ANNUAL REPORT 2005

intrum justitia

Contents

This Annual Report is a translation from a Swedish original. In the event of any differences between this translation and the Swedish Annual Report (Årsredovisning 2005), the latter shall govern.

Anette Sjöblom, customer support; Eric Burton, Business Development manager; Linus Hansson, CRM; Sara Gustavsson, IT manager; and Johanna Nyberg, project manager at Intrum Justitia Sweden.

Sebastiaan Dommisse, supervisor Consumer Collection at Intrum Justitia Netherlands.

Cover
Raquel Vidal, accountant; Alfonso Latorre, account manager; and Ana Fernández, administrator at Intrum Justitia Spain.

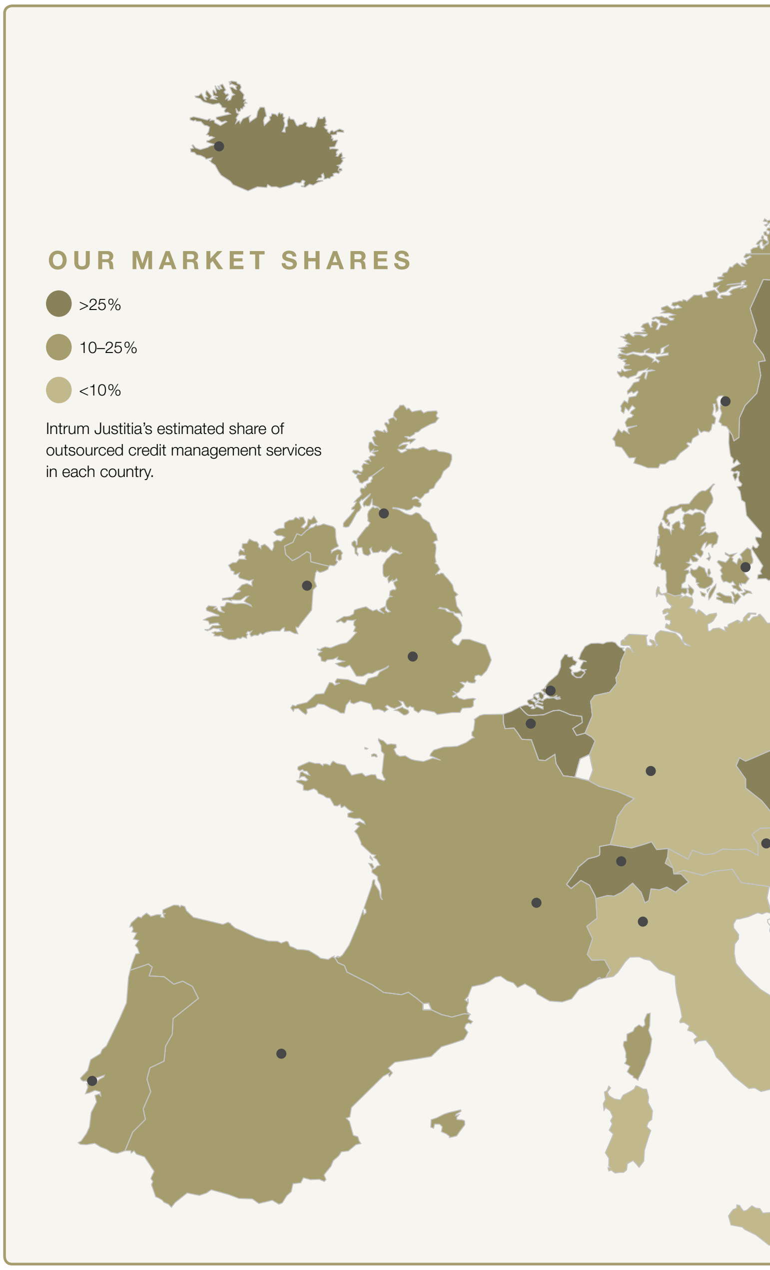
Europe's leading Credit Management Servi

Intrum Justitia is Europe's leading Credit Management Services (CMS) company. Our offering covers every stage of these services, from credit information and invoicing through sales ledger services, reminders and collection to debt surveillance and collection of written-off receivables. We also work with purchased debt and specialized services related to credit management. By offering efficient services and high quality in relationships with both clients and debtors, we help our clients to improve their cash flow and long-term profitability.

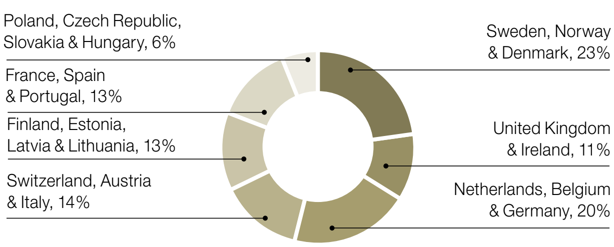
Founded in Sweden in 1923, Intrum Justitia has more than 90,000 clients and around 2,900 employees in 22 European countries. The head office is located in Nacka, outside Stockholm, Sweden. The Intrum Justitia share has been listed on Stockholmsbörsen (Stockholm Exchange) since June 2002.

KEY FIGURES FOR THE GROUP	2005	2004
Revenues, SEK M	2,823.2	2,740.5
Operating profit (EBIT), SEK M	503.6	430.6
Net earnings, SEK M	333.6	323.4
Operating margin, %	17.8	15.7
Return on operating capital, %	22.3	21.6
Return on shareholders' equity, %	23.0	23.2
Net debt, SEK M	1,192.7	480.2
Net debt/equity ratio, %	90.6	31.4
Equity/assets ratio, %	31.8	42.3
Interest coverage ratio	11.2	9.3
Collection cases in stock, million	13.1	11.6
Gross collection value, SEK billion	93.3	79.4
Average number of employees	2,836	2,945

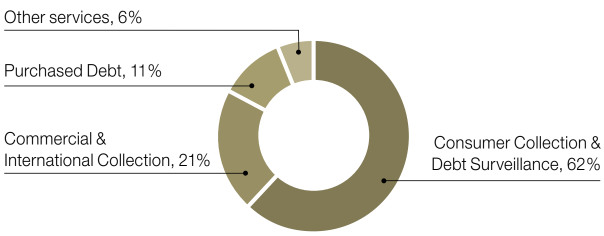
All figures according to IFRS. The five-year financial review and definitions are on pages 24–25. Key data per employee is shown on pages 22–23. Share data is on pages 26–27.



REVENUES (EXTERNAL) BY REGION 2005



REVENUES (EXTERNAL) BY SERVICE LINE 2005



OUR OFFERING

CREDIT GUARANTEE
We screen applications for credit and debit cards and guarantee the issuer payment if the card holder does not pay.

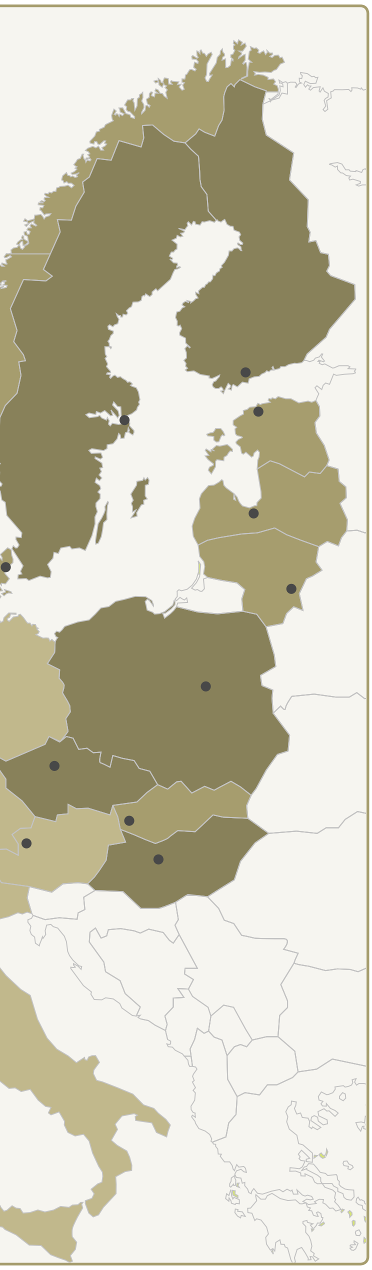
INVOICING
By sending out invoices, on paper or electronically, we free up time and resources.

CREDIT INFORMATION
Our credit information makes it easier for clients to prevent problems with non-payers.

CREDIT DECISION
We provide a detailed credit decision and recommendation.

SALES LEDG
We receive a
payments, at
time that clie
complete info
their sales le

vices company



OUR REGIONS

Intrum Justitia has operations in 22 European countries, grouped organizationally into seven regions. We are also active in Iceland, through a company in which we own 25 percent. Iceland, however, is not included among the seven regions.

Region	Year established	Our position [1]	Level of outsourcing [2]	% of [3] revenues	% of [3] earnings	% of [3] employees
Sweden, Norway & Denmark	1923 1982 1977	1 2–5 1	>50% >50% 25–50%			
United Kingdom & Ireland	1989 1999	2–5 1	<10% 10–25%		Negative	
Netherlands, Belgium & Germany	1983 1988 1978	1 1 >5	10–25% <10% 10–25%			
Switzerland, Austria & Italy	1971 1995 1985	1 2–5 2–5	10–25% 25–50% 10–25%			
Finland, Estonia, Latvia & Lithuania	1978 1996 2002 2000	1 1 2–5 1	>50% <10% <10% <10%			
France, Spain & Portugal	1987 1994 1997	1 1 1	<10% in entire region			
Poland, Czech Republic, Slovakia & Hungary	1998 1996 2005 1993	1 1 2–5 1	10–25% in entire region			

[1] Intrum Justitia's estimate of the Group's market position in each country.
[2] Intrum Justitia's estimate of the outsourced share of the total CMS market in each country.
[3] The region's share of Group revenues and operating profit (EBIT) in 2005 and its share of the total number of employees at year-end 2005.

FACTORING
We offer a simple and flexible form of financing tied to Invoicing or Sales ledger services.

INTEREST INVOICING
We help clients get paid for the extended credit on overdue receivables.

INTERNATIONAL COLLECTION
We help our clients get paid from debtors located in other countries.

PURCHASED DEBT
By selling us their problem receivables, clients can free up funds and bring forward cash flows.

DGER SERVICES
e and book
, at the same
clients have
information on
s ledger.

REMINDER MANAGEMENT
Our efficient reminder routines increase the likelihood of getting paid.

COMMERCIAL & CONSUMER COLLECTION
Extensive experience, established processes and reliable analyses make us effective at getting paid, even for debts that are long overdue.

DEBT SURVEILLANCE
We monitor written-off receivables and work to collect them.

VAT REFUNDS
We help clients to quickly and easily obtain refunds on value-added tax paid abroad.

Statement by the CEO

Jan Roxendal, President and CEO

Intrum Justitia is Europe's leading provider of credit management services (CMS). We are active in 22 countries with significant differences in market size, traditions and regulations. Our business mission is the same throughout Europe, however: To help our clients accelerate their cash flows and thereby improve long-term profitability.

2005 by the numbers

- **Revenues amounted to SEK 2,823.2 M (2,740.5).**
- **Operating earnings (EBIT) rose to SEK 503.6 M (430.6).**
- **Net earnings rose to SEK 333.6 M (323.4).**
- **Cash flow from operating activities amounted to SEK 527.0 M (485.3).**
- **Earnings per share before dilution amounted to SEK 3.84 (3.68).**
- **The Board of Directors proposes a dividend of SEK 2.25 per share (approximately SEK 6.95 per share was distributed for 2004 through a redemption program in 2005).**

Another record result

As was the case the year before, 2005 was a year of record earnings for Intrum Justitia. Operating earnings rose by 17 percent to SEK 503.6 M, corresponding to an operating margin of 17.8 percent. Furthermore, the margin gradually improved over the course of the year. Cash flow also continued to develop strongly, amounting to SEK 527.0 M.

Among the countries that performed strongly during the year were Finland, the Netherlands, Spain and Switzerland. However, I believe that we have strengthened our position in practically every country, with the exception of England, where we are still reporting a loss despite lower costs. In 2006 additional measures will therefore be taken to reduce costs and raise efficiency in the UK operations.

The Group's earnings improved in 2005, with revenues remaining largely unchanged compared with the previous year. By no means are we satisfied with the latter fact, even though we noted an upswing in the last quarter. One of the principal challenges in 2006 will be to raise sales without compromising our aims in terms of efficiency and profitability.

Improved operational efficiency

Several reasons lay behind our positive earnings trend. In many key countries we have benefited from a favorable market. Greater activity in the *Purchased Debt* service line was also a contributing factor, as was the fact that we terminated a number of unprofitable contracts during the year.

Our success lies also in the continuous efforts to develop and refine our business processes. Among other things, we have introduced our unique scoring methods in more countries and expanded the use of Fair Pay Web, our Internet-based tool for communication with clients and registering collection cases.

Other positive effects have been achieved by raising the competence level of senior executives in a number of countries, at the same time that several previous turn-around programs are starting to produce results. In Germany and Italy in particular, we are seeing clear indications that a previously weak earnings trend has now been reversed.

For the vast majority of our clients, effective cash flow management is critical in order to build on a financially solid foundation. One of the cornerstones of our strategy is therefore to further develop and strengthen our core business, *Consumer and Commercial Collection*. At the same time we are striving in each local market to provide just the right offering that clients demand. To succeed, we have to be attuned to what our clients need help with, in the form of credit management services, and flexible enough to adapt and expand our offering. For example, we have begun offering VAT refund and factoring services in some countries.

Leadership development and knowledge transfers

Another priority in 2005 was to build a Group-wide structure for leadership training. During the year around 25 top managers at Group level and a further hundred managers and potential leaders at the local level participated. These men and women represent an asset that we shall even better motivate and rely on in the future. Besides encouraging current leaders and identifying those of the future, the leadership program is an excellent way to transfer knowledge and share the best methods and tools within the Group.

Great potential for increased outsourcing

In a number of major markets, such as England, France, Germany and Italy, there is still resistance against outsourcing credit management. These markets represent a great potential for growth. I do not wish to underestimate the difficulty of changing established habits and traditions. On the contrary, it will require patience and farsightedness to accelerate the outsourcing trend in certain countries. To raise interest in outsourcing, we have to increase understanding of modern credit management and demonstrate the benefits of engaging Intrum Justitia. We are working continuously with various targeted marketing efforts for this purpose.

Strong relationships and high ethical standards are key to success

With over 90,000 clients and more than 13 million collection cases, Intrum Justitia handles thousands of sensitive business relationships every day on behalf of a large portion of European businesses. Success in this business is built on relationships between people, on how we handle our clients' integrity and business relations, and on how we act toward debtors. To support this day-to-day work, we have at our disposal well-designed processes and IT systems, in addition to the business ethics and values we stand for and which are expressed in our policy, *Fair Pay... please!*

The client survey conducted during the year in eight key countries confirms how important our employees and their commitment are to our success. Among the most positive outcome of the results is that it shows that our clients value our expertise and have great confidence in our ethical practices. They also underscore the strength of the Intrum Justitia brand and its importance to securing payment.

National laws governing the CMS industry are changing in many places, not least as a result of the EU directive to alleviate difficulties with late payments in commercial transactions. We support and are working actively to harmonize rules and promote higher ethics in the industry. Greater transparency and clearer terms will not only benefit European businesses but also Intrum Justitia as a market leader with a complete, modern offering in an industry with good prospects for growth.

Market for Purchased debt growing

In recent years the most significant change in Intrum Justitia's business is the greater emphasis on *Purchased Debt*. Buying receivables and collecting them on our own behalf is a good way for us to utilize our knowledge and processes for successful credit management, at the same time that it provides a significant contribution to the Group's earnings. These opera-tions have therefore grown to become an increasingly important complement to our core business.

The purchased debt market has grown substantially in recent years as companies have shown more interest in quickly and securely improving their cash flows. As a consequence, the price of various types of portfolios has increased, and so has competition. Our position is strong, however, and our presence in many countries allows us to act flexibly and to focus on the markets that are the most attractive at present.

Interest among companies in selling their defaulted receivables is expected to continue to rise, with a trend indicating sales of such non-performing receivables earlier in the maturity cycle. In 2005 the Board of Directors resolved to increase the limit on our debt portfolio from SEK 600 M to SEK 1,200 M. During the past year we completed several major acquisitions of portfolios.

Market outlook and priorities in 2006

Economic activity in Europe is expected to remain high in 2006, along with consumer spending. A further increase in debt levels can be expected as well. Interest rates have begun to rise in several countries, but from historically low levels, and thus we do not regard this as disruptive to our business. If anything, it may lead to more collection cases.

As a whole, the market's development in 2006 is expected to benefit Intrum Justitia, with the potential for volume increases in our core business and good collection results. In this type of market we can certainly expect greater competition, although Intrum Justitia's position as Europe's leading CMS company is, I would claim, stronger than ever. From this position, we will act forcefully in our marketing.

Another important factor for our success in 2006 is being able to take advantage of the opportunities in *Purchased Debt*. We will also continue to refine our processes across the Group through best practices and by devoting energy to the required changes now under way in Germany, Italy, Norway and the UK. Last but not least, we will continue to train and support our employees and thereby help to develop the future leaders of Intrum Justitia.

Stockholm, March 2006

Jan Roxendal
President and CEO

Objectives and strategy

BUSINESS MISSION

Intrum Justitia is the leading European provider of Credit Management Services to companies, government authorities and organizations. We contribute to improved profitability and cash flow by more efficiently managing our clients' receivables. Our combination of pan-European coverage and local expertise creates unrivalled value.

FINANCIAL OBJECTIVES

Our financial objectives:

- Average organic growth of at least 10 percent per year over a business cycle. Moreover, we actively seek opportunities to grow through selective acquisitions.
- A net debt/equity ratio (interest-bearing net debt as a percentage of shareholders' equity and minority interests) that does not exceed 100 percent over the long term.

STRATEGY

The cornerstones of our strategy are as follows:

Focus on national service offerings and operations
Managing credits and receivables is basically a local business. By staying close to clients and debtors, we are better able to provide efficient services tailored to the local market's maturity, regulations and practices.

Complement with international service offerings
As integration in Europe continues, more business is conducted across borders. We have well-established systems and processes to manage receivables on an international basis within Europe. Through a global network of partners, clients can also receive assistance in approximately 160 countries worldwide.

Susanna Koskimaa, administrative assistant at Intrum Justitia Finland.

Offer a comprehensive range of credit management services (CMS)
A comprehensive range of credit management services and efficient processes create synergies that benefit clients in the form of improved cash flow, lower overheads, better use of resources and time savings. With an extensive offering, Intrum Justitia is increasingly accepted as the natural CMS supplier, which strengthens business relations and improves opportunities for additional sales. Although the majority of our services involve credit and receivables management on a contingent basis, we also buy written-off receivables that we collect on our own behalf.

Work continuously to improve quality and efficiency
With increased automation of management processes and greater use of shared IT systems, we can achieve gains in productivity. In addition, Intrum Justitia has a number of Centers of Excellence to identify best practices for specific tasks or processes and ensure that they are used throughout the Group. To optimize collection operations, we also utilize our own analysis models.

Complement organic growth with acquisitions
In addition to growing organically, Intrum Justitia seeks out opportunities to play an influential role in the industry's consolidation and grow through acquisitions. The key criteria for acquisitions are to:

- Broaden the service range in established markets;
- Achieve greater economies of scale and improved cost efficiency;
- Broaden the client base;
- Establish Intrum Justitia in new markets.

Continue to build the brand
Through increased awareness of Intrum Justitia, the costs to launch various services can be reduced at the same time that opportunities for sustainable profitability are improved. Greater brand recognition is created through a clear identity and coordinated brandbuilding efforts using channels such as advertising, sponsorship and the Internet. Marketing communication strategies and platforms are developed centrally, and are then adapted to local markets.

A significant share of the value in Intrum Justitia is tied to our brand and other intellectual property, such as in-house software. The branding strategy is focused on the Intrum Justitia brand, and the aim is to incorporate acquired brands as quickly as possible. We also work actively to protect our intellectual property through prompt, consistent registration.

Operations and offering

Our core competence is the ability to get paid by applying the right measures at the right time.

EXPERIENCE AND EFFECTIVE PROCESSES CREATE VALUE FOR CLIENTS

Since the company was established, Intrum Justitia's core business has been collection services. Over time, however, the offering has been expanded to include a comprehensive range of Credit Management Services (CMS). Based on long experience, functional systems and processes, and the economies of scale our size gives us, we can be highly cost effective. In addition, our presence and familiarity with the local situation in 22 European countries ensure that our services are well-adapted to each individual market. Our strong brand and market-leading position also help to improve the flow of payments from debtors.

For our clients, there are many benefits to allowing us to take care of their credit management:

- Access to leading-edge expertise and sophisticated technical support systems in the CMS area, without having to undertake costly investments themselves.
- Improved cash flow, fewer bad debts and less capital tied up in accounts receivable.
- Resources are freed up and can be focused on the development of core competencies.
- Companies with international sales gain assistance in bridging cultural and language barriers in receivables management.
- By customizing the outsourcing assignment, better control can be maintained over financial information.
- Internal functions can be opened up to competition to cut costs and enhance productivity.

Our regions

Intrum Justitia is active in 22 European countries, which are grouped organizationally in seven regions:

- Sweden, Norway & Denmark
- United Kingdom & Ireland
- Netherlands, Belgium & Germany
- Switzerland, Austria & Italy
- Finland, Estonia, Latvia & Lithuania
- France, Spain & Portugal
- Poland, Czech Republic, Slovakia & Hungary

Scoring to optimize collection work

In most cases the older a debt becomes, the more difficult it is to collect, so time is a critical element in all credit management activities. Other factors also affect the probability of getting paid, such as the amount of the receivable, what was purchased and, of course, the debtor's financial situation and other personal circumstances. To produce the best results in the long term, we therefore use processes that make it possible to manage different groups of receivables and debtors in different ways. Using this approach, we can also achieve synergies for the entire Group through the transfer of knowledge, process development and shared IT systems.

In all our collection work, we strive to achieve the best possible balance between the collected amount and cost effectiveness. For this reason, we have developed unique scoring models to determine the likelihood of receiving payment from a debtor in the short and long term. The models are based in turn on our access to internal and external information registers, where the factors that are unique to each case are coupled with historical collection patterns. Based on scoring results, we can then determine which measures should be taken for a specific receivable or a group of receivables.

The ability to get paid by applying the right resources to the right debts at the right time is our core competence, and the basis of Intrum Justitia's success.

Our scoring methods at the same time are dynamic in the sense that by using scoring we obtain more detailed data on payment patterns, which leads to more reliable analyses and even more efficient collection management.

FAIR PAY – STRONG BUSINESS ETHICS

A prerequisite for sound business practices is that both buyer and seller abide by their obligations. This is a question of mutual respect and is essential if they are to successfully conduct business in the future. Paying for what you buy within the agreed time should be a matter of course. Unfortunately this is not always the case. Late or nonpayment is actually a major societal problem, and the root cause of many business bankruptcies and job losses.

While there is every reason to improve payment habits, it is also important that this work is distinguished by respect for individuals and companies that for various reasons face payment difficulties. Intrum Justitia follows a strict code of ethics it calls *Fair pay... please!* Basically this code is:

- A promise to our clients: to ensure that their customers abide by their obligations without damaging the reputation of the client.
- A correct attitude toward debtors: not to demand the impossible of those who find themselves in difficult situations and instead work together with them to arrive at a solution that is realistic and acceptable to all parties.
- A commitment to our owners: to use modern, sound business ethics to increase the prospects of the Group's successful development.

OUR SERVICES

A large part of Intrum Justitia's operations are in collection services, although we also work with purchased debt and specialized services related to credit management. We can therefore offer services for all stages of a company's credit management. The services are grouped into four service lines.

Consumer Collection & Debt Surveillance

Consumer Collection is designed for companies and organizations with a customer base made up of many private individuals, such as telecom, media, mail order and finance companies, utilities, real estate owners, public authorities and local governments. Assignments usually come in portfolios[1] consisting of a large number of receivables for small amounts. Standardized processes are used to ensure that cases are managed as efficiently as possible, e.g., drawing up an installment plan, organizing collection and dealing with legal issues. At the same time we have developed a number of industry concepts to adapt management routines to each client's special needs and wishes.

Debt Surveillance means that we monitor consumer receivables and attempt to collect them after our client has written them off in its accounts. Work on a portfolio usually continues for many years. As market leader in a number of countries, Intrum Justitia maintains a large number of surveillance cases, and the majority of new assignments therefore relate to individuals with debts that we have previously had under surveillance. By focusing on the individual and his or her overall debt situation, the debtor has more motivation to reach and fulfill an agreement.

Commercial Collection & International Collection

Commercial Collection services focus on companies and organizations with unpaid receivables from other companies and organizations. These clients usually have a relatively small number of claims, each for a large amount, which require more specialized and individualized processing.

In *International Collection* services, we work for clients with receivables in another country. The client instructs Intrum Justitia in its own country, and we then contact the debtor or use one of our partners in the country in which the debtor is resident. Because all contacts with the debtor are in their local language and in accordance with local practices, an effective relationship is facilitated.

In addition to our presence in 22 European countries, we have a network of partners stretching to over 160 countries worldwide. Our clients therefore have access to services in most of the world. Equally, we can assist the clients of other, non-European CMS companies in Europe.

[1] Receivables submitted for collection at the same time and/or from the same client.

Miriam Moncada, accountant at Intrum Justitia Spain.

Our approach to debt collection and debt surveillance

Our Fair Pay policy emphasizes that efficiency must be combined with high ethical standards. Negotiations, realistic solutions and agreements are the tools we use to encourage debtors to pay. As far as possible, we avoid measures that are perceived as too vigorous.

When we receive a case, we turn to external registers and in-house data banks to check the overall debt profile of the party in question. We then carry out an assessment with the help of scoring, which gives us a good indication of the payment scope available and the approach we should use to achieve the best results. The assessment is based on available information and therefore varies by country.

We use written and telephone contacts in dealing with debtors. In some countries a field collection concept may be used. The particular method is largely tailored to each situation to encourage the person to cooperate and provide better results than the standard dunning letter.

An installment plan is the most common agreement reached. We then monitor compliance with the plan and call to remind people in the event of a disruption in payments.

Following the initial assessment, some cases are classified as "passive". These may be cases that temporarily offer no payment scope or where we cannot establish contact with the debtor. Passive cases are monitored continually to reevaluate how they should be managed. For example, the debtor's financial situation may improve and thus provide an opportunity to resolve the debt.

Purchased debt

As an alternative to instructing us for collection of written-off receivables on an outsourcing basis, the client can sell us their receivables. This is often a good alternative for clients looking to reduce administrative costs, quickly realize the hidden value of their written-off receivables and accelerate cash flows.

The purchase of written-off receivables is an important channel to generate cases for Intrum Justitia. The receivables, which are purchased in portfolios, are obtained at prices below their nominal value. The portfolios are then managed by the *Consumer Collection & Debt Surveillance* service line in the same manner as other collection assignments, except that we retain the entire amount we collect, including interest and collectable fees.

Intrum Justitia also offers other local services in this service line. In Switzerland we offer screening of credit and debit card applications on behalf of card issuers. We then guarantee the issuer that we will buy any receivables that arise from nonpayment. In Norway we purchase fresh receivables that have not yet been written off. This is because Norwegian law makes it advantageous for many companies to sell their receivables rather than use traditional debt collection.

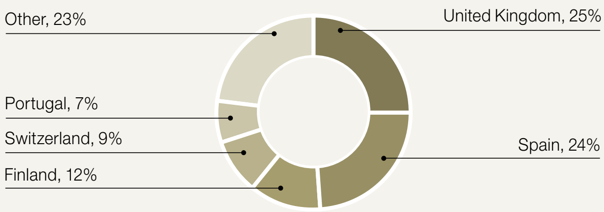
Increasing activity in purchased debt

For debt purchase we focus on small and medium-sized portfolios of consumer receivables with relatively small amounts per receivable. The portfolios are purchased from clients with whom Intrum Justitia has maintained long-term relationships, so the receivables in question are usually familiar. Together with the Group's valuation methods and access to extensive collection history, this creates good potential to predict future cash flow.

To facilitate the purchase of larger portfolios at attractive risk levels, we also cooperate with other companies. Since 2002 we have worked with one of Europe's leading banks, Calyon Corporate & Investment Bank, to purchase overdue consumer receivables in the Nordic region through a joint venture company. Since 2003 we have a similar cooperation with the global investment bank Goldman Sachs, comprising two joint venture companies that purchase receivables outside the Nordic countries.

In 2005 we strengthened the organization that purchases and analyzes portfolios through a coordinating office in Switzerland and the addition of more specialists in key countries. As a result we have been able to evaluate more proposals and increase volumes. During the year a total of SEK 821.7 M was invested to purchase 181 portfolios comprising 1,141,000 cases with a total nominal value of SEK 16.9 billion. The single largest portfolio was purchased in September 2005 together with Goldman Sachs and comprises non-performing loans from one of Spain's leading banks with an aggregate outstanding principal and interest value of EUR 1.4 billion.

GEOGRAPHIC DISTRIBUTION OF PURCHASED PORTFOLIOS



Distribution by book value at year-end 2005. Current number of portfolios: 761.

Other services

Intrum Justitia also offers a range of other CMS-related services, usually in response to local client needs. The most important are as follows:

Sales ledger services These services allow clients to free up time and resources by outsourcing all or part of their invoice management. Clients are primarily companies and organizations with large invoice volumes and numerous individuals as customers. Services comprise the production and dispatch of invoices and management of the client's sales ledger, including receipt and booking of payments. Intrum Justitia also monitors invoices and sends out reminders. If a customer still does not pay despite the reminders, we will consult our client on the collection actions it wishes to take.

Elisabeth Ollas, accountant at head office, Sweden.

Credit information and decision In some countries, we offer credit information on commercial businesses and individuals and provide advice used in the credit approval process.

VAT refund services VAT refund services are available to companies seeking to obtain value-added tax refunds from EU countries. Many companies are eligible for refunds on certain types of purchases but would rather avoid the extra administrative work.

IT creates opportunities and meets increasing demands

Developments in information technology allow us to be more effective and further improve our services. By automating various processes and procedures, we have been able to significantly improve productivity in our contact centers. We are also increasingly using e-mail, text messaging and voice messages in our contacts with debtors. With automated calling and advanced voice recognition functions, more contacts can be handled each day and individual cases are managed more effectively.

New, more sophisticated telecom and computer solutions are also creating greater interest in the services of CMS specialists. At the same time there is a growing demand for customized solutions, e.g., to transfer cases and access information. This is where our specially designed web solutions play an important role. The Internet is also growing in importance to data transfers by cutting lead times and improving collection efficiency.

We are therefore continuously updating our online tools and can offer a variety of sophisticated services in a number of key markets. Through the Fair Pay Web portal, clients have access to updated sales ledger information round the clock. They can also quickly and easily register new collection cases, leave messages for their account administrator and download various financial reports in real time.

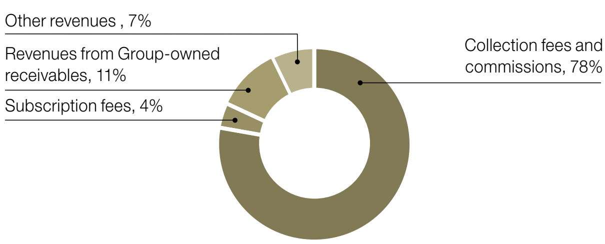
REVENUES

The largest part of Intrum Justitia's revenues is generated from CMS services provided on a contingent basis. In 2005, 78 percent of revenues was generated from collection fees and commissions on collected amounts, while subscription fees accounted for four percent.

National regulations and practices on the fees and expenses that can be charged for credit management vary. For this reason, commissions tend to account for a larger share of revenues in Southern Europe, while fees from clients and debtors are of greater significance in Northern and Western Europe.

Purchased debt operations have grown in importance in recent years and in 2005 accounted for 11 percent of the Group's total revenues. In the case of Group-owned receivables, revenues consist in part of the entire amount collected, including interest, and in part of any additional fees.

REVENUE DISTRIBUTION 2005



Clients discuss Intrum Justitia

Each year we have **730,000** incoming and **330,000** outgoing direct contacts with debtors

Each business receivable averages EUR **2,300** and each consumer receivable EUR **460**

51 percent of debtors are younger than **35**

14 nationalities are represented among our staff of **375**

Figures from Intrum Justitia Netherlands

"Without strict receivables management we couldn't have stayed in the market."

DailyCom is one of the fastest-growing newcomers to the Dutch telecom market. Its business concept is to offer lower prices than the competition, which in turn requires far-reaching cost controls. For this reason, DailyCom outsources as many processes as possible to partners. Since 2004 it has outsourced receivables management to Intrum Justitia.

"As a low-price alternative in the telecom market, we have to act as a sales company," says Raymond Schrama, President of DailyCom. "Other telecom providers devote 95 percent of their energy to their organizations and managing personnel and business processes. Only five percent is left over for marketing. We do the opposite. We outsource everything we can to partners.

"In our industry, you can't stay in business without strict credit management," he continues. "Client fraud is one of the biggest risks. We couldn't imagine entrusting our credit management to anyone other than a highly professional partner, and Intrum Justitia made our plans a reality."

Raymond Schrama,
President

"In some countries, a due date is treated as the time to start negotiating payment. That's when it's good to have a professional partner."

Yara Industrial is a major player in the Norwegian gas and chemicals market as well as a client of Intrum Justitia since 1992. Maintaining tight control over tied-up capital is essential in the industry, and Yara Industrial carefully monitors how well Intrum Justitia succeeds in collecting its receivables.

"A short time between the due date and collection actions is critical," says Senior Credit Officer Bjørn Ø Andersen. "If we don't have our documents in order, it's hard for Intrum Justitia to do a good job. We in turn require that Intrum Justitia collect on a certain percentage of our claims each month."

Over the course of a year, Yara Industrial has approximately NOK 100 M in outstanding receivables, of which 15 percent are overdue. This equates to some 3,500 collection cases a year.

"Intrum Justitia is a well-known name in collections that carries weight, which is important to us," says Bjørn Ø Andersen.

Bjørn Ø Andersen,
Senior Credit Officer

Each year we have **240,000** incoming and **180,000** outgoing direct contacts with debtors

We draw up **55,000** new installment plans

18 percent of debtors are younger than **30**

17 nationalities are represented among our staff of **180**

Figures from Intrum Justitia Switzerland

Each year we have **700,000** incoming and **80,000** outgoing direct contacts with debtors

We send **1,000,000** dunning letters and draw up **80,000** new installment plans

Each business receivable averages SEK **16,500** and each consumer receivable SEK **2,500**

41 percent of debtors are women

Figures from Intrum Justitia Sweden

"One side effect of our successful campaign is that we have more non-payers. Intrum Justitia handles them excellently."

Sky TV began offering a satellite service in Italy in 2003 after a merger of Stream and Tele+. A successful campaign raised the number of subscribers by over two million in 2004. One consequence of such a large bulk of subscribers is that there are naturally non-payers as well. Back in late 2003 it therefore sought help from Intrum Justitia.

In 2004 Intrum Justitia managed about 190,000 of Sky's cases with a gross collection value of over EUR 50 M. In 2005 it handled over 120,000, and the success rate has been over 40 percent, well above expectations.

"Sky Italia demands professional services, efficiency and commitment, and we find all that with Intrum Justitia," says Riccardo Mazzone, Credit & Collection Manager Sky Italia.

Riccardo Mazzone,
Credit & Collection Manager

"With efficient collection processes, we are able to improve value for our customers."

The Finnish textile service company *Lindström* helps its customers to create a strong image through modern, functional clothing. It operates in 14 European countries, in eight of which it has enlisted Intrum Justitia to assist with collections.

"We decided to outsource this work and instead concentrate on improving customer value," says CFO Leena Lampén. "We wanted to be more cost-effective by improving the entire process. Even our customers will benefit from this model, since costs for late payers are allocated to those who cause them."

Leena Lampén,
CFO

"Foreign debts are more difficult for us to collect. With Intrum Justitia, we have achieved results."

CSN, the national authority that handles financial aid for Swedish students, also oversees repayment of student loans. At present 26,000 borrowers with overdue payments reside outside Sweden. To effectively manage the debts of this group requires resources and competencies CSN does not have in-house. Since 2004 therefore it partners with Intrum Justitia.

"We at CSN have not been able to prioritize repayments by borrowers residing outside Sweden, simply because it is too difficult for us to collect foreign debts. With Intrum Justitia's international presence and expertise, we have now achieved results in the form of resolved claims," says Lars Bengtsson, Acting Head of Finance Department at CSN.

Lars Bengtsson,
Acting Head of Finance Department

Market and clients

A growing number of companies recognize the benefits of focusing on operations where they have cutting-edge expertise and to seek assistance from professional suppliers in non-core areas.

