

Leading the way.

Year end report Fourth quarter

October–December 2019



intrum

Year end report, fourth quarter

October–December 2019

Adjusted operating
earnings

+47%

Return portfolio
investments

14%

Net Debt/RTM
Cash EBITDA

4.3

Earnings per share

–18.84 SEK

Fourth quarter, October–December 2019

- Net revenue increased to SEK 4,663 M (3,517).
- Operating earnings amounted to SEK –2,137 M (1,003), charged with goodwill impairment of SEK –2,700 M (0) and other items affecting comparability of SEK –1,258 M (–233). The adjusted operating earnings improved to SEK 1,821 M (1,236). The operating margin was negative (29), while the adjusted operating margin was 39 percent (36).
- For Credit Management, the margin was negative (21), while the adjusted margin was 27 percent (27).
- Portfolio investments for the quarter amounted to SEK 3,780 M (5,444). The return on portfolio investments was 14 percent (13).
- Earnings for the quarter amounted to SEK –2,467 M (482), and earnings per share were SEK –18.84 (3.70).
- Cash flow from operating activities increased to SEK 1,837 M (1,813).
- The Board of Directors proposes a share dividend of SEK 11.00 per share (9.50), corresponding to a total of SEK 1,440 M (1,247).

Full year, January–December 2019

- Net revenue increased to SEK 15,985 M (13,442).
- Operating earnings amounted to SEK 2,060 M (3,978), charged with goodwill impairment of SEK –2,700 M (0) and other items affecting comparability of SEK –1,448 M (–522). The adjusted operating earnings improved to SEK 6,208 M (4,500). The operating margin was 13 percent (30) and the adjusted operating margin was 39 percent (34).
- For Credit Management, the margin was negative (26) and the adjusted margin was 26 percent (27).
- Portfolio investments for the year amounted to SEK 7,324 M (11,854). The return on portfolio investments was 15 percent (14).
- Earnings for the year amounted to SEK –285 M (1,943), and earnings per share were SEK –2.76 (14.18).
- Cash flow from operating activities increased to SEK 6,392 M (6,154).

SEKm, unless otherwise indicated	Fourth quarter			Full year		
	Oct–Dec 2019	Oct–Dec 2018	Change %	2019	2018	Change %
Revenues	4,663	3,517	33	15,985	13,442	19
Operating income (EBIT)	–2,137	1,003	–313	2,060	3,978	–48
EBIT adjusted	1,821	1,236	47	6,208	4,500	38
Net earnings	–2,482	482	–627	–285	1,943	–118
Earnings per share, SEK	–18.84	3.70	–621	–2.76	14.18	–123
Adjusted CMS Revenues	3,458	2,403	44	11,273	9,257	22
Adjusted service line margin CMS	27	27		26	27	
Portfolio investments	3,780	5,444	–31	7,324	11,854	–38
Carrying value portfolio investments	35,429	32,261	10	35,429	32,261	10
Return on portfolio investments, ROI%	14	13		15	14	
Cash EBITDA as per loan covenants	3,063	2,401	28	11,444	9,776	17
Net Debt/RTM Cash EBITDA	4.3	4.3		4.3	4.3	

Comment by the President and CEO

2019 lays the ground for continued growth

Intrum concluded a strong 2019 with a solid underlying performance and record-level cash collections. In addition to finalising the merger integration, we also took important steps to grow the business sustainably, supporting our 2020 targets and market position, while ensuring an even stronger platform to leverage long-term growth.

I am pleased that the development of the business continued to progress well in Q4 with adjusted EBIT up 47 per cent year-on-year, coupled with a high portfolio investment pace at stable underwriting levels. Thanks to strong cash flows and good Cash EBITDA growth, our Net Debt/Cash EBITDA was reduced to 4.3x. For the full year our reported EPS amounted to SEK -2.8, adjusted for items affecting comparability in EBIT and financial net, the adjusted EPS amounted to SEK 27.8. We note that 2020 is off to a good start, supporting our ambitious 2020 targets. We retain our ambition to reach a Net Debt/EBITDA of 2.5–3.5x and EPS of SEK 35 by year-end.

An active quarter and implementation of new organisational structure

Throughout Q4, the organisation worked hard to capture the seasonally active business pipeline and I am satisfied we successfully closed a high volume of transactions across our markets. In parallel, we continued working with our financing structure as we extended and expanded our revolving credit facility, tapped our MTN programme and issued a private placement at terms in line with our overall cost of debt. Altogether further improving our debt maturity profile.

Our partnership with Piraeus Bank was finalised in October, and the Intrum Hellas unit performed well during the ramp-up and its profit contribution was accretive to both our CMS margin and bottom line earnings.

Effective January 1st 2020, we implemented a new organisational structure that simplifies our internal reporting structure and reduces costs. We have removed our four geographical regions and created a new business line, "Strategic Markets", where the CMS business in Spain, Italy and Greece will be reported. From an external stake-

holder perspective, we believe the transparency around the performance of these three strategic markets will be improved.

Our work to further harmonise and centralise processes, systems and operations continued in 2019. Our global business service centre in Vilnius expanded, and we see good opportunities to, for example, service large international clients in a co-ordinated and efficient way across many of our markets.

Stable CMS margins and good cost control but with items affecting comparability

The CMS business reported an adjusted service line margin of 27 per cent (27 per cent). It faced temporary challenges stemming from a postal strike in the Northern European region and less pronounced seasonality due to changes to the timing of tax returns. We are on track to reach our targeted efficiency improvements of EUR 60 million in 2020 and a meaningful portion of this improvement will benefit our CMS business.

We are encouraged by improvements in common cost levels that have been made possible by efficiency measures and effective cost control. However, we expect run-rate to increase somewhat in 2020, partly due to our new large service platform in Greece still being in a build-up phase.

"Solid underlying performance and record-level cash collections."

Due to headwinds experienced in Spain in recent years, we have adjusted our balance sheet by impairing SEK 2.9 billion of intangible assets. This adjustment reflects the earnings level observed in recent quarters compared to earlier periods when Spain was characterised by different market conditions. Going forward, given our strengthened market position due to the acquisition of Solvia and the adjustment to our cost base, we expect Spain to deliver stable year-on-year earnings in 2020. In addition to the adjustment of intangibles in Spain, our results are impacted by non-recurring items that relate to our previously communicated efficiency programme of SEK 0.6 billion, M&A transaction related costs of SEK 0.1 billion, impairment of group IT assets of SEK 0.1 billion, and other items amounting to SEK 0.2 billion largely relating to Lindorff integration costs, provisions and VAT claims. Of the SEK 4.0 billion in total items affecting comparability in the quarter, SEK 3.1 billion are non-cash items.

Portfolio investments end 2019 strongly

As anticipated and as communicated in our Q3 report, our portfolio investment business had an active Q4 while successfully maintaining a strong performance on our portfolio. During the period, we made portfolio investments totalling SEK 3.8 billion (SEK 5.4 billion) reflecting our size and diversification. We successfully deployed capital across our full geographical footprint in Europe. We grew our portfolio book value to SEK 35 billion while the portfolio generated a healthy ROI of 14 per cent. For the full year, our investment return levels were stable overall, with signs of improving underwriting levels in several geographies. Going forward, we expect ROI to approach our 13 per cent target, partly due to the earnings contribution from our joint ventures experiencing natural decay.

Firm foundations in place for further growth going into 2020

2019 was an eventful year for Intrum with several milestone transactions and the realisation of the final cost synergies stemming from the 2017 merger. However, we continued to face challenges in Spain which absorbed some of the savings that the organisation realised.

Intrum's purpose to lead the way to a sound economy – is at the centre of our strategy. During 2019, we intensified our efforts to integrate sustainability into our business and we implemented a clear governance structure to address these issues. Stakeholder dialogues have been held, including with the majority of our shareholders. Key aspects for us is to prioritise ethical collection by treating customers fairly, by carefully selecting

clients and portfolios we acquire, and by retaining and developing our employees through ensuring their wellbeing.

Throughout the year, we noted improving competitive conditions across many of our markets and an overall stable macro environment. Entering 2020, we see continued strong activity across Europe on the non-performing loan market and foresee macro conditions moving sideways. With our size and diversification, we are well positioned to continue to grow the business sustainably and profitably. We have an ambitious 2020 business plan that supports our financial targets, one that requires flawless execution. Looking beyond 2020, we look forward to updating the market on our strategy and financial targets at our capital markets day in Stockholm on May 19th.

