AXACTOR

Report

Q4 2022

Highlights [1)]

Fourth quarter and full year 2022

- 2022 ends as the most profitable year in Axactor's history with annualized return on equity for continuing operations in the fourth quarter of 10.1% (-31.6%), and 10.2% for the year (-6.2%). The total annualized return on equity to shareholders ended at 9.1% (-35.1%) for the fourth quarter, and at 9.2% for the full year (-8.5%)
- Investments in NPL portfolios ended at EUR 93.0 million for the fourth quarter (53.5), taking the full year NPL investment level up to EUR 288.1 million (114.0)
- Gross revenue saw a healthy 13% growth compared to the fourth quarter 2021, ending at EUR 89.0 million for the quarter (78.8) and at EUR 336.9 million for the full year (307.6)
- Total income ended at EUR 63.0 million for the fourth quarter (14.0), and at EUR 239.7 million for the full year (158.3)
- EBITDA ended at EUR 31.2 million for the quarter (-17.5), resulting in an EBITDA margin of 49% (-125%). For the full year 2022, EBITDA was EUR 119.0 million (40.5) with an EBITDA margin of 50% (26%)
- Cash EBITDA continue to grow, ending at EUR 57.5 million for the quarter (48.9) and at EUR 218.1 million for the year (192.1)
- Axactor continued its bond buybacks in the fourth quarter, acquiring a total face value of EUR 2.6 million. The total face value of acquired bonds in 2022 is EUR 49.5 million
- The annual customer satisfaction survey conclude customers are very satisfied with Axactor's services and deliverables in all six countries of operation. The average score obtained was 8.5 out of 10, while the net promotor score improved to 62 (50)
- Operational efficiency continues to improve, as evidenced by the decreasing NPL cost-to-collect. Increasing level of self-service in the Nordic countries and focus on advanced analytics driven collection has been among the key drivers in 2022

Events after the period

- Axactor announced financial targets to the market on 11 January 2023. More information can be found in the Financials section of this report

1) The highlights section refers to Axactor's continuing operations, unless explicitly stated otherwise
For more information, please refer to note 12 Discontinued operations

Key Figures Axactor Group

EUR million	For the quarter end 31 Dec 2022	For the quarter end 31 Dec 2021 [1]	Year to date 31 Dec 2022	Year to date 31 Dec 2021 [1]
Gross revenue	**89.0**	78.8	336.9	307.6
Total income	**63.0**	14.0	239.7	158.3
EBITDA	**31.2**	(17.5)	119.0	40.5
Net profit/(loss) after tax from continuing operations	**10.4**	(32.0)	40.6	(25.4)
Net profit/(loss) after tax from discontinued operations	**(2.6)**	(9.5)	(8.1)	(20.6)
Net profit/(loss) after tax	**7.7**	(41.5)	32.6	(46.0)
Return on equity, excluding non-controlling interests, annualized	**9.1%**	(35.1%)	9.2%	(8.5%)
Return on equity, continuing operations, annualized	**10.1%**	(31.6%)	10.2%	(6.2%)
Growth gross revenue, period to period	**12.9%**	(3.3%)	9.5%	6.5%
Cash and cash equivalents, end of period [2]	**32.7**	38.2	32.7	38.2
Cash EBITDA from continuing operations [3]	**57.5**	48.9	218.1	192.1
Cash EBITDA [4]	**59.9**	55.2	229.4	223.8
Acquired NPL portfolios during the period	**93.0**	53.5	288.1	114.0
Book value of NPL portfolios, end of period	**1,252.6**	1,095.8	1,252.6	1,095.8
Estimated remaining collection (ERC), NPL	**2,545.4**	2,140.5	2,545.4	2,140.5
Interest bearing debt, end of period [5]	**955.5**	838.3	955.5	838.3
Number of employees (FTEs), end of period	**1,301**	1,096	1,301	1,096
Price per share, last day of period	**5.88**	7.55	5.88	7.55

1) For some figures, comparative information has been re-presented due to discontinued operations, see note 12
2) Total cash and cash equivalents from continuing and discontinued operations, excluding restricted cash. See APM table
3) Cash EBITDA from continuing operations is EBITDA adjusted for change in fair value of forward flow commitments, portfolio amortizations and revaluations, repossessed assets cost of sale and impairment, and calculated cost of share option program. See APM table
4) Cash EBITDA is total EBITDA (continuing and discontinued operations) adjusted for change in fair value of forward flow commitments, portfolio amortizations and revaluations, REO and repossessed cost of sales and impairments, and calculated cost of share option program. See APM table
5) Interest bearing debt is total interest bearing debt for continuing and discontinued operations. See APM table

Operations

The fourth quarter of 2022 concluded a very positive year for Axactor. The NPL segment had a satisfying 99% collection performance for both the fourth quarter and the whole year, with a strong finish in December of 103%. The continuous focus on cost optimization and efficiency resulted in an NPL cost-to-collect ratio of 39% in 2022 (44%), confirming Axactor's industry leading cost position. The 3PC segment delivered according to expectations in the quarter with total income of EUR 15 million. This represents a growth of 5% compared to corresponding quarter in 2021.

The growth in managed NPL cases from the fourth quarter 2021 was 15%, contributing with close to 1.4 million cases to be managed by the collection departments. Due to the increasing inflation and interest rates, and coherently economic stress for household economies, a clear focus in 2022 has been to offer debtors sustainable payment plan options, and to avoid legal actions where possible. This resulted in an increase of amicable payments by 20% at the end of 2022 compared to the end of 2021.

A group-wide complaints and deviations management system was developed during the quarter. The system covers both legally required reporting as well as fulfill management needs to continuously improve processes and competence. The new system replaces various local solutions and improves the overall reporting quality.

A second operational site in Germany was opened in December 2022, to support the growth of the German business. The new Saarbrücken office will operate as a second contact center and run in parallel with the existing contact center in Heidelberg.

Digital transformation in the Nordics

Axactor's debtor portals are continuously developed to offer new and improved functionality to debtors, both with regards to payment functionality and self-service options. While the contact centers traditionally have been the main contact point between Axactor and the debtors, an ongoing transformation is seemingly taking place in the Nordics. In Sweden, twice as many debtors are logging into the debtor portal compared to calling, while the ratio in Finland is even higher. In Norway, approximately 50% of live contact points initiated by the debtor come through the debtor portal.

As the vast majority of self-service usage is via mobile devices, Axactor has a mobile-first approach to the development of functionality and layout. Analysis has identified that 73% of the users visits the portal through a cell phone, 3% through a tablet and 24% through a computer.

The expectation is that the digital transformation will increase in Germany, Italy and Spain as well. The debtor portal currently has lower usage in these markets, hence there is potential for efficiency increases.

Good results from investments in advanced analytics

An innovation project started in 2019 was completed in the fourth quarter, successfully establishing a cloud-based enterprise data warehouse, an insight and analytical framework and new digital solutions. The project has enabled reliable group-wide analytics across all Axactor markets, as well as new self-service tools introduced to both customers and debtors. The project has gotten financial support from the Norwegian state as an approved SkatteFUNN project.

The Advanced Analytics team reached an important milestone in the fourth quarter of 2022, with machine learning models now incorporated into daily operations for all Axactor's markets. A minimum of three machine learning models are now in production in each geography, supporting operations and valuation processes. Using insights from the machine learning models, Axactor has successfully improved collection efficiency. For some segments of debtors, the activity level has been reduced by 50% without negative effects on recoveries. By analyzing each debtor's situation and adapting the collection processes, Axactor ensures that the collection activities do not cause unreasonable adverse consequences or any unnecessary inconvenience for the debtors.

For the Spanish market, Axactor is developing a strategic tool for decision-making and automation of all processes involved in debt management. The tool can be used by Axactor on own claims, as well as being used by 3PC customers. In the fourth quarter of 2022, Axactor reached important milestones with the completion of the analytical segmentation module and the strategy definition module. Two contracts have already been signed with 3PC customers who will start using the solutions in 2023.

No time to rest – information security on the radar

During fourth quarter of 2022, an extensive ethical hacking and penetration test was carried out in cooperation with an external vendor specialized in cybersecurity. This activity is performed as an additional information security measure and is a part of Axactor's continuous quality improvement process. The penetration test includes multiple safety analysis of potential weaknesses in relation to applications and infrastructure, as well as analysis to determine possible impact and mitigations to any findings.

The external vendor operates with the lates tools and methodologies considered best-in-the-industry and based on official standards to identify and classify risks. All findings are managed and prioritized in view of Axactor's vulnerability management process.

Further, an extensive phishing campaign towards employees was performed in the fourth quarter to raise the awareness among Axactor's employees. In parallel, employees received internal training and focus on information security. The results show good improvements in all countries. One particularly important result was that the employee's reporting rate on suspicions emails doubled compared to last year's phishing campaign. This gives a good indication that Axactor's investments in this area have contributed to a strong security awareness culture.

Renewed customer trust

The results from the annual customer satisfaction survey for 2022 conclude that the customers are very satisfied with Axactor's services and deliverables in all six countries. Axactor received an average score of 8.5, based on a scale from 1-10 where 10 is the best score, and an overall Net Promoter Score (NPS) of 62 (50), considered to be excellent.

Employees and the Axactor culture

The positive operational results would not have been feasible without the dedication of Axactor's employees, acting passionately, proactively and with integrity. Investing in competent high-performing employees is key for Axactor's success. During the quarter, workshops have been conducted in all departments focusing on Axactor's leadership principles, and feedback from the 1,161 employees who anonymously participated in the employee satisfaction survey conducted during the third quarter.

The systematic work to develop the organization and culture has paid off with improvements in several areas emphasized by the employees in the 2021 survey: Leaders and employees are more involved in decision making, achievements are celebrated more, investments in facilities have contributed to a better work environment, it is easy to be yourself in the workplace, and people are social and friendly, treated fairly and you can count on your colleagues. The company will continue to focus on these areas, as well as on comments on further improvement potential such as: making people understand why they make a difference, increase the pride in their work, improve work life balance, ensure competitive benefits, and good internal communication.

Governance and risk management

As part of the annual risk and internal control management processes, a successful second line verification of the group internal controls and a deep-dive risk assessment were conducted across the group. The Board has reviewed and approved all group wide policies to reflect changes in laws and regulations, and to mitigate risks identified since the last update. New policies have been established, covering dividend payments and tax. The latter sets out Axactor's approach in conduct of its tax affairs and management of tax risk, establishing a clear and robust Group approach based on openness and transparency in tax reporting.

Having control of the data processing is an essential element to ensure sustainable operational processes. During the year, Axactor has reviewed its data processing activities and made an action plan to close identified risks and weaknesses.

The Italian operating company Credit Recovery Service S.r.l (CRS) has renewed its ISO 9001 and SA8000 certification addressing various aspects of quality management. CRS has also renewed its ISO 27001 certification focusing on securing sensitive information, and the ISO 45001 certification related to providing a safe and healthy workplace by preventing work-related injuries and ill health, and by proactively improving its occupational safety and health (OH&S) performance and workers wellbeing.

Employees have received training to raise awareness in key areas such as ethical behavior, anti-money laundering, privacy and security, sexual harassment, good debt collection practices, and anti-fraud and anti-corruption.

Continued environmental focus

During the quarter the annual climate risk assessment of Axactor's locations have been conducted, still showing limited climate related risks associated with the company's locations.

A survey of all employees' commuting habits has been performed as part of mapping the company's scope 3 emissions. The company has also reviewed the number of company cars at the different locations throughout the quarter. The aim is to discontinue company cars where possible, and to change to low- or zero-emission cars where there are still strong arguments to maintain the company car programs.

