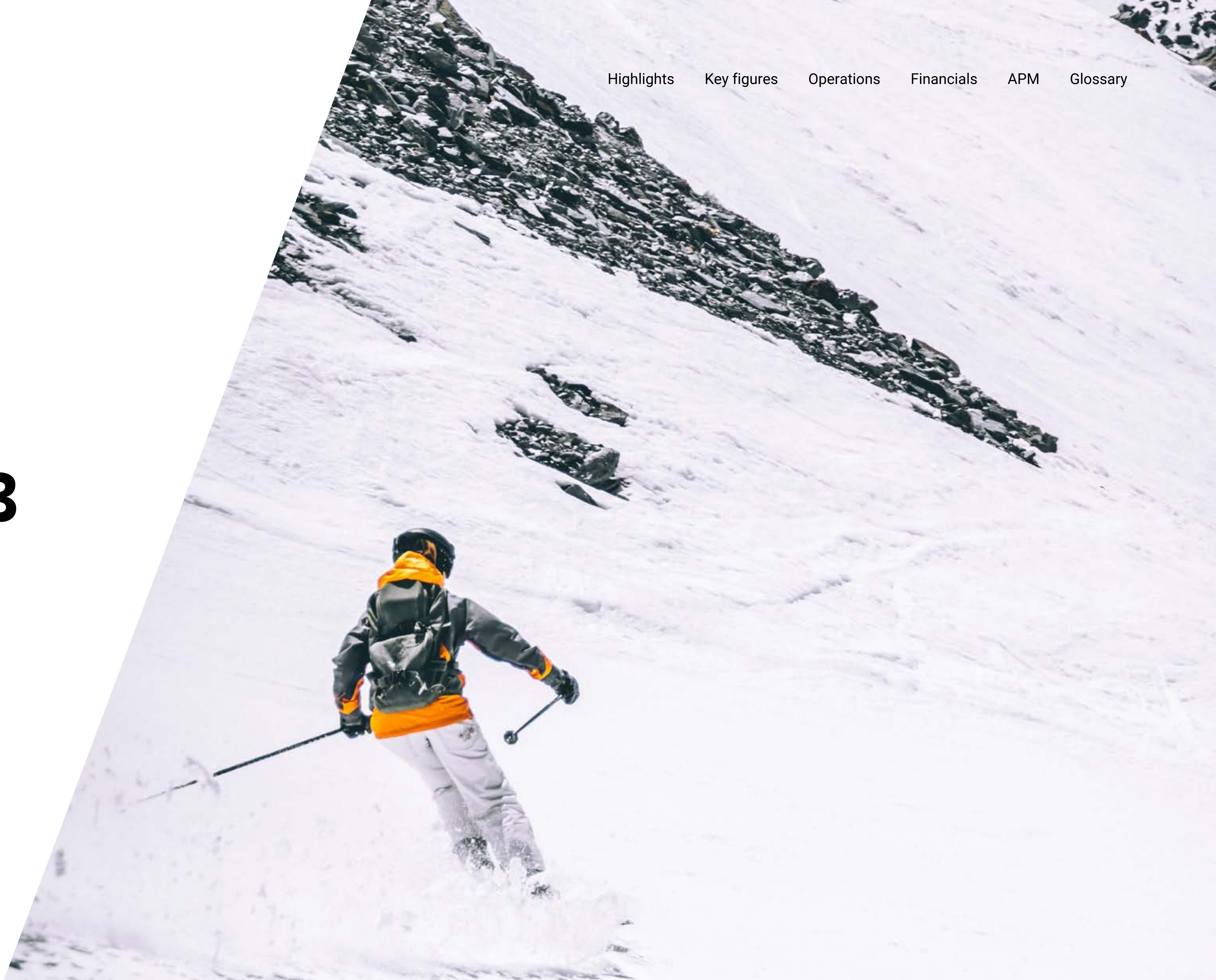
AXACTOR

Report

Q4 2023



Axactor helps people and society to a better future

We are passionate, proactive and act with integrity

Highlights[1]

Fourth quarter 2023

- Total income growth of 3% from the fourth quarter 2022, to EUR 65.1 million (63.0). In constant currency, the growth was 6%
- EBITDA of EUR 34.3 million, up 10% from EUR 31.2 million in 2022. The EBITDA margin ended at a satisfying 53% (49%)
- Gross revenue ended at EUR 85.2 million, down 4% from the corresponding quarter 2022, or down 2% in constant currency (89.0)
- Cash EBITDA ended at EUR 55.0 million, down from EUR 57.5 million in the fourth quarter 2022
- Annualized return on equity for the quarter of 9% for continuing operations (10%), and 7% in total for the shareholders (9%)
- NPL investments in the quarter of EUR 24.1 million (93.0), with average gross IRR for the total NPL book increasing to 18.1% (17.3%)
- Improved NPL cost to collect further, ending the year at 37% (39%)
- Continuous advancements within information security, with ISO 27001 certification now in place in both Spain and Italy
- Great Place To Work certified across all Axactor geographies: Axactor Spain received the certification for the first time, whilst the other five countries maintained their certifications
- Ørjan Svanevik appointed as member of the board by an extraordinary general meeting on 17 November

Full Year 2023

- Annualized return on equity of 8% for continuing operations (10%), and 7% in total for the shareholders (9%)
- EBITDA of EUR 131.8 million (119.0), with further margin expansion to 51% (50%)
- Total income growth of 7% from 2022 to EUR 256.6 million (239.7). Constant currency growth was 10%
- Gross revenue growth of 2% to EUR 343.7 million (336.9). Constant currency growth was 5%
- Cash EBITDA ended at EUR 221.1 million, up from EUR 218.1 million in 2022
- NPL investments for the year amounted to EUR 116.1 million (288.1), compared to a replacement capex of EUR 113.5 million
- Refinanced the RCF agreement at satisfactory terms and successfully placed a NOK 2,300 million bond loan to refinance the ACR02 bond loan. Per the end of 2023, Axactor has no loan maturities until June 2026
- Maintained focus on cross-border cooperation and improved utilization of resources across countries, especially within the Nordic countries
- Continued improvements within digital collection and self-sevice solutions, as well as increased use of machine learning to both boost efficiency within operations and to improve portfolio valuation

[1] The highlights section refers to Axactor's continuing operations, unless explicitly stated otherwise. For more information, please refer to note 11 Discontinued operations

Key figures

Key figures presented are for continuing operations unless otherwise stated. See note 11 for more information on discontinued operations. Key figures that cannot be directly found in the Group's consolidated statements are reconciled in the APM tables.

	For the quarter end		Year to date	
EUR million	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Gross revenue	85	89	344	337
Total income	65	63	257	240
EBITDA	34	31	132	119
Cash EBITDA from continuing operations	55	58	221	218
Net profit/(loss) after tax from continuing operations	9	10	34	41
Return on equity to shareholders, annualized[1]	7%	9%	7%	9%
Return on equity, continuing operations, annualized	9%	10%	8%	10%
Equity ratio	29%	29%	29%	29%
Acquired NPL portfolios	24	93	116	288
Book value of NPL portfolios	1,265	1,253	1,265	1,253
Estimated remaining collections (ERC)	2,620	2,545	2,620	2,545
Number of employees (FTEs)	1,255	1,301	1,255	1,301
Price per share, last day of period (NOK)	5.08	5.88	5.08	5.88
Market capitalization (NOK million)	1,535	1,777	1,535	1,777

[1] Return on equity to shareholders includes continuing and discontinued operations

Gross revenue
EUR million
85
-4% y/y

ERC, NPL
EUR million
2,620
3% y/y

Return on equity
9%
continuing operations

EBITDA
EUR million
34
53% margin

Cash EBITDA
EUR million
55

Equity ratio
29%

Operations

The fourth quarter of 2023 concluded another solid year for Axactor, despite macroeconomic headwinds and unfavorable regulatory changes across multiple markets. The NPL segment achieved a collection performance of 99% both for the fourth quarter and the full year of 2023, with gross revenue of EUR 69.7 million for the quarter (74.0). Reducing costs, both indirect expenses as well as costs directly related to collection activities, has been given a high priority in an effort to compensate for the tougher macroeconomic climate. The industry-leading cost position has been confirmed, as the NPL cost-to-collect ratio ended at 37% for 2023, down from 39% in 2022. For the 3PC segment the total income amounted to EUR 15.5 million, a 3% increase versus the corresponding quarter last year (15.0).

Volume inflow in the NPL segment has been lower in 2023 compared to last year, but still enough to secure growth. The total estimated remaining collections increased 3% during the year, with NPL investments in 2023 of EUR 116.1 million (288.1). The investments have been spread across five of the Axactor countries, with the Swedish market still being considered too competitive to achieve attractive returns on investments.

The 3PC segment has been characterized by a keen focus on efficiency in 2023. The previously announced review of all 3PC contracts is still ongoing, with several low-margin contracts already renegotiated or cancelled. As part of this process, both Sweden and Finland closed the last active 3PC clients during the fourth quarter and there will be no 3PC activities in these two countries in 2024. As a part of the scale-down and reorganization of the Finnish entity, the Jyväskylä site was closed down and all activities in the Finnish market are now operated out of the Helsinki office.

To increase utilization of available resources, more cross-border roles have been established. The new setup focuses primarily on closer cooperation between the Nordic countries and Group functions, particularly regarding administrative functions and business analytics. The new setup is expected to retain scale effects despite scaling down the 3PC operations, and further improve Axactor's cost position for 2024.

