Financial statements

Axactor Group and Parent Company

Consolidated Statement of Profit and Loss

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
Interest revenue from purchased loan portfolios		**134,531**	74,536
Net gain/loss purchased loan portfolios		**-319**	10,599
Other operating revenue		**148,926**	121,774
Other revenue		**2,021**	0
Total Revenue	5, 6	**285,159**	206,909
Cost of REO's sold, incl impairment	21	**-74,464**	-56,438
Personnel expenses	7, 8	**-57,708**	-52,133
Other operating expenses	9	**-60,847**	-52,032
Total operating expense		**-193,019**	-160,602
EBITDA		**92,140**	46,306
Amortization and depreciation	10, 14, 15, 16	**-10,115**	-6,009
EBIT		**82,025**	40,298
Financial revenue	11	**2,787**	453
Financial expenses	11	**-52,176**	-34,591
Net financial items		**-49,389**	-34,138
Profit/(loss) before tax		**32,636**	6,160
Tax (expense)	12	**-11,667**	-3,770
Net profit/(loss) after tax		**20,969**	2,390
Net profit/(loss) to Non-controlling interests		**4,643**	-2,103
Net profit/(loss) to equity holders		**16,326**	4,492
Earnings per share: basic	13	**0.106**	0.029
Earnings per share: diluted	13	**0.093**	0.026

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2019

EUR thousand	2019	2018
Net profit/(loss) after tax	**20,969**	2,390
Items that will not be classified subsequently to profit and loss		
Remeasurement of pension plans	**0**	50
Items that may be classified subsequently to profit and loss		
Foreign currency translation differences - foreign operations	**-1,904**	-2,830
Other comprehensive income/(loss) afer tax	**-1,904**	-2,780
Total comprehensive income for the period	**19,065**	-390
Attributable to:		
Non-controlling interests	**4,643**	-2,103
Equity holders of the parent company	**14,422**	1,713

Consolidated Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
ASSETS			
Intangible non-current assets			
Intangible Assets	14	**21,487**	19,170
Goodwill	14, 15	**56,170**	55,577
Deferred tax assets	12	**9,742**	7,564
Tangible non-current assets			
Property, plant and equipment	16	**2,903**	2,683
Right-of-use assets	10	**5,846**	0
Financial non-current assets			
Purchased debt portfolios	17, 18	**1,041,919**	728,820
Other non-current receivables		**765**	293
Other non-current investments	17, 20	**193**	778
Total non-current assets		**1,139,025**	814,885
Current assets			
Stock of Secured Assets	21	**129,040**	200,009
Accounts Receivable	22	**13,135**	9,459
Other current assets	22	**14,960**	12,774
Restricted cash	23	**3,739**	3,184
Cash and Cash Equivalents	23	**71,657**	67,593
Total current assets		**232,531**	293,018
TOTAL ASSETS		**1,371,556**	1,107,903

Consolidated Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital		**81,338**	81,115
Other paid-in equity		**201,879**	200,298
Retained Earnings		**2,153**	-14,172
Reserves		**-4,721**	-2,817
Non-controlling interests	11, 26	**96,977**	63,746
TOTAL EQUITY	24	**377,626**	328,170
Non-current Liabilities			
Interest bearing debt	17, 26	**466,378**	567,829
Deferred tax liabilities	12	**17,591**	11,124
Lease liabilities	10	**3,481**	0
Other non-current liabilities	11, 27, 28	**1,415**	1,180
Total non-current liabilities		**488,864**	580,132
Current Liabilities			
Accounts Payable		**5,902**	4,522
Current portion of interest bearing debt	17, 26	**463,555**	169,296
Taxes Payable	12	**6,570**	1,610
Lease liabilities	10	**2,549**	0
Other current liabilities	29	**26,491**	24,172
Total current liabilities		**505,066**	199,600
TOTAL LIABILITIES		**993,930**	779,732
TOTAL EQUITY AND LIABILITIES		**1,371,556**	1,107,903

Oslo, 10 March 2020
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Lars Erich Nilsen
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate Skjerven Nygårdshaug
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Equity related to the shareholders of the Parent Company						
	Restricted	Non-restricted					
EUR thousand	Share capital	Other paid in capital	Exchange differences	Retained earnings and profit for the year	Total	Non controlling interest	Total Equity
Closing balance on 31 Dec 2017	79,377	196,298	13	-15,630	**260,057**	31,776	**291,833**
Adjustment on initial application of IFRS 15 (net of tax)				-3,087	**-3,087**		**-3,087**
Balance on 1 Jan 2018	79,377	196,298	13	-18,717	**256,970**	31,776	**288,746**
Result of the period				4,492	**4,492**	-2,103	**2,390**
Remeasurement of pension plans				50	**50**		**50**
Foreign currency translation differences - foreign operations			-2,830		**-2,830**		**-2,830**
Total comprehensive income for the period	0	0	-2,830	4,543	**1,712**	-2,103	**-390**
Proceeds from Non-controlling interests					**0**	34,073	**34,073**
New Share issues (exercise of share options)	1,465	1,682			**3,147**		**3,147**
New Share issues	273	975			**1,248**		**1,248**
Costs related to share issues		-31			**-31**		**-31**
Share based payment		1,374			**1,374**		**1,374**
Closing balance on 31 Dec 2018	81,115	200,298	-2,817	-14,172	**264,423**	63,746	**328,170**
Result of the period				16,326	**16,326**	4,643	**20,969**
Foreign currency translation differences - foreign operations			-1,904		**-1,904**		**-1,904**
Total comprehensive income for the period	0	0	-1,904	16,326	**14,422**	4,643	**19,065**
Proceeds from Non-controlling interests					**0**	28,588	**28,588**
New Share issues (exercise of share options)	222	325			**548**		**548**
Share based payment		1,256			**1,256**		**1,256**
Closing balance on 31 Dec 2019	81,338	201,879	-4,721	2,153	**280,648**	96,977	**377,626**

Consolidated Statement of Cash Flow

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
Operating actitvities			
Profit/(loss) before tax		**32,636**	6,160
Taxes paid	12	**-4,741**	-2,543
Adjustments for:			
- Finance income and expense		**49,389**	34,138
- Portfolio amortization and revaluation	18	**82,934**	31,900
- Cost of secured assets sold, incl. Impairment	21	**74,464**	56,432
- Depreciation and amortization	14, 16	**10,115**	6,009
- Calculated cost of employee share options	25	**1,256**	1,374
Change in Working capital		**-3,941**	2,783
Net cash flows operating activities		**242,112**	136,253
Investing actitvities			
Purchase of debt portfolios	18	**-401,646**	-456,339
Sale of debt portfolio		**885**	0
Purchase of REO's	21	**-668**	-99,310
Investment in subsidiaries	31	**-250**	-1,086
Purchase of intangible and tangible assets	14, 16	**-9,642**	-6,995
Interest received		**98**	17
Net cash flows investing activities		**-411,222**	-563,713
Financing actitvities			
Proceeds from borrowings	26	**303,984**	600,651
Repayment of debt	26	**-80,089**	-156,791
Interest paid		**-44,149**	-24,405
Loan fees paid	26	**-5,168**	-10,090
New Share issues		**547**	4,395
Proceeds from Non-controlling interests		**-1,412**	34,073
Costs related to share issues		**0**	-31
Net cash flows financing activities		**173,713**	447,802
Net change in cash and cash equivalents		**4,604**	20,341
Cash and cash equivalents at the beginning of period		**70,776**	50,482
Currency translation		**16**	-47
Cash and cash equivalents at end of period, incl. restricted funds		**75,396**	70,776

Summary of Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

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

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

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 10 March 2020 and will be submitted for approval to the Annual General Meeting on 1 April 2020.

Note 2 Summary of significant Accounting Principles

Statement of compliance

The Consolidated financial statements of Axactor SE and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with IFRSs as issued by the International Accounting Standards Board (IASB), effective at 31 December 2019.

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

2.1 Basis for the preparation

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

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

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

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

2.2 Consolidation principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The revenues from NPL portfolios are described in detail in 2.14.1. The group can sell a NPL portfolio to another debt collector. The revenue will be recognized at the time the portfolio is transferred to an external buyer.

3PC revenues are derived from a combination of fixed fees paid by Axactor's customers for services provided and commissions for solved cases and/or fees paid by the debtors belong to an Axactor entity. From Q3 2019, Axactor subordinated its accounts receivables management (ARM) activities under its Third-party collection segment.

2.8 Employee benefits

Pension obligations

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

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

For defined benefit plans, the pension obligations do not cease until the agreed pensions have been paid. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The group do not have a defined benefit plan per 31.12.2019.

Share-based compensation

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

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

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

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

2.9 Borrowing expenses

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

2.10 Taxes

Income taxes consists of current tax and deferred tax.

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

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

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

2.11 Intangible assets

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

2.11.1 Goodwill

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

2.11.2 Customer relationships and Databases

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

Development costs on an individual project are recognized as an intangible asset only when there is an identifiable asset that will generate expected future economic benefits and when the cost of such asset can be measured reliably, otherwise development costs are recognized as an expense when incurred. During 2019 the Group has been continuing the development of a standard consolidation system, ERP system (hence the acquisition of SVP Finland) business infrastructure and Business Intelligence system.

2.12 Tangible fixed assets

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

2.13 Right of use assets and Lease liabilities

From 1 January 2019 the Group has applied IFRS 16 'Leases' using the modified retrospective approach. The impact of changes in accounting policies and impact of the initial application is disclosed in section 2.18 and Note 10.

At the inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

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

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

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

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

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

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

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

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

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

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

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

2.14 Financial instruments

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

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

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

2.14.1 Non-performing loans (NPL)
Non-performing loans, presented as 'Purchased debts portfolios' in balance sheet, consists of portfolios of delinquent consumer debts purchased significantly below nominal value, reflecting incurred and expected credit losses. For Non-performing loans timely collection of principal and interest is no longer reasonably assured at the date of purchase. Non-performing loans are recognized at fair value at the date of purchase. Since the loans are measured at fair value, which includes an estimate of future credit losses, no allowance for credit losses is recorded in the consolidated balance sheet on the day of acquisition of the loans. The loans are measured at amortized cost according to credit adjusted effective interest rate. Since the delinquent consumer debt are a homogenous group, the future cash flows are projected on a portfolio basis.

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

Estimating the timing and amount of cash flows requires significant management judgement regarding key assumptions, including severity of loss, amounts and timing of payment receipts and all of these factors are inherently subjective and can result in significant changes in cash flow estimates over the term of the loan. Accordingly, we disclose information that enables users of the financial statement to evaluate the effect of significant changes in key assumptions. See Note 4 'Critical accounting estimates and judgements' for further information.

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

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

2.14.2 Forward Flow Agreements
The Group has entered into several forward flow agreements to purchase future non-perming loan portfolios, ref. Note 4. These agreements are entered at a fixed agreed price and are considered to be a derivative according to IFRS 9. Any change in fair value from the time of entering into the forward flow contract to the actual transfer of the portfolio will be recognized in the income statement under "net gain/loss purchase loan portfolios".