Regulatory developments in the EU

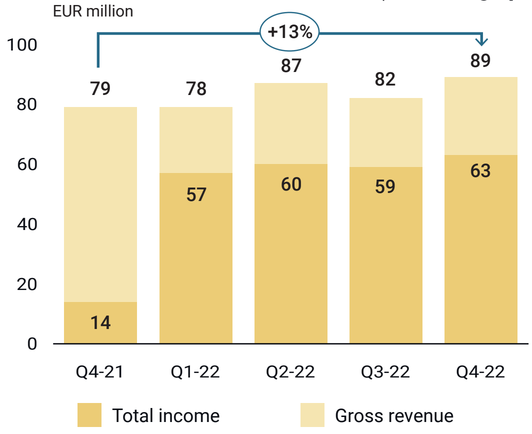
On 16 December, the European Banking Authority (EBA) published its final draft Implementing Technical Standards (ITS), specifying the templates to be used by credit institutions for the provision of information to be provided to prospective buyers when selling non-performing loans (the NPL data templates). Axactor is happy to observe that EBA has considered the input provided by the credit management companies in response to the discussion- and consultation papers and believes the final draft offers better balance between the competing interests than the initial proposal. Regulatory watch and participation in relevant public consultations continues to be an area of focus for the company, with a view to educating the market and the legislators on the importance of the credit management companies and their contribution to the credit lifecycle.

Financials

Revenue

Total income and Gross revenue (continuing operations)

EUR million



Axactor's operations is split into two business segments: NPL and 3PC. The portfolios of purchased real estate (REO) are in a run-off mode and treated as discontinued operations effective from the fiscal year 2022. Repossessed assets from Axactor's secured NPL portfolios are defined as continuing operations and reported under the NPL segment. All comments and numbers in the following text refer to continuing operations unless explicitly stated otherwise. This also applies to figures for previous periods.

Total income for the fourth quarter came in at EUR 63.0 million, up from EUR 14.0 million in the corresponding quarter last year. Axactor saw a 13% growth in gross revenue thanks to improved NPL collection performance, significant NPL investments and a positive 3PC development. Additionally, total income for the quarter includes net NPL revaluations of EUR -1.3 million, compared to EUR -37.6 million in the fourth quarter 2021.

Total income for the NPL segment was EUR 48.0 million for the quarter, up from EUR -0.3 million in the fourth quarter 2021. The fourth quarter 2021 was burdened by EUR -37.6 million in net NPL revaluations, compared to EUR -1.3 million in the fourth quarter 2022. Segment gross revenue grew 15% on the back of improving collection performance and significant investments in new NPL portfolios over the last twelve months. The collection performance for the quarter was 99%, up from 91% in the fourth quarter last year. The NPL amortization rate fell from 42% in the fourth quarter 2021 to 34% in the fourth quarter 2022, contributing positively on the total income development. Out of the 9 percentage point reduction, approximately 4 percentage points relate to improved collection performance, while the rest relates to improved average IRR and seasonality in the curves.

The 3PC segment saw a 5% growth in total income for the quarter compared to the same period last year, ending at EUR 15.0 million (14.3). The main growth driver is the acquisition of Credit Recovery Service in January 2022.

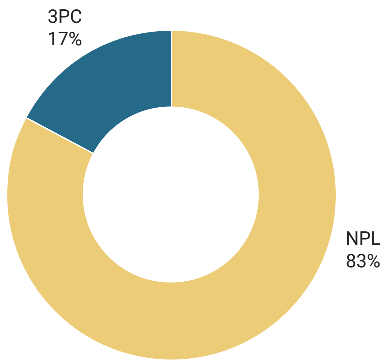
For the full year 2022, total income ended at EUR 239.7 million (158.3), while gross revenue ended at EUR 336.9 million (307.6). The NPL segment contributed with EUR 183.8 million of the total income (108.6) and 281.0 million of the gross revenue (258.0), while 3PC contributed with EUR 55.8 million (49.6).

Operating expenses

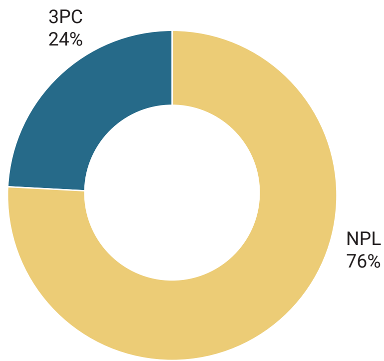
Total operating expenses before depreciation and amortization amounted to EUR 31.8 million for the fourth quarter, slightly up from the corresponding quarter last year (31.5). As a percentage of gross revenue, the operating expenses decreased from 40% to 36%. The positive development is primarily driven by increased NPL collection, combined with a strict cost focus and improving economies of scale.

For the full year 2022, total operating expenses before depreciation and amortization ended at EUR 120.7 million, up from EUR 117.8 million in 2021. Excluding EUR 4.2 million of restructuring cost in 2021, the operating expenses as a percentage of gross revenue fell from 37% to 36%, helped by good results of the cost saving initiatives implemented in 2021 and continued strict cost control throughout the year, as well as increasing collections.

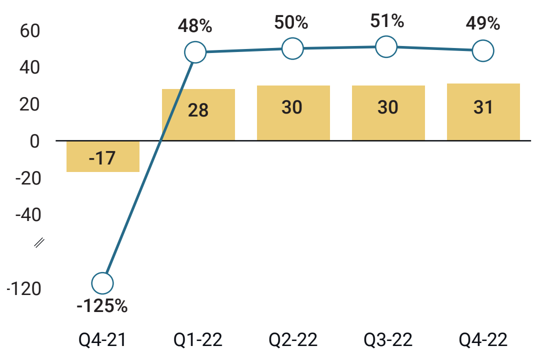
Gross revenue mix Q4-22



Total income mix Q4-22



EBITDA and EBITDA-margin
EUR million and %



Depreciation and amortization – excluding amortization of NPL portfolios – was EUR 2.4 million for the quarter, same as in the corresponding quarter last year. For the full year 2022, the depreciation and amortization ended at EUR 8.9 million, down from EUR 9.6 million last year.

Operating results

Total contribution margin from the business segments was EUR 42.2 million for the quarter, compared to EUR -4.7 million in the fourth quarter last year. The contribution margin over total income thus ended at 67% (-33%).

The NPL segment delivered a contribution margin of EUR 36.1 million in the fourth quarter, up from EUR -11.4 million in the same quarter last year. The main driver for the increase in profitability was improved collection performance and continued strict cost control, as well as the large negative revaluations in the fourth quarter 2021. The total operating expenses for the NPL segment ended at EUR 11.9 million, up 7% compared to the fourth quarter 2021 (11.1). EUR 0.3 million of the total operating expenses relates to cost and impairments of repossessed assets sold (1.6). The margin over total income ended at 75% (3450%, on a negative total income).

Contribution from 3PC was EUR 6.1 million, down from EUR 6.7 million in the fourth quarter 2021. The margin over total income ended at 41% for the quarter (47%).

EBITDA for the fourth quarter ended at EUR 31.2 million, up from EUR -17.5 million in the same quarter last year. The large increase is due to the growth in total income, combined with strict cost control. The EBITDA margin thus came in at 49% (-125%).

The difference between contribution margin and EBITDA is comprised of unallocated SG&A and IT costs, which amounted to EUR 11.0 million for the quarter, down from EUR 12.8 million in the fourth quarter 2021. The fourth quarter 2021 included EUR 2.2 million of cost related to a settlement in connection with the termination of a forward flow agreement.

Cash EBITDA ended at EUR 57.5 million for the fourth quarter, up 18% from EUR 48.9 million in the corresponding quarter last year. The improvement was driven by increased NPL collection and higher 3PC income. Adding the contribution from discontinued operations, cash EBITDA was EUR 59.9 million (55.2).

Operating profit (EBIT) was EUR 28.8 million for the fourth quarter, compared to EUR -19.9 million in the fourth quarter last year.

For the full year 2022, EBITDA ended at EUR 119.0 million (40.5). Contribution from the business segments ended at EUR 161.5 million (85.1), of which NPL contributed EUR 140.4 million (69.7) and 3PC EUR 21.2 million (15.4). Unallocated SG&A and IT costs ended at EUR 42.6 million (44.6). The cash EBITDA ended at EUR 218.1 million (192.1) for the continuing operations, and at EUR 229.4 million including contribution from discontinued operations (223.8). The operating profit (EBIT) for the year ended at EUR 110.1 million (30.9).

Net financial items

Total net financial items for the quarter were negative EUR 15.6 million (negative 12.6), while total interest expense on borrowings for the quarter was EUR 16.1 million (12.9). The increase is partly attributable to higher gross debt, but also to the increase in EURIBOR, NIBOR and STIBOR compared to the fourth quarter 2021. Axactor has hedged parts of its interest expenses through an interest rate cap, but this financial instrument had limited impact on the expenses in the fourth quarter as it came into effect on 15 December.

Axactor continued to purchase own outstanding bonds in the fourth quarter, acquiring a total face value of EUR 2.6 million in the quarter. The total face value of own bonds acquired so far this year is EUR 49.5 million.

The net foreign exchange impact for the quarter was positive EUR 0.9 million, compared to positive EUR 0.5 million in the fourth quarter last year.

For the full year 2022, total net financial items ended at EUR 55.9 million (51.0). Interest expenses on borrowings for the year was EUR 57.9 million (49.1), while the net FX impact was positive EUR 0.6 million (negative 1.5). Total net gain on repurchases of bonds at prices below par ended at EUR 2.3 million for 2022.

Discontinued operations

Discontinued operations is comprised of the portfolios of real estate assets acquired during 2017 and 2018. It is the operating segment formerly reported as REO, but excluding repossessed assets from Axactor's secured NPL portfolios. Total income for the discontinued operations ended at EUR 3.0 million for the quarter (7.5), while EBITDA ended at EUR -2.5 million (-9.1), including a EUR 0.7 million write-down of book values following the annual impairment review (5.6). The net profit was EUR -2.6 million, compared to EUR -9.5 million in the fourth quarter 2021.

For the full year 2022, total income for the discontinued operations ended at EUR 14.1 million (36.8), while EBITDA came in at EUR -7.0 million (-16.8), and net profit at EUR -8.1 million (-20.6).

Earnings and taxes

Earnings before tax ended at EUR 13.2 million for the fourth quarter (-32.5), while net profit ended at EUR 10.4 million (-32.0). The effective tax rate was thus 22% for the quarter (1%). The reason for the relatively low tax rate is recognition of deferred tax assets from previous periods in companies that have turned from loss-making into profitable in 2022, and that has not previously been recognized in the balance sheet. Adding discontinued operations, the net profit was EUR 7.7 million, up from EUR -41.5 million in the fourth quarter 2021.

The net profit including discontinued operations for the fourth quarter ended at EUR 9.4 million for shareholders of the parent company (-35.1), and at EUR -1.7 million for non-controlling interests (-6.5). The resulting earnings per share was thus EUR 0.031 both on a reported basis and fully diluted (-0.116), based on the average number of shares outstanding in each period.

For the full year 2022, the earnings before tax ended at EUR 54.2 million (-20.1). Tax expenses were EUR 13.5 million (5.3), resulting in an effective tax rate of 25%. The net profit thus ended at EUR 40.6 million (-25.4) for continuing operations. Adding contribution from the discontinued operations, net profit ended at EUR 32.6 million (-46.0). EUR 36.8 million of the net profit was attributable to shareholders (-32.8), while EUR -4.2 million (-13.2) was attributable to non-controlling interests. The resulting earnings per share for the year was EUR 0.122 (-0.112).

Cash flow

The following text regarding cash flow includes contribution from both continuing and discontinued operations.

