

Lowell Danmark A/S

Langmarksvej 57D
8700 Horsens
Denmark

CVR no. 18 45 79 70

Annual report for the period 1 January - 31 December 2019

The annual report was presented and approved at
the Company's annual general meeting on
26 June 2020

Morten Goldermann Engelbæk
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lowell Danmark A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report is approved at the annual general meeting.

Horsens, 26 June 2020

Executive Board:

Morten Goldermann Engelbæk

Board of Directors:

Johan Erik Magnus Agerman
Chairman

Geir Inge Skålevik
Deputy Chairman

Jonas Arlebäck

Rene Lund Mejlstrup

Independent auditor's report

To the shareholders of Lowell Danmark A/S

Opinion

We have audited the financial statements of Lowell Danmark A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also

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

Independent auditor's report

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Kolding, 26 June 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Lowell Danmark A/S
Annual Report 2019
CVR no. 18 45 79 70

Management's review

Company details

Lowell Danmark A/S
Langmarksvej 57D
8700 Horsens
Denmark

Telephone: +45 76282828
Website: www.lowell.dk

CVR no.: 18 45 79 70
Established: 1 March 1995
Registered office: Horsens
Financial year: 1 January – 31 December

Board of Directors

Johan Erik Magnus Agerman, Chairman
Geir Inge Skålevik, Deputy Chairman
Jonas Arlebäck
Rene Lund Mejlstrup

Executive Board

Morten Goldermann Engelbæk

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
6000 Kolding
Denmark

Lawyer

Gorrissen Federspiel
Silkeborgvej 2
8000 Aarhus C

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross profit/loss	180,829	150,797	124,937	98,912	96,052
Operating profit	82,560	61,342	50,710	25,732	24,236
Profit/loss for the year	42,130	30,097	40,568	16,433	20,612
Total assets					
Total assets	972,254	1,033,866	997,753	519,331	536,200
Equity	472,746	545,616	515,519	474,951	458,518
Investment in property, plant and equipment	-1,805	-2,442	-1,685	-1,851	-4,289
Ratios					
Return on assets	8.5%	5.9%	5.1%	5.0%	4.5%
Return on equity	8.3%	5.7%	8.2%	3.5%	4.6%
Solvency ratio	48.6%	52.8%	51.7%	91.5%	85.5%
Average number of full-time employees					
Average number of full-time employees	166	150	125	124	134

The comparative figures for 2015 – 2018 have not been restated in regards to IFRS 16. The comparative figures for these years have been stated in accordance with IAS 17.

Financial ratios are calculated in accordance with the guidelines "Recomendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on assets	$\frac{\text{Operating profit/loss} * 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} * 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end} * 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

The Company's main activities are to carry out collection and credit processing activities, invest and arrange for receivables.

Profit/loss for the year

The Company's income statement for 2019 shows a profit of tDKK 42,130 as against tDKK 30,097 in 2018. Equity in the Company's balance sheet at 31 December 2019 stood at tDKK 472,746 as against tDKK 545,616 at 31 December 2018.

Particular risks

Operating risks

The Company's most significant operating risk relates to the ability to recover claims.

Uncertainty regarding recognition and measurement

In accordance with the Danish Financial Statements Act, the Company's Annual Report is prepared based on assumptions which, in certain areas, involve the use of accounting estimates. Such estimates are made by Company's Management in accordance with the accounting policies and past experience together with expectations and assumptions which Management considers sound and realistic.

The most significant areas for the Financial Statements are:

- Measurement of acquired loans based on amortised cost
- Impairment test of acquired loans
- Valuation of deferred tax.

Measurement of acquired loans based on amortised cost implies that the historical cost of acquired portfolios is measured against future revenue which forms the basis of the computation of amortisation.

When carrying out an impairment test of acquired loans, an estimate is made of whether future cash flows support the carrying amount of assets. Estimates of expected future cash flows for many years to come are required, which naturally involves some uncertainty.

When a deferred tax asset is evaluated, an estimate is also made of the Company's ability to generate positive taxable profit within a future period, which also involves some uncertainty.

Management's review

Operating review

Unusual circumstances

The financial position at 31 December 2019 of the Company and the results of the activities and cash flows of the Company for the financial year for 2019 have not been affected by any unusual events.

Development in activities and financial position

Profit/loss for the year and the balance sheet total are affected by the fact that the Company has changed its interpretation of leases to which the Company is the lessee from IAS 17 to IFRS 16.

In the income statement, EBITDA and EBIT for 2019 are affected, whereas profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liability be substantially equal the operating lease costs previously recognised in the income statement.

EBITDA was affected by tDKK 3,236 and EBIT by tDKK -2,831. In 2019, the Company's liabilities were affected by tDKK 17,026.