Stockholm, February 2019

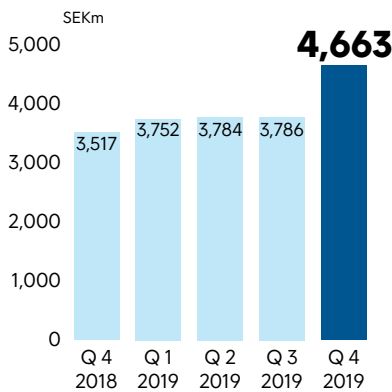
Mikael Ericson
President and CEO



Group

Development during the fourth quarter and full year 2019

Revenues



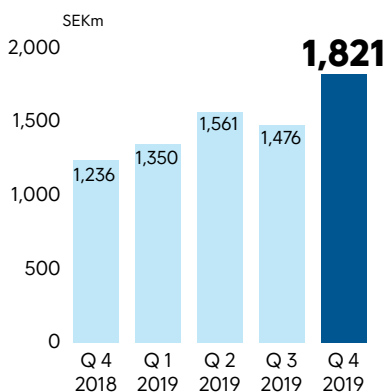
Revenues and operating earnings

Consolidated net revenues for the fourth quarter increased to SEK 4,663 M (3,517), corresponding to a 33 percent increase, with organic growth accounting for 1 percent, acquisitions for 29 percent and currency effects for 3 percent. The share of revenue denominated in EUR amounted to 66 percent (51).

Consolidated net revenues for full-year 2019 increased to SEK 15,985 M (13,442), corresponding to a 19 percent increase, with organic growth accounting for –2 percent, acquisitions for 18 percent and currency effects for 3 percent. The share of revenue denominated in EUR amounted to 61 percent (58).

Change in revenues, %	Fourth quarter	Full year
	Oct–Dec 2019	2019
Organic growth	1	–2
Mergers & acquisitions	29	18
Exchange rates	3	3
Total	33	19

EBIT adjusted



Consolidated operating earnings, EBIT, for the fourth quarter amounted to SEK –2,137 M (1,003), charged with goodwill impairment of SEK –2,700 M (0) and other items affecting comparability of SEK –1,258 M (–233). The adjusted operating earnings, excluding items affecting comparability, improved to SEK 1,821 M (1,236).

Consolidated operating earnings, EBIT, for full-year 2019 improved to SEK 2,060 M (3,978), charged with goodwill impairment of SEK –2,700 M (0) and other items affecting comparability of SEK –1,448 M (–522). The adjusted operating earnings, excluding items affecting comparability, improved to SEK 6,208 M (4,500).

Items affecting comparability

Operating earnings for the quarter include items affecting comparability of SEK –3,958 M (–233), and net earnings for the year of SEK –4,148 M (–522).

Fourth-quarter earnings were charged with goodwill impairment attributable to the Iberian Peninsula & Latin America region as a consequence of challenges in Spain and lower earnings capacity compared with earlier periods with other market conditions, as well as significant expenses affecting comparability related to staff reductions in connection with savings programmes, which, in accordance with IAS 37, are only reported in cases where a formal detailed plan has been established and communicated in sufficient detail to those concerned, so that they have known or can be assumed to have expected by the balance sheet date that their employment was to be terminated. With regard to future expenses for services provided by external suppliers, provisions have only been made in cases where the service has already been delivered during the financial year.

Items affecting comparability in operating income

SEKm	Fourth quarter		Full year	
	Oct–Dec 2019	Oct–Dec 2018	2019	2018
Positive revaluations of portfolio investments	375	408	920	795
Negative revaluations of portfolio investments	-374	-332	-892	-707
Integration costs Lindorff	-134	-73	-224	-352
Transaction costs for M&A	-136	-66	-274	-224
Received compensation for terminated BPO contract	0	-40	147	178
Impairment write-down of goodwill	-2,700	0	-2,700	0
Efficiency improvement programme	-621	0	-656	0
Other items affecting comparability	-368	-130	-469	-212
Total items affecting comparability in operating income	-3,958	-233	-4,148	-522

Net financial items

Net financial items for the quarter amounted to SEK -540 M (-367). Net interest amounted to SEK -415 M (-302), exchange rate differences to SEK 3 M (-13) and other financial items to SEK -128 M (-52). Other financial items for the quarter include SEK -62 M (0) in expenses for premature redemption of credit facility.

Net financial items for the full-year amounted to SEK -1,921 M (-1,363). Net interest amounted to SEK -1,492 M (-1,185), exchange rate differences to SEK -18 M (19) and other financial items to SEK -447 M (-197). Other financial items for the full-year include SEK -252 M (0) in expenses for premature redemption of bonds and credit facility.

Earnings for the period and taxes

This tax expense for the year amounts to 15 percent of earnings before tax and goodwill impairment and has been affected positively by deferred receivables for previous years' losses. 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.

Accordingly, earnings for the quarter amounted to SEK -2,482 M (482), corresponding to earnings per share of SEK -18.84 (3.70) before and after dilution. Net earnings for the year amounted to SEK -285 M (1,943), corresponding to earnings per share of SEK -2.76 (14.18) before and after dilution.

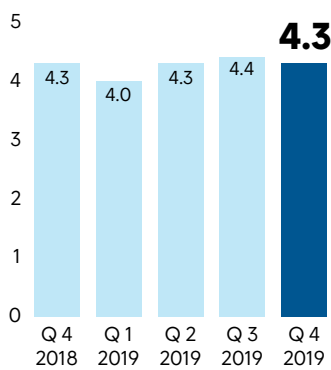
The company holds 600,000 of its own shares that may be reissued in the future to fulfil commitments under the incentive programme for company management. No dilution effect has been calculated for these shares since the earnings requirements had not yet been met at the end of 2019.

Cash flow and investments

SEKm	Fourth quarter		Full year	
	Oct–Dec 2019	Oct–Dec 2018	2019	2018
Cash flow from operating activities	1,837	1,813	6,392	6,154
Cash flow from investing activities	-7,169	-9,696	-11,646	-7,925
Total cash flow from operating and investing activities	-5,332	-7,883	-5,254	-1,771
Cash flow from financing activities	2,890	7,808	5,838	2,227
Cash flow for the period	-2,442	-75	584	456

Cash flow from operating activities increased to SEK 1,837 M (1,813) over the quarter, and to SEK 6,392 M (6,154) over full-year 2019. Operating earnings for the quarter were negative, explained mainly by provisions for expenses and impairments not affecting cash flow. Higher disbursements in the last quarter of the year for other financial expenses and income tax paid were offset by large, positive changes in working capital in the fourth quarter compared with the corresponding period in the preceding year. On the whole, cash flow from operating activities for the quarter remained largely unchanged compared with the preceding year.

Net Debt/Cash EBITDA as per covenant definition



Assets and financing

SEKm	31 Dec 2019	31 Dec 2018
Liquid assets	1,906	1,348
Portfolio investments total	35,429	32,261
Client relationships	6,079	3,670
Goodwill	33,358	33,055
Other assets	9,364	5,699
Total assets	86,136	76,033
Shareholders' equity	24,893	25,672
Net Debt	49,105	42,122
Net Debt/Cash EBITDA as per covenant definition	4.3	4.3

At the end of the year, total assets amounted to SEK 86 billion, compared with SEK 76 billion at the end of the preceding year. Net debt amounted to SEK 49 billion. At the end of the year, net debt in relation to rolling 12-month adjusted Cash EBITDA amounted to 4.3, compared with 4.3 at the end of the preceding year.

The decrease in the balance sheet items Property investments and Property investments since the end of the year is explained mainly by the divestment of half of Intrum's shares in the company that owns the properties (which Intrum acquired from Ibercaja Banco SA at the end of 2018) to a co-investor in the first quarter of 2019, with the company subsequently being reported as joint venture.

In the second quarter, Intrum published an updated prospectus enabling the company to issue bonds for a maximum SEK 5 billion in the Swedish market.

In the third quarter, a four-year, senior unsecured bond of SEK 2 billion was issued, and a seven-year, senior unsecured bond of EUR 800 M with a fixed coupon of 3.5 percent. The cash proceeds were used to refinance a variable rate bond of EUR 300 M and a variable rate bond of SEK 3 billion. Both of which were issued in 2017 and mature in 2022. The surplus proceeds were used to refinance the existing credit facility (RCF). Additionally, in the third quarter, Intrum increased its outstanding MTN bond, issued for SEK 900 M in June 2019 and maturing definitively in 2023. The funds were used to amortise the existing credit facility (RCF). Finally, in the third quarter, Intrum issued an eight-year, senior unsecured bond of EUR 850 M with a fixed coupon of 3 percent. The cash proceeds were used to refinance EUR 750 M of Intrum's outstanding senior bonds maturing in 2022. The surplus proceeds were used to amortise the existing credit facility (RCF).

In the fourth quarter, Intrum issued a two-year, senior unsecured bond of SEK 1.1 billion, at STIBOR 3m +180 basis points. The bond was issued within the framework of the existing Swedish MTN programme and is listed on Nasdaq Stockholm. Intrum also issued a five-year, three-month senior unsecured bond for EUR 75 M. The funds are used to finance the company's ongoing operations and to amortise Intrum's existing credit facility (RCF). Intrum negotiated a new credit facility with a maturity of five years, plus one year, and a credit framework of EUR 1.8 billion. The new facility will meet Intrum's long-term growth ambition and safeguard a satisfactory liquidity buffer and Intrum's investment capacity in the future. The new facility will be accessible as of January 2020. In addition, Intrum extended its backstop facility of SEK 2 billion to cover Intrum's commercial paper programme. The facility, provided by Intrum's Nordic banking partners, has a term of one year, including two options to extend the facility by one year.

By issuing these bonds, Intrum has achieved a more even and extended maturity profile, which has been an important objective for the Company's refinancing strategy.

