Leading the way.

Annual and Sustainability Report 2018

intrum

Contents

This Annual and Sustainability report includes financial information and sustainability information. The sustainability report has been prepared in accordance with the Swedish Annual Accounts Act and has been formulated in accordance with the GRI Standards Core. The sustainability report also constitutes Intrum's Communication of Progress (COP) to the United Nation's (UN) Global Compact and informs about how Intrum contribute to the UN Sustainable Development Goals and Agenda 2030.

The sustainability report is found on page 28–43 and 115–123. The auditor's report on the statutory sustainability report is found on page 124.

Intrum 2018 in brief.

Intrum leads the way to a sound economy for people, companies and society as a whole

A credit market in which people and companies can safely and efficiently provide and gain credit is a prerequisite for the business community, and consequently for societies as a whole, to perform properly. As a market leader, Intrum leads the way to a sound economy in which people rid themselves of debt and companies are paid. In a sound economy, people feel better, companies grow and entire societies flourish.

Two areas of service

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

80,000 clients

Intrum has about 80,000 clients. They operate in virtually all sectors, and assisting major companies and financial institutions with large volumes of receivables is our specialty. We also work with tens of thousands of small and medium-sized companies. Our clients see the benefit of focusing on their core business rather than on credit management.

9,000 employees

Approximately 9,000 employees work at Intrum. We help companies prosper by caring for their customers through some 250,000 daily communications in which we help people become debt free and ensure that companies are paid.

25 countries

Intrum's operations are divided into the four regions: Northern Europe, Central and Eastern Europe, Western and Southern Europe, and the Iberian Peninsula and Latin America. We maintain operations in a total 25 countries.

For Intrum, 2018 was yet another eventful year with a continuous high activity on the non-performing loan market. For example, a strategic partnership with Italian Banca Intesa Sanpaolo was closed in April, with the transaction being closed in November as planned. Intrum expanded geographically as well during the year and established business in Brazil.

The core operations, that is, credit management with focus on late payments and collection, continued to develop steadily, with increasing efficiency and synergies maintaining a good service line margin (27 percent). The integration between Intrum Justitia and Lindorff continued and most of the planned measures had been completed by the end of the year.

Revenues by business area

Credit management services with a focus on late payments and collection
(2017, 62%)

60%

40%

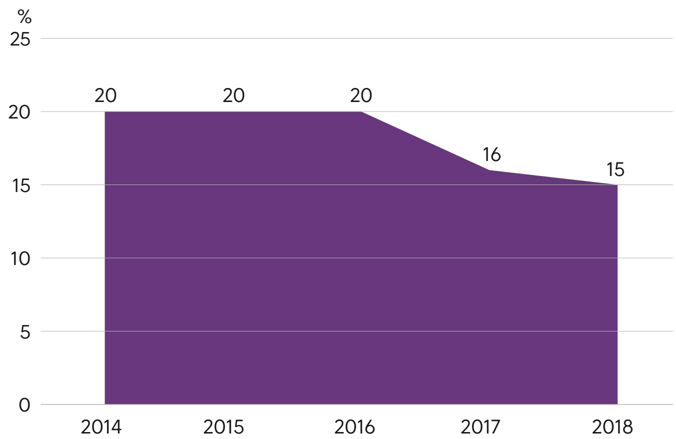
Purchasing portfolios of overdue receivables
(2017, 38%)

Key figures

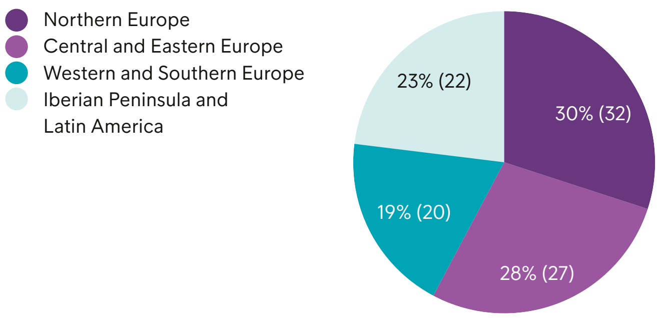
SEK M, unless otherwise indicated	2018	2017*
Net revenues	13,442	12,219
Net revenues excluding revaluations	13,354	12,156
Operating earnings (EBIT)	3,978	3,489
Operating margin, %	30	29
Earnings for the period	1,943	1,318
Investments in purchased debt	11,854	7,857
Purchased debt book value	24,830	21,149
Earnings per share, SEK	14.18	14.62
Growth in earnings per share, %	−3	−26

*The above are based on pro forma reporting for 2017 for the combined Intrum Justitia and Lindorff

Return on purchased debt

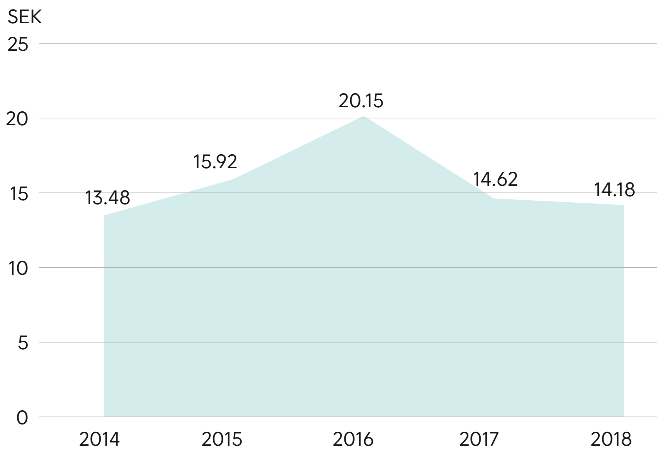


Revenues by region



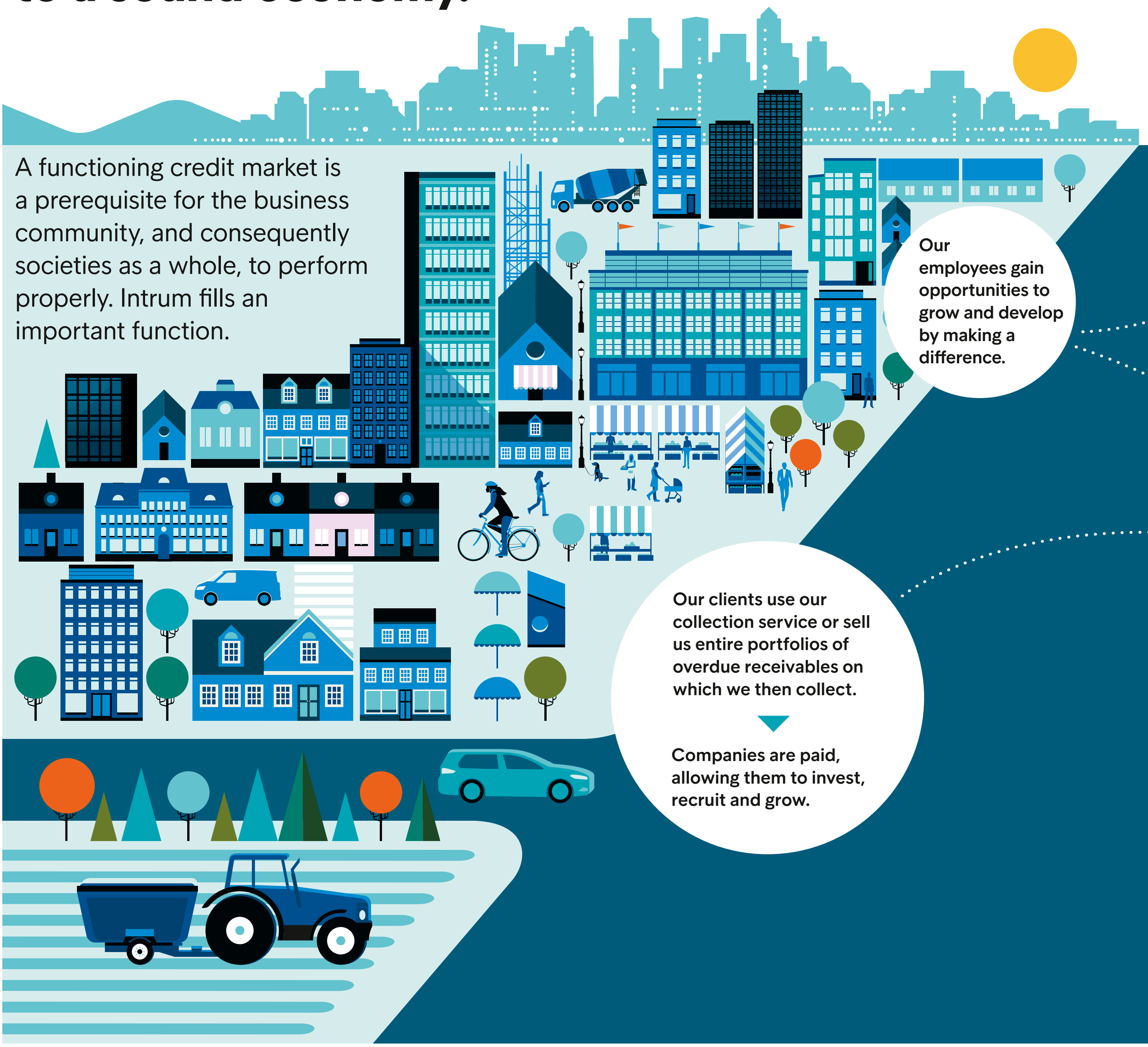
The distribution of revenues is based on consolidated revenue for 2018 of SEK 13,442 M (12,219).

Earnings per share



This is Intrum.

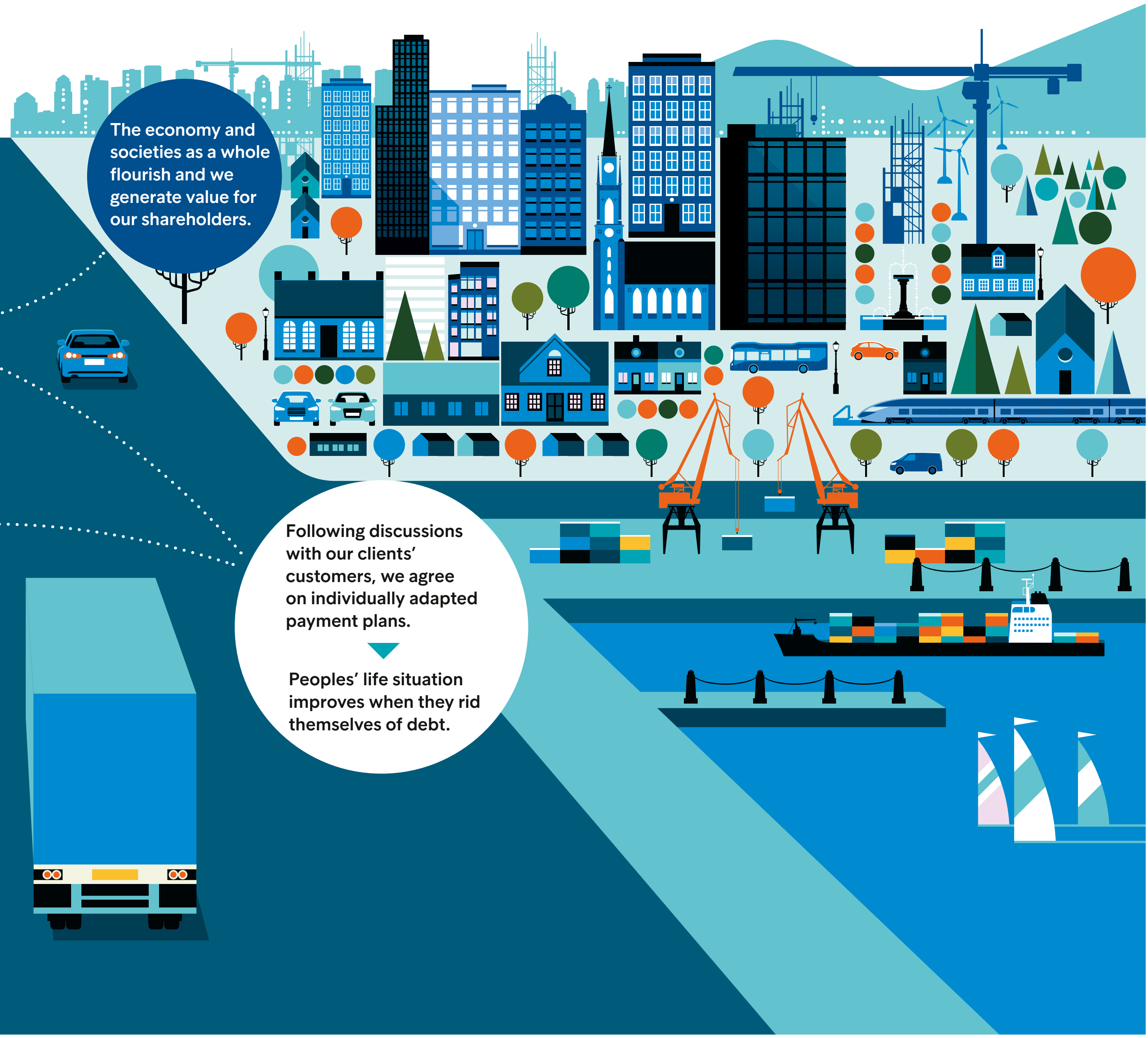
Intrum leads the way to a sound economy.