Expected development

Lowell Danmark A/S expects operating profit on a lower level in 2020 primary due to lower investments in portfolios during 2018 and 2019.

Coronavirus has been an emerging risk since the end of 2019 which we continue to monitor together with any performance impacts. Depending on how the situation develops, there is the potential for on-going impact in 2020. We have put measures in place to help support the business and its stakeholders during this outbreak.

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Financial statements 1 January - 31 December

Income statement

DKK'000	Note	2019	2018
Gross profit		180,829	150,797
Staff costs	3	-93,003	-87,667
Depreciation, amortisation and impairment	4	-5,080	-1,788
Ordinary operating profit		82,746	61,342
Other operating costs		-186	0
Operating profit		82,560	61,342
Financial income	5	0	1,286
Financial expenses	6	-27,996	-23,666
Profit before tax		54,564	38,962
Tax on profit for the year	7	-12,434	-8,865
Profit for the year	8	42,130	30,097

Financial statements 1 January - 31 December

Balance sheet

DKK'000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	9		
Development projects in progress		<u>26,110</u>	<u>11,652</u>
Property, plant and equipment	10		
Fixtures and fittings, tools and equipment		4,864	5,211
Leasehold improvements		<u>673</u>	<u>956</u>
		<u>5,537</u>	<u>6,167</u>
Leases	11		
Right of use-assets		<u>16,746</u>	<u>0</u>
Investments	12		
Acquired loans		<u>785,253</u>	<u>791,303</u>
Total fixed assets		<u>833,646</u>	<u>809,122</u>
Current assets			
Receivables			
Trade receivables		5,825	4,074
Receivables from group entities		22,613	27,591
Other receivables		1,266	3,244
Deferred tax asset	16	0	8,691
Prepayments	13	<u>6,693</u>	<u>6,517</u>
		<u>36,397</u>	<u>50,117</u>
Cash at bank and in hand		<u>102,211</u>	<u>174,627</u>
Total current assets		<u>138,608</u>	<u>224,744</u>
TOTAL ASSETS		<u>972,254</u>	<u>1,033,866</u>

Financial statements 1 January - 31 December

Balance sheet

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	14	15,000	15,000
Retained earnings		457,746	415,616
Proposed dividends for the financial year		0	115,000
Total equity		472,746	545,616
Liabilities			
Non-current liabilities			
Payables to group entities	15	416,326	413,499
Lease liabilities	11	14,475	0
Deferred tax liabilities	16	1,213	0
		432,014	413,499
Current liabilities			
Trade payables		2,179	6,329
Payables to group entities		10,633	22,437
Lease liabilities	11	2,551	0
Corporation tax		1,857	1,813
Other payables		50,274	44,172
		67,494	74,751
Total liabilities		499,508	488,250
TOTAL EQUITY AND LIABILITIES		972,254	1,033,866

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2019	15,000	415,616	115,000	545,616
Transferred over the profit appropriation	0	42,130	0	42,130
Dividends paid			-115,000	-115,000
Equity at 31 December 2019	15,000	457,746	0	472,746

Financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of Lowell Danmark A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Garfunkelux Holdco 2 S.A.

Change in accounting estimates

The company has changed its principles for estimates for portfolios to the Lowell principle. This has a positive effect in the income statement and equity and causes an increase in total assets of DKK 32.7m

Change in accounting policies

With effect from 1 January 2019, the Company has chosen to use IFRS 16 Leases as the basis of interpretation for recognising and measurement of leases to which the Company is the lessee.

Consequently, with effect from 1 January 2019, the Company recognises all finance and operating leases in the balance sheet as a right-of-use asset and a lease liability except from:

- Short-term leases with a maximum lease term of 12 months
- Leases for low-value assets.

For such leases, lease payments are recognised on a straight-line basis in the income statement over the lease term. When changing its basis of interpretation, the Company has used the lessee accounting model under IFRS 16 from 1 January 2019 without restatement of comparative figures. The effect of the change as of 1 January 2019 has been recognised directly in equity. The Company has applied the following practical expedients for right-of-use assets and lease liabilities previously accounted for as operating leases:

- Applied a single discount rate to a portfolio of leased assets with reasonably similar characteristics.
- Not recognised leases for which the lease term ends within 12 months from the date of transition.
- Excluded initial direct costs from the measurement of the right-use-assets at 1 January 2019.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

- At 1 January 2019, the right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.
- Not applied the new lease definition to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
- On 1 January 2019, not separated non-lease components from lease components, but considered them a single lease component.

