

**OUR CLIENTS
DEVOTE THEIR
TIME TO THEIR
BUSINESS, NOT
LATE PAYMENTS.**

Annual Report 2016

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The annual report and consolidated accounts are found on pages 31–77.

AN EVENTFUL 2016

FOUR ACQUISITIONS STRENGTHEN OUR OFFERING

In 2016, we made four acquisitions that complement our already established operations in Switzerland, Belgium, Denmark and Spain. Our Credit Management offering in these markets is thus strengthened.

EUROPE'S LARGEST SURVEYS

Intrum Justitia has conducted Europe's largest survey on payment habits since 1998. In May, European Payment Report 2016 was published and, in November, it was followed by the European Consumer Payment Report 2016. In 2016 too, the surveys attracted considerable attention and we continue to work to demonstrate the role Intrum Justitia plays in influencing countries, governments, businesses and consumers to establish efficient payment flows throughout Europe.

BACK IN THE UK

In October, Intrum Justitia announced the acquisition of 1st Credit in the UK, with about 130 employees. The acquisition entails a re-establishment of operations in the UK market. 1st Credit conducts strong operations to investment in and collect debt, acquired primarily from the banking sector. The company is one of few in the UK to be invited to bid when banks and financial institutions sell portfolios of overdue receivables. Our goal is to become one of the leading players in the UK market, and this acquisition serves as a good platform for that.

STRENGTHENED FINANCING

Our financing was further strengthened by entering agreements with the Swedish Export Credit Corporation (SEK), in which Intrum Justitia lends EUR 160 million by issuing bonds. The additional financing will strengthen our ability to grow, both by purchasing receivables and by acquiring credit management companies.

INTRUM JUSTITIA + LINDORFF

On 14 November, we published information on planned combination of Intrum Justitia and Lindorff. The company will be the leader in our sector, with more than 8,000 employees and a presence in 22 European countries. By joining forces, we generate benefits for both local and global customers, who thereby gain access to a broader European platform, an even better range of services, innovative solutions and first-class regulatory compliance.

HIGHEST LEVEL OF INVESTMENT EVER

The volume of portfolio acquisitions increased compared with 2015 and the level of investment in 2016 was the highest ever at SEK 3,100 million. Our strategy is to continue investing in defaulted consumer receivables, an area in which Intrum Justitia has extensive experience and proven success.

INCREASED INVESTMENTS IN NEW ASSET CLASSES

Historically, we have primarily invested in unsecured consumer debt. In 2016, we increased the scope of investing in purchased receivables within new asset classes, primarily in secured claims, as we acquired a large portfolio from Erste Bank Hungary, consisting of consumer loans with real estate collateral. In addition, we have also increased our investments in purchased receivables for small and medium-sized enterprises.

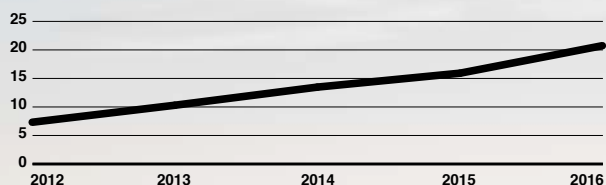
UN GLOBAL COMPACT

In April, we signed the UN's ten principles for sustainable enterprises. This means we commit ourselves to living by these important principles and integrating them as part of our overall strategic efforts and as part of the company's culture. Over the first year, we have mapped our attitude towards the ten principles and what steps need to be taken in the future.

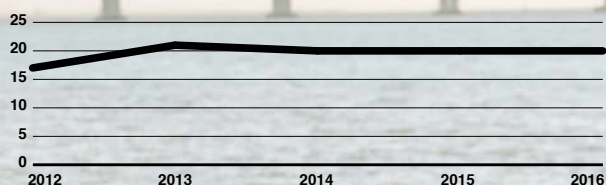
SPENDIDO

We launched Spendido, an interactive web lesson in house hold economy with focus on credits. The lesson constitutes a tool for high school teachers to illuminate the consequences of buying on credit.

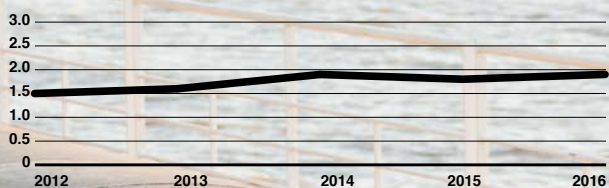
EARNINGS PER SHARE, SEK



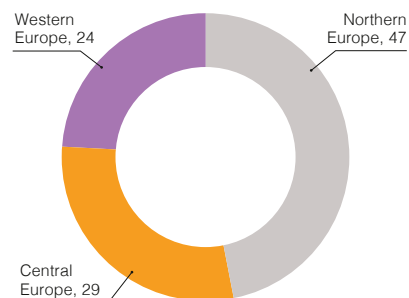
RETURN ON PURCHASED DEBT, %



NET DEBT/RTM OPERATING EARNINGS BEFORE DEPRECIATION AND AMORTIZATION, SEK M

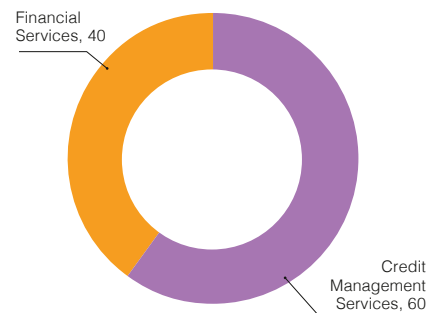


REVENUES BY REGION, %



Consolidated net revenues for 2016 amounted to SEK 6,088 M (5,628). Organic growth was 6 percent (3).

REVENUES BY SERVICE LINE, %



KEY FIGURES

SEK M, unless otherwise indicated	2016	2015	2014	2013	2012
Revenues	6,088	5,628	5,184	4,566	4,048
Net revenues excluding revaluations	6,039	5,597	5,149	4,559	4,127
Operating earnings (EBIT)	1,978	1,624	1,430	1,207	879
Operating margin, %	32	29	28	26	22
Earnings for the period	1,468	1,172	1,041	819	584
Investments in purchased debt	3,100	2,428	1,937	2,524	2,132
Purchase Debt book value	8,733	7,027	6,197	5,411	4,064
Cash flow from operating activities	3,374	2,905	2,672	2,305	1,986
Earnings per share, SEK	20.15	15.92	13.48	10.30	7.32
Growth in EPS, %	27	18	31	41	6
Return on purchased debt, %	20	20	20	21	17
Net debt/RTM operating earnings before depreciation and amortization	1.9	1.8	1.9	1.6	1.5

+27%

Operating earnings amounted to SEK 1,978 M (1,624). The operating margin was 32 percent (29). Net earnings amounted to SEK 1,468 M (1,172) and earnings per share amounted to SEK 20.15 (15.92) – an increase of 27 percent.

+9%

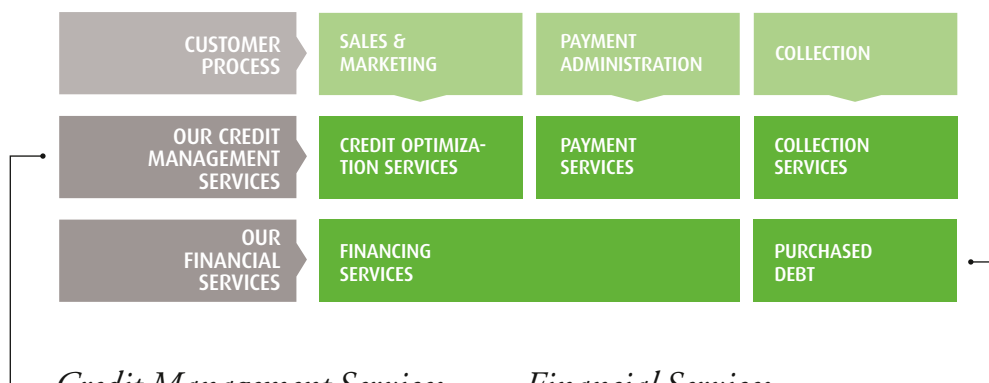
The Board of Directors proposes a dividend of SEK 9.00 per share (8.25) – an increase of 9 percent.

FUNCTIONING PAYMENT FLOWS FOR 75,000 CUSTOMERS THROUGHOUT EUROPE

Intrum Justitia offers services to companies across Europe, helping them manage payments and accounts receivable and improving their cash flow. When credit assessments and payment flows function as they should, companies are paid. This allows companies to be more profitable, to develop, grow and recruit more employees. At the same time, we are helping people become debt-free and to achieve sound private finances.

INSIGHT GENERATES CUSTOMER VALUE

The key to delivering customer benefit includes understanding people's and companies' situations. We gain insight into transactions and trends by collecting credit information on individuals and companies from all European countries. This insight helps us assess credit risks, for example. This information also helps us understand people, so that we can turn a difficult situation into something positive by, for example, offering individually tailored payment plans. Our clients get paid, and people become debt-free.



Credit Management Services

Intrum Justitia offers a complete range of services covering our clients' entire credit management chain – from credit optimization and payment services to collection services. Through credit optimization, we help our clients assess their potential customers' payment capacity. We also offer payment services, invoicing and account ledger services as support in completing the transaction. Where invoices are past due, we offer our debt-collection services to ensure that full payment is received for the product or service.

Financial Services

With factoring, payment solutions for e-commerce companies and purchased debt services, our customers get paid regardless of whether payment is secured from the end customer. Through factoring, our clients can sell their invoices to us and secure most of the payment up front. With our service for e-trade companies, our clients are paid directly, while we offer consumers monthly invoices or accounts for payment by installments. We can also acquire our client's overdue receivables for a portion of the nominal value and pursue collection activities ourselves.



Intrum Justitia has 75,000 clients in 20 countries.

OUR CUSTOMERS IN FIGURES

Intrum Justitia has nearly 75,000 customers and operations in 20 countries. The 20 largest clients account for about 12 percent of Intrum Justitia's revenues, although no individual client accounts for more than 2 percent. Our clients operate in virtually all sectors – helping clients with large volumes of consumer receivables is our specialty. But we also work with tens of thousands of small, entrepreneurial companies and medium-sized companies that have chosen to focus on their operations rather than on payment management.

INTRUM JUSTITIA IN FIGURES

Intrum Justitia was founded in 1923 and today has some 4,000 employees and operations in 20 countries. In addition, we partner with representatives in a further approximately 160 countries to assist clients with operations both within Europe and beyond. Intrum Justitia is one of Europe's leading credit management companies with operations in credit management and financial services that build on strong collection operations.

BETTER OPPORTUNITIES THAN EVER FOR SOUND CREDIT

Intrum Justitia's role in society is to promote a sound economy for all – companies, consumers and society in general. Everyone benefits from payments and credit functioning as they should. In 2016, we successfully established a platform for continued growth over the coming years and, as part of that, the planned combination with Lindorff was announced in November. Intrum Justitia continues to create even better opportunities to work for the sound provision of credit and timely payment throughout Europe.

IN 2016, WE STRENGTHENED OUR PLATFORM FOR CONTINUED GROWTH

The core of our strategy is based on four focus areas: being the market leader, maintaining a superior offering to our clients, operating ethical and efficient collection, and thus contributing to a sound economy for businesses, people and communities.

In 2016, we worked successfully to develop Intrum Justitia in all four of these areas, thereby building a solid platform for continued growth. We made corporate acquisitions in Switzerland, Belgium, Denmark and Spain, and these will strengthen our Credit Management offering in these markets. In November, we entered into an agreement to acquire 1st Credit in the UK, our largest acquisition to-date, thereby securing an attractive position in one of Europe's largest markets for purchased debt.

Growing in the purchased debt market is important for Intrum Justitia and, over the year, we increased the scope of our investments in purchased receivables within new asset classes, primarily within secured receivable but also in receivables of small and mid sized companies. As an example of this, in October, we acquired a large portfolio from Erste Bank of Hungary, consisting of past-due consumer loans secured by real estate. Within corporate receivables for small and medium-sized companies, we have increased our presence through corporate acquisitions, as well as through increased investment in purchased debt for this segment.

“We contribute to vigorous companies with the resources to invest and recruit.”

Through the above initiatives, we have strengthened our platform for profitable growth over the coming years. The investments have been made based on thorough risk assessments to ensure that Intrum Justitia's continued growth takes place in accordance with our established risk appetite.

SUSTAINABILITY WORK REMAINS IN FOCUS

In 2016, we also took an important step in our sustainability efforts by joining the group of companies and organizations that have signed the UN's ten principles for sustainable enterprises, the Global Compact. Our sustainability work is an important cornerstone of what forms the core of our company.

Another example of our sustainability work is our initiative for training in personal finance. During the year, we developed and launched Spendido, an Internet-based education program aimed at young people. The aim is for young people not to end up in a difficult financial situation, but to get them off to a good start in life instead. The project began in Sweden and the goal is to implement it throughout the Group. We will also provide information at the EU level and in this way influence policy makers to lift education in this area higher on the agenda.

A FINANCIALLY STRONG YEAR

We also look back on a very strong financial year with a trend whereby all regions and both of our service areas



contributed to our improved operating earnings. We continue to optimize our processes, for data collection, analysis and scoring, for example, to better be able to work for sound credit with our customers. By improving operating efficiency, we have increased the margin in credit management services and achieved a good return on purchased debt of about 20 percent. Consolidated operating earnings reached SEK 1,978 million, the highest ever in the Group's history and an increase of 22 percent compared with the preceding year.

We are exceeding by a wide margin our most important financial target regarding earnings per share. Earnings per share rose by 27 percent in 2016, well above our target to reaching annual growth of at least 10 percent. Over the past five years, earnings per share have risen by an average of 24 percent and our total shareholder return, defined as the increase in share price plus reinvested dividends, amounted to 27 percent annually over the same period.

COMBINATION WITH LINDORFF

An important event towards the end of 2016 was the announced combination with Lindorff. Together, we plan to create a leading company in our sector, with a local presence in 22 European countries and more than 8,000 professional, dedicated and caring employees. By joining forces, we generate benefits for both local and global customers, who thereby gain access to a broader European platform, a better range of services, innovative solutions and first-class regulatory compliance.

In recent years, the banking sector has undergone a structural transition, entailing large volumes of credit

having to be freed up from the banks' balance sheets. Together, we achieve an even stronger position with which to benefit from the growth and expansion opportunities created in the market. Intrum Justitia and Lindorff have a balanced mix of operations and integrated services throughout the value chain. The companies also complement each other well geographically.

On the whole, I feel very proud and inspired to have had the opportunity to develop our Group alongside our other employees. At the time of writing, Lindorff remains one of our most respected competitors in the market. Our owners perceive the industrial logic and increased value that the merger will generate for them. We now await the European Commission's examination of the transaction.

WE HELP CUSTOMERS FOCUS ON THEIR CORE OPERATIONS

Intrum Justitia holds a strong position in credit management with a particular focus on collection. We help companies increase their profitability and develop through efficient credit flows. Our clients range from multinational companies in the financial sector with thousands of employees to small, entrepreneurial companies, such as your neighborhood bakery.

Efficient credit flows bring lower credit risk, improved cash flow and profitability and, equally important, by transferring their management of invoices and outstanding receivable to Intrum Justitia, our clients have the time to conduct and develop their own core operations.

In our day-to-day efforts, we also help individuals become debt-free. Every day we are in contact with thousands of Europeans who find themselves in situations of greater or lesser difficulty. Our ambition for each individual is to find ways to settle their debt based on their financial circumstances. In this way, we help individuals improve their personal finances.

All things considered, Intrum Justitia acts as an important piece of the puzzle in today's society. We contribute to vigorous companies with the resources to invest and recruit. This provides opportunities for entire communities to feel better. We also contribute to sound personal finances through educational initiatives and by helping consumers pay off their debt on terms that are manageable for each individual.

Finally, I would like to thank all of our thousands of clients and employees for a great 2016. I look forward to a continued positive and eventful development in 2017 in which we work together for sound provision of credit and timely payments throughout Europe.

Mikael Ericson
President and CEO
Stockholm, March 2017

MAXIMUM POSSIBLE BENEFIT FOR OUR CUSTOMERS

Intrum Justitia's business concept is to offer clients credit management and financial services with a strong collection operation as our base. We achieve the maximum possible benefit for our customers by ensuring that credit ratings and payment flows function properly. When they do, our clients are paid, are able to develop, grow and hire more personnel. We also help private individuals find their way out of tricky debt situations. When we are successful at this, we are also able to achieve our operational targets and financial objectives.

BUSINESS CONCEPT

To offer clients Credit Management and Financial Services that build on strong collection operations.

Intrum Justitia is one of Europe's leading credit management companies. Our business concept is to offer clients credit management and financial services with strong collection operations as our base. Through our services, we help our clients increase their sales, improve profitability and cash flow and reduce their financial risk. At the same time, they avoid the need to manage outstanding receivables and late payments, and instead have time left over to develop and operate their core business. We also help private individuals find their way out of tricky debt situations. Our clients are companies and agencies that benefit from a concept in which our presence throughout Europe is combined with local expertise.

MISSION

To be a catalyst for a sound economy.

When payment flows function as they should, companies are paid, are able to develop, grow and recruit more staff. Our mission to act as a catalyst for a sound economy contributes to this. When goods and services are increasingly paid for using various forms of credit, it becomes even more important for companies to be able to sell goods and services with the least possible credit risk and to accept payment in a secure manner. Minimal credit risk also means that consumers can feel secure in credit-based purchases not leading to unsustainable debt. Intrum Justitia exists to manage these payment flows – including credit assessment, invoicing, payment monitoring and debt collection.

VISION

To be a company for and with people, offering Credit Management and Financial Services that add considerable value.

Our vision is to be a company for and with people, with services that greatly benefit our customers, helping them manage credit provision and payment flows and giving consumers a safe credit environment.



CLIENT BENEFIT

Credit optimization

With the right credit decision, our clients are able to maximize their sales results, invoices are paid and profitability improves.

Payment administration

With Intrum Justitia taking care of invoicing and the accounts receivable ledger, the management of payments and reminders is conducted professionally, while our clients are able to focus on their core operations.

Collection

With debt collection individually tailored to consumer's financial capacity, people become debt-free, and our customers incur fewer write-offs, improve their liquidity and increase their profitability, while freeing up resources for their core operations.

Financial Services

Our financial services enable our clients to increase their cash flow and reduce their financial risk.

OPERATIONAL TARGETS AND STRATEGIES

	GOALS	PURPOSE	STRATEGY
<i>Market-leading</i>	We aim to be the market leader in each country where we are represented.	This is important in that, thanks to our size, we have access to a larger database of business and credit information on markets, consumer groups and companies than our competitors.	The strategy is to continue expanding – partly through organic growth in both credit management and financial services, and partly through acquisitions of complementary credit management companies and portfolios of receivables.
<i>Complete range of services</i>	We are to be the natural choice for our customers and their needs throughout the credit management services chain.	A comprehensive offering in the payment chain strengthens our relations with clients and increases our own insight on credit and payment patterns.	The strategy entails continued growth in purchased debt, further development of our credit management services for e-trading companies and increased efforts to provide financial services early in the payment chain. As we become increasingly digital, considerable demands are imposed on us as a supplier. This is partly because our clients seek completely automated management and reporting via digital interfaces. And, in part, it is because we are able reach out to more business via the Internet and digital channels.
<i>Operational efficiency</i>	We will deliver the highest quality as efficiently and securely as possible throughout the credit management services chain.	Operational efficiency provides the opportunity to achieve a stable earnings trend and efficient pricing for enhanced growth in both credit management and financial services.	The strategy primarily involves refining our methods and resources in scoring, collection measures via the legal system and risk management. We are also working continuously to enhance productivity in IT.
<i>A sound economy</i>	By promoting a sound economy and lending environment, Intrum Justitia fills an important function in society.	Our operations help companies get paid and help prevent consumers from being trapped in debt. This creates healthy communities with growing companies that provide jobs.	The strategy is to pursue sound debt collection and to be a pioneer in our sector, educating consumers on how credit and defaults affect the individual, and by disseminating information through our European Payment Report and European Consumer Payment Report.

FINANCIAL TARGETS

Earnings per share

TARGET (%)

+10%

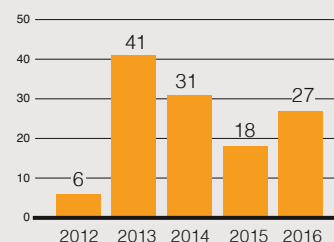
An increase of at least 10 percent per year.

Growth in earnings per share is a measure that, over time, is deemed to correlate very well with the growth in value for Intrum Justitia's shareholders.

Earnings per share and growth in this measure encompasses all aspects that drive shareholder value – organic growth, margin trend, financing structure, tax burden, dividend growth, etc.

OUTCOME GRAPHS

HISTORICAL OUTCOME FOR ANNUAL GROWTH IN EARNINGS PER SHARE, %.



Return on purchased debt

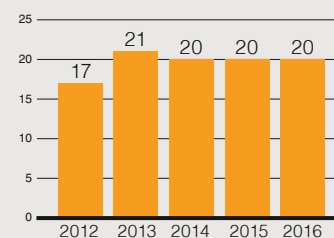
15%

Return on purchased debt should be at least 15 percent annually.

Over the next few years, it is our assessment that a large portion of Intrum Justitia's growth will be generated in purchased debt, where we believe there will be good market growth.

Growth should not, however, be achieved at the expense of profitability and Intrum Justitia prioritizes instead a stable and high return.

HISTORICAL OUTCOME FOR RETURN ON PURCHASED DEBT, %.



Net debt in relation to operating earnings before depreciation and amortization

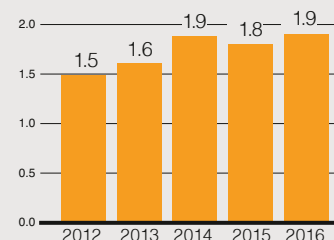
2.0-3.0

Net debt in relation to operating earnings before depreciation and amortization shall be in the interval 2.0–3.0.

Intrum Justitia shall maintain a responsible financial structure, taking into account the operations' risks, volatility and access to capital on credit markets. The central measure for assessing the level of the Group's borrowing is to relate net debt to cash flow, with operating earnings before depreciation and amortization being judged to provide the best view and being the most generally accepted measure of financial capacity among creditors.

Intrum Justitia has very strong cash flow from operations by means of its stable earnings without capital being tied up in Credit Management and because purchased debt has a short maturity in terms of cash flow.

HISTORICAL OUTCOME FOR NET DEBT IN RELATION TO OPERATING EARNINGS BEFORE DEPRECIATION AND AMORTIZATION.



Definitions of financial key figures are given on page 90.

DIVIDEND POLICY

Intrum Justitia's dividend policy is that shareholders should, over time, obtain a dividend or equivalent that averages at least half of the net earnings for the year after tax. Decisions relating to dividend proposals will take into account the Company's future financial development, capital requirements and status in other regards. For 2016 the Board has proposed a dividend of SEK 9.00 per share (SEK 8.25 per share), which is equivalent to approximately 45 percent of net earnings.



MAKING GREEN FINGERS PAY OFF INSTEAD OF TRACKING RECEIVABLES.

For decades Dieter Gaißmayer has nurtured his passion for plants and gardens through his business Staudengärtnerei Gaißmayer in the southwest region of Swabia in Germany. The nursery in the small town of Illertissen is home to over 3,000 different types of herbaceous perennials, including herbs, medicinal plants, phloxes, grasses, ferns and many more.

Staudengärtnerei Gaißmayer has an on-site shop, sales via printed catalogues and a thriving and growing online business. The nursery currently employs around 50 staff in total.

“We started online sales in about 2000 when plants could be delivered securely in two to three days and today online sales account for the largest proportion of our sales. Germany is our biggest market and that is where we see growth opportunities, although we sell throughout the EU and Switzerland,” says Dieter Gaißmayer, Managing Director of Staudengärtnerei Gaißmayer.

For the past seven years, Intrum Justitia has supported Staudengärtnerei Gaißmayer regarding the collection of national and international debts incurred via Gaißmayer’s online shop. Through its international service line, Intrum Justitia makes it possible to consolidate national as well as international debt collection through a single credit management company.

“That means we can spend less time tracking receivables and spend more time in our core business while still making sure we get paid,” says Dieter Gaißmayer.

MINIMAL CREDIT RISK, QUICK PAYMENTS AND INDIVIDUALLY TAILORED COLLECTION

Intrum Justitia offers services throughout the credit management chain, from the assessment of credit to payment and collection. We assist clients with both expertise and resources so that they can instead devote themselves wholeheartedly to their core operations.

Sound credit and professional management of payments and accounts receivable provide conditions for companies to improve their profitability, to develop and generate more jobs. To help achieve this, we offer our customers services for credit optimization, payment and collection.

MINIMAL CREDIT RISK

Acquiring information on prospective customers' credit status is an increasingly important ingredient in companies' sales efforts. The greater the amount of business conducted online, the greater the amount paid for with credit solutions such as invoicing or different installment models. It is important to provide credit correctly, so that companies are paid and consumers make transactions for which they have the capacity to pay.

Our credit optimization services provide our clients with data that helps them to decide who they should sell to and on what terms. In this way, they can streamline their sales by solely focusing on attractive customers and reducing credit risk by gaining knowledge of payment patterns before closing the deal.

Intrum Justitia's credit risk assessment is based on a combination of knowledge, information and understanding. We have long-term experience of European credit markets and extensive registers of payment patterns in different markets. This, com-



With our credit optimization services, we help our clients ascertain the credit risk by assessing their customers' payment capacity before making a transaction. Once the transaction has been made, our payment services are used, with billing and accounts receivable. Where invoices are past due, we offer debt-collection services, so that our client is paid and the consumer is helped to become debt-free.



bined with in-house analysis models and cutting-edge technological solutions, enables us to make our clients' risk assessment easier and provision of credit to customers more secure.

The analysis is based on scoring, which means that we estimate the creditworthiness of a group of consumers based on historical data and anticipate their payment habits and behaviors. The technique builds on a combination of advanced statistical tools and considerable IT capacity, a knowledge of psychology and good business acumen.

PROMPT PAYMENTS

For transaction-intensive online trade, but also for traditional trade, efficient procedures for invoicing and distribution of reminders are business-critical. When Intrum Justitia handles billing and accounts receivable, the management of payment administration and reminders is professionalized, and our clients are able to reallocate their resources to operating and developing their core operations.

Professional payment administration should be active and must therefore be well organized and up-to-date. – payment periods should be shortened and the number of collection cases reduced. Accordingly, invoices are distributed automatically by means of quality-assured procedures and payment reminders are distributed consistently and on time.

Using scoring, which, among other things provides us with a knowledge of people's behavioral patterns and payment trends, Intrum Justitia is able to send individually adapted reminders to those who have fallen behind with their payments. Procedures are adapted individually with, for example, the design and frequency of payment reminders taking the end-customer's finances into account.

Of all companies in Europe, 46 percent say they have liquidity problems due to late payments. Intrum Justitia's mission is to provide a solution.

INDIVIDUALLY TAILORED COLLECTION

Late payments are a major problem for businesses in Europe. Since 1998 Intrum Justitia has conducted an annual study of payment behaviors in Europe. In our European Payment Report 2016 survey, almost half of all companies (46 percent) say they have liquidity problems due to late payments. Of the companies surveyed, 25 percent say that late payments cause them to consider dismissing staff and 33 percent say that late payments mean they do not dare recruit more employees.

Intrum Justitia's mission is to provide a solution. With the help of individually tailored collection measures, we help companies secure payment and the end-customers to become debt-free.

Thanks to our large-scale databases and analysis tools, we have good insights into consumers' payment habits and are able to conduct collection operations that are individually tailored to the consumer's payment capacity. We can, for example, see differences between consumers who have encountered temporary financial problems and those who find themselves in a more difficult situation. This enables us to help them, in a respectful way, to resolve their debts.

If the debt collection process is still not bearing fruit, even after the person liable for payment has received useful assistance from us and an opportunity to pay, we forward the matter to the legal authorities, such as the enforcement service, for a decision.

Intrum Justitia also helps companies collect payments outside their home markets. We cover some 180 countries worldwide thanks to our collaboration with qualified partners.



HELPING SWEDBANK SUPPORT CUSTOMERS IN TROUBLE.

Helping customers who have fallen behind on payments get back on track is at the heart of an intimate and dynamic partnership between Swedbank and Intrum Justitia.

Swedbank, one of the largest financial services groups in the Nordic region, has outsourced the management of late payments to Intrum Justitia. The solution provides the bank’s clients with better service, and is more efficient and trims costs for Swedbank.

“The most important thing, however, is to provide our clients with support when they find themselves in difficult circumstances and, even better, make sure they never get there,” says Lena Kulling, Swedbank’s head of Collections a part of Group Lending.

The collaboration started in 2010 and has expanded over time. Today, Intrum Justitia supports Swedbank throughout the process from management of reminders to payment demands, assisting management at every step until each case is resolved in some way. Communication with customers is conducted under the Swedbank brand until the collection stage when Intrum Justitia communicates under its own brand.

The purpose of a process like this is to find a solution for the customer that works for both the customer and Swedbank. This is about helping individual customers regain their payment ability rather than simply collecting outstanding debts.

With financial services such as factoring, our customers sell their invoices to us and are paid immediately. With our service that has been developed for e-commerce companies, our clients are paid immediately, while consumers receive invoices or the opportunity to make installment payments. We can also buy our customers's overdue receivables for a portion of the value and pursue collection activities ourselves.



STABLE CASH FLOWS REGARDLESS OF WHEN AND WHETHER PAYMENT IS MADE

Assisted by our financial services, including factoring, payment solutions for e-trading companies and purchase of receivables, our clients are paid even if the end-customer fails to pay. Clients gain the stable cash flow that is often needed to be able to run and develop their business.

Our customers are able to derive various benefits by making use of financing services. They may seek stable cash flow, or to temporarily increase their liquidity, to make investments, for example. Or they want to minimize their financial risk.

IMMEDIATE PAYMENT

One of the most widely used financing services is factoring, whereby companies sell their invoices to us and are paid immediately. Another is our service for the expansive area of e-commerce. E-commerce is an activity in which thousands of small and large credits are provided to consumers on a regular basis, with the result that substantial financial risks are incurred. Here, risk is minimized since we offer a service whereby our customers are paid immediately on completion of the purchase, while the consumer is offered monthly invoicing or installment payments. An advantage is that the e-trade company is the sender of all communications to the consumer, thereby strengthening its brand and, accordingly, its competitiveness.

For those clients, who seek to sell without risk and who do not want to devote resources to payment reminders and collection services, we offer payment guarantees after having first performed a credit assessment. We treat any unpaid invoices and collection cases.

GETTING PAID EVEN WHEN CUSTOMERS DEFAULT

Europe's largest survey on late and defaulted payments, Intrum Justitia's European Payment Report 2016, shows that the small and medium sized companies suffer from defaulted payments. Fully 41 percent report that defaulted payments hinder their growth. Among large companies, the figure is 30 percent. On the whole, large sums are involved that could instead be used for investment in the companies' development and to provide opportunities for more Europeans to gain employment.

To help businesses increase their revenues, Intrum Justitia buys overdue receivables. When we buy a company's overdue receivables, its liquidity improves because it receives payment for a portion of the defaulted payments on which it previously risked losing payment entirely. They also gain the opportunity to reduce the amount of capital they have tied up by selling their overdue receivables. We determine the purchase consideration for portfolios of overdue receivables by forecasting how much of the debt will be repaid and when it is expected to be paid.

Following its purchase of the defaulted receivables, Intrum Justitia's long-term debt collection measures commence, aimed at helping consumers become debt-free, since we can help them reduce their debt in a respectful manner, for example through installment plans that take account of each consumer's payment capacity.

OUR SUSTAINABILITY PROMISE: A SOUND ECONOMY FOR ALL

By being a catalyst for a sound economy and thus promoting economic sustainability for all, Intrum Justitia is able to maximize its contribution to sustainable development. This is our passion and what we are best suited to do. Our objective is to create the conditions for a sound economy for all – people, companies and communities – and this is integrated into our daily operations.

A sound economy helps people, businesses and communities to thrive. Economic sustainability is a fundamental element of a society's overall sustainability efforts. By helping others achieve a sound economic situation and better transactions, we can free up time and resources for them to do their best to contribute to sustainable development in areas where they have the greatest impact.

That does not mean we do not assume responsibility ourselves for environmental and social issues. We do. It simply means that we are aware of where we can achieve the greatest impact with our work and maximize our contribution to a sustainable world.

PAYMENTS BEING MADE ON TIME ARE FUNDAMENTAL TO SUSTAINABLE COMMUNITIES

Sustainability involves three areas that are also interwoven – the environment, society and the economy. All three areas are dependent on one another in achieving sustainability. None of them can function sustainably without the other two.

The basis for achieving sustainability builds on companies' business functioning well and preferably expanding. Sound finances provide opportunities to invest in sustainability. They also allow companies to hire more people, which is good for society's economy, and is, in turn, a prerequisite for being able to build a functioning society with the resources to invest in a responsible environmental approach.

The most effective thing that Intrum Justitia can do for a sustainable Europe is to work for sound provision of credit and payments being made on time. In this way, we contribute to good finances for companies, people and

society in general. Sound provision of credit means that people do not risk placing themselves in unsustainable debt situations. It also means that companies are able to lend money or sell goods and services on credit without incurring financial risks. When companies are paid and on time, this affords them the opportunity to invest, develop and offer people jobs. This builds an economic foundation for building sustainable communities.

In practice, our sustainability work entails our assuming responsibility in the following three areas:

We work carefully and with respect for the economic capacity of the individual

In our business, we are in daily contact with thousands of end-customers – people experiencing financial problems in different ways. Dealing with these contacts professionally and with respect for the individual is crucial. Our customers depend on our handling of their end customers being conducted in a dignified manner – everything else risks having a negative impact on their own operations and brands. Intrum Justitia's mission is to solve this ethically and appropriately. Aided by collection measures tailored individually to the consumer's financial capacity, people become debt-free, and our customers incur fewer write-offs, improve their liquidity and increase profitability.

Conducting our work with the promise of making a substantial contribution to a sound economy is a guiding principle throughout the organization.

We disseminate knowledge

Late payments are a major problem in society. Each year, European companies find themselves short of major amounts when they do not receive payment for their goods or services. Through our two annual reports – European Payment Report and European Consumer Payment Report – Intrum Justitia helps disseminate information on how companies feel they are affected by not being paid on time, and what European consumer's everyday finances look like. Data from the reports are used by clients, by decision-makers at the EU and local levels, as well as by media throughout Europe. The reports can be ordered via our website www.intrum.com.

Intrum Justitia's surveys provide guidance for the European Commission in developing and evaluating the EU directive on late payments and we were the only commercial actor invited to participate in the European Commission's efforts to implement the directive in 2013 and 2014. In 2016, we continued to support the Commission with data from our surveys in, for example, the process of evaluating the impact of implementing the directive for late payments in all EU countries.

We educate

Within Intrum Justitia, there are several initiatives at the local level – in France and Germany, for example – aimed at providing education and information on the effects of accepting credit. In Sweden, we reach a large number of upper-secondary school students through our school project Spendido. Within the framework of this, Intrum Justitia's employees hold lessons in upper-secondary school classes about what buying on credit entails, what the cost is when someone fails to pay, and what happens once an invoice has been passed on for debt collection. The project has been greatly appreciated in the schools we have visited and has attracted considerable media attention. In 2016, the target was to reach 30,000 Swedish upper-secondary students. The project is now being extended to additional countries, and there are ongoing or planned education initiatives in countries including Ireland, France, Poland and Germany.

IN 2016 WE SIGNED THE UN GLOBAL COMPACT – 10 PRINCIPLES OF SUSTAINABILITY

As a stage in developing its sustainability efforts, Intrum Justitia signed the UN Global Compact – the ten principles for sustainable enterprise developed by the United Nations.

The Global Compact was adopted in 1999 in conjunction with the World Economic Forum in Davos. Today it is the world's largest sustainability initiative for companies, with more than 12,000 organizations in 170

countries having signed the commitment to comply with the organization's principles. The target is to have signed 20,000 companies by 2020.

The United Nations Global Compact's vision is to create a sustainable global economy that brings lasting benefit to people, communities and markets. This is achieved by supporting companies that conduct business in a responsible manner by adapting their business strategies to ten principles focusing on human rights, labor, the environment and anti-corruption.

Signing the Global Compact means for us at Intrum Justitia that:

- We always strive to conduct our operations in a responsible manner, in line with the ten principles of sustainability.
- We actively spread knowledge and understanding for a sound economy and its consequences for society in the countries where we operate.
- Our commitment comes from the highest level (the Board of Directors and Senior Management) to make sustainability work as part of our DNA.
- We will prepare an annual report with the progress of our company in line with Global Compact as well as regulations.
- We will continue to engage in sustainability issues in our 20 local markets.