IT efficiency

The IT cost ratio (including capitalized expenses) versus total income ended at 6% for the full year 2023, a 0.6 percentage point reduction compared to 2022 (7%). This is a result of Axactor's clear strategy from inception, of building a uniform system landscape across all markets. Multiple initiatives were launched during 2023 to further reduce cost to compensate for inflation and the ever-increasing requirements for information security.

Further cost efficiency measures are always being considered. In December, a request-for-proposal (RFP) process for the group-wide infrastructure was initiated. Axactor has used the same infrastructure provider since 2016, and the RFP aims to secure an optimal platform for the business operations going forward, both in terms of cost and quality. The RFP process will be conducted with assistance from an external advisor, and is scheduled to be completed within the second quarter of 2024.

Information security continuously on the radar

The information security area is continuously under improvement. Examples of improvement initiatives implemented during the fourth quarter include technical measures to mitigate email impersonation of Axactor employees (CEO-fraud), enhancements within safe internet browsing for employees, and improved control of information sharing towards external vendors.

Axactor Spain successfully attained the ISO 27001 Information Security Certification during the fourth quarter. The certification serves as an assurance that the certified organization has implemented best-practice information security processes.

Attaining the ISO 27001 certification is a significant milestone for the Spanish organization, symbolizing a steadfast commitment to maintaining the highest standards of information security and trust, and thereby ensuring the confidentiality, integrity, and availability of our critical data assets. The same certification is also held by Credit Recovery Service S.r.l (CRS) in Italy.

Even though the certification only applies to certain Spanish and Italian entities, it is a confirmation that Axactor's investments in information security and data privacy yields results. More specifically it means that the group-wide information security management system, including policies, procedures, and partners satisfies the stringent requirements of the ISO 27001 standard. The certification will also increase Axactor's value proposition in the Spanish market.

AI-assisted portfolio valuation

Axactor's data scientist team has launched a variety of machine learning scorecards during the last three years, utilizing big data to assist operations with valuable insights to improve decision making. The result has been both an increase in collection and a reduction of cost. The latest addition from the team is machine learning based valuation models. They have been trained in valuation on Axactor's NPL portfolios. The machine learning valuations will be a supplement to existing valuation models and provide an improved basis for investment decisions.

Renewed customer trust

The results from the annual customer satisfaction survey for 2023 conclude that Axactor performs well in all markets. Axactor achieved a total average of 8.8 out of 10, an increase from 8.5 last year. The customers show a high degree of satisfaction with the services Axactor provides, and find Axactor to be professional, knowledgeable, and easily accessible. The response rate was 66%, with 81 responses received from the 123 invited. The customer survey gave a net promoter score (NPS) of 62, which is considered excellent.

Employees and the Axactor culture

The positive operational results would not have been possible without the dedication of Axactor's employees, acting passionately, proactively and with integrity. The results of the annual employee satisfaction survey, as reported last quarter, evidence that Axactor's investments in its people pays off. Axactor was certified as a great place to work in all countries in 2023, with Axactor Spain receiving the certification for the first time. Axactor is happy to observe that its employees have a very high level of satisfaction over-all, and that they are treated fairly and without bias. After careful review of the survey results, certain improvement areas have also been identified, and several workshops have been conducted during the quarter to process the identified improvement areas. The human resources development KPIs show improved gender balance, reduced pay-gap between genders, and sick-leaves remaining at an acceptable level despite significant ongoing reorganization initiatives.

CRS in Italy has also renewed their ISO 45001 certification during the quarter, related to providing a safe and healthy workplace by preventing work-related injuries and ill health, and by proactively improving its occupational safety and health performance and workers' wellbeing.

Governance and risk management

As part of the annual risk and internal control management processes, a successful second line verification of the group internal controls and a deep-dive risk assessment were conducted across the group. The Board has reviewed and approved all Group-wide policies to reflect changes in laws and regulations, and to mitigate risks identified since the last update.

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

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

All business continuity plans have been reviewed and desktop crisis management exercises have been held in Spain and Italy.

Continued environmental focus

During the quarter, the annual climate risk assessment of Axactor's locations has been conducted, still showing limited climate related risks associated with the company's locations. A survey of all employees' commuting habits has been performed as part of mapping the company's scope 3 emissions. The company has also reviewed the number of company cars at the different locations throughout the quarter. The aim is to change to low- or zero-emission cars where there are still strong arguments to maintain the company car programs.

Regulatory developments in the EU

As of the fourth quarter of 2023, EUs implementation of Directive (EU) 2021/2167, known as the Non-Performing Loans (NPL) directive, has seen certain delays in implementation across the Member States. The NPL directive came into effect on 28 December 2021, and set a deadline for implementation in all Member States by 29 December 2023. By the end of the quarter, only Germany and Sweden out of the six Member States in which Axactor operates, have implemented the directive on time. In the Member States which have implemented the directive, Axactor positively notes that the implementation is in line with previous expectations, and largely in correspondence with each other (at least across the two current Member States in which the directive has been implemented).

Financials

Axactor's operations is split into two business segments: NPL and 3PC. The portfolios of purchased real estate (REO) have been in a run-off mode and treated as discontinued operations effective from the fiscal year 2022. During the fourth quarter 2023, the remaining book value of the REO assets were written down to zero, and Axactor will no longer report on any discontinued operations in 2024 and onwards. All comments and numbers in the following text refer to continuing operations unless explicitly stated otherwise. This also applies to figures for previous periods.

Revenue

Total income for the fourth quarter grew 3% from the fourth quarter 2022, to EUR 65.1 million (63.0), while gross revenue for the quarter ended at EUR 85.2 million (89.0). The main growth driver for total income was the accretive investments into new NPL portfolios during 2022 and 2023. The total income and gross revenue were affected by adverse currency movements of NOK and SEK against EUR. Excluding currency effects, the growth rate was 6% for total income and -2% for gross revenue.

The NPL segment delivered a total income of EUR 49.7 million in the quarter, up from EUR 48.0 million in the fourth quarter 2022. Gross revenue ended at EUR 69.7 million (74.0), with a collection performance of 99% (99%). The NPL amortization rate fell from 34% to 29%, partially explained by increased average IRR on the portfolios, and also partially explained by prolonged cash flow estimates due to higher share of collections from payment plans versus full settlements. Additionally, net NPL revaluations and changes in fair value forward flow commitments of combined EUR -0.1 million were recognized during the fourth quarter (-1.3).

The 3PC segment total income ended at EUR 15.5 million, up 3% from the fourth quarter 2022 (15.0). The previously communicated close-down of Axactor's 3PC business in Sweden and Finland was finalized during the quarter, and by the end of the year there are no active clients in neither of the two countries. The total income for the quarter includes positive one-off impacts of EUR 0.5 million from the close-down. The organic growth (i.e. excluding Finland and Sweden) was 4%.

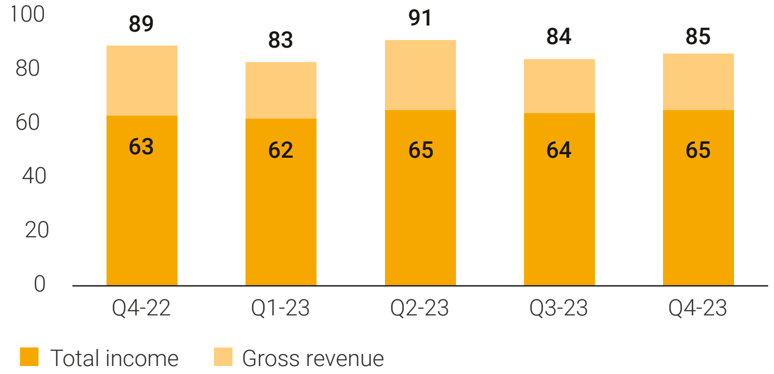
For the full year 2023, total income grew 7% to EUR 256.6 million (239.7), while gross revenue grew 2% to EUR 343.7 million (336.9). The NPL segment contributed with EUR 202.6 million of the total income (183.8) and EUR 289.6 million of the gross revenue (281.0), while the 3PC segment contributed with EUR 54.0 million (55.8).

Operating expenses

Total operating expenses before depreciation and amortization was EUR 30.8 million for the fourth quarter, down from EUR 31.8 million in the corresponding quarter last year. The lower cost level is mainly a result of cost saving initiatives within SG&A, IT and corporate cost. For the full year 2023, total operating expenses

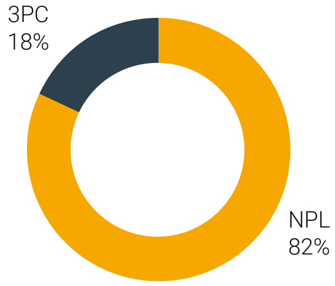
Total income and Gross revenue

EUR million



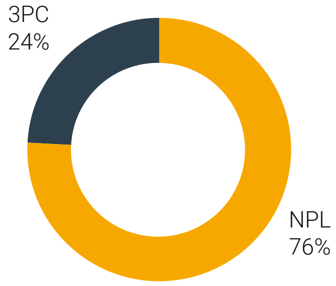
Gross revenue mix Q4 2023

%



Total income mix Q4 2023

%



before depreciation and amortization amounted to EUR 124.8 million, up 3% from EUR 120.7 million in 2022. The operating expenses as a percentage of gross revenue remained flat at 36% both for the fourth quarter and the full year.