2.14.3 Accounts receivable
Accounts receivable are recognized at the amount expected to be received (initially fair value minus impaired receivables). Evaluation of the value of overdue accounts receivable are based on individually judgment and/or from historical experience. The accounts receivable are measured at amortized cost.

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

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

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

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

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

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

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

2.17 Classifications

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

2.18 Changes in Accounting Policies and disclosures implemented in 2019

IFRS 16 'Leases' was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Effective from 1 January 2019 the Group adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. The Group recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings. At the date of initial application of IFRS 16, the Group measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019. Further, the Group recognized right-of-use assets at an amount equal to the lease liability.

EUR thousand	Total
Operating lease commitments disclosed as at 31 Dec 2018	7,442
Discounted using the Group's incremental borrowing rate of 6%	6,445
Add: adjustments to Discounted using the Group's incremental borrowing rate of 6%	436
Add: finance lease liabilities recognized as at 31 Dec 2018	58
(Less): short-term leases recognized on a straight-line basis as expense	-20
(Less): low-value leases recognized on a straight-line basis as expense	-109
(Less): adjustments for leasing contracts starting after 01.01.2019	-1,071
Add: adjustments relating to changes in the index or rate affecting variable payments	4
Lease liabilies recognized as at 1 Jan 2019	5,743

The Group has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets
- Excluded any initial direct costs from the measurement of the right-of-use asset
- Applied hindsight when determining the lease term for contracts containing options
- Interest rate used is equal to the intercompany borrowing rate

The Group leases a limited number of assets such as buildings and vehicles.

2.19 Changes in Accounting Policies and disclosures for 2020 calendar year or thereafter

Standards and interpretations that will be in effect from 1 January 2020 or later is disclosed below.

- IFRS 17 'Insurance contracts' - This standard is not applicable to the Group.
- Amendments to IAS 1 and IAS 8 - The International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materially judgments. This amendment will not bring about significant changes for the Group.
- Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform. This amendment will not affect the Group

Note 3 Financial risk management objectives and policies

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

The credit management sector is affected negatively by a weakened economy. Unemployement rate, interest rate and other macro factors affecting disposable income, will in turn impact debtors ability to repay their outstanding loans. Risks associated with changes in economic conditions are managed through on-going dialogue with each country management team and through regular checks on developments in each country.

Market risks

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

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

Regulatory risks

Regulatory risks, because of enhanced focus from authorities and stricter rules e.g. MAR, AML, GDPR, debt collection laws and BEPS, are monitored. Debt collection industry has a high risk of lower fees, higher cost and interest rates and more reporting as a consequence of more consumer-friendly legislation in many countries. Axactor continuously monitors the EU's regulatory efforts to be able to indicate potentially negative effects for European credit management companies and to work for favourable regulatory changes. There are upcoming proposed stricter debt collection regulations in Norway and Germany which the Group will adhere to. The financial effect is expected to have limited impact for the Group.

Interest rate risks

Interest risk is related to the risk the group is exposed to from changes in the market's interest rate which can affect the net profit. Interest rate risk relate primarily to the Group's interest-bearing debt, which amounted to EUR 929.9 million on 31 December 2019 (2018: EUR 734.4m). The loan carries a variable interest rate based on the interbank rate in each currency with a margin. Any annualised increase/decrease by 100 basis point would increase/decrease the Groups profit before tax by EUR 9.3 million. (2018: EUR 7.2m). The average effective interest rate for 2019 was 5.8% (2018: 6.1%).

Currency risk

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

Credit risk

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

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

The credit risk is not considered to be a material factor in Axactor.

Risk inherent in purchased debt

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

Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk of a shortage of funds using cash flow forecasts. The Group generate positive cash flow from operating activities. The Group had cash and cash equivalents of EUR 75.4m at 31 December 2019 (2018: EUR 70.8m).

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

The amounts presented are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Year ended 31 December 2019

EUR thousand	Within one year	1-2 years	2-4 years	4+ years	Total
Interest bearing loans DnB/Nordea	382,408	0	0	0	**382,408**
Interest bearing loans Italy	15,769	21,241	9,457	0	**46,467**
Interest bearing loans Nomura	33,855	19,039	0	0	**52,894**
Bond loan	0	200,000	0	0	**200,000**
Interest bearing A & B Notes	0	140,000	0	0	**140,000**
Interest bearing loans DnB/Nordea (Axactor Invest I)	39,788	80,061	0	0	**119,849**
Accrued interest	612	0	0	0	**612**
Trade Payables	5,902	0	0	0	**5,902**
Other Liabilities	26,491	0	0	0	**26,491**
Taxes payables	6,570	0	0	0	**6,570**
Deferred tax liabilities	0	5,864	5,864	5,864	**17,591**
Forward Flow NPL agreements 1)	190,281	29,097	0	0	**219,378**
Leasing agreements 2)	2,816	1,935	1,491	297	**6,538**
Accruals	6,265	0	0	0	**6,265**
Total	710,757	497,236	16,812	6,161	**1,230,965**

1) *Ref Note 2.14.2*
2) *Ref Note 2.18*

The Group manage the liquidity risk by continuously monitor the liquidity status and the monthly rolling consolidated result- and cash flow forecasts. The estimated 12 months cash payments from the table above shows an estimated calculation of repayment on interest bearing loans of EUR 471.8 million. The calculation is made under the assumption that no new portfolios are acquired in 2020 and that Axactor therefore partly need to repay the facility to stay below the LTV covenant (Loan to Value) in order to match portfolio amortization and decrease in portfolio value. This is a theoretical scenario, not reflecting a going concern assumption. Following the same principal for the Nomura facility (REO financing), that is based on the estimated sale of REOs coming year. Any REO sale during 2020 will generate a cash inflow corresponding to the sales price as all Capex was made, mainly in 2018.

The cash flow from operating activities in future years will positively be affected by the strong growth in investments during 2017-2019. Together with the Group's RCF and bond loan this will meet the future payment obligations. The Group had an unused part of the RCF agreement of EUR 47.9 million, in addition to unrestricted cash and cash equivalents of EUR 72 million. In mid- February, EUR 100m out of the total EUR 150m accordion option the RCF with DNB and Nordea was released. The remaining accordion option of EUR 50 million was released in June. In October Axactor expanded RCF with two new accordion options, each for EUR 75m, one of the options exercised in October, the other unused per year end 2019.

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

Financing risk

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

Capital management

The primary objective of the Group's capital management is to ensure the Company maintains a solid capital structure enabling it to develop and build its business to maximise shareholder value. The Group's objective is to maintain a balance of financial assets that reflects the cash requirement of its operations and investments for the next 12-24 months. No change was made in the objectives, policies or process for managing capital during the year ended 31 December 2019.

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

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

Critical accounting estimates and assumptions

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

Revenue recognition Purchased loans and receivables

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

Book value of Purchased debt portfolios and receivables

Loans and receivables (portfolios) consist mainly of acquired non-performing unsecured loans and non-derivative financial assets without fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Events or changes in assumptions and managements judgment will affect the expected cash flow for the portfolios and therefore also the net present value of future cash flows and the book value of the portfolios. See Note 18.

Purchased loans and receivables

Purchased loans and receivables are classified as loans and receivables and recognized at amortized cost according to the effective interest method.

The Group determines the carrying value by calculating the present value of estimated future cash flows at the receivables' initial effective interest rate. Adjustments are recognized in the income statement.

The valuation method uses results in the best estimate of the fair value of debt portfolios.

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

Fair value estimation of portfolios of purchased debt and receivables

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

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

The preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from portfolios. The estimated future portfolio cash flows are reviewed by management each quarter. The fair value is estimated to be approximately EUR 1,061m (2018: 729m) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is EUR 1,042m. (2018: 729m), which is based on IFRS 9 using the estimated gross future cash flows, where the discount factor is the individual IRR for each portfolio. The future cash flow forecasts used to estimate the fair market value are the same as the cash flow forecast used in the accounting for loans and receivables at 31 December 2019. The fair value estimation is based on estimated annual net cash flows from portfolios. The estimated annual net cash flows from portfolios is the assumed annual future collection on portfolios per country, less assumed annual collection costs per portfolio before tax. Collection costs consist of operational costs in the portfolio segment, i.e. commission to Debt Collection, payroll expenses, premises, communication costs, depreciation and other costs directly attributable to the Debt Purchasing segment. The collection costs as a percentage of the portfolio collection differ from portfolio to portfolio, ranging from 10% to over 50%. In addition, the country specific marginal tax rate is applied. This individual collection cost and tax rate is applied to each portfolio's estimated future cash flow, adding up to an estimated total net cash flow for the Group. The weighted average cost of capital after tax for the portfolio segment is estimated to 8.1% (2018: 6.9%) as at 31 December 2019 (details of the calculation is shown below). Based on this rate, the discounted value of the estimated net cash flows indicates that the fair value of portfolios is approximately EUR 1,061m (2018: 729m). To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below in order to see the effect of deviations to the cash flow estimates and variations in the cost of capital.

Fair value sensitivity table

	Performance				
EUR million	90%	95%	100%	105%	110%
WACC					
7%	993	1,052	1,112	1,172	1,231
8%	947	1,004	1,061	1,118	1,175
9%	910	965	1,019	1,074	1,129
10%	873	926	978	1,031	1,084
11%	839	890	940	991	1,042
12%	808	856	905	954	1,003
13%	778	825	872	919	966

The cost of capital after tax for the Portfolio segment is calculated using the capital asset pricing model (CAPM) in combination with the weighted average cost of capital (WACC). Based on the variables from the table below, the estimated cost of capital after tax is approximately 8.1%.

Cost of equity

	2019	2018	
Risk-free rate	**1.550%**	0.240%	10 year risk-free rate
Market risk premium	**6.3%**	6.3%	Damodaran 1 Jul 2016 1)
Estimated Beta (equity)	**1.24**	0.90	Observed Beta for Axactor
Company specific premium	**6.0%**	6.0%	Ibbotson research 2014 1)
Cost of equity before tax	**15.4%**	11.9%	
WACC	**8.1%**	6.9%	

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

Risk free rate

The risk-free rate used in the calculation of the WACC is based in NOK risk-free interest rate, which on 31st December was priced at 1.55%. However, the Group has some part of the cash flows in other currencies, the largest being EUR and SEK. Given the fluctuations in the yield for these bonds we deem it reasonable and conservative to use the NOK risk-free rate as basis for the risk-free rate for the Group. Calculating a currency specific WACC, the risk-free rate element would have decreased the WACC slightly compared to the WACC estimated for the Group.

Risk premium

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

Equity Beta

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

Cost of Debt

The average cost of debt, defined as the loan interest in the loan agreements divided by the individual loan balances at 31.12 is 5.1%. For information about the average effective interest, please see Note 3, section "Interest rate risks".

