

# Annual Report 2017

**intrum**

**We lead the way  
towards a sound  
economy.**



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# A historic 2017.

2017 was an important and eventful year in Intrum's history. This is a selection of events that took place during the year:

# 29%

Operating earnings amounted to SEK 3,489 M (3,055). The operating margin was 29 percent (29). Net earnings amounted to 1,318 M (1,293) and earnings per share amounted to SEK 14.98.

## February

Intrum concludes the acquisition of 1stCredit and thereby reenters the important British market. Our goal is to be one of the leading players in the UK and this acquisition provides us with a strong platform.

## April

Intrum strengthens its presence in Eastern Europe, acquiring Top Factoring with approximately 120 employees, one of the leading portfolio investment companies in Romania.

## June

Intrum presents Europe's largest payment survey, European Payment Report, for the 19th consecutive year. We turn to decision makers, authorities, businesses and consumers to address questions concerning sound economy by showing the role Intrum plays to establish effective and more efficient payment flows in Europe.

The Board appoints Mikael Ericson will become the President and CEO when the merger of Intrum Justitia and Lindorff is completed On June 27. A new executive management team is appointed after that.

The European Commission approves the merger of Intrum Justitia and Lindorff. The Commission's decision is conditional on the divestment of Lindorff's operations in Denmark, Estonia, Finland and Sweden, and of Intrum Justitia's operations in Norway.

Intrum strengthens the Group's financing by issuing EUR 3 billion of bonds at attractive levels. The money

was used to repay existing credit facilities and outstanding debts of Intrum Justitia and Lindorff.

## October

Intrum Justitia and Lindorff become Intrum after the merger was concluded in June. The next step is now being taken to consolidate the two companies by launching a new identity and a new brand.

Intrum enters Greece by acquiring a debt portfolio from Eurobank. An investment totaling approximately SEK 400 M.

## November

Intrum enters an agreement to divest Lindorff's operations in Denmark, Estonia, Finland and Sweden and Intrum Justitia's operations in Norway to Lowell, a European company that manages credit receivables, at an enterprise value of EUR 730 M.

## December

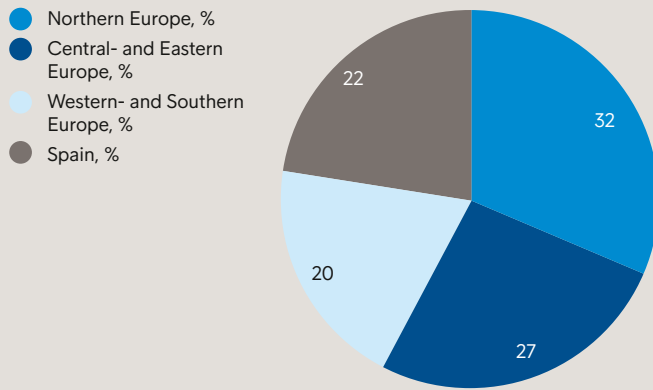
The European Consumer Payment Report 2017 is presented. The report shows, among other things, that one third of parents in Europe experience social pressure to buy goods for their children that they are unable to afford.

Intrum acquires the Italian credit management company CAF, including a large and diversified debt portfolio. The acquisition establishes Intrum as one of the market leaders in the Italian market.

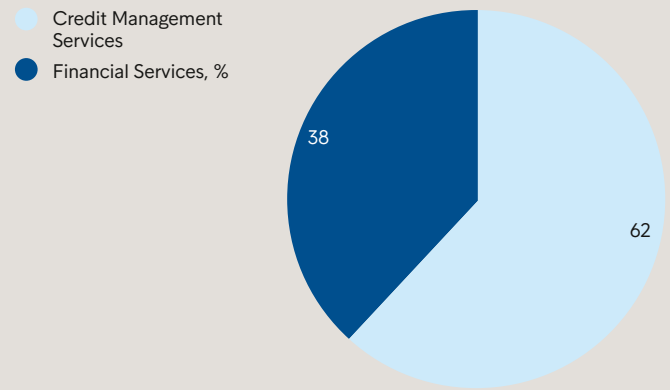
Intrum presents an updated business strategy and new financial targets at a capital markets day in Stockholm.

All figures above are pro forma 2017 for the combined Intrum Justitia and Lindorff. Earnings per share are based on pro forma net earnings adjusted for non-recurring items of SEK 815 M and is calculated with the number of shares at year end, i.e. 131 541 320 shares.

## Revenues by region, %

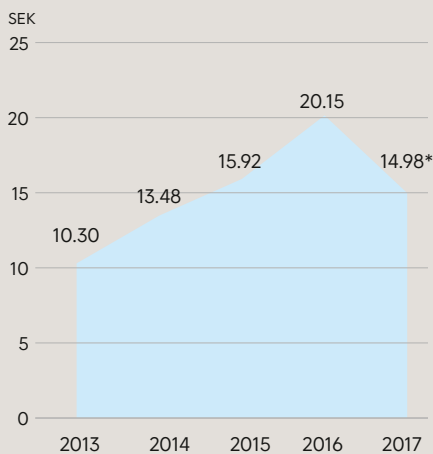


## Revenues by service line, %

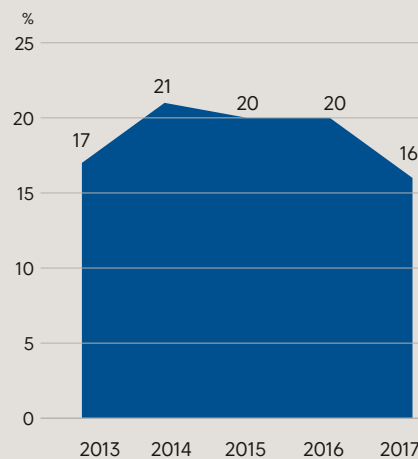


Consolidated net revenues for 2017 pro forma amounted to SEK 12,219 M (10,503).

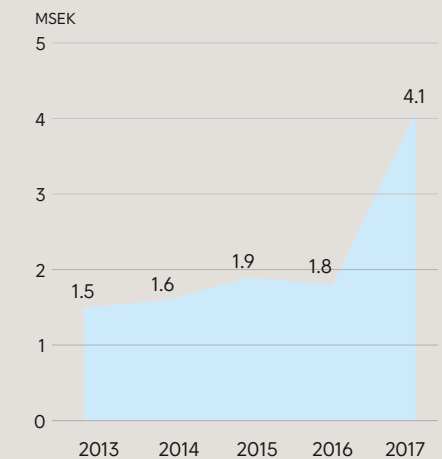
## Earnings per share



## Return on purchased debt



## Net debt/rtm operating earnings before depreciation and amortization



\* Earnings per share are based on pro forma net earnings adjusted for non-recurring items of SEK 815 M and is calculated with the number of shares at year end, i.e 131 541 320 shares.

## Key figures

SEK M, unless otherwise indicated	2017*	2016	2015	2014	2013
Revenues	12,219	6,088	5,628	5,184	4,566
Net revenues excluding revaluations	12,156	6,039	5,597	5,149	4,559
Operating earnings (EBIT)	3,489	1,978	1,624	1,430	1,207
Operating margin, %	29	32	29	28	26
Earnings for the period	1,318	1,468	1,172	1,041	819
Investments in purchased debt	7,804	3,100	2,428	1,937	2,524
Purchase Debt book value	21,149	8,733	7,027	6,197	5,411
Earnings per share, SEK	14.98**	20.15	15.92	13.48	10.30
Growth in EPS, %	-26	27	18	31	41

\* All figures for 2017 are pro forma for the combined Intrum Justitia and Lindorff.

\*\* Earnings per share are based on pro forma net earnings adjusted for non-recurring items of SEK 815 M and is calculated with the number of shares at year end, i.e 131 541 320 shares.

# Intrum helps 80,000 companies succeed.

Intrum is the undisputed market leader in credit management in Europe. We help companies succeed by taking care of their customers and considerately helping people pay. There are more than 8,000 of us working in 24 countries, helping our clients with everything from credit optimization, payment services and debt collection to factoring and payment solutions for e-commerce companies. Intrum is leading the way towards a sound economy where payment flows work, and people become debt-free.



## Market leader = greater client benefit

The key to delivering greater client benefit includes understanding people's and companies' situations. Our access to a large amount of credit information provide us with insights into businesses and trends in all of Europe. Such insights help us assess credit risks for our clients, for example. However, the information also helps to understand people's financial situa-

tion, so that we can turn a difficult situation into something positive. When credit assessments and payment flows work, companies receive payment. This generates opportunities for companies to succeed, develop and recruit more employees. At the same time, we are helping people become debt-free and to achieve sound private finances.

## A balanced business model

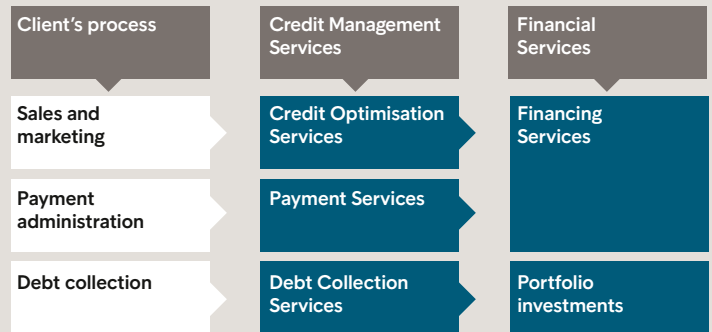


As the European market leader, we can, due to our size, collect more comprehensive insights about companies and consumers than our competitors can. This enables us to provide greater benefit to our clients.

# 2

## Two areas of service: Credit Management and Financial Services

We offer a complete range of credit management services that cover companies' entire credit management chain, from credit optimization and payment services to collection services. With Intrum's financial services, such as factoring, payment solutions for e-commerce companies and portfolio investments, our clients are paid for their goods and services.



# 80,000

## 80,000 clients in 24 countries

Intrum has around 80,000 clients in Europe. They operate in virtually all sectors, and assisting companies with large volumes of consumer receivables is our specialty. We also work with tens of thousands of small, entrepreneurial companies and medium-sized companies that see the benefit of focusing on their operations rather than on payment management.

## More than 100 years in credit management

Lindorff was founded in 1898 and Intrum Justitia was founded in 1923. Together, we became Intrum in 2017. With more than 100 years of experience in the credit market behind us, Intrum is today Europe's leading credit management company, with more than 8,000 employees with presence in 24 countries. In addition, we partner with representatives in some 160 additional countries to assist clients with operations both within Europe and beyond.



# An undisputed market leader, on the way towards a sound economy.

For Intrum, 2017 was a historic year. The merger of Lindorff and Intrum Justitia created Intrum, the undisputed leader in the European market, with more than 8,000 employees and presence in 24 countries. We have higher revenues and broader geographical coverage than anyone else in our sector and offer companies the market's complete range of services throughout the credit management chain. Every day, we work to help companies succeed by caring about their customers. In this way, we lead the way towards a sound economy for companies, people and society at large.

## A market leader with substantial responsibility

As a market leader, it is our responsibility to lead the development towards a sound relationship between creditors, debtors and the rest of society. We behave ethically and with consideration and respect for people's financial situation, which also significantly increases the possibility of companies being paid. A sound economy entails giving individuals the right prerequisites on which to accept credit and meet their commitments, while companies are able to sell products and services on credit without risking their liquidity.

## Strategy for further growth

In 2017, we further strengthened our platform for continued growth through acquisitions and investment, by working to streamline our operations and, not least, by merging two of the sector's leading companies – Intrum Justitia and Lindorff. We now have the pre-requisites in place to continue developing our own operations and our sector and we have a clear strategy for the future. This is a strategy that focus on growth, efficiency, digitization and analysis.

Continued growth is generated by expanding our core operations, portfolio investments and credit management services. In order to expand our portfolio investments, we have, for example, broadened our activities to asset classes including receivables from small and medium-sized companies, as well as secured consumer receivables, both of which offer very extensive market potential. Within our credit management operations, we have increased our efforts to generate further growth through corporate acquisitions and customized solutions through which Intrum takes over a client's collection activities through long-term agree-

ments. We are also continuing to explore opportunities for expansion in more European markets.

For us, efficiency means doing the right things correctly and at the right time. We are continuing to optimize our processes to strengthen our deliveries to clients, while also operating cost-efficiently. Therefore, we will, in the coming years, work to derive economies of scale through joint purchasing and increased volumes in our Shared Service Centers, streamline our IT infrastructure, and operate our customer centers in accordance with best practice in all our markets. Increasing internal efficiency will enhance and simplify the perception of what we deliver to our clients and customers.

Digitization and data analysis are two important catalysts for growth and enhanced efficiency in a constantly changing market. Being the most innovative credit management provider that also drives industry standards in digitization and data analysis is one of the keys to Intrum's strategy. We will accelerate our ambitions in these business-critical areas over the next few years.

Another value-generating strategic priority for Intrum in the coming years is to maximize the benefit from financial and strategic synergies from the recent merger between Lindorff and Intrum Justitia. The integration of the two companies has proven highly successful. At the end of 2017, we had reached an annual rate of more than SEK 200 M in cost synergies.

## Important events in 2017

The year 2017 was one of transformation, characterized by high activity and substantial change. Since the approval of the merger with Lindorff in June, we successfully achieved several key milestones for the new group in the second half of the year, including extensive refinancing at a market leading interest rate level and the agreement to divest, of certain subsidiaries in accordance with an undertaking to the EU competition authority and at an attractive valuation.

We have also launched and begun to implement our new brand and corporate identity to knit our employees more closely together, to strengthen the new corporate identity and to simplify for clients and customers. In addition, we



“We now have the pre-requisites in place to continue developing our own operations and our sector and we have a clear strategy for the future.”



appointed all of the senior executives of the new group at an early stage to ensure an effective integration process.

In addition to the merger and transformation, we have also participated actively in continued good market conditions and increased our market share. Through acquisitions, we have established Intrum in three new markets during the year – the UK, Romania and Greece. We also achieved a market leading position in the important Italian market through a major supplementary acquisition.

#### **Financial development**

Overall, our financial development in 2017 was good and progressed according to plan. Pro forma for the acquisition of Lindorff and divested units, the Group's revenues increased by 16 percent and underlying operating earnings increased by 13 percent compared with 2016. Our portfolio investments developed very strongly with growth in book value growth and at good returns. On a pro forma basis, investments in portfolios amounted to SEK 7.8 billion, a significant increase compared with the previous year's level of SEK 5 billion. For Credit Management Services, our revenues rose by 16 percent compared with the preceding year, and we achieved an operating margin, excluding non-recurring items, of 28 percent. The second half of the year brought a slight deterioration in margins in Credit Management, although our assessment is that we have significant potential to increase growth and margins in the coming years, primarily through cost synergies, increased efficiency and acquisitions in accordance with the plan and the new financial targets that were presented at the capital markets day in December 2017. Read more about our financial targets on page 14.

#### **Sustainability and sound economy**

In 2017 we have continued to develop our work within sustainability, where a sound economy is in focus for everything we do and the core of our business. Intrum has an important role to play to shed light on financial sustainability, for the private individual as well as for companies and for society at large. Through our own surveys we see that when businesses are paid on time, both large and small companies are able to compete on equal terms and get the wheels in society to spin: more people get to work and

people in debt get support to create a sustainable personal economic situation.

In 2017 we submitted our first report to the UN Global Compact on how well we have applied the UN's ten principles for sustainable companies. Through the work on the European Payment Report and the initiative for established codes on payment times, we are leading the way towards a sound economy.

Another example of our sustainability work is our initiative for training in personal finance. In 2017, we continued to develop Spendido, a digital education program targeting young people. In 2018 we will be ready to launch Spendido in several of the Group's markets. The aim is for young people to gain an early insight into what it means to buy on credit and what the consequences are if they fail to meet their commitments.

#### **Thank you!**

2017 was an exciting and eventful year. The year when we took the step to become the undisputed market leader in our industry and established a stable foundation to build on for the future. I would like to express my gratitude to our 80,000 clients and all of my thousands of hard working colleagues. Intrum's vision is to be a respected player, trusted by all who provide or receive credit.

Mikael Ericson

President and CEO  
Stockholm, March 2018

Purpose, mission and vision

**As a market leader  
we play an important  
role in society.**

As the undisputed market leader, our purpose is to lead the way towards a sound economy. Our mission is to help companies prosper by caring for their customers, in a considerate manner, to meet their commitments and pay off their debts at an individual pace. Our vision is to be trusted and respected by everyone who provide or receive credit.

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**Purpose:**

We lead the way towards a sound economy.

We play an important role in society and are at the forefront of creating effective payment flows and a sound economy.

As goods and services are increasingly paid for using credit, it is important for companies to be able to make sales with the least possible credit risk and to accept payment in a secure way. It also means that consumers can feel secure in credit-based purchases not leading to unsustainable debt.

With our full range of credit optimization, payment solutions, collection and financial services, we help around 80,000 clients increase their sales, improve profitability and cash flow while reducing their financial risk. 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, while helping people achieve sound finances.

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**Mission:**

We help companies prosper by caring for their customers.

To succeed in our sector and to behave as the undisputed market leader that we are, our clients and their customers must be afforded equal importance. With size comes responsibility – the responsibility to devote the same scope to companies striving to develop, grow and recruit as we do to their customers who find themselves in an exposed financial situation.

Thanks to our collection operations, which are individually tailored to people's financial capacity, our clients' customers are treated with respect and consideration. People gain better opportunities to meet their commitments and to pay their debts, and our clients incur fewer write-offs, improve their liquidity and increase their profitability while freeing up resources for their core operations.

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**Vision:**

To be trusted and respected by everyone who provide or receives credit.

Our market leading position brings considerable responsibility. We can only do our job if we have the complete confidence of our clients and their customers and it is therefore important that we maintain our position as role models in the sector, showing the way towards a sound economy for all. Treating our clients' customers with consideration is the very essence of who we are and what

we do. We strive to meet the highest standards in everything we do, with great professionalism in which we accept responsibility for our actions.

Our vision is for Intrum to be trusted and respected by everyone who provide or receive credit. With solutions that generate growth while helping people become debt-free, we build value for individuals, companies and society.

# Our strategy for the future.

Intrum is now the undisputed market leader in the European credit management market. However, that does not mean we can simply lean back and feel satisfied. We see ourselves as pioneers, with both the opportunity and responsibility to raise the bar and change how people view our industry, by setting a good example.



Through ethical and sustainable enterprise, with our clients and customers in focus, Intrum will remain as a benchmark and set the standard for the sector. We exist to meet the needs of our target groups and thereby work for the long-term development of Intrum and our industry. We have implemented a strategy for this, comprising growth, efficiency, digitization and analysis.

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## Growth

The new Intrum enjoys better growth opportunities than ever before.

There is still considerable growth potential for our core operations in all of our markets. The greatest potential involves us increasing the part of our operations that consists of buying and collecting on portfolios of unsecured consumer receivables.

The past year we have strengthened our capacity in investing in portfolios

of corporate receivables as well as secured assets, such as mortgages, which ensures continued growth.

Another important parameter for growth involves acquisitions in new markets. We first aim to establish operations in those European countries where we are not currently present, we will then raise our sights to other continents.

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## Efficiency

Efficiency entails doing the right things and doing them correctly. As the market leader, we will lead development on this front too.

In achieving this, the customer experience plays a significant role. How our clients' customers experience their contact with us in our efforts to help them become debt free affects the result. We know that if we act with care and respect for people's financial situation, the chances are greater that companies will be paid.

Doing things right is also about our internal efficiency. Our market is highly competitive and we need to continuously improve our processes to be able to deliver with quality and sustained profitability. It includes coordination of processes, sharing of best practice and centralization of IT.

By doing the right things correctly, our vision is to be trusted and respected by everyone that give or receive credit.

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## Digitization and analysis

As a market leader, we have access to more business and credit information about people and companies than our competitors have.

With this knowledge, combined with Intrum's own analysis models, our clients' risk assessment is made easier and granting credit to customers is more secure.

In order to consolidate our position as a market leader, we focus on developing data support and analytical capacity in our core operations, but also transforming the credit management sector by taking advantage of new opportunities for digitizing and analyzing credit data.

# Financial targets

## Earnings per share

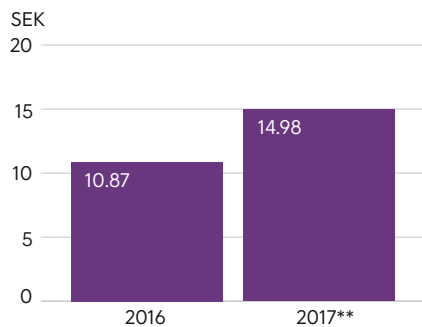
### Target

**+15%**

An increase of 75 percent until 2020 compared to 2016, corresponding to an average yearly increase of 15 percent.

### Outcome

Earnings per share 2016 and 2017 pro forma\*



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

\* Based on pro forma net earnings for the combined Intrum Justitia and Lindorff adjusted for non-recurring items of SEK 815 M in 2017 and SEK 171 M in 2016, calculated with the number of shares at year-end 2017, i.e. 131 541 320 shares.

\*\* Pro forma EPS growth in 2017 was 38%

## Return on purchased debt

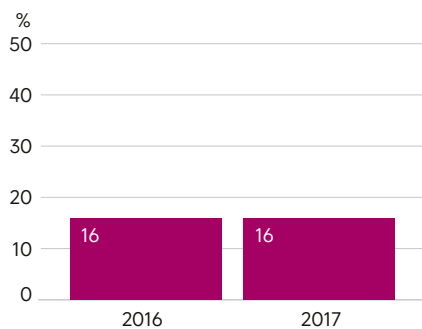
### Target

**13%**

Return on purchased debt should be at least 13 percent on a rolling twelve months basis.

### Outcome

Return on purchased debt 2016 and 2017 pro forma\*



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

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

\* Based on pro forma numbers for the combined Intrum Justitia and Lindorff in 2016 and 2017.

## Net debt in relation to operating earnings before depreciation and amortization

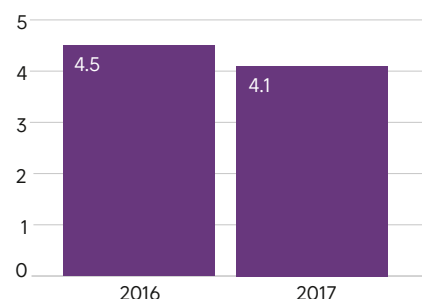
### Target

**2.5 to 3.5**

Net debt in relation to operating earnings before depreciation and amortization shall be in the interval 2.5–3.5.

### Outcome

Pro forma net debt / pro forma Cash EBITDA excluding NRI's 2016 and 2017\*



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

\* Based on pro forma net debt and pro forma cash EBITDA excluding non-recurring items for 2016 and 2017.

## Dividend policy

Intrum'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 2017 the Board has proposed a dividend of SEK 9.50 per share (SEK 9.00 per share), which is equivalent to approximately 65 percent of net earnings.



# We help companies prosper by caring for their customers.

## Business model – additional credit information provides increased customer benefits

Our business model is basically simple. We assist our clients with their credit management – credit optimization, payment services, collection services – and we invest in portfolios of overdue receivables and collect on those. Over many years of investing in portfolios and collecting on them, we have built up deep insights and understanding of consumer payment patterns. As a market leader, our capabilities of servicing our clients, both internationally and locally, and our knowledge about credit information and payment behavior, is more comprehensive than our competitors.

With good knowledge about customers and behaviors, combined with Intrum's own analysis models, our clients' risk assessment is made easier and granting credit to customers is more secure. This entails Intrum assessing people's creditworthiness on the basis of historical data and predicting payment habits and behaviors. The technique is based on a combination of advanced statistical tools and significant IT capacity for analyzing credit information.

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## A balanced business model where both Credit Management Services and Portfolio Investments together creates a strong competitive advantage

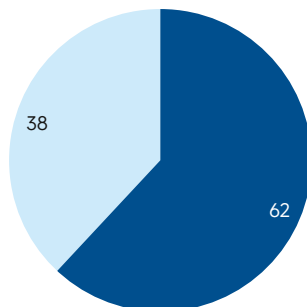




We offer a complete range of credit management services that cover all of our clients' needs, from credit optimization and payment services to collection services. With Intrum's financial services, such as factoring, payment solutions for e-commerce companies and portfolio investments, companies are paid regardless of whether payment is secured from the customer. Our dialog with our clients takes the outset from the client's needs to handle outstanding receivables more efficiently and to reduce the churn rate. It may also be important for our clients to make internal credit management processes more efficient, and to recover non-paying customers faster.

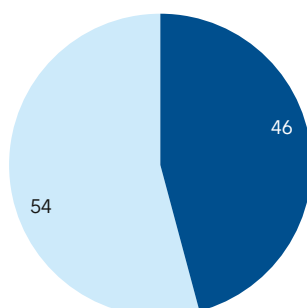
### Share of revenue

- Credit Management Services, %
- Financial Services, %



### Share of service line earnings

- Credit Management Services, %
- Financial Services, %



The figures above are based on pro forma revenues of SEK 12 219 M and pro forma service-line earnings of SEK 3,489 M for 2017.

### Credit management services – consideration and respect give results

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 companies are paid, and the consumer is helped to become debt-free.

#### Credit optimization

Information about prospective customers' credit status plays a more and more important role as purchases move from the physical store to on-line shops. Within e-commerce purchases on credit are larger and it is then important to secure that companies are paid, and consumers can securely make transactions they are able to pay.

Our credit optimization services provide our clients with solutions that helps them to decide who they should sell to and on what terms. Intrum's credit risk assessment is based on a combination of knowledge, information and understanding. We have long-term experience of European credit markets deep insights around payment behavior in different markets. This, combined with in-house analysis models and cutting-edge technological solutions, enables us to make companies' risk assessment easier and provision of credit to customers more secure.

#### Payment services

For transaction-intensive online trade, but also for traditional trade, efficient procedures



## Credit Management Services\*\*

SEK M	2017	2016	%	% fx*
Revenues	8,852	7,650	16	15
Service line earnings***	2,475	2,038	21	22
Service line margin, %	28	27	+1ppt	

## Financial Services\*\*

SEK M	2017	2016	%	% fx*
Revenues	5,506	4,697	17	15
Service line earnings***	2,946	2,483	19	20
Service line margin, %	54	56	-2ppt	

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

\*\* Numbers above are based on pro forma figures for the combined Intrum Justitia and Lindorff.

\*\*\* Service line earnings excluding non-recurring items (NRI's).

for invoicing and distribution of reminders are business-critical. When we handle billing and accounts receivable, the management of payment administration and reminders is professionalized, while our clients are able to reallocate their resources to operating and developing their core operations. Payment times are thereby reduced, and the number of collection procedures decreases. Accordingly, invoices are distributed automatically by means of quality-assured procedures and payment reminders are distributed consistently and on time.

The key to delivering increased client benefit includes understanding both people's and companies' situations. With the large amount of credit information we have at our fingertips, we gain insights into businesses and trends in all European countries. Such insights help us assess credit risks for our clients, for example. However, the information also helps us understand people's financial situation so that credit is provided under fair conditions.

### Collection

Intrum assists companies succeed by taking good care of their customers, helping them, in a considerate way, to become debt-free and achieve sound private finances.

With good information about payment behavior we can understand people's financial situation and adapt our collection operations to people's financial capacity, our clients' customers are treated with respect. We can, for example, see differences between consumers who have

encountered temporary financial problems and those who find themselves in a more difficult situation with current debt issues. We know that people become debt-free under fair conditions and with a good, caring and respectful response. Our clients incur fewer write-offs and improve their liquidity and profitability while freeing up resources for their core operations.

If the debt collection process is still not bearing fruit, we forward the matter to the legal authorities, such as the enforcement service, for a decision.

### Financial services – stable cash flow regardless of when payment occurs

With financial services such as factoring, our clients 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 companies' overdue receivables for a portion of the value and pursue collection activities ourselves.

### Financing services

Companies may benefit differently from using our finance services. Some companies want to have a stable cash flow, others to temporarily increase their liquidity to make investments, for example. Or they want to minimize their financial risk.

Perhaps the most well-known financing service is factoring, whereby companies sell their

invoices to us and are paid directly. Another is our service for e-commerce companies with large amounts of credits continuously being provided to consumers, giving rise to major financial risks. Here, risk is minimized since we offer a service whereby our clients are paid immediately on completion of the purchase, while the consumer is offered monthly invoicing or installment payments. The e-commerce company itself is the sender of all communications with consumers, although we take care of all the work.

For those companies, 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 as collection cases.

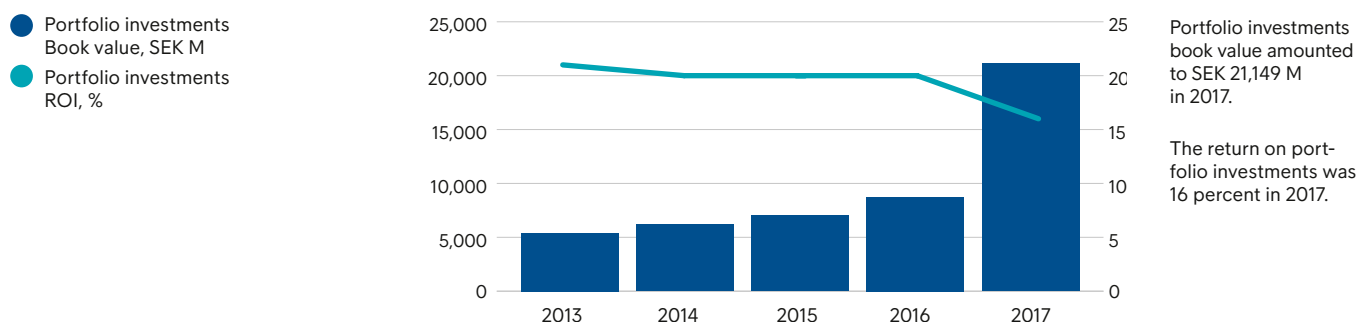
### Portfolio Investments

Many companies suffer from late payments or because they are not paid at all. On the whole, large amounts of lost income are involved that could instead be used for investment in the companies' development and to provide opportunities for more Europeans to gain employment.

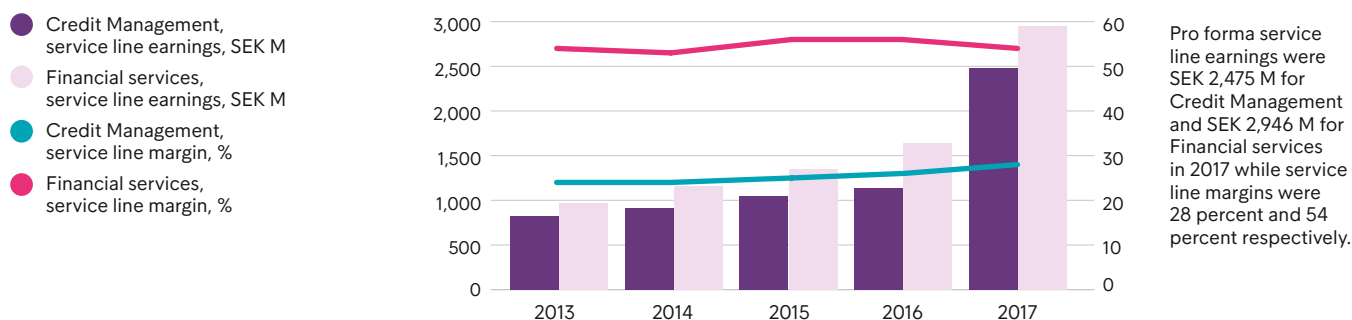
For a bank or a company, it may be considered feasible to sell its unpaid receivables, fully or in part. The burden is taken off the balance sheet, and the payment received can instead be used to invest and further develop the company.

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'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 individual's payment capacity.