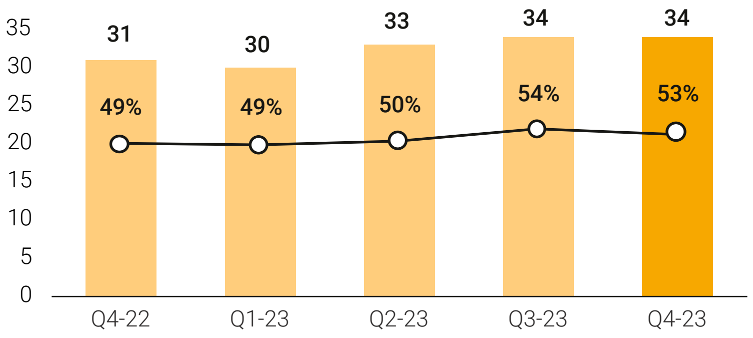
Depreciation and amortization – excluding amortization of NPL portfolios – was EUR 2.2 million for the quarter (2.4). For the full year 2023, depreciation and amortization ended at EUR 9.1 million, slightly up from EUR 8.9 million in 2022.

Operating results

Total contribution margin from the business segments was EUR 44.4 million for the quarter, compared to EUR 42.2 million in the fourth quarter last year. The contribution margin over total income thus ended at 68%, a slight increase from the fourth quarter 2022 (67%).

EBITDA and EBITDA margin

EUR million and %



The NPL segment delivered a contribution margin of EUR 37.3 million in the fourth quarter, up from EUR 36.1 million in the same quarter last year. The total operating expenses for the NPL segment ended at EUR 12.3 million (11.9), including EUR 0.6 million in cost of repossessed assets sold (0.2). The margin over total income ended at 75%, the same level as for the fourth quarter 2022.

The contribution margin for the 3PC segment was EUR 7.1 million, up from EUR 6.1 million in the fourth quarter 2022. Operating expenses for the segment decreased by 6% to EUR 8.4 million (8.9). The margin over total income thus improved to 46% (41%).

EBITDA for the quarter ended at EUR 34.3 million, 10% higher than in the same quarter last year (31.2). The increase is primarily a result of the total income growth, combined with several cost efficiency initiatives. The EBITDA margin thus increased to 53%, from 49% during the fourth quarter 2022.

The difference between contribution margin and EBITDA is comprised of unallocated SG&A, IT and corporate costs, which amounted to EUR 10.1 million for the quarter. This compares to EUR 11.0 million in the corresponding quarter 2022.

Cash EBITDA amounted to EUR 55.0 million for the fourth quarter, down from EUR 57.5 million in the corresponding quarter last year. The reduction was mainly driven by the decrease in gross revenue, partly offset by improved cost efficiency. Adding EUR 1.1 million in contribution from discontinued operations (2.4), cash EBITDA was EUR 56.2 million (59.9).

Operating profit (EBIT) was EUR 32.1 million for the fourth quarter, compared to EUR 28.8 million in the fourth quarter last year.

For the full year 2023, EBITDA amounted to EUR 131.8 million, up from EUR 119.0 million in 2022. Contribution from the business segments ended at 174.2 million (161.5), of which NPL contributed EUR 154.7 million (140.4) and 3PC contributed EUR 19.5 million (21.2). Unallocated SG&A, IT and corporate cost decreased from EUR 42.6 million in 2022 to EUR 42.4 million in 2023. Cash EBITDA for 2023 ended at EUR 221.1 million for continuing operations (218.1), and at EUR 223.9 million including discontinued operations (229.4). The operating profit (EBIT) grew 12% from 2022, ending at EUR 122.8 million (110.1).

Net financial items

Total net financial items for the fourth quarter were negative EUR 22.5 million (negative 15.6). The main part of the financial items was made up of interest expense on borrowings of EUR 22.8 million (16.1). The increase from the fourth quarter last year is mainly attributable to the significant increases in EURIBOR, NIBOR and STIBOR during 2023, but also to the higher margin on the ACR04 bond issued in the third quarter 2023 compared to the former ACR02 bond. Axactor has hedged parts of its interest expenses through an interest rate cap, limiting the effect of the increased interest rates in 2023.

For the full year 2023, total net financial items were negative EUR 81.4 million (55.9), of which interest expense on borrowings amounted to EUR 81.6 million (57.9) and net foreign exchange impacts amounted to EUR -0.8 million (0.6). Other financial expenses ended at EUR 2.3 million (1.2), including EUR 1.6 million in early repayment fee related to the refinancing of the ACR02 bond loan. Other financial income amounted to EUR 2.9 million for 2023 (0.1), including a EUR 1.9 million modification gain related to the renewal of the RCF agreement with DNB and Nordea, and a EUR 0.9 million gain in market value of the Group's hedging instruments. Axactor purchased own outstanding bonds with a face value of EUR 13.5 million during 2023 (49.5), at sub-par prices. This resulted in a gain on purchase of treasury bonds of EUR 0.1 million in 2023, compared to EUR 2.3 million in 2022.

Discontinued operations

Discontinued operations is comprised of the portfolios of real estate assets acquired during 2017 and 2018. It is the operating segment formerly reported as REO, but excluding repossessed assets from Axactor's secured NPL portfolios. Total income for the discontinued operations ended at EUR 1.6 million for the quarter (3.0), while EBITDA ended at EUR -2.8 million (-2.5). The net profit was EUR -2.8 million, compared to EUR -2.6 million in the fourth quarter 2022. The remaining stock of secured assets was impaired in the fourth quarter, and there are no balance values left associated with the discontinued operations.

For the full year 2023, discontinued operations delivered a total income of EUR 4.3 million (14.1), an EBITDA of EUR -5.6 million (-7.0) and a net profit of EUR -6.0 million (-8.1).

Earnings and taxes

Earnings before tax ended at EUR 9.5 million for the fourth quarter (13.2), while net profit ended at EUR 9.2 million (10.4). The effective tax rate was thus 3% for the quarter (22%). The reason for the low effective tax rate was utiliziation of previously unrecognized tax losses carried forward. Adding discontinued operations, the net profit was EUR 6.4 million (7.7).

The net profit including discontinued operations for the fourth quarter ended at EUR 7.3 million for shareholders of the parent company (9.4), and at EUR -0.9 million for non-controlling interests (-1.7). The resulting earnings per share was thus EUR 0.024 both on a reported basis and fully diluted (0.031), based on the average number of shares outstanding in each period.

For the full year 2023, earnings before tax ended at EUR 41.4 million (54.2) while the net profit amounted to EUR 33.6 million (40.6), resulting in an effective tax rate of 19% (25%). The net profit including contribution from discontinued operations was EUR 27.6 million for 2023 (32.6), of which EUR 30.8 million were attributable to shareholders of the parent company (36.8) and EUR -3.2 million were attributable to non-controlling interests (-4.2). The resulting earnings per share was EUR 0.102 both on a reported basis and fully diluted, based on the average number of shares outstanding in each period (0.122).

Cash flow

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

Net cash flow from operating activities, including NPL investments, amounted to EUR 27.1 million (-38.1) for the quarter, of which the amount paid for NPL portfolios was EUR 21.7 million (93.8). The deviation between the investment in NPL portfolios and the cash paid for NPL portfolios in the period relates to deferred payments on certain portfolios. Excluding portfolio investments, the cash flow from operating activities fell to EUR 48.8 million, from EUR 55.8 million in the fourth quarter 2022. The decrease is partially attributable to a EUR 1.3 million reduction in the cash EBITDA from discontinued operations, while the cash EBITDA from continuing operations decreased by EUR 2.5 million. Taxes paid during the quarter amounted to EUR 6.8 million, compared to EUR 5.2 million in the fourth quarter last year. Additionally, an increase in the net working capital of EUR 0.6 million was recognized in the quarter (reduction of 1.1).

For the full year 2023, total net cash flow from operating activities, including NPL investments, amounted to EUR 84.9 million (-71.0), of which the amount paid for NPL portfolios was EUR 120.0 million (290.8). Excluding the portfolio investments, net cash flow from operating activities fell to EUR 205.0 million, from EUR 220.0 million in 2022. Cash EBITDA from continuing operations increased by EUR 3.0 million to EUR 221.1 million (218.1), but was offset by a EUR 8.5 million reduction in cash EBITDA from discontinued operations. Taxes paid was EUR 11.6 million in 2023, an increase from EUR 10.7 million last year. Net working capital increased by EUR 7.3 million during the year, compared to a decrease in working capital of EUR 1.3 million in 2022.

Total net cash flow from investments, not including investments in NPL portfolios, was EUR -0.9 million for the fourth quarter, slightly less in absolute terms compared to the corresponding quarter 2022 (-1.0). For the full year 2023, the net cash flow from investments was EUR -3.5 million, down from EUR -7.7 million in 2022. The main reason for the reduced cash outflow is a EUR 3.1 million payment related to the acquisition of Credit Recovery Service in 2022.

Total net cash flow from financing activities was EUR -40.0 million for the quarter (53.3). Axactor recognized a net repayment on credit facilities of EUR 21.1 million for the quarter (net drawdown of 69.4). Interests paid increased from EUR 15.2 million in the fourth quarter last year, to EUR 17.7 million in the fourth quarter 2023. The lower interest paid compared to the interest cost in the net financial items is related to timing differences on recognition of proceeds from the interest rate cap. A total of EUR 0.4 million of loan fees relating to refinancing processes and the amendment of the ACR03 bond terms were paid during the quarter (0.0).

For the full year 2023, net cash flow from financing activities ended at EUR -85.8 million, compared to EUR 75.9 million in 2022. Net drawdown on credit facilities was EUR 1.4 million, down from EUR 132.1 million last year. Interest paid was EUR 67.7 million, up 33% from EUR 51.1 million in 2022. Total loan fees paid during 2023 was EUR 15.4 million, mainly related to the refinancing of the RCF agreement and the issue of the ACR04 bond loan (0.1).

Total net cash flow was thus EUR -13.9 million for the quarter (14.2) and EUR -4-4 million for the year (-2.9), leaving total cash and cash equivalents at EUR 34.4 million at the end of 2023 (39.7). This includes EUR 2.6 million in restricted cash (7.0).