Future cash flow estimates

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

See Note 18 for further details.

Goodwill

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

Deferred tax assets

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

Share based payments

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

Note 5 Segment reporting

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

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

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

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

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

Segment revenue reported below represents revenue generated from external customers.

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

Year to date 31 December 2019

EUR thousand	NPL	REO	3PC [1]	Eliminations/ Not allocated	Total
Collections on own portfolios	217,147	91,249	0	0	**308,396**
Other operating revenue	0	0	57,677	2,021	**59,698**
Portfolio amortization and revaluation	-82,934	0	0	0	**-82,934**
Net revenue	134,212	91,249	57,677	2,021	**285,159**
REO cost of sales	0	-74,052	0	0	**-74,052**
Impairment REOs	0	-412	0	0	**-412**
Direct operating expenses	-32,321	-9,656	-35,279	0	**-77,256**
Contribution margin	101,891	7,129	22,398	2,021	**133,439**
Local SG&A, IT and corporate cost				-41,299	**-41,299**
EBITDA					**92,140**
Total opex	-32,321	-84,120	-35,279	-41,299	**-193,019**
CM1 Margin	75.9 %	7.8 %	38.8 %	na	**46.8 %**
EBITDA Margin					**32.3 %**
Dopex / Gross revenue	14.9 %	92.2 %	61.2 %	na	**41.2 %**
SG&A, IT and corporate cost / Gross revenue					**11.2 %**

1) *External revenue*

Year to date 31 December 2018

EUR thousand	NPL	REO	3PC [1]	Eliminations/ Not allocated	Total
Collections on own portfolios	117,034	69,810	0	0	**186,844**
Other operating revenue	0	0	51,964	0	**51,964**
Portfolio amortization and revaluation	-31,900	0	0	0	**-31,900**
Net revenue	85,135	69,810	51,964	0	**206,909**
REO cost of sales	0	-54,492	0	0	**-54,492**
Impairment REOs	0	-1,946	0	0	**-1,946**
Direct operating expenses	-23,100	-8,603	-35,352	0	**-67,055**
Contribution margin	62,035	4,769	16,612	0	**83,416**
Local SG&A, IT and corporate cost				-37,110	**-37,110**
EBITDA					**46,306**
Total opex	-23,100	-65,041	-35,352	-37,110	**-160,603**
CM1 Margin	72.9 %	6.8 %	32.0 %	na	**40.3 %**
EBITDA Margin					**22.4 %**
Dopex / Gross revenue	19.7 %	93.2 %	68.0 %	na	**51.7 %**
Local SG&A, IT and corporate cost / Gross revenue					**15.5 %**

1) *External revenue*

Note 6 Revenue

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

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

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

Geographical information

	Net revenue		Non-current assets [1]	
	2019	2018	2019	2018
Germany	**28,345**	21,204	**13,873**	15,667
Italy	**16,869**	4,054	**9,679**	9,803
Finland	**15,613**	3,682	**4,289**	2,369
Norway	**31,278**	23,896	**35,444**	28,971
Spain	**176,427**	145,060	**20,592**	18,965
Sweden	**16,626**	9,012	**2,529**	1,656
Total	**285,159**	206,909	**86,405**	77,430

1) Non-current assets are presented ex financial instruments and deferred taxes

The relation between Yield and revenue is presented as follows:

Portfolio revenue

EUR thousand	2019	2018
Yield [1]	**134,531**	74,536
CU1 [2]	**-8,408**	8,454
CU2 [3]	**3,654**	447
CU2 tail [4]	**4,434**	1,697
Net revenue	**134,212**	85,135

1) The effective interest rate on portfolios

2) Catch up 1. Over- or underperformance compared to collection forecast

3) Catch up 2. Revaluations and net present value of changes in forecast

4) Catch up 2 tail. The net present value effect of rolling 180 months forecast

Note 7 Employees, Salaries and other Compensations

Personnel expenses

EUR thousand	2019	2018
Salaries	**38,315**	35,199
Bonus	**3,773**	3,755
Commission	**1,918**	1,650
Social contribution	**9,619**	8,130
Pension cost	**915**	555
Share Option Programme	**1,256**	1,093
Other benefits	**1,912**	1,751
Total personnel expenses	**57,708**	52,133

Average number of employees

	2019	2018
Number of FTE's, start of year	**1,040**	934
Number of FTE's, end of year	**1,152**	1,040
Average number of FTE's	**1,096**	987

Post-employment benefits

EUR thousand	2019	2018
Salaries	**204**	1,172
Pension cost	**0**	4
Share option	**2**	-15
Other benefits	**0**	13
Total post-employment benefits	**205**	1,173

Axactor group meets the different local mandatory occupational pension requirement. For information on the country specific pension schemes see Note 27.

Note 8 Key Management Compensation

Board of Directors remuneration

EUR thousand	2019	2018
Bjørn Erik Næss	**56**	115
Beate S. Nygårdshaug [1]	**30**	57
Brita Eilertsen	**30**	64
Merete Haugli [1]	**31**	59
Terje Mjøs [1]	**30**	58
Harald Thorstein [2]	**0**	31
Lars Erich Nilsen [2]	**36**	32
Total	**213**	416

1) Includes the remuneration for membership in audit committee

2) Harald Thorstein resigned in May 2018, and was replaced by Lars Erich Nilsen

There is a timing difference for when the remuneration was paid - in 2018, compensation for five quarters was paid, while in 2019, four quarters was paid. There has also been fewer BIC-meetings (Board Investment Committee) in 2019 and the final payment for 2019 was paid in January 2020.

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

Nomination committee

EUR thousand	2019	2018
Jarle Sjo [1]	**4**	7
Magnus Tvenge	**2**	3
Cathrine Loferød Feght	**2**	4
Total	**9**	14

1) Member until April 2019

Executive Management remuneration 2019

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

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

2) Country Manager Germany until 31 Mar 2019

3) Country Manager Germany from 15 Aug 2019

4) Country Manager Italy from 7 Jan 2019

Executive Management remuneration 2018

EUR thousand	Salary	Bonus	Pension	Other	Share option [1]	Total
Endre Rangnes, CEO	506	460	7	1	245	**1,218**
Johnny Tsolis, CFO	275	102	7	2	136	**521**
Geir Johansen, CFO [6]	217	204	4	1	-15	**411**
Oddgeir Hansen, COO	222	88	7	1	96	**413**
Siv Farstad, EVP HR	177	49	7	1	33	**267**
Vibeke Ly, Head of Group Legal and Compliance [8]	74	0	3	13	1	**91**
Robin Knowles, EVP Portfolio acquisitions	203	0	1	42	121	**367**
Doris Pleil	185	90	0	9	48	**332**
Massimiliano Ciferri [5]	195	0	0	10	-18	**187**
Andres Lopez	230	280	0	7	52	**569**
David Martin	230	280	0	7	52	**569**
Fredrik Kessler [3]	200	0	31	0	21	**251**
Lisa Sohtell [4]	78	30	31	0	18	**156**
Stina Koren [2]	55	0	1	1	2	**58**
Jarkko Jalonen [7]	50	0	0	0	1	**51**
Total	2,895	1,584	97	94	791	**5,461**

1) Cost in relation to Share option programme, not exercised
2) Country Manager Norway from 1 Sep 2018
3) Country Manager Sweden until 28 Feb 2018
4) Country Manager Sweden from 28 Jun 2018
5) Country Manager Italy until 14 Sep 2018
6) CFO until 14 Feb 2018, severence payments
7) Country Manager Finland (acquired 30 Oct 2018)
8) Head of Legal and Compliance from 1 Jul 2018

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

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

At the end of 2019 no loan or prepayments were granted to Board of Directors and Executive management.

Note 9 Other operating expenses

Other operating expenses

EUR thousand	2019	2018
Direct operating expenses, excluding salary	**11,490**	7,720
External services	**32,824**	28,147
IT expenses	**9,236**	7,874
Other operating expenses	**7,298**	8,291
Total other operating expenses [1]	**60,847**	52,032

1) *Impairment of REOs reclassified to Cost of REOs sold from 2019*

Remuneration to company auditors PricewaterhouseCoopers

EUR thousand	2019	2018
Fees, auditing	**896**	767
Fees, audit related services	**128**	16
Fees, tax advisory	**78**	30
Fees, other services	**17**	52
Total fees, PwC	**1,120**	865

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

The group leases premises, office equipment and vehicles under non-cancellable lease agreements. The lease terms are between 1- 6 years and the majority of lease agreements are renewable after the end of the lease period. Leasing contracts are classified as lease liabilities and right-of-use assets under IFRS 16. See Note 2, section 2.13 and 2.18.

Right-of-use assets

EUR thousand	Buildings	Vehicles	Other	Total
Right-of-use assets per 1 Jan	5,043	611	89	**5,743**
New leases	2,290	274	388	**2,952**
Depreciation of the year	-2,264	-336	-211	**-2,811**
Disposals	0	-5	0	**-5**
Currency exchange effects	-31	-2	0	**-33**
Carrying amount of right-of-use assets 31 Dec 2019	5,070	548	267	**5,846**
Remaining lease term	1-6 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	

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

Lease liabilities

EUR thousand	Total
Undiscounted lease liabilities and maturity of cash outflow	
< 1 year	2,816
1-2 years	1,935
2-3 years	845
3-4 years	646
4-5 years	152
> 5 years	145
Total undiscounted lease liabilities at 31 Dec 2019	**6,538**
Discount element	-509
Total discounted lease liabilities at 31 Dec 2019	**6,029**

Note 11 Financial items

EUR thousand	2019	2018
Financial revenue		
Interest on bank deposits	**81**	17
Exchange gains realized	**47**	381
Net unrealized exchange gain	**2,604**	0
Other financial income	**55**	54
Total financial revenue	**2,787**	453
Financial expense		
Interest expense on borrowings	**-51,251**	-29,713
Interest on Notes to NCI [1)]	**2,080**	-2,080
Exchange losses realized	**-696**	-294
Net unrealised exchange losses	**0**	-456
Other financial expense [2)]	**-2,310**	-2,047
Total financial expense	**-52,176**	-34,591
Net financial items	**-49,389**	-34,138

1) *Interest on Notes classified as Debt instruments in 2018, reversed in 2019. Also see Note 26.*

2) *Includes amortization of warrants of 1.5m in 2018 and 1.2m in 2019*

Note 12 Income tax and tax assets and liability

Income tax calculation

EUR thousand	2019	2018
Ordinary result before taxes	**32,636**	6,160
Basis for income tax	**32,636**	6,160
Income tax payable calculated	**-7,057**	-470
Tax effect on permanent difference	**-558**	343
Adjustment for previous year	**-117**	-22
Tax effect on tax rate reduction	**129**	-73
Limitation of interest deduction, for which no deferred tax asset was recognized	**-1,245**	0
Limitation interest deduction, recognized in deferred tax	**-2,739**	0
Use of tax losses, previously not recognized	**2,743**	0
Tax assets, previously not recognized	**2,737**	0
Tax losses for which no deferred tax asset was recognized	**-2,199**	-2,593
Tax effect of change in net deferred income tax liabilites/assets	**-4,289**	-1,819
Effect on foregin exchange rates	**928**	864
Income tax expense	**-11,667**	-3,770