Net cash flow from operating activities, including NPL investments, amounted to EUR -38.1 million (-5.7) for the quarter. The decrease compared to last year relates to higher NPL investments. The amount paid for NPL portfolios increased from EUR 51.6 million in the fourth quarter 2021 to EUR 93.8 million in the fourth quarter 2022. The deviation between the investment in NPL portfolios and the cash paid for NPL portfolios in the period relates to deferred payments on certain portfolios.

Excluding investments in portfolios, cash flow from operations for the quarter amounted to EUR 55.8 million, up 22% from the corresponding period last year (45.7). Cash EBITDA from continuing operations increased to EUR 57.5 million, from EUR 48.9 million in the fourth quarter last year. The positive development was however partly offset by a EUR 3.9 million reduction in cash EBITDA from the discontinued operations. Taxes paid ended at EUR 5.2 million, (2.8). The net working capital decreased by EUR 1.1 million in the fourth quarter, compared to an increase of EUR 6.2 million in the fourth quarter last year.

For the full year 2022, the net cash flow from operating activities, including investments in portfolios, ended at EUR -71.0 million (109.6). Excluding investments in portfolios, the cash flow from operating activities was EUR 220.0 million for the year (224.7), including a Cash EBITDA for continuing and discontinued operations of EUR 229.4 million (223.8), taxes paid of EUR 10.7 million (3.3), and a decrease in net working capital of EUR 1.3 million (5.0).

Total net cash flow from investments, not including investments in NPL portfolios, was EUR -1.0 million for the quarter (-1.1), and EUR -7.7 million for the full year (4.7). The full year 2022 figure includes a EUR 3.1 million cash outflow related to the acquisition of Credit Recovery Service in January.

Total net cash flow from financing activities was EUR 53.3 million for the quarter (8.7), with a net drawdown on credit facilities of EUR 69.4 million (22.1). Interests paid increased from EUR 11.6 million in the fourth quarter last year, to EUR 15.2 million. For the full year 2022, the total net cash flow from financing activities was EUR 75.9 million (-112.4), with a net drawdown on credit facilities of EUR 132.1 million (net repayment of 86.2), and EUR 51.1 million in interests paid (42.0).

Total net cash flow was EUR 14.2 million for the quarter (1.8) and EUR -2.9 million for the full year 2022 (-7.5), leaving total cash and cash equivalents at EUR 39.7 million at the end of the fourth quarter (44.0). This includes EUR 7.0 million in restricted cash (5.8) and EUR 3.6 million allocated to the discontinued operations.

Equity position and balance sheet considerations

Total equity for the Group was EUR 410.6 million at the end of the fourth quarter (381.2), including non-controlling interests of EUR -5.4 million (1.0). The main reason for the increased equity compared to last year is the profits recognized during 2022.

The resulting equity ratio at the end of the year was 29%, same as at the end of 2021.

Return on equity

Annualized return on equity for shareholders, including discontinued operations, ended at 9.1% for the fourth quarter (-35.1%), while annualized return on equity for continuing operations ended at 10.1% (-31.6%). The return on equity for the full year ended at a healthy 9.2% for shareholders, including discontinued operations (-8.5%), and at 10.2% for the continuing operations (-6.2%).

Axactor is pleased to see the return on equity stabilizing at double-digits in 2022. Looking forward, Axactor will aim for further improvements of key drivers such as economies of scale, changes in the business mix, and accretive portfolio investments. The effective tax rate is expected to stabilize at around 27% over time within the company's current jurisdictions. At the same time, the interest rate increases observed recently puts negative pressure on the return on equity development.

Capital expenditure and funding

Axactor invested EUR 93.0 million in NPL portfolios during the fourth quarter (53.5). Total investments for 2022 thus ended at EUR 288.1 million, well within the guiding of EUR 250-300 million (114.0). The invested amount is almost three times the replacement capex and secures continued growth for the NPL segment in 2023. Estimated NPL investment commitments for 2023 stands at EUR 68.1 million at the start of the year.

Axactor has two outstanding bond loans, both listed on Oslo Børs with respective tickers ACR02 and ACR03. ACR02 has a nominal value of EUR 200 million and ACR03 has a nominal value of EUR 300 million. After the bond buybacks in 2022, the outstanding face value of ACR02 and ACR03 is EUR 169.5 million and EUR 281.1 million, respectively.

The revolving credit facility from DNB and Nordea has a total size of EUR 545 million, with an additional EUR 75 million accordion option. At the end of the year the drawn amount on the revolving credit facility was EUR 510.0 million.

Total interest-bearing debt including capitalized loan fees and accrued interest amounted to EUR 955.5 million at the end of 2022 (838.3), including EUR 10.2 million allocated to discontinued operations.

Axactor are in compliance with all loan covenants as per the end of 2022.

Financial targets

On 11 January 2023, Axactor announced financial targets to the market. The targets are realistic and outline a clear direction going forward. The four targets are

1. NPL investments of EUR 100-150 million in 2023, EUR 200-300 million per annum thereafter
2. Minimum 9% return on equity in 2023, with further long-term potential
3. Initiate dividend payments of 20-50% of net profit per annum, with first payment in 2024 based on the financial results for 2023
4. Maintain a leverage ratio (as defined in the bond covenants) of maximum 3.5x from year-end 2023 and onwards

Outlook

The increasing interest rates and macroeconomic uncertainty observed across Europe will have an impact on Axactor's markets in 2023. With increasing funding costs for the industry, NPL prices must adjust to compensate for the increased cost of capital. Axactor sees indications that prices are already adjusting but expect there will be a transition period in which sellers and buyers of NPL portfolios will struggle to find common ground. Combined with an expected increase in default rates, Axactor is confident that a new and fair price level will be reached, but it might take a few quarters to reach this new equilibrium. As a response, Axactor expect to scale down investments to EUR 100-150 million for 2023.

The NPL segment will nonetheless see significant revenue growth in 2023 on the back of the high investment level in 2022. The replacement capex for 2023 is estimated to be EUR 114 million, and the estimated investment level is thus enough to secure a stable NPL book value. Continued organic growth is expected for the 3PC segment in 2023. The debt originators typically choose between outsourcing or selling off their NPLs, and the servicing volume thus depends on how quickly NPL prices adjust, and how determined debt originators are to offload their balance sheets.

Axactor has two loan maturities in the next 13 months: the RCF and the ACR02 bond. Negotiations to renew the RCF are ongoing and expected to close during the first half of the year. The high cash generation from Axactor's operations will be used to reduce leverage through 2023. Axactor remain opportunistic regarding refinancing in the bond market if market conditions improve, within the limits of the leverage ratio target of 3.5x or less at the end of 2023.

In order to reduce financial expenses, Axactor has increased its interest rate hedge position for 2023. Based on the current base interest rates and keeping the gross debt level constant from the end of the fourth quarter 2022, the hedge position is expected to fully offset the impact of increased base interest rates in the first quarter 2023. However, the gross debt increased towards the end of the fourth quarter, meaning the estimated average debt for the first quarter is higher. Estimated interest expenses for the first quarter 2023 with these assumptions is thus EUR 1.0 million higher than the prior quarter. The sensitivity on interest expenses from a further one percentage point increase in base interest rates is approximately EUR 1.0 million.

Axactor's operations continue to see limited impacts on collection from the high inflation and increasing interest rates in 2022. There are some indications in certain markets of fewer large one-off payments, and debtors asking for longer payment plans with lower monthly installments or payment deferrals.

The executive management and Board continue to closely monitor the general macroeconomic situation and its potential business impacts.

Interim condensed consolidated statement of profit or loss

		For the quarter end		Year to date	
EUR thousand	Note	31 Dec 2022	31 Dec 2021 [1]	31 Dec 2022	31 Dec 2021 [1]
Continuing operations					
Interest income from purchased loan portfolios	5, 6	50,363	43,506	187,490	168,421
Net gain/(loss) purchased loan portfolios	5, 6	(2,722)	(44,588)	(8,185)	(62,013)
Revenue from sale of repossessed assets	5	368	1,161	4,526	3,018
Other operating revenue		14,992	13,886	55,846	48,858
Other income		-	12	15	15
Total income	3, 5	63,002	13,978	239,692	158,298
Cost of repossessed assets sold, incl impairment		(292)	(1,554)	(1,496)	(2,136)
Personnel expenses		(16,337)	(13,609)	(64,655)	(61,313)
Operating expenses		(15,190)	(16,292)	(54,587)	(54,350)
Total operating expenses		(31,820)	(31,456)	(120,738)	(117,800)
EBITDA		31,182	(17,478)	118,955	40,498
Amortization and depreciation		(2,357)	(2,439)	(8,895)	(9,616)
Operating profit		28,825	(19,917)	110,060	30,882
Financial revenue	4	963	500	3,194	51
Financial expenses	4	(16,544)	(13,072)	(59,061)	(51,030)
Net financial items		(15,581)	(12,572)	(55,867)	(50,979)
Profit/(loss) before tax from continuing operations		13,244	(32,489)	54,193	(20,097)
Tax (expense)		(2,884)	483	(13,549)	(5,296)
Net profit/(loss) after tax from continuing operations		10,360	(32,006)	40,644	(25,393)
Discontinued operations					
Net profit/(loss) after tax from discontinued operations	12	(2,627)	(9,530)	(8,066)	(20,599)
Net profit/(loss) after tax		7,733	(41,536)	32,578	(45,992)
Attributable to:					
Non-controlling interests:					
Net profit/(loss) after tax from continuing operations		(183)	(635)	489	(952)
Net profit/(loss) after tax from discontinued operations		(1,493)	(5,828)	(4,668)	(12,242)
Net profit/(loss) after tax		(1,677)	(6,464)	(4,179)	(13,194)
Shareholders of the parent company:					
Net profit/(loss) after tax from continuing operations		10,544	(31,371)	40,156	(24,440)
Net profit/(loss) after tax from discontinued operations		(1,134)	(3,702)	(3,399)	(8,357)
Net profit/(loss) after tax		9,410	(35,073)	36,757	(32,797)
Earnings per share:					
From continuing operations, basic and diluted:		0.035	(0.104)	0.133	(0.083)
From continuing and discontinued operations, basic and diluted:		0.031	(0.116)	0.122	(0.112)

1) Comparative figures have been re-presented due to discontinued operations, see note 12

Interim condensed consolidated statement of comprehensive income

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Net profit/(loss) after tax	7,733	(41,536)	32,578	(45,992)
Items that will not be classified subsequently to profit and loss				
Remeasurement of pension plans	238	(4)	238	(4)
Net gain/(loss) on equity instruments designated at fair value through OCI	16	(16)	16	(16)
Items that may be classified subsequently to profit and loss				
Foreign currency translation differences - foreign operations	(1,968)	2,939	(11,343)	8,924
Fair value net gain/(loss) on cash flow hedges during the period	198	(230)	9,876	(230)
Cumulative net (gain)/loss on cash flow hedges reclassified to profit or loss	(245)		(245)	
Other comprehensive income/(loss) after tax	(1,761)	2,689	(1,458)	8,675
Total comprehensive income/(loss) for the period	5,972	(38,847)	31,120	(37,317)
Attributable to:				
Non-controlling interests	(1,677)	(6,464)	(4,179)	(13,194)
Shareholders of the parent company	7,648	(32,384)	35,299	(24,123)