Equity position and balance sheet considerations

Total equity for the Group was EUR 423.5 million at the end of the year (410.6), including non-controlling interests of EUR -9.7 million (-5.4). The main reason for the increased equity compared to last year is the profits recognized during 2023. The resulting equity ratio at the end of 2023 was 29%, the same as per the end of 2022.

Return on equity

Annualized return on equity for shareholders, including discontinued operations, ended at 7%, slightly down from 9% in the fourth quarter last year. The annualized return on equity for continuing operations ended at 9% (10%). The main driver of the lower return is the increased interest expenses compared to last year. Simultaneously, the improved EBITDA and reduced tax expense limits the reduction. The return on equity for the full year 2023 ended at 7% in total for shareholders (9%), and at 8% for the continuing operations (10%).

Looking forward, Axactor will aim for further improvements of key drivers such as improved cost efficiency, changes in the business mix, and accretive portfolio investments. At the same time, the current interest rate environment will continue to put negative pressure on the return on equity development for the near term.

Capital expenditure and funding

Axactor invested EUR 24.1 million in NPL portfolios during the fourth quarter (93.0). The invested amount was above the replacement capex and the estimated remaining collections grew by 1% from the third quarter 2023, to EUR 2,620.4 million (2,545.4). The total NPL investments in 2023 ended at EUR 116.1 million, compared to EUR 288.1 million in 2022. The estimated NPL investment commitments at the end of the fourth quarter stand at EUR 7.5 million, with further agreements signed in January increasing the total estimated commitments for 2024 to EUR 17.1 million.

Axactor has two outstanding bond loans per the end of 2023. The EUR 300 million bond with ticker ACR03 matures in September 2026, and adjusting for treasury bonds the outstanding face value of the bond is EUR 281.1 million. The NOK 2,300 million bond with ticker ACR04 was placed during the third quarter 2023, with a maturity in September 2027. The proceeds from the ACR04 issue was primarily used to repay the former EUR 200 million bond loan with ticker ACR02.

Axactors multi-currency revolving credit facility (RCF) was renewed during the second quarter 2023 and has a total size of EUR 545 million, of which EUR 472.7 million were drawn per the end of 2023 (510.0). The maturity of the RCF agreement is 30 June 2026, with an option for a further two-year extension contingent on separate credit approval.

Total interest-bearing debt including capitalized loan fees amounted to EUR 939.1 million at the end of 2023 (941.1).

Axactor is in compliance with all loan covenants as per the end of the fourth quarter 2023.

Financial targets

In January 2023, Axactor announced four financial targets for 2023 to the market: 1. NPL investments of EUR 100-200 million, 2. Minimum 9% return on equity, 3. 20-50% dividend pay-out ratio, and 4. Maximum leverage of 3.5x at year-end. The NPL investments for 2023 ended at EUR 116.1 million, well within the target range. The interest rate increases during 2023 has hit harder than expected at the start of the year, and return on equity came in just shy of the target, at 8%. A recommendation on whether to pay dividends or not will be made by the Board in connection with the publishing of the 2023 Annual report, while the final decision will be made by the general meeting. In addition to higher interest cost, Axactor has also seen delays in collections during 2023. Debtors are, in certain markets, opting for longer payment plans at the expense of large settlements. Although this does not mean that the lifetime return for Axactor is adversely affected, it does affect short-term cash flow. As a result, Axactor was not able to meet the leverage ratio target of 3.5x by the end of 2023, ending the year at 3.9x.

With the closing of 2023, new financial targets are set. In 2026, Axactor aim to deliver at least 12% return on equity[1], in addition to paying annual dividends amounting to 20-50% of the reported net profit. This will be achieved through annual investments of EUR 100-200 million in accretive NPL portfolios. The resulting leverage ratio at the end of 2026 is expected to be 3.5x or less.

Outlook

Market prices for NPL portfolios are adjusting down towards what Axactor consider fair levels given the increased funding cost for the industry. Average gross IRR on the most recent deals is north of 30%, compared to an average for Axactor's back book of 18%. The estimated replacement capex for 2024 is approximately EUR 106 million, and the target of EUR 100-200 million in investments should thus secure a relatively stable or growing book value throughout the year.

The Swedish and Finnish 3PC businesses have been closed down during 2023. This will limit the top-line growth for the segment in 2024, but also contribute positively on margins. The 3PC segment is expected to see continued growth in the Italian and Norwegian market, while the full review of low-margin contracts continues.

Axactor has now delivered two consecutive years of stable earnings. The near-term future will continue to be impacted by the recent interest rate increases and macroeconomic uncertainty, but Axactor aim to continue to deliver stable earnings during these turbulent times. Potential upsides could arise from interest rates and inflation falling faster than the current consensus, an improving bond market, and higher investment volumes at sustained attractive price levels. The executive management and Board continue to closely monitor the general macroeconomic situation and its potential business impacts.

[1] Assuming EURIBOR and STIBOR of 2.0% and NIBOR of 2.9% in 2026. The target is excluding any possible one-time financial cost related to refinancing

Interim condensed consolidated financial statements

Interim condensed consolidated statement of profit or loss

EUR thousand	Note	For the quarter end 31 Dec 2023	For the quarter end 31 Dec 2022	Year to date 31 Dec 2023	Year to date 31 Dec 2022
Continuing operations					
Interest income from purchased loan portfolios	5, 6	53,801	50,363	211,289	187,490
Net gain/(loss) purchased loan portfolios	5, 6	-4,760	-2,722	-13,082	-8,185
Revenue from sale of repossessed assets	5	594	368	2,587	4,526
Other operating revenue		15,512	14,992	55,843	55,846
Other income		-	-	-	15
Total income	3, 5	65,146	63,002	256,637	239,692
Cost of repossessed assets sold, incl impairment	5	-582	-292	-1,759	-1,496
Personnel expenses		-16,792	-16,337	-66,576	-64,655
Other operating expenses		-13,472	-15,190	-56,454	-54,587
Total operating expenses		-30,847	-31,820	-124,789	-120,738
EBITDA		34,299	31,182	131,848	118,955
Amortization and depreciation		-2,236	-2,357	-9,050	-8,895
Operating profit		32,063	28,825	122,797	110,060
Financial revenue	4	516	963	3,389	3,194
Financial expenses	4	-23,060	-16,544	-84,750	-59,061
Net financial items		-22,544	-15,581	-81,360	-55,867
Profit/(loss) before tax from continuing operations		9,519	13,244	41,437	54,193
Income tax expense		-303	-2,884	-7,874	-13,549
Net profit/(loss) after tax from continuing operations		9,216	10,360	33,563	40,644

EUR thousand	Note	For the quarter end 31 Dec 2023	For the quarter end 31 Dec 2022	Year to date 31 Dec 2023	Year to date 31 Dec 2022
Discontinued operations					
Net profit/(loss) after tax from discontinued operations	11	-2,788	-2,627	-5,969	-8,066
Net profit/(loss) after tax		6,428	7,733	27,594	32,578
Attributable to:					
Non-controlling interests:					
Net profit/(loss) after tax from continuing operations		616	-183	182	489
Net profit/(loss) after tax from discontinued operations		-1,531	-1,493	-3,418	-4,668
Net profit/(loss) after tax		-915	-1,677	-3,235	-4,179
Shareholders of the parent company:					
Net profit/(loss) after tax from continuing operations		8,600	10,544	33,381	40,156
Net profit/(loss) after tax from discontinued operations		-1,257	-1,134	-2,551	-3,399
Net profit/(loss) after tax		7,343	9,410	30,830	36,757
Earnings per share:					
From continuing operations, basic and diluted:		0.028	0.035	0.110	0.133
From continuing and discontinued operations, basic and diluted:		0.024	0.031	0.102	0.122

Interim condensed consolidated statement of comprehensive income

	For the quarter end		Year to date	
EUR thousand	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Net profit/(loss) after tax	6,428	7,733	27,594	32,578
Items that will not be reclassified subsequently to profit and loss				
Remeasurement of pension plans	-48	238	-48	238
Net gain/(loss) on equity instruments designated at fair value through OCI	-	16	-	16
Items that may be reclassified subsequently to profit and loss				
Foreign currency translation differences - foreign operations	2,534	-1,968	-10,495	-11,343
Fair value net gain/(loss) on cash flow hedges during the period	-	198	-	9,876
Cumulative net (gain)/loss on cash flow hedges reclassified to profit or loss	-744	-245	-3,569	-245
Other comprehensive income/(loss) after tax	1,743	-1,761	-14,112	-1,458
Total comprehensive income/(loss) for the period	8,171	5,972	13,482	31,120
Attributable to:				
Non-controlling interests	-915	-1,677	-3,235	-4,179
Shareholders of the parent company	9,086	7,648	16,718	35,299

Interim condensed consolidated statement of financial position

EUR thousand	Note	For the quarter end / YTD 31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Intangible assets			
Goodwill		59,799	61,069
Deferred tax assets		8,502	5,356
Other intangible assets		15,116	16,617
Tangible assets			
Property, plant and equipment		2,036	2,372
Right of use assets	8	11,604	11,757
Financial assets			
Purchased loan portfolios	6	1,265,327	1,252,642
Other non-current assets		2,495	607
Total non-current assets		1,364,879	1,350,420
Current assets			
Repossessed assets		2,664	3,230
Accounts receivable		6,636	6,376
Other current assets		27,196	29,021
Restricted cash		2,613	7,026
Cash and cash equivalents		31,826	29,045
Total current assets		70,935	74,699
Assets classified as held for sale	11	-	12,660
Total assets		1,435,815	1,437,778