The foundations of today's Intrum were laid more than 100 years ago when it was common to "chalk it up", that is, to buy goods and services, paying over an extended period. These credits financed everything from everyday food purchases to materials for construction projects and the debts were written up week by week, month by month. This could be problematic for many business owners who experienced difficulties with their profitability while families would get stuck in debt situations that were difficult to climb out of.

Even today, companies and individuals are impacted by late payment. Easily accessible online trading and the simplicity of accessing quick credit are just two of multiple causes of increased debt among private individuals.

Intrum's purpose is to lead the way to a sound economy. A credit market in which people and companies can safely and efficiently provide and gain credit is a prerequisite for the business community, and consequently for societies as a whole, to perform properly. We form part of a functioning credit market, in which companies are paid on time, allowing them to invest, recruit and grow. A market in which people rid themselves of debt and improve their life situation while the economy and entire communities flourish.



We lead the way to a sound economy.

I am proud to be able to confirm that 2018 turned out to be a very strong and successful year for Intrum. We are seeing favourable development in the two legs of our balanced business model, both in credit management services focusing on late payment and collection, as well as in our portfolio investment business.

Over the year, we reinforced our market-leading position as Europe's largest credit management company. This was achieved partly through the stable development of our credit management operations, and partly through a number of strategic acquisitions, mainly in southern Europe. As a market leader, we bear a considerable responsibility in leading the development of the industry towards a sound relationship between creditors, debtors and the rest of society. A sound economy entails giving individuals the right prerequisites on which to accept credit and pay for the goods or services they have purchased, while companies should be able to sell products and services on credit without jeopardising their liquidity and profitability.

Strategic focus stands firm

Having yielded good results, Intrum's strategic focus on growth and efficiency, alongside digitisation and analysis, stands firm. We see a continued high level of activity across Europe in the market for purchased portfolios of non-performing loans. Our investments' return levels were stable during 2018, which was a result of both increased interest rates and large volumes, as well as our ability to leverage our broad geographical footprint. Over the coming year, we expect the implementation of our strategic plan to continue generating stable development, and we intend to be very selective in our investments.

The integration following the merger between Intrum Justitia and Lindorff has yielded the desired results and, at the end of the year, about 80 percent of the planned synergies from the merger had been implemented successfully. Over the year, we noted various indications that the new Intrum, with its size and efficiency, is a highly attractive European partner in resolving late payments.

In 2018, we also further strengthened our credit management platform. Much of the groundwork has thus been done to be able to commence the transformation of our credit management operations. Demand from our clients is increasing as regulations and requirements in the financial sector are further tightened. We are continuing to invest in digitisation and automation to remain at the forefront with regard to our clients' and customers' future needs. We will gradually centralise, standardise and improve large parts of the collection process to further improve efficiency and the operating margin in future years.

New strategic partnerships and strengthened geographical presence

For Intrum, the largest individual event of 2018 was the signing of the strategic partnership with Banca Intesa Sanpaolo, establishing Intrum as a leading player in late payments in Italy, one of Europe's most attractive markets. At the end of the year, we also implemented a couple of acquisitions in Spain, with the purchase of a real estate portfolio from Spanish Ibercaja being of particular significance. Large parts of this growth derive from secured assets, with which we now work in ten countries. Our leading position has also made it possible to expand further geographically and in 2018 we also implemented our first, minor acquisition in Brazil, allowing us to explore that market and build our knowledge of it.

Increased net revenues and operating earnings

Our financial development in 2018 was highly favourable. Consolidated net revenues rose by 10 percent compared with 2017. Adjusted operating earnings rose by 15 percent compared with the pro forma adjusted operating earnings (EBIT) for 2017. In credit management, revenue growth on a pro forma basis was 5 percent and the service line margin was 27 percent excluding non-recurring items. The value of the portfolio investments, including real estate and participations in joint ventures, increased by 52 percent over the year. Portfolio investments amounted to SEK 11,854 million (pro forma 7,857) and the return was 15 percent (16), including revaluations.

In our industry, regulatory compliance is extremely important and, at the same time, the pace of regulation is continuously accelerating, both with regard to credit management and the market for portfolios of non-performing loans. Legislation is focused on protecting depositors and incentivising banks to reduce the levels of bad debt on their balance sheets. Intrum is not a bank, nor do we intend to become one, although we do continue to monitor developments closely. We take a positive view of the regulatory changes, believing it is important to safeguard the sound development of our industry, and we are therefore active in those parts of the change process where we feel able to contribute.

Continued focus on increased efficiency and profitable growth

In 2019, we will continue to focus on centralising and standardising our operations and enhancing our efficiency. We will normalise our pace of investment and ensure that we derive the full value and synergies offered by the major investments we made in 2018. At the same time, we are seeing an active market throughout Europe, with our size and strong cash flow-generating operations providing us the flexibility to invest for continued growth. For us, 2018 was a year in which we delivered on our strategy and demonstrated that we are on the right path towards our ambitious targets for 2020. Read more about these on page 20.

Based on the expectations of the external community and the needs of our customers and clients, we will continue to advance the credit management industry. Our size, strong position and broad market presence mean we have opportunities to benefit both from economies of scale as well as from our knowledge of credit flows and payment capacity across several markets. We will continue to analyse opportunities for increased efficiency and growth, carefully shaping our ambitions for a sound economy over a longer horizon.

Sustainability for long-term value

Intrum's ambition to lead the way to a sound economy requires that we work to generate long-term value for society as a whole. We do this by establishing secure payment flows and by helping companies grow and develop. At the same time, we help consumers pay their debts and plan their personal finances sustainably.

Our collection operations and our yearly reports on payment patterns and debt give us a unique awareness of companies' and consumers' views on credit management. Carrying this insight with us, we engage in many important initiatives to increase society's knowledge in the areas of payments and sustainable private finance by, for example, supporting financial education in schools and among the elderly. Intrum has been signatories of the UN Global Compact since 2016 and we report annually on how we apply the ten principles for sustainable companies. In 2019, we will continue the work of integrating the sustainability perspective into our operations and we will maintain our support of these principles.

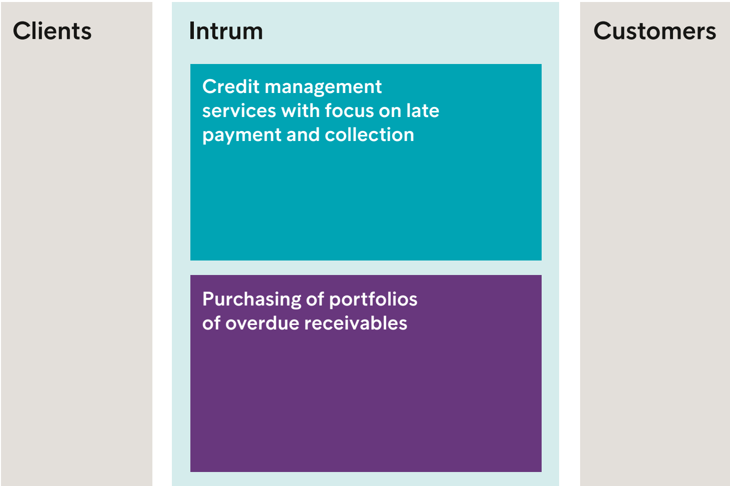
Our starting point is our clients' success

Our success builds on the trust of our clients and I would therefore like to thank the 80,000 companies who let us help their customers rid themselves of debt. I would also like to thank Intrum's 9,000 employees, both those who have worked with the company for a long time, as well as all of our new colleagues. Our collective capacity to meet companies and their customers in a responsive and professional manner is crucial in attaining our vision of being trusted and respected by everyone who provides and receives credit.

Mikael Ericson
President and CEO
Stockholm, March 2019

Our business model – how it works.

We ensure that companies are paid by offering two types of services. Credit management services with a focus on late payments and collection, and purchasing of portfolios of overdue receivables. Both areas of service entail clients being paid for their outstanding invoices and being able to focus on running and developing their companies rather than spending time on credit management. We lead the way to a sound economy for individuals, companies and society as a whole by helping companies get paid and our clients' customers to become debt free.



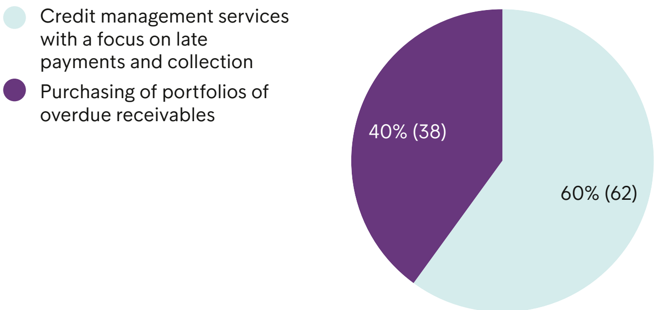
A balanced business model

We apply two different offerings to ensure that companies selling products, services or credit are paid. Either by taking care of our clients' late payments and collection cases, or by purchasing entire portfolios of overdue receivables which we then collect on ourselves.

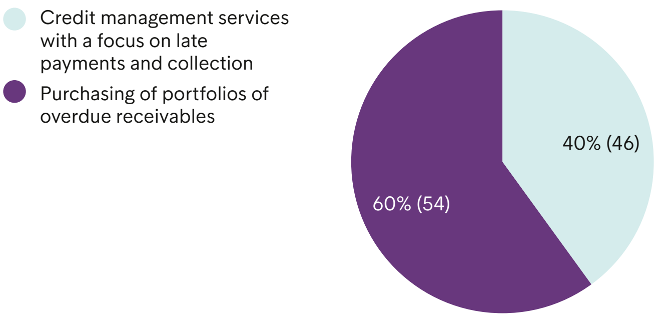
Through our business model, we also generate data about the credit market and payment behaviours. In our collection operations, we acquire new data from which we can benefit when, for example, valuing portfolios of overdue receivables that we acquire and, thanks to better information from our purchasing of portfolios of overdue receivables, we are able to conduct collection more efficiently.

Following many years of operations in the collection of receivables and purchasing of portfolios of overdue receivables, we have acquired good insight into, and an understanding of, payment patterns in the credit market. As a leading credit management company, we amass extensive knowledge of companies and consumers, affording us opportunities to provide great benefit to our clients.

Share of revenue



Share of earnings



Credit management services with a focus on late payment and collection

Intrum helps companies to be paid by taking good care of their customers, helping them, in a considerate way, to become debt-free and achieve sound private finances. With good data on payment habits, we are able to understand people's financial situation and individually adapt our collection operations to each individual's ability payment capacity. We can, for example, see differences between consumers who have encountered temporary financial problems and those who find themselves in a more difficult situation with more long-term debt problems. We know that people can become debt-free and, by meeting them with a constructive, conscientious and respectful attitude, our clients achieve fewer write-offs, improved liquidity and increased profitability, while also freeing up resources for their core operations.

Our practical approach to late payment and collection
Intrum's employees are in contact with customers hundreds of thousands of times every day, and the first thing we ascertain is whether our clients' customers are able to pay off all of their debts directly.

If this is not possible, we work out an instalment plan based on data from our extensive database and taking payment capacity in each individual case into account.

The methods we apply in our contacts are telephone calls, letters, text messages, e-mail and outreach activities. It all depends on what is most effective in each instance.

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

Complete range of services

Most of the companies we help require our collection services, although we also offer a complete range of credit management services covering all of our clients' needs, from credit optimisation and payment services to late payment and collection services. With 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.

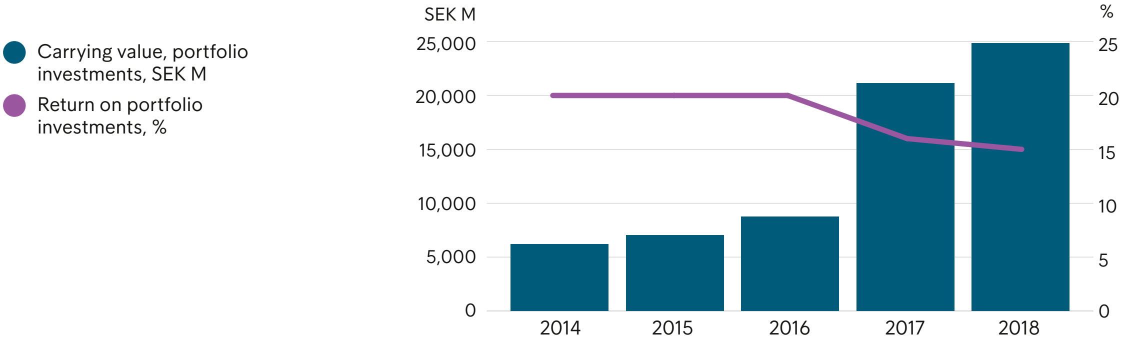
Purchasing of portfolios of overdue receivables

Intrum acquires entire portfolios of overdue receivables for a portion of the receivables' total value and then collects on those debts through its customary collection processes.