Below, the operating lease liability in accordance with IAS 17 disclosed in the financial statements for 2018 has been reconciled with the lease liability recognised in the balance sheet at 1 January 2019 (date of transition):

	<u>DKK'000</u>
Operating lease liabilities disclosed at 31 December 2018	11,853
Effect of discounting lease liabilities	-2,702
Extension options which the Company is reasonably certain to exercise	11,224
Effect of exemptions:	
Short-term leases	-666
Leases for low-value assets	-33
Other cost excluded in IFRS 16 (Maintenance etc.)	-99
Lease liabilities recognised at 1 January 2019	<u><u>19,577</u></u>

Profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liabilities being almost equal to the operating lease expense.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue comprises of sales of services as well as received payments from acquired receivables. Services are recognised in the income statement when the service has been performed. Received payments are recognised when the payments have been received from the debtor.

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish associated companies.

The Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development costs are measured at cost less accumulated amortisation and impairment losses. Development costs are amortised on a straight-line basis.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Accounting policies for leased assets and lease liabilities

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Lease liabilities recognised as "Credit institutions and interest-bearing liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Financial statements 1 January - 31 December

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1 Accounting policies (continued)

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows if:

- The value of the index or rate on which the lease payments are based is changed.
- The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.
- The lease term is changed if the option is exercised in order to extend or terminate the lease.
- Estimated residual value guarantee is changed.
- The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements 1 January - 31 December

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1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Acquired loans

Acquired loans are measured at amortised cost. Measurement of acquired loans according to amortised cost implies that the historical cost of acquired portfolios is measured against future revenue which forms the basis of the computation of amortisation.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Financial statements 1 January - 31 December

Notes

2 Uncertainty regarding recognition and measurement

In accordance with the Danish Financial Statements Act the Company's Annual Report is prepared based on assumptions which, in certain areas, involve the use of accounting estimates.

Such estimates are made by Company Management in accordance with the accounting policies and historic experience together with expectations and assumptions which Management considers sound and realistic.

The most significant areas for the Financial Statements are:

- Measurement of acquired loans based on amortised cost
- Impairment test of acquired loans
- Valuation of deferred tax.

Measurement of acquired loans based on amortised cost implies that the historical cost of acquired portfolios is measured against future revenue which forms the basis of the computation of amortisation. When carrying out an impairment test of acquired loans, an estimate is made whether future cash flows support the carrying amount of the assets.

Estimates of expected future cash flows for many years to come are required, which naturally involves some uncertainty.

When making a valuation of the deferred tax asset, an estimate is also made of the Company's ability to generate a positive taxable profit within a future period, which also involves some uncertainty.

DKK'000	2019	2018
3 Staff costs		
Wages and salaries	82,880	78,802
Pensions	8,936	7,859
Other social security costs	1,187	1,006
	93,003	87,667
Average number of full-time employees	166	150

Referring to section 98 b (3) of the Danish Financial Statements Act, remuneration of the Executive Board is not disclosed.

Financial statements 1 January - 31 December

Notes

DKK'000	<u>2019</u>	<u>2018</u>
4 Depreciation, amortisation and impairment		
Property, plant and equipment	2,249	1,788
Leases	2,831	0
	<u>5,080</u>	<u>1,788</u>
5 Financial income		
Interest received from group entities	0	1,285
Other financial income	0	1
	<u>0</u>	<u>1,286</u>
6 Financial expenses		
Interest expense to group entities	23,254	19,727
Other financial costs	4,200	2,511
Exchange losses	542	1,428
	<u>27,996</u>	<u>23,666</u>
7 Tax on profit/loss for the year		
Current tax for the year	3,201	1,448
Deferred tax for the year	9,233	7,417
Adjustment of tax concerning previous years	-671	55
Adjustment of deferred tax concerning previous years	671	-55
	<u>12,434</u>	<u>8,865</u>
8 Proposed profit appropriation		
Proposed dividends for the financial year	0	115,000
Retained earnings	42,130	-84,903
	<u>42,130</u>	<u>30,097</u>

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9 Intangible assets

DKK'000	Development projects in progress
Cost at 1 January 2019	11,652
Additions for the year	14,458
Cost at 31 December 2019	26,110
Carrying amount at 31 December 2019	26,110

10 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2019	10,766	2,817	13,583
Additions for the year	1,720	85	1,805
Disposals for the year	-2,355	0	-2,355
Cost at 31 December 2019	10,131	2,902	13,033
Depreciation and impairment losses at 1 January 2019	-5,555	-1,861	-7,416
Depreciation for the year	-1,881	-368	-2,249
Depreciation on disposals	2,169	0	2,169
Depreciation and impairment losses at 31 December 2019	-5,267	-2,229	-7,496
Carrying amount at 31 December 2019	4,864	673	5,537

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11 Leases

The balance sheet shows the following amounts relating to leases:

DKK'000	Right of use Assets	
	2019	1 January 2019
Cost at 1 January 2019	19,577	
Additions for the year	0	
Disposals for the year	0	
Cost at 31 December 2019	19,577	
Depreciation and impairment losses at 1 January	0	
Depreciation for the year	-2,831	
Depreciation on disposals	0	
Depreciation and impairment losses at 31 December	-2,831	
Carrying amount at 31 December 2019	16,746	
Lease liabilities		
Current	2,551	2,551
Non-current	14,475	17,026
	17,026	19,577

Additions to the right-of-use assets during 2019 financial year were tDKK 0.