## Portfolio investments Book Value/Portfolio investments ROI\*



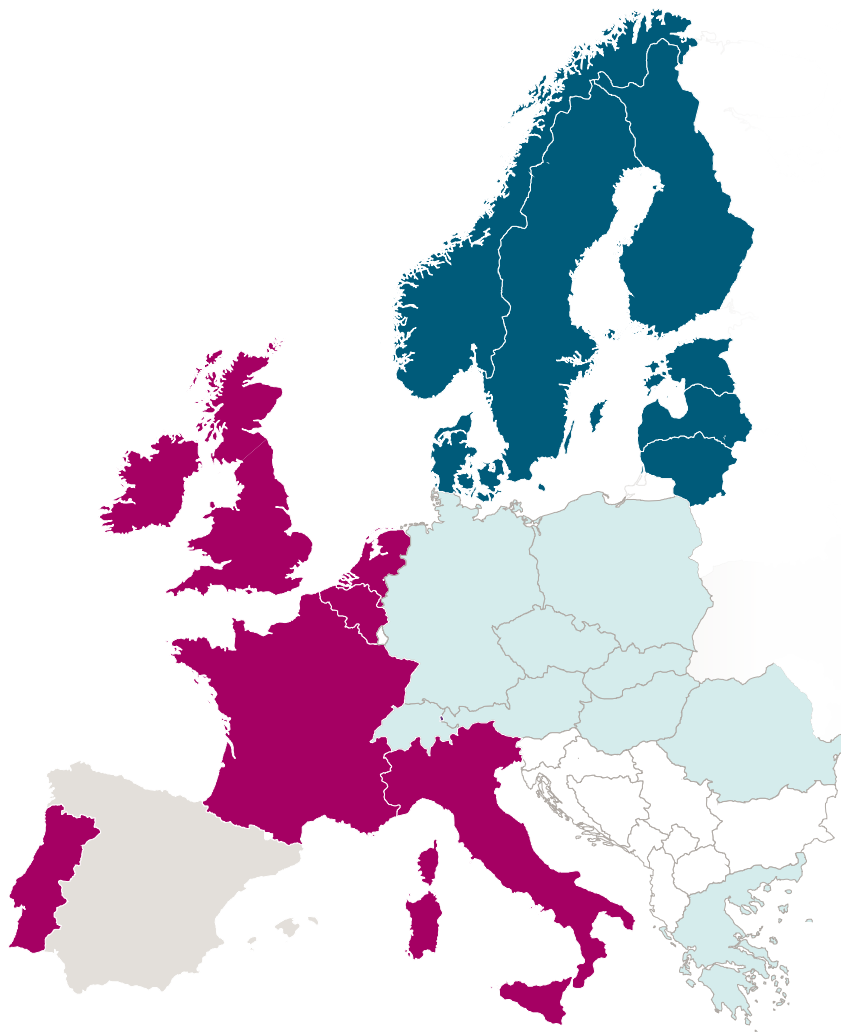
## Service line earnings/Service line margin\*



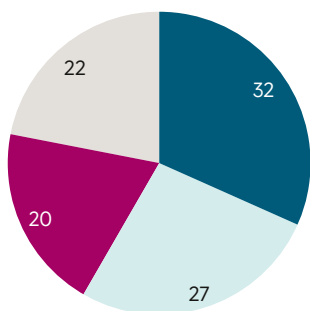
\* The figures presented above are based on pro forma figures for 2017 of the combined Intrum Justitia & Lindorff.

# Regions

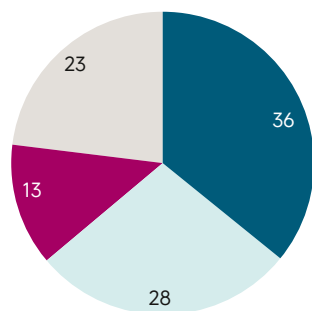
Intrum's operations are divided into the four regions: Northern Europe, Central and Eastern Europe, Western and Southern Europe, and Spain. We have presence in 24 countries and more than 8,000 employees.



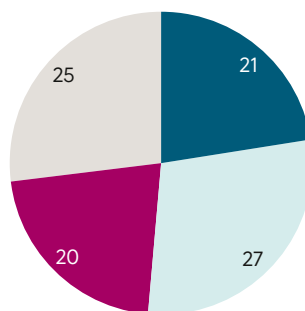
Share of revenue



Share of earnings



Proportion of employees\*



\* Remaining 7% of total number of employees belong to central functions.

- Northern Europe, %
- Central and Eastern Europe, %
- Western and Southern Europe, %
- Spain, %

Revenues, operating earnings and operating margins excluding revaluations of portfolio investments.

## Northern Europe

	Year established	Market position
Denmark	1977	Market leader
Estonia	1996	Market leader
Finland	1910	Market leader
Latvia	2000	Market leader
Lithuania	2002	Market leader
Norway	1898	Market leader
Sweden	1923	Market leader

SEK M	2017	2016	%	% fx*
Revenues	3,827	3,716	3	2
Operating earnings	1,402	1,426	-2	-3
Operating margin, %	37	38	-1 ppt	-

## Central and Eastern Europe

	Year established	Market position
Austria	1995	Top 5
Czech Republic	1996	Market leader
Germany	1978	Top 5
Greece	2018	Smaller
Hungary	1993	Market leader
Poland	1998	Top 5
Slovakia	2005	Market leader
Romania	2006	Top 5
Switzerland	1971	Market leader

SEK M	2017	2016	%	% fx*
Revenues	3,233	2,729	16	14
Operating earnings	1,117	940	19	16
Operating margin, %	35	34	1 ppt	-

## Western and Southern Europe

	Year established	Market position
Belgium	1988	Top 5
France	1987	Market leader
Ireland	1999	Top 5
Italy	1985	Top 5
Netherlands	1983	Top 5
Portugal	1997	Market leader
UK	1989	Smaller

SEK M	2017	2016	%	% fx*
Revenues	2,391	1,943	23	21
Operating earnings	522	421	24	23
Operating margin, %	22	22	-	-

## Spain

	Year established	Market position
Spain	1994	Market leader

SEK M	2017	2016	%	% fx*
Revenues	2,705	2,008	33	33
Operating earnings	833	382	131	128
Operating margin, %	33	19	14ppt	-

All figures presented above are pro forma figures for 2017 of the combined Intrum Justitia and Lindorff.

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

Values

# Who we are and how we act.



**At Intrum, we generate value for people, companies, shareholders and society as a whole. We are driven by our purpose of leading the way towards a sound economy and are guided in this by our four values, which describe who we are and how we behave in our day-to-day work.**

### **Empathy**

Our day-to-day operations entail generating value for people, companies and society. Each situation is unique and has its own financial and social impact. We strive to meet people on their own terms and to treat others with dignity and respect. This applies to all – our clients, customers and colleagues. This approach allows us to find meaning and value in what we do and to achieve our shared vision.

- We listen actively and seek to understand.
- We keep an open mind and are flexible.
- We show patience and offer support.

### **Dedication**

Our committed employees are one of our greatest strengths. By trying to improve a little every day, we bring out the best in one another. We grow as individuals and as a team to shape our company's future, thereby providing added value for our clients and their customers. Our industry is changing constantly – we are always moving forward and never stop developing.

- We share knowledge across borders.
- We are committed to, and responsible for, our own development.
- We go that little bit further and never give up.

### **Ethics**

Our ethical standard and expectations go beyond what laws and regulations say. We behave as role models and consider it our responsibility, and an opportunity, to set new standards to change people's view of the credit management sector. This entails treating our client's customers with care and respect under all circumstances and cooperating with companies and customers who share our values. To achieve this, we behave fairly and honestly in everything we do.

- We focus on society and sustainable enterprise.
- We take responsibility for our actions.
- We do the right thing – living and acting according to our values and our Code of Conduct.

### **Solutions**

What makes us stand out in the market is our capacity to identify and develop the best solutions and to create win-win situations for our clients and customers and their customers. By being innovative and efficient, we exceed expectations and assume a role as a knowledge leader in our sector.

- We focus on results, not problems.
- We collaborate to provide our clients and customers with innovative solutions.
- We value quality and professionalism.

# Market trends that redraw the map.

The European credit management market still primarily comprises numerous small operators who conduct collection operations locally in their countries. A few other major players have a wider range of services, including everything from assessment of credit risk to accounts receivable, reminders and collection. However, this map is currently being redrawn. Consolidation, new regulations, changed behaviors among sellers of portfolios of unpaid receivables and new customer needs have an impact. Here are the most influential trends.

## **New regulations alter market dynamics and generate opportunities**

In the aftermath of the financial crisis, the directives on how European banks should handle loans maturing without payment (so-called 'distressed loans') have been amended, imposing stricter demands on both sellers of unpaid receivables, as well as buyers such as Intrum.

This development generates favorable opportunities for a company like Intrum, which is well positioned to meet the banks' need for a strong counterparty, to participate in a major ongoing market shift. It is increasingly important to be a long-term partner to the sellers. This causes the market terms for portfolio acquisitions to shift from a process in which the price tag sets the tone, to something completely different. Only the largest credit management companies are capable of realigning their processes and methods to meet the new requirements.

The European Commission is working to develop directives and regulations to create a well-functioning market for non-performing loans. Intrum is one of the players involved in discussions with the Commission regarding the new regulations.

## **New rules for handling of personal data**

One of the advantages of size is having the possibility to gain deep insights on payment behavior.

With substantial information, and thus a greater capacity for analysis, the effectiveness and accuracy of the analysis process are enhanced. This provides Intrum with the tools to conduct its operations in a respectful manner, based on each individual's ability to pay. We also have better prerequisites for making more accurate analyses, making it easier to evaluate portfolios and reduce risks in the operations.

New regulations on protection of personal data (EU General Data Protection Regulation) were adopted in 2016 and will come into force in 2018. This affects all companies that use personal data in their operations and imposes stricter regulatory compliance requirements. New local regulations are also being established in several European countries reinforcing this scenario. Intrum has a well established routine for handling data that is now being strengthened to ensure that we are prepared to work according to the new regulation from May 2018.

## **Ethics – from hygiene factor to competitive advantage**

For sellers of receivables, regulatory compliance and how credit management companies handle end-customers is increasingly important. Greater significance is being attached to collection operations being handled ethically, with end customers being treated respectfully. High





ethical standards, which Intrum has for a long time considered important, have progressed from being a hygiene factor to becoming a true competitive advantage.

#### **Digitization presents challenges but also creates opportunities**

The financial sector, which includes the credit management segment, is undergoing considerable change, driven by new market dynamics and rapid technological development. Digitization enables improved customer experience and more efficient processes, benefiting both businesses and consumers. Innovations, such as artificial intelligence, robotics and advanced analytical models generate opportunities for a company like Intrum, although, at the same time, they involve new types of players entering the market, contributing to increased innovation and challenging established players.

#### **Continued consolidation**

A consolidation of the market is in progress, driven by the fact that credit management companies are favored by size and the opportunity to extract economies of scale. This is a trend we have been seeing in Europe for several years, but that is now intensifying. A traditionally fragmented market is changing as larger players acquire smaller ones. Intrum is one of the players

which actively contributed to the consolidation by making a large number of acquisition.

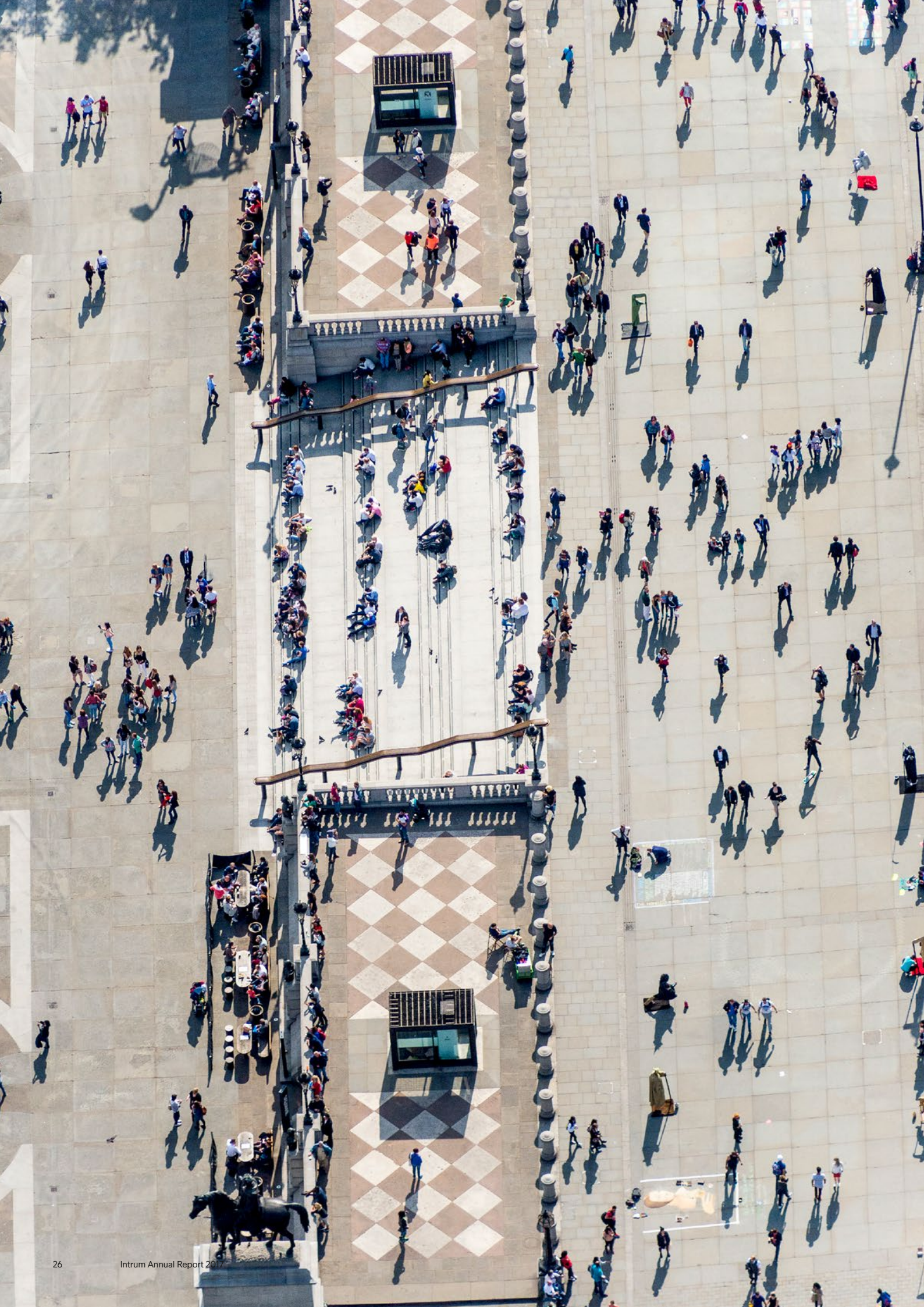
#### **New types of receivables for sale**

A clear trend in 2017 is that sellers of portfolios seek not only to sell unsecured receivables but also those with underlying collateral, such as real estate or purely corporate receivables. This is driven by the fact that banks tend to focus on their core processes and allow specialized actors to handle non-performing loans, both in terms of mortgages and other types of receivables.

#### **Clients with new needs**

Credit management is seeing growing demand from multinational companies seeking solutions offering support in several countries. Accordingly, Intrum and others must develop systems and services to meet this. That may involve developing a model for managing a client's credit management in one country and then providing services based on that model in several countries.

More and more companies look for innovative digital services. To attract the more than 20 million small businesses that exist in Europe, a product is needed that suits their needs and that they can order and manage completely digitally.



Leading the way towards a sound economy is Intrum's purpose. Our foremost contribution to sustainability is our undertaking to promote financial sustainability for individuals, companies and entire societies. As the undisputed market leader in credit management, we have a major responsibility, particularly in terms of sustainable development. It is obvious to us that financial sustainability goes hand in hand with environmental and social responsibility, and leading the way towards a sound economy requires active efforts in financial, environmental and social sustainability.

# We promote sustainability for people, companies and entire societies.

Financial sustainability work is a naturally integral part of our business model. Promoting financial sustainability for all is our passion and our principal focus. At Intrum, we work actively to contribute to sustainable development, both financially, socially and environmentally. We attach great importance to our efforts to combat corruption and bribery, to limit our negative environmental impact, to respect human rights, to contribute to favorable working conditions and to disseminate knowledge.

## **Financial sustainability – a sound economy for all**

Payments being made on time are fundamental to sustainable communities. A fundamental prerequisite for the growth and development of companies and organizations is that they are paid on time. By ensuring that companies are paid on time while helping people to become debt-free, Intrum contributes to the growth of society and to a sound economy for all.

In achieving economic sustainability, it is essential that companies' operations function well and can grow. Opportunities to buy on credit allow companies to invest, develop and provide jobs. We see the possibility of buying on credit as a vital ingredient in a growing and sound

economy. Where credit is granted without due caution, this can pose risks to consumers, businesses and society as a whole. In a sound economy, companies can lend money or sell goods and services on credit without financial risks. This generates conditions for new jobs that contribute to society, particularly from an economic and social perspective. Through our operations, we create jobs and facilitate growth.

A sound economy also means that individuals do not risk being placed in circumstances of unsustainable debt. An important component in people's quality of life is a secure financial situation. This creates opportunities for all people to achieve their goals and dreams. In 2017, Intrum employees held discussions with thousands of consumers each day to identify individually tailored solutions to help each of them become debt-free. We attach the utmost importance to managing each of our daily contacts in a dignified and professional manner, showing due respect to the situation of the individual. By helping people become debt-free, we also help our clients decrease their write-offs, improve their liquidity and increase their profitability.

As the market leading credit management company in Europe, we strive to act as a role model for other companies in our sector.

Through our presence in 24 European countries, we have both the responsibility and opportunity to contribute to sustainable economic development in Europe.

Our work for a sound economy also includes combating bribery and corruption. This is extremely important to us as a player in the financial sector. To ensure the complete elimination of this, we maintain clearly formulated anti-corruption and bribery policies. These policies are based on principles originating from the Swedish Anti-Corruption Institute. We follow these policies up actively to ensure that they are complied with. An important part of this work is the provision of an anonymous whistleblower mechanism for those subject to our policies. We investigate suspected infractions of our policies thoroughly and take the measures necessary to ensure that neither bribery nor corruption occur within our operations.

#### **Environmental sustainability – limiting of our impact on the environment**

Intrum has been a signatory of the UN Global Compact initiative since 2016. Through this initiative, we have undertaken to work in a dedicated manner to advance our contribution to sustainable development from an economic, social and environmental perspective. While contributing to financial sustainability is self-evident for us, since this is woven into our business concept, more dedicated efforts are needed to contribute to sustainable development in environmental and social issues in particular.

Our environmental policy stipulates that we are to limit our climate impact to the greatest possible extent. For those of us working in the financial sector, this means, in particular, that we should work actively to reduce our direct and indirect emissions of greenhouse gases. We work especially hard to limit our climate impact through travel, energy consumption and the use



of office supplies. To reduce our climate impact through travel, we encourage our employees to choose telephone or video conferencing to the greatest possible extent to avoid making trips that are detrimental to the environment. We also encourage our employees to reuse office supplies as far as possible and to reduce consumption of paper by using electronic documents. To minimize our climate footprint in relation to business travel, our environmental policy requires that none of our company cars emit more than 130 grams of carbon dioxide per kilometer.

The property in which Intrum's Stockholm headquarters is located has been awarded a BREEAM certificate with four out of five possible stars. BREEAM is the most widely used environmental certification system in Europe with more than two million buildings having been registered

#### **Financial sustainability**

Payments being made on time are fundamental to sustainable communities. By ensuring that companies are paid on time while helping people to become debt-free, Intrum contributes to the growth of society and to a sound economy for all.

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#### **Social sustainability**

Efforts in social sustainability comprise an important process not only internally within Intrum, but also externally. In this regard, our principal contribution to social sustainability involves our training efforts enhancing understanding of financial information.

for certification. To obtain the certificate, the property is assessed in areas such as energy consumption, water management, waste management and environmental impact.

#### **Social sustainability – human rights, favorable working conditions and training measures**

In our social sustainability efforts, we focus on ensuring that we provide a safe workplace for our employees. The key to improving a little every day entails safeguarding the motivation and security of our employees. To ensure that our employees enjoy the best possible conditions, we conduct an annual survey of all our employees. Among other aspects, the survey addresses our employees' development opportunities, immediate managers, salaries and benefits. The results of our employee survey help us identify the measures necessary to ensure that all of our employees thrive and develop in their daily work.

For us, human rights and favorable working conditions are just as important with regard to our own employees as for everyone working for us throughout our value chain. Our Code of Conduct stipulates the basic social conditions included in internationally recognized conventions and declarations, such as the UN Declaration of Human Rights. The Code of Conduct covers all of our employees and all of those who represent us, whether consultants or suppliers.

Efforts in social sustainability comprise an important process not only internally within Intrum, but also externally. In this regard, our principal contribution to social sustainability involves our training efforts enhancing understanding of financial information. In Germany and France, for example, we have local initiatives aimed at educating people on the consequences of taking credit. In Sweden, we have the education project Spendido that reaches a large number of upper-secondary school students and teachers each year. With the Spendido project, we provide

an interactive web-based lesson for upper-secondary school classes about what it means to buy on credit, what the costs are for late or non-payment, and what happens when an invoice has progressed to collection. In this way, we prevent indebtedness among young people and prepare the next generation for the complex financial existence in which we live today. Spendido is now being extended to additional European countries.

We are keen to share our expertise and our knowledge with the public and attach great importance to disseminating information that benefits society. Since 1998, we have conducted an annual study of how companies in Europe are affected by not being paid on time. The results of this survey are presented in our annual European Payment Report. Each year, we also map European consumers' everyday finances. This is presented in our annual European Consumer Payment Report. Data from the reports are used by clients, by decision makers at the EU and local levels, as well as by media throughout Europe. Intrum's studies have guided the European Commission in its efforts to develop and evaluate the EU Late Payment Directive. In 2017, we continued our work to support the European Commission with data from our surveys.

#### **Sustainability Report 2017**

To provide greater insight into Intrum's sustainability work regarding financial, environmental and social conditions, we prepare a separate sustainability report. In the report, we relate our sustainability work to the UN's Sustainable Development Goals and communicate our progress in incorporating the UN Global Compact and its principles into our operations. Our sustainability report is available at [www.intrum.com](http://www.intrum.com) or can be ordered via [ir@intrum.com](mailto:ir@intrum.com).

# Two clients' stories.

## Caruna

### It's all about reliability.

Caruna is the largest company dedicated to the distribution of electricity in Finland. Company's share of the local electricity distribution market in Finland is approximately 20 percent, that is some 670,000 private customers and corporate clients located around the country. Caruna's electricity network is 82,000 kilometers long and would stretch twice around the earth. Striving and securing an uninterrupted electricity supply is at the very core of Caruna's operations. Keeping up with promises is important for Caruna, as well as working for the best interests of our customers. At Intrum, we think in the same way.

Our target with Caruna is to become their trusted partner in debt surveillance and collection by delivering outstanding results and supreme customer service.

"We are pleased with our newly launched co-operation with Intrum. Our common aim towards an excellent customer experience creates a solid basis for a prosperous partnership. On top of that, we feel that Intrum adds value to both our customers' everyday lives in terms of payment planning and for our internal teams in terms of workload and efficiency. That is a clear win-win situation," says Katriina Kalavainen, Head of Customer Relations at Caruna.

"Supreme customer service is one of our strategic pillars. Our approach is very customer-oriented and efficient, supported by highly professional and dedicated teams specialized in the energy sector," says Veli-Pekka Harjuoja, Key Account Manager, Energy Industry, Intrum in Finland.

## Grupo Puma

### Our economic situation has improved.

Grupo Puma is a group of construction companies of 25 years' standing, specializing in products ranging from mortars to insulation, asphalt and light pavements. It has 18 production and distribution centers in Spain. Like many in the sector, the group faced a very challenging few years when the financial crisis caused the country's construction boom to come to a sudden halt. According to the group's Director of Commercial Risk, Jorge Artiles, "The problems stem from invoices not being received, unpaid claims or intentional non-payment."

Working with Intrum has given Grupo Puma expert support in collecting its debts, with the right balance between clarifying the situation for the customer and showing sensitivity to their situation, which Intrum's long experience in the industry helps to achieve.

"Usually, it is very effective for the customer to understand that we have debt recovery professionals working to collect a debt that relates to their company, and doing it this way is more effective than if we did it ourselves," explains Artiles. "Intrum also helps us with those clients who don't have credit insurance coverage – and who are late or intend to default – in requesting payment of arrears."

These days, Grupo Puma is in a much happier position. "We are going through a bit of a bonanza as far as collections are concerned," says Artiles. "Our economic situation has improved, and although the general rate of defaults is low, it is obvious that all the recoveries that have taken place have had a positive impact on our bottom line."

# More than 8,000 employees with a passion for a sound economy.

Intrum is Europe's leading credit management company, with more than 8,000 employees and a presence in 24 countries helping clients with everything from credit optimization, payment services and collection to factoring and payment solutions for e-commerce companies. Together, we work for a sound economy in which payment flows function properly and people become debt-free.

## Meaningful, stimulating and motivational

Intrum is a workplace where we join forces to lead the way towards a sound economy. Promoting financial sustainability for all, companies and individuals alike, is our passion and our primary focus.

A job at Intrum is meaningful, stimulating and motivating. Meaningful in that we, as the undisputed market leader, play an important role in society and are at the forefront of creating effective payment flows and a sound economy. Stimulating because mandates and individual responsibility for achieving results are delegated. Motivating by means of individually tailored training programs and opportunities for employees to progress in their careers in all parts of Intrum.

## We seek to be the sector's most attractive employer

At Intrum, there are more than 8,000 of us working at our offices around Europe. Employees have origins in 75 different countries, creating a multicultural workplace where everyone is offered equal opportunities and treated with respect. Our objective with recruitment is to find the most qualified candidate regardless of gender or origin.

We seek to be the credit management sector's most attractive employer – a highly ambitious objective. As the sector's undisputed leader, we are in a position to offer employees considerable potential, while this also imposes responsibility to offer the best opportunities. Accordingly, we attach great emphasis to our leadership, offering career opportunities and making good use of internal recruitment, as well as opportunities for professional development. In our HR strategy, we stress the importance of recruitment, training and enhanced performance.

## Stronger corporate culture

Following the merger of the former Intrum Justitia and Lindorff in 2017, Intrum implemented a new organization. Our employees have been very committed to this journey, which has a carefully prepared process. By means of extensive workshops and development programs, thousands of employees have helped formulate our new values. We are driven by our purpose of leading the way towards a sound economy and are guided in this by our four values, which describe who we are and how we behave in our day-to-day work. More detailed information about our values can be found on page 23.

## Employee survey and leadership training

We want all employees to be able to develop, to thrive and to have the resources and opportunities to help our clients and customers in the best way possible. In achieving this, each year, we conduct an employee survey to ascertain how employees perceive their work, what is important to feel job satisfaction and to do a good job, and how to further develop Intrum to become the sector's most attractive employer.

In the survey we ask our employees to answer a number of questions that can be divided into four main areas; the perceived efficiency of their own team, the leadership, the level of engagement and the net promoter score. Combined, these topics indicate the level of employee satisfaction, motivation and loyalty.

The survey results reflect improvement at several levels. Among other things, this is demonstrated by a strong increase in commitment within the Group in general, a positive trend in employees' views on leadership, and an increase of 27 percent in the employees' net promoter

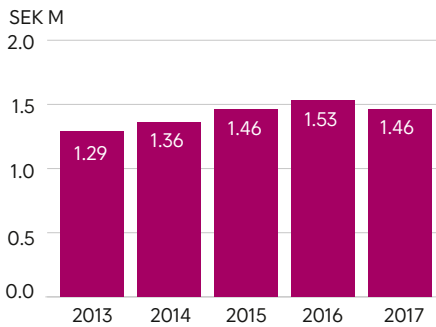
score, that is, the proportion of employees who would recommend Intrum as an employer.

Over the year, we continued to focus on our leadership program, which we have custom-designed in partnership with SSE Executive Education at the Stockholm School of Economics. In 2018, we will be updating our leadership program to prepare our leaders to meet the challenges of the future and to maintain continuity in our managers' opportunities for development. In 2017 we have continued our work to plan for the future development of talents in the company. During the year we have conducted a structured assessment of 70 top managers with the aim to secure that we have the right leaders for the future.

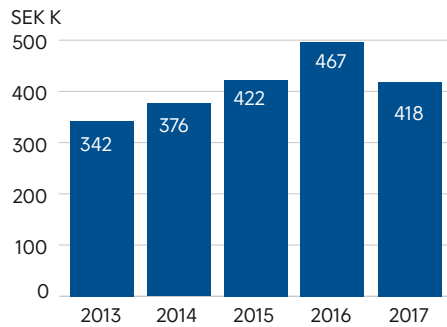
### Trainee program for future leaders and analysts

If we are to be the sector's most attractive employer, we also need to invest in attracting, developing and retaining talented young people. In 2017, we launched our first trainee program, which we called the "Next Generation Program". We inducted six young professionals with the potential to become future leaders and analysts. This has strengthened Intrum's brand name at selected universities and education programs, at the same time bringing in new expertise, new perspectives and ideas to Intrum as an organization. In 2018 we plan to extend the program, to cover ten of our markets.

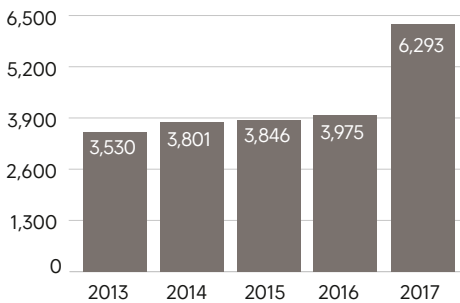
### Revenues per employee, SEK M



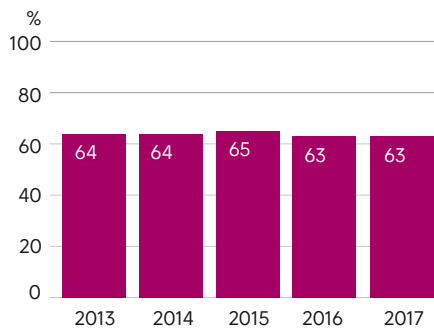
### Operating earnings per employee, SEK K



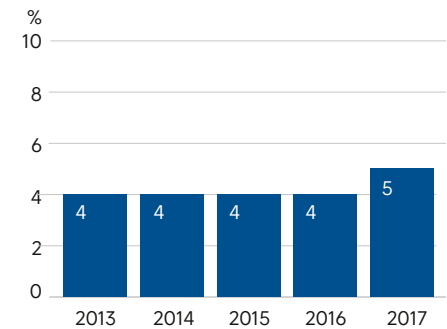
### Average number of employees



### Proportion women, %



### Sick leave, %



2013–2016 show data for Intrum Justitia, 2017 show data for the combined company where Lindorff is included from 27 June 2017.



**Margaretha Bouwman**  
Senior Case Handler, the Netherlands

I work as a Senior Case Handler at Intrum's Contact Center in the Netherlands. On a daily basis, I collect on banking claims applying our amicable process. I contact our customers by phone, e-mail and letter.

I am always looking for a way to meet the customers' needs. The agreement I make with the customer needs to be feasible but also in proportion with the outstanding claim.

Keeping the relationship with our clients in mind, we help make life much easier for them by collecting on their claims. Our aim is to make sure that the clients can maintain their customers.

My expectation of the new Intrum is that we maintain a strong position in the collection industry and, most of all, that Intrum continues to be known as a company that works in a socially responsible manner.





**Katarina  
Bech-Hansen**  
Department  
specialist at  
Legal Collection  
Bank/Finance,  
Norway

The new year started off excitingly. I took on a new position within the company as a department specialist at the Legal Collection Bank/Finance division at our Oslo office. Since 2012, I have held several positions within the company, both in Oslo and Trondheim.

My new position implies several responsibilities. I will be the industry expert in our division of 18 colleagues – an adviser to our division leader, responsible for controlling our portfolio, securing the right competences internally and following up on ambitions and budgets.

My daily work contributes to building good solutions for our clients, and improving their results. I challenge established routines, because tomorrow's needs could be something other

than today's. A key part of this is ensuring customers have a good experience when they are in touch with us. Internally, I contribute to employees' satisfaction, in terms of both capacity and competence.

I have high hopes for the new Intrum. I expect that we will be a company that continuously develops. I want us to be forward-looking and the first mover in our market. This is important because our industry is developing so quickly. We have strong and present leaders in Norway and they inspire us every day. We have great people and a great culture. The opportunities are numerous and people feel a strong commitment to their work – that's inspiring.



**Andrea Torres**  
Lawyer, Spain

I work in Madrid and belong to the department of Legal Collection. I joined the company in 2016. I collaborate in the management of secured portfolios from the legal side. Our clients are private investors who buy portfolios of non-performing loans from financial institutions. As a Lawyer, my role is to ensure the proper functioning of judicial processes. The final purpose is to recover and repossess the real estate assets in the shortest possible time.

For us, it is critical to deliver to our clients a first-class service. To achieve this it's important to manage the judicial process rigorously, to mitigate any risk. It is also important to have a deep knowledge of every file and its situation.

To add value for clients, I always try to be updated. I usually check any legal development or case-law relevant to my daily work.

Regarding the costumers, I am aware of their economic situation and help them as much as I can. When possible, I work with my colleagues in amicable collection to reach a satisfactory agreement for all parties.

These are exciting times – the new Intrum is an enormous company offering a wide range of services under a unique umbrella. This allows us to add further value for our clients and customers. We are the market leader.

To be part of the new Intrum gives me the opportunity to face new and exciting challenges. We have a good atmosphere and learn from one another, all of us doing our best. I am confident that Intrum will offer me the necessary support to continue my learning process under a brand synonymous with excellence.