We determine the purchase consideration for portfolios of overdue receivables by forecasting how large a part 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 collection measures commence, aimed at helping our clients' customers 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.

The companies selling the receivables are usually banks or other companies with large outstanding credits and for whom it may be attractive, in whole or in part, to sell their unpaid receivables. When they sell their claims, these are removed from their balance sheets and the payment received can be used instead to invest in their companies and further develop them.

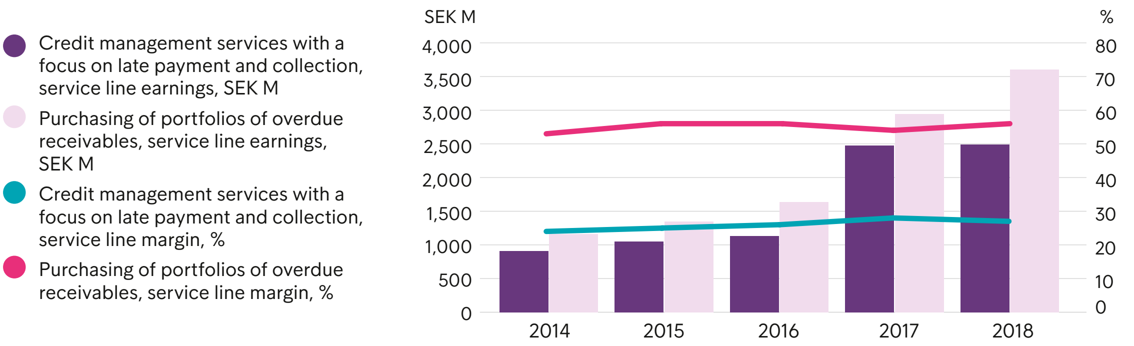
Carrying value, portfolio investments*



The pro forma carrying value of portfolio investments amounted to SEK 24,830 M in 2018.

The pro forma return on portfolio investments amounted to 15 percent in 2018.

Service line earnings/service line margin*



Pro forma service line earnings for Credit management services with a focus on late payment and collection amounted to SEK 2,489 M in 2018 and for Purchasing of portfolios of overdue receivables amounted to SEK 3,604 M in 2018, while the service line margins were 27 percent and 56 percent respectively.

*The above are based on pro forma reporting for 2017 for the combined Intrum Justitia and Lindorff.

"Due to our very close relationship with Intrum, and the constant feedback loops on all hierarchy levels, we were able to reduce our financial default massively the past few years."

Michael Wieladek, Director Finance Operations at Sunrise

How we generate value.

By meeting our stakeholders' expectations ...

... we lead the way to a sound economy ...

We are driven by our purpose of leading the way to a sound economy and are guided by our four values, which describe who we are and how we behave in our day-to-day work: Empathy, Ethics, Dedication and Solutions.

Customers

250,000 daily contacts
Our clients' customers, that is, our end-customers, wish to be treated respectfully when seeking support and advice from us in order to find solutions to become debt-free.

Clients

80,000 clients
Companies of different sizes from many sectors hire us to secure payment for their goods and services.

Employees

9,000 employees
Our employees want meaningful, stimulating and developing work.

Society

25 markets
Our market-leading position imposes considerable responsibility and we are expected to contribute knowledge and expertise, and to generate social and financial value.

Shareholders

20,000 Shareholders
By generating positive financial results and acting responsibly, we can generate sustainable returns.

Clients

Intrum

Credit management services with focus on late payment and collection

Purchasing of portfolios of overdue receivables

... and create both social and financial value for the world around us.

Customers

Social value	Financial value
Customers Through an ethical approach, respecting the circumstances of each individual, we help our end-customers find sustainable solutions for sound private finances.	**10.5 million** We help our customers with support and advice on how to get out of debt. During the year, 10.5 million cases have been settled by payment.
Clients It is our mission to help companies prosper by caring for their customers.	**SEK 69 billion** During 2018 we have generated SEK 69 billion to our clients of which SEK 57 billion stem from Credit Management Services and SEK 12 billion from purchasing portfolios with overdue receivables.
Employees At Intrum, our employees can participate in meaningful work with good opportunities for development, with everyone having the opportunity to grow by making a difference.	**SEK 4.45 billion** In total SEK 4.45 billion has been paid in salaries and pensions to our employees throughout the year.
Society By helping companies secure payment and helping individuals rid themselves of debt, we build sustainable payment flows, development, and employment, promoting a sound economy for society as a whole.	**SEK 599 million** SEK 599 million was the total corporate tax for 2018. In addition, tax and social fees on salaries and benefits, value added tax, along with tax on vehicles, properties, energy etc.
Shareholders We generate returns for our shareholders through profitability and social responsibility.	**SEK 1.2 billion** During the year, our shareholders have received dividends of SEK 1.2 billion.

In a sound economy, people feel good, companies grow and the entire society flourish.

Our vision is to be trusted and respected by everyone who provides and receives credit. Accordingly, 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. In this way, Intrum plays an important role in society, leading the way to a sound economy.

Purpose:

We lead the way to a sound economy.

As goods and services are increasingly paid for with credit, it is important for companies to be able to make sales with the least possible credit risk and to accept payment securely. This also means that consumers can feel secure in credit-based purchases not leading to unsustainable debt. Intrum has an important role to play in society and is at the forefront of creating effective payment flows and a sound economy.

With our two service areas, credit management services with a focus on late payments and collection, and purchasing portfolios of overdue receivables, we help companies minimise their financial risk and thus improve their profitability. We ensure that companies are paid and help prevent their customers from becoming trapped in debt. This builds communities with growing companies that provide jobs, while people achieve sounder private finances.

Mission:

We help companies prosper by caring for their customers.

As the leading credit management company in Europe, we have long been a pioneer in the ethics and morality of our collection process. We apply the same consideration towards companies striving to develop, grow and recruit as we do towards customers of theirs 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 pay their debts and companies incur fewer write-offs, improve their liquidity and increase their profitability while freeing up resources for their core operations by avoiding the need to invest resources in credit management.

Vision:

Trusted and respected by everyone who provides and receives credit.

Our vision is for Intrum to be trusted and respected by everyone who provides and receives credit. With services that generate growth while helping people become debt-free, we build value for people, companies and communities.

We do our job best 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 to a sound economy for all. We strive to meet the highest standards in everything we do, with great professionalism in which we accept responsibility for our actions. Treating our clients' customers with consideration is the very essence of who we are and what we do.

With respect and consideration for people.

At Intrum, we generate value for people, companies and society as a whole, which also benefits our shareholders. Our employees also gain opportunities to grow and develop by making a difference. Our four values describe who we are and how we act in our daily work. We view them as a guide in everyday life, as we help our clients secure payment and their customers to rid themselves of debt.

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, end-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.

Ethics

Our ethical standards and expectations extend beyond the requirements of the law. 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 clients' customers with consideration 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.

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 cease 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.

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 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.

Choice of future direction.

Intrum is the leading credit management company in Europe. For a long time, we have considered ourselves pioneers in ethical and sustainable credit management, with our clients in focus and with consideration for their customers, whom we help become debt-free.

In the future, we want to continue acting as a benchmark and setting the standard for the industry. We have implemented a strategy for this that encompasses growth, efficiency, digitisation and analysis.

Growth

Both of our areas of service, credit management services with a focus on late payments and collection, and purchasing of portfolios of overdue receivables offer substantial potential for growth. The greatest potential of all lies in growing that part of our operations that comprises portfolio investments. We have of late strengthened our capacity with regard to investing in portfolios of corporate receivables and secured assets, such as real estate, vouching for continued growth.

New markets are also an opportunity for growth. We are first establishing ourselves in earnest in those European countries where we are not currently present, and after that we can start considering other parts of the world. In 2018, we established, for example, a minor operation in Brazil.

Efficiency

For Intrum, efficiency is about doing the right things the right way, and we know that customer experience is an important part of this. How our clients' customers experience their contact with us in our efforts to help them become debt free affects the result.

Acting with consideration and respect for each individual's financial situation is the most ethical and effective way for people to rid themselves of debt and for companies to be paid.

Doing things right also involves our internal efficiency. Our market is competitive, and we must constantly streamline our working methods to be able to deliver with quality while maintaining profitability. This is a matter of coordinating internal processes, sharing best practices and centralising IT. During 2018, we commenced, for example, our efforts to centralise the early parts of the collection process at a shared centre.

Digitisation and analysis

As a leading credit management company, we amass extensive insights regarding companies and consumers, affording us opportunities to provide greater customer benefit to our clients. 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.

Our digital journey consists of three parts. The first part involves how we meet our clients' customers, the approximately 250,000 people in debt with whom we have contact every day. While sending letters, calling and e-mailing are common channels of communication, in 2018, we also introduced a chatbot in certain markets, which was appreciated by many customers. The second part involves how we act towards our clients, where we also try to find digital solutions. This might involve, for example, services that allow companies to manage their customer invoices online. The third part involves how we digitise our own, internal processes and how we use all of our data.

Financial targets 2020

Earnings per share

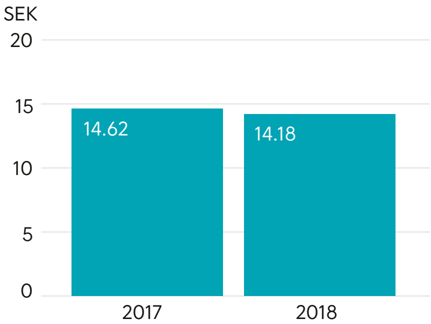
Target

35 SEK/ share

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

Outcome

Earnings per share 2017 and 2018.



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.

Further large steps in EPS will be required in 2019 and 2020 to hit the target, and we are confident that the synergy benefits of the merger between Intrum Justitia and Lindorff, the partnership with Banca Intesa Sanpaolo and growth from many other areas of the business will enable us to reach this target.

Return on purchased debt

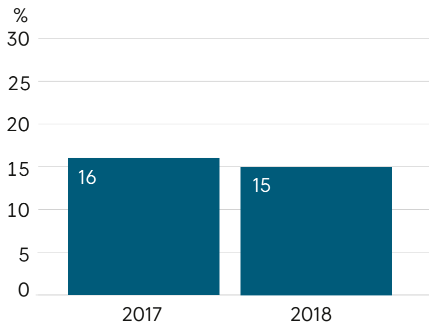
Target

13%

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

Outcome

Return on purchased debt 2018 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 prioritises instead a stable and high return.

Managing the ROI through disciplined investments and focus on collection performance effectiveness and efficiency will be key to hitting this target.

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

Net debt in relation to operating earnings before depreciation and amortisation

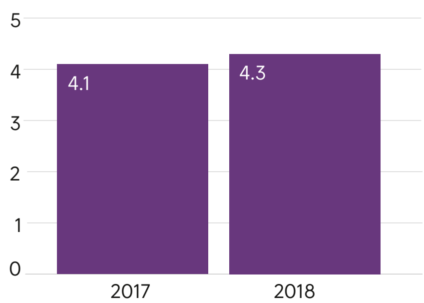
Target

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.

Outcome

Pro forma net debt / pro forma Cash EBITDA excluding NRI's 2017* and 2018.



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 amortisation 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.

Leverage is expected to fall through 2019 and 2020 as investment levels return to normalised levels and Cash EBITDA grows strongly.

* Based on pro forma numbers for the combined Intrum Justitia and Lindorff in 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 2018 the Board has proposed a dividend of SEK 9.50 per share (SEK 9.50 per share), which is equivalent to approximately 64 percent of net earnings.