Signing the United Nations Global Compact also entails compulsory commitments, including undertaking to submit an annual report describing the company's efforts to act in a responsible manner and to support the community. Intrum Justitia will submit its first report to the United Nations in April 2017.

SEVERAL EXAMPLES OF SUSTAINABILITY EFFORTS IN 2016

In 2016, Intrum Justitia's employees held discussions with some 12 million consumers to identify solutions to how they could become debt-free, through individually customized payment plans, for example, and ensuring that company's can secure payment for their goods and services.

Naturally, Intrum Justitia's role as a disseminator of information on the European credit market continued in 2016. Since 1998 Intrum Justitia has conducted an annual study of payment behaviors in Europe. In our European Payment Report 2016 survey, almost half of all companies (46 percent) say they have liquidity problems due to late payments. Of the companies surveyed, 25 percent say that late payments cause them to consider dismissing staff and 33 percent say that late payments mean they do not dare recruit more employees. This year's survey also shows that small and medium sized companies suffer from defaulted payments. Fully 41 percent report that defaulted payments hinder their growth. Among large companies, the figure is 30 percent. On the whole, large sums are involved that could instead be used for investment in the

companies' development and to provide opportunities for more Europeans to gain employment. In 2016, our other survey, European Consumer Payment Report 2016, was documented and communicated to selected groups – customers, decision-makers at the EU and local levels, as well as European media companies.

For several years, Intrum Justitia in Sweden has partnered with upper-secondary schools to educate students in private and household economics. In 2016, we took the next step in this work, launching Spendido, a web-based interactive course meeting certain requirements of the school curriculum. This has been developed to support upper-secondary teachers in educating students on the subject of household economics, with a focus on credit.

With Spendido, students can calculate the cost of a purchase made on installments, how a payment case is escalated to collection and what the consequences of having remarks recorded against you at the Swedish Enforcement Authority. During the course, Spendido gives young people a voice, letting them share their stories of what it has meant for them to incur debt at an early age – it is also a channel for others in the community to explain what the consequences can be. Housing, mobile phone subscriptions and jobs – all can be at risk by defaulting on a payment. The educational tool and lectures provided for free. In 2016, we focused on developing and launching Spendido in Sweden. In 2017, the concept will be spread to other countries.

We also support organizations that help those who have become caught in the debt trap. In France, we support the CRESUS organization, which works to help those who have accrued too much debt. In Germany, we partner with the Caritas organization to help people with too much debt to return to a debt-free existence. Here too, we work extensively with education.

Compared with manufacturing companies, for example, Intrum Justitia's operations have only a limited environmental impact. Nonetheless, we make efforts to directly benefit the environment by preferring video meetings to travel, owning a vehicle fleet consisting of cars that emit less than 130 grams of carbon dioxide in accordance with emissions directives from the EU, and using office materials efficiently.

46%

In our European Payment Report 2016 survey, almost half of all companies (46 percent) say they have liquidity problems due to late payments.

25%

Of the companies surveyed, 25 percent say that late payments cause them to consider dismissing staff.

41%

Fully 41 percent report that defaulted payments hinder their growth.

INTRUM JUSTITIA IS WELL-POSITIONED IN A GROWING MARKET

Intrum Justitia has a broad customer base in its 20 geographic markets and a strong presence in many sectors. The Group is well-positioned in relation to the increasing number of competitors who often have fragmented operations. The market for our credit management services is considerable and is estimated to grow further.

BROAD CUSTOMER BASE

Intrum Justitia has nearly 75,000 clients and operations in 20 European countries. The 20 largest clients account for about 12 percent of Intrum Justitia's revenues and no individual client accounts for more than 2 percent. We have customers in virtually all sectors, although we are particularly strong among customers with large volumes of consumer receivables. But we also work with tens of thousands of small, entrepreneurial companies and medium-sized companies that have chosen to focus on their core operations rather than on credit management.

The fragmented market for small and medium-sized enterprises engaged in collection operations in individual countries also creates growth opportunities for Intrum Justitia.

VARIED COMPETITION SCENARIO

Getting established in the collection business is relatively easy and start-ups therefore appear on an ongoing basis. In the European credit management market, there are many small companies engaged mainly in collection operations locally in a single country. There are also a number of larger companies present in several countries, such as Intrum Justitia, that can offer the full range of

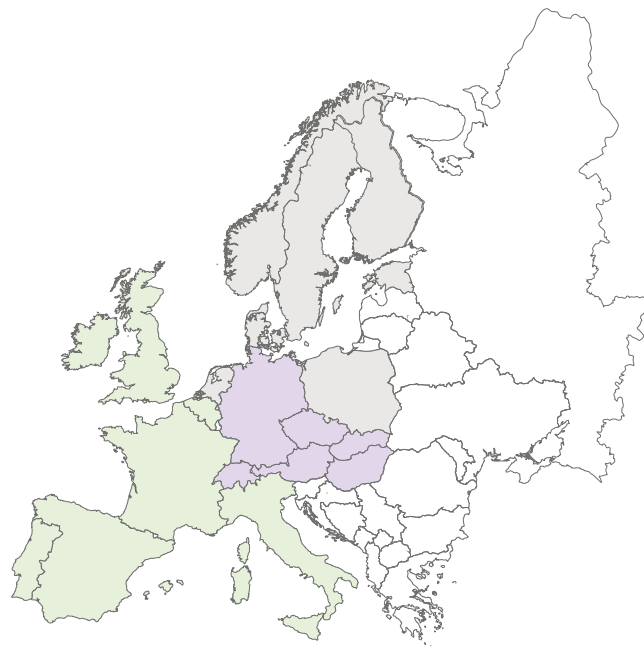
credit management services, from credit decisions to account ledger services, reminders and collection. In investments in purchased debt, the competitive scene mainly involves larger players, since these operations require more capital and better data on consumer and corporate payment behavior.

GROWING MARKET POTENTIAL

In our assessment, several driving forces are generating growth in the European market. The supply of credits and written-off receivables is expected to increase over the coming years, due to the economic cycle and the need among financial institutions to strengthen their balance sheets. This is, in turn, partly a result of Asset Quality Reviews by banks, new accounting rules requiring loan losses to be reported sooner, and a general focus among financial institutions on reducing operating expenses in order to focus on their core operations. Furthermore, by specializing in credit management services and investing in IT platforms, for example, the sector has increased its efficiency in relation to customers in all areas, which, in itself, increases the volume potential for companies like Intrum Justitia. The fragmented market for small and medium-sized enterprises engaged in collection operations in individual countries also creates growth opportunities for Intrum Justitia, which has the experience and financial strength to grow through acquisitions. Last but not least, new asset classes in purchased debt are opening up significant growth potential, with the segments for secured receivables and receivables from small and medium-sized companies judged to be substantially larger than unsecured consumer receivables.

REGIONS

Intrum Justitia's operations are divided into three regions: Northern Europe, Central Europe and Western Europe. We have approximately 4,000 employees and operations in 20 countries.



NORTHERN EUROPE

Year established		Market position				2016	2015	%	% fx*
Denmark	1977	Market leader							
Estonia	1996	Market leader							
Finland	1910	Market leader							
Netherlands	1983	Top 5							
Norway	1982	Top 5							
Poland	1998	Smaller							
Sweden	1923	Market leader							
			Share of revenue	Share of earnings	Proportion of employees				
			47 %	51 %	43 %				
Revenues, SEK M						2,820	2,652	6	6
Operating earnings, SEK M						988	842	17	17
Operating margin, %						35	32	3 ppt	–

CENTRAL EUROPE

Year established		Market position				2016	2015	%	% fx*
Austria	1995	Top 5							
Czech Republic	1996	Market leader							
Germany	1978	Smaller							
Hungary	1993	Market leader							
Slovakia	2005	Market leader							
Switzerland	1971	Market leader							
			Share of revenue	Share of earnings	Proportion of employees				
			29 %	32 %	21 %				
Revenues, SEK M						1,775	1,636	8	8
Operating earnings, SEK M						615	499	23	23
Operating margin, %						35	31	4 ppt	–

WESTERN EUROPE

Year established		Market position				2016	2015	%	% fx*
Belgium	1988	Market leader							
France	1987	Market leader							
Ireland	1999	Market leader							
Italy	1985	Smaller							
Portugal	1997	Market leader							
Spain	1994	Top 5							
UK	1989	Smaller							
			Share of revenue	Share of earnings	Proportion of employees				
			24 %	17 %	36 %				
Revenues, SEK M						1,444	1,309	10	9
Operating earnings, SEK M						325	252	29	28
Operating margin, %						23	19	4 ppt	–

* % fx refers to the change adjusted for currency effects.

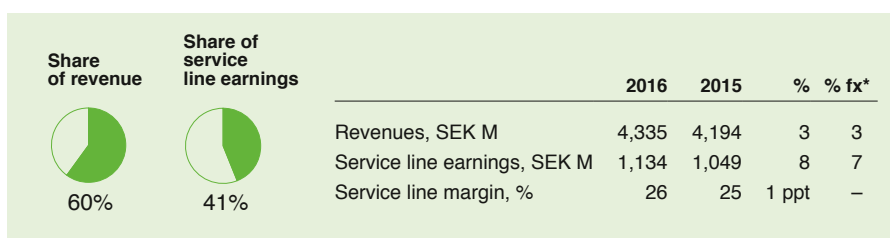
Revenues, operating earnings and operating margins excluding purchased debt revaluations.

SERVICE LINES

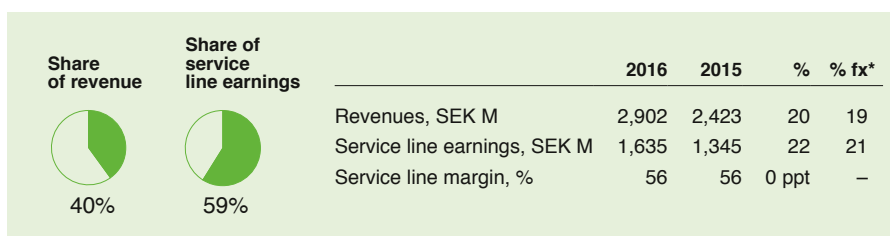
Intrum Justitia's service offering is divided into the two service lines – Credit Management services and Financial Services.

Credit Management accounts for 60 percent of consolidated total revenues and 41 percent of earnings. Nearly 95 percent of the Group's employees work in this service line. The services are described in greater detail on pages 12–13. The Financial Services service line consists predominantly of investments in portfolios of overdue or written-off receivables. This service line accounts for 40 percent of consolidated total revenues and 59 percent of earnings. The services are described in more detail on page 15.

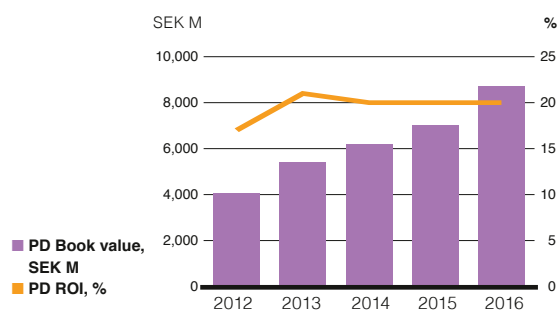
CREDIT MANAGEMENT SERVICES



FINANCIAL SERVICES

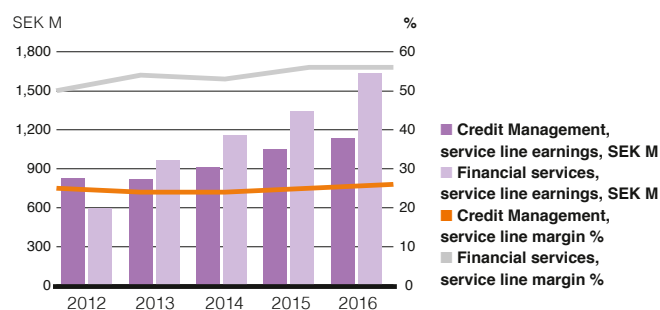


* % fx refers to the change adjusted for currency effects.



PD Book Value/PD ROI

Purchased debt book value increased to SEK 8,733 M in 2016. The return on purchased debt was 20 percent in 2016.



Service line earnings/Service line margin

Service line earnings were SEK 1,134 M for Credit Management and SEK 1,635 M for Financial services in 2016 while service line margins were 26 percent and 56 percent respectively.

OUR OBJECTIVES: THE SECTOR'S MOST ATTRACTIVE EMPLOYER

Intrum Justitia aims to be the obvious choice of employer in its sector. This is an ambitious aim and causes us to attach considerable importance to leadership, career opportunities, internal recruitment and opportunities for professional development.

A meaningful workplace where we work for a sound economy

A job at Intrum Justitia is meaningful, stimulating and motivating.

Meaningful:

We achieve meaningfulness by living up to our values and our overarching purpose of being a catalyst for a sound economy.

Stimulating:

Our market-leading position makes working at Intrum Justitia stimulating, as does the delegation of mandates and responsibility for achieving results.

Motivating:

Work here is motivating thanks to individually tailored training programs and opportunities for career development.

We are 4,000 employees at Intrum Justitia, working in 20 countries – from northernmost Europe to the east, south and west. Our employees have origins in 75 different countries. We are a multicultural workplace where everyone is offered the same opportunities and is treated with respect. Our objective with recruitment is to find the most qualified candidate regardless of gender or origin.

**OUR THREE LEADERSHIP PRINCIPLES
PLACE THE TEAM ABOVE THE INDIVIDUAL**

With the objective of attracting, developing and retaining the best employees in the market, Intrum Justitia’s managers apply three principles that entail working towards common goals as a team with a coach.

Team spirit: All managers at Intrum Justitia shall support their teams by emphasizing team results ahead of individual results and by focusing on tasks in an environment pervaded by transparency and dialogue.

Coach and team player: Intrum Justitia’s managers help others achieve success by acting as coaches. We trust our employees and extend responsibility to them through a considerable degree of delegation. As coaches, managers also hold clear operational roles, however, and participate in their teams’ efforts.

Results: We define, measure and reward our employees’ accomplishments by setting challenging but achievable targets. We measure development, reward results and celebrate success.

A key aspect in doing a good job for our clients and achieving success in business is that our employees feel motivated and satisfied in their work.

INTRUM JUSTITIA – THE FIRST CHOICE

We want to be the first choice for everyone seeking a future in the credit management sector, this may be ambitious, but is precisely what causes us to attach considerable importance to leadership, career opportunities, internal recruitment and opportunities for professional development. In our HR strategy, we stress the importance of recruitment, training and enhanced performance.

Education and improved tools for enhancing expertise and leadership capacity among employees and managers are always in focus. In 2016, we continued to invest in our leadership program, which has been specially designed by us in collaboration with SSE Executive Education at the Stockholm School of Economics. Nearly 50 managers completed the program in 2016.

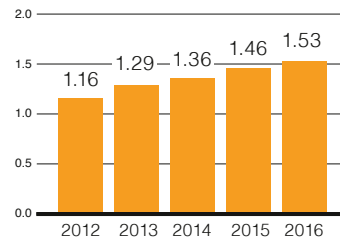
MOTIVATION, CRUCIAL TO CUSTOMER BENEFIT

A key aspect in doing a good job for our clients and achieving success in business is that our employees feel motivated and satisfied in their work. Accordingly, each year, we therefore perform an employee survey so that we can understand how employees perceive their daily lives at work, what is important in order to feel satisfied and perform well, and how we can further develop Intrum Justitia to make it the sector’s best employer.

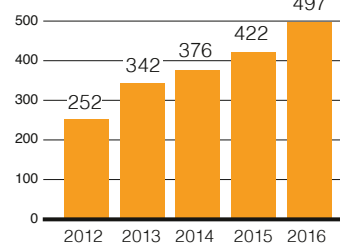
The survey addresses: the company’s reputation, local management, employees’ immediate managers, cooperation between teams and countries, day-to-day work procedures, salary benefits and development opportunities. Combined, these driving forces determine the extent of the employee’s satisfaction, motivation and loyalty at work.

FACTS PER EMPLOYEE

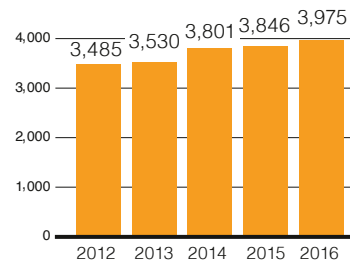
REVENUES PER EMPLOYEE, SEK M



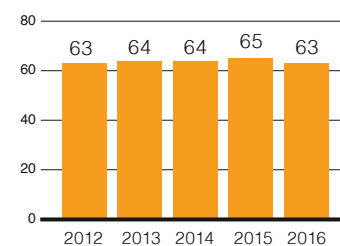
OPERATING EARNINGS PER EMPLOYEE, SEK THOUSANDS



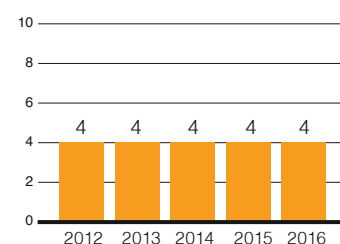
AVERAGE NUMBER OF EMPLOYEES



PROPORTION WOMEN, %



SICK LEAVE, %





*Andrea Schnór
Team Leader
Operations
Hungary*

“ I started working at Intrum Justitia as a collection agent in 2006.

This job is not easy, as a lot of people act offensively due to their disappointment. Patience and empathy is needed to make our end-customers understand that we would like to help in settling their financial difficulties.

Since May 2014, I am the team leader of one of the purchased debt teams. My main daily task is to co-ordinate the work of 17 colleagues. I take care of the day-to-day follow-up of our collection process, I hand out and review tasks, I prepare and analyze statistics. It is my number one priority to be a supportive manager and help my colleagues with anything they require.

By demonstrating my attitude and client-centric way of thinking to the collection agents in my team, I believe I can make a difference in client handling. It is indispensable that we maintain quality relationship with our clients, that is, we keep an eye on our mutual goals and create win-win situations.

Every single co-worker contributes with their daily work to the success of the company. It is stated in our Code of Conduct that our company strives to make our surrounding world better, and this is an effort that requires support from all the employees of the company.”



*Katarina Mykkälä
Collector
Finland*

“ I work in Helsinki, the capital of Finland, in a great innovative team. My daily work consists of booking payments, negotiating payments with end-customers, providing solutions to our clients that are beneficial to their company so that they may focus on the essentials in their own line of business.

I try to present both our clients and our end-customers with solutions we can all benefit from. To our clients, this means effective collection in a way that doesn't affect their relationship with their customers negatively. I think it is very important that any communication, whether it is by phone, a face to face meeting or some other way ends in a smile even if the subject might not suggest it. It doesn't take much to make people happy. Just being listened to and treated as a human being and even friend, despite of all the problems they might be in the middle of.

In addition to my basic tasks I also function as a Super User. This means that, together with other Super Users from other teams, I seek solutions and consider ideas that our team and work community would benefit from as much as possible. This suits me perfectly because I really enjoy challenges and the fact that I get to be involved at the forefront of innovative changes, making a difference.”



*Colin Rousselot
PD decisional
analysis responsible
France*

“ I work in the Performance division, created in 2013, whose main mission is to centralize the management and analysis of operational performance, to provide the tools and lighting to the production in order to optimize the results.

Our service has two main areas: Credit Management Services, CMS analysis that I was responsible for when I arrived in 2014 and Purchase Debt (PD) analysis that we launched in January 2016 and which I deal with today.

I like my transversal role when I can make the link between PD analyst and operations, I collect and analyze all the data that make it possible to make the right decisions in terms of processing, optimization of the result of cost control.

Bringing data to the service of operational excellence sums up my mission on a day-to-day basis: alerting, proposing alternative solutions, monitoring, communicating, building new tools make the richness of my business.”

OUR VALUES ENHANCE CUSTOMER BENEFIT

Intrum Justitia is spread among 20 countries across Europe. As we cover such a wide geographical area, there are naturally differences of culture between countries – that is why a shared approach and shared values represent important ingredients in establishing the same competitive offering for all of our clients throughout Europe.

WE UNDERSTAND PEOPLE:

The core of our work is creating value for businesses and society through our understanding of people – both our clients and their customers, as well as our employees. This is an understanding that derives from empathy, compassion and respect. But also from analyzing our large quantities of data. To find a favorable solution to each situation, it is essential that we are able to empathize with and understand people's needs. The better we understand our clients, the better the solutions we are able to offer. The better we understand the end-customer's situation, the better we can turn a difficult financial situation into something positive. And when we understand each other as colleagues, we work better together.

COMMITTING TO CHALLENGES:

We are accustomed to transforming sensitive and challenging situations into positive ones. We work in a constantly changing sector in which we help people transform their financial situation from being in debt to being debt-free. We improve clients' profitability through safer provision of credit and faster cash flows, thereby helping companies and entire communities to develop in a positive direction. We view challenges as opportunities to learn, develop and help – ourselves, our clients, and their customers.

MAKING A DIFFERENCE:

For us, it is about identifying solutions. An approach focused on solutions enables us to deliver well-founded credit decisions, faster payments and smoother collection. In this way, we make a difference – every day. We improve our clients' cash flow and earnings, helping generate new jobs, granting people the opportunity to become debt-free, and providing engaging work for our employees, where everything involves being a catalyst for a sound economy, resulting in more profitable businesses and affording society forward momentum.

SEEKING INSIGHT TO FEED INNOVATION:

We gain insight into transactions and trends by collecting business and credit information on individuals and companies from all European markets. The information derives from our annual EPR survey (European Payment Report), through purchases of debt portfolios and all of the data received as part of our day-to-day operations. Thanks to Intrum Justitia's size, we enjoy better conditions than most to collect the large amount of data that forms the basis of our ability to deliver competitive services to our clients.



CUSTOMER PROCESS	SALES & MARKETING	PAYMENT ADMINISTRATION	COLLECTION
OUR CREDIT MANAGEMENT SERVICES	CREDIT OPTIMIZATION SERVICES	PAYMENT SERVICES	COLLECTION SERVICES
OUR FINANCIAL SERVICES	FINANCING SERVICES	PURCHASED DEBT	

USING THE INTRUM WEB SERVICE REDUCES TIME SPENT ON DEBT COLLECTION.

Posti in Finland produces postal and logistics services with the experience of hundreds of years, but with an innovative attitude. The co-operation with Intrum Justitia has continued for a long time and has developed over the years along with the changing needs of Posti.

Posti's field of industry is currently going through a critical period. Traditional services are decreasing and people are switching to various web services. Posti seeks growth by using digital services and strongly directs transactions to self-service on the web. Intrum Justitia's investment in digital solutions is also respected at Posti.

The Intrum Web service gives Posti the possibility to keep up with its assignments and to get reports on its receivables. It is also a good way to contact Intrum Justitia.

"Developing Intrum Web, which we use daily, toward the current, user-friendly direction was a good thing. We have created solutions for many everyday issues accessed promptly on the Web," says Helena Junttila, Service Manager at Posti.

The credit management of a large organisation as Posti is achieved conveniently online. All Posti service advisers handling customer credit management receive real-time information on both customer creditworthiness and pending debt collection matters from The Intrum Web service.

THE SHARE

Intrum Justitia's shares have been listed on the Nasdaq Stockholm exchange since June 2002. Since January 2014, the shares have been listed on the Nasdaq Stockholm Large Cap list of companies with a market capitalization of more than EUR 1 Billion.

SHARE CAPITAL

On December 31, 2016, Intrum Justitia AB's share capital amounted to SEK 1,594,893 distributed among 72,347,726 shares with a quota value per share of SEK 0.022. Each share entitles the holder to one vote and an equal share in the company's assets and earnings.

MARKET CAPITALIZATION, PRICE TREND AND TURNOVER

In 2016 the price of Intrum Justitia's share rose from SEK 288.60 to SEK 307.40, an increase of 9 percent, adjusted for a dividend of SEK 8.25 per share. During the same period the Stockholm Stock Exchange's index (OMXS) rose by 5.8 percent. The lowest price paid for the share during the year was SEK 250.00 on February 9, and the highest was SEK 380.00 on November 14. The price at the end of the year gave a market capitalization for Intrum Justitia of SEK 22,240 M (20,880). Share trades were concluded on every business day of the year. An average 300,515 shares were traded per day (233,834) on the Nasdaq Stockholm Exchange. In total, when including all marketplaces on which the Intrum Justitia share trades, an average of 752,675 shares traded per day during the year. Trade on the Nasdaq Stockholm Exchange accounted for 40 (41) percent of total trade in 2016. Trades were also made via the Chi-X and Turquoise exchanges, as well as through "dark pools" and other OTC trading venues.

SHAREHOLDERS

At the end of 2016 Intrum Justitia had 12,531 Shareholders, compared to 9,266 the year before. The nine members

of Group Management had a total holding in Intrum Justitia of 19,263 shares and Intrum Justitia's Board members held a total of 20,300 shares.

SHAREHOLDER COMMUNICATION

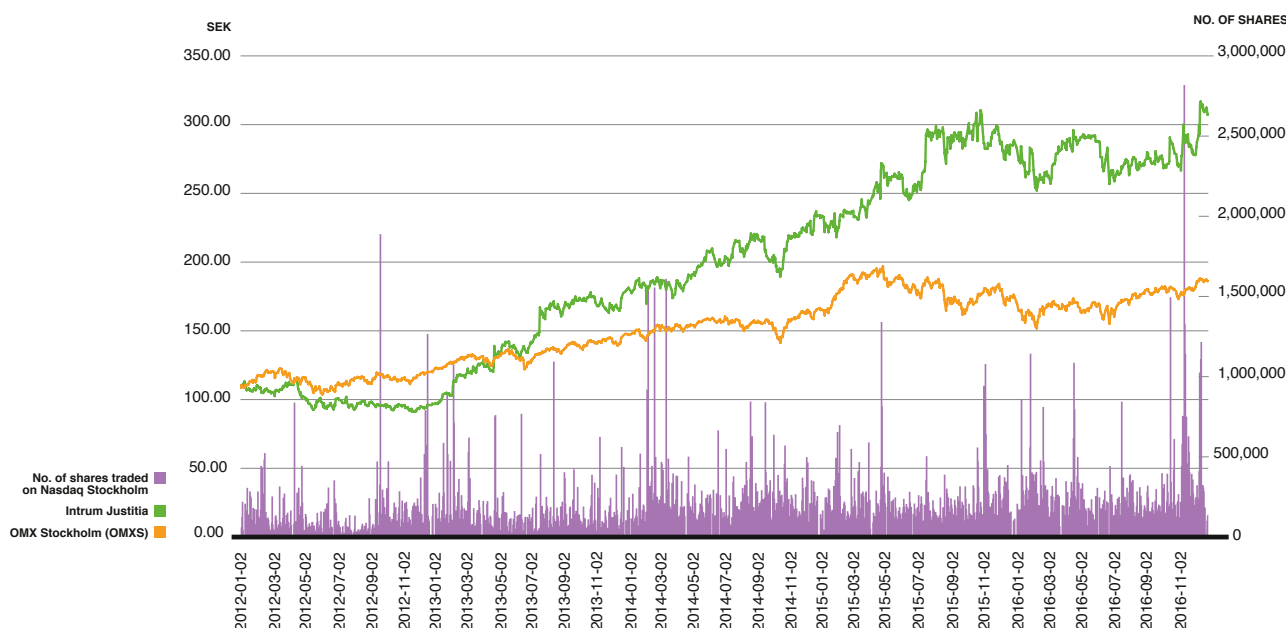
During the year management of Intrum Justitia has focused on communicating with investors and shareholders to increase the interest and understanding of the Intrum Justitia share. Close to 500 meetings have been held with representatives from both the stock market and the bond market. This work intensified towards the end of the year to ensure a correct and fair picture of the transaction with Lindorff.

SHARE REPURCHASE

Between 2013 and 2015, the Company repurchased shares, but in 2016 there were no repurchases. At the end of 2016, the Company held no treasury shares.

DIVIDEND POLICY

Intrum Justitia's Board of Directors also aims to annually propose a dividend or its equivalent to shareholders that over time averages at least half of the net earnings for the year after tax. Decisions relating to dividend proposals take into account the company's future revenues, financial position, capital requirements and the situation in general. For the 2016 financial year the Board proposes a dividend of SEK 9.00 per share, corresponding to around 45 percent of the net earnings after tax. The proposed record date for the dividend is July 3, 2017.



DEVELOPMENT IN SHARE CAPITAL

	Transaction	Change in share capital	Total share capital	Total number of shares	Par value per share
2001	Founding of the company	100,000	100,000	1,000	100
2001	Split 5000:1	0	100,000	5,000,000	0.02
2001	New share issue ¹	778,729.4	878,729.4	43,936,470	0.02
2002	New share issue ²	208,216.72	1,086,946.12	54,347,306	0.02
2002	New share 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
2007	Exercise of employee stock options ⁵	22,672	1,581,797.02	79,089,851	0.02
2008	Exercise of employee stock options ⁶	10,046.40	1,591,843.42	79,592,171	0.02
2009	Exercise of employee stock options ⁷	8,049.60	1,599,893.02	79,994,651	0.02
2011	Reduction of share capital ⁸	-5,000	1,594,893.02	79,774,651	0.02
2014	Cancellation of treasury shares ⁹	0	1,594,893.02	77,360,944	0.02
2015	Cancellation of treasury shares ¹⁰	0	1,594,893.02	73,421,328	0.02
2016	Cancellation of treasury shares ¹¹	0	1,594,893.02	72,347,726	0.02

1) Directed to Industri Kapital 1997 Fund and Synergy at a subscription price of SEK 0.02 per share as part of the legal restructuring of the Intrum Justitia Group.

2) 1,402,228 shares each to Industri Kapital 1997 Fund and Synergy at a subscription price of SEK 4.432 per share, and 3,803,190 shares each to Industri Kapital 1997 Fund and Synergy at a subscription price of SEK 0.02 per share.

3) 30,638,298 shares to the public and 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 involved the distribution of a total of SEK 590,325,064.94 to the company's shareholders, whereby the

company's share capital was reduced by SEK 140,587.06, while the share premium reserve was reduced by SEK 590,325,064.94.

5) During the period July 1 – December 31, 2007 Intrum Justitia's share capital increased from SEK 1,559,125.02 to SEK 1,581,797.02, corresponding to 1,133,600 new shares and the same number of votes, as new shares were subscribed for through the exercise of employee options.

6) During the period January 1 – December 31, 2008 Intrum Justitia's share capital increased from SEK 1,581,797.02 to SEK 1,591,843.42, corresponding to 502,320 new shares and the same number of votes, as new shares were subscribed for through the exercise of employee options.

7) During the period January 1 – December 31, 2009 Intrum Justitia's share capital increased from SEK 1,591,843.42 to SEK 1,599,893.02, corresponding to 402,480 new shares and the same number of votes, as new shares were subscribed for through the exercise of employee options.

8) The company's own holding of 250,000 shares was cancelled in 2011.

9) The Company's share capital was decreased by SEK 47,674.14 through cancellation of 2,383,707 treasury shares, the share capital was further increased through a bonus issue with the equivalent amount without issuing new shares. After the cancellation, the Company has in total 77,360,944 outstanding shares equivalent to the same number of votes.

10) The Company's share capital was decreased by SEK 81,220.13 through cancellation of 3,939,616 treasury shares, the share capital was further increased through a bonus issue with the equivalent amount without issuing new shares. After the cancellation, the Company has in total 73,421,328 outstanding shares equivalent to the same number of votes.

11) The Company's share capital was reduced by SEK 23,322 through the cancellation of 1,073,602 treasury shares. In addition, share capital was increased through a bonus issue of the same amount without any new shares being issued. Following cancellations, the Company has a total of 72,347,726 shares outstanding, representing the same number of votes.

SHAREHOLDINGS BY COUNTRY *

Land	No. of shares	Capital and votes, %
Sweden	30,573,527	42.3
UK	13,279,587	18.4
USA	12,581,807	17.4
Luxembourg	4,469,296	6.2
Norway	2,402,245	3.3
Germany	2,261,800	3.1
Ireland	1,567,780	2.2
Finland	1,236,755	1.7
Netherlands	923,151	1.3
Canada	763,664	1.1
Others	2,288,114	3.2

OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2016*

Total no. of shares 72,347,726	No. of shares	Capital and votes, %
SEB Fonder	7,017,696	9.7
Jupiter Asset Management	3,463,000	4.8
Lannebo Fonder	3,086,359	4.3
AMF Försäkring & Fonder	3,019,363	4.2
Odin Fonder	2,253,707	3.1
Handelsbanken Fonder	1,788,115	2.5
TIAA – Teachers Advisors	1,676,154	2.3
BlackRock	1,611,616	2.2
BNP Paribas Investment Partners	1,102,339	1.5
JP Morgan Asset Management	1,029,364	1.4
Total, ten largest shareholders	26,047,713	36.0

*According to data provided by Modular Finance AB.

DATA PER SHARE

	2016	2015	2014	2013	2012
Earnings before and after dilution, SEK	20.15	15.92	13.48	10.30	7.32
Operating cash flow, SEK	46.64	39.74	34.95	29.06	24.90
Equity before and after dilution, SEK	55.88	42.66	39.92	41.19	37.42
Dividend/proposed dividend, SEK	9.00	8.25	7.00	5.75	5.00
Dividend/net earnings	45	51	52	55	68
Share price, SEK	307.40	288.60	232.00	180.00	97.00
Yield, %	2.9	2.9	3.0	3.2	5.2
P/S Multiple	3.7	3.7	3.4	3.1	1.9
P/E Multiple	15.25	18.12	17.21	17.50	13.2
Beta	0.6	0.7	1.0	0.8	0.7
Number of shares at the year end	72,347,726	72,347,726	73,847,534	78,546,878	79,744,651
Average number of shares before and after dilution	72,347,726	73,096,665	76,461,901	79,306,099	79,744,651

BOARD OF DIRECTORS' REPORT

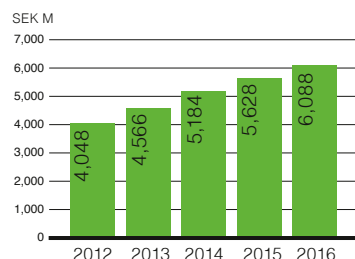
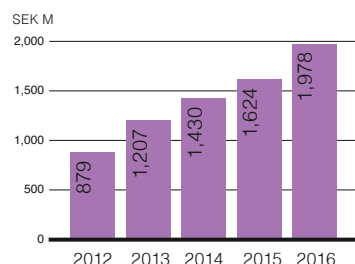
The Board of Directors and the President and CEO of Intrum Justitia AB (publ) hereby submit the annual and consolidated accounts for the 2016 fiscal year.

THE INTRUM JUSTITIA GROUP

Intrum Justitia AB (publ) (corporate identity number 556607-7581) is domiciled in Stockholm and is a public limited liability company and conducts operations in accordance with the Swedish Companies Act. Intrum Justitia's operations were founded in Sweden in 1923 and have, through acquisitions and organic growth expanded to become one of Europe's leading credit management companies. The Parent Company was registered in 2001 and has been listed on the Nasdaq Stockholm exchange since June 2002. At December 31, 2016, the share capital in the company amounted to SEK 1,594,893 and the number of shares to 72,347,726. The Group maintains operations through subsidiaries and joint ventures in 20 countries.