Service lines

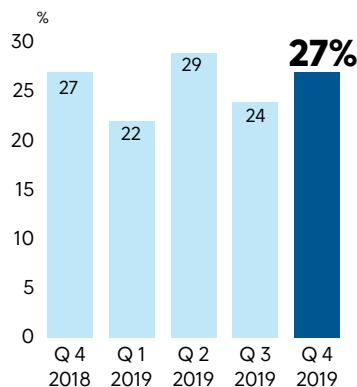
Credit management services

Credit management with a focus on late payment and collection. This service line forms the core of Intrum's operations.

Credit management services

SEKm	Fourth quarter				Full year			
	Oct–Dec 2019	Oct–Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Revenues	3,458	2,403	44	41	11,450	9,480	21	18
Service line earnings	-2,447	509	-581	-564	-415	2,433	-117	-115
Adjusted revenues	3,458	2,403	44	41	11,273	9,257	22	19
Adjusted service line earnings	948	657	44	41	2,912	2,489	17	15
Adjusted service line margin, %	27	27			26	27		

Credit management services, adjusted service line margin



The service line's adjusted earnings for the fourth quarter grew strongly, due in part to operations acquired in Spain, Italy and Greece. The underlying earnings were adversely affected by strikes in the postal service in Finland and by tax refunds in Region Northern Europe being received earlier than planned. This meant that the seasonal pattern, according to which earnings are normally strong in the fourth quarter, was somewhat less pronounced in 2019. During the quarter, as a consequence of challenges in Spain and lower earnings capacity compared with earlier periods with other market conditions, goodwill impairment was recognised attributable to the Iberian Peninsula & Latin America region.

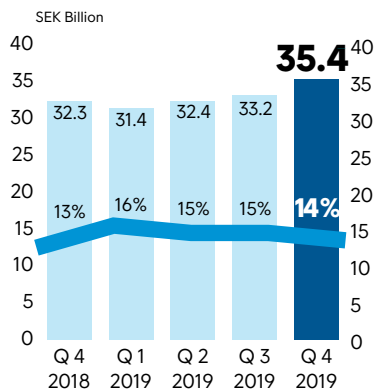
Net earnings for full-year 2019 grew thanks to acquisitions in Spain, Italy and Greece. In Spain, the underlying business volume developed below expectations, negatively impacting the operating margin for the year, although this was offset by favourable development in other countries.

Portfolio investments

Portfolio investments, i.e. acquisitions of portfolios of overdue receivables at less than their nominal value, after which Intrum collects the receivables on its own behalf. The receivables are collected by the Credit Management Services service line for a market-based internal charge.

Portfolio investments SEKm	Fourth quarter				Full year				
	Oct–Dec 2019	Oct–Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %	
Revenues	1,867	1,741	7	4	7,055	6,394	10	7	
Service line earnings	1,195	1,057	13	10	4,960	3,600	38	34	
Adjusted revenues	1,866	1,665	12	9	7,027	6,306	11	8	
Adjusted service line earnings	1,208	982	23	20	4,947	3,516	41	37	
Adjusted service line margin	65	59			70	56			
Collected amounts	2,826	2,110	34		10,772	10,056	7		
Amortization	–1,058	–817	29		–4,183	–3,942	6		
Book value	35,429	32,261	10		35,429	32,261	10		
Investments in portfolios	3,780	5,444	–31		7,324	11,854	–38		
Return on portfolio investments, %	14	13			15	14			

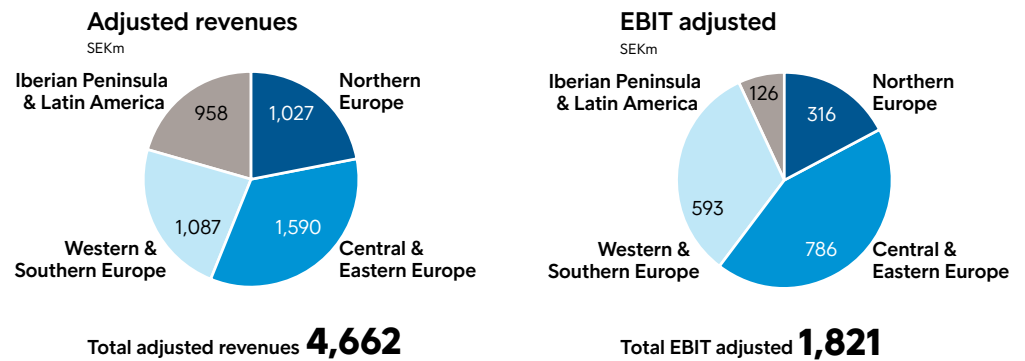
Portfolio investments, carrying value and return



The service line’s earnings for the fourth quarter were strong and currency-adjusted earnings increased by 20 percent compared with the preceding year. The growth in earnings derives from an improved return on the portfolios, while their book value grew steadily over the year. Collected amounts increased strongly, reaching new record levels during the quarter. Compared with earlier quarters, the investment level rose in the fourth quarter, which is normal as the fourth quarter is usually the year’s seasonally most active.

Net earnings for full-year 2019 were strong, with the growth in earnings partly being driven by the joint venture portfolio acquired in the fourth quarter of the preceding year and partly by favourable underlying growth in the other portfolio operations.

Regions



Region Northern Europe

Region Northern Europe comprises the Group's activities for external clients and debtors in Denmark, Estonia, Finland, Latvia, Lithuania, Norway and Sweden.

SEKm	Fourth quarter				Full year			
	Oct-Dec 2019	Oct-Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Revenues	989	1,052	-6	-7	4,125	3,980	4	3
Operating earnings (EBIT)	115	320	-64	-62	1,206	1,294	-7	-8
Adjusted revenues	1,027	1,084	-5	-6	4,162	4,002	4	3
EBIT adjusted	316	385	-18	-17	1,491	1,425	5	4
Adjusted EBIT margin, %	31	36			36	36		
Book value portfolio investments	8,404	7,567	11		8,404	7,567	11	

Although the region's fourth quarter earnings were stable, the underlying earnings were adversely affected by strikes in the postal service in Finland and by tax refunds being received earlier than planned. This meant that the seasonal pattern, according to which earnings are normally strong in the fourth quarter, was somewhat less pronounced in 2019. The investment level was good, generating favourable conditions for growth in 2020.

Net earnings for full-year 2019 were stable, with both the credit management and portfolio investment operations performing positively despite the unfavourable trend in the fourth quarter.



Region Central and Eastern Europe

Region Central and Eastern Europe comprises the Group's activities for external clients and debtors in Austria, the Czech Republic, Greece, Hungary, Poland, Romania, Slovakia and Switzerland.

SEKm	Fourth quarter				Full year			
	Oct–Dec 2019	Oct–Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Revenues	1,652	1,116	48	45	4,862	3,790	28	25
Operating earnings (EBIT)	589	469	26	25	1,965	1,377	43	40
Adjusted revenues	1,590	986	61	58	4,580	3,681	24	21
EBIT adjusted	786	386	104	100	2,005	1,442	39	36
Adjusted EBIT margin, %	49	39			44	39		
Book value portfolio investments	8,401	7,789	8		8,401	7,789	8	

The region's fourth quarter earnings were strong, influenced largely by the acquisition of the credit management operations in Greece, which were consolidated early in the fourth quarter. Even when adjusted for the acquisition in Greece, the region developed positively, with the operations in several countries progressing well. The credit management operations in Greece were integrated successfully and we are pleased with how the operations are developing, as well as their contribution to earnings.

Even when adjusted for the acquisition in Greece, the growth in earnings for full-year 2019 was strong. Underlying growth has been driven partly by a significant improvement in the Polish operations attributable to internal operational improvements, and partly by new portfolio investments following a period with challenging market conditions.



Region Western and Southern Europe

Region Western and Southern Europe comprises the Group's activities for external clients and debtors in Belgium, France, Ireland, Italy, the Netherlands and the United Kingdom.

SEKm	Fourth quarter				Full year			
	Oct–Dec 2019	Oct–Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Revenues	1,071	711	51	47	3,519	2,564	37	34
Operating earnings (EBIT)	340	108	215	200	1,464	228	542	520
Adjusted revenues	1,087	729	49	45	3,715	2,622	42	39
EBIT adjusted	593	244	143	136	2,048	664	208	199
Adjusted EBIT margin, %	55	33			55	25		
Book value portfolio investments	12,693	10,443	22		12,693	10,443	22	

The region's fourth quarter earnings were significantly higher than in the preceding year, with the improvement largely being explained by the partnership with Intesa Sanpaolo in Italy, where the credit management operations were consolidated at the end of the fourth quarter of 2018, at which time, a major credit portfolio was also acquired. In the other countries in the region, the operations developed well, with all countries reporting increased earnings.

Full-year earnings for 2019 developed well, due mainly to the partnership with Intesa.



Region Iberian Peninsula and Latin America

Region Iberian Peninsula and Latin America comprises the Group's activities for external clients and debtors in Spain, Portugal and Brazil.