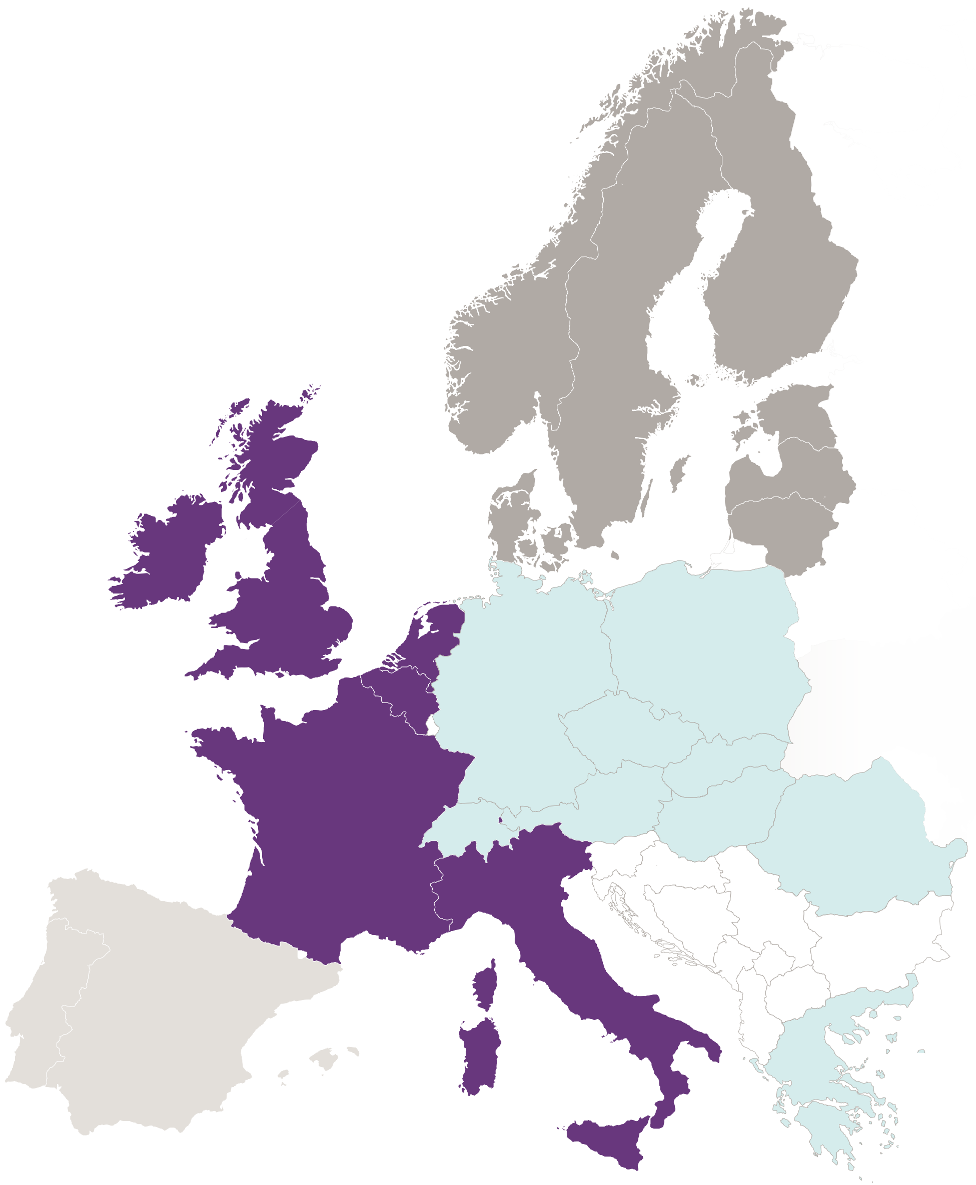
Definitions of financial key figures are given on page 126

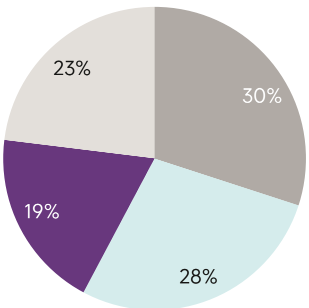
“We do what we do best, and Intrum do what they do best.”

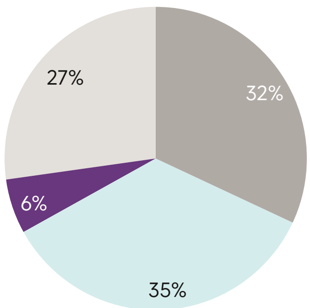
Elena Sánchez, Finance and HR Manager in Autorola Spain SL

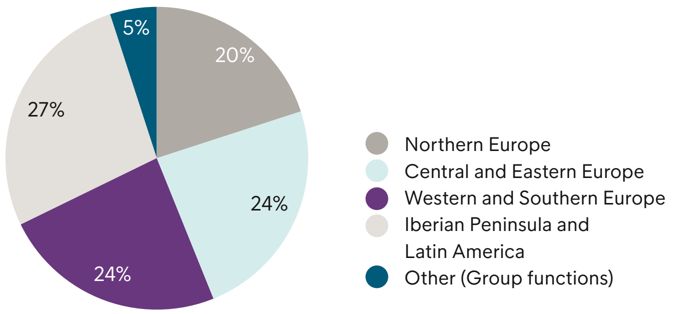
Regions

Intrum's operations are divided into the four regions: Northern Europe, Central and Eastern Europe, Western and Southern Europe, and the Iberian Peninsula and Latin America. We maintain operations in a total 25 countries and have approximately 9,000 employees.









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

	2018	2017	%	% fx*
Revenues, SEK M	4,002	3,827	5	1
Operating earnings, SEK M	1,425	1,412	1	–3
Operating margin, %	36	37		

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

	2018	2017	%	% fx*
Revenues, SEK M	3,681	3,233	14	10
Operating earnings, SEK M	1,442	1,117	29	25
Operating margin, %	39	35		

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
UK	1989	Smaller

	2018	2017	%	% fx*
Revenues, SEK M	2,622	2,050	28	23
Operating earnings, SEK M	664	337	97	93
Operating margin, %	25	16		

Iberian Peninsula and Latin America

	Year established	Market position
Brasil	2018	Smaller
Portugal	1997	Market leader
Spain	1994	Market leader

	2018	2017	%	% fx*
Revenues, SEK M	2,826	3,046	–7	–12
Operating earnings, SEK M	969	1,062	–9	–15
Operating margin, %	34	35		

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

"Intrum helped me a lot understanding my problems. They listened and put me in the right direction. I thank you from the bottom of my heart for helping me."

End-customer, United Kingdom

We are seeing increased economic polarisation between social groups in Europe, while the ease with which various credits can be obtained online has also increased. At the same time, the trend of borrowing for consumption appears to have abated. These are some of the changes in European consumer behaviours emerging from Intrum's annual European Consumer Payment Report 2018. For the credit management industry as a whole, consolidation, new regulations and changes in behaviour among those selling portfolios of unpaid receivables are affecting the dynamics of the market.

Shifting market dynamics and new consumer trends.

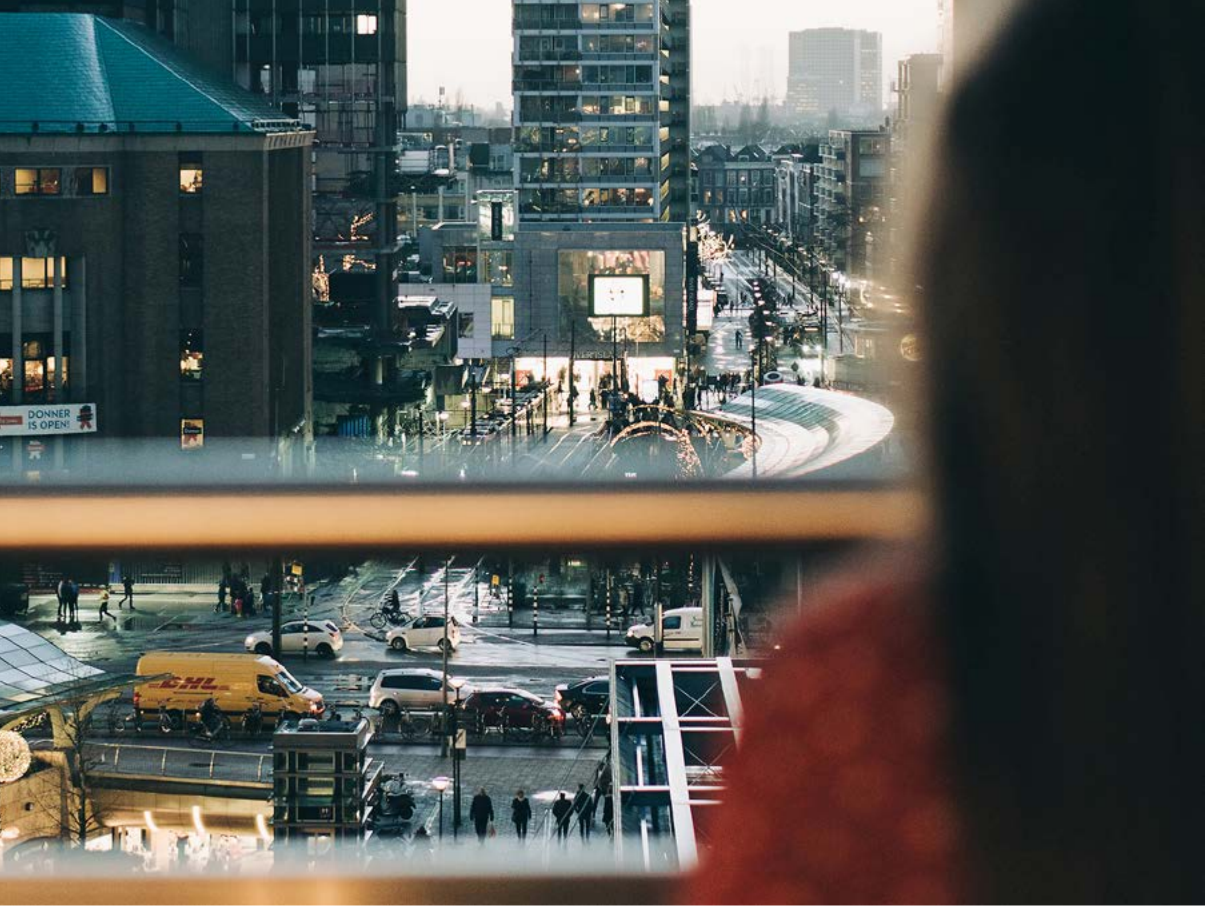
New regulations on non-performing loans
In the aftermath of the financial crisis, the directives on how European banks should handle loans maturing without payment have been amended, imposing stricter demands on both sellers of unpaid receivables, as well as buyers such as Intrum. It is, for example, becoming increasingly important to act as a long-term partner to those who sell portfolios. This causes the market terms for portfolio acquisitions to shift from a process in which the price tag sets the tone, to something different. Only the largest credit management companies are capable of realigning their processes and methods to meet the new requirements.

Because Intrum is well positioned to meet the banks' need for a strong counterparty, this development generates good opportunities for Intrum to participate in the ongoing shift in the market.

The EU Commission continues to develop directives and establish a functioning marketplace for non-performing loans. Intrum is one of the players involved in discussions with the Commission regarding the new regulations.

General Data Protection Regulation (GDPR) came into effect in 2018
One of the advantages of being the biggest is that it allows us to gain great insight on payment behaviours. With substantial data and thus a great 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 good prerequisites for making accurate analyses, making it easier to evaluate portfolios and reduce risks in the operations.

The General Data Protection Regulation (GDPR), the new European regulatory framework for processing of personal data, was adopted in 2016 and came into effect in 2018. This affects all companies' handling of personal data and imposes increased demands on compliance.



For many years, Intrum has applied a well-established procedure for data management, and this is now being reinforced.

Ethical collection

For those selling portfolios of overdue receivables, how credit management companies treat their customers is becoming increasingly important. Collection must be managed ethically, and customers must be treated respectfully. Intrum has long been a pioneer in ethical credit management, with our clients in focus and with consideration for their customers, whom we help become debt-free.

Increased innovation

The credit management industry and the entire financial sector are undergoing major changes driven by new market dynamics and rapid technological development. This facilitates a better customer experience and more efficient processes, thus benefiting companies and consumers alike. New innovations such as artificial intelligence, robotics and advanced analytical models offer opportunities for a company like Intrum. At the same time, this brings new types of players to the market, increasing innovation and challenging established companies, which benefits and develops the industry.

Continued consolidation

A traditionally fragmented market with many local credit management companies is changing, with large companies acquiring the smaller ones. A consolidation of the market is in progress, driven by the fact that credit management companies benefit from greater size and opportunities to derive economies of scale – a trend that we have been seeing in Europe for several years, but which has intensified. Intrum has contributed to this consolidation through several acquisitions in recent years.

Claims with underlying collateral for sale

A clear trend since 2017 has been for those selling portfolios of overdue receivables to seek to sell not only unsecured receivables but also those with underlying collateral in real estate, for example, or purely corporate receivables. This is driven by the banks focusing increasingly on their core operations, leaving it to credit management companies to handle overdue receivables, both mortgages, as well as other types of receivables.

Need for new services

An increasing number of multinational companies seek solutions with support in several countries. 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. Accordingly, Intrum and others must develop systems and services to meet this.

Another trend is for more companies to seek innovative digital services. To attract the more than 20 million small businesses that exist in Europe, products are needed that suit their needs and that they can order and manage completely digitally.

Intrum's annual survey, European Consumer Payment Report, 2018 revealed three clear trends among European consumers.

Increased economic polarisation between different social groups

Following an extended period of relatively strong economic development in Europe, the personal finances of many consumers are also improving. But another Europe also exists, in which a large number of consumers struggle with small margins on a monthly basis.

In Intrum's annual European Consumer Payment Report, some 24,000 consumers respond to questions regarding their financial situation and future prospects in their country. This year's result shows that a growing proportion of consumers are able to save money every month, and the proportion of consumers who believe they will be financially better off than their parents has increased. However, debt has also increased.

A growing minority experiences problems making their money last at the end of the month. To pay their bills, 20 percent need to borrow money. This is a high proportion given Europe's relatively strong economy at the moment, and given that this group accounted for only 15 percent three years ago.