SIGNIFICANT EVENTS DURING THE YEAR

- In February, the Board of Directors appointed Mikael Ericson as the new President and CEO of Intrum Justitia. Mikael Ericson has worked in various senior positions in the banking and finance sectors over the past 30 years, including as Head of Handelsbanken Capital Markets and as CEO of Carnegie Investment Bank. He joins Intrum Justitia from Danske Bank, where he was Head of International Banking. He took office on March 1, 2016.
- At the Annual General Meeting in April, Lars Lundquist, Synnöve Trygg, Fredrik Trägårdh, Ragnhild Wiborg and Magnus Yngen were reelected as board members. Tore Bertilsson and Ulrika Valassi were elected as new members. Lars Lundquist was reelected as Chairman of the Board. The Annual General Meeting approved the Board of Directors' dividend proposal and its proposal regarding principles of remuneration and other terms of employment for senior management. The Annual General Meeting reelected Ernst & Young as the company's auditors. In accordance with the Board's proposal, the Annual General Meeting resolved to authorize the Board, over the period until the next Annual General Meeting, to make decisions on the acquisition and transfer of treasury shares corresponding to at most 10 percent of the shares outstanding in the company. A decision was also made to cancel the 1,073,602 shares that had been repurchased in between April and December 2015.
- In May, Sebastian Földes, who had been an employee representative on the Board of Directors, left his employment at Intrum Justitia and the Board of Directors. He was replaced as employee representative by Karolina Sandahl, who was previously deputy member. In September, Karolina Sandahl also left her employment at Intrum Justitia and the Board of Directors. No new employee representative has been appointed.
- In June it was announced that Intrum Justitia and Swedish Export Credit Corporation (SEK) had entered a long-term financing agreement whereby SEK lends EUR 160 M through bonds issued by Intrum Justitia as a private placement. The bonds represent senior debt, have been issued without collateral and are valid over a period of seven years, maturing in June 2023. The bonds mature at a variable interest rate of EURIBOR 3 months plus a market-based interest rate margin.
- In October, Intrum Justitia's first major investment in overdue secured receivables was announced, where the Group entered into an agreement to acquire a portfolio of receivables for SEK 548 M from Erste Bank Hungary, which is part of an international banking group. The portfolio consists of a large number of overdue loans to consumers with property as collateral.
- In November, Intrum Justitia entered an agreement to acquire 1st Credit, a medium-sized company active in purchased debt in the UK. 1st Credit has a strong unit for the collection of financial receivables by approximately 130 employees and is one of the few companies in the UK to be invited in regularly when financial institutions sell their overdue receivables. 1st Credit has successfully adapted to increased market regulation in the UK and has received several awards for the most developed compliance in the sector. The acquisition was completed in February 2017. 1st Credit will be included in the Central Europe region.
- In November, it was announced that Intrum Justitia intended to combine with Lindorff to create Europe's leading provider of credit management services. An agreement has been entered under which Intrum Justitia will acquire all outstanding shares in Lindorff, in exchange for newly issued shares in Intrum Justitia. The transaction was recommended unanimously by the boards of Intrum Justitia and Lindorff. The transaction is conditional on the approval of the regulatory and competition authorities.
- At Intrum Justitia's Extraordinary General Meeting on December 14, the Board of Directors' proposal for a combination between Intrum Justitia and Lindorff was approved. The Meeting resolved to authorize the Board, during the period until the next Annual General Meeting, to approve the issuance of new shares as consideration for the shares in Lindorff. The number of new shares to be issued shall not exceed 45 percent of the total number of shares outstanding in the company after the issue. This means that Intrum Justitia's shareholders are expected to receive 55 percent of the shares in the combined company, while Lindorff's shareholders are expected to receive 45 percent.

REVENUES**OPERATING EARNINGS****REVENUES AND EARNINGS**

Definitions of the performance measures applied, key financial indicators and alternative indicators are to be found on page 90. For reconciliation of key figures, see Note 38 on page 76.

Consolidated revenues during the year amounted to SEK 6,088 M (5,628). Revenues rose by 8 percent, consisting of organic growth of 6 percent, acquisition effects of 1 percent and currency effects of 1 percent.

Operating earnings amounted to SEK 1,978 M (1,624). The operating earnings include revaluations of purchased debt portfolios amounting to SEK 49 M (31). The operating margin excluding revaluations was 32 percent (28). Currency effects impacted operating earnings in 2016 by SEK 7 M compared with the previous year. Operating earnings improved by 22 percent over the year but, adjusted for currency effects and revaluations of purchased debt portfolios, the improvement was 21 percent.

Earnings before tax for the year amounted to SEK 1,810 M (1,457) and net earnings were SEK 1,468 M (1,172).

Earnings per share for the full-year rose by 27 percent compared with the previous year to SEK 20.15 M (15.92). Earnings per share during the year were affected by repurchasing in 2015, which reduced the average number of shares outstanding by 1.0 percent compared with the full-year 2015.

GEOGRAPHICAL REGIONS*Northern Europe*

The region consists of the Group's operations for customers in Denmark, Estonia, Finland, the Netherlands, Norway, Poland and Sweden.

The region reported revenues for the year of SEK 2,813 M (2,573) and an operating profit of SEK 981 M (763). Excluding purchased debt revaluations of a negative SEK 7 M (79), revenues were SEK 2,820 M (2,652) and operating profit was SEK 988 M (842), corresponding to an operating margin of 35 percent (21). Adjusted for currency effects and revaluations of Purchased Debt, revenues rose by 6 percent and operating earnings improved by 17 percent. Operating earnings included a non-recurring item from the sale of debt portfolios, which positively affected the region's sales for the year by SEK 81 M and profit by SEK 69 M.

Earnings were weighed down by SEK 14 M in transaction costs related to the planned combination with Lindorff.

Compared with the previous year, regional revenues were affected positively by both increased investments in purchased debt, as well as growth in Credit Management, organically and through acquisitions.

Central Europe

The region consists of the Group's operations for customers in Switzerland, Slovakia, the Czech Republic, Germany, Hungary and Austria.

The region reported revenues for the year of SEK 1,825 M (1,705) and an operating profit of SEK 666 M (568). Excluding purchased debt revaluations of SEK 50 M (69), revenues were SEK 1,775 M (1,636) and operating profit was SEK 616 M (499), corresponding to an operating margin of 35 percent (31). Adjusted for currency effects and revaluations of Purchased Debt, revenues rose by 8 percent and operating earnings improved by 23 percent. Earnings were weighed down by SEK 9 M in the regions' share of the transaction costs related to the planned combination with Lindorff.

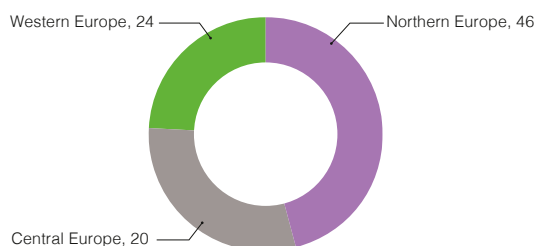
Revenue growth and the improvement in profitability are the result of good collection levels within purchased debt. Success with several programs for operating efficiency has resulted in improved collection and higher levels of investment. The region's unit for financing solutions in e-trade in Switzerland continues to be received well in the market, and has been selected as a supplier of payment solutions to the Swiss railway company, SBB.

Western Europe

The region consists of the Group's operations for customers in Belgium, France, Ireland, Italy, Portugal, Spain and the UK.

The region reported revenues for the year of SEK 1,450 M (1,350) and an operating profit of SEK 331 M (293). Excluding purchased debt revaluations of SEK 6 M (41), revenues were SEK 1,444 M (1,309) and operating profit was SEK 325 M (252), corresponding to an operating margin of 23 percent (19). Adjusted for currency effects and revaluations of Purchased Debt, revenues rose by 9 percent and operating earnings improved by 28 percent. Operating earnings included a non-recurring item from the sale of debt portfolios, which positively affected the region's sales for the quarter by SEK 11 M and profit by SEK 15 M. Earnings for the quarter were weighed down by SEK 7 M in transaction costs related to the planned combination with Lindorff.

The income trend excluding revaluations is healthy due to increased investments within purchased debt and the previous year's acquisitions of operations in Credit Management.

SHARE OF CONSOLIDATED REVENUES, %

These factors have also helped boost operating earnings and improved the margin. The supply of purchased debt in the region remained good despite significant price competition. Earnings were hurt by SEK 27 M from redundancy costs to increase efficiency. The corresponding cost last year amounted to SEK 10 M.

NET REVENUES EXCLUDING REVALUATIONS, SEK M	2016	2015	2014	2013	2012
Northern Europe	2,820	2,652	2,539	2,481	2,303
Central Europe	1,775	1,636	1,418	1,087	936
Western Europe	1,444	1,309	1,192	991	888
Total	6,039	5,597	5,149	4,559	4,127

OPERATING EARNINGS EXCLUDING REVALUATIONS, SEK M	2016	2015	2014	2013	2012
Northern Europe	988	842	733	748	622
Central Europe	616	499	416	265	192
Western Europe	325	252	246	187	144
Total	1,929	1,593	1,395	1,200	958

NET REVENUES BY SERVICE LINE, SEK M	2016	2015	2014	2013	2012
Credit Management	4,335	4,194	3,844	3,469	3,369
Financial services	2,902	2,423	2,173	1,791	1,191
Elimination of inter-service line revenue	-1 149	-989	-833	-694	-512
Total	6,088	5,628	5,184	4,566	4,048

SERVICE LINE EARNINGS BY SERVICE LINE, SEK M	2016	2015	2014	2013	2012
Credit Management	1,134	1,049	912	823	827
Financial services	1,635	1,345	1,159	969	599
Common costs	-791	-770	-641	-585	-547
Total	1,978	1,624	1,430	1,207	879

Definitions, see page 90.

SERVICE LINES

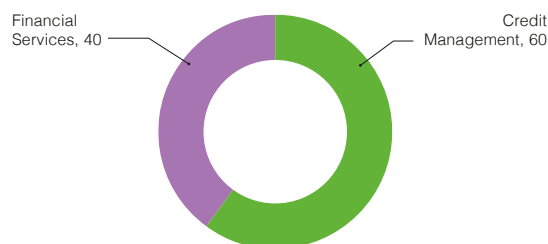
Intrum Justitia's service offering is divided into two areas of operations:

- **Credit Management.** Collection services, credit information services and payment services.
- **Financial services.** Purchased debt, i.e. acquisition of portfolios of overdue consumer receivables at less than their nominal value, after which Intrum Justitia collects the receivables on its own behalf. Financing services and payment guarantees.

CREDIT MANAGEMENT

Over the year, the service line's revenues amounted to SEK 4,335 M (4,194). Adjusted for currency effects, revenues rose by 3 percent over the year. Operating earnings amounted to SEK 1,134 M (1,049), corresponding to a margin of 26 percent (25). Operating earnings improved by 7 percent in local currencies due to acquired units and improved efficiency.

SHARE OF CONSOLIDATED REVENUES, %



FINANCIAL SERVICES

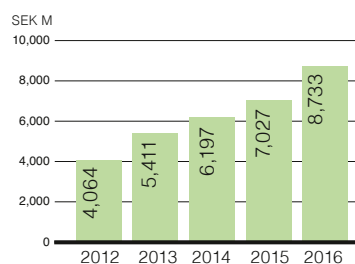
Revenues for the service line amounted to SEK 2,902 M (2,423) for the year. Adjusted for currency effects, revenues rose by 19 percent over the year. Operating earnings amounted to SEK 1,635 M (1,345), corresponding to an operating margin of 56 percent (56). Adjusted for currency effects, operating earnings rose by 21 percent over the year.

Collection on purchased debt developed favorably, which generated a good return of 20 percent (20) for the year. Disbursements for investments in purchased debt amounted to SEK 3,100 M (2,428). The reported value of purchased debt has increased by 24 percent compared with the previous year.

Earnings include non-recurring positive effects of SEK 84 M relating to the service line's share of the effect on earnings from the uncommon sale of purchased debt portfolios during the year.

Due to the planned establishment in the UK under the first quarter of 2017 through the acquisition of 1st Credit, as well as investments in secured debt, the Group's addressable market for purchased debt is expected to increase in coming years.

CARRYING VALUE, PURCHASED DEBT



EXPENSES

The gross profit margin increased compared with the previous year, offsetting increased administrative expenses.

Depreciation/amortization

Operating earnings for the year were charged with depreciation/amortization of tangible and intangible fixed assets by SEK 171 M (164). Operating earnings before depreciation/amortization therefore amounted to SEK 2,149 M (1,788). The carrying amount of client relations carried in the Balance Sheet and attributable to revaluations to fair value in connection with acquisitions amounted to SEK 63 M (61). These were amortized by SEK 21 M (13) over the year.

NET FINANCIAL ITEMS

Net financial items amounted to an expense of SEK 168 M (167) and consisted of a net interest expense of SEK 131 M

(122), negative exchange rate differences of SEK 7 M (5) and other financial items of a negative SEK 29 M (40). Net interest income was negatively affected by higher borrowing. Other financial items refer primarily to bank fees and similar charges in connection with the Group's borrowing. Other financial items in 2015 included an item of a negative SEK 13 M for borrowing expenses previously capitalized for the company's earlier loan facility, but expensed in connection with the signing of a new loan facility at the end of 2015.

TAXES

The tax expense for the year was equivalent to 19 percent of earnings before tax for the full-year, compared with 20 percent in the preceding year.

For further information on the Group's taxes and tax disputes, see also Note 8.

The company estimates that over the coming years the tax expense will amount to 20–25 percent of profit before tax for the respective year, excluding the outcome of any tax disputes and without taking the planned combination with Lindorff into account.

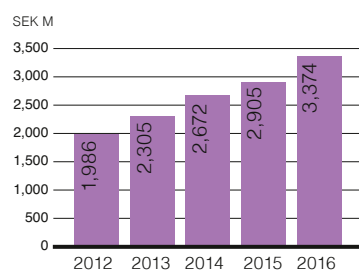
CASH FLOW AND INVESTMENTS

Cash flow from operating activities over the full-year amounted to SEK 3,374 M (2,905). This has increased compared with the previous year mainly as a result of higher profit excluding depreciation and amortization.

Cash flow from investing activities over the year amounted to SEK –3,763 M compared with –2,497 M for the same period last year. The increase compared with the previous year is mainly attributable to higher payments for investments in purchased debt, which amounted to SEK 3,374 M (2,186).

Cash flow from purchased debt for the year of SEK 3,153 M (2,724) is defined as funds collected on purchased debt at SEK 4,420 M (3,802) with deductions for the service line's overheads, primarily collection costs at SEK 1,267 M (1,078).

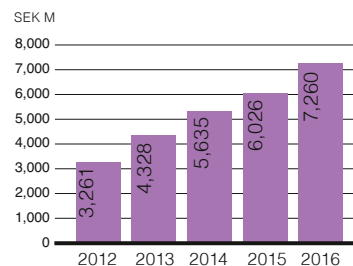
CASH FLOW FROM OPERATING ACTIVITIES



RESEARCH AND DEVELOPMENT

The Group is not engaged in any research and development other than the development of its IT systems. The year's investments in tangible and intangible fixed assets amounted to SEK 143 M (135) and primarily involved hardware and software for IT systems, primarily for production. Technical development is rapid and correctly used, new technical solutions can enhance efficiency in the management of collection cases and the utilization of the Group's databases. In pace with increasing demands for customer-adapted IT solutions, it is of strategic importance for Intrum Justitia to continuously be able to meet changes in the demand scenario.

NET DEBT



FINANCING

Intrum Justitia's net debt increased by SEK 1,234 M since the end of 2015, primarily through investments in purchased debt and the dividend for the year. The Group's net debt expressed as a multiple of operating earnings before depreciation and amortization amounted to 1.9, slightly less than the range for Intrum Justitia's financial target of 2–3 for this ratio.

During the year, Intrum Justitia and AB Svensk Exportkredit (SEK) signed a long-term financing agreement whereby SEK provides financing of EUR 160 M by issuing bonds through a private placement. The bonds will mature in June 2023, after seven years, and carry variable interest rates.

The Group has outstanding bonds totaling SEK 4,783 M (3,124), of which SEK 1,077 M matures in March 2017, and a revolving credit facility of SEK 7.5 billion maturing by SEK 2.5 billion in 2018, 2019 and 2020 respectively.

For its short-term financing, the Group uses a commercial paper program involving borrowing of SEK 1,124 M (635) at the end of the year.

Most of the Parent Company's and the Group's external borrowing has been arranged in foreign currencies as a means of hedging against net exposure in the Group's foreign subsidiaries.

No share repurchases were carried out during the year, which means the number of shares outstanding was 72,347,726 shares, compared with an average of 72,096,665 in the preceding year.

Shareholders' equity, including non-controlling interest, amounted to SEK 4,130 M, compared with SEK 3,166 M last year.

RISK FRAMEWORK

See also Note 34.

Risk management within Intrum Justitia shall comprise effective management and monitoring of all significant risks in the operations. Risk management shall support the business operations, maintain a high level of quality to ensure risks are kept under control, safeguard the company's survival and limit the volatility of Intrum Justitia's financial development. The capacity to protect the company's value, where the ability to assess and manage price risks in new transactions while monitoring the development of the investment portfolio, is of great importance. This entails an ongoing dialogue about the risks generated by the operations and the resources necessary to counter the risks.

Intrum Justitia shall maintain an organization that identifies, addresses and controls the risks to which the Group is or may be exposed. There shall be satisfactory internal control and a functioning and effective risk framework.

Intrum Justitia shall be knowledgeable and aware of possible risks to which the company may be exposed and shall be able to estimate the scope of those risks. There should be an independent risk control function, which should have the requisite competences and authorizations. As part of their regular work, all Intrum Justitia's employees shall assume responsibility for managing the company's risks and the Group shall continuously inform and educate its employees about the risks inherent in the operations.

Intrum Justitia shall only expose itself to risks directly attributable to, or deemed necessary for, its business operations. Such risks primarily include credit risk, market risk, business risk, financial risk and operational risk.

Intrum Justitia shall have a documented process for approving new or significantly altered products, services, markets, processes and IT systems and in connection with major changes in the company's organization, IT systems and operations.

Risk strategy

Intrum Justitia's risk strategy entails managing and assessing the risks to which its operations are, or may be, exposed by:

- clear and documented internal procedures and control,
- an appropriate and transparent organizational structure with clearly defined and documented authorizations,
- up-to-date and documented decision-making processes,
- risk measurement methods and systems support tailored to the needs, complexity and scope of the operations,
- adequate resources and skills to achieve the desired quality in both business and control activities,
- regular incident reporting in operations, and
- documented and disseminated contingency and business continuity plans.

Risk appetite

Intrum Justitia defines risk as all factors which could have a negative impact on the ability of the Group to achieve its business objectives.

Intrum Justitia's risk appetite is based on the following principles:

- To be able to pursue our strategy, the culture at Intrum Justitia shall be such that there is a built-in balance between risk-taking and value generation.
- The risk culture determines the playing field on which the business operations can act with acceptable risks, within the limit set by the Board. Intrum Justitia's risk appetite is expressed in, among other things, policies, instructions and the guidelines established for the investment operations.
- The risk appetite establishes the basis for an ongoing discussion within management regarding what risk levels are appropriate and how they are to be adjusted to the Group's business strategy.
- Intrum Justitia's investment operations entail the greatest inherent risks with a potential impact on the income statement and balance sheet and are therefore a central concern in the area of risk, where particular emphasis is placed on industrializing both transaction management and reporting.

To define the division of responsibilities between the business operations, risk control, compliance and the Internal Audit,

Intrum Justitia applies the division of roles and responsibilities deriving from the principle of the three lines of defense:

- The first line of defense is the risk-taking part of the organization, which is tasked with managing the day-to-day management of the risks taken in the business operations.
- The second line of defense refers to the risk control and compliance functions (observance of rules). The risk organization shall ensure that there is sufficient risk awareness in the first line and shall play both a supportive and challenging role in the transaction process. Risk control shall also work to provide the business operations with the procedures, systems and tools required to uphold the on-going management of investments. Compliance shall verify that the business operations adhere to legislation and regulations, and shall support the business operations within their area of responsibility. The Chief Risk Officer, CRO, is responsible for the risk organization and compliance. The CRO reports to the President and, on a dotted line basis, to the Board of Directors.
- The third line of defense is the Internal Audit.

OPERATIONAL RISKS

All economic activity is associated with risk. In order to manage risk in a balanced way, it must first be identified and assessed. Intrum Justitia conducts risk management at both a Group and company level, where risks are evaluated in a systematic manner.

The following summary is by no means comprehensive, but offers examples of risk factors which are considered especially important for Intrum Justitia's future development.

Economic fluctuations

The credit management sector is affected negatively by a weakened economy. However, Intrum Justitia's assessment is that, historically, it has been less affected by economic fluctuations than many other sectors. Risks associated with changes in economic conditions are managed through ongoing dialog with the each country management team and through regular checks on developments in each country.

Regulatory compliance

Intrum Justitia continuously monitors changes in the regulations that apply to our operations. A number of units within the Group are subject to financial supervision and are therefore operated in accordance with specific regulations. The company perceives a trend towards increasing regulation and consequently monitors and reports regulatory compliance risks on a continuous basis.

If the company lacks sufficient knowledge about its customers and the transactions undertaken, there is a risk that we may become involved in money laundering or unethical transactions. Accordingly, our sales policy requires that we collect information about our customers and their ownership. This means that the company must sometimes refrain from doing business with counterparties deemed unsuitable.

Reputation risk

A good reputation is crucial to the successful conduct of collection operations. Consequently, reputation risks are of great importance in the company's relationship with

clients, debtors, employees, investors, regulators and other stakeholders. Our Code of Conduct plays a central role in the operations and describes the view of the company's role in society, our values, our relationship with our stakeholders and other relevant sustainability issues. Associated with the Code of Conduct, the company has implemented a procedure for the reporting of suspected irregularities, a so-called whistleblower function.

Tax risks

Changes in tax law or practice could result in financial losses or increased expenses for the company. There is also the risk of mistakes or misinterpretation with regard to tax regulations, or that the tax authorities in a particular country may not agree with the conclusion reached by Intrum Justitia on some particular matter of assessment. The risk is particularly great with regard to value added tax (VAT), since a systematic error could cause a rapid build-up of large amounts. Intrum Justitia cooperates with qualified tax consultants to avoid systematic errors and for assessments made in the area of taxation to be well documented and possible to defend in court if brought into question.

IT and information management

Intrum Justitia is dependent on accessible and well-functioning IT systems and prolonged disruptions and faults in systems critical to operations can pose significant risks to the smooth functioning of debt collection operations.

In both its debt collection and credit operations, the company is dependent on a large amount of information containing personal data. The operations are well aware that this information is sensitive and therefore prioritizes protection from access and the assurance of confidentiality in accordance with applicable regulations. Despite measures being taken, there is, as there is for other companies, always a residual risk of unauthorized access to data handled by the company, through, for example, intrusion into computer systems and fraud. There is also a risk of data loss due to malicious software or system failure.

The performance of the company's collection and payment services may attract attacks aimed at harming the company's operations. The handling of payments also generates a risk of phishing using the company's brand.

Risks relating to acquisitions

Part of Intrum Justitia's strategy involves acquiring companies and operations. Opportunities to successfully complete acquisitions are dependent on Intrum Justitia's capacity to identify and assess acquisition targets, to identify and manage risks in the acquired operations and to effectively integrate acquired companies into Intrum Justitia's existing operations. A potential acquisition may also depend on approval from an authority or other third party. Ahead of an acquisition, a detailed review of the acquired company, due diligence, is always performed, generally in conjunction with external consultants, with the aim of identifying risks and providing a basis for the valuation of the acquisition object. The Group also has a documented and standardized process for how acquisitions are to be implemented and followed up. If Intrum Justitia and Lindorff finalize the planned combination during the year, then this will have an

impact on the overall risk situation. This is partly because there are risks involved when integrating two large organizations with operations in multiple countries and partly because the financial risk in the combined entity increases.

Market risks

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 identifying and reporting financial risks and limiting these risks. Internal and external financial operations are concentrated to the Group's central finance function in Stockholm, which ensures economies of scale when pricing financial transactions. Because the finance function can take advantage of temporary cash surpluses and deficits in the Group's various countries of operation, the Group's total interest expense can be reduced.

In each country, investments, revenues and most operating expenses are denominated in local currencies, and thus currency fluctuations have a relatively minor effect on operating earnings. Revenues and expenses in national currency are thereby hedged in a natural way, which limits transaction exposure. When the balance sheets of foreign subsidiaries are recalculated in SEK, a translation exposure arises that affects consolidated shareholders' equity. This translation exposure is limited by raising loans in foreign currencies and forward contracts.

Liquidity risks

The Group's long-term financing risk is limited 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.

During the maturity of the current revolving loan facility, this can be utilized by the Parent Company through the withdrawal of individual amounts in various currencies, with short maturities, usually in SEK, EUR, CHF, HUF, NOK or PLN and usually with a maturity of three or six months. The loans are carried primarily in foreign currency, to hedge the Group against translation exposure in relation to net assets outside Sweden. The Group's aim is that the liquidity reserve, which consists of cash, bank balances and short-term liquid investments should amount to at least SEK 100 M in addition to the unutilized portion of committed lines of credit. The Group did not fall short of the target level on the balance sheet date or at any time during the year.

The Group has deposited its liquid assets with established banks where the risk of loss is considered remote. Intrum Justitia's liquid assets consist primarily of bank balances.

The Group's central finance function prepares regular liquidity forecasts with the purpose of optimizing the balance between loans and liquid funds so that the net interest expense is minimized without, for that matter, incurring difficulties in meeting external commitments.

Credit risks attributable to outlays

As part of its normal operations, the Group incurs outlays for court expenses, legal representation, enforcement authorities

and similar – outlays that are necessary for collection to be conducted through the legal system. In certain cases, these outlays can be passed on to, and collected from debtors. In many cases Intrum Justitia has agreements with its clients whereby any expenses that cannot be collected from debtors are instead refunded by the client. The amount that is expected to be recovered from a solvent counterparty is recognized as an asset in the balance sheet on the line Other receivables.

Risks inherent in purchased debt

To minimize the risks in this business, caution is exercised in purchase decisions. The focus is mainly on small and medium-sized portfolios with relatively low average amounts, to help spread risks. In 2016, the average nominal value per case was about SEK 11,950. Purchases are usually made from clients with whom the Group has maintained long-term relationships and therefore has a thorough understanding of the receivables in question.

Purchased debt portfolios are usually purchased at prices significantly below the nominal value of the receivables, and Intrum Justitia retains the entire amount it collects, including interest and fees. Intrum Justitia imposes return requirements on purchased portfolios well above the Group's cost of capital. 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.

Scoring entails the consumer's payment capacity being assessed with the aid of statistical analysis. Intrum Justitia therefore believes that it has the expertise required to evaluate these types of receivables. To enable acquisitions of larger portfolios at attractive risk levels, Intrum Justitia has, on occasion, partnered with other companies such as Crédit Agricole, Goldman Sachs and East Capital to share the capital investment and return. Risks are further diversified by acquiring receivables from clients in different sectors and different countries.

Payment guarantees

The Group offers services whereby clients, against payment, obtain a guarantee from Intrum Justitia regarding the clients' receivables from their customers. This entails a risk being incurred that Intrum Justitia must compensate the customer for the guaranteed amount in the event that the invoices are not paid on time. In certain cases, however, it is possible for Intrum Justitia to demand compensation from the client in the shape of price adjustments in the event that credit quality weakens. In those cases where the guarantee comes into play, Intrum Justitia assumes the client's claim against its customer and takes over the continued handling of the case within the Purchased Debt area of operations. The Group's risk in this operation is managed through strict credit limits on the issuance of new guarantees and through analysis of the debtor's credit rating. A provision is made in the balance sheet to cover expenses that may arise due to the guarantee.

Financing risk

The Group's loan facility contains operations-related and financial covenants, including limits on certain financial indicators. The Group Management Team carefully monitors

these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. All such key financial indicators were fulfilled in 2016.

GOODWILL

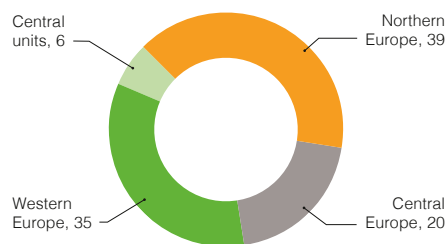
Consolidated goodwill amounted to SEK 3,120 M as per December 31, 2016, compared with SEK 2,810 M as per December 31, 2015. The increase since the end of the preceding year was attributable to acquisitions in Denmark for SEK 132 M, acquisitions in Spain for SEK 94 M, acquisitions in Belgium for SEK 15 M, and exchange rate differences of SEK 69 M.

NON-FINANCIAL EARNINGS INDICATORS

The average number of employees during the year was 3,975 (3,846).

Over the year, personnel turnover was 22 percent (21). Of the total number of employees during the year, 63 percent were women (65). The percentage of employees with university-level degrees was 39 percent (39). Sick leave amounted to 4 percent (4) of the number of working days within the Group.

NUMBER OF EMPLOYEES BY GEOGRAPHICAL REGION (%)



The Group's strategy in the area of employees emphasizes recruitment, competence development and performance improvement. Every second year, an employee survey is conducted to measure employees' satisfaction, motivation and loyalty.

For further information on employees, wages and remunerations, see also pages 22–25 and Notes 26–28.

SOCIAL RESPONSIBILITY AND THE ENVIRONMENT

The Group continues to pursue its corporate social responsibility (CSR) work. See page 16–18 in the Annual Report.

Intrum Justitia's role in society

The credit management sector offers a platform for economic growth by giving companies the opportunity to manage their credits in a more secure manner. As Europe's leading credit management company, Intrum Justitia is deeply committed to society's well-being. Intrum Justitia is a catalyst for a sound economy, which means that the company accepts its responsibility in society and helps businesses and consumers to conduct secure transactions.

Business ethics

The company's values and ethical rules act as a guide on how business with the company's clients and their customers is managed. Intrum Justitia's corporate culture is pervaded by

openness, trust and integrity. The company's ethical rules deal primarily with a respectful attitude towards clients and debtors. The company has a Code of Conduct which is designed in accordance with ISO 26000.

Working conditions

A sustainable and commercially successful business relies on skilled and motivated employees. We have set our sights on attracting, developing and retaining the best people in the market – a necessity if we are to achieve our vision of being a genuinely people-focused company offering credit management and financial services that add considerable value. The employees have the right to secure and healthy workplaces, as well as fair terms of employment in line with market levels. Men and women are given the same opportunities. The goal in recruiting managers is to find the most competent and qualified candidates regardless of gender. No employee may be submitted to discrimination, nor is any form of sexual harassment tolerated. All employees have the right to organize and join unions as well as to negotiate collectively if they wish, although they also have the right to decline union membership.

Environment

The environment is a topical issue, but it is also complex in that a balance is required between various environmental risks and interests.

Intrum Justitia does not have any operations in Sweden that are subject to licensing or reporting requirements according to the Environmental Code. In each country, operations are subject to environmental requirements that, as a minimum correspond to local environmental legislation to the extent it is applicable to the Group's operations.

As a service company, Intrum Justitia generally has limited possibilities to affect the environment, although it nonetheless seeks to be environmentally friendly in those areas that actually can be affected. Videoconferencing is used to avoid unnecessary travel. Since 2013, the Group's rules with regard to company cars only permits cars to be ordered that emit at most 130 g of carbon dioxide/km. This rule is applied without exception, including to Group Management's company cars.

An approach whereby unnecessary energy consumption and emissions are avoided is good not only for the environment but also saves costs for Intrum Justitia and creates a more attractive company for all of its stakeholders.

GROUP MANAGEMENT

On March 1, Mikael Ericson became Intrum Justitia's CEO, succeeding Chief Financial Officer Erik Forsberg, who was the acting CEO between November 2015 and February 2016. In December, Alessandro Pappalardo left his position as Director, Purchased Debt.

Consequently, at the end of the year, Group Management consisted of Mikael Ericson, Erik Forsberg, Annika Billberg, Johan Brodin, Per Christofferson, Jean-Luc Ferraton, Roland Gruneus, Rickard Westlund and Harry Vranjes.

MARKET OUTLOOK

Europe is characterized by considerable regional differences and there is substantial uncertainty regarding the macro-

economic situation in several countries. A substantially weakened macroeconomic situation in Europe, with increased unemployment would affect Intrum Justitia negatively.

In Intrum Justitia's view, the Group's strategic focus is well attuned to the market trend, with a broadening of credit management services and a link to risk reduction and financial services based on strong, market-leading collection operations. Companies' need to generate stronger and more predictable cash flow is increasing, as is the need to create additional alternatives for the financing of working capital, for example by selling receivables. These are trends that, in the long term, will benefit Intrum Justitia.

Through the planned combination between Intrum Justitia and Lindorff, the leading company in credit management is expected to be established with a local presence in 23 countries in Europe and more than 8,000 professional, dedicated and caring employees. By joining forces, we generate benefits for both local and global customers, who thereby gain access to a broader European platform, a better range of services, innovative solutions and first-class regulatory compliance. The combined company's size and diversity makes it optimally positioned to capture the expected strong growth in the market for credit management services. The merger is expected to benefit all stakeholders, generating significant shareholder value through cost synergies estimated at SEK 0.8 billion per year, as well as significant revenue synergies.

PARENT COMPANY

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

The Parent Company reported net sales for the full year of SEK 105 M (102) and a profit before tax of SEK 42 M (1,042), including SEK 224 M (1,237) from earnings attributable to group contributions, dividends and write-down of shares in subsidiaries. The Parent Company invested SEK 0 M (0) in fixed assets during the year and had, at the end of the year, SEK 8 M (37) in cash and equivalents. The average number of employees was 55 (54).

THE SHARE AND SHAREHOLDERS

At the end of the year there were 72,347,726 shares in the company. All shares carry equal voting rights and an equal share in the company's assets and earnings.

At the end of the year, the company's largest shareholders were SEB Fonder (9.7 percent of the share capital), Jupiter Asset Management (4.8), Lannebo Fonder (4.3) and AMF Försäkring & Fonder (4.2). See also the table on page 30.

The Articles of Association do not contain any preemption clauses or other limitations on the transferability of the shares, and there are no other circumstances that the company is obliged to disclose according to the provisions in chapter 6, paragraph 2a, items 3–11 of the Annual Accounts Act.

BOARD WORK

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. All members are elected by the Annual General Meeting.

In 2016, the Board held 20 meetings (19 the previous year). For a description of the work of the Board, please see the Corporate Governance Report on pages 81–85. The Corporate Governance Report also includes details of the most important elements of the Group's systems for internal control and the preparation of financial reports on pages 84–85. The Corporate Governance Report is also available at the corporate website www.intrum.com.

PROPOSAL REGARDING GUIDELINES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR THE GROUP MANAGEMENT TEAM

The Board of Directors proposes that the following guidelines shall be approved by the annual general meeting for the time up until the annual general meeting 2018. The guidelines will apply to the CEO and the members of Intrum Justitia's Group Management Team. The proposal has been prepared by the Board of Directors and the Remuneration Committee of the Board.

OUR REMUNERATION PHILOSOPHY

At Intrum Justitia, we depend on our people to deliver on our ambitious goals in challenging environments. The objective of our remuneration philosophy is to ensure that our employees are rewarded for valuable contributions to our company. It also drives and promotes the behaviors and performances that best support our business strategy and ensures that we are able to attract the key talent we need to be successful.

Remuneration in Intrum Justitia should reflect individual competence, responsibility and performance, and it should be competitive in comparison to that of similar companies within similar industries in the relevant geography. To ensure that we drive the right behaviours and focus our efforts in the right areas, performance is measured against goals that are closely linked to our business strategy and core values.

The total remuneration is based upon four main components; base salary, short- and long-term incentive programs and pension. In addition hereto, other benefits, such as a company car, may be offered. The base salary depends on the complexity of work and the individual's performance and competence.

SHORT-TERM INCENTIVE PROGRAM

Our short-term incentive program rewards the achievement of primarily financial business goals and drives short term performance, and hence it is set for one year at a time. The metrics are individually decided for each senior executive, in order to reflect the business strategy and our key focus areas. The evaluation metrics reflect business goals and enterprise value creation. In addition, the short term incentive allows for our total remuneration costs to vary based on both business and individual performance.

The maximum pay out under the short-term incentive program is 50 percent of annual base salary for the CEO and 20 to 50 percent of the base salary for the other members of the Group Management Team.

LONG-TERM INCENTIVE PROGRAM

Our long-term incentive program aligns the interests and perspectives of our senior executives with those of our share-

holders and creates a close commitment to the Company. It rewards long-term value creation over a period of three years, and lets our senior executives share the success of the business. As we believe it to be the best indicator of our Company's long term success, we generally use growth in Earnings Per Share (EPS) as the measurement of value created. Similarly to the short-term incentive program, it also allows for our total remuneration costs to vary based on business performance.

The maximum pay out under the long-term incentive program is 50 percent of annual base salary for the CEO and 20 to 50 percent of the base salary for the other members of the Group Management Team.

COSTS

The costs for the incentive programs for the CEO and members of the Group Management Team during 2017 are estimated not to exceed MSEK 11 for the short-term program and MSEK 10.2 for the long-term program, excluding social charges. These estimates do not take into account possible changes to the Group Management Team following the combination with Lindorff, such as its composition and individual remuneration.

SHAREHOLDING GUIDELINES

To further promote ownership behaviour and commitment among our group management team, we have put in place shareholding guidelines that directly link the individual compensation of senior executives to the success of our business. The guidelines means that each senior executive is asked to hold a percentage of their fixed annual gross base salary in Intrum Justitia shares – 100 percent for the CEO and 50 percent for other senior executives. The shares are to be held for as long as the senior executives are employed in the Company and members of the Group Management Team.

The shareholding guidelines were introduced in 2015, and each senior executive has been given an amount of time (to be individually agreed) to build up his/hers shareholding.

MISCELLANEOUS

In case of termination of employment by Intrum Justitia, severance payments (if any) will not exceed twelve months' base salary.