MARKET OVERVIEW

The overall CMS market can be defined as all management of credit information, invoices, reminders, collection cases and related services conducted in-house by companies and organizations or externally by service providers. The overwhelming majority of all CMS cases are currently managed in-house. Only a small share is outsourced to professional suppliers who act on behalf of clients. The market available to Intrum Justitia is the outsourced portion of the CMS market, and unless indicated otherwise it is this definition of the market that Intrum Justitia uses.

The debt collection business tends to differ by country. Differences can be great from one market to another, but in general markets in Northern and Western Europe are more developed than the rest of Europe. In Northern and Western Europe legislation and traditions go further to encourage shorter payment periods, and companies are used to engaging outside credit management specialists. In recent years, however, the industry's development has accelerated in several Southern European countries.

Limited data is available on the size of the overall CMS market, mainly due to a lack of reliable statistics and uniform definitions. The size of the market can be estimated, however, based on certain criteria, such as the number of invoices dispatched and the number of outstanding collection cases. We estimate that 30–40 billion invoices are dispatched annually in the 22 countries where the Group is active, and that they generate an estimated five billion reminders, which in turn results in an estimated one billion outstanding collection cases.

Estimated CMS cases, total per year

For the reasons mentioned, it is also difficult to estimate the volume and scope of the outsourced portion of the market. For our core business – debt collection – we estimate, however, that 10–20 percent of the collection cases as defined above (approximately one billion) are outsourced, i.e., a total volume of 100–200 million cases.

As of year-end 2005 Intrum Justitia managed 13.1 million collection cases. Based on these estimates, Intrum Justitia's share of the total volume of outsourced collection cases in the 22 countries where the Group is active is around 10 percent.[1]

THE MARKET'S DRIVING FORCES

A number of factors have a positive impact on the size and rate of growth of the European CMS market:

Increased outsourcing

Although credit management is not the core business of most companies and organizations, the overwhelming majority of all CMS cases are currently managed in-house. As a result, continued market growth is determined by the degree to which companies choose to use outside suppliers for these services. A growing number recognize the benefits of focusing on operations where they have cutting-edge expertise and are engaging professional suppliers in non-core areas. This trend is most clearly manifest in transaction-intensive industries that have been deregulated such as financial services, telecommunications, utilities and healthcare.

Deregulation

Deregulation in Europe, including in the above-mentioned industries, is driving market growth in several ways. With more players in the market, there is a greater supply of services, which in turn adds to the number of invoices and payments that require monitoring. Stiffer competition and the emergence of specialized companies also prompt a growing number of companies to outsource receivables management and other operations that do not directly impact their competitiveness.

[1] Our estimates are based on recalculations of available statistics on invoices in the Nordic region such as Nordic Electronic Billing and Payment Market 2000–2005 from IDC, and from national collection associations. See also pages 19–21 for an estimate of market share per country.

Kevin van der Poel, collector, and Noell Elouazzani, marketing coordinator at Intrum Justitia Netherlands.

Higher indebtedness among households and companies

The level of household and corporate indebtedness is a key indicator of the potential of the CMS market. Increased indebtedness can normally be expected to lead to more CMS cases in the form of reminders and collection management. Between January 1, 1998 and December 31, 2005 total household and corporate indebtedness in EMU countries rose 55 percent, from EUR 4,912 billion to EUR 7,599 billion.[1]

The increase in indebtedness is driven by several, partly interrelated factors, each of which would indicate increased market growth. Lending and credit facilities to private individuals in EMU countries have increased steadily in recent years. Attractive borrowing conditions – for example, in connection with mortgage financing – are one reason. Another is a greater range of, and access to, consumer credit. This trend has been fostered by low interest rates, a large supply of capital and simplifications in the laws governing lending.[2]

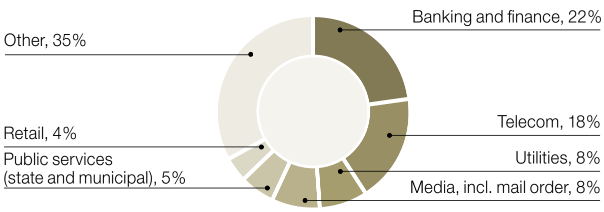
Another, more long-term and underlying trend affecting overall indebtedness in Europe is the decline in the use of cash at the expense of credit.

OUR CLIENTS

In total, Intrum Justitia has over 90,000 clients. They include companies and organizations of every size and every type of business. The most important clients in terms of revenues are in telecoms, banking and finance, the media and utilities. The latter sector is expected to grow in importance in the years ahead.

The 150 largest clients together accounted for approximately one third of Group sales in 2005. No client accounted for more than two percent of revenues.

OUR MOST IMPORTANT CLIENT CATEGORIES



Distribution of Group revenues 2005 by client segment. The segment "Other" includes private healthcare, transportation, manufacturing and a number of service companies.

Our repeated surveys show that more than 85 percent of clients renew their contracts. We are proud of this high level of loyalty, at the same time it is a challenge to constantly strive to raise the bar.

In 2005 we conducted a major survey in which over one thousand key clients in eight countries were asked about their relationship with Intrum Justitia. The surveyed countries were Finland, France, Germany, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

Among Intrum Justitia's strengths mentioned by clients were our personnel's expertise and commitment to collection issues, good processes and a strong brand. It was also noted that we can improve our communication with clients, which we are doing, among other ways, by launching our web portal, Fair Pay Web, in more countries and improving its functionality.

[1] Data pertaining to indebtedness is obtained from the European Central Bank, Monthly Bulletin, February 2006.
[2] The Euro Area Bank lending survey, ECB, October 2003.

COMPETITION AND CONSOLIDATION

The European CMS market is highly fragmented, with an estimated 25,000 suppliers. Most are small collection companies with national operations or local enforcement agencies. The market also includes a number of companies whose core business is other than receivables management, such as legal firms, banks and accounting firms. Accordingly, many of our competitors do not regard themselves primarily as CMS or collection companies. Of the competitors that focus on CMS, there are only a few whose operations encompass a number of European countries and none with a geographic coverage comparable to that of Intrum Justitia.

Many small collection companies

In *Consumer Collection* a large number of competitors operate at a national level. Several have core businesses unrelated to CMS. These include financial institutions, banks and companies with sales to a large number of customers. In some countries we compete with collection agencies formed and owned collectively by transaction-intensive industries. In *Commercial Collection*, our major competitors are usually credit insurance companies with national operations or local legal firms.

For more information on Intrum Justitia's market position and competitors in each country, see pages 19–21.

Larger companies in Purchased Debt

In the *Purchased Debt* service line the competition consists of fewer but slightly larger companies. Most are active at a national or regional level, buying debts locally on a small scale. Like Intrum Justitia, a small number of purchasers acquire receivables in more than one country. Among them are several international banks, pension funds and other investment companies as well as financial service companies.

Many of our competitors focus on large portfolios with relatively large average amounts per receivable, usually with underlying security. We focus primarily on unsecured, small and medium-sized portfolios with relatively small average amounts. When acquiring large portfolios, we cooperate with financial partners through joint ventures. To date two such cooperations have been established, with Calyon Corporate & Investment Bank and Goldman Sachs.

Active part in the industry's consolidation

In recent years a consolidation has been under way in the CMS industry, and our aim is to play an active, authoritative part in this trend. Of course, the acquisition price must be reasonable in relation to the quality of the business being acquired. In our analysis of potential targets the price is weighed against such key factors as market share, client structure, database quality and the potential for synergies.

A number of driving forces point to continuing market consolidation:

- The potential for economies of scale is rising thanks to the continued increase in the number of companies with large invoice volumes and small amounts per case, notably as a result of deregulation in transaction-intensive industries.
- In pace with growing European integration, there is a greater need for businesses to manage receivables between countries. This in turn leads to a greater demand for multinational services.
- The development of new, sophisticated IT and telecom services increases opportunities to utilize economies of scale.
- Large CMS companies have a greater capacity to utilize information databases to develop and use scoring models in credit management, which makes these methods more effective.

Thäis Fernández, receptionist, and David Quintana, collection agent at Intrum Justitia Spain.

CUSTOMIZED SERVICE OFFERINGS

Intrum Justitia is active in a number of countries with significant differences in terms of market maturity and CMS traditions. The range of services offered in each case is therefore adapted to local conditions. At the same time we try to contribute to each market's development through targeted efforts and activities. The way we work in various types of markets is summarized below.

Consolidating markets

These markets are generally characterized by a lower level of maturity with regard to commercial credit management and less of a tendency to outsource these services to specialists. CMS regulations may be less advanced. Market growth is determined to great extent by how quickly and to what extent companies accept the arguments in favor of outsourcing.

Intrum Justitia's focus is on developing its core business – consumer and commercial collections – and concentrating its offerings in these areas. As client relations grow in number and strength, we try to increase interest in, and understanding of, modern credit management and the advantages of outsourcing. Consolidating markets include Italy, Portugal and the Baltic states.

Established markets

The market is fairly well established, which means lower overall growth. Still, there are a number of major client segments where the CMS outsourcing trend has not fully taken off.

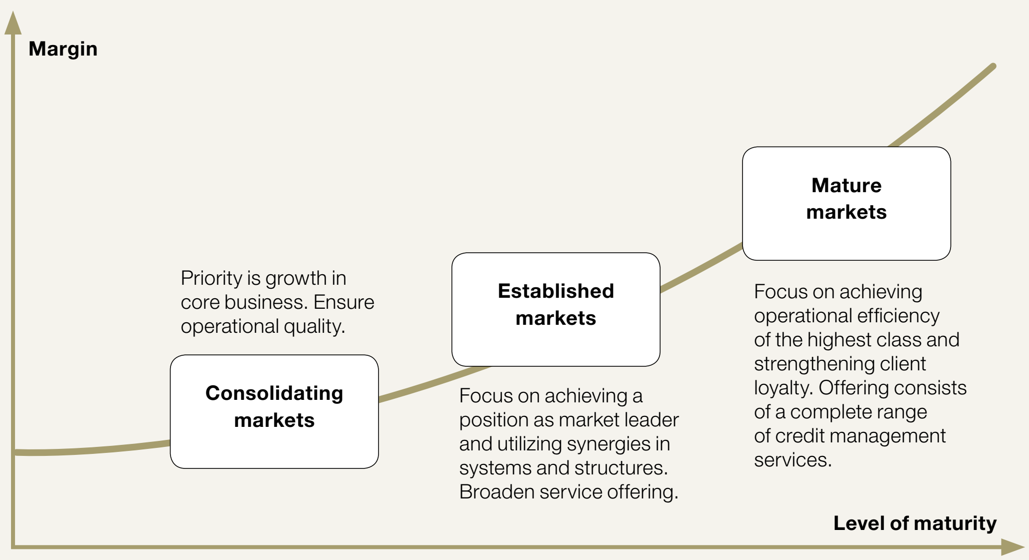
For these markets we offer a larger range of services including debt surveillance and debt purchase. Group companies have usually gained a larger market share and the critical mass necessary to profitably automate management processes. Countries in this category include Belgium, France and Poland.

Mature markets

In general, companies in these markets have a good understanding of the importance of efficient credit management. Outsourcing of at least part of this process is widespread, and over time companies prefer to outsource their entire credit management processes to specialists.

The majority of Intrum Justitia's business is in mature markets. In these markets, we offer a comprehensive range of credit management services. Mature markets include Finland, Sweden and Switzerland.

Strategies adapted to the various levels of maturity in the market



Regulatory systems and legislation

The CMS industry is regulated by numerous rules, including laws, directives, regulations as well as industry practices.

The regulatory system comprises, among other things, provisions on:

- The amount of public information about a debtor available to a CMS company and how information from public and inhouse sources should be handled.
- Statutes of limitations, meaning the period within which an unpaid debt can be collected and the ways in which the limitation period may be extended.
- The manner in which a debtor may be contacted and a debt collected.
- The types of fees and costs that may be charged and whether these can be passed on to the debtor or the client.

The regulatory systems can differ from one country to the next. Some countries, for example, offer limited opportunities to access information on a buyer's credit status or personal information to identify debtors. This applies to both the selling party and to CMS companies. Furthermore, the legal framework for charging debtor fees is generally stronger in Northern Europe than in Southern Europe, where it is more common for CMS companies to charge fees to clients instead.

Harmonization of commercial collection regulations

The European Union plans to harmonize the regulations on commercial debt collection in its member states. An important step in this direction was taken in 2000 through the issue of a directive to reduce late payment problems among companies. The directive, which came into force in August 2002, has been introduced into the legislation of all member states. The EU Commission has announced that it will review the directive in 2006.

Pirjo Ahola, branch manager domestic collection at Intrum Justitia Finland.

Late payments cause bankruptcies and job losses, which renders the issue of payment habits within the EU a major challenge, particularly for small and medium-sized businesses. The importance of better payment routines must also be seen in light of the EU's Lisbon strategy for economic, social and environmental renewal.

Consumer collection – quickly rising debt levels

Legislation governing consumer debt collection and consumer protection varies considerably from one country to another. A substantially revised EU draft directive on consumer lending is still awaiting final consideration.

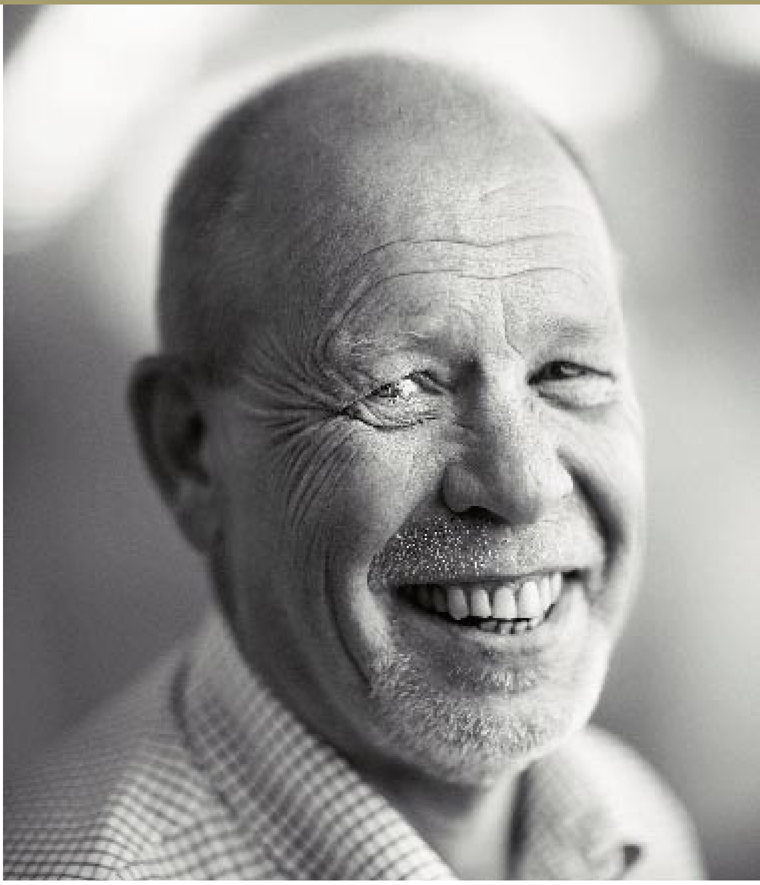
Many countries have statutes of limitations that curtail the opportunities to recover a debt. However, this legislation frequently permits an extension of the limitation period, such as when the creditor can show that efforts have been made to recover the debt. As a result, debt surveillance may be conducted over a protracted period, usually between two and ten years but in some countries up to thirty years.

Laws in some countries require that a creditor observes generally accepted lending practices. In Sweden this means that the creditor has a responsibility to protect the consumer's interests to prevent overindebtedness. In several countries, however, indebtedness has increased dramatically in recent years. One example is the United Kingdom, where personal debt is now as high as the GDP. The increase in cross-border lending, not least due to the growth in Internet commerce, underlines the need for greater international cooperation to resolve the problem of consumer debt.

Public affairs

The primary objective of Intrum Justitia's public affairs unit is to effectively represent the Group's interests on issues involving legislation and other political decisions of importance to the CMS industry. The target groups for these efforts can be found at both a national and an EU level.

In a number of contacts with the EU in 2005 Intrum Justitia drew attention to European companies' late payments, a major obstacle to trade between EU member states. At a meeting in June with EU parliamentarians, representatives of the EU Commission and other experts, we also highlighted the liquidity problems, especially for small and medium-sized businesses, that may be triggered when Europe's new rules mandating higher capital adequacy requirements for banks (the so-called Basel II rules) come into force in early 2007.



Lars Lidén, supervisor Commercial Collection at Intrum Justitia Sweden.

Moreover, Intrum Justitia commented on the EU's various rule proposals affecting the industry, such as the new European Payment Procedure. We noted, among other things, the importance of being able to apply European payment rules on a national and international basis. We also reiterated the importance of abolishing remaining monopolies, which in several EU member states limits the ability of CMS companies to offer their services. Intrum Justitia will continue to lobby against competitive constraints and for the legal right to charge fees, while also voicing its opinion on how information on debtors from public and internal sources can be better used.

Big differences in payment terms

National differences in legislation and practices make the CMS market complex. Among other things, the contractual payment term varies from country to country, as does the use of reminders and fees. The table below provides an overview of payment terms in a number of key markets.

	Finland	France	Netherlands	Poland	Sweden	Switzerland	United Kingdom
Agreed payment term in days (average)	20	60	30	30	30	30	30
Usual number of reminders before legal enforcement process	2–3	3	6+	1–4	2	3	3
Reminder costs charged							
–private persons	Always	Never	Always	Mostly	Mostly	Sometimes	Sometimes
–businesses	Always	Hardly ever	Always	Hardly ever	Hardly ever	Sometimes	Sometimes
Agreed interest on late payment charged							
–private persons	Always	Never	Hardly ever	Hardly ever	Always	Sometimes	Sometimes
–businesses	Always	Sometimes	Mostly	Hardly ever	Mostly	Sometimes	Sometimes
Interest rate on late payment allowed by law							
–private persons	ECB reference rate + 7% p.a.	ECB referance rate x 1.5	1% p.a.	12.25% p.a.	RB reference rate + 8% p.a.	5% p.a.	BoE reference rate + 8% p.a.
–businesses	As agreed contractually	as above	as above	as above	as above	as above	as above
Enforcement of legal process (if amicable collection is unsuccessful)							
–private persons	Mostly	Sometimes	Sometimes	Sometimes	Sometimes	Sometimes	Sometimes
–businesses	Mostly	Mostly	Mostly	Sometimes	Mostly	Sometimes	Sometimes

Payment behaviour in Europe

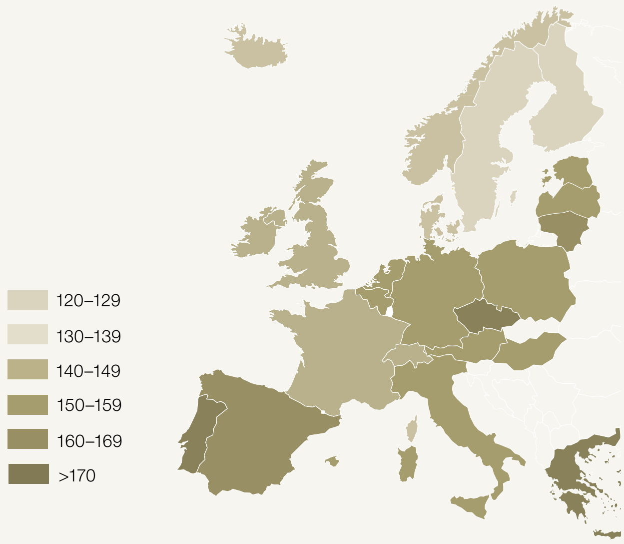
Although payment habits vary greatly in Europe, late payments affect everyone. A better understanding of these habits is the first step to reducing business risk.

Each year Intrum Justitia conducts an extensive survey in which thousands of European companies respond to questions on credit terms, payment habits and perceived business risks. The results are presented in a report and in the form of the European Payment Index. The purpose of the study is to offer European companies a unique instrument to compare payment patterns and assess the risks of doing business between regions, countries and industries. The study therefore falls well in line with Intrum Justitia's business mission of helping clients improve their cash flow and increase profitability.

The public sector pays late

In the latest survey[1], conducted in February 2005, more than 6,500 companies in 23 countries responded. In summary, the results of the study show that:

- Payment uncertainties are cited as a significant obstacle to international trade and therefore to growth. Among smaller companies, late payments are considered a major threat to their future.
- The economic cycle has only a limited impact on payment delays. Legal and cultural factors have a greater effect.
- Public authorities are generally the slowest payers, despite the fact that in many countries they are granted the longest contractual payment terms. Business customers do not take as long to pay, while private customers are the fastest payers.
- In the Nordic countries payments from public authorities are late by an average of nine days, slightly longer than the average payment delay from business customers. In many countries, particularly in Southern Europe, payment delays from the public sector are more than twice as long as for business and private customers.
- Across Europe the average payment duration, i.e., the contractual payment term plus the payment delay, rose to 57.4 days, against 56.2 days in the previous year.
- In a national comparison, Greece has the longest payment duration, averaging 105 days, followed by Italy (97 days), Cyprus (94), Portugal (87) and Spain (83). Although they apply relatively long credit terms, these countries still report average payment delays of three to four weeks. The slowest payer is Portugal, where the average payment does not arrive until 38 days after it is due.
- The Nordic countries have the shortest payment duration, averaging 32 days. The average payment delay is shortest in Finland (just over 5 days), followed by Norway and Sweden (8 days).
- On average, payment losses among European companies declined slightly, from 1.9 percent in the previous year to 1.7 percent. The greatest risk of payment losses is in the Baltic states, followed by the Poland, Czech Republic and Hungary region.



European Payment Index

By weighing a number of factors, an index has been calculated for estimated credit risks in each country. A value of 100 indicates a situation in which there are no payment risks, i.e., payments are made in cash, on time and without any credit.

The higher a country's value in the index, the greater the perceived credit risk. A value up to 129 indicates low to moderate risk. When doing business in these countries, it is recommended that preventive measures be taken in the form of credit checks and monitoring of established credit limits.

A value between 130 and 150 indicates more substantial payment risk. In this case companies must pay greater attention and have much to gain by taking action to protect themselves against credit losses, e.g., by enlisting the services of a professional CMS provider. A value over 150 signals high credit risk with a strong need to take action and seek professional assistance.

- The mean index value for all 23 countries in the study is 150, down from 152 in the previous year.
- With an index value of 129, the Nordic countries noted the lowest payment risks. Risks are considered lowest in Finland (121).
- The highest risk is in Portugal (184), followed by Czech Republic (174) and Greece (173).

[1] The complete report – "European Payment Index – Spring 2005" contains additional information. The report can be ordered from Intrum Justitia or downloaded from www.intrum.com. A follow-up study will be presented in the spring of 2006.

Intrum Justitia in Europe

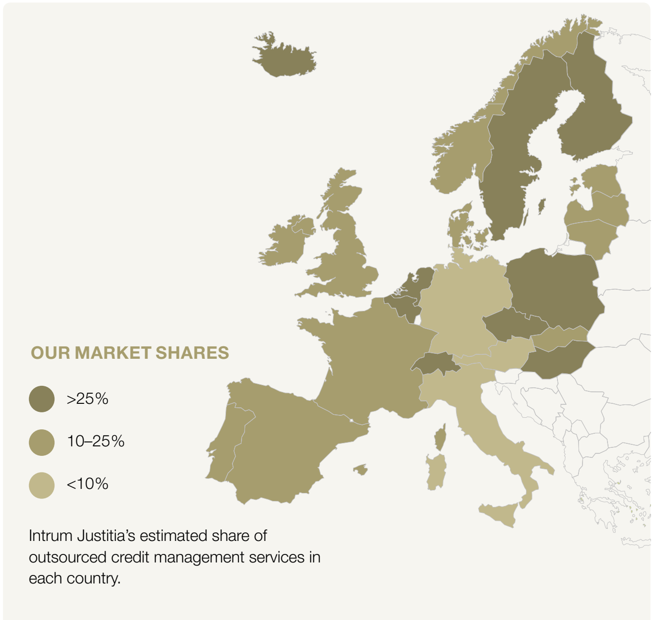
Ian de Graaf, marketing coordinator at Intrum Justitia Netherlands.

With operations in 22 European countries and partners in a further 160 countries, we have a geographic coverage no other CMS company can match.

EUROPE'S LEADING CMS COMPANY

Intrum Justitia has operations in 22 European countries, grouped organizationally into seven regions. The Group's strongest positions in national CMS markets are in Finland, Hungary, Sweden and Switzerland. In all these countries, its market share exceeds 30 percent. The Group's weakest positions are in Austria, Germany and Italy, with market shares below 5 percent.

Intrum Justitia also operates in Iceland, through a company in which it owns a 25-percent interest. Iceland is not included in the seven regions, however. Through a global network of partners, we can also provide clients with services in around 160 countries worldwide.



Intrum Justitia's estimated share of outsourced credit management services in each country.

Sweden, Norway & Denmark

Intrum Justitia was founded in *Sweden* in 1923 and has long been the market leader. The CMS market is relatively fragmented, although in recent years the industry has consolidated among larger, more focused companies. Other major players are Aktiv Kapital, CIS Denmark and Lindorff.

The market in *Norway* is distinguished by a high level of outsourcing and a number of small players. Intrum Justitia is among the five largest CMS companies after Aktiv Kapital, Kredinor and Lindorff.

In *Denmark* the market is less advanced than Sweden and Norway due to the legal requirement that lawyers must be used in the debt collection process. Intrum Justitia is the market leader; other major players include CIS Denmark, Faktab and Lindorff.

María Goicoechea, business controller at Intrum Justitia Spain.

United Kingdom & Ireland

The market in the *United Kingdom* is characterized by a low level of outsourcing, where a small number of large companies such as Moorcroft, Robinson Way and Wescot have a strong position in consumer debt collection. In the commercial segment a large number of small companies are active. There is also a large, growing market for purchased debt, where several established CMS companies compete with more specialized players such as 1st Credit, Aktiv Kapital and Cabot Financial. Intrum Justitia has a strong position in every sector, a position further strengthened in 2002 through the acquisition of Stirling Park, a leading provider of collection-related services to local authorities in Scotland. Local competitors in Scotland include BCW Group, Scott & Co and George Walker.

The CMS market has expanded quickly in *Ireland* thanks to growth in the Irish economy and increasing consumer credit. The acquisition of D&B RMS in 2001 made Intrum Justitia the market leader. In June 2005 operations were consolidated in the acquired company Legal & Trade Collections (Ireland) Ltd (now named Intrum Justitia Collections (Ireland) Ltd). Competition consists of a number of small and a few large companies, including Cashflow Services.

Netherlands, Belgium & Germany

A large number of CMS companies are active in *the Netherlands* in a relatively mature market. Intrum Justitia has achieved a market-leading position through organic growth and acquisitions. Other major players include GGN, Graydon and Inkasso Unie.

In *Belgium* the tradition of outsourcing credit management services is less advanced than in the Netherlands, and 16 members of the Belgian Collectors Association together hold a market share of approximately 85 percent. Intrum Justitia became the market leader in 1998 through the acquisition of a leading collection company, a position it further strengthened through the acquisition of D&B RMS in 2001. Other players include Bureau Europe, Contentia and Fiducré.

The market in *Germany* is highly fragmented and has a distinctly regional character, with different players in the various federal states. Major players include Arvato/Infoscore, Creditreform and EOS/DID.

Switzerland, Austria & Italy

When Intrum Justitia commenced operations in *Switzerland* in 1971 it marked its first venture outside Sweden. Through organic growth and acquisitions, the business has expanded to become the market leader in a fragmented CMS market, with an especially strong position in services involving credit information. Other major players include Arvato/Infoscore and Creditreform.

The market in *Austria* is fragmented, with numerous companies operating mainly on a regional level. Intrum Justitia is among the top five CMS companies in the country. Other players include KSV 1870 and OKO Inkasso.

In *Italy* the market is still relatively immature and fragmented, and consists principally of commercial collection services. This is partly because Italian legislation restricts public access to personal information required to identify debtors. Intrum Justitia strengthened its position through the acquisition of D&B RMS, and today it is among the five largest players. Other major players include Advancing Trade, Assicom and Maran Credit.

Finland, Estonia, Latvia & Lithuania

Following an acquisition in 1996, the Group is the market leader in *Finland*, a market with a relatively high level of outsourcing. The second largest CMS company is Lindorff. The rest of the market is split among a number of small companies.

The Baltic region is an emerging market for CMS. Intrum Justitia is the market leader in *Estonia* and *Lithuania*. Other players include Julianuse Inkasso and Lindorff in Estonia and Creditreform and Žvilgnis iš arčiau in Lithuania. In *Latvia* Intrum Justitia is among the five largest CMS companies, together with Creditreform and Lindorff.

France, Spain & Portugal

In recent years operations have greatly expanded in *France* through a restructuring and several acquisitions. Today Intrum Justitia is the market leader. Other major players include Coface SCRL, Effico and MCS.

The market in *Spain* and *Portugal* is still untapped, and companies rely mainly on in-house collection management. Intrum Justitia's operations are therefore relatively small in scale. However, its market shares have risen in recent years, partly as a result of the acquisitions of D&B RMS and the Spanish/Portuguese Vía Ejecutiva. Intrum Justitia is the market leader in both countries. Its primary competitors in Spain are Effico, Gesif and Multigestión, and in Portugal Coface, Effico and ETIS.

Poland, Czech Republic, Slovakia & Hungary[1]

In the 1990's operations were established in *Hungary*, followed by the *Czech Republic* and then *Poland*. Initially Intrum Justitia offered debt collection services to telecom companies alone, before gradually expanding to other segments and additional services. Following the most recent acquisition in 2005 of a local debt collection company, Intrum Justitia is also active in *Slovakia*.

Intrum Justitia is the market leader in Poland, the Czech Republic and Hungary. Other companies with a strong position in Poland are Kruk, Presco and Ultimo. In the Czech Republic the Group competes mainly with Kasolvenzia and Transcom, while Creditexpress, Kasolvenzia and Sigma are among the major players in Hungary. In Slovakia we are among the five largest CMS companies, together with Coface and Kasolvenzia.

Dhiradj Bandhoe, facilities assistant; Kelly Nieuwenburg, collector; and Peter Gijzenberg, manager Key Account Sales at Intrum Justitia Netherlands.

[1] The companies in Poland, the Czech Republic, Slovakia and Hungary are owned by Intrum Justitia Central Europe BV. This company in turn is 60 percent owned by Intrum Justitia. The remaining 40 percent is owned by a company in which one of the Group's regional managers is a co-owner.

Throughout this section, Intrum Justitia's competitors are presented in alphabetical order, without regard to their size or market position.

Employees

Christian Thomander, Sales/CRM, and Leif Östlund, Sales at Intrum Justitia Sweden.

Intrum Justitia is active in a personnel-intensive service industry and has around 2,900 employees in 22 countries.

Employee survey and change process

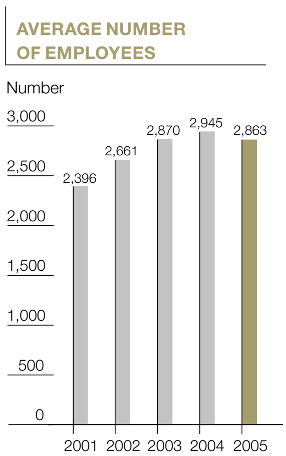
In 2004 a Group-wide employee survey was conducted under the name *Inject* to gain a better understanding of employees' opinions and expectations with respect to their job situation and the leadership they receive. Based on the results, extensive changes were initiated – and continued in 2005 – with the goal of increasing motivation among employees and encouraging them to take more responsibility. The aim is to make Intrum Justitia better at clarifying roles, responsibilities and authority, and give every employee the right tools and the training they need to perform their duties well.

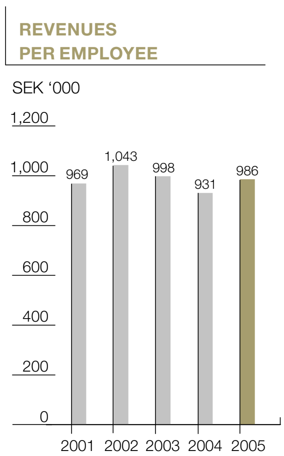
In 2005 work with various action programs engaged a large number of managers and employees at local management level as well as department and Group level. Late in the year a follow-up survey was conducted of some 150 managers to get their input on questions and actions leading up to the next Group-wide survey, which was done in the first quarter of 2006.

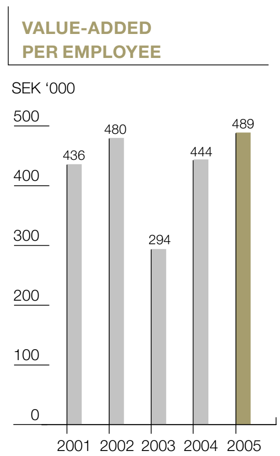
Competence development and leadership

Human resource development at Intrum Justitia has been conducted under the umbrella name *Intrum Academy*. In 2005 further steps were taken to coordinate management development efforts within Intrum Academy. Two leadership development programs were started, for senior managers at Group level and for management groups and young managers at country level.

Jari Honkanen, account manager at Intrum Justitia Finland.







The four-day program for the Group's senior managers, held in cooperation with Ashridge Business School outside London, concentrated on topics such as leadership, change management and business strategy. In 2005, 23 managers took part in the program.

The Group's other leadership training is conducted mainly through a program called *Intrumanagement*, designed for managers at management group and intermediate levels as well as potential leaders. This is also a four-day program, and covers areas such as leadership, values and personal development. In 2005 around 100 employees attended Intrumanagement. The program will continue in 2006.

Development of human resource functions

Because of Intrum Justitia's decentralized structure, with companies in 22 countries, most human resource work is done at a local level. One of the priorities in 2005 was to develop the Group's local human resource functions and strengthen the cooperation between functions through a number of joint projects and harmonized policies and guidelines.

Competence, effectiveness, ethics and discretion

Satisfied clients keep coming back. Satisfied clients are also more likely to use more of the services we offer. We are proud of the tremendous loyalty clients have shown us. Over 85 percent decide to renew their expiring contracts. At the same time we are aware of the necessity for continuous development in order to maintain our customers' confidence.

The keys to raising the number of satisfied clients – aside from offering a wide range of services – are competence, effectiveness, ethics and discretion. These values are manifested in our policy *Fair Pay... please!*

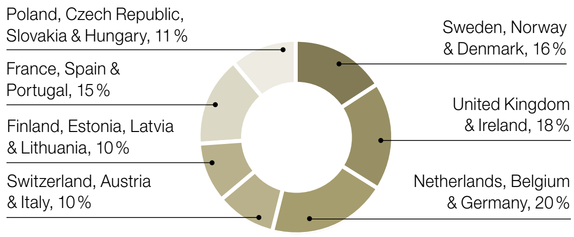
It is also important that all our clients, regardless of size, feel that they receive the best possible support based on their needs. Small businesses have at their disposal special groups of administrators with extensive experience of the conditions they face. Our large clients are assigned to special account managers who provide an established contact and are responsible for ensuring that their needs are met.

All our administrators are trained to quickly handle a wide spectrum of issues, while at the same time safeguarding the customer's reputation and the debtor's integrity. In complex cases where expertise is needed in negotiating or legal issues, a number of specialists are available.

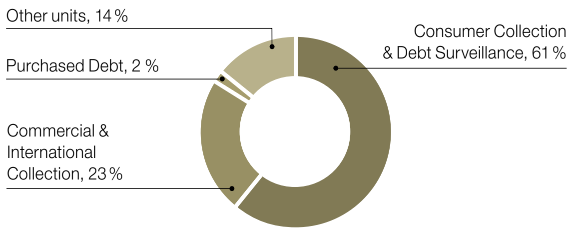
Key data for our employees

Training costs per Group employee amounted to SEK 5,392 in 2005 (3,392). Employee turnover in the Group as a whole was 26 percent (23). Turnover varies considerably between employee categories and units, which is natural since certain units are staffed largely by temporary employees. Total sick leave in the Group was 6.1 percent (6.0) of employees' aggregate working hours.