Interim condensed consolidated statement of financial position

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Assets			
Intangible non-current assets			
Intangible assets		16,617	17,824
Goodwill		61,069	55,960
Deferred tax assets		5,356	13,700
Tangible non-current assets			
Property, plant and equipment		2,372	2,290
Right of use assets	8	11,757	10,768
Financial non-current assets			
Purchased debt portfolios	6	1,252,642	1,095,789
Other non-current receivables		606	338
Other non-current investments		-	28
Total non-current assets		1,350,420	1,196,698
Current assets			
Stock of secured assets		-	29,310
Repossessed assets		3,230	-
Accounts receivable		6,376	7,060
Other current assets		29,021	16,154
Restricted cash		7,026	5,798
Cash and cash equivalents		29,045	38,155
Total current assets		74,699	96,476
Assets classified as held for sale	12	12,660	-
Total assets		1,437,778	1,293,175

Interim condensed consolidated statement of financial position

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Equity and liabilities			
Share capital	10	158,369	158,150
Other paid-in equity		270,381	269,919
Retained earnings	10	(3,699)	(40,475)
Other components of equity		(9,016)	(7,320)
Non-controlling interests		(5,441)	976
Total equity		410,593	381,249
Non-current liabilities			
Interest bearing debt	7	445,590	834,411
Deferred tax liabilities		6,143	6,144
Lease liabilities	8	9,404	8,866
Other non-current liabilities		3,423	1,994
Total non-current liabilities		464,561	851,415
Current liabilities			
Accounts payable		7,141	7,282
Current portion of interest bearing debt	7	499,709	3,845
Taxes payable		17,578	20,259
Lease liabilities	8	2,835	2,185
Other current liabilities	9	24,741	26,941
Total current liabilities		552,005	60,511
Liabilities directly associated with assets classified as held for sale	12	10,619	
Total liabilities		1,027,185	911,925
Total equity and liabilities		1,437,778	1,293,175

Interim condensed consolidated statement of cash flows

		For the quarter end		Year to date	
EUR thousand	Note	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Operating activities					
Profit/(loss) before tax from continued operations		13,244	(32,489)	54,193	(20,097)
Profit/(loss) before tax from discontinued operations	12	(2,627)	(9,530)	(8,066)	(20,599)
Taxes paid		(5,242)	(2,827)	(10,713)	(3,261)
Adjustments for:					
- Net financial items, continuing operations		15,581	12,572	55,867	50,979
- Net financial items, discontinued operations		169	441	1,059	3,796
- Portfolio amortization and revaluation		25,977	64,397	97,218	148,542
- Cost of repossessed assets sold, incl impairment		292	1,554	1,496	2,136
- Cost of REOs sold, incl impairment	12	4,836	15,362	18,318	48,379
- Depreciation and amortization		2,357	2,442	8,895	9,654
- Calculated cost of employee share options		96	19	462	180
Change in working capital		1,127	(6,221)	1,291	4,991
Cash flow from operating activities before NPL and REO investments		55,811	45,721	220,019	224,700
Purchase of debt portfolios	6	(93,832)	(51,555)	(290,816)	(115,402)
Sale of debt portfolio	6	-	150	-	450
Purchases related to REO/repossessed assets		(80)	(61)	(227)	(193)
Net cash flow from operating activities		(38,100)	(5,745)	(71,025)	109,555
Investing activities					
Investment in subsidiaries, net of cash acquired	11	-	-	(3,085)	-
Purchase of intangible and tangible assets		(1,068)	(1,135)	(4,862)	(4,718)
Interest received		45	4	203	5
Net cash flow from investing activities		(1,023)	(1,132)	(7,744)	(4,712)
Financing activities					
Proceeds from borrowings	7	93,971	88,006	354,051	542,496
Repayment of debt	7	(24,548)	(65,872)	(222,001)	(628,681)
Interest paid		(15,176)	(11,580)	(51,067)	(42,050)
Loan fees paid	7	(1)	-	(83)	(24,033)
Lease payments	8	(835)	(626)	(2,755)	(2,812)
New share issues		-	-	-	50,792
Repayments to non-controlling interests		(138)	(1,263)	(2,238)	(6,625)
Cost related to share issues		-	-	-	(1,460)
Net cash flow from financing activities		53,274	8,666	75,907	(112,373)
Net change in cash and cash equivalents		14,152	1,790	(2,861)	(7,531)
Cash and cash equivalents at the beginning of period		26,202	42,258	43,953	50,725
Currency translation		(675)	(95)	(1,413)	759
Cash and cash equivalents at end of period, incl. restricted funds		39,679	43,953	39,679	43,953

Interim condensed 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 equity	Retained earnings	Translation reserve	Cash flow hedge reserve	Other reserves	Total	Non-controlling interest	Total Equity
Closing balance at 31 Dec 2020	97,040	236,562	(16,036)	(15,999)		-	**301,566**	74,113	**375,680**
Result of the period			(32,797)				**(32,797)**	(13,194)	**(45,992)**
Other comprehensive income of the period			(4)	8,924	(230)	(16)	**8,675**		**8,675**
Total comprehensive income for the period	-	-	(32,802)	8,924	(230)	(16)	**(24,123)**	(13,194)	**(37,317)**
Repayments to non-controlling interests							**-**	(6,625)	**(6,625)**
Acquisition of remaining 50% of Axactor Invest 1		7,319	8,363				**15,682**	(53,317)	**(37,635)**
New share issues	61,110	27,318					**88,427**		**88,427**
Cost related to share issues		(1,460)					**(1,460)**		**(1,460)**
Share-based payment		180					**180**		**180**
Closing balance at 31 Dec 2021	158,150	269,919	(40,475)	(7,074)	(230)	(16)	**380,273**	976	**381,249**
Result of the period			36,757				**36,757**	(4,179)	**32,578**
Other comprehensive income of the period			238	(11,343)	9,630	16	**(1,458)**		**(1,458)**
Total comprehensive income for the period	-	-	36,995	(11,343)	9,630	16	**35,299**	(4,179)	**31,120**
Repayments to non-controlling interests							**-**	(2,238)	**(2,238)**
Share-based payment		462					**462**		**462**
Bonus issue	219		(219)				**-**		**-**
Closing balance at 31 Dec 2022	158,369	270,381	(3,699)	(18,417)	9,401	-	**416,033**	(5,441)	**410,593**

Notes to the Financial Report

Note 1 Reporting entity and accounting principles

The parent company Axactor ASA (the 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 third party owned portfolios.

The activities are further described in note 3.

This unaudited interim report has been prepared in accordance with IAS 34. The accounting principles applied corrfespond to those described in the Annual Report for the Financial Year 2021. 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 2021.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of 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 comprehensively discussed in the Group Annual Report for the Financial Year 2021, 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 sources of estimation uncertainty were the same as those described in the last annual financial statements. Management continues to assess the data and information available at the reporting date.

Discontinued operations and assets held for sale

The Group has applied IFRS 5 for discontinued operations and assets held for sale. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. The comparative consolidated statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position. Assets and liabilities classified as held for sale are not re-presented in prior period statements of financial position.

Assets held for sale, liabilities in disposal groups and income and expenses from discontinued operations are excluded from specifications presented in the notes unless otherwise stated. Additional disclosures are provided in note 12.

Conversion from SE to ASA

On the Annual General Meeting on 21 April 2022, it was resolved that the parent company in the Axactor Group were to convert form from a Societas Europaea company (SE) to a Norwegian public limited liability company (ASA). It was further resolved that the parent company were to change name from Axactor SE to Axactor ASA and to amend the company's articles of association. The resolved conversion of form, change of name, and amendment of articles of association were registered with the Norwegian Register of Business Enterprises (Foretaksregisteret) on 2 May 2022. Reference is made to the stock exchange announcement by Axactor SE on 2 May 2022.

Update on the process of revaluation model expansion

As communicated in a press release on 13 December 2021, Axactor ASA received a conclusion from the Norwegian Financial Supervisory Authority (FSA) in accordance with the preliminary conclusion as stated in the press release of 2 September 2021. The conclusion imposed Axactor to change its future accounting practice for subsequent measurement of expected credit losses for acquired portfolios of non-performing loans (NPL) with effect from the reporting of the annual accounts for the financial year 2022. The subsequent measurement shall apply current and future macroeconomic factors as input and use more than one scenario. Axactor has in previous periods considered relevant macro factors and market specific factors when estimating future cash flows but not as a direct input generating output in the portfolio revaluation model.

During 2022, Axactor has performed extensive work to expand the portfolio revaluation model as required by the FSA. The work has included testing of correlation between macroeconomic factors and collection. The macroeconomic factors that have been assessed include central bank interest rate, unemployment rate, GDP growth, house price indexes, household consumption, disposable income, inflation and salary growth. The purpose of the testing has been to identify macroeconomic factors with prediction value on collection. Although it has been possible to identify correlations at reduced levels of statistical significance, the correlations have been weak and inconsistent. One possible explanation could be the data availability limited to Axactor's short history. The company will continue to look for correlations through regular testing.

Axactor has now implemented an expanded revaluation model that applies current and future macroeconomic factors as input and use of scenarios, with the model performance limitations explained above. The expanded revaluation model has been applied on Axactor's portfolios of non-performing loans and a revaluation of EUR -1.9 million was recognized in the financial statement line item Net gain/(loss) purchased loan portfolios in Q4 2022. The revaluation is recognized as a change in an accounting estimate in accordance with IAS 8 Change in Accounting Policies, Changes in Accounting Estimates and Errors.

Note 2 Risks and uncertainties

Axactor's regular business activities entail exposure to various types of risk. The Group 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 risk and financing risk. The Group tightly monitors its different risks in all countries where Axactor companies are present. The credit management is negatively affected by a weakened economy. Risks associated with changes in economic conditions are monitored through on-going dialogue with each country management team and through regular follow up on macro-economic development in each country. For a more elaborate discussion on the aforementioned risks one is referred to the Group's Annual Report for the Financial Year 2021, which is available on Axactor's website: www.axactor.com (Note 3 of the Group financial statement).

During 2022, Europe has seen increasing geopolitical risk with the ongoing conflict in Ukraine. Although Axactor's operations are not directly impacted by the conflict, the executive management and the Board of Directors closely monitor the situation and potential indirect business impacts and maintain the business continuity plans.

Interest risk / hedge accounting

The war on Ukraine and the following international sanctions and geopolitical uncertainty has, in addition to the human tragedy, added momentum to already high inflation levels. This has led central banks to increase interest rates earlier and at a faster pace than expected at the start of the year.

The Group started with hedge accounting at the end of 2021. The Group holds interest rate caps, a derivative financial instrument with the purpose of reducing the Group's interest rate exposure. The Group's strategy is to hedge between 50% and 70% of interest bearing debt with a duration of three to five years. Per 31 December 2022, the strategy is under implementation and the Group is still committed to the strategy which it expects to fully implement. On 31 December 2022, the Group holds two interest rate caps with a strike of 0.5% EURIBOR and maturity 15 December 2023. The two contracts hedge the interest risk of EUR 573 million in borrowings, equaling a hedging ratio of 60%. Per 31 December 2022, the fair value of the interest rate hedging derivatives was positive EUR 12.4 million, reported as part of other current receivables in the consolidated statement of financial position.

Liquidity risk

The Group monitors its risk of a shortage of funds using cash flow forecasts regularly. The Group had cash and cash equivalents incl. restricted funds of EUR 39.7 million at 31 Dec 2022 (31 Dec 2021: EUR 44.0 million), as reconciled in the consolidated statement of cash flows. Per 31 Dec 2022, the Group had EUR 35.0 million in available credit in the revolving credit facility (31 Dec 2021: EUR 193.0 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table only include liabilities classified as financial instruments. Contractual maturities of lease liabilities are presented in note 8. For NPL investment commitments, expected cash flows are presented. The maturity calculation is made under the assumption that Axactor has a constant revolving credit facility draw in the period. 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. When applying the interest rate curves at the end of the reporting period, the Group's interest rate caps are expected to reduce the interest payments for borrowings. The effect of the interest rate caps is hence included in the table. The contractual maturity is based on the earliest date on which the Group may be required to pay.