SEKm	Fourth quarter				Full year			
	Oct–Dec 2019	Oct–Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Revenues	951	639	49	46	3,479	3,109	12	9
Operating earnings (EBIT)	–3,181	106	–3,101	–3,014	–2,575	1,079	–339	–332
Adjusted revenues	958	642	49	46	3,323	2,826	18	15
EBIT adjusted	126	221	–43	–44	664	969	–31	–33
Adjusted EBIT margin, %	13	34			20	34		
Book value portfolio investments	5,931	6,462	–8		5,931	6,462	–8	

The region's fourth quarter earnings were lower than in the preceding year, with Spain continuing to be affected by service contracts terminated in the credit management operations, while synergies from the acquisition of Solvia in Spain are expected to start appearing in 2020. The operations stabilised in the second half of the year and, in the fourth quarter, the book value of portfolio investments grew compared with the preceding quarter, fostering favourable conditions for growth in 2020.

Net earnings for full-year 2019 were below expectations, due, among other things, to terminated service contracts having a negative impact on profitability. As a consequence of the lower earnings level, goodwill impairment of SEK 2.7 billion was recognised at the end of the year.

Financial reports

Consolidated income statement in summary

SEK m	Fourth quarter		Full year	
	Oct–Dec 2019	Oct–Dec 2018	2019	2018
Revenues from clients	2,894	1,834	9,368	7,240
Revenue on Portfolio investments calculated using the effective interest method	1,768	1,607	6,589	6,114
Positive revaluations of Portfolio investments	375	408	920	795
Negative revaluations of Portfolio investments	–374	–332	–892	–707
Total revenue	4,663	3,517	15,985	13,442
Cost of sales	–3,398	–2,011	–9,807	–7,369
Gross earnings	1,265	1,506	6,178	6,073
Sales, marketing and administrative expenses	–896	–609	–2,597	–2,201
Impairment write-down of goodwill	–2,700	0	–2,700	0
Participation in associated companies and joint ventures	194	106	1,179	106
Operating earnings (EBIT)	–2,137	1,003	2,060	3,978
Net financial items	–540	–367	–1,921	–1,363
Earnings before tax	–2,677	636	139	2,615
Tax	195	–166	–424	–599
Net income from continuing operations	–2,482	470	–285	2,016
Profit from discontinued operations, net of tax	0	12	0	–73
Net earnings for the period	–2,482	482	–285	1,943
<i>Of which attributable to:</i>				
Parent company's shareholders	–2,467	474	–362	1,936
Non-controlling interest	–15	8	77	7
Net earnings for the period	–2,482	482	–285	1,943
Average no of shares before and after dilution, '000	130,941	131,291	131,066	131,391
Earnings per share before and after dilution				
Profit from continuing operations, SEK	–18.84	3.61	–2.76	14.73
Profit from discontinued operations, SEK	0.00	0.09	0.00	–0.56
Total earnings per share before and after dilution, SEK	–18.84	3.70	–2.76	14.18

Consolidated statement of comprehensive income in summary

SEKm	Fourth quarter		Full year	
	Oct–Dec 2019	Oct–Dec 2018	2019	2018
Net income for the period	-2,482	482	-285	1,943
<i>Other comprehensive income, items that will be reclassified to profit and loss:</i>				
Currency translation difference	-663	-126	318	547
<i>Other comprehensive income, items that will not be reclassified to profit and loss:</i>				
Remeasurement of pension liability	-32	6	-32	6
Comprehensive income for the period	-3,177	362	-1	2,496
<i>Of which attributable to:</i>				
Parent company's shareholders	-3,081	352	-94	2,486
Non-controlling interest	-96	10	95	10
Comprehensive income for the period	-3,177	362	1	2,496

Consolidated balance sheet in summary

SEKm	31 Dec 2019	31 Dec 2018
ASSETS		
Intangible fixed assets		
Goodwill	33,358	33,055
Capitalized expenditure for IT development and other intangibles	802	456
Client relationships	6,079	3,670
Total intangible fixed assets	40,239	37,181
Tangible fixed assets		
Right-of use assets	888	0
Investment property	0	256
Other tangible fixed assets	212	237
Total tangible fixed assets	1,100	493
Other fixed assets		
Shares in joint ventures	6,539	4,746
Other shares and participations	0	1
Portfolio investments	28,508	24,830
Deferred tax assets	1,300	620
Other long-term receivables	183	33
Total other fixed assets	36,530	30,230
Total fixed assets	77,869	67,904
Current Assets		
Accounts receivable	1,860	719
Inventory of real estate	382	2,429
Client funds	1,060	917
Tax assets	382	273
Other receivables	1,334	1,553
Prepaid expenses and accrued income	1,343	890
Cash and cash equivalents	1,906	1,348
Total current assets	8,267	8,129
TOTAL ASSETS	86,136	76,033

Consolidated balance sheet, cont.

SEKm	31 Dec 2019	31 Dec 2018
SHAREHOLDERS' EQUITY AND LIABILITIES		
Attributable to parent company's shareholders	22,014	23,666
Attributable to non-controlling interest	2,879	2,006
Total shareholders' equity	24,893	25,672
Long-term liabilities		
Liabilities to credit institutions	6,186	6,534
Bond loans	40,644	33,254
Long-term leasing liabilities	474	0
Other long-term liabilities	1,303	395
Provisions for pensions	387	263
Other long-term provisions	19	5
Deferred tax liabilities	1,938	1,729
Total long-term liabilities	50,951	42,180
Current liabilities		
Liabilities to credit institutions	0	296
Bond loans	1,000	1,000
Commercial paper	2,794	2,123
Client funds payable	1,060	917
Accounts payable	512	488
Income tax liabilities	422	241
Advances from clients	88	59
Short-term leasing liabilities	443	0
Other current liabilities	810	852
Accrued expenses and prepaid income	3,014	2,056
Other short-term provisions	149	149
Total current liabilities	10,292	8,181
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	86,136	76,033

Consolidated statement of changes in shareholders' equity

SEKm	2019			2018		
	Attributable to Parent Company's shareholders	Non-controlling interest	Total	Attributable to Parent Company's shareholders	Non-controlling interest	Total
Opening Balance, January 1	23,666	2,006	25,672	22,436	3	22,439
Change in accounting principles according to IFRS 9			0	50		50
Change in accounting principles according to IFRIC 23	-155		-155			0
Dividend	-1,247	-58	-1,305	-1,250		-1,250
Repurchase of shares	-86		-86	-56		-56
Changes in Group structure	-70	836	766		1,993	1,993
Comprehensive income for the period	-94	95	1	2,486	10	2,496
Closing Balance, December 31	22,014	2,879	24,893	23,666	2,006	25,672

Consolidated cash flow statement in summary

SEKm	Fourth quarter		Full year	
	Oct–Dec 2019	Oct–Dec 2018	2019	2018
Cash flows from continuing operations				
Operating activities				
Operating earnings (EBIT)	-2,137	1,003	2,060	3,978
Depreciation/amortization and impairment write-down	3,385	216	4,284	900
Amortization/reevaluation of purchased debt	1,057	979	4,155	3,854
Other adjustment for items not included in cash flow	-42	-134	-1,059	-351
Interest received	18	17	62	60
Interest paid	-137	-144	-1,454	-1,244
Other financial expenses paid	-203	67	-483	-42
Income tax paid	-322	-269	-802	-590
Cash flow from operating activities before changes in working capital	1,619	1,735	6,763	6,565
Changes in factoring receivables	2	7	-47	-67
Other changes in working capital	216	71	-324	-344
Cash flow from operating activities	1,837	1,813	6,392	6,154
Investing activities				
Purchases of tangible and intangible fixed assets	-261	-82	-699	-306
Portfolio investments in receivables and inventory of real estate	-3,728	-2,714	-7,612	-6,872
Acquisition of subsidiaries and joint ventures	-3,177	-6,909	-5,135	-8,587
Liquid assets in acquired/divested subsidiaries	40	0	384	-400
Proceeds from divestment of subsidiaries and associated companies	0	0	1,488	7,511
Other cash flow from investing activities	-43	9	-72	729
Cash flow from investing activities	-7,169	-9,696	-11,646	-7,925
Financing activities				
Borrowings and repayment of loans	2,936	7,808	7,229	3,533
Repurchase of shares	0	0	-86	-56
Share dividend to parent company's shareholders	0	0	-1,247	-1,250
Dividend to non-controlling shareholders	-46	0	-58	0
Cash flow from financing activities	2,890	7,808	5,838	2,227
Cash flows from continuing operations	-2,442	-75	584	456
Cash flows from discontinued operations	0	0	0	-372
Total change in liquid assets	-2,442	-75	584	84
Opening balance of liquid assets	4,438	1,450	1,348	1,253
Exchange rate differences in liquid assets	-90	-27	-26	11
Closing balance of liquid assets	1,906	1,348	1,906	1,348
Thereof liquid assets in discontinued operations	0	0	0	0
Discontinued operations				
Cash flow from operating activities	0	0	0	13
Cash flow from investing activities	0	0	0	-589
Cash flow from financing activities	0	0	0	204
Group total				
Cash flow from operating activities	1,837	1,813	6,392	6,167
Cash flow from investing activities	-7,169	-9,696	-11,646	-8,514
Cash flow from financing activities	2,890	7,808	5,838	2,431