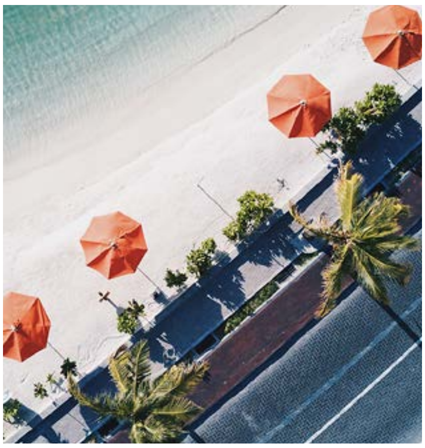
Many Europeans concerned by easy access to online credit

The growing trend of online banking and shopping is becoming a normal part of everyone's daily life. Online shopping continues to increase across Europe and in all age groups. At the same time, many consumers are concerned by the potential disadvantages of excessively easy access to credit and shopping.

Four out of ten Europeans (41 percent) say they now make a larger share of their purchases online than they did a year ago, and there is no reason to believe this trend will decline.

A majority of Europeans perceive problems in access to credit and online shopping. Of those surveyed, 63 percent express concern regarding how smartphones provide easy access to credit, as this can tempt people to take out loans they cannot manage.

The trend of borrowing for consumption has abated



The increasing trend towards a more liberal view on borrowing money for consumption appears to have halted.

In 2018, 31 percent of European consumers said that it was acceptable to buy consumer goods on instalments, on credit or to use borrowed money in some other way. This was the same level as in 2017, although the figure rose from 19 to 26 percent between 2015 and 2016.

Buying a holiday on credit remains less commonplace, although here too, the rising trend appears to have halted. Among European respondents, 16 percent consider it acceptable to buy a holiday on instalments, on credit or to use borrowed money in some other way, which is the same figure as in 2017.

*Source: European Consumer Payment Report 2018. The report can be downloaded as pdf via www.intrum.com/press/publications/europeanconsumer-payment-report/

Sustainable payment flows for people, companies and society as a whole.

Intrum’s sustainability efforts are rooted in our purpose: to lead the way to a sound economy. In a sound economy, companies are prospering and growing, while individuals in society have sufficient knowledge to be able to make informed decisions and achieve sustainable private finances. This in turn benefits society as a whole.

As the leading player in credit management, that is late payment and collection, we bear a great responsibility to conduct our operations sustainably and ethically and to work pro actively on issues of finance and debt. On a daily basis, we are in touch with hundreds of thousands of people with varying degrees of debt and different financial circumstances. It is our duty to treat all ethically and with empathy and respect. Through our work for ethical and responsible credit management, we want to take part in setting the standard for our industry. We work continuously to improve a little every day.

A sound economy

By helping individuals get out of debt, providing advice and support on financial issues, while ensuring that companies are paid, we promote a sound economy for society at large. Our task is to help companies be paid so they can grow and prosper. We do this by caring for their customers. At the same time, through our operations, we provide opportunities for all employees to help benefit society and thereby make a difference through their daily work.

How we take responsibility

In 2018 we developed our sustainability work and initiated several initiatives to further develop, and more clearly integrate, sustainability issues into our operations. Our primary focus is on generating value for our stakeholders and society in general, at the same time as we endeavour to review potential sustainability risks. 2018 was Intrum’s first full calendar year following the merger of Intrum Justitia and Lindorff. Accordingly, 2018 is the starting year to measure a range of social, economic and environmental sustainability indicators.

For us, it is important to be responsive to and include those who are affected by our business, to better understand their opinions and their expectations on our work. Throughout the year we have had continuous dialogues with a range of key stakeholders, and through these dialogues we have gathered knowledge to identify our material topics. The results have played a significant role for our sustainability agenda and formed the foundation of our materiality analysis. It is important that we are responsive to our stakeholders and we will expand next year, broadening our dialogues to additional stakeholder groups. More information on this can be found in the section About the Sustainability Report on page 115.

Intrum has been a signatory of the UN Global Compact initiative since 2016. Through this, we have undertaken to adhere to its ten principles and to contribute to sustainable development from an economic, social and environmental perspective.

Three areas of sustainability that drive our work

The dialogues with stakeholders and the materiality analysis have resulted in three general areas that drive our sustainability work forward. We shall: Enable sustainable payments, Be a trusted and respected actor, Grow by making a difference. These areas are closely related to our identity and are integrated into the day-to-day operations.

The purpose with Intrum's three focus areas is to drive and strengthen our sustainability work, and this forms the foundation in our work to create value. We support the UN:s Sustainable Development Goals (SDG's) and Agenda 2030, and we believe that our business can play an important role to meet the goals.

Three focus areas in sustainability

Enabling sustainable payments

By ensuring sustainable payment flows between companies and individuals, we fill an important function in society and enable a sound economy. In a sound economy, companies flourish and grow, while consumers have sufficient knowledge to make well-founded decisions and achieve sustainable private finances. This, in turn, benefits society as a whole.

As a market leader, setting the standard for our industry and leading the way in sustainable future business practices is both an opportunity and a responsibility. Accordingly, we cooperate only with companies and suppliers who share our values regarding good business ethics.

We have extensive experience of helping people become debt free, and we see it as our responsibility to act considerately and respectfully towards people in each individual financial situation. We are happy to share our expertise and work pro actively and continuously to spread knowledge about private finances and counteract over-indebtedness.

4 QUALITY EDUCATION

Quality education
Within the field of promoting sustainable payments, we work to increase the knowledge with personal finance and prevent over-indebtedness. With our educational initiatives, we contribute to increased knowledge with personal finances including mathematical and financial concepts.

17 PARTNERSHIPS FOR THE GOALS

Partnership for the goals
The financial stability increase when companies and organisations can feel secure about getting paid for their goods and services. We work continuously to shorten payment terms. Our work in this field contributes to increasing the macroeconomic stability.

Being trusted and respected

Our vision is for Intrum to be trusted and respected by everyone who provides and receives credit. Every day, our clients entrust us with their most important asset – their customers. Accordingly, a basic prerequisite for us to succeed in our efforts is that we have the complete trust of our clients and their customers.

To approach our vision, we must set a good example. In addition to complying with laws and regulations, this means we are guided by our values, that we live and breathe them. We strive to meet the highest standards in everything we do.

16 PEACE AND JUSTICE

Peace and justice
Approaching our vision to become trusted and respected by everyone who provides and receives credit puts high demands on acting responsibly. We have zero tolerance of corruption and bribery, and work to eliminate illicit behaviour in all its forms within our business. In that way, our work contributes to combating corruption.

Growing by making a difference

With a presence in 24 European markets and 9,000 employees, we are market leaders in terms of revenues, geographical spread and number of employees alike. We want to offer a meaningful and stimulating workplace and strive to be the most attractive employer in our sector. Our position allows us to drive the development of the entire industry in a more ethical direction, thereby creating value and meaning for our employees.

We see diversity as an important asset for our capacity to be responsive and to understand the individual situation of each person and help people to get out of debt. For us, it is important to ensure that all employees are treated respectfully and are afforded equal opportunities for development. In our day-to-day work, we listen actively and do our utmost to understand people, treating them with dignity and respect. This applies to us both internally and in our contacts with customers, clients and other stakeholders.

8 DECENT WORK AND ECONOMIC GROWTH

Decent work and economic growth
Our internal work to create value involves the opportunities we create for our employees to grow by making a difference. We want all of our employees to thrive and to have the right tools and conditions for their development. We value being responsive to the needs of our employees and strive to offer a good working environment characterised by diversity, inclusion and respect.

Enabling sustainable payments.

As a market leader, we can influence the development of the credit management industry in an ethical and sustainable direction, and we strive to set a good example in our industry. By leading the way to a sound economy, we participate in promoting more ethical credit management and sustainable payments.

We see two parallel trends: companies suffer from late and non-payment, in turn preventing them from growing, recruiting and developing.* At the same time, more and more people find it difficult to make their money last and take on debt to finance their purchases. In 2018, every fifth consumer replied that they needed to take loans or credit in order to pay their bills.** By enabling sustainable payment flows between companies and private individuals, Intrum thus fills an important function in society and leading the way to a sound economy.

We help nearly 80,000 companies secure payment for their goods and services so that they can focus on their core operations. At the same time, we provide, every day, more than 250,000 people in debt, our customers, with advice and support to rid themselves of debt and achieve sound personal finances.

Guided by our values, we behave considerately and respectfully in each individual situation. We strive to offer solutions that generate mutual value for our customers, our clients and for society as a whole. In addition to our contacts with these customers, we consider it our task to work pro actively and continuously to prevent over-indebtedness among consumers.

We are driven by our values

Our values Empathy, Ethics, Dedication and Solutions guide us in all that we do, from how we work with our clients to how we respond to our customers. These values also form an important part of our Code of Conduct, which explains how we define a high ethical standard and good business ethics.

All who represent us, including our suppliers and partners, are obliged to sign our Code of Conduct. In 2019, our employees will undergo on-line training to ensure compliance with the Code.

Ethical credit management also means that we select our clients and partners with care. We work only with companies and suppliers who share our values with regard to good business ethics. This means, for example, that we of course

Value Index (start year 2018)

80

After the merger into Intrum, our new values were prepared in 2017. Since 2018, we are investigating how well our employees feel that we live by our four values Empathy, Ethics, Dedication and Solutions in our daily work. During the year, we scored 80/100 on our value index.

* Based on EPR 2018, a survey among 9,607 companies in Europe. The report is available on our website: www.intrum.com/press/publications/european-payment-report/.

** Based on ECPR 2018, a survey among 24,000 consumers in Europe. The report is available on our website: www.intrum.com/press/publications/european-consumer-payment-report/

do not collaborate with clients whose invoices lack a legal foundation, that apply unethical lending terms or the use aggressive sales methods.

Ethical treatment

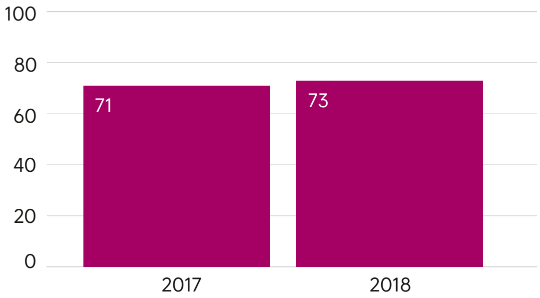
By treating customers ethically and offering support to set up sustainable solutions, we can help people achieve sound finances. We always strive to treat people with empathy and respect for each individual's circumstances. It is our task to offer support in finding a sustainable solution, regardless of the cause of the debt or late payment.

Our customers find themselves in different degrees of debt and have varying financial circumstances. We understand that anyone can fall into debt for various reasons. This could involve anything from a forgotten bill, to life-shattering events with financial consequences. Falling into debt can be stressful. It is not uncommon that those we talk to are in a strained financial situation, which can, in turn, also lead to social tribulations.

The degree of satisfaction among our customers and clients reflects our capacity to live up to our values and treat people ethically in our daily work. Consequently, our customers' and clients' satisfaction is extremely important in our sustainability efforts associated with ethics and values.

Over several years, Intrum's operations in the UK have received awards for our employees' commitment and ethical treatment of customers. With the Investor in Customers (IIC) award, for example, we attained gold standard for the fourth consecutive year and we are alone in our industry in achieving this. This award emphasises our engagement and commitment to leading the development of the credit management industry in a more ethical direction.

Client Satisfaction Index



Based on an independent survey conducted among our clients.

Increased knowledge promotes a sound economy

We have more than 100 years of experience in helping individuals rid themselves of debt and of promoting sustainable payment flows between people and companies, and in society as a whole. It is therefore obvious to us that we should work pro actively to disseminate knowledge on issues related to a sound economy. Both in order to counteract and prevent over-indebtedness, and to promote sustainable payment terms between companies.

Each year, we conduct two surveys, in part the European Consumer Payment Report, in which 24,000 European consumers discuss their personal finances, with a focus on credit and borrowing and, in part the European Payment Report, in which some 10,000 companies in Europe share their experiences of late or defaulted payments.

Education in private finance

The result of our consumer report for 2018 found that there is a knowledge gap regarding personal finances. Nearly half (48 percent) of consumers wished they had learned more about private finance at school. To respond to this need, we work pro actively with education initiatives across Europe.

In Sweden, we conduct special training initiatives aimed at the younger generation around what it means to buy on credit and we highlight the consequences that can arise from taking an imprudent approach. Through the Spendido initiative, we offer an interactive web class in personal finance that also responds to a number of requirements in today's upper-secondary curriculum.

With our education initiatives regarding sound private finances, we see an opportunity to help promote UN Sustainable Development Goal 4: Quality Education. By raising knowledge of personal finance, credit and borrowing, we have the opportunity to make a positive contribution to society, thereby generating value for both individuals and companies, as well as for society as a whole. We will continue to prioritise and develop these efforts.