Temporary differences

EUR thousand	2019	2018
Non-current portfolios	**-14,940**	-8,892
Non-current intangible assets/liabilities	**-2,386**	-2,012
Current assets	**-158**	868
Non-current liabilities	**70**	44
Limitation interest carried forward	**2,739**	0
Re-classification deferred taxes relating to group contribution	**-936**	0
Tax losses carried forward	**7,763**	6,432
Net income tax reduction temporary differences	**-7,849**	-3,560
Deferred tax asset	**9,742**	7,564
Deferred tax liability	**-17,591**	-11,124
Net deferred tax	**-7,849**	-3,560

Note 13 Earnings per share

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

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

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

EUR thousand	2019	2018
Net profit/(loss) to equity holders	**16,326**	4,492
Total	**16,326**	4,492
Number of shares (in thousands)		
Weighted average number of ordinary shares	**154,488**	154,795
Effects on dilution from share options	**20,739**	18,683
Weighted average number of shares adjusted for the effect of dilution	**175,226**	173,478
Basic earnings per share	**0.106**	0.029
Diluted earnings per share	**0.093**	0.026

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

Number of instruments

	2019	2018
Employee share options	**8,728,110**	5,682,625

Note 14 Intangible assets

EUR thousand	Customer relations	Databases	Software	Goodwill	Other intangibles	Total
Cost						
Cost at 1 Jan 2018	14,693	6,110	6,791	53,583	900	**82,077**
Acquisition of SPT Group Finland	0	0	0	2,342	0	**2,342**
Acquisition	0	0	4,024	0	2,500	**6,524**
Reclassification	-2,099	-2,439	2,906	0	2,185	**553**
Disposals at cost price	0	0	0	0	-189	**-189**
Currency exchange effects	0	0	-108	-348	-280	**-736**
Cost at 31 Dec 2018	12,594	3,672	13,613	55,577	5,116	**90,572**
Acquisition of SPT Group Finland	0	0	0	250	0	**250**
Acquisition	0	0	7,594	0	948	**8,542**
Reclassification	0	0	2,112	0	-2,641	**-529**
Disposals at cost price	0	0	-198	0	0	**-198**
Currency exchange effects	106	22	29	343	3	**503**
Cost at 31 Dec 2019	12,700	3,694	23,150	56,170	3,426	**99,140**
Amortization and impairment						
Accumulated amortizations at 1 Jan 2018	-5,855	-1,026	-2,804	0	-451	**-10,136**
Disposals accumulated depreciation	-2,574	-672	-1,430	0	-616	**-5,292**
Amortization of the year	1,311	-55	-1,705	0	-104	**-553**
Currency exchange effects	97	17	28	0	14	**156**
Accumulated amortizations at 31 Dec 2018	-7,022	-1,736	-5,911	0	-1,156	**-15,825**
Amortization of the year	-2,541	-667	-2,688	0	-416	**-6,312**
Reclassification	0	0	338	0	191	**529**
Disposals acc. depr/amort.	0	0	205	0	0	**205**
Currency exchange effects	-57	-10	-14	0	-0	**-81**
Accumulated amortizations at 31 Dec 2019	-9,620	-2,412	-8,070	0	-1,381	**-21,483**
Carrying amount at 31 Dec 2019	3,080	1,282	15,081	56,170	2,044	**77,656**
Useful life	3-5 yr	3-6 yr	3-10 yr	na	1-5 yr	

For Impairment testing on Goodwill see Note 15.

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

Goodwill and intangible assets stated in the consolidated financial position are mainly derived from excess value following the acquisitions of ALD Abogados (2015); IKAS Group in Norway (2016), CS Union in Italy (2016), Altor Group in Germany (2016), Profact in Sweden (2017) and SPT Group Finland (2018). Recognized goodwill amounts to 56.2 EUR million as of 31 December 2019. Other intangibles assets related to excess values in the Group accounts are customer relations, databases and software, with a carrying amount of EUR 4.4m as per 31 December 2019.

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

Goodwill is tested for impairment for each cash generating unit (CGU) prior to preparation of the annual accounts. The test is performed annually, and when there are indications of impairment. There were no impairment indications for the acquired businesses, thus no impairment has been done in 2019.

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

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

EUR thousand	2019	2018
Spain	**14,328**	14,328
Germany	**9,301**	9,301
Italy	**7,310**	7,310
Norway	**21,502**	21,142
Sweden	**1,136**	1,154
Finland	**2,592**	2,342
Total	**56,169**	55,577

Cash flow projections and assumptions

A five-year forecast of discounted cash flows plus a terminal value was used to determine net present value of the CGU. Discounted cash flows were calculated after tax and applying a WACC after tax. Estimated cash flow covering the period 2020-2024 consist of approved budgets for 2020 and estimates for 2021 and beyond. The cash flow projections have been extrapolated based on an expected growth rate of 2% (2018: 2%) and the same for the operating margins. According to management these are reasonable assumptions based on the development of the business and the strategic plan. Terminal value is based on 2024 figures.

Key assumptions for the value in use calculations

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

Discount rate

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

Key inputs for the WACC for the CGU:

EUR thousand	EUR	NOK	SEK
Beta	0.90	0.90	0.90
Risk-free interest	0.57 %	1.42 %	0.27 %
Market risk premium	6.30 %	6.30 %	6.30 %
Small cap premium	6.00 %	6.00 %	6.00 %
Country risk premium	0.00 %	0.00 %	0.00 %
WACC (assuming no debt)	12.00 %	13.00 %	12.00 %

- Risk-free rate: 10-year risk-free bond per country
- Beta (equity): Assuming no external debt in the company – therefore unlevered beta from peer group used.
- Market risk premium: The market risk premium is based on empirical data for risk premium (Domodran).
- Company specific premium: The company specific premium is based on the size of the CGU and according to Ibbotson analysis.
- Capital structure: Equity ratio of 100%.

Observer beta:

Comparable companies	Beta Equity Beta levered	Avg D/E	Beta Asset Beta unlevered
Encore Capital Group	1.28	182%	0.45
Intrum Justitia AB	0.61	32%	0.46
PRA Group, Inc	1.18	35%	0.87
Average	1.02	71%	0.60
Axactor	2.13	138%	0.90

Growth rate

The growth rate in the forecast period is based on management's expectation to the development in the market, and management's strategic plan. The terminal growth rate is based on long term inflation targets in the markets where the CGU operates.

Cash Flow

The calculation includes cash flows for five years, in addition to terminal value. Cash Flow estimates are based on the budget plan approved by the Board of Directors. The cash flow shows expectation of gross profit improvement and revenue growth handled by the existing organisation.

Impairment – test results and conclusion

The VIU exceeds carrying amount for each of the CGUs. The impairment test did not indicate a requirement for write-down for goodwill. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregated recoverable amount of the CGU.

Note 16 Tangible assets

EUR thousand	Land & Buildings	Fixtures	Vehicles	Machines and office equipm.	Other	Total
Cost						
Cost at 1 Jan 2018	0	2,564	65	2,136	1,462	**6,227**
Acquisition of SPT Group Finland	0	0	0	39	0	**39**
Acquisition	5	224	23	648	0	**900**
Disposals at cost price	1,294	-286	-18	-87	-1,462	**-559**
Currency exchange effects	-0	-4	-1	-13	0	**-18**
Cost at 31 Dec 2018	1,298	2,498	69	2,723	0	**6,589**
Acquisition	7	630	35	616	0	**1,288**
Disposals at cost price	0	-61	-23	-18	0	**-101**
Currency exchange effects	0	-0	1	5	0	**5**
Cost at 31 Dec 2019	1,305	3,068	82	3,326	0	**7,781**
Depreciation and impairment						
Accumulated depreciations at 1 Jan 2018	0	-1,578	-31	-840	-1,279	**-3,728**
Acquisition of SPT Group Finland [1]	0	0	0	-10	0	**-10**
Depreciation of the year	-82	-217	-10	-408	0	**-716**
Disposals acc. depr/amort.	-1,118	556	-4	-174	1,279	**538**
Currency exchange effects	0	3	1	7	0	**11**
Accumulated depreciations at 31 Dec 2018	-1,200	-1,236	-45	-1,424	0	**-3,906**
Acquisition of SPT Group Finland [1]	0	-23	0	-19	0	**-42**
Depreciation of the year	-77	-282	-5	-628	0	**-993**
Disposals acc. depr/amort.	0	51	1	15	0	**67**
Currency exchange effects	0	0	-1	-4	0	**-4**
Accumulated depreciations at 31 Dec 2019	-1,278	-1,490	-49	-2,060	0	**-4,877**
Carrying amount at 31 Dec 2019	27	1,578	33	1,265	0	**2,904**
Useful life	30-35 yr	3-6 yr	5 yr	3-5 yr	na	

1) Adjustment of balance values in entites acquired last year

Note 17 Financial Instruments

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

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

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

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

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

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

Financial instruments

	Carrying amount			Fair value			
EUR thousand	Loans and receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total
31 Dec 2019							
Financial assets							
NPL portfolios	1,041,919	0	**1,041,919**	0	0	1,060,871	**1,060,871**
Other financial assets	0	193	**193**	0	193	0	**193**
Total Financial assets	1,041,919	193	**1,042,112**	0	193	1,060,871	**1,061,064**
Financial liabilities							
Interest-bearing debt	929,932	0	**929,932**	193,000	729,932	0	**922,932**
Total Financial liabilities	929,932	0	**929,932**	193,000	729,932	0	**922,932**
31 Dec 2018							
Financial assets							
NPL portfolios	728,820	0	**728,820**	0	0	728,820	**728,820**
Other financial assets	0	778	**778**	0	778	0	**778**
Total Financial assets	728,820	778	**729,598**	0	778	728,820	**729,598**
Financial liabilities							
Interest-bearing debt	737,125	0	**737,125**	144,750	587,125	0	**731,875**
Total Financial liabilities	737,125	0	**737,125**	144,750	587,125	0	**731,875**

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

Note 18 Purchased debt Portfolios

EUR thousand	2019	2018
Opening balance	**728,819**	317,150
Acquisitions during the year	**398,286**	461,910
Collection	**-217,147**	-117,034
Yield - Interest income from purchased loan portfolios	**134,531**	74,536
Net gain/loss purchased loan portfolios 1)	**-319**	10,599
Repossession of secured NPL to REO	**-2,823**	-2,953
Disposals 1) 2)	**-187**	-9,416
Translation difference	**758**	-5,972
Closing balance	**1,041,919**	728,819
Payments during the year for investments in purchased debt amounted to EUR	**401,646**	456,339
Deferred payment	**10,286**	5,572

1) Gain on disposals is netted in P&L as 'Net gain/loss purchased loan portfolios'

2) Disposals relates to portfolio purchase agreements entered with Unicaja to purchase REOs. The agreement was entered with a first and second closing. The condition for the second closing was that Axactor was committed to purchase the defined assets in the contract. Assets that was in a sales process on the date of signing were held back pending on a sale. A sale of committed, not transferred assets are treated as a cash flow from NPL portfolio revenue. Assets still unsold within a defined period from signing of the contract was treated as a disposal and transferred to REOs.