Net financial items specification

SEKm	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
Interest income	19	17	12	63	60	5
Interest costs	-424	-319	33	-1,512	-1,245	21
Interest cost from the amortization according to the effective interest method of borrowing costs	-29	-23	26	-94	-82	15
Interest cost on leasing liability according to IFRS 16	-10	0		-43	0	
Currency exchange rate differences	3	-13	-123	18	19	-5
Commitment fee	-29	-25	16	-80	-101	-21
Other financial items	-70	-4	1,650	-273	-14	1,850
Total net financial items	-540	-367	47	-1,921	-1,363	41

Financial overview

SEKm	Fourth quarter			Full year		
	Oct–Dec 2019	Oct–Dec 2018	Change %	2019	2018	Change %
Revenues	4,663	3,517	33	15,985	13,442	19
Adjusted revenues	4,662	3,441	35	15,780	13,131	20
Operating income (EBIT)	-2,137	1,003	-313	2,060	3,978	-48
EBIT adjusted	1,821	1,236	47	6,208	4,500	38
Net earnings	-2,482	482	-615	-285	1,943	-115
Earnings per share, SEK	-18.84	3.70	-609	-2.76	14.18	-119
Return on equity, %	-42	8		-2	8	
Equity per share, SEK	168.12	180.26	-7	168,12	180.26	-7
Cash flow from operating activities per share, SEK	14.03	13.81	2	48.77	46.84	4
CMS revenues	3,458	2,403	44	11,450	9,480	21
- thereof external clients	2,796	1,776	57	8,930	7,048	27
- thereof intercompany revenues	662	627	6	2,520	2,432	4
Adjusted CMS revenues	3,458	2,403	44	11,273	9,257	22
- thereof external clients	2,796	1,776	57	8,753	6,825	28
- thereof intercompany revenues	662	627	6	2,520	2,432	4
Adjusted service line margin CMS, %	27	27		26	27	
Investments in portfolios	3,780	5,444	-31	7,324	11,854	-38
Total carrying value of portfolio investments	35,429	32,261	10	35,429	32,261	10
- thereof purchased receivables	28,508	24,830	15	28,508	24,830	15
- thereof joint ventures	6,539	4,746		6,539	4,746	38
- thereof real estate	382	2,685	-86	382	2,685	-86
Return on portfolio investments, %	14	13		15	14	
Amortization percentage, %	37	39		39	39	
ERC	64,995	57,382	13	64,995	57,382	13
Cash multiple	1.83	1.94		1.83	1.94	
Average number of employees	11,125	7,711	44	9,190	7,910	16

Quarterly overview

SEKm	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018
Revenues	4,663	3,786	3,784	3,752	3,517	3,180	3,630	3,115
Adjusted revenues	4,662	3,777	3,780	3,561	3,441	3,180	3,408	3,102
Operating income (EBIT)	-2,137	1,375	1,475	1,347	1,003	838	1,240	897
EBIT adjusted	1,821	1,476	1,561	1,350	1,236	1,095	1,196	973
Net earnings	-2,482	579	879	739	482	396	701	364
Earnings per share, SEK	-18.84	4.26	6.26	5.63	3.70	3.02	5.33	2.77
Return on equity, %	-42	9	13	12	8	7	12	6
Equity per share, SEK	168.12	193.28	187.54	188.55	195.16	177.58	176.03	179.63
Cash flow from operating activities per share, SEK	14.03	9.97	14.47	10.3	13.81	9.25	12.77	11.01
CMS revenues	3,458	2,726	2,716	2,550	2,403	2,217	2,651	2,209
- thereof external clients	2,796	2,090	2,099	1,945	1,776	1,623	2,042	1,607
- thereof intercompany revenues	662	636	617	605	627	594	609	602
Adjusted CMS revenues	3,458	2,726	2,714	2,375	2,403	2,217	2,428	2,209
- thereof external clients	2,796	2,090	2,097	1,770	1,776	1,623	1,819	1,607
- thereof intercompany revenues	662	636	617	605	627	594	609	602
Adjusted service line margin CMS, %	27	24	29	22	27	27	28	25
Investments in portfolios	3,780	831	1,436	1,277	5,444	927	2,385	1,373
Total carrying value of portfolio investments	35,429	33,196	32,377	31,392	32,261	25,772	26,102	22,721
- thereof purchased receivables	28,508	26,279	26,228	25,628	24,830	23,914	24,244	22,598
- thereof joint ventures	6,539	6,546	5,815	5,477	4,746	1,703	1,726	0
- thereof real estate	382	371	334	287	2,685	155	132	123
Return on portfolio investments, %	14	15	15	16	13	17	15	15
Amortization percentage, %	37	40	40	38	39	40	39	38
ERC	64,995	61,310	60,896	58,686	57,382	47,874	49,313	46,929
Cash multiple	1.83	1.87	1.88	1.87	1.94	2.00	2.03	2.08
Average number of employees	11,125	8,959	8,542	8,133	7,711	7,571	7,886	7,806

Five year overview

SEKm	2019	2018	2017	2016	2015
Revenues	15,985	13,442	9,434	5,869	5,419
Adjusted revenues	15,780	13,131	9,437	5,824	5,387
Operating income (EBIT)	2,060	3,978	2,728	1,921	1,577
EBIT adjusted	6,208	4,500	3,128	1,866	1,599
Net earnings	-285	1,943	1,503	1,468	1,172
Earnings per share, SEK	-2.76	14.18	14.62	20.15	15.92
Return on equity, %	-2	8	11	41	38
Equity per share, SEK	168.12	195.16	170.59	55.88	42.66
Cash flow from operating activities per share, SEK	48.77	48.10	-	46.64	39.74
Average number of employees	9,190	7,910	6,293	3,865	3,738

SEKm	Quarter 4 2019	Quarter 4 2019	Quarter 4 2018	Quarter 4 2017	Quarter 4 2016
Revenues	4,663	3,517	3,101	1,657	1,349
Adjusted revenues	4,662	3,441	3,145	1,652	1,378
Operating income (EBIT)	-2,137	1,003	807	543	380
EBIT adjusted	1,821	1,236	1,008	533	409
Net earnings	-2,482	482	443	429	274
Earnings per share, SEK	-18.84	3.70	3.37	5.90	3.76
Return on equity, %	-42	8	8	45	36
Equity per share, SEK	168.12	180.26	170.56	55.88	42.66
Cash flow from operating activities per share, SEK	14.03	13.81	10.19	15.37	12.10
Average number of employees	11,125	7,711	7,806	3,993	3,732

Reconciliation of alternative performance measures

SEKm	Fourth quarter		Full year	
	Oct–Dec 2019	Oct–Dec 2018	2019	2018
Items affecting comparability in revenues				
Positive revaluations of portfolio investments	375	408	920	795
Negative revaluations of portfolio investments	–374	–332	–892	–707
Impact from early terminated BPO	0	0	177	223
Total items affecting comparability in revenues	1	76	205	311
Items affecting comparability in operating income				
Positive revaluations of portfolio investments	375	408	920	795
Negative revaluations of portfolio investments	–374	–332	–892	–707
Integration costs Lindorff	–134	–73	–224	–352
Transaction costs for M&A	–136	–66	–274	–224
Impact from early terminated BPO contract	0	–40	147	178
Impairment write-down of goodwill	–2,700	0	–2,700	0
Efficiency improvement programme	–621	0	–656	0
Other items affecting comparability	–368	–130	–469	–212
Total items affecting comparability in operating income	–3,958	–233	–4,148	–522
Items affecting comparability by income statement line				
Revenues from clients	0	0	177	223
Positive revaluations of portfolio investments	375	408	920	795
Negative revaluations of portfolio investments	–374	–332	–892	–707
Cost of sales	–710	74	–819	–60
Sales, marketing and administration costs	–549	–383	–834	–773
Impairment write-down of goodwill	–2,700	0	–2,700	0
Total items affecting comparability in operating income	–3,958	–233	–4,148	–522
Revaluations of portfolio investments by geographical region				
Northern Europe	–38	–33	–37	–23
Central & Eastern Europe	62	130	282	109
Western & Southern Europe	–16	–18	–196	–58
Iberian Peninsula & Latin America	–7	–3	–21	60
Total revaluations of portfolio investments	1	76	28	88
Other items affecting comparability by geographical region				
Northern Europe	–163	–32	–248	–108
Central & Eastern Europe	–259	–47	–322	–174
Western & Southern Europe	–237	–118	–388	–378
Iberian Peninsula & Latin America	–3,300	–112	–3,218	50
Total other items affecting comparability	–3,959	–309	–4,176	–610
Other items affecting comparability by service line				
Credit Management Services	–3,395	–148	–3,327	–56
Portfolio Investments	–14	–1	–15	–4
Common costs	–550	–160	–834	–550
Total other items affecting comparability	–3,959	–309	–4,176	–610

Reconciliation of alternative performance measures, cont.