**Michael Loss**  
Head of  
Communications,  
Switzerland

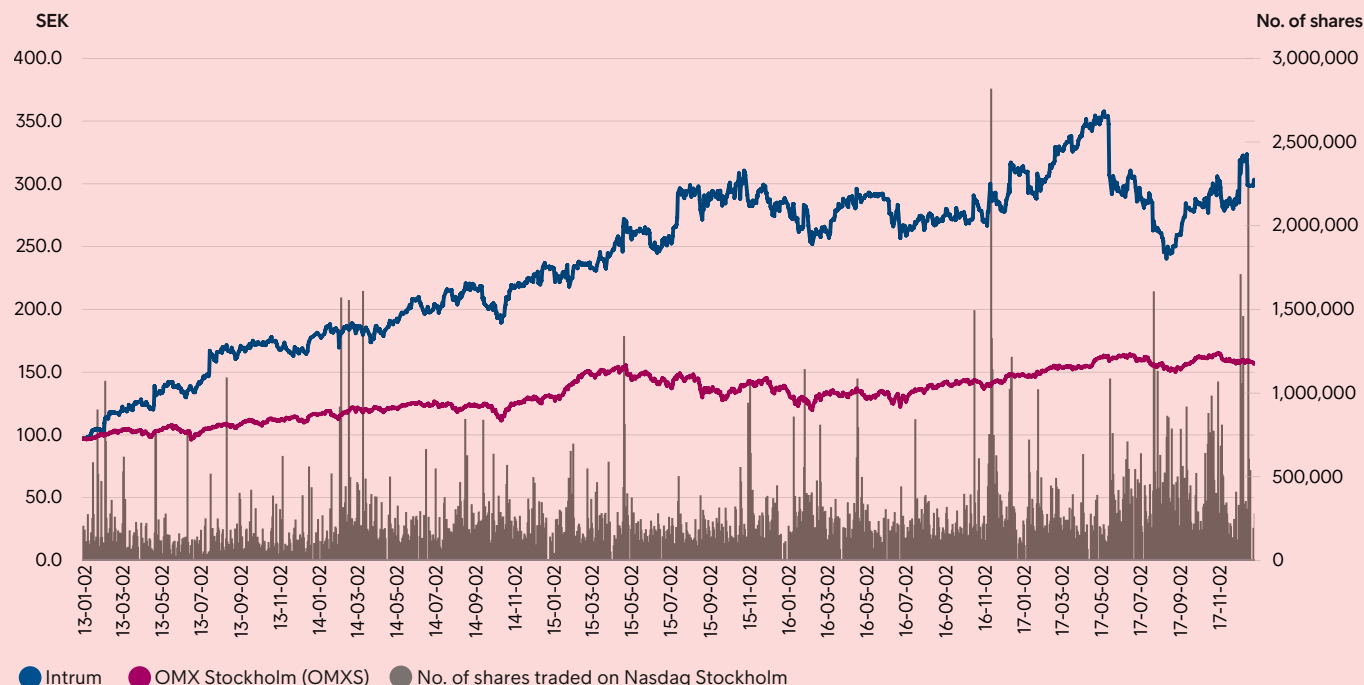
I handle all internal and external communications, as well as media relations. I'm also our spokesperson, working with reputation management and gaining the confidence of the consumer protection agencies by building a trusted brand. I encourage employees to incorporate our values into their day-to-day contacts with consumers, concentrating on quality and empathy. I'm also involved in complaint management, focusing on customers' and clients' needs.

I support our employees in embodying our values and behaving as role models. If a company

strives for a good reputation, it has to do this continuously, without compromising. For me, our employees are crucial for this and I help them achieve what they consider best for our clients or customers. In the new Intrum, I demonstrate the possible outcomes and/or consequences for people's action or inaction to call center colleagues or management. I hope the new brand will be borne by people honoring our values – without feeling they must compromise for short term financial gain. In the long run, this will bring greater benefit to all of us.

# The share

Intrum'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.



Data per share	2017*	2016	2015	2014	2013
Earnings before and after dilution, SEK	14.98	20.15	15.92	13.48	10.30
Operating cash flow, SEK	–	46.64	39.74	34.95	29.06
Equity before and after dilution, SEK	170.59	55.88	42.66	39.92	41.19
Dividend/proposed dividend, SEK	9.50	9.00	8.25	7.00	5.75
Dividend/net earnings, %	65	45	51	52	55
Share price, SEK	303.30	307.40	288.60	232.00	180.00
Yield, %	3.1	2.9	2.9	3.0	3.2
P/S Multiple	3.3	3.7	3.7	3.4	3.1
P/E Multiple	30.2	15.25	18.12	17.21	17.50
Beta	0.6	0.6	0.7	1.0	0.8
Number of shares at the year end	131,541,320	72,347,726	72,347,726	73,847,534	78,546,878
Average number of shares before and after dilution	102,674,307	72,347,726	73,096,665	76,461,901	79,306,099

\* Data for 2017 are based on pro forma reporting for the combined Intrum Justitia and Lindorff. Earnings per share are based on pro forma net earnings adjusted for non-recurring items of SEK 815 M and is calculated with the number of shares at year end, i.e 131,541,320 shares.

## Ownership structure as of december 31, 2017

Total number of shares 131 541 320	No. of shares	Capital and votes, %
Nordic Capital	57,728,956	43.9
SEB Fonder	5,140,315	3.9
Handelsbanken Fonder	4,282,000	3.3
Lannebo Fonder	3,980,088	3.0
AMF Försäkring & Fonder	3,492,299	2.7
Swedbank Robur Fonder	2,855,316	2.2
Jupiter Asset Management	2,639,418	2.0
Odin Fonder	2,243,707	1.7
Vanguard	1,931,900	1.5
Janus Henderson Investors	1,810,000	1.4
<b>Total ten largest owners</b>	<b>86,103,999</b>	<b>65.5</b>

## Shareholdings by country

Country	No. of shares	Capital and votes, %
Sweden	93,002,271	70.7
USA	11,945,342	9.2
United Kingdom	8,221,627	6.3
Norway	2,712,122	2.1
France	2,231,555	1.7
Netherlands	1,936,605	1.5
Germany	1,291,517	1.0
Luxembourg	1,181,556	0.9
Canada	898,687	0.7
Denmark	662,625	0.5
Other	2,293,778	1.7

## Share capital

On December 31, 2017, Intrum Justitia AB's (publ) share capital amounted to SEK 2,899,805.49, distributed among 131,541,320 shares with a quota value per share of approximately SEK 0.022. Each share entitles the holder to one vote and an equal share in the company's assets and earnings.

On June 27, 2017, Intrum Justitia AB (publ) merged with Lindorff and completed a non-cash issue, whereby Intrum Justitia AB (publ) issued 59,193,594 new Intrum shares, in exchange for all shares in Lock TopCo AS, the parent company of the Lindorff Group. Accordingly, there are 131,541,320 shares outstanding in Intrum. The average number of shares outstanding 2017 was 102,674,307.

## Market capitalization, price trend and turnover

In 2017 the price of Intrum Justitia's share decreased from SEK 313.20 to SEK 303.30, a decline of 3.2 percent, adjusted for a dividend of SEK 9.00 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 240.50 on August 15, and the highest was SEK 357.60 on May 10. The price at the end of the year gave a market capitalization for Intrum of SEK 39,896 M (22,240). Share trades were concluded on every business day of the year. An average 386,349 shares were traded per day (300,515) on the Nasdaq Stockholm Exchange. In total, when including all marketplaces on which the Intrum share trades, an average of 963,745 shares traded per day during the year. Trade on the Nasdaq Stockholm Exchange

accounted for 40 (40) percent of total trade in 2017. 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 2017 Intrum had 16,729 Shareholders, compared to 12,531 the year before. The 14 members of Group Management had a total holding in Intrum of 541,993 shares and Intrum's Board members held a total of 45,800 shares.

## Shareholder communications

Intrum focus substantially on communicating with investors and owners to increase the understanding of the company.

## Share repurchase

Between 2013 and 2015, the Company repurchased shares, but in 2016 and 2017 there were no repurchases. At the end of 2017, the Company held no treasury shares.

## Dividend policy

Intrum'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 2017 financial year the Board is proposing a dividend of SEK 9.50 per share, corresponding to around 65 percent of net earnings after tax. The proposed record date for the dividend is May 2, 2018.

## Development in share capital

Transaction	Change in share capital	Total share capital	Total number of shares	Par value per share
2001 Company founded	100,000	100,000	1,000	100
2001 Split 5000:1	0	100,000	5,000,000	0.02
2001 New share issue <sup>1</sup>	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 <sup>3</sup>	612,765.96	1,699,712.08	84,985,604	0.02
2005 Redemption <sup>4</sup>	-140,587.06	1,559,125.02	77,956,251	0.02
2007 Exercise of employee stock options <sup>5</sup>	22,672	1,581,797.02	79,089,851	0.02
2008 Exercise of employee stock options <sup>6</sup>	10,046.40	1,591,843.42	79,592,171	0.02
2009 Exercise of employee stock options <sup>7</sup>	8,049.60	1,599,893.02	79,994,651	0.02
2011 Reduction of share capital <sup>8</sup>	-5,000	1,594,893.02	79,774,651	0.02
2014 Cancellation of treasury shares <sup>9</sup>	0	1,594,893.02	77,360,944	0.02
2015 Cancellation of treasury shares <sup>10</sup>	0	1,594,893.02	73,421,328	0.022
2016 Cancellation of treasury shares <sup>11</sup>	0	1,594,893.02	72,347,726	0.022
2017 New shares issue <sup>12</sup>	1,304,912.48	2,899,805.49	131,541,320	0.022

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 1,559,152.02 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 cancel-

lation 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.

12) The share capital increased by SEK 1,304,912.48 through the issue in kind to Lindorff's owners of 59,193,594 new shares.

# Board of Directors' Report

The Board of Directors and the President and CEO of Intrum Justitia AB (publ) hereby submit the Annual Report and consolidated financial statements for the 2017 fiscal year.

## Intrum 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'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. In 2017, a merger with Lindorff was effectuated. The Parent Company of the Intrum Group was registered in 2001 and has been listed on the Nasdaq Stockholm exchange since June 2002. At December 31, 2017, the share capital in the Company amounted to SEK 2,899,805 M and the number of shares to 131,541,320. The Group operates in 24 markets.

## Significant events during the year

- In April it was announced that Intrum was acquiring Top Factoring, one of the leading companies for purchased debt in Romania, for a purchase consideration of approximately EUR 25 M on a net debt-free basis attributable mainly to a diversified portfolio of receivables. Top Factoring has some 210 employees working with the Company's own portfolios, as well as a smaller unit offering credit management services to external customers. The company is mainly present in the bank and telecom sectors, with several strong customer relationships generating recurring investment opportunities in portfolios.

- On June 27, 2017, the merger of Intrum Justitia and Lindorff was completed by issuing 59,193,594 new shares in Intrum Justitia to the owners of Lock TopCo AS, the parent company of the Lindorff Group, at a subscription price of SEK 292.80 per share. Lindorff's owners thus became the owners of 45 percent of the shares in Intrum Justitia, as communicated in December 2016. The merger of Intrum Justitia and Lindorff created a leading player in credit management with a local presence in 23 markets in Europe and a team of approximately 8,000 employees dedicated to working for a sound economy. The European Commission's approval of the merger was conditional on the divestment of Lindorff's operations in Denmark, Estonia, Finland and Sweden, and of Intrum Justitia's operations in Norway. Mikael Ericson was appointed CEO of the merged Group, and a new Group Management teams was also selected.

- At the Annual General Meeting on June 29, Board Members Synnöve Trygg, Fredrik Trägårdh, Ragnhild Wiborg and Magnus Yngen were re-elected. Per E. Larsson, Hans Larsson, Kristoffer Melinder and Andreas Näsvik were elected as new Board Members. The Annual General Meeting elected Per E. Larsson as the new Chairman of the Board and Magnus Yngen as new Deputy Chairman.

- In July, the divestment was announced of one of Intrum's subsidiaries in the Netherlands, Buckaroo BV. The buyer was BlackFin Capital Partners, a private equity company focusing on financial services. The transaction was completed in October.

- In October, an important step was taken towards consolidating Intrum Justitia and Lindorff with the launch of a new identity and brand – Intrum.

- In October, Intrum made its first portfolio investment in Greece with the acquisition of a portfolio of overdue receivables from Eurobank for approximately SEK 400 M. Collection of the receivables in the portfolio is temporarily handled by FPS, a specialized company belonging to the seller.

- In November, it was announced that Intrum had entered an agreement with Lowell, a European company managing credit receivables, to divest Lindorff's operations in Denmark, Estonia, Finland and Sweden, and Intrum Justitia's operations in Norway, at a value of EUR 730 M on an enterprise value basis. The transaction was concluded during in March 2018.

- In December, it was announced that Intrum had signed an agreement to acquire CAF S.p.A (CAF), the third-largest credit management company for impaired receivables in Italy. In connection with this, Intrum has acquired a large, diversified portfolio where collection is handled by CAF. The seller of CAF and the portfolio that CAF administrates is a company within Lone Star Funds, a global private equity company. The total purchase consideration for CAF and the portfolio is approximately EUR 200 M, on a cash and debt-free basis.

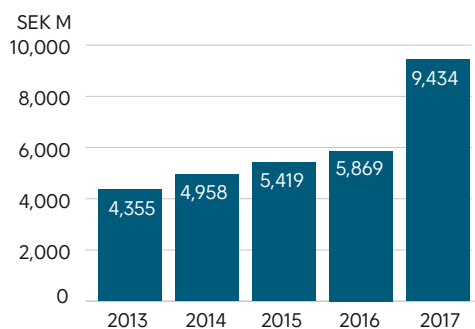
- On the Capital Markets Day in December, Intrum presented its strategy "Intrum 2020", which contains the Company's strategic priorities for the coming years, as well as updated financial targets.

## Revenues and earnings

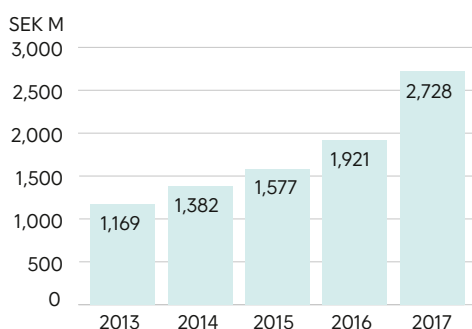
Definitions of the performance measures applied, key financial indicators and alternative indicators are to be found on page 102. For reconciliation of key financial indicators, see Note 38 on page 83.

The merger with Lindorff was implemented on June 27, 2017. Accordingly, Lindorff is included in the consolidated income statement and balance sheet for the second half of 2017. Where comparative figures are referred to as "pro forma", this means that they are reported with Lindorff consolidated as of January 1, 2016. See also Note 40. In connection with the merger, Intrum has undertaken to divest

## Revenues (SEK M)

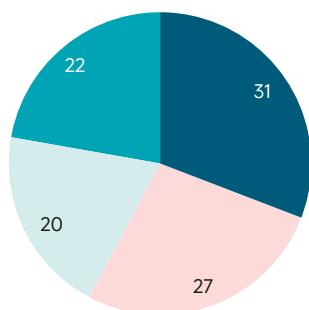


## Operating earnings (SEK M)



## Share of consolidated revenues (pro forma)

- Northern Europe, %
- Central and Eastern Europe, %
- Western and Southern Europe, %
- Spain, %



its Norwegian subsidiaries, as well as Lindorff's Swedish, Finnish, Danish and Estonian subsidiaries. Accordingly, these subsidiaries are reported as discontinued operations, and are not included revenues or operating earnings.

Consolidated net revenues for 2017 amounted to SEK 9,434 M (5,869). Pro forma, including Lindorff, net sales amounted to SEK 12,219 M (10,503).

Operating earnings amounted to SEK 2,728 M (1,921). Pro forma, operating earnings amounted to SEK 3,489 M (3,055).

Pro forma operating earnings of SEK 3,489 M include non-recurring items of a negative SEK 499 M (pro forma in the preceding year, negative 171), items affecting comparability of SEK 25 M (pro forma in the preceding year, negative 285) and revaluations of SEK 63 M (pro forma in the preceding year, 57). Operating earnings excluding non-recurring items, items affecting comparability and revaluations amounted to SEK 3,900 M (pro forma in the preceding year, 3,454).

Net earnings amounted to SEK 1,503 M (1,468) and earnings per share were SEK 14.62 (20.15).

### Geographical regions

#### Northern Europe

The region consists of the Group's operations for clients in Denmark, Estonia, Latvia, Lithuania, Finland, Norway and Sweden.

The region reported revenues for the year of SEK 3,012 M (2,087) and an operating profit of SEK 1,014 M (822). On a pro forma basis, revenues for the year, excluding revaluations amounted to SEK 3,827 M (3,716), with an operating profit (EBIT), excluding revaluations and non-recurring items, of SEK 1,402 M (1,426).

The increase in revenues and earnings is attributable to the acquisition of Lindorff.

On a pro forma basis, revenues, excluding revaluations and currency effects, were on a par with the preceding year. Operating earnings, excluding revaluations and currency effects, decreased compared with the corresponding period in the preceding year, mainly due to lower profitability for Credit Management. Accordingly, the region is working with a number of activities to improve the service line's margins and cost-efficiency.

#### Central and Eastern Europe

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

The region reported revenues for the year of SEK 2,775 M (2,080) and an operating profit of SEK 831 M (759). On a pro forma basis, revenues for the year, excluding revaluations amounted to SEK 3,233 M (2,779), with an operating profit (EBIT), excluding revaluations and non-recurring items, of SEK 1,117 M (940).

The increase in revenues and earnings is attributable to the acquisition of Lindorff.

On a pro forma basis, revenues, operating earnings, excluding revaluations and currency effects, and the operating margin increased. During the year, the Group completed its first portfolio investment in Greece, and activities are in progress to enable future proprietary collection. The region also acquired a smaller unit in Germany, complementing its customer offering in Credit Management.

#### Western and Southern Europe

The region consists of the Group's operations for clients in

Belgium, France, Ireland, Italy, the Netherlands, Portugal and the UK.

The region reported revenues for the year of SEK 2,201 M (1,555) and an operating profit of SEK 337 M (188). On a pro forma basis, revenues for the year, excluding revaluations amounted to SEK 2,391 M (1,943), with an operating profit (EBIT), excluding revaluations and non-recurring items, of SEK 522 M (421).

The increase in revenues and earnings is attributable to the acquisition of Lindorff.

On a pro forma basis, revenues and operating earnings, excluding revaluations and currency effects, increased, primarily as a consequence of increased portfolio investments and successful collection efforts. During the year, the region established a market leading position in Italy by acquiring the country's third-largest credit management company, combined with the acquisition of a large, diversified bank portfolio, for which collection was administrated by the acquired company. In addition, a small Credit Management company was acquired in Italy with special expertise in legal collection, further strengthening Intrum's customer offering and competitiveness in that country.

### Spain

The region consists of the Group's operations for customers in Spain.

The region reported revenues for the year of SEK 1,445 M (147) and an operating profit of SEK 404 M (-12). On a pro forma basis, revenues for the year, excluding revaluations amounted to SEK 2,705 M (2,008), with an operating profit (EBIT), excluding revaluations and non-recurring items, of SEK 883 M (382).

The increase in revenues and earnings is attributable to the acquisition of Lindorff.

On a pro forma basis, profitability remained favorable, primarily due to strong development in covered receivables for Credit Management. Spain had good growth in portfolio investments over the year, albeit with a limited impact on revenue and earnings, since most of the increased investments occurred late in the year. In Spain, Intrum's market position and a good pipeline for future investments, as well as activities to reduce expenses and increase operational efficiency, provide a good platform for growth.

### Service lines

The services that Intrum offers are divided into two service lines:

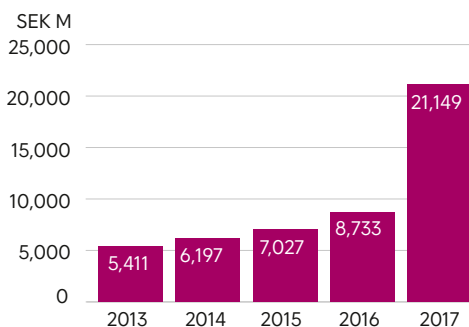
- Credit Management. Collection services, credit information services and payment services.
- Financial services Portfolio investments, i.e. acquisition of portfolios of overdue receivables at less than their nominal value, after which Intrum collects the receivables on its own behalf. Financing services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

### Credit Management

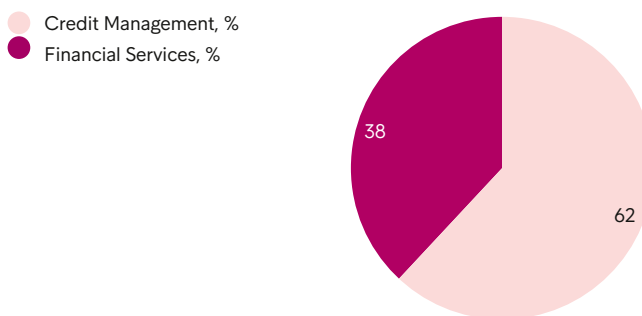
Service line revenues for the year amounted to SEK 6,700 M (4,144), with an operating profit of SEK 1,704 M (1,072). On a pro forma basis, revenues for the year were SEK 8,852 M (7,650), with an operating profit, excluding non-recurring items, of SEK 2,475 M (2,038).

On a pro forma basis, the growth in income is attributable to acquisitions and increased income from collection on the Group's own portfolios. The operating margin for the year

### Carrying value, portfolio investments (SEK M)



### Share of consolidated revenues (pro forma)



was higher than for the preceding year despite pressure on prices in certain markets, higher expenses for legal collection and temporarily lower income from collection on the Group's own portfolios. Activities to improve future margin development are in line with the priorities presented at the Capital Markets Day in December 2017, including the realization of cost synergies, acquisitions, as well as initiatives for increased efficiency in collection and cost savings.

### Financial Services

Service line revenues for the year amounted to SEK 4,516 M (2,849), with an operating profit of SEK 2,456 M (1,606). On a pro forma basis, revenues for the year were SEK 5,506 M (4,697), with an operating profit, excluding non-recurring items, of SEK 2,946 M (2,483).

In Financial Services, income and earnings continued to develop well with a high level of investment. This development is a result of favorable market conditions and a good return on the strengths of the merged company. Growth in investments in secured receivables and receivables from small and medium-sized companies also contributes to the positive trend, whereby such portfolios now amount to approximately 15 percent of the total reported value.

The return on portfolio investments, excluding non-recurring items amounted to 16 percent, in line with the preceding year.

### Expenses

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

Earnings for the year were burdened by non-recurring items of a negative SEK 397 (10), mainly involving expenses associated with the merger between Intrum Justitia and Lindorff.

### Depreciation/amortization

Operating earnings for the year were charged with depreciation/amortization of tangible and intangible fixed assets by SEK 436 M (169). Operating earnings before depreciation/amortization therefore amounted to SEK 3,164 M (2,090). 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 2,703 M (63). These were amortized by SEK 209 M (21) over the year.

### Net financial items

Net financial items amounted to an expense of SEK 973 M (165) and consisted of a net interest expense of SEK 565 M (126), negative exchange rate differences of SEK 38 M (10) and other financial items of a negative SEK 446 M (29). Net interest has been affected negatively by increased borrowing and positively by slightly lower average interest rates compared with the corresponding period in the preceding year.

Other financial items refer primarily to bank fees and similar charges in connection with the Group's borrowing, and include non-recurring items of a negative SEK 316 M (0). The non-recurring items include SEK 299 M in expenses to assure new borrowings in connection with the merger with Lindorff, and SEK 17 M related to amortization of capitalized expenses for the Group's previous borrowings.

### Taxes

The tax expense for the year was equivalent to 22 percent of earnings before tax for the full-year, compared with 19 percent in the preceding year. For further information on

the Group's taxes, see also Note 8. The Company's assessment is that the tax expense will, over the next few years, be around 20–25 percent of earnings before tax for each year, excluding the outcome of any tax disputes.

### Cash flow and investments

Cash flow from operating activities during the year amounted to SEK 4,535 M (3,304). The increase is attributable to increased cash flow attributable to the merger with Lindorff. Over the year, cash flow from investing activities, adjusted for cash and cash equivalents in acquired companies amounted to a negative SEK 8,585 M, compared with a negative SEK 3,776 M for the same period last year. The increase compared with the preceding year is mainly attributable to increased disbursements of SEK 3,818 M for portfolio investments and acquisitions of subsidiaries.

### 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 172 M (142) 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 to continuously be able to meet changes in the demand scenario.

### Financing

Consolidated net debt increased by approximately SEK 30 billion compared with the preceding year as a result of the merger with Lindorff.

In June, the Group was successfully refinanced ahead of the merger by issuing senior, unsecured bonds for approximately EUR 3 billion at an average interest rate of approximately 2.85 percent with an average maturity of approximately 5.6 years. In addition, the Group raised a new revolving loan facility of EUR 1.1 billion with a maturity of 4.5 years.

Net debt in relation to pro forma rolling 12-month adjusted cash EBITDA amounted to 4.1 at the end of the year. This ratio is calculated by placing current consolidated net debt at the end of the quarter in relation to pro forma cash EBITDA, including operations being phased out and including a calculated cash EBITDA throughout the period for larger units acquired during the period, and excluding non-recurring items (NRIs).

The merger with Lindorff was implemented on June 27, 2017 through a non-cash issue, whereby Intrum Justitia AB (publ) issued 59,193,594 new Intrums shares in exchange for all shares in Lock TopCo AS, the parent company of the Lindorff group. Accordingly, there are 131,541,320 shares outstanding in Intrum. The average number of shares outstanding over the year was 102,674,307.

### Risk framework

See also Note 34. Risk management within Intrum 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'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 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 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 of Intrum'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 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 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'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,
- Documented and disseminated contingency and business continuity plans.

#### **Risk appetite**

Intrum defines risk as all factors which could have a negative impact on the ability of the Group to achieve its business objectives. Intrum's risk appetite is based on the following principles:

- To be able to pursue our strategy, the culture at Intrum 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'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 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 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 conducts risk management at both a Group and company level, where risks are evaluated in a systematic manner.

As a consequence of the merger with Lindorff, a comprehensive analysis of the Group's risks was published on the Group's website.

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

#### **Economic fluctuations**

The credit management sector is affected negatively by a weakened economy. However, Intrum'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 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 clients 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, customers, 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 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 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 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's strategy involves acquiring companies and operations. Opportunities to successfully complete acquisitions are dependent on Intrum'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'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. The merger in the year between Intrum Justitia and Lindorff has

affected the overall risk scenario. Partly because it is associated with the risks involved in integrating two large organizations operating in several countries, and partly because the financial risk in the merged company increases.

### **Market risks**

Intrum'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 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 using forward exchange contracts.

### **Liquidity risks**

The Group's long-term financing risk is limited by confirmed loan facilities. 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 more than 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'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 expenses**

As part of its 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 customers. In many cases Intrum has agreements with its clients

whereby any expenses that cannot be collected from customers 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 with portfolio investments

To minimize the risks in this business, caution is exercised in purchase decisions. The focus is primarily on small and medium-sized portfolios with relatively low average amounts, to help spread risks. In 2017, the average nominal value per case was about SEK 12,210. 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 retains the entire amount it collects, including interest and fees. Intrum imposes return requirements on purchased portfolios that exceed the Group's cost of capital by a broad margin. 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 benefits from its extensive experience in debt collection and from the Group's scoring methods.

Scoring entails the consumer's payment capacity being assessed with the aid of statistical analysis. Intrum 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 has, on occasion, partnered with other companies such as CarVal, 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 regarding the clients' receivables from their customers. This entails a risk being incurred that Intrum must compensate the client for the guaranteed amount in the event that the invoices are not paid on time. In certain cases, however, it is possible for Intrum 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 assumes the client's claim against its customer and takes over the continued handling of the case within the Portfolio Investments 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 customer 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 a number of operations-related and financial covenants, including limits on certain financial indicators. Group management 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 2017.

### Goodwill

Consolidated goodwill amounted to SEK 29,565 M as per December 31, 2017, compared with SEK 3,120 M as per December 31, 2016. Of the increase, SEK 25,126 M is attributable to the acquisition of Lindorff, SEK 1,323 M to other acquisitions and a negative SEK 4 M to exchange rate differences.

### Non-financial earnings indicators

The average number of employees during the year was 6,293 (3,975). Over the year, personnel turnover was 23 percent (21). Of the total number of employees during the year, 63 percent were women (63). The percentage of employees with university-level degrees was 39 percent (39). Sick leave amounted to 5 percent (4) of the number of working days within the Group. The Group's strategy in the area of employees emphasizes recruitment, competence development and performance improvement. Every year, an employee survey is conducted to measure employees' satisfaction, motivation and loyalty. For further information on employees, wages and remunerations, see also pages 31–33 and Notes 26–28.

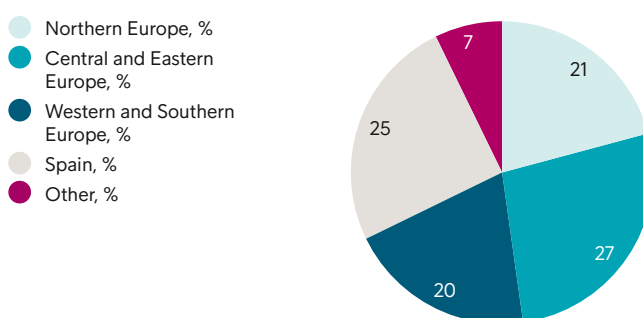
### Social responsibility and the environment

Intrum has prepared a separate sustainability report, which is available at [www.intrum.com](http://www.intrum.com) and can also be ordered via [ir@intrum.com](mailto:ir@intrum.com).

Financial sustainability work is a naturally integral part of the Group's business model. Intrum works actively to contribute to sustainable development, both financially, socially and environmentally. Intrum attaches great importance to its efforts to combat corruption and bribery, to limit negative environmental impacts, to respect human rights, to contribute to favorable working conditions and to disseminate knowledge.

As the undisputed market leader, Intrum's purpose is to lead the way towards a sound economy. The Company's mission is to help companies succeed by helping their customers, in a considerate manner, to meet their commitments and pay off their debts at an individual pace. Intrum's vision is to be a respected actor, trusted by all who give or receive credit.

### Share of employees by geographical region



### 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

to be trusted and respected by everyone that provides or receives credit. 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 subject 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 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.

Intrum's environmental policy stipulates that the Group's impact on the environment and the climate is to be limited to the greatest possible extent. For a company operating in the financial sector, this primarily involves working actively to reduce direct and indirect greenhouse gas emissions. Intrum works to limit the Company's climate impact through travel, energy consumption and the use of office supplies. To reduce the impact on the climate from travel, employees are encouraged to choose telephone or video conferencing. Employees are also encouraged to reuse office supplies and reduce paper consumption by using electronic documents. To minimize the impact on the climate, the environmental policy also stipulates that no company cars may emit more than 130 grams of carbon dioxide per kilometer.

### Group Management

In connection with the completion of the merger with Lindorff at the end of June, a new Group Management Team was appointed consisting of Mikael Ericson (CEO), Alejandro Zurbano (RMD, Spain), Anders Engdahl (CIO), Anette Willumsen (RMD, Northern Europe), Anne Louise Eberhard (CCO), Annika Billberg (CBCO), Cathrine Klouman (COO), Erik Forsberg (CFO), Harry Vranjes (Head of Project Management Office), Jean-Luc Ferraton (CHRO), Johan Brodin (CRO), Marc Knothe (RMD, Western and Southern Europe), Niklas Lundquist (CLO) och Per Christofferson (RMD, Central and Eastern Europe). In December, it was announced that Erik Forsberg intends to leave Intrum in 2018. He stepped down from his position as CFO after the end of the year, on February 9, 2018, and was replaced by Thomas Moss, who was appointed Acting CFO.

### Market outlook and future prospects

Intrum has an unrivaled scale and scope with a presence in 24 markets in Europe and a uniquely balanced and integrated business model. Intrum's size and capacity make it possible to undertake major strategic projects, such as structuring complex agreements and BPO contracts. The business model combines collection with purchasing of receivables, enabling revenue to be maximized by offering solutions to clients across the entire value chain.

The combination of portfolio investments and credit management provides clear synergies and concrete benefits,

including flexibility towards clients, greater access in the purchasing of portfolios, operational economies of scale and financial synergies, including the capacity to use revenue from credit management, which ties up relatively little capital, for portfolio investments and debt reduction. Intrum benefits from clear competitive advantages that enable it to lead the industry and make use of the unrivaled opportunities for growth and expansion presented by structural changes currently occurring in the banking sector.

Intrum has a well-developed strategy to be the most innovative and profitable CMS provider, balancing growth potential in the market with a strong focus on operational superiority and further efficiency enhancements.

Intrum has formulated strategic priorities and ambitions for 2020 in the areas of increasing portfolio investment, increasing credit management, digitization and data analysis, operational superiority and synergies from the merger between Intrum Justitia and Lindorff.

### 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 revenues for the year of SEK 159 M (105) and pre-tax earnings of a negative SEK 579 M (positive 41). The deterioration in earnings is primarily attributable to non-recurring items in operating earnings and net financial items attributable to the merger with Lindorff and the Group's new financing arrangements. The Parent Company invested SEK 26 M (0) in fixed assets during the year and had, at the end of the year, SEK 95 M (8) in cash and equivalents. The average number of employees was 57 (55).

### The share and shareholders

At the end of the year there were 131,541,320 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 largest shareholders in the Company were Cidron 1748 sarl/Nordic Capital (43.9 percent of the share capital), SEB Fonder (3.9), Handelsbanken Fonder (3.3), Lannebo Fonder (3.0) and AMF Försäkring & Fonder (2.7).