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

Note 19 Shares and participations in subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Result 2019	Equity 2019
Axactor Italy Holding Srl	100.0 %	100.0 %	Cuneo	Italy	-854	17,254
Axactor Italy SpA	100.0 %	100.0 %	Cuneo	Italy	1,616	15,730
Axactor Capital Italy Srl	100.0 %	100.0 %	Cuneo	Italy	102	-78
Axactor Incentive AB	100.0 %	100.0 %	Gothenburg	Sweden	0	4
Axactor Portfolio Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	2,296	150,937
Axactor Platform Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	-5,780	108,581
Axactor Sweden AB	100.0 %	100.0 %	Gothenburg	Sweden	2,707	35,509
Axactor Sweden Holding AB	100.0 %	100.0 %	Gothenburg	Sweden	-7	31,230
Axactor Norway Holding AS	100.0 %	100.0 %	Oslo	Norway	9,110	98,085
Axactor Capital AS	100.0 %	100.0 %	Drammen	Norway	9,847	111,074
Axactor Norway AS	100.0 %	100.0 %	Drammen	Norway	61	1,383
ReoLux SarL [1)]	50.0 %	50.0 %	Luxembourg	Luxembourg	-9,051	34,884
Axactor Invest 1 Sarl [1)]	50.0 %	50.0 %	Luxembourg	Luxembourg	14,654	108,046
Axactor Capital Luxembourg Sarl	100.0 %	100.0 %	Luxembourg	Luxembourg	13,304	84,263
Beta Properties SLU	100.0 %	100.0 %	Madrid	Spain	-202	7,879
Borneo Commercial Investments SLU	100.0 %	100.0 %	Madrid	Spain	-616	1,525
Alcala Lands Investments SLU	100.0 %	100.0 %	Madrid	Spain	-26	605
PropCo Malagueta SL [2)]	75.0 %	75.0 %	Malaga	Spain	3,033	60,407
Proyector Lima SL [2)]	75.0 %	75.0 %	Madrid	Spain	783	44,246
Axactor Espana SLU	100.0 %	100.0 %	Madrid	Spain	-1,283	10,905
Axactor Espana Platform SA	100.0 %	100.0 %	Madrid	Spain	9,435	13,950
Axactor Germany Holding GmbH	100.0 %	100.0 %	Heidelberg	Germany	69	-102
Axactor Germany GmbH	100.0 %	100.0 %	Heidelberg	Germany	-5,038	-6,127
Heidelberger Forderingskauf GmbH	100.0 %	100.0 %	Heidelberg	Germany	2,888	13,987
Heidelberger Forderungskaurf II GmbH	100.0 %	100.0 %	Heidelberg	Germany	-921	371
Taloa Equity Management GmbH	100.0 %	100.0 %	Heidelberg	Germany	157	1,515
VABA GmbH	100.0 %	100.0 %	Heidelberg	Germany	-11	-19
Axactor Finland Holding OY	100.0 %	100.0 %	Jyväskylä	Finland	116	466
Axactor Finland OY	100.0 %	100.0 %	Jyväskylä	Finland	747	833
SPT Latvija SIA	100.0 %	100.0 %	Riga	Latvia	4	-127
SPT Inkasso OÜ	100.0 %	100.0 %	Tallin	Estonia	23	51
Axactor Finland Software OY [3)]	100.0 %	100.0 %	Jyväskylä	Finland	33	3
UAB Isieskojimu kontora [3)]	100.0 %	100.0 %	Vilnius	Lithuania		

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

2) *Direct ownership stated in table*

3) *Axactor Software and Lithuania was reported consolidated in 2019*

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

Note 20 Other non-current investments

EUR thousand	Office location, city	Office location, country	2019	2018
Other non-current investments				
Nickel Mountain Resources AB [1]	Stockholm	Sweden	**0**	157
Club Financiero Génova, S.A	Madrid	Spain	**21**	21
Insurance founds (severence scheme in Italy)			**171**	554
Other Investments			**1**	46
Total other non-current investments			**193**	778

1) See Note 13 in Parent Company

Note 21 Stock of secured Assets, REOs

EUR thousand	2019	2018
Acquisition cost, opening balance	**200,009**	154,101
Acquisitions during the year	**668**	99,310
Repossession of secured NPL	**2,823**	2,953
Cost of sold secured assets	**-74,052**	-54,491
Other	**0**	82
Total acquisition cost	**129,448**	201,955
Impairment	**-412**	-1,946
Disposals	**5**	0
Closing balance	**129,041**	200,009
Number of assets	**4,024**	6,323

Note 22 Other current assets

Accounts receivable

EUR thousand	2019	2018
Accounts receivable	**13,135**	9,459

Due to the nature of the business, the amount of outstanding accounts receivable is low. Allowances for doubtful debts are recognized against trade receivables based on individual basis, set per country.

Prepaid expenses and accrued income

EUR thousand	2019	2018
Prepaid taxes	**2,442**	628
Prepaid expenses	**2,317**	2,260
Accrued revenue / Work in progress [1)]	**5,946**	6,982
Capitalized cost related to 13m Warrants issued to Geveran	**0**	1,159
Other	**4,254**	1,745
Total prepaid expenses and accrued income	**14,960**	12,774

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

Note 23 Cash and cash equivalents

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

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

EUR thousand	2019	2018
Cash and bank deposits	**71,657**	67,593
Restricted cash and bank deposits client accounts	**3,739**	3,184
Total cash and cash equivalents	**75,396**	70,776

The composition of the cash per currency is shown below.

EUR thousand	2019	2018
NOK	**-6,074**	4,368
SEK	**-487**	1,807
EUR	**81,954**	64,592
GBP	**3**	9
Total cash and cash equivalents	**75,396**	70,776

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

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

Note 24 Issued shares, share capital and reserves

Issued shares and share capital

	Number of shares	Share capital (EUR)
At 1 Jan 2017	1,226,488,769	64,197,268
New share issues, May	50,000,000	2,617,116
New share issues, Aug	75,600,000	3,957,079
New share issues, Sep	164,400,000	8,605,077
At 31 Dec 2017	1,516,488,769	79,376,540
Exercise of share options, Apr	27,992,250	1,465,179
New share issues, May	1	0
Reverse split 1:10, May		
at 30 Jun after Reverse split 1:10	154,448,102	80,841,720
New share issues, Nov 2018	523,012	273,756
At 31 Dec 2018	154,971,114	81,115,475
New share issues, May	424,350	222,115
At 31 Dec 2019	155,395,464	81,337,590

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

30 largest shareholders as at 31 Dec 2019

Name	Shareholding	Share %
Geveran Trading Co Ltd	44,710,233	28.8 %
Verdipapirfondet Dnb Norge	7,588,738	4.9 %
Torstein Ingvald Tvenge	7,150,000	4.6 %
Ferd AS	5,335,139	3.4 %
Verdipapirfondet Alfred Berg Gamba	3,805,376	2.4 %
Verdipapirfondet Alfred Berg Norge	3,560,144	2.3 %
Verdipapirfondet Alfred Berg Aktiv	2,375,621	1.5 %
Verdipapirfondet Nordea Norge Verd	2,086,030	1.3 %
Gvepseborg AS	2,036,494	1.3 %
Ubs Switzerland AG	1,803,827	1.2 %
Alpette AS	1,661,643	1.1 %
Vatne Equity AS	1,391,599	0.9 %
Nordnet Livsforsikring AS	1,330,328	0.9 %
Citibank (nominee)	1,305,737	0.8 %
Andres Lopez Sanchez	1,177,525	0.8 %
David Martin Ibeas	1,177,525	0.8 %
Klotind AS	1,144,244	0.7 %
Klp Aksjenorge Indeks	1,055,049	0.7 %
Latino Invest AS	1,030,000	0.7 %
Verdipapirfondet Nordea Kapital	1,005,137	0.6 %
Verdipapirfondet Nordea Avkastning	998,028	0.6 %
Bnp Paribas Securities Services	942,000	0.6 %
Vardfjell AS	891,401	0.6 %
Endre Rangnes	864,000	0.6 %
Elena AS	860,000	0.6 %
Citibank (nominee)	830,793	0.5 %
Svein Dugstad	665,000	0.4 %
Banca Sistema S.P.A	604,504	0.4 %
Bente Mowinckel Tvenge	600,000	0.4 %
Fryden AS	576,000	0.4 %
Total 30 largest shareholders	100,562,115	64.7 %
Other shareholders	54,833,349	35.3 %
Total number of shares	155,395,464	100 %
Total number of shareholders	8,460	

Shares owned by related parties

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

1) *Geveran Trading Co Ltd owns 50% of Luxco Invest1 S.A and Reolux Holding S.à.r.l., companies controlled by Axactor Group*
2) *CEO/Related to the CEO of Axactor SE*
3) *Member of the executive management team of Axactor SE and former owner of ALD, Spain*
4) *Related to the CFO of Axactor SE*
5) *Banca Sistema S.P.A. owns 10% of the shares in Axactor Italy Srl, a company controlled by Axactor Group*
6) *Member of the executive management team of Axactor SE*
7) *Member of the Board of Directors of Axactor SE/controlled by member of the Board of Directors of Axactor SE*
8) *Primary insider of Axactor SE*
9) *Company controlled by primary insider of Axactor SE*

As from 31 May 2018 the shares in Axactor SE are traded ex reverse split, with new ISIN and new face value. Ratio: 10 old shares give 1 new share. New ISIN: NO0010840515. New Face value: EUR 0.5234232

Note 25 Share based Payment

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

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

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

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

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

The total expense recognized for the share-based programs during 2019 was EUR 1,256m. Total social security provisions amounts to EUR 0,142m per 31.12.2019 (social security costs on exercised options has been paid in connection with the relevant exercises, hence taken out of the provisions accounts). The total intrinsic value of the employee stock options is EUR 1,031m at 31.12.2019.

During 2019, the Company's granted share-based payment arrangements are quantitatively described with their weighted average parameters to the Black-Scholes-Merton Option Pricing Model.