EUR thousand	Note	For the quarter end / YTD 31 Dec 2023	31 Dec 2022
Equity and liabilities			
Equity			
Share capital	10	158,369	158,369
Other paid-in equity		270,831	270,381
Retained earnings		27,082	-3,699
Other components of equity		-23,080	-9,016
Non-controlling interests		-9,667	-5,441
Total equity		423,534	410,593
Non-current liabilities			
Interest-bearing debt	7	939,104	445,590
Deferred tax liabilities		10,549	6,143
Lease liabilities	8	8,969	9,404
Other non-current liabilities		2,740	3,423
Total non-current liabilities		961,361	464,561
Current liabilities			
Accounts payable		4,057	7,141
Interest-bearing debt	7	-	495,537
Taxes payable		12,243	17,578
Lease liabilities	8	3,194	2,835
Other current liabilities		31,425	28,913
Total current liabilities		50,919	552,005
Liabilities directly associated with assets classified as held for sale	11	-	10,619
Total liabilities		1,012,281	1,027,185
Total equity and liabilities		1,435,815	1,437,778

Interim condensed consolidated statement of cash flows

		For the quarter end		Year to date	
EUR thousand	Note	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Operating activities					
Profit/(loss) before tax from continued operations		9,519	13,244	41,437	54,193
Profit/(loss) before tax from discontinued operations	11	-2,788	-2,627	-5,969	-8,066
Taxes paid		-6,773	-5,242	-11,616	-10,713
Adjustments to reconcile profit before tax to net cash flows:					
Net financial items, continuing operations	4	22,544	15,581	81,360	55,867
Net financial items, discontinued operations	11	-	169	348	1,059
Portfolio amortizations and revaluations		20,059	25,977	88,840	97,218
Change in fair value of forward flow commitments		-19	-	-1,805	-
Cost of repossessed assets sold, incl impairment		582	292	1,759	1,496
Cost of REOs sold, incl impairment	11	3,908	4,836	8,422	18,318
Depreciation and amortization		2,236	2,357	9,050	8,895
Calculated cost of employee share options		126	96	450	462
Change in working capital		-639	1,127	-7,318	1,291
Cash flow from operating activities before NPL and REO investments		48,755	55,811	204,959	220,019
Purchase of loan portfolios	6	-21,701	-93,832	-119,987	-290,816
Purchases related to REO/repossessed assets		-2	-80	-73	-227
Net cash flow from operating activities		27,051	-38,100	84,898	-71,025

		For the quarter end		Year to date	
EUR thousand	Note	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Investing activities					
Investment in subsidiaries, net of cash acquired		-	-	-	-3,085
Purchase of intangible and tangible assets		-1,097	-1,068	-3,874	-4,862
Interest received		147	45	385	203
Net cash flow from investing activities		-949	-1,023	-3,489	-7,744
Financing activities					
Proceeds from borrowings	7	1,452	93,971	343,274	354,051
Repayment of debt	7	-22,505	-24,548	-341,873	-222,001
Interest paid		-17,749	-15,176	-67,737	-51,067
Loan fees paid	7	-359	-1	-15,376	-83
Lease payments, principal amount	8	-854	-835	-3,143	-2,755
Repayments to non-controlling interests		-25	-138	-992	-2,238
Net cash flow from financing activities		-40,040	53,274	-85,847	75,907
Net change in cash and cash equivalents		-13,940	14,152	-4,438	-2,861
Cash and cash equivalents at the beginning of period, incl. restricted cash		48,444	26,202	39,679	43,953
Currency translation		-65	-675	-802	-1,413
Cash and cash equivalents at end of period, incl. restricted cash		34,439	39,679	34,439	39,679

Interim condensed consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company								
	Restricted	Non-restricted							
EUR thousand	Share capital	Other paid in equity	Retained earnings	Translation reserve	Cash flow hedge reserve	Other reserves	Total	Non-controlling interest	Total equity
Balance on 31 Dec 2021	158,150	269,919	-40,475	-7,074	-230	-16	380,273	976	381,249
Result of the period			36,757				36,757	-4,179	32,578
Other comprehensive income of the period			238	-11,343	9,630	16	-1,458		-1,458
Total comprehensive income for the period	-	-	36,995	-11,343	9,630	16	35,299	-4,179	31,120
Repayments to non-controlling interests							-	-2,238	-2,238
Share-based payment		462					462		462
Bonus issue	219		-219				-		-
Balance on 31 Dec 2022	158,369	270,381	-3,699	-18,417	9,401	-	416,033	-5,441	410,593
Result of the period			30,830				30,830	-3,235	27,594
Other comprehensive income of the period			-48	-10,495	-3,569		-14,112		-14,112
Total comprehensive income for the period	-	-	30,782	-10,495	-3,569	-	16,718	-3,235	13,482
Repayments to non-controlling interests							-	-992	-992
Share-based payment		450					450		450
Balance on 31 Dec 2022	158,369	270,831	27,082	-28,912	5,832	-	433,202	-9,667	423,534

Notes to the interim condensed consolidated financial statements

Note 1 Reporting entity and accounting principles

The parent company Axactor ASA (the Company) is a company domiciled in Norway. These condensed consolidated interim statements ("interim financial statements") comprise the Company and its subsidiaries (together referred to as "the Group"). The Group is primarily involved in debt management, specializing on both purchasing and collection on own portfolios and providing collection services for third-party owned portfolios. The activities are further described in note 3.

This unaudited interim report has been prepared in accordance with IAS 34. The accounting principles applied correspond to those described in the Annual report 2022. This interim report does not contain all the information and disclosures available in the annual report and the interim report should be read together with the Annual report 2022.

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

Accounting policies and significant judgements, estimates and assumptions are more comprehensively discussed in the Annual report 2022. The significant judgements made by management applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. Management continues to assess the data and information available at the reporting date.

Note 2 Financial risks

All economic activities are associated with risk. Axactor's risks are managed within the Group in accordance with the policies established by the Board. For more information on financial risks and risk management, one is referred to note 3 of the Group's financial statements in the Annual report 2022.

Interest rate and currency risk

The Group´s interest rate risk management objective is to apply cash flow hedge accounting for interest rate risk to mitigate the effect of increasing interest rates on issued loans and therefore limit the impact on the Group´s interest expenses. The Group's long-term strategy is to hedge between 50% and 70% of interest-bearing debt with a duration of three to five years. The Group intends to gradually implement the strategy in line with new portfolio investments.

The Group aims to reduce currency risk by keeping interest bearing debt in the same currencies as the Group's assets. In September 2023 the Group refinanced its EUR 200 million bond (ACR02) by issuing a new 4-year unsecured bond of NOK 2,300 million (ACR04). On the same date, the NOK debt previously held through the RCF was exchanged to EUR and the Group entered into two cross currency interest rate swaps, swapping NOK to EUR. The maturity date of the swaps corresponds to that of the NOK bond.

Liquidity risk

The Group monitors its risk of a shortage of funds using cash flow forecasts regularly. On 31 December 2023, the Group had an unused part of the RCF agreement of EUR 72.3 million, in addition to unrestricted cash and cash equivalents of EUR 31.8 million. The Group had positive cash flow from operating activities before NPL investments of EUR 205.0 million in 2023, and cash flows from operating activities in 2023 amounted to EUR 84.9 million.

The table of contractual maturities analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The contractual maturity is based on the earliest date on which the Group may be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows of liabilities. For NPL investment commitments, expected cash flows are presented.

The maturity calculation is made under the assumption that Axactor has a constant revolving credit facility draw in the period. The table includes both interest and principal cash flows. The loan repayment amounts presented are subject to change dependent on changes in variable interest rates. 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 Group's estimated remaining collections from purchased loan portfolios for the next 15 years are presented below the table of contractual maturities (see also note 6).

Axactor was compliant with all covenants in 2023.

	Contractual maturities per 31 Dec 2023							
EUR thousand	Q1-24	Q2-24	Q3-24	Q4-24	1-2 years	2-4 years	4+ years	Total
NPL investment commitments, non-cancellable[1]	4,678	1,901	962	-	-	-	-	7,540
Revolving credit facility	8,351	8,120	7,523	7,039	28,156	486,776	-	545,965
Bond ACR03 (ISIN NO0011093718)	6,520	6,380	6,017	5,760	23,041	298,331	-	346,050
Bond ACR04 (ISIN NO0013005264)	6,432	6,410	6,184	6,029	24,117	246,904	-	296,076
Other non-current liabilities	-	-	-	-	1,000	-	1,740	2,740
Accounts payable	4,057	-	-	-	-	-	-	4,057
Lease liabilities	968	964	958	948	3,598	4,469	1,962	13,866
Other current liabilities	24,649	5,970	-	807	-	-	-	29,541
Total contractual maturities	55,655	29,744	21,644	20,583	79,911	1,036,480	3,701	1,247,718

[1] Expected cash flows based on the last three months' actual deliveries. Per 31 December 2023, cash flows are limited to EUR 54.5 million by contracted capex limits

	ERC per 31 Dec 2023							
EUR thousand	Q1-24	Q2-24	Q3-24	Q4-24	1-2 years	2-4 years	4+ years	Total
Estimated remaining collections (ERC)	78,153	82,732	75,102	78,689	308,058	543,117	1,454,566	2,620,416

Note 3 Operating segments

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

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

The NPL segment invests in portfolios of non-performing loans, presented as 'Purchased loan portfolios' in the consolidated statement of financial position. Subsequently, the outstanding loans are collected through either amicable or legal proceedings.