SEKm	Fourth quarter		Full year	
	Oct–Dec 2019	Oct–Dec 2018	2019	2018
Adjusted revenue				
Revenues	4,663	3,517	15,985	13,442
Items affecting comparability	-1	-76	-205	-311
Adjusted revenue	4,662	3,441	15,780	13,131
EBIT Adjusted				
Operating income (EBIT)	-2,137	1,003	2,060	3,978
Items affecting comparability	3,958	233	4,148	522
Total EBIT Adjusted	1,821	1,236	6,208	4,500
Portfolio income excluding revaluations				
Portfolio income	1,173	964	4,877	3,464
Revaluations	-1	-76	-28	-88
Portfolio income excluding revaluations	1,172	888	4,849	3,376
Average carrying value				
Average carrying value receivables	27,394	24,372	26,669	22,990
Average carrying value joint ventures	6,543	3,225	5,643	2,373
Average carrying value real estate	377	1,420	1,534	145
Total average carrying value	34,313	29,017	33,845	25,508
Return including revaluations	14	13	15	14
Return excluding revaluations	14	12	15	13
Cash EBITDA				
EBIT	-2,137	1,003	2,060	3,978
Deprecation	346	216	1,246	900
Amortization on portfolios	1,058	1,055	4,183	3,942
Cash EBITDA	-733	2,274	7,489	8,820
Adjustments according to loan covenants:				
Participation in associated companies and joint ventures excl dividend	-163	-106	-982	-106
Items affecting comparability	3,959	233	4,148	522
Other pro forma adjustments			789	540
Cash EBITDA as per covenant definition	3,063	2,401	11,444	9,776
Net debt				
Liabilities to credit institutions	6,186	6,830	6,186	6,830
Bond loans	41,644	34,254	41,644	34,254
Provisions for pensions	387	263	387	263
Commercial paper	2,794	2,123	2,794	2,123
Cash and cash equivalents	-1,906	-1,348	-1,906	-1,348
Net debt at end of period	49,105	42,122	49,105	42,122
Net Debt/RTM Cash EBITDA as per covenant definition	-	-	4,3	4,3

Operating segments

Service lines

Revenues	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
SEKm						
Credit Management Services	3,458	2,403	44	11,450	9,480	21
Portfolio Investments	1,867	1,741	7	7,055	6,394	10
Elimination of intercompany transactions	-662	-627	6	-2,520	-2,432	4
Total revenues	4,663	3,517	33	15,985	13,442	19

Revenues by type	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
SEKm						
External Credit Management revenues	2,796	1,776	57	8,930	7,048	27
Collections on portfolio investments	2,826	2,662	6	10,772	10,056	7
Amortization of portfolio investments	-1,058	-1,055	0	-4,183	-3,942	6
Revaluation of portfolio investments	1	76	-	28	88	-68
Other revenues from Financial Services	98	58	69	438	192	128
Total revenues	4,663	3,517	33	15,985	13,442	19

Service line earnings	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
SEKm						
Credit Management Services	-2,447	509	-581	-415	2,433	-117
Portfolio Investments	1,195	1,057	13	4,960	3,600	38
Common costs	-885	-563	57	-2,485	-2,055	21
Total service line earnings	-2,137	1,003	-313	2,060	3,978	-48

Adjusted revenues	Fourth quarter			Full year				
	Oct-Dec 2019	Oct-Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
SEKm								
Credit Management Services	3,458	2,403	44	41	11,273	9,257	22	19
Portfolio Investments	1,866	1,665	12	9	7,027	6,306	11	8
Elimination of intercompany transactions	-662	-627	6		-2,520	-2,432	4	
Total adjusted revenues	4,662	3,441	35	33	15,780	13,131	20	17

Service lines, cont.

Adjusted

service line earnings

SEKm	Fourth quarter				Full year			
	Oct-Dec 2019	Oct-Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Credit Management Services	948	657	44	41	2,912	2,489	17	15
Portfolio Investments	1,208	982	23	20	4,947	3,516	41	37
Common costs	-335	-403	-17		-1,651	-1,505	10	
Total adjusted service line earnings	1,821	1,236	47	45	6,208	4,500	38	35

Service line margin adjusted

%	Fourth quarter		Full year	
	Oct-Dec 2019	Oct-Dec 2018	2019	2018
Credit Management Services	27	27	26	27
Portfolio Investments	65	59	70	56
Adjusted EBIT margin	39	36	39	34

Regions

Revenues from external clients SEKm	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
Northern Europe	989	1,052	-6	4,125	3,980	4
Central & Eastern Europe	1,652	1,116	48	4,862	3,790	28
Western & Southern Europe	1,071	711	51	3,519	2,564	37
Iberian Peninsula & Latin America	951	639	49	3,479	3,109	12
Total revenues from external clients	4,663	3,517	33	15,985	13,442	19

Intercompany revenues SEKm	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
Northern Europe	87	92	-5	360	336	7
Central & Eastern Europe	222	186	19	804	737	9
Western & Southern Europe	117	108	8	409	372	10
Iberian Peninsula & Latin America	74	67	10	312	267	17
Elimination	-500	-453	10	-1,885	-1,712	10
Total intercompany revenues	0	0	0	0	0	0

Revenues from clients excluding portfolio revenues SEKm	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
Northern Europe	665	692	-4	2,683	2,650	1
Central & Eastern Europe	787	279	182	1,564	1,016	54
Western & Southern Europe	743	461	61	2,552	1,461	75
Iberian Peninsula & Latin America	699	402	74	2,569	2,113	22
Total revenues from clients excluding portfolio revenues	2,894	1,834	58	9,368	7,240	29

Operating income (EBIT) SEKm	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
Northern Europe	115	320	-64	1,206	1,294	-7
Central & Eastern Europe	589	469	26	1,965	1,377	43
Western & Southern Europe	340	108	215	1,464	228	542
Iberian Peninsula & Latin America	-3,181	106	-3,101	-2,575	1,079	-339
Total Operating income (EBIT)	-2,137	1,003	-313	2,060	3,978	-48
Net financial items	-540	-367	47	-1,921	-1,363	41
Earnings before tax	-2,677	636	-521	139	2,615	-95

Carrying value portfolio investments SEKm	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change %	2019	2018	Change %
Northern Europe	8,404	7,567	11	8,404	7,567	11
Central & Eastern Europe	8,401	7,789	8	8,401	7,789	8
Western & Southern Europe	12,693	10,443	22	12,693	10,443	22
Iberian Peninsula & Latin America	5,931	6,462	-8	5,931	6,462	-8
Total carrying value at end of period	35,429	32,261	10	35,429	32,261	10

Regions, cont.

Adjusted revenues

SEKm	Fourth quarter				Full year			
	Oct-Dec 2019	Oct-Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Northern Europe	1,027	1,084	-5	-6	4,162	4,002	4	3
Central & Eastern Europe	1,590	986	61	58	4,580	3,681	24	21
Western & Southern Europe	1,087	729	49	45	3,715	2,622	42	39
Iberian Peninsula & Latin America	958	642	49	46	3,323	2,826	18	15
Total adjusted revenues	4,662	3,441	35	33	15,780	13,131	20	17

EBIT adjusted

SEKm	Fourth quarter				Full year			
	Oct-Dec 2019	Oct-Dec 2018	Change %	Fx adjusted %	2019	2018	Change %	Fx adjusted %
Northern Europe	316	385	-18	-17	1,491	1,425	5	4
Central & Eastern Europe	786	386	104	100	2,005	1,442	39	36
Western & Southern Europe	593	244	143	136	2,048	664	208	199
Iberian Peninsula & Latin America	126	221	-43	-44	664	969	-31	-33
Total EBIT adjusted	1,821	1,236	47	45	6,208	4,500	38	35

EBIT margin adjusted

%	Fourth quarter		Full year	
	Oct-Dec 2019	Oct-Dec 2018	2019	2018
Northern Europe	31	36	36	36
Central & Eastern Europe	49	39	44	39
Western & Southern Europe	55	33	55	25
Iberian Peninsula & Latin America	13	34	20	34
Adjusted EBIT margin	39	36	39	34

Income statement – parent company

SEKm	Full year	
	2019	2018
Revenues	402	215
Gross earnings	402	215
Sales and marketing expenses	-25	-46
Administrative expenses	-793	-726
Operating earnings (EBIT)	-416	-557
Income from subsidiaries	1 181	2,008
Exchange rate differences on monetary items classified as expanded investment and hedging activities	-578	-589
Net financial items	-970	-516
Earnings before tax	-783	346
Tax	96	-191
Net earnings for the period	-687	155

Statement of comprehensive income – parent company

SEKm	Full year	
	2019	2018
Net earnings for the period	-687	155
Total comprehensive income	-687	155

Balance sheet – parent company

SEKm	31 Dec 2019	31 Dec 2018
ASSETS		
Fixed assets		
Intangible fixed assets	141	43
Tangible fixed assets	13	5
Financial fixed assets	69,627	54,969
Total fixed assets	69,781	55,017
Current assets		
Current receivables	1 484	11,751
Cash and cash equivalents	220	251
Total current assets	1,704	12,002
TOTAL ASSETS	71,485	67,019
SHAREHOLDERS' EQUITY AND LIABILITIES		
Restricted equity	285	285
Unrestricted equity	14,142	16,162
Total shareholders' equity	14,427	16,447
Long-term liabilities	50,192	42,995
Current liabilities	6 866	7,577
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	71,485	67,019

Other information

Parent Company

The Group's publicly listed Parent Company, Intrum 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 of SEK 402 M (215) for the year and earnings before tax of SEK –783 M (346), including share dividends and gains on disposals attributable to subsidiaries of SEK 1,181 M (2,008). In 2018, earnings included the Parent Company's gains on disposals of subsidiaries, which corresponded to amounts differing from the earnings in the consolidated accounts. The Parent Company invested SEK 166 M (43) in fixed assets during 2019 and had, at the end of the year, SEK 220 M (251) in cash and cash equivalents. The average number of employees was 70 (68).