See also the table on page 34. 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, section 2a, pages 3–11 of the Annual Accounts Act.

### Board work

According to Intrum 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.

During 2017, the Board held 41 meetings (20 in the preceding year). For a description of the work of the Board of Directors, please refer to the Corporate Governance Report on pages 90–95. 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 94–95. The Corporate Governance Report is also available at the corporate website [www.intrum.com](http://www.intrum.com).

## **The Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for the group management team of Intrum Justitia AB (publ)**

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 2019. The guidelines will apply to the CEO and the members of Intrum 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, we depend on our people to deliver on our ambitious goals in challenging environments. The objective of our remuneration philosophy is to reward employees for delivering work that is driving positive business results in line with or exceeding set targets. We also aim to attract, develop and retain talent in a competitive and international market by delivering competitive compensation to high performing employees. Furthermore, we aim to ensure that employees are offered a remuneration package aligned with local market conditions.

Remuneration in Intrum should reflect job complexity & responsibility and performance, and it should be competitive in comparison with similar companies within similar industries in the relevant geography. To ensure that we drive the right behaviors 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 three main components; base salary, incentive programs in the form of variable salary part & long-term incentive programs, and pension. In addition hereto, other benefits, such as a company car, may be offered.

The individual base salary is based on three cornerstones: Job complexity & responsibility, performance and local market conditions.

### *Variable Salary Part*

Our annual incentive program, Variable Salary Part, 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 Variable Salary Part allows for our total remuneration costs to vary based on both business and individual performance.

The maximum pay out under the Variable Salary Part program is 50 percent of annual base salary for the CEO and 35 to 50 percent of the base salary for the other members of the Group Management Team though not offered to the Chief Risk Officer.

### *Long-term incentive program*

Our long-term incentive program aligns the interests and perspectives of our senior executives with those of our shareholders 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 Earnings Per Share (EPS) as the measurement of value created. Similarly to the Variable Salary Part, it also allows

for our total remuneration costs to vary based on business performance.

Long-term incentives are proposed to be offered in the form of shares and/or share-based instruments. The maximum initial allotment under the long-term incentive program is 150 percent of annual base salary for the CEO, CFO and CIO, and 35 to 50 percent of the base salary for the other members of the Group Management Team.

Outcome from incentive programs is not pensionable income.

### *Costs*

The costs for the incentive programs for the CEO and members of the Group Management Team during 2018 are estimated not to exceed MSEK 18 for the Variable Salary Part and MSEK 33 for the long-term incentive program, excluding social charges. These estimates do not take into account possible changes to the Group Management Team during the year.

### *Shareholding guidelines*

To further promote ownership alignment and commitment among our group management team, we have put in place shareholding guidelines which stipulate that each senior executive is asked to hold a percentage of their annual gross base salary in Intrum shares – 100 percent for the CEO and 50 percent for other senior executives. Each senior executive has been given an amount of time (to be individually agreed) to build up his/hers shareholding unless not held already. 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.

### *Miscellaneous*

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

The Board of Directors shall be entitled to deviate from these guidelines if special reasons for doing so exist in any individual case.

### **Proposed appropriation of earnings**

The Board of Directors and the President propose that SEK 9.50 per share (9.00) be distributed to shareholders, corresponding to a total of SEK 1,250 M (651). The full dividend proposal is presented on page 86. 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**

This information is such that Intrum Justitia AB (publ) is required to disclose pursuant to the EU's markets abuse directive and the Securities Markets Act. The information was submitted for publication at 12.00 noon CET on April 4, 2018.

## Financial overview

Income statement, SEK M	2017	2016	2015	2014	2013
<b>Net revenues</b>	<b>9,434</b>	<b>5,869</b>	<b>5,419</b>	<b>4,958</b>	<b>4,355</b>
Cost of sales	-5,049	-3,069	-2,957	-2,819	-2,531
<b>Gross earnings</b>	<b>4,385</b>	<b>2,800</b>	<b>2,462</b>	<b>2,139</b>	<b>1,824</b>
Sales, marketing and administration expenses	-1,667	-871	-881	-813	-654
Disposal of operations/Goodwill impairment	-	-	-	-111	-
Reversal of liability for additional purchase consideration	-	-	-	164	-
Participations in associated companies and joint ventures	10	-8	-4	3	-1
<b>Operating earnings (EBIT)</b>	<b>2,728</b>	<b>1,921</b>	<b>1,577</b>	<b>1,382</b>	<b>1,169</b>
Net financial items	-973	-165	-160	-175	-153
<b>Earnings before tax</b>	<b>1,755</b>	<b>1,756</b>	<b>1,417</b>	<b>1,207</b>	<b>1,016</b>
Taxes	-389	-329	-273	-206	-227
<b>Earnings for the year from continuing operations</b>	<b>1,366</b>	<b>1,427</b>	<b>1,144</b>	<b>1,001</b>	<b>789</b>
Earnings for the year from discontinued operations	137	41	28	40	30
<b>Earnings for the year</b>	<b>1,503</b>	<b>1,468</b>	<b>1,172</b>	<b>1,041</b>	<b>819</b>
Of which, attributable to the Parent Company's shareholders	1,501	1,458	1,164	1,031	817
Non-controlling interests	2	10	8	10	2
<b>Earnings for the year</b>	<b>1,503</b>	<b>1,468</b>	<b>1,172</b>	<b>1,041</b>	<b>819</b>
<b>Balance sheet, SEK M</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>					
Total fixed assets	54,815	12,304	10,294	9,362	8,412
of which, portfolio investments	21,149	8,733	7,027	6,197	5,411
Total current assets	4,646	2,100	1,851	1,979	1,810
Assets in operations held for sale	8,314	0	0	0	0
<b>Total assets</b>	<b>67,775</b>	<b>14,404</b>	<b>12,145</b>	<b>11,341</b>	<b>10,222</b>
<b>Shareholders' equity and liabilities</b>					
Total shareholders' equity	22,439	4,130	3,166	3,041	3,316
Total liabilities	44,168	10,274	8,979	8,300	6,906
Liabilities in operations held for sale	1,168	0	0	0	0
<b>Total shareholders' equity and liabilities</b>	<b>67,775</b>	<b>14,404</b>	<b>12,145</b>	<b>11,341</b>	<b>10,222</b>
<b>Key figures</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net revenues, SEK M	9,434	5,869	5,419	4,958	4,355
Revenue growth, %	61	8	9	14	13
Cash EBITDA, SEK M	5,953	3,668	3,193	2,916	2,623
EBITDA, SEK M	3,165	2,090	1,736	1,546	1,318
EBIT, SEK M	2,728	1,921	1,577	1,382	1,169
Non-recurring items in EBIT, SEK M	-397	10	-54	36	0
Revaluations of portfolio investments, SEK M	-3	45	32	33	5
Cash EBITDA excluding non-recurring items, SEK M	6,350	3,658	3,247	2,880	2,623
EBITDA excluding non-recurring items, SEK M	3,562	2,080	1,790	1,510	1,318
EBIT excluding non-recurring items, SEK M	3,125	1,911	1,631	1,346	1,168
Net earnings, SEK M	1,503	1,468	1,172	1,041	819
Net debt, SEK M	37,322	7,260	6,026	5,635	4,328
Earnings per share, SEK	14.62	20.15	15.92	13.48	10.30
Dividend/proposed dividend per share, SEK	9.50	9.00	8.25	7.00	5.75
Average number of shares, thousands	102,674	72,348	73,097	76,462	79,306
Number of shares at year-end, thousands	131,541	72,348	72,348	73,848	78,547
Return on portfolio investments, %	16	20	20	20	21
Investments in purchased debt, SEK M	7,170	3,084	2,271	1,909	2,503
Average number of employees	6,293	3,865	3,738	3,694	3,427

In accordance with the rules in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, discontinued operations are reported in the income statement as discontinued throughout the five-year period by recalculating comparative figures for previous years, while in the balance sheet, they are reported as assets and liabilities in operations held for sale from the date on which the decision was taken to make the divestment, without recalculating the comparative figures.

# Financial statements

## Consolidated income statement

SEK M	NOTE	2017	2016
Net revenues	2, 3	9,434	5,869
Cost of sales	3	-5,049	-3,069
<b>Gross earnings</b>		<b>4,385</b>	<b>2,800</b>
Sales, marketing and administration expenses	3	-1,667	-871
Participations in associated companies and joint ventures	5	10	-8
<b>Operating earnings (EBIT)</b>	2, 3, 4	<b>2,728</b>	<b>1,921</b>
Financial income	6	17	11
Financial expenses	7	-990	-176
<b>Net financial items</b>		<b>-973</b>	<b>-165</b>
<b>Earnings before tax</b>		<b>1,755</b>	<b>1,756</b>
Taxes	8	-389	-329
Earnings for the year from continuing operations		1,366	1,427
Earnings for the year from discontinued operations after tax	39	137	41
<b>Earnings for the year</b>		<b>1,503</b>	<b>1,468</b>
Of which attributable to:			
Parent Company's shareholders		1,501	1,458
Non-controlling interests		2	10
<b>Earnings for the year</b>		<b>1,503</b>	<b>1,468</b>
Earnings per share before and after dilution	9		
Earnings from continuing operations		13.28	20.01
Earnings from discontinued operations	12	1.33	0.14
<b>Total earnings per share before and after dilution</b>		<b>14.62</b>	<b>20.15</b>

The consolidated income statement for 2016 is restated to reflect discontinued operations. See Note 39.

## Consolidated statement of comprehensive income

SEK M	NOTE	2017	2016
Earnings for the year		1,503	1,468
Other comprehensive income:			
<b>Items that can be reallocated to earnings for the year</b>			
The year's change in translation reserve attributable to the translation of foreign operations		179	281
The year's total comprehensive income attributable to hedging of currency risks in foreign operations		47	-210
<b>Items that cannot be reallocated to earnings for the year</b>			
Remeasurement of pension liability for the year	8, 21	-16	27
<b>Total other comprehensive income</b>		<b>210</b>	<b>98</b>
<b>Comprehensive income for the year</b>		<b>1,713</b>	<b>1,566</b>
Of which attributable to:			
Parent Company's shareholders		1,712	1,554
Non-controlling interests		1	12
<b>Comprehensive income for the year</b>		<b>1,713</b>	<b>1,566</b>

## Consolidated balance sheet

SEK M	NOTE	Dec 31 2017	Dec 31 2016	SEK M	NOTE	Dec 31 2017	Dec 31 2016
<b>ASSETS</b>				<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Fixed assets</b>				<b>Shareholders' equity</b>			
<b>Intangible fixed assets</b>				<b>Shareholders' equity attributable to Parent Company's shareholders</b>			
Goodwill		29,565	3,120	Share capital		3	2
Capitalized expenses for IT development and other intangible fixed assets		341	193	Other paid-in capital		18,237	906
Client relationships		2,703	63	Reserves		630	404
Other intangible fixed assets		81	47	Retained earnings including earnings for the year		3,566	2,731
<b>Total intangible fixed assets</b>		<b>32,690</b>	<b>3,423</b>	<b>Total shareholders' equity attributable to Parent Company's shareholders</b>		<b>22,436</b>	<b>4,043</b>
<b>Tangible fixed assets</b>				<b>Shareholders' equity attributable to non-controlling interests</b>			
Computer hardware		58	41			3	87
Other tangible fixed assets		187	63	<b>Total shareholders' equity</b>		<b>22,439</b>	<b>4,130</b>
<b>Total tangible fixed assets</b>		<b>245</b>	<b>104</b>	<b>Long-term liabilities</b>			
<b>Other fixed assets</b>				<b>Liabilities to credit institutions</b>			
Shares and participations in joint ventures		0	12			2,703	1,520
Other shares and participations		3	1	<b>Bond loan</b>		<b>32,052</b>	<b>3,706</b>
Portfolio investments		21,149	8,733	<b>Other long-term liabilities</b>		<b>374</b>	<b>16</b>
Deferred tax assets		692	25	<b>Provisions for pensions</b>		<b>175</b>	<b>157</b>
Other long-term receivables		36	6	<b>Other long-term provisions</b>		<b>9</b>	<b>0</b>
<b>Total other fixed assets</b>		<b>21,880</b>	<b>8,777</b>	<b>Deferred tax liabilities</b>		<b>1,206</b>	<b>638</b>
<b>Total fixed assets</b>		<b>54,815</b>	<b>12,304</b>	<b>Total long-term liabilities</b>		<b>36,519</b>	<b>6,037</b>
<b>Current assets</b>				<b>Current liabilities</b>			
Accounts receivable		755	305	<b>Liabilities to credit institutions</b>		<b>0</b>	<b>56</b>
Inventory of real estate		93	0	<b>Bond loan</b>		<b>1,000</b>	<b>1,077</b>
Client funds		902	588	<b>Commercial papers</b>		<b>2,269</b>	<b>1,124</b>
Tax assets		347	87	<b>Client funds payable</b>		<b>902</b>	<b>588</b>
Other receivables		931	557	<b>Accounts payable</b>		<b>572</b>	<b>140</b>
Prepaid expenses and accrued income		737	167	<b>Income tax liabilities</b>		<b>364</b>	<b>136</b>
Liquid assets		881	396	<b>Advances from clients</b>		<b>64</b>	<b>46</b>
<b>Total current assets</b>		<b>4,646</b>	<b>2,100</b>	<b>Other current liabilities</b>		<b>541</b>	<b>325</b>
Assets in operations held for sale		8,314	0	<b>Accrued expenses and prepaid income</b>		<b>1,794</b>	<b>718</b>
<b>TOTAL ASSETS</b>		<b>67,775</b>	<b>14,404</b>	<b>Other short-term provisions</b>		<b>143</b>	<b>27</b>
				<b>Total current liabilities</b>		<b>7,649</b>	<b>4,237</b>
				<b>Liabilities in operations held for sale</b>		<b>1,168</b>	<b>0</b>
				<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>67,775</b>	<b>14,404</b>

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



## Consolidated cash flow statement

SEK M	NOTE	2017	2016
<b>Cash flow from continuing operations</b>			
<b>Operating activities</b>			
Operating earnings (EBIT)	2	2,728	1,921
<b>Not included in cash flow:</b>			
Amortization/depreciation and impairment	4, 10, 11	436	170
Amortization/reevaluation of portfolio investments	14	2,787	1,578
Other adjustments for items not included in cash flow	2	-23	31
Interest received		17	11
Interest paid		-359	-115
Payments for other financial expenses		-360	-22
Income tax paid		-453	-246
<b>Cash flow from operating activities before changes in working capital</b>		<b>4,773</b>	<b>3,328</b>
Changes in factoring receivables		-62	-46
Other changes in working capital		-176	22
<b>Cash flow from operating activities</b>		<b>4,535</b>	<b>3,304</b>
<b>Investing activities</b>			
Purchases of intangible fixed assets	10	-116	-117
Purchases of tangible fixed assets	11	-56	-26
Portfolio investments in receivables and real estate*	14	-7,175	-3,357
Purchases of shares in subsidiaries and associated companies	35	-1,506	-283
Cash and cash equivalents in acquired subsidiaries	35	1,038	31
Divestments of shares in subsidiaries and associated companies		236	0
Other cash flow from investing activities		32	6
<b>Cash flow from investing activities</b>		<b>-7,547</b>	<b>-3,745</b>
<b>Financing activities</b>			
Borrowings		38,216	1,928
Amortization of loans		-33,764	-770
Share dividend to Parent Company's shareholders		-651	-597
Share dividend to non-controlling interests		0	-5
<b>Cash flow from financing activities</b>		<b>3,801</b>	<b>556</b>
Cash flows from continuing operations		789	115
Cash flows from discontinued operations		77	-1
<b>Change in liquid assets</b>		<b>866</b>	<b>114</b>
<b>Opening balance of liquid assets</b>		<b>396</b>	<b>265</b>
Exchange rate differences in cash and cash equivalents		-9	17
<b>Closing balance of liquid assets</b>	19	<b>1,253</b>	<b>396</b>
<b>Of which, cash and cash equivalents in discontinued operations</b>		<b>372</b>	<b>6</b>
<b>Discontinued operations</b>			
Cash flow from operating activities		459	70
Cash flow from investing activities		-607	-18
Cash flow from financing activities		225	-53
<b>Group total</b>			
Cash flow from operating activities		4,994	3,374
Cash flow from investing activities		-8,154	-3,763
Cash flow from financing activities		4,026	503

\* Portfolio investments in receivables and real estate include acquired overdue receivables and property holdings through acquisitions of subsidiaries.

## Consolidated statement of changes in shareholders' equity

See also Note 20.

SEK M	Number of shares outstanding	Share capital	Other paid-in capital	Reserves	Retained earnings incl. earnings for the year	Total	Non-controlling interests	Total equity
Opening balance, January 1, 2016	72,347,726	2	906	335	1,843	3,086	80	3,166
<b>Comprehensive income for the year, 2016</b>								
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
Remeasurements of pension liability for the year					33	33		33
Income tax on other comprehensive income				26	-6	20		20
<b>Comprehensive income for the year</b>				<b>69</b>	<b>1,485</b>	<b>1,554</b>	<b>12</b>	<b>1,566</b>
<b>Transactions with Group owners in 2016</b>								
Share dividend					-597	-597	-5	-602
<b>Closing balance, December 31, 2016</b>	<b>72,347,726</b>	<b>2</b>	<b>906</b>	<b>404</b>	<b>2,731</b>	<b>4,043</b>	<b>87</b>	<b>4,130</b>
<b>Comprehensive income for the year, 2017</b>								
Earnings for the year					1,501	1,501	2	1,503
Other comprehensive income for the year								
The year's change in translation reserve attributable to the translation of foreign operations				167		167	-1	166
The year's total comprehensive income attributable to hedging of currency risks in foreign operations				47		47		47
Remeasurements of pension liability for the year					-18	-18		-18
Income tax on other comprehensive income				13	2	15		15
<b>Comprehensive income for the year</b>				<b>227</b>	<b>1,485</b>	<b>1,712</b>	<b>1</b>	<b>1,713</b>
<b>Transactions with Group owners in 2017</b>								
Share dividend					-651	-651		-651
Acquired minority interest						0	-85	-85
New share issue	59,193,594	1	17,331			17,332		17,332
<b>Closing balance, December 31, 2017</b>	<b>131,541,320</b>	<b>3</b>	<b>18,237</b>	<b>631</b>	<b>3,565</b>	<b>22,436</b>	<b>3</b>	<b>22,439</b>

Accumulated exchange rate differences since the transition to IFRS, including tax effects, amounted to SEK 631 M (404) at the end of 2017.

## Parent Company income statement

SEK M	NOTE	Full year 2017	Full year 2016
Net revenues	3	159	105
<b>Gross earnings</b>		<b>159</b>	<b>105</b>
Sales and marketing expenses		-36	-20
Administrative expenses	4	-460	-151
<b>Operating earnings (EBIT)</b>		<b>-337</b>	<b>-66</b>
Income from participations in subsidiaries	6	368	367
Exchange differences on monetary items classified as expanded investment		-166	-28
Interest income and similar items	6	680	102
Impairment of shares in subsidiaries	7	0	-143
Interest expenses and similar items	7	-1,124	-191
<b>Net financial items</b>		<b>-242</b>	<b>108</b>
<b>Earnings before tax</b>		<b>-579</b>	<b>42</b>
Tax on earnings for the year	8	199	0
<b>Earnings for the year</b>		<b>-380</b>	<b>42</b>

## Consolidated statement of comprehensive income

SEK M	NOTE	Full year 2017	Full year 2016
Earnings for the year		-380	42
Other comprehensive income:			
<b>Items that can be reallocated to earnings for the year</b>			
The year's total comprehensive income attributable to hedging of currency risks in foreign operations		47	-210
<b>Comprehensive income for the year</b>		<b>-333</b>	<b>-168</b>

## Parent Company balance sheet

SEK M	NOTE	Dec 31 2017	Dec 31 2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized expenses for IT development	10	10	0
<b>Total intangible fixed assets</b>		<b>10</b>	<b>0</b>
<b>Financial fixed assets</b>			
Participations in Group companies	12	25,777	6,221
Participations in joint ventures		0	24
Deferred tax asset		199	0
Receivables from Group companies		27,565	2,087
<b>Total financial fixed assets</b>		<b>53,541</b>	<b>8,332</b>
<b>Total fixed assets</b>		<b>53,551</b>	<b>8,332</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Tax assets		3	3
Receivables from Group companies		7,046	4,601
Other receivables	17	16	4
Prepaid expenses and accrued income	18	300	21
<b>Total current receivables</b>		<b>7,365</b>	<b>4,629</b>
<b>Liquid assets</b>			
Cash and bank balances	19	95	8
<b>Total liquid assets</b>		<b>7,460</b>	<b>4,637</b>
<b>Total current assets</b>			
<b>TOTAL ASSETS</b>		<b>61,011</b>	<b>12,970</b>

SEK M	NOTE	Dec 31 2017	Dec 31 2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	20		
<b>Restricted equity</b>			
Share capital		3	2
Statutory reserve		282	282
<b>Total restricted equity</b>		<b>285</b>	<b>284</b>
<b>Non-restricted equity</b>			
Share premium reserve		17,442	111
Fair value reserve		156	109
Retained earnings		92	701
Earnings for the year		-380	42
<b>Total non-restricted equity</b>		<b>17,310</b>	<b>963</b>
<b>Total shareholders' equity</b>		<b>17,595</b>	<b>1,247</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	23	2,694	1,520
Bond loan	23	32,052	3,706
Liabilities to Group companies		3,260	2,432
<b>Total long-term liabilities</b>		<b>38,006</b>	<b>7,658</b>
<b>Current liabilities</b>			
Overdraft facility	23	0	56
Bond loan	23	1,000	1,077
Commercial papers	23	2,269	1,124
Accounts payable		53	10
Liabilities to Group companies		1,515	1,670
Other current liabilities		3	3
Accrued expenses and prepaid income	24	570	125
<b>Total current liabilities</b>		<b>5,410</b>	<b>4,065</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>61,011</b>	<b>12,970</b>

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

## Parent Company cash flow statement

SEK M	NOTE	2017	2016
<b>Operating activities</b>			
Operating earnings		-337	-66
Amortization/depreciation and impairment		16	0
Interest received		680	102
Interest paid		-1,113	-146
Payments for other financial expenses		-11	-22
<b>Cash flow from operating activities before changes in working capital</b>		<b>-765</b>	<b>-132</b>
Changes in working capital		197	184
<b>Cash flow from operating activities</b>		<b>-568</b>	<b>52</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-26	0
Purchases of shares in subsidiaries and associated companies		-6	-57
Share dividend from subsidiaries		368	1,053
<b>Cash flows from investing activities</b>		<b>336</b>	<b>996</b>
<b>Financing activities</b>			
Borrowings		38,216	2,080
Amortization of loans		-7,684	-823
Net loans to subsidiaries		-29,562	-1,738
Share dividend to Parent Company's shareholders		-651	-597
<b>Cash flow from financing activities</b>		<b>319</b>	<b>-1,077</b>
Change in liquid assets		87	-29
Opening balance of liquid assets		8	37
Closing balance of liquid assets	19	95	8

## Statement of changes in shareholders' equity, Parent Company

See also Note 20.

SEK M	Number of shares outstanding	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Earnings for the year	Total shareholders' equity
Opening balance, January 1, 2016	72,347,726	2	282	111	321	255	1,042	2,012
<b>Comprehensive income for the year, 2016</b>								
Earnings for the year							42	42
Other comprehensive income for the year					-210			-210
<b>Comprehensive income for the year</b>					<b>-210</b>		<b>42</b>	<b>-168</b>
Disposition of previous year's earnings						1,042	-1,042	0
<b>Transactions with Group owners in 2016</b>								
Share dividend						-597		-597
<b>Closing balance, December 31, 2016</b>	<b>73,347,726</b>	<b>2</b>	<b>282</b>	<b>111</b>	<b>109</b>	<b>701</b>	<b>42</b>	<b>1,247</b>
<b>Comprehensive income for the year, 2017</b>								
Earnings for the year							-380	-380
Other comprehensive income for the year					47			47
<b>Comprehensive income for the year</b>					<b>47</b>		<b>-380</b>	<b>-333</b>
Disposition of previous year's earnings						42	-42	0
<b>Transactions with Group owners in 2017</b>								
Share dividend						-651		-651
New share issue	59,193,594	1		17,331				17,332
<b>Closing balance, December 31, 2017</b>	<b>131,541,320</b>	<b>3</b>	<b>282</b>	<b>17,442</b>	<b>156</b>	<b>92</b>	<b>-380</b>	<b>17,595</b>

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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 Hesselmans Torg 14, Nacka, SE-105 24 Stockholm, Sweden. During 2017, 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 28, 2018. The balance sheets and income statements will be presented to the Annual General Meeting on April 27, 2018.

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 2017, there are no new provisions relevant to Intrum 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 reports 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, revenue and expenses. Estimates and assumptions are based on historical experience and a number of other factors that under current circumstances seem reasonable. The result of these estimates and assumptions is then used to determine the carrying 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 2017*

There are a number of minor changes and clarifications to IFRS with effect from 1 January 2017, although none of these has had any significant impact on the Intrum Group's accounting.

#### *Changes that enter into force in or after 2018*

The Group has decided against early application of any new or amended accounting recommendations or interpretations that enter into force in or after 2018.

Effective from January 1, 2018, Intrum will apply IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, and includes new rules for accounting of credit losses, portfolio investments and hedge accounting. The new rules regarding loan losses and hedge accounting have no significant effect on the Group. The new rules for portfolio investments entail Intrum continuing to report these according to an effective interest rate model, with some minor adjustments

in the application. The greatest change is that, in accordance with IFRS 9, overdue receivables can be reported at a higher recognized value than cost if estimates of future cash flows change, which differs from Intrum's current application of the corresponding rules under IAS 39. Preliminarily, the effect is that retained earnings in the opening balance for 2018 increase by approximately SEK 50 M. Comparative figures for previous years are not recalculated.

Effective from January 1, 2018, Intrum will also apply IFRS 15 Revenue from Contracts with Customers, replacing IAS 18 Revenue, and including new rules regarding when revenues on sales are to be reported in certain cases. 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 benefits. 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. The new accounting rules have no significant effect on the Intrum Group. However, all companies will be affected by the new expanded disclosure requirements.

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's accounting is expected to be the Group's total assets will increase through an asset or liability being recognized in respect of the leases in effect at any given time. A rough estimate, based on previous years' figures, is that the total assets increase by about 5 percent. However, the figure is sensitive to the length of the remaining maturities on current leases on the initial date of application of IFRS 16. Another effect is that the implicit interest expense in the lease agreements is to be reported in net financial income and not in operating earnings, entailing a certain improvement in operating earnings. Intrum does not intend to adopt IFRS 16 prematurely in 2018.

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

### 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 reports of subsidiaries are included in the consolidated accounts from the acquisition date until control ceases.

Intra-Group receivables and liabilities, revenue 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, and IFRS 11 Joint arrangements.

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. Dividends 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 and other part-owners manage operations jointly in accordance with a shareholder agreement.

Joint arrangements classified as joint ventures are reported in the consolidated accounts in accordance with the equity method. Joint ventures are companies in which the Group, through collaborative agreements, shares a controlling interest with one or more parties, such that the Group is entitled to net assets rather than having a direct entitlement to assets and responsibility for liabilities. 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.

Shared operations, usually conducted in a company format, are joint arrangements in which Intrum and one or more partners are entitled to all of the financial benefits related to the assets of the operations. Shared operations are reported according to the profit split method, meaning that each party to a joint venture reports its share of assets, liabilities, income and expenses.

#### *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 through profit or loss.

#### *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.

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

#### **Discontinued operations**

The Group applies WRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Net earnings in subsidiaries which are in the process of being divested or discontinued are reported on a separate line item in the profit and loss statement, and hence these operations are not included in consolidated revenues or operating earnings. The profit and loss statement for earlier years is restated accordingly.

Assets and liabilities in an operation held for sale are reported on a separate line item in the balance sheet from the time when a decision is made to divest them. The balance sheet for earlier years is not restated.

#### **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, portfolio investments 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 received. 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.

#### *Portfolio investments*

Portfolio investments consist of portfolios of delinquent receivables purchased at prices significantly below the nominal receivable. Portfolio investments usually refer to receivables from private individuals and are usually unsecured receivables. 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 portfolio investments 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 Portfolio Investments 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 acquisition 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 accounting model assumes each portfolio to be relatively homogeneous and comprising a large number of receivables for smaller amounts. Portfolios comprising individual larger receivables are valued on acquisition and at the level of the receivables in ongoing reporting over the lifecycle of the portfolio and not at the portfolio level.

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 an anticipated time and interest rate component (amortization) and a component related to changes in estimates of future cash flows (revaluation). The effects of changes in cash flow forecasts, including changes in the anticipated financial lifetime of the portfolio, 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, until 2017, the portfolios were not reported at a higher value 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 recovered 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 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 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 expenses. Subsequent to acquisition, loans are carried at amortized cost according to the effective rate method. Long-term liabilities have an anticipated maturity of more than one year, while short-term liabilities have a maturity of less than one year. 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.

#### *Derivative instruments*

Derivatives consist of forward exchange contracts, interest rate 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 via the income statement (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.

#### Property holdings

The Group applies IAS 2 Inventories.

In connection with acquisitions of portfolio investments and in connection with the recovery of collateral for acquired receivables, Intrum may become owners of property holdings or other physical goods. These are reported in the balance sheet at cost or net realizable value, whichever is lower.

When goods from these inventories are sold, the sales price received is recognized as income and the amount recognized as an inventory asset is reported as an expense in the same period.

#### 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 profit or loss.

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's operations in each geographical region (Northern Europe, Central and Eastern Europe, Western and Southern Europe and Spain) are, in this context, considered to be the Group's cash-generating units. 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 period of use.

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 losses.

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 losses.

##### Other intangible fixed assets

Other intangible fixed assets relate to other acquired rights 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 losses.

#### Tangible fixed assets

The Group applies IAS 16 Property, Plant and Equipment.

Tangible fixed assets are recognized at cost less accumulated depreciation and impairment losses. 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 accrue to the Company and the cost of the asset can be reliably estimated.

#### 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 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 forecast future cash flow at a pretax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

A provision for restructuring is recognized when 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'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 losses attributable to a cash-generating unit are 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'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.

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 assets under management.

Pension costs for service in the current period are 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.

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.

#### **Revenue recognition**

The Group applies IAS 18 Revenue.

Income, consisting of commissions and collection fees is recognized on collection of the debt. Subscription revenue is recognized proportionately over the term of the underlying service contracts, which 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 offers some of the Group's clients the opportunity, against payment, to obtain a guarantee from Intrum regarding the clients' receivables from their customers. The guarantee entails an undertaking by Intrum 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 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 num-

ber 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's operating segments are the geographical regions of Northern Europe (Denmark, Estonia, Latvia, Lithuania, Finland, Norway and Sweden), Central and Eastern Europe (Greece, Poland, Romania, Switzerland, Slovakia, the Czech Republic, Germany, Hungary and Austria), Western and Southern Europe (Belgium, France, Ireland, Italy, the Netherlands, Portugal and the UK) and Spain. 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.

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

The 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 received are recognized as income.

### Group contributions and shareholders' contributions for legal entities

The Company reports Group contributions and shareholders' contributions in accordance with statement RFR 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: Information by geographic region and service line

SEK M	Group	
	2017	2016
<b>Net revenues from external clients by geographical region</b>		
Northern Europe	3,012	2,087
Central and Eastern Europe	2,775	2,080
Western and Southern Europe	2,201	1,555
Spain	1,445	147
<b>Total</b>	<b>9,434</b>	<b>5,869</b>
<b>Net revenues from external clients by country</b>		
Spain	1,445	147
Finland	966	913
Sweden	879	886
France	835	722
Hungary	780	476
Norway	763	0
Switzerland	732	718
Germany	564	196
Other countries	2,470	1,811
<b>Total</b>	<b>9,434</b>	<b>5,869</b>
<b>Intra-Group revenues by geographical region</b>		
Northern Europe	285	212
Central and Eastern Europe	574	416
Western and Southern Europe	337	188
Spain	345	50
Elimination	-1,541	-866
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Operating earnings by geographical region</b>		
Northern Europe	1,014	822
Central and Eastern Europe	831	759
Western and Southern Europe	478	351
Spain	404	-12
<b>Total operating earnings</b>	<b>2,728</b>	<b>1,921</b>
Net financial items	-973	-165
<b>Earnings before tax</b>	<b>1,755</b>	<b>1,756</b>
<b>Tangible and intangible fixed assets by country</b>		
Spain	10,783	125
Norway	9,134	174
Germany	3,657	84
Italy	1,570	65
France	1,224	303
Finland	1,147	527
Sweden	1,144	495
Other countries	4,276	1,754
<b>Total</b>	<b>32,935</b>	<b>3,527</b>

	Group	
SEK M	2017	2016
<b>Investments in tangible and intangible fixed assets</b>		
Northern Europe	79	47
Central and Eastern Europe	64	45
Western and Southern Europe	157	37
Spain	28	10
Group-wide/eliminations	45	26
<b>Total</b>	<b>373</b>	<b>164</b>

#### Amortization, depreciation and impairment by geographical region

Northern Europe	-70	-54
Central and Eastern Europe	-58	-59
Western and Southern Europe	-62	-34
Spain	-184	-2
Group-wide/eliminations	-62	-20
<b>Total</b>	<b>-436</b>	<b>-169</b>

#### Items not included in cash flow, by geographical region

Northern Europe	-16	8
Central and Eastern Europe	50	-3
Western and Southern Europe	-54	24
Spain	0	0
Group-wide/eliminations	-4	1
<b>Total</b>	<b>-23</b>	<b>31</b>

#### Participations in associated companies and joint ventures, by region

Northern Europe	10	-8
<b>Total</b>	<b>10</b>	<b>-8</b>

#### Net revenues from external clients by service line

Credit Management	4,918	3,020
Financial Services	4,516	2,849
<b>Total</b>	<b>9,434</b>	<b>5,869</b>

#### Net revenues by service line

Credit Management	6,700	4,144
Financial Services	4,516	2,849
Elimination of inter-service line revenue	-1,782	-1,124
<b>Total</b>	<b>9,434</b>	<b>5,869</b>

#### Operating earnings by service line

Credit Management	1,704	1,072
Financial Services	2,456	1,606
Central expenses	-1,432	-757
<b>Total</b>	<b>2,728</b>	<b>1,921</b>

No individual customer is responsible for generating more than four percent of total consolidated revenue.