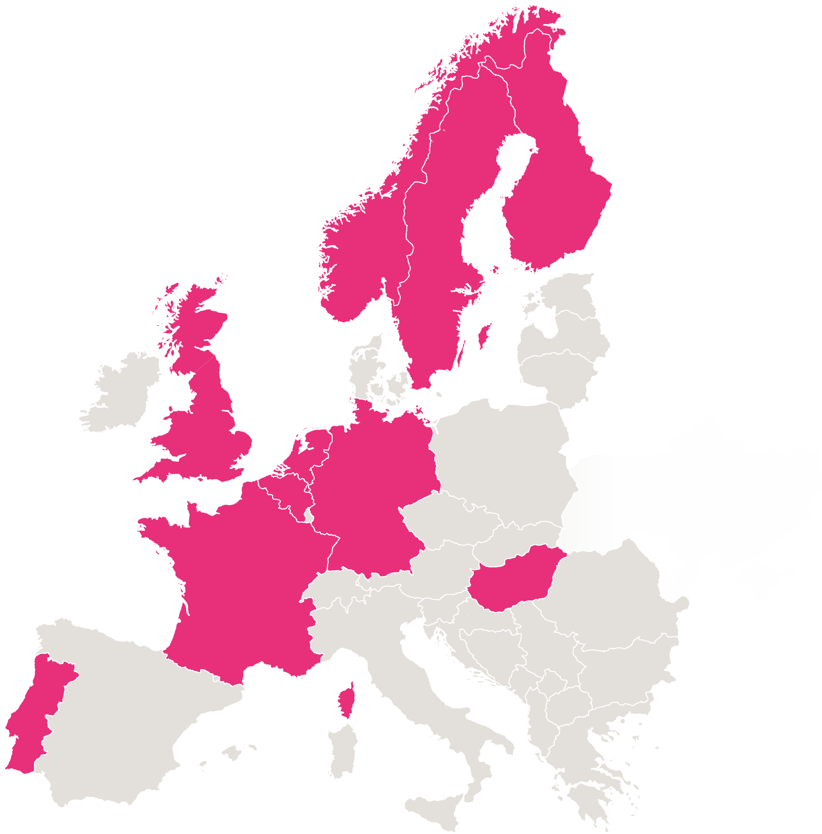
Sound payment terms
When late and defaulted payments affect companies, this can exert pressure on liquidity and cause loss of revenue, which can, in the worst case, impede the company's survival. Late payments also affect individuals who risk ending up in an economic situation to which it can be difficult to find a solution.

We know how important it is for companies to be paid on time. This year's European Payment Report showed what negative consequences late payment can have. One fifth (20 percent) of the companies stated that they would have been able to recruit more people if they had received payment more promptly. The European legislation in this areas has yet to achieve the anticipated impact. In response to this, several initiatives have been launched in Europe to encourage a voluntary payment code of no more than 30 days among companies.

For a long time, we have brought attention to the issue of sound payment terms and we are proud to be driving efforts to change attitudes, contributing positively to business and society. In Sweden, we have played a significant role in designing the now established voluntary payment code among companies, which has been signed by a number of major players in the business sector.

With our proactive efforts to disseminate information of the impact of late payment on the economy, and by helping companies secure payment for their goods and services, we can contribute to the realisation of UN Sustainable Development Goal 17.13 "Enhance global macroeconomic stability". When payment periods are shortened, prosperity and employment can increase, contributing to additional positive effects for society as a whole.

Geographical overview of our education initiatives



Our sustainability targets for 2019

Expand the scope of our education initiatives
We want more people to get access to education of personal finances, therefore we strive to increase the accessibility of our education initiatives.

Increase the customer satisfaction and develop the method of measurement
We strive to increase the general satisfaction among our customers. We also want to enhance the comparability of the customer satisfaction between our markets by developing the method of measurement.

Increase the client satisfaction
In general, our clients are satisfied with our services. Ranging from 0–100 we were rated 73 during 2018, and the goal is to increase the satisfaction until next year.

"Intrum respects our relationships with customers, and understands that client relationships are valuable."

Rika Christanto, CEO and co-founder at Ontruck

Being trusted and respected.

Every day, our clients entrust us with their most important asset – their customers. A basic prerequisite for us to succeed is that we have the complete trust of our clients and customers. Accordingly, we strive every day to achieve our vision of being trusted and respected by everyone who provides and receives credit.

Our work can only be carried out if we have the full trust of our clients and their customers. To approach our vision, we must be exemplary in our behaviour and lead our industry in an ethical and sustainable direction. In addition to acting in compliance with laws and regulations, this means living according to our values and taking responsibility for our impact on people, society and the environment.

How we take responsibility

As the largest player in the industry, we lead the way to a sound economy and efforts to develop sustainable business practices for the future. Through our ethical guidelines that goes beyond compliance, we can act as role models. This, we are certain, will enhance the respect afforded us by employees, customers, clients and shareholders, as well as by society as a whole.

We want to take responsibility and generate value where we operate, for people as well as for the environment, and we work to safeguard compliance with international conventions on human rights, working conditions, the environment and anti-corruption in our business.

As a signatory of the UN Global Compact, we have committed to taking responsibility for our operations and thereby respecting the ten principles, which are based on international conventions. Our ambition is to ensure that the principles and good business ethics are integrated throughout our operations and value chain.

The undertaking in the Global Compact is also an important part of our Code of Conduct, covering all who represent us, including our suppliers and partners, as well as our employees. Through our Code of Conduct, we confirm a long-term commitment to ensuring that ethics and sustainability form part of our daily work.

In 2018, our first calendar year as Intrum following the merger between Intrum Justitia and Lindorff, we consolidated our regulations. To strengthen the implementation of the internal instructions and continue ensuring that we maintain our high ethical standards, all employees will undergo training in our Code of Conduct in 2019.

With our market-leading position, we also have the opportunity to participate in influencing the industry in a more sustainable direction. The credit management industry faces several regulatory changes that, properly designed, can further safeguard consumer rights and raise the level of quality in our industry. We work actively to support the establishment of an EU Non-performing Loans Directive, aimed, among other things, at requiring fairer treatment of consumers.

Privacy and personal data protection

Every day, we are in contact with 250,000 people in debt, meaning that we handle personal data concerning those individuals. We bear both a legal and ethical responsibility to handle sensitive information in a manner guaranteeing that their personal integrity is respected.

Incorrect use of sensitive data risks harming individuals and our business alike. For us, the human right of freedom from unauthorised involvement in people's private life is central. Since the enforcement of GDPR the 25th of May, we have updated our integrity and data protection instructions, ensuring that this fundamental right is respected and that we handle personal data correctly.

Intrum only processes personal data where we have a legal basis for doing so. At the same time, we have a legal obligation to provide certain personal data to authorities to prevent and monitor suspected cases of money laundering and other criminal activities. Every unit in our operations has a personal integrity protection officer ensuring that we comply with existing requirements and providing guidance in this area.

Anti-corruption

Our business is based on our purpose of leading the way to a sound economy. In a sound economy, there is no room for corruption or illegal activities, and corruption is also a threat to sustainable financial development. It is therefore self-evident to us that we maintain zero tolerance of corruption and bribery.

As a player in 25 markets, we, like other companies, face corruption risks and therefore have clearly formulated instructions to eliminate risks related to corruption and bribery. Our Code of Conduct, together with our instructions against bribery and our instructions against money laundering and terrorist financing, provide guidance to employees on acting to safeguard compliance with our zero tolerance in this area. These instructions cover all suppliers, entities, employees and anyone who represents us.

We regularly review our clients to ascertain that we cooperate only with companies that share our values regarding good business ethics.

Our work to combat corruption is central to our sustainability efforts and we seek, through this, to contribute to the fulfilment of the UN Sustainable Development Goals associated with peaceful and inclusive societies, target 16.5 Substantially reduce corruption and bribery in all their forms.

To ensure that our instructions are adhered to, several possibilities for reporting suspected violations are provided. All employees are encouraged to report known or suspected violations of our instructions. Employees can do this by reporting to their immediate manager or someone else in a position of responsibility, or through the whistle-blower function, our Code of Conduct Hotline, provided by an independent supplier. All notifications in the whistle-blower system are anonymous and the function is available around the clock via the Internet or by phone in the national language of all countries where we operate. All reported incidents are addressed confidentially by our ethics council, which

Our tools to prevent unethical behaviour

evaluates incoming cases and takes the necessary measures.

Among the incidents that were reported in the whistle-blower function, our Code of Conduct Hotline, one incident led to termination of employment. The incident was not illicit, but was violating the ethical standards of our Code of Conduct.

Limiting our environmental footprint

Being a trusted and respected actor builds on us conducting our business considerately, enabling a sustainable future for coming generations. Climate change is one of the greatest challenges of our time. Business and industry can play an important role in reducing the environmental and climate impact, and we consider it our responsibility to minimise our impact where we have the opportunity.

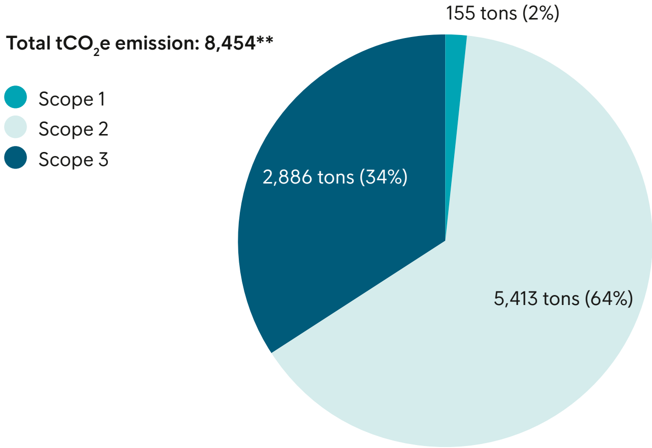
Through our environmental instructions and Code of Conduct, we work to reduce our environmental and climate footprint. These instructions guide our employees regarding how our environmental impact can be limited – meeting digitally instead of travelling, for example. We do not permit company cars emitting more than 130 grams of carbon dioxide per kilometre.

Over the year, we carried out our first comprehensive survey of our climate footprint throughout the operations. With 2018 as the start year, we can continue to work more pro actively to strengthen our efforts to benefit the environment and the climate, which is a prioritised area going forward.

Environment- and climate risks

To safeguard the long-term and sustainable development of our operations, we must continue preparing to manage external risks. In the long term, climate change, demographic shifts and other sustainability factors may affect our operations. An important priority during 2019 is to strengthen our risk efforts associated with sustainability factors.

Our climate footprint (CO_2e* emission)



Scope 1 covers emissions from cars that we own.

Scope 2 is our emissions from energy consumption in our office buildings, and entails electricity use, district heating and cooling.

Scope 3 covers emissions from business travel by airplane, train, taxi, leased company cars and public transports such as bus.

*GWP 100 (IPCC 2014).
** Location-based. More information on page 118.

Our sustainability targets for 2019

Define environment and climate goals

Based on our first comprehensive investigation of our climate impact during 2018 we will in 2019 formulate environmental and climate goals to reduce our negative impact.

Enhance the incorporation of our code of conduct

Through internal education for our employees, we want to enhance the knowledge with our updated code of conduct and thereby its incorporation.

Strengthened assessment and follow-up of risks related to sustainability

In the coming year, we will strengthen our assessment of risks related to sustainability through our tool for risk assessment that has been updated during 2018.

Growing by making a difference.

At Intrum, all employees have the opportunity to contribute to a sound economy. We strive to be the most attractive employer in our sector, where we offer meaningful and stimulating work with good opportunities to develop, grow and make a difference.

Our employees are the key to our success. To attract talent and develop and retain employees, we attach great importance to well-being, clear values, good leadership and continuous skills development. Our market-leading position allows us to offer favourable international development opportunities and skills development in several areas.

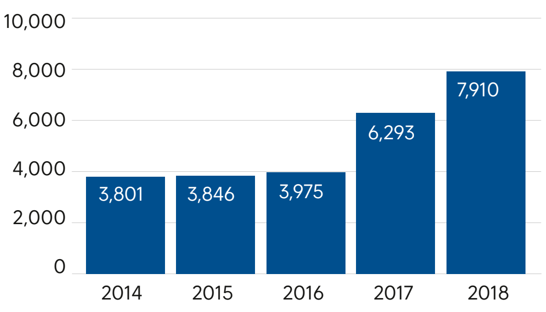
For us, it is important to ensure that all employees are treated respectfully and are afforded equal opportunities for development. In our day-to-day work, we listen actively and do our utmost to understand people, treating them with dignity and respect. This applies to us both internally and in our contacts with clients, customers and other stakeholders. With a presence in 25 markets, diversity also becomes an important asset. Through increased diversity, we can be responsive to our efforts to help people get out of debt and understand people's individual situations.

Our employees make a difference

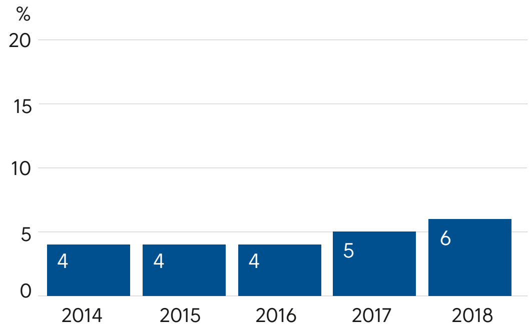
Our employees are the ones who have contact with 250,000 individuals on a daily basis, helping them break free of their debts, and with companies to ensure that they are paid. We know that such work helps bring meaning to everyday life.