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

EUR thousand	Q1-23	Q2-23	Q3-23	Q4-23	1-2 years	2-4 years	4+ years	Total
NPL investment commitments, non-cancellable [1)2)]	31,158	15,710	4,003	3,461	2,880	-	-	57,211
NPL investment commitments, cancellable [1)2)3)]	-	4,604	4,604	4,604	6,438	-	-	20,249
Revolving credit facility DNB/Nordea	7,113	8,077	8,063	507,711			-	530,964
Bond ACR02 (ISIN: NO0010914666)	3,897	4,326	3,186	4,608	170,218		-	186,235
Bond ACR03 (ISIN: NO0011093718)	5,305	6,003	6,414	4,426	25,013	324,824	-	371,984
Interest rate caps	(1,988)	(3,314)	(2,658)	(2,110)				(10,071)
Other non-current liabilities	-	-	-	-	-	-	3,423	3,422
Accounts payable	7,141	-	-	-	-	-	-	7,141
Other current liabilities	20,738	3,203	-	800	-	-	-	24,741
Total, continuing operations	73,364	38,609	23,612	523,498	204,549	324,824	3,423	1,191,876
Total, discontinued operations	373	-	-	10,247	-	-	-	10,247
Total	73,737	38,609	23,612	533,745	204,549	324,824	3,423	1,202,123

1) NPL investment commitments split by country:

Norway	49 %
Germany	36 %
Italy	9 %
Finland	6 %

2) Expected cash flows based on the last three months' actual delivieres. Cash flows are limited to EUR 132.1 million by contracted capex limits.

3) Cancellable with three months notice

The ERC represents the estimated gross collection on the NPL portfolios. The ERC, amortization and interest income from purchased loan portfolios can be broken down per year as follows (year 1 means the first 12 months from the reporting date):

For the quarter end 31 Dec 2022

EUR thousand	Estimated remaining collection (ERC), amortization and interest income from purchased loan portfolios next four quarters				
Year	Q1 2023	Q2 2023	Q3 2023	Q4 2023	**Year 1**
ERC	77,147	79,664	75,691	77,525	**310,027**
Amortization	26,184	29,946	27,175	30,226	**113,530**
Interest income from purchased loan portfolios	50,963	49,718	48,516	47,299	**196,496**

For the quarter end 31 Dec 2021

EUR thousand	Estimated remaining collection (ERC), amortization and interest income from purchased loan portfolios next four quarters				
Year	Q1 2022	Q2 2022	Q3 2022	Q4 2022	**Year 1**
ERC	67,775	70,806	64,367	65,884	**268,832**
Amortization	25,916	30,036	24,679	27,156	**107,788**
Interest income from purchased loan portfolios	41,859	40,770	39,688	38,728	**161,045**

For the quarter end 31 Dec 2022

EUR thousand	Estimated remaining collection (ERC), amortization and interest income from purchased loan portfolios per year														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**Total**
ERC	310,027	305,914	271,347	237,417	212,308	185,750	168,327	152,172	137,607	124,971	113,833	99,900	84,323	74,817	66,705	**2,545,419**
Amortization	113,530	130,485	118,518	103,930	95,595	83,424	78,622	74,325	71,027	69,190	68,662	65,230	59,403	59,493	61,207	**1,252,641**
Interest [1]	196,496	175,428	152,829	133,487	116,714	102,326	89,705	77,847	66,581	55,781	45,171	34,670	24,921	15,324	5,498	**1,292,778**

1) Interest income from purchased loan portfolios

For the quarter end 31 Dec 2021

EUR thousand	Estimated remaining collection (ERC), amortization and interest income from purchased loan portfolios per year															
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**Total**
ERC	268,832	261,948	225,843	200,819	177,633	160,087	141,774	127,467	114,766	103,142	93,135	84,078	72,064	58,344	50,611	**2,140,543**
Amortization	107,788	118,694	101,236	91,330	81,907	76,761	69,424	65,132	61,836	59,169	57,780	57,213	53,505	47,268	46,746	**1,095,789**
Interest [1]	161,045	143,254	124,607	109,489	95,726	83,326	72,350	62,335	52,930	43,973	35,354	26,865	18,559	11,075	3,864	**1,044,754**

1) Interest income from purchased loan portfolios

Note 3 Segment reporting

Axactor delivers credit management services and the Group's revenue is derived from the following two operating segments:

- Non-performing loans (NPL)
- Third-party collection (3PC)

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. The operating segment applies both amicable and legal proceedings to collect the non-performing loans, and typically receive a commission for these services. Other services provided include, amongst other, helping creditors to prepare documentation for future legal proceedings against debtors, handling of invoices between the invoice date and the default date and sending out reminders. For these latter services, Axactor typically receives a fixed fee.

Axactor reports its business through reporting segments which correspond 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 total income reported 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.

Portfolios of purchased real estate is classified as discontinued operations (see note 12). Portfolios of purchased real estate has prior to 2022 been reported as part of the real estate owned (REO) operating segment. From 2022, in line with internal reporting, REO is no longer considered a separate operating segment. The REO segment consisted of portfolios of purchased real estate as well as repossessed assets from secured non-performing loans. From 2022, in line with the organization and reporting structure used by management, the repossessed assets from secured non-performing loans are reported as part of the NPL segment, whereas amounts from discontinued operations are not included in the segment reporting. Segment information for earlier periods is re-presented to reflect the change in operating segments.

For the quarter end 31 Dec 2022

EUR thousand	NPL	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	73,618	-	-	73,618
Portfolio amortization and revaluation	(25,977)	-	-	(25,977)
Revenue from sale of repossessed assets	368	-	-	368
Other operating income:				
-Change in fair value of forward flow commitments	-	-	-	-
-Other operating revenue and other income	-	14,992	-	14,992
Total income	48,010	14,992	-	63,002
Cost of repossessed assets sold	(227)	-	-	(227)
Impairment repossessed assets	(65)	-	-	(65)
Direct operating expenses	(11,589)	(8,896)	-	(20,485)
Contribution margin	36,129	6,096	-	42,225
SG&A, IT and corporate cost			(11,043)	(11,043)
EBITDA				31,182
Amortization and depreciation			(2,357)	(2,357)
Operating result				28,825
Total operating expenses	(11,881)	(8,896)	(11,043)	(31,820)
Contribution margin (%)	75.3%	40.7%	na	67.0%
EBITDA margin (%)				49.5%
Opex ex SG&A, IT and corp.cost / Gross revenue	16.1%	59.3%	na	23.4%
SG&A, IT and corporate cost / Gross revenue				12.4%

For the quarter end 31 Dec 2021

EUR thousand	NPL	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	63,315	-	-	63,315
Portfolio amortization and revaluation	(64,397)	-	-	(64,397)
Revenue from sale of repossessed assets	1,161	-	-	1,161
Other operating income:				
-Change in fair value forward flow commitments	(409)	-	-	(409)
-Other operating revenue and other income	-	14,296	12	14,308
Total income	(331)	14,296	12	13,978
Cost of repossessed assets sold	(1,464)	-	-	(1,464)
Impairment repossessed assets	(90)	-	-	(90)
Direct operating expenses	(9,521)	(7,559)	-	(17,080)
Contribution margin	(11,406)	6,737	12	(4,657)
SG&A, IT and corporate cost			(12,821)	(12,821)
EBITDA				(17,478)
Amortization and depreciation			(2,439)	(2,439)
Operating result				(19,917)
Total operating expenses	(11,075)	(7,559)	(12,821)	(31,456)
Contribution margin (%)	3450.0%	47.1%	na	(33.3%)
EBITDA margin (%)				(125.0%)
Opex ex SG&A, IT and corp.cost / Gross revenue	17.2%	52.9%	na	23.7%
SG&A, IT and corporate cost / Gross revenue				16.3%

Year to date 31 Dec 2022

EUR thousand	NPL	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	276,524	-	-	**276,524**
Portfolio amortization and revaluation	(97,218)	-	-	**(97,218)**
Revenue from sale of repossessed assets	4,526	-	-	**4,526**
Other operating income:				
-Change in fair value forward flow commitments	-	-	-	**-**
-Other operating revenue and other income	-	55,846	15	**55,861**
Total income	183,831	55,846	15	**239,692**
Cost of repossessed assets sold	(1,430)	-	-	**(1,430)**
Impairment repossessed assets	(65)	-	-	**(65)**
Direct operating expenses	(41,980)	(34,674)	-	**(76,654)**
Contribution margin	140,356	21,172	15	**161,543**
SG&A, IT and corporate cost			(42,588)	**(42,588)**
EBITDA				**118,955**
Amortization and depreciation			(8,895)	**(8,895)**
Operating result				**110,060**
Total operating expenses	(43,475)	(34,674)	(42,588)	**(120,738)**
Contribution margin (%)	76.4%	37.9%	na	**67.4%**
EBITDA margin (%)				**49.6%**
Opex ex SG&A, IT and corp.cost / Gross revenue	15.5%	62.1%	na	**23.2%**
SG&A, IT and corporate cost / Gross revenue				**12.6%**

Year to date 31 Dec 2021

EUR thousand	NPL	3PC	Eliminations/ Not allocated	Total
Collection on own portfolios	254,949	-	-	**254,949**
Portfolio amortization and revaluation	(148,542)	-	-	**(148,542)**
Revenue from sale of repossessed assets	3,018	-	-	**3,018**
Other operating income:				
-Change in fair value forward flow commitments	(782)	-	-	**(782)**
-Other operating revenue and other income	-	49,640	15	**49,655**
Total income	108,643	49,640	15	**158,298**
Cost of repossessed assets sold	(2,046)	-	-	**(2,046)**
Impairment repossessed assets	(90)	-	-	**(90)**
Direct operating expenses	(36,819)	(34,235)	-	**(71,055)**
Contribution margin	69,687	15,405	15	**85,107**
SG&A, IT and corporate cost			(44,609)	**(44,609)**
EBITDA				**40,498**
Amortization and depreciation			(9,616)	**(9,616)**
Operating result				**30,882**
Total operating expenses	(38,956)	(34,235)	(44,609)	**(117,800)**
Contribution margin (%)	64.1%	31.0%	na	**53.8%**
EBITDA margin (%)				**25.6%**
Opex ex SG&A, IT and corp.cost / Gross revenue	15.1%	69.0%	na	**23.8%**
SG&A, IT and corporate cost / Gross revenue				**14.5%**

Note 4 Financial items

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Financial revenue				
Interest on bank deposits	**45**	4	203	5
Net foreign exchange gain [1]	**853**	476	550	-
Gain on purchase of bonds in own bond loans (note 7)	**26**	-	2,349	-
Other financial income	**40**	20	91	46
Total financial revenue	**963**	500	3,194	51
Financial expenses				
Interest expense on borrowings [2]	**(16,075)**	(12,915)	(57,902)	(49,099)
Net foreign exchange loss [1]	**-**	-	-	(1,504)
Other financial expenses	**(469)**	(158)	(1,158)	(427)
Total financial expenses	**(16,544)**	(13,072)	(59,061)	(51,030)
Total net financial items	**(15,581)**	(12,572)	(55,867)	(50,979)

1) Foreign exchange gains and losses are presented net as either financial revenue or financial expenses, depending on the net position
2) In the fourth quarter of 2022, EUR 0.3 million are reclassified from the cash flow hedge reserve (OCI) into interest expense on borrowings

Note 5 Total 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. The Group's revenue from continuing operations from external customers by location of operations are detailed below.