The 3PC segment's focus is to perform debt collection services on behalf of third-party clients. The operating segment applies both amicable and legal proceedings to collect the non-performing loans, and normally receive a commission for these services. Other services provided include, amongst others, helping creditors to prepare documentation for future legal proceedings against debtors, handling of invoices between the invoice date and the default date and sending out reminders. For these latter services, Axactor normally receives a fixed fee.

Axactor reports its business through reporting segments which correspond to the operating segments. Segment profitability and country profitability are the two most important dimensions when making strategic priorities and deciding where to allocate the Group's resources. Segment revenue reported represents revenue generated from external customers.

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

For the quarter end 31 Dec 2023

EUR thousand	NPL	3PC	Eliminations/ Not allocated	Total
Collections on own portfolios	69,100	-	-	69,100
Portfolio amortization and revaluation	-20,059	-	-	-20,059
Revenue from sale of repossessed assets	594	-	-	594
Other operating income:				
Change in fair value forward flow commitments	19	-	-	19
Other operating revenue and other income	-	15,493	-	15,493
Total income	49,653	15,493	-	65,146
Cost of repossessed assets sold	-582	-	-	-582
Impairment repossessed assets	-	-	-	-
Direct operating expenses	-11,763	-8,400	-	-20,163
Contribution margin	37,308	7,093	-	44,401
SG&A, IT and corporate cost			-10,102	-10,102
EBITDA				34,299
Amortization and depreciation			-2,236	-2,236
Operating result				32,063
Total operating expenses	-12,345	-8,400	-10,102	-30,847
Contribution margin (%)	75.1%	45.8%	na	68.2%
EBITDA margin (%)				52.6%
Opex ex SG&A, IT and corporate cost / Gross revenue	17.7%	54.2%	na	24.4%
SG&A, IT and corporate cost / Gross revenue				11.9%

For the quarter end 31 Dec 2022

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

Year to date 31 Dec 2023

EUR thousand	NPL	3PC	Eliminations/ Not allocated	Total
Collections on own portfolios	287,046	-	-	287,046
Portfolio amortization and revaluation	-88,840	-	-	-88,840
Revenue from sale of repossessed assets	2,587	-	-	2,587
Other operating income:				
Change in fair value forward flow commitments	1,805	-	-	1,805
Other operating revenue and other income	-	54,039	-	54,039
Total income	202,598	54,039	-	256,637
Cost of repossessed assets sold	-1,759	-	-	-1,759
Impairment repossessed assets	-	-	-	-
Direct operating expenses	-46,186	-34,492	-	-80,678
Contribution margin	154,653	19,547	-	174,200
SG&A, IT and corporate cost			-42,352	-42,352
EBITDA				131,848
Amortization and depreciation			-9,050	-9,050
Operating result				122,797
Total operating expenses	-47,945	-34,492	-42,352	-124,789
Contribution margin (%)	76.3%	36.2%	na	67.9%
EBITDA margin (%)				51.4%
Opex ex SG&A, IT and corporate cost / Gross revenue	16.6%	63.8%	na	24.0%
SG&A, IT and corporate cost / Gross revenue				12.3%

Year to date 31 Dec 2022

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

Note 4 Financial items

EUR thousand	For the quarter end 31 Dec 2023	31 Dec 2022	Year to date 31 Dec 2023	31 Dec 2022
Financial revenue				
Interest on bank deposits	147	45	385	203
Net foreign exchange gain [1]	325	853	-	550
Gain on purchase of bonds in own bond loans (note 7)	-	26	115	2,349
Other financial income	44	40	2,889	91
Total financial revenue	516	963	3,389	3,194
Financial expenses				
Interest expense on borrowings [2]	-22,810	-16,075	-81,594	-57,902
Net foreign exchange loss [1]	-	-	-811	-
Other financial expenses	-249	-469	-2,341	-1,158
Total financial expenses	-23,060	-16,544	-84,750	-59,061
Total net financial items	-22,544	-15,581	-81,360	-55,867

[1] Foreign exchange gains and losses are presented net as either financial revenue or financial expenses, depending on the net position. The amount includes changes in fair value of currency derivatives.
[2] Interest expense on borrowings includes net interest paid on overdrafts in the Group's cash pool

The Group started with hedge accounting at the end of 2021, related to the hedging of EUR 200 million in floating rate issued loans for a duration of three years. At the end of 2022, the Group changed the amount and duration of the hedge. The hedge agreements hedged EUR 573 million in floating rate issued loans for a duration of one year, maturing 15 December 2023.

As the Group started applying hedge accounting at the end of 2021, and the material part of the hedged future cash flows are still expected to occur, the Group is required to apply hedge accounting for the material part of the original amount and duration of the agreement, even though the duration was changed. This causes a mismatch between interest paid and interest expensed for the hedge accounting period. In 2023, the hedging reduced interest paid with EUR 13.3 million and interest expensed with EUR 4.6 million. There is hence a timing difference from hedge accounting, where interest expensed on borrowings is reduced by EUR 8.7 million less than interest paid on borrowings in 2023.

A modification gain of EUR 1.9 million related to the renewal of the revolving credit facility in June 2023 is included in the line item 'Other financial income'.

Other financial expenses include an early repayment fee of EUR 1.6 million related to repayment of ACR02 in September 2023.

Note 5 Income

The Group delivers credit management services in six European countries: Finland, Germany, Italy, Norway, Spain and Sweden. Axactor also owns some portfolios through entities based in Luxembourg.

The Group's income 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 information in the table presented is based on the location of the debtors and the country of the company performing the collection (which correspond). This is not necessarily the same as the country owning the portfolio. The same principle is used for the allocation of the non-current assets. Non-current assets presented in the table consists of intangible assets, goodwill, property, plant and equipment and right of use assets.

Total income

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Finland	3,702	3,822	14,425	16,100
Germany	9,956	8,965	40,759	35,112
Italy	10,600	8,240	38,438	28,574
Norway	10,731	8,705	41,088	40,862
Spain	23,452	26,975	100,498	91,029
Sweden	6,706	6,296	21,428	28,016
Total income	65,146	63,002	256,637	239,692

Non-current assets

	Book value	
EUR thousand	31 Dec 2023	31 Dec 2022
Finland	3,017	3,747
Germany	15,903	15,894
Italy	15,825	16,039
Norway	30,186	33,068
Spain	20,299	19,883
Sweden	3,325	3,185
Total assets	88,555	91,816

Portfolio revenue

Portfolio revenue consists of interest income from purchased loan portfolios, net gain/(loss) from purchased loan portfolios and revenue from sale of repossessed assets. Net gain/(loss) from purchased loan portfolios is split into collections above/(below) collection forecasts and net present value of changes in collection forecasts.

For the quarter end 31 Dec 2023

EUR thousand	Finland	Germany	Italy	Norway	Spain	Sweden	Total
Interest income from purchased loan portfolios	3,929	9,322	7,461	9,142	17,679	6,268	53,801
Collections above/(below) forecasts	-466	-235	-123	-388	-3,382	-4	-4,598
NPV of changes in collection forecasts	-348	-566	91	425	-138	373	-162
Net gain/(loss) purchased loan portfolios	-814	-800	-32	38	-3,521	369	-4,760
Sale of repossessed assets					594		594
Total portfolio revenue	3,114	8,521	7,430	9,180	14,752	6,637	49,634

Year to date 31 Dec 2023

EUR thousand	Finland	Germany	Italy	Norway	Spain	Sweden	Total
Interest income from purchased loan portfolios	15,713	37,520	26,730	36,345	69,649	25,332	211,289
Collections above/(below) forecasts	-1,654	-2,774	296	-3,274	3,696	-2,295	-6,004
NPV of changes in collection forecasts	-779	-861	335	338	-2,915	-3,196	-7,078
Net gain/(loss) purchased loan portfolios	-2,433	-3,635	631	-2,935	781	-5,491	-13,082
Sale of repossessed assets					2,587		2,587
Total portfolio revenue	13,280	33,885	27,361	33,409	73,017	19,841	200,793

For the quarter end 31 Dec 2022

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

Year to date 31 Dec 2022

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

Note 6 Purchased loan portfolios

Purchased loan portfolios consists of portfolios of delinquent consumer debts purchased significantly below nominal value, reflecting incurred and expected credit losses, and thus defined as credit impaired. For purchased loan portfolios, timely collection of principal and interest is no longer reasonably assured at the date of purchase. Purchased loan portfolios 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 on the day of acquisition of the loans. The loans are subsequently measured at amortized cost according to a credit adjusted effective interest rate.

Since the delinquent consumer debts are a homogenous group, the future cash flows are projected on a portfolio basis except for secured portfolios, for which cash flows are projected on a collateral asset basis. The majority of the purchased loan portfolios are unsecured, whereas approximately 6% of the book value of the loans are secured by a property object per 31 December 2023.

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

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

For more information on accounting principles and a description of significant accounting judgments, estimates and assumptions related to purchased loan portfolios, see note 2.12.2 and note 4 in the Group's Annual report 2022.

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Balance at start of period	1,253,619	1,191,969	1,252,642	1,095,789
Acquisitions during the period	24,079	93,016	116,118	288,052
Collections	-69,100	-73,618	-287,046	-276,524
Interest income from purchased loan portfolios	53,801	50,363	211,289	187,490
Net gain/(loss) purchased loan portfolios	-4,760	-2,722	-13,082	-8,185
Repossessions	-455	-1,241	-1,123	-1,925
Deliveries on forward flow contracts	514	-	1,435	-409
Currency translation differences	7,630	-5,124	-14,905	-31,646
Balance at end of period	1,265,327	1,252,642	1,265,327	1,252,642

Acquisitions during the period can be split into nominal value of the acquired portfolios and expected credit losses at acquisition as follows:

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Nominal value acquired portfolios	124,007	542,600	3,659,615	2,429,169
Expected credit losses at acquisition	-99,928	-449,584	-3,543,497	-2,141,117
Credit impaired acquisitions during the period	24,079	93,016	116,118	288,052

The payments during the period for investments in loan portfolios presented in the consolidated statement of cash flow will not correspond to acquisitions during the period due to deferred payments.