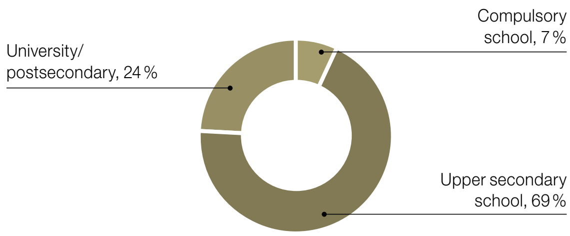
EMPLOYEES BY REGION



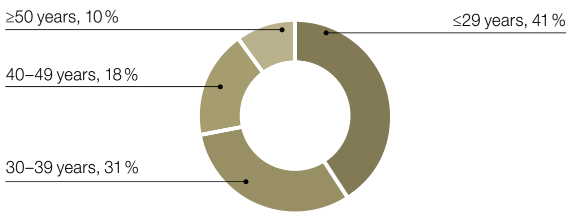
EMPLOYEES BY SERVICE LINE



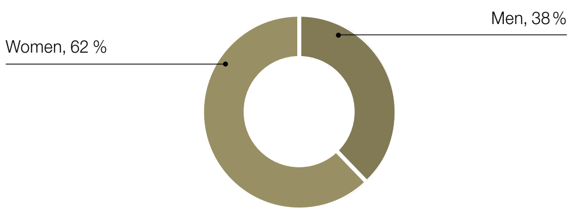
EDUCATION LEVEL



AGE DISTRIBUTION



GENDER DISTRIBUTION



Further information on employees can be found in Notes 23–27.

Financial review and definitions

SEK M	2005	2004 IFRS [1]	2004 GAAP [1]	2003	2002 [2]	2001
Consolidated income statements						
Revenues	2,823.2	2,740.5	2,848.8	2,864.6	2,774.9	2,320.6
Cost of sales	–1,679.6	–1,598.1	–1,710.6	–1,765.7	–1,755.4	–1,427.1
Gross earnings	**1,143.6**	**1,142.4**	**1,138.2**	**1,098.9**	**1,019.5**	**893.5**
Sales and marketing expenses	–273.1	–304.1	–304.1	–281.8	–257.3	–221.2
General and administrative expenses	–367.6	–410.5	–405.5	–389.4	–287.8	–274.6
Goodwill amortization	–	–	–112.1	–124.0	–126.7	–142.2
Items affecting comparability	–	–	–	–398.0	–8.5	–11.5
Participations in associated companies	0.7	2.8	2.8	0.4	7.0	–2.5
Operating earnings (EBIT)	**503.6**	**430.6**	**319.3**	**–93.9**	**346.2**	**241.5**
Net financial income/expense	–31.4	–36.4	–36.4	–52.9	–107.8	–121.4
Earnings before tax	**472.2**	**394.2**	**282.9**	**–146.8**	**238.4**	**120.1**
Tax	–138.6	–70.8	–72.2	–21.2	–65.4	–52.7
Net earnings for the year	**333.6**	**323.4**	**210.7**	**–168.0**	**173.0**	**67.4**
Of which attributable to:						
Parent Company's shareholders	320.6	313.1	200.4	–180.2	173.3	67.4
Minority interests	13.0	10.3	10.3	12.2	–0.3	0.0
Net earnings for the year	**333.6**	**323.4**	**210.7**	**–168.0**	**173.0**	**67.4**
Consolidated balance sheets						
Assets						
Total fixed assets	2,743.5	2,166.3	2,079.0	2,201.4	2,450.1	2,357.9
Total current assets	1,392.5	1,452.8	1,468.5	1,479.2	1,287.2	1,002.6
Total assets	**4,136.0**	**3,619.1**	**3,547.5**	**3,680.6**	**3,737.3**	**3,360.5**
Shareholders' equity and liabilities						
Total shareholders' equity, incl. minority interests	1,316.1	1,531.0	1,436.9	1,258.1	1,538.7	529.5
Total liabilities	2,819.9	2,088.1	2,083.6	2,422.5	2,198.6	2,831.0
Total shareholders' equity and liabilities	**4,136.0**	**3,619.1**	**3,547.5**	**3,680.6**	**3,737.3**	**3,360.5**

[1] Figures for 2004 are presented according to current accounting principles (IFRS) as well as according to previous accounting principles (Swedish GAAP). Previous years are not restated to IFRS, although the layout has been changed with respect to minority interests. For a detailed summary of the effects of the transition to IFRS, see Note 36, page 60.
[2] Excluding the effect of the adjustment for accounting inaccuracies in England. The adjustment is reported as an item affecting comparability in 2003.

Definitions

Average number of employees Average number of employees during the year, recalculated to full-time positions.

Beta Measure of the share price's fluctuation in relation to the market as a whole, in the form of the OMXS All-Share Index, over the course of the year. Changes that precisely follow the index produce a beta of 1.0. A figure below 1.0 means that the changes in the share price have been smaller than those in the index.

Collection cases in stock Total number of debt collection cases within the *Consumer Collection & Debt Surveillance* and *Commercial & International Collection* service lines at year-end.

Dividend payout Dividend as a percentage of net earnings for the year.

Earnings per share Net earnings for the year divided by the average number of shares during the year.

Equity/assets ratio Shareholders' equity including minority interests as a percentage of total assets.

Gross collection value Total amount outstanding to collect on behalf of clients on due date, including interest accrued prior to due date. Includes purchased debt but not penalty interest or fees.

Interest coverage ratio Earnings after financial items plus financial expense divided by financial expense.

Net debt Interest-bearing liabilities and pension provisions less liquid funds and interest-bearing receivables.

Operating capital Sum of shareholders' equity including minority interests, interest-bearing liabilities and pension provisions less liquid funds and interest-bearing receivables.

Operating cash flow per share Cash flow from operating activities divided by the number of shares at year-end.

Operating margin Operating earnings as a percentage of revenues.

P/E Price/earnings ratio: year-end share price divided by earnings per share before dilution.

P/S Price/sales ratio: year-end share price divided by sales per share.

Return on operating capital Operating earnings divided by average operating capital.

Return on shareholders' equity Net earnings for the year attributable to the Parent Company's shareholders as a percentage of average shareholders' equity attributable to the Parent Company's shareholders.

Revenues Variable collection commissions, fixed collection fees, debtor fees, guarantee commissions, subscription revenue and income from purchased debt operations.

Value-added per employee The sum of operating earnings after depreciation plus payroll costs divided by the average number of employees during the year.

Yield Dividend per share divided by the year-end share price.

SEK M	2005	2004 IFRS [1]	2004 GAAP [1]	2003	2002 [2]	2001
Revenues by region						
Sweden, Norway & Denmark	655.3	624.4	732.1	729.3	712.0	617.6
United Kingdom & Ireland	315.8	370.1	361.5	395.5	525.4	484.6
Netherlands, Belgium & Germany	577.0	581.3	581.1	607.6	561.7	428.5
Switzerland, Austria & Italy	391.4	370.5	367.8	351.3	413.7	350.9
Finland, Estonia, Latvia & Lithuania	355.7	314.0	316.5	283.8	246.3	211.7
France, Spain & Portugal	364.0	318.1	318.0	313.0	192.4	125.7
Poland, Czech Republic, Slovakia & Hungary	164.0	162.1	171.8	184.1	123.4	101.6
Total	**2,823.2**	**2,740.5**	**2,848.8**	**2,864.6**	**2,774.9**	**2,320.6**
Operating earnings (EBIT) by region [3]						
Sweden, Norway & Denmark	169.8	153.0	148.2	166.7	170.6	141.7
United Kingdom & Ireland	–62.0	11.3	2.7	2.4	115.3	99.2
Netherlands, Belgium & Germany	116.2	80.2	80.0	94.9	61.4	71.0
Switzerland, Austria & Italy	83.8	64.1	61.4	43.8	90.6	55.4
Finland, Estonia, Latvia & Lithuania	146.8	128.7	131.2	106.7	97.7	71.3
France, Spain & Portugal	72.7	50.1	50.0	42.3	6.8	–3.2
Poland, Czech Republic, Slovakia & Hungary	36.2	34.4	44.1	66.3	22.1	22.5
Participations in associated companies	0.7	2.8	2.8	0.4	7.0	–2.5
Central expenses	–60.6	–94.0	–89.0	–95.4	–90.1	–60.2
Items affecting comparability	–	–	–	–398.0	–8.5	–11.5
Total	**503.6**	**430.6**	**431.4**	**30.1**	**472.9**	**383.7**
Revenues by service line						
Consumer Collection & Debt Surveillance	1,837.2	1,756.0	1,756.0	1,732.3	1,597.1	1,343.4
Commercial & International Collection	617.2	640.5	640.5	665.3	706.0	587.7
Purchased Debt [4]	321.6	258.1	244.9	206.6	163.1	136.0
Other services [4]	197.7	216.2	207.8	233.6	276.0	224.2
Sales Ledger Services [4]	–	–	129.9	113.9	101.2	65.7
Internal elimination	–150,5	–130.3	–130.3	–87.1	–68.5	–36.4
Total	**2,823.2**	**2,740.5**	**2,848.8**	**2,864.6**	**2,774.9**	**2,320.6**
Operating earnings (EBIT) by service line [3]						
Consumer Collection & Debt Surveillance	411.1	409.5	409.5	398.1	370.4	312.5
Commercial & International Collection	67.4	60.5	60.5	56.7	102.0	69.6
Purchased Debt [4]	108.2	78.6	79.2	85.6	84.2	78.5
Other services [4]	–27.1	–36.9	–9.4	20.1	39.0	14.6
Sales Ledger Services [4]	–	–	–32.2	–55.6	–37.4	–28.6
Participations in associated companies	0.7	2.8	2.8	0.4	7.0	–2.5
Central expenses	–56.7	–83.9	–78.9	–77.2	–83.8	–48.9
Items affecting comparability	–	–	–	–398.0	–8.5	–11.5
Total	**503.6**	**430.6**	**431.5**	**30.1**	**472.9**	**383.7**

[1] Figures for 2004 are presented according to current accounting principles (IFRS) as well as according to previous accounting principles (Swedish GAAP). Previous years are not restated to IFRS. For a detailed summary of the effects of the transition to IFRS, see Note 36, page 60.
[2] Excluding the effect of the adjustment for accounting inaccuracies in England. The adjustment is reported as an item affecting comparability in 2003.
[3] Operating earnings before goodwill amortization (EBITA) is reported for the years 2001–2003. All years refer to externally generated EBIT and EBITA less central marketing expenses.
[4] As of 2005 *Sales Ledger Services* is reported as part of *Other services* rather than as a separate service line. Also, *Purchased Debt* includes certain services as of 2005 that had previously been reported under *Other services*. Figures for 2004 IFRS are restated for comparability. Previous years are not restated.

In all tables the figures for 2001 pertain to the Group with Intrum Justitia Holding NV as the Parent Company, restated to conform to Swedish accounting principles.

The share and shareholders

Listing

The Intrum Justitia share has been listed on the O-list of Stockholmsbörsen (ticker IJ) since June 7, 2002. A trading lot comprises 200 shares. Since July 1, 2004 the share is included in the Attract40 section of the O-list, which consists of shares that meet certain criteria, including the company's market capitalization and turnover.

Share redemption and share capital

An Extraordinary General Meeting in June 2005 resolved to redeem 7,029,353 shares for a cash payment of SEK 84 per share. In mid-October Intrum Justitia received court approval to reduce its share capital. The procedure entailed the distribution of the total sum of SEK 590,465,652 to the shareholders, whereby the company's share capital was reduced by SEK 140,587.06 and its share premium reserve was reduced by SEK 590,325,064.94. After the reduction, Intrum Justitia AB's share capital amounts to SEK 1,559,125.02, distributed among 77,956,251 shares, each with a par value of SEK 0.02. All the shares have one vote and share equally in the company's assets and earnings.

Employee stock option program

The Annual General Meeting in 2003 approved an employee stock option program conferring the right to acquire not more than 2,525,000 shares in Intrum Justitia AB at a price of SEK 57 per share.[1] The program is intended for around twenty senior executives, and expires on July 1, 2009. The Annual General Meeting also decided to issue 3,358,250 warrants to subscribe for new shares. If the warrants are fully exercised, the number of shares and votes will be diluted by approximately four percent. In 2004 and 2005, 3,383,250 warrants were issued. For further information, see Note 27, page 56.

[1] Following the above-mentioned redemption program, the strike price is SEK 54.60 per share.

Market value, price trend and turnover

In 2005 the price of the Intrum Justitia share rose from SEK 51.50 to SEK 73.25, or by 42 percent. During the same period Stockholmsbörsen's All-Share Index rose by 33 percent. The lowest price paid for the share during the year was SEK 48.60, on January 14, and the highest SEK 74.00, on December 28. Intrum Justitia's year-end share price gives it a market capitalization of SEK 5,710 M (4,377).

Share trades were settled on every business day of the year. An average of 316,095 shares were traded per day (235,949). The turnover rate – i.e. the share's liquidity – was 0.91 (0.8), against 1.24 (1.34) for Stockholmsbörsen as a whole.

Shareholders

At year-end 2005 Intrum Justitia had 4,227 shareholders, compared with 4,833 a year earlier. Industri Kapital, which had previously been the largest shareholder, sold its remaining holding of 11.7 percent on August 31, 2005. The eight members of the Group Management Team had an aggregate holding of 900,323 Intrum Justitia shares at year-end. Intrum Justitia's Board Members owned 35,584 shares. As of year-end Intrum Justitia did not own any of its own shares.

Dividend policy

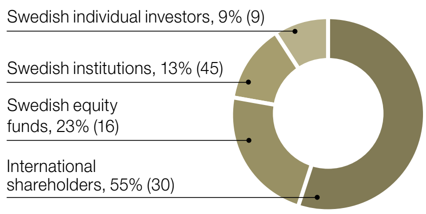
Intrum Justitia's Board of Directors has as its aim to annually propose that shareholders receive a dividend that over time averages at least half of net earnings for the year, after tax. Decisions relating to the dividend proposal take into account the company's future revenues, financial condition, capital requirements and situation in general. For fiscal year 2005 the Board is proposing a dividend of SEK 2.25 per share, corresponding to approximately 55 percent of net earnings after tax.

Changes in share capital

Year	Transaction	Change in share capital	Total share capital	Total no. of shares	Par value per share, SEK
2001	Incorporation	100,000	100,000	1,000	100
2001	Split 5,000:1	0	100,000	5,000,000	0.02
2001	New issue[1]	778,729.40	878,729.40	43,936,470	0.02
2002	New issue[2]	208,216.72	1,086,946.12	54,347,306	0.02
2002	New issue[3]	612,765.96	1,699,712.08	84,985,604	0.02
2005	Redemption[4]	–140,587.06	1,559,125.02	77,956,251	0.02

[1] Directed to the Industri Kapital 1997 Fund and Synergy Ltd at a subscription price of SEK 0.02 as part of the legal restructuring of the Intrum Justitia Group.
[2] New issue of 1,402,228 shares each to Industri Kapital 1997 Fund and Synergy Ltd for a subscription price of SEK 4.432 per share and 3,803,190 shares each to Industri Kapital 1997 Fund and Synergy Ltd for a subscription price of SEK 0.02 per share.
[3] New issue of 30,638,298 shares to retail investors in Sweden and international institutional investors at a subscription price of SEK 47 per share.
[4] Redemption of 7,029,353 shares for a cash payment of SEK 84 per share. The procedure entailed the distribution of the total sum of SEK 590,465,652 to the shareholders, whereby the company's share capital was reduced by SEK 140,587.06 and its share premium reserve was reduced by SEK 590,325,064.94.

SHAREHOLDERS



Principal shareholders and ownership structure[1]

Principal shareholders	No. of shares	Capital and votes, %
Landsbanki Íslands	9,141,634	11.7
Parkerhouse Investments	8,112,500	10.4
Cevian Capital	7,850,861	10.1
Lannebo funds	4,282,200	5.5
Straumur-Burdarás	3,820,800	4.9
Didner & Gerge mutual fund	3,759,800	4.8
SEB funds	3,253,800	4.2
SEB-Trygg Liv	1,960,900	2.5
Skandia Liv	1,538,950	2.0
Handelsbanken/SPP funds	1,343,390	1.7
Total, ten largest shareholders	**45,064,835**	**57.8**

Holding, no. of shares	No. of share-holders	Total no. of shares	Capital and votes, %
1–1,000	2,915	1,264,648	1.6
1,001–10,000	1,062	3,357,634	4.3
10,001–50,000	140	3,298,032	4.2
50,00 –100 000	32	2,246,411	2.9
100,001–500,000	49	11,552,752	14.8
500,001–1,000,000	15	10,935,800	14.0
>1,000,000	14	45,300,974	58.2
Total	**4,227**	**77,956,251**	**100.0**

[1] According to the VPC shareholder register on December 31, 2005.

Data per share[1]	2005	2004	2003	2002
Earnings before dilution, SEK	3.84	3.68	–2.12	2.61
Earnings after dilution, SEK	3.81	3.68	–2.12	2.61
Operating cash flow, SEK	6.31	5.71	3.55	3.92
Shareholders' equity before dilution, SEK	16.48	17.68	14.60	18.10
Shareholders' equity after dilution, SEK	18.67	17.68	14.60	18.10
Dividend, SEK	2.25[2]	*	0.00	1.00
Dividend payout, %	54.7	0.0	0.0	49.0
Share price at year-end, SEK	73.25	51.50	38.00	40.50
Yield, %	3.1	0,0	0.0	2.5
P/S, multiple	2.2	1.6	1.1	1.2
P/E, multiple	19.1	14.0	neg	15.5
Beta	0.6	0.5	0.4	0.6
No. of shares at year-end	77,956,251	84,985,604	84,985,604	84,985,604
No. of shares at year-end after dilution	78,629,289	84,985,604	84,985,604	84,985,604
Average no. of shares	83,483,441	84,958,604	84,958,604	66,399,468

[1] For definitions, see page 24.
[2] Proposed dividend.
* During 2005 a redemption offer was completed. Shareholders were offered to have each twelfth share in Intrum Justitia AB redeemed for a redemption price of SEK 84 per share. In total SEK 590.5 M were distributed to the shareholders, corresponding to approx. SEK 6.95 per share.

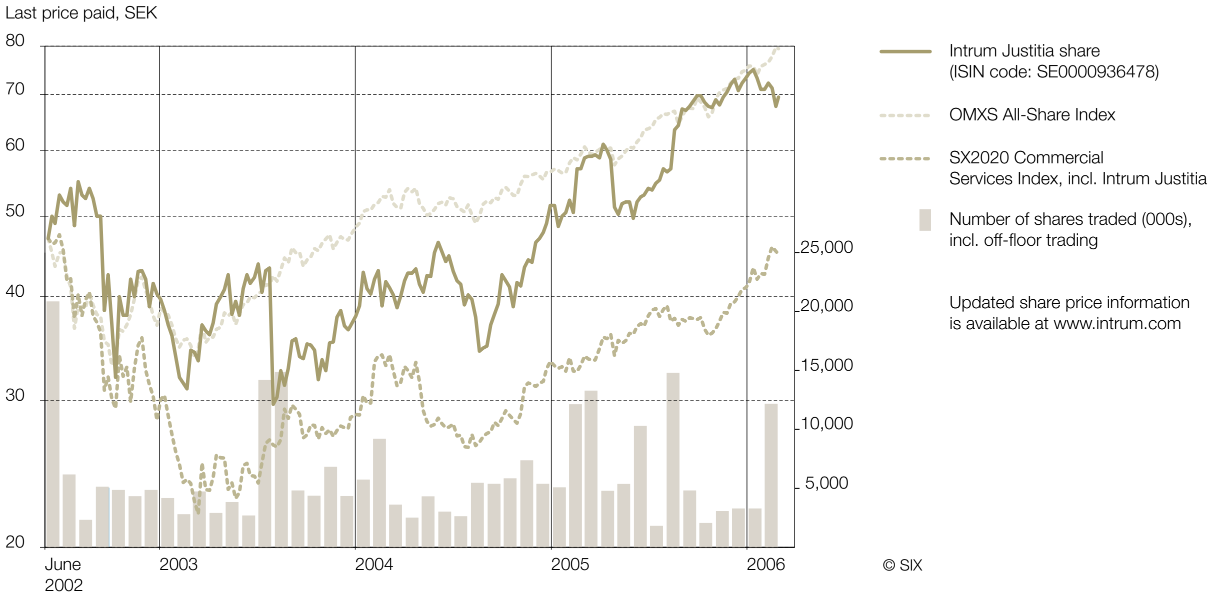
Analysts who cover Intrum Justitia

ABG Sundal Collier	Espen Bruu Syversen
Carnegie	Mikael Löfdahl
Cazenove	Erik Karlsson
Handelsbanken	Peter Grabe
Morgan Stanley	Carolina Jimenez
SEB Enskilda	Stefan Andersson
Standard & Poor's	Joakim Ström

Selected press releases from 2005

Feb. 17	Full-year report 2004
Mar. 22	Board's proposal regarding redemption offer
Apr. 27	Interim report January–March
Jun. 15	Acquisition of Creditexpress
Aug. 17	Interim report January–June
Sep. 12	Monika Elling appointed CFO
Oct. 3	Acquisition of large written-off bank loan portfolio in Spain
Oct. 14	New capital structure after redemption offer
Oct. 26	Interim report January–September

SHARE PRICE TREND AND TRADING



Updated share price information is available at www.intrum.com

Annual report, consolidated accounts and audit report[1]

- Revenues amounted to SEK 2,823.2 M (2,740.5).
- Operating earnings (EBIT) rose to SEK 503.6 M (430.6).
- Net earnings rose to SEK 333.6 M (323.4).
- Cash flow from operating activities remained strong at SEK 527.0 M (485.3).
- Earnings per share before dilution amounted to SEK 3.84 (3.68).
- The Board of Directors proposes a dividend of SEK 2.25 per share.

[1] The annual report and the consolidated accounts for 2005 on pages 29–62 constitute the official financial reports according to paragraph 3.6.1 in the Swedish Code of Corporate Governance. These sections have been audited by the company's auditor in accordance with the audit report reproduced on page 63. The official financial reports have been prepared based on the rules and in accordance with the accounting recommendations in Note 1 on page 40.

Board of Directors' report

The Board of Directors and the President of Intrum Justitia AB (publ) hereby submit the following annual report and consolidated financial statements for the financial year 2005. The company has its registered address in Stockholm and corporate identity number 556607-7581.

THE INTRUM JUSTITIA GROUP

Founded in 1923, Intrum Justitia is Europe's leader in Credit Management Services (CMS). The Group's services cover the entire credit management chain, from credit information via invoicing, reminders and collection to debt surveillance and collection of written-off debt portfolios. Most services are grouped within the service lines *Consumer Collection & Debt Surveillance* and *Commercial & International Collection*. Intrum Justitia also works with purchased debt and a number of specialized services related to credit management. Operations are organized into seven regions. The Group has around 2,900 employees in 22 European countries.

KEY EVENTS DURING THE YEAR

To supplement and clarify previous agreements, Intrum Justitia and Visegrad NV, the minority owner of the Group subsidiary Intrum Justitia Central Europe BV, signed a new agreement in January 2005 that governs investments in purchased debt portfolios in Poland, the Czech Republic and Hungary, and specifies the calculation of the variable commission on these portfolios. Following the acquisition of the Slovakian company Intrum Justitia Slovakia s.r.o. (formerly Creditexpress Slovakia s.r.o.) in June 2005 (see below), the above mentioned agreement was extended to include this country as well.

The Annual General Meeting in April resolved to amend the articles of association to facilitate a share redemption program proposed by the Board of Directors. An Extraordinary General Meeting in June resolved to implement the program. Shareholders were offered the opportunity to redeem every twelfth share for SEK 84, corresponding to a payment of approximately SEK 6.95 per share. In total, 7,029,353 shares were tendered for redemption, corresponding to an acceptance rate of 99.25 percent. The redemption proceeds were paid out at the end of June. To facilitate a timely payment to shareholders, the EGM also resolved on a directed issue of 7,029,353 redeemable series C shares to Svenska Handelsbanken AB and the redemption of a corresponding number of shares to fund a payment to the shareholders of SEK 590.5 M through reductions in the share premium reserve and share capital. After receiving court approval for the reduction, the series C shares were redeemed in October. The share capital of Intrum Justitia AB thereby amounts to SEK 1,559,125.02, distributed among 77,956,251 shares.

In June the company received a verdict from the Irish High Court in the proceedings related to Intrum Justitia's purchase of the shares in Legal & Trade Collections (Ireland) Ltd, now named Intrum Justitia Collections (Ireland) Ltd. The court has directed that the seller, Legal & Trade Financial Services Ltd, must pay compensation to Intrum Justitia as a consequence of inaccurate financial information provided by it. The company has been consolidated in the Intrum Justitia Group since July 2005, effective as of October 2004.

In June Intrum Justitia acquired all the shares in the Slovakian company Creditexpress Slovakia s.r.o., now named Intrum Justitia Slovakia s.r.o.

In July the company strengthened its position in the Polish market for written-off debt portfolios by establishing an Investment Fund Society (IFS) that will manage one or more investment funds, which invest in portfolios with different investment strategies. The investment funds will issue investment certificates to investors within the Intrum Justitia Group and its partners in order to fund portfolio purchases.

In September Intrum Justitia and Goldman Sachs jointly purchased a written-off bank loan portfolio from one of Spain's leading banks. The portfolio comprises non-performing loans (without tangible security) with an aggregate outstanding principal and interest value of approximately EUR 1.4 billion.

REVENUES AND EARNINGS

As on January 1, 2005 the Group applies the International Financial Reporting Standards (IFRS). The introduction of the new accounting standards has necessitated a change in accounting principles with a significant effect on the income statement and balance sheet. Comparative figures for 2004 have been restated in accordance with the new principles.

Consolidated revenues during the year amounted to SEK 2,823.2 M (2,740.5), an increase of 3.0 percent. Organic growth was –0.2 percent. The effect of fluctuations in exchange rates was 2.2 percent. Revenue growth of 1.0 percent corresponds to the contribution from the companies acquired in Ireland and Slovakia.

The Group has strengthened its market shares in Italy, Portugal, Spain, and in Denmark, where Intrum Justitia now is the market leader. The Group has also gained market share in the *Purchased Debt* service line. Parts of Eastern Europe are reporting good growth. Sweden and Finland are also growing faster than the Group average. To overcome increased price pressure in England and Poland, among other countries, further efficiency improvements will be made.

The Group's increased focus on *Purchased Debt* and *Debt Surveillance* led to good growth during the year, a trend even more pronounced during the fourth quarter.

Operating earnings for the full-year 2005 rose to SEK 503.6 M (430.6). Productivity and cost efficiencies have increased in a number of Group companies, especially in Denmark, Germany, the Netherlands, Portugal and Spain, which produced further earnings and margin improvements. The operating margin for 2005 was 17.8 percent (15.7).

Earnings include nonrecurring expenses of SEK 30.3 M related to the development of an IT system for the British operations. During 2005, two different IT projects were initiated, one in Norway and one in the UK. The Norwegian system is based on one currently used in Sweden and Finland, while the British system was a further development of the existing system. While the installation in Norway was successful and the system has been in operation since January 2006, the British system has encountered difficulties, which has resulted in a revised and extended implementation plan. As a result, the Group has decided to discontinue further development of the present British system and instead replace it with a new one based on the positive experience gained from the Norwegian installation.

Earnings before tax for the full-year rose to SEK 472.2 M (394.2), while net earnings amounted to SEK 333.6 M (323.4).

GEOGRAPHIC REGIONS

Sweden, Norway & Denmark

The Swedish company reported stable revenues and maintained good margins, particularly in *Consumer Collection & Debt Surveillance* and *Purchased Debt. Other services* is not yet profitable.

The company in Norway faced major challenges during the year, but is significantly better positioned for 2006 after the successful installation of a new production system that raises the efficiency and quality of its client offering.

Market shares in Denmark have increased. Volume increases and improved collection results led to an increase in the company's revenues and margin.

Regional revenues for the year amounted to SEK 655.3 M (624.4), an increase of 4.9 percent. Operating earnings amounted to SEK 169.8 M (153.0) with an operating margin of 25.9 percent (24.5).

United Kingdom & Ireland

The UK company developed poorly during the year with lower volumes and a negative operating result. Additional volume from new and existing clients could not fully compensate for lower volume from certain major clients in *Consumer Collection & Debt Surveillance*. Moreover, operating problems in connection with the delayed implementation of a new IT system have led to lower collection efficiency, which mainly affected purchased debt operations. The impact on earnings was limited, however, by cost reductions primarily achieved through redundancies. Looking ahead to 2006, a review is being conducted of the cost structure of the English operations in order to increase efficiency and gradually eliminate the losses.

The Irish company, which is reporting growth but posted overly high expenses in 2005 in connection with the integration of Intrum Justitia Collections (Ireland) Ltd, is expected to have better prospects in 2006, partly since operations will be consolidated in a single office.

Regional revenues for the year amounted to SEK 315.8 M (370.1), a decrease of 14.7 percent. Operating earnings amounted to SEK –62.0 M (11.3) after an impairment loss of SEK 30.3 M related to the IT system.

Netherlands, Belgium & Germany

Operations in the Netherlands have developed positively in terms of revenue growth as well as efficiency and cost control. New clients have been added and collection rates for telecom clients have developed very positively, as have *Purchased Debt* operations.

The company in Belgium reported stable revenues with slightly higher expenses.

Revenues for the German company fell due to the termination of unprofitable client contracts and lower volumes from key clients in the telecom sector. Earnings improved significantly, however, thanks to cost savings.

As a whole, regional revenues were in line with the previous year and amounted to SEK 577.0 M (581.3). Operating earnings amounted to SEK 116.2 M (80.2) with an operating margin of 20.1 percent (13.8).

Switzerland, Austria & Italy

The Swiss company reported stable revenues and a high margin. Good volumes have been achieved in *Commercial Collection* with clients in telecom and media. Earnings were positively affected by a higher collection rate, largely a result of improved scoring and new technology in *Consumer Collection & Debt Surveillance*.

During the year the company in Austria raised its revenues and improved earnings, though from a low level.

Earnings also improved in Italy, owing to a positive volume trend from clients that were won back.

Regional revenues for the year amounted to SEK 391.4 M (370.5), an increase of 5.6 percent. Operating earnings amounted to SEK 83.8 M (64.1) with an operating margin of 21.4 percent (17.3).

Finland, Estonia, Latvia & Lithuania

The Finnish company reported a positive revenue trend and maintained a high operating margin. Volumes have increased in *Consumer Collection & Debt Surveillance* from clients in the energy sector, at the same time that improved scoring processes have resulted in a higher collection rate and, as a result, rising revenues. The positive trend also relates to *Purchased Debt* in the form of portfolio acquisitions from clients in the banking and telecom sectors. On June 1 an amended law on debtor fees entered into force, which has had a slightly negative impact.

The companies in Estonia, Latvia and Lithuania reported low revenues, approximately in line with the previous year.

Regional revenues for the year amounted to SEK 355.7 M (314.0), an increase of 13.3 percent. Operating earnings amounted to SEK 146.8 M (128.7) with an operating margin of 41.3 percent (41.0).

France, Spain & Portugal

The company in France raised its revenues and reached earnings in line with the previous year.

The companies in Spain and Portugal noted strong growth in revenues and earnings, driven by portfolio acquisitions and higher activity in *Purchased Debt.*

Regional revenues for the year amounted to SEK 364.0 M (318.1), an increase of 14.4 percent. Operating earnings amounted to SEK 72.7 M (50.1) with an operating margin of 20.0 percent (15.7).

Poland, Czech Republic, Slovakia & Hungary

Revenues and earnings in the Polish company have been negatively affected by low rate of investments in *Purchased Debt.* To adjust to lower volumes, substantial cost cuts have been made, resulting in redundancies.

At the same time, revenues and earnings in the Czech and Hungarian companies have improved, partly owing to improved production routines and portfolio acquisitions in Hungary in *Purchased Debt*.

The Slovakian company Intrum Justitia Slovakia s.r.o. is consolidated as of its acquisition date in June and has had a marginally positive impact on regional revenues and earnings.

Regional revenues for the year amounted to SEK 164.0 M (162.1), an increase of 1.2 percent. Operating earnings amounted to SEK 36.2 M (34.4) with an operating margin of 22.1 percent (21.2).

Since April 2003 there is a 40 percent minority interest in the region's companies.

SERVICE LINES

Intrum Justitia's range of services is divided between the following four service lines:

- *Consumer Collection & Debt Surveillance*. Collections from private individuals on behalf of companies and public authorities that normally have a large number of small receivables, in addition to long-term surveillance of consumer receivables.
- *Commercial & International Collection*. Collection on behalf of companies and public authorities where the party liable for payment is another company, and collections where the holder of the receivable and the party liable for payment are in different countries.
- *Purchased Debt*. Acquisition of portfolios of written-off consumer receivables at an amount less than the portfolios' nominal value, after which Intrum Justitia collects the receivables on its own behalf. The service line also includes guarantees for purchases of credit card receivables.
- *Other services*. Other services related to the CMS process, such as sales ledger services, credit information, credit guarantees and VAT refund services.

Consumer Collection & Debt Surveillance

Service line revenues during the year amounted to SEK 1,837.2 M (1,756.0) with operating earnings of SEK 411.1 M (409.5). The service line accounted for 62 percent of the Group's revenues in 2005.

Continued high consumer spending in many countries and increased access to consumer credit have led to higher volumes in the service line. A growing share of revenues consists of collection commissions from the Group's *Purchased Debt* service line. Debt surveillance services are now offered in 16 of the Group's 22 countries.

Commercial & International Collection

Service line revenues during the year amounted to SEK 617.2 M (640.5) with operating earnings of SEK 67.4 M (60.5).

The revenue decrease is largely due to Germany, where unprofitable client contracts have been terminated, as well as to lower volumes in Italy and Norway. The decrease has been partly offset by volume gains in Spain and Switzerland.

Purchased Debt

Service line revenues during the year amounted to SEK 321.6 M (258.1) with operating earnings of SEK 108.2 M (78.6).

The revenue increase was the result of the high rate of investment that the Group maintained during the year. Several markets have noted an increased interest in selling portfolios at an early stage, which is generating higher activity. The Board of Directors has therefore raised the limit on the service line, measured as the book value of its portfolios, from SEK 600 M to SEK 1,200 M.

The volume increase has been evident in several of the Group's countries, but especially Spain. Revenues in England and Poland have decreased. As part of the Group's emphasis on this service line, the organization was strengthened during the year through the addition of new personnel in several countries as well as in the form of a central coordination office for the service line in Switzerland.

The year's investments in purchased debt portfolios amounted to SEK 821.7 M (266.8). The book value of of written-off debt portfolios at year-end, SEK 933.0 M, is divided among a number of countries, the most important of which are the United Kingdom (25 percent), Spain (24), Finland (12) and Switzerland (9).

Other services

Service line revenues during the year amounted to SEK 197.7 M (216.2) with operating earnings of SEK –27.1 M (–36.9).

The decrease in revenues is mainly due to an intentional cutback in the loss-making sales ledger operations in the UK. Sales ledger services continue to generate losses in Finland, the Netherlands and Sweden, among other countries. The Group is working to reduce costs, but remains committed to these operations, which create profitable client contacts and cases for the collection business.

EXPENSES

The Group's gross profit margin was slightly lower than the previous year, which is entirely due to the write-down in 2005 associated with the IT project in the UK. The Group's administrative and marketing expenses have decreased.

DEPRECIATION/AMORTIZATION

The Group's depreciation/amortization for 2005 amounted to SEK 87.6 M (99.3). Operating earnings before depreciation/amortization thereby amounted to SEK 591.2 M (529.9).

EXPENSES FOR INCENTIVE PROGRAM

Operating earnings were charged with SEK 7.5 M (5.0) for warrants for the Group's Employee Stock Option Program 2003/2009. The expense does not represent an actual disbursement by the company. The Employee Stock Option Program comprises warrants to subscribe for 3,358,250 shares. The dilution effect for 2005, calculated according to *IAS 33 Earnings per share*, corresponds to 673,038 shares.

The Employee Stock Option Program did not dilute earnings for 2004 since the share's average market value was less than the present value of the option premium. Most of the warrants were allotted in May 2004. In 2005 a limited number of warrants were allotted in connection with new hires and promotions.

NET FINANCIAL ITEMS

Net financial items amounted to SEK –31.4 M (–36.4), an improvement due to low indebtedness and interest rates. During the fourth quarter indebtedness rose, however, in connection with the share redemption and related increase in interest expenses.

CASH FLOW AND INVESTMENTS

Cash flow from operating activities improved to SEK 527.0 M during the year, compared to SEK 485.3 M in 2004. The improvement in cash flow is less than the increase in working capital, which is partly due to tax payments. In 2004 a one-time repayment of SEK 53.5 M was received for tax previously paid in the UK for the years 2001–2003.

Investments in tangible fixed assets amounted to SEK 34.7 M (37.1) and in intangible fixed assets other than goodwill SEK 62.2 M (34.5). The Group is not engaged in any research and development other than the development of its IT systems. Investments for the year largely pertain to hardware and software for IT systems, mainly for production. Technological development is rapid and, if used correctly, new technical solutions can improve efficiency in receivables management. At the same time, demands are growing for customized IT solutions, and it is strategically important for Intrum Justitia to be able to continuously adapt to changes in demand. Investments during the year mainly refer to the implementation of a new production system in Norway and a discontinued project involving a new production system in the UK.

For the full-year 2006 the Group anticipates investments in tangible and intangible fixed assets of SEK 100–120 M.