If unusual or special reasons are at hand in an individual case, the Board of Directors reserves the possibility to deviate from these remuneration guidelines.

PROPOSED APPROPRIATION OF EARNINGS

The Board of Directors and the President propose that SEK 9.00 per share (8.25) be distributed to shareholders, corresponding to a total of SEK 651 M (597). The full dividend proposal is presented on page 77.

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

PUBLICATION OF THE ANNUAL REPORT

The information is such that Intrum Justitia AB (publ) is required to disclose pursuant to the Securities Markets Act. The information was released for publication on April 7 at 12.00 CET.

FINANCIAL OVERVIEW

Income statement, SEK M	2016	2015	2014	2013	2012
Revenues	6,088	5,628	5,184	4,566	4,048
Cost of services sold	-3,194	-3,087	-2,963	-2,663	-2,482
Gross earnings	2,894	2,541	2,221	1,903	1,566
Sales and marketing expenses	-230	-252	-262	-211	-226
Administrative expenses	-678	-661	-585	-484	-468
Disposal of operations/Goodwill impairment	-	-	-111	-	-
Reversal of liability for additional purchase consideration	-	-	164	-	-
Participations in earnings of associated companies and joint ventures	-8	-4	3	-1	7
Operating earnings (EBIT)	1,978	1,624	1,430	1,207	879
Net financial items	-168	-167	-183	-161	-150
Earnings before tax	1,810	1,457	1,247	1,046	729
Taxes	-342	-285	-206	-227	-145
Net earnings for the year	1,468	1,172	1,041	819	584
Of which, attributable to the Parent Company's shareholders	1,458	1,164	1,031	817	584
Non-controlling interests	10	8	10	2	0
Net earnings for the year	1,468	1,172	1,041	819	584
Balance sheet, SEK M	2016	2015	2014	2013	2012
Assets					
Total fixed assets	12,304	10,294	9,362	8,412	6,955
of which, purchased debt	8,733	7,027	6,197	5,411	4,064
Total current assets	2,100	1,851	1,979	1,810	1,520
Total assets	14,404	12,145	11,341	10,222	8,475
Shareholders' equity and liabilities					
Total shareholders' equity	4,130	3,166	3,041	3,316	2,986
Total liabilities	10,274	8,979	8,300	6,906	5,489
Total shareholders' equity and liabilities	14,404	12,145	11,341	10,222	8,475
Key figures	2016	2015	2014	2013	2012
Net revenues, SEK M	6,088	5,628	5,184	4,566	4,048
Revenue growth, %	8	9	14	13	2
Operating earnings (EBIT), SEK M	1,978	1,624	1,430	1,207	879
Operating earnings (EBIT) excluding revaluations, SEK M	1,929	1,593	1,395	1,200	958
Operating margin excl. revaluations, %	32	28	27	26	23
Operating earnings before depreciation and amortization, SEK M	3,755	3,282	2,996	2,684	2,199
Net earnings, SEK M	1,468	1,172	1,041	819	584
Net debt, SEK M	7,260	6,026	5,635	4,328	3,261
Net debt/RTM operating earnings before depreciation and amortization	1.9	1.8	1.9	1.6	1.5
Earnings per share, SEK	20.15	15.92	13.48	10.30	7.32
Growth in earnings per share, %	27	18	31	41	6
Dividend/proposed dividend per share, SEK	9.00	8.25	7.00	5.75	5.00
Average number of shares, thousands	72,348	73,097	76,462	79,306	79,745
Number of shares at year-end, thousands	72,348	72,348	73,848	78,547	79,745
Return on purchased debt, %	20	20	20	21	17
Investments in purchased debt, SEK M	3,100	2,428	1,950	2,475	2,014
Average number of employees	3,975	3,846	3,801	3,530	3,475

The comparison figures for 2012 have been recalculated in accordance with IFRS 11 and IAS 19R.

INCOME STATEMENT – GROUP

SEK M	NOTE	2016	2015
Net revenues	2, 3	6,088	5,628
Cost of sales	3	-3,194	-3,087
Gross earnings		2,894	2,541
Sales and marketing expenses	3	-230	-252
Administrative expenses	3	-678	-661
Participations in earnings of associated companies and joint ventures	5	-8	-4
Operating earnings (EBIT)	2, 3, 4	1,978	1,624
Financial income	6	11	11
Financial expenses	7	-179	-178
Net financial items		-168	-167
Earnings before tax		1,810	1,457
Taxes	8	-342	-285
Net earnings for the year		1,468	1,172
Of which attributable to Parent Company's shareholders		1,458	1,164
Non-controlling interests		10	8
Net earnings for the year		1,468	1,172
Earnings per share before and after dilution (SEK)	9	20.15	15.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	NOTE	2016	2015
Earnings for the year		1,468	1,172
Other comprehensive income:			
Items that can be reallocated to earnings for the year			
The year's change in translation reserve attributable to the translation of foreign operations		281	-242
The year's total comprehensive income attributable to hedging of currency risks in foreign operations		-210	155
Items that cannot be reallocated to earnings for the year			
Revaluations of pension liability for the year	8, 21	27	-26
Total other comprehensive income		98	-113
Comprehensive income for the year		1,566	1,059
Of which attributable to			
Parent Company's shareholders		1,554	1,053
Non-controlling interests		12	6
Comprehensive income for the year		1,566	1,059

CONSOLIDATED BALANCE SHEET

SEK M	NOTE	DEC 31, 2016	DEC 31, 2015
ASSETS			
Fixed assets			
Intangible fixed assets	10		
Goodwill		3,120	2,810
Capitalized expenditure for IT development		193	159
Client relationships		63	61
Other intangible fixed assets		47	68
Total intangible fixed assets		3,423	3,098
Tangible fixed assets	11		
Computer hardware		41	38
Other tangible fixed assets		63	80
Total tangible fixed assets		104	118
Other fixed assets			
Shares and participations in associated companies and joint ventures	13	12	6
Other shares and participations		1	1
Purchased debt	14	8,733	7,027
Deferred tax assets	8	25	33
Other long-term receivables	15	6	11
Total other fixed assets		8,777	7,078
Total fixed assets		12,304	10,294
Current assets			
Accounts receivable	16	305	285
Client funds		588	569
Tax assets		87	42
Other receivables	17	557	510
Prepaid expenses and accrued income	18	167	180
Liquid assets	19	396	265
Total current assets		2,100	1,851
TOTAL ASSETS		14,404	12,145

SEK M	NOTE	DEC 31, 2016	DEC 31, 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Shareholders' equity attributable to Parent Company's shareholders			
Share capital		2	2
Other paid-in capital		906	906
Reserves		404	335
Retained earnings including earnings for the year		2,731	1,843
Total shareholders' equity attributable to Parent Company's shareholders		4,043	3,086
Shareholders' equity attributable to non-controlling interests	12	87	80
Total shareholders' equity		4,130	3,166
Long-term liabilities			
Liabilities to credit institutions	23	1,520	2,340
Bond loans	23	3,706	3,124
Other long-term liabilities		16	3
Provisions for pensions	21	157	174
Other long-term provisions	22	0	3
Deferred tax liabilities	8	638	522
Total long-term liabilities		6,037	6,166
Current liabilities			
Liabilities to credit institutions	23	56	17
Bond loans	23	1,077	0
Commercial papers	23	1,124	635
Client funds payable		588	569
Accounts payable		140	139
Income tax liabilities		136	128
Advances from clients		46	14
Other current liabilities		325	613
Accrued expenses and prepaid income	24	718	698
Other short-term provisions	22	27	0
Total current liabilities		4,237	2,813
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		14,404	12,145

For information on the Group's pledged assets and contingent liabilities, see Note 25.

CONSOLIDATED CASH FLOW STATEMENT

SEK M	NOTE	2016	2015
Operating activities			
Operating earnings	2	1,978	1,624
Not included in cash flow:			
Amortization/depreciation and impairment	4, 10, 11	171	164
Amortization and revaluations of purchased debt	14	1,606	1,495
Other adjustments for items not included in cash flow	2	34	15
Interest received		11	11
Interest paid		-119	-227
Payments for other financial expenses		-22	-15
Income tax paid		-257	-229
Cash flow from operating activities before changes in working capital		3,402	2,838
Changes in factoring receivables		-46	-44
Other changes in working capital		18	111
Cash flow from operating activities		3,374	2,905
Investing activities			
Purchases of intangible fixed assets	10	-117	-105
Purchases of tangible fixed assets	11	-26	-30
Debt purchases*	14	-3,374	-2,186
Purchases of shares in subsidiaries and associated companies*	35	-252	-181
Other cash flow from investing activities		6	5
Cash flow from investing activities		-3,763	-2,497
Financing activities			
Borrowings		1,928	792
Amortization of loans		-823	-270
Share repurchases		-	-400
Share dividend to Parent Company's shareholders		-597	-514
Share dividend to non-controlling interests		-5	-7
Cash flow from financing activities		503	-399
Change in liquid assets		114	9
Opening balance of liquid assets		265	266
Exchange rate difference in liquid assets		17	-10
Closing balance of liquid assets	19	396	265

* The acquisition of the Portuguese company Logicomer Gestão e Recuperação de Créditos SA in 2015, included purchased debt valued at SEK 62 M. These are reported in the row Debt Purchases.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

See also Note 20.

SEK M	Number outstanding shares	Share capital	Other paid-in capital	Reserves	Retained earnings incl. earn- ings for the year	Total	Non- controlling interests	Total share- holders' equity
Opening balance. January 1, 2015	73,847,534	2	906	420	1,620	2,948	93	3,041
Comprehensive income for the year, 2015								
Earnings for the year					1,164	1,164	8	1,172
Other comprehensive income for the year:								
The year's change in translation reserve attributable to the translation of foreign operations				-228		-228	-2	-230
The year's total comprehensive income attributable to hedging of currency risks in foreign operations				155		155		155
Revaluations of pension liability for the year					-30	-30		-30
Income tax on other comprehensive income				-12	4	-8		-8
Comprehensive income for the year				-85	1,138	1,053	6	1,059
Transactions with Group owners in 2015								
Share dividend					-514	-514	-7	-521
Acquired minority interest					-1	-1	-12	-13
Share repurchases	-1,499,808				-400	-400		-400
Closing balance. December 31, 2015	73,347,726	2	906	335	1,843	3,086	80	3,166
Comprehensive income for the year, 2016								
Earnings for the year					1,458	1,458	10	1,468
Other comprehensive income for the year:								
The year's change in translation reserve attributable to the translation of foreign operations				253		253	2	255
The year's total comprehensive income attributable to hedging of currency risks in foreign operations				-210		-210		-210
Revaluations of pension liability for the year					33	33		33
Income tax on other comprehensive income				26	-6	20		20
Comprehensive income for the year				69	1,485	1,554	12	1,566
Transactions with Group owners in 2016								
Share dividend					-597	-597	-5	-602
Closing balance, December 31, 2016	73,347,726	2	906	404	2,731	4,043	87	4,130

Accumulated exchange rate differences since the transition to IFRS, including tax effects, amounted to SEK 404 M (335) at the end of 2016.

INCOME STATEMENT – PARENT COMPANY

SEK M	NOTE	2016	2015
Net revenues	3	105	102
Gross earnings		105	102
Sales and marketing expenses		-20	-17
Administrative expenses		-151	-152
Operating earnings (EBIT)		-66	-67
Income from participations in Group companies	6	367	1,237
Exchange differences on monetary items classified as extended net investment in foreign subsidiaries		-28	-48
Interest income and similar income	6	102	100
Impairment of shares in subsidiaries	7	-143	0
Interest expenses and similar items	7	-191	-180
Net financial items		108	1,109
Earnings before tax		42	1,042
Tax on earnings for the year	8	0	0
Net earnings for the year		42	1,042

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	NOTE	2016	2015
Earnings for the year		42	1,042
Other comprehensive income:			
Items that can be reallocated to earnings for the year			
The year's total comprehensive income attributable to hedging of currency risks in foreign operations		-210	155
Comprehensive income for the year		-168	1,197

PARENT COMPANY BALANCE SHEET

SEK M	NOTE	DEC 31, 2016	DEC 31, 2015
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in Group companies	12	6,221	6,321
Participations in joint ventures		24	10
Receivables from Group companies		2,087	1,205
Total financial fixed assets		8,332	7,536
Total fixed assets		8,332	7,536
Current assets			
Current receivables			
Tax assets		3	2
Receivables from Group companies		4,601	4,725
Other receivables	17	4	3
Prepaid expenses and accrued income	18	21	13
Total current receivables		4,629	4,743
Liquid assets			
Cash and bank balances	19	8	37
Total liquid assets		8	37
Total current assets		4,637	4,780
TOTAL ASSETS		12,970	12,316

SEK M	NOTE	DEC 31, 2016	DEC 31, 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Restricted equity			
Share capital		2	2
Statutory reserve		282	282
Total restricted shareholders' equity		284	284
Non-restricted equity			
Share premium reserve		111	111
Fair value reserve		109	321
Retained earnings		701	255
Earnings for the year		42	1,042
Total non-restricted equity		963	1,728
Total shareholders' equity		1,247	2,012
Long-term liabilities			
Liabilities to credit institutions	23	1,520	2,340
Bond loans	23	3,706	3,124
Liabilities to Group companies		2,432	2,005
Total long-term liabilities		7,658	7,469
Current liabilities			
Overdraft facility	23	56	16
Bond loans	23	1,077	0
Commercial papers	23	1,124	635
Accounts payable		10	4
Liabilities to Group companies		1,670	2,063
Other current liabilities		3	2
Accrued expenses and prepaid income	24	125	115
Total current liabilities		4,065	2,835
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		12,970	12,316

For information on pledged assets and contingent liabilities, see Note 25.

PARENT COMPANY CASH FLOW STATEMENT

SEK M	NOTE	2016	2015
Operating activities			
Operating earnings		-66	-67
Interest received		102	100
Interest paid		-146	-232
Payments for other financial expenses		-22	-15
Cash flow from operating activities before changes in working capital		-132	-214
Changes in working capital		184	6
Cash flow from operating activities		52	-208
Investing activities			
Purchases of shares in subsidiaries and associated companies		-57	-10
Share dividend from subsidiaries		1,053	237
Cash flow from investing activities		996	227
Financing activities			
Borrowings		2,080	681
Amortization of loans		-823	-270
Net loans to subsidiaries		-1,738	509
Share dividend to Parent Company's shareholders		-597	-514
Share repurchases		-	-400
Cash flow from financing activities		-1,077	6
Change in liquid assets		-29	25
Opening balance of liquid assets		37	12
Closing balance of liquid assets	19	8	37

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, PARENT COMPANY

SEK M	Note	Number outstanding shares	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Earnings for the year	Total shareholders' equity
Closing balance, 31 December 2014		73,847,534	2	282	111	-986	2,237	83	1,729
Adjustment for retroactive application of RFR 2	20					1,152	-1,166	14	0
Opening balance, January 1, 2015		73,847,534	2	282	111	166	1,071	97	1,729
Comprehensive income for the year, 2015									
Earnings for the year								1,042	1,042
Other comprehensive income for the year						155			155
Comprehensive income for the year						155		1,042	1,197
Disposition of previous year's earnings							97	-97	
Transactions with Parent Company's shareholders in 2015									
Share dividend							-514		-514
Share repurchases		-1,499,808					-400		-400
Closing balance, December 31, 2015		72,347,726	2	282	111	321	255	1,042	2,012
Comprehensive income for the year, 2016									
Earnings for the year								42	42
Other comprehensive income for the year						-210			-210
Comprehensive income for the year						-210		42	-168
Disposition of previous year's earnings							1,042	-1,042	
Transactions with Parent Company's shareholders in 2016									
Share dividend							-597		-597
Closing balance, December 31, 2016		72,347,726	2	282	111	109	701	42	1,247

Share capital and statutory reserve are restricted equity. Other items are non-restricted equity.

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NOTE 1: Significant accounting and valuation principles

General

The Parent Company Intrum Justitia AB (publ) is a registered company domiciled in Stockholm, Sweden. The address of the company's headquarters is Hesselmanns Torg 14, Nacka, SE-105 24 Stockholm, Sweden. In 2016, the company was listed on the Nasdaq Stockholm, Large Cap list.

The consolidated accounts were approved for publication by the company's Board of Directors on March 30, 2017. The balance sheets and income statements will be presented to the Annual General Meeting on June 29, 2017.

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and for the Group. The financial statements are therefore presented in SEK. All amounts, unless indicated otherwise, are rounded off to the nearest SEK M.

The consolidated and annual accounts pertain to January 1–December 31 for income statement items and December 31 for balance sheet items.

Accounting standards applied

With regard to the consolidated financial statements, the annual report for Intrum Justitia AB (publ) has been prepared in accordance with the Annual Accounts Act and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Group applies IFRS as adopted by the European Union (EU). For 2016, there are no new provisions relevant to Intrum Justitia in the IFRS issued by the IASB that have not yet been adopted by the EU. This means that the Group's application of IFRS as adopted by the EU during the year also corresponds to the application of IFRS as issued by the IASB.

Further, recommendation *RFR 1 Supplementary accounting rules for groups* from the Swedish Financial Reporting Board has been applied.

The Parent Company applies the same accounting principles as the Group except in the cases stated in the section "Parent Company accounting principles".

Assumptions

Assets and liabilities are recognized at historical cost, with the exception of certain financial assets and liabilities, which are measured at fair value.

The preparation of financial statements in accordance with IFRS requires the Board of Directors and Management to make estimates and assumptions that affect the application of the accounting principles and the carrying values of assets, liabilities, income 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 values of assets and liabilities that otherwise are not clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized 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 the company that have a significant impact on the financial statements and estimates, which could necessitate significant adjustments in financial statements in subsequent years, are described in more detail in Note 36.

The accounting principles described below for the Group have been applied consistently for all periods in the Group's financial statements, unless otherwise indicated. The Group's accounting principles have been applied consistently in the consolidation of the Parent Company, subsidiaries, associated companies and joint ventures.

Changes in accounting principles

Changes that entered into force in 2016

There are a number of minor changes and clarifications to IFRS with effect from 1 January 2016, although none of these has had any significant impact on the Intrum Justitia Group's accounting.

Effective from the 2016 Annual Report, the Parent Company applies the version of *RFR 2 Accounting for Legal Entities*, updated in January 2017, which contains a clarification of how the exchange differences on monetary items classified as extended net investment in a foreign subsidiary should be classified. See below under the Parent Company's accounting principles.

Changes that enter into force in or after 2017

The Group has decided against early application of any new or amended accounting recommendations or interpretations that enter into force in or after 2017.

No significant changes in IFRS have been introduced effective from 2017.

IFRS 9 Financial Instruments is, effective from 2018, to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 entails changes in the way financial assets are classified and valued, and introduces an impairment model based on expected rather than incurred losses, as well as changes to the principles for hedge accounting.

An assessment of the impact on the Group's accounting of the application of IFRS 9 is in progress. It has not yet been possible to estimate the effects in terms of amounts, and these will be calculated as each implementation project progresses during 2017. The following description is based on information currently known or estimated. The choice of transitional methods will be made when the analysis of IFRS 9 has reached a phase providing a more complete foundation than at present.

It is Intrum Justitia's assessment that purchased debt should, under IFRS 9 continue to be carried at amortized cost, as in IAS 39, by applying an adjusted effective interest rate reflecting anticipated actual cash flows. One difference from IAS 39 is that IFRS 9 expressly provides that a positive effect can arise if the forecast for anticipated cash flows increases, even in the event that the current forecast exceeds the initial forecast made on the acquisition of the portfolio.

The new rules for impairment also mean that a provision for expected losses on accounts receivable should generally be made somewhat earlier. As indicated in Note 16, the Group has reserved SEK 3 M for losses on accounts receivable in 2016 and SEK 11 M in 2015. Had IFRS 9 been applied, it is likely that a provision for about the same amount would have had to be made a year earlier. A more detailed assessment in terms of amounts has yet to be made.

Intrum Justitia does not intend to adopt IFRS 9 prematurely in 2017.

Effective from 2018, *IFRS 15 Revenue from customer contracts* is to replace *IAS 18 Revenue*. IFRS 15 is based on revenue being recognized when control of the good or service is transferred to the customer, which differs from the current basis in the transfer of risks and rewards. IFRS 15 introduces new ways of determining how and when revenue should be recognized, entailing a new approach compared with how revenue is currently reported. The sectors most affected are the construction and civil engineering sectors, as well as companies engaged in contract manufacturing. However, all companies will be affected by the new expanded disclosure requirements.

Intrum Justitia's principal revenue from customer contracts, derives from collection services. Revenue is generally recognized when the service has been completed successfully, that is, when the Group's customer has received payment for its claim. Intrum Justitia's assessment is currently that IFRS 15 does not cause any significant change in how revenues from collection services are to be reported.

Intrum Justitia does not intend to adopt IFRS 15 prematurely in 2017.

Effective from 2019, *IFRS 16 Leases* is to replace *IAS 17 Leases*. IFRS 16 provides that leases currently accounted for as operating leases should generally start to be reported in a manner similar to the current accounting for financial leases. This requires assets and liabilities also being reported for operating leases, with associated reporting of costs for depreciation and interest, unlike today when no accounting is performed for the leased asset and related liability, and with lease payments being amortized on a straight-line basis as a lease expense.

The main effect on Intrum Justitia's accounting is expected to be the Group's total assets will increase through an asset and a liability being recognized in respect of the leases in effect at any given time. A rough estimate, based on the 2015 figures, is that total assets during the year would have increased by about 5 percent. Another effect is that the implicit interest expense in lease agreements is recognized in financial expense and not in operating profit, which in 2015 would have entailed an improvement in operating income in the order of 1 percent.

Intrum Justitia does not intend to adopt IFRS 16 prematurely in 2017.

Other changes to IFRS are not expected to have any material effect on the consolidated accounts.

Cont. Note 1 **Classification issues**

Fixed 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 balance sheet date. 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 balance sheet date.

Consolidation

Subsidiaries

The Group applies *IFRS 3 Business combinations* and *IFRS 10 Consolidated financial statements*.

The consolidated accounts include the annual accounts of all subsidiaries, i.e., companies in which the Parent Company, directly or indirectly, holds more than 50 percent of the votes or otherwise can exercise control over operations. A controlling interest is achieved when the Group is exposed to, or has rights to variable returns from, its commitment to the company and is able to affect returns by means of its decisive influence. An influence arises when the Group has existing rights enabling it to control the relevant operations, that is, the operations that significantly affect the company's performance.

The consolidated accounts are prepared according to the acquisition method, which means that the acquisition of a subsidiary is treated as a transaction where 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. The cost includes conditional purchase considerations recognized as liabilities at fair value per the acquisition date. Transaction costs are expensed as incurred.

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 in the income statement.

Non-controlling interests arise in cases where the acquisition does not relate to the entire subsidiary. There are two options for recognizing non-controlling interests. The two options are to recognize the percentage of non-controlling interests that makes up proportional net assets, or to recognize non-controlling interests at fair value, which means that non-controlling interests form a percentage of goodwill. The method used for recognizing non-controlling interests is made on a case by case basis.

The financial statements of subsidiaries are included in the consolidated accounts from the acquisition date until control ceases.

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

Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to a degree corresponding to the Group's ownership of those companies. Unrealized losses are eliminated in the same way as unrealized gains, to the extent there is an indication of impairment.

Associated companies and joint ventures

The Group applies *IAS 28 Investments in associates and joint ventures*.

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 influence without having control over the partly owned company.

Participations in associated companies and joint ventures are recognized in the consolidated accounts according to the equity method, which means that the holding in the company is recognized at cost and subsequently adjusted to the Group's share of the change in the associated company's net assets. The value of the shares includes goodwill from the acquisition. The consolidated income statement includes the Group's participation in the company's earnings less goodwill impairment. The amount is reported under Participations in the earnings of associates and joint ventures. Divi-

dends received from the company are not recognized in the income statement and instead reduce the carrying value of the investment.

Any difference between the cost of an acquisition and the owner'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 from the date a significant influence arises until the time it ceases or the associated company becomes a subsidiary.

If the Group's share of reported losses in the company exceeds the carrying value of its participations, the value of those participations is reduced to nil. Losses can also be offset against the Group's unsecured receivables from the company if they constitute part of the net investment. Further losses are not recognized provided the Group has not issued guarantees to cover them.

Joint ventures

The Group applies *IFRS 11 Joint arrangements*.

Joint arrangements pertain to companies in which Intrum Justitia and other part-owners manage operations jointly in accordance with a shareholder agreement. The Group has only been engaged in joint arrangements classified as joint ventures, and these are reported in the consolidated financial statements according to the equity method. This means that participations in jointly owned companies are recognized at cost and subsequently adjusted for the Group's share of the change in the company's net assets. The consolidated income statement includes the Group's share of earnings, and this is reported under Participations in the earnings of associates and joint ventures. Dividends received from joint ventures are not recognized in the income statement and instead reduce the carrying value of the investment.

The equity method is applied from the date on which joint control is gained until the date that it ceases or transitions to the sole influence of Intrum Justitia.

Foreign currency

The Group applies *IAS 21 Effects of changes in foreign exchange rates*.

Transactions in foreign currency

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 exchange rates on each balance sheet date, 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 the operating result if, for example, they refer to accounts receivable or accounts payable, or 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 forward exchange contracts. The Group's holding of forward exchange contracts is marked to market on each balance sheet date, and changes in value are recognized in the income statement.

Translation of the financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated from the functional currency to the Group's reporting currency, Swedish kronor, at the exchange rate on balance sheet date. Income and expenses are translated 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 balance sheet date rate changes each period and in part because the average rate deviates from balance sheet date rate. Translation differences are recognized directly in total comprehensive income as the year's change in the translation reserve.

Long-term receivables and liabilities between the Parent Company and subsidiaries can be seen as an extension or reduction of the net investment in each company. Such translation differences are therefore recognized in the consolidated financial statements in total comprehensive income.

When foreign operations are sold, accumulated translation differences attributable to those operations are realized.

Cont. Note 1 During the year the Group did not hedge any other flow exposure pertaining to anticipated receipts or disbursements in foreign currency.

Financial assets and liabilities

The Group applies *IAS 32 Financial Instruments: Presentation*, *IAS 39 Financial Instruments: Recognition and Measurement*, *IFRS 7 Financial Instruments: Disclosure and IFRS 13 Fair Value Measurement*.

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 recognized 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 recognized 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. Exceptions are financial instruments categorized as financial assets or liabilities recognized at fair value in income statement, which are recognized at fair value excluding transaction costs. 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. Receivables are recognized when the company has performed and there is a contractual obligation on the counterparty to pay, even if an invoice has not yet been sent. 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. A financial liability is removed from the balance sheet when the obligation in the agreement has been discharged or otherwise extinguished.

The fair value of listed financial assets corresponds to their listed market price on the balance sheet date. 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 forward exchange contracts and currency interest rate swaps, fair value is determined based on listed prices. The fair value of forward exchange contracts and currency interest rate swaps is calculated by discounting the difference between the contracted forward rate and the forward rate that can be secured on the balance sheet date for the remaining contract period. The current value is obtained by discounting applying the Group's weighted average cost of capital. For further information, see Note 34.

Purchased debt

Purchased debt consists of portfolios of delinquent consumer debts purchased at prices significantly below the nominal receivable. They are recognized according to the rules for loans and receivables in *IAS 39*, i.e., at amortized cost according to the effective interest model.

Income from purchased debt is recognized in the income statement as the collected amount less amortization. The collection is often performed by the same personnel who handle collections and debt surveillance on behalf of external clients within the Credit Management 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.

Reporting follows the effective interest method, where the carrying value of each portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio was acquired, based on the relation between cost and the projected future cash flows on the acquisition date. Changes in the carrying value of the portfolios are comprised of amortization for the period and are recognized in the income statement on the revenue line.

In connection with the purchase of each portfolio of receivables, a projection is made of the portfolio's 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 purchase price including transaction costs as a basis, each portfolio is assigned an initial effective

interest rate that is then used to discount cash flows through the life of the portfolio. Current cash flow projections 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 projections 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 projections and initial effective interest rate, a new carrying value for the portfolio is calculated in the closing accounts.

The Group applies internal application rules which mean that the initial effective interest rate can be adjusted in certain cases without a change in the carrying value of the portfolio for minor projection adjustments within a predetermined interval.

Changes over time in the book value can be divided into a time and interest rate component and a component related to changes in estimates of future cash flows. The effects of changes in cash flow forecasts are referred to as revaluations and 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 never recognized at higher than cost.

Although selling portfolios of purchased debt is not included in the business model, when such sales do occur as an exception, the resulting sales price received for the portfolio is reported in the same way as if it had been collected from the debtors. The entire remaining carrying values of the portfolios are recognized as amortization.

Long-term receivables and other receivables

Long-term receivables and other receivables are those 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 and accounts receivable and are assessed at their discounted current value if their expected maturity exceeds 12 months. If their maturities are shorter, they are assessed at accrued cost.

Accounts receivable

Accounts receivable are classified in the category loans and receivables. Accounts receivable are recognized at the amount expected to be received after deducting impaired receivables, which are determined individually or according to statistical models based on historical experience in each country. Impairment needs are addressed when receivables have fallen overdue for payment by a certain number of days, which differs between countries, or if Intrum Justitia becomes aware that the counterparty has become insolvent. Provisions for impaired receivables are recognized as sales and marketing expenses. The anticipated maturity of accounts receivable is short, so they are carried at accrued cost without discounting.

Legal outlays

The Group incurs outlays for court fees, legal representation, enforcement authorities, etc., which can be charged to and collected from debtors. In certain cases Intrum Justitia has agreements with its clients where any expenses that cannot be collected from debtors are instead refunded by the client. The amount that is expected to be recovered from a solvent counterparty is recognized as an asset in the balance sheet on the line Other receivables. The anticipated maturity of these receivable is short, so they are carried at accrued cost without discounting.

Client funds

Client funds, which are reported as assets 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. Short-term investments consist of investments with an insignificant risk of fluctuating in value, which can easily be converted to cash and have a maturity of not more than three months from acquisition.

Liabilities

Liabilities are classified as other financial liabilities, which means that they are initially recognized at the amount received after deducting transaction

Cont. Note 1 expenses. Subsequent to recognition, 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. The Group's long-term loans generally have short fixed-interest periods, which means that the nominal loan amount plus accrued interest is a good approximation of the liability calculated according to the effective rate model.

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

Derivatives consist of forward exchange contracts, interest swaps and currency interest rate swaps used to reduce interest and exchange rate risks attributable to assets and liabilities in foreign currency. Derivatives are also contractual terms embedded in other agreements. Embedded derivatives are recognized separately if they are not closely related to the host agreement.

Forward exchange contracts are classified as financial assets or liabilities recognized at fair value through profit or loss (held for trade) and assessed at fair value without deductions for transaction expenses that may arise on sale or similar.

Hedge accounting is not needed for forward exchange contracts because the hedged item and the hedging instrument are carried at fair value with changes in value recognized in the income statement as 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.

Currency interest rate swaps are valued at fair value and reported in the balance sheet together with hedge accounting via Other comprehensive income. Currency interest rate swaps were signed in connection with the Parent Company's issue of bonds in SEK that were exchanged for EUR to hedge net investments in foreign operations where the loan currency has been used in the operations. The liability in SEK was exchanged into the same liability in EUR on both the starting date and the date of maturity.

Hedge accounting with regard to exchange rate risk in the net investment in foreign subsidiaries

Investments in foreign subsidiaries (net assets including goodwill) are to some extent hedged through loans in foreign currency or forward exchange contracts that are translated on the closing date to the exchange rate then in effect. Translation differences for the period on financial instruments used to hedge a net investment in a Group company are recognized in the degree the hedge is effective in total comprehensive income, while cumulative changes are recognized in equity (translation reserve). As a result, translation differences that arise when Group companies are consolidated are neutralized.

Intangible fixed assets

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 business combinations implemented through other than a purchase of shares is recognized in the same way.

For business combinations where the cost is less than the net value of acquired assets and assumed and contingent liabilities, the difference is recognized directly through the income statement.

Goodwill is recognized at cost less accumulated impairment. 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 written down on the basis of this evaluation. Intrum Justitia's operations in each geographical region (Northern Europe, Central Europe and Western Europe) are considered the Group's cash-generating units in this regard.

Goodwill that arises from the acquisition of a company outside Sweden is classified as an asset in the local currency and translated in the accounts at the balance sheet date rate.

Capitalized expenditure for IT development

The Group applies *IAS 38 Intangible assets*.

Expenditures for IT development and maintenance are generally expensed as incurred. Expenditures for software development that can be attributed to identifiable assets under the Group's control and with anticipated future economic benefits are capitalized and recognized as intangible assets. These capitalized costs include staff costs for the development team and other direct and indirect costs. Borrowing costs are included in the cost of qualified fixed assets.

Additional expenditures for previously developed software, etc. are recognized as an asset in the balance sheet if they increase the future economic benefits of the specific asset to which they are attributable, e.g., by improving or extending a computer program's functionality beyond its original use and estimated useful life.

IT development costs that are recognized as intangible assets are amortized using the straight-line method over their useful lives (3–5 years). Useful life is reassessed annually. The asset is recognized at cost less accumulated amortization and impairment.

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

Client relationships

Client relationships that are recognized as fixed assets relate to fair value revaluations recognized upon acquisition in accordance with IFRS 3. They are amortized on a straight-line basis over their estimated period of use (5–10 years). Useful life is reassessed annually. The asset is recognized at cost less accumulated amortization and impairment.

Other intangible fixed assets

Other intangible fixed assets relate to other acquired rights and are amortized on a straight-line basis over their estimated period of use (3–5 years). Useful life is reassessed annually. The asset is recognized at cost less accumulated amortization and impairment.

Tangible fixed assets

The Group applies *IAS 16 Property, plant and equipment*.

Tangible fixed assets are recognized at cost less accumulated depreciation and impairment. Cost includes the purchase price and costs directly attributable to putting the asset into place and condition to be utilized in the way intended. Examples of directly attributable costs are delivery and handling, installation, consulting services and legal services. Depreciation is booked on a straight-line basis over the asset's anticipated useful life (3–5 years). Useful life is reassessed annually.

The carrying value of a tangible fixed asset is excluded from the balance sheet when the asset is sold or disposed of or when no 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 value 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 flow to the company and the cost of the asset can be reliably measured.

Leasing

The Group applies *IAS 17 Leases*. 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. 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. 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.

In operating leasing, lease payments are expensed over the lease term. Payments are recognized in the income statement on a straight-line basis over the lease term. Benefits received in connection with the signing of

Cont. Note 1 | an operating lease are recognized as part of the total lease expense in the income statement.

Taxes

The Group applies *IAS 12 Income taxes*.

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement unless the underlying transaction is recognized directly in other total comprehensive income, in which case the related tax effect is recognized in other total comprehensive income.

Current tax is tax that is to be paid or received during the year in question applying the tax rates applicable on the balance sheet date; which includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences between the carrying value 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 values 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 balance sheet date.

Deferred tax assets from deductible temporary differences and tax-loss carryforwards are only recognized if it is likely they will be utilized within the foreseeable future. The value of deferred tax assets is reduced when it is no longer considered likely they can be utilized.

Shareholders' equity

Share repurchases and transaction expenses are recognized directly against equity. Dividends are recognized as a liability after they are approved by the Annual General Meeting.

Provisions

The Group applies *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

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. The carrying amount for the provision is based on an assessment of the most likely outcome, and can be calculated by weighing the various possible outcomes and multiplying this by their estimated probability. Where it is important when in time payment will be made, provisions are estimated by discounting the projected 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 a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating expenses.

A provision for termination costs is recognized only if the persons in question have known or presumed to have expected to be terminated by the balance sheet date.

A provision is recognized for a loss-making contract 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.

A provision for dilapidation agreements on leased premises is recognized if there is a contractual obligation to the landlord, within the foreseeable future, to restore the premises to a certain condition when the lease expires.

Unidentified receipts and excess payments

The Group receives large volumes of payments from debtors for itself and its clients. There are instances where the sender's reference information is missing or incorrect, which makes it difficult to allocate the payment to the right case. There are also situations where payments are received on closed cases. In such instances a reasonable search and attempt is made to contact the payment sender but, failing this, the payment is recognized as income after a certain interval. A provision is recognized in the balance sheet corresponding to the anticipated repayments of incorrectly received payments on a probability analysis.

Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events 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.

Impairment

The Group applies *IAS 36 Impairment of assets*.

The carrying value of the Group's assets, with certain exceptions, is tested on each balance sheet date for any indication of impairment. IAS 36 is applied to impairment testing of all assets with the exception of financial assets, which are valued according to *IAS 39*, investment assets for pension liabilities, which are valued according to *IAS 19 Employee Benefits*, and tax assets, which are valued according to *IAS 12 Income Taxes*.