Granted Instruments 2019

Parameters connected to instruments granted in 2019

Instrument	Quantity 31.12.2019 (instruments)	Quantity 31.12.2019 (shares)	Contractual life 1)	Strike price 1) (NOK)	Share price 1) (NOK)	Expected lifetime 1)	Volatility 1)	Interest rate 1)	FV per instrument 1)	Vesting conditions	Vesting structure	Strike structure
Options	3,680,552	3,680,552	5.00	26.33	22.80	3.00	37.62%	1.39%	0.00	4.98	Four tranches - 25% vest annually with the first vesting approximately one year from grant	1st tranche: 30 NOK 2nd tranche: 32 NOK 3rd tranche: 35 NOK 4th tranche: 37.50 NOK

1) Weighted average fair value parameters at grant of instrument - All new instruments in 2019 were granted after reverse split

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

At year end the company has options outstanding that were granted from 2015 to 2019 and the exercise prices vary from 12.50 NOK to 37.50 NOK per option.

The table below illustrates the status on all outstanding options at 31.12.2019 and the activity during the year.

Quantity and weighted average prices

	2019	
Activity	Number of options	WAEP (NOK)
Outstanding at beginning of year	5,582,625	25.90
Granted	3,680,552	26.33
Exercised	-424,350	12.50
Forfeited	-110,717	31.62
Outstanding at end of year	8,728,110	26.66
Vested CB	2,549,708	24.92

Outstanding Instruments Overview

	Outstanding instruments			Vested instruments
Strike price (NOK)	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price (NOK)	Vested instruments 31.12.2019
12.50	834,975	1.25	12.50	834,975
13.00	790,083	1.25	13.00	3,483
24.50	1,226,840	4.32	24.50	0
26.50	1,226,840	4.32	26.50	0
28.00	1,226,872	4.32	28.00	0
30.00	855,625	2.54	30.00	855,625
32.00	855,625	2.54	32.00	855,625
35.00	855,625	2.54	35.00	0
37.50	855,625	2.54	37.50	0
Total	8,728,110			2,549,708

Note 26 Borrowings and other interest-bearing debt

EUR thousand	Currency	Interest rate	Carrying amount 31.12.2018	Year of maturity
Balance at 1 Jan 2019	EUR / NOK / SEK	Variable	737,124	2020-2024
New issues				
Italian Banks [2)]	EUR		25,490	2020-2024
DnB/Nordea [1)]	Various		205,501	2020-2021
Listed Bond Loan [4)]	EUR		50,000	2021
Nomura [5)]	EUR		22,993	2022
Finnish Banks	EUR		0	2020-2021
Repayments				
Italian Banks	EUR		-32,209	
Conversion to Equity Notes, NCI	EUR		-30,000	
Nomura [5)]	EUR		-47,813	
Other [3)]	EUR		-68	
Other movements				
Capitalized loan fees			-5,168	
Amortized loan fees on loans			7,245	
Accrued interest			-2,096	
Currency translations			-1,069	
Balance at 31 Dec 2019			929,933	
Non-current portion of interest-bearing debt			466,378	
Current portion of interest-bearing debt			463,555	
Of which in currency				
NOK			123,632	
SEK			85,070	
EUR			721,231	

1) The debt facility agreement with DNB Bank ASA and Nordea Bank AB is EUR 425 million, in addition EUR 75 million in the form of accordion options. The loan carries a variable interest rate based on the interbank rate in each currency with a margin.

Under the terms of this debt facility the group is required to comply with the following financial covenants: Group NIBD Ratio <3; Portfolio Leverage Ratio <60% and Collection performance >90%

All material subsidiaries of the group are guarantors and have granted a share pledge and bank account pledge as part of the security package for this facility. Italian subsidiaries together with the co-Invest Vehicle in Luxembourg as well as the REO Holding company in Luxembourg are not a part of the agreement nor the security arrangement.

2) The facilities of the Italian banks relate to eleven different facilities and agreements with several Italian banks. The loans carries variable interest rates based on the interbank rate with a margin. Some of the loans are secured with collaterals worth EUR 29 million.

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

4) In March 2019, Axactor SE completed a tap issue of EUR 50 million in its outstanding senior unsecured bonds due 23 June 2021 (ISIN NO0010840515). Following the tap issue the total nominal amount outstanding under the bonds will be EUR 200 million.

The bonds are listed on Oslo Exchange. The coupon rate is 3m EURIBOR + 700 bps pa. The following financial covenants: Interest coverage ratio: >4.0x (Pro-Forma Adjusted Cash EBITDA to net interest expenses); Leverage ratio: <4.0x (NIBD to Pro-Forma Adjusted Cash EBITDA); Net loan to value: <75% (NIBD to total book value all debt portfolios and REOs); Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs). Trustee: Nordic Trustee.

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

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

Note 27 Pension liability

Axactor group meets the different local mandatory occupational pension requirement.

Axactor operates defined contribution retirement benefit plans for all qualifying employees of its subsidiaries in Sweden and Norway. The only obligation of the group with respect to retirement benefit plan is to make the specified contributions.

In Italy all employees are entitled to a termination indemnity (TFR) upon termination of employment for any reason. This TFR is considered a defined benefit obligation to be accounted for in accordance with IAS19. Axactor funds defined benefit plans for qualifying employees.

The employees of the Spanish and German subsidiaries are member of a state managed retirement benefit plan operated by the government of respectively Spain and Germany. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The total expense recognized in P&L amounts to EUR 0.9 million (2018: EUR 0.6m) and represents contributions payable to these plans by Axactor at rates specified in the rules of the plans.

Note 28 Other non-current liabilities

EUR thousand	2019	2018
Other non-current accruals	**361**	219
Pension liability (Note 27)	**1,054**	961
Total other non-current liabilities	**1,415**	1,180

Note 29 Other current liabilities

EUR thousand	2019	2018
Public duties	**4,113**	5,293
Personnel related liabilities	**5,827**	5,006
Accrued solicitors	**620**	1,158
Remaining part purchase considerations [1]	**0**	2,266
Deferred payments relating to NPL, see Note 18	**10,286**	5,572
Other accruals	**5,645**	4,878
Total other current liabilities	**26,491**	24,172

1) *Ref. Note 33*

Note 30 Transactions with related parties

EUR thousand	2019	2018
Related Party balances as per year end		
Geveran Trading Co LTD owns 50% of Axactor Invest 1, a company controlled and consolidated by Axactor Group, has by one of its subsidiaries subscribed to deeply subordinated income sharing Notes issued by Axactor Invest 1	**140,000**	150,000
Geveran Trading Co LTD, owns 50% of Axactor Invest 1, a company controlled and consolidated by Axactor Group owns 13 mill American style warrants in Axactor	**0**	1,159

Note 31 Purchase Price Allocations

Axactor has, during the last twelve months, acquired shares in the companies mentioned below and consequently controls the subsidiaries from the date of acquisition. In the purchase price allocations (PPA), the assets and liabilities of the companies have been measured at the estimated fair value at the acquisition date.

The preliminary purchase price allocation identified fair value adjustments on Intangible assets like customer relations, databases, off market contracts, goodwill and deferred tax liabilities/assets. The residual value of the purchase price allocation is allocated to goodwill.

Axactor acquired the SPT Group in Finland on 30 October 2018. The acquisition Is carried out in line with Axactor´s strategy for entering new geographic markets; acquire a small and efficient platform and deploy Axactor´s competencies and financial capacity to accelerate the value creation. In November 2018, Axactor acquired an NPL portfolio in Finland that contains unsecured consumer claims with a total Outstanding Balance (OB) of approximately EUR 160m across more than 16,000 thousand credit card and personal loan accounts.

The labour force and 'going concern' elements are the main part of the acquired excess value and has been allocated to goodwill in accordance with IFRS 3. All goodwill in relation to the acquisition is related to CGU 3PC business. None of the deferred tax relating to goodwill is deductible.

EUR thousand	2018 SPT group
Date of acquisition	30 Oct 2018
Acquired part of company	100%
Purchase price	2,435
- whereof cash consideration	1,186
- whereof share consideration	1,249
ASSETS	
Non-current assets	
Intangible assets	
Database	0
Goodwill	2,342
Tangible assets	
Plant and machinery	18
Non-current financial assets	
Other non-current receivables	3
Total non-current assets	2,363
Current assets	
Current receivables	380
Other current assets	0
Cash and cash equivalents	100
Total current assets	480
Total Assets	2,843
Non-current liabilities	
Non-current interest bearing debt	72
Total non-current liabilities	72
Current liabilities	
Trade payables	79
Other short-term liabilities	258
Other public duties payable	
Total current liabilities	337
Total Net assets	2,435
Net sales 2018 (full year)	1,834
Profit 2018 (full year)	225
Net sales 2018 for Axactor period	532
Profit 2018 for Axactor period	131

Note 32 Pledged Assets

EUR thousand	2019	2018
Group	**798,981**	674,255
Parent	**271,504**	278,831

Note 33 Subsequent Event

In January 2020 Axactor renewed and expanded an existing forward flow agreement for 12 months starting in February. Part of the forward flow will be managed in 3PC for a period prior to acquisition, and the expected annual capex is around EUR 10 million.

To fund the growth strategy, the company on 5 February raised NOK 517.5 million (EUR 51 million) in gross proceeds from a private placement of 30 million shares at subscription price of NOK 17.25 per share.

Parent Company Statement of Profit and Loss

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
Management services to group companies		**6,436**	1,736
Other revenue		**1,078**	0
Total Revenue		**7,514**	1,736
Personnel expenses	3	**-5,908**	0
Operating expenses	5	**-5,327**	-4,638
Total operating expense		**-11,236**	-4,638
EBITDA		**-3,722**	-2,902
Amortization and depreciation	6, 9, 10	**-1,371**	0
EBIT		**-5,093**	-2,902
Financial revenue	7	**17,013**	13,200
Financial expenses	7	**-15,924**	-10,795
Net financial items		**1,088**	2,404
Profit/(loss) before tax		**-4,005**	-498
Tax (expense)	8	**870**	55
Net profit/(loss) after tax		**-3,135**	-442
Distibution to share premium reserve		**-3,135**	-442

Parent Company Statement of Comprehensive Loss

For the year ended 31 December 2019

EUR thousand	2019	2018
Net profit/(loss) after tax	**-3,135**	-442
Items that will not be classified subsequently to profit and loss		
Remeasurement of pension plans	**0**	0
Items that may be classified subsequently to profit and loss		
Foreign currency translation differences - foreign operations	**0**	0
Other comprehensive income/(loss) afer tax	**0**	0
Total comprehensive income for the period	**-3,135**	-442

Parent Company Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
ASSETS			
Intangible non-current assets			
Intangible Assets	10	**9,876**	0
Deferred tax assets	8	**2,761**	55
Investment in subsidiaries	12	**359,750**	322,078
Tangible non-current assets			
Property, plant and equipment	9	**38**	0
Right-of-use assets	6	**54**	0
Financial non-current assets			
Loans to group companies	16	**78,055**	80,564
Other non-current investments	13	**0**	170
Total non-current assets		**450,634**	402,868
Current assets			
Current intercompany receivable	16	**16,564**	3,037
Other current assets	14	**1,475**	1,174
Restricted cash	15	**258**	0
Cash and Cash Equivalents	15	**14,543**	23,139
Total current assets		**32,840**	27,349
TOTAL ASSETS		**483,374**	430,217