Payments for purchases of written off-receivables amounted to SEK 821.7 M (266.8) during the year.

FINANCING

Net debt as of December 31, 2005 amounted to SEK 1,192.7 M, compared to SEK 480.2 M at year-end 2004. The increase is mainly due to share redemptions of SEK 590.5 M during the year.

Shareholders' equity including the minority share amounted to SEK 1,316.1 M, compared to SEK 1,531.0 M on December 31, 2004.

As of December 31, 2005 the Group had liquid assets of SEK 198.5 M, compared to SEK 338.3 M a year earlier. On December 31, 2005 unutilized credit facilities amounted to SEK 628.8 M. The corresponding figure on December 31, 2004 was SEK 385.8 M.

RISKS AND RISK MANAGEMENT

While not intended to be comprehensive, the following list presents a number of risk factors that are considered especially important in determining Intrum Justitia's future.

OPERATIONAL RISKS

Operations in many countries

The international scope of Intrum Justitia's business entails risks, mainly due to differences in laws and regulations, various tax and accounting principles and currency effects in the more than twenty countries where the Group is active.

There are major differences in legislation, culture, practices and market size between countries. To succeed in CMS throughout Europe requires a local presence and understanding of local conditions. Responsibility for managing and developing operations must lie to a significant extent with the Group's regions and national subsidiaries. The Group's development is therefore dependent on the knowledge, experience, integrity and commitment of local and regional management as well as Group Management's ability to oversee and control a decentralized organization.

Expansion in different countries

Future expansion may give rise to strains on managerial, operational and financial resources stemming, for example, from the recruitment and training of new employees and the management of additional offices, IT systems and client contacts.

Opportunities to successfully complete acquisitions are dependent on Intrum Justitia's ability to identify and evaluate acquisition targets and to effectively integrate them into existing operations. A potential acquisition may also depend on the approval of a government authority or other third party.

Changes in the regulatory environment

The CMS industry is regulated by various national statutes and regulations, which may also be affected by EU laws and directives. Changes in the regulatory environment may curtail Intrum Justitia's future operations or involve cost increases in order to comply with regulations. Because of these risks, Intrum Justitia continuously monitors the EU's regulatory work in order to call attention to potentially negative effects for European CMS companies and lobbies for favorable rule changes.

Cyclicality

While certainly not unaffected by economic conditions, the CMS industry, in Intrum Justitia's experience, has historically been affected less by economic fluctuations than many other industries thanks to "stabilizing factors" during both good times and bad. For Intrum Justitia, the effects of economic conditions in individual markets are also mitigated by the Group's geographic diversity.

During periods of economic growth the number of business transactions rises, as does lending in general and thus the number of invoices in circulation. Payment capacity also increases, and consequently the percentage of invoices that result in overdue receivables and debt collection cases falls. In absolute terms, the number of overdue receivables and collection cases usually rises, however, at the same time that improved payment capacity leads to better opportunities to collect debt.

Conversely, during recession, the number of business transactions and invoices decrease. Payment capacity is adversely affected, and consequently a larger proportion of invoices lead to overdue receivables and collection cases. The number of new cases decreases, while the number of debt surveillance cases rises and opportunities to collect worsen.

FINANCIAL RISKS

Risks inherent in purchased debt

As part of its operations, Intrum Justitia acquires portfolios of written-off consumer receivables and works actively to collect them. Unlike conventional collection operations, where Intrum Justitia works on behalf of clients in return for commissions and fees, in this case it assumes all the rights and risks associated with the receivables. The portfolios are purchased at prices below their nominal value, and Intrum Justitia retains the entire amount it collects, including interest and fees.

To minimize the risks in this business, Intrum Justitia exercises prudence in its purchase decisions. The focus is on small and medium-sized portfolios with relatively low average amounts, to help spread risks. Purchases are usually made from clients with whom the Group has maintained long relationships, so it is usually familiar with the receivables in question.

Intrum Justitia places high yield requirements on purchased portfolios. Before every acquisition a careful assessment is made based on a projection of future cash flows (collected amount) from the portfolio. In its calculations, Intrum Justitia is aided by its long experience in collection management and its scoring models. Intrum Justitia therefore feels that it has the expertise needed to evaluate these types of receivables.

Risks are also managed through limits on the scope and structure of purchased portfolios:

- The Group's total assets in purchased portfolios may not exceed SEK 1,200 M.
- No single portfolio may account for more than 25 percent of the total value of the portfolios.
- A maximum of 50 percent of total book value of the portfolios may originate from any one country.

To facilitate the purchase of larger portfolios at attractive risk levels, Intrum Justitia cooperates with other companies and shares in the equity investment and profits. To date two such cooperations have been established, with Calyon Corporate & Investment Bank in 2002 and with Goldman Sachs in 2003.

Guarantees in conjunction with the screening of credit card applications in Switzerland

As part of its service offering in Switzerland, Intrum Justitia screens new credit card applications on behalf of card issuers and guarantees payment to the issuers of the face value of the cardholder's debt in the event of nonpayment. The total value of the guaranteed debt amounted to SEK 945.9 M (833.4) at year-end. The principal risk is associated with credit card debt due for more than 30 days, which at year-end totaled SEK 12.3 M (9.8).

Intrum Justitia manages risk in this business through the implementation of strict credit limits on new cards and by an analysis of the credit status of card applicants. As of December 31, 2005 Intrum Justitia has allocated a provision of SEK 30.6 M (28.1) in its balance sheet to cover payments that may be required under the guarantees.

Currency fluctuations

Intrum Justitia operates in 22 countries. The results and financial position of subsidiaries are reported in the relevant foreign currencies and later translated into SEK for inclusion in the consolidated financial statements. Consequently, fluctuations in exchange rates affect the Group's earnings, shareholders' equity and other items in its accounts.

In each country purchased debt portfolio investments, all revenues and most operating expenses are denominated in local currency, due to which currency fluctuations have a limited impact on the company's operating earnings in that currency. Thus, revenues and expenses in the national currency are matched in a natural manner, limiting transaction exposure.

The translation of the balance sheets of foreign subsidiaries to SEK results in a balance sheet exposure that affects the size of the Group's shareholders' equity. Intrum Justitia has an exposure mainly through its net assets in euro, though also in UK Sterling and Swiss francs, and to a lesser extent in other currencies. The effect on shareholders' equity can be reduced by matching the assets valued in each local currency with the liabilities in the same currency, or through financial hedging. The Group's current policy is to not actively hedge its translation exposure. Refer also to Note 32.

Interest rate fluctuations

Intrum Justitia's net debt amounted to SEK 1,192.7 M (480.2) on December 31, 2005. Lending rates are tied to market interest rates. Maturities are short, generally three months. As a result, changes in market interest rates quickly impact the Group's financial net.

Sensitivity analysis

The following table illustrates the estimated effects on the Group of changes in several variables. The calculations should not be seen as an indication that these particular variables are more or less likely to change. Also, the calculations assume that all other factors that can affect the Group remain unchanged.

Payroll costs (incl. social security contributions)	**EBIT**
+ 1 percent	SEK –12.1 M
Value of Swedish krona vs. other currencies	**EBIT**
+ 1 percent	SEK –3.8 M
Interest rate on Intrum Justitia's net borrowings	**Earnings before tax**
+ 1 percentage point	SEK –11.9 M

TAX

The tax rate of 29.4 percent in the annual accounts is somewhat higher than the 25.0 percent previously estimated for the year.

The increase is due to a revaluation of a tax dispute in Norway, where SEK 8.1 M has been allocated for possible additional expenses, as well as to losses in England that do not have a corresponding positive tax effect. The tax expense in 2004 was positively affected by SEK 15.6 M for the reversal of a previously reported tax expense in the English company.

The Group's English company has tax loss carryforwards corresponding to SEK 297.5 M for which no deferred tax receivables are reported. The tax loss carryforwards can be offset against taxable earnings in the future without time constraints. There is no reason to believe other than that the tax loss carry forwards will eventually be utilized, but because the company reported a loss for the year no deferred tax receivables are reported in the accounts for reasons of prudence.

The Group's tax expense is dependent in part on how earnings are distributed between subsidiaries in different countries with different tax rates. For 2006 and forward, the tax expense is estimated at 25 percent of pre-tax earnings.

Subsequent to tax audits in Sweden, Norway and Finland, these respective tax authorities questioned the company's deduction of certain costs for the period 1998–2003. The company has appealed and considers that the tax authorities' claims will not result in any significant expenses for the company.

On December 22, 2005 the County Administrative Court in Stockholm ruled in favor of the Swedish subsidiary Intrum Justitia Sverige AB and against the tax authority on a dispute regarding the deductibility of intra-Group licensing fees. The ruling gained legal force in February 2006. Thereby, the company will avoid a tax reassessment of SEK 104.8 M, corresponding to a tax expense of SEK 29.3 M. Intrum Justitia had not allocated any provisions for additional tax expenses potentially resulting from this tax dispute, and the judgment therefore does not affect earnings in the annual accounts for 2005. The tax dispute is still continuing with regard to SEK 3.8 M in interest, among other items.

In October 2005 the subsidiary in Norway was reassessed for licensing fees for the years 1998–2002, corresponding to an additional tax expense of SEK 13.4 M, of which SEK 8.1 M was expensed in 2005. The company appealed to the tax authority in early January 2006.

The Finnish Tax Board ruled in favor of the subsidiary in Finland in 2004 in a dispute concerning the deductibility of certain interest expenses and liquidation results. The state's tax agent has appealed to the courts. The additional tax expense, if the tax authority should eventually win the dispute, amounts to SEK 21.8 M.

Fees and interest may be additional.

ACQUISITIONS

Following the ruling by the Irish High Court, the acquisition of Legal & Trade Collections (Ireland) Ltd (now named Intrum Justitia Collections (Ireland) Ltd) was finalized in 2005. During the year Intrum Justitia also acquired all the shares in the Slovakian company Creditexpress Slovakia s.r.o. (now Intrum Justitia Slovakia s.r.o.).

GOODWILL

Consolidated goodwill amounted to SEK 1,573.4 M, compared to SEK 1,505.8 M at year-end 2004. The change during the year is due to fluctuating exchange rates. All goodwill in the Group was tested for impairment at year-end 2005 with the results showing no need for writedowns.

Intangible fixed assets reported in the balance sheet as a result of an adjustment to the fair value of the net assets in acquired companies amount to SEK 19.6 M (0.0) and were amortized by SEK 4.9 M (0.0) during the year. This expense includes amortization in Ireland of SEK 4.3 M and in Slovakia of SEK 0.6 M.

HUMAN RESOURCES

The average number of employees during the year was 2,863 (2,945). The number of employees decreased mainly in the English subsidiary, while further staff were recruited in Spain to handle previously outsourced operations and to work with purchased debt portfolios.

ENVIRONMENTAL IMPACT

The company has no operations requiring licensing or notification according to Sweden's environmental code. Intrum Justitia's environmental impact is considered small, since the Group is engaged in office-based operations. Moreover, in most countries the Group has a policy designed to minimize environmental impact, for example, by steering the choice of transports and travel toward alternatives with less environmental impact and by utilizing video and web conferencing.

MARKET AND OUTLOOK

Economic activity in Europe is expected to remain high in 2006, as will consumer spending. A further increase in debt levels can therefore be anticipated.

As a whole, market development in 2006 should benefit Intrum Justitia with the opportunity to increase volumes in its core business and good collection results.

For 2006 to be successful, it is also important that the Group takes advantage of opportunities in the *Purchased Debt* service line.

FINANCIAL TARGETS

The Group's long-term financial target is to achieve average organic growth of at least 10 percent per year over a business cycle. Moreover, the Group actively seeks opportunities to grow through selective acquisitions.

The Group's other financial target is a net debt/equity ratio (interest-bearing net debt as a percentage of shareholders' equity and minority interests) that does not exceed 100 percent over the long term.

PARENT COMPANY

The publicly listed Parent Company, Intrum Justitia AB (publ), owns the subsidiaries, provides the Group's head office functions, and handles certain Group-wide development, services and marketing activities.

The Parent Company had revenues of SEK 29.0 M (39.0) and reported pre-tax earnings of SEK 2.2 M (–67.5).

The Parent Company invested SEK 0.7 M (0.5) in fixed assets during the year and had liquid assets of SEK 0.0 M (7.7) at year-end. The average number of employees was 23 (23).

EVENTS AFTER CLOSING DATE

New legal structure

In January 2006 the Group modified its legal structure, whereby most of its operating subsidiaries, which were previously owned through a wholly owned holding company in the Netherlands, are now owned directly by the Parent Company, Intrum Justitia AB. The restructuring provides more efficient controls, simplifies administration and makes it possible for profit-generating subsidiaries to pay dividends directly to the Group's Parent Company.

Nomination Committee's proposal to Annual General Meeting 2006

On February 1, 2006 the Nomination Committee announced its proposal to increase the number of Board Members to eight. The Nomination Committee has proposed the re-election of Sigurjón Th. Árnason, Helen Fasth-Gillstedt, Lars Förberg, Bo Ingemarson and Jim Richards and election of Lars Lundquist, Michael Wolf and Lars Wollung as new Board Members. Björn Fröling and Leif Palmdahl have declined re-election. Furthermore, the Nomination Committee proposes the election of Lars Lundquist as Chairman of the Board and Bo Ingemarson as Deputy Chairman. Further information on the Nomination Committee and its proposals can be found in the corporate governance report on page 64 and on the Company's web site, www.intrum.com.

OTHER

Shareholders

The company's largest shareholders as of December 31, 2005 were Landsbanki Íslands, Parkerhouse Investments and Cevian Capital. Please refer to the table on page 27.

THE WORK OF THE BOARD OF DIRECTORS

According to Intrum Justitia's Articles of Association, the Board of Directors shall consist of no less than five and no more than nine members with no more than four deputies. The Annual General Meeting on April 27, 2005 elected eight Board members and no deputies. Due to changes in ownership, two Board members resigned (Gerard De Geer and Christian Salamon). Following the election at the Extraordinary General Meeting on November 24, 2005, the Board of Directors consists of seven members: Bo Ingemarson, Björn Fröling, Sigurjón Th. Árnason (newly elected), Helen Fasth-Gillstedt, Lars Förberg, Leif Palmdahl and Jim Richards, with no deputies.

The composition of the Board of Directors complies with the requirements in the Swedish Code of Corporate Governance and Stockholmsbörsen's requirements regarding the number of independent directors in relation to the company, management and principal shareholders.

The Board has established an Audit Committee and a Remuneration Committee. These committees are subordinate to the Board and do not relieve the members of the Board of any of their duties and obligations. There is otherwise no overall delegation of the Board's work between its members.

The Board's rules of procedure

At its meeting every year following the Annual General Meeting, the Board reassesses and establishes the rules of procedure for its work, including instructions on the delegation of responsibilities between the Board, the President and the committees within the Board, as well as on the format for the company's financial reporting.

The rules of procedure are based on the Swedish Companies Act's guidelines on the overall responsibilities of the Board of Directors and President and otherwise on the decision-making procedure approved by the Board.

Board meetings

The Board meets regularly in accordance with the schedule laid down in the rules of procedure, which also includes recurring decision points. The decisions of the Board are made after an open discussion led by the Chairman.

In 2005 the Board held 11 meetings (previous year 14).

Audit Committee

The purpose of the Audit Committee is to ensure a high standard of quality in audits of the company and the Group and to facilitate contacts between the Board of Directors and the company's auditor. The committee also works to improve quality in the monitoring and control of the company's financial exposure and risk management.

The Audit Committee consists of three members of the Board, who in 2005 were Björn Fröling (Chairman), Bo Ingemarson, Maria Lilja (through April 27, 2005) and Helen Fasth-Gillstedt (from April 27, 2005). The company's CFO and the auditor elected by the Annual General Meeting are co-opted to the committee's meetings, as is the Group Chief Accountant when necessary. The Audit Committee met four times in 2005. The Audit Committee reports to the Board, which makes the final decisions.

Remuneration Committee

The purpose of the Remuneration Committee is to evaluate the Group's overall remuneration structure, fixed and variable remuneration components, and other benefits to senior executives and executives who report directly to the President.

In 2005 the Remuneration Committee consisted of three Board members until April 27, and two thereafter. The Remuneration Committee's members in 2005 were Bo Ingemarson (Chairman), Lars Förberg and Reinhold Geijer (through April 27, 2005). The company's human resources director and, when necessary, the President, attend the committee's meetings. In 2005 the committee met seven times. The Group strictly applies the grandfather principle. The Remuneration Committee reports to the Board, which makes the final decisions.

Other

More information on the work of the Board of Directors and its committees can be found in the corporate governance report on page 64. More information on internal control of financial reporting can be found in the Board's report hereon on page 70.

Proposed disposition of profit

The following funds in the Parent Company are at the disposition of the Annual General Meeting:

SEK	
Retained earnings	834,912,996
Net earnings for the year	3,468,797
Total	**838,381,793**

Retained earnings from the previous year have been increased by Group contributions received during the year, which amounted to SEK 66,240,000, net, after tax.

The Board of Directors and the President propose that the earnings be distributed as follows:

SEK	
Dividend, 77,956,251 shares x SEK 2.25	175,401,565
Balance carried forward	662,980,228
Total	**838,381,793**

The Board of Directors' complete statement motivating the proposed disposition of profit for the financial year 2005 in accordance with the Swedish Companies Act is presented in a separate document available at www.intrum.com. It states, among other things, that the proposed dividend is in line with the company's dividend policy and that the Board, having considered the nature of the company's operations, its scope and risks, as well as the company's and the Group's consolidation requirements, liquidity and financial position in other respects, has found no indications that the proposed dividend is unjustified.

The financial reports have been approved for release on March 16, 2006 by the Board of Directors of the Parent Company, which proposes their adoption by the Annual General Meeting on April 25, 2006.

For further information on the earnings and financial position of the Parent Company and the Group, refer to the income statements, balance sheets, cash flow statements, summary of changes in shareholders' equity and accompanying notes that follow.

To the best of our knowledge, the annual report has been prepared in accordance with generally accepted accounting standards for listed companies. The information that is provided reflects actual conditions, and nothing of significance has been omitted that could affect the impression of the Parent Company and the Group created by the annual report.

Stockholm, Sweden, March 16, 2006

Bo Ingemarson
Chairman

Björn Fröling

Sigurjón Th. Árnason

Helen Fasth-Gillstedt

Lars Förberg

Leif Palmdahl

Jim Richards

Jan Roxendal
President and CEO

Our Audit Report was submitted on March 17, 2006.

KPMG Bohlins AB

Carl Lindgren
Authorized Public Accountant

Income statements

SEK M	Note	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Revenues	2, 3	2,823.2	2,740.5	29.0	39.0
Cost of sales		–1,679.6	–1,598.1	0.0	–2.2
Gross earnings		**1,143.6**	**1,142.4**	**29.0**	**36.8**
Sales and marketing expenses		–273.1	–304.1	–17.5	–21.0
General and administrative expenses		–367.6	–410.5	–68.2	–98.8
Participations in associated companies	5	0.7	2.8	–	–
Operating earnings (EBIT)	2, 4	**503.6**	**430.6**	**–56.7**	**–83.0**
Financial income	6	15.0	11.1	93.8	42.1
Financial expenses	7	–46.4	–47.5	–34.9	–26.6
Net financial items		**–31.4**	**–36.4**	**58.9**	**15.5**
Earnings before tax		**472.2**	**394.2**	**2.2**	**–67.5**
Tax	8	–138.6	–70.8	1.3	14.0
Net earnings for the year		**333.6**	**323.4**	**3.5**	**–53.5**
Of which attributable to:					
Parent Company's shareholders		320.6	313.1		
Minority interests		13.0	10.3		
Net earnings for the year		**333.6**	**323.4**		

Data per share, SEK	2005	2004
Share price at end of period	73.25	51.50
Earnings per share before dilution	3.84	3.68
Equivalent value, excl. C shares	3.94	3.68
Earnings per share after dilution	3.81	3.68
Average number of shares before dilution, ’000	83,483	84,986
Equivalent value, excl. C shares	81,442	84,986
Average number of shares after dilution, ’000	84,156	84,986
Number of shares at end of period, ’000	77,956	84,986

The dilution effect in earnings per share is an effect of the Group’s employee stock option program (see Note 27) and corresponds to 673,038 shares for the year 2005. For the year 2004 the employee stock options did not result in any dilution of earnings since the share’s average market value was less than the present value of the option premium.

Further information on the share can be found on pages 26–27. For definitions, see page 24.

Balance sheets

SEK M	Note	Group Dec. 31 2005	Group Dec. 31 2004	Parent Company Dec. 31 2005	Parent Company Dec. 31 2004
ASSETS					
Fixed assets					
Intangible fixed assets	9				
Capitalized expenditure for IT development and other intangibles		123.5	104.2	1.4	1.4
Goodwill		1,573.4	1,505.8	–	–
Total intangible fixed assets		**1,696.9**	**1,610.0**	**1.4**	**1.4**
Tangible fixed assets	10				
Computer hardware		36.9	38.0	0.1	0.2
Other equipment		44.3	48.7	0.5	0.4
Total tangible fixed assets		**81.2**	**86.7**	**0.6**	**0.6**
Financial fixed assets					
Shares and participations in subsidiaries	11	–	–	600.9	600.9
Shares and participations in associated companies	13	5.2	4.3	–	–
Shares and participations in other companies	14	0.3	0.2	–	–
Purchased debt	15	933.0	407.0	–	–
Deferred tax assets	8	24.9	50.8	–	2.8
Receivables from Group companies		–	–	1,335.5	922.7
Other long-term receivables	16	2.0	7.3	–	1.4
Total financial fixed assets		**965.4**	**469.6**	**1,936.4**	**1,527.8**
Total fixed assets		**2,743.5**	**2,166.3**	**1,938.4**	**1,529.8**
Current assets					
Current receivables					
Accounts receivable	17	362.2	345.9	0.2	–
Client funds		464.2	397.3	–	–
Tax assets		28.6	3.0	–	0.6
Receivables from Group companies		–	–	1,681.5	281.2
Other receivables	17	263.0	287.2	7.0	6.5
Prepaid expenses and accrued income	17	76.0	81.1	19.6	1.5
Total current receivables		**1,194.0**	**1,114.5**	**1,708.3**	**289.8**
Cash and cash equivalents		**198.5**	**338.3**	**0.0**	**7.7**
Total current assets		**1,392.5**	**1,452.8**	**1,708.3**	**297.5**
TOTAL ASSETS		**4,136.0**	**3,619.1**	**3,646.7**	**1,827.3**

SEK M	Note	Group Dec. 31 2005	Group Dec. 31 2004	Parent Company Dec. 31 2005	Parent Company Dec. 31 2004
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity in Parent Company					
Restricted equity					
Share capital		–	–	1.6	1.7
Statutory reserve/Share premium reserve		–	–	282.4	872.8
Total restricted equity		**–**	**–**	**284.0**	**874.5**
Non-restricted equity					
Retained earnings		–	–	834.9	828.1
Net earnings for the year		–	–	3.5	–53.5
Total non-restricted equity		**–**	**–**	**838.4**	**774.6**
Total shareholders' equity in Parent Company		**–**	**–**	**1,122.4**	**1,649.1**
Shareholders' equity in the Group					
Shareholders' equity attributable to Parent Company's shareholders					
Share capital		1.6	1.7	–	–
Other paid-in capital		794.9	1,377.8	–	–
Reserves		39.6	–11.1	–	–
Retained earnings		448.4	133.8	–	–
Total shareholders' equity attributable to Parent Company's shareholders		**1,284.5**	**1,502.2**	**–**	**–**
Shareholders' equity attributable to minority		31.6	28.8	–	–
Total shareholders' equity in the Group		**1,316.1**	**1,531.0**	**–**	**–**
Long-term liabilities					
Liabilities to credit institutions	20	1,348.0	731.3	1,346.3	–
Liabilities to Group companies		–	–	–	10.1
Other long-term liabilities		10.4	9.6	1.6	1.0
Provisions for pensions	18	34.9	32.4	–	–
Deferred tax liabilities	8	26.2	22.3	–	–
Other long-term provisions	19	5.2	6.3	–	–
Total long-term liabilities		**1,424.7**	**801.9**	**1,347.9**	**11.1**
Current liabilities					
Liabilities to credit institutions	20	7.0	53.9	2.0	–
Client funds payable		464.2	397.3	–	–
Accounts payable		198.3	195.2	2.7	4.8
Income tax liabilities		100.0	37.2	17.6	–
Advances from customers		28.1	30.1	–	–
Liabilities to Group companies		–	–	1,133.0	140.4
Other current liabilities		240.7	223.6	1.2	2.2
Accrued expenses and prepaid income	21	348.2	340.8	19.9	19.7
Other short-term provisions	19	8.7	8.1	–	–
Total current liabilities		**1,395.2**	**1,286.2**	**1,176.4**	**167.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,136.0**	**3,619.1**	**3,646.7**	**1,827.3**

For a description of changes in equity, refer to the report on page 39.

Cash flow statements

SEK M	Note	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Operating activities					
Operating earnings	2	503.6	430.6	–56.7	–83.0
Depreciation/amortization	4	87.6	99.3	0.7	0.9
Adjustment for expenses not included in cash flow	2	40.1	16.1	–	–
Interest received		14.2	11.1	93.8	42.1
Interest paid and other financial expenses		–38.3	–46.0	–31.5	–23.1
Income tax paid		–74.7	–15.3	–3.4	0.0
Cash flow from operating activities before changes in working capital		**532.5**	**495.8**	**2.9**	**–63.1**
Changes in working capital		5.6	59.9	–30.6	1.4
Repayments in England of non-allocated receipts		–11.1	–70.4	–	–
Cash flow from operating activities		**527.0**	**485.3**	**–27.7**	**–61.7**
Investing activities					
Purchases of tangible fixed assets		–34.7	–37.1	–0.3	–0.1
Purchases of intangible fixed assets		–62.2	–34.5	–0.4	–0.4
Debt purchases		–821.7	–266.8	–	–
Amortization of purchased debt		327.3	186.4	–	–
Purchases of subsidiaries and other companies	33	–0.1	–27.8	–	–
Other cash flow from investing activities		0.0	2.8	0.0	1.6
Cash flow from investing activities		**–591.4**	**–177.0**	**–0.7**	**1.1**
Financing activities					
Borrowing		1,348.8	0.0	1,348.8	0.0
Amortization of loans		–830.5	–218.5	0.0	–131.6
Net loans to subsidiaries		–	–	–731.6	199.9
Share redemption		–590.5	–	–590.5	–
Expenses for share redemption		–6.0	–	–6.0	–
Share dividend to minority owners		–12.9	–	–	–
Cash flow from financing activities		**–91.1**	**–218.5**	**20.7**	**68.3**
Change in liquid assets		**–155.5**	**89.8**	**–7.7**	**7.7**
Opening balance of liquid assets		**338.3**	**243.2**	**7.7**	**0.0**
Exchange rate differences in liquid assets		15.7	5.3	–	–
Closing balance of liquid assets		**198.5**	**338.3**	**0.0**	**7.7**
Unutilized credit lines		628.8	385.8		
Available liquidity		**827.3**	**724.1**		

Changes in shareholders' equity

Group, SEK M	Number of shares outstanding	Share capital	Other paid-in capital	Reserves	Retained earnings	Total	Minority interests	Total share-holders' equity
		Shareholders' equity attributable to Parent Company's shareholders						
Opening balance, January 1, 2004	**84,985,604**	**1.7**	**1,372.8**	**0.0**	**–179.3**	**1,195.2**	**18.6**	**1,213.8**
Exchange rate differences				–11.1		–11.1	–0.1	–11.2
Effect of option program			5.0			5.0		5.0
Net earnings for the year					313.1	313.1	10.3	323.4
Closing balance, December 31, 2004	**84,985,604**	**1.7**	**1,377.8**	**–11.1**	**133.8**	**1,502.2**	**28.8**	**1,531.0**
Exchange rate differences				50.7		50.7	2.7	53.4
Effect of option program			7.5			7.5		7.5
Share dividend in subsidiary with minority shareholders						0.0	–12.9	–12.9
Share redemption	–7,029,353	–0.1	–590.4			–590.5		–590.5
Transaction expenses for share redemption					–8.3	–8.3		–8.3
Tax effect of transaction expenses					2.3	2.3		2.3
Net earnings for the year					320.6	320.6	13.0	333.6
Closing balance, December 31, 2005	**77,956,251**	**1.6**	**794.9**	**39.6**	**448.4**	**1,284.5**	**31.6**	**1,316.1**

Accumulated exchange rate differences recognized in equity since the transition to IFRS amounted to SEK 39.6 M (–11.1) on December 31, 2005. The exchange rate difference during the year was not affected by hedges.

The share capital as of December 31, 2005 comprised 77,956,251 shares. All shares carry equal voting rights.

Other paid-in capital refers to equity contributed by the owners or arising as an effect of the Group's employee stock option program.

Reserves refer exclusively to the translation reserve, which contains exchange rate differences arising as of January 1, 2004 from the translation of financial reports from foreign operations as well as long-term intra-Group receivables and liabilities that represent an increase or decrease in the Group's net investment in the foreign operations.

Retained earnings refer to earnings in the Parent Company and subsidiaries, associated companies and joint ventures.

Parent Company, SEK M	Number of shares outstanding	Share capital	Share Premium/ Statutory reserve	Retained earnings	Earnings for the year	Total share-holders' equity
Opening balance, January 1, 2004	**84,985,604**	**1.7**	**1,372.8**	**245.1**	**–10.6**	**1,609.0**
Disposition of previous year's earnings				–10.6	10.6	0.0
Reduction in share premium reserve			–500.0	500.0		0.0
Group contribution received from Intrum Justitia International AB				130.0		130.0
Tax effect of Group contribution				–36.4		–36.4
Net earnings for the year					–53.5	–53.5
Closing balance, December 31, 2004	**84,985,604**	**1.7**	**872.8**	**828.1**	**–53.5**	**1,649.1**
Disposition of previous year's earnings				–53.5	53.5	0.0
Share redemption	–7,029,353	–0.1	–590.4			–590.5
Transaction expenses for share redemption				–8.3		–8.3
Tax effect of transaction expenses				2.3		2.3
Group contribution received from Intrum Justitia International AB				92.0		92.0
Tax effect of Group contribution				–25.7		–25.7
Net earnings for the year					3.5	3.5
Closing balance, December 31, 2005	**77,956,251**	**1.6**	**282.4**	**834.9**	**3.5**	**1,122.4**

Notes

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

Accounting recommendations applied

The annual report for Intrum Justitia AB (publ) is prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU Commission for application within the EU. The annual report for 2005 contains Intrum Justitia's first complete financial reports prepared in accordance with IFRS. In connection with the transition from the previous accounting principles to reporting according to IFRS, the Group has applied *IFRS 1 First-time Adoption of International Financial Reporting Standards*. Further, the Swedish Financial Accounting Standards Council's recommendation *RR 30 on complementary accounting rules for groups* has been applied.

The Parent Company applies the same accounting principles as the Group except in the cases noted below under the section on the Parent Company's accounting principles.

Note 36 provides a list of explanations on how the transition to IFRS has affected the Group's financial results and position.

Assumptions

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and for the Group. This means that the financial reports are presented in SEK. All amounts, unless indicated otherwise, are rounded off to the nearest million, with one decimal. Assets and liabilities are carried at historical cost, with the exception of certain financial assets and liabilities, which are carried at fair value.

Non-current assets and disposal groups held for sale are carried at the lower of their previous carrying amount and fair value after deducting costs to sell.

The preparation of financial reports in accordance with IFRS requires Management to make estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and a number of other factors that under current circumstances seem reasonable. The result of these estimates and assumptions is then used to determine the carrying amount of assets and liabilities that otherwise is not clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly, and the effect on carrying amounts is recognized through profit or loss. Changes in estimates are reported in the period in which the change is made, provided it has affected only this period, or the period the change was made and future periods if the change affects both current and future periods.

Estimates made by Management in the application of IFRS that have a significant impact on the financial reports and estimations that may necessitate significant adjustments in financial reports in subsequent years are described in more detail in Notes 35 and 36.

The accounting principles described below for the Group have been applied consistently for all periods presented in the Group's financial reports, unless otherwise indicated below, and in the preparation of the Group's opening balance sheet according to IFRS as of January 1, 2004, which explains the transition from previous accounting principles to the accounting principles according to IFRS. The Group's accounting principles have been applied consistently in the consolidation of the Parent Company, subsidiaries, associated companies and joint ventures.

The annual report and consolidated accounts have been approved for release by the Board of Directors on March 16, 2006. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 25, 2006 for adoption.

Changes in accounting principles

The transition to reporting according to IFRS has been reported for the Group according to *IFRS 1* and is described in Note 36. In accordance with the voluntary exemptions in IFRS 1, *IAS 39 Financial Instruments*: *Recognition and Measurement*, *IFRS 4 Insurance Contracts* and *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* are not applied to the comparative figures for 2004 and are only used looking forward as of January 1, 2005. However, the Group's new accounting principles for purchased debt, which are based on Intrum Justitia's interpretation of IAS 39, are applied as well to the comparative figures for 2004. The application of IAS 39 has otherwise had only a marginal effect, since the Group's derivatives have short maturities.

The EU Commission has approved an amendment to *IAS 19 Employee Benefits* whereby actuarial gains and losses on defined benefit pensions may be recognized directly in equity. The new rules are not applied by Intrum Justitia in the annual accounts for 2005. As the Group has only limited defined benefit pensions, the effect is not expected to be significant. The Group has no defined-benefit pensions in Sweden (except ITP pensions via Alecta, which are reported as defined contribution) and therefore is not impacted by the question of how Sweden's special employer's contribution on actuarial gains and losses is treated.

Classification issues

Non-current assets and long-term liabilities in the Parent Company and the Group consist of amounts that are expected to be recovered or paid more than twelve months after the closing day. Current assets and current liabilities in the Parent Company and the Group consist of amounts that are expected to be recovered or paid within twelve months of the closing day.

Consolidation

The consolidated accounts include the annual accounts of all subsidiaries. A subsidiary is a company in which the Parent Company, directly or indirectly, holds more than 50 percent of the votes or otherwise can exercise a decisive influence over operations. Decisive influence means, directly or indirectly, the right to shape a company's financial and operating strategies in order to obtain economic benefits.

The consolidated accounts are prepared according to the acquisition method, which means that the acquisition of a subsidiary is treated as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The Group's equity therefore includes only the portion of the subsidiary's equity added since acquisition. The Group's cost is determined through an acquisition analysis in connection with the acquisition. The analysis determines the cost of the shares or operations as well as the fair value of acquired, identifiable assets and assumed liabilities and contingent liabilities. The cost of the subsidiary's shares or operations consists of the fair value of the compensation on the transfer date and transaction expenses directly attributable to the acquisition. In acquisitions where the cost exceeds the net value of acquired assets and assumed liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is recognized directly through profit or loss.

The financial reports of subsidiaries are included in the consolidated accounts from the acquisition date until the decisive influence ceases.

Intra-Group receivables and liabilities, revenue and expenses, and unrealized gains and losses that arise from intra-Group transactions within the Group are eliminated in their entirety in the preparation of the consolidated accounts.

Unrealized gains that arise from transactions with associated companies and joint ventures are eliminated to the extent they correspond to the Group's ownership interest in the company. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there is an indication of impairment.

Transactions in foreign currency

In the annual accounts for 2004 and 2005, the following exchange rates versus the Swedish krona have been used for the Group's most important currencies:

	Closing day rate Dec. 31 2005	Closing day rate Dec. 31 2004	Average rate for 2005	Average rate for 2004
CHF	6.0543	5.8373	5.9971	5.8996
EUR	9.4228	9.0052	9.2849	9.1154
GBP	13.7141	12.6905	13.5782	13.3836
NOK	1.1751	1.0871	1.1601	1.0889

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated from the foreign operations' functional currency to the Group's reporting currency, Swedish kronor, at the closing day exchange rate. Revenue and expenses in foreign operations are translated to

SEK at the average rate, which serves as an approximation of the rate that applied on each transaction date. Translation differences arise in the translation of subsidiary accounts in part because the closing day rate changes between closing days and in part because the average rate deviates from the closing day rate. Translation differences are recognized directly in equity as a translation reserve.

Long-term receivables and liabilities between the Parent Company and its subsidiaries can be seen as an extension or reduction of the net investment in each company. Such receivables and liabilities are therefore reported at acquisition cost in the Parent Company, while translation differences incurred on such receivables and liabilities in the consolidated accounts are recognized directly in equity.

When foreign operations are sold, cumulative translation differences attributable to those operations are realized after deducting any currency hedges in the consolidated income statement.

With regard to foreign operations, the company has chosen to zero all cumulative translation differences attributable to the period prior to January 1, 2004, the date of transition to IFRS.