If there is any indication of impairment, the asset's recoverable value is estimated. For goodwill and other intangible assets with an indeterminate useful life and intangible assets not yet brought into use, recoverable values are calculated annually. If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest level where essentially independent cash flows can be identified, i.e., a cash-generating unit. Intrum Justitia's operations in each geographical region are considered to be the Group's cash-generating units in this regard.

Impairment is recognized when the carrying value of an asset or cash-generating unit exceeds its recoverable value. Impairment is recognized in the income statement. Impairment attributable to a cash-generating unit is mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit.

The recoverable amount of cash-generating units 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.

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 value of the assets following the reversal does not exceed the carrying value that the asset would have had if the impairment had not been recognized.

Employee benefits

The Group applies *IAS 19 Employee Benefits*.

Pension obligations

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. See also Note 21 for a further description.

Defined contribution pension plans are plans where the company's obligation is limited to the fees it has committed to pay. The size of the employee's pension depends in part on the fees the company pays to an insurance company and in part on the return generated and actuarial factors. Consequently, it is the employee who assumes the investment risk and actuarial risk. The company's obligations for defined contribution pension plans are expensed through the income statement as they are vested by employees who render services on behalf of the company.

For defined benefit pension plans, the pension obligation does not cease until the agreed pensions have been paid. The Group's net obligation for defined benefit pension plans is calculated separately for each plan by estimating future compensation the employees has earned in current and previous periods; this compensation is discounted to its present value. The discount rate is the interest rate as per the balance sheet date on high-quality corporate bonds, including covered bonds, with a maturity that, if possible, corresponds to the Group's pension obligations. The calculation is performed by an actuary using the so-called Projected Unit Credit Method. The fair value of Intrum Justitia's share of any investment assets as of the balance sheet date is calculated as well.

Actuarial gains and losses may arise in the determination of the present value of the obligation and the fair value of investment assets. They arise either because the actual outcome deviates from previous assumptions or the assumptions change. All changes in value associated with such changes in assumptions are recognized in other comprehensive income.

Cont. Note 1 The balance sheet value of pensions and similar obligations is therefore equivalent to the present value on the balance sheet date less the fair value of plan assets.

Pension costs for service in the current period are reported in the operating result, while the calculated interest expense on the pension liability and the interest income from assets under management are reported in net financial items.

Pension obligations in Sweden that are met through pension insurance premiums to Alecta in the so-called ITP 2 plan are reported as defined contribution pension solutions.

Borrowing costs

The Group applies *IAS 23 Borrowing Costs* and *IAS 39 Financial Instruments: Recognition and Measurement*.

Costs to secure bank financing are amortized across the term of the loan as financial expenses in the consolidated income statement. The amount is recognized in the balance sheet as a deduction to the loan liability.

The Group capitalizes borrowing costs in the cost of qualifying assets, that is, fixed assets for substantial amounts with long periods of completion. No such investments were initiated in 2015 or 2016.

Income recognition

The Group applies *IAS 18 Revenue*.

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

Financial income and expenses

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

Payment guarantees

Intrum Justitia offers some of the Group's clients the opportunity, against payment, to obtain a guarantee from Intrum Justitia regarding the clients' receivables from their customers. The guarantee entails an undertaking by Intrum Justitia to acquire the receivable from the creditor at its nominal value, or a certain part thereof, once it has fallen overdue for payment by a certain number of days. The income, in the form of a guarantee fee, is recognized when the guarantees are issued, while a liability is recognized in the balance sheet for expected losses related to those guarantees. If the debtor fails to make payment, Intrum Justitia acquires the claim. The disbursement is then recognized as an acquisition of a receivable, less the liability recognized when the guarantee was issued.

Cash flow statement

The Group applies *IAS 7 Cash flow statements*.

The cash flow statement 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, investing activities and financing activities.

Cash flow from investing activities includes only actual disbursements for investments during the year. Disbursements for the purchase of portfolios of overdue receivables are reported under cash flow from investing activities, while the collection and repayment of such portfolios are reported under cash flow from operating activities.

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

Earnings per share

The Group applies *IAS 33 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 outstanding shares during the year. In this context, treasury holdings of repurchased shares are not included in outstanding shares.

Segments

The Group applies *IFRS 8 Operating Segments*.

An operating segment is a part of the Group from which it can generate income and incur expenses and for which separate financial information

is available that is evaluated regularly by the chief operating decision maker, i.e. the CEO in deciding how to assess performance and allocate resources to the operating segment.

Intrum Justitia's operating segments are the geographical regions Northern Europe (Denmark, Estonia, Finland, the Netherlands, Norway, Poland and Sweden), Central Europe (Austria, Czech Republic, Germany, Hungary, Slovakia and Switzerland) and Western Europe (Belgium, France, Ireland, Italy, Portugal, Spain and the United Kingdom). Central and joint expenses are spread across the geographical regions in proportion to their purchasing power parity-adjusted revenues. The break-down by geographical region is also used for internal monitoring in the Group.

Among other things, Note 2 details net revenue and operating earnings by geographic region. However, interest income, interest expenses, assets and liabilities are not reported by segment. This is not considered relevant because the distribution of financial items and parts of the balance sheet is dependent on Group structure and financing, which are not affected by the actual performance of the regions. Nor are actual reported interest income, interest expenses, assets and liabilities by segment included in any internal reporting to the CEO.

Parent Company's accounting principles

The Parent Company has prepared the annual report according to the Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board. RFR 2 means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and statements 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.

Effective from the 2016 Annual Report, the Parent Company applies the updated version from January 2017 of RFR 2 Accounting for Legal Entities, which contains a clarification that, among other things, requires that exchange rate differences on monetary items classified as expanded net investment in foreign subsidiaries be reported in net financial items instead of as previously in other comprehensive income. In the Parent Company's financial statements, comparative figures from previous years have been restated in accordance with this change in accounting principle.

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 statements.

Subsidiaries, associated companies and joint ventures

Shares in subsidiaries, associated companies and joint ventures are recognized by the Parent Company at cost, including transaction costs less any impairment. Only dividends are recognized as income.

Group contributions and shareholders' contributions for legal entities

The company reports Group contributions and shareholders' contributions in accordance with statement UFR 2 of the Swedish Financial Reporting Board.

Group contributions received are recognized as dividends and Group contributions paid are recognized as shareholders' contributions. 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.

Other

The Parent Company has no leases classified as finance leases in its own accounts or the consolidated accounts.

NOTE 2: Disclosures by geographic region and service line

SEK M	Group	
	2016	2015
Revenues from external clients by geographical region		
Northern Europe	2,813	2,573
Central Europe	1,825	1,705
Western Europe	1,450	1,350
Total	6,088	5,628

Revenues from external clients by country		
Finland	913	892
Sweden	886	842
Switzerland	718	759
France	722	701
Hungary	476	380
Portugal	308	218
Denmark	282	241
Poland	255	181
Other countries	1,528	1,414
Total	6,088	5,628

Intra-Group revenues by geographical region		
Northern Europe	320	288
Central Europe	334	295
Western Europe	236	171
Elimination	-890	-754
Total	0	0

Operating earnings by geographical region		
Northern Europe	981	763
Central Europe	666	568
Western Europe	331	293
Total operating earnings	1,978	1,624
Net financial items	-168	-167
Earnings before tax	1,810	1,457

Tangible and intangible fixed assets by country		
Finland	527	507
Sweden	495	500
Switzerland	344	345
Netherlands	279	253
France	303	299
Other countries	1,579	1,312
Total	3,527	3,216

Investments in tangible and intangible fixed assets by region		
Northern Europe	73	63
Central Europe	41	51
Western Europe	24	50
Group-wide/eliminations	26	20
Total	164	184

SEK M	Group	
	2016	2015
Depreciation and amortization by geographical region		
Northern Europe	-66	-74
Central Europe	-55	-51
Western Europe	-29	-20
Group-wide/eliminations	-21	-19
Total	-171	-164

Other items not included in cash flow by geographical region		
Northern Europe	11	8
Central Europe	-3	6
Western Europe	25	-1
Group-wide/eliminations	1	2
Total	34	15

Participations in associated companies and joint ventures, by region		
Northern Europe	-8	-4
Total	-8	-4

Net revenues by service line		
Credit Management	4,335	4,194
Financial Services	2,902	2,423
Elimination of inter-service line revenue	-1,149	-989
Total	6,088	5,628

Net revenues from external clients by service line		
Credit Management	3,186	3,205
Financial Services	2,902	2,423
Total	6,088	5,628

Operating earnings by service line		
Credit Management	1,134	1,049
Financial Services	1,635	1,345
Common costs	-791	-770
Total	1,978	1,624

No individual customer is responsible for generating more than two percent of the Group's total revenue.

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

The geographical regions include Northern Europe (Denmark, Estonia, Finland, the Netherlands, Norway, Poland and Sweden); Central Europe (Switzerland, Slovakia, the Czech Republic, Germany, Hungary and Austria) and Western Europe (Belgium, France, Ireland, Italy, Portugal, Spain and the UK). Central and joint expenses are spread across the geographical regions in proportion to their purchasing power parity-adjusted revenues. The break-down by geographical region is also used for internal monitoring in the Group.

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

Internal transactions between the business areas Financial Services and Credit Management Services relate to payment on commercial terms for work carried out within Credit Management regarding handling and collection of the Group's purchased debt. Payment is made in the form of a commission that is recognized as a cost within purchased debt, but which is eliminated in the Consolidated Income Statement.

Interest income and expenses are not reported by segment. This is not considered relevant because the distribution of financial items is dependent on Group structure and financing and is not affected by the actual performance of the regions. Nor are actual reported interest income and expenses by segment included in any internal reporting to the CEO.

NOTE 3: Net revenues and expenses

Net revenues SEK M	Group		Parent Company	
	2016	2015	2016	2015
Collection fees, commissions and debtor fees	2,804	2,834	–	–
Subscription income	66	70	–	–
Collections on purchased debt	4,420	3,802	–	–
Amortization of purchased debt	–1,655	–1,526	–	–
Revaluation purchased debt	49	31	–	–
Income from payment guarantees	27	29	–	–
Income from Group companies	–	–	105	102
Other income	377	388	–	–
Total	6,088	5,628	105	102

The revenues from purchased debt consists of the collected amounts less amortizations, i.e the decrease in the book value of the portfolio for the period. See also Note 14.

Costs SEK M	Group		Parent Company	
	2016	2015	2016	2015
Personnel expenses	–2,032	–1,971	–146	–145
Amortization, depreciation and impairment	–171	–164	0	0
Other expenses	–1,907	–1,869	–25	–24
Total	–4,110	–4,004	–171	–169

NOTE 4: Amortization and depreciation

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Capitalized expenditure for IT development	–67	–79	0	0
Client relationships	–21	–13	–	–
Other intangible fixed assets	–40	–30	0	–
Computer hardware	–17	–15	–	–
Other tangible fixed assets	–26	–27	0	0
Total	–171	–164	0	0

Depreciation and amortization have been charged to each function as an operating expense as follows:

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Cost of sales	–161	–143	–	–
Sales and marketing expenses	–1	–2	–	–
Administrative expenses	–9	–19	0	0
Total	–171	–164	0	0

NOTE 5: Participations in earnings of associated companies and joint ventures

SEK M	Group	
	2016	2015
Joint ventures		
Avarda AB (Sweden)	–8	–4
Total participations in earnings	–8	–4

NOTE 6: Financial income

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Interest income from Group companies	–	–	96	92
Other interest income	11	11	6	8
Dividends from Group companies	–	–	367	1,285
Expensed shareholder contributions to subsidiaries	–	–	0	–48
Impairment of shares in subsidiaries	–	–	–143	–
Total	11	11	326	1,337

All interest income is attributable to items that are not carried at fair value through profit or loss.

The operating earnings include interest income attributable to purchased debt amounting to SEK 2,765 M (2,276), defined as the difference between the year's collected amount and amortization for the year.

Amortization comprises the portion of the cost of the portfolio that, owing to allocation under the effective interest method, accrues over the current year.

The item Dividends from Group companies includes Group contributions received from subsidiaries in Sweden in the amount of SEK 314 M (221), and, for 2015, an anticipated dividend from the subsidiary, Intrum Justitia International AB of SEK 1,000 M.

NOTE 7: Interest expenses and similar profit items

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Interest expenses to Group companies	–	–	–18	–8
Interest expenses	–141	–133	–142	–131
Exchange rate differences	–9	–5	–4	–2
Amortization and impairment of capitalized borrowing costs	–5	–25	–5	–25
Other financial expenses	–24	–15	–22	–14
Total	–179	–178	–191	–180

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

Compared with the preceding year, the increase in Other financial expenses is primarily attributable to bank fees and borrowing costs allocated to the period.

NOTE 8: Taxes

The tax expense for the year breaks down as follows:

SEK M	Group	
	2016	2015
Current tax		
Tax expense attributable to earnings for the year	-212	-195
Other tax adjustments attributable to previous years	10	2
Deferred tax		
Deferred tax related to temporary differences	-89	-92
Deferred tax expense attributable to previously capitalized tax value in tax-loss carryforwards	-51	0
Total tax expense	-342	-285

During the year, no taxes were recognized for operations that have been phased out or otherwise disposed, or for capital gains.

The Group has operations in some 20 countries in Europe, with various tax rates. The current tax expense for the year relates mainly to income taxes in Switzerland, Belgium, Finland, France, Norway, the Czech Republic and Hungary. The Group's Swedish companies paid no income tax for the relevant year as they were able to utilize tax-loss carryforwards from historic losses.

Intrum Justitia AB is domiciled in Sweden where the nominal corporate tax rate in 2015 and 2016 was 22 percent. The following reconciliation explains the difference between the Group's actual tax cost and the expected tax cost taking the Swedish corporate tax rate into account:

Reconciliation	2016		Group 2015	
	SEK M	%	SEK M	%
Earnings before tax	1,810		1,457	
Income tax calculated at standard rate in Sweden, 22.0 percent	-398	22.0	-320	22.0
Effect of different tax rates in other countries	14	-0.8	20	-1.4
Tax effect of tax-exempt income and non-deductible expenses	-17	0.9	-10	0.7
Unrecognized tax assets pertaining to tax-loss carryforwards	-5	0.2	-14	1.0
Utilized previously unrecognized tax assets pertaining to tax-loss carryforwards	51	-2.8	27	-2.0
Adjustments to previous years and other	13	-0.6	12	-0.7
Total tax on net earnings for the year	-342	18.9	-285	19.6

Unrecognized tax assets regarding tax-loss carryforwards relate to the negative tax effect during the year attributable to losses in countries where no deferred tax asset is recognized because it is not probable that enough taxable profit will arise within the foreseeable future. Utilized previously unrecognized tax assets pertaining to tax-loss carryforwards relate to the positive tax effect over the year arising through the utilization of tax-loss carryforwards never previously recognized as deferred tax assets.

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

Group SEK M	2016		2015	
	Asset/liability	Income/expense	Asset/liability	Income/expense
Legal outlays	0	2	-2	0
Purchased debt	-610	-153	-487	-75
Intangible assets	-30	8	-31	-21
Provisions for pensions	21	1	27	9
Other	6	2	4	-5
Total	-613	-140	-489	-92
Deferred tax assets	25	17	33	44
Deferred tax liabilities	-638	-157	-522	-136
Total	-613	-140	-489	-92

The deferred tax assets and income tax liabilities are expected to be due for payment in over one year.

The Group has tax-loss carryforwards that can be utilized against future earnings totaling SEK 1,803 M (1,731). No deferred tax assets are recognized in the balance sheet since the tax-loss carryforwards exist in companies where it is not expected to be possible to utilize them against taxable earnings in the foreseeable future. In the calculation of deferred tax liabilities attributable to temporary differences in the recognition of purchased receivables, however, SEK 91 M (94) has been subtracted, corresponding to a cautiously calculated option to offset the deferred tax liabilities against tax losses in the same country.

Tax-loss carryforwards in countries with maturities for the utilization of those carryforwards relate to Poland with SEK 3 M (5), the Netherlands with SEK 151 M (150) and Slovakia with SEK 9 M (4). In Poland, the tax-loss carryforwards can be utilized only for a period of five years from the year of the loss, in the Netherlands for nine years and in Slovakia for four years. No deferred tax assets are recognized for the tax-loss carryforwards in these two countries.

Tax-loss carryforwards for which no deferred tax assets are recognized pertain mainly to Sweden with SEK 895 M (852) and the UK with SEK 340 M (381). Most of the tax-loss carryforwards in Sweden consist of the deficit in the Parent Company. As a consequence of the costs for the head office expenses and financing costs, the Parent Company has for several years incurred a tax deficit, even when taking in to account the group contributions received from the profitable companies conducting business in Sweden. It is Intrum Justitia's assessment that tax-loss carryforwards cannot be utilized against positive taxable income in the foreseeable future without first restructuring the Group internally so that, for example, the Parent Company's interest expenses are transferred to foreign subsidiaries. If such restructuring is implemented, it may be relevant to evaluate the tax-loss carryforwards in the accounts. Because the tax-loss carryforwards exist in the Parent Company, they are not involved in the impairment testing of goodwill that pertains to the business of the subsidiaries. Loss carryforwards in Sweden may also be consumed through so-called CFC taxation on the earnings of foreign subsidiaries with revenues subject to low tax rates.

Tax expenses recognized in other comprehensive income over the year amounted to SEK 20 M (income 8). No tax has been recognized directly against equity.

Taxrate reconciliation for the parent company	2016		2015	
	SEK M	%	SEK M	%
Earnings after financial items	42		1,157	
Income tax calculated at standard rate in Sweden, 22.0 percent	-9	22.0	-254	22.0
Tax effect of tax-exempt income and non-deductible expenses	-28	66.7	232	-20.1
Utilized previously unrecognized tax assets pertaining to tax-loss carryforwards	37	-88.7	22	-1.9
Total tax on net earnings for the year	0	0.0	0	0.0

Tax-exempt income and non-deductible expenses in the Parent Company consist primarily of share dividends from subsidiaries, paid and expensed shareholder contributions, as well as impairment of shares in subsidiaries. The Parent Company has accumulated tax-loss carryforwards of SEK 895 M (852) at year-end as a result of both income items and unrealized translation differences recognized in other comprehensive income. No deferred tax assets are recognized for these tax-loss carryforwards since the Parent Company is not expected to have a positive taxable result in the next few years.

NOTE 9: Earnings per share

	Group	
	2016	2015
Net earnings for the year attributable to Parent Company's shareholders (SEK M)	1,458	1,164
Number of shares outstanding at beginning of year	72,347,726	73,847,534
Share repurchases	–	–1,499,808
Number of shares outstanding at year-end	72,347,726	72,347,726
Weighted average no. of shares during the year before and after dilution	72,347,726	73,096,665
Earnings per share before and after dilution (SEK)	20.15	15.92

In accordance with the Board's proposal, the 2015 and 2016 Annual General Meetings resolved to authorize the Board, in the period until the relevant subsequent AGM, to acquire and transfer the company's own shares on the Nasdaq Stockholm exchange. The company's holding of treasury shares may not at any time exceed 10 percent of the total number of shares in the company. However, in accordance with the Board's decision, no shares were repurchased in 2016. In 2015, 1,499,808 shares were repurchased for SEK 400 M.

NOTE 10: Intangible fixed assets

	Group		Parent Company	
SEK M	2016	2015	2016	2015
Goodwill				
Acquisition cost, opening balance	2,810	2,719	–	–
Acquisitions for the year	241	140	–	–
Exchange rate differences	69	–49	–	–
Carrying values	3,120	2,810	–	–
Capitalized expenditure for IT development				
Acquisition cost, opening balance	1,035	996	5	5
Capitalized expenditures for the year	101	70	0	0
Disposals	–7	–9	0	0
Reclassification	0	3	–	–
Purchased via acquisition	1	0	–	–
Exchange rate differences	40	–24	–	–
Accumulated acquisition cost, closing balance	1,170	1,035	5	5

	Group		Parent Company	
SEK M	2016	2015	2016	2015
Accumulated amortization opening balance	–853	–801	–5	–5
Disposals	0	10	–	–
Reclassification	0	–2	–	–
Amortization for the year	–67	–79	0	0
Exchange rate differences	–34	19	–	–
Accumulated amortization closing balance	–954	–853	–5	–5
Impairments, opening balance	–23	–23	–	–
Accumulated impairment, closing balance	–23	–23	0	0
Carrying values	193	159	0	0
Client relationships				
Acquisition cost, opening balance	176	145	–	–
Reclassification	6	0	–	–
Purchased via acquisition	14	36	–	–
Exchange rate differences	6	–5	–	–
Accumulated acquisition cost, closing balance	202	176	0	0
Accumulated amortization opening balance	–115	–108	–	–
Reclassification	1	–	–	–
Amortization for the year	–21	–13	–	–
Exchange rate differences	–4	6	–	–
Accumulated amortization closing balance	–139	–115	0	0
Carrying values	63	61	–	–
Other intangible fixed assets				
Acquisition cost, opening balance	215	174	–	–
Capitalized expenditures for the year	24	40	–	–
Reclassification	–8	–	–	–
Exchange rate differences	11	2	–	–
Accumulated acquisition cost, closing balance	242	215	0	0
Accumulated amortization opening balance	–143	–110	–	–
Reclassification	–1	–	–	–
Amortization for the year	–40	–30	–	–
Exchange rate differences	–7	–3	–	–
Accumulated amortization closing balance	–191	–143	0	0
Impairments, opening balance	–4	–4	–	–
Accumulated impairment, closing balance	–4	–4	0	0
Carrying values	47	68	0	0

Payments during the year regarding investments in intangible fixed assets amounted to SEK 117 M (105) for the Group.

Capitalized expenditure for IT development is mainly generated internally using our own employees and/or contracted consultants.

Client relations and goodwill are acquired in connection with business acquisitions. Other intangible fixed assets are mainly acquired externally.

Cont. **Impairment testing for cash-generating units containing goodwill**
 Note 10 In 2016, the Group treated the following geographical regions as cash-generating units in the sense referred to in *IAS 36 Impairment of Assets*.

The goodwill value is distributed among the cash-generating units as follows:

SEK M	2016	2015
Northern Europe	1,665	1,482
Central Europe	434	415
Western Europe	1,021	913
Total	3,120	2,810

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 its value in use. For each cash-generating unit, management has compiled a projection of annual future cash flows based on historical experience and the company's own plans and estimates for the future. The calculation is based on a detailed forecast for the years 2017–2019 and thereafter an annual increase of 1 percent. The cash flows have been discounted to present value applying the Group's weighted average cost of capital, which is estimated at 5.7 percent (6.5) per year before tax, corresponding to 4.6 percent (5.2) per year after tax. The recoverable amount 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 a need of goodwill impairment.

Impairment testing is based on a number of assumptions, where the outcome is judged to be most sensitive to some of those assumptions in particular:

For 2018, annual revenue growth of 4 percent (4) is assumed, and for 2019, 2 percent (2), with each SEK 1,000 in increased revenue being assumed to result in an increase in working capital of SEK 250 (250), that is, an "incremental increase in earnings" of 25 percent (25). For the period after 2019, perpetual growth in cash flow of 1 percent (3) annually is assumed. The same assumptions were applied for all three geographical regions. The same discount rates were also applied, since no long-term difference can be identified between the regions' growth potential or risk.

Sensitivity analysis

A sensitivity analysis has been performed, in which cash flows were discounted at 7 percent interest after tax and a perpetual growth rate of zero percent was applied. Even with these assumptions, impairment testing did not indicate any need to recognize impairment in goodwill for any of the three regions.

NOTE 11: Tangible fixed assets

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Computer hardware				
Acquisition cost, opening balance	218	214	1	1
Investments for the year	18	16	–	–
Sales and disposals	–3	–5	–	–
Exchange rate differences	7	–7	–	–
Accumulated acquisition cost, closing balance	240	218	1	1
Accumulated depreciation opening balance	–180	–174	–1	–1
Sales and disposals	3	4	–	–
Depreciation for the year	–17	–15	–	–
Exchange rate differences	–5	5	–	–
Accumulated depreciation closing balance	–199	–180	–1	–1
Carrying values	41	38	0	0

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Other tangible fixed assets				
Acquisition cost, opening balance	296	286	3	3
Investments for the year	8	17	–	–
Sales and disposals	–3	–11	–	–
Reclassification	3	–	–	–
Purchased via acquisition	0	5	–	–
Exchange rate differences	9	–1	–	–
Accumulated acquisition cost, closing balance	313	296	3	3
Accumulated depreciation opening balance	–216	–199	–2	–2
Sales and disposals	2	10	–	–
Reclassification	–3	–	–	–
Depreciation for the year	–26	–27	0	0
Exchange rate differences	–7	0	–	–
Accumulated depreciation closing balance	–250	–216	–2	–2
Carrying values	63	80	0	0

Disbursements during the year regarding investments in intangible fixed assets for the Group amounted to SEK 26 M (30).

NOTE 12: Group companies

SEK M	No. of shares	2016	2015
Intrum Justitia A/S, Denmark	40	188	188
Intrum Justitia AS, Estonia	430	1	1
Intrum Justitia Finans AB	66,050,000	75	75
Intrum Justitia Oy, Finland	14,000	1,649	1,649
Intrum Justitia SAS, France	5,000	345	345
Intrum Justitia SpA, Italy	600,000	22	50
Intrum Justitia SDC SIA, Latvia	2,000	0	0
Intrum Justitia BV, Netherlands	40	377	377
Fair Pay Please AS, Norway	5,000	264	264
Intrum Justitia Portugal Unipessoal Lda, Portugal	68,585	71	71
Intrum Justitia AG, Switzerland	7,000	942	942
Intrum Justitia Ibérica S.A.U., Spain	600,000	0	73
Collector Services Ltd, United Kingdom	88,100,002	0	0
Intrum Justitia Sverige AB, Sweden	22,000	1,649	1,649
Intrum Justitia International AB, Sweden	1,000	601	601
Intrum Justitia Holding GmbH, Germany	2,050,000	0	0
Intrum Justitia Inkasso GmbH, Austria	72,673	37	37
Total carrying value		6,221	6,322
Opening balance		6,322	6,313
Capital contributions paid		42	9
Impairment of shares in subsidiaries		–143	0
Closing balance		6,221	6,322

Impairment of shares in subsidiaries relates to the subsidiaries in Italy by SEK 43 M, in Germany by SEK 19 M and Spain by SEK 81 M, and was implemented because the development of these companies has been unsatisfactory.

Cont. Note 12 | 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.

Subsidiaries of Intrum Justitia AB and their subsidiaries in the same country

	Corp. identity no.	Domicile	Equity share
AUSTRIA			
Intrum Justitia GmbH	FN 48800s	Vienna	100%
Schimmelpfeng Auskunftei GmbH	FN 105105t	Vienna	100%
DENMARK			
Intrum Justitia A/S	DK 10613779	Copenhagen	100%
Dansk Kreditorservice A/S	DK 27962971	Vejle	100%
ESTONIA			
Intrum Justitia AS	10036074	Tallinn	100%
FINLAND			
Intrum Justitia Oy	FI 14702468	Helsinki	100%
Intrum Rahoitus Oy	FI 25086904	Helsinki	100%
FRANCE			
Intrum Justitia SAS	B322 760 497	Lyon	100%
IJCOF Corporate SAS	B797 546 769	Lyon	58%
Socogestion SAS	B414 613 539	Lyon	100%
Cabinet PPN SAS	B380 637 405	Vernon	90%
GERMANY			
Intrum Justitia Holding GmbH	HRB 4709	Darmstadt	100%
Intrum Justitia GmbH	HRB 4622	Darmstadt	100%
Schimmelpfeng Forderungsmanagement GmbH	HRB 8997	Darmstadt	100%
Intrum Justitia Bankenservice GmbH	HRB 5345	Darmstadt	100%
Schimmelpfeng Creditmanagement GmbH	HRB 85778	Darmstadt	100%
ITALY			
Intrum Justitia SpA	03776980488	Milan	100%
LATVIA			
Intrum Justitia SDC SIA	40103314641	Riga	100%
NETHERLANDS			
Intrum Justitia BV	33.273.472	Schiphol-Rijk	100%
NORWAY			
Fair Pay Please AS	979 683 529	Oslo	100%
Intrum Justitia AS	848 579 122	Oslo	100%
Intrum Justitia Finans AS	913 953 517	Oslo	100%
PORTUGAL			
Intrum Justitia Portugal Unipessoal Lda.	503 933 180	Lisbon	100%
Logicomer Gestão e Recuperação de Créditos SA	504 027 794	Porto	100%
Seguridad en la gestión Portugal unipessoal, Lda	508 624 878	Lisbon	100%

SWEDEN

Intrum Justitia Sverige AB	556134-1248	Stockholm	100%
Intrum Justitia International AB	556570-1181	Stockholm	100%
Intrum Justitia Finans AB	556885-5265	Stockholm	100%

SWITZERLAND

Intrum Justitia AG	CH-020.3.020.656-9	Zurich	100%
Inkasso Med AG	CH-020.3.913.313-8	Zurich	70%
Byjuno AG	CH-020.3.921.420-2	Zug	100%
Intrum Justitia Finance Service AG	CH-020.3.912.665-1	Zurich	100%
Intrum Justitia Brugg AG	CHE-109.437.651	Brugg	100%

SPAIN

Intrum Justitia Ibérica S.A.U.	A28923712	Madrid	100%
Segestion Gabinete Tecnico Empresarial, S.L	B61210696	Madrid	100%
Seguridad en la gestión, S.L	B58182973	Barcelona	100%
LGP Recuperaciones y Gestiones de Insolvencias	B84825678	Santander	100%

UNITED KINGDOM

Collector Services Ltd	3515447	Liverpool	100%
Intrum Justitia (Holdings) Ltd	1356148	Liverpool	100%
Intrum Justitia Ltd	1918920	Liverpool	100%

Subsidiaries of Intrum Justitia Sverige AB

	Corp. identity no.	Domicile	Share of capital
LUXEMBOURG			
Intrum Justitia Luxembourg sarl	B 183336	Luxembourg	100%

SWEDEN

Svensk Delgivningservice AB	556397-1414	Stockholm	100%
Intrum Justitia Shared Services AB	556992-4318	Stockholm	100%

Subsidiaries of Intrum Justitia International AB

	Corp. identity no.	Domicile	Share of capital
MAURITIUS			
ICC International Collection Center Ltd	127206	Port Louis	100%

SWEDEN

Fair Pay Management AB	556239-1655	Stockholm	100%
Fair Pay Please AB	556259-8606	Stockholm	100%

SWITZERLAND

Intrum Justitia Debt Finance AG	CHE-100.023.266	Zug	100%
Intrum Justitia Debt Finance Domestic AG	CHE-109.880.638	Zug	100%
Intrum Justitia Licensing AG	CHE-100.749.630	Zug	100%

Cont.
Note 12
**Subsidiary of
Intrum Justitia
Debt Finance AG**

	Corp. identity no.	Domicile	Share of capital
LUXEMBOURG			
LDF65 sarl	B 134749	Sandweiler	100%
IJDF Luxembourg sarl	B 188281	Sandweiler	100%

POLAND

Intrum Justitia Towarzystwo Funduszy Inwestycyjnych S.A.	108-00-01-076	Warsaw	100%
Intrum Justitia Debt Fund 1 Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny	108-00-01-900	Warsaw	100%

UNITED KINGDOM

PF2 UK Ltd	10246781	Liverpool	100%
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**Subsidiaries of
Intrum Justitia BV**

	Corp. identity no.	Domicile	Share of capital
IRELAND			
Intrum Justitia Ireland Ltd	175808	Dublin	100%

NETHERLANDS

Intrum Justitia Nederland BV	27.134.582	The Hague	100%
Intrum Justitia Data Centre BV	27.306.188	Schipol-Rijk	100%
Buckaroo BV	04.060.983	Utrecht	100%
èM! Payment BV	51.184.990	Utrecht	100%

CZECH REPUBLIC

Intrum Justitia s.r.o.	25083236	Prague	100%
Intrum Justitia Czech s.r.o.	27221971	Pardubice	100%

HUNGARY

Intrum Justitia Hitel Ügyintéző Szolgáltatás Kft undergoing change of name to Lakóingatlan-Forgalmazó Kft	01-09-268230	Budapest	100%
Intrum Justitia Követeléskezelő Zrt.	01-10-044857	Budapest	100%

POLAND

Intrum Justitia Sp.zo.o.o	521-28-85-709	Warsaw	100%
Kancelaria Prawna król i Gajda SK	0000573531	Warsaw	100%

SLOVAKIA

Intrum Justitia Slovakia s. r. o.	35,831,154	Bratislava	100%
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**Subsidiaries of
Fair Pay Management AB**

	Corp. identity no.	Domicile	Share of capital
SWEDEN			
Intrum Justitia Invest AB	556786-4854	Varberg	100%

**Companies without
a shareholding that
are consolidated on the
basis of contractual
controlling interest**

	Corp. identity no.	Domicile
ITALY		
IJ DF ItalySrl	08438930961	Milano

**Subsidiary of
Fair Pay Please AB**

	Corp. identity no.	Domicile	Share of capital
BELGIUM			
Intrum N.V	BE 0426237301	Ghent	100%
Outsourcing Partners N.V	BE 0466643442	Ghent	100%

Subsidiaries in which the company has holdings without a controlling interest (minority interests)

SEK M	Minority interest in shareholders' equity		Minority interests in earnings	
	2016	2015	2016	2015
IJCOF SAS, France	–	–	–	2
IJCOF Corporate SAS, France	83	76	10	6
Cabinet PPN SAS, France	1	1	0	0
Inkasso Med AG, Switzerland	3	3	0	0
Total	87	80	10	8

The minority shareholder in IJCOF Corporate SAS is Ellisphère SA. The minority shareholder in Cabinet PPN SAS is L'Apave Parisienne SAS. Ärztekasse Genossenschaft Urdorf AG is a minority shareholder in Inkasso Med AG.

NOTE 13: Shares and participations in joint ventures

SEK M	Corp. identity no.	Group		Parent Company	
		2016	2015	2016	2015
Joint venture					
Avarda AB, Stockholm	556986-5560	12	6	24	10
Total, joint ventures		12	6	24	10

Avarda AB

Avarda AB is a joint venture between Intrum Justitia and TF Bank. Avarda AB's business is to offer e-merchants payment services with customized solutions according to each company's needs. The company has a subsidiary in Finland, Avarda Oy.

There are 2,000 shares outstanding in Avarda AB, of which Intrum Justitia owns 980.

Combined, Intrum Justitia and TF Bank have a controlling interest in Avarda and Intrum Justitia reports the holding as a joint venture according to the equity method.

Summary of financial information for the Avarda Group:

SEK M	2016	2015
Income statement		
Operating earnings	-21	-10
Taxes	4	2
Earnings for the year	-17	-8
SEK M		
Balance sheet	2016	2015
Fixed assets	8	4
Current assets	69	11
Total assets	77	15
Shareholders' equity	25	13
Current liabilities	52	2
Total shareholders' equity and liabilities	77	15

NOTE 14: Purchased debt

SEK M	Group	
	2016	2015
Acquisition cost, opening balance	16,917	14,989
Purchased debt acquisitions	3,100	2,366
Sales of portfolios	-352	-
Purchased via business combination	-	62
Exchange rate differences	946	-501
Accumulated acquisition cost, closing balance	20,611	16,916
Opening amortizations and revaluations for the year	-9,889	-8,792
Amortizations and revaluations for the year	-1,606	-1,495
Sales of portfolios	352	-
Exchange rate differences	-735	398
Accumulated amortization and revaluations, closing balance	-11,878	-9,889
Carrying values	8,733	7,027
Amortizations and revaluations for the year		
Time and interest component	-1,655	-1,526
Revaluation in connection with changes in expectations in projections of future cash flows	277	393
Impairment in connection with changes in expectations in projections of future cash flows	-228	-362
Total amortizations and revaluations for the year	-1,606	-1,495

Disbursements during the year for Purchased Debt investments amounted to SEK 3,374 M (2,186).

For a description of Intrum Justitia's accounting principles for purchased, written-off debt, see Note 1, page 50.