Parent Company Statement of Financial Position

For the year ended 31 December 2019

EUR thousand	Note	2019	2018
EQUITY AND LIABILITIES			
Restricted equity			
Share Capital		**81,338**	81,115
Total restricted equity		**81,338**	81,115
Non-restricted equity			
Share premium reserve		**188,032**	199,825
Result for the period		**-3,135**	-442
Total restricted equity		**184,896**	199,382
Total Equity	11	**266,235**	280,498
Non-current Liabilities			
Interest bearing debt	17	**198,757**	148,742
Interest bearing debt from group companies	17	**3,170**	0
Total non-current liabilities		**201,927**	148,742
Current Liabilities			
Accounts payables		**1,109**	23
Current intercompany liabilities	16	**10,654**	598
Current portion of interest bearing debt	17	**311**	0
Taxes payable	8	**780**	0
Current portion of lease liabilities	6	**56**	0
Other current liabilities	18	**2,303**	356
Total current liabilities		**15,212**	978
Total Liabilities		**217,139**	149,720
TOTAL EQUITY AND LIABILITIES		**483.374**	430,217

Oslo, 10 March 2020
The Board of Directors

Bjørn Erik Næss
Chairman of the Board

Lars Erich Nilsen
Board member

Merete Haugli
Board member

Brita Eilertsen
Board member

Beate Skjerven Nygårdshaug
Board member

Terje Mjøs
Board member

Endre Rangnes
CEO

Parent Company Statement of Changes in Equity

For the year ended 31 December 2019

	Equity related to the shareholders of the Parent Company				
	Restricted	Non-restricted			
EUR thousand	Share capital	Other paid in capital	Profit for the year	Total	Total Equity
Balance on 1 Jan 2018	79,377	196,959	-1,135	**195,824**	**275,201**
Transfer of prior years net result [1]		-1,135	1,135	**0**	**0**
Result of the period			-442	**-442**	**-442**
New Share issues (exercise of share options)	1,465	1,682		**1,682**	**3,147**
New Share issues	273	975		**975**	**1,248**
Costs related to share issues		-31		**-31**	**-31**
Share based payment		1,374		**1,374**	**1,374**
Closing balance on 31 Dec 2018	81,115	199,824	-442	**199,382**	**280,498**
Merger effect when merged with subsidiary Axactor AS		-3,165		**-3,165**	**-3,165**
Transfer of prior years net result [1]		-442	442	**0**	**0**
Result of the period			-3,135	**-3,135**	**-3,135**
Total comprehensive income for the period		-442	-2,693	**-3,135**	**-3,135**
New Share issues (exercise of share options)	222	325		**325**	**548**
Share based payment		1,256		**1,256**	**1,256**
Group contribution		-9,766		**-9,766**	**-9,766**
Closing balance on 31 Dec 2019	81,338	188,033	-3,135	**184,897**	**266,235**

1) *Ref. resulution in Annual general meeting on 31 May 2018 and 10 April 2019*

Parent Company Statement of Cash Flow

For the year ended 31 December 2019

EUR thousand		2019	2018
Operating actitvities			
Profit/(loss) before tax		**-4,005**	-498
Taxes paid	8	**8**	0
Adjustments for:			
- Finance income / (expense)	17	**-1,088**	-2,404
- Agio gain / (loss) on group loans	16	**1**	-1,436
- Depreciation and amortization	6, 9, 10	**1,371**	0
- Calculated cost of employee share options		**1,256**	1,374
Change in Working capital		**445**	-301
Net cash flows operating activities		**-2,013**	-3,265
Investing actitvities			
Investment / share issue in subsidiaries		**7,328**	-16,000
Purchase of intangible and tangible assets	9, 10	**-5,528**	0
Sale Other non-current investments	13	**160**	0
Interest received		**10**	651
Net cash flows investing activities		**1,970**	-15,349
Financing actitvities			
Proceeds from external borrowings	17	**50,000**	150,000
Loan to subsidiaries / repaid from subsidiaries	17	**151**	-108,424
Conversion of IC debt to equity	16	**-45.000**	0
Interest paid		**-13,615**	-8,176
Loan fees paid	17	**0**	-1,593
New Share issues		**547**	4,395
Costs related to share issues		**0**	-31
Net cash flows financing activities		**-7,916**	36,171
Net change in cash and cash equivalents		**-7,960**	17,557
Cash and cash equivalents at the beginning of period		**23,139**	5,641
Merger effect when merged with subsidiary Axactor AS		**-618**	0
Currency translation		**241**	-59
Cash and cash equivalents at end of period, incl. restricted funds		**14,801**	23,139

Summary of Notes to the Parent Company

Notes to the Parent Company Financial Statements

Note 1 Corporate Information

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

The Annual Report and Parent Company Report for Axactor SE (publ) were adopted by the Board of Directors on 10th March 2020 and will be submitted for approval to the Annual General Meeting on 1 April 2020.

Note 2 Summary of significant Accounting Principles

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

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

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

Basis for preparation

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

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

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

01.01.2019, the subsidiary Axactor AS was merged into Axactor SE. Comparable numbers for 2018 are not provided in tables in this report.

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

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

Segment reporting

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

Note 3 Personnel expenses

EUR thousand	2019	2018
Salaries	**4,374**	0
Bonus	**247**	0
Social contribution	**613**	0
Pension cost	**77**	0
Share Option Programme	**529**	0
Other benefits	**68**	0
Total personnel expenses	**5,908**	0

Axactor SE meets the local mandatory occupational pension requirement.

Average number of employees

EUR thousand	2019	2018
Number of FTE's, start of year	**0**	0
Number of FTE's, end of year	**18**	0
Average number of FTE's	**9**	0

Post-employment benefits

EUR thousand	2019	2018
Salaries	**122**	0
Total post-employment benefits	**122**	0

Note 4 Key management compensation

Board of Directors remuneration

EUR thousand	2019	2018
Bjørn Erik Næss	**56**	0
Beate S. Nygårdshaug [1)]	**30**	0
Brita Eilertsen	**30**	0
Merete Haugli [1)]	**31**	0
Terje Mjøs [1)]	**30**	0
Lars Erich Nilsen	**36**	0
Total	**213**	0

1) *Includes the remuneration for membership in audit committee*

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

EUR thousand	2019	2018
Jarle Sjo [1)]	**4**	0
Magnus Tvenge	**2**	0
Cathrine Loferød Feght	**2**	0
Total	**9**	0

1) *Member until April 2019*

Executive management remuneration 2019

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

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

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

At the end of 2019 no loan or prepayments were granted to Board of Directors and Executive management.

Note 5 Other operating expenses and remuneration to auditors

EUR thousand	2019	2018
Direct operating expenses, excluding salary	**911**	868
External services	**1,291**	1,471
IT expenses	**2,379**	2,226
Other operating expenses	**747**	73
Total other operating expenses	**5,327**	4,638

Remuneration to company auditors PricewaterhouseCoopers

EUR thousand	2019	2018
Fees, auditing	**153**	309
Fees, audit related services	**120**	0
Fees, tax advisory	**77**	23
Fees, other services	**0**	43
Total fees, PwC	**350**	375

Note 6 Commitments and leases

The company leases premises only. The Facility contract at year end 2019 expires 31.03.2020. A new contract is entered from 01.04.2020 and will be booked as right-of-use asset and lease liability from this date.

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

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

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

EUR thousand	Total
Undiscounted lease liabilities and maturity of cash outflow	
< 1 year	57
Total undiscounted lease liabilities at 31 Dec 2019	**57**
Discount element	-1
Total discounted lease liabilities at 31 Dec 2019	**56**

Note 7 Financial items

EUR thousand	2019	2018
Financial revenue		
Interest on bank deposits	**10**	924
Interest on intercompany loans	**2,745**	12,270
Group contribution	**14,000**	0
Exchange gains realized	**45**	0
Net unrealized exchange gain	**194**	0
Other financial income	**19**	6
Total financial revenue	**17,013**	13,200
Financial expense		
Interest expense on borrowings	**-14,389**	-8,794
Exchange losses realized	**-121**	-445
Other financial expense [1]	**-1,414**	-1,556
Total financial expense	**-15,924**	-10,795
Net financial items	**1,088**	2,404

1) Includes amortization of warrants of 1.5m in 2018 and 1.2m in 2019

Note 8 Income tax and tax assets and liabilities

EUR thousand	2019	2018
Ordinary result before taxes	**-4,005**	-498
Non deductable expenses	**4**	0
Other permanent differences	**98**	0
Change in deferred tax	**9,522**	0
Basis for income tax	**5,619**	-498
Tax payable over profit and loss	**1,236**	0
Skattefunn [1]	**-456**	0
Tax payable in the balance	**780**	0
Tax payable	**-1,236**	0
Change in deferred taxes [2]	**2,095**	97
Tax effect on permanent difference	**22**	0
Effect on foregin exchange rates	**-11**	0
Tax losses for which no deferred tax asset was recognized	**0**	-42
Income tax expense	**870**	55

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

2) *Change in deferred taxes includes tax lossess carried forward from the merger with Axactor AS, EUR 611 thousand*

Temporary differences

EUR thousand	2019	2018
Current assets	**101**	0
Limitation interest carried forward	**2,093**	0
Tax losses carried forward reognized [2]	**665**	55
Differences not included in the calculation of deferred tax	**-100**	0
Net income tax reduction temporary differences	**2,761**	55
Net deferred tax asset	**2,761**	55
Net deferred tax liability	**0**	0
Net deferred tax	**2,761**	55

Note 9 Tangible fixed assets

EUR thousand	Land & buildings	Fixtures	Machines and office eqipm.	Total
Cost				
Cost at 31 Dec 2018	0	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	9	92	39	**140**
Cost at 31 Dec 2019	9	92	39	**140**
Amortization and impairment				
Accumulated depreciations at 31 Dec 2018	0	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	-2	-41	-28	**-70**
Depreciation of the year	-2	-18	-12	**-32**
Accumulated depreciations at 31 Dec 2019	-3	-59	-39	**-102**
Carrying amount at 31 Dec 2019	5	32	0	**38**
Useful life	3-10 yr	1-5 yr	1-5 yr	

