

Auditor's report



To the General Meeting of Axactor SE

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Axactor SE, which comprise:

- The financial statements of the parent company Axactor SE (the Company), which comprise the Statement of Financial Position sheet as at 31 December 2019, the Statement of Profit and Loss, Statement of Comprehensive Loss, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Axactor SE and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Profit and Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2019 financial statements. The valuation of the portfolios contains the same characteristics and risks as last year and continue to be an important focus area in our audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Valuation of debt portfolios</i></p> <p>Debt portfolios represent a considerable part of the Group's total assets. The valuation of the portfolios includes elements of management judgement. The book value of debt portfolios is determined by projecting expected future cash flows and discounting them to present value using the effective interest rate as of the date the portfolios were acquired.</p> <p>Some of the key judgmental assumptions related to the valuation includes the size of expected future cash flows, and timing of future payments. The estimated timing and size of payments of cash flows require judgement and experience to assess and this may differ from actual timing and size of payments.</p> <p>Management performs Quarterly Performance Reviews (QPR) in which they assess the performance of the group's portfolios, with particular focus directed towards whether portfolios meet certain performance criteria. The procedure is designed to identify portfolios with need to adjust the book value. Our focus on valuation of debt portfolios is justified by the fact that judgmental assumptions carry an inherent risk of errors that have a potential to affect the Groups net profit.</p>	<p>We satisfied ourselves as to the accuracy of initial recognition of portfolios by tracing purchase prices in the contracts back to registration in the system on a sample basis. We also evaluated the historical accuracy of management's forecasts. We did this by testing when payments actually arrived against when they originally were projected to arrive in the company's historical forecasts. Our testing showed that historical forecasts were reasonably accurate, hence it is reasonable to expect the same degree of accuracy in the current basis for valuation.</p> <p>We obtained quarterly performance review documents for 2019 from management. Further, we interviewed and challenged management and senior personnel, and discussed with them about their assessments and tested their assumptions, where possible, against internal data. We performed recalculation based on our own models to test the completeness and accuracy of the company's, QPR – reviews. The result of our interviews and testing showed that management had used appropriate assumptions, reasonable input data and calculations.</p> <p>We also evaluated the models they used to discount the cash flows and tested the accuracy of the inputs and whether the models made correct calculations. Any differences encountered as part of our detailed testing fell within a reasonable range.</p> <p>The Group notes 2.14.1, note 4 and note 18 to the financial statements are relevant for the description of the Group's debt portfolios. We read the notes and found them to be adequate and give a balanced overview of the different parameters and judgmental assumptions used.</p>



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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



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- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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*Report on Other Legal and Regulatory Requirements**Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 10 March 2020

PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Anne Lene Stensholdt', written over a horizontal line.

Anne Lene Stensholdt
State Authorised Public Accountant