NOTE 15 Other long-term receivables

SEK M	Group	
	2016	2015
Deposits	6	5
Receivable for purchase consideration for shares in associated companies	0	4
Interest-bearing loans receivables	0	2
Total	6	11
Opening balances	12	18
Paid	1	0
Repaid	-7	-6
Closing balance	6	12
Accumulated impairment, opening balance	-1	-1
Repaid	1	-
Accumulated impairment, closing balance	0	-1
Carrying values	6	11

NOTE 16: Accounts receivable

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Non-delinquent receivables	207	175	0	0
Accounts receivable < 30 days overdue	53	58	-	-
Accounts receivable 30-60 days overdue	18	18	-	-
Accounts receivable 61 < 90 days overdue	9	13	-	-
Accounts receivable > 90 days overdue	37	44	-	-
Total accounts receivable	324	308	0	0
SEK M	2016	Group 2015	Parent Company 2016	2015
Accumulated reserve for impaired receivables, opening balance	-23	-26	0	0
Reserve for impaired receivables for the year	-3	-11	-	-
Realized client losses for the year	3	7	-	-
Withdrawals from reserve for impaired accounts receivable for the year	5	7	-	-
Exchange rate differences	-1	1	-	-
Accumulated reserve for impaired receivables, closing balance	-19	-23	0	0
Carrying values	305	285	0	0

The reserve for impaired accounts receivable relates primarily to receivables overdue by more than 90 days. See also Note 34 on page 71.

NOTE 17: Other receivables

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Outlays on behalf of clients	71	68	-	-
Less: reserve for uncertainty in outlays on behalf of clients	-4	-9	-	-
Total	67	59	-	-
Factoring receivables	289	178	-	-
Acquired VAT refund claims on purchased debt	29	73	-	-
To be recovered from Netherlands bailiffs	89	80	-	-
Other	83	120	4	3
Total	490	451	4	3
Carrying values	557	510	4	3

A VAT receivable is incurred in the Netherlands when purchasing overdue receivables. The VAT portion of the receivable can be recovered from the tax authorities if it is not collected from the debtor and is therefore recognized as a separate receivable. The portion that is expected to be recovered within twelve months is recognized as current.

Cont. In the Netherlands, bailiffs are private companies and expenses for collection cases paid to them can sometimes be recovered from the bailiffs if their collection measures fail. When it emerges that Intrum Justitia is entitled to request that the amount be returned from the bailiffs, the amount is moved from Outlays on behalf of clients, to recover from bailiffs.

Note 17

NOTE 18: Prepaid expenses and accrued income

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Prepaid rent	16	14	0	0
Prepaid insurance premiums	4	3	2	1
Prepaid purchases of receivables	8	53	0	0
Accrued income	93	71	0	0
Derivatives with positive value	14	8	13	8
Other	32	30	6	4
Carrying values	167	180	21	13

NOTE 19: Cash and cash equivalents

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Cash and bank balances	378	248	0	35
Restricted bank accounts	18	17	8	2
Total	396	265	8	37

NOTE 20: Shareholders' equity

Share capital

According to the Articles of Association of Intrum Justitia AB (publ), the company's share capital may amount to not less than SEK 1,300,000 and not more than SEK 5,200,000. All shares are fully paid in, carry equal voting rights and share equally in the company's assets and earnings. No shares are reserved for transfer.

There are 72,347,726 shares in the company, and the share capital amounts to SEK 1,594,893.02.

Share repurchase

No shares were repurchased in 2016. In 2015, 1,499,808 shares were repurchased for SEK 400 M. In accordance with a resolution by the Annual General Meeting in April 2016, the 1,073,602 treasury shares held at the time, having been repurchased in April–December 2015, were canceled and the number of registered shares in the company fell from 73,421,328 to 72,347,726. The share capital was reduced by SEK 23,322, but was immediately restored through a bonus issue and transfer from retained earnings.

Other shareholders' equity in the Group

Other paid-in capital

Refers to equity other than share capital contributed by the owners or arising owing to the Group's shared-based payment programs. Also included are share premiums paid in connection with new issues.

Reserves

Includes the translation reserve, which contains all exchange rate differences that have, since the transition to IFRS in 2004, arisen in the translation of financial statements 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. The amount also includes exchange rate differences arising in the Parent Company's external loans in foreign currency, which are intended to hedge the Group's translation exposure attributable to net assets in foreign subsidiaries.

Retained earnings including net earnings for the year

Refer to earnings in the Parent Company and subsidiaries, joint ventures and associated companies. Provisions to the statutory reserve, excluding transferred share premium reserves, were previously included in this item. Accumulated revaluations of the Group's defined benefit pension provisions are also included. Dividends paid and share repurchases are deducted from the amount.

Following the balance sheet date the Board of Directors proposed a dividend of SEK 9.00 per share (8.25), or a total estimated payout of SEK 651 M (597).

Other shareholders' equity in the Parent Company

Statutory reserve

Refers to provisions to the statutory reserve and share premium reserve prior to 2006. The statutory reserve is restricted equity and may not be reduced through distributions of earnings.

Share premium reserve

When shares are issued at a premium, the amount exceeding their quota value is transferred to the share premium reserve. Provisions to the share premium reserve as of 2006 are non-restricted equity.

Fair value reserve

Refers to unrealized exchange rate gains or losses on external loans in foreign currency, which are intended to hedge the Group's translation exposure attributable to net assets in foreign subsidiaries. The fair value reserve is non-restricted equity.

Although, in previous years, unrealized gains or losses on non-current monetary transactions with subsidiaries were also recognized in the fair value reserve, in adapting to the new version of RFR 2 Accounting for Legal Entities, these are reported in net financial items from 2016 and with retroactive effect, and thus affect retained earnings.

The impact of the change is that the fair value reserve as of 1 January 2015 increases by SEK 1,152 M through a reclassification from retained earnings and earnings of the year. For the year 2015 the amount of SEK –48 M, and for the year 2016 the amount of SEK –28 M are reported among financial items that would under the previous principles have been reported among other comprehensive income.

Retained earnings

Refer to retained earnings from the previous year less the dividend paid and share repurchases. Retained earnings are non-restricted equity.

Capital structure

The company's definition of capital corresponds to shareholders' equity including holdings without a controlling interest, which at year-end totaled SEK 4,130 M (3,166).

The measure of the Group's capital structure applied for control purposes is consolidated net debt divided by operating earnings where depreciation on fixed assets as well as amortization and revaluations of purchased debt are added back.

Net debt is defined as the sum of interest-bearing liabilities and pension provisions less liquid funds and interest-bearing receivables.

The Board has set financial targets for the Group whereby net debt divided by operating earnings after reversal of depreciation, amortization and revaluations, on a rolling 12-month basis, should be between 2.0 and 3.0.

On December 31, 2016, this key financial indicator amounted to 1.9 (1.8), that is, lower than the targeted interval.

NOTE 21: Pensions

Employees in Intrum Justitia's companies are covered by various pension benefits, some of which are defined benefit plans and others defined contribution plans. 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.

Group employees in Norway and Switzerland are covered by pension plans funded through assets under the management of insurance companies and are reported as defined benefit pension plans. Employees in Germany are covered by an unfunded defined benefit pension plan that can be paid out as a one-time sum or as monthly payments following retirement. In France and Italy, the company makes provisions for one-time payments made to employees on retirement, and these provisions are also reported according to the rules for defined benefit pension plans. In Belgium and Sweden, there are pension plans, funded through insurance, which theoretically should have been reported as defined benefit plans, but which are recognized as defined contribution plans since the company lacks sufficient data to report them as defined benefit plans. See also below regarding the ITP 2 plan.

Among other things, IAS 19 requires pension costs for service in the current period to be reported in the operating earnings, while the calculated interest expense on the pension liability and the interest income from assets under management are reported in net financial items. Actuarial revaluations are recognized in other comprehensive income.

Provisions for pensions reported in the balance sheet can be analyzed as follows:

SEK M	Group	
	2016	2015
Present value of fully or partly funded obligations	322	338
Fair value of plan assets	-247	-233
Surplus/deficit in the plan	75	105
Present value of unfunded obligations	82	69
Total provisions for pensions	157	174

Changes in net obligation:

SEK M	Group	
	2016	2015
Opening balance	174	133
Expenses for employment in current period	21	20
Interest expense	3	3
Pensions paid	-16	-18
Pension provisions in acquired companies	0	4
Revaluations	-33	33
Exchange rate differences	8	-1
Closing balance	157	174

Reconciliation of fair value of assets under management:

SEK M	Group	
	2016	2015
Opening balance	233	205
Fees paid	41	41
Compensation paid	-50	-33
Interest revenue	3	4
Assets under management in acquired operations	0	11
Revaluations	6	1
Exchange rate differences	14	4
Closing balance	247	233

The pension cost recognized in the income statement can be specified as follows:

SEK M	Group	
	2016	2015
Expenses for employment in current period	21	20
Net interest income/expense	3	3
Total pension expense in earnings for the year	24	23

Costs for employment in the current period are reported in operating earnings. Net interest income/expense is reported under net financial items. Revaluations of the pension liability are included in other comprehensive income in the amount of SEK 33 M (negative: 33) before tax.

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

%	Group	
	2016	2015
Discount rate	0.75–2.50%	0.75–2.20%
Assumed rate of increase in compensation	1.0–2.5%	1.0–2.5%
Assumed return on assets under management	1.0–1.4%	1.0–1.9%
Assumed pension increases	0.0–3.0%	0.0–3.0%
Future adjustment to social security base	2.0–4.2%	2.25–4.20%

The Group also finances a number of defined contribution plans, Consolidated expenses for these amounted to SEK 92 M (89).

Funded defined benefit pension plans

For Group employees in Switzerland, commitments exist in the form of obligatory service pension plans funded through insurance policies in the Swiss Life Collective BVG Foundation and in Transparenta BVG Foundation. The funded commitments currently amount to SEK 246 M (268), and the fair value of the assets under management is SEK 193 M (181). Consequently, the net pension liability is SEK 53 M (87). The pension commitment is funded through insurance contracts. During the year Intrum Justitia paid SEK 38 M (15) to the plan, while disbursements to retirees amounted to SEK 46 M (32). In 2017 payments to the plan are estimated at SEK 21 M, with disbursements to retirees of SEK 15 M. For these pension plans, a discount rate of 1.0 percent is applied. An increase/decrease in the discount rate by 0.5 percentage points would entail the pension liability decreasing by 7.8 percent/increasing by 9.0 percent.

For the Group's employees in Norway, there are commitments for a compulsory service pension, which are secured through insurance with the insurance company Storebrand Livforsikring. The funded commitments currently amount to SEK 77 M (70), and the fair value of the assets under management is SEK 54 M (52). Consequently, the net pension liability is SEK 23 M (18). The pension commitment is funded through insurance contracts. During the year Intrum Justitia paid SEK 1 M (1) to the plan, while disbursements to retirees amounted to SEK 3 M (2). Even in 2017, payments to the plan are estimated at SEK 1 M, with disbursements to retirees of SEK 2 M. For these pension plans, a discount rate of 1.4 percent is applied.

ITP 2 plan

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 1 and ITP 2 plans. ITP 1 includes employees born in 1979 or later, while ITP 2 covers employees born in 1978 or earlier. ITP 1 is a defined contribution plan. On the other hand, according to a statement from the Swedish Financial Reporting Board, UFR 10, the ITP 2 plan is a multi-employer defined benefit plan. For the fiscal year, Alecta's clients have not been provided enough information to report their proportional share of the plan assets, obligations and costs of the plan whereby it has not been possible to report the plan as a defined benefit plan. Nor is there a contractual agreement how surpluses and deficits in the plan are to be distributed among plan participants. The ITP 2 plan secured through insurance with Alecta is therefore reported by Intrum Justitia as if it were a defined contribution plan. The insurance premiums

Cont. are calculated individually, depending on salary level, earlier vested pension and expected remaining service. At year-end Alecta's surplus in the form of the collective funding ratio amounted to 149 percent (153). 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 conform to IAS 19.

Under the provisions of the ITP 2 plan, measures must be taken if the funding ratio falls below 125 percent (for example, in connection with an increase in the price of the subscription) or exceed 155 percent (for example, in connection with a premium reduction).

NOTE 22: Other provisions

SEK M	Group	
	2016	2015
Opening balances	3	3
Amounts utilized during the year	-1	-
Unutilized amounts reversed during the year	-2	-
New provisions for the year	27	-
Closing balances	27	3
Of which long-term provisions		
Rental and restoration costs relating to leased office space in the UK	0	3
Of which short-term provisions		
Personnel redundancies and other restructuring costs	27	-
Total	27	3

Current provisions are expected to be settled within 12 months from of the balance sheet date. Long-term provisions are expected to be settled later.

NOTE 23: Borrowing

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Long-term liabilities				
Bank loans	1,520	2,340	1,520	2,340
Bond loan	3,706	3,124	3,706	3,124
Current liabilities				
Commercial papers	1,124	635	1124	635
Bond loan	1,077	-	1077	-
Bank overdraft facilities	56	16	56	16
Short-term liabilities	0	1	-	-
Total	7,483	6,117	7,483	6,115

Intrum Justitia AB signed a three-year syndicated loan facility totaling SEK 7,500 M with Nordea Bank AB and Swedbank on December 22, 2015, to replace the previous one from 2014. The loan limit of SEK 7,500 M can be utilized for borrowing in a number of different currencies.

On December 31, 2016, the loan framework had been utilized for loans in SEK totaling SEK 0 M (500), in CHF totaling CHF 0 M (5), in EUR totaling EUR 15 M (115), in NOK totaling NOK 0 M (250), in PLN totaling PLN 240 M (240) and in HUF totaling HUF 28,300 M (0). The unutilized portion of the facility amounted to SEK 5,964 M (5,141).

The loan carries a variable interest rate based on the interbank rate in each currency, with a margin. The loan facility contains operations-related and financial covenants, including limits on certain financial indicators. All of these covenants were fully met in 2016. 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.

On November 13, 2016, Intrum Justitia AB signed a commitment letter with a banking consortium comprising among others Goldman Sachs, JP Morgan and Morgan Stanley Bank, enabling the refinancing of Lindorff's financial debt in connection with the combination. The commitment includes a bridge financing facility of EUR 3.4 billion and a revolving credit facility of EUR 1.1 billion. The bridge financing facility has a maturity of five years, but is expected to be replaced or refinanced through the issuance of new bonds in the capital market. The revolving credit facility is supplied by five Scandinavian banks and is both intended to provide support for the merged company's liquidity needs and to accommodate future investment opportunities. According to this commitment letter, certain restrictions apply to the Group's opportunities to incur new debt, extend existing revolving facilities, or to sell assets and shares, and there are limits in terms of Intrum Justitia AB's opportunities to pay dividends.

In 2016, Intrum Justitia AB issued a private placement of EUR 160 M, compared with SEK 0 M in the preceding year, and thus has total outstanding bonds of SEK 4,783 M (3,124).

In 2016, Intrum Justitia also issued a commercial paper that, at the end of the year, amounted to SEK 1,124 M (635).

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Maturities of long-term bank borrowings				
Between 1 and 2 years	1,622	1,034	1,622	1,034
Between 2 and 3 years	1,567	1,852	1,567	1,851
Between 3 and 4 years	2,037	1,799	2,037	1,798
Between 4 and 5 years	-	779	-	779
Total	5,226	5,464	5,226	5,464

Unused lines of credit excluding guarantee facility

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Expiring within one year	-	-	-	-
Expiring beyond one year	5,964	5,141	5,964	5,141
Total	5,964	5,141	5,964	5,141

NOTE 24: Accrued expenses and prepaid income

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Accrued social security expenses	71	70	16	19
Accrued vacation pay	117	110	12	10
Accrued bonus expense	147	157	32	34
Prepaid subscription revenues	47	39	0	0
Provisions for losses on payment guarantees	1	3	0	0
Accrued interest	10	6	9	5
Provision for expenses to pay to bailiffs in the Netherlands	19	20	0	0
Other accrued expenses	306	293	56	47
Total	718	698	125	115

NOTE 25: Pledged assets, contingent assets and contingent liabilities

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Pledged assets				
Deposits	6	2	–	–
Restricted bank accounts	18	17	8	2
Total	24	19	8	2
Contingent assets				
	None	None	None	None
Contingent liabilities				
Payment guarantees	124	230	–	–
Total	124	230	0	0

Pledged assets

Refers to deposits and restricted bank balances that can be claimed by clients, suppliers or authorities in the event that Intrum Justitia were not to meet its contractual obligations.

Payment guarantees

The Group offers services whereby clients, against payment, obtain a guarantee from Intrum Justitia regarding the clients' receivables from their customers. This entails a risk being incurred that Intrum Justitia must compensate the customer for the guaranteed amount in the event that the invoices are not paid on time. In those cases where the guarantee comes into play, Intrum Justitia assumes the client's claim against its customer and takes over the continued handling of the case within the Purchased Debt area of operations. The total guarantee at year-end amounted to SEK 124 M (230), of which receivables overdue by more than 30 days amounted to SEK 16 M (99). Intrum Justitia's risk in this business is managed through strict credit limits and analyses of debtors credit status. As of year-end Intrum Justitia had allocated SEK 1 M (3) in the balance sheet to cover payments that may arise due to the guarantee.

Other

The planned combination, subject to approval of the EU commission, is expected according to a preliminary assessment to entail that Intrum Justitia and Lindorff in total will be charged with transaction costs for refinancing and advisors by over SEK 1 billion. SEK 30 M of the costs for advisors has been expensed in the income statement of Intrum Justitia for 2016. The majority of the expected future costs would be avoided if the transaction would not be completed as planned. The apportionment of transaction costs between Intrum Justitia and Lindorff was taken into consideration when determining the ownership percentage that Lindorff's owners will obtain in the combined entity.

In 2012, when Intrum Justitia acquired the Dutch company Buckaroo BV, a contingent additional purchase consideration to the sellers was agreed that would be based on the results achieved by the company during the period 2012–2014. Only part of the additional purchase consideration has been paid. In 2015, the sellers initiated legal proceedings, bringing claims against Intrum Justitia and some of its executives, demanding payment of additional purchase consideration. These demands are motivated by claims that the actions of Intrum Justitia (and its executives) caused a worse result in Buckaroo than expected, and thus a lower additional purchase consideration. Intrum Justitia refutes all of these demands and has not made any provisions with regard to these disputes.

In the Netherlands, there is also a dispute between Intrum Justitia and two telecommunications companies regarding accounts receivable acquired from those companies, where Intrum Justitia's opportunities to collect these receivables has been impeded as a result of a ruling by the Dutch Supreme Court in combination with deficiencies in some of the telecommunication companies' client agreements. Intrum Justitia has partially withheld payment for the purchased accounts receivable and has submitted a claim for compensation. One case has been referred to an arbitration panel for a ruling. There is also a risk that former debtors may require repayments.

In Sweden, the Supreme Court issued a judgment in December 2016 regarding a claim against a private individual that had been acquired by a financial company. The claim had originally arisen through the sale of goods to a company that has subsequently been declared bankrupt, and where the private individual liable for the claim has been a member of the board. According to the Supreme Court, the private individual is not liable against the financial company for the portion of the claim relating to VAT, since the company that originally sold the goods had recovered the VAT from the Swedish Tax Agency. Intrum Justitia is assessing the judgment with the help of legal expertise to consider whether this could have any impact on the Group's purchased debt operations. The best assessment is currently that the judgment cannot be applied generally to the type of assets purchased by the Group and that any impact on the Group's earnings would not be material in any case.

The Group is otherwise involved in legal actions in the normal course of business. In the opinion of the Board, none of these disputes are expected to give rise to any significant cost.

NOTE 26: Average number of employees

	Group				of which the Parent Company			
	2016		2015		2016		2015	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Austria	14	24	13	25	–	–	–	–
Belgium	47	47	44	52	–	–	–	–
Czech Republic	37	53	36	55	–	–	–	–
Denmark	40	82	32	68	–	–	–	–
Estonia	6	24	6	27	–	–	–	–
Finland	123	295	83	333	–	–	–	–
France	203	480	177	484	–	–	–	–
Germany	39	89	41	95	–	–	–	–
Hungary	76	158	61	140	–	–	–	–
Ireland	27	41	23	40	–	–	–	–
Italy	28	70	35	87	–	–	–	–
Latvia	101	25	83	27	–	–	–	–
Luxembourg	1	0	1	1	–	–	–	–
Mauritius	10	23	6	13	–	–	–	–
Netherlands	143	90	146	100	–	–	–	–
Norway	45	65	43	65	–	–	–	–
Poland	110	209	112	185	–	–	–	–
Portugal	50	97	29	64	–	–	–	–
Slovakia	29	58	27	53	–	–	–	–
Spain	67	196	59	211	–	–	–	–
Sweden	153	256	162	261	35	20	37	17
Switzerland	124	119	124	116	–	–	–	–
UK	0	1	0	1	–	–	–	–
Total	1,473	2,502	1,343	2,503	35	20	37	17
		3,975		3,846		55		54

Of the Group's employees 26 percent are younger than 30 years old, 36 percent are 30–39 years, 23 percent are 40–49 years and 15 percent are 50 years or older.

Cont.
Note 26

	2016		2015	
	MEN	WOMEN	MEN	WOMEN
Gender distribution of senior executives				
Board of Directors	4	3	5	4
Group Management Team	9	1	8	1
Country Managers	18	2	18	2
Board members in subsidiaries (percent)	94	6	89	11

Seven of the members of Group Management are employed by the Parent Company. There is no special management team for the Parent Company.

NOTE 27: Salaries and remunerations

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Salaries and other remuneration to Board members, Presidents (Country Managers) and Executive Vice Presidents	89	87	10	25
Salaries and remunerations to other employees				
Northern Europe	638	616	–	–
Central Europe	313	307	–	–
Western Europe	375	389	–	–
Head offices and central operations	182	149	88	74
Total salaries and other remuneration, Group	1,597	1,547	98	98
Social security expenses	435	424	48	47
Of which pension expenses	113	109	16	16
Total	2,032	1,971	144	145

Salaries and other remuneration in the Group also include remuneration in forms other than cash payments, such as a free or subsidized car, housing and meals. Parent Company figures strictly refer to cash payments, however. For information on compensation to the Group's senior executives, see Note 28.

NOTE 28: Terms and conditions of employment for senior executives

Remuneration principles for senior executives

The 2016 Annual General Meeting adopted the following principles of remuneration for senior executives, the President and the members of the Group Management Team. The proposal has been prepared by the Board and its Remuneration Committee.

Salary and remuneration philosophy

Intrum Justitia is dependent on its employees to achieve ambitious objectives in a challenging environment. The salary and remuneration philosophy seeks to ensure that they can be rewarded for their valuable contributions to the company. In addition, behaviors and accomplishments are encouraged and promoted that best support the Group's business strategies and ensure that the Group can attract the skills needed to be successful.

Remuneration levels should reflect the individual's competence, responsibility and performance, and should be competitive compared with similar companies in similar sectors in the same geographic area. To ensure that appropriate behaviors are encouraged, and that efforts are focused in the appropriate areas, remuneration levels need to be related

to the objectives closely associated with the Group's business strategy and its four core values. Total remuneration consists of salary, short-term variable salary long-term variable salary and other benefits.

Short-term variable salary

Short-term variable salary is linked mainly to financial targets and rewards short-term performance by being fixed for a year at a time. The metrics are set individually for each member of Group Management to reflect the Group's business strategy and priorities. The financial metrics may reflect either financial targets or other value generated for the company as detailed below. Short-term salary means that the company's expenses vary alongside the Group's financial development and the employees' individual performance.

Short-term variable salary is capped at 20–50 percent of fixed annual salary.

The cost for Intrum Justitia's short-term variable salary programs for the President and other senior executives for 2016 is estimated to amount to at most SEK 11 M, excluding social security expenses.

Long-term variable salary

Through the long-term variable salary program, Group Management's long-term interests and perspectives are brought onto an equal footing with those of shareholders, while commitment to the company is also reinforced. This encourages the long-term generation of value over a three-year period, allowing Group Management to participate financially in the company's success. Growth in Intrum Justitia's earnings per share is applied as a metric because this is considered a good indicator of the Group's long-term success. As with short-term salary, an effect of the program's design is that the cost varies alongside the Group's financial performance.

Long-term variable salary is capped at 50 percent of fixed annual salary for the CEO and at 20–50 percent for other members of Group Management.

Guidelines for individual share ownership

To further encourage shareholder-like behavior and commitment among Group Management, there is an expectation of individual share ownership that directly links the personal financial situation of members of Group Management to the company's development. This means that each member of the Group Management is expected to own shares in Intrum Justitia equivalent to a certain percentage of their annual salary before taxes – 100 percent for the President and 50 percent for other members of Group Management. Share ownership should persist as long as these individuals remain employees and members of Group Management.

Guidelines for share ownership were introduced in 2015, and each person has a certain amount of time (based on individual agreements) to acquire shares.

Other

In the event of termination by Intrum Justitia, a maximum of 12 months' severance pay shall apply (if at all). Deviations exist in the case of a few existing employment contracts. The Board of Directors shall have the right to depart from the established principles if there is particular justification for doing so in individual cases.

Role of the Remuneration Committee

The Board of Directors has a Remuneration Committee whose task is to address the Group's remuneration issues on behalf of shareholders and the Board. The Remuneration Committee is responsible for preparing the Group's remuneration guidelines, which include general principles for how salaries and other remunerations are determined, as well as addressing remuneration issues concerning the CEO and Group Management. The Remuneration Committee comprises three Board members. Since the 2016 Annual General Meeting, the Remuneration Committee has consisted of Lars Lundquist (Chairman), Synnöve Trygg and Magnus Yngen. The CEO and the company's Chief Human Resources Officer are co-opted to the committee's meetings, though not when their own remuneration is discussed.

Terms of employment and remuneration of the CEO

During 2016, Mikael Ericson, CEO and President between March and December 2016, received remuneration in accordance with the Group's principles as detailed above. His fixed annual salary for 2016 amounted to SEK 4,210,000. In addition, he had the opportunity to receive variable compensation up to 100 percent of his base salary, 50 percent within the framework of the short-term variable salary program and 50 percent within

Cont. Note 28 the framework of the 2014 long-term remuneration program, in proportion to his period of employment. In addition to his salary, the company paid pension contributions corresponding to 35 percent of his fixed annual salary. The pension policy is a defined contribution plan and the retirement age is 65 years. He also had a company car in accordance with the Group's car policy, as well as subsidized meals under the same terms as other Group employees in Sweden.

Lars Wollung was President and CEO January–October 2015. His fixed annual salary for 2015 amounted to SEK 5,650 thousand, and he had the opportunity to receive variable compensation of up to 200 percent of his annual salary, of which 50 percent was within the framework of the short-term remuneration program and 150 percent within the framework of the 2013 long-term remuneration program. In addition to his salary, the company paid pension contributions corresponding to 35 percent of his fixed annual salary. The pension policy is a defined contribution plan and the retirement age is 65 years. He had a company car in accordance with the Group's car policy, as well as subsidized meals under the same terms as other Group employees in Sweden.

Lars Wollung left his position as President and CEO in early November 2015, in accordance with a decision by the Board of Directors, and he thus received salary during the period of notice, as well as severance pay, as set out in the employment agreement. Earnings for 2015 were burdened by a provision for expenses for future payments to Lars Wollung regarding salary during the period of notice, severance pay totaling SEK 11 M and SEK 10 M regarding variable remuneration. In addition, primarily social security expenses and pension expenses for this remuneration were charged against earnings for 2015 in the amount of SEK 9 M. In 2016, disbursements have been made in accordance with the provisions made in 2015.

The provision for variable compensation is included below in the table showing variable compensation earned in 2015.

Terms of employment and remuneration for other members of Group Management

During 2016, other members of Group Management also had benefit levels in accordance with the Group's principles as detailed described above. This includes their fixed annual salary and the opportunity to receive variable remuneration of up to 100 percent of their annual salary, of which 20–50 percent was under the short-term remuneration program and 20–50 percent under the long-term remuneration program. Pension benefits vary from country to country. In several cases, they are included in monthly salaries. Pension policies are defined contribution plans, and the retirement age is generally 65. Members of Group Management have company cars, in accordance with the Group's car policy. Smaller benefits also occur according to local practice, such as subsidized meals and travel.

During the period November 2015 – February 2016, the Group's Chief Financial Officer, Erik Forsberg, was the acting CEO and he received a salary supplement totaling SEK 300,000 during this period, whereof SEK 100,000 in 2016.

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

Remuneration for the year

Other senior executives in the table are defined as members of Group Management (see pages 88–89) other than the CEO. The figures include remuneration to Alessandro Pappalardo who was a member of Group Management in 2015 and almost all of 2016, but who left the company shortly before the end of 2016. Consequently, a total of nine people are included for both years.

SEK thousands	2016	2015
Senior executives		
Lars Wollung 2015 (refers to the period from January to October 2015). Mikael Ericson, 2016 (refers to the period from March to December 2016).		
Base salary	4,210	5,650
Variable compensation	2,520	10,240
Other benefits	40	94
Pension expenses	1,470	1,857
Total, President and CEO	8,240	17,841

SEK thousands	2016	2015
Other senior executives (nine people)		
Base salary	21,437	22,222
Variable compensation	11,943	13,569
Other benefits	743	1,306
Severance pay	0	13,113
Pension expenses	5,585	4,073
Total other senior executives	39,708	54,283

Amounts given correspond to full compensation for the relevant year, including earned but not yet paid variable remuneration for the relevant year. This entails, for example, that the variable remuneration accrued and expensed by the company in 2015 was disbursed in 2016, while the variable remuneration for 2016 was disbursed in 2017.

No share-based remunerations were paid in 2015 or 2016.

Trend in remuneration levels in recent years

As shown above, the trend in earnings per share is assessed to be the best indicator of the company's long-term growth in shareholder value, and accordingly the outcome of the long-term variable salary program is based primarily on the trend in earnings per share.

The short-term variable salary program is measured primarily against financial targets in the annual business plans, such as operational performance, operating profit or operating profit after cost of capital. By consistently meeting these targets, value is generated for shareholders and growth in earnings per share is supported over time.

In 2015 and 2016, the company enjoyed strong growth in earnings per share and, over both years, the company had a favorable earnings trend compared both with previous years the business plans. The favorable growth in value and in earnings per share that has benefited shareholders is reflected in total variable remuneration to Group Management also having increased over the same period:

	2016	2015	2014	2013
Variable salary, SEK M	14,463	23,809	25,145	27,058
Earnings per share, SEK	20.15	15.92	13.48	10.30
Annual growth in variable remuneration, %	-39	-5	-7	66
Annual growth in earnings per share, %	27	18	31	41

Variable remuneration for 2014 and 2015 was lower than in 2013 because the number of members of Group Management entitled to variable remuneration decreased through personnel leaving the company. Variable remuneration for 2016 was lower than in 2015 due to the change of CEO.

Board of Directors

In accordance with the Annual General Meeting's resolution, total fees paid to Board members for the year, including for committee work, amounted to SEK 3,715,000 (3,605,000). Board fees are distributed between Directors as determined by the AGM according to the proposal of the Nomination Committee. The Directors have no pension benefits or severance agreements.

SEK thousands	2016	2015
Board fees		
Lars Lundquist, Chairman	975	945
Tore Bertilsson	540	–
Matts Ekman	–	530
Charlotte Strömberg	–	440
Synnöve Trygg	455	445
Fredrik Trägårdh	370	360
Ulrika Valassi	460	–
Ragnhild Wiborg	460	445
Magnus Yngen	455	440
Total Board fees	3,715	3,605

Cont. Note 28 Board fees pertain to the period from the 2015 Annual General Meeting until the 2016 Annual General Meeting and from the 2016 Annual General Meeting until the 2017 Annual General Meeting respectively. Some members of the Board of Directors issue invoices for their fees through their own companies, in which case those invoices include social security expenses and VAT.

NOTE 29: Auditor's fees

SEK M	Group		Parent Company	
	2016	2015	2016	2015
External audit assignments				
Ernst & Young	10	8	2	1
Other assignments				
Ernst & Young review activities beyond the audit assignment	1	2	0	0
Total	11	10	2	1

NOTE 30: Operational leasing

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Obligations for rental payments on non-cancelable rental contracts				
Year 1	134	119	1	1
Years 2–4	277	251	2	1
Year 5 and thereafter	110	135	0	0
Total	521	505	3	2

Lease costs for operating leases amounted to SEK 135 M (120) during the year, of which SEK 1 M (1) in the Parent Company.

Operating leasing primarily refers to offices for the Group's operations in its countries. No single lease is of material significance to the Group in terms of amount.

NOTE 31: Financial leasing

SEK M	Group	
	2016	2015
Minimum lease payments and their present value		
Within one year	1	1
Later than one year	0	0
Total	1	1

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

NOTE 32: Investing commitments

Commitments to acquire fixed assets amounted to SEK 0 M (0) at year-end.

NOTE 33: Financial instruments

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Fair value and carrying value of financial instruments				
Financial assets valued at amortized cost	10,678	8,749	6,700	6,969
Financial assets valued at fair value	14	8	14	8
Financial liabilities valued at amortized cost	9,239	8,100	11,710	10,294
Financial liabilities valued at fair value	13	10	13	10

The only financial instruments that are regularly restated at fair value are derivatives (for example forward exchange contracts). They are valued based on a valuation technique that uses observable market data and thus falls under Level 2 in the valuation hierarchy according to IFRS 13.

Financial assets include the balance sheet items: purchased debt, other long-term receivables, accounts receivable, client funds, other current receivables, accrued income, derivatives with positive value, cash and cash equivalents and, for the Parent Company, intra-Group receivables.

The total recognized value of consolidated financial assets amounted to SEK 10,692 M (8,757) on the balance sheet date. Financial assets classified as loan receivables and accounts receivable amounted to SEK 10,678 M (8,749) and financial assets recognized at fair value through profit or loss amounted to SEK 14 M (8).

The total recognized value of the Parent Company's financial assets amounted to SEK 6,714 M (6,977) on the balance sheet date. Financial assets classified as loan receivables and accounts receivable amounted to SEK 6,700 M (6,969) and financial assets recognized at fair value through profit or loss amounted to SEK 14 M (8).

Financial liabilities include the balance sheet items: non-current and current liabilities to credit institutions, bond loans, commercial papers, client funds payable, accounts payable, advances from clients, other current liabilities, accrued expenses, prepaid income and, for the Parent Company, intra-Group liabilities.

The total recognized value of consolidated financial liabilities amounted to SEK 9,252 M (8,110) on the balance sheet date. Financial liabilities recognized at amortized cost amounted to SEK 9,239 M (8,100) and financial liabilities recognized at fair value amounted to SEK 13 M (10).

The total recognized value of the Parent Company's financial liabilities amounted to SEK 11,723 M (10,304) on the balance sheet date. Financial liabilities recognized at amortized cost amounted to SEK 11,710 M (10,294) and financial liabilities recognized at fair value amounted to SEK 13 M (10).

Purchased debt

Purchased debt is classified as loan receivables and recognized at amortized cost according to an effective interest method. The Group determines the carrying value by calculating the present value of estimated future cash flows at the receivables' original effective interest rate. Adjustments are recognized in the income statement. With this valuation method, the carrying value is the best estimate of the fair value of debt portfolios, in the company's opinion. On the balance sheet date, the recognized value of purchased debt amounted to SEK 8,733 M (7,027). An account of purchased debt by year acquired is provided in Note 34.

Accounts receivable

Accounts receivable are recognized at amortized cost with no discount being applied since the remaining maturity is judged to be short. Accounts receivable amounted to SEK 305 M (285) on the balance sheet date.

Other receivables

Other receivables have short maturities. Receivables in foreign currency are translated in the accounts at balance sheet date rates. Consequently, carrying value corresponds to fair value. Other receivables, including accrued income, amounted to SEK 1,259 M (1,180) on the balance sheet date. The item includes derivatives valued at SEK 14 M (8), which are classified as assets measured at fair value through profit or loss (held for sale). The remaining SEK 1,245 M (1,172) is classified as loan receivables.

Cont.
Note 33

For the Parent Company, other receivables, including receivables from Group companies, amounted to SEK 6,707 M (6,939). The item includes derivatives valued at SEK 14 M (8), which are classified as assets measured at fair value through profit or loss (held for sale). The remaining SEK 6,693 M (6,931) is classified as loan receivables.

Liquid assets

Liquid assets mainly consist of bank balances. Liquid assets in foreign currency are translated in the accounts at balance sheet date rates. Consequently, carrying value corresponds to fair value. Cash and bank balances are classified as loan receivables and amounted at year-end to SEK 396 M (265). For the Parent Company, the corresponding amount was SEK 8 M (37) on the balance sheet date).

Liabilities to credit institutions

The Parent Company's and the Group's loan liabilities carry market rate interest with short fixed interest terms. Liabilities in foreign currency are translated in the accounts at balance sheet date rates. Consequently, carrying value corresponds to fair value. On the balance sheet date, consolidated liabilities to credit institutions amounted to SEK 1,576 M (2,356) and for the Parent Company, they amounted to SEK 1,576 M (2,355).

Bond loan

The Parent Company and the Group had bond loans outstanding for a value of SEK 4,783 M (3,124) on the balance sheet date.

Commercial papers

The Parent Company and the Group had commercial papers outstanding for a value of SEK 1,124 M (635) on the balance sheet date.