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

The geographical regions are Northern Europe (Denmark, Estonia, Latvia, Lithuania, Finland, Norway and Sweden), Central and Eastern Europe (Greece, Poland, Romania, Switzerland, Slovakia, the Czech Republic, Germany, Hungary and Austria), Western and Southern Europe (Belgium, France, Ireland, Italy, the Netherlands, Portugal and the UK) and Spain (Spain). 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 on the Group's portfolio investments. Payment is made in the form of a commission that is recognized as a cost within Financial Services, 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

	Group		Parent Company	
SEK M	2017	2016	2017	2016
Income				
Collection fees, commissions and debtor fees	4,110	2,665	-	-
Subscription income	71	63	-	-
Collected amounts on portfolio investments	7,198	4,338	-	-
Amortization of portfolio investments	-2,785	-1,624	-	-
Revaluation of portfolio investments	-3	45	-	-
Income from payment guarantees	4	0	-	-
Sale of properties	162	0	-	-
Income from Group companies	0	0	159	105
Other income	677	382	-	-
<b>Total</b>	<b>9,434</b>	<b>5,869</b>	<b>159</b>	<b>105</b>

Revenues from portfolio investments consist of the collected amounts less amortizations, i.e the decrease of the book value of the portfolio in the period. See also Note 14.

	Group		Parent Company	
SEK M	2017	2016	2017	2016
Costs				
Personnel expenses	-3,272	-1,948	-160	-146
Amortization/depreciation and impairment	-436	-169	-16	0
Other expenses	-2,997	-1,830	-320	-25
<b>Total</b>	<b>-6,705</b>	<b>-3,947</b>	<b>-496</b>	<b>-171</b>

### Note 4: Amortization/depreciation and impairment

	Group		Parent Company	
SEK M	2017	2016	2017	2016
Capitalized expenditure for IT development	-129	-64	-	0
Client relationships	-209	-21	-	-
Other intangible fixed assets	-33	-40	-16	-
Computer hardware	-24	-17	-	-
Other tangible fixed assets	-40	-26	-	0
<b>Total</b>	<b>-436</b>	<b>-169</b>	<b>-16</b>	<b>0</b>

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

Costs	Group		Parent Company	
	2017	2016	2017	2016
SEK M				
Cost of sales	-395	-159	-16	-
Sales, marketing and administration expenses	-41	-10	-	-
<b>Total</b>	<b>-436</b>	<b>-169</b>	<b>-16</b>	<b>0</b>

## Note 5: Participations in associated companies and joint ventures

SEK M	Group	
	2017	2016
<b>Joint ventures</b>		
Avarda AB (Sweden)	10	-8
<b>Total participations in earnings</b>	<b>10</b>	<b>-8</b>

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

## Note 6: Financial income

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Interest income from Group companies	-	-	671	96
Other interest income	17	11	9	6
Share dividends from Group companies	-	-	368	367
Impairment of shares in subsidiaries	-	-	-	-143
<b>Total</b>	<b>17</b>	<b>11</b>	<b>1,048</b>	<b>326</b>

All interest income is attributable to items that are not carried at fair value in the income statement.

The operating earnings include interest income attributable to portfolio investments amounting to SEK 4,413 M (2,714), 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 all group contributions from subsidiaries in Sweden at SEK 224 M (314).

## Note 7: Interest expenses and similar items

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Interest expenses to Group companies	-	-	-68	-18
Interest expenses	-582	-137	-623	-142
Exchange rate differences	38	-10	-167	-31
Amortization of capitalized borrowing costs	-69	-5	-69	-5
Commitment fee	-353	-22	-353	-
Other financial expenses	-24	-2	-10	-22
<b>Total</b>	<b>-990</b>	<b>-176</b>	<b>-1,290</b>	<b>-218</b>

All interest expenses pertain to items not carried at fair value in profit or loss. Exchange rate differences from accounts receivable and accounts payable are reported in operating earnings. The amounts were negligible.

## Note 8: Taxes

The tax expense for the year breaks down as follows:

SEK M	Group	
	2017	2016
<b>Current tax</b>		
Tax expense attributable to earnings for the year	-310	-200
Tax adjustments attributable to previous years	-2	10
<b>Deferred tax</b>		
Deferred tax related to temporary differences	-44	-88
Deferred tax expense attributable to previously capitalized tax value in tax-loss carryforwards	-33	-51
<b>Total tax expense</b>	<b>-389</b>	<b>-329</b>

In addition, a tax expense of SEK -41 M (-13) from divested operations is also recognized. No tax is recognized in respect of capital gains.

The Group has operations in more than 20 countries in Europe, with various tax rates. The current tax expense for the year relates mainly to income taxes in Hungary, Switzerland, Spain, France, Germany, the Czech Republic, Finland, Belgium and Portugal. 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 (publ) is domiciled in Sweden where the nominal corporate tax rate in 2016 and 2017 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:

Group	2017		2016	
	SEK M	%	SEK M	%
Earnings before tax	1,755		1,756	
<b>Income tax calculated at standard rate in Sweden, 22.0 percent</b>	<b>-386</b>	<b>22.0</b>	<b>-386</b>	<b>22.0</b>
Effect of different tax rates in other countries	69	-3.9	14	-0.8
Tax effect of tax-exempt income and non-deductible expenses	-55	3.1	-17	1.0
Unrecognized tax assets pertaining to tax-loss carryforwards	-29	1.6	-5	0.3
Utilized previously unrecognized tax assets pertaining to tax-loss carryforwards	33	-1.9	51	-2.9
Adjustments to previous years and other	-22	1.2	14	-0.8
<b>Total tax on net earnings for the year</b>	<b>-389</b>	<b>22.2</b>	<b>-329</b>	<b>18.7</b>

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 portfolio investments, 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	2017		2016	
	Asset/ liability	Income/ expense	Asset/ liability	Income/ expense
SEK M				
Legal outlays	0		0	2
Portfolio investments	-972		-610	-153
Intangible assets	-20		-30	8
Tax-loss carryforwards	563		0	0
Provisions for pensions	14		21	0
Other	-99		6	0
<b>Total</b>	<b>-514</b>	<b>-77</b>	<b>-613</b>	<b>-139</b>
Deferred tax assets	692		25	16
Deferred tax liabilities	-1,206		-638	-155
<b>Total</b>	<b>-514</b>	<b>-77</b>	<b>-613</b>	<b>-139</b>

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 6,215 M (1,803). Deferred tax assets are reported in the balance sheet, when it is expected to be possible to offset the loss carryforwards against taxable profits within the foreseeable future. In the calculation of deferred tax liabilities attributable to temporary differences in the recognition of portfolio investments, however, SEK 358 M (91) 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 47 M (3), the Netherlands with SEK 165 M (151) and Slovakia with SEK 3 M (9). 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 Poland and the Netherlands.

Tax-loss carryforwards for which no deferred tax assets are recognized pertain mainly to Sweden with SEK 1,484 M (895) and the UK with SEK 337 M (340). In Sweden, loss carryforwards include a deficit of SEK 1,357 M (895) 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's assessment that tax-loss carryforwards cannot be fully 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 increase the reported value of the tax-loss carryforwards in the accounts. Because the tax-loss carryforwards exist in the Parent Company and holding companies, 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. Accordingly, a cautiously valued deferred tax asset of SEK 199 M (0) is recognized for the Parent Company.

Tax expenses recognized in other comprehensive income over the year amounted to SEK 15 M (20). No tax has been recognized directly against equity.

Parent Company	2017		2016	
	Asset/ liability	Income/ expense	Asset/ liability	Income/ expense
Reconciliation of Parent Company tax rate				
Earnings after financial items	-579		42	
<b>Income tax calculated at standard rate in Sweden, 22.0 percent</b>	<b>127</b>	<b>22.0</b>	<b>-9</b>	<b>22.0</b>
Tax effect of tax-exempt income and non-deductible expenses	-26	-4.5	-28	66.7
Utilized previously unrecognized tax assets pertaining to tax-loss carryforwards	98	16.9	37	-88.7
<b>Total tax on net earnings for the year</b>	<b>199</b>	<b>34.4</b>	<b>0</b>	<b>0.0</b>

Tax-free income and non-deductible expenses in the Parent Company consist largely of dividends from subsidiaries and non-deductible expenses in connection with the acquisition of Lindorff. The Parent Company had accumulated tax-loss carryforwards of SEK 1,357 M (895) at year-end as a result of both income items and unrealized translation differences recognized in other comprehensive income. To the extent that it is expected to be possible to utilize them against future taxable earnings, deferred tax assets are reported for these loss carryforwards in the amount of SEK 199 M (0).

## Note 9: Earnings per share

	Group	
	2017	2016
Net earnings for the year attributable to Parent Company's shareholders, continuing operations (SEK M)	1,364	1,437
Net earnings for the year attributable to Parent Company's shareholders, discontinued operations (SEK M)	137	41
<b>Net earnings for the year attributable to Parent Company's shareholders, total (SEK M)</b>	<b>1,501</b>	<b>1,458</b>
Number of shares outstanding at beginning of year	72,347,726	72,347,726
New share issue	59,193,594	-
<b>Number of shares at year-end</b>	<b>131,541,320</b>	<b>72,347,726</b>
Weighted average no. of shares during the year before and after dilution	102,674,307	72,347,726
<b>Earnings per share before and after dilution:</b>		
Earnings from continuing operations (SEK)	13.28	20.01
Earnings from discontinued operations (SEK)	1.33	0.14
<b>Total earnings per share before and after dilution (SEK)</b>	<b>14.62</b>	<b>20.15</b>

## Note 10: Intangible fixed assets

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Goodwill</b>				
Acquisition cost, opening balance	3,120	2,810	-	-
Acquisitions for the year	26,449	242	-	-
Exchange rate differences	-4	68	-	-
<b>Carrying values, closing balance</b>	<b>29,565</b>	<b>3,120</b>	<b>-</b>	<b>-</b>
<b>Capitalized expenditure for IT development</b>				
Acquisition cost, opening balance	1,170	1,035	5	5
Discontinued operations	-68	-	-	-
Capitalized expenditures for the year	182	101	26	0
Disposals	-42	-7	0	0
Purchased via acquisition	161	1	-	-
Exchange rate differences	52	40	-	-
<b>Accumulated acquisition cost, closing balance</b>	<b>1,455</b>	<b>1,170</b>	<b>31</b>	<b>5</b>



SEK M	Group		Parent Company	
	2017	2016	2017	2016
Accumulated amortization/ depreciation, opening balance	-954	-853	-5	-5
Discontinued operations	64	-	-	-
Disposals	42	0	-	-
Amortization/depreciation for the year	-129	-64	0	0
Exchange rate differences	-114	-37	-	-
<b>Accumulated amortization/ depreciation, closing balance</b>	<b>-1,091</b>	<b>-954</b>	<b>-5</b>	<b>-5</b>
Impairments, opening balance	-23	-23	-	-
Impairments for the year	-	-	-16	-
<b>Accumulated impairment, closing balance</b>	<b>-23</b>	<b>-23</b>	<b>-16</b>	<b>-</b>
<b>Carrying values</b>	<b>341</b>	<b>193</b>	<b>10</b>	<b>0</b>
<b>Client relationships</b>				
Acquisition cost, opening balance	202	176	-	-
Capitalized expenditures for the year	101	0	-	-
Purchased via acquisition	2,699	20	-	-
Exchange rate differences	952	6	-	-
<b>Accumulated acquisition cost, closing balance</b>	<b>3,954</b>	<b>202</b>	<b>0</b>	<b>0</b>
Accumulated amortization/ depreciation, opening balance	-139	-115	-	-
Amortization/depreciation for the year	-209	-21	-	-
Exchange rate differences	-903	-4	-	-
<b>Accumulated amortization/ depreciation, closing balance</b>	<b>-1,251</b>	<b>-139</b>	<b>0</b>	<b>0</b>
<b>Carrying values</b>	<b>2,703</b>	<b>63</b>	<b>-</b>	<b>-</b>
<b>Other intangible fixed assets</b>				
Acquisition cost, opening balance	242	215	-	-
Capitalized expenditures for the year	32	24	-	-
Disposals	-2	-	-	-
Purchased via acquisition	35	-8	-	-
Exchange rate differences	31	11	-	-
<b>Accumulated acquisition cost, closing balance</b>	<b>338</b>	<b>242</b>	<b>0</b>	<b>0</b>

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Accumulated amortization/ depreciation, opening balance	-191	-143	-	-
Disposals	3	-	-	-
Amortization/depreciation for the year	-33	-40	-	-
Exchange rate differences	-32	-8	-	-
<b>Accumulated amortization/ depreciation, closing balance</b>	<b>-253</b>	<b>-191</b>	<b>0</b>	<b>0</b>
Impairments, opening balance	-4	-4	-	-
<b>Accumulated impairment, closing balance</b>	<b>-4</b>	<b>-4</b>	<b>0</b>	<b>0</b>
<b>Carrying values</b>	<b>81</b>	<b>47</b>	<b>0</b>	<b>0</b>

Payments during the year regarding investments in intangible fixed assets amounted to SEK 116 M (117) 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.

#### Impairment testing for cash-generating units containing goodwill

The Group treats the following geographical regions as cash-generating units in the sense referred to in IAS 36 Impairment of assets. At the end of 2017, goodwill on cash-generating units was distributed as follows: Northern Europe SEK 11,870 M, Central and Eastern Europe SEK 5,148 M, Western and Southern Europe SEK 4,125 M and Spain SEK 8,422 M, that is, a total of SEK 29,565 M. At the end of 2016, goodwill on the cash-generating units into which the Group was then organized was distributed as follows: Northern Europe SEK 1,665 M, Central Europe SEK 434 M and Western Europe SEK 1,021 M, that is, a total of SEK 3,120 M.

Impairment testing of goodwill for each cash-generating unit was done prior to preparation of each year's 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 next three years and an annual increase thereafter 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 4.0 percent (4.6) 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 2019, annual revenue growth of 4 percent (2) is assumed, and for 2020, 2 percent (1), with each SEK 1,000 in increased revenue being assumed to result in an increase in working capital of SEK 350 (250), that is, an "incremental increase in earnings" of 35 percent (25). For the period after 2020, perpetual growth in cash flow of 1 percent (1) annually is assumed. The same assumptions were applied for all 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 have been discounted at 6 percent interest after tax. Even with this assumption, impairment testing did not indicate any need to recognize impairment in goodwill for any of the regions.

## Note 11: Tangible fixed assets

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Computer hardware</b>				
Acquisition cost, opening balance	240	218	1	1
Investments for the year	25	18	–	–
Sales and disposals	–10	–3	–	–
Purchased via acquisition	17	0	–	–
Discontinued operations	–6	0	–	–
Translation differences	56	7	–	–
<b>Accumulated acquisition cost, closing balance</b>	<b>322</b>	<b>240</b>	<b>1</b>	<b>1</b>
Accumulated amortization/ depreciation, opening balance	–199	–180	–1	–1
Sales and disposals	10	3	–	–
Discontinued operations	5	0	–	–
Amortization/depreciation for the year	–24	–17	–	–
Exchange rate differences	–56	–5	–	–
<b>Accumulated amortization/ depreciation, closing balance</b>	<b>–264</b>	<b>–199</b>	<b>–1</b>	<b>–1</b>
<b>Carrying values</b>	<b>58</b>	<b>41</b>	<b>0</b>	<b>0</b>
<b>Other equipment</b>				
Acquisition cost, opening balance	313	296	1	3
Investments for the year	33	8	–	–
Sales and disposals	–17	–3	–	–
Reclassification	2	3	–	–
Purchased via acquisition	130	0	–	–
Discontinued operations	–10	0	–	–
Translation differences	79	9	–	–
<b>Accumulated acquisition cost, closing balance</b>	<b>530</b>	<b>313</b>	<b>1</b>	<b>3</b>
Accumulated amortization/ depreciation, opening balance	–250	–216	–1	–2
Sales and disposals	16	2	–	–
Reclassification	–1	–3	–	–
Discontinued operations	7	0	–	–
Amortization/depreciation for the year	–40	–26	0	0
Exchange rate differences	–75	–7	–	–
<b>Accumulated amortization/ depreciation, closing balance</b>	<b>–343</b>	<b>–250</b>	<b>–1</b>	<b>–2</b>
<b>Carrying values</b>	<b>187</b>	<b>63</b>	<b>0</b>	<b>0</b>

Disbursements during the year regarding investments in intangible fixed assets for the Group amounted to SEK 56 M (26).

## Note 12: Group companies

SEK M	No. of shares	2017	2016
Intrum Justitia A/S, Denmark	40	188	188
Intrum 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	22
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 CAGCC Lda, Portugal	68,585	71	71
Intrum Justitia AG, Switzerland	7,000	942	942
Intrum Justitia Ibérica S.A.U, Spain	600,000	13	0
Collector Services Ltd, UK	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	36	0
Intrum Justitia Inkasso GmbH, Austria	72,673	37	37
Top Factoring SA, Romania	39	16	0
Lock TopCo AS, Norway	861,952,839	19,491	0
<b>Total carrying value</b>		<b>25,777</b>	<b>6,221</b>

SEK M	2017	2016
Opening balance	6,221	6,322
Acquisition	17,348	0
Capital contributions paid	2,208	42
Impairment of shares in subsidiaries	0	–143
<b>Closing balance</b>	<b>25,777</b>	<b>6,221</b>

Acquisitions in 2017 refer to shares in Top Factoring SA, Romania, and Lock TopCo AS, Norway, which was the parent company of the Lindorff Group.

Impairment of shares in subsidiaries in 2016 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.

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.

	Corp. identity no.	Domicile	Share of capital
<b>Subsidiaries of Intrum Justitia AB (publ) and their subsidiaries in the same country</b>			
<b>DENMARK</b>			
Intrum Justitia A/S	DK 10613779	Copenhagen	100%
Dansk Kreditorservice A/S	DK 27962971	Vejle	100%
<b>ESTONIA</b>			
Intrum AS	10036074	Tallinn	100%
<b>FINLAND</b>			
Intrum Justitia Oy	FI 14702468	Helsinki	100%
Intrum Rahoitus Oy	FI25086904	Helsinki	100%

	Corp. identity no.	Domicile	Share of capital		Corp. identity no.	Domicile	Share of capital
<b>FRANCE</b>				<b>UNITED KINGDOM</b>			
Intrum Justitia SAS	B322 760 497	Lyon	100%	Collector Services Ltd	03515447	Reigate	100%
IJCOF Corporate SAS	B797 546 769	Lyon	100%	Intrum Justitia (Holdings) Ltd	01356148	Reigate	100%
Socogestion SAS	B414 613 539	Lyon	100%	Intrum Justitia Ltd	01918920	Reigate	100%
Cabinet PPN SAS	B380 637 405	Vernon	90%	1st Credit (Funding) Ltd	05265651	Reigate	100%
Intractive WD SAS	B431 312 677	Lille Métropole	100%	1st Credit (Acquisitions) Ltd	05265652	Reigate	100%
Intractive SAS	B480 172 998	Lille Métropole	100%	1st Credit (Holdings) Ltd	04325074	Reigate	100%
<b>ITALY</b>				1st Credit Ltd	03752940	Reigate	100%
Intrum Justitia SpA	03776980488	Milan	100%	1st Credit (Finance) Ltd	04140507	Reigate	100%
<b>LATVIA</b>				1st Credit (Finance) 6 Ltd	07694793	Reigate	100%
Intrum Justitia SDC SIA	40103314641	Riga	100%	1st Credit (Finance) 7 Ltd	07694791	Reigate	100%
<b>NETHERLANDS</b>				1st Credit (Finance) 8 Ltd	07694764	Reigate	100%
Intrum Justitia BV	33.273.472	Schiphol-Rijk	100%	1st Credit (Finance) 9 Ltd	08149397	Reigate	100%
<b>NORWAY</b>				1st Credit (Finance) 10 Ltd	08149421	Reigate	100%
Fair Pay Please AS	979 683 529	Oslo	100%	<b>SWEDEN</b>			
Intrum Justitia AS	848 579 122	Oslo	100%	Intrum Justitia Sverige AB	556134-1248	Stockholm	100%
Intrum Justitia Finans AS	913,953,517	Oslo	100%	Intrum Justitia International AB	556570-1181	Stockholm	100%
Lock TopCo AS	913,852,508	Oslo	100%	Intrum Justitia Finans AB	556885-5265	Stockholm	100%
<b>PORTUGAL</b>				<b>GERMANY</b>			
Intrum Justitia Portugal CAGCC Lda.	503,933,180	Lisbon	100%	Intrum Justitia Holding GmbH	HRB 4709	Darmstadt	100%
Logícomer Gestão e Recuperação de Créditos SA	504 027 794	Porto	100%	Intrum Justitia GmbH	HRB 4622	Darmstadt	100%
Seguridad en la gestión Portugal unipessoal, LDA	508,624,878	Lisbon	100%	Schimmelpfeng Forderungsmanagement GmbH	HRB 8997	Darmstadt	100%
Andanças e Semelhanças Unipessoal Lda	514,167,041	Lisbon	100%	Intrum Justitia Bankenservices GmbH	HRB 5345	Darmstadt	100%
<b>ROMANIA</b>				Schimmelpfeng Creditmanagement GmbH	HRB 85778	Darmstadt	100%
Top Factoring SA	18496757	Bucharest	100%	<b>AUSTRIA</b>			
<b>SWITZERLAND</b>				Intrum Justitia GmbH	FN 48800s	Vienna	100%
Intrum Justitia AG	CH-020.3.020.656-9	Zurich	100%	Schimmelpfeng Auskunftei GmbH	FN 105105t	Vienna	100%
Inkasso Med AG	CH-020.3.913.313-8	Zurich	70%	<b>Subsidiaries of Intrum Justitia Sverige AB</b>			
Byjuno AG	CH-020.3.921.420-2	Zug	100%	<b>SWEDEN</b>			
Intrum Justitia Finance Service AG	CH-020.3.912.665-1	Zurich	100%	Svensk Delgivnings-service AB	556397-1414	Stockholm	100%
Intrum Justitia Brugg AG	CH-400.3.023.076-0	Brugg	100%	Intrum Justitia Shared Services AB	556992-4318	Stockholm	100%
<b>SPAIN</b>				<b>LUXEMBOURG</b>			
Intrum Justitia Ibérica S.A.U.	A28923712	Madrid	100%	Intrum Justitia Luxembourg sarl	B 183336	Luxembourg	100%
Segestion Gabinete Tecnico Empresarial, S.L	B61210696	Madrid	100%				
Seguridad en la gestión, S.L	B58182973	Barcelona	100%				

	Corp. identity no.	Domicile	Share of capital
<b>Subsidiaries of Intrum Justitia International AB</b>			
MAURITIUS			
ICC International Collection Center Ltd	127206	Port Louis	100%
SWITZERLAND			
Intrum Justitia Debt Finance AG	CH-020.3.020.910-7	Zug	100%
Intrum Justitia Debt Finance Domestic AG	CH-170.3.026.065-5	Zug	100%
Intrum Justitia Licensing AG	CH-020.3.926.747-8	Zug	100%
SWEDEN			
Fair Pay Management AB	556239-1655	Stockholm	100%
Fair Pay Please AB	556259-8606	Stockholm	100%

<b>Subsidiary of Intrum Justitia Debt Finance AG</b>			
LUXEMBOURG			
LDF65 S.a r.l.	B 134749	Luxembourg	100%
IJDF Luxembourg S.a r.l.	B188 281	Luxembourg	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%
UK			
PF2 UK Ltd	10246781	Liverpool	100%

<b>Subsidiary of Fair Pay Please AB</b>			
BELGIUM			
Intrum N.V	BE 0426237301	Ghent	100%
Outsourcing Partners N.V	BE 0466643442	Ghent	100%

<b>Subsidiary of Intrum Justitia BV</b>			
FRANCE			
FCT IJ Invest SAS	—	—	100%
IRELAND			
Intrum Justitia Ireland Ltd	175808	Dublin	100%
NETHERLANDS			
Intrum Justitia Nederland BV	27.134.582	The Hague	100%
Intrum Justitia DataCentre BV	27.306.188	Amsterdam	100%

	Corp. identity no.	Domicile	Share of capital
POLAND			
Intrum Justitia Sp.zo.o.o	521-28-85-709	Warsaw	100%
Kancelaria Prawna KIG IJ Spzoo SK	521-37-05-017	Warsaw	100%
SLOVAKIA			
Intrum Justitia Slovakia s. r. o.	35,831,154	Bratislava	100%
CZECH REPUBLIC			
Intrum Justitia Czech s.r.o.	27221971	Prague	100%
HUNGARY			
Lakóingatlan-Forgalmazó Kft	01-09-268230	Budapest	100%
Intrum Justitia Zrt.	01-10-044857	Budapest	100%
Intrum Justitia ASC Kft	25965308-2-41	Budapest	100%

<b>Subsidiaries of Fair Pay Management AB</b>			
SWEDEN			
Intrum Justitia Invest AB	556786-4854	Varberg	100%

<b>Subsidiary of Lock TopCo AS</b>			
SWEDEN			
Indif AB	556733-9915	Stockholm	100%

<b>Subsidiary of Indif AB</b>			
SWEDEN			
Lindorff AB	556723-5956	Stockholm	100%

<b>Subsidiaries of Lindorff AB and their subsidiaries in the same country</b>			
CYPRUS			
Casus Management Ltd	HE 310705	Nicosia	100%
DENMARK			
Lindorff Denmark A/S	18457970	Horsens	100%
Lindorff A/S	17473182	Horsens	100%
ESTONIA			
Lindorff Eesti AS	10123 1048	Tallinn	100%
FINLAND			
Lindorff Finland Oy	1858518-2	Helsinki	100%
Lindorff Oy	01040351-4	Helsinki	100%
Lindorff Invest Oy	0425475-3	Helsinki	100%

	Corp. identity no.	Domicile	Share of capital		Corp. identity no.	Domicile	Share of capital
<b>IRELAND</b>				Lindorff Detektyw Spzoo	0000223801	Wroclaw	95%
Lindorff Investment No 1 DAC	584295	Dublin	100%	Lindorff Service Spzoo	0000364126	Wroclaw	100%
Lindorff Investment No 2 DAC	590912	Dublin	100%	Casus Investments Spzoo	000487414	Wroclaw	100%
Lindorff Investment No 3 DAC	590795	Dublin	100%	Portfolio SPV V Spzoo SpK	000539574	Wroclaw	100%
Intrum Hellas DAC	613412	Dublin	100%	Portfolio SPV VI Spzoo	0000539035	Wroclaw	100%
<b>ITALY</b>				Portfolio SPV VI Spzoo Spk	0000539574	Wroclaw	100%
Lindorff Italy Srl	08724660967	Milano	100%	Finotrex Spzoo	0000507125	Wroclaw	100%
LSF West Srl	09409950962	Milano	100%	Finotrex Spzoo Spk	0000510916	Wroclaw	100%
Cross Factor SPA	09490900157	Milano	100%	Trigon Profit NS FIZ	1037	Warsaw	99.62%
Isabel SPV Srl	04614020263	Milano	100%	Trigon Profit II NS FIZ	1099	Warsaw	100%
Gextra Srl	03008751202	Bologna	100%	Trigon Profit IV NS FIZ	1118	Warsaw	100%
CAF Spa	08010981002	Rome	100%	Trigon Profit V NS FIZ	1161	Warsaw	100%
FT Real Estate Srl	09421851008	Rome	100%	<b>SPAIN</b>			
<b>LATVIA</b>				Lindorff Holding Spain SAU	A86128147	Madrid	100%
Intrum Latvia SIA	40203088409	Riga	100%	Lindorff España SAU	A85582377	Madrid	100%
<b>LITHUANIA</b>				<b>SWEDEN</b>			
Lindorff Lietuva UAB	304615887	Vilnius	100%	Lindorff Sverige Holding AB	556664-5460	Gothenburg	100%
Intrum Global Business Services UAB	303,326,659	Vilnius	100%	Lindorff Sverige AB	556209-5363	Stockholm	100%
<b>LUXEMBOURG</b>				Lindorff International AB	559077-1274	Stockholm	100%
Lindorff Holdco 1 sarl	B205121	Luxembourg	100%	Lindorff Payment Services Holding AB	559060-0093	Stockholm	100%
Lindorff Holdco 2 sarl	B205157	Luxembourg	100%	Lindorff Payment Services AB	559037-7676	Stockholm	100%
Lindorff Holdco 3 sarl	B205179	Luxembourg	100%	<b>GERMANY</b>			
Lindorff Holdco 4 sarl	B205511	Luxembourg	100%	Lindorff Finanzholding GmbH	HRB 87998	Heppenheim	100%
<b>NETHERLANDS</b>				Lindorff Holding GmbH	HRB 88008	Heppenheim	100%
Lindorff Netherlands Holding BV	08178741	Amersfoort	100%	Lindorff Deutschland GmbH	HRB 87484	Heppenheim	100%
Lindorff Netherlands BV	05082522	Amersfoort	100%	Debitorenmanagement und Verwaltungs GmbH	HRB 81939	Hamburg	100%
Lindorff BV	05025428	Amersfoort	100%	HIT GmbH	HRB 52053	Hamburg	100%
Mirus International BV	30150149	Amsterdam	100%	AssetGate GmbH	HRB 13260	Heppenheim	100%
<b>NORWAY</b>				<b>Subsidiary of Lindorff Holdco 4 sarl</b>			
Lindorff Capital AS	958,422,830	Oslo	100%	<b>SPAIN</b>			
Lindorff Payment Services AS	916,068,301	Oslo	100%	Lindorff Iberia Holding SLU	B87523262	Madrid	100%
Remco Management Services AS	918,906,770	Oslo	100%	Aktua Soluciones Financieras Holdings SL	B86538279	Madrid	85%
Lindorff Holding Norway AS	992,984,899	Oslo	100%	Aktua Soluciones Financieras SL	B84983956	Madrid	100%
Lindorff AS	835,302,202	Oslo	100%	Inmare Divisiono Inmobiliara SLU	B86602521	Madrid	100%
Lindorff Obligations AS	945,153,547	Oslo	100%	Aktua Aragón SLU	B87437745	Madrid	100%
<b>POLAND</b>				Aktua Gestion de Immeubles SLU	B87437737	Madrid	100%
Lindorff Business Services Spzoo	0000654943	Wroclaw	100%	Aktua Soluciones Inmobiliarias SLU	B50509447	Zaragoza	100%
Lindorff SA	0000414651	Wroclaw	100%				
Lindorff I NSFIZ	RFI 752	Wroclaw	100%				
Lindorff S & WKP SK	000270515	Wroclaw	99%				

	Corp. identity no.	Domicile	Share of capital
<b>Subsidiary of Aktua Soluciones Financieras Holdings SL</b>			
LUXEMBOURG			
Aktua Luxco Hld 1 sarl	N0184746F	Luxembourg	100%
Aktua Luxco Hld 2 sarl	N0184747F	Luxembourg	100%

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

ITALY			
IJ DF Italy Srl	08438930961	Milano	
Alicudi SPV srl	04703580268	Treviso	

**Subsidiaries in which the Company has holdings with non-controlling interest (minority interests)**

	Minority interest in equity		Minority interests in earnings	
	2017	2016	2017	2016
SEK M				
IJCOF Corporate SAS, France	0	83	2	10
Cabinet PPN SAS, France	0	1	0	0
Inkasso Med AG, Switzerland	3	3	0	0
<b>Total</b>	<b>3</b>	<b>87</b>	<b>2</b>	<b>10</b>

Ellisphère SA was the minority shareholder in IJCOF Corporate SAS during January-March 2017. The minority shareholder in Cabinet PPN SAS is L'Apave Parisienne SAS. Ärztekasse Genossenschaft Urdorf AG is a minority shareholder in Inkasso Med AG.

