,992	0
Total Credit facilities		512,774	520,735	51,354	62,143	407,239	0
Sterna	EUR	139,632	140,000	0	0	0	140,000
Nomura	EUR	29,920	31,365	12,592	12,375	6,398	0
Italian banks	EUR	43,088	43,087	4,166	5,313	11,712	21,897
Total Other borrowings		212,640	214,453	16,758	17,688	18,110	161,897
Total Borrowings at end of period		925,047	935,460	68,385	279,831	425,349	161,897

The estimated maturity calculation is is made under the assumption that no new portfolios or forward flow agreements are acquired in 2020 and that Axactor therefore partly need to repay the facility to stay below the LTV covenant (Loan to Value) in order to match portfolio amortization and decrease in portfolio value. 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 NO0010840515). Following the tap issue the total nominal amount outstanding under the bonds will be EUR 200 million.

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

The following financial covenants applies:
- 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

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.

Sterna and Revolving credit facility DNB/Nordea

Following the co-investment partnership with Geveran, Notes in the amount of EUR 230 million has been issued, of which for EUR 185 million has been subscribed to by Sterna Finance, a company in the Geveran Group. The remainder has been subscribed to by Axactor SE. This consists of EUR 140 million class B Notes, subordinated secured Note, fully subscribed by Geveran. The maturity is in 2022.

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 %

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 35 million.

Note 9 Leasing

Right-of-use assets

EUR thousand	Buildings	Vehicles	Other	Total
Right-of-use assets per 1 Jan	5,039	541	267	**5,846**
New leases	1,229	668	0	**1,897**
Depreciation of the year	-1,757	-379	-142	**-2,278**
Disposals	0	-13	0	**-13**
Currency exchange effects	-113	-7	0	**-120**
Carrying amount of right-of-use assets, end of period	4,397	810	125	**5,332**
Remaining lease term	1-6 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

EUR thousand	Total
Undiscounted lease liabilities and maturity of cash outflow	
< 1 year	**2,767**
1-2 years	**1,475**
2-3 years	**1,048**
3-4 years	**488**
4-5 years	**171**
> 5 years	**95**
Total undiscounted lease liabilities, end of period	**6,044**
Discount element	**-456**
Total discounted lease liabilities, end of period	**5,588**

Note 10 Shares

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 30 Sep 2020	**185,395,464**	97,040,286

30 largest shareholders as at 30 Sep 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 %
Verdipapirfondet Nordea Norge Verd	2,086,030	1.1 %
Gvepseborg AS	2,036,494	1.1 %
Stavern Helse og Forvaltning AS	2,000,000	1.1 %
Nordnet Livsforsikring AS	1,796,225	1.0 %
Alpette AS	1,661,643	0.9 %
Endre Rangnes	1,364,000	0.7 %
Nordnet Bank AB	1,209,579	0.7 %
Andres Lopez Sanchez	1,177,525	0.6 %
David Martin Ibeas	1,177,525	0.6 %
Latino Invest AS	1,030,000	0.6 %
Verdipapirfondet Nordea Kapital	1,005,137	0.5 %
Titas Eiendom AS	1,000,000	0.5 %
Norus AS	1,000,000	0.5 %
Lani Invest AS	1,000,000	0.5 %
Verdipapirfondet Nordea Avkastning	998,028	0.5 %
VPF DNB Am Norske Aksjer	987,457	0.5 %
Vardfjell AS	891,401	0.5 %
Svein Dugstad	885,000	0.5 %
Elena Holding AS	860,000	0.5 %
Magnus Tvenge	810,000	0.4 %
Marianne Tvenge	764,689	0.4 %
Annicken Tvenge	750,000	0.4 %
Velde Holding AS	701,250	0.4 %
Klotind AS	685,662	0.4 %
Banca Sistema S.P.A	604,504	0.3 %
Fryden AS	576,000	0.3 %
Vasili Johnny Tsolis	540,000	0.3 %
Total 30 largest shareholders	104,200,060	56.2 %
Other shareholders	81,195,404	43.8 %
Total number of shares	185,395,464	100 %

Total number of shareholders	11,075	

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 %
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*

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	To review the revenue before split into interest and amortization (for own portfolios)	Total income, P&L
Cash EBITDA	EBITDA adjusted for calculated cost of share option program, portfolio amortizations and revaluations, REO cost of sales and REO impairments	To reflect cash from operating activites, 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 8, Borrowings

APM tables

	For the quarter end		Year to date		
EUR million	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	Full year 2019
Total income	**62.3**	64.3	146.5	210.3	285.2
Portfolio amortizations and revaluations	**21.0**	23.1	86.7	58.9	82.9
Gross revenue	**83.3**	87.3	233.3	269.3	368.1

	For the quarter end		Year to date		
EUR million	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	Full year 2019
EBITDA	**30.3**	20.0	14.5	68.3	92.1
Calculated cost of share option program	**0.0**	0.3	0.5	0.6	1.3
Portfolio amortizations and revaluations	**21.0**	23.1	86.7	58.9	82.9
REO Cost of sale, including impairment	**4.7**	16.4	47.0	56.1	74.5
Cash EBITDA	**56.2**	59.7	148.7	184.0	250.8
Taxes paid	**-3.4**	-1.3	-4.2	-4.4	-4.7
Change in Working capital	**0.1**	-7.5	2.4	-12.5	-3.9
Net cash flows operating activities	**52.9**	51.0	146.8	167.3	242.1

	For the quarter end		Year to date		
EUR million	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	Full year 2019
Purchased debt portfolios	**1,115.5**	964.0	1,115.5	964.0	1,041.9
Estimated opex for future collection at time of acquisition	**305.1**	302.5	305.1	302.5	307.6
Estimated discounted gain (after tax)	**739.5**	610.2	739.5	610.2	688.9
Estimated Remaining Collection, NPL	**2,160.0**	1,876.6	2,160.0	1,876.6	2,038.4

APM / KPI definition

Cash EBITDA	EBITDA adjusted for 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
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, excluding minorities, annualized	Net profit/(loss) to equity holders as a percentage of total equity excluding Non-controlling interests, annualized based on number of days in period
Return on Equity, including minorities, annualized	Net profit/(loss) after tax as a percentage of total equity, annualized based on number of days in period
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
Tracing activity	Finding and updating debtor contact information

Terms and abbreviations

3PC	Third-party collection
ARM	Accounts receivable management
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
IFRS	International Financial Reporting Standards
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 2020

Quarterly Report - Q4	*24.02.2021*
Annual report 2020	*25.03.2021*

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

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Design and production: Artbox AS   Print: Printbox AS

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