The book value per market is presented in the table below:

	31 Dec 2023		31 Dec 2022	
EUR thousand	Book value	% of total	Book value	% of total
Finland	118,453	9%	121,300	10%
Germany	189,308	15%	179,654	14%
Italy	165,929	13%	147,678	12%
Norway	240,989	19%	243,468	19%
Spain	349,715	28%	357,137	29%
Sweden	200,932	16%	203,405	16%
Total book value	1,265,327	100%	1,252,642	100%

The ERC represents the estimated gross collections on the purchased loan portfolios. ERC, amortization, and interest income from purchased loan portfolios per year are specified below (year 1 means the first 12 months from the reporting date):

EUR thousand	Estimated remaining collections (ERC), amortization and interest income from purchased loan portfolios per year														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total ERC
31 Dec 2023																
ERC	314,676	308,058	283,589	259,528	225,064	195,895	176,394	158,644	143,318	129,194	112,964	93,850	81,633	72,962	64,648	2,620,416
Amortization	105,653	120,186	118,013	116,194	102,024	89,571	83,946	79,066	75,868	73,397	68,420	59,450	56,796	57,606	59,135	1,265,327
Interest income	209,023	187,871	165,575	143,334	123,040	106,323	92,448	79,578	67,450	55,797	44,544	34,400	24,838	15,356	5,513	1,355,089
31 Dec 2022																
ERC	310,027	305,914	271,347	237,417	212,308	185,750	168,327	152,172	137,607	124,971	113,833	99,900	84,323	74,817	66,705	2,545,419
Amortization	113,530	130,485	118,518	103,930	95,595	83,424	78,622	74,325	71,027	69,190	68,662	65,230	59,403	59,493	61,207	1,252,642
Interest income	196,496	175,428	152,829	133,487	116,714	102,326	89,705	77,847	66,581	55,781	45,171	34,670	24,921	15,324	5,498	1,292,778

Note 7 Interest-bearing loans and borrowings

The Group's total loans and borrowings are as follows:

EUR thousand	Currency	Facility limit	Nominal value	Treasury bonds	Carrying amount, EUR	Interest coupon	Maturity
Facility							
Bond ACR03 (ISIN NO0011093718)	EUR		300,000	-18,950	277,229	3m EURIBOR+535bps	15.09.2026
Bond ACR04 (ISIN NO0013005264)	NOK		204,700		202,986	3m NIBOR + 825bps	07.09.2027
Total bond loans			504,700	-18,950	480,215		
Revolving credit facility	EUR		322,325		308,516	EURIBOR+ margin	30.06.2026
(multi-currency facility)	NOK		1,438		1,438	NIBOR+ margin	30.06.2026
	SEK		148,935		148,935	STIBOR+ margin	30.06.2026
Total credit facilities		545,000	472,698		458,889		
Total interest-bearing loans and borrowings at end of period			977,398	-18,950	939,104		

Of the total borrowings per 31 December 2023, EUR 939.1 million is classified as non-current and EUR 0 million is classified as current. The Group has reclassified accrued interest from short term interest-bearing debt to other current liabilities, resulting in a reclassification in the opening balance between the two line items in the consolidated statement of financial position of EUR 4.2 million.

Change in loans and borrowings from financial activities

EUR thousand	Bond loans	Credit facilities [1]	Total Borrowings
Balance on 1 Jan	445,590	505,784	951,374
Proceeds from loans and borrowings	200,340	142,934	343,274
Repayment of loans and borrowings	-169,522	-172,352	-341,873
Loan fees	-3,367	-12,009	-15,376
Total changes in financial cash flow	27,451	-41,427	-13,975
Amortization of capitalized loan fees	2,930	4,316	7,246
Currency translation differences	4,360	-7,903	-3,543
Other non-cash movements	-116	-1,882	-1,998
Total interest-bearing loans and borrowings at end of period	480,214	458,889	939,104

[1] Proceeds and repayments on the credit facilities include currency exchanges between NOK and EUR, which are reported gross

Maturity

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

				Estimated future cash flow within			
EUR thousand	Currency	Carrying amount	Total estimated future cash flow	6 months or less	6-12 months	1-2 years	2-5 years
Bond ACR03 (ISIN NO0011093718)	EUR	277,229	346,050	12,900	11,778	23,041	298,331
Bond ACR04 (ISIN NO0013005264)	NOK	202,986	296,076	12,842	12,214	24,117	246,904
Total bond loan		480,215	642,126	25,742	23,991	47,158	545,235
Revolving credit facility (multi-currency facility)	EUR/NOK/SEK	458,889	545,965	16,472	14,562	28,156	486,776
Total credit facilities		458,889	545,965	16,472	14,562	28,156	486,776
Total interest-bearing loans and borrowings at end of period		939,104	1,188,090	42,214	38,553	75,313	1,032,011

Revolving credit facility DNB/Nordea

The revolving credit facility consists of EUR 545 million in a multi-currency facility. The loan carries a variable interest rate based on the interbank rate in each currency with a margin. The maturity date for the facility is 30 June 2026.

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

All subsidiaries of the Group, except Reolux Holding S.à r.l. and its subsidiaries, are part of the security package for this facility. The subsidiaries that are part of the security package have granted a share pledge, and except for Axactor Italy SpA and the subsidiaries of Axactor Portfolio Holding AB, the subsidiaries are also guarantors and have granted a bank account pledge.

Bond loans

ACR03 (ISIN NO0011093718)

The bond was placed at 3m EURIBOR + 5.35% interest, with maturity date 15 September 2026. The bond is listed on Oslo Børs. On 31 December 2023, the Group holds treasury bonds in ACR03 with a nominal value of EUR 19.0 million.

ACR04 (ISIN NO0013005264)

In September 2023, the Group issued a 4-year unsecured bond of NOK 2,300 million (ACR04). The bond is listed on Oslo Børs. The bond was placed at 3m NIBOR + 8.25% interest, with maturity date 7 September 2027.

The following financial covenants apply to both bond loans:
- Interest coverage ratio: ≥ 3.0x (Pro-forma adjusted Cash EBITDA to net interest expenses)
- Leverage ratio: ≤ 4.0x (NIBD to pro-forma adjusted cash EBITDA)
- Net loan to value: ≤ 80% (NIBD to total book value all loan portfolios and REOs)
- Net secured loan to value: ≤ 60% (secured loans less cash to total book value all loan portfolios and REOs)

Trustee: Nordic Trustee

Note 8 Leases

Right of use assets

EUR thousand	Buildings	Vehicles	Other	Total
Right of use assets on 31 Dec 2021	10,247	475	46	10,768
Additions	4,293	339	69	4,701
Depreciation	-2,668	-386	-19	-3,073
Disposals	-298	-24	-	-322
Currency translation differences	-310	-3	-3	-317
Right of use assets on 31 Dec 2022	11,263	401	93	11,757
Additions	2,881	752	53	3,685
Depreciation	-3,034	-331	-44	-3,409
Disposals	-232	-31	-	-264
Currency translation differences	-167	2	-	-165
Right of use assets on 31 Dec 2023	10,711	792	101	11,604
Remaining lease term	1-8 years	1-3 years	2-4 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

EUR thousand	31 Dec 2023	31 Dec 2022
Lease liabilities on 1 Jan	12,239	11,051
Net new leases	3,237	4,241
Lease payments, principal amount	-3,143	-2,755
Currency translation differences	-171	-297
Lease liabilities at period end	12,163	12,239
Current	3,194	2,835
Non-current	8,969	9,404

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

EUR thousand	31 Dec 2023	31 Dec 2022
Undiscounted lease liabilities and maturity of cash outflows		
< 1 year	3,837	3,441
1-2 years	3,598	3,015
2-3 years	3,232	2,620
3-4 years	1,237	2,464
4-5 years	700	822
> 5 years	1,261	1,745
Total undiscounted lease liabilities	13,866	14,106
Discounting element	-1,703	-1,866
Total lease liabilities	12,163	12,240

Note 9 Fair value of forward flow commitments

Changes in the fair value of forward flow commitments are shown below. For additional information, see note 2.12.2 in the Group's Annual report 2022.