Total income

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Finland	**3,822**	(1,015)	16,100	10,113
Germany	**8,965**	6,620	35,112	30,331
Italy	**8,240**	4,893	28,574	17,387
Norway	**8,705**	6,404	40,862	35,271
Spain	**26,975**	15,789	91,029	59,009
Sweden	**6,296**	(18,714)	28,016	6,187
Total income	**63,002**	13,978	239,692	158,298

Non-current assets [1]

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Finland	**3,747**	4,052	3,747	4,052
Germany	**15,894**	15,884	15,894	15,884
Italy	**16,039**	9,184	16,039	9,184
Norway	**33,068**	36,088	33,068	36,088
Spain	**19,883**	17,519	19,883	17,519
Sweden	**3,185**	4,115	3,185	4,115
Total assets	**91,816**	86,843	91,816	86,843

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

Portfolio revenue

Portfolio revenue consists of interest income from purchased loan portfolios, net gain/(loss) from purchased loan portfolios and revenue from sale of repossessed assets. In line with the information given in note 3 and 12, revenue from sale of repossessed assets is reported as part of the NPL segment from 2022. The portfolio revenue tables below will hence include revenue from sale of repossessed assets for current and prior periods. Net gain/(loss) from purchased loan portfolios is split into collection above/(below) collection forecasts (previously reported as CU1) and net present value of changes in collection forecasts (previously reported as CU2 and CU2 tail).

EUR thousand	Finland	Germany	Italy	Norway	Spain	Sweden	For the quarter end 31 Dec 2022
Interest income from purchased loan portfolios	3,914	8,577	5,238	9,785	16,140	6,709	**50,363**
Collection above/(below) forecasts	(362)	(920)	143	(1,046)	1,399	(650)	**(1,435)**
NPV of changes in collection forecasts	88	(825)	73	(1,517)	1,157	(263)	**(1,286)**
Net gain/(loss) purchased loan portfolios	(274)	(1,745)	216	(2,563)	2,556	(913)	**(2,722)**
Sale of repossessed assets					368		**368**
Total	3,641	6,832	5,455	7,222	19,065	5,796	**48,010**

EUR thousand	Finland	Germany	Italy	Norway	Spain	Sweden	For the quarter end 31 Dec 2021
Interest income from purchased loan portfolios	3,699	5,793	3,830	9,678	12,094	8,410	**43,506**
Collection above/(below) forecasts	(986)	(671)	266	(1,391)	(333)	(3,864)	**(6,978)**
NPV of changes in collection forecasts	(3,834)	(631)	36	(3,697)	(5,761)	(23,723)	**(37,610)**
Net gain/(loss) purchased loan portfolios	(4,820)	(1,301)	302	(5,088)	(6,094)	(27,588)	**(44,588)**
Sale of repossessed assets					1,161		**1,161**
Total	(1,120)	4,492	4,132	4,590	7,162	(19,177)	**79**

EUR thousand	Finland	Germany	Italy	Norway	Spain	Sweden	Year to date 31 Dec 2022
Interest income from purchased loan portfolios	14,962	29,700	19,081	39,464	56,266	28,017	**187,490**
Collection above/(below) forecasts	463	(3,784)	(33)	(3,130)	1,023	(88)	**(5,550)**
NPV of changes in collection forecasts	(15)	790	239	(1,847)	685	(2,487)	**(2,635)**
Net gain/(loss) purchased loan portfolios	448	(2,994)	206	(4,976)	1,708	(2,576)	**(8,185)**
Sale of repossessed assets					4,526		**4,526**
Total	15,410	26,705	19,287	34,487	62,500	25,442	**183,831**

EUR thousand	Finland	Germany	Italy	Norway	Spain	Sweden	Year to date 31 Dec 2021
Interest income from purchased loan portfolios	14,931	21,612	16,023	36,889	44,911	34,055	**168,421**
Collection above/(below) forecasts	(1,728)	(1,223)	(272)	(5,932)	(1,605)	(7,107)	**(17,867)**
NPV of changes in collection forecasts	(3,817)	(229)	(684)	(2,728)	(14,589)	(22,098)	**(44,146)**
Net gain/(loss) purchased loan portfolios	(5,546)	(1,452)	(956)	(8,660)	(16,194)	(29,206)	**(62,013)**
Sale of repossessed assets					3,018		**3,018**
Total	9,385	20,160	15,067	28,230	31,734	4,849	**109,426**

Note 6 Purchased debt portfolios

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Balance at start of period	**1,191,969**	1,102,066	1,095,789	1,124,699
Acquisitions during the period [3]	**93,016**	53,525	288,052	113,979
Collection	**(73,618)**	(63,315)	(276,524)	(254,949)
Interest income from purchased loan portfolios	**50,363**	43,506	187,490	168,421
Net gain/(loss) purchased loan portfolios [1]	**(2,722)**	(44,588)	(8,185)	(62,013)
Repossession of secured NPL	**(1,241)**	(122)	(1,925)	(845)
Deliveries on forward flow contracts	**-**	-	(409)	(1,221)
Disposals [1]	**-**	(193)	-	(193)
Translation difference	**(5,124)**	4,909	(31,646)	7,911
Balance at end of period	**1,252,642**	1,095,789	1,252,642	1,095,789
Payments during the period for investments in purchased debt amounted to EUR [2]	**93,832**	51,555	290,816	115,402

1) Gain on disposals is netted in P&L as 'Net gain/(loss) purchased loan portfolios'
2) Payments during the year will not correspond to credit impaired acqusitions during the year due to deferred payments
3) Reconciliation of credit impaired acquisitions during the period;

Nominal value acquired portfolios	**542,600**	609,283	2,429,169	827,810
Expected credit losses at acquisition	**(449,584)**	(555,757)	(2,141,117)	(713,831)
Credit impaired acquisitions during the period	**93,016**	53,525	288,052	113,979

For an elaborate description of Axactor's accounting principles for purchased debt, see note 2.12.1, and for a description of revenue recognition and fair value estimation, see note 4, in the Group's Annual Report for the Financial Year 2021.

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 loss is recorded in the consolidated balance sheet on the day of acquisition of the loans. The loans are subsequently measured at amortized cost according to a credit adjusted effective interest rate.

Since the delinquent consumer debts are a homogenous group, the future cash flows are projected on a portfolio basis except for secured portfolios, for which cash flows are projected on a collateral asset 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 and updated in line with expectation on an array of economic factors and conditions that will be experienced over time. Changes in expected cash flow are adjusted in the carrying amount and are recognized in 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 majority of the non-performing loans are unsecured. Only a small part of the loans, approximately 5% of the book value of the loans, is secured by a property object.

EUR thousand	Book value	
Market	31 Dec 2022	31 Dec 2021
Finland	**121,300**	111,841
Germany	**179,654**	131,059
Italy	**147,678**	111,348
Norway	**243,468**	249,439
Spain	**357,137**	264,034
Sweden	**203,405**	228,068
Total	**1,252,642**	1,095,789

The estimation of future cash flows is affected by several factors, including general macro factors, market specific factors, portfolio specific factors and internal factors. Axactor has incorporated into the estimated remaining collection (ERC) the effect of the economic factors and conditions that is expected to influence collections going forward. Scenarios have been used to consider possible non-linear relationships between macroeconomic factors and collection.

Note 7 Borrowings

The Group's total borrowings, attributable to both continuing and discontinued operations, are as follows:

EUR thousand	Currency	Facility limit	Nominal value	Treasury bonds	Capitalized loan fees	Accrued interest	Carrying amount, EUR	Interest coupon	Maturity
Facility									
Bond ACR02 (ISIN: NO0010914666)	EUR		200,000	(30,550)	(2,009)	3,133	170,574	3m EURIBOR+700bps	12.01.2024
Bond ACR03 (ISIN: NO0011093718)	EUR		300,000	(18,950)	(2,901)	925	279,074	3m EURIBOR+535bps	15.09.2026
Total bond loans			500,000	(49,500)	(4,910)	4,057	449,648		
Revolving credit facility DNB/Nordea	EUR		197,390		(4,234)	116	193,272	EURIBOR+ margin	22.12.2023
(multiple currency facility)	NOK		159,529				159,529	NIBOR+ margin	22.12.2023
	SEK		153,099				153,099	STIBOR+ margin	22.12.2023
Total credit facilities		545,000	510,018		(4,234)	116	505,899		
Total borrowings at end of period			1,010,018	(49,500)	(9,144)	4,172	955,546		
Total borrowings, continuing operations:							945,299		
Total borrowings, discontinued operations (note 12):							10,247		
whereof:									
Non-current							445,590		
Non-current, continuing operations:							445,590		
Current							509,956		
Current, continuing operations:							499,709		
Current, discontinued operations:							10,247		
of which in currency:									
NOK							159,529		
SEK							153,099		
EUR							642,919		

All borrowings in discontinued operations are denominated in EUR.

EUR thousand	Bond loan	Credit facilities	Total Borrowings
Balance at 1 Jan	495,193	343,063	**838,256**
Proceeds from loans and borrowings	-	354,051	**354,051**
Repayment of loans and borrowings	(49,500)	(172,501)	**(222,001)**
Loan fees	-	(83)	**(83)**
Total changes in financial cash flow	(49,500)	181,467	**131,967**
Change in accrued interest	232	235	**467**
Amortization capitalized loan fees	3,721	4,785	**8,506**
Currency translation differences	-	(23,651)	**(23,651)**
Total borrowings at end of period	449,648	505,899	**955,546**
Total borrowings, continuing operations:			**945,299**
Total borrowings, discontinued operations (note 12):			**10,247**

Maturity

				Estimated future cash flow within			
EUR thousand	Currency	Carrying amount	Total estimated future cash flow	6 months or less	6-12 months	1-2 years	2-5 years
Bond ACR02 (ISIN: NO0010914666)	EUR	170,574	186,235	8,224	7,794	170,218	-
Bond ACR03 (ISIN: NO0011093718)	EUR	279,074	371,985	11,308	10,840	25,013	324,824
Total bond loan		449,648	558,220	19,531	18,633	195,231	324,824
Revolving credit facility DNB/Nordea (multiple currency facility)	EUR/NOK/SEK	505,900	530,964	15,190	515,774	-	-
Total credit facilities		505,900	530,964	15,190	515,774	-	-
Total borrowings at end of period		955,546	1,089,184	34,722	534,408	195,231	324,824
Total borrowings, continuing operations:		945,299					
Total borrowings, discontinued operations (note 12):		10,247					

The maturity calculation is made under the assumption that no new portfolios are acquired, and the revolving credit facility draw is constant to maturity date.

Bond loans

Bond ACR02 (ISIN NO 0010914666) was placed at 3m EURIBOR +7.00% interest, with maturity date 12 January 2024.

The bond is listed on Oslo Børs.

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

Bond ACR03 (ISIN NO 0011093718) was placed at 3m EURIBOR +5.35% interest, with maturity date 15 September 2026.

The bond is listed on Oslo Børs.

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: <80% (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 2022 the Group has repurchased part of the outstanding bonds. On 31 December 2022, the Group holds treasury bonds with a nominal value of EUR 49.5 million, split between EUR 30.6 million in ACR02 (ISIN NO 0010914666) and EUR 19.0 million in ACR03 (ISIN NO 0011093718).

Revolving credit facility DNB/Nordea

The revolving credit facility consists of EUR 545 million in a multicurrency facility, with an additional EUR 75 million accordion option. The loan carries a variable interest rate based on the interbank rate in each currency with a margin.

The following financial covenants apply:
- NIBD ratio to pro-forma adjusted cash EBITDA < 3:1 (secured loans (RCF) less cash to pro-forma adjusted cash EBITDA L12M).
- Portfolio loan to value ratio < 60 % (NIBD to total book value of debt portfolios).
- Portfolio collection performance > 90 % (actual portfolio performance L6M to active forecast L6M).
- Parent loan to value < 80 % (total loans for the Group less cash to total book value of all debt portfolios and REOs).