Group companies prepare their accounts in the local functional currency in the country where they have their operations. Transactions in a currency other than the local currency are recognized at the exchange rate in effect on the transaction day. When such transactions are offset or settled, the exchange rate may deviate from the one that applied on the transaction day, in which case a (realized) exchange rate difference arises. Moreover, monetary assets and liabilities in foreign currency are translated at the closing day rate on each closing day, due to which an (unrealized) exchange rate difference arises. Both realized and unrealized exchange rate differences of this type are recognized in the income statement – in operating earnings if, for example, they refer to accounts receivable or accounts payable, but in net financial items if they refer to financial investments and borrowing in foreign currency.

To avoid exchange rate differences, receivables and liabilities in foreign currency are sometimes hedged through the use of forward exchange contracts. The Group's holding of forward exchange contracts is marked to market on each closing day, and changes in value are recognized through profit or loss.

In 2005 the Group did not hedge any other flow exposure pertaining to anticipated receipts or disbursements in foreign currency.

Financial assets and liabilities

A financial instrument is defined as any form of agreement giving rise to a financial asset in a company and a financial liability or equity instrument in a counterparty.

Financial instruments are carried and recognized in the Group in accordance with the rules in *IAS 39*.

Financial assets carried in the balance sheet include, on the asset side, cash and bank balances, accounts receivable and other equity instruments, loans receivable, purchased debt and derivatives. Client funds are reported on a separate line in the balance sheet and therefore are not included in the Group's reported liquid assets. Included among liabilities and equity are accounts payable, client funds payable, debt and equity instruments in issue, loan liabilities and derivatives.

Financial instruments are initially recognized at cost, corresponding to the instrument's fair value plus transaction expenses for all financial instruments with the exception of those in the category financial assets at fair value through profit or loss, which are recognized at fair value excluding transaction expenses. Subsequent measurement depends on how they are classified, as indicated below.

A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instrument's contractual terms. Accounts receivable are recognized in the balance sheet when an invoice has been sent. Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade accounts payable are recognized when an invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement has been discharged or otherwise extinguished. The same applies to part of a financial liability.

The fair value of listed financial assets corresponds to their listed market price on the closing day. The fair value of unlisted financial assets is determined by using valuation techniques, e.g., recently conducted transactions, the price of similar instruments and discounted cash flows. For further information, see Note 32.

On each reporting date, the company evaluates whether there are objective indications that a financial asset or pool of financial assets is impaired.

IAS 39 classifies financial instruments in categories. The classification depends on the intent behind the acquisition of the financial instrument. Management determines the classification upon initial acquisition. The categories are as follows:

- *Financial assets at fair value through profit or loss.* Financial assets held for trading and other financial assets that the company initially decided to place in this category. The assets are consistently carried at fair value with changes in value recognized through profit or loss.
- *Loans receivable and accounts receivable.* Receivables arise when the company provides money, goods or services directly to the debtor without the intent to trade its claim. The category also includes acquired receivables. Assets in this category are carried at amortized cost. Amortized cost is determined based on the effective interest rate calculated and determined on the acquisition date.
- *Held-to-maturity investments.* Financial assets with fixed or determinable payment streams and a fixed maturity that the company has a positive intention to hold to maturity. Assets in this category are carried at amortized cost according to effective rate model.
- *Available-for-sale financial assets.* This includes financial assets that cannot be classified in any other category or financial assets that the company initially chose to classify in this category. They are carried at fair value with changes in value taken in equity. Intrum Justitia reports no assets in this category.
- *Financial liabilities at fair value through profit or loss.* This category consists of financial liabilities held for trading and derivatives (independent and embedded) not used for hedge accounting. Liabilities in this category are carried at fair value with changes in value recognized through profit or loss.
- *Other financial liabilities*. Financial liabilities not held for trading are carried at amortized cost.
- *Derivatives used for hedge accounting.* All derivatives are recognized at fair value in the balance sheet. Changes in value are recognized through profit or loss for fair value hedges. For cash flow hedges and hedges of a net investment in foreign currency, changes in value are recognized in equity until the hedged item is recognized through profit or loss. Intrum Justitia does not apply hedge accounting.

Long-term receivables and other receivables

Long-term receivables and other current receivables are receivables that arise when the company provides money without the intent to trade its claim. If the anticipated maturity is longer than one year they constitute long-term receivables, and if it is shorter they are other receivables. These receivables fall into the category loans receivable and accounts receivable.

Accounts receivable

Accounts receivable are classified in the category loans receivable and accounts receivable. Accounts receivable are recognized at the amount expected to be received after deducting doubtful claims, which are evaluated individually. The anticipated maturity of accounts receivable is short, due to which they are carried at nominal amount without discounting. Provisions for doubtful accounts receivable are recognized as costs to sell.

Receivables for reimbursable court costs

The Group receives compensation for the court and legal costs incurred in the United Kingdom when unpaid receivables are collected, assuming that collection is successful. These costs are deducted from the amount collected. The portion of paid court and solicitors' costs that are assessed and could be recovered in this manner is reported as a receivable based on a review of ongoing court cases when closing the accounts.

Client funds

Client funds, which are reported as receivables and liabilities in the balance sheet, represent cash received on collection of a specific debt on behalf of a client and payable to the client within a specified period. Client funds are liquid funds with a restricted disposition right. The same amount is reported as a liability.

Liquid assets
Liquid assets consist of cash and cash equivalents as well as immediately available balances with banks and similar institutions. The Group has no short-term investments.

Liabilities
Liabilities are classified as other financial liabilities, which means that they are initially recognized at the amount received after deducting transaction expenses. Subsequent to acquisition, loans are carried at amortized cost according to the effective rate method. Long-term liabilities have an anticipated maturity of more than one year, while short-term liabilities have a maturity of less than one year.

Accounts payable
Accounts payable are classified in the category other financial liabilities. Accounts payable have a short anticipated maturity and are carried without discounting at nominal amount.

Derivatives and hedge accounting
Derivatives include forward exchange contracts, options and swaps utilized to cover risks associated with changes in exchange rates and exposure to interest rate risks. Derivatives are also contractual terms embedded in other agreements. Embedded derivatives are recognized separately if they are not closely related to the host agreement. Changes in the value of derivatives, independent or embedded, are recognized through profit or loss based on the purpose of the holding. If the derivative is used for hedge accounting, to the extent it is effective its value changes are recognized on the same line in the income statement as the hedged item. Value increases and decreases in the derivative are recognized, even if hedge accounting is not applied, as income/expenses in operating earnings or within net financial items, based on the purpose of the derivative and whether its use is related to an operating or financial item.

The Group does not meet the conditions to apply hedge accounting according to *IAS 39*.

Forward exchange contracts are used to hedge assets or liabilities against foreign exchange risks. Hedge accounting is not needed for these hedges because the hedged item and the hedging instrument are carried at fair value with changes in value recognized through profit or loss with regard to exchange rate differences. Changes in the value of operations-related receivables and liabilities are recognized in operating earnings, while changes in the value of financial receivables and liabilities are recognized in net financial items.

Goodwill
Goodwill represents the difference between the cost of an acquisition and the fair value of the acquired assets, assumed liabilities and contingent liabilities.

If the Group's cost of the acquired shares in a subsidiary exceeds the market value of the subsidiary's net assets according to the acquisition analysis, the difference is recognized as Group goodwill. The goodwill that can arise through acquisitions of operations other than through a purchase of shares is recognized in the same way.

For acquisitions where the cost is less than the net value of acquired assets and assumed and contingent liabilities, the difference is recognized directly through profit or loss.

The fair value of goodwill is determined annually for each cash-generating unit in relation to the unit's performance and anticipated future cash flow. If deemed necessary, goodwill is impaired on the basis of this evaluation.

Goodwill that arises from the acquisition of a company outside Sweden is classified as an asset in the foreign company's local currency and translated in the consolidated accounts at the closing day rate.

For acquisitions that took place prior to January 1, 2004, goodwill is reported after impairment testing at cost, which represents recognized value according to previous accounting principles. The classification and the accounting treatment of acquisitions that took place prior to January 1, 2004 have not been reassessed according to *IFRS 3* in the preparation of the Group's opening balance according to IFRS as of January 1, 2004.

Development costs for information systems
Costs associated with IT development are generally expensed as incurred. Cases where the costs of development can be attributed to identifiable assets that will be controlled by the Group and have a period of use extending beyond one year are capitalized and recognized as intangible assets. Such costs include staff costs for the development team and other directly related costs.

Expenditures that enhance and extend the functionality of computer software programs beyond their original useful lives are recognized as a capital improvement and added to the carrying amount of the underlying intangible asset.

IT development costs that are recognized as intangible assets are amortized using the straight-line method over their useful lives, not exceeding a period of five years.

Costs associated with the maintenance of existing computer software are expensed as incurred.

Tangible fixed assets
Tangible fixed assets are recognized in the balance sheet at accumulated depreciation less impairment losses. Cost includes the purchase price and costs directly attributable to putting the asset into place and condition to be utilized in accordance with the purpose of the purchase. Examples of directly attributable costs included in cost are delivery and handling, installation, consulting services and legal services. Borrowing costs are not included in cost of produced fixed assets. Depreciation is booked on a straight-line basis over an asset's anticipated period of use as follows:

Leasehold improvements of others' properties	Over lease term (1–5 years)
Furniture, vehicles and equipment	3–5 years
Computers	3–5 years

The carrying amount of a tangible fixed asset is excluded from the balance sheet when the asset is sold or disposed of or when no future economic benefits are expected from its use or disposal of the asset. The gain or loss that arises on the sale or disposal of an asset is comprised of the difference between the sales price and the asset's carrying amount less direct costs to sell. Gains and losses are recognized as other operating earnings.

An annual determination is made of each asset's residual value and a period of use.

Tangible fixed assets are recognized as an asset in the balance sheet if it is likely that the future economic benefits will accrue to the company and the cost of the asset can be reliably estimated.

Leasing
IAS 17 Leases is applied to the reporting of leased assets. Leasing is classified in the consolidated accounts as either finance or operating leasing.

When a lease means that the Group, as lessee, essentially enjoys the economic benefits and bears the economic risks attributable to the leased asset, it is classified as a finance lease. As such, the leased asset is recognized in the balance sheet as a fixed asset, while the estimated present value of future lease payments is recognized as a liability. The portion of the lease fee that falls due for payment within one year is recognized as a current liability, while the remainder is recognized as a long-term liability. For each lease payment, the actual lease fee is separated from the related interest charge. Interest expenses are recognized over the lease term as a financial expands. Fixed assets acquired through financial leasing are depreciated over the asset's period of use.

In operating leasing, lease payments are expensed over the lease term.

Non-current assets held for sale and discontinued operations
A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale rather than through continuing use.

Immediately prior to classification as held for sale, the carrying amount of the assets (and all assets and liabilities in a disposal group) is determined in accordance with applicable accounting recommendations. When initially classified as held for sale, fixed assets and disposal groups are recognized at the lower of their carrying amount and fair value less costs to sell. Certain balance sheet items are exempt from the valuation rules that apply to *IFRS 5*. Upon each subsequent reporting date, the non-current asset or disposal group as a whole is carried at fair value less costs to sell. On each subsequent reporting date, the non-current asset or disposal group as a whole is carried at fair value less costs to sell.

Losses resulting from a change in value upon initial classification as held for sale are included in the income statement, even in the case of a revaluation. The same applies to gains or losses from subsequent reevaluations.

A discontinued operation is a component of a company's operations that represents an independent line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation is made upon disposal or at a previous time when the operation meets the criteria to be classified as held for sale. A disposal group that will be discontinued can also qualify for classification as a discontinued operation if it meets the size criteria according to the above.

A company may not depreciate a fixed asset as long as it is classified as held for sale.

Shares and participations in associated companies

Associated companies are companies that are not subsidiaries but where the Parent Company, directly or indirectly, has at least 20 percent of the votes or otherwise exercises significant but not decisive influence over the partly owned company.

Participations in associated companies are recognized in the consolidated accounts according to the equity method, which means at cost, and subsequently adjusted for the Group's share of the change in the associated company's net assets. The value of the shares includes goodwill from the acquisition. Included in the consolidated income statement is the Group's profit participation less goodwill impairment.

Any difference in the acquisition between the cost of the holding and the owner-company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognized in accordance with *IFRS 3*.

The equity method is applied as of the date when significant influence arises until the time it ceases.

Joint ventures

Joint ventures pertain to companies in which Intrum Justitia and another part owner, in accordance with a share ownership agreement, conduct operations jointly. The Group's joint ventures all constitute legal entities, which are reported in the consolidated financial reports in accordance with the proportional method. This means that Intrum Justitia's share of assets, liabilities, revenues and expenses in the jointly owned company is consolidated, item for item, with corresponding items in the consolidated income statement and balance sheet.

Only equity earned subsequent to acquisition is recognized in the Group's equity. The proportional method is applied from the date when shared decisive influence is obtained until the date when shared decisive influence ceases.

Shares and participations in other companies

Investments in companies where the Parent Company, directly or indirectly, owns less than 20 percent of the shares and does not exercise significant influence are recognized at fair value if they can be reliably determined, or otherwise at cost less impairment, if any. Dividends, if any, are recognized as income when received. Provisions are recorded for impairment in value considered permanent.

Capitalized debt costs

Expenses to ensure bank financing are amortized as financial expenses in the consolidated income statement. The amount is recognized in the balance sheet as a deduction to the loan liability.

The Group and Parent Company do not capitalize interest in the cost of assets.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized through profit or loss unless the underlying transaction is recognized directly in equity, in which case the related tax effect is also recognized in equity.

Current tax is the tax paid or received for the current year, applying the tax rates that have been set or essentially set as of the closing day to taxable income and adjusting for current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences between the carrying amount of assets and liabilities and their value for tax purposes. The following temporary differences are not taken into account: temporary differences that arise in the initial reporting of goodwill, the initial reporting of assets and liabilities in a transaction other than a business combination and which, at the time of the transaction, do not affect either the recognized or taxable result, or temporary differences attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially are set as of the closing day.

Deferred tax assets from deductible temporary differences and tax loss carryforwards are only recognized to the extent it is likely that they will be utilized. The value of deferred tax assets is reduced when they are utilized or when it is no longer considered likely that they can be utilized.

Equity

Holdings of shares in Intrum Justitia and other equity instruments are recognized as a decrease in equity. Acquisitions of such instruments are recognized as a deduction from equity. The proceeds from the sale of equity instruments are recognized as an increase in equity. Share repurchases and transaction expenses are recognized during the year directly against equity.

Dividends are recognized as a liability after the Annual General Meeting has approved the dividend.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where it is important when in time payment will be made, provisions are estimated by discounting the forecast future cash flow at a pretax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

A provision for restructuring is recognized when the Group has established a detailed, formal restructuring plan and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

A provision for a loss contract is recognized when anticipated benefits that the Group expects to receive from a contract are less than the unavoidable costs to fulfill the obligations as set out in the contract.

Impairment

The carrying amount of the Group's assets, with certain exceptions, is tested on each closing day for any indication of impairment.

For goodwill and other intangible assets with an indeterminate period of use and intangible assets not yet ready for use, recoverable values are calculated annually.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses attributable to a cash-generating unit (pool of units) are mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit (pool of units).

Goodwill and other intangible assets with indeterminate useful lives are tested for impairment as of January 1, 2004 (transition date to IFRS) even if there was no indication of an impairment need at the time.

Calculation of recoverable amount

The recoverable amount of assets in the categories held-to-maturity investments and receivables recognized at amortized cost is calculated as the present value of future cash flows discounted by the effective interest rate in effect when the asset was recognized initially. Assets with a short maturity are not discounted.

The recoverable amount of other assets is the higher of their fair value less costs to sell and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest and the risk associated with the specific asset. For an asset that does not generate cash flow and is essentially dependent on other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

Reversal of depreciation (amortization)

Depreciation of held-to-maturity investments or receivables recognized at amortized cost is reversed if a later increase in the recoverable amount can objectively be attributed to an event that occurred after the impairment was made.

Impairment of goodwill is not reversed.

Impairment of other assets is reversed if a change has been made in the assumptions that served as the basis for determining the recoverable amount.

Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognized, taking into account the depreciation (or amortization) that would have been recognized.

Pension obligations

For reporting of pensions, the Group applies *IAS 19 Employee Benefits*.

The Group's pension obligations are, for the most part, secured through official pension arrangements or insurance solutions. Pension obligations vary between countries on the basis of legislation and different pension systems.

For pension arrangements in which the Group has committed itself to a defined contribution plan, the obligation vis-à-vis employees ceases when the agreed premium has been paid to an insurance company or its equivalent. Such pension plans are usually financed through payments from the employees as well as from the Group companies in question. Obligations for fees from defined contribution plans are recognized as an expense in the income statement when they arise.

For defined benefit pension plans, the pension obligation does not cease until the agreed pensions have been paid. Provisions for pensions are recognized with the help of the projected unit credit method. Using this method, pension expenses are accrued over the employee's active term of employment. The Group's net obligation for defined benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value and the fair value of any investments assets is deducted. The discount rate is the interest rate on the closing day for a first-class corporate bond with a maturity corresponding to the Group's pension obligations. When there is no active market for such corporate bonds, the market interest rate on government bonds with a similar maturity is used instead.

When the compensation in a plan improves, the portion of the increased compensation attributable to the employees' services in previous periods is expensed through the income statement on a straight-line basis over the average period until the compensation is fully vested. If the compensation is fully vested, an expense is recognized directly through profit or loss.

For actuarial gains and losses that arise from the calculation of the Group's obligation for different plans after January 1, 2004, the so-called corridor rule is applied. This means that the portion of the cumulative actuarial gains and losses exceeding 10 percent of the higher of the commitments' present value and the fair value of assets under management is recognized over the anticipated average remaining period of employment of the employees covered by the plan. Actuarial gains and losses otherwise are not taken into account.

When the calculation leads to an asset for the Group, the carrying amount of the asset is limited to the net of unrecognized actuarial losses and unrecognized costs associated with employment in previous periods and the present value of future repayments from the plan or reduced future payments to the plan.

Pension obligations in Sweden that are met through pension insurance premiums to Alecta in the so-called ITP plan are reported as defined contribution pension plan.

Share-based payment

The Group has issued employee stock options to senior executives, which may be settled through the issuance of shares.

An option program makes it possible for employees to acquire shares in the company. The fair value of allotted shares is recognized as a staff cost with a corresponding increase in equity. Fair value is initially calculated at the time of allotment and distributed over the vesting period. The fair value of the options is calculated according to the Black-Scholes model and takes into account the terms and conditions of the allotted instruments. All changes in the fair value of the liability are recognized through profit or loss as a staff cost.

Social security expenses attributable to share-based payment to employees as compensation for services rendered are expensed in the periods during which the services are rendered. The provision for social security expenses is based on the fair value of the options on the reporting date. Fair value is calculated with the same valuation model used when the options were issued.

Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

Revenue recognition

Revenue, consisting of commissions and collection fees, is recognized on collection of the debt. Subscription revenue is recognized proportionately over the term of the underlying service contracts, which usually is one year.

Revenue from services assignments is recognized through profit or loss based on degree of completion on the closing day. Degree of completion is determined through an estimation of work rendered on the basis of investigations made. Revenue is not recognized if it is likely that the economic benefits will not accrue to the Group. If significant uncertainty exists with regard to payment, related expenses or the risk of returns and if the seller remains involved in a continuing management of assets normally associated with ownership, no revenue is recognized.

Recognition of expenses

Payments for operating leases are recognized through profit or loss on a straight-line basis over the lease term. Benefits received in connection with the signing of an agreement are recognized as part of the total lease expense through profit or loss.

Minimum lease fees for finance leases are divided between interest expense and amortization of the outstanding liability. Interest expense is divided over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable fees are expensed in the period in which they arise.

Financial income and expenses consist of interest income on bank balances and receivables and interest-bearing securities, interest expenses on loans, dividend income, exchange rate differences, realized and unrealized gains on financial investments, and derivatives used in financial operations.

Interest income on receivables and interest expenses on liabilities are calculated applying the effective interest method. Effective interest rate is the rate with which all estimated future receipts and disbursements during the anticipated fixed interest period are equal to the carrying amount of the receivable or liability. The interest component in finance lease payments is recognized through profit or loss applying the effective interest method. Interest income includes accrued transaction expenses and any discounts, premiums and other differences between the original value of the receivable and the amount that will be received upon maturity.

Interest expenses include accrued issue expenses and similar direct transaction expenses to raise loans.

Dividend income is recognized when the right to receive payment has been determined.

Purchased debt

Purchased debt represents portfolios of written-off consumer debts purchased at prices significantly below the nominal receivable amounts.

In the income statement, revenues derived from purchased debt are reported as the collected amount less amortization. The collection is performed by the same personnel who handle collections and debt surveillance on behalf of external clients within the *Consumer Collection & Debt Surveillance* service line. The cost of collection is debited internally at market price and expensed in the income statement for the *Purchased Debt* service line as a cost of services sold.

In accordance with *IAS 39*, reporting follows the effective interest method, where the book value of each portfolio corresponds to the present value of all forecast future cash flows discounted by an effective interest rate determined on the date the portfolio was acquired, based on the relation between cost and the forecast future cash flows on the acquisition date. Changes in the book value of the portfolios are comprised of amortization for the period and are recognized through profit or loss on the revenue line.

In connection with the purchase of each portfolio of written-off receivables, a forecast is made of the portfolio's forecast cash flows. Cash flows include the loan amount, reminder fees, collection fees and late interest that, based on a probability assessment, are expected to be received from debtors, less forecast collection costs. With this forecast and the acquisition price including transaction costs as a basis, each portfolio is assigned an effective interest rate that is then used to discount cash flows through the life of the portfolio. Current cash flow forecasts are monitored over the course of the year and updated based on, among other things, achieved collection results, agreements reached with debtors on installment plans and macroeconomic information. Cash flow forecasts are made at the portfolio level, since each portfolio of receivables consists of a small number of homogeneous amounts. On the basis of the updated cash flow forecasts and original effective interest rate, a new book value for the portfolio is calculated in the closing accounts. Changes over time in the book value consist of a time and interest rate component and a component related to changes in estimates of future cash flows. Changes in cash flow forecasts are treated symmetrically, i.e., both increases and decreases in forecast flows affect the portfolios' book value and, as a result, earnings. However, the portfolios are not recognized at a value higher than cost.

Cash flow statement

The cash flow statement is prepared according to *IAS 7 Cash Flow Statements* and includes changes in the balance of liquid assets. The Group's liquid assets consist of cash and bank balances. Cash flow is divided into cash flows from operating activities, investment activities and financing activities.

Foreign subsidiaries' transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are reported as cash flow from investing activities, net, after deducting liquid assets in the acquired or divested company.

Earnings per share

Earnings per share consist of net earnings for the year (attributable to the Parent Company's shareholders) divided by a weighted average number of shares during the year. Shares issued or redeemed during the year are included in the calculation from the date when the proceeds from the transaction are paid to or by Intrum Justitia.

Since 2004 the Group has an employee stock option program for which the Parent Company has issued options to senior executives in the Group to subscribe for new shares. In 2005 the employee stock option program gave rise to a dilution effect on earnings per share calculated according to *IAS 33 Earnings per Share*. The dilution effect consists of the difference between the number of shares comprised by the option program and the number of shares at market value corresponding to the present value of future subscription proceeds.

In 2004 the present value of the options' strike price exceeded the average market quote for the year, due to which there was no dilution effect from the option program.

Segments

A segment is a part of the Group identifiable for reporting purposes that either supplies goods or services (business areas) or goods or services in a specific economic area (geographic region) exposed to risks and opportunities that differ from other segments.

Segment information is provided in accordance with *IAS 14 Segment Reporting* for the Group only.

Intrum Justitia considers geographic regions as its primary segments and service lines as secondary segments. The geographic regions are *Sweden, Norway & Denmark; United Kingdom & Ireland; Netherlands, Belgium & Germany; Switzerland, Austria & Italy; Finland, Estonia, Latvia & Lithuania; France, Spain & Portugal* and *Poland, Czech Republic, Slovakia & Hungary*. The distribution is based on where clients are located. The service lines are *Consumer Collection & Debt Surveillance, Commercial & International Collection, Purchased Debt* and *Other services*. In addition, there are central expenses that are not distributed by geographic region or service line.

The distribution by geographic region and service line conforms to the segment distribution used for internal Group follow-ups. Key ratios such as number of employees, number of cases and revenues are used when distributing expenses in a Group company between service lines.

Parent Company's accounting principles

The Parent Company has prepared the annual report according to the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Council's recommendation *RR 32 on reporting by legal entities*. RR 32 means that the Parent Company in the annual report for the legal entity must apply all EU-approved IFRS and pronouncements as far as possible within the framework of the Annual Accounts Act and taking into account the connection between reporting and taxation. The recommendation specifies exemptions and additions relative to IFRS.

Differences between the Group's and Parent Company's accounting principles

Differences between the Group's and Parent Company's accounting principles are indicated below. The accounting principles for the Parent Company as stated below have been applied consistently to all periods presented in the Parent Company's financial reports.

Subsidiaries, associated companies and joint ventures

Shares in subsidiaries, associated companies and joint ventures are recognized by the Parent Company according to the acquisition value method. Revenue includes only dividends received, provided that they stem from profits earned after acquisition. Dividends exceeding those earnings are considered a repayment of the investment and reduce the carrying amount of the shares.

Long-term monetary balances

Long-term monetary balances between the Parent Company and independent foreign operations that represent an expansion or reduction in the Parent Company's investment in the foreign operations are carried in the Parent Company at historical exchange rates.

Group contributions and shareholders' contributions for legal entities

The company reports Group contributions and shareholders' contributions in accordance with the pronouncements of the Swedish Emerging Issues Task Force. Shareholders' contributions are recognized directly in the shareholders' equity of the recipient and capitalized in the shares and participating interests of the contributor, to the extent impairment is not required. Group contributions are recognized based on their economic intent. This means that Group contributions paid in order to minimize the Group's total taxes are recognized directly in retained earnings after deducting the current tax effect.

Group contributions equated with dividends are recognized as a dividend. This means that Group contributions received and the effect on current tax are recognized through profit or loss. Group contributions paid and the effect on current tax are recognized directly in retained earnings.

Group contributions equated with shareholders' contributions are recognized by the recipient directly in retained earnings taking into account the effect on current tax. The contributor recognizes the Group contribution and its effect on current tax as an investment in shares in Group companies to the extent impairment is not required.

Other

The Parent Company has no leases classified as finance leases either in its own accounts or the consolidated accounts. Nor does the Parent Company have any pension obligations recognized as defined benefit plans either in its own accounts or the consolidated accounts.

Financial instruments are carried at fair value in the Parent Company only if permitted by the Annual Accounts Act.

NOTE 2 INFORMATION BY GEOGRAPHIC REGION AND SERVICE LINE

By geographic region

SEK M	Group 2005	Group 2004
Revenues from external clients		
Sweden, Norway & Denmark	655.3	624.4
United Kingdom & Ireland	315.8	370.1
Netherlands, Belgium & Germany	577.0	581.3
Switzerland, Austria & Italy	391.4	370.5
Finland, Estonia, Latvia & Lithuania	355.7	314.0
France, Spain & Portugal	364.0	318.1
Poland, Czech Republic, Slovakia & Hungary	164.0	162.1
Total	**2,823.2**	**2,740.5**
Intra-Group revenues		
Sweden, Norway & Denmark	9.1	7.0
United Kingdom & Ireland	26.5	27.1
Netherlands, Belgium & Germany	25.9	21.7
Switzerland, Austria & Italy	47.8	30.8
Finland, Estonia, Latvia & Lithuania	25.8	19.4
France, Spain & Portugal	28.6	20.4
Poland, Czech Republic, Slovakia & Hungary	24.8	45.3
Elimination	–188.5	–171.7
Total	**0.0**	**0.0**
Operating earnings		
Sweden, Norway & Denmark	169.8	153.0
United Kingdom & Ireland	–62.0	11.3
Netherlands, Belgium & Germany	116.2	80.2
Switzerland, Austria & Italy	83.8	64.1
Finland, Estonia, Latvia & Lithuania	146.8	128.7
France, Spain & Portugal	72.7	50.1
Poland, Czech Republic, Slovakia & Hungary	36.2	34.4
Participations in associated companies	0.7	2.8
Central expenses	–60.6	–94.0
Total	**503.6**	**430.6**
Operating margin, %		
Sweden, Norway & Denmark	25.9	24.5
United Kingdom & Ireland	–19.6	3.1
Netherlands, Belgium & Germany	20.1	13.8
Switzerland, Austria & Italy	21.4	17.3
Finland, Estonia, Latvia & Lithuania	41.3	41.0
France, Spain & Portugal	20.0	15.7
Poland, Czech Republic, Slovakia & Hungary	22.1	21.2
Group total	**17.8**	**15.7**
Assets		
Sweden, Norway & Denmark	823.7	847.1
United Kingdom & Ireland	707.5	699.1
Netherlands, Belgium & Germany	636.7	614.3
Switzerland, Austria & Italy	735.2	662.0
Finland, Estonia, Latvia & Lithuania	406.8	331.5
France, Spain & Portugal	689.9	382.9
Poland, Czech Republic, Slovakia & Hungary	163.3	169.3
Other/Elimination	–27.1	–87.1
Total	**4,136.0**	**3,619.1**

SEK M	Group 2005	Group 2004
Liabilities		
Sweden, Norway & Denmark	774.2	646.8
United Kingdom & Ireland	1,136.3	595.6
Netherlands, Belgium & Germany	355.9	481.9
Switzerland, Austria & Italy	451.2	531.4
Finland, Estonia, Latvia & Lithuania	143.7	120.6
France, Spain & Portugal	719.1	386.1
Poland, Czech Republic, Slovakia & Hungary	79.4	89.1
Other/Elimination	–839.9	–763.4
Total	**2,819.9**	**2,088.1**
Investments in tangible and intangible fixed assets		
Sweden, Norway & Denmark	15.7	9.0
United Kingdom & Ireland	35.4	12.5
Netherlands, Belgium & Germany	10.8	19.1
Switzerland, Austria & Italy	11.2	9.9
Finland, Estonia, Latvia & Lithuania	8.8	16.9
France, Spain & Portugal	3.9	3.3
Poland, Czech Republic, Slovakia & Hungary	5.3	7.1
Other/Elimination	5.8	2.0
Total	**96.9**	**79.8**
Depreciation/amortization		
Sweden, Norway & Denmark	–7.6	–7.5
United Kingdom & Ireland	–16.5	–11.3
Netherlands, Belgium & Germany	–10.9	–11.0
Switzerland, Austria & Italy	–21.1	–34.9
Finland, Estonia, Latvia & Lithuania	–8.8	–6.1
France, Spain & Portugal	–5.4	–6.1
Poland, Czech Republic, Slovakia & Hungary	–8.2	–7.0
Other/Elimination	–9.1	–15.4
Total	**–87.6,**	**–99.3,**
Items not affecting cash flow		
Sweden, Norway & Denmark	0.0	22.6
United Kingdom & Ireland	30.3	0.0
Netherlands, Belgium & Germany	3.0	–9.2
Switzerland, Austria & Italy	0.0	0.0
Finland, Estonia, Latvia & Lithuania	0.0	0.0
France, Spain & Portugal	0.0	0.0
Poland, Czech Republic, Slovakia & Hungary	0.0	0.0
Other/Elimination	6.8	2.7
Total	**40.1**	**16.1**
Participations in associated companies		
Sweden, Norway & Denmark	0.0	0.0
United Kingdom & Ireland	0.0	0.0
Netherlands, Belgium & Germany	0.0	0.0
Switzerland, Austria & Italy	0.0	0.0
Finland, Estonia, Latvia & Lithuania	0.0	0.0
France, Spain & Portugal	0.0	0.0
Poland, Czech Republic, Slovakia & Hungary	0.0	0.0
Other/Elimination	0.7	2.8
Total	**0.7**	**2.8**

By service line

	Group	
SEK M	**2005**	**2004**
Revenues		
Consumer Collection & Debt Surveillance	1,837.2	1,756.0
Commercial & International Collection	617.2	640.5
Purchased Debt	321.6	258.1
Other services	197.7	216.2
Elimination of inter-service line revenue	–150.5	–130.3
Total	**2,823.2**	**2,740.5**
Operating earnings		
Consumer Collection & Debt Surveillance	411.1	409.5
Commercial & International Collection	67.4	60.5
Purchased Debt	108.2	78.6
Other services	–27.1	–36.9
Participations in associated companies	0.7	2.8
Central expenses	–56.7	–83.9
Total	**503.6**	**430.6**
Operating margin, %		
Consumer Collection & Debt Surveillance	22.4	23.3
Commercial & International Collection	10.9	9.4
Purchased Debt	33.6	30.5
Other services	–13.7	–17.1
Group total	**17.8**	**15.7**

The distribution of revenues and earnings by geographic region is based on where clients are located.

Central expenses that cannot be distributed by geographic area are reported under central expenses, which also include expenses for head office operations.

Intra-Group sales between regions are made on commercial terms.

Because of how the Group and its subsidiaries are organized, a distribution of assets and liabilities by service line would not be relevant.

NOTE 3 REVENUE DISTRIBUTION

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Collection fees, commissions and debtors' fees	2,355.8	2,226.4	0.0	0.0
Subscription fees	102.7	112.3	0.0	0.0
Revenues from purchased debt	321.6	258.1	0.0	0.0
Other revenues	193.6	274.0	29.0	39.0
Elimination	–150.5	–130.3	0.0	0.0
Total	**2,823.2**	**2,740.5**	**29.0**	**39.0**

Revenues from purchased debt consist of collected amounts less amortization, i.e., the decrease for the period in the book value of the portfolios.

NOTE 4 DEPRECIATION AND AMORTIZATION

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Capitalized expenditure for IT development and other intangibles	–48.9	–54.9	–0.4	–0.4
Computer hardware	–20.3	–25.5	–0.2	–0.2
Other equipment	–18.4	–18.9	–0.1	–0.3
Total	**–87.6**	**–99.3**	**–0.7**	**–0.9**

Amortization has been charged to each function as an operating expense as follows:

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Cost of sales	–68.3	–69.9	–	–
Sales and marketing expenses	–8.0	–11.9	–	–
General and administrative expenses	–11.3	–17.5	–0.7	–0.9
Total	**–87.6**	**–99.3**	**–0.7**	**–0.9**

NOTE 5 PARTICIPATIONS IN ASSOCIATED COMPANIES

	Group	
SEK M	**2005**	**2004**
Intrum á Íslandi ehf., Reykjavik (Iceland)	0.7	2.8
Total	**0.7**	**2.8**

NOTE 6 INTEREST INCOME AND SIMILAR ITEMS

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Interest income from Group companies	–	–	92.2	41.3
Other interest income	15.0	11.1	1.6	0.8
Total	**15.0**	**11.1**	**93.8**	**42.1**

NOTE 7 INTEREST EXPENSES AND SIMILAR ITEMS

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Interest expenses to Group companies	–	–	–6.8	–6.3
Interest expenses	–36.9	–42.6	–30.7	–8.3
Translation differences	–0.4	0.1	6.9	–8.5
Amortization of capitalized debt costs	–2.2	–0.7	–2.2	–
Other financial expenses	–6.9	–4.3	–2.1	–3.5
Total	**–46.4**	**–47.5**	**–34.9**	**–26.6**

Translation differences from accounts receivable and accounts payable are reported in operating earnings. The amounts were negligible.

NOTE 8 CURRENT AND DEFERRED TAX ON EARNINGS FOR THE YEAR

Pretax earnings and the tax charge for the year for Swedish and foreign operations were as follows:

	Group	
SEK M	**2005**	**2004**
Earnings before tax		
Sweden	131.5	87.3
Foreign	340.7	306.9
Total	**472.2**	**394.2**
Current tax		
Sweden	–22.2	–1.4
Foreign	–87.2	–39.2
Deferred tax		
Sweden	1.4	–23.2
Foreign	–30.6	–7.0
Total	**–138.6**	**–70.8**

Note 8, cont.

Intrum Justitia AB is domiciled in Sweden, where the nominal corporate tax rate is 28 percent. The Group has operations in 22 countries in Europe with varying tax rates. The following reconciliation explains the deviation between the Group's current tax cost and the anticipated tax cost based on a corporate tax rate of 28 percent.

	Group 2005		Group 2004	
Reconciliation	**SEK M**	**%**	**SEK M**	**%**
Earnings after financial items	472.2		394.2	
Income tax calculated at standard rate in Sweden, 28%	**–132.2**	**28.0**	**–110.4**	**28.0**
Effect of different tax rates in other countries	27.1	–5.7	30.3	–7.7
Tax effect of non-deductible expenses	–6.2	1.3	–5.0	1.3
Unreported tax assets pertaining to loss carryforwards (net)	–36.3	7.7	–11.6	2.9
Other	9.0	–1.9	25.9	–6.6
Total tax on net earnings for the year	**–138.6**	**29.4**	**–70.8**	**18.0**

The difference in the Parent Company between reported tax expense and income tax calculated according to the normal tax rate of 28 percent is due to non-deductible expenses.