We have formulated our values together, and we strive to live according to them. Together, thousands of our employees have contributed to the process of formulating our values and, over

Average number of employees



Sick leave



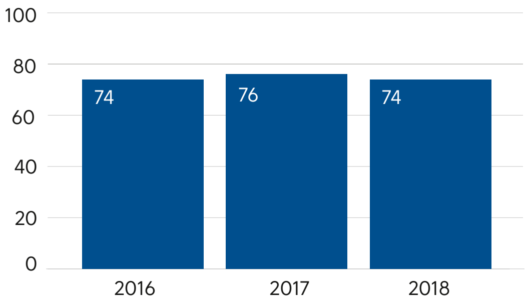
the past year, we have taken several steps to strengthen our corporate culture and strengthen value-driven efforts throughout our organisation.

With the help of our employees, we have created the team-oriented game Add Value, in which all players are given the opportunity to gain a deeper understanding of, and insight into, our values in various contexts. During 2019, we will continue to strengthen our work on values.

Continuous employee development

We want all of our employees to be able to develop and thrive with Intrum as their employer. It is important that everyone be afforded sufficient resources, knowledge and opportunities to perform their work optimally, and we work continuously to ensure that we meet the needs of each employee. Clear leadership development is an important part of this and Intrum applies various programs to develop managers continuously.

Engagement Index



Our annual employee survey measures among other things commitment among our employees. Engagement Index combines motivation and satisfaction with clarity in goals and thus gives an indication of the well-being of our employees.

Our annual individual development talks represent another important tool, in which employees formulate a plan for their own professional and personal development together with their immediate manager.

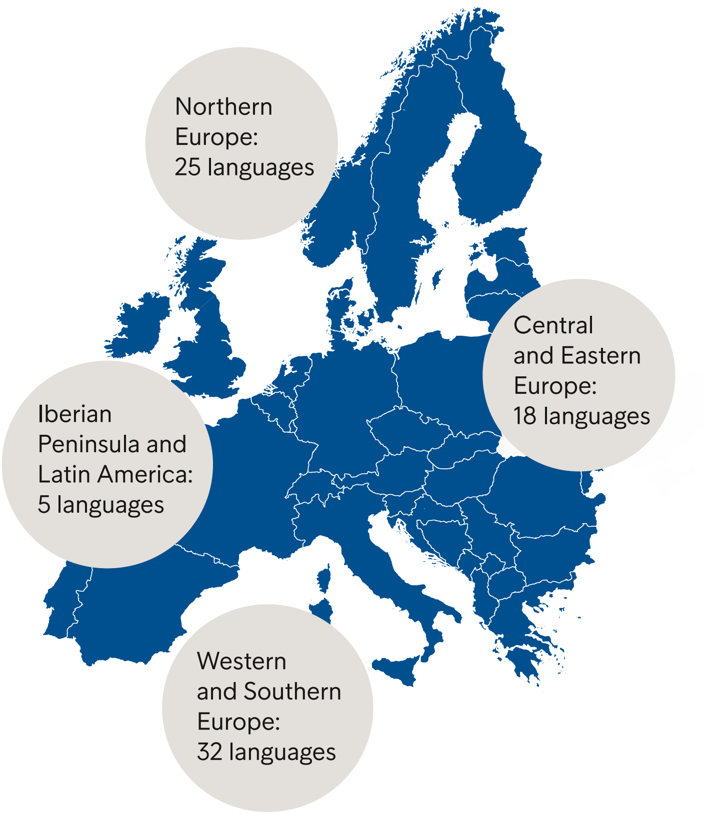
Every year, we conduct an employee survey to understand how our employees perceive their work, what is important for them to thrive and do a good job and how Intrum can further develop as an employer. Insights from the survey provide an indication of the level of satisfaction, motivation and loyalty among our employees. In the survey, employees respond to questions regarding leadership, commitment, cooperation and efficiency. The results then provide a foundation on which improvement plans in various areas are designed.

By continuously focusing on our employees' development, we have the potential to become the most attractive employer in the industry. This work is continuous and always prioritised.

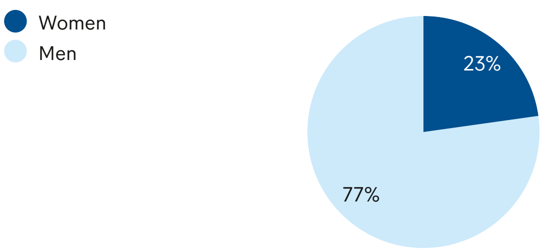
Personnel changes

In 2018, a selection of our countries have gone through restructures that has enabled synergy effects which has affected our employees. This has taken place in dialogue with the individuals affected and trade unions with the ambition to offer favourable solutions.

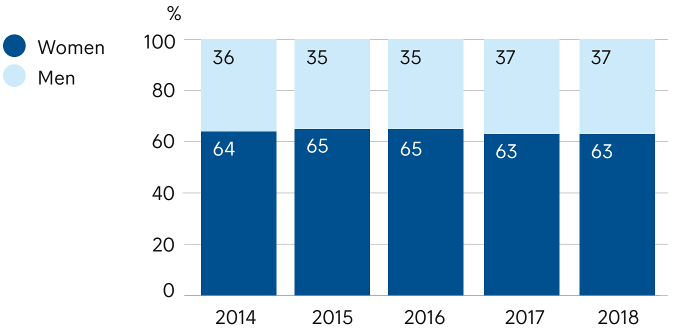
Number of spoken languages per region



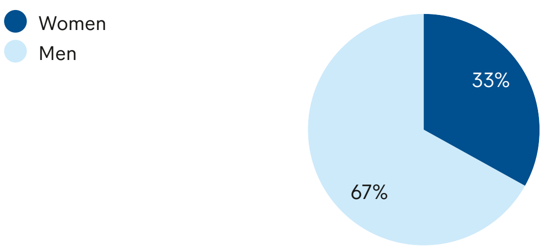
Gender proportion Group Management Team



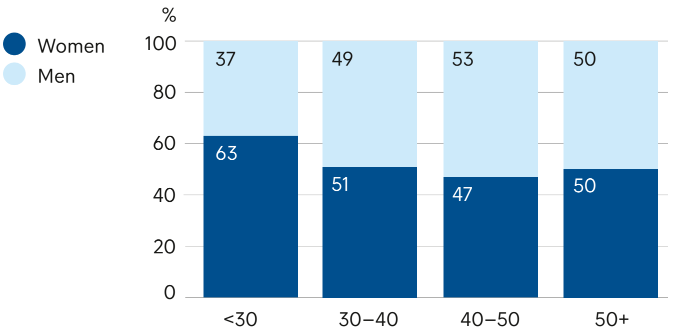
Gender proportion employees



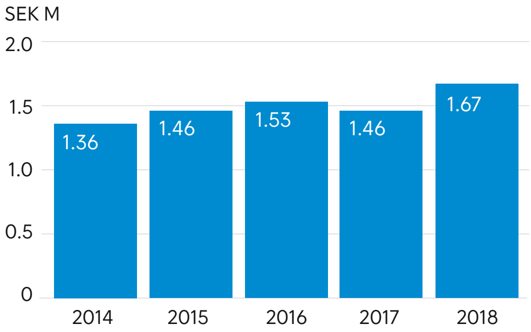
Gender proportion Members of the Board



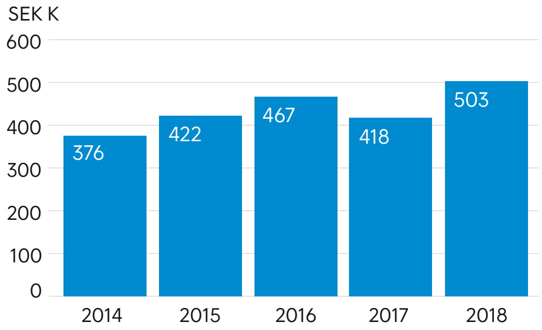
Age and gender proportion executives



Revenues per employee



Operating earnings per employee



Diversity and inclusion
We want to offer a work environment characterised by equality, inclusion and respect, where increased diversity contributes to our ability to be responsive to the circumstances of each individual. Diversity and equal opportunities are fundamental in our business and we obviously do not tolerate any form of discrimination or harassment. Naturally, this also means we apply the principle of equal pay for equal work.

In connection with the metoo movement, we identified a particular need to investigate any occurrences of harassment in our workplaces and the 2018 employee survey included an opportunity to mention anonymously any occurrences of harassment at work.

We work preventively for our employees to enjoy their fundamental freedoms and rights – free from discrimination. Through our HR instruction and Code of Conduct, we are building a solid foundation for favourable working conditions and human rights compliance. We are proud of our preventive work in this area and continue to work to ensure that our zero tolerance of discrimination is observed.

In 2019, we are continuing to develop our efforts to further increase diversity and inclusion throughout our operations.

"Next generation program"
To achieve our objective of becoming the most attractive employer in our industry, we focus on attracting, developing and retaining our younger skilled employees. In 2017, we launched Intrum's first trainee program the "Next generation program". In 2018, we welcomed ten young employees with backgrounds from our different markets in Europe, all with the potential to become future leaders or analysts.

Our trainees are given the opportunity to work in various departments and groups for 12 months, building networks and developing. Over the course of the program, each participant must spend two months in another country, to gain new experiences and insights from our daily activities and specific projects.

Our trainee program has produced several positive results and our participants have contributed knowledge and new perspectives, while highlighting the Intrum brand at universities and on education programs.

Our sustainability targets for 2019

Increase the employee satisfaction
The engagement index for 2018 decreased from 76 (2017) to 74. The target is to work actively to increase the engagement and satisfaction among our employees from this year's level.

Strengthen the implementation of our values
On an annual basis, we investigate how our employees perceive that we live up to our values. It is an important measure to ensure the implementation of our values. Through a range of internal activities, the work with our values will proceed during 2019.

Formulate a plan to further increase diversity and inclusion
Diversity and inclusion is one of our material aspects, and in 2019 we will formulate a plan to further strengthen our ability to embrace the varying competences, perspectives and experiences from our employees.

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 capitalisation of more than EUR 1 billion.

Share capital
On December 31, 2018, Intrum AB's (publ) share capital amounted to SEK 2,899,805.49 distributed among 131,541,320 shares outstanding of which 250,000 treasury shares. Each share entitles the holder to one vote and an equal share in the company's assets and earnings.

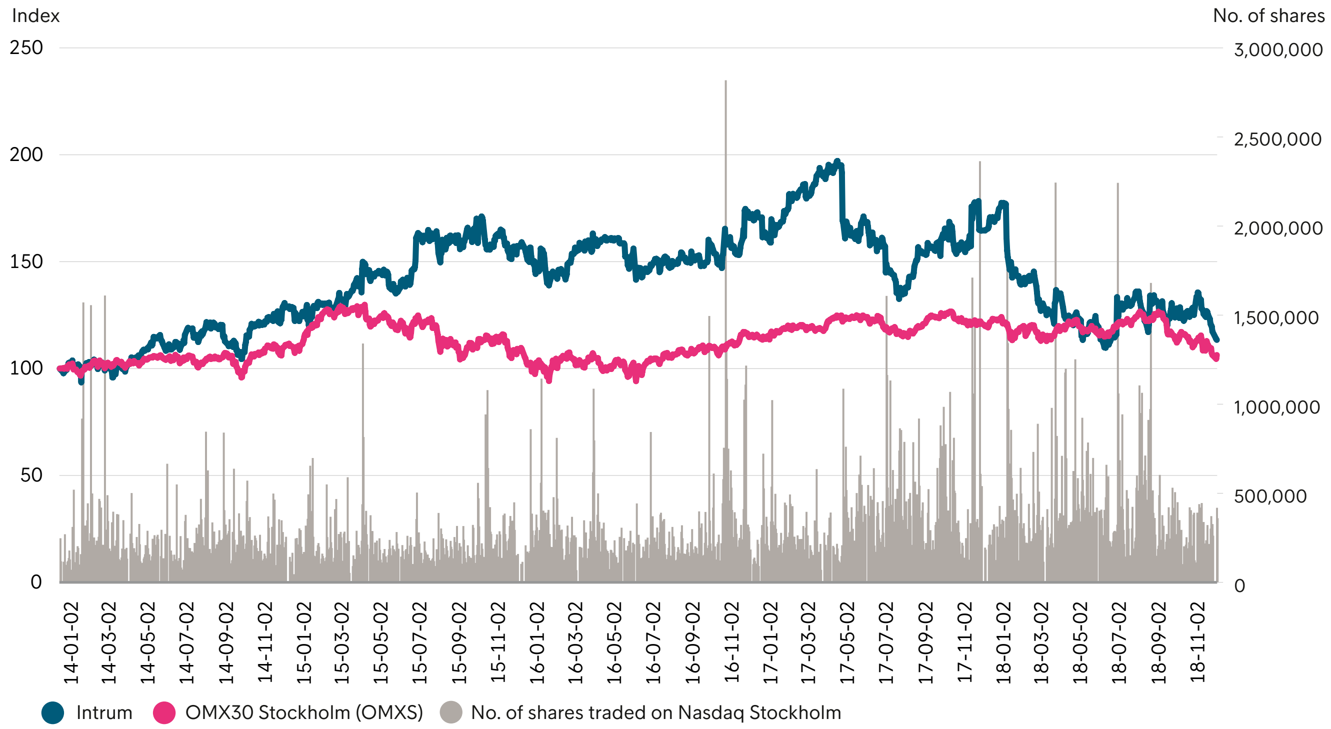
Market capitalisation, price trend and turnover
In 2018 the price of Intrum' share decreased from SEK 300.30 to SEK 205.7, a decline of 31.5 percent, adjusted for a dividend of SEK 9.50 per share. During the same period the Stockholm Stock Exchange's index (OMXS) fell by 10.8 percent. The lowest price paid for the share during the year was SEK 199.05 on July 6, and the highest was SEK 322 on January 23. The price at the end of the year gave a market capitalisation for Intrum of SEK 27,058 M (39,896). Share trades were concluded on every business day of the year. An average 420,599 shares were traded per day (386,349) on the Nasdaq Stockholm Exchange. In total, when including all marketplaces on which the Intrum share trades, 105,149,695 shares were traded over the year. Trade on the Nasdaq Stockholm Exchange accounted for 87.1 percent of total trade in 2018. 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 2018, Intrum had 20,744 shareholders, compared with 16,729 in the preceding year. The 13 members of Group Management had a combined holding in Intrum of 555,049 shares and Intrum's Board members held a combined total of 80,300 shares.