The maturity date for the facility is 22 December 2023.

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. ReoLux Holding Sarl is not part of the agreement nor the security arrangement.

Note 8 Leasing

Right of use assets

EUR thousand	Buildings	Vehicles	Other	Total
Right of use assets at 1 Jan 2021	3,949	797	80	**4,826**
New leases and lease modifications	9,333	107	51	**9,491**
Depreciation of the year	(2,503)	(346)	(80)	**(2,929)**
Disposals	(484)	(84)	(4)	**(572)**
Currency exchange effects	(48)	1	-	**(48)**
Right of use assets at 31 Dec 2021	10,247	475	46	**10,768**
New leases and lease modifications	4,293	339	69	**4,701**
Depreciation of the period	(2,668)	(386)	(19)	**(3,073)**
Disposals	(298)	(24)	-	**(322)**
Currency exchange effects	(310)	(3)	(3)	**(317)**
Right of use assets at 31 Dec 2022	11,263	401	93	**11,757**
Remaining lease term	1-9 years	1-3 years	3-5 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Lease liabilities at 1 Jan	**11,051**	5,086
New leases, modifications and terminations	**4,241**	8,812
Lease payments, principal amount	**(2,755)**	(2,812)
Currency exchange effects	**(297)**	(35)
Lease liabilities at period end	**12,239**	11,051
Current	**2,835**	2,185
Non-current	**9,404**	8,866

EUR thousand	31 Dec 2022	31 Dec 2021
Undiscounted lease liabilities and maturity of cash outflow		
< 1 year	**3,441**	2,717
1-2 years	**3,015**	2,511
2-3 years	**2,620**	2,065
3-4 years	**2,464**	1,821
4-5 years	**822**	1,800
> 5 years	**1,745**	2,100
Total undiscounted lease liabilities, end of period	**14,106**	13,015
Discount element	**(1,866)**	(1,964)
Total discounted lease liabilities, end of period	**12,240**	11,051

Note 9 Fair value of forward flow commitments, balance movements

Changes in the fair value of forward flow commitments are shown below. For additional information, see Note 2.13.2 in Group Annual Report for the Financial Year 2021.

EUR thousand	31 Dec 2022	31 Dec 2021
Balance at 1 Jan	(409)	(834)
Deliveries	409	1,221
Value change	-	(782)
Translation difference	-	(14)
Balance at period end	-	(409)

The changes in fair value of forward flow commitments are included in 'Other current assets' and 'Other current liabilities' in the consolidated statement of financial position;

EUR thousand	31 Dec 2022	31 Dec 2021
Fair value of forward flow commitments (liability)	-	(409)
Balance at period end	-	(409)

Note 10 Shares

Issued shares and share capital

On 21 April 2022, the parent company in the Axactor Group converted form from Societas Europaea company (SE) to a Norwegian public limited liability company (ASA) and converted the share capital from euro to Norwegian kroner. A bonus issue was carried out on the same day, whereby NOK 2,126,326 (EUR 218,961) was transferred from unrestricted equity to share capital. The share capital of Axactor ASA as of 31 Dec 2022 was NOK 1,537,920,412 (EUR 158,368,902) consisting of 302,145,464 ordinary shares at NOK 5.09 per share.

	Number of shares	Share capital (EUR)
At 31 Dec 2020	185,395,464	97,040,286
New share issues, Jan	50,000,000	26,171,159
New share issues, Jan	40,000,000	20,936,928
New share issues, Mar	26,750,000	14,001,570
At 31 Dec 2021	302,145,464	158,149,942
Bonus issue, Apr		218,961
At 31 Dec 2022	302,145,464	158,368,902

20 largest shareholders as at 31 Dec 2022

Name	Shareholding	% Share
Geveran Trading Co Ltd	140,784,692	46.6%
Torstein Ingvald Tvenge	10,000,000	3.3%
Ferd AS	7,864,139	2.6%
Skandinaviska Enskilda Banken AB (Nominee)	5,279,467	1.8%
Skandinaviska Enskilda Banken AB	4,500,000	1.5%
Verdipapirfondet Nordea Norge Verdi	4,454,162	1.5%
Nordnet Livsforsikring AS	2,390,364	0.8%
Endre Rangnes	2,017,000	0.7%
Gvepseborg AS	2,009,694	0.7%
Stavern Helse og Forvaltning AS	2,000,000	0.7%
Alpette AS	1,661,643	0.5%
Klotind AS	1,532,704	0.5%
Velde Holding AS	1,500,000	0.5%
Masani AS	1,400,000	0.5%
David Martin Ibeas	1,177,525	0.4%
Andres Lopez Sanchez	1,177,525	0.4%
Latino Invest AS	1,040,000	0.3%
Verdipapirfondet Nordea Avkastning	1,035,709	0.3%
Titas Eiendom AS	1,000,000	0.3%
Kistefos Investment AS	1,000,000	0.3%
Total 20 largest shareholders	193,824,624	64.1%
Other shareholders	108,320,840	35.9%
Total number of shares	302,145,464	100%
Total number of shareholders	9,825	

Shares owned by related parties

Name	Shareholding	% Share
Latino Invest AS [1)]	1,040,000	0.3%
Johnny Tsolis Vasili [1)4)]	670,000	0.2%
Terje Mjøs Holding AS [3)]	500,000	0.2%
Robin Knowles [2)]	352,921	0.1%
Vibeke Ly [2)]	203,750	0.1%
Arnt Andre Dullum [2)]	162,000	0.1%
Nina Mortensen [2)]	160,000	0.1%
Kyrre Svae [2)]	150,000	0.0%
Brita Eilertsen [3)]	19,892	0.0%

1) CEO/related to the CEO of Axactor ASA
2) Member of the Group executive management
3) Member of the Board of Directors/controlled by member of the Board of Directors
4) Holds 300 000 call options that will be settled in cash on 22 June 2023

Note 11 Purchase price allocation

The Group secured 100% of the shares in C.R. Service - Credit Recovery Service S.r.l (CRS) on 26 October 2021 and the transaction was closed 3 January 2022.

CRS is an Italian debt collection agency, managed from the headquarter in Grosseto (Tuscany) and has a contact center in Milazzo (Sicily) with a total of 155 employees. After the transaction Axactor has a strong footprint with 279 employees in Italy. CRS is a top-5 independent 3PC-player in the Italian bank and finance segment. The acquisition supports the Group's strategy of strengthening the position in existing countries, improving capabilities on 3PC and preparing for post-pandemic volumes and new signed contracts in Italy.

The purchase price allocation identifies a fair value of the equity of EUR 0.7 million, the residual value of the transferred consideration, EUR 6.3 million, is allocated to goodwill. All goodwill in the acquisition is related to CRS' 3PC business. The total amount of goodwill recognized in the period that is expected to be deductible for tax purposes is nil. The Group has recognized a provision per 3 January 2022 of EUR 2.6 million related to three contingent considerations. The payments are contingent upon retention and financial performance.

The table below discloses the impact from the transaction effective from 3 January 2022.

	2022
EUR thousand	CRS
Date of acquisition	3 Jan 2022
Acquired part of company	100%
Purchase price	7,033
- Whereof cash consideration	4,433
- Whereof contingent consideration	2,600
Assets	
Deferred tax assets	103
Other intangible fixed assets	15
Leases	990
Other tangible assets	50
Current receivables	989
Cash and cash equivalents	1,348
Total assets	3,495
Liabilities	
Non-current interest bearing debt	67
Deferred tax liabilities	265
Trade payables	256
Lease liabilities	1,095
Other short-term liabilities	1,105
Total liabilities	2,788
Total net assets acquired	707
Identified goodwill	6,326
Cash consideration	4,433
Less: cash and cash equivalent balances acquired	1,348
Net cash outflow arising on acquisition	3,085

Note 12 Discontinued operations

On 15 December 2021 the Board resolved to dispose of the Group's real estate owned (REO) operating segment. The REO segment consisted of portfolios of purchased real estate and repossessed assets from secured non-performing loans. In the first quarter of 2022, both portfolios of purchased real estate and repossessed assets from secured non-performing loans were presented as discontinued operations in line with the Board's resolution. In the second quarter of 2022, it was resolved that it is only the portfolios of purchased real estate that shall be classified as discontinued operations. Assets repossessed from secured non-performing loans prior to 2022 are thus presented as continuing operations, and the Group will also continue with repossessions from secured non-performing loans going forward.

The disposal of portfolios of purchased real estate is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. These operations, which were expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal were expected to equal the carrying amount of the related net assets and accordingly no impairment losses have been recognized on the classification of these operations as held for sale.

As per 31 December 2022, the Group is still pursuing a buyer for the assets classified as held for sale. Negotiations with several interested parties have taken place, but the Group has not reached an agreement at the reporting date. With rising inflation, rising interest rates and a weakened economy during 2022, the market conditions that existed at the date the assets were classified initially as held for sale has deteriorated, and as a result the assets are not sold. During this period, the Group has actively solicited but not received any reasonable offers to purchase the assets. The Group has impaired the assets by EUR 0.8 million in 2022. The assets continue to be actively marketed at a price that is reasonable given the change in market condition and is hence classified as held for sale on 31 December 2022.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between continuing operations and discontinued operations are eliminated in the consolidated financial statements. The elimination of the intragroup transactions seeks to portray the results of the continuing operations after the disposal. The discontinued operation has intragroup debt related to their operations. To seek to portray the results of the continuing operations after disposal, the intragroup receivable with corresponding interest income related to discontinued operations is eliminated within continuing operations. The same applies for intragroup debt and corresponding interest expense, taking minority interest into account and capped according to the cash flow the parent company expects to receive from the asset values in the discontinued operations. The rest of the intragroup debt is eliminated within discontinued operations. A part of the Group's total debt and interest expense are hence retained in discontinued operations, as this debt is considered to be directly associated with the discontinued operations. The net assets directly associated with the assets classified as held for sale represents minority interests in the discontinued operations.

The results of the discontinued operations, which have been included in net profit/(loss) after tax, are as follows:

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Other operating revenue	2,979	7,527	14,113	36,828
Total income	2,979	7,527	14,113	36,828
Cost of REOs sold, incl impairment	(4,836)	(15,362)	(18,318)	(48,379)
Operating expenses	(601)	(1,251)	(2,803)	(5,215)
Total operating expenses	(5,437)	(16,613)	(21,121)	(53,593)
EBITDA	(2,458)	(9,086)	(7,008)	(16,765)
Amortization and depreciation	-	(4)	-	(38)
Operating profit	(2,458)	(9,089)	(7,008)	(16,803)
Financial expenses	(169)	(441)	(1,059)	(3,796)
Net financial items	(169)	(441)	(1,059)	(3,796)
Profit/(loss) before tax	(2,627)	(9,530)	(8,066)	(20,599)
Tax (expense)			-	-
Net profit/(loss) after tax	(2,627)	(9,530)	(8,066)	(20,599)
Attributable to:				
Non-controlling interests	(1,493)	(5,828)	(4,668)	(12,242)
Shareholders of the parent company	(1,134)	(3,702)	(3,399)	(8,357)
Earnings per share: basic and diluted	(0.004)	(0.012)	(0.011)	(0.028)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

EUR thousand	31 Dec 2022
Current assets	
Stock of secured assets	8,418
Accounts receivable	116
Other current assets	518
Cash and cash equivalents	3,607
Assets classified as held for sale	12,660
Current liabilities	
Current portion of interest bearing debt	10,247
Other current liabilities	373
Liabilities directly associated with assets classified as held for sale	10,619
Net assets directly associated with assets classified as held for sale	2,041

The net cash flows incurred by the operations classified as held for sale are as follows:

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Net cash flow from operating activities	2,378	3,197	11,310	28,535
Net cash flow from investing activities	-	-	-	-
Net cash flow from financing activities	(1,325)	(2,280)	(12,220)	(33,151)
Total net cash flow	1,053	917	(910)	(4,616)

Note 13 Events after the reporting period

There are no adjusting or non-adjusting events after the reporting period relevant to the financial statements.