Note 10 Intangible fixed assets

EUR thousand	Software	Other Intangibles	Total
Cost			
Cost at 31 Dec 2018	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	2,326	4,005	**6,330**
Acquisition	3,467	900	**4,368**
IC Acquisition	1,161	0	**1,161**
Reclassification	2,641	-2,641	**-0**
Disposals at cost price	-210	0	**-210**
Cost at 31 Dec 2019	9,385	2,264	**11,648**
Amortization and impairment			
Accumulated amortizations at 31 Dec 2018	0	0	**0**
Merger effect when merged with subsidiary Axactor AS	-371	-379	**-750**
Amortization of the year	-1,011	-221	**-1,233**
Reclassification	-191	191	**0**
Disposals at cost price	210	0	**210**
Accumulated amortizations at 31 Dec 2019	-1,363	-409	**-1,772**
Carrying amount at 31 Dec 2019	8,022	1,855	**9,876**
Useful life	3-10 yr	1-5 yr	

Note 11 Share capital and shareholder information

Issued shares and Share capital

	Number of shares	Share capital (EUR)
At 1 Jan 2017	1,226,488,769	64,197,268
New share issues, May	50,000,000	2,617,116
New share issues, Aug	75,600,000	3,957,079
New share issues, Sep	164,400,000	8,605,077
At 31 Dec 2017	1,516,488,769	79,376,540
Exercise of share options, Apr	27,992,250	1,465,179
New share issues, May	1	0
Reverse split 1:10, May		
at 30 Jun after Reverse split 1:10	154,448,102	80,841,720
New share issues, Nov 2018	523,012	273,756
At 31 Dec 2018	154,971,114	81,115,475
New share issues, May	424,350	222,115
At 31 Dec 2019	155,395,464	81,337,590

30 largest shareholders as at 31 Dec 2019

Name	Shareholding	Share %
Geveran Trading Co Ltd	44,710,233	28.8 %
Verdipapirfondet Dnb Norge	7,588,738	4.9 %
Torstein Ingvald Tvenge	7,150,000	4.6 %
Ferd AS	5,335,139	3.4 %
Verdipapirfondet Alfred Berg Gamba	3,805,376	2.4 %
Verdipapirfondet Alfred Berg Norge	3,560,144	2.3 %
Verdipapirfondet Alfred Berg Aktiv	2,375,621	1.5 %
Verdipapirfondet Nordea Norge Verd	2,086,030	1.3 %
Gvepseborg AS	2,036,494	1.3 %
Ubs Switzerland AG	1,803,827	1.2 %
Alpette AS	1,661,643	1.1 %
Vatne Equity AS	1,391,599	0.9 %
Nordnet Livsforsikring AS	1,330,328	0.9 %
Citibank (nominee)	1,305,737	0.8 %
Andres Lopez Sanchez	1,177,525	0.8 %
David Martin Ibeas	1,177,525	0.8 %
Klotind AS	1,144,244	0.7 %
Klp Aksjenorge Indeks	1,055,049	0.7 %
Latino Invest AS	1,030,000	0.7 %
Verdipapirfondet Nordea Kapital	1,005,137	0.6 %
Verdipapirfondet Nordea Avkastning	998,028	0.6 %
Bnp Paribas Securities Services	942,000	0.6 %
Vardfjell AS	891,401	0.6 %
Endre Rangnes	864,000	0.6 %
Elena AS	860,000	0.6 %
Citibank (nominee)	830,793	0.5 %
Svein Dugstad	665,000	0.4 %
Banca Sistema S.P.A	604,504	0.4 %
Bente Mowinckel Tvenge	600,000	0.4 %
Fryden AS	576,000	0.4 %
Total 30 largest shareholders	100,562,115	64.7 %
Other shareholders	54,833,349	35.3 %
Total number of shares	155,395,464	100 %

Total number of shareholders	8,460	

Shares owned by related parties

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

1) *Geveran Trading Co Ltd owns 50% of Luxco Invest1 S.A and Reolux Holding S.à.r.l., companies controlled by Axactor Group*
2) *CEO/Related to the CEO of Axactor SE*
3) *Member of the executive management team of Axactor SE and former owner of ALD, Spain*
4) *Related to the CFO of Axactor SE*
5) *Banca Sistema S.P.A. owns 10% of the shares in Axactor Italy Srl, a company controlled by Axactor Group*
6) *Member of the executive management team of Axactor SE*
7) *Member of the Board of Directors of Axactor SE/controlled by member of the Board of Directors of Axactor SE*
8) *Primary insider of Axactor SE*
9) *Company controlled by primary insider of Axactor SE*

As from 31 May 2018 the shares in Axactor SE are traded ex reverse split, with new ISIN and new face value. Ratio: 10 old shares give 1 new share. New ISIN: NO0010840515. New Face value: EUR 0.5234232

Note 12 Subsidiaries

Subsidiary company

EUR thousand	Share of ownership	Share of voting rights	Office location, city	Office location, country	Book value in parent company	Result 2019	Equity 2019
Axactor Italy Holding Srl	100.0%	100.0%	Cuneo	Italy	18,235	-854	17,254
Axactor Incentive AB	100.0%	100.0%	Gothenburg	Sweden	5	0	4
Axactor Portfolio Holding AB	100.0%	100.0%	Gothenburg	Sweden	153,963	2,296	150,937
Axactor Platform Holding AB	100.0%	100.0%	Gothenburg	Sweden	117,540	-5,780	108,581
ReoLux SarL	50.0%	50.0%	Luxembourg	Luxembourg	25,000	-9,051	34,884
Axactor Invest 1 Sarl	50.0%	50.0%	Luxembourg	Luxembourg	45,006	14,654	108,046

Note 13 Other non-current investments

EUR thousand	Office location, city	Office location, country	2019	2018
Other non-current investments				
Nickel Mountain Resources AB	Stockholm	Sweden	**0**	157
Other Investments			**0**	13
Total other non-current investments			**0**	170

Note 14 Other current receivables

Prepaid expenses and accrued income

EUR thousand	2019	2018
Prepaid expenses	**403**	0
Accrued revenue [1)]	**1,054**	0
Capitalized cost related to 13m Warrants issued to Geveran	**0**	1,159
Other	**18**	15
Total prepaid expenses and accrued income	**1,475**	1,174

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

Note 15 Cash and cash equivalents

EUR thousand	2019	2018
Cash and bank deposits	**14,543**	23,139
Restricted cash	**258**	0
Total cash and cash equivalents	**14,801**	23,139
Composistion of the cash per currency		
NOK	**1,278**	37
SEK	**635**	442
EUR	**12,886**	22,659
GBP	**3**	0
Total cash and cash equivalents	**14,801**	23,139

Note 16 Loans and receivables to group companies

EUR thousand	2019 Loans to group Companies[1]	2019 Current IC receivables	2019 Loans from group Companies	2019 Current IC payables	2018 Loans to group Companies[1]	2018 Current IC receivables	2018 Loans from group Companies	2018 Current IC payables
Axactor Portfolio Holding AB	**0**	**58**	**0**	**0**	6,511	128	0	0
Axactor Platform Holding AB	**27,674**	**269**	**-3,170**	**0**	1,650	176	0	0
Axactor AS	**0**	**0**	**0**	**0**	0	132	0	-598
Axactor Norway Holding AS	**0**	**1,480**	**0**	**0**	0	0	0	0
Axactor Norway AS	**0**	**451**	**0**	**-461**	0	17	0	0
Axactor Capital AS	**0**	**12,105**	**0**	**-9,542**	0	0	0	0
Axactor Sweden AB	**0**	**0**	**0**	**0**	0	155	0	0
Axactor Germany Holding GmbH	**0**	**35**	**0**	**0**	0	21	0	0
Axactor Germany GmbH	**0**	**924**	**0**	**-298**	0	40	0	0
Axactor Espana, S.L.U.	**0**	**108**	**0**	**0**	0	139	0	0
Axactor Platform España S.A	**0**	**4**	**0**	**-203**	0	0	0	0
Axactor Sweden AB	**0**	**549**	**0**	**-103**	0	0	0	0
Axactor Capital Luxembourg S.a.r.l.	**0**	**-152**	**0**	**0**	0	0	0	0
Axactor Italy Holding S.r.l.	**14,143**	**0**	**0**	**0**	0	0	0	0
Axactor Italy S.p.A	**0**	**245**	**0**	**-46**	0	142	0	0
Axactor Capital Italy Srl	**0**	**100**	**0**	**0**	0	0	0	0
Reolux Holding S.a.r.l.	**0**	**0**	**0**	**0**	39,403	0	0	0
Axactor Invest 1 S.a.r.l.[2]	**0**	**162**	**0**	**0**	33,000	2,086	0	0
Reolux S.a.r.l	**36,238**	**87**	**0**	**0**	0	0	0	0
Axactor Finland Holding OY	**0**	**13**	**0**	**0**	0	1	0	0
Axactor Finland OY	**0**	**126**	**0**	**0**	0	0	0	0
Closing balance at 31 Dec	**78,055**	**16,564**	**-3,170**	**-10,654**	80,564	3,037	0	-598

1) Loans to subsidiaries carries an interest rate of 6%, to be paid at year end.

2) The loan to Axactor Invest 1 Sarl concerns A-Notes as described in Note 26 of the consolidated accounts.

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

Note 17 Borrowings

EUR thousand	Currency	Interest rate	Carrying amount	Year of maturity
Balance at 1 Jan 2019	EUR / NOK / SEK	Variable	148,742	2019-2024
Merger effect when merged with subsidiary Axactor AS	NOK		2,937	
New issues				
Listed Bond Loan [4)]	EUR		50,000	2021
Loan from Group company	NOK		151	na
Other movements				
Capitalized loan fees			-740	
Amortized loan fees on loans			755	
Accrued interest			311	
Currency translations			82	
Balance at 31 Dec 2019			202,238	
Non-current portion of interest-bearing debt			201,927	
Current portion of interest-bearing debt			311	
Of which in currency				
NOK			3,170	
EUR			199,068	

EUR thousand	Bond	Other	Total
Borrowings per facility			
Gross interest-bearing debt	200,000	3,170	**203,170**
Capitalized loan fee	-1,242	0	**-1,242**
Accrued interest	311	0	**311**
Interest-bearing debt, end of period	199,069	3,170	**202,238**

In March 2019, Axactor SE completed a tap issue of EUR 50 million in its outstanding senior unsecured bonds due 23 June 2021 (ISIN NO0010840515). Following the tap issue the total nominal amount outstanding under the bonds will be EUR 200 million.

The bonds are listed on Oslo Exchange. The coupon rate is 3m EURIBOR + 700 bps pa. The following financial covenants: Interest coverage ratio: >4.0x (Pro-Forma Adjusted Cash EBITDA to net interest expenses); Leverage ratio: <4.0x (NIBD to Pro-Forma Adjusted Cash EBITDA); Net loan to value: <75% (NIBD to total book value all debt portfolios and REOs); Net secured loan to value: <65% (secured loans less cash to total book value all debt portfolios and REOs). Trustee: Nordic Trustee.

Note 18 Other current liabilities

EUR thousand	2019	2018
Public duties	**306**	168
Personnel related liabilities	**1,680**	0
Other accruals	**317**	188
Total other current liabilities	**2,303**	356