Unreported tax assets pertaining to tax loss carryforwards refer to the net positive tax effect during the year arising from the utilization of loss carryforwards that previously had not been reported as a deferred tax asset and the negative tax effect during the year due to losses in other countries where no deferred tax asset is reported for reasons of prudence. "Other" relates mainly to adjustments in the tax attributable to previous years, largely in the UK.

When differences arise between the tax value and reported value of assets and liabilities, a deferred tax asset or tax liability is reported. Such temporary differences arise mainly for provisions for pensions and fixed assets. Deferred tax assets include the value of loss carryforwards in the instances where they are likely to be utilized to offset taxable surpluses within the foreseeable future.

	Group 2005		Group 2004	
SEK M	**Asset/ Liability**	**Income/ Expense**	**Asset/ Liability**	**Income/ Expense**
Deferred tax assets				
Outlays on behalf of clients	19.4	1.6	17.2	1.1
Purchased debt	0.7	2.4	0.0	0.0
Intangible assets	0.4	–0.9	0.2	0.0
Loss carryforwards	0.0	–26.4	27.4	–18.1
Provisions for pensions	0.0	–4.4	4.4	0.8
Other	4.4	2.7	1.6	–7.2
Total	**24.9**	**–25.0**	**50.8**	**–23.4**
Deferred tax liabilities				
Purchased debt	–15.6	–3.5	–10.3	–6.0
Intangible assets	–10.1	–6.8	–3.2	–0.8
Other	–0.5	6.1	–8.8	–0.0
Total	**–26.2**	**–4.2**	**–22.3**	**–6.8**
Net	**–1.3**	**–29.2**	**28.5**	**–30.2**

Deferred tax assets in the Parent Company in 2004 refer to loss carryforwards.

Deferred tax assets and liabilities are considered to fall due for payment after more than one year.

The deduction entitlement that may be realizable in the future as a consequence of the Group's accumulated losses in various countries amounts to SEK 529.5 M (395.8) as of December 31, 2005, of which SEK 408.5 M (295.6) is in countries where, according to current tax legislation, it can be deducted against future taxable surpluses without time limits.

The value of tax loss carryforwards in the Group's various companies was reported in the annual accounts for 2004 as a deferred tax asset in those cases where it was likely that the loss carryforwards could be used in the immediate years ahead. In the annual accounts for 2005 these carryforwards have been utilized and no tax assets for loss carryforwards are reported any longer.

In regard to ongoing tax disputes, refer to Note 22 Pledged assets and contingent liabilities.

In the Parent Company and the Group, SEK 8.3 M in transaction expenses from share redemptions was recognized directly in equity. The expenses are considered deductible and the tax effect, SEK 2.3 M, is also recognized directly in equity. Further, the effect of Group contributions received by the Parent Company is recognized directly in equity at SEK 25.7 M (36.4).

NOTE 9 INTANGIBLE FIXED ASSETS

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Capitalized expenditure for IT development and other intangibles				
Acquisition cost, opening balance	482.4	403.8	1.8	1.4
Capitalized expenditures for the year	62.2	42.7	0.4	0.4
Disposals	–28.9	–2.9	–	–
Reclassification	10.0	39.6	–	–
Company acquisitions	24.4	–	–	–
Acquired through business combination	0.3	–	–	–
Translation differences	15.6	–0.8	–	–
Accumulated acquisition cost, closing balance	**566.0**	**482.4**	**2.2**	**1.8**
Accumulated amortization, opening balance	–265.0	–172.5	–0.4	–
Disposals	1.8	5.8	–	–
Reclassification	–7.0	–44.0	–	–
Acquired through business combination	–0.1	–	–	–
Amortization for the year	–48.9	–54.9	–0.4	–0.4
Translation differences	–8.7	0.6	–	–
Accumulated amortization, closing balance	**–327.9**	**–265.0**	**–0.8**	**–0.4**
Impairments, opening balance	–113.2	–113.5	–	–
Translation differences	–1.4	0.3	–	–
Accumulated impairments, closing balance	**–114.6**	**–113.2**	**–**	**–**
Net book value	**123.5**	**104.2**	**1.4**	**1.4**
Goodwill				
Acquisition cost, opening balance	1,505.8	1,528.1	–	–
Translation differences	67.6	–22.3	–	–
Accumulated acquisition cost, closing balance	**1,573.4**	**1,505.8**	**–**	**–**
Accumulated impairments, closing balance	**–**	**–**	**–**	**–**
Net book value	**1,573.4**	**1,505.8**	**–**	**–**

Impairment tests for cash-generating units containing goodwill

Intrum Justitia treats each country where the Group has operations as a cash-generating unit in the sense referred to in *IAS 38 Intangible Assets*. The consolidated balance sheet includes goodwill attributable to 15 of the 22 countries, with a total book value of SEK 1,573.4 M. The goodwill value is distributed among the largest countries as follows:

SEK M	2005	2004
Sweden	369.0	369.0
United Kingdom	349.6	323.5
Switzerland	177.2	170.8
Finland	119.6	114.3
Netherlands	114.9	109.8
France	108.6	103.8
Norway	105.7	97.8
Other countries	228.8	216.8
Total	**1,573.4**	**1,505.8**

Impairment testing of goodwill for each cash-generating unit was done prior to preparation of the annual accounts. The recoverable amount is determined through an estimation of net realizable value. For each cash-generating unit, Management has compiled a forecast of annual future cash flows based on historical experience and the company's own plans and estimates for the future. The cash flows have been discounted to present value applying the Group's weighted average cost of capital, which is estimated at 7.4 percent per year before tax. The fair value determined through the present value calculation, less assumed costs to sell of three percent, has been compared for each unit with the Group's net book value of the unit's assets and liabilities. The test gave no indication of an impairment need. Had any of the book values exceeded the fair value less costs to sell, an impairment loss would have been recognized, primarily relative to goodwill. Refer also to Note 35.

Since the impairment test is done by calculating an estimated recoverable amount, principles for company valuation have been applied. This entails, among other things, a discounting of the future cash flows. Cash flow forecasts for the years 2006–2008 are based on the companies' business plans, which are internal documents. A sensitivity analysis initially showed that no indication of impairment of goodwill would be attributable to Finland, France, the Netherlands, Switzerland or Sweden even when assuming unchanged future revenues, margins and cash flows. For goodwill attributable to the UK and Norway, unchanged revenues would require that the losses were reversed to earnings and that the companies reach a sustainable operating margin of at least 10 and 9 percent, respectively.

NOTE 10 TANGIBLE FIXED ASSETS

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Computer hardware				
Acquisition cost, opening balance	168.1	328.4	0.5	0.5
Investments for the year	23.4	17.9	0.1	0.0
Sales and disposals	–4.9	–133.5	–	–
Reclassification	–9.9	–47.9	–	–
Acquired through business combination	2.6	–	–	–
Translation differences	8.4	3.2	–	–
Accumulated acquisition cost, closing balance	**187.7**	**168.1**	**0.6**	**0.5**
Accumulated depreciation, opening balance	–130.1	–271.4	–0.3	–0.1
Sales and disposals	1.3	123.8	–	–
Reclassification	6.9	45.5	–	–
Acquired through business combination	–2.0	–	–	–
Depreciation for the year	–20.3	–25.5	–0.2	–0.2
Translation differences	–6.6	–2.5	–	–
Accumulated depreciation, closing balance	**–150.8**	**–130.1**	**–0.5**	**–0.3**
Net book value	**36.9**	**38.0**	**0.1**	**0.2**
Other equipment				
Acquisition cost, opening balance	183.7	160.2	1.2	1.1
Investments for the year	11.3	19.2	0.2	0.1
Sales and disposals	–3.8	–6.7	–	–
Reclassification	–0.1	11.5	–	–
Acquired through business combination	2.2	–	–	–
Translation differences	9.3	–0.5	–	–
Accumulated acquisition cost, closing balance	**202.6**	**183.7**	**1.4**	**1.2**
Accumulated depreciation, opening balance	–135.0	–119.9	–0.8	–0.5
Sales and disposals	3.4	5.2	–	–
Reclassification	0.1	–1.5	–	–
Acquired through business combination	–1.8	–	–	–
Depreciation for the year	–18.4	–18.9	–0.1	–0.3
Translation differences	–6.6	0.1	–	–
Accumulated depreciation, closing balance	**–158.3**	**–135.0**	**–0.9**	**–0.8**
Net book value	**44.3**	**48.7**	**0.5**	**0.4**

NOTE 11 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

The Group's Parent Company is Intrum Justitia AB (publ), domiciled in Stockholm with corporate identity number 556607-7581. The Group's subsidiaries are listed below.

Shares owned by Parent Company	Corp. identity no.	Domicile	Share of capital	Book value, SEK M
SWEDEN				
Intrum Justitia International AB	556570-1181	Stockholm	100%	600.9

The book value in the Parent Company of shares in subsidiaries was unchanged during the year and consists of acquisition cost. The value has not been subject to revaluations or write-offs.

Subsidiaries within Intrum Justitia International AB Group	Corp. identity no.	Domicile	Share of capital
NETHERLANDS			
I.C.S. International Collector Services BV	33.273.472	Amsterdam	100%
POLAND			
Intrum Justitia Towarzystwo Funduszy Inwestycyjnych S.A	1080001076	Warsaw	100%
SWITZERLAND			
Intrum Justitia Debt Finance AG	CH-020.3.020.910-7	Baar	100%
Intrum Justitia Debt Finance Domestic AG	CH-170.3.026.065-5	Baar	100%
Intrum Justitia Licensing AG	CH-020.3.926.747-8	Baar	100%

Subsidiaries within I.C.S. International Collector Services BV Group	Corp. identity no.	Domicile	Share of capital
NETHERLANDS			
Intrum Justitia BV	33.204.349	Amsterdam	100%

Note 11, cont.

Subsidiaries within Intrum Justitia BV Group	Corp. identity no.	Domicile	Share of capital
AUSTRIA			
Intrum Justitia Inkasso Gesellschaft m. b. H.	FN 48800s	Salzburg	100%
Intrum Creditcontrol Auskunftgesellschaft m. b. H.	FN 105105t	Salzburg	100%
BELGIUM			
Intrum N.V	BE 0426237301	Ghent	100%
Outsourcing Partners N.V	BE 0466643442	Ghent	100%
CZECH REPUBLIC			
Intrum Justitia s.r.o.	25083236	Prague	100%
DENMARK			
Intrum Justitia A/S	DK 10613779	Copenhagen	100%
ESTONIA			
Intrum Justitia AS	10036074	Tallinn	100%
FINLAND			
Intrum Justitia Oy	FI14702468	Helsinki	100%
FRANCE			
Intrum Justitia SAS	B322 760 497	Lyon	100%
Socogestion SAS	B414 613 539	Lyon	100%
GERMANY			
Intrum Justitia Holding GmbH	HRB 4709	Darmstadt	100%
Intrum Justitia Inkasso GmbH	HRB 4622	Darmstadt	100%
Schimmelpfeng Forderungsmanagement GmbH	HRB 8997	Darmstadt	100%
Intrum Data Systems (Deutschland) GmbH	HRB 5345	Darmstadt	100%
HUNGARY			
Intrum Justitia Hitel Ügyintézó Szolgáltatás Kft	01-09-268230	Budapest	100%
Intrum Justitia Követeléskezeló Rt	01-10-044857	Budapest	100%
IRELAND			
Intrum Justitia Ireland Ltd	175808	Dublin	100%
Intrum Justitia Collections (Ireland) Ltd	96724	Dublin	100%
Default Investigation (Ireland) Ltd	358355	Dublin	100%
ITALY			
Intrum Justitia SpA	03776980488	Milan	100%
LATVIA			
Intrum Justitia Sia	40003574557	Riga	100%
LITHUANIA			
UAB Intrum Justitia	124235171	Vilnius	80%
NETHERLANDS			
Intrum Justitia Central Europe BV	33.241.142	Amsterdam	60%
Intrum Justitia Nederland BV	27.134.582	The Hague	100%
NORWAY			
Fair Pay Please AS	979 683 529	Oslo	100%
Intrum Justitia AS	848 579 122	Oslo	100%
Bryn Creditservice AS	981 957 822	Oslo	100%
Bryn Fakturaservice AS	984 633 173	Oslo	100%
POLAND			
Intrum Justitia Sp.zo.o.o	521-28-85-709	Warsaw	100%
Intrum Justitia Debt Surveillance Sp.zo.o	783-15-41-469	Warsaw	100%
Intrum Justitia Debt Finance Poland Sp.zo.o	521-31-83-398	Warsaw	100%
Intrum Justitia Kancelaria Radcy Prawnego Macieja Czasaka SK	521-33-33-283	Warsaw	70%
Kancelaria Prawnicza Maciej Panfil I Partner SK	521-31-27-632	Warsaw	75%
PORTUGAL			
Intrum Justitia Portugal Lda	7318	Lisabon	100%
SLOVAKIA			
Intrum Justitia Slovakia s. r. o.	35 831 154	Bratislava	100%
SPAIN			
Intrum Justitia Ibérica S.A.U.	A28923712	Madrid	100%
Intrum International S.A.	A79927423	Madrid	100%
SWEDEN			
Intrum Justitia Sweden Holding AB	556542-7696	Stockholm	100%
Intrum Justitia Sverige AB	556134-1248	Stockholm	100%
Intrum Justitia Inkassosystem AB	556245-2309	Stockholm	100%
Fair Pay Management AB	556239-1655	Stockholm	100%
SWITZERLAND			
Intrum Justitia AG	CH-020.3.020.656-9	Zürich	100%
Inkasso Med AG	CH-020.3.913.313-8	Zürich	70%
Kiss Kredit-Info-Service-System AG	CH-020.3.921.420-2	Zürich	100%
Intrum Justitia Finance Service AG	CH-020.3.912.665-1	Zürich	100%
UNITED KINGDOM			
Collector Services Ltd	3515447	Stratford-Upon-Avon	100%
Intrum Justitia (Holdings) Ltd	1356148	Stratford-Upon-Avon	100%
Intrum Justitia Ltd	1918920	Stratford-Upon-Avon	100%
Outstanding Services (Credit Control) Ltd	1014132	Stratford-Upon-Avon	100%
Bureau of Defaulters in England, Wales and Scotland Ltd	1007597	Stratford-Upon-Avon	100%
Office of Debt Recovery Ltd	2852544	Stratford-Upon-Avon	100%
Credit Ancillary Services (Scotland) Ltd	SC70627	Glasgow	51%
MTW Associates Ltd	4164604	Liverpool	100%
Debt Investigations (UK) Ltd	4164669	Liverpool	100%
Stirling Park LLP	SO300097	Glasgow	100%

Intrum Justitia Central Europe BV is a holding company that owns the shares in the Group's operating companies in Poland, Czech Republic, Slovakia and Hungary. Since 2003 Intrum Justitia Central Europe BV is 40 percent owned by Visegrad NV, a company in which regional manager Henning Bensland is a co-owner along with another former employee. According to an agreement, Intrum Justitia has the right to repurchase 20 percent of the shares in Intrum Justitia Central Europe BV from Visegrad NV. If Intrum Justitia utilizes this opportunity, the purchase price for Visegrad NV's 20 percent interest, according to the option agreement, will be 16 percent of the current EBITDA multiple for the Group multiplied by EBITDA for Intrum Justitia's operations in Poland, Czech Republic, Slovakia and Hungary. If Intrum Justitia exercises its option as indicated above, Visegrad NV in turn has an option to sell its remaining 20 percent to Intrum Justitia, based on a similar price calculation. See also Note 26 Terms and conditions of employment for senior executives.

The Polish subsidiary, the law firm Kancelaria Prawnicza Maciej Panfil I Partner SK, is excluded from the consolidated accounts due to significant, longstanding obstacles stemming from a legal dispute with the minority owners, which considerably limits Intrum Justitia's ability to exercise influence over the subsidiary.

NOTE 12 COMPANIES REPORTED ACCORDING TO THE PROPORTIONAL METHOD

Intrum Justitia is co-owner of three companies which, based on agreements with the other owners, are treated as joint ventures and reported according to the proportional method. This means that each line in Intrum Justitia's consolidated income statement and balance sheet includes an amount corresponding to the Group's interest in the respective line in joint ventures' income statements and balance sheets. All three companies invest in portfolios of written-off receivables. None have any employees.

The three companies reported according to the proportional method are:

Intrum Crédit Agricole Indosuez Debt Finance AB
The company is domiciled in Stockholm with corporate identity number 556259-8606. There are 48,000 shares outstanding in the company, of which Intrum Justitia owns half. The other shares are owned by Crédit Agricole Stockholm Branch of Calyon Bank SA. The company's operations were started in 2002 and comprise ownership of written-off receivables in Finland.

SDF 50 AG
The company is domiciled in Baar, Switzerland, with corporate identity number CH-170.3.026.713-6. There are 19,100,002 shares outstanding in the company, of which Intrum Justitia owns 50 percent. The other shares are owned by ELQ Investors, Ltd, a company owned by Goldman Sachs. The company's operations were started in 2005 and comprise ownership of written-off receivables in Spain.

SDF 75 AG
The company is domiciled in Baar, Switzerland, with corporate identity number CH-170.3.026.714-4. There are 12,100,002 shares outstanding in the company, of which Intrum Justitia owns 25 percent. The other shares are owned by ELQ Investors, Ltd, a company owned by Goldman Sachs. The company's operations were started in 2004 and comprise ownership of written-off receivables in the UK.

Intrum Justitia's aggregate share of the income statements and balance sheets of the companies it owns, after adjusting to the Group's accounting principles and after distributing appropriations and untaxed reserves over tax and net earnings, amounts to:

Income statement

SEK M	2005	2004
Revenues	46.6	25.7
Operating expenses	–12.7	–7.6
Operating earnings	**33.9**	**18.1**
Net financial items	–2.8	–2.9
Earnings after financial items	**31.1**	**15.2**
Current and deferred tax	–8.7	–4.1
Net earnings for the year	**22.4**	**11.1**

Balance sheet

SEK M	2005	2004
Financial fixed assets	284.7	83.7
Current assets	11.5	5.2
Cash and bank balances	7.3	8.6
Total assets	**303.5**	**97.5**
Equity	117.5	40.5
Long-term liabilities	15.7	16.1
Current liabilities	170.3	40.9
Total equity and liabilities	**303.5**	**97.5**

NOTE 13 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

			Group	
SEK M	Corporate identity no.	Share of capital	2005	2004
Intrum á Íslandi ehf, Reykjavik (Iceland)	701195-3109	25%	5.2	4.3
Total			**5.2**	**4.3**

SEK M	2005	2004
Opening balance	4.3	0.4
Investments in associated companies	0.0	2.0
Reclassifications	0.0	–0.4
Profit shares	0.7	2.8
Share of associated companies' tax	0.0	–0.4
Exchange rate difference	0.2	–0.1
Closing balance	**5.2**	**4.3**

NOTE 14 SHARES AND PARTICIPATIONS IN OTHER COMPANIES

			Group	
SEK M	Corporate identity no.	Share of capital	2005	2004
Netgiro International AB, Stockholm (Sweden)	556564-9190	4%	0.0	0.0
Other shares			0.3	0.2
Total			**0.3**	**0.2**

SEK M	2005	2004
Opening balance	0.2	0.4
Impairment	–	–0.1
Exchange rate difference	0.1	–0.1
Closing balance	**0.3**	**0.2**

Other shares refer primarily to minor holdings in a number of listed companies in the telecom and insurance industries. There is no significant difference between the fair value and book value of these shareholdings.

The shares in Netgiro International AB are not listed and it is impossible to reliably determine the fair value of the holding.

NOTE 15 PURCHASED DEBT

	Group	
SEK M	2005	2004
Acquisition cost, opening balance	945.8	720.8
Purchases of written-off debt	835.9	219.1
Translation differences	72.8	5.9
Accumulated acquisition cost, closing balance	**1 854.5**	**945.8**
Amortization, opening balance	–538.8	–340.4
Amortization for the year	–327.3	–186.4
Translation differences	–55.4	–12.0
Accumulated amortization, closing balance	**–921.5**	**–538.8**
Net book value	**933.0**	**407.0**

Since the introduction of the International Financial Reporting Standards, IFRS, purchased debt is recognized according to an effective rate model. The book value of each portfolio is determined through a present value calculation of estimated future cash flows from the portfolio by applying the effective interest rate determined when the portfolio was acquired. The change in the book value constitutes amortization for the period. Amortization consists of a time and interest rate component totaling SEK –341.7 M (–186.4) and a component related to changes in forecast future cash flows. Changes in cash flow forecasts are treated symmetrically, i.e., the effect of increases as well as decreases is recognized through profit or loss. Increases in forecast future cash flows during the year affected earnings positively by SEK 23.8 M (0.0) and decreases negatively by SEK –9.4 M (0.0).

NOTE 16 OTHER LONG-TERM RECEIVABLES

Other long-term receivables primarily refer to deposits in connection with the rental of premises. These receivables are not expected to be repaid in the year ahead.

NOTE 17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Accounts receivable				
Accounts receivable, gross	417.3	398.3	0.2	0.0
Less: Provisions for doubtful receivables	–55.1	–52.4	0.0	0.0
Total	**362.2**	**345.9**	**0.2**	**0.0**

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Other receivables				
Outlays on behalf of clients	168.1	157.9	–	–
Receivable related to court costs	34.6	44.3	–	–
Receivable from Legal & Trade Financial Services Ltd	–	17.4	–	–
Other	60.3	67.6	7.0	6.5
Total	**263.0**	**287.2**	**7.0**	**6.5**

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Prepaid expenses and accrued income				
Prepaid rent	12.4	6.2	0.4	0.0
Prepaid insurance premiums	6.0	2.8	2.8	0.4
Accrued income	24.2	23.9	0.0	0.0
Other	33.4	48.2	16.4	1.1
Total	**76.0**	**81.1**	**19.6**	**1.5**

NOTE 18 PROVISIONS FOR PENSIONS

Employees in Intrum Justitia's companies are covered by various pension benefits. Some are defined benefit plans and are fully financed through assets administered by fund managers.

The Group applies *IAS 19 Employee Benefits*, which contains, among other things, uniform regulations on the actuarial calculation of provisions for pensions in defined benefit plans. Defined benefit pension plans are used by the Group's companies in Belgium, France, Germany, Italy, the Netherlands and Norway.

Provisions for pensions at year-end can be sub-divided into the following components:

	Group	
SEK M	**2005**	**2004**
Present value of fully or partly funded obligations	45.9	44.6
Fair value of assets under management	–27.8	–23.3
Present value of unfunded obligations	11.2	10.7
Present value of net obligation	**29.3**	**32.0**
Unrecognized actuarial gains and losses	5.6	0.4
Provisions for pensions	**34.9**	**32.4**

The change in balance sheet item Provisions for pensions is specified as follows:

	Group	
SEK M	**2005**	**2004**
Opening balance	32.4	30.5
Pension cost recognized through profit or loss	4.3	6.2
Fees paid	–3.6	–4.1
Translation differences	1.8	–0.2
Closing balance	**34.9**	**32.4**

The amounts reported as Net pension cost for the period are included in the consolidated income statement and are specified as follows:

	Group	
SEK M	**2005**	**2004**
Costs for employment in current period	4.4	4.4
Interest expense for obligation	2.5	1.8
Anticipated return on assets under management	–2.6	0.0
Recognized actuarial gains and losses	0.0	0.0
Total pension cost recognized through profit or loss	**4.3**	**6.2**

In calculating Provisions for pensions, the following assumptions are used:

	Group	
	2005	**2004**
Discount rate as of December 31	2.0–4.5%	2.0–5.3%
Anticipated rate of increase in compensation	2.5–3.0%	2.5–3.0%
Anticipated return on assets under management as of December 31	5.0–6.0%	5.0–7.0%
Anticipated pension increases	1.5–3.0%	1.7–3.0%
Future adjustment to social security base	2.5–3.0%	2.5–3.0%

The Group also finances a number of defined contribution plans, the costs of which amounted to SEK 49.1 M (52.3).

The commitments for retirement and family pensions for the Group's Swedish employees are secured through insurance with Alecta according to the so-called ITP plan. According to a statement (URA 42) from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, the ITP plan is a multi-employer defined benefit plan. For fiscal year 2005, Alecta's clients have not been provided enough information to report the plan as defined benefit. The ITP plan secured through insurance with Alecta is therefore reported by Intrum Justitia as if it were a defined contribution plan. Alecta's surplus can be distributed to policyholders and/or insureds. At year-end 2005 Alecta's surplus in the form of the collective funding ratio was 128.5 percent (128.0). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial assumptions, which do not agree with *IAS 19*.

NOTE 19 OTHER PROVISIONS

	Group	
SEK M	2005	2004
Opening balances	14.4	23.6
Provisions for the year	5.2	0.0
Release during the year	–6.2	–9.1
Translation differences	0.5	–0.1
Closing balance	**13.9**	**14.4**
Provision for onerous contract, rent for premises, Germany	8.7	14.4
Provision for refurbishment of premises, UK	5.2	–
Total	**13.9**	**14.4**
Long-term provisions	5.2	6.3
Short-term provisions	8.7	8.1
Total	**13.9**	**14.4**

NOTE 20 LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
SEK M	2005	2004	2005	2004
Long-term loans	1,348.0	731.3	1,346.3	0.0
Current loans	7.0	53.9	2.0	0.0
Total	**1,355.0**	**785.2**	**1,348.3**	**0.0**

On February 11, 2005 Intrum Justitia signed a five-year syndicated loan facility of EUR 210 M with Danske Bank A/S, Svenska Handelsbanken AB and Nordea Bank AB, each for EUR 70 M. The facility represents an increase and refinancing of the previous facility of EUR 150 M. Another difference is that the new facility is centralized in the Parent Company, while the previous related to loans directly to a number of subsidiaries. The loan limit of EUR 210 M can be utilized for borrowing in a number of different currencies. As of December 31, 2005 the facility had only been used for loans in SEK, totaling SEK 1,350 M. The unutilized portion amounted to SEK 628.8 M. The loan carries a variable interest rate based on the interbank rate in each currency plus a mark-up. The syndicated loan facility contains a number of operations-related and financial covenants, including limits on certain financial indicators. As of December 31, 2005 the Company was not in breach of any such financial covenants. In addition, the credit agreement includes covenants that may restrict, condition or prohibit the Group from incurring additional debt, making acquisitions, disposing of assets, making capital and finance lease expenditures, allowing assets to be encumbered, changing the scope of the Group's business and entering into a merger agreement.

	Group		Parent Company	
SEK M	2005	2004	2005	2004
Maturities of long-term bank borrowings				
Between 1 and 2 years	–	39.6	–	–
Between 2 and 3 years	–	39.6	–	–
Between 3 and 4 years	–	651.9	–	–
Between 4 and 5 years	1,348.0	–	1,346.3	–
Total	**1,348.0**	**731.1**	**1,346.3**	**–**

	Group		Parent Company	
SEK M	2005	2004	2005	2004
Unused lines of credit excluding guarantee facility				
Expiring within one year	–	–	–	–
Expiring beyond one year	628.8	385.8	628.8	–
Total	**628.8**	**385.8**	**628.8**	**–**

NOTE 21 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
SEK M	2005	2004	2005	2004
Accrued social security expenses	27.2	27.9	2.1	3.2
Accrued vacation pay	51.6	46.3	2.5	1.7
Accrued bonus cost	55.4	36.2	3.7	3.1
Prepaid subscription income	54.4	53.2	–	–
Provisions for losses on credit card guarantees	30.6	28.1	–	–
Other accrued expenses	129.0	149.1	11.6	11.7
Total	**348.2**	**340.8**	**19.9**	**19.7**

NOTE 22 PLEDGED ASSETS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	Group	
SEK M	2005	2004
Pledged assets	None	None

	Group	
SEK M	2005	2004
Contingent assets	None	None

	Group	
SEK M	2005	2004
Contingent liabilities		
Guarantees for credit card debts	945.9	833.4
Dispute with tax authority in Sweden	3.8	36.8
Dispute with tax authority in Norway	5.2	12.4
Other contingent liabilities	11.2	13.0
Total	**966.1**	**895.6**

Credit card guarantees

In combination with other services provided in Switzerland, the company has issued guarantees for credit card debts totaling SEK 945.9 M (833.4). The company's main risk relates to those portions of the credit card debts that are more than 30 days overdue, which amounted to SEK 12.3 M (9.8). The company has booked an accrual for its anticipated loss according to calculations based on historic experience and future expectations. Moreover, certain clients are no longer active and therefore no longer use Intrum Justitia. Consequently, the company does not consider that it has any guarantees in effect for these clients.

Tax disputes

Subsequent to tax audits in Sweden, Norway and Finland, these respective tax authorities questioned the company's deduction of certain costs for the period 1998–2003. The company has appealed and considers that the tax authorities' claims will not result in any significant expenses for the company.

On December 22, 2005 the County Administrative Court in Stockholm ruled in favor of the Swedish subsidiary Intrum Justitia Sverige AB and against the tax authority on a dispute regarding the deductibility of intra-Group licensing fees. The tax authorities did not appeal and therefore the ruling gained legal force in February 2006. The company thereby avoided a tax reassessment of SEK 104.8 M, corresponding to a tax expense of SEK 29.3 M. Intrum Justitia had not allocated any provisions for additional tax expenses potentially resulting from this tax dispute, and the judgment therefore does not affect earnings in the annual accounts for 2005. The tax dispute is still continuing with regard to SEK 3.8 M in interest, among other items.

In October 2005 the subsidiary in Norway was reassessed for licensing fees for the years 1998–2002, corresponding to an additional tax expense of SEK 13.3 M. The company was obligated to pay the entire amount in 2005 but appealed to the tax authority in January 2006, and has only expensed SEK 8.1 M of the disputed tax amount.

The Finnish Tax Board ruled in favor of the subsidiary in Finland in 2004 in a dispute concerning the deductibility of certain interest expenses and liquidation

Note 22, cont.

results. The state's tax agent has appealed to the courts. The additional tax expense, if the tax authority should eventually win the dispute, amounts to SEK 21.8 M.

Other than through the provision in the balance sheet, the tax effect of the remaining tax disputes in Sweden and Norway is reported as a contingent liability totaling SEK 9.0 M. Fees and interest may be additional.

Other

On May 22, 2002 Tore Nuland filed a summons application at Nacka District Court against Intrum Justitia AB, inter alia. The application relates to claims tried by Norwegian courts in the late 1980s without any possibility for further appeal. Intrum Justitia regards the claims as groundless and accordingly has not accounted any contingent liability.

In Switzerland, Intrum Justitia is involved in a dispute with a partner in its guarantee operations. Intrum Justitia has both receivables from and liabilities to the partner which have not been paid pending a legal resolution. In its accounts, Intrum Justitia has allocated provisions corresponding to the anticipated outcome of the dispute.

The Group is otherwise involved in various legal actions in the normal course of business. In the opinion of management, the outcome of such actions is not expected to give rise to any significant loss.

There are no pledged assets, contingent assets or contingent liabilities in the Parent Company.

NOTE 23 AVERAGE NUMBER OF EMPLOYEES

	Group				Of which Parent Company			
	2005		2004		2005		2004	
	men	women	men	women	men	women	men	women
Austria	7	29	7	33	–	–	–	–
Belgium	22	26	17	31	–	–	–	–
Czech Republic	21	27	19	29	–	–	–	–
Denmark	16	26	17	28	–	–	–	–
Estonia	7	22	6	20	–	–	–	–
Finland	63	185	61	177	–	–	–	–
France	70	186	74	233	–	–	–	–
Germany	59	108	64	121	–	–	–	–
Hungary	19	51	16	37	–	–	–	–
Ireland	15	33	5	20	–	–	–	–
Italy	11	51	11	59	–	–	–	–
Latvia	3	5	3	5	–	–	–	–
Lithuania	3	11	2	16	–	–	–	–
Netherlands	192	164	167	160	–	–	–	–
Norway	37	59	34	66	–	–	–	–
Poland	86	102	109	147	–	–	–	–
Portugal	5	26	4	26	–	–	–	–
Slovakia	5	11	–	–	–	–	–	–
Spain	38	88	37	43	–	–	–	–
Sweden	148	199	121	219	15	8	17	6
Switzerland	90	85	86	83	–	–	–	–
UK	172	280	183	349	–	–	–	–
Total	**1,089**	**1,774**	**1,043**	**1,902**	**15**	**8**	**17**	**6**
		2,863		**2,945**		**23**		**23**

On December 31, 2005 the Parent Company's Board of Directors consisted of seven members, of whom six were men and one a woman. On the same date the Group Management Team consisted of eight persons, of whom seven were men and one a woman. Of the board members of Group subsidiaries, 93 percent were men and 7 percent women. Of the Group's country managers, 21 are men and one a woman.

NOTE 24 ABSENTEEISM

	Group		Parent Company	
	2005	2004	2005	2004
Sick leave among employees in the Group's Swedish companies, expressed as a percentage of the employees' aggregate normal working hours				
Men	1.6	2.7	1.4	1.0
Women	8.3	8.4	*	*
Employees aged 29 or younger	4.2	4.6	*	*
Employees aged 30–49	7.0	7.8	1.0	1.0
Employees aged 50 or older	4.5	5.2	*	*
Total	**5.9**	**6.6**	**1.1**	**1.0**
Of which long-term sick leave (60 days or more)	51	47	0	0

* Not reported since the number of employees in the category is less than ten.

During the year absenteeism in the Group as a whole, including foreign subsidiaries, corresponded to 6.1 percent (6.0) of employees' aggregate normal working hours.

NOTE 25 SALARIES AND OTHER REMUNERATION

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Salaries and other remuneration to Board, Presidents and Executive Vice Presidents	48.3	45.5	5.7	8.4
Salaries and other remuneration to other employees				
Sweden, Norway & Denmark	175.2	169.5	–	–
United Kingdom & Ireland	117.4	125.3	–	–
Netherlands, Belgium & Germany	192.6	201.3	–	–
Switzerland, Austria & Italy	107.0	105.6	–	–
Finland, Estonia, Latvia & Lithuania	84.9	72.6	–	–
France, Spain & Portugal	116.9	98.7	–	–
Poland, Czech Republic, Slovakia & Hungary	34.0	33.6	–	–
Head offices and central operations	19.7	23.6	16.1	16.0
Total salaries and other remuneration, Group	**896.0**	**875.7**	**21.8**	**24.4**
Social security costs	313.6	225.8	13.6	17.9
Of which pension costs	53.4	58.5	6.4	9.9

The aggregate cost in the Group of salaries and other remuneration, social security costs, including pension costs, and the cost of the employee stock option program amounts to SEK 1,217.1 M (1,106.5).

Salaries and other remuneration in the Group figures include remuneration in forms other than cash payments, i.e., benefits such as free or subsidized cars, housing and meals. Parent Company figures only refer to cash payments.

There are no outstanding pension obligations to the Board or President, nor have any bonuses or similar compensation been paid to the Board or President.

NOTE 26 TERMS AND CONDITIONS OF EMPLOYMENT FOR SENIOR EXECUTIVES

The Chairman of the Board and other Directors receive fees set by the Annual General Meeting, including special fees for work on the Audit Committee. The company also compensates Board members for travel expenses in connection with their Board work.

Remuneration for the President and other senior executives consists of a base salary, variable compensation, other benefits, pensions, financial instruments, etc.

The circle of senior executives has changed during the year and the term "other senior executives" in the table below refers to Henning Bensland, Marcel van Es, Thomas Feodoroff, Pascal Labrue, Lennart Laurén, Benno Oertig and from December 1 Monika Elling.

Pension benefits and remuneration in the form of financial instruments, etc. and other benefits for the President and other senior executives are part of their total compensation.

Remuneration and benefits during the year

SEK thousand	Base salary /fee	Variable compen-sation	Other benefits	Pensions costs	Total
Chairman of the Board Bo Ingemarson	450	–	–	–	450
President Jan Roxendal	3,200	1,355	74	800	5,429
Other senior executives, seven persons[1]	13,250	6,130	520	1,987	21,887
Total	**16,900**	**7,485**	**594**	**2,787**	**27,766**

[1] Compensation for other senior executives refers to compensation for the full year for persons who were senior executives at year-end and therefore excludes compensation to the former CFO who resigned during the year.

Board of Directors

In accordance with the decisions of the Annual General Meeting, total fees paid to members of the Board of Directors, including fees for the Audit Committee, amounted to SEK 1,660,000 for the year. The amount includes fees paid to the Chairman. Board fees are distributed between Directors as determined by the Board. The Directors have no pension benefits or severance agreements.