In addition, Banco Santander holds 15 percent of the shares in Aktua Soluciones Financieras Holdings SL, which is not, however, reported as non-controlling interest, but as a long-term liability to Santander, as there are mutual buy and sell options between the owners that Intrum assumes will be utilized.

**Note 13: Shares and participations in joint ventures**

SEK M		Group		Parent Company	
		2017	2016	2017	2016
Joint venture					
Avarda AB, Stockholm	556986-5560	–	12	–	24
<b>Total, joint ventures</b>		<b>–</b>	<b>12</b>	<b>–</b>	<b>24</b>

**Avarda AB**

Avarda AB was a joint venture between Intrum and TF Bank. The Company's operations entail offering e-commerce payment services. The Company has a subsidiary in Finland, Avarda Oy.

There are 2,000 shares outstanding in Avarda AB, of which Intrum held 980 in 2016.

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

In 2017, Intrum divested its shares in Avarda to TF Bank.

**Note 14: Portfolio investments**

SEK M	Group	
	2017	2016
Purchased debt		
Acquisition cost, opening balance	20,611	16,917
Discontinued operations	–519	0
Purchased debt	7,130	3,100
Sales and disposals	14	–352
Purchased via acquisition	7,826	0
Exchange rate differences	713	947
<b>Accumulated acquisition cost, closing balance</b>	<b>35,775</b>	<b>20,611</b>
Amortization, opening balance	–11,878	–9,889
Discontinued operations	391	
Amortization and revaluation for the year	–2,788	–1,606
Sales and disposals	15	352
Exchange rate differences	–366	–734
<b>Accumulated amortization, closing balance</b>	<b>–14,626</b>	<b>–11,878</b>
<b>Carrying values</b>	<b>21,149</b>	<b>8,733</b>

Amortizations and revaluations for the year		
Time and interest component	–2,785	–1,655
Revaluation in connection with changes in expectations in projections of future cash flows	332	277
Impairment in connection with changes in expectations in projections of future cash flows	–335	–228
<b>Total amortizations and revaluations for the year</b>	<b>–2,788</b>	<b>–1,606</b>

Payments during the year for portfolio investments amounted to SEK 7,175 M (3,357).

For a description of Intrum's accounting policy for portfolio investments, see Note 1.

**Note 15: Other long-term receivables**

SEK M	Group	
	2017	2016
Deposits	16	6
Loan receivables	20	0
<b>Total</b>	<b>36</b>	<b>6</b>
Opening balances	6	12
Paid	0	1
Repaid	0	–7
Reported through acquisitions of subsidiaries	30	0
<b>Carrying values</b>	<b>36</b>	<b>6</b>

## Note 16: Accounts receivable

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Non-delinquent receivables	453	207	0	0
Accounts receivable < 30 days overdue	140	53	–	–
Accounts receivable 30–60 days overdue	59	18	–	–
Accounts receivable 61–90 days overdue	30	9	–	–
Accounts receivable > 90 days overdue	97	37	–	–
<b>Total accounts receivable</b>	<b>779</b>	<b>324</b>	<b>0</b>	<b>0</b>
Accumulated reserve for impaired receivables, opening balance	–19	–23		
Reserve for impaired receivables for the year	–12	–3	–	–
Realized client losses for the year	5	3	–	–
Withdrawals from reserve for impaired accounts receivable for the year	1	5	–	–
Translation difference	1	–1	–	–
<b>Accumulated impaired receivables, closing balance</b>	<b>–24</b>	<b>–19</b>	<b>0</b>	<b>0</b>
<b>Carrying values</b>	<b>755</b>	<b>305</b>	<b>0</b>	<b>0</b>

The reserve for impaired accounts receivable relates primarily to receivables overdue by more than 90 days. See also Note 34 on page 78.

## Note 17: Other receivables

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Outlays on behalf of clients	145	71	–	–
Less: reserve for uncertainty in outlays on behalf of clients	–6	–4	–	–
<b>Total</b>	<b>139</b>	<b>67</b>	<b>–</b>	<b>–</b>
Factoring	351	290	–	–
VAT refund claims on purchased debt	66	29	–	–
To be recovered from Netherlands bailiffs	89	89	–	–
Other	286	82	16	4
<b>Total</b>	<b>792</b>	<b>490</b>	<b>16</b>	<b>4</b>
<b>Carrying values</b>	<b>931</b>	<b>557</b>	<b>16</b>	<b>4</b>

In the Netherlands, a VAT receivable arises in connection with portfolio investments. The VAT portion of the acquired receivable can be recovered from the tax authorities if it is not collected from the debtor and is therefore recognized in certain cases as a separate receivable. The portion that is expected to be recovered within 12 months is recognized as current.

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 is entitled to request that the amount be returned from the enforcement authorities, the amount is moved from Outlays on behalf of clients, to To recover from bailiffs.

## Note 18: Prepaid expenses and accrued income

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Prepaid expenses and accrued expenses</b>				
Prepaid rent	18	16	0	0
Prepaid insurance premiums	3	4	1	2
Prepaid expenses for purchased debt	7	8	0	0
Accrued income	351	93	0	0
Derivative assets (forward exchange contracts)	212	14	212	13
Other	146	32	87	6
<b>Total</b>	<b>737</b>	<b>167</b>	<b>300</b>	<b>21</b>

## Note 19: Liquid assets

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Cash and bank balances	857	378	95	0
Restricted bank accounts	24	18	0	8
<b>Total</b>	<b>881</b>	<b>396</b>	<b>95</b>	<b>8</b>

## Note 20: Shareholders' equity

### Share capital

According to the Articles of Association of Intrum Justitia AB (publ), the company's share capital will 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 131,541,320 shares in the Company, and the share capital amounts to SEK 2,899,805.49.

### Share repurchase

No shares were repurchased in 2016 or 2017. 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.

### New share issue

On June 27, 2017, Intrum Justitia AB merged with Lindorff and completed a non-cash issue, whereby Intrum Justitia AB issued 59,193,594 new shares at a subscription price of SEK 292.80 per share, in exchange for all shares in Lock TopCo AS, the parent company of the Lindorff Group. Accordingly, there are 131,541,320 shares outstanding in Intrum. Accordingly, the average number of shares outstanding in 2017 was 102,674,307.

### 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 9.50 per share (9.00), or a total estimated payout of SEK 1,250 M (651).

#### 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.

##### Earnings brought forward

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 22,439 M (4,130).

The measure of the Company's capital structure used for control purposes is consolidated net debt in relation to pro forma rolling 12-month-adjusted cash EBITDA, which at year-end amounted to 4.1. This ratio is calculated by placing current consolidated net debt at the end of the year in relation to pro forma cash EBITDA, including operations being phased out and including a calculated cash EBITDA throughout the period for larger units acquired during the year, and excluding non-recurring items (NRIs). Net debt is defined as the sum of interest-bearing liabilities and pension provisions less liquid funds and interest-bearing receivables.

The Board of Directors has established financial targets for the Group, in which net debt divided by pro forma rolling 12-month-adjusted cash EBITDA, as stated above, shall be between 2.5 and 3.5 in the long term.

## Note 21: Pensions

Employees in Intrum's companies are covered by various pension benefits, some of which are defined benefit plans and others as 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, and certain employees in Germany, are covered by pension plans funded through assets under the management of insurance companies and are reported as defined benefit pension plans. Other 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	
	2017	2016
Present value of fully or partly funded obligations	319	322
Fair value of plan assets	-243	-247
<b>Deficit in the plan</b>	<b>76</b>	<b>75</b>
Present value of unfunded obligations	99	82
<b>Total provisions for pensions</b>	<b>175</b>	<b>157</b>

Changes in net obligation:

SEK M	Group	
	2017	2016
Opening balance	157	174
Expenses for employment in current year	17	21
Interest expense	2	3
Pensions paid	-19	-16
Pension provisions in acquired operations	26	0
Discontinued operations	-24	0
Revaluations	18	-33
Exchange rate differences	-2	8
<b>Closing balance</b>	<b>175</b>	<b>157</b>

Reconciliation of fair value of plan assets:

SEK M	Group	
	2017	2016
Opening balance	247	233
Fees paid	40	41
Compensation paid	-23	-50
Interest revenue	2	3
Plan assets in acquired operations	37	0
Discontinued operations	-53	0
Revaluations	5	6
Exchange rate differences	-12	14
<b>Closing balance</b>	<b>243</b>	<b>247</b>

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

SEK M	Group	
	2017	2016
Expenses for employment in current period	17	21
Net interest income/expense	2	3
<b>Total pension expense in earnings for the year</b>	<b>19</b>	<b>24</b>

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 negative amount of SEK 18 M (33) before tax. In calculating Provisions for pensions, the following assumptions are used:

%	Group	
	2017	2016
Discount rate	0.75–2.30	0.75–2.50
Assumed rate of increase in compensation	1.0–2.5	1.0–2.5
Assumed return on assets under management	1.0–4.0	1.0–1.4
Assumed pension increases	0.4–3.0	0.0–3.0
Future adjustment to social security base	2.5–4.2	2.0–4.2

The Group also finances a number of defined contribution plans, Consolidated expenses for these amounted to SEK 108 M (92).



### 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 273 M (246), and the fair value of the assets under management is SEK 206 M (193). Consequently, the net pension liability is SEK 67 M (53). The pension commitment is funded through insurance contracts. During the year Intrum paid SEK 40 M (38) to the plan, while disbursements to retirees amounted to SEK 22 M (46). In 2017 payments to the plan are estimated at SEK 40 M, with disbursements to retirees of SEK 22 M. For these pension plans, a discount rate of 0.75 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 DNB Livsforsikring. The funded commitments currently amount to SEK 33 M, and the fair value of the assets under management is SEK 21 M. Consequently, the net pension liability is SEK 12 M. The pension commitment is funded through insurance contracts. For these pension plans, a discount rate of 2.3 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. Alecta's customers have not had access to such information for the fiscal year that would make allow them to report their proportional share of plan assets, liabilities and costs, preventing it from being 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 as if it were a defined contribution plan. The premium is individually calculated, depending on salary, previously vested pension and anticipated remaining term of employment. At year-end Alecta's surplus in the form of the collective funding ratio was 154 percent (149). 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	
	2017	2016
Opening balances	27	3
Amounts utilized during the year	-27	-1
Unutilized amounts reversed during the year	0	-2
New provisions for the year	64	27
Provisions in acquired operations	88	0
<b>Closing balances</b>	<b>152</b>	<b>27</b>
<b>Of which long-term provisions</b>		
Expenses for returning leased office premises to their original condition	2	0
Personnel expenses	7	0
<b>Of which short-term provisions</b>		
Expenses for termination of personnel and other restructuring expenses	51	27
Liability for additional purchase consideration for shares	92	0
<b>Total</b>	<b>152</b>	<b>27</b>

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

## Note 23: Borrowing

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Long-term liabilities</b>				
Bank loans	2,703	1,520	2,694	1,520
Bond loan	32,052	3,706	32,052	3,706
<b>Current liabilities</b>				
Commercial papers	2,269	1,124	2,269	1,124
Bond loan	1,000	1,077	1,000	1,077
Bank overdraft facilities	0	56	0	56
<b>Total</b>	<b>38,024</b>	<b>7,483</b>	<b>38,015</b>	<b>7,483</b>

On June 16, 2017, Intrum Justitia AB signed a 4.5-year revolving syndicated loan facility of a total EUR 1,100 M with a bank consortium of five Nordic banks to replace the previous facility from 2015 and to support the merged company's liquidity needs and meet future investment opportunities. The loan framework of EUR 1,100 M can be utilized for borrowing in a number of different currencies. On December 31, 2017, the loan framework had been utilized for loans in SEK totaling SEK 700 M (0), in EUR totaling EUR 100 M (15), in GBP totaling EUR 102 M (0), in PLN totaling PLN 0 M (240) and in HUF totaling HUF 0 M (28,300). The unutilized portion of the facilities amounted to SEK 8,008 M (5,964). 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 financial indicators. All of these covenants were fully met in 2017. 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.

In 2017, Intrum Justitia AB issued public bonds for approximately EUR 3,000 M, divided into four tranches of a total of EUR 2,700 M and SEK 3,000 M, compared with EUR 160 M in the preceding year, and accordingly has outstanding bond loans totaling SEK 33,052 M (4,783). The bonds issued in 2017 have an average interest rate of 2.85 percent and an average maturity of 5.6 years. In 2017, Intrum Justitia also issued a commercial paper that, at the end of the year, amounted to SEK 2,269 M (1,077).

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Maturities of long-term bank borrowings</b>				
Between 1 and 2 years	3,476	1,622	3,467	1,622
Between 2 and 3 years	0	1,567	0	1,567
Between 3 and 4 years	0	2,037	0	2,037
Between 4 and 5 years	20,853	0	20,853	0
More than 5 years	10,426	0	10,426	0
<b>Total</b>	<b>34,755</b>	<b>5,226</b>	<b>34,746</b>	<b>5,226</b>
<b>Unused lines of credit excluding guarantee facility</b>				
Expiring within one year	0	0	0	0
Expiring after more than one year	8,008	5,964	8,008	5,964
<b>Total</b>	<b>8,008</b>	<b>5,964</b>	<b>8,008</b>	<b>5,964</b>

## Note 24: Accrued expenses and prepaid income

SEK M	Group		Parent Company	
	2017	2016	2017	2016
Accrued social security expenses	103	71	22	16
Accrued vacation pay	187	117	14	12
Accrued bonus expense	264	147	50	32
Prepaid subscription income	81	47	0	0
Provisions for losses on charge card guarantees	1	1	0	0
Accrued interest	388	10	387	9
Provision for expenses to pay to collection authorities in the Netherlands	19	19	0	0
Other accrued expenses	751	306	97	56
<b>Total</b>	<b>1,794</b>	<b>718</b>	<b>570</b>	<b>125</b>

## Note 25: Pledged assets, contingent assets and contingent liabilities

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Pledged assets</b>				
Deposits	16	6	–	–
Restricted bank accounts	24	18	8	8
Shares in subsidiaries	28,371	–	–	–
<b>Total</b>	<b>28,411</b>	<b>24</b>	<b>8</b>	<b>8</b>
Contingent assets	None	None	None	None
<b>Contingent liabilities</b>				
Payment guarantees	111	124	–	–
<b>Total</b>	<b>124</b>	<b>124</b>	<b>0</b>	<b>0</b>

### Pledged assets

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

Pledged collateral also includes shares in subsidiaries within the Group pledged as collateral for the Parent Company's revolving credit facility. The reported value of pledged collateral in the table above refers to the consolidated value of the subsidiaries' net assets.

### Payment guarantees

The Group offers services whereby clients, against payment, obtain a guarantee from Intrum regarding the clients' receivables from their customers. This entails a risk being incurred that Intrum 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 assumes the client's claim against its customer and takes over the continued handling of the case within the Portfolio Investments area of operations. At the end of the year, the total guarantee amount amounted to SEK 111 M (124). Intrum's risk in this business is managed through strict credit limits and analyses of the borrower's credit status. As of year-end Intrum had allocated SEK 1 M (1) in the balance sheet to cover payments that may arise due to the guarantee.

### Other

In 2012, when Intrum acquired the Dutch company Buckaroo BV, a supplementary 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 supplementary purchase consideration has been paid. In 2015, the sellers initiated legal proceedings, bringing claims against Intrum and some of its executives, demanding payment of additional purchase consideration. These demands are motivated by claims that the actions of Intrum (and its executives) caused a worse result in Buckaroo than expected, and thus a lower supplementary purchase consideration. Although Intrum divested the shares in Buckaroo in 2017, the claim on Intrum from the previous owners remains. Intrum 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 and a telecom company regarding accounts receivable acquired from that company, where Intrum's ability to collect on the receivables has been hampered by a ruling by the Supreme Court of the Netherlands, combined with shortcomings in some of the telecom company's customer agreements. Intrum has partially withheld payment for the purchased accounts receivable and has submitted a claim for compensation. The case has been referred to an arbitration panel for a ruling. There is also a risk that former creditors will demand payment.

In Spain, a number of disputes are currently in progress in both higher and lower level courts against two former executives, attributable to their termination in June 2015. The disputes concern whether the dismissals were unlawful, the former executives' entitlement to different bonuses and the entitlement to compensation for one of the former executives for a competition commitment in his employment contract. The relevant courts are expected to announce their rulings on the cases in 2018. Intrum refutes all of these claims. The potential impact on consolidated earnings is not considered to be material.

In Poland, a dispute is currently in progress related to the acquisition of Casus Finanse SA in 2015. The dispute concerns the entitlement of the sellers, the former management of Casus Finanse SA, to an additional purchase consideration and remuneration for continued employment under the share transfer agreement. The former management of Casus Finanse SA was dismissed in December 2016, and Intrum's position is that no entitlement to an additional purchase consideration nor remuneration for continued employment applies. The dispute has been referred to an arbitration board, which is expected to announce its ruling in the spring of 2018. Intrum has made no provision with regard to this dispute, and the potential impact on consolidated earnings is not considered to be material.

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 to the finance 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. The best assessment within Intrum and the industry is that the judgment cannot be applied generally to the type of receivables that the Group acquires. In all events, the possible impact on consolidated earnings is not considered to be material.

The Group is otherwise involved in disputes 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

SEK M	Group				Of which the Parent Company			
	2017		2016		2017		2016	
	Men	Women	Men	Women	Men	Women	Men	Women
Belgium	45	48	47	47	–	–	–	–
Denmark	66	109	40	82	–	–	–	–
Estonia	6	21	6	24	–	–	–	–
Finland	131	306	123	295	–	–	–	–
France	197	455	203	480	–	–	–	–
Ireland	25	45	27	41	–	–	–	–
Italy	31	133	28	70	–	–	–	–
Latvia	126	51	101	25	–	–	–	–
Lithuania	27	110	0	0	–	–	–	–
Luxembourg	1	0	1	0	–	–	–	–
Mauritius	15	31	10	23	–	–	–	–
Netherlands	138	97	143	90	–	–	–	–
Norway	157	191	45	65	–	–	–	–
Poland	218	333	110	209	–	–	–	–
Portugal	56	122	50	97	–	–	–	–
Romania	50	74	0	0	–	–	–	–
Switzerland	134	133	124	119	–	–	–	–
Slovakia	33	57	29	58	–	–	–	–
Spain	429	810	67	196	–	–	–	–
UK	58	59	0	1	–	–	–	–
Sweden	156	264	153	256	34	23	35	20
Czech Republic	33	52	37	53	–	–	–	–
Germany	99	225	39	89	–	–	–	–
Hungary	106	192	76	158	–	–	–	–
Austria	14	24	14	24	–	–	–	–
<b>Total</b>	<b>2,351</b>	<b>3,942</b>	<b>1,473</b>	<b>2,502</b>	<b>34</b>	<b>23</b>	<b>35</b>	<b>20</b>
		<b>6,293</b>		<b>3,975</b>		<b>57</b>		<b>55</b>

Of the Group's employees 24 percent are younger than 30 years old, 38 percent are 30–39 years, 23 percent are 40–49 years and 15 percent are 50 years or older.

	2017		2016	
	Men	Women	Men	Women
<b>Gender distribution of senior executives</b>				
Board of Directors	6	2	4	3
Group Management Team	10	4	9	1
Country Managers	16	5	18	2
Board members in subsidiaries (percent)	80	20	94	6

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

## Note 27: Salaries and remunerations

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Salaries and other remuneration to Board members, Presidents and Executive Vice Presidents</b>	<b>136</b>	<b>86</b>	<b>8</b>	<b>10</b>
<b>Salaries and remunerations to other employees</b>				
Northern Europe	842	451	–	–
Central & Eastern Europe	552	355	–	–
Western and Southern Europe	502	391	–	–
Spain	423	63	–	–
Head offices and central operations	252	182	114	88
<b>Total salaries and other remuneration, Group</b>	<b>2,707</b>	<b>1,528</b>	<b>122</b>	<b>98</b>
Social security expenses	565	420	39	48
Of which pension expenses	125	108	15	18
<b>Total</b>	<b>3,272</b>	<b>1,948</b>	<b>160</b>	<b>146</b>

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

### Guidelines on compensation for senior executives

The 2017 Annual General Meeting adopted guidelines for remuneration to senior executives, the CEO and members of Group Management. The proposal has been prepared by the Board and its Remuneration Committee.

### Salary and remuneration philosophy

Intrum is dependent on its employees to achieve ambitious objectives in a challenging environment. The salary and remuneration philosophy seeks to ensure our employees are 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 core values.

The total remuneration is based on four principal components: base salary, short- and long-term variable salary programs and pension benefits. Other benefits, such as a company car, may be offered as well.

The base salary depends on the complexity of the work and the individual's performance and competence.

### 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 metrics reflect business targets or other generation of value for the Company. Short-term variable 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 50 percent of fixed annual salary for the CEO and at between 20 and 50 percent for other members of Group Management.

### 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's earnings per share is generally 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 between 20 and 50 percent for other members of Group Management.

### Costs

For 2017, expenses for variable salary programs to the CEO and other members of Group Management are expected to amount to at most SEK 11 M for the short-term program and at most SEK 10.2 M for the long-term program, excluding social security contributions. The estimate does not take into account any changes due to the merger with Lindorff, which may affect, for example, the composition of Group Management and its fixed and variable salaries.

### 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 individual remuneration 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 equivalent to a certain percentage of their fixed 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 had a certain amount of time (based on individual agreements) to acquire shares.

### Other

In the event of termination by Intrum, a maximum of 12 months' severance pay shall apply (if at all).

The Board of Directors shall have the right to depart from these remuneration guidelines 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 2017 Annual General Meeting, the Remuneration Committee has consisted of Per E. Larsson (Chairman) and Fredrik Trägårdh. 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 2017, Mikael Ericson, CEO and President, received remuneration in accordance with the Group's principles as detailed above. His fixed monthly salary during the period January–June amounted to SEK 428,400 and during July–December to SEK 500,000. 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 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 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. In 2017, disbursements have been made in accordance with the provisions made in 2015.

### Terms of employment and remuneration for other members of Group Management

During 2017, 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 per month during this period, in addition to his regular monthly salary in 2016 of SEK 100,000.

In March 2017, certain senior executives, excluding the President and CEO, were offered an additional bonus, amounting to two months' salary, linked to the merger between Intrum Justitia and Lindorff. Provided that predetermined terms are met, the bonus will be paid in March 2018. Variable remuneration reported below includes exceptional bonus earned by year-end 2017.

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 98–100) other than the CEO. In June 2017, Group Management changed when six people from the former Lindorff and one from Intrum Justitia joined while two others stepped down. At the end of 2017, there were 13 other senior executives.

SEK thousands	2017	2016
<b>Senior executives</b>		
Mikael Ericson (refers to the period March 2016–December 2017)		
Base salary	5,570	4,210
Variable compensation	4,309	2,520
Other benefits	106	40
Pension expenses	1,984	1,470
<b>Total, President and CEO</b>	<b>11,970</b>	<b>8,240</b>
<b>Other senior executives (13 individuals)</b>		
Base salary	28,080	21,437
Variable compensation	23,096	11,943
Other benefits	1,622	743
Severance pay	3,458	0
Pension expenses	4,085	5,585
<b>Total other senior executives</b>	<b>60,341</b>	<b>39,708</b>

The amounts stated correspond to the full remuneration received during the period in which the individuals concerned were defined as senior executives, including vested but as yet unpaid variable remuneration for each year. This entails, for example, that the variable remuneration accrued and expensed by the Company in 2016 was disbursed in 2017, while the variable remuneration for 2017 was disbursed in 2018.

No share-based remunerations were paid in 2016 or 2017.

#### 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 5,395 thousand (3,715). 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	2017	2016
<b>Board fees</b>		
Per E. Larsson, Chairman	1,060	0
Lars Lundquist, former Chairman	0	975
Tore Bertilsson	0	540
Hans Larsson	800	0
Kristoffer Melinder	450	0
Andreas Näsvik	600	0
Synnöve Trygg	600	455
Fredrik Trägårdh	535	370
Ulrika Valassi	0	460
Ragnhild Wiborg	650	460
Magnus Yngen	600	455
<b>Total Board fees</b>	<b>5,395</b>	<b>3,715</b>

Board fees pertain to the period from the 2016 Annual General Meeting until the 2017 Annual General Meeting and from the 2017 Annual General Meeting until the 2018 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: Fees to auditors

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>External audit assignments</b>				
Ernst & Young	15	10	4	2
<b>Other assignments</b>				
Ernst & Young Auditing work beyond the auditing assignment	3	1	0	0
Audits, assignments, other auditors	15	4	0	0
<b>Total</b>	<b>33</b>	<b>15</b>	<b>4</b>	<b>2</b>

## Note 30: Operational leasing

SEK M	Group		Parent Company	
	2017	2016	2017	2016
<b>Obligations for rental payments on non-cancelable leases</b>				
Year 1	213	134	3	1
Years 2-4	402	277	2	2
Year 5 and thereafter	126	110	0	0
<b>Total</b>	<b>741</b>	<b>521</b>	<b>5</b>	<b>3</b>

Lease costs for operating leases amounted to SEK 192 M (131) during the year, of which SEK 2 M (2) were 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	
	2017	2016
<b>Minimum lease payments and their present value</b>		
Within one year	3	1
Later than one but within five years	7	0
Later than five years	1	0
<b>Total</b>	<b>11</b>	<b>1</b>

## 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	
	2017	2016	2017	2016
<b>Carrying value of financial instruments</b>				
Financial assets valued at amortized cost	25,000	10,678	34,722	6,700
Financial assets valued at fair value	212	14	212	14
Financial liabilities valued at amortized cost	42,113	9,239	43,362	11,710
Financial liabilities valued at fair value	55	13	55	13

The only financial instruments that are regularly restated at fair value are derivatives (e.g. 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 25,212 M (10,692) on the balance sheet date. Financial assets classified as loan receivables and accounts receivable amounted to SEK 25,000 M (10,678) and financial assets recognized at fair value via the income statement amounted to SEK 212 M (14).

The total recognized value of the Parent Company's financial assets amounted to SEK 34,934 M (6,714) on the balance sheet date. Financial assets classified as loan receivables and accounts receivable amounted to SEK 34,722 M (6,700) and financial assets recognized at fair value via the income statement amounted to SEK 212 M (14).

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 assets amounted to SEK 42,168 M (9,252) on the balance sheet date. Financial liabilities recognized at amortized cost amounted to SEK 42,113 M (9,239) and financial liabilities recognized at fair value amounted to SEK 55 M (13).

The total recognized value of the Parent Company's financial liabilities amounted to SEK 43,417 M (11,723) on the balance sheet date. Financial liabilities recognized at amortized cost amounted to SEK 43,362 M (11,710) and financial liabilities recognized at fair value amounted to SEK 55 M (13).

### 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 21,149 M (8,733). 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 755 M (305) 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 2,427 M (1,259) on the balance sheet date. The item includes derivatives valued at SEK 212 M (14), which are classified as assets measured at fair value in the income statement (held for sale). The remaining SEK 2,215 M (1,245) is classified as loan receivables. For the Parent Company, other receivables, including receivables from Group companies, amounted to SEK 34,839 M (6,707). The item includes derivatives valued at SEK 212 M (14), which are classified as assets measured at fair value in the income statement (held for sale). The remaining SEK 34,627 M (6,693) 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 881 M (396). For the Parent Company, the corresponding amount was SEK 95 M (8) 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 2,703 M (1,576) and for the Parent Company, they amounted to SEK 2,694 M (1,576).

### Bond loan

The Parent Company and the Group had bond loans outstanding for a value of SEK 33,052 M (4,783) on the balance sheet date. The bond loans are carried at amortized cost. The fair value of the bonds, based on observable market data, was SEK 33,408 M (4,783).

### Commercial papers

The Parent Company and the Group had commercial papers outstanding for a value of SEK 2,269 M (1,124) 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 572 M (140). For the Parent Company, the equivalent amount was SEK 53 (10).

### 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 3,572 M on the balance sheet date (1,629). The item includes derivatives valued at SEK 55 M (13), recognized at fair value in the income statement (held for sale). Other liabilities, excluding derivatives amounted to SEK 3,517 M (1,616).

For the Parent Company, other liabilities amounted to SEK 5,348 M (4,230) on the balance sheet date and included liabilities to Group companies and accrued expenses. Derivatives are recognized at fair value in the income statement (held for sale) and amounted to SEK 55 M (13). Other liabilities, excluding derivatives amounted to SEK 5,293 M (4,217).

### Offset of financial instruments

Financial assets and liabilities measured at fair value comprise 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 derivatives suspend their payments. At the end of the year, Intrum had financial assets totaling SEK 50 M (2) 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 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's financing and financial risks are managed within the Group in accordance with the treasury policy established by the Board of Directors. The treasury policy contains rules for managing financial activities, delegating responsibility, measuring and identifying financial risks and limiting these risks.

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

### 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 Group, other than the Swedish krona (SEK), are the euro (EUR), the Swiss franc (CHF), the Hungarian forint (HUF), the Danish krone (DKK) and the Norwegian krone (NOK).

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

Currency	Average		Average	
	Dec 31, 2017	Dec 31, 2016	2017	2016
EUR	9.84	9.58	9.63	9.47
CHF	8.42	8.91	8.67	8.69
HUF	0.0317	0.0308	0.0312	0.0304
DKK	1.32	1.29	1.29	1.27
NOK	1.00	1.05	1.03	1.02

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 operates in 24 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 affect consolidated income and earnings, as well as equity and other items in the financial statements.

The Group's revenues are distributed by currency as follows:

SEK M	2017	2016
SEK	878	886
EUR	5,282	3,032
CHF	732	718
HUF	780	476
DKK	342	282
NOK	763	0
Other currencies	657	475
<b>Total</b>	<b>9,434</b>	<b>5,869</b>

An appreciation of the Swedish krona of 10 percentage points on average in 2017 against EUR would thus, all else being equal, have affected revenues by SEK -528 M, against CHF by SEK -73 M, against HUF by SEK -78 M, against DKK by SEK -34 M and against NOK by SEK -76 M.

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

SEK M	2017	2016
SEK	4,526	1,119
EUR	31,003	6,176
- less EUR hedged through foreign currency loans	-31,709	-4,708
+ EUR hedged through derivatives	7,944	257
CHF	1,303	974
- less CHF hedged through foreign currency loans	-97	-251
- less CHF hedged through derivatives	-505	-446

SEK M	2017	2016
DKK	1,745	180
HUF	1,865	1,150
- less HUF hedged through foreign currency loans	0	-861
- less HUF hedged through derivatives	-1,183	0
NOK	13,163	372
- less NOK hedged through derivatives	-6,462	0
Other currencies	846	168
<b>Total</b>	<b>22,439</b>	<b>4,130</b>

All else being equal, an appreciation in the Swedish krona of 10 percentage points as per December 31, 2017 against EUR would have affected shareholders' equity in the Group by SEK -724 M, against CHF by SEK -70 M, against DKK by SEK -174 M, against HUF by SEK -68 M and against NOK by SEK -670 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 interest-bearing net debt, which amounted to SEK 37,322 M (7,260) on December 31, 2017. The loan rate is tied to the market rate.

Intrum has a strong cash flow which gives the Group the option of repaying loans or investing in portfolios. The Group's loans have a fixed interest term - currently about 39 months (8) for the entire loan portfolio.

A one-percent increase in market interest rates would have adversely affected net financial items by approximately SEK 223 M. A five-percent increase would have adversely affected net financial items by SEK 1,115 M.

To establish an appropriate matching of currencies in the balance sheet and thus manage the currency risk between assets and liabilities, the Company uses currency interest rate swaps in which the Parent Company for example swaps liabilities in SEK and receives EUR at the same rate on both the start and maturity dates. In this way, the Company can maintain the desired level of hedging of shareholders' equity per currency while also maintaining an interest rate 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 by confirmed loan facilities. The Group's objective is that at least 35 percent of total committed loans have a remaining maturity of at least three years and that not more than 35 percent of the total have a remaining maturity of less than 12 months.

On June 16, 2017, Intrum Justitia AB signed a 4.5-year revolving syndicated loan facility of a total EUR 1,100 M with a bank consortium of five Nordic banks to replace the previous facility from 2015 and to support the merged company's liquidity needs and meet future investment opportunities. The loan framework of EUR 1,100 M can be utilized for borrowing in a number of different currencies. On December 31, 2017, the loan framework had been utilized for loans in SEK totaling SEK 700 M (0), in EUR totaling EUR 100 M (15), in GBP totaling EUR 102 M (0), in PLN totaling PLN 0 M (240) and in HUF totaling HUF 0 M (28,300). The unutilized portion of the facilities amounted to SEK 8,008 M (5,964). 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 financial indicators. All of these covenants were fully met in 2017. 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.

During 2017, Intrum Justitia AB issued public bonds for approximately EUR 3,000 M, divided into four tranches of a total EUR 2,700 M and SEK 3,000 M, compared with EUR 160 M last year and thus has bond loans outstanding for a total SEK 33,052 M (4,706).

In 2017, Intrum also issued a commercial paper that, at the end of the year, amounted to SEK 2,269 M (1,077).

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.