EUR thousand	31 Dec 2023	31 Dec 2022
Balance on 1 Jan	-	-409
Value change	1,805	-
Deliveries	-1,435	409
Currency translation differences	-58	-
Balance at period end	311	-

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

EUR thousand	31 Dec 2023	31 Dec 2022
Fair value of forward flow commitments (asset)	311	-
Balance at period end	311	-

Note 10 Issued shares and share capital

Issued shares and share capital

	Number of shares	Share capital (EUR)
On 31 Dec 2021	302,145,464	158,149,942
Bonus issue		218,961
On 31 Dec 2022	302,145,464	158,368,902
On 31 Dec 2023	302,145,464	158,368,902

Shares owned by the Board and Group executive management on 31 Dec 2023

Name	Shareholding	Share %
Latino Invest AS[1]	1,040,000	0.3%
Terje Mjøs Holding AS[2]	700,000	0.2%
Johnny Tsolis Vasili[1]	670,000	0.2%
Vibeke Ly[3]	203,750	0.1%
Arnt Andre Dullum[3]	200,000	0.1%
Karl Mamelund[3]	175,000	0.1%
Nina Mortensen[3]	160,000	0.1%
Brita Eilertsen[2]	19,892	0.0%

[1] CEO/related to the CEO of Axactor ASA
[2] Member of the Board/controlled by member of the Board
[3] Member of the Group executive management

20 largest shareholders on 31 Dec 2023

Name	Shareholding	Share %
Geveran Trading Co Ltd	150,385,439	49.8%
Torstein Ingvald Tvenge	10,000,000	3.3%
Skandinaviska Enskilda Banken AB	5,500,000	1.8%
Skandinaviska Enskilda Banken AB (Nominee)	5,279,467	1.7%
Verdipapirfondet Nordea Norge Verdi	4,454,162	1.5%
Nordnet Livsforsikring AS	2,889,071	1.0%
Spectatio Finans AS	2,781,621	0.9%
Endre Rangnes	2,017,000	0.7%
Gvepseborg AS	1,832,826	0.6%
Alpette AS	1,661,643	0.5%
Klotind AS	1,532,704	0.5%
Stavern Helse og Forvaltning AS	1,500,000	0.5%
Velde Holding AS	1,259,931	0.4%
Andres Lopez Sanchez	1,177,525	0.4%
David Martin Ibeas	1,177,525	0.4%
Latino Invest AS	1,040,000	0.3%
Verdipapirfondet Nordea Avkastning	1,035,709	0.3%
Vardfjell AS	919,372	0.3%
AS Clipper	900,000	0.3%
Verdipapirfondet Storebrand Norge	899,169	0.3%
Total 20 largest shareholders	198,243,164	65.6%
Other shareholders	103,902,300	34.4%
Total number of shares	302,145,464	100%
Total number of shareholders	8,944	

Note 11 Discontinued operations

In 2022, the Board resolved to dispose of the Group's portfolios of purchased real estate. The majority of the assets in the portfolios of purchased real estate classified as held for sale in 2022 were sold per 31 December 2023. An impairment of 1.1 million was recognized in the fourth quarter of 2023. No assets were classified as held for sale per 31 December 2023.

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

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Other operating revenue	1,552	2,979	4,296	14,113
Total income	1,552	2,979	4,296	14,113
Cost of REOs sold, incl impairment	-3,908	-4,836	-8,422	-18,318
Other operating expenses	-432	-601	-1,495	-2,803
Total operating expenses	-4,340	-5,437	-9,917	-21,121
EBITDA	-2,788	-2,458	-5,621	-7,008
Amortization and depreciation	-	-	-	-
Operating profit	-2,788	-2,458	-5,621	-7,008
Financial expenses	-	-169	-348	-1,059
Net financial items	-	-169	-348	-1,059
Profit/(loss) before tax	-2,788	-2,627	-5,969	-8,066
Income tax expense	-	-	-	-
Net profit/(loss) after tax	-2,788	-2,627	-5,969	-8,066
Attributable to:				
Non-controlling interests	-1,531	-1,493	-3,418	-4,668
Shareholders of the parent company	-1,257	-1,134	-2,551	-3,399
Earnings per share: basic and diluted	-0,004	-0,004	-0,008	-0,011

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

EUR thousand	31 Dec 2023	31 Dec 2022
Current assets		
Stock of secured assets	-	8,418
Accounts receivable	-	116
Other current assets	-	518
Cash and cash equivalents	-	3,607
Total current assets	-	12,660
Assets classified as held for sale	-	12,660
Current liabilities		
Interest-bearing debt	-	10,247
Other current liabilities	-	373
Total current liabilities	-	10,619
Liabilities directly associated with assets classified as held for sale	-	10,619
Net assets classified as held for sale	-	2,041

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

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Net cash flow from operating activities	1,120	2,378	2,801	11,310
Net cash flow from investing activities	-	-	-	-
Net cash flow from financing activities	-2,129	-1,325	-6,409	-12,220
Total net cash flow	-1,009	1,053	-3,607	-910

Alternative performance measures

Alternative performance measures (APMs) used in Axactor

APM	Definition	Purpose of use	Reconciliation IFRS
Gross revenue	Total income plus portfolio amortizations and revaluations, and change in fair value of forward flow commitments	To review the revenue before split into interest and amortization (for own portfolios)	Total income from consolidated statement of profit or loss plus portfolio amortizations and revaluations in the consolidated statement of cash flows and change in fair value of forward flow commitments
Cash EBITDA from continuing operations	EBITDA adjusted for calculated cost of share option program, portfolio amortization and revaluation, change in fair value of forward flow commitments and repossessed assets cost of sale and impairment	To reflect cash from continuing operating activities, excluding timing of taxes paid and movement in working capital	EBITDA from continuing operations (total income minus total operating expenses) in consolidated statement of profit or loss adjusted for specified elements from the consolidated statement of cash flows
Cash EBITDA	Cash EBITDA from continuing operations plus EBITDA from discontinued operations, adjusted for REO cost of sale, including impairment	To reflect cash from continuing and discontinued operating activities, excluding timing of taxes paid and movement in working capital	EBITDA from continuing operations (total income minus total operating expenses) in consolidated statement of profit or loss plus EBITDA from discontinued operations according to note 11, adjusted for specified elements from the consolidated statement of cash flows
Estimated remaining collections (ERC)	Estimated remaining collections express the expected future cash collections on purchased loan portfolios in nominal values, over the next 180 months. The ERC does not include sale of repossessed assets if the assets are already repossessed	ERC is a standard APM within the industry with the purpose to illustrate the future cash collections including estimated interest income and opex	Purchased loan portfolios in the consolidated statement of financial position, plus estimated operating expenses for future collections at time of acquisition and estimated discounted gain
Net interest-bearing debt (NIBD)	Net interest-bearing debt means the aggregated amount of interest-bearing debt attributable to both continuing and discontinued operations, less aggregated amount of unrestricted cash and cash equivalents, on a consolidated basis	NIBD is used as an indication of the Group's ability to pay off all of its debt	Non-current and current portion of interest-bearing debt and cash and cash equivalents from the consolidated statement of financial position and as attributable to discontinued operations according to note 11, with adjustments to get to nominal value of the debt, less treasury bonds
Return on equity to shareholders, annualized	Net profit/(loss) after tax from continuing and discontinued operations attributable to shareholders divided by average equity for the period attributable to shareholders, annualized	Measures the profitability in relation to shareholders' equity	Net profit/(loss) after tax attributable to shareholders of the parent company from the consolidated statement of profit or loss and equity attributable to shareholders from the consolidated statement of changes in equity
Return on equity, continuing operations, annualized	Net profit/(loss) after tax from continuing operations divided by average total equity for the period, annualized	Measures the profitability of continuing operations in relation to total equity	Net profit/(loss) after tax from continuing operations from the consolidated statement of profit or loss and total equity from the consolidated statement of changes in equity

Gross revenue

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Total income	65,146	63,002	256,637	239,692
Portfolio amortizations and revaluations	20,059	25,977	88,840	97,218
Change in fair value of forward flow commitments	-19	-	-1,805	-
Gross revenue	85,186	88,979	343,672	336,911

EBITDA and Cash EBITDA

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Total income	65,146	63,002	256,637	239,692
Total operating expenses	-30,847	-31,820	-124,789	-120,738
EBITDA from continuing operations	34,299	31,182	131,848	118,955
Calculated cost of share option program	126	96	450	462
Portfolio amortizations and revaluations	20,059	25,977	88,840	97,218
Change in fair value of forward flow commitments	-19	-	-1,805	-
Cost of repossessed assets sold, incl. impairment	582	292	1,759	1,496
Cash EBITDA from continuing operations	55,047	57,548	221,092	218,130
EBITDA from discontinued operations	-2,788	-2,458	-5,621	-7,008
Cost of REOs sold, incl. impairment	3,908	4,836	8,422	18,318
Cash EBITDA	56,167	59,926	223,894	229,440
Taxes paid	-6,773	-5,242	-11,616	-10,713
Change in working capital	-639	1,127	-7,318	1,291
Cash flow from operating activities before NPL and REO investments	48,755	55,811	204,959	220,019

Estimated remaining collections (ERC)

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Purchased loan portfolios	1,265,327	1,252,642	1,265,327	1,252,642
Estimated opex for future collections at time of acquisition	369,720	363,858	369,720	363,858
Estimated discounted gain	985,368	928,920	985,368	928,920
Estimated remaining collections (ERC)	2,620,416	2,545,419	2,620,416	2,545,419

Net interest-bearing debt (NIBD)

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Non-current portion of interest-bearing debt from financial position	939,104	445,590	939,104	445,590
Current portion of interest-bearing debt from financial position	-	495,537	-	495,537
Interest-bearing debt, discontinued operations	-	10,247	-	10,247
Total interest-bearing debt	939,104	951,374	939,104	951,374
Capitalized loan fees and other adjustments	19,344	9,144	19,344	9,144
Cash and cash equivalents from financial position	31,826	29,045	31,826	29,045
Cash and cash equivalents, discontinued operations	-	3,607	-	3,607
Net interest-bearing debt (NIBD)	926,622	927,865	926,622	927,865

Return on equity to shareholders, annualized

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Net profit/(loss) after tax attributable to shareholders of the parent company	7,343	9,410	30,830	36,757
Average equity for the period related to shareholders of the parent company	428,596	412,162	419,074	399,433
Return on equity to shareholders, annualized	6.8%	9.1%	7.4%	9.2%

Return on equity, continuing operations, annualized

	For the quarter end		Year to date	
EUR thousand	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Net profit/(loss) after tax from continuing operations	9,216	10,360	33,563	40,644
Average total equity for the period	419,398	407,628	411,350	397,163
Return on equity, continuing operations, annualized	8.7%	10.1%	8.2%	10.2%

Glossary

Terms

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

Abbreviations

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