President

In accordance with his employment agreement, President and CEO Jan Roxendal receives a fixed annual salary of SEK 3,200,000 with a variable salary of up to SEK 2,100,000 and a company car as per the Group's car policy. Two thirds of his variable compensation for 2005 was based on predetermined earnings targets and one third on quality targets. The company pays pension insurance premiums corresponding to 25 percent of the President's base salary. Jan Roxendal has chosen to deduct SEK 60,000 per month from his gross salary to pay for additional pension insurance premiums. The pensions are a defined contribution plan. The company contributes to the pension the cost it saves through lower employer's contributions. Jan Roxendal has a minimum retirement age of 60, which can be extended if agreed by the company. If Jan Roxendal terminates his employment agreement, he has a six-month term of notice. If terminated by the company, his notice is twelve months and severance of SEK 3,000,000 will be paid, provided that termination is not due to a breach of contract on Roxendal's part.

Other senior executives

All senior executives receive a fixed annual salary and variable compensation. The latter is based on the results achieved in their area of responsibility, the Group's operating earnings and individual performance objectives.

Management's variable compensation is based on two incentive plans, one short-term and one long-term. The former entails an annual bonus opportunity for senior executives to receive a maximum of one year's salary in variable compensation. The long-term incentive plan means in principle that senior executives can receive a maximum of two years' salary based on results over a three-year period. As a result, this variable component can be paid out no earlier than four years after the plan's inception. The long-term plan is limited to the period 2005–2007 and therefore does not automatically recur. Both forms of variable compensation depend on the extent to which predetermined targets are met. The targets are set high for both incentive plans and are especially qualified for the plans with longer terms. Regional managers generally have performance objectives where 80 percent of their variable compensation is based on the region's operating earnings and 20 percent on the Group's operating earnings

Regional manager Henning Bensland is a co-owner of Visegrad NV, a company that owns 40 percent of the shares in Intrum Justitia Central Europe BV. Refer to Note 34 Transactions with related parties.

Notice of termination for members of Group Management Team varies from six to twelve months, regardless of whether termination is initiated by the employee or the company.

Pension benefits vary from individual to individual and from country to country. In several cases, they are included in monthly salaries. The majority of the senior executives are entitled to retire at age 65, one at 62. All pension benefits are defined contribution.

Incentive program

With regard to stock-related compensation, refer to Note 27 Share-based payment for employees.

Decision-making process

The Board of Directors has appointed a Remuneration Committee to provide recommendations to the Board on compensation issues, primarily as regards the President and Group Management Team. The Remuneration Committee consists of two Board members, who for the greater part of 2005 were Bo Ingemarson (Chairman) and Lars Förberg. Reinhold Geijer, who was previously a member, resigned from the Board of Directors and the Remuneration Committee in April. The President and the company's human resources director are co-opted to the committee's meetings, though not when their own salaries are discussed. In 2005 the committee held in total seven meetings. The scheduled meetings discussed the Group's employee stock option program, salary increases for certain regional managers due to reorganizations and the framework for compensation levels in 2006. The called sessions mainly discussed the salaries of newly hired senior executives and the variable compensation paid for 2004. The committee's recommendations have been submitted to the Board for decision.

NOTE 27 SHARE-BASED INCENTIVE PROGRAM FOR EMPLOYEES

The Annual General Meeting in 2003 approved Employee Stock Option Program 2003/2009 entitling employees to acquire up to 2,525,000 shares in Intrum Justitia AB (publ) for SEK 57 per share, intended as an incentive program for around twenty persons in senior positions in the Intrum Justitia Group.

The stock options are allocated as follows: to the President of Intrum Justitia AB a maximum of 500,000 options and to others eligible to participate between 75,000 and 150,000 options. Allotments take into consideration each employee's performance and position within, and efforts on behalf of, the Intrum Justitia Group.

Allotments were made in May 2004, when the majority of those entitled to options were offered the opportunity to participate in the program, and in 2004 and 2005 in connection with a limited number of new hires and promotions. In total, 19 persons are participating in the employee stock option program and 75,000 options have been retained for distribution by the Board.

The right to acquire new shares through the Employee Stock Option Program is related to the average annual percentage increase in the Intrum Justitia Group's earnings per share (before goodwill amortization) from fiscal year 2003 through fiscal year 2006, with earnings per share (before goodwill amortization) for fiscal year 2002 as a basis. The negative effect on earnings per share from any extraordinary dividend, meaning a dividend that exceeds Intrum Justitia's stated dividend objective at the time, is eliminated by equating such a dividend with a share repurchase. The following table shows the relationship between the increase in earnings according to the above and the highest allowable utilization ratio for allotted employee stock options.

Average annual increase in earnings per share (before goodwill amortization) in 2003–2006, %	Highest allowable utilization ratio for allotted employee stock options, %
0 – <6	0
≥6 – <7	20
≥7 – <8	40
≥8 – <9	60
≥9 – <10	80
≥10	100

Employee stock options are issued free of charge. The Intrum Justitia Group pays all social security contributions in connection with the benefit. In order to cover the liquidity effect that may arise from any social security contributions, warrants for a total of 833,250 shares were issued to a subsidiary of the Group.

The Annual General Meeting in 2003 approved the issue of 3,358,250 detachable warrants entitled to subscribe for shares in Intrum Justitia AB (publ), where each warrant permits subscription for one share at a price of SEK 57 per share, thereby hedging the shares that can be transferred to employees in accordance with the Employee Stock Option Program 2003/2009 as well as the liquidity effect of the social security contributions in connection with the program. After the redemption of shares in 2005, the current price of new subscriptions is SEK 54.60 per share. If fully exercised, the warrants would raise the share capital by SEK 67,165, corresponding to approximately four percent of both the share capital and voting rights. The warrants expire on July 1, 2009. The market value of the options on the issuance date amounts to SEK 20.0 M. The same amount is accrued as a staff cost over the vesting period of the options. The company thereby values the services received from employees in exchange for allotted options on the basis of the value of the allotted options. The cost in 2005 was SEK 7.5 M (5.0), of which SEK 1.1 M (0.7) corresponds to the President's options. The theoretical market value of the options on the issuance date, May 7, 2004, has been calculated according to the Black-Scholes model assuming an interest rate of 4.5 percent, 21.0 percent volatility (based on historical volatility), a share price of SEK 40.50, a strike price of SEK 57 and an expiration day of July 1, 2009.

The reason for introducing Intrum Justitia AB's Employee Stock Option Program 2003/2009 was that the Board of Directors felt that it is important to recruit and retain competent executives and key personnel within the Group and to provide current and future senior executives and key personnel the opportunity to become owners of Intrum Justitia AB. The Board believes that this will align their interests with those of the Group and strengthen loyalty to the company in the years ahead, especially since option holders are required to remain employees to exercise their options. Since the program is an incentive for senior executives and key personnel within the Intrum Justitia Group, it is expected to positively affect the Group's development and thereby benefit shareholders.

NOTE 28 FEES TO AUDITORS

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Audit assignments				
KPMG	11.8	8.3	0.9	0.8
PricewaterhouseCoopers	0.9	2.3	0.0	0.2
Other assignments				
KPMG	3.0	1.3	1.6	0.8
PricewaterhouseCoopers	1.9	5.9	0.7	0.9
Audits and other assignments, other auditors	0.8	0.2	–	–
Total	**18.4**	**18.0**	**3.2**	**2.7**

Audit assignments refer to the examination of the annual report and accounting records as well as the administration by the Board and the President, other tasks related to the duties of the company's auditors and consultation or other services that may result from observations noted during such examinations or implementation of such other tasks. All other tasks are defined as other assignments.

Other assignments performed by KPMG and PricewaterhouseCoopers during the year largely refer to tax advice.

NOTE 29 OPERATING LEASING

	Group		Parent Company	
SEK M	**2005**	**2004**	**2005**	**2004**
Obligations for rental payments for irrevocable rental contracts				
Year 1	74.1	79.0	1.8	0.4
Years 2–4	153.8	144.3	3.2	0.0
Year 5 and thereafter	103.3	113.5	0.0	0.0
Total	**331.2**	**336.8**	**5.0**	**0.4**

Lease costs for operating leases in 2005 amounted to SEK 112.0 M (94.3) in the Group, of which SEK 1.9 M (1.6) in the Parent Company. Operating leases mainly refer to rent for offices for the Group's operations in 22 countries. No single lease is especially significant to the Group in terms of amount.

NOTE 30 FINANCE LEASING

	Group	
SEK M	**2005**	**2004**
Minimum lease payments and their present value		
Year 1	0.6	0.3
Years 2–4	0.4	0.6
Year 5 and thereafter	0.0	0.0
Total	**1.0**	**0.9**

The present value of future lease payments according to finance leases is recognized in the balance sheet included in the item other liabilities.

NOTE 31 INVESTING OBLIGATIONS

Obligations to acquire fixed assets amounted to SEK 1.0 M (0.0) at year-end. The obligations are expected to be settled in 2006.

NOTE 32 FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISK

Accounting and valuation principles
For a description of accounting and valuation principles, refer to Note 1. As a rule, Intrum Justitia carries financial instruments at fair value and recognizes changes in value through profit or loss.

Reported value and fair value of financial instruments
Shares in subsidiaries, associated companies and other companies
The Parent Company's holdings of shares in subsidiaries are recognized at cost. Holdings in the Group of other shares in associated companies are recognized according to the equity method. The holdings are not marked to market and fair values cannot be reliably determined.

Shares in other companies refer to a four-percent holding in a company that is not publicly listed and where fair value cannot be determined without difficulty, as well as several small shareholdings in listed companies where both the carrying amount and fair value are insignificant in relation to the Group's total assets.

Purchased debt
Purchased debt is recognized at amortized cost according to an effective interest method. The Group restates the carrying amount by calculating the present value of estimated future cash flows at the receivables' original effective interest rate. Adjustments are recognized through profit or loss. With this valuation method, the carrying amount is the best estimate of the fair value of debt portfolios.

Other receivables
Other receivables have short maturities. Receivables and foreign currency are translated in the accounts at closing day rates. Consequently, the carrying amount corresponds to fair value.

Liquid assets
Liquid assets mainly consist of bank balances. Liquid assets in foreign currency are translated in the accounts at closing day rates. Consequently, the carrying amount corresponds to fair value.

Liabilities to credit institutions
The Parent Company's and the Group's loan liabilities carry market rate interest with short interest fixing terms. Liabilities in foreign currency are translated in the accounts at closing day rates. Consequently, the carrying amount corresponds to fair value.

Other liabilities
The Parent Company's and the Group's other liabilities have short maturities. Liabilities in foreign currency are translated in the accounts at closing day rates. Consequently, the carrying amount corresponds to fair value.

Derivatives
The Parent Company and the Group hold forward exchange contracts to a limited extent. The contracts have short maturities, typically one or more months. All outstanding forward exchange contracts are restated at fair value in the accounts, with adjustments recognized through profit or loss. The Group also holds interest rate cap contracts where both the carrying amount and fair value are nil.

Principles of financing and financial risk management
The financial risks that arise in Intrum Justitia's operations are limited. Thanks to a strong cash flow, combined with little need for investment and operating capital, external capital needs in operations are low.

Intrum Justitia's financing and financial risks are managed within the Group in accordance with the treasury policy established by the Board of Directors. The treasury policy contains rules for managing financial activities, delegating responsibility, measuring and identifying financial risks and limiting these risks.

Internal and external financial operations are concentrated in Group Treasury in Stockholm, which ensures economies of scale when pricing financial transactions. Because Group Treasury can take advantage of temporary surpluses and deficits in the Group's various countries of operation, the Group's total interest expense can be minimized.

Exchange rate risk
Exchange rate risk is the risk that fluctuations in exchange rates will negatively affect the Group's income statement, balance sheet and/or cash flows. Exchange rate risk can be divided into transaction exposure and translation exposure. Transaction exposure consists of the net of operating and financial receipts and disbursements in different currencies. Translation exposure consists of the equity in foreign subsidiaries and associated companies in foreign currency and any goodwill in connection with acquisitions.

Transaction exposure
In each country, all revenues and the large part of operating expenses are denominated in local currencies, and thus currency fluctuations have only a limited impact on the company's operating earnings denominated in local currency. National operations seldom have receivables and liabilities in foreign currency. Revenues and expenses in national currency are thereby hedged in a natural way, which limits transaction exposure. The currency exposure that arises within the operating activities is limited to the extent it pertains to international collection operations. All major known currency flows are hedged on a continuous basis in the Group and the Parent Company through the use of forward exchange contracts. Outstanding forward exchange contracts as of December 31, 2005 in the Parent Company and the Group comprised the following currencies:

Local currency	Hedged amount, buy	Hedged amount, sell
CHF	2,370,210	13,792,179
CZK	30,711,804	17,144
DKK	11,966,250	36,591
EEK	0	303,591
EUR	7,242,168	41,941,929
GBP	312,338	43,612,854
HUF	0	635,488,286
LVL	0	55,631
NOK	709,546	49,318,387
PLN	151,758	9,508,781

Forward exchange contracts are classified as financial assets carried at fair value through profit or loss (held for sale). The carrying amount as of December 31, 2005 corresponds to fair value, SEK 1.0 M. During the year the changes in value of forward exchange contracts were recognized in the Group profit or loss in the amount of SEK –39.2 M. The purpose of these forward exchange contracts has been to minimize exchange rate differences in the Parent Company attributable to receivables and liabilities in foreign currency. These exchange rate differences amounted to SEK 46.1 M during the year. The net effect on the income statement of exchange rate differences attributable to receivables and liabilities as well as forward exchange contracts is SEK 6.9 M.

Translation exposure
Intrum Justitia operates in 22 countries. Fluctuations in exchange rates affect the value of net assets in foreign currency. When the balance sheets for foreign subsidiaries are translated to SEK, balance sheet exposure arises because these balance sheets are expressed in currencies other than SEK. The results and financial position of subsidiaries are reported in the relevant foreign currencies and later translated into SEK for inclusion in the consolidated financial statements. Consequently, fluctuations in the SEK exchange rate vis-à-vis these currencies affect the Group's revenues and operating earnings, as well as equity and other items in its financial statements. Fluctuations between SEK and other currencies can therefore have an unfavorable effect on earnings and financial position as indicated in the consolidated financial statements. This exposure is minimized through the limited need for equity locally and by financing in local currency. As a result, net exposure in foreign assets is not hedged.

Consolidated earnings in SEK are affected by exchange rate fluctuations since earnings by subsidiaries are translated to SEK. Of the Group's revenues in 2005, 83 percent (84) was from operations outside Sweden. Exchange rate exposure does not affect the competitive situation faced by local subsidiaries, however, since they essentially operate in local currency. As a result, this exposure is not hedged.

A ten-percent appreciation in exchange rates against SEK and each currency with the greatest exposure would have had the following effect on revenues in 2005: CHF, SEK +30 M; EUR, SEK +142 M; GBP, SEK +27 M, and NOK, SEK +11 M.

Note 32, cont.

Interest rate risks

Intrum Justitia's operations are not capital intensive, which, in combination with the Group's strong cash flows, means that interest rate risk is minimized through short interest fixing terms, on average less than one year.

A one-percent increase in market interest rates would adversely affect net financial items by approximately SEK 11.9 M.

Derivatives are used to hedge interest rate risks. In 2001 the Group entered into interest rate cap contracts. These contracts create an interest rate cap on certain variable-rate borrowings from banks. The contracts mature by October 26, 2006.

The Group's caps as of December 31, 2005:

Local currency	Notional amount	Cap rate, %
GBP	4,125,000	7.25
CHF	11,000,000	5.25
EUR	16,500,000	6.50
NOK	27,500,000	9.25
SEK	41,250,000	6.25
DKK	3,575,000	6.75

Financing risk

The Group's long-term financing risk is minimized through long-term financing in the form of committed lines of credit. The Group's objective is that at least 35 percent of total committed loans have a remaining maturity of at least three years and that not more than 35 percent of the total have a remaining maturity of less than 12 months.

On February 11, 2005 Intrum Justitia AB signed a five-year syndicated loan facility of EUR 210 M with Danske Bank A/S, Svenska Handelsbanken AB and Nordea Bank AB. Each bank's share is EUR 70 M. The facility will expire in its entirety on February 11, 2010. To date the facility has been utilized through the Parent Company, which has requested the withdrawal of individual loan amounts in various currencies, with short maturities, usually three or six months.

The Group's aim is that the liquidity reserve, which consists of cash, bank balances, short-term liquid investments and the unutilized portion of committed lines of credit, should amount to at least ten percent of the Group's annual revenues.

Credit risk

Financial assets that potentially subject the Group to credit risk consist of cash and cash equivalents, accounts receivable, purchased debt, outlays on behalf of clients, derivatives and guarantees.

The Group's cash and cash equivalents consist primarily of bank balances. The Group has deposited its cash equivalents with established financial institutions where the risk of loss is considered remote.

The Group has accounts receivable and purchased debt from clients that operate in various industries, and are not concentrated in a specific geographic region. The Group's largest client accounts for less than two percent of revenues. Provisions for and/or established credit losses for accounts receivable amounted to SEK 5.8 M (14.4) during the year.

As part of its operations, Intrum Justitia acquires portfolios of written-off consumer receivables and works to collect them. Unlike its conventional collection operations, where Intrum Justitia works on behalf of clients in return for commissions and fees, in this case it assumes all the rights and risks associated with the receivables. The portfolios are purchased at prices significantly below their nominal value, and Intrum Justitia retains the entire amount it collects, including interest and fees. To minimize the risks in this business, Intrum Justitia exercises prudence in its purchase decisions. The focus is on small portfolios with relatively low average amounts, to help spread risks. Purchases are usually made from clients with whom the Group has maintained long relationships, so it is usually familiar with the receivables in question. Risks are also managed through limits on the scope and structure of purchased portfolios, which means that the Group's total assets in purchased portfolios may not exceed SEK 1,200 M, that no single portfolio may account for more than 25 percent of the total value of the portfolios, and that a maximum of 50 percent of receivables may originate from any one country. A large part of the portfolios relates to receivables in Spain, England, Poland, Switzerland and Finland. The portfolio structure fell within the limits set by the Board of Directors, however.

As an element in its operations, Intrum Justitia incurs outlays on behalf of clients, including for legal and court costs. The manner in which these costs are settled with clients and debtors differs between countries. In the United Kingdom, court costs incurred to collect outstanding debts are capitalized, as they are reimbursed to the Group when the litigation has been finalized and the case successfully settled. A credit risk is considered to exist, due to which provisions for doubtful recovery are recorded based on a review of the outstanding litigation at the end of an accounting period. The recognized and estimated value of the balance sheet item is SEK 34.6 M (44.3). Realized losses for court costs are expensed as identified.

The credit risk from the Group's forward exchange contracts and interest rate cap contracts is entirely dependent on the counterparty, which is generally a large bank or financial institution. The company does not expect any of these counterparties to become insolvent.

In combination with other services it sells in Switzerland, the company has issued guarantees for credit card debts totaling SEK 945.9 M (833.4). The company's main risk relates to those portions of the credit card debts that are more than 30 days overdue, which amounted to SEK 12.3 M (9.8). See also Note 22. As of December 31, 2005 Intrum Justitia has allocated SEK 30.6 M (28.1) in the balance sheet to cover payments that may arise due to the guarantee. There is no guarantee, however, that these provisions will cover all possible future payments that arise. If the receivable from Intrum Justitia exceeds the provision in the balance sheet because of the aforementioned guarantee, earnings could be affected negatively.

NOTE 33 BUSINESS COMBINATIONS

On June 15, 2005 the Group acquired 100 percent of the shares in Credit-express Slovakia (now named Intrum Justitia Slovakia s.r.o.) for SEK 5.9 M and in 2005 paid SEK 3.8 M in cash. The remainder of the purchase price, SEK 2.1 M, will be paid in June 2006 provided that the company reaches its expected operating earnings as of May 31, 2006.

The company provides collection services. During the six months following acquisition in 2005, the subsidiary contributed SEK 0.3 M to the Group's net earnings. If the acquisition had taken place as of January 1, 2005, the Group's revenue would have increased by SEK 9 M and net earnings for the year would have increased by SEK 1.9 M. Since the reason for the acquisition was to gain entry to the Slovakian market, strengthen the market position and thereby expand the client base, the company considers the recognized surplus value to be attributable to client relations and their contracts.

In October 2004 Intrum Justitia announced the acquisition of the Irish company Legal & Trade (Ireland) Ltd (now named Intrum Justitia Collections (Ireland) Ltd). In November 2004, however, Intrum Justitia decided to withdraw the acquisition when, in its opinion, the financial prerequisites on which it based its decision were no longer at hand, due to new information provided by the seller, Legal & Trade Financial Services Ltd. According to a ruling in June 2005 by the Irish High Court, the acquisition could not be revoked, but Intrum Justitia was awarded a repayment of approximately SEK 3 M from the purchase price. The amount was repaid in its entirety in 2005.

On December 31, 2004 Intrum Justitia paid the seller a purchase price of SEK 17.4 M, which in the accounts for 2004 is recognized as a current receivable. The company has been 100 percent consolidated since June 30. Earnings and revenues have been recognized in the Group for the period October 31, 2004–December 31, 2005. Since the reason for the acquisition was to become the market leader in Ireland and thereby expand the client base, the company considers the recognized surplus value to be attributable to client relations and their contracts.

In accordance with *IFRS 3*, acquired client contracts in both acquisitions meet the criteria for reporting as intangible assets.

Effects of acquisitions

Acquisitions have the following effects on the Group's assets and liabilities.

The acquired companies' net assets upon acquisition:

SEK M	Carrying amount in Legal and Trade Collections (Ireland) Ltd before acquisition	Fair value recognized in the Group
Intangible fixed assets	0.0	18.7
Tangible fixed assets	0.7	0.7
Accounts receivable and other receivables	17.2	17.2
Liquid assets	–	–
Accounts payable and other liabilities	–15.1	–15.1
Net identifiable assets and liabilities	**2.8**	**21.5**
Deferred tax on surplus value		–2.4
Purchase price paid in cash		17.4
Capitalized acquisition costs		0.9
Exchange rate difference		0.8
Cash (acquired)		**0.0**
Net cash flow		**3.1**

SEK M	Carrying amount in Credit Express Slovakia s.r.o. before acquisition	Fair value recognized in the Group
Intangible fixed assets	0.0	5.6
Tangible fixed assets	0.3	0.3
Accounts receivable and other receivables	1.1	1.1
Liquid assets	0.6	0.6
Accounts payable and other liabilities	–0.7	–0.7
Net identifiable assets and liabilities	**1.3**	**6.9**
Deferred tax on surplus value		–1.0
Purchase price paid in cash		3.8
Liability to seller		2.1
Cash (acquired)		**0.6**
Net cash flow		**–3.2**

Company acquisitions in 2004 totaling SEK 27.8 M, according the cash flow analysis, refer to the final payment of SEK 8.4 M for the company Stirling Park, which was acquired in 2002, the acquisition of shares in Intrum á Íslandi for SEK 2.0 M and a payment to the sellers of Legal & Trade Collections (Ireland) Ltd of SEK 17.4 M.

NOTE 34 TRANSACTIONS WITH RELATED PARTIES

	Group	
SEK M	**2005**	**2004**
Sales of services		
Dustin AB (sale of sales ledger services)	4.4	5.9
Total	**4.4**	**5.9**
Purchase of goods and services		
Dustin AB (purchase of IT equipment)	0.3	0.2
Marcel van Es (rental of apartment)	0.1	0.0
Förvaltnings AB Kaven (purchase of consulting services)	0.1	0.0
Total	**0.5**	**0.2**
Minority interest		
Visegrad NV (minority interest in earnings of Intrum Justitia Central Europe BV)	–13.0	–10.3
Total	**–13.0**	**–10.3**

In addition to associated companies and joint ventures, related parties include the Board of Directors and senior executives, according to Note 26, as well as close family members to these executives and other companies over which they can exert a significant influence.

Intrum Justitia sells sales ledger services to and buys IT equipment from Dustin AB, a company in which Lennart Laurén, a regional manager at Intrum Justitia, is a board member and co-owner.

Intrum Justitia has paid compensation for consulting services performed by Björn Fröling, a Board member of Intrum Justitia AB, through payment to a company he controls, Förvaltnings AB Kaven.

Marcel van Es, Intrum Justitia's regional manager, has received rent for an apartment in Amsterdam that the company has used.

Intrum Justitia Central Europe BV is the holding company for the Group's operating companies in Poland, the Czech Republic, Slovakia and Hungary. 40 percent of the shares in Intrum Justitia Central Europe BV are owned by Visegrad NV, where Henning Bensland, Intrum Justitia's regional manager, is a co-owner. As a result, a minority interest has existed since April 2003.

All transactions with related parties were made on market terms, at arm's length.

NOTE 35 CRITICAL ESTIMATES AND ASSUMPTIONS

Management has discussed with the Audit Committee developments, choices and disclosures regarding the Group's critical accounting principles and estimates as well as the application of these principles and estimates.

Certain critical accounting estimates have been made through the application of the Group's accounting principles described below.

Impairment testing of goodwill

As indicated in Note 9, an impairment test of goodwill was done prior to preparation of the annual accounts, with the result that no impairment need was found. For some cash-generating units, particularly in the UK and Norway, the impairment test is based on an assumption that the operating margin will improve significantly in the years ahead in relation to the outcome for 2005. Based on the size of these companies and the maturity of each market, it is considered likely that Intrum Justitia's operations in these two countries will eventually have the opportunity to reach an operating margin that does not deviate significantly from the Group average.

Purchased debt

As indicated in Note 15, the recognition of purchased debt is based on the company's own forecast of future cash flows from acquired portfolios. Although the company has historically had good forecast accuracy with regard to cash flows, future deviations cannot be ruled out.

Tax disputes

As indicated in Note 22, the Group is involved in tax disputes in Finland, Norway and Sweden. Provisions have only been allocated for the dispute in Norway, and in that case not for the entire amount of the tax authority's claim. The disputes will be settled in court, and it cannot be determined with certainty what the outcomes will be. The Group's stance regarding provisions has been reached based on risk assessments prepared in cooperation with tax advisers.

NOTE 36 REPORTING ACCORDING TO IFRS

This is the Intrum Justitia Group's first annual report according to the International Financial Reporting Standards (IFRS). Intrum Justitia reports according to IFRS as of 2005 and has restated comparative figures for 2004 in accordance with IFRS, so January 1, 2004 is considered Intrum Justitia's transition date to IFRS.

A reconciliation of the overall effects of IFRS on the consolidated income statement and balance sheet for the full year 2004, including the effect on deferred tax, is provided below. The figures in the balance sheet have been adjusted relative to the information in the previous annual report on the basis of new information.

Consolidation and goodwill

As of 2004 the acquisition cost of an acquired subsidiary is eliminated against the net of the market value of the subsidiary's assets and liabilities, including intangible assets such as client relations, cases in progress and internally developed brands. If the market values identified do not correspond to the acquisition cost, goodwill arises. Negative goodwill is not reported, but in such cases is charged against earnings immediately after acquisition. Since the adjustments stem from amounts in different currencies, exchange rate effects arise. As a result, the change in net earnings is not as great as the change in equity.

Goodwill is not amortized but is tested for impairment, whereupon the estimated future cash flows from the cash-generating unit are discounted by an interest rate corresponding to the Group's weighted average cost of capital. If the present value less sales expenses calculated in this manner is less than the net book value of the cash-generating unit's assets and liabilities, goodwill is written down. Due to the change in accounting principle for goodwill, deferred tax assets are no longer reported for goodwill attributable to net asset purchases.

Financial assets and liabilities

Intrum Justitia reports financial instruments, including foreign exchange contracts and other derivatives, at fair value. Any changes in fair value are recognized through profit or loss. At present hedge accounting is not applied.

Purchased debt

Purchased debt consists of portfolios of overdue consumer receivables purchased by Intrum Justitia at prices significantly below the nominal value. Purchased debt is reported according to an effective interest rate method, where the book value of each portfolio corresponds to the present value of all estimated future cash flows discounted by an effective interest rate determined when the portfolio is purchased, based on the relationship between acquisition cost and estimated future cash flows at the time of acquisition. Changes in the book value of the portfolios are recognized through profit or loss on the revenue line.

Employee stock option program

The Annual General Meeting in 2003 approved the adoption of an Employee Stock Option Program 2003/2009. Warrants were primarily allocated in May 2004 and in a limited number in 2005. The theoretical value of the warrants on the date of issue, calculated according to the Black-Scholes model, is accrued over the vesting period (May 2004–December 2006), i.e. the period during which the conditions precedent to exercise the warrants shall be met.

Consolidated Income Statement, Group

SEK M	Jan–Dec 2004 acc. to Swed. GAAP	Adjustment Purchased debt	Adjustment Employee options	Adjustment Goodwill	Jan–Dec 2004 acc. to IFRS
Revenues	2,848.8	–108.3			2,740.5
Cost of sales	–1,710.6	112.5			–1,598.1
Gross earnings	**1,138.2**	**4.2**	**0.0**	**0.0**	**1,142.4**
Sales and marketing expenses	–304.1				–304.1
General and administrative expenses	–405.5		–5.0		–410.5
Goodwill amortization	–112.1			112.1	0.0
Participations in associated companies	2.8				2.8
Operating earnings (EBIT)	**319.3**	**4.2**	**-5.0**	**112.1**	**430.6**
Net financial items	–36.4				–36.4
Earnings before tax	**282.9**	**4.2**	**-5.0**	**112.1**	**394.2**
Tax	–72.2	–0.8		2.2	–70.8
Net earnings for the year	**210.7**	**3.4**	**-5.0**	**114.3**	**323.4**
Of which attributable to:					
Parent Company's shareholders	200.4	3.4	-5.0	114.3	313.1
Minority interests	10.3				10.3
Net earnings for the year	**210.7**	**3.4**	**-5.0**	**114.3**	**323.4**

Consolidated Balance Sheet, Group

SEK M	Jan–Dec 2004 acc. to Swed. GAAP	Adjustment Purchased debt	Adjustment Employee options	Adjustment Goodwill	Dec. 31 2004 acc. to IFRS
ASSETS					
Intangible fixed assets					
Capitalized expenditure for IT development and other intangibles	104.2				104.2
Goodwill	1,401.0			104.8	1,505.8
Total intangible fixed assets	**1,505.2**	**0.0**	**0.0**	**104.8**	**1,610.0**
Tangible fixed assets	**86.7**				**86.7**
Financial fixed assets					
Shares and participations in associated companies and other companies	4.5				4.5
Purchased debt	390.6	16.4			407.0
Deferred tax assets	84.7			–33.9	50.8
Other long-term receivables	7.3				7.3
Total financial fixed assets	**487.1**	**16.4**	**0.0**	**–33.9**	**469.6**
Total fixed assets	**2,079.0**	**16.4**	**0.0**	**70.9**	**2,166.3**
Current assets					
Accounts receivable	345.9				345.9
Purchased fresh receivables	18.8	–18.8			0.0
Client funds	397.3				397.3
Tax assets	3.0				3.0
Other receivables	287.2				287.2
Prepaid expenses and accrued revenue	78.0	3.1			81.1
Cash and cash equivalents	338.3				338.3
Total current assets	**1,468.5**	**–15.7**	**0.0**	**0.0**	**1,452.8**
TOTAL ASSETS	**3,547.5**	**0.7**	**0.0**	**70.9**	**3,619.1**
SHAREHOLDERS’ EQUITY AND LIABILITIES					
Shareholders’ equity					
Attributable to Parent Company’s shareholders	1,436.3	–5.0		70.9	1,502.2
Attributable to minority	27.6	1.2			28.8
Total shareholders’ equity	**1,463.9**	**–3.8**	**0.0**	**70.9**	**1,531.0**
Long-term liabilities					
Liabilities to credit institutions	731.3				731.3
Other long-term liabilities	9.6				9.6
Provisions for pensions	32.4				32.4
Provisions for deferred taxation	21.8	0.5			22.3
Other provisions	6.3				6.3
Total long-term liabilities	**801.4**	**0.5**	**0.0**	**0.0**	**801.9**
Current liabilities					
Liabilities to credit institutions	53.9				53.9
Client funds payable	397.3				397.3
Accounts payable	195.2				195.2
Income tax liabilities	37.2				37.2
Advances from clients	30.1				30.1
Other current liabilities	223.6				223.6
Accrued expenses and prepaid income	336.8	4.0			340.8
Other provisions	8.1				8.1
Total current liabilities	**1,282.2**	**4.0**	**0.0**	**0.0**	**1,286.2**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**3,547.5**	**0.7**	**0.0**	**70.9**	**3,619.1**

Consolidated Balance Sheet, Group

SEK M	Jan–Dec 2004 acc. to Swed. GAAP	Adjustment Purchased debt	Adjustment Employee options	Adjustment Goodwill	Jan. 1 2004 acc. to IFRS
ASSETS					
Intangible fixed assets					
Capitalized expenditure for IT development and other intangibles	117.8				117.8
Goodwill	1,528.1				1,528.1
Total intangible fixed assets	**1,645.9**	**0.0**	**0.0**	**0.0**	**1,645.9**
Tangible fixed assets	**97.3**				**97.3**
Financial fixed assets					
Shares and participations in associated companies and other companies	0.8				0.8
Purchased debt	340.0	40.4			380.4
Deferred tax assets	107.3			–36.3	71.0
Other long-term receivables	10.1				10.1
Total financial fixed assets	**458.2**	**40.4**	**0.0**	**–36.3**	**462.3**
Total fixed assets	**2,201.4**	**40.4**	**0.0**	**–36.3**	**2,205.5**
Current assets					
Accounts receivable	353.8				353.8
Purchased fresh receivables	40.6	–40.6			0.0
Client funds	475.2				475.2
Tax assets	30.1				30.1
Other receivables	263.4				263.4
Prepaid expenses and accrued revenue	73.6				73.6
Cash and cash equivalents	243.2				243.2
Total current assets	**1,479.9**	**–40.6**	**0.0**	**0.0**	**1,439.3**
TOTAL ASSETS	**3,681.3**	**–0.2**	**0.0**	**–36.3**	**3,644.8**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Attributable to Parent Company's shareholders	1,234.2	–2.7		–36.3	1,195.2
Attributable to minority	17.3	1.3			18.6
Total shareholders' equity	**1,251.5**	**–1.4**	**0.0**	**–36.3**	**1,213.8**
Long-term liabilities					
Liabilities to credit institutions	844.1				844.1
Other long-term liabilities	13.1				13.1
Provisions for pensions	30.5				30.5
Provisions for deferred taxation	13.6	1.2			14.8
Other provisions	15.4				15.4
Total long-term liabilities	**916.7**	**1.2**	**0.0**	**0.0**	**917.9**
Current liabilities					
Liabilities to credit institutions	143.7				143.7
Client funds payable	475.2				475.2
Accounts payable	168.4				168.4
Income tax liabilities	39.2				39.2
Advances from clients	32.1				32.1
Other current liabilities	312.7				312.7
Accrued expenses and prepaid income	333.6				333.6
Other provisions	8.2				8.2
Total current liabilities	**1,513.1**	**0.0**	**0.0**	**0.0**	**1,513.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,681.3**	**–0.2**	**0.0**	**–36.3**	**3,644.8**

The balance sheet as of January 1, 2004 according to Swedish GAAP refers to the Group's position after the introduction of new accounting principles for pensions according to the Swedish Financial Accounting Standards Council's recommendation *RR 29 Employee benefits*.
In comparison with the annual report 2003, equity attributable to the Parent Company's shareholders decreased by SEK 6.6 M.

Audit report

To the annual meeting of the shareholders of Intrum Justitia AB (publ), corporate identity number 556607-7581

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Intrum Justitia AB for the year 2005. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards, IFRSs, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International financial reporting standards, IFRSs, as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 17, 2006

KPMG Bohlins AB

Carl Lindgren
Authorized Public Accountant

Corporate governance report

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

This corporate governance report has been prepared in accordance with the rules in Chapter 5 of the Swedish Code of Corporate Governance ("the Code") in order to describe how the Company has applied the Code since it has entered into force during the period covered by the annual report. This corporate governance report does not constitute part of the formal annual report and has not been reviewed by the Company's auditor.

Corporate governance at Intrum Justitia comprises structures and processes for management and control of the Company's operations for the purpose of creating value for the Company's owners and other stakeholders.

As of July 1, 2005 Intrum Justitia applies the Code, which, in accordance with an agreement between Aktiemarknadsbolagens förening (Association of Stock Market Companies) and Stockholmsbörsen (the Stockholm Exchange), has been incorporated in Stockholmsbörsen's revised regulations. Furthermore, Intrum Justitia's corporate governance complies with the applicable rules in the Swedish Companies Act, Stockholmsbörsen's listing agreement, the rules of Näringslivets Börskommitté (Swedish Industry and Commerce Stock Exchange Committee), the decisions of Aktiemarknadsnämnden (Swedish Securities Council) and the articles of association of Intrum Justitia.