12 Investments

DKK'000	Acquired loans	
	2019	1 January 2019
Cost at 1 January 2019		1,146,553
Additions for the year		63,230
Disposals for the year		-65,303
Cost at 31 December 2019		1,144,480
Impairment losses at 1 January 2019		-355,250
Impairment losses for the year		-69,280
Reversals for the year of impairment losses		65,303
Revaluations 31 December 2019		-359,227
Carrying amount at 31 December 2019		785,253

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13 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

14 Equity

The contributed capital consists of 2 types of shares A and B.

A-shares, 15,000 of a nominal value of DKK 1,000 each.

B-shares, 4 of a nominal value of DKK 1 each.

In respect of the election or removal of members of the board of directors, the holders of the class A shares are not eligible to vote.

In respect of all matters other than the election or removal of members of the board of directors, the holders of the class B shares are not eligible to vote.

The holders of the class A shares are eligible to receive dividends in accordance with the rules set out in the Danish Companies Act (Selskabsloven). The holders of the class B shares are not eligible to receive dividends.

DKK'000	<u>2019</u>	<u>2018</u>
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15 Non-current liabilities other than provisions

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

Payables to group enterprises

Between 1 and 5 years	416,326	413,499
Other short-term debt to group enterprises	10,633	22,437
	<u>426,959</u>	<u>435,936</u>

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DKK'000	2019	2018
16 Deferred tax liabilities		
Deferred tax liabilities	1,213	0
	1,213	0
Development projects in progress	5,744	0
Property, plant and equipment	-1,323	-1,572
Right-of-use assets	3,684	0
Trade receivables	-1,092	-631
Other payables	-103	0
Loan	-273	-120
Lease liabilities	-3,745	0
Tax loss carry-forward	-1,679	-6,368
Transferred to deferred tax asset	0	8,691
Transferred to deferred tax liability	-1,213	0
	0	0
17 Contractual obligations, contingencies, etc.		
<i>Charges and security</i>		
Guarantee in accordance with the Danish Act on debt collecting business	5,000	5,000
Guarantee on rent deposits	2,037	2,002
Of the Company's cash at hand and in bank	200	200
	7,237	7,202
<i>Rental and lease obligations</i>		
Within 1 year	1,131	5,630
Between 1 and 5 years	580	6,223
Lease obligations in period of interminability	1,711	11,853

The Company has signed framework agreements on debt collection with clients which include guaranteed solution degrees.

The agreements involve an estimated maximum risk on future debt collection business of approx. tDKK 818.

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17 Contractual obligations, contingencies, etc. (continued)

Any material company or other member of the Group, which becomes a guarantor of the RCF is required (subject to agreed security principles) to grant security over certain of its material assets and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favour of the Security Agent.

Lowell Danmark A/S is a guarantor in the Lowell group security pack and at 31 Dec 2019 the total RCF Facility available to the group was EUR 455m. The total amount drawn at 31 Dec 2019 was EUR 313m.

18 Related party disclosures

Lowell Danmark A/S related parties comprise the following:

Control

Lowell AS., Nils Hansens Vei 2, Oslo, Norway.

Lowell AS holds the majority of the contributed capital in the Company.

Lowell Danmark A/S is part of the consolidated financial statements of Lowell AS, Oslo, and the consolidated financial statements of Garfunkelux Holdco 2 S.A., 488 route de Longwy, L-1940, Luxembourg, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of Lowell AS and the consolidated financial statements of Garfunkelux Holdco 2 S.A. can be obtained by contacting the companies at the addresses above.

DKK'000	2019	2018
Related party transactions		
Services sold to group entities	2,145	3,652
Purchase of services from group entities	-39,722	-26,735
Financial income of loan and receivables to group entities	0	1,285
Financial expenses on loan from group entities	-19,499	-18,103
	<u>-57,076</u>	<u>-39,901</u>

Financial statements 1 January - 31 December

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19 Disclosure of events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Coronavirus has been an emerging risk since the end of 2019 which we continue to monitor together with any performance impacts. Depending on how the situation develops, there is the potential for on-going impact in 2020. We have put measures in place to help support the business and its stakeholders during this outbreak.

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Johan Erik Magnus Agerman

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