Accounts payable

Accounts payable have short maturities. Liabilities in foreign currency are translated in the accounts at balance sheet date rates. Consequently, carrying value corresponds to fair value. Consolidated accounts payable amounted to SEK 140 M (139). For the Parent Company, the equivalent amount was SEK 10 (4).

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 balance sheet date rates. Consequently, carrying value corresponds to fair value. Other liabilities, including accrued expenses amounted to SEK 1,629 M on the balance sheet date (1,856). The item includes derivatives for SEK 13 M (10), recognized at fair value in the income statement (held for sale). Other liabilities, excluding these derivatives amounted to SEK 1,616 M (1,846).

For the Parent Company, other liabilities amounted to SEK 4,230 M (4,185) on the balance sheet date and included liabilities to Group companies and accrued expenses. Derivatives are recognized at fair value through profit or loss (held for sale) and amounted to SEK 13 M (10). Other liabilities, excluding these derivatives amounted to SEK 4,217 M (4,175).

Offset of financial instruments

Financial assets and liabilities measured at fair value comprise currency derivatives. Financial assets and liabilities are not offset in the balance sheet. However, there are legally binding agreements that allow offsetting should one of the counterparties for the Group's currency derivatives suspend their payments. At the end of the year, Intrum Justitia had financial assets totaling SEK 2 M (6) that could be offset against debts should the counterparties suspend their payments.

NOTE 34: Financial risks and financial policies

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 the Group's Credit Management operations are relatively low. The purchased debt operations have a greater need for capital, particularly during a growth phase.

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 cash surpluses and deficits in the Group's various countries of operation, the Group's total interest expense can be minimized.

Market risk

Market risk consists of risks related to changes in exchange rates and interest rate levels.

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. The most important currencies for the Intrum Justitia Group, other than the Swedish krona (SEK), are the euro (EUR), the Swiss franc (CHF), the Hungarian forint (HUF), the Danish krone (DKK), the Norwegian krone (NOK) and the Polish zloty (PLN).

The following exchange rates have been used to translate transactions in foreign currency in the financial accounts:

Currency	Dec 31, 2016	Dec 31, 2015	Average 2016	Average 2015
EUR	9.58	9.20	9.47	9.36
CHF	8.91	8.51	8.69	8.77
HUF	0.0308	0.0293	0.0304	0.0302
DKK	1.29	1.23	1.27	1.25
NOK	1.05	0.96	1.02	1.05
PLN	2.16	2.17	2.17	2.24

Exchange rate risk can be divided into transaction exposure and translation exposure. Transaction exposure consists of net operating and financial receipts and disbursements in different currencies. Translation exposure consists of the effects from the translation of the financial reports of foreign subsidiaries and associated companies to SEK.

Transaction exposure

In each country, all income and most operating expenses are denominated in local currencies, and thus currency fluctuations have only a limited impact on the company's operating earnings in local currency. National operations seldom have receivables and liabilities in foreign currency. Income 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. The subsidiaries' projected flow exposure is not hedged at present. All major known currency flows are hedged on a continuous basis in the Group and the Parent Company through forward exchange contracts.

Translation exposure

Intrum Justitia operates in 20 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 the SEK exchange rate against these currencies affect consolidated income and earnings, as well as equity and other items in its financial statements.

Cont. Note 34 The Group's revenues are distributed by currency as follows:

SEK M	2016	2015
SEK	886	842
EUR	3,032	2,838
CHF	718	759
HUF	476	380
DKK	282	241
NOK	255	181
PLN	219	209
Other currencies	220	178
Total	6,088	5,628

An appreciation of the Swedish krona of 10 percentage points on average in 2016 against EUR would thus, all else being equal, have affected revenues by SEK –303 M, against CHF by SEK –72 M, against HUF by SEK –48 M, against DKK by SEK –28 M, against PLN by SEK –26 M and against NOK by SEK –22 M.

In terms of net assets by currency, shareholders' equity in the Group, excluding non-controlling interests, is distributed as follows:

SEK M	2016	2015
SEK	1,119	551
EUR	6,176	5,377
– less EUR hedged through foreign currency loans	–4,708	–3,888
+ plus EUR hedged through derivatives	257	0
CHF	974	380
– less CHF hedged through foreign currency loans	–251	–256
– less CHF hedged through derivatives	–446	0
DKK	180	30
HUF	1,150	303
– less HUF hedged through foreign currency loans	–861	0
NOK	372	304
– less NOK hedged through foreign currency loans	0	–239
PLN	753	730
– less PLN hedged through foreign currency loans	–519	–520
– less PLN hedged through derivatives	–337	0
Other currencies	271	394
Total	4,130	3,166

An appreciation of the Swedish krona of 10 percentage points as per December 31, 2016 against EUR would have affected shareholders' equity in the Group by SEK –172 M, against CHF by SEK –28 M, against DKK by SEK –2 M, against HUF by SEK –29 M, against NOK by SEK –4 M and against PLN by SEK –10 M.

Regarding the currency risk attributable to currency interest rate swaps, see the description below under Interest rate risks.

Interest rate risks

Interest rate risks relate primarily to the Group's interestbearing net debt, which amounted to SEK 7,260 M (6,026) on December 31, 2016. The loan rate is tied to the market rate.

Intrum Justitia has a strong cash flow which gives the Group the option of repaying loans, repurchasing treasury shares or investing in overdue receivables. The Group's loans have short fixed interest terms – currently about eight months (seven) for the entire loan portfolio.

A one-percent increase in market interest rates would have adversely affected net financial items by approximately SEK 66 M. A five-percent increase would have adversely affected net financial items by SEK 332 M.

In 2012 the Parent Company issued bonds for SEK 1,000 M, in 2013 for a further SEK 1,000 M, and in 2014 for a further SEK 1,000 M. No new bonds were issued in 2015. In 2016, bonds were issued for EUR 160 M through a private placement to the Swedish Export Credit

Corporation. On the balance sheet date, reported debt totaled SEK 4,783 M (3,124). To achieve suitable currency matching in the balance sheet and thus manage the currency risk between assets and liabilities, the company used currency interest rate swaps. Consequently, the Parent Company has exchanged the liability to the bond holders in SEK with one of the relation banks, receiving EUR at the same rate on both the start and closing dates. The company has thus maintained the level at which it secures shareholders' equity in EUR at the same level as prior to the issue and has also maintained its currency exposure in the same currency.

Liquidity risk

Liquidity risk is the risk of a loss or higher-than-expected costs to ensure the Group's ability to fulfill its short and long-term payment obligations to outside parties.

The Group's long-term financing risk is limited 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.

The Group has a syndicated loan facility of SEK 7,500 M from Nordea and Swedbank. The maturity structure means that the bank loan matures by SEK 2.5 billion each year in 2018, 2019 and 2020 respectively.

While available, the facility was utilized by the Parent Company, which withdrew amounts in various currencies, with short maturities, usually SEK, EUR, CHF, HUF, NOK or PLN and usually with maturities of three to six months. The loan is carried primarily in foreign currency, to hedge the Group against translation exposure in relation to net assets outside Sweden.

The Group's loan facility is subject to operational and financial conditions. If the limits are exceeded the loans fall due. The Group Management Team carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that a limit may be exceeded.

Intrum Justitia AB has signed a commitment letter with a banking consortium, enabling the refinancing of Lindorff's financial debt in connection with the combination. The commitment includes a bridge financing facility of EUR 3.4 billion and a revolving credit facility of EUR 1.1 billion. The bridge financing facility has a maturity of five years, but is expected to be replaced or refinanced through the issuance of new bonds in the capital market. The revolving credit facility is supplied by five Scandinavian banks, and is both intended to provide support for the merged company's liquidity needs and to accommodate future investment opportunities.

In 2012 bond program for SEK 3,000 M was launched in which the Parent Company issued SEK 1,000 M over five years with an interest margin of 3.10 percent in 2012, a further SEK 1,000 M over five years with an interest margin of 2.22 percent in 2013, and a further SEK 1,000 M over five years with an interest margin of 1.60 percent in 2014. No new bonds were issued in 2015. In 2016, bonds were issued for EUR 160 M through a private placement to the Swedish Export Credit Corporation with an interest margin on market terms.

Intrum Justitia has also issued commercial papers with a carrying amount of SEK 1,124 M (635) at year-end.

The Group's aim is that the liquidity reserve, which consists of cash, bank balances and short-term liquid investments should amount to at least SEK 100 M more than the unutilized portion of committed lines of credit. The Group has deposited its liquid assets with established financial institutions where the risk of loss is considered remote. The Group's finance function prepares regular liquidity forecasts with the purpose of optimizing the balance between loans and liquid funds so that the net interest expense is minimized without, for that matter, incurring difficulties in meeting external commitments.

The table below provides an analysis of the financial liabilities of the Group and the Parent Company broken down according to the amount of time remaining until the contractual maturity date. The amounts given in the table are the contractual, undiscounted cash flows. The amounts falling due within 12 months agree with the reported amounts since the discount effect is negligible.

Cont.
Note 34**Financial liabilities in the balance sheet – Group**

SEK M	Within one year	2–5 years	Later than 5 years	Total
Dec 31, 2016				
Accounts payable and other liabilities	1,769			1,769
Liabilities to credit institutions	86	1,536		1,622
Bond loan	1,155	2,174	1,532	4,861
Commercial papers	1,124			1,124
Total	4,134	3,710	1,532	9,376
Dec 31, 2015				
Accounts payable and other liabilities	1,994			1,994
Liabilities to credit institutions	49	2,359		2,408
Bond loan	84	3,127		3,211
Commercial papers	635			635
Total	2,762	5,486	0	8,248

Financial liabilities in the balance sheet – Parent Company

SEK M	Within one year	2–5 years	Later than 5 years	Total
Dec 31, 2016				
Accounts payable and other liabilities	138			138
Liabilities to credit institutions	86	1,536		1,622
Bond loan	1,155	2,174	1,532	4,861
Commercial papers	1,124			1,124
Liabilities to Group companies	1,670	2,432		4,102
Total	4,173	6,142	1,532	11,847
Dec 31, 2015				
Accounts payable and other liabilities	122			122
Liabilities to credit institutions	48	2,359		2,407
Bond loan	84	3,127		3,211
Commercial papers	635			635
Liabilities to Group companies	2,063	2,005		4,068
Total	2,952	7,491	0	10,443

Credit risks

Credit risk consists of the risk that Intrum Justitia's counterparties are unable to fulfill their obligations to the Group.

Financial assets that potentially subject the Group to credit risk include cash and cash equivalents, accounts receivable, purchased debt, outlays on behalf of clients, derivatives and guarantees. For financial assets owned by Intrum Justitia, no collateral or other credit reinforcements have been received. The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount.

Liquid assets

The Group's cash and cash equivalents consist primarily of bank balances and other short-term financial assets with a remaining maturity of less than three months. The Group has deposited its liquid assets with established financial institutions where the risk of loss is considered remote.

Accounts receivable

The Group's accounts receivable from clients and debtors in various industries, and are not concentrated in a specific geographical region. The Group's largest client accounts for less than two percent of revenues. Most accounts receivable outstanding are with customers previously known to the Group and whose creditworthiness is good. For an analysis of accounts receivable by age, see Note 16.

Purchased debt

As part of its operations, Intrum Justitia acquires portfolios of consumer receivables and tries 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.

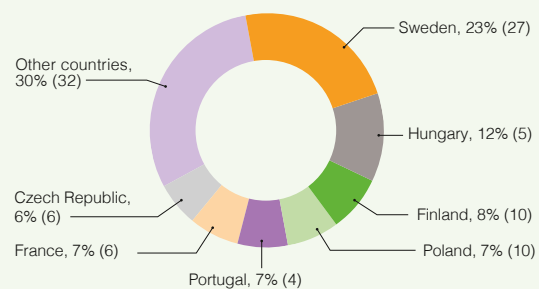
The acquired receivables are overdue and in many cases are from debtors who are having payment problems. It is obvious, therefore, that the entire nominal amount of the receivable will not be recovered. On the other hand, the receivables are acquired at prices significantly below their nominal value. The risk in this business is that Intrum Justitia, at the time of acquisition, overestimates its ability to collect the amounts or underestimates the costs of collection. The maximum theoretical risk is of course that the entire carrying value of SEK 8,733 M (7,027) would become worthless and have to be written off.

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. The average nominal value per case is approximately SEK 11,950. Portfolios are normally acquired from customers with whom the Group has had a long-term relationship. The acquisitions generally involve unsecured debt, requiring relatively less capital and significantly simplifying administration compared with collateralized receivables. Intrum Justitia places high yield requirements on the portfolios it acquires. Before every acquisition, a careful assessment is made based on a projection of future cash flows (collected amount) from the portfolio. In these calculations Intrum Justitia benefits from its extensive experience in debt collection and from the Group's scoring methods. Intrum Justitia therefore believes that it has the expertise required to evaluate these types of receivables. To enable acquisitions of larger portfolios at attractive risk levels, Intrum Justitia has, on occasion, partnered with other companies such as Cr dit Agricole, Goldman Sachs and East Capital to share the capital investment and return.

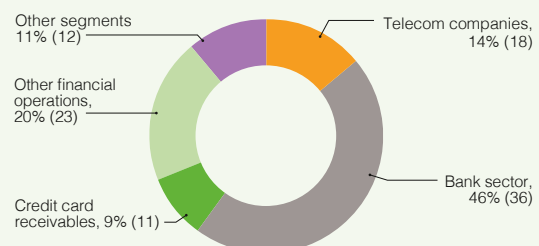
The currency risk is attributable to the translation of the balance sheet item Purchased debt is limited due to currency hedging using loans in the same currency as the assets, and currency forwards.

A considerable proportion of purchased debt acquisitions take place through forward flow agreements – that is, Intrum Justitia may have previously agreed with a company to acquire all of that company's accounts receivable at a certain percentage of their nominal value once they are overdue by a certain number of days. In most of these agreements, however, Intrum Justitia has the opportunity to decline to acquire the receivables if, for example, their quality decreases.

Risks are diversified by acquiring receivables from clients in different sectors and different countries. The Group's purchased debt portfolios include debtors in 21 countries. The Group's total carrying amount for purchased debt is distributed as follows:



The Group's purchased debt portfolios are distributed by sector as follows:



Cont.
Note 34

Of the total carrying value on the balance sheet date, 33 percent represents portfolio acquisitions in 2016, 20 percent acquisitions in 2015, 12 percent acquisitions in 2014 and 14 percent acquisitions in 2013. The remaining 21 percent relates to receivables acquired in or before 2012, which have therefore been past due for more than four years. In the case of a large share of the oldest receivables, Intrum Justitia has reached agreement with the debtors on payment plans.

Outlays on behalf of clients

As an element in its operations, the Group incurs outlays for court fees, legal representation, enforcement authorities, etc., which can be charged to and collected from debtors. In many cases Intrum Justitia has agreements with its clients whereby any expenses that cannot be collected from debtors are instead refunded by the client. The amount that is expected to be recovered from a solvent counterparty is recognized as an asset in the balance sheet on the line Other receivables.

Derivative contracts

The Parent Company and the Group hold forward exchange contracts to a limited extent. The credit risk in the Group's forward exchange contracts is because the counterparty generally is a large bank or financial institution that is not expected to become insolvent. On the balance sheet date, assets regarding forward exchange contracts were valued at SEK 14 M (8), and liabilities at SEK 13 M (10). See Note 33 regarding the possibility of off-setting receivables and liabilities for derivative contracts.

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 in the income statement. Changes in the value of forward exchange contracts recognized during the year in the income statement amounted to SEK -5 M (-61). 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 1 M (59) during the year. The net effect through profit or loss of exchange rate differences attributable to receivables and liabilities as well as forward exchange contracts is SEK -4 M (-2).

Outstanding forward exchange contracts as of year-end of the Parent Company and the Group include the following currencies:

Currency	Local currency, buy	Hedged amount, sell
CHF	5,352,474	-50,588,101
CZK	52,229,970	-504,589,403
DKK	68,234	-475,900,269
EUR	108,216,803	-573,402
GBP	24,026	-1,654,118
HUF	2,145,418,916	-1,777,424,580
NOK	110,337,713	-320,103,003
PLN	12,252,204	-30,527,491

The Parent Company and the Group also hold currency interest rate swaps that were signed in connection with the Parent Company's issue of bonds in SEK. To achieve suitable currency matching between assets and liabilities, liabilities in SEK were exchanged to EUR at the same rate on the starting date and the date of maturity.

Payment guarantees

The Group offers services whereby clients, against payment, obtain a guarantee from Intrum Justitia regarding the clients' receivables from their customers. This entails a risk being incurred that Intrum Justitia must compensate the customer for the guaranteed amount in the event that the invoices are not paid on time. In those cases where the guarantee comes into play, Intrum Justitia assumes the client's claim against its customer and takes over the continued handling of the case within the Purchased Debt area of operations. The total guarantee at year-end amounted to SEK 124 M (230), of which receivables overdue by more than 30 days amounted to SEK 16 M (99). Intrum Justitia's risk in this business is managed through strict credit limits and analyses of debtors' credit status. As of year-end Intrum Justitia had allocated SEK 1 M (3) in the balance sheet to cover payments that may arise due to the guarantee.

NOTE 35: Acquisitions of operations

In the cash flow statement, SEK 252 M (181) is reported under the item Acquisitions of subsidiaries and associated companies. For 2016, the amounts consist of the acquisitions of Segestión for SEK 38 M, Dansk Kreditorservice for SEK 123 M, Debitoren Services for SEK 65 M and C&J Services for SEK 13 M in accordance with the specifications below, and a shareholder contribution of SEK 14 M made to Avarda AB. For 2015, the amounts consist of the acquisitions of Credita for SEK 33 M, Logicomer for SEK 112 M and other acquisitions for SEK 36 M.

Acquisition of 100 percent of the shares in Segestión

On October 14, Intrum Justitia acquired the Spanish company Segestión Gabinete Tecnico Empresarial, SL, and its subsidiaries, for a purchase consideration of EUR 10 M on net debt-free basis. Segestión is a credit management company with a leading market position in the customer segment for small and medium-sized enterprises, with 170 employees. The acquired company was consolidated effective from October 2016 and has contributed to consolidated revenues by SEK 17 M and to operating earnings by SEK 2 M. If the acquisition would have been executed by January 1, it would have contributed to the Group's revenues by SEK 70 M and to the operating result by SEK 10 M.

The acquisition is reported as follows in the consolidated balance sheet:

SEK M	Carrying amounts before the acquisition	Fair value adjustment	Consolidated fair value
Intangible fixed assets	1	10	10
Tangible fixed assets	1	0	1
Financial fixed assets	1	0	0
Current assets	25	15	40
Liquid assets	22	0	22
Deferred tax liability/asset	-3	-6	-9
Current liabilities	-69	0	-69
Net assets	-22	19	-4
Consolidated goodwill			90
Purchase consideration paid			-61
Acquired cash and cash equivalents			22
Net effect on cash and cash equivalents			-38

The goodwill recognized is attributable to synergies in the form of expected cost savings and economies of scale achieved when integrated with Intrum Justitia's operations in Spain.

Acquisition of 100 percent of the shares in Dansk Kreditorservice.

On October 3, Intrum Justitia acquired the Danish company Dansk Kreditorservice A/S (DKS) for a consideration of DKK 95 M on a net debt-free basis. An additional DKK 15 M may be payable in 2018 if certain financial targets for 2017 are reached. DKS is a credit management company with a leading market position in the segment for small and medium-sized enterprises, with 47 employees. DKS was consolidated effective from October 2016 and has contributed to consolidated revenues by SEK 12 M and to operating earnings by SEK 2 M. If the acquisition would have been executed by January 1, it would have contributed to the Group's revenues by SEK 50 M and to profit after tax by SEK 14 M.

Cont.
Note 35

The acquisition is reported in the consolidated accounts in accordance with the following:

SEK M	Carrying amounts before the acquisition	Fair value adjustment	Consolidated fair value
Financial fixed assets	1		1
Current assets	4		4
Liquid assets	7		7
Deferred tax liability/asset	1		1
Other liabilities	-10		-10
Net assets	3		3
Consolidated goodwill			127
Purchase consideration paid			-129
Acquired cash and cash equivalents			7
Net effect on cash and cash equivalents			-123

The goodwill recognized is attributable to synergies in the form of expected cost savings and economies of scale achieved when integrated with Intrum Justitia's operations in Denmark.

Acquisition of 100 percent of the shares in Debitoren Services

In February, Intrum Justitia acquired a small factoring company in Switzerland, Debitoren Services AG, at a purchase consideration on a net debt-free basis of SEK 67 M. The company was consolidated effective from February 2016 and has contributed to consolidated revenues by SEK 15 M and to operating earnings by SEK 10 M. If the acquisition would have been executed by January 1, it would have contributed to the Group's revenues by SEK 16 M and to the operating result by SEK 9 M.

During the year, the company merged with Intrum Justitia Debt Finance Domestic AG.

The acquisition is reported as follows in the consolidated balance sheet:

SEK M	Carrying amounts before the acquisition	Fair value adjustment	Consolidated fair value
Intangible fixed assets	0	2	2
Current assets	90	-18	72
Liquid assets	3	0	3
Deferred tax liability/asset	17	-3	14
Current liabilities	-23	-1	-24
Net assets	87	-21	67
Consolidated goodwill			0
Purchase consideration paid			-67
Acquired cash and cash equivalents			1
Net effect on cash and cash equivalents			-65

Other acquisitions in 2016

On April 1, Intrum Justitia acquired a small credit management company in Belgium, C&J Credit Services BVBA, for a purchase consideration of SEK 13 M. Consolidated goodwill amounted to SEK 15 M. C&J Services merged with Intrum NV on June 30, 2016.

Acquisitions after the balance sheet date

Intrum Justitia concluded on November 10, 2016 an agreement to acquire 1st Credit, a medium-sized company active in purchased debt in the UK. The purchase sum amounted to GBP 130 M on an enterprise value basis attributable to a diversified debt portfolio from various sellers in the financial sector. 1st Credit's operating earnings before depreciation and amortization on purchased debt amounted to approximately GBP 33 M in 2015. The transaction was concluded in February 2017. The purchase price allocation has not been finalized.

Intrum Justitia announced November 14, 2016, that Intrum Justitia and Lindorff's owners had reached an agreement on a planned combination between Intrum Justitia and Lindorff, a Norwegian credit manage-

ment group with a similar business model as Intrum Justitia. Lindorff had revenues of approximately SEK 6.4 billion for the twelve months ending September 30, 2016, and operating earnings of approximately SEK 2.4 billion for the same period, pro forma for acquisitions and excluding certain non-recurring items. Lindorff had approximately 4,200 employees in 13 countries in Europe. The aim of the planned merger is to create the industry's leading provider of credit management services. The transaction will be carried out by Intrum Justitia acquiring all outstanding shares in Lindorff in exchange for newly-issued shares in Intrum Justitia. An Extraordinary General Meeting on December 14, 2016 resolved to approve the combination with Lindorff and authorized the Board to decide on a new issue of shares as consideration for the shares in Lindorff. The number of new shares to be issued shall not exceed the number of shares equivalent to 45 percent of the total number of shares outstanding in the company after the issue. The completion of the transaction is subject to the approval by the regulatory authorities in the relevant jurisdictions as well as by the EU Competition Authorities.

The transaction is expected to be completed during the second quarter of 2017, depending on the time needed to secure the aforementioned regulatory approvals. The purchase price allocation has not been finalized.

Acquisition in 2015 of 100 percent of the shares in Credita.

In February, Intrum Justitia acquired a smaller credit management company in Switzerland, Credita AG, with a good market position in the public sector and health insurance. Credita AG had 19 employees. The purchase price amounted to SEK 51 M. The acquired company was consolidated effective from September 2015. The acquisition analysis was detailed in the 2015 annual report.

Acquisition in 2015 of 100 percent of the shares in Logicomer.

In September, Intrum Justitia agreed to acquire the Portuguese company Logicomer Gestão e Recuperação de Créditos SA, which operates primarily in credit management services, but also has a purchased debt portfolio with a nominal value of approximately SEK 1.2 billion. The company has 40 employees and very good profitability. The purchase price amounted to SEK 187 M. The acquired company was consolidated effective from September 2015. The acquisition analysis was detailed in the 2015 annual report.

NOTE 36: Critical estimates and assumptions

To be able to prepare the accounts in accordance with generally accepted accounting practices, company management and the Board of Directors must make assessments and assumptions that affect reported income and expense items, asset and liability items, as well as other disclosures. Management has discussed with the Audit Committee the Group's critical accounting principles and estimates as well as the application of these.

Estimates and assumptions are continuously assessed on the basis of historical experience and other factors, including expectations of future events considered reasonable under prevailing conditions. Actual outcomes may vary from the assessments made.

The areas in which estimates and assumptions could entail significant risk of adjustment in the recognized amounts for assets and liabilities in future financial years are primarily the following:

Impairment testing of goodwill

As indicated in Note 10, an impairment test of goodwill was performed prior to the preparation of the annual accounts. The geographical regions are judged to achieve a sufficient degree of integration that they form combined cash generating units. Recoverable amounts for cash generating units have been established by calculating their value in use. The assumptions and assessments made with regard to expected cash flows and discount rates in the form of weighted average cost of capital, as well as a sensitivity analysis are detailed in Note 10. Projections of future cash flows are based on the best possible assessments of future income and operating expenses.

Purchased debt

As indicated in Note 14, the recognition of purchased debt is based on the company's own projection of future cash flows from acquired portfolios.

Cont. Although the company has historically had good projection accuracy with
Note 36 regard to cash flows, future deviations cannot be ruled out.

The Group applies internal rules and a formalized decision-making process in the adjustment of previously established cash flow projections. These entail, among other things, that cash flow projections are only in exceptional cases adjusted in the first year of ownership of a portfolio. Furthermore, the decision to amend a cash flow projection is preceded by a discussion between the local management in the country in question and the management of the service line. All changes in cash flow projections are ultimately decided on by a central revaluation committee.

Divestment of purchased debt

In an uncommon move, the Group divested certain purchased debt portfolios in 2016. Sales of portfolios are not included in the business model for this type of asset, and consequently no accounting principle had previously been developed for such transactions. Intrum Justitia has assessed the transactions and concluded that a sale of purchased debt should be recognized in the same way as if an amount equivalent to the selling price had been collected as part of normal operations. For Intrum Justitia's accounting, it does not matter if the same amount is received through collection from debtors or by sale to an external party. The entire sale price for the portfolios sold has been reported as the amount collected on purchased debt, and the entire carrying value remaining prior to the sale has been reported as amortization of purchased debt.

Useful lifetimes of intangible and tangible fixed assets

Group management establishes assessed useful lifetimes and thus consistent amortization and depreciation for the Group's intangible and tangible fixed assets. These estimates are based on historical knowledge of equivalent assets' useful lifetimes. Useful lifetimes and estimated residual values are tested on each balance sheet date and adjusted when necessary. Recognized values for each balance sheet date for intangible and tangible fixed assets, see Notes 10 and 11.

Assessment of deferred tax assets

Deferred tax assets for tax-loss carryforwards or other future tax deductions are recognized to the extent it is deemed likely that the deduction can be made against future taxable surpluses. Carrying amounts for deferred tax assets on each balance sheet date are provided in Note 8.

Reporting of Polish investment fund

The Group has operated in Poland since 2006 through an investment fund designed to purchase and own portfolios of written-off receivables. Intrum Justitia is the fund's only owner, and from the Group's perspective it essentially operates like a subsidiary. Against this backdrop, Intrum Justitia has resolved to consolidate the investment fund in the consolidated financial statements as a subsidiary.

NOTE 37: Related parties

In addition to associated companies and joint ventures, related parties include the Board of Directors and senior executives, according to Note 28, as well as close family members to these executives and other companies over which they can exert a significant influence.

All transactions with related parties are conducted on market terms and at arm's length.

In 2016, Intrum Justitia purchased services for SEK 2 M (1) from Caperio AB, an IT company whose country manager in Sweden, Per-Henrik Persson is a Board member.

Although the Parent Company has close relationship to its subsidiaries, see Note 12, it has no transactions with other related parties.

Over the year, the Parent Company received SEK 105 M (102) in income from sales of services to subsidiaries, and incurred SEK 11 M (9) in expenses attributable to services purchased from subsidiaries.

NOTE 38: Reconciliation of key figures

SEK M	Group	
	2016	2015
Earnings from purchased debt	1,597	1,329
Average carrying value of purchased debt	7,880	6,612
Return on purchased debt, percent	20	20
Collections on purchased debt	4,420	3,802
Service line expenses	-1,267	-1,078
Cash flow from purchased debt	3,153	2,724
Liabilities to credit institutions	1,576	2,357
Bond loan	4,783	3,124
Provisions for pensions	157	174
Commercial papers	1,124	635
Other interest-bearing liabilities	16	3
Liquid assets	-396	-265
Other interest-bearing assets	0	-2
Net debt	7,260	6,026
Operating earnings	1,978	1,624
Depreciation/amortization	171	164
Amortization and revaluation	1,606	1,495
Operating earnings before depreciation and amortization	3,755	3,283
Net debt/operating earnings before depreciation and amortization (EBITDA)	1.9	1.8

PROPOSED APPROPRIATION OF EARNINGS

The Parent Company's distributable funds are at the disposal of the Board of Directors as follows:

SEK	
Share premium reserve	111,255,873
Fair value reserve	109,371,319
Retained earnings	700,508,843
Earnings for the year	41,822,751
Total	962,958,786

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

SEK	
Dividend, 72,347,726 shares x SEK 9.00	651,129,534
Balance carried forward	311,829,252
Total	962,958,786

The Board of Directors' complete statement motivating the proposed disposition of earnings for the 2016 financial year will be presented in a separate document prior to the 2017 Annual General Meeting. It concludes, among other things, that the proposed dividend is in line with the company's dividend policy and that the Board, having considered the nature, scope and risks of the company's operations, as well as the company's and the Group's consolidation requirements, liquidity and financial position in general, has found no indications that the proposed dividend is unjustified.

The Board of Directors and the President certify that the Annual Report has been prepared in accordance with generally accepted accounting standards in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.

The annual and consolidated accounts give a true and fair view of the financial position and results of the Parent Company and the Group. The Board of Directors' Report for the Parent Company and the Group gives a true and fair overview of the operations, financial position and results of the Parent Company and the Group, and describes significant risks and uncertainties that the Parent Company and the companies in the Group face.

The annual and consolidated accounts were approved for publication by the Board of Directors and the President on March 30, 2017 and are proposed for approval by the Annual General Meeting on June 29, 2017.

Stockholm, March 30, 2017

Mikael Ericson
PRESIDENT AND CEO

Lars Lundquist
CHAIRMAN OF THE BOARD

Tore Bertilsson
BOARD MEMBER

Synnöve Trygg
BOARD MEMBER

Fredrik Trägårdh
BOARD MEMBER

Ulrika Valassi
BOARD MEMBER

Ragnhild Wiborg
BOARD MEMBER

Magnus Yngen
BOARD MEMBER

Our audit report regarding this annual report was submitted on March 30, 2017.

Ernst & Young AB

Erik Åström
AUTHORIZED PUBLIC ACCOUNTANT

AUDIT REPORT

*To the Annual General Meeting of Intrum Justitia AB (publ),
corporate identity number 556607-7581*

REPORT ON THE ANNUAL AND CONSOLIDATED ACCOUNTS

OPINIONS

We have conducted an audit of the annual accounts and the consolidated accounts of Intrum Justitia AB (publ) for the year 2016. The company's annual and consolidated accounts are presented on pages 31–77 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present, in all material respects, a fair portrayal of the financial position of the Parent Company as of December 31, 2016 and its financial performance and cash flow for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and give, in all material respects, a fair portrayal of the financial position of the Group as of December 31, 2016 and its financial performance and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

We believe that our audit provides a reasonable basis for our opinion set out below.

We therefore recommend that the Annual General Meeting approve the consolidated Income Statement and Balance Sheet and the Income Statement and Balance Sheet of the Parent Company.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility in accordance with these standards is described in the section Auditor's responsibility. We are independent of the Parent Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our opinions.

PARTICULARLY IMPORTANT AREAS

Particularly important areas are those which, in our professional judgment, were the most significant for the audit of the annual and consolidated accounts for the current period. These areas were addressed within the framework of the audit of, and in our stance on the annual accounts and the consolidated accounts as a whole, although we express no separate opinions regarding those areas.

Income recognition

Consolidated net revenues for 2016 amounted to SEK 6,088 M. As is evident from Note 2 and 3 to the annual accounts, net revenues are distributed between the various revenue sources, including collection fees, commissions and fees, as well as amounts collected on purchased receivables less amortization. The number of transactions in the various flows is extensive, which places high demands on the company's internal controls and administrative processes. We have therefore assessed revenue

recognition and the related IT systems as a particularly important area in the audit.

In our audit, we examined principles for revenue recognition, processes for significant revenue streams and related IT systems. We have, among other things, tested the company's controls, performed an analytical review using data-based analysis tools and evaluated the effectiveness of the company's controls for IT systems of relevance for income recognition. On a random basis, we have also examined income against agreements and amounts paid in. Processes for program development, program changes and access management have been reviewed, as has the monitoring and handling of incidents. We have also examined the appropriateness of the disclosures made in the notes.

Goodwill

Goodwill is reported at SEK 3,120 M in the consolidated balance sheet as per December 31, 2016. The company tests, at least annually and when there is an indication of impairment, that the carrying values do not exceed the assets' recoverable amounts. The recoverable amounts are determined by calculating the value in use of each cash generating unit, in connection with which estimated future cash flows are discounted. The company's cash flow forecasts are based on historical experience, business plans and other forward-looking assessments. The impairment test for 2016 did not result in any impairment. A description of the accounting principles for goodwill is presented in Note 1 and the impairment testing, as well as critical estimates and assumptions are presented in Notes 10 and 36. As a consequence of carrying amounts being significant for the financial reporting, and of the evaluations and significant assumptions required for the calculation of value in use, we have assessed the accounting for goodwill as a particularly important area of the audit.

We have assessed the company's process for performing impairment testing. We have examined valuation methods and calculations, the reasonableness of the assumptions made and sensitivity analyses for changed assumptions supported by our valuation specialists. Comparisons have been made with historical results, and other companies in the same sector. The precision of previous forecasts has been evaluated. We have also assessed whether the disclosures made in the notes were appropriate.

Purchased debt

Purchased debt is reported at SEK 8,733 M in the consolidated balance sheet as per December 31, 2016. Reporting follows the effective interest method, where the carrying value of each portfolio corresponds to the present value of expected future cash flows. The expected cash flows are discounted at an effective interest rate determined on the acquisition of the respective portfolios. Current cash flow projections and book values are monitored over the course of the year based on, among other things, achieved collection results, agreements reached with debtors on installment plans and macroeconomic information.

Accounting principles for purchased debt are presented in Note 1, critical estimates and assumptions are presented in Note 36, and a description of the purchased debt is given in Note 14.

The company's accounting of purchased debt is considered to be a particularly important area in the audit due to reported amounts being of significance for the financial reporting and the portfolio valuations require the company to make estimates, assumptions and judgments.

In our audit, we have, among other things, evaluated the company's processes for valuing purchased debt, using valuation models and the reasonableness of the assumptions made in the calculation of the effective interest rate, as well as of the ongoing reviews of book value. We have also examined whether the disclosures made in the notes were appropriate.

INFORMATION OTHER THAN THE ANNUAL AND CONSOLIDATED ACCOUNTS

This document also contains information other than the annual and consolidated accounts presented on pages 1–30. The Board of Directors and the President are responsible for this other information in the Audit Report.

Our opinion on the annual and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information in the Audit Report.

In connection with our audit of the annual and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors and the President are responsible for the preparation of the annual and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, furthermore in accordance with IFRS as adopted by the EU. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual and consolidated accounts, the Board of Directors and the President are responsible for the assessment of the company's and the Group's ability to continue operating. They disclose, as applicable, conditions that could impact the company's capacity to continue operating, and the assumption of continued operation. However, the assumption of continued operation is not applied if the Board of Directors and the President intend to liquidate the company, cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITORS' RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a opinion that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the President of Intrum Justitia AB (publ) for 2016 and the proposed appropriations of the company's profit or loss.

We recommend that the Annual General Meeting appropriate the company's earnings in accordance with the proposal presented in the statutory administration report (Board of Directors' Report) and that the Board members and the President be discharged from liability for the financial year.