Since the Code entered into force, the Company has not deviated from its provisions, with the exception of paragraph 2.1.3, as the Nomination Committee's complete composition was announced slightly later than six months prior to the Annual General Meeting 2006 due to the delay in the nomination of the last member until November 1, 2005. See also under the heading Nomination Committee.

CONTENTS OF THIS CORPORATE GOVERNANCE REPORT

The purpose of this report is to provide an overview of relevant information on corporate governance issues, including:

- Description of the Nomination Committee's work
- Information on the members of the Board of Directors
- Description of the Board's work
- Description of the committees' work
- Information on the Company's auditor
- Information on the President and CEO
- Compensation to the senior management, and
- Incentive programs.

This report also includes a brief account of how the Board ensures the quality of financial reporting and communicates with Company's auditor. Questions on internal control are addressed in further detail in the Board's report on internal control, which can be found on page 70 in this annual report.

NOMINATION COMMITTEE

The Annual General Meeting on April 27, 2005 instructed the Chairman of the Board to contact the five largest shareholders in the Company at the conclusion of the third quarter to request that each appoint one representative to serve on a Nomination Committee. The purpose of the committee is to nominate Board members for election at the upcoming Annual General Meeting. Accordingly, representatives of these five shareholders were summoned to form a Nomination Committee that, at the time of its formation and on December 31, 2005, represented a total of 42.7 percent of the share capital in Intrum Justitia. The composition of the Nomination Committee was announced as soon as the shareholders in question had appointed their representatives. This took place on October 24, 2005, i.e., six months prior to the Annual General Meeting 2006, at which time the names of the four representatives who had been appointed were announced. Information on the final member and the complete composition of the Nomination Committee were announced as soon as the final member was appointed on November 1, 2005.

For the Annual General Meeting in 2006, the Nomination Committee consists of Christer Gardell (Chairman of the Nomination Committee representing Cevian Capital), Ársæll Hafsteinsson (Landsbanki Íslands), Björn Fröling (Parkerhouse Investments), Göran Espelund (Lannebo Funds) and Adam Gerge (Didner & Gerge Funds). Moreover, Björn Lind (SEB Funds and SEB Trygg Liv) has served as a co-opted member of the Nomination Committee. Including SEB Funds and SEB Trygg Liv, the Nomination Committee represented 49.2 percent of the share capital and votes in the Company as of December 31, 2005. The Secretary of the Board has served as the co-opted Secretary of the Nomination Committee.

Besides nominating Board members and proposing who to elect as Chairman of the Board, the task of the Nomination Committee is inter alia to evaluate the Board and its work, propose compensation for the Board and, when necessary, propose candidates for auditors' elections and compensation for auditors.

After its appointment, the Nomination Committee met on two occasions during the autumn of 2005 and twice in January 2006. All members were present at these meetings, with the exception of the last meeting in January, when one member was absent.

The Chairman of the Board has conducted an evaluation of the Board and the work of individual members during the year. This evaluation has since been reported to the Nomination Committee, together with an assessment of the needs for special competence on the Board and an analysis of available resources.

Shareholders have been provided the opportunity to submit proposals to the Nomination Committee. No such proposals have been submitted within the applicable deadline. The Nomination Committee's proposal for the Chairman and other Board members as well as its proposal for Board fees and compensation for committee work is presented in the notice to the Annual General Meeting 2006. The proposals will then be presented to the Annual General Meeting for resolution.

No compensation has been paid to the Chairman of the Nomination Committee or to any other member of the committee for their work.

COMPOSITION OF THE BOARD

According to Intrum Justitia's articles of association, the Board shall consist of at least five and no more than nine members with no more than four deputies. All members are elected by the Annual General Meeting.

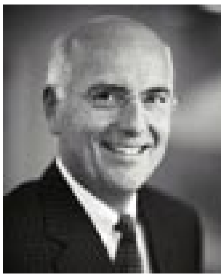
The Annual General Meeting on April 27, 2005 elected eight Board members with no deputies. Due to ownership changes, two members resigned (Gerard De Geer and Christian Salamon) and one new member was elected (Sigurjón Th. Árnason) at an Extraordinary General Meeting on November 24, 2005. Since the Extraordinary General Meeting, the Company's Board thus consists of seven members without deputies.

THE BOARD OF DIRECTORS FOLLOWING THE EXTRAORDINARY GENERAL MEETING ON NOVEMBER 24, 2005

		Born	Nationality	Elected	Nomination Committee	Audit Committee	Compensation Committee	Independence[1]	Shares[2]	Options
Bo Ingemarson	Chairman	1950	Sweden	2002		Member	Chairman	yes	15,585	no
Björn Fröling	Deputy Chairman	1957	Sweden	2002	Member	Chairman		no	20,000	no
Sigurjón Th. Árnason		1966	Iceland	2005				no	–	no
Helen Fasth-Gillstedt		1962	Sweden	2005		Member		yes	–	no
Lars Förberg		1965	Sweden	2004			Member	no	–	no
Leif Palmdahl		1941	Sweden	2005				yes	–	no
Jim Richards		1952	USA	2004				yes	–	no

[1] In relation to principal shareholders. All members are independent in relation to the Company and senior management.
[2] Information on holdings of shares in Intrum Justitia AB include shares owned through companies and related parties and are updated as of December 31, 2005.

BOARD OF DIRECTORS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1. Bo Ingemarson, age 55, Chairman. Chairman since 2002. Bo Ingemarson is also Chairman of Ostnor AB and SalusAnsvar AB and a Board Member of Modul 1 Data AB and Uppsala University. He has served as CFO of Sparbanken Sverige AB (1991–1993) and Skanska AB (1993–1997), as Vice President – Asset Management at Försäkringsaktiebolaget Skandia AB (1997–1999), and as President and CEO of If Skadeförsäkring AB (1999–2002). He holds a M.Sc. from the Stockholm School of Economics, Sweden.

2. Björn Fröling, 48, Deputy Chairman. Board Member since 2002. Björn Fröling is also Chairman of E. Öhman J:or Fondkommission AB and a Board Member of Braganza AS, Parkerhouse Investments BV, SalusAnsvar AB, Talisman Energy AB and E. Öhman J:or AB, among others. He was previously Managing Director and Partner in Lazard AB and prior to that with Brummer & Partners, Alfred Berg and Morgan Grenfell. He holds a M.Sc. from the Stockholm School of Economics, Sweden.

3. Sigurjón Th. Árnason, 39. Board Member since November 24, 2005. Sigurjón Th. Árnason is President and CEO of Landsbanki Íslands hf. He has previously held various senior positions at Búnaðarbanki Íslands hf., most recently as Chief Operations Officer and Head of Economics and Budgeting. He has also served as a part-time lecturer at the University of Iceland. Sigurjón Th. Árnason is Chairman of The Icelandic Banks' Data Center and a Board Member of a number of Icelandic companies in the financial sector. He holds a Bachelor of Science in Engineering from the University of Iceland and an MBA in Finance from Carlson School of Management, University of Minnesota.

4. Helen Fasth-Gillstedt, 43. Board Member since April 17, 2005. Helen Fasth-Gillstedt is Vice President Corporate Development and Advisor to the President of the SAS Group. She has worked in several positions within the Scandinavian airline and travel group since 1998 and has spent twelve years in general management positions at the Norwegian oil company Statoil. She is a Board Member of Precise Biometrics AB. Helen Fasth-Gillstedt holds a M.Sc. from Stockholm School of Economics.

5. Lars Förberg, 40. Board Member since 2004. Lars Förberg is Managing Partner of Cevian Capital. He is also Board Member of AB Lindex. He was formerly Chief Investment Officer at Custos and Investment Manager at Nordic Capital. He holds a M.Sc. from the Stockholm School of Economics, Sweden.

6. Leif Palmdahl, 64. Board Member since April 17, 2005. Leif Palmdahl manages a substantial cattle ranch and is a Board Member of Vänerhamn AB. He has extensive experience in the collection industry, where he held several senior positions within Intrum Justitia from the late 1970's until 1989. Between 1986 and 1989 he was the CEO of Intrum Justitia. From 1998 until mid-2004 Leif Palmdahl was the Chairman of the municipal board of Gullspång, Sweden.

7. Jim Richards, 53. Board Member since 2004. Jim Richards is President and CEO of Attention, LLC, a subsidiary of West Corporation, USA. Attention, LLC was founded by Jim Richards and is active in CMS. He is also a member of West Corporation's management team and a committee member of the Healthcare Services Program of ACA International. He studied at Temple University, Philadelphia, USA.

Secretary of the Board

Tom Hård, 60. Secretary of the Board since 2005. Tom Hård is an attorney and partner in Mannheimer Swartling Advokatbyrå. No. of shares in Intrum Justitia AB: 0.

At the statutory meeting, Bo Ingemarson was named Chairman of the Board and Björn Fröling Deputy Chairman. (It can be noted that the Chairman for the next term will be elected by the Annual General Meeting in accordance with the Code's rules.)

The Board is composed to effectively support and control the work of the management. All Board members are independent in relation to the Company and Management. All members except the following are independent in relation to the principal shareholders:

Sigurjón Th. Árnason	President and CEO	Landsbanki Íslands
Björn Fröling	Board member	Parkerhouse Investments
Lars Förberg	Managing Partner	Cevian Capital

The composition of the Board thereby complies with the requirements of both the Code and Stockholmsbörsen with respect to the number of independent members in relation to the Company, its management and principal shareholders.

The President of the Company is not a member of the Board, but attends all Board meetings except when the evaluation of the Board's work and the President are on the agenda. An external attorney serves as Secretary of the Board.

The Board has appointed an Audit Committee and a Compensation Committee from among its members. The committees are subordinated to the Board and do not relieve the Board members of their duties and responsibilities. For further information on the Board's committees, refer to page 67 below. Other than the above mentioned committees, there is no general delegation of the Board's work among its members.

THE BOARD'S RULES OF PROCEDURE

At its statutory meeting every year following the Annual General Meeting, the Board reviews and establishes the rules of procedure for its work, including instructions on the delegation of responsibilities and work between the Board, the President and the Board committees, as well as on the forms of the company's financial reporting.

The rules of procedure are based on the rules of the Swedish Companies Act on the overall responsibilities of the Board and President and otherwise on the decision-making procedure approved by the Board.

In addition to the delegation of responsibility that generally applies according to the Companies Act, the rules of procedure primarily govern the following:

- The schedule for Board meetings and decision points normally on the agenda at each meeting;
- The duties of the Chairman, President, the Compensation and Audit Committees, specifying the delegation of the Board's decision-making authority and which issues always require a decision by the Board;
- The Board's internal discussions and minutes, which are treated confidentially.

THE MEETINGS OF THE BOARD

The Board meets regularly in accordance with the schedule laid down in the rules of procedure, which also includes recurring decision points. The agenda and background information on each information or decision point are sent to all Board members and the Secretary well in advance of each meeting. Decisions by the Board are taken after an open discussion led by the Chairman.

In 2005 the Board held 11 meetings (previous year 14). The main topics of discussion of the meetings were as follows:

– the Group's results and financial position
– interim reports
– auditors' reviews (external and internal audits)
– strategies for the Group
– risk management issues and internal control of, among other things, financial reporting
– reviews of core processes
– acquisitions and cooperation projects
– capital structure issues
– special action programs for underperforming countries and operations
– payroll and compensation issues, including incentive programs
– evaluation of the Board's work, and
– evaluation of the President and CEO.

Among important decisions that the Board made during the year were to increase the limits of the scope and portfolio structure of the *Purchased Debt* service line, the acquisition of a large unsecured written-off loan portfolio from a Spanish bank, the acquisition of the Slovakian company Creditexpress (now named Intrum Justitia Slovakia s.r.o.) and the intra-Group transfer of a number of operating subsidiaries from Intrum Justitia BV to Intrum Justitia AB in order to simplify the Group structure (this restructuring was completed effective January 1, 2006).

According to previous practice the Board met twice with the Company's auditor, at both meetings in the presence of the President or other members of management. The Company intends to amend its routines in compliance with the Code so that neither the President, nor any other member of the management, is present in at least one of the Board's meetings with the Company's auditor.

BOARD EVALUATION

The Board conducts an annual evaluation of its work in the form of a questionnaire compiled by the Chairman and answered by the Board members. The purpose of the questionnaire is to address issues regarding inter alia competence, the Board's priorities, Board material, climate at meetings, and to identify possible improvements. In addition, verbal discussions are held on matters of interest to the evaluation. Based on this information, the Chairman presents the results of the evaluation to the Board and the Nomination Committee.

COMPENSATION FOR BOARD MEMBERS

According to the resolution of the Annual General Meeting 2005, the Board receives fees of SEK 1,500,000, of which SEK 450,000 is paid to the Chairman and the remainder, SEK 1,050,000 is divided among the other Board members as the Board decides, as well as an additional SEK 225,000 to be used as remuneration for committee work over and above ordinary Board work, in total SEK 1,725,000. The Board decided that each of its members (with the exception of the Chairman, who is compensated as described above) will receive a fee of SEK 150,000 per person. With regard to remuneration for committee work, the Board decided that the amount set by the Annual General Meeting, SEK 225,000, is divided so that each member of the Audit Committee receives SEK 75,000.

Against the backdrop of the resolution by the Extraordinary General Meeting on November 24, 2005 that the Board shall consist of seven members instead of the previous eight, the meeting also resolved that the total remuneration to the Board would be reduced by an amount corresponding to the lesser number of Board members for the remainder of the current term, i.e., by a total of SEK 65,000, and that the remuneration to each member, the Chairman and for committee work will remain unchanged. This means that the Board receives a total of SEK 1,435,000 for the entire term (as compared to SEK 1,500,000 previously). Including remuneration for committee work, the total remuneration amounts to SEK 1,660,000 (as compared to SEK 1,725,000 previously).

Based on the resolution of the Extraordinary General Meeting, the Board decided at its statutory meeting on the following distribution of remuneration within the Board:

Sigurjón Th. Árnason (elected at EGM)	SEK 65,000 (for the period from the Extraordinary General Meeting on November 24, 2005 until the next Annual General Meeting)
Gerard De Geer (resigned at EGM)	SEK 85,000 (for the period from the Annual General Meeting 2005 until the Extraordinary General Meeting on November 24, 2005)
Christian Salamon (resigned at EGM)	SEK 85,000 (for the period from the Annual General Meeting 2005 until the Extraordinary General Meeting on November 24, 2005)
To remaining Board members	SEK 150,000 each (unchanged)

ATTENDANCE AT BOARD MEETINGS IN 2005

	Bo Ingemarson	Björn Fröling	Sigurjón Th. Árnason	Helen Fasth-Gillstedt	Lars Förberg	Gerard De Geer	Reinhold Geijer	Bo Göransson[1]	Maria Lilja	Leif Palmdahl	Jim Richards[1]	Christian Salamon	Dennis Punches[1,2]
Feb. 16	X	X	–	–	X	X	X	0	X	–	X	X	0
Mar. 21	X	X	–	–	X	X	X	0	X	–	0	X	0
Apr. 26	X	X	–	–	X	X	X	0	X	–	0	X	0
Apr. 27	X	X	–	X	X	X	–	–	–	X	X	X	–
Jun. 8	X	X	–	X	0	0	–	–	–	X	0	X	–
Jun. 16	X	X	–	X	X	0	–	–	–	X	0	X	–
Jun. 29	X	X	–	X	X	X	–	–	–	0	0	X	–
Aug. 16	X	X	–	X	X	X	–	–	–	X	X	X	–
Oct. 25	X	X	–	X	X	X	–	–	–	0	X	X	–
Nov. 24	X	X	–	X	X	–	–	–	–	X	0	–	–
Nov. 30	X	X	X	X	X	–	–	–	–	X	X	–	–

X = Participated   0 = Did not participate
– = Not a Board member at the time

[1] Absent due to personal reasons
[2] Deputy Board member

AUDIT COMMITTEE

The purpose of the Audit Committee is to ensure a high standard of quality in audits of the Company and the Group and to facilitate contacts between the Board and the Company's auditor. The committee also works to improve quality in the monitoring and control of the Company's financial exposure and risk management. The Audit Committee consists of three members of the Board, who in 2005 were Björn Fröling (Chairman), Bo Ingemarson, Maria Lilja (through April 27, 2005) and Helen Fasth-Gillstedt (from April 27, 2005). All members are independent in relation to the Company and its management. All except Björn Fröling are independent in relation to the principal shareholders. The company's CFO and the auditor elected by the Annual General Meeting are co-opted to the committee's meetings, as is the Group Chief Accountant when necessary. The Audit Committee met four times in 2005 (five times in 2004). All members were present at all meetings, with few exceptions.

The work of the committee is governed by the instructions that constitute part of the Board's rules of procedure. The issues covered by the committee included quarterly reports, the year-end accounts, audit work for the Group (external and internal), investment proposals, capital structure and the introduction of IFRS. In addition, the committee dealt with issues of internal control and their reporting in accordance with the Code, conducted a review of the policy for internal control and internal audits, handled preparations for the Board's work to quality assure the Company's financial reporting, evaluated the work of the auditors and established guidelines for services other than audits that are procured from the Company's auditor. The Audit Committee reports to the Board, which makes the final decisions. The Audit Committee met with the Company's auditor four times during the year.

REMUNERATION COMMITTEE

The purpose of the Remuneration Committee is to evaluate the Group's overall payroll structure, fixed and variable remuneration components, and other benefits to senior management and executives reporting directly to the President. Its duties also include the evaluation of the connection between performance and compensation, issues involving bonus and incentive programs, pensions, severance, etc. The Committee also assists the Board to draft proposals for principles of remuneration and other employment terms for the senior management that the Board, according to the Code's rules, must present to the Annual General Meeting.

The Remuneration Committee consisted of three Board members until April 27, 2005 and two thereafter. The committee members in 2005 were Bo Ingemarson (Chairman), Lars Förberg and Reinhold Geijer (through April 27, 2005). All members are independent in relation to the Company and its management, with the exception of Lars Förberg, who is dependent in relation to one of the principal shareholders. The Company's human resources director and, when necessary, the President, attend the committee's meetings. In 2005 the committee met seven times and discussed issues such as the framework of the year's salary revision for senior executives, the principles for variable compensation (i.e., levels, targets and outcomes), pensions and other issues mentioned above within the framework of the committee's competence and duties (refer to Note 26 on page 55). All members were present at all meetings. The Group strictly applies the grandfather principle. The Remuneration Committee reports to the Board, which makes the final decisions.

AUDITOR

The Annual General Meeting 2004 elected the accounting firm KMPG Bohlins AB (KPMG) as auditor of Intrum Justitia AB with Authorized Public Accountant Carl Lindgren as chief auditor. The auditor was elected for a term ending at the conclusion of the Annual General Meeting 2008. The Auditor is independent.

In accordance with the decision of the Audit Committee, Intrum Justitia has consulted KPMG on tax and reporting issues unrelated to its auditing assignment. The size of the compensation paid to KMPG is indicated in Note 28, page 56. KMPG is obligated, as the auditor of Intrum Justitia, to test its independence prior to every decision to provide independent advice to Intrum Justitia unrelated to its auditing assignment.


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SENIOR MANAGEMENT

COMPOSITION OF GROUP MANAGEMENT TEAM

1. Jan Roxendal, age 52, President and Chief Executive Officer. Jan Roxendal assumed his duties as President and CEO in February 2003. He joined the company from ABB, where he was in charge of the Financial Services division and was Executive Vice President of ABB Ltd. in Switzerland. Jan Roxendal joined ASEA/ABB in 1984 and was appointed President of the Financial Services business area in 1991. From 1998 to 2002 he was also a member of ABB's Group management. Before joining ABB he worked at SEB and Swedish Export Credit. Jan Roxendal holds a Higher General Banking Certificate. No. of shares in Intrum Justitia AB: 50,000. No. of employee stock options: 500,000.

2. Monika Elling, 43, Chief Financial Officer. Monika Elling assumed her duties in December 2005. She most recently held the position of analyst at Enskilda Securities in Stockholm, where she had been employed since 1999. During the period 1987–1989 she was Financial Director at Sandvik Öberg, and in 1989–1992 she served as business controller with acting branch manager responsibility at Industor. From 1992 to 1994 she was CFO and COO of Arrow Lock Group in the U.S., now part of the Assa Abloy Group. Between 1994 and 1998 Elling worked for Securitas, mainly as Manager Cash Handling Services. She has a degree from Stockholm School of Economics combined with MBA studies at McGill University in Montreal, Canada, as well as a mechanical engineering degree from Teknikum Växjö. No. of shares in Intrum Justitia AB: 0. No. of employee stock options: 150,000.

3. Henning Bensland, 44, Regional Managing Director. Henning Bensland joined the company in 1993 and has been Regional Managing Director of Poland, Czech Republic & Hungary since 1999. In 2005 the region was expanded to include Slovakia. From 1992 to 1993 Henning Bensland was Business Development Director of Kontrax Telekom. Between 1988 and 1992 he held the positions of Area Manager and Product Manager at LM Ericsson. He holds a B.Sc. in Economics from Stockholm University and a M.Sc. in Engineering from the Royal Institute of Technology in Stockholm. Henning Bensland is co-owner of a company that owns 40 percent of Intrum Justitia Central Europe BV, a holding company for the operations in Poland, the Czech Republic, Slovakia and Hungary. No. of shares in Intrum Justitia AB: 2,084. No. of employee stock options: 0.

4. Marcel van Es, 39, Regional Managing Director. Marcel van Es joined the company in 1988 and in 2000 was given responsibility for operations in the Netherlands. In October 2003 his managerial responsibility was expanded to include Intrum Justitia Belgium, and in September 2005 it was expanded again to include operations in the United Kingdom and Ireland. He holds a B.Sc. in Economics from Hogeschool Rotterdam. No. of shares in Intrum Justitia AB: 0. No. of employee stock options: 150,000.

5. Thomas Feodoroff, 54, Regional Managing Director. Thomas Feodoroff has been employed by the company since 1978 and is the Regional Managing Director of Finland, Estonia, Latvia & Lithuania. He studied at the Swedish School of Economics and Business Administration in Helsinki, Finland. No. of shares in Intrum Justitia AB: 297,587. No. of employee stock options: 150,000.

6. Pascal Labrue, 38, Regional Managing Director. Pascal Labrue has been an employee at Intrum Justitia since 2000 and since February 2004 has served as Regional Managing Director of France, Spain & Portugal. As of 2005 his regional responsibility also includes Italy. He was previously employed by the CMS company B.I.L. Pascal Labrue graduated from ESC Bordeaux. No. of shares in Intrum Justitia AB: 119,713. No. of employee stock options: 150,000.

7. Lennart Laurén, 48, Regional Managing Director. Lennart Laurén has been an employee at Intrum Justitia since 1998 and since September 2003 has served as Regional Managing Director of Sweden, Norway & Denmark. He was active for many years in the Swedish banking sector, including a position as regional manager for SEB-Bolån during the 1990s. Lennart Laurén holds a Higher General Banking Certificate and has studied management accounting and tax law. No. of shares in Intrum Justitia AB: 130,939. No. of employee stock options: 150,000.

8. Benno E Oertig, 54, Regional Managing Director. Benno E Oertig has worked for the Intrum Justitia Group for 30 years. He was founder of Credit-control Data AG, which was acquired by Intrum Justitia in 1992. During the period 1992–1994 Oertig was responsible for Group marketing, after which he became responsible for the Switzerland, Austria & Italy region. As of 2004 he has taken over management responsibility for Switzerland, Austria and Germany. No. of shares in Intrum Justitia AB: 300,000. No. of employee stock options: 150,000.

Changes in the Group Management Team

In November 2005 Bo Askvik stepped down as Chief Financial Officer to take up a position outside the Group. He had joined Intrum Justitia in August 2004.

Group functions	**Head**
Communication & Investor Relations	Anders Antonsson
Debt Surveillance	Susanne Bruce
International Collections	Anders Carlström
Human Resources	Thomas Fredholm
Public Affairs	Leif Hallberg
Mergers & Acquisitions	Kent Hansson
Legal Affairs	Eva Kanyuk
Purchased Debt	Kari Kyllönen
Chief Information Officer	Rob de Vries

The indicated number of shares includes those held via companies and by family members and is valid as at December 31, 2005.

Compensation principles and employment terms for senior management
Prior to the Annual General Meeting 2006, the Board will present for resolution a proposal on the principles of compensation and other employment terms for the senior management in accordance with the Code's rules. The proposal addresses the relationship between fixed and variable remuneration and the relationship between performance and remuneration, non-monetary benefits, issues related to pensions, dismissal and severance payments and how the Board deals with these issues. For further details on salaries, other remuneration and conditions of employment for senior management, refer to Note 25–26 on page 55 in the Annual Report.

The Board's complete proposal for the principles for remuneration and other terms of employment for senior management is available on the Company's web site.

Incentive programs
For information on stock-related compensation, refer to Note 27 on page 56.

QUALITY ASSURANCE IN FINANCIAL REPORTING AND COMMUNICATION WITH THE COMPANY'S AUDITOR

In accordance with the provisions of the Companies Act and the Code, the Board is ultimately responsible for the quality of financial reporting, which is ensured through internal control work conducted by each unit within Intrum Justitia. The purpose of internal control is to control the accuracy, thoroughness and reliability of the financial reporting and ensure compliance with stated guidelines for financial reporting.

The Board bases its control of the quality of financial reporting on the following principal governing documents, control routines and delegation of responsibility:

Control of reporting by Group companies
The Intrum Justitia Group is organized in matrix form, where financial follow-up is made primarily by geographic region, and secondarily by service line. In the geographic regions, each country manager has substantial responsibility. The Parent Company exerts control, in part through representation on the local company's board and through the Parent Company's business controllers and financial controllers, who monitor the operations of subsidiaries from various perspectives. Each controller is responsible for monitoring a number of countries.

Every subsidiary files monthly accounts with an income statement divided along service lines, a balance sheet, volume data, etc. The accounts are consolidated at the Group level and included in a monthly report to the senior management and the Board.

Consolidated accounts are prepared each month for internal use. Financial reporting is submitted in the form of figures in a Group-wide reporting system and written comments according to a special template. Instructions and rules on written reports and figures can be found in Intrum Justitia's Handbook (see below). The results in the monthly accounts are compared with the previous year, budgeted figures and the latest forecast, which is updated quarterly. Along with revenue and earnings, the indicators include the volume of new collection cases, the value of the existing caseload and collected amounts.

Internal audit
As a complement to the external audit and the internal controls described above, an internal audit is conducted each year to ensure compliance with the Handbook's rules, judge the efficiency of current processes and propose improvements to subsidiaries' internal controls. During the year internal auditors visited and conducted audits of approximately half of the Group's companies, where they examined the local management, sales organization, production organization, client service departments and human resources unit. Every visit is documented in an analysis of strengths and weaknesses and proposals for improvements. The reports are presented to the senior management and the Audit Committee, and in summarized form to the Board. The internal audit leads to periodic evaluations and follow-ups to ensure that any deficiencies are alleviated. Since 2003 the internal audit function is outsourced to an external accounting firm.

IT and manual controls
Intrum Justitia's financial reporting and risk management are also based on a number of control activities at various levels in companies and business areas. They are conducted through both IT systems that support various operating processes and more conventionally designed manual controls to prevent, detect and correct errors and deviations. Examples of manual controls include authorization routines and requirements for approval from superiors for verifications, as well as logbooks of transactions and changes in basic data. Emphasis is placed on the inclusion of only approved business transactions in the financial reporting.

Special internal control project
In 2003 a special internal control project was initiated in which each subsidiary in the Group responded to a questionnaire on the status of internal control within their company. A similar internal survey is conducted again in 2006 with special focus on the companies' accounting organization. Using the outcome of the survey as a basis, deficiencies will be identified and alleviated. At the same time it will identify companies with the highest level of internal control within each area to facilitate knowledge transfers.

Group Management Team
The Group Management Team (GMT), which plays an advisory function, consists of the President of the Parent Company, the CFO and the regional managers. The Group Purchased Debt Director and Chief Information Officer attend the meetings when needed. The GMT meets regularly and discusses economic and financial results, strategic issues and Group-wide guidelines. These discussions, decisions and guidelines are also part of the control of financial reporting.

Intrum Justitia Handbook
The Group also uses a Handbook that describes Group-wide rules on business ethics, authorization and accounting rules. All financial reporting follows the Handbook's accounting, reporting and authorization instructions, which in turn are based on IFRS. The Handbook's rules are primarily based on the guidelines and rules laid down by the Company's Board of Directors, the GMT and each responsible senior executive.

The Handbook is updated when needed by one or more of the persons at the Group level responsible for the Handbook within their areas. The Group's CFO has chief responsibility for the contents of the Handbook.

Conferences
Conferences are held once or twice a year for the subsidiaries' accounting and financial managers for the purpose of maintaining a high level of quality in financial reporting by discussing issues concerning the Group's accounting principles and examining the requirements placed on internal control. The conferences are the responsibility of the Group's CFO.

Communication with the Company's auditor
As an element in the audit, the auditor elected by the Annual General Meeting, KPMG Bohlins AB, also reviews a sample of controls. KPMG reports on its findings and suggests actions to the Audit Committee/Board of Intrum Justitia AB twice a year. Prior to these meetings, observations from audits of subsidiaries have been presented to each local management group. These observations are acted upon and followed up in a systematic manner within each unit.

Further information
In accordance with the recommendation regarding the Board's reporting on internal control for 2005 as issued by Kollegiet för svensk bolagsstyrning (Swedish Corporate Governance Board), the Board has refrained from expressing an opinion on how well the internal control of the financial reporting has functioned during the year. For further information, reference is made to the Board's formal report, which is included in its entirety on page 70 below.

Report on internal control

The Board of Directors' report on internal control of financial reporting for the fiscal year 2005

This report has been prepared in accordance with section 3.7.2 of the Swedish Code of Corporate Governance ("the Code") and is thereby limited to internal control of financial reporting. This report does not constitute part of the formal annual report.

The Board of Directors is ultimately responsible for the Company's organization and management of its affairs. Each year in connection with its statutory meeting, the Board establishes rules of procedure for the Board and an instruction for the President. These documents cover, among other things, the delegation of duties between the Board and the President and CEO, as well as how decisions are made on various issues. The President handles the day-to-day management according to the Board's guidelines and instructions.

The basis of internal control of financial reporting is comprised of the **control environment** with the organization, decision-making channels, authorization and responsibilities documented and communicated in governing documents such as internal policies, guidelines, manuals and codes.

Information and communication of internal policies, guidelines, manuals and codes for financial reporting are covered in, among other places, the Group's Handbook, which is updated regularly. The Handbook is available in electronic form to all subsidiaries of the Group. The Chief Financial Officer, CFO, of the Intrum Justitia Group has chief responsibility for the contents of the Handbook.

Consolidated accounts are prepared each month for internal use. Financial reporting is submitted in the form of both figures in a Group-wide reporting system and written comments according to a special template. Instructions and rules on written reports and figures can be found in Intrum Justitia's Handbook. The results compiled in the monthly accounts are compared with the previous year, budgeted figures and the latest forecast, which is updated quarterly.

Conferences are held once or twice a year for the subsidiaries' accounting and financial managers for the purpose of maintaining a high level of quality in financial reporting by discussing issues concerning the Group's accounting principles and examining the requirements on internal control. The conferences are the responsibility of the Group's CFO.

Intrum Justitia applies **risk evaluation and risk management** to ensure that the risks the Company is exposed to are managed within established frameworks. The significant risks monitored include operating and financial risks. To limit and control risks in subsidiaries' operations as well as the risk of significant errors in their financial reporting, the Parent Company performs controls and follow-ups, for example, through representation on the subsidiaries' boards, through visits and follow-ups by business controllers and financial controllers, and through internal audits.

Management of financial risks such as interest rate risk, financing risk, liquidity risk and credit risk is handled by Group Treasury. **Intrum Justitia's finance policy** contains rules on how financial activities are managed, how responsibilities are delegated, how financial risks are measured and identified, and when and how they are limited.

Intrum Justitia's financial reporting and risk management are also based on a number of **control activities** at various levels in companies and business areas. They are conducted through both IT systems that support various operating processes and more conventionally designed manual controls to prevent, detect and correct errors and deviations. Examples of manual controls include authorization routines and requirements for approval from superiors for verifications, as well as logbooks of transactions and changes in basic data. Emphasis is placed on the inclusion of only approved business transactions in the financial reporting.

Follow-ups to ensure the quality of internal control are done in various ways within Intrum Justitia. Recurring reviews of internal control are made by, among others, the Internal Audit Function on behalf of and in accordance with the approach decided on by the Board's Audit Committee. Since 2003 the internal audit function is outsourced to an external accounting firm.

Internal control is also monitored through board work in subsidiaries; where action is considered necessary, the controller organization is utilized.

As an element in its audit, the auditor elected by the Annual General Meeting, KPMG Bohlins AB, also reviews a sample of controls. KPMG Bohlins reports on its findings and suggests actions to the Board of Directors of Intrum Justitia AB twice a year. Prior to these meetings, observations from audits of subsidiaries have been presented to each local management group. These observations are acted upon and followed up in a systematic manner within each unit.

In 2003 Intrum Justitia initiated a special internal control project. Within the framework of this project, each subsidiary in the Group responded to a questionnaire on the status of internal control within their company. A similar internal survey is conducted again in 2006 with a special focus on the companies' accounting organization. With the survey as a basis, deficiencies will be identified and alleviated. At the same time it will identify companies with the highest level of internal control within each area to facilitate knowledge transfers.

In accordance with the recommendation issued by the Swedish Corporate Governance Board, the Board refrains from issuing statements on how the internal control has worked during the year. The report has not been reviewed by the Company's auditors.

Stockholm, March 16, 2006

The Board of Intrum Justitia AB (publ)

Information for shareholders

Annual General Meeting 2006

The Annual General Meeting of Intrum Justitia AB will be held on Tuesday, April 25, 2006 at 4:00 pm (CET) at World Trade Center, section D, New York Hall, Klarabergsviadukten 70, Stockholm, Sweden. A notice will be published in the Swedish daily press. The notice and other information released prior to the Annual General Meeting will also be available at www.intrum.com.

Dividend

The Board of Directors is proposing a dividend of SEK 2.25 per share for fiscal year 2005, corresponding to 55 percent of net earnings for the year. (No dividend was paid for fiscal year 2004. Instead a share redemption program paid shareholders SEK 590.5 M, corresponding to approximately SEK 6.95 per share.)

Financial report dates 2006

Interim report January–March	April 25
Annual General Meeting	April 25
Interim report January–June	July 25
Interim report January–September	November 8
Year-end report 2006	February 2007

The reports are published in Swedish and English and can be ordered from Intrum Justitia AB, Corporate Communications Department, SE-105 24 Stockholm, Sweden, or accessed at www.intrum.com.

Communication with shareholders, analysts and the media is a priority for Intrum Justitia. A presentation of the Group's results and operations is made for analysts and investors in Stockholm and London directly after the release of each interim report. In addition to these contacts, representatives of the company meet current and potential shareholders on other occasions such as one-on-ones and meetings with shareholder clubs. We have also updated our website, www.intrum.com. Besides a general presentation of the Group, the website provides a detailed IR section with corporate governance documents, analysis tools, an insider register, etc. The Group also publishes a magazine for its stakeholders, Fair Pay Magazine, which provides information on developments in the CMS industry and at Intrum Justitia. The magazine can be ordered from the Communications Department.

Shareholder contact

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A history of debt collection

1923 Sven Göranson founds Intrum Justitia. The company offers collection services and grows into the industry leader in Sweden.

1970s A European expansion begins in 1971 through the company's establishment in Switzerland. In the same year Bo Göransson acquires the company from his father. Becoming established in Denmark and Finland make Intrum Justitia a leader in debt collection in the Nordic region. Operations are also commenced in Germany.

1980s The expansion continues, mainly through acquisitions of companies with local operations, to Norway, the Netherlands, Italy, France, Belgium, England and Wales. In the mid-1980s the head office is transferred to Amsterdam and a few years later Intrum Justitia is listed on the stock exchange in Luxembourg.

1990s The decade begins with Intrum Justitia's share listed on the London Stock Exchange. The Group's service offering is developed and expanded to include a comprehensive range of CMS services. At the same time Intrum Justitia continues to expand its European presence through acquisitions and new operations. In the late 1990s the Group is active in 19 European countries. In 1998 Intrum Justitia is bought out from the London Stock Exchange with the aim of restructuring its operations.

2000s The review and restructuring begun in 1998 continues. During the period 2000–2002 Intrum Justitia acquires Dun & Bradstreet's operations in twelve countries while establishing new operations in Lithuania and Latvia. In 2002 the Parent Company changes its domicile to Sweden and Intrum Justitia AB is listed on Stockholmsbörsen. The head office is moved to Sweden. In 2002 and 2003 a number of regionally strong CMS companies are acquired, strengthening the Group's position in Spain, Portugal, France and Scotland, among other places. After an acquisition in Slovakia in 2005 Intrum Justitia is operating in 22 European countries.

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