Accounting principles

This interim report has been prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting for the Group and in accordance with Chapter 9 of the Annual Accounts Act for the Parent Company.

In addition to appearing in the financial statements, disclosures in accordance with IAS 34.16A also appear in other parts of the year-end report.

The accounting principles applied by the Group and the Parent Company are essentially unchanged compared with the 2018 Annual Report, with the following exceptions.

The Group applies IFRS 16 Leases as of 2019. See also Note 1 in the 2018 Annual Report. IFRS 16 stipulates that for both financial and operational leases of significance, a right of use asset and a lease liability are to be recognised. The exception is short-term leases and lease agreements for lower-value assets, for which lease fees are expensed on a straight-line basis. The right of use asset is recognised with linear amortisation over the term of the contract. The lease liability is recognised including interest expenses in accordance with the effective interest rate method. The introduction of IFRS 16 entails lease liabilities being recognised for lease agreements previously classified as operational leases in accordance with IAS 17. These liabilities are valued at the present value of the future minimum lease payments, discounted at the marginal loan rate. Intrum applied the modified retroactive method, meaning that the effect of introducing IFRS 16 was recognised directly against the opening balance without the comparison figures being recalculated. The principal effects on Intrum's accounting were that the Group's total assets increased by SEK 709 M, calculated as per the beginning of 2019, with both an asset and a liability being reported for leases in effect (and where the amount is updated annually), and with operating earnings improving by SEK 43 M annually through the implicit interest expense in the leases being reported in net financial items rather than in operating earnings.

Intrum has also implemented IFRIC 23 Uncertainty over Income Tax Treatments, with increased provisions being made for potential tax disputes in connection with intra-Group transactions. The effect is an increase of SEK 155 M in the Group's income tax liabilities, which is reported directly against the opening balance without the comparison figures being translated.

Intrum has also made a new interpretation of the rules in RFR 2 Accounting legal entities, entailing the Parent Company's exchange rate differences attributable to the hedging of the Group's exchange rate risk in foreign operations no longer

being reported under Other comprehensive income but under Net financial items in the Parent Company's income statement. Comparison figures for the preceding year were recalculated in the same way. The amended interpretation with regard to the Parent Company's accounting has no impact on the consolidated financial statements.

Transactions with related parties

Neither during the quarter nor during the full-year, have any significant transactions occurred between Intrum and other closely related companies, boards or Group management teams.

Market development and outlook

In Intrum's balanced business model, consisting of credit management services and portfolio investments, we see strong development in both areas. Much of the groundwork has now been done to enable us to start the execution of our production transformation programme in our credit management operations. Intrum will gradually centralise, standardise and improve large parts of the collection process. In the future, we anticipate the actions being taken in this area continuing to improve efficiency and the CMS margin. A continued high level of activity can be observed throughout Europe in the market for past-due credits.

Significant risks and uncertainties

Risks to which the Group and Parent Company are exposed include risks relating to economic developments, Brexit, compliance and changes in regulations, reputation risks, tax risks, risks attributable to IT and information management, risks attributable to acquisitions, market risks, liquidity risks, credit risks, risks inherent in portfolio investments and payment guarantees, as well as financing risks. The risks are described in more detail in the Board of Directors' report in Intrum's 2018 Annual Report. No significant risks are considered to have arisen besides those described in the Annual Report.

New segmentation as of 2020

To reflect Intrum's growth in southern Europe, a third service line has been established, comprising Intrum's markets in southern Europe, in parallel with the existing Credit Management Services and Portfolio Investments service lines. Accordingly, as of 2020, Intrum will be organised and into, and will report on three service lines, these being Credit Management Services (CMS), Portfolio Investments (PI) and Strategic Markets (Greece, Italy and Spain). At the same time, the previous segmentation into four geographical regions is being discontinued.

Quarterly financial comparison figures for 2019, in accordance with the new segmentation, will be published on the website well in advance of the publication of the interim report for the first quarter of 2020.

Fair value of financial instruments

Most of the Group's financial assets and liabilities (portfolio investments, accounts receivable, other receivables, cash and cash equivalents, liabilities to credit institutions, bonds, commercial papers, accounts payable and other liabilities) are carried in the accounts at amortised cost. For most of these financial instruments, the carrying amount is assessed to be a good estimate of fair value. For outstanding bonds with a total carrying value of SEK 41,644 M (34,254) at the end of 2019, fair value is, however, calculated at SEK 42,478 M (31,606). The Group also holds forward exchange contracts and other financial assets of SEK 204 M (602), as well as financial liabilities of SEK 356 M (29) carried at fair value in the income statement.

Seasonal effects

Intrum's operations are, to some extent, seasonal, since collection is often somewhat lower during the summer holiday months and in months with few working days, but slightly higher during months when end customers receive tax refunds and other one-off payments from public authorities and employers.

Acquisitions

Piraeus Bank Recovery Business Unit

In the second quarter, Intrum agreed with Piraeus Bank to acquire the bank's platform for management of overdue receivables. The transaction was completed in the fourth quarter, with the acquired operations being consolidated as of 1 October 2019, the date on which Intrum gained a controlling influence. The operations have been hived off from the bank and consolidated by Intrum within separate legal entities in which Intrum has acquired an 80-percent shareholding.

Due to the size and complexity of the acquisition, the acquisition analysis is preliminary for the first 12 months. On Intrum's acquisition, the following preliminary acquisition analysis has been prepared:

SEKm	Carrying value before acquisition	Fair value adjustments	Fair value
Client relationships	3,236	-991	2,245
Other intangible fixed assets	426	-426	0
Tangible fixed assets	235		235
Deferred tax asset	19	340	359
Other receivables	56		56
Cash and bank	38		38
Other liabilities and provisions	-302		-302
Net assets	3,708		2,631
Non-controlling interest			-526
Purchase price paid			3,187
Deferred payment for shares			310
Goodwill			1,431
Cash and bank in acquired company			38

Solvia

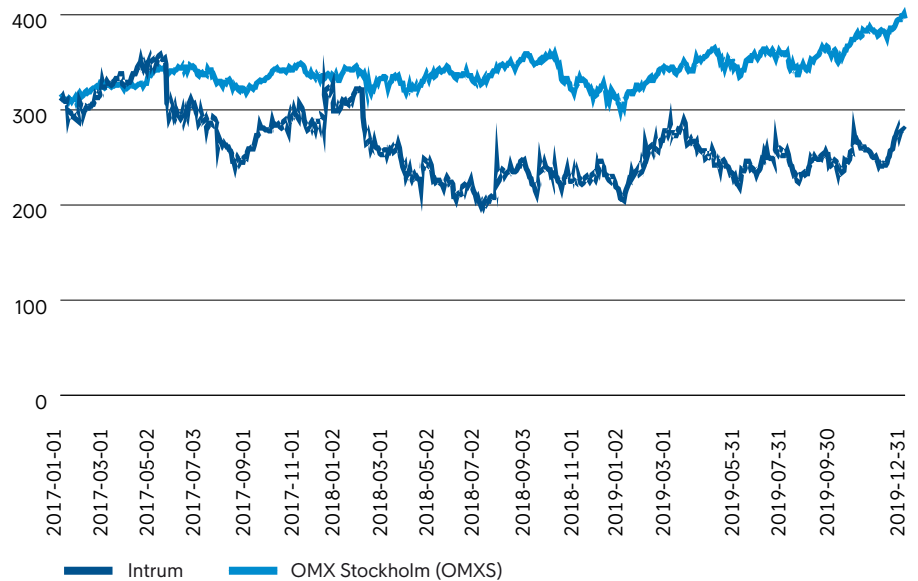
In the second quarter, Intrum acquired 80 percent of the shares in the Spanish company Solvia Servicios Inmobiliarios. Intrum gained a controlling influence over the acquired company on 24 April 2019 and included it in the consolidated income statement as of May 2019. Due to the size and complexity of the acquisition, the acquisition analysis is preliminary for the first 12 months. The preliminary acquisition analysis was included in the interim report for the second quarter of 2019 and was amended in the fourth quarter as follows.