BASIS FOR OPINION

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in the section Auditor's responsibility. We are independent of the Parent Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our opinions.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITORS' RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

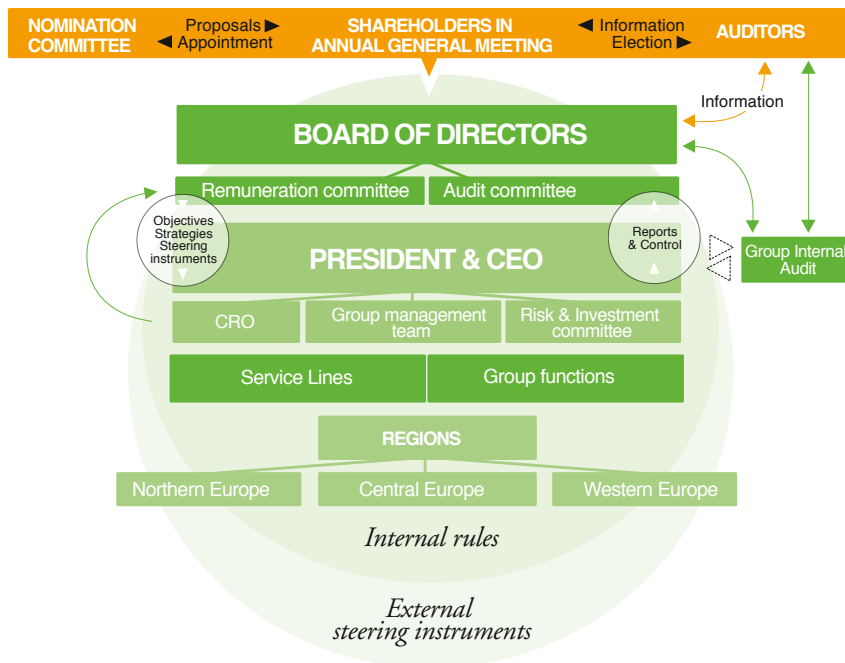
As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, March 30, 2017
Ernst & Young AB

Erik Åström
AUTHORIZED PUBLIC ACCOUNTANT

CORPORATE GOVERNANCE REPORT

The Corporate Governance of Intrum Justitia serves to strengthen the confidence of clients, society and the capital markets through a clear allocation of responsibilities and well-balanced rules between owners, the board, group management team and the different control functions. Intrum Justitia AB (publ) is a Swedish public company domiciled in Stockholm. The company's shares are listed on the Nasdaq Stockholm exchange.



This corporate governance report has been prepared in accordance with the rules of the Annual Accounts Act and the Swedish Code of Corporate Governance (“the Code”) in order to describe how the company has applied the Code during 2016. 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. Intrum Justitia applies the Code as of July 1, 2005. Intrum Justitia’s corporate governance also complies with the applicable rules in the Swedish Companies Act, Nasdaq Stockholm’s rule book for issuers, the decisions of the Swedish Securities Council and the company’s Articles of Association. The Company has not deviated from the Code’s provisions during the period covered by the annual report.

SHAREHOLDERS

At the end of the year, Intrum Justitia’s largest shareholder, SEB Fonder, held 9.7 percent of all outstanding shares in the company. See also page 30.

ANNUAL GENERAL MEETING

The Annual General Meeting is Intrum Justitia’s highest decision-making body at which the shareholders exercise their right to make decisions regarding the company’s affairs. Each share corresponds to one vote.

The Annual General Meeting was held on April 20, 2016. Among other things, the Meeting resolved:

- to adopt the income statements and balance sheets for the company and the Group,
- to pay a dividend of SEK 8.25 per share in accordance with the proposal of the Board of Directors,
- to discharge the Board of Directors and the President from liability for the 2015 fiscal year,
- to elect the Board of Directors and Chairman of the Board,
- to agree on remuneration to the Board of Directors and auditor,
- to adopt guidelines on compensation for senior executives,
- to adopt guidelines for the appointment of a new Nomination Committee,

- to authorize the Board of Directors to repurchase (and, under certain conditions transfer) up to 10 percent of shares in the company via the stock market, and
- to reduce share capital by canceling repurchased shares and to restore share capital through a bonus issue.

At the Annual General Meeting, 41 percent of the shares conveying voting rights were represented. Five of the seven individuals proposed for election or re-election as Board members were present. The Board of Directors was represented by a quorum at the Annual General Meeting. The CEO, auditor and chairman of the Nomination Committee were present.

On December 14, 2016, an Extraordinary General Meeting was held, at which the combination between Intrum Justitia and Lindorff was approved. The General Meeting authorized the Board to approve a new share issue as consideration for the acquisition of Lindorff. The new shares to be issued shall not exceed the number of shares equivalent to 45 percent of the total number of shares outstanding in Intrum Justitia after the issue.

The 2017 Annual General Meeting is scheduled for June 29, 2017.

Nomination Committee

The task of the Nomination Committee, among others, is to nominate Board members for election at the next Annual General Meeting. The 2016 Annual General Meeting resolved that the Chairman of the Board shall convene the five largest shareholders of the company based on known voting power at the end of August to appoint a member each to the Nomination Committee. The composition of the Nomination Committee ahead of the 2017 Annual General Meeting was announced on September 21, 2016: Johan Strandberg (SEB Fonder), Tomas Flodén (AMF and AMF Fonder), Mats Gustafsson (Lannebo Fonder), Hans Hedström (Carnegie Fonder) and Carl Cederschiöld (Handelsbanken Fonder). On November 23, 2016, Hans Hedström stepped down from the Nomination Committee since Carnegie Fonder had divested its holding in Intrum Justitia. Vegard Søråunet of Odin Fonder was appointed as a new member of the Nomination Committee. The Chairman of the Board serves as a co-opted member of the Nomination Committee. The Group's legal counsel has served as the secretary of the Nomination Committee.

Besides nominating the Board members and the Chairman of the Board, the duties of the Nomination Committee include evaluating the Board and its work, proposing a Chairman for the Annual General Meeting, proposing compensation for the Board and its committees, and proposing candidates for auditors' elections and compensation for auditors. The Chairman of the Board has reported the results of the annual Board evaluation to the Committee, which also held individual meetings with certain Board members. Shareholders have been offered the opportunity to submit proposals to the Nomination Committee. At the time of the publication of this report, the Nomination Committee had held six minuted meetings. No compensation has been paid to the members of the Nomination Committee.

BOARD OF DIRECTORS

The Board of Directors has the overarching responsibility for administering Intrum Justitia's affairs in the interests of its shareholders. The Board of Directors consists of seven elected members, four men and three women. Since the employee representative and the deputy appointed by the employee organization Unionen left the board in 2016, the Board has no employee representatives. At the 2016 Annual General Meeting, seven Board members were elected with no deputies. Lars Lundquist was elected as Chairman of the Board. Further information about Board members, including their share-

holdings, can be found on pages 86–87. All Directors are considered to be independent in relation to the Company and its management as well as in relation to the principal shareholders. The composition of the Board thereby complies with the requirements of the Code in this respect. 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. The Secretary of the Board is the Group's General Counsel. The Board of Directors has established an Audit Committee and a Remuneration Committee. The committees are mainly subordinated to the Board and do not relieve the Board members of their duties and responsibilities. The committees are presented in more detail on the following pages.

THE BOARD'S RULES OF PROCEDURE

Each year, the Board of Directors reassesses and sets rules of procedure, instructions for the two committees and instructions for the President. The latter also includes instructions regarding financial reporting. These control documents contain instructions on the delegation of responsibilities and work between the Board, the President and the Board committees, as well as the forms of the Company's financial reporting. The Board's rules of procedure are based on the overarching rules included in the Swedish Companies Act on the overall responsibilities of the Board and President and otherwise on the decision-making procedure approved by the Board. The rules of procedure also regulate other issues, including:

- number of Board meetings and decision points normally on the agenda at each meeting,
- the duties of the Chairman, the President and CEO, and the Remuneration, Investment and Audit Committees, specifying the delegation of the Board's decision-making authority and which issues always require a decision by the Board;
- the assessment of the Board of Directors and its work, the assessment of the President, and
- the forms of the Board's meetings and minutes.

MEETINGS OF THE BOARD

The Board meets regularly in accordance with the schedule laid down in the rules of procedure. Every Board meeting follows a predetermined agenda. The agenda and background information on each information or decision point are sent to all Directors well in advance of each meeting. Decisions by the Board are preceded by an open discussion led by the Chairman. The Board held 20 meetings in 2016 (19 in the preceding year). Over the year, the Board devoted particular focus to the following issues:

- the Group's earnings and financial position,
- interim reporting,
- corporate governance, risk management and internal control,
- the combination between Intrum Justitia and Lindorff,
- recruitment of a new CEO,
- corporate acquisitions and acquisitions of large debt portfolios,
- review of the company's strategic direction, risk appetite, investment objectives and financial targets,
- the Group's capital structure and financing, and
- the assessment of the work of the Board and the assessment of the CEO.

The company's auditors attended one Board meeting during the year.

ASSESSMENT OF THE BOARD AND PRESIDENT

Each year, the Board assesses the composition of the Board and its work with the purpose of illuminating matters concerning the Board's composition, areas of focus, materials and meeting

Attendance at Board meetings in 2016

● Attended

	Tore Bertilsson	Matts Ekman	Lars Lundquist	Charlotte Strömberg	Synnöve Trygg	Fredrik Trägårdh	Ulrika Valassi	Ragnhild Wiborg	Magnus Yngen	Sebastian Földes	Karolina Sandahl
27 January		●	●	●	●			●	●	●	
16 March		●	●	●	●	●		●	●		●
24 March		●	●	●	●	●		●	●	●	
19 April		●	●	●	●	●		●	●	●	●
20 April			●		●	●	●	●		●	●
31 May	●		●		●	●	●	●	●		●
30 June	●		●		●	●	●	●			●
18 July	●		●		●	●	●	●	●		●
2 September	●		●		●	●	●	●	●		●
19–20 September	●		●		●	●	●	●	●		
30 September	●		●		●	●	●	●	●		
10 October	●		●		●	●	●	●	●		
18 October	●		●		●	●	●	●	●		
31 October	●		●		●	●	●	●	●		
7 November	●		●		●	●	●	●	●		
9 November	●		●		●	●	●	●	●		
13 November	●		●		●	●	●	●	●		
23 November	●		●		●	●	●	●	●		
13 December	●		●		●	●	●	●	●		
15 December	●		●		●	●	●	●	●		

climate, as well identifying areas for improvement. An assessment was performed in 2016 and the Chairman has reported the results of this assessment to both the Board of Directors and the Nomination Committee. The Board makes continuous evaluations of the President and discusses this at least one meeting without his presence.

The Company's CFO stepped in as acting CEO until March 1, 2016, when Mikael Ericson was appointed.

COMPENSATION FOR DIRECTORS

In accordance with a decision by the 2016 Annual General Meeting, fees and other compensation to the Board totaled SEK 3,715,000, of which SEK 890,000 was paid to the Chairman and SEK 370,000 to each of the other Board members. A further SEK 170,000 was paid to the Chairman of the Audit Committee, SEK 90,000 to the other members of the Audit Committee and SEK 85,000 each to the members of the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee has a preparatory role and reports its work to the Board of Directors. The duty of the Audit Committee is, among other things, to supervise the Group's financial reporting and the efficiency in the Group's internal control, internal auditing and risk management with regard to the financial reporting. The committee shall also keep itself informed regarding the audit process, consider the auditor's impartiality and assist the Nomination Committee in connection with the election of an auditor. The committee has established guidelines for which services, other than auditing services, the company may procure from the auditor. Since the 2016 Annual General Meeting, the Audit Committee has consisted of Tore Bertilsson (Chairman), Ulrika Valassi and Ragnhild Wiborg. Matts Ekman and Synnöve Trygg were previously members of the Audit Committee, but were replaced at the Annual General Meeting by Tore Bertilsson and Ulrika Valassi.

All members are considered to be independent in relation to the Company and its management as well as in relation to the principal shareholders. Normally, the auditor, the Company's CFO, the

head of the internal audit and the Group's Chief Accountant participate in the committee's meetings. The latter is also appointed secretary of the committee.

The Audit Committee met five times in 2016 (five times in 2015). The Audit Committee reports to the Board, which makes the final decisions. The external auditors have also participated in all meetings, except one. The issues addressed by the committee over the year included interim reporting, risk management and aspects of internal control. The Committee has paid special attention to questions relating to data security, value added tax, the EU's audit reform and regulatory compliance.

In addition, the committee has considered the year-end accounts, audit work for the Group, tax and financing matters, as well as assisting the Board in its preparations to assure the quality of the Group's financial reporting, particularly with respect to the accounting of purchased debt and goodwill.

REMUNERATION COMMITTEE

The tasks of the Remuneration Committee include preparing the Board's decisions on matters involving remuneration principles, remunerations and other terms of employment for senior management, following-up and evaluating programs for variable remunerations for senior management, and monitoring and assessing general remuneration structures and compensation levels in the Group.

The committee also assists the Board in drafting proposals for guidelines for remuneration for senior management that the Board presents to the Annual General Meeting, and also to monitor and assess the use of these guidelines. Since the 2016 Annual General Meeting, the Remuneration Committee has consisted of Lars Lundquist (Chairman), Synnöve Trygg and Magnus Yngen. Charlotte Strömberg was previously a member of the Remuneration Committee, but was replaced at the Annual General Meeting by Synnöve Trygg. All members are considered to be independent in relation to the Company and its management as well as in relation to the principal shareholders. The CEO and Human Resources Director normally participate in the committee's meetings. The latter is also the secretary of the committee. In 2016, the committee

met once (three times in the preceding year) with all committee members present.

PRINCIPLES FOR REMUNERATION FOR SENIOR EXECUTIVES

The 2016 Annual General Meeting adopted the Board's proposal on the principles of compensation and other terms of employment for the senior executives. The guidelines regulate 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. The 2016 principles for remuneration for key executives are detailed in Note 28, pages 68–69. The Board of Directors' proposed guidelines for 2017 are reported in full in the Directors' Report on page 39. For a more detailed account of salaries and remuneration to senior executives, see Note 28, pages 68–69.

GROUP MANAGEMENT TEAM

The Company Management Team consists of the CEO, the CFO, the three Regional Managing Directors, the head of the risk function (CRO), the Marketing and Communications Director, the Chief Technology Officer (CTO) and the Chief Human Resource Officer (CHRO).

The Group Management Team meets regularly to discuss financial targets and results, strategy issues and Group-wide guidelines. These discussions, decisions and guidelines are also part of the control of financial reporting. Additional information about the Group Management Team is provided on pages 88–89.

RISK AND INVESTMENT COMMITTEE

The CEO has established a Risk and Investment Committee consisting of members of the Group Management Team, tasked with making decisions, within defined financial limits, on investment matters, primarily regarding investments in purchased debt. Investment decisions above a certain amount require Board approval.

RISK AND COMPLIANCE

The company has a Risk and Compliance function that is headed by the CRO. The function is tasked with proactively promoting risk awareness and continuously and independently monitoring and verifying compliance among the Group's financial and operational units.

INTERNAL AUDIT

The Internal Audit constitutes the independent review function that reports directly to the board via the Audit Committee. The role of the Internal Audit is to provide independent assurance to the Board of Directors and CEO of the effectiveness of internal control, risk management and the Group's governing processes. The Internal Audit also provides advice to Management and the Board of Directors regarding how the control environment can be improved and how risks in internal control can be limited. The unit reports quarterly to the Audit Committee and Group Management.

AUDITOR

At the 2016 Annual General Meeting, the accounting firm Ernst & Young AB was elected as the auditor of the Parent Company. Authorized Public Accountant Erik Åström is the auditor in charge. The auditor was elected for the period extending until the close of the 2017 Annual General Meeting. The auditor is considered

to be independent. Beyond the audit assignment, the company has also consulted Ernst & Young AB on matters of taxation and reporting, following approval by the Audit Committee. The scope of the compensation paid to Ernst & Young AB is presented in Note 29 on page 70. As Intrum Justitia's auditor, Ernst & Young AB is obliged to test its independence prior to every decision when providing independent advice to Intrum Justitia alongside its auditing assignment.

INTERNAL CONTROL

The Board is responsible for the company having sound internal control and ensuring that the company has formalized internal control procedures to ensure that established principles for financial reporting and internal control are adhered to. The Board's Audit Committee monitors adherence to set guidelines for financial reporting and internal control and maintains ongoing contacts with the company's auditors. The objective is to ensure that applicable laws and regulations are adhered to, that the financial reporting complies with Intrum Justitia's accounting principles in accordance with IFRS and that operations are conducted in an efficient and appropriate way.

CONTROL ENVIRONMENT

The basis for good internal control is the control environment, which includes the values and ethics on which the Board and Management base their actions, but also the Group's organization, leadership, decision-making paths, authorities and responsibilities, as well as the skills and knowledge of the employees. Intrum Justitia's management model is based on a clear delegation and follow-up of powers and authorities, which pervades all business areas, staff units and control functions. The annual process of revising the Group's targets and strategies constitutes a major effort, which includes all units and is systematically followed up. The strategy process also includes risk analyses of the operations.

Corporate governance comprises the Group's system of rules, procedures and processes by which the Company Management controls the operations. The implementation of the Group-wide rules in the subsidiaries is reviewed annually to ensure compliance. The Group's Code of Conduct is contained within these rules and is communicated to all employees by means of associated training programs. The Group's internal regulations are revised annually.

Intrum Justitia operates according to the principle of three lines of defense, where the operations, along with the support functions, form the first line of defense. These are responsible for risk management in their respective areas and report risks to the second line of defense.

The second line of defense consists of the Risk and Compliance functions. These serve to support to the operations in the first line of defense and provide them with training and advice. The functions are also tasked with following-up and controlling the operations in the first line of defense.

The third line of defense comprises internal and external audits, which are tasked with following-up, in terms of risk, the operations in the first and second lines of defense to ensure that the company's internal control works satisfactorily and that operations are conducted efficiently. The Internal Audit reports to Intrum Justitia's Board of Directors through the Audit Committee.

RISK ASSESSMENT

The Group's risks are managed in coordination between the Board, Group Management and local operations. The Board of Directors

and Group Management work to identify and manage risks at the Group level. The management of each local unit is responsible for identifying, evaluating and managing the risks associated predominantly with the local operations.

The risk assessment of the financial reporting serves to identify what risks may impact reporting by the Group's companies, business areas and processes. The assessment is based partly on evaluations performed by the Group's finance function as well as the dialogue with regional finance managers. These assessments form the basis for the continued control and improvement of financial reporting.

CONTROL ACTIVITIES

To a large extent, control activities are steered by risk assessment. Controls are designed to manage the risks identified in the work described above. The control structures are based on the Group's minimum requirements for internal controls in financial reporting and consist both of company-wide controls, controls at transaction level and general IT controls.

The Group has implemented a risk analysis and obligatory decision-making process to be used in connection with material changes in the Group, such as acquisitions, launches of new products or services, major reorganizations or the establishment of new Group-wide systems or processes. The company has also set up emergency and continuity plans in all operating units within the Group and these are reviewed annually.

In addition to financial reporting, control activities include all subsidiaries within the Group and encompass methods and activities to secure assets, ascertain the accuracy and reliability in internal and external financial reports and to ensure adherence to legislation and established internal guidelines. As part of this process, the presidents and finance managers of the subsidiaries report quarterly that the financial reporting has been conducted in accordance with the internal rules or if there have been any deviations from these. These reports are reviewed and followed up by the Group's finance function. The Group finance function also conducts a number of control activities in the Group's subsidiaries to ensure good quality in the financial reporting.

INFORMATION AND COMMUNICATION

The company works continuously to improve the awareness among employees of the control instruments applicable in financial reporting, both external and internal. Responsibilities and authorities are communicated within the Group to enable reporting and feedback from operations to Group Management and the Board's Audit Committee. All key internal guidelines can be accessed via the company's intranet and employees receive training on an ongoing basis. There is also cooperation within and between the different finance functions, aimed at increasing coordination and opportunities to compare analyses, monitoring of accounting and business systems, and the development of various key figures.

FOLLOW-UP

The Group is organized on a matrix model, whereby financial review primarily follows the three geographical regions and, secondarily the service lines Financial Services and Credit Management Services. Within the geographical regions, the respective regional and country managers bear considerable responsibility. Group Management exercises control through regular reviews of financial and operational performance, local and regional meetings, and through participation in local company boards. Each

month, the subsidiaries submit their monthly closing reports, which consist of income statements divided by service line, balance sheets and key performance indicators in the Group's reporting system. The closing figures are consolidated as a monthly report to Group Management. Consolidated accounts are prepared each month for internal follow-up and analysis. The subsidiaries receive feedback from the Group on their reporting and in-depth follow-up meetings are held with each country organization on a monthly basis.

The follow-up of the internal control with regard to financial reporting is conducted primarily by the Group Finance function and is reported to the Board's Audit Committee.

At the assignment of the Board, the internal audit also reviews and assesses how the internal control is organized and how well it works, as well as following up on outstanding material observations from previous audits.

Stockholm on March 30 2017

The Board of Directors of Intrum Justitia AB (publ)

AUDITOR'S STATEMENT REGARDING THE CORPORATE GOVERNANCE REPORT

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

The Board of Directors is responsible for the Corporate Governance Report for 2016 presented on pages 81–85 and for it having been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and, based on that reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report has a different focus and is substantially less in scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden.

A Corporate Governance Report has been prepared, and we consider its statutory information to be consistent with the annual and consolidated accounts.

Stockholm on March 30 2017,

Ernst & Young AB

Erik Åström

Authorized Public Accountant

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. All members are elected by the Annual General Meeting. At the Annual General Meeting of April 20, 2016, the Nominating Committee's proposal that the Board shall consist of seven members without deputies was approved. Lars Lundquist, Fredrik Trägårdh, Synnöve Trygg, Ragnhild Wiborg and Magnus Yngen were reelected. Tore Bertilsson and Ulrika Valassi were elected as new members. Lars Lundquist was reelected as Chairman.

BOARD MEMBERS' INDEPENDENCE

All members are independent of the Company, its management and major shareholders.

Lars Lundquist

Chairman

Born 1948. Board Member and Chairman since April 2006. Lundquist is the Chairman of the Board and the Compensation Committee of JM AB, Chairman of Försäkrings AB Erika, Board Member and treasurer of the Swedish Heart and Lung Foundation. He holds a B.Sc. (Econ.) from the Stockholm School of Economics and an MBA from the University of Wisconsin. Shares held, personally and through closely related parties, in Intrum Justitia AB: 16,500.



Tore Bertilsson

Born 1951. Board Member since 2016. Tore Bertilsson is Chairman of the Board of Perstorp, Semcon, PRI Pensionsgaranti and Ludvig Svensson and Board Member of Ingka Holding (IKEA), Gunnebo, JCE Group and Stampen. Bertilsson was CFO of SKF from 1989 and Deputy CEO from 2005 to 2013, prior to that he was a bank director at SEB. Training: B.Sc. (Econ.) from the School of Economics at Gothenburg University and education in management at the London Business School. Shares in Intrum Justitia AB held personally or through closely related parties: 1,500.

Synnöve Trygg

Born 1959. Board Member since 2013. Synnöve Trygg was President of SEB Kort between 1993 and 2013. She is a Board Member of Landshypotek Bank AB, Volvo Finans Bank AB, Nordax Bank AB, Valitor Hf (Iceland), Wrapp AB and Precise Biometrics AB. Trygg holds a B.Sc. (Econ.) from Stockholm University. Shares held, personally and through closely related parties, in Intrum Justitia AB: 1,000





Ragnhild Wiborg

Born 1961. Board Member since 2015. Wiborg is Chairman of the Board of EAM Solar AS and Board Member of Gränges AB, Borregaard AS, REC Silicon ASA, Skandia-banken ASA, Insr Insurance Group ASA and I.M. Skaugen SE. She has previously conducted management activities at Odin Fonder and Wiborg Kapitalförvaltning. Before that, she worked at various investment banks in the Nordic region and in London. Wiborg holds a B.Sc. (Econ.) from The Stockholm School of Economics and pursued master's studies at Fundacao Getulio Vargas, São Paulo, Brazil. Shares held, personally and through closely related parties in Intrum Justitia AB: 300.



Magnus Yngen

Born 1958. Board Member since 2013. Magnus Yngen has been CFO of Camfil, Dometic and Husqvarna and has held several senior positions within Electrolux. Yngen is Chairman of the Board of Duni, Fractal Design AB and Sveba-Dahlén Group and a Board Member at Dometic. Yngen holds an MBA and a licentiate degree from the Royal Institute of Technology. Shares held, personally and through closely related parties, in Intrum Justitia AB: 1,500.



Fredrik Trägårdh

Born 1956. Board Member since 2009. He is Deputy CEO of the Ekman Group and former CEO and CFO of Net Insight AB. Trägårdh has also been CFO of Daimler-Chrysler Rail Systems GmbH, Berlin and has held various senior positions within ABB Financial Services in Sweden and Switzerland. Mr. Trägårdh holds an M.Sc. in Business Administration and International Economics from the Göteborg School of Economics. Shares held, personally and through closely related parties, in Intrum Justitia AB: 1,000.

Ulrika Valassi

Born 1967. Board Member since 2016. Ulrika Valassi is a Board Member at Ålandsbanken and Hemfosa Fastigheter. She is Head of Service Area Risk at Transcendent Group. Valassi was previously Head of Credit at Landshypotek and, before that, held several roles within SEB, most recently as Group Head of New Product Approval Office. She holds an B.Sc (Econ.) from Uppsala University and has also studied at the Copenhagen Business School. Shares held, personally and through closely related parties, in Intrum Justitia AB: 0



REVISORER Ernst & Young

Erik Åström

Born 1957. Chief Auditor since 2014. Erik Åström is an Authorized Public Accountant, Ernst & Young. Other auditing assignments: Transcom Worldwide, Skistar, Svensk Exportkredit, ICA Group and Södra Skogsägarna.

GROUP MANAGEMENT TEAM

The Group Management Team consists of the CEO (who is also the President of the Parent Company), the CFO, the Group's Chief Risk Officer, the Director of Marketing and Communications, the HR Director, the Group's Chief Technology Officer and the Regional Managers.



Mikael Ericson

President and CEO

Born 1960. Ericson took up the position of President and CEO on March 1, 2016. He has previously held several senior positions in the banking and financial sectors, most recently as Head of International Banking at Danske Bank. Among other positions, Ericson was previously CEO of Carnegie AB. Ericson holds a B.Sc. (Econ.) from Stockholm University. Shares held, personally and through closely related parties, in Intrum Justitia AB: 2,500.



Johan Brodin

Chief Risk Officer

Born 1968. Brodin took up the position of Chief Risk Officer (CRO) in November 2011. He was previously CRO at SBAB Bank. Brodin has previously held various roles in risk management and control at Handelsbanken, and as a management consultant in financial services at KPMG and Oliver Wyman. Brodin holds a B.Sc. (Econ.) from the University of Örebro. Shares held, personally and through closely related parties, in Intrum Justitia AB: 500.



Per Christofferson

Regional Managing Director Central Europe

Born 1968. Per Christofferson is the Regional Managing Director for Central Europe. Christofferson took up the position of Director of Credit Management in September 2009. He was previously Deputy CEO and Business Area Manager at IT consulting company Acando, where he also acted as adviser to multinational clients. Christofferson holds a master's degree from CWRU (Case Western Reserve University) in Cleveland Ohio and graduate degree in engineering from the Linköpings Institute of Technology. Shares held, personally and through closely related parties, in Intrum Justitia AB: 5,345.



Erik Forsberg

Chief Financial Officer

Born 1971. Forsberg took up the position of CFO in November 2011. He previously held the same role at public relations-software company Cision, which was listed on the Nasdaq Stockholm exchange. Erik Forsberg has previously held roles as CFO, Group Treasurer and business controller at companies such as EF Education. Forsberg holds a B.Sc. (Econ.) from the Stockholm School of Economics. Shares held, personally and through closely related parties, in Intrum Justitia AB: 2,000.



Roland Grunéus

Chief Technology Officer

Born 1970. Roland Grunéus has held his current position as Chief Technology Officer since December 2015. He was previously Enterprise Architect and Head of Data Management at Intrum Justitia between 2010 and 2015. Roland Grunéus previously works as a management consultant at Acando from 2001 to 2010 and at American Management Systems, Inc from 1995 to 2001. Grunéus is a graduate engineer in computer science with a degree from the Royal Institute of Technology. Shares held, personally and through closely related parties, in Intrum Justitia AB: 0.



Rickard Westlund

Regional Managing Director, Northern Europe

Born 1966. Westlund took up the position of President of Intrum Justitia Sverige AB in 2009 and took over as Regional Managing Director for Scandinavia and now Northern Europe in 2010. Westlund held various positions at Lindorff between 2006 and 2009, including as Director of Capital Collection, President of Lindorff Capital AS and Head of Capital Scandinavia. Before working at Lindorff, Westlund was President of Aktiv Kapital Sweden and he has also worked at Swedbank for 11 years, where he was Head of Loan Process between 2000 and 2003. Westlund holds a B.Sc. (Econ.) from the University of Örebro. Shares held, personally and through closely related parties, in Intrum Justitia AB: 418.

Annika Billberg

Group Marketing & Communications Director

Born 1975. Annika Billberg joined as IR & Communications Director in June 2010. Since June 2012, she is responsible for the Group Marketing and Communications. Previous to that she has worked as Head of IR and Corporate Communications at the IT-consulting company HiQ in Stockholm and as Equities Research Analyst at Hagströmer & Qviberg in Stockholm. Annika Billberg holds a MSc in Economics and Business Administration, from Jönköping International Business School. Own holdings and/or holdings of closely affiliated persons in Intrum Justitia AB: 800.



Jean-Luc Ferraton

Chief Human Resources Officer

Born 1973. Jean-Luc Ferraton took up his current position as Chief Human Resources Officer in April 2012. Ferraton has previously held several positions within Intrum Justitia – between 2006 and 2012 as the Group's HR Director, as the Regional HR Director for Western Europe and as the Regional HR Director for Southern Europe. Prior to his employment at Intrum Justitia, Ferraton was HR Director at JTEKT of the Toyota Group 2001–2006. Ferraton holds a B.Sc. (Econ.) from ESDES in Lyon. Shares held, personally and through closely related parties, in Intrum Justitia AB: 200.



Harry Vranjes

Regional Managing Director, Western Europe

Born 1970. He took up the position of Regional Managing Director in April 2015. He was previously Chief Technology Officer from 2012 to 2015. Between 2002 and 2012, Vranjes held several positions within Intrum Justitia, including as the Group Head of IT between 2008 and 2012. Between 2002–2008, he was a project manager and business developer. Vranjes previously worked as an IT management consultant at VM-Data between 1998 and 2001. Harry Vranjes holds a BA in systems science from Lund University. Shares held, personally and through closely related parties, in Intrum Justitia AB: 7,500.



DEFINITIONS

Result concepts, key figures and alternative performance measures

Consolidated net revenues:

Consolidated revenues include external credit management revenues (variable collection commissions, fixed collection fees, debtor fees, guarantee commissions, subscription income, etc.), income from purchased debt operations (collected amounts less amortization and revaluations) and other revenues from financial services (fees and net interest from financing services).

Operating earnings:

Operating earnings consist of net revenues less operating expenses as shown in the income statement.

Yield:

The operating margin consists of operating earnings expressed as a percentage of net revenues.

Purchased debt – collected amounts, amortizations and revaluations:

Purchased debt consists of portfolios of delinquent consumer debts purchased at prices below the nominal receivable. These are recognized at amortized cost applying the effective interest method, based on a collection forecast established at the acquisition date of each portfolio. Net revenues attributable to purchased debt consist of collected amounts less amortization for the period and revaluations. The amortization represents the period's reduction in the portfolio's current value, which is attributable to collection taking place as planned. Revaluation is the period's increase or decrease in the current value of the portfolios attributable to the period's changes in forecasts of future collection.

Revenues, operating earnings and operating margin, excluding revaluations:

The period's revaluations of purchased receivables are included in consolidated net revenues and operating earnings. Revaluations are performed in connection with changes in estimates of future collections, and are therefore inherently difficult to predict. They have a low predictive value for the Group's future earnings performance. Consequently, Intrum Justitia also reports alternative key figures in which revenues, operating earnings and operating margin are calculated excluding purchased debt revaluations.

Organic growth:

Organic growth refers to the average increase in revenues in local currency, adjusted for revaluations of purchased debt portfolios and the effects of acquisitions and divestments of Group companies. Organic growth is a measure of the development of the Group's existing operations that management has the ability to influence.

Service line earnings:

Service line earnings relate to the operating earnings of each business line, Credit Management and Financial Services, excluding shared expenses for sales, marketing and administration.

Operating margin:

The operating margin consists of operating earnings expressed as a percentage of net revenues.

Return on purchased debt:

Return on purchased debt is the service line earnings for the year, excluding the Group's new services such as factoring and payment guarantees, as a percentage of the average carrying amount of the balance-sheet item purchased debt. The ratio sets the business line's earnings in relation to the amount of capital tied up and is included in the Group's financial targets.

Cash flow from purchased debt:

Cash flow from purchased debt consists of funds collected on purchased debt with deductions for the service line's overheads, primarily collection costs. Accordingly, the figure is a measure of cash flow from historically acquired portfolios, without regard to investments in new portfolios.

Net debt:

Net debt is interest-bearing liabilities and pension provisions less liquid assets and interest-bearing receivables.

Operating earnings before depreciation and amortization (EBITDA):

Earnings before depreciation and amortization (EBITDA) are operating earnings after depreciation on fixed assets as well as amortization and revaluations of purchased debt are added back.

Net debt/ operating earnings before depreciation and amortization (EBITDA):

The key figure reflects net debt divided by consolidated operating earnings before depreciation and amortization (EBITDA). The key figure is included among the Group's financial targets, is an important measure for assessing the level of the Group's borrowings, and is a widely-accepted measure of financial capacity among lenders.

Currency-adjusted change:

With regard to trends in revenues and operating earnings, excluding revaluations for each region, the percentage change is stated in comparison with the corresponding year-earlier period, both in terms of the change in the respective figures in SEK and in the form of a currency-adjusted change, in which the effect of changes in exchange rates has been excluded. The currency-adjusted change is a measure of the development of the Group's operations that management has the ability to influence.

Region Northern Europe:

Region Northern Europe comprises the Group's activities for external clients and debtors in Denmark, Estonia, Finland, the Netherlands, Norway, Poland and Sweden.

Region Central Europe:

Region Central Europe comprises the Group's activities for external clients and debtors in Austria, the Czech Republic, Germany, Hungary, Slovakia and Switzerland.

Region Western Europe:

Region Western Europe comprises the Group's activities for external clients and debtors in Belgium, France, Ireland, Italy, Portugal, Spain and the United Kingdom.

Beta:

Measure of share price changes/fluctuations relative to the market as a whole, in the form of the OMX Stockholm index. Changes that precisely follow the index produce a beta of 1.0. A beta value below 1.0 means that the changes in the share has been smaller than those in the index.

Average number of employees:

Average number of employees over the year as full-time equivalents.

Operating cash flow per share:

Cash flow from operating activities divided by the average number of shares over the year.

Price/earnings ratio:

Share price at year-end divided by earnings per share before any dilution.

Price/sales ratio:

Share price at year-end divided by net sales per share.

Earnings per share:

Earnings for the year attributable to Parent Company shareholders, divided by the average number of shares over the year.

Dividend payout:

Dividends as a share of earnings for the year attributable to Parent Company shareholders.

INFORMATION TO THE SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of Intrum Justitia AB will be held on Thursday 29 June, 2017 at 3.00 pm the company's head office, Hesselmanstorg 14, Nacka. A notice will be published in the Svenska Dagbladet and Post- och Inrikes Tidningar. The notice and other information released prior to the Annual General Meeting are available at www.intrum.com.

DIVIDEND

The Board of Directors proposes a dividend of SEK 9.00 (8.25) per share for fiscal year 2016.

FINANCIAL REPORT DATES 2017

Annual General Meeting 2017, June 29

Interim report January–March, April 25

Interim report January–June, July 18

Interim report January–September, October 18

OTHER INFORMATION FROM INTRUM JUSTITIA

Financial reports are published in Swedish and English and can be ordered from Intrum Justitia AB, Corporate Communications Department, SE-105 24 Stockholm, Sweden. The reports and other information from the company are published on the Group's website, www.intrum.com.

Communication with shareholders, analysts and the media is a priority. A presentation of Intrum Justitia's results and operations is made for analysts and investors in Stockholm 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.

Please visit our website, www.intrum.com, for a general presentation of the Group as well as a detailed IR section with corporate governance documents, analysis tools, etc.

SHAREHOLDER CONTACT

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A printed version of this annual report can be ordered via ir@intrum.com or be downloaded as a pdf-document at www.intrum.com.

In case of any discrepancy between the Swedish and English versions of this Annual Report, the Swedish version shall govern.

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