#### Financial liabilities in the balance sheet – Group

SEK M	Within one year	2–5 years	Later than five years	Total
<b>Dec 31, 2017</b>				
Accounts payable and other liabilities	4,144			4,144
Liabilities to credit institutions		2,823		2,823
Bond loan	1,000	21,707	10,428	33,135
Commercial papers	2,270			2,270
<b>Total</b>	<b>7,414</b>	<b>24,530</b>	<b>10,428</b>	<b>42,372</b>

#### 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
<b>Total</b>	<b>4,134</b>	<b>3,710</b>	<b>1,532</b>	<b>9,376</b>

#### Financial liabilities in the balance sheet – Parent Company

SEK M	Within one year	2–5 years	Later than five years	Total
<b>Dec 31, 2017</b>				
Accounts payable and other liabilities	626			626
Liabilities to credit institutions		2,814		2,814
Bond loan	1,000	21,707	10,428	33,135
Commercial papers	2,270			2,270
Liabilities to Group companies	1,515	3,260		4,775
<b>Total</b>	<b>5,411</b>	<b>27,781</b>	<b>10,428</b>	<b>43,620</b>

#### 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
<b>Total</b>	<b>4,173</b>	<b>6,142</b>	<b>1,532</b>	<b>11,847</b>

#### Credit risks

Credit risk consists of the risk that Intrum'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, 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 banks 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.

#### Portfolio investments

As part of its portfolio investment operations, Intrum acquires portfolios of consumer receivables and tries to collect them. Unlike its conventional collection operations where Intrum 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 retains the entire amount it collects, including interest and fees.

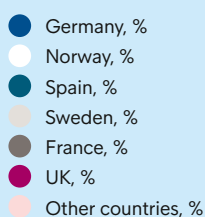
The acquired receivables are overdue and in many cases are from debtors who are having payment problems. It is obvious, therefore, that the entire nominal amount of the receivable will not be recovered. On the other hand, the receivables are acquired at prices significantly below their nominal value. The risk in this business is that Intrum, 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 21,149 M (8,733) would become worthless and have to be written off.

To minimize the risks in this business, prudence is exercised in 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 12,210. Portfolios are normally acquired from customers with whom the Group has had a long-term relationship. The acquisitions have generally consisted of unsecured debt, requiring relatively less capital and significantly simplifying administration compared with collateralized receivables. During 2016–2017, however, Intrum has also begun to acquire portfolios with underlying collateral, usually in the form of property mortgages. Intrum 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 benefits from its extensive experience in debt collection and from the Group's scoring methods. Intrum 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 has, on occasion, partnered with other companies such as CarVal, Crédit Agricole, Goldman Sachs and East Capital to share the capital investment and return.

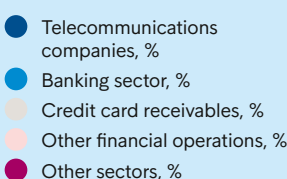
The currency risk is attributable to the translation of the balance sheet item Portfolio investments is limited due to currency hedging using loans in the same currency as the assets, and currency forwards. A considerable proportion of purchased debt acquisitions take place through forward flow agreements – that is, Intrum 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 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:

#### By country



#### By sector





Of the total carrying value on the balance sheet date, 35 percent represents portfolio acquisitions in 2017, 19 percent acquisitions in 2016, 16 percent acquisitions in 2015 and 9 percent acquisitions in 2014. The remaining 21 percent relates to receivables acquired in or before 2013, which have therefore been past due for more than four years. In the case of a large share of the oldest receivables, Intrum 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 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 and currency exchange swaps 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 212 M (14), and liabilities at SEK 55 M (13). See Note 33 regarding the possibility of offsetting 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. 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. The net effect through profit or loss of exchange rate differences attributable to receivables and liabilities as well as forward exchange contracts is SEK -1 M (-4).

Outstanding forward exchange contracts at year end in the Parent Company and in the Group comprise the following currencies:

Local currency	Hedged amount, buy	Hedged amount, sell
CHF	19,599,615	-60,161,126
CZK	104,689,402	0
DKK	2,750,376	-515,824,983
EUR	853,365,220	-227,824,830
GBP	1,744,096	-9,040,430
HUF	18,165,141,420	-38,136,360,181
NOK	65,261,533	-6,648,276,969
PLN	22,652,154	-482,433,147
RON	0	-118,935,517

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 regarding the clients' receivables from their customers. This entails a risk being incurred that Intrum 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 assumes the client's claim against its customer and takes over the continued handling of the case within the Portfolio Investments area of operations. At the end of the year, the total guarantee amount amounted to SEK 111 M (124). Intrum's risk in this business is managed through strict credit limits and analyses of the borrower's credit status. As of year-end Intrum had allocated SEK 1 M (1) in the balance sheet to cover payments that may arise due to the guarantee.

## Note 35: Acquisitions and divestments

On June 12, 2017, the EU Commission approved the merger of Intrum Justitia and Lindorff. The approval was conditional on the divestment of Lindorff's operations in Denmark, Estonia, Finland and Sweden, and of Intrum

Justitia's operations in Norway. On June 27, the merger was effectuated and Lock TopCo AS (the parent company of the Lindorff Group) with all of its subsidiaries have since been owned by Intrum Justitia AB (publ)

The merger was effectuated through a non-cash issue whereby Intrum Justitia AB issued 59,193,594 new Intrum Justitia shares, with a total market value of SEK 17,332 M, in exchange for all shares in Lock TopCo AS. In connection with the issue, a prospectus was published and this is available on Intrum's website.

In connection with the merger, the rules in IFRS 3 about reverse acquisitions were evaluated, but the conclusion was that the transaction should be accounted for as an ordinary acquisition.

Lindorff has been consolidated effective from July 1, 2017, contributing to consolidated revenues by SEK 3,520 M and to net earnings by SEK 335 M. If the acquisition would have been executed by January 1, it would have contributed to consolidated revenues by SEK 7,012 M and to net earnings by SEK 165 M. See also Note 40.

Although the preliminary acquisition analysis prepared by Intrum Justitia at the time of the acquisition has been adjusted in connection with the annual accounts, it remains preliminary:

SEK M	Carrying amounts before the acquisition	Fair value adjustments	Fair value
Goodwill	15,499	-15,499	0
Other intangible fixed assets	3,502	-567	2,935
Database of credit data	0	261	261
Tangible fixed assets	138		138
Portfolio investments	7,826		7,826
Deferred tax asset	462	489	951
Other fixed assets	46		46
Current assets	1,778	-4	1,774
Cash and bank balances	684		684
Assets in operations to be sold	5,184		5,184
Long-term liabilities	-22,940	-1,392	-24,332
Current liabilities	-2,047		-2,047
Liabilities in operations to be sold	-3,091		-3,091
<b>Net assets</b>	<b>7,041</b>	<b>-16,712</b>	<b>-9,671</b>
Acquisition value			17,332
Goodwill			27,003
Of which, in operations to be sold			1,877
Of which, in continuing operations			25,126

The goodwill recognized is attributable to synergies in the form of expected cost savings and economies of scale that will be achieved when the operations have been integrated in accordance with a separate description in the annual accounts.

Other acquisitions and divestments In the cash flow statement, SEK 1,506 M (283) is reported as purchases of shares in subsidiaries and associated companies. For 2017, the amount refers to the acquisition of 100 percent of the shares in CAF S.p.A. for SEK 1,307 M, Asset Gate for SEK 19 M, LSF West S.r.l. for SEK 20 M, Mirus International for SEK 2 M, Top Factoring for SEK 17 M, Intractive Wide Development for SEK 57 M, and the acquisition from the former minority shareholder of 42 percent of the shares in IJCOF Corporate for SEK 85 M.

For 2016, the amount refers to the acquisition of Segestión for SEK 38 M, Dansk Kreditorservice for SEK 123 M, Debitoren Services for SEK 65 M, C&J Services for SEK 13 M, and a shareholder contribution of SEK 14 M to Avarda.

#### Acquisition of 100 percent of the shares in CAF S.p.A (CAF)

In December CAF S.p.A (CAF) was acquired, the third-largest credit management company for impaired receivables in Italy. In connection with this, Intrum has also acquired a large, diversified investment portfolio where collection is handled by CAF. The seller of CAF and the portfolio that CAF administers is a company within Lone Star Funds, a global private equity company. The total purchase consideration for CAF and the portfolio was approximately EUR 200 M, on a cash and debt-free basis. CAF employs some 200 people in credit management services at three locations in Italy.

The Company was included in the consolidated accounts effective from December 2017 and contributed to consolidated revenues by SEK 29 M and

to net earnings by SEK 13 M. If the acquisition would have been executed by January 1, it would have contributed to the Group's revenues by SEK 229 M and to net earnings by SEK 88 M.

The acquisition is reported as follows in the consolidated accounts:

SEK M	Carrying amounts before the acquisition	Fair value adjustments	Fair value
Intangible fixed assets	2	103	106
Tangible fixed assets	4		4
Current assets	69		69
Cash and bank balances	63		63
Liabilities	-77	-29	-106
<b>Net assets</b>	<b>62</b>	<b>75</b>	<b>137</b>
Acquisition value			1,307
Goodwill			1,170

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

#### Acquisition of 100 percent of the shares in Asset Gate GmbH

In December, Asset Gate GmbH was acquired. The Company was included in the consolidated accounts effective from December 2017 and contributed to consolidated revenues by SEK 2 M and to net earnings by SEK 0 M. If the acquisition would have been executed by January 1, it would have contributed to the Group's revenues by SEK 20 M and to net earnings by SEK -1 M.

The acquisition value was SEK 19 M and reported goodwill SEK 20 M. The goodwill recognized is attributable to synergies in the form of expected cost savings and economies of scale achieved when integrated with Intrum's operations in Germany.

#### Acquisition of 100 percent of the shares in Mirus International BV

In September, Mirus International BV, a small credit management company in the Netherlands, was acquired for a partial conditional purchase consideration of approximately EUR 5 M.

The Company was included in the consolidated accounts effective from September 2017 and contributed to consolidated revenues by SEK 1 M and to net earnings by a negative SEK 1 M. If the acquisition would have been executed by January 1, it would have contributed to the Group's revenues by SEK 14 M and to net earnings by SEK 1 M.

#### Acquisition of 100 percent of the shares in Top Factoring SA

In April, the acquisition of Top Factoring, one of the leading companies for purchased claims in Romania, was completed. The purchase consideration totaled approximately EUR 25 M on a net debt-free basis, attributable primarily to a diversified portfolio of receivables. Top Factoring has some 210 employees working predominantly with portfolio investments, but also offers credit management services to external customers. The Company is mainly present in the bank and telecom sectors, with several strong customer relationships generating recurring investment opportunities in portfolio investments. The purchase consideration for the shares in the Company amounted to SEK 17 M, and the goodwill recognized in the consolidated balance sheet amounted to SEK 14 M.

The company was included in the consolidated accounts from May 2017, and contributed to revenues by SEK 37 M and to net earnings by SEK -4 M. If the acquisition had been executed by January 1, it would have contributed to revenues by SEK 89 M and to net earnings by SEK 6 M. The goodwill recognized is attributable to synergies in the form of expected cost savings and economies of scale achieved when integrated with Intrum's operations.

#### Acquisition of the minority shareholding in IJCOF Corporate SAS

In April, Intrum acquired the minority shareholding of 42 percent of the shares in the French subsidiary IJCOF Corporate SAS for an acquisition price of SEK 85 M. IJCOF Corporate SAS is active in credit management for customers with mainly corporate receivables.

#### Acquisition of 100 percent of the shares in 1 Credit Ltd finalized

In February, the acquisition of 1st Credit was completed. This is a medium-sized company active in portfolio investments in the UK. The Company was included in the consolidated accounts effective from February 2017 and contributed to consolidated revenues by SEK 221 M and to net earnings by SEK 35 M. If the acquisition would have been executed by January 1, it

would have contributed to the consolidated revenues by SEK 240 M and to net earnings by SEK 39 M.

The acquisition is reported as follows in the consolidated accounts:

SEK M	Carrying amounts before the acquisition	Fair value adjustments	Consolidated fair value
Purchased debt	1,314	20	1,334
Other fixed assets	8		8
Current assets	6		6
Liquid assets	5		5
Deferred tax liability/asset	-18	-4	-22
Interest-bearing liabilities	-1,235	-120	-1,355
Interest-free liabilities	-34	-31	-65
<b>Net assets</b>	<b>46</b>	<b>-135</b>	<b>-89</b>
Acquisition value			0
Consolidated goodwill			89

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

#### Acquisition of 100 percent of the shares in Intractiv Wide Development SA

In February, a small business was acquired within Credit Management in France, Intractiv Wide Development SAS. Intractiv mainly offers a digital platform in credit management for clients with business requirements. The company has some 40 employees.

The company was included in the consolidated accounts effective from February 2017 and contributed to consolidated revenues by SEK 30 M and to net earnings by SEK 4 M. If the acquisition would have been executed by January 1, it would have contributed to the Group's revenues by SEK 32 M and to net earnings by SEK 3 M.

The purchase price amounted to SEK 57 M, based on a net debt-free valuation of SEK 53 M, and goodwill recognized in connection with the acquisition amounting preliminarily to SEK 38 M.

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

#### Divestments

Divestment of Lindorff's operations in Denmark, Estonia, Finland and Sweden, and Intrum Justitia's operations in Norway.

In November, it was announced that Intrum had entered an agreement with Lowell, a European company managing receivables, to divest Lindorff's operations in Denmark, Estonia, Finland and Sweden, and Intrum Justitia's operations in Norway, for an estimated cash amount totaling approximately EUR 700 M. Intrum's management estimates that the sale will meet the commitments made to the European Commission in connection with the approval of the merger between Intrum Justitia and Lindorff on June 12, 2017. The divestment is conditional on Lowell being approved as the buyer by the European Commission, and the transaction is subject to other customary competition and regulatory approvals. Upon approval, the transaction will be reported in Intrum's consolidated accounts, with the expected earnings from the transaction being close to zero, excluding transaction costs.

In October, the divestment of the Dutch subsidiary Buckaroo BV to BlackFin Capital Partners was completed.

#### Acquisitions in 2016

##### Acquisition of 100 percent of the shares in Segestión

In October 2016, 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 September 2016. The acquisition analysis was detailed in the 2016 Annual Report.

##### Acquisition of 100 percent of the shares in Dansk Kreditorservice.

In October 2016 Intrum Justitia acquired the Danish company Dansk Kreditorservice A/S (DKS) for a consideration of DKK 95 M on a net debt-free basis. DKS is a credit management company with a leading market position in the segment for small and medium-sized enterprises, with 47 employees. DKS has been consolidated effective from October 2016. The acquisition analysis was detailed in the 2016 Annual Report.

#### Acquisition of 100 percent of the shares in Debitoren Services

In February, Intrum Justitia acquired a small e-com financing 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. The acquisition analysis was detailed in the 2016 Annual Report. During 2016, the company merged with Intrum Justitia Debt Finance Domestic AG.

#### Other acquisitions in 2016

In April the acquisition was completed of 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.

## 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 fiscal years are primarily the following:

#### Impairment testing of goodwill

As indicated in Note 10, an impairment test of goodwill was done 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.

#### Portfolio investments

As indicated in Note 14, the recognition of portfolio investments in overdue receivables is based on the Company's own projection of future cash flows from the acquired portfolios. Although the Company has historically had good projection accuracy with 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.

#### Sales of portfolio investments

The Group has occasionally sold certain portfolios of purchased debt. Divestments of portfolios are not included in the business model for this asset category. Intrum 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'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 investment funds designed for the purchasing and holding of portfolio investments. From the Group's perspective, the funds function in practice as a subsidiary. Against this backdrop, Intrum has resolved to consolidate the investment funds as a subsidiary in the consolidated financial statements.

#### Acquisition of Lindorff

On June 27, 2017, Lock TopCo AS ("Lindorff") was acquired by Intrum Justitia AB ("Intrum") through a non-cash issue whereby new shares in Intrum were issued as payment for the shares in Lindorff. The acquisition and acquisition analysis are described in Note 35. Intrum has evaluated Lindorff's accounting policies and the fair values of assets and liabilities in the acquisition. The acquisition is large and complex, and the acquisition analysis may be adjusted in upcoming quarters.

## 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 2017, Intrum purchased services for SEK 1 M (2) from Caperio AB, an IT company in which Per-Henrik Persson (who was the country manager for Intrum in Sweden for part of the year) is a Board member.

In 2017, Intrum purchased services for SEK 1 M from LBHF Joint Ventures Ltd and CSA (Services) Ltd, a collection company in which Intrum's country manager in the UK, Edward Nott, 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 159 M (105) in income from sales of services to Group subsidiaries, and incurred SEK 14 M (11) in expenses attributable to services purchased from subsidiaries.

## Note 38: Reconciliation of key figures

	Group	
SEK M	2017	2016
Earnings from portfolio investments	2,433	1,568
Average carrying value of portfolio investments	14,877	7,753
<b>Return on portfolio investments, percent</b>	<b>16</b>	<b>20</b>
EBIT	2,728	1,921
Depreciation/amortization	437	169
<b>EBITDA</b>	<b>3,165</b>	<b>2,090</b>
EBIT	2,728	1,921
Depreciation/amortization	437	169
Amortization and revaluations purchased debt	2,788	1,579
<b>Cash EBITDA</b>	<b>5,953</b>	<b>3,669</b>
EBIT	2,728	1,921
Non-recurring items (NRIs)	397	-10
<b>EBIT excl. NRIs</b>	<b>3,125</b>	<b>1,911</b>
EBITDA	3,165	2,090
Non-recurring items (NRIs)	397	-10
<b>EBITDA excl. NRIs</b>	<b>3,562</b>	<b>2,080</b>

SEK M	Group	
	2017	2016
Cash EBITDA	5,953	3,669
Non-recurring items (NRIs)	397	-10
<b>Cash EBITDA excl. NRIs</b>	<b>6,350</b>	<b>3,659</b>
Liabilities to credit institutions	2,703	1,576
Bond loan	33,052	4,783
Provisions for pensions	175	157
Commercial papers	2,269	1,124
Other interest-bearing liabilities	4	16
Liquid assets	-881	-396
<b>Net debt</b>	<b>37,322</b>	<b>7,260</b>

#### Return on portfolio investments

The return on portfolio investments represents the service line's earnings for the year, excluding services such as factoring and payment guarantees, as a percentage of the average carrying amount of the balance-sheet item overdue receivables. The ratio sets the service line's earnings in relation to the amount of capital tied up and is included in the Group's financial targets.

#### EBITDA

Operating earnings before depreciation and amortization (EBITDA) are operating earnings after reversal of depreciation of fixed assets except portfolio investments.

#### CASH EBITDA

Cash EBITDA is operating earnings after depreciation on fixed assets as well as amortization and revaluations of portfolio investments are added back.

#### Non-recurring items (NRIs)

Significant earnings items that are not included in the Group's normal recurring operations and that are not expected to return on a regular basis. Non-recurring items include restructuring costs, closure costs, reversal of restructuring or closure reservations, cost savings programs, integration costs, extraordinary projects, divestments, impairment of non-current fixed assets other than portfolio investments, acquisition and divestment expenses, advisory costs for discontinued acquisition projects, costs for relocation to new office space, termination and recruitment costs for members of Group Management and country managers, as well as external expenses for disputes and unusual agreements. Non-recurring items are specified because they are difficult to predict and have low forecast values for the Group's future earnings trend.

#### EBIT, EBITDA AND cash EBITDA, excluding NRIs

In accordance with the above, the key figures EBIT, EBITDA and Cash EBITDA are also reported after recurring non-recurring items, NRIs.

#### Net debt

Net debt is interest-bearing liabilities and pension provisions less liquid assets and interest-bearing receivables.

### Note 39 Discontinued operations and assets and liabilities in operations held for sale

The merger between Intrum Justitia and Lindorff was implemented on June 27, 2017.

In connection with the merger, Intrum Justitia has undertaken to the European Commission to divest its Norwegian subsidiaries, as well as Lindorff's Swedish, Finnish, Danish and Estonian subsidiaries. In November, Intrum agreed to divest these subsidiaries to a company in the Lowell Group. At the end of the year, the sale transaction had not been finalized pending requisite official permits, among other things.

In the income statement, the subsidiaries being divested in accordance with the above are reported in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as discontinued operations, with the comparative figures for previous years being recalculated. In the balance sheet, these subsidiaries are reported as assets and liabilities in operations held for sale, without the comparative figures being recalculated.

Summary income statements for the discontinued operations are presented below:

SEK M	Group	
	2017	2016
Net revenues	1,051	219
Operating expenses	-824	-162
<b>Operating earnings (EBIT)</b>	<b>227</b>	<b>57</b>
Net financial items	-49	-3
<b>Earnings before tax</b>	<b>178</b>	<b>54</b>
Taxes	-41	-13
<b>Earnings from discontinued operations</b>	<b>137</b>	<b>41</b>

The above income statements include Intrum Justitia's Norwegian subsidiaries for the entire period of both years, as well as Lindorff's Swedish, Finnish, Danish and Estonian subsidiaries for the period from June 27, 2017.

At the end of 2017, the reported value of assets in operations held for sale amounted to SEK 8,314 M, and liabilities in assets held for sale to SEK 1,168 M.

### Not 40 Pro forma income statement including Lindorff

On June 27, 2017, Lock TopCo AS and a subsidiary (the Lindorff Group) was acquired. Below is a calculated pro forma income statement with comparative figures, as well as key ratios and alternative performance measurements, in which Lindorff has been consolidated for the entire period from January 1, 2016.

MSEK	Group		Lindorff	Pro forma	Group		Lindorff	Pro forma
	Full year 2017	Jan 1–Jun 27 2017			Full year 2016	Jan 1–Jun 27 2016		
<b>Consolidated income statement</b>								
Net revenues	9,434	2,786	12,219	5,869	4,634	10,503		
Operating expenses	-6,706	-2,025	-8,730	-3,948	-3,500	-7,448		
<b>Operating earnings (EBIT)</b>	<b>2,728</b>	<b>761</b>	<b>3,489</b>	<b>1,921</b>	<b>1,134</b>	<b>3,055</b>		
Net financial items	-973	-969	-1,942	-165	-1,344	-1,509		
<b>Earnings before tax</b>	<b>1,755</b>	<b>-208</b>	<b>1,547</b>	<b>1,756</b>	<b>-210</b>	<b>1,546</b>		
Taxes	-389	-78	-467	-329	-287	-616		
Earnings from continuing operations	1,366	-286	1,080	1,427	-497	930		
Earnings from discontinued operations	137	101	238	41	322	363		
<b>Net earnings for the year</b>	<b>1,503</b>	<b>-185</b>	<b>1,318</b>	<b>1,468</b>	<b>-175</b>	<b>1,293</b>		

	Group	Lindorff	Pro forma	Group	Lindorff	Pro forma
MSEK	Full year 2017	Jan 1–Jun 27 2017	Full year 2017	Full year 2016	Jan 1–Jun 27 2016	Full year 2016
<b>Net revenues by geographical region</b>						
Northern Europe	3,012	857	3,869	2,087	1,639	3,726
Central and Eastern Europe	2,775	471	3,246	2,080	745	2,825
Western and Southern Europe	2,201	209	2,410	1,555	411	1,966
Spain	1,445	1,249	2,694	147	1,839	1,986
<b>Total net revenues by geographical region</b>	<b>9,434</b>	<b>2,786</b>	<b>12,219</b>	<b>5,869</b>	<b>4,634</b>	<b>10,503</b>
<b>Operating earnings (EBIT) by geographical region</b>						
Northern Europe	1,014	247	1,261	822	580	1,403
Central and Eastern Europe	831	140	971	759	263	1,022
Western and Southern Europe	478	5	483	351	36	387
Spain	404	369	773	-12	255	243
<b>Total operating earnings (EBIT) by geographical region</b>	<b>2,728</b>	<b>761</b>	<b>3,489</b>	<b>1,921</b>	<b>1,134</b>	<b>3,055</b>
<b>Net revenues by geographical region excluding revaluations of portfolio investments</b>						
Northern Europe	2,995	833	3,827	2,085	1,631	3,716
Central and Eastern Europe	2,795	439	3,233	2,029	750	2,779
Western and Southern Europe	2,190	201	2,391	1,539	404	1,943
Spain	1,457	1,248	2,705	171	1,837	2,008
<b>Net revenues by geographical region excluding revaluations of portfolio investments</b>	<b>9,437</b>	<b>2,721</b>	<b>12,156</b>	<b>5,824</b>	<b>4,622</b>	<b>10,446</b>
<b>Operating earnings (EBIT) by geographical region excluding NRIs and revaluations of portfolio investments</b>						
Northern Europe	1,183	219	1,402	842	584	1,426
Central and Eastern Europe	979	138	1,117	650	290	940
Western and Southern Europe	508	14	522	361	60	421
Spain	455	428	883	13	369	382
<b>Total operating earnings (EBIT) by geographical region excluding NRIs and revaluations of portfolio investments</b>	<b>3,125</b>	<b>799</b>	<b>3,924</b>	<b>1,866</b>	<b>1,303</b>	<b>3,169</b>
<b>Net revenues by service line</b>						
Credit Management	6,700	2,152	8,852	4,144	3,506	7,650
Financial Services	4,516	990	5,506	2,849	1,848	4,697
Elimination of inter-service line revenue	-1,783	-356	-2,138	-1,124	-720	-1,844
<b>Total net revenues by service line</b>	<b>9,433</b>	<b>2,786</b>	<b>12,220</b>	<b>5,869</b>	<b>4,634</b>	<b>10,503</b>
<b>Earnings by service line</b>						
Credit Management	1,704	690	2,394	1,072	858	1,930
Financial Services	2,456	501	2,957	1,606	955	2,561
Common expenses	-1,432	-430	-1,863	-757	-679	-1,436
<b>Total operating earnings (EBIT)</b>	<b>2,728</b>	<b>761</b>	<b>3,489</b>	<b>1,921</b>	<b>1,134</b>	<b>3,055</b>
<b>Key figures and alternative performance indicators</b>						
EBIT	2,728	761	3,489	1,921	1,134	3,055
EBITDA	3,165	1,066	4,231	2,090	1,876	3,966
CASH EBITDA	5,953	1,573	7,526	3,669	3,104	6,773
Non-recurring items (NRIs)	-397	-102	-499	10	-181	-171
EBIT excl. NRIs	3,125	863	3,988	1,911	1,315	3,226
EBITDA excl. NRIs	3,562	1,168	4,730	2,080	2,057	4,137
Cash EBITDA excl. NRIs	6,350	1,675	8,025	3,659	3,285	6,944
Portfolio investments	7,170	634	7,804	3,083	1,896	4,979

# 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	17,441,835,284
Fair value reserve	156,189,214
Retained earnings	91,209,026
Earnings for the year	-379,973,000
<b>Total</b>	<b>17,309,546,914</b>

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

SEK	
Dividend, 131,541,320 shares x SEK 9.50	1,249,642,540
Balance carried forward	16,059,904,374
<b>Total</b>	<b>17,309,546,914</b>

The Board of Directors' complete statement motivating the proposed disposition of earnings for the 2017 fiscal year will be presented in a separate document prior to the 2018 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 accounts 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 28, 2018 and are proposed for approval by the Annual General Meeting on April 27, 2018.

Stockholm, March 28, 2018

Mikael Ericson  
PRESIDENT AND CEO

Per E. Larsson  
CHAIRMAN OF THE BOARD

Hans Larsson  
BOARD MEMBER

Kristoffer Melinder  
BOARD MEMBER

Andreas Näsvisk  
BOARD MEMBER

Synnöve Trygg  
BOARD MEMBER

Fredrik Trägårdh  
BOARD MEMBER

Ragnhild Wiborg  
BOARD MEMBER

Magnus Yngen  
BOARD MEMBER

Our audit report regarding this Annual Report was submitted on March 28, 2018.

Ernst & Young AB

Jesper Nilsson  
AUTHORIZED PUBLIC ACCOUNTANT

# Audit report

## Report on the annual and consolidated accounts

### Statements

We have conducted an audit of the annual and consolidated accounts of Intrum Justitia AB (publ) for the year 2017, with the exception of the Corporate Governance Report on pages 90–95. The Company's annual and consolidated accounts are presented on pages 36–86 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, 2017 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, 2017 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. Our statements do not include the Corporate Governance Report on pages 90–95. 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.

Our statements in this report on the annual and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company's Audit Committee in accordance with Article 11 of the Audit Regulation (537/2014).

### Basis for statements

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. This means that, based on our best knowledge and conviction, no prohibited services referred to in Article 1.5 of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or companies that it controls within the EU.

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 of the audit 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 these areas. The below description of how the audit was conducted in these areas should be read in this context.

In our report on the Annual Report, we have also fulfilled the obligations in these areas described in the section Auditors' responsibility. Accordingly audit measures were performed that were designed to take into account our assessment of the risk of material errors in the annual and consolidated accounts. The outcome of our audit and the audit measures performed to address the areas listed below form the basis of our audit report.

## Revenue recognition

Description of the area	How this area was taken into account in the audit
Consolidated net revenues for 2017 amounted to SEK 9,434 M. As is evident from Notes 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 portfolio investments 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 the income statement 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 reviewed the disclosures in the financial statements regarding revenue recognition.

## Goodwill

Description of the area	How this area was taken into account in the audit
Goodwill is reported in the amount of SEK 29,565 M in the consolidated balance sheet as per December 31, 2017. Over the fiscal year, goodwill increased by SEK 25,126 M due to the acquisition of Lindorff, which was completed in 2017. 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 2017 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 the reported amounts being of material importance to the financial reporting and the assessments and critical assumptions required for the calculation of the value in use, we have assessed goodwill accounting as an area of particular importance in 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 reviewed the disclosures in the financial statements regarding goodwill.

## Portfolio investments

Description of the area	How this area was taken into account in the audit
<p>Portfolio investments of SEK 21,149 M are reported in the consolidated balance sheet as per December 31, 2017. 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 portfolio investments is given in Note 14. The Company's accounting of portfolio investments 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.</p>	<p>In our audit, we have, among other things, evaluated the Company's processes for portfolio investments, the valuation models applied, and the reasonableness of the assumptions made in calculating effective interest. We have also reviewed the Company's ongoing review of book values. We have also reviewed the disclosures in the financial statements regarding portfolio investments.</p>

## Acquisition of Lindorff

Description of the area	How this area was taken into account in the audit
<p>During the year Intrum completed the acquisition of Lindorff for a purchase consideration of SEK 17,332 M. The accounting of the acquisition involves assessments and estimates of the values of acquired assets and liabilities. The acquisition was implemented through a non-cash issue in which Intrum issued 59,193,594 new shares at a value corresponding to the purchase consideration. An acquisition analysis was prepared by the Company to allocate the purchase consideration between the acquired assets and liabilities. This analysis resulted in SEK 25,126 M, being recognized as goodwill in the consolidated financial statements, SEK 0 M as client relationships and SEK 261 M as databases of credit data. The values of these intangible assets were calculated using models based on the present value of future cash flows and the expected outcome of a number of factors. A change in assumptions about future outcomes would lead to a different allocation of reported amounts to various intangible assets, and accordingly we considered this a particularly important area in the audit. A description of the acquisition as well as the allocated values of acquired assets can be found in Note 35 in the supplementary disclosures to the consolidated accounts.</p>	<p>In our review, we have assessed the Company's process for allocating the purchase consideration between acquired assets and liabilities and assessed the reasonableness of the distribution of the purchase consideration between the various assets and liabilities with the assistance of our own valuation experts. We have assessed the valuation models and tested the reasonableness of the assumptions used to determine the value of the acquired intangible assets. In this context, the fairness of the assumptions made regarding future cash flows and discount rates was assessed through comparisons with other companies. We have also reviewed the valuation of other assets and liabilities and the disclosures provided regarding the acquisition in the financial statements.</p>

## Information other than the annual and consolidated accounts

This document also contains information other than the annual and consolidated accounts presented on pages 1–35. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts 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.

### Responsibility 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, 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 accounts and consolidated accounts, the Board of Directors and the President are responsible for the assessment of the Company'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 on 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 accounts 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 accounts 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts 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 an 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 areas in the audit report unless legislation or other regulations prevent disclosure.

## Report on other legal and regulatory requirements

### Statements

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of Intrum Justitia AB (publ) for 2017 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 fiscal year.

### Basis for statements

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 obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 is responsible for the ongoing management in accordance with the Board's guidelines and instructions, including taking the measures necessary for the Company's accounting to be completed in accordance with the law and for the management of funds being handled in a secure 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 degree of 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.
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act 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 degree of 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.

### Auditor's review of the Corporate Governance Report

The Board of Directors is responsible for the Corporate Governance Report presented on pages 90–95 and for it having been prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with the FAR's (institute for the accountancy profession in Sweden) statement RevU, 16 Auditor's review of the Corporate Governance Report. This means that our review 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. In our opinion, this review provides us with sufficient grounds for our statements.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same act are consistent with the other parts of the annual and consolidated accounts and in accordance with the Annual Accounts Act.