SEKm	Carrying value before acquisition	Original fair value adjustments	Change Dec 2019	Fair value
Client relationships	0	708		708
Other tangible and intangible fixed assets	603	-67	-49	487
Deferred tax asset	23	86	12	121
Other receivables	1,353	-398		955
Cash and bank	337			337
Deferred tax liability	0	-177		-177
Other liabilities and provisions	-403	-12		-415
Net assets	1,913			2,016
Non-controlling interest				-404
Purchase price paid				1,937
Deferred payment for shares				625
Goodwill				950
Cash and bank in acquired company				337

The share

Intrum's share is included in Nasdaq Stockholm's Large Cap list. During the period 1 October – 30 December 2019, 17,774,335 shares were traded for a total value of SEK 4,525 M, corresponding to 14 percent of total number of shares at the end of the period. The highest price paid during the period 1 October – 30 December 2019 was SEK 282.20 (23 December) and the lowest was SEK 230.20 (3 October). On the last trading day of the period, 30 December 2019, the share price was SEK 279.40 (latest paid). During the period 1 October – 30 December 2019, Intrum's share price rose by 13 percent, while Nasdaq OMX Stockholm rose by 9 percent. Over full-year 2019, Intrum's share price, including a dividend of SEK 9.50 per share, rose by 40 percent, while Nasdaq OMX Stockholm rose by 30 percent.

Share price, SEK



Shareholders

31 December 2019	No of shares	Capital and Votes, %
Nordic Capital	57,728,956	44.1
Sampo Oyj	6,877,968	5.3
Handelsbanken Fonder	6,452,532	4.9
NN Investment Partners	6,438,582	4.9
Vanguard	2,664,911	2.0
AMF Försäkring & Fonder	2,588,940	2.0
Lannebo Fonder	2,551,760	1.9
Odin Fonder	2,309,398	1.8
TIAA - Teachers Advisors	2,163,671	1.7
AFA Försäkring	2,057,821	1.6
Swedbank Robur Fonder	2,000,402	1.5
BNP Paribas Asset Management	1,792,145	1.4
Nordnet Pensionsförsäkring	1,501,942	1.1
Degroof Petercam	1,426,704	1.1
TimesSquare Capital Management	1,054,800	0.8
Total, fifteen largest shareholders	99,610,532	76.1
Total number of shares:	130,941,320	

Source: Modular Finance Holdings and Intrum

Swedish ownership accounted for 25.8 percent (institutions 6.3 percentage points, mutual funds 13.1 percentage points, retail 6.4 percentage points).

Currency exchange rates

	Closing rate 31 Dec 2019	Closing rate 31 Dec 2018	Average rate Oct–Dec 2019	Average rate Oct–Dec 2018	Average rate 2019	Average rate 2018
1 EUR=SEK	10.45	10.26	10.66	10.32	10.59	10.26
1 CHF=SEK	9.62	9.11	9.71	9.08	9.52	8.88
1 NOK=SEK	1.06	1.03	1.06	1.07	1.07	1.07
1 HUF=SEK	0.0316	0.0319	0.0321	0.0320	0.0326	0.0322

Dividend proposal

The Board of Directors of Intrum AB (publ) proposes that the Annual General Meeting distribute a dividend of SEK 11.00 (9.50) per share to shareholders, corresponding to a total of SEK 1,440 M (1,247).

Events after the balance sheet date

No events after balance sheet date.

For further information, please contact

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Anders Engdahl, CFO tel: +46 8 546 102 02

Viktor Lindeberg, Investor Relations, tel: +46 8 546 102 02,

Anders Engdahl is the contact under the EU Market Abuse Regulation.

The information in this year-end report is such that Intrum AB (publ) is required to disclose pursuant to the EU's markets abuse directive and the Securities Markets Act. The information was provided under the auspices of the contact person above for publication on 4 February 2020 at 11.30 a.m. CET.

Financial calendar 2020

6 May 2020, Interim report for the first quarter

19 May 2020, Capital Markets Day

23 July 2020, Interim report for the second quarter

23 October 2020, Interim report for the third quarter

28 January 2021, Year-end report 2020

The 2020 Annual General Meeting of Intrum will be held on Wednesday, 6 May 2020 at 3.00 p.m. CET at the Company's offices at Hesselmans torg 14, Nacka, Sweden.

Year-end reports, interim reports and other financial information are available via www.intrum.com

Denna delårsrapport finns även på svenska.

Stockholm, 4 February 2020

Mikael Ericson
President and CEO

The interim report has not been reviewed by the company's auditors.

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.

Organic growth

Organic growth refers to the average increase in net revenues in local currency, adjusted for revaluations of portfolio investments 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 common costs for sales, marketing and administration.

Service line margin

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

Return on portfolio investments

Return on portfolio investments is the service line earnings for the period, excluding operations in factoring and payment guarantees, recalculated on a full-year basis, as a percentage of the average carrying amount of the balance-sheet item purchased debt. 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. During the year, the definition of average book value for the full year has been adjusted to forward on being based on an average over the quarters instead of opening and closing balance for the full year.

Net debt

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

Cash EBITDA

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

Adjusted operating earnings (EBIT)

Adjusted operating earnings (EBIT) is operating earnings excluding revaluations of portfolio investments and other items affecting comparability.

Adjusted Earning per share (EPS)

Adjusted EPS is calculated by adding back items affecting comparability in both our operating costs and financial net taxed by a corporate tax rate of 22 per cent

RTM

The abbreviation RTM refers to figures on a rolling 12-month basis.

Net debt/RTM operating earnings before depreciation and amortization (EBITDA)

This key figure refers to net debt divided by consolidated operating earnings before depreciation, amortization and impairment (EBITDA) on a rolling 12-month basis. The key figure is included among the Group's financial targets, is an important measure for assessing the level of the Group's borrowings and is a widely accepted measure of financial capacity among lenders. This key figure is calculated in accordance with the definitions stated in the terms of the Group's revolving syndicated loan facility, which means, among other things, that participations in joint ventures is only included to the extent that earnings are distributed to Intrum and that operations acquired during the period are included on a pro forma-basis throughout the 12-month period.

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.

Items affecting comparability

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. These include revaluations of portfolio investments, 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. Items affecting comparability are specified because they are difficult to predict and have low forecast values for the Group's future earnings trend.

Amortization percentage

Amortization on portfolio investments during the period, as a percentage of collections.

Estimated remaining collections, ERC

The estimated remaining collections represent the nominal value of the expected future collection on the Group's portfolio investments, including Intrum's anticipated cash flows from investments in joint ventures.

Cash multiple

The total of collections to date and estimated remaining collections (ERC) on all the Group's portfolio investments, as a share of the total invested amount.

Portfolio investments

The investments for the period in portfolios of overdue receivables, with and without collateral, investments in real estate and in joint ventures whose operations entail investing in portfolios of receivables and properties.

Region Northern Europe

Region Northern Europe comprises the Group's activities for external clients and debtors in Denmark, Estonia, Finland, Latvia, Lithuania, Norway and Sweden.

Region Central and Eastern Europe

Region Central and Eastern Europe comprises the Group's activities for external clients and debtors in Austria, the Czech Republic, Germany, Greece, Hungary, Poland, Romania, Slovakia and Switzerland.

Region Western and Southern Europe

Region Western and Southern Europe comprises the Group's activities for external clients and debtors in Belgium, France, Ireland, Italy, the Netherlands and the United Kingdom.

Region Iberian Peninsula and Latin America

Region Iberian Peninsula and Latin America comprises the Group's activities for external clients and debtors in Spain, Portugal and Brazil.

About Intrum

Intrum is the industry-leading provider of Credit Management Services with a presence in 24 markets in Europe. Intrum helps companies prosper by offering solutions designed to improve cash flows and long-term profitability and by caring for their customers. To ensure that individuals and companies get the support they need to become free from debt is one important part of the company's mission. Intrum has around 10,000 dedicated professionals who serve around 80,000 companies across Europe. In 2019, the company generated revenues of SEK 16.0 billion. Intrum is headquartered in Stockholm, Sweden and the Intrum share is listed on the Nasdaq Stockholm exchange. For further information, please visit www.intrum.com.

Business model

We ensure that companies are paid by offering two types of services. Credit Management-services focusing on late payments, that is collection, as well as purchasing of portfolios of overdue receivables. Beyond these, we offer a full range of services covering companies' entire credit management chain.

Why invest in Intrum?

Growing market – The market for our services is growing. With digitisation, credit sales are increasing, the market is being consolidated and new types of receivables are being sold as companies and banks seek to focus more on their core operations.

Market-leading position – Intrum is the industry leader in Europe, with a presence in 24 countries. We also have partners in another 160 countries. Our size allows us to partner with clients across several markets. Our broad knowledge spans multiple industries and we have opportunities to invest in new technologies and innovative solutions.

A complete range – Intrum offers a complete range of credit management services, covering companies' complete credit management chains.

Considerable trust and 100 years of experience – Our work can only be performed if we have our clients complete trust and conduct our operations ethically and with respect for the end-customer. Our 100 years of experience demonstrate the strength of our business model and how we view business, and we build long-term partnerships with our clients.

Intrum leads the way towards a sound economy – A functioning credit market is a prerequisite for the business community, and consequently society as a whole, to perform properly. Intrum plays an important role in this context.

Financial targets

Earnings per share

35 SEK/share

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

Return on purchased debt

13%

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

Net debt in relation to operating earnings before depreciation and amortisation

2.5 to 3.5

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

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.