Alternative performance measures

Alternative performance measures (APM) used in Axactor

APM	Definition	Purpose of use	Reconciliation IFRS
Gross revenue	Total income plus portfolio amortizations and revaluations, and change in fair value of forward flow commitments	To review the revenue before split into interest and amortization (for own portfolios)	Total income from consolidated statement of profit or loss plus portfolio amortizations and revaluations in the consolidated statement of cash flows and change in fair value of forward flow commitments
Cash and cash equivalents	Consolidated cash and cash equivalents, from continuing and discontinued operations	To reflect the Group's total cash position	Cash and cash equivalents from the consolidated statement of financial position plus cash and cash equivalents from discontinued operations according to note 12
Cash EBITDA from continuing operations	EBITDA adjusted for change in fair value of forward flow commitments, portfolio amortizations and revaluations, repossessed assets cost of sale and impairment, and calculated cost of share option program	To reflect cash from continuing operating activities, excluding timing of taxes paid and movement in working capital	EBITDA from continuing operations (total income minus total operating expenses) in consolidated statement of profit or loss adjusted for specified elements from the consolidated statement of cash flows
Cash EBITDA	Cash EBITDA from continuing operations plus EBITDA from discontinued operations, adjusted for REO cost of sale, including impairment	To reflect cash from continuing and discontinued operating activities, excluding timing of taxes paid and movement in working capital	EBITDA from continuing operations (total income minus total operating expenses) in consolidated statement of profit or loss plus EBITDA from discontinued operations according to note 12, adjusted for specified elements from the consolidated statement of cash flows
Estimated remaining collection (ERC)	Estimated remaining collection express the expected future cash collection on own portfolios (NPLs) in nominal values, over the next 180 months. The ERC does not include sale of repossessed assets if the assets are already repossessed	ERC is a standard APM within the industry with the purpose to illustrate the future cash collection including estimated interest income and opex	Purchased debt portfolios from the consolidated statement of financial position plus estimated opex for future collection at time of acquisition and estimated discounted gain
Net interest bearing debt (NIBD)	Net interest bearing debt means the aggregated amount of interest bearing debt attributable to both continuing and discontinued operations, less aggregated amount of unrestricted cash and cash equivalents, on a consolidated basis	NIBD is used as an indication of the Group's ability to pay off all of its debt	Non-current interest bearing debt, current portion of interest bearing debt and unrestricted cash and cash equivalents from the consolidated statement of financial position and as attributable to discontinued operations according to note 12, adjusted for capitalized loan fees and accrued interest according to note 8
Return on equity (ROE), excluding non-controlling interests, annualized	Net consolidated result from continuing and discontinued operations attributable to shareholders divided by average equity for the period attributable to shareholders, annualized	Measures the profitability in relation to shareholders' equity	Net profit/(loss) after tax attributable to shareholders of the parent company from the consolidated statement of profit or loss and equity attributable to shareholders from the consolidated statement of changes in equity
Return on equity (ROE), continuing operations, annualized	Net profit/(loss) after tax from continuing operations divided by average total equity for the period, annualized	Measures the profitability in relation to total equity. This APM has replaced 'Return on equity, including non-controlling interests, annualized' to measure the profitability in relation to continuing operations	Net profit/(loss) after tax from continuing operations from the consolidated statement of profit or loss and total equity from the consolidated statement of changes in equity

APM tables

Gross revenue

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021 [1]	31 Dec 2022	31 Dec 2021 [1]
Total income	**63,002**	13,978	239,692	158,298
Portfolio amortizations and revaluations	**25,977**	64,397	97,218	148,542
Change in fair value of forward flow commitments	-	409	-	782
Gross revenue	**88,979**	78,784	336,911	307,622

EBITDA and Cash EBITDA

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021 [1]	31 Dec 2022	31 Dec 2021 [1]
Total income	**63,002**	13,978	239,692	158,298
Total operating expenses	**(31,820)**	(31,456)	(120,738)	(117,800)
EBITDA from continuing operations	**31,182**	(17,478)	118,955	40,498
Change in working capital related to forward flow commitments	-	409	-	782
Calculated cost of share option program	**96**	19	462	180
Portfolio amortizations and revaluations	**25,977**	64,397	97,218	148,542
Cost of repossessed assets sold, incl impairment	**292**	1,554	1,496	2,136
Cash EBITDA from continuing operations	**57,548**	48,901	218,130	192,138
EBITDA from discontinued operations	**(2,458)**	(9,086)	(7,008)	(16,765)
Cost of REOs sold, incl impairment	**4,836**	15,362	18,318	48,379
Cash EBITDA	**59,926**	55,178	229,440	223,752
Taxes paid	**(5,242)**	(2,827)	(10,713)	(3,261)
Change in working capital, excl. forward flow commitments	**1,127**	(6,630)	1,291	4,209
Cash flow from operating activities before NPL and REO investments	**55,811**	45,721	220,019	224,700

1) Comparative figures have been re-presented due to discontinued operations, see note 12

Estimated remaining collection, NPL

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Purchased debt portfolios	**1,252,642**	1,095,789	1,252,642	1,095,789
Estimated opex for future collection at time of acquisition	**363,858**	296,290	363,858	296,290
Estimated discounted gain	**928,920**	748,463	928,920	748,463
Estimated remaining collection, NPL	**2,545,419**	2,140,543	2,545,419	2,140,543

Cash and cash equivalents

	For the quarter end		Year to date	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Cash and cash equivalents from financial position	**29,045**	38,155	29,045	38,155
Cash and cash equivalents, discontinued operations	**3,607**		3,607	
Cash and cash equivalents	**32,653**	38,155	32,653	38,155

Net interest bearing debt (NIBD)

EUR thousand	For the quarter end 31 Dec 2022	For the quarter end 31 Dec 2021	Year to date 31 Dec 2022	Year to date 31 Dec 2021
Non-current portion of interest bearing debt from financial position	**445,590**	834,411	445,590	834,411
Current portion of interest bearing debt from financial position	**499,709**	3,845	499,709	3,845
Interest bearing debt, discontinued operations	**10,247**		10,247	
Total interest bearing debt	**955,546**	838,256	955,546	838,256
Capitalized loan fees	**(9,144)**	(17,566)	(9,144)	(17,566)
Accrued interest	**4,172**	3,845	4,172	3,845
Cash and cash equivalents from financial position	**29,045**	38,155	29,045	38,155
Cash and cash equivalents, discontinued operations	**3,607**	-	3,607	-
Net interest bearing debt (NIBD)	**927,865**	813,821	927,865	813,821

Return on equity, excluding non-controlling interests, annualized

EUR thousand	For the quarter end 31 Dec 2022	For the quarter end 31 Dec 2021	Year to date 31 Dec 2022	Year to date 31 Dec 2021
Net profit/(loss) after tax attributable to shareholders of the parent company	**9,410**	(35,073)	36,757	(32,797)
Average equity for the period related to shareholders of the parent company	**412,162**	396,456	399,433	384,751
Return on equity, excluding non-controlling interests, annualized	**9.1%**	(35.1%)	9.2%	(8.5%)

Return on equity, continuing operations, annualized

EUR thousand	For the quarter end 31 Dec 2022	For the quarter end 31 Dec 2021	Year to date 31 Dec 2022	Year to date 31 Dec 2021
Net profit/(loss) after tax from continuing operations	**10,360**	(32,006)	40,644	(25,393)
Average total equity for the period	**407,628**	401,295	397,163	407,454
Return on equity, continuing operations, annualized	**10.1%**	(31.6%)	10.2%	(6.2%)

Terms

Active forecast	Forecast of estimated remaining collection on NPL portfolios
Board	Board of directors
Cash EBITDA margin	Cash EBITDA as a percentage of gross revenue
Chair	Chair of the board of directors
Contribution margin (%)	Total operating expenses (excluding SG&A, IT and corporate cost) as a percentage of total income
Collection performance	Gross collection on NPL portfolios in relation to active forecast, including sale of repossessed assets in relation to book value
Cost-to-collect	Cost to collect is calculated as segment operating expenses plus a pro rata allocation of unallocated operating expenses and unallocated depreciation and amortization. The segment operating expense is used as allocation key for the unallocated costs
Equity ratio	Total equity as a percentage of total equity and liabilities
Forward flow agreement	Agreement for future acquisitions of NPLs at agreed prices and delivery
Gross IRR	The credit adjusted interest rate that makes the net present value of ERC equal to NPL book value, calculated using monthly cash flows over a 180-months period
Group	Axactor ASA and all its subsidiaries
NPL amortization rate	NPL amortization divided by collection on own NPL portfolios
NPL cost-to-collect ratio	NPL cost to collect divided by NPL total income excluding NPV of changes in collection forecasts and change in fair value of forward flow commitments
One off portfolio acquisition	Acquisition of a single portfolio of NPLs
Opex	Total operating expenses
Recovery rate	Portion of the original debt repaid
Replacement capex	Acquisitions of new NPLs to keep the same book value of NPLs from last period
Repossession	Taking possession of property due to default on payment of loans secured by property
Repossessed assets	Property repossessed from secured non-performing loans
SG&A, IT and corporate cost	Total operating expenses for overhead functions, such as HR, finance and legal etc
Solution rate	Accumulated paid principal amount for the period divided by accumulated collectable principal amount for the period. Usually expressed on a monthly basis

Abbreviations

3PC	Third-party collection
AGM	Annual general meeting
APM	Alternative performance measures
ARM	Accounts receivable management
B2B	Business to business
B2C	Business to consumer
BoD	Board of Directors
BS	Consolidated statement of financial position (balance sheet)
CF	Consolidated statement of cash flows
CGU	Cash generating unit
CM	Contribution margin
D&A	Depreciation and amortization
Dopex	Direct operating expenses
EBIT	Operating profit/Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
ECL	Expected credit loss
EGM	Extraordinary general meeting
EPS	Earnings per share
ERC	Estimated remaining collection
ESG	Environmental, social and governance
ESOP	Employee stock ownership plan
FSA	The financial supervisory authority
FTE	Full time equivalent
GHG	Greenhouse gas emissions
IFRS	International financial reporting standards
LTV	Loan to value
NCI	Non-controlling interests
NPL	Non-performing loan
OB	Outstanding balance, the total amount Axactor can collect on claims under management, including outstanding principal, interest and fees
OCI	Consolidated statement of other comprehensive income
P&L	Consolidated statement of profit or loss
PCI	Purchased credit impaired
PPA	Purchase price allocations
REO	Real estate owned
ROE	Return on equity
SDG	Sustainable development goal
SG&A	Selling, general & administrative
SPV	Special purpose vehicle
VIU	Value in use
VPS	Verdipapirsentralen/Norwegian central securities depository
WACC	Weighted average cost of capital
WAEP	Weighted average exercise price

Financial calendar 2023

Annual accounts and annual report 2022	31 Mar, 2023
Annual General Meeting	03 May, 2023
Interim report – First quarter of 2023	09 May, 2023
Half-yearly report 2023	17 Aug, 2023
Interim report – Third quarter of 2023	02 Nov, 2023
Interim report – Fourth quarter of 2023	15 Feb, 2024

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