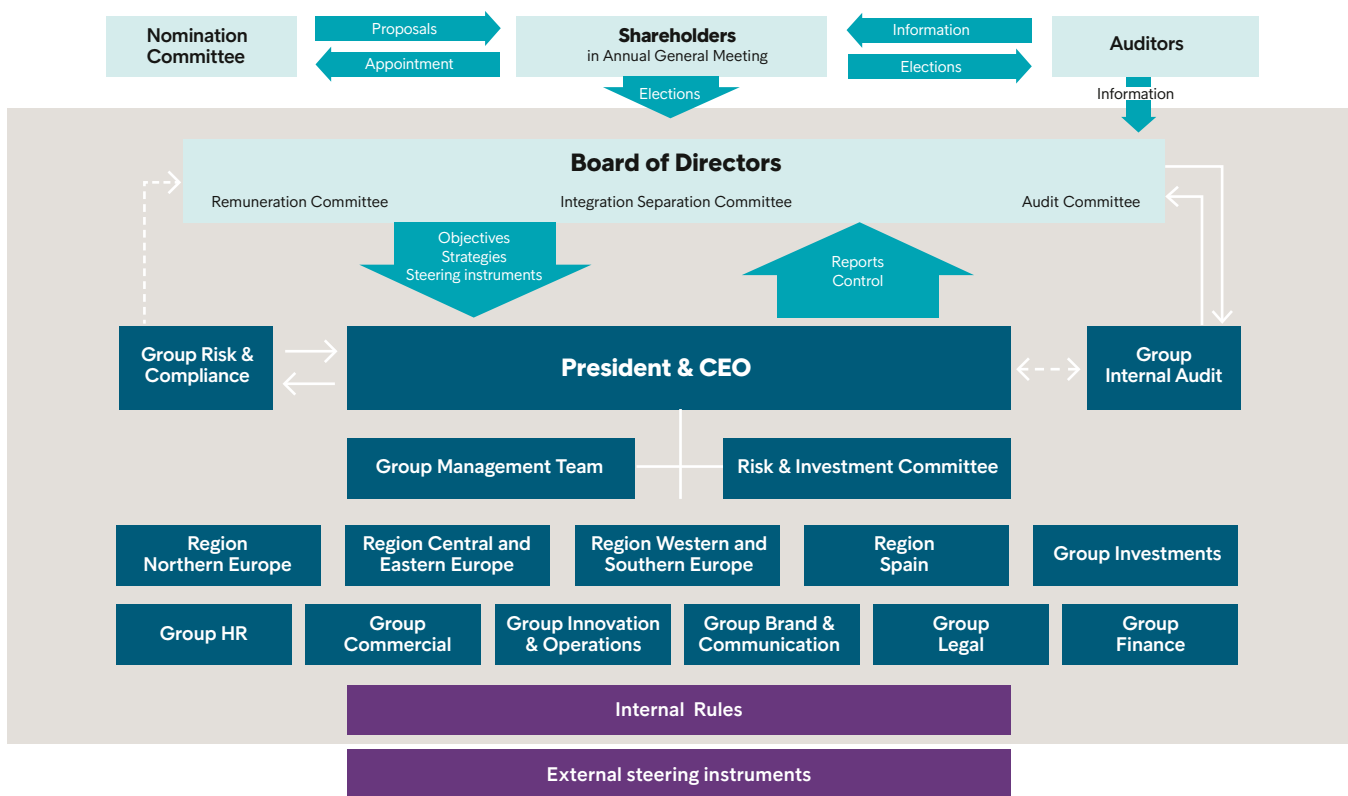
Ernst & Young AB, Box 7850, SE-103 99 Stockholm, Sweden was appointed Intrum Justitia AB's auditor at the Annual General Meeting on June 29, 2017 and has been the Company's auditor since April 25, 2012.

Stockholm, March 28, 2018  
Ernst & Young AB

Jesper Nilsson  
Authorized Public Accountant

# Corporate Governance Report

The Corporate Governance of Intrum 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) ("Intrum") 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 Intrum applied the Code during 2017. Corporate governance at Intrum 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 has applied the Code effective from July 1, 2005. Intrum's corporate governance also adheres to the applicable rules in the Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rules for Issuers, the Swedish Securities Council's resolutions, Intrum's Articles of Association, as well as laws, regulations and official guidelines and rules in countries where the Intrum Group operates (in some cases subject to licensing).

The Code is based on the principle of “adhere or explain”, meaning that deviations from the Code are permitted if it is possible to explain why the deviation occurred. During the period to which the Annual Report pertains, Intrum has adhered to the Code in its entirety, with the following exceptions:

### Deviations

According to items 2.1 and 2.6 of the Code, in the notice of an General Meeting at which the Board of Directors is to be elected, the Nomination Committee shall, among other things, propose a Chairman and other Board Members, as well as fees to be paid to the Board of Directors, and an accompanying reasoned opinion. When the notice of the Annual General Meeting of June 29, 2017 was issued, the European Commission had yet to announce its decision regarding the merger between Intrum Justitia and Lindorff, and it was not therefore possible for the Nomination Committee to submit its proposal and opinion in that notice. On June 12, 2017, the EU Commission approved the merger of Intrum Justitia and Lindorff, and on June 15, 2017, the Nomination Committee presented its complete proposal and opinion on the Company’s website.

According to item 2.4 of the Code, the Chairman of the Board shall not be the chairman of the Nomination Committee. However, from September 14, 2017 until October 3, 2017, the Chairman of the Board, Per E. Larsson, was also the chairman of the Nomination Committee. On October 3, 2017, the Company’s largest shareholder, Cidron 1748 Sarl appointed Robert Furuholm as its representative on the Nomination Committee, at which time, Per E. Larsson stepped down from the Nomination Committee.

### Shareholders

At the end of the year, Intrum’s largest shareholder, Cidron 1748 Sarl, held 43.9 percent of all shares outstanding in the Company. See also page 34.

### Annual General Meeting

The Annual General Meeting is Intrum’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 June 29, 2017. 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 9 per share in accordance with the proposal by the Board of Directors, to discharge the Board of Directors and the President from liability for the 2016 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, and 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.

Since the merger between Intrum Justitia and Lindorff was effectuated on June 27, 2017, the Board revoked its proposal to renew the Board’s authorization to decide on a new share issue as payment for the acquisition of Lindorff.

At the Annual General Meeting, 49 percent of the shares conveying voting rights were represented. Seven of the eight 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.

The 2018 Annual General Meeting is scheduled for April 27, 2018.

### Nomination Committee

The task of the Nomination Committee, among others, is to nominate Board members for election at the next Annual General Meeting. The 2017 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 14, 2017: Per E. Larsson (appointed by Cidron 1748 Sarl) (Chairman), Johan Strandberg (appointed by SEB Fonder), Mats Gustafsson (appointed by Lannebo Fonder), Carl Cederschiöld (appointed by Handelsbanken Fonder) and Lennart Francke (appointed by Swedbank Robur Fonder). On October 3, 2017, Cidron 1748 Sarl appointed Robert Furuholm as its representative on the Nomination Committee and as the chairman of the Committee. Accordingly, Per E. Larsson stepped down from the Nomination Committee. On November 13, 2017, Lennart Francke stepped down from the Nomination Committee due to a change in the holdings of the largest shareholders. Tomas Flodén, appointed by AMF and AMF Fonder, was appointed as a new representative on 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, the Chairman of the Board and the Chairman of the Annual General Meeting, 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 6 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’s affairs in the interests of its shareholders. Up until the 2017 Annual General Meeting, the Board of Directors consisted of seven elected members, of whom four were men and three were women. The Board has no employee representatives. At the 2017 Annual General Meeting, eight ordinary Board Members were elected, with no deputies, of whom six were men and two were women. Per E. Larsson was elected as Chairman of the Board and Magnus Yngen as Deputy Chairman. Further information about Board members, including their shareholdings, can be found on pages 96–97. Synnöve Trygg, Fredrik Trägårdh, Ragnhild Wiborg and Magnus Yngen were considered independent in relation to the Company and company management as well as in relation to major shareholders.

Per E. Larsson, Hans Larsson, Andreas Näsvisk and Kristoffer Melinder were deemed by the Nomination Committee to be independent in relation to the Company and company management but not in relation to major 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, a Remuneration Committee and a Separation and Integration 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 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 committees, the President and CEO, and their decision-making authorities, as well as a clear regulation of the issues that require a decision by the Board of Directors,
- 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 41 meetings in 2017 (20 in the preceding year). The high number is attributable to, among other things, the merger between Intrum Justitia and Lindorff. The Board also held a number of extra meetings to make investment decisions. In such instances, any member unable to attend submits comments to the Chairman prior to the meeting. Over the year, the Board devoted particular focus to the following issues:

- the merger between Intrum Justitia and Lindorff,
- a new strategy,
- the Group's earnings and financial position,
- interim reporting,
- corporate governance, risk management and internal control, company acquisitions and acquisitions of major portfolios of receivables,

### Attendance at Board meetings in 2017

Per E. Larsson	19/20
Lars Lundquist	20/21
Tore Bertilsson	17/21
Hans Larsson	19/20
Kristoffer Melinder	13/20
Andreas Näsvisk	18/20
Synnöve Trygg	40/41
Fredrik Trägårdh	37/41
Ulrika Valassi	20/21
Ragnhild Wiborg	39/41
Magnus Yngen	38/41

- review of the company's organization, 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 auditor attended one Board meeting during the year.

### Assessment of the Board and CEO

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 climate, as well identifying areas for improvement. A self-assessment was conducted in the third quarter of 2017 and the Chairman has reported the results of that assessment to the Nomination Committee. The Board makes continuous evaluations of the President and discusses this at least one meeting without his presence.

### Compensation for directors

In accordance with the decision by the 2017 Annual General Meeting, fees and other compensation to the Board of Directors are payable totaling SEK 5,395,000, of which SEK 975,000 to the Chairman of the Board, SEK 550,000 to the Deputy Chairman of the Board, SEK 450,000 to each of the other Board members, SEK 200,000 to the Chairman of the Audit Committee, SEK 150,000 each to the other two members of the Audit Committee, SEK 200,000 to the Chairman of the Separation and Integration Committee, SEK 150,000 each to the other two members of the Separation and Integration Committee and SEK 85,000 each to the two members of the Remuneration Committee.

### Audit Annual General Meeting

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 Annual General Meeting 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 Annual General Meeting has established guidelines for which services, other than auditing services, the Company may procure from the auditor.

Since the 2017 Annual General Meeting, the Audit Committee has consisted of Ragnhild Wiborg (chairman), Hans Larsson and Synnöve Trygg. Ragnhild Wiborg and Synnöve Trygg are considered to be independent in relation to the Company, company management and major shareholders. Hans Larsson is considered to be independent in relation to the Company, company management but not to major shareholders. Normally, the auditor, the Company's CFO, the head of the internal audit and the Group's Chief Accountant participate in the Annual General Meeting's meetings. The latter is also appointed secretary of the Annual General Meeting.

The Audit Committee met five times in 2017 (five times in 2016). The Audit Committee reports to the Board, which makes the final decisions. The external auditors have also participated in all meetings. The issues addressed by the Annual General Meeting over the year included interim reporting, risk management, aspects of internal control. The Annual General Meeting has paid special attention to issues relating to acquisitions and divestments, in particular the merger with Lindorff, data security and compliance. In addition, the Committee has considered the annual accounts and the audit procedure for the Group, recommendations regarding the election of external auditors at the Annual General Meeting, changes in accounting rules, tax and financing issues, as well as the preparation of the Board's efforts to assure the quality of the Group's financial reporting, especially regarding the accounting of portfolio investments 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 Annual General Meeting 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 2017 Annual General Meeting, the Remuneration Committee has consisted of Per E. Larsson (Chairman) and Fredrik Trägårdh. Per E. Larsson is considered to be independent in relation to the Company, company management but not to major shareholders. Fredrik Trägårdh is 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. During 2017, the Committee met five times (one meeting in the preceding year) with all members present. Among other things, efforts have focused on harmonizing compensation structures from Intrum Justitia and Lindorff, determining compensation for the new company management and preparing a proposal for a new long-term incentive program.

### **Separation and Integration Committee**

In 2017, the Board of Directors established a Separation and Integration Committee to prepare the Board's efforts to integrate Intrum Justitia and Lindorff and prepare the separation and sale of units in the Nordic region in accordance with the commitments made to the European Commission. The Committee shall also follow up and verify results and an appropriate structure for efforts to realize the expense and revenue synergies on which the merger of the two companies was based, among other things. The Separation and Integration Committee consists of Hans Larsson (chairman), Andreas Näsvik and Magnus Yngen.

Hans Larsson and Andreas Näsvik are considered to be independent in relation to the Company, company management but not to major shareholders. Magnus Yngen is considered to be independent in relation to the Company and its management as well as in relation to the principal shareholders.

The CEO, Head of the Project Management Office and the Chief Legal Officer normally attend the meetings of the Committee. The last of these is also the secretary of the Committee. In 2017, the Committee met five times, with all members present. The Group's internal audit function attended one of the meetings.

### **Remuneration principles for senior executives**

The 2017 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 principles for remunerations for senior executives applied in 2017 are described in Note 28, on pages 76–77. The Board of Directors' proposed guidelines for 2018 are reported in full in the Directors' Report on page 43. For a more detailed account of wages and remunerations for senior executives, see Note 28 on pages 76–77.

### **Group Management**

The Company's management team consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the four Regional Managing Directors (RMD), the Chief Investment Officer (CIO), the Chief Commercial Officer (CCO), the Chief Brand and Communications Officer (CBCO), the Chief Operations Officer (COO), Head of Project Management Office (PMO), the Chief Human Resources Officer (CHRO), the Chief Risk Officer (CRO) and Chief Legal Officer (CLO). 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. More information about the Group Management Team can be found on pages 98–100.

### **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 portfolios of receivables. 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. The function reports on its work to the Board of Directors on a quarterly basis.

## **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 2017 Annual General Meeting, the accounting firm Ernst & Young AB was elected as the auditor of the Parent Company. Authorized Public Accountant Jesper Nilsson is the auditor in charge. The auditor was elected for the period extending until the close of the 2018 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 77. As Intrum's auditor, Ernst & Young AB is obliged to test its independence prior to every decision when providing independent advice to Intrum alongside its auditing assignment.

## **Internal control**

The Board is responsible for the Company having sound internal control and ensuring that the Company has formalized 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'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 Code of Conduct on which the Board, Management and the Company's shareholders 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'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 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. In 2017, Compliance was expanded to include four principal areas: Investment Risk, Operational Risk, Compliance Risk and Personal Data Protection. In addition, a central anti-money laundering unit was set up within Compliance.

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's Board of Directors through the Audit Committee.

## **Risk assessment**

The Group's risks are assessed and 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. In addition, the management of each local unit is responsible for identifying, evaluating and managing the risks associated predominantly with the local operations. Compliance assists operations in risk assessment.

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**

Controls are designed to manage the risks identified in the work described above. To a large extent, the risk level determines control activities aimed at ensuring that the Group applies a risk-based approach. In the financial reporting, the controls 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.

For a number of years, the Group has applied a specific decision-making process, "New Product Approval Process" (NPAP), applied in connection with material changes, such as acquisitions, launches of new products or services, major reorganizations or the establishment of new Group-wide systems or processes. This decision-making process is mandatory at both the local and central levels. Emergency and continuity plans have also been set up in all operating units within the Group and these are reviewed annually.

Control activities encompass operations in all subsidiaries and include, among other things, a) methods and activities to hedge assets, checks on the accuracy and reliability of internal and external financial reports, and ensuring compliance with laws and established internal rules and 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 regulations 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.

Within each operational subsidiary, a compliance program is also drawn up annually, including risk-based controls as well as supportive measures in the form of information and training in new regulations.

### **Information and communication**

The Company works continuously to improve the awareness among employees of the control instruments and reviews 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. The Group's 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 staff and 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 four geographical regions and, secondarily the service lines Financial Services, Investment 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 its efficacy, as well as following up on outstanding material observations from previous audits.

Stockholm on March 28 2018  
The Board of Directors of Intrum Justitia AB (publ)

## **Auditor's opinion on 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 2017 presented on pages 90–95 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 28 2018  
Ernst & Young AB

Jesper Nilsson  
Authorized Public Accountant

# Members of the Board

According to Intrum'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 Directors are independent in relation to the Company, its management and in relation to the principal shareholders. Three of the Directors are not independent in relation to the main owner Nordic Capital Fund VIII according to the assessment of the Nomination Committee.



**Per E. Larsson, Chairman**

Born: 1961  
Elected: 2017  
Education: Business Administration and Economics Uppsala University, Sweden.

Mr Larsson has previously served as CEO of OMX, UBS in Middle East North Africa, Dubai International Financial Exchange and Borse Dubai, as well as Chairman of the Board of the Stockholm Stock Exchange, and several other board assignments. He is currently Chairman of the Board of Directors in Itiviti, and Senior Advisor and Operating Chairman to the Nordic Capital Funds.

Holding in Intrum Justitia AB (publ): 23,500  
Independent in relation to the company, and its management but not in relation to the company's major shareholders.



**Magnus Yngen, deputy Chairman**

Born: 1958.  
Elected: 2013  
Education: Master of Engineering and Licentiate in Technology from the Royal Institute of Technology in Stockholm.

Mr. Yngen has previously been CEO of Camfil, Dometic and Husqvarna, and has held several leading positions within Electrolux. Yngen is the Chairman of the Board of Duni, Fractal Design, and a Board Member in Dometic.

Holding in Intrum Justitia AB (publ): 2,500  
Independent in relation to the company and its management, and the major shareholders.



**Hans Larsson, Chairman of the Integration and Separation Committee**

Born: 1961  
Elected: 2017  
Education: M.Sc. in Business Administration and Economics, University of Uppsala.

Mr. Larsson has previously held various leading positions within the Skandinaviska Enskilda Banken group. He has also served as a Board Member in Nordax Bank AB (publ) and Deputy CEO for the Lindorff Group. Current assignments include Chairman of the Board of Directors in Nordnet Bank AB and Board Member in the Swedish Export Credit Corporation (SEK), and CEO and owner of Linderyd Advisory AB.

Holding in Intrum Justitia AB (publ): 18,500  
Independent in relation to the company and its management, and the major shareholders.



**Kristoffer Melinder**

Born: 1971  
Elected: 2017  
Education: M.Sc. in Economics and Business Administration, Stockholm School of Economics.

Mr Melinder has previously worked with leveraged finance and M&A in JP Morgan. He has also been a board member in the Binding Site, Ellos, Convatec, Resurs, Dynal Biotech, Kappahl, Nycomed and Atos Medical in Nycomed. Current assignments include chairman of the board in GHD Gesundheits, board member in Lindorff, AniCura and Greenfood, and Managing Partner in NC Advisory AB.

Holding in Intrum Justitia AB (publ): 0  
Independent in relation to the company and its management but not in relation to the company's major shareholders.





## Andreas Näsвик

Born: 1975  
Elected: 2017  
Education: M.Sc. in Economics and Business Administration, Stockholm School of Economics.

Mr. Näsвик has previously worked with corporate finance and private equity investments in Deutsche Bank and Goldman Sachs. He has also been a board member in Lindorff AB. Näsвик is currently a board member of Munters AB (publ), Partner of NC Advisory AB and advisor to the Nordic Capital Funds.

Holding in Intrum Justitia AB (publ): 0  
Independent in relation to the company and its management but not in relation to the company's major shareholders.



## Synnöve Trygg

Born: 1959  
Elected: 2013  
Education: Bachelor in Business Administration from the University of Stockholm.

Ms. Trygg has previously served as CEO of SEB Kort Bank AB. She is currently Member of the Board of Precise Biometrics AB (publ), Landshypotek Bank AB, Volvo Finans Bank AB, Nordax Bank AB (publ), Vaitor Hf Island and Wrapp AB.

Holding in Intrum Justitia AB (publ): 1,000  
Independent in relation to the company and its management, and the major shareholders.



## Fredrik Trägårdh

Born: 1956  
Elected: 2009  
Education: M.Sc. in Business Administration and International Economics from Gothenburg School of Economics.

Mr. Trägårdh is the Vice CEO of Ekman & Co AB and former CEO and CFO of Net Insight AB. He has also been CFO of DaimlerChrysler Rail Systems GmbH Berlin and has held several leading positions within ABB Financial Services in Sweden and Switzerland.

Holding in Intrum Justitia AB (publ): 1,000  
Independent in relation to the company and its management, and the major shareholders.



## Ragnhild Wiborg, Chairman of the Audit Committee

Born: 1961  
Elected: 2015  
Education: Bachelor's degree in Business Administration from the Stockholm School of Economics and has studied a Master's program at Fundacao Getulio Vargas, Sao Paolo.

Ms. Wiborg is the Chairman of the Board of EAM Solar AS and a Board Member of Gränges AB, REC Silicon ASA, Skandiabanken ASA, INSR Insurance ASA and I.M. Skaugen SE. She was previously active in asset management as CIO and Portfolio Manager at Odin Fonder and Wiborg Kapitalförvaltning. Prior to that, she worked for investment banks in the Nordics and London.

Holding in Intrum Justitia AB (publ): 300  
Independent in relation to the company and its management, and the major shareholders.

**AUDITORS**  
Ernst & Young

## Jesper Nilsson

Born 1964.  
Chief auditor since 2017.

Jesper Nilsson is an Authorized Public Accountant at the Ernst & Young firm of auditors. Other auditing assignments: Handelsbanken, Alecta, Fora and FOREX Bank.

# Group Management

Presentation of Intrum's Group Management Team.



**Mikael Ericson,  
CEO & President**

Born 1960. Mikael Ericson assumed the role as CEO and President on March 1 2016. Previously he has held various leading positions within the banking and finance sector. His last position as Head of International Banking at Danske Bank. He was previously the CEO of Carnegie AB. Ericson holds a Bachelor's degree in Economics at Stockholm University.

Own holdings and/or holdings of closely affiliated persons: 62,000



**Annika Billberg,  
Chief Brand & Communications Officer**

Born 1975. Annika Billberg joined the company in June 2010 as IR & Communications Director and took on the responsibility for the brand and marketing unit in 2012. Previously she has worked as Head of IR & Corporate Communications at the IT-services company HiQ and as Equities Research Analyst at Hagströmer & Qviberg. Annika Billberg holds a MSc in Economics and Business Administration, from Jönköping International Business School.

Own holdings and/or holdings of closely affiliated persons: 800



**Johan Brodin,  
Chief Risk Officer**

Born 1968. Johan Brodin joined as Chief Risk Officer (CRO) in November 2011. Previous to that Johan Brodin was CRO at SBAB Bank. Johan Brodin has previously held different positions within risk control at Handelsbanken, as well as Management consultant within financial services at KPMG and Oliver Wyman. Johan Brodin holds a M. Sc. in economics from Örebro University.

Own holdings and/or holdings of closely affiliated persons: 250



**Per Christofferson,  
Regional Managing Director**

Born 1968. Per Christofferson joined Intrum Justitia in September 2009 as Director of Credit Management Services and between 2012-2017 he was Regional Managing Director Central Europe. Before joining Intrum Justitia he worked 15 years in the consultancy industry including KPMG and Acando, where he held the position as Vice President and Business Area Director. Per Christofferson has a M.Sc. from CWRU (Case Western Reserve University) Cleveland, Ohio, and a M.Sc in Engineering from the Institute of Technology in Linköping, Sweden.

Own holdings and/or holdings of closely affiliated persons: 12,000



### **Anne Louise Eberhard, Chief Commercial Officer**

Born 1963. Anne Louise Eberhard joined Lindorff in October 2016 and held the position as EVP Debt Collection Sales. She has 30 years of experience from the financial sector, and held the position as Senior Executive Vice President and Global Head of Corporate & Institutional Banking at Danske Bank A/S. She has a Master of Law degree from University of Copenhagen, a Diploma in IT/Management Accounting from CBS, and leadership education from Harvard Business School, INSEAD and CBS.

Own holdings and/or holdings of closely affiliated persons: 0



### **Anders Engdahl, Chief Investment Officer**

Born 1974. Anders Engdahl joined Lindorff in 2014 as EVP Debt Purchasing. He has an extensive international experience in investment banking and management consulting from Morgan Stanley, Goldman Sachs, Credit Suisse and McKinsey. At Morgan Stanley, Anders Engdahl held the position as Managing Director and Head of Nordic Financial Institutions investment banking. Anders Engdahl has a MSc in Business administration and Economics from the Stockholm School of Economics.

Own holdings and/or holdings of closely affiliated persons: 248,000



### **Jean-Luc Ferraton, Chief Human Resources Officer**

Born 1973. Jean-Luc Ferraton holds his current position as Chief Human Resources Officer (CHRO) since April 2012. Ferraton has held several positions at Intrum Justitia between 2006–2012; he was Group HR Director 2011–2012, HR Director region Western Europe 2010–2012 and HR Director region Southern Europe 2006–2012. Prior to Intrum Justitia, Ferraton was HR Director JTEKT of Toyota Group 2001–2006. Mr Ferraton holds a M. Sc. in Economics at ESDES Lyon and an Executive MBA at INSEAD.

Own holdings and/or holdings of closely affiliated persons: 220



### **Cathrine Klouman, Chief Operating Officer**

Born 1962. Cathrine Klouman held the position at Lindorff as EVP Lindorff Business Partner and Group CIO since January 2016. Klouman has more than 20 year's experience from both the IT- and Financial Services industries, and held different senior positions within IBM, Bank-Axcept and DNB. Previous to her position at Lindorff she was Chief Information and Digital Officer in MøllerGruppen (The Møller Group). Cathrine Klouman holds an MSc in Business Administration from the Norwegian Business School (BI) and extended courses from MIT Sloan School of Management.

Own holdings and/or holdings of closely affiliated persons: 36,839



### **Marc Knothe, Regional Managing Director**

Born 1968. Marc Knothe previously held the position as Country Manager at Lindorff Netherlands. Knothe has more than 26 years of experience in the European credit management services industry. Between 2011 and 2016, prior to joining Lindorff, he was Executive Board Member at GFKL (an Advent Intl company), one of the largest receivables management services firms in Germany. Previously he was CIO at Bawag PSK (a Cerberus Company) in Austria, COO at GE Money Bank in Russia and Germany and held senior positions at Citigroup in Italy and Germany. Marc has studied Business Management at the University of Applied Sciences in Ludwigshafen, Germany.

Own holdings and/or holdings of closely affiliated persons: 60,067



### **Niklas Lundquist, Chief Legal Officer**

Born 1970. Niklas Lundquist joined Intrum Justitia as General Counsel in January 2011. Previous to that, he held the same role at Tradedoubler AB (publ). He also has experience from two prominent law firms and has served at the Swedish courts. Mr Lundquist holds a law degree from Stockholm University.

Own holdings and/or holdings of closely affiliated persons: 2,000



### **Thomas Moss, acting Chief Financial Officer**

Born 1973. Thomas Moss was appointed acting CFO on 12th February 2018. For the previous 4 years he was Group Business Control Director in Intrum Justitia and before that Group Controller at Vattenfall AB. Earlier in his career he has worked in a range of Finance and Commercial roles in FTSE100 businesses in the UK and Ireland. Thomas Moss has Master's and Bachelor's degrees in Engineering from Cambridge University in England.

Own holdings and/or holdings of closely affiliated persons: 290



### **Harry Vranjes, Head of Project Management Office**

Born 1970. Harry Vranjes joined Intrum Justitia in 2002. Between 2015–2017 Vranjes held the position as Regional Managing Director Western Europe. He has been Chief Technology Officer (CTO) at Intrum Justitia 2008–2012 and previous to that he was Project Manager and Business Developer in 2002–2008. Harry Vranjes previously held the position as IT-management consultant at WM-Data between 1998-2001. Vranjes holds a Bachelor in Computer Science at Lund University

Own holdings and/or holdings of closely affiliated persons: 7,500



### **Anette Willumsen, Regional Managing Director**

Born 1963. Anette Willumsen joined Lindorff in 2009 and held the position as Country Manager in Lindorff Norway and acting Country Manager in Lindorff Denmark 2012–2017. Before taking on the role as country manager she was head of the Corporate Client Division at Lindorff Norway. Willumsen has a broad sales and management experience from the in business process outsourcing industry. Prior to joining Lindorff she was SVP in EDB Business Partner (EVRY). She has an EMP from INSEAD and holds a MSc degree in Finance and Business Administration from the Norwegian School of Economics (NHH).

Own holdings and/or holdings of closely affiliated persons: 56,891



### **Alejandro Zurbano, Regional Managing Director**

Born 1967. Alejandro Zurbano held the position as Country Manager, Lindorff Spain since July 2015. Before that he was the Chief Executive Officer at Emergia. Alejandro Zurbano acted as Country Manager at SITEL Spain, Chile, Colombia and Portugal. He is an experienced leader with deep knowledge of the financial industry. Alejandro has a law degree from Universidad Complutense de Madrid and a PDG at IESE University.

Own holdings and/or holdings of closely affiliated persons: 16,780

# Information for shareholders

## **Annual General Meeting**

The Annual General Meeting of Intrum Justitia AB (publ) will be held preliminarily on Friday, April 27, 2018 at 3:00 p.m. CET at the Company's offices at Hesselmans torg 14, Nacka, Sweden. Notification is made through an advertisement placed in Swedish national daily newspaper Svenska Dagbladet and in Post- och Inrikes Tidningar (official Swedish gazette). The notice and other information in preparation for the Annual General Meeting are also available at [www.intrum.com](http://www.intrum.com).

## **Dividend**

For the 2017 fiscal year, the Board proposes to the Annual General Meeting that a dividend of SEK 9.50 (9.00) per share be paid.

## **Financial information 2018**

Annual General Meeting 2018, April 27  
Interim Report January–March, April 27  
Interim Report January–June, July 24  
Interim Report January–September, October 26

## **Additional information from Intrum**

Financial reports are published in Swedish and English and can be ordered from Intrum Justitia AB (publ), Communications Department, SE-105 24 Stockholm. The reports and other information from the Company are published on the Group's website [www.intrum.com](http://www.intrum.com). Communications with shareholders, analysts and the media are a priority area. Intrum's earnings and operations are presented to analysts and investors in Stockholm after each interim report. In addition to these contacts, representatives of the Company meet existing and potential shareholders on other occasions, for example at one-on-one meetings and at share savings gatherings. Please visit our website, [www.intrum.com](http://www.intrum.com), which, in addition to a broad presentation of the Group, offers an in-depth investor relations section with analysis tools and more.

## **Shareholder contact**

Louise Bergström  
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This Annual Report can be ordered in printed format via [ir@intrum.com](mailto:ir@intrum.com) or downloaded as a pdf via [www.intrum.com](http://www.intrum.com).

# Definitions

## Result concepts, key figures and alternative indicators

### **Consolidated net revenues:**

Consolidated net revenues include external credit management income (variable collection commissions, fixed collection fees, debtor fees, guarantee commissions, subscription income, etc.), income from portfolio investments operations (collected amounts less amortization and revaluations for the period) and other income from financial services (fees and net interest from financing services).

### **Operating earnings (EBIT):**

Operating earnings consist of net revenues less operating expenses as shown in the income statement.

### **Operating margin:**

The operating margin consists of operating earnings expressed as a percentage of net revenues.

### **Portfolio investments – collected amounts, amortizations and revaluations:**

Portfolio investments consist 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 portfolio investments 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 revaluation of portfolio investments in the period is 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 also reports alternative key figures in which revenues, operating earnings and operating margin are calculated excluding revaluations of portfolio investments.

### **Organic growth:**

Organic growth refers to the average increase in net 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 service line, Credit Management and Financial Services, excluding shared expenses for sales, marketing and administration.

### **Service line margin:**

The service line margin consists of service line earnings expressed as a percentage of net revenues.

### **Non-recurring items (NRIs):**

Significant earnings items that are not included in the Group's normal recurring operations and that are not expected to return on a regular basis. Non-recurring items include restructuring costs, closure costs, reversal of restructuring or closure reservations, cost savings programs, integration costs, extraordinary projects, divestments, impairment of non-current fixed assets other than portfolio investments, acquisition and divestment expenses, advisory costs for discontinued acquisition projects, costs for relocation to new office space, termination and recruitment costs for members of Group Management and country managers, as well as external expenses for disputes and unusual agreements. Non-recurring items are specified because they are difficult to predict and have low forecast values for the Group's future earnings trend.

### **Items affecting comparability:**

Significant income statement items included in the Group's regular recurring operations and which may recur in any form, but which distort the comparison between the periods.

### **Expected remaining collections, ERC:**

Estimated remaining collections are the nominal value of expected future collections on the Group's portfolio investments.

### **Pro forma financial data including Lindorff:**

Pro forma financial information is issued for the Group as if Lindorff had been included in the Group for the entire period, as well as in the comparative figures. Pro forma earnings have been calculated by adding Intrum Justitia's and Lindorff's actual results for each period without making adjustments for the periods in which transaction costs would have been incurred if the acquisition had taken place at another time. Fair value adjustments made in the acquisition analysis on Intrum Justitia's acquisition of Lindorff are not recognized in earnings for any period, although they can be recognized as expenses in the acquired legal entity.

### **Portfolio investments:**

Investments in portfolios of overdue receivables for the period, with and without collateral, and investments in properties held for sale, acquired together with portfolios of receivables.

### **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.

### **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.

See also Note 38 on page 84.

# Addresses

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**intrum**