Shareholder communications
Intrum places considerable focus on investors and meets them and other market participants regularly to increase interest in the company and the understanding of it.

Share repurchase
Although the Company repurchased shares between 2013 and 2015, no repurchases were made in 2016 or 2017. At the end of 2018, the Company held no treasury shares. In 2018 250,000 shares were repurchased and remain as treasury shares at year-end.

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 2018 financial year the Board proposes a dividend of SEK 9,50 per share, corresponding to about 67 percent of net earnings after tax. The proposed record date for the dividend is April 30 2019.



Data per share	2018	2017*	2016	2015	2014
Earnings before and after dilution, SEK	14.18	14.62	20.15	15.92	13.48
Operating cash flow, SEK	48.10	–	46.64	39.74	34.95
Equity before and after dilution, SEK	195.16	170.59	55.88	42.66	39.92
Dividend/proposed dividend, SEK	9.50	9.50	9.00	8.25	7.00
Dividend/net earnings, %	67	65	45	51	52
Share price, SEK	205.70	303.30	307.40	288.60	232.00
Yield, %	4.6	3.1	2.9	2.9	3.0
P/S Multiple	2.0	3.3	3.7	3.7	3.4
P/E Multiple	13.90	20.75	15.25	18.12	17.21
Beta	0.85	0.6	0.6	0.7	1.0
Number of shares at the year end	131,291,320	131,541,320	72,347,726	72,347,726	73,847,534
Average number of shares before and after dilution	131,390,632	102,674,307	72,347,726	73,096,665	76,461,901

* Data for 2017 are based on pro forma reporting for the combined Intrum Justitia and Lindorff.

Ownership structure as of December, 2018

Total number of shares 131 541 32	No. of shares	Capital and votes, %
Nordic Capital	57,728,956	44.0
Sampo Oyj	6,864,969	5.2
NN Investment Partners	6,399,125	4.9
Handelsbanken Funds	5,408,000	4.1
Lannebo Funds	3,344,027	2.5
Jupiter Asset Management	2,962,566	2.3
Swedbank Robur Funds	2,823,260	2.1
AMF Försäkring & Funds	2,571,940	2.0
ODIN Funds	2,219,730	1.7
Nordnet Pension insurance	2,012,915	1.5
Total ten largest owners	**92,335,488**	**70.3**

Shareholdings by country

Country	No. of shares	Capital and votes, %
Sweden	92,080,252	70.0
USA	9,102,695	6.9
Finland	7,615,838	5.8
Netherlands	7,348,977	5.6
UK	5,706,068	4.3
Norway	3,404,651	2.6
France	2,430,213	1.8
Luxembourg	1,240,731	0.9
Canada	604,203	0.5
Germany	574,649	0.4
Other	1,512,023	1.1

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 [1]	778,729.4	878,729.4	43,936,470	0.02
2002	New share issue 2	208,216.72	1,086,946.12	54,347,306	0.02
2002	New share issue [3]	612,765.96	1,699,712.08	84,985,604	0.02
2005	Redemption [4]	–140,587.06	1,559,125.02	77,956,251	0.02
2007	Exercise of employee stock options [5]	22,672	1,581,797.02	79,089,851	0.02
2008	Exercise of employee stock options [6]	10,046.40	1,591,843.42	79,592,171	0.02
2009	Exercise of employee stock options [7]	8,049.60	1,599,893.02	79,994,651	0.02
2011	Reduction of share capital [8]	–5,000	1,594,893.02	79,774,651	0.02
2014	Cancellation of treasury shares [9]	0	1,594,893.02	77,360,944	0.02
2015	Cancellation of treasury shares [10]	0	1,594,893.02	73,421,328	0.022
2016	Cancellation of treasury shares [11]	0	1,594,893.02	72,347,726	0.022
2017	New shares issue [12]	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 cancellation of 3,939,616 treasury shares, the share capital was further increased through a bonus issue with the equivalent amount without issuing new shares. After the cancellation, the Company has in total 73,421,328 outstanding shares equivalent to the same number of votes.

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

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 AB (publ) hereby submit the Annual Report and consolidated financial statements for the 2018 fiscal year.

Intrum Group
Intrum 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 31 December 2018, the share capital in the Company amounted to SEK 2,899,805 M and the number of shares to 131,541,320 of which 250,000 treasury shares. The Group is present in 25 markets.

Significant events during the year

- On 20 March 2018, Intrum completed the sale of Lindorff's operations in Denmark, Estonia, Finland and Sweden and Intrum Justitia's operations in Norway to Lowell after receiving the necessary approvals from the authorities. This was in accordance with what was communicated on 2 November 2017. The sale was a condition for the European Commission's approval of the merger with Lindorff. The companies were sold for a total company value of approximately EUR 730 M.

- On 17 April 2018, it was announced that an agreement had been reached regarding a partnership with the Italian bank Banca Intesa Sanpaolo. The agreement entailed Intrum and Intesa Sanpaolo forming a new joint company in which the bank contributed its service platform for overdue receivables, and Intrum all of its Italian operations at the time (except Cross Factor SpA and the holding company Lindorff Italy Srl). Intrum became the majority shareholder, holding 51 percent of the new joint company. Intesa Sanpaolo also divested a portfolio of overdue receivables, most of which comprises covered loans, to a joint company. Intesa Sanpaolo retains a 49 percent holding in the joint venture, while the remaining 51 percent is owned by Intrum alongside a co-investor that acquired the equivalent of 20 percent of Intrum's 51 percent. The transaction was completed in early December.

- The Annual General Meeting on 27 April re-elected Board members Per E. Larsson, Hans Larsson, Kristoffer Melinder, Andreas Näsvik, Synnöve Trygg, Fredrik Trägårdh, Ragnhild Wiborg and Magnus Yngen. Magdalena Persson was elected as a new Board member. The Annual General Meeting re-elected Per E. Larsson as Chairman of the Board and Magnus Yngen as Deputy Chairman. The Annual General Meeting approved the Board's proposal for a dividend of SEK 9.50 per share. The Meeting also resolved to change the name of the Parent Company from Intrum Justitia AB to Intrum AB.

- On 28 June, it was announced that Intrum had issued a two-year, non-covered bond for SEK 1 billion, at STIBOR 3m +190 basis points within the existing Swedish MTN programme.

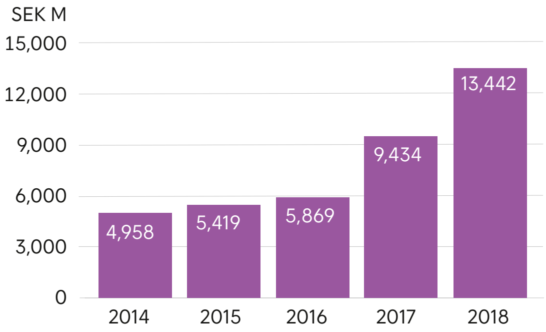
- On 14 December, it was announced that Intrum had reached an agreement with Banco Sabadell regarding the acquisition of the bank's wholly owned subsidiary Solvia Servicios Inmobiliaros (Solvia), which offers real estate management services in the Spanish market. The purpose of the acquisition was to strengthen both Intrum's position in the Spanish real estate market, as well as the partnership with Banco Sabadell. Intrum entered into an agreement to acquire 80 percent of the shares in Solvia. In January 2019, it was determined that Solvia's earnings for the second half of 2018 fell short of the anticipated level. Discussions are in progress with the seller to reach a final agreement.

- On 21 December, an agreement was reached with Ibercaja Banco SA to acquire 6,400 properties in Spain from Ibercaja and the bank's subsidiaries. The real estate portfolio has been transferred to a new company, in which Intrum will initially be the majority shareholder, while Ibercaja's subsidiary retains a minority holding of 20 percent. Intrum's final investment, when financing and co-investors are in place, is expected amount to EUR 30–40 M. Property holdings are not a strategic area of focus for the Group.

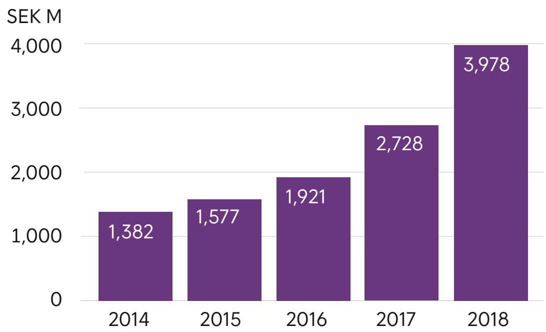
Revenues and earnings
Definitions of the performance measures applied, key financial indicators and alternative indicators are to be found on page 126. For reconciliation of key financial indicators, see Note 38 on page 96.

The merger with Lindorff was implemented on 27 June 2017. Accordingly, Lindorff has been included in the consolidated income statement and balance sheet since the second half

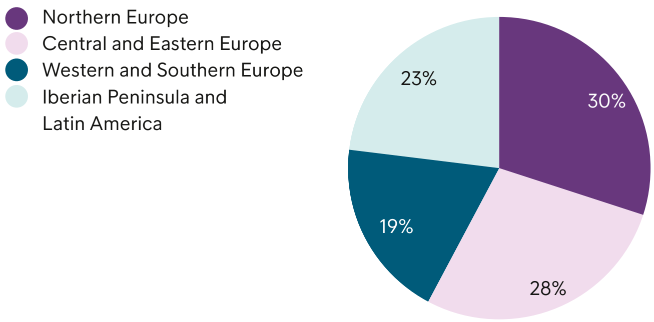
Revenues



Operating earnings



Share of consolidated revenues (pro forma)



of 2017. Where comparative figures are referred to as "pro forma", this mean that they are reported with Lindorff consolidated throughout the comparison period. In connection with the merger, Intrum undertook to divest its Norwegian subsidiaries, as well as Lindorff's Swedish, Finnish, Danish and Estonian subsidiaries. Accordingly, these subsidiaries are reported as discontinued operations.

Consolidated net revenues for 2018 increased to SEK 13,442 M (9,434). On a pro forma basis, revenues for 2017 amounted to SEK 12,219 M.

Operating earnings amounted to SEK 3,978 M (2,728). On a pro forma basis, operating earnings for 2017 amounted to SEK 3,489 M.

The operating earnings of SEK 3,978 M include non-recurring items (NRIs) of a negative SEK 742 M (397), items affecting comparability of SEK 132 M (0) and revaluations of SEK 88 M (negative 3). Accordingly, operating earnings excluding non-recurring items, items affecting comparability and revaluations ("adjusted operating earnings (EBIT)") increased to SEK 4,500 M (3,128). On a pro forma basis, operating earnings (EBIT) for 2017 amounted to SEK 3,925 M.

Net earnings for the year amounted to SEK 1,943 M (1,503) and earnings per share totalled SEK 14.18 (14.62).

Geographical regions

Effective from the third quarter of 2018, the composition of the Group's operating segments, the geographic regions, has changed. The change entails operations in Spain, Portugal and Brazil being reported in the Iberian Peninsula & Latin America region. Accordingly, the operations in Portugal are no longer included in the Western and Southern Europe region. The comparison figures for 2017 have been recalculated in accordance with the new region structure. Recalculated figures for all four quarters of 2017 and the first two quarters of 2018 have been published on the Company's website.

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 3,980 M (3,012) and operating earnings of SEK 1,294 M (1,014). On a pro forma basis, revenues for the year, excluding revaluations increased to SEK 4,002 M (3,827), with operating earnings, excluding revaluations and non-recurring items ("adjusted operating earnings (EBIT)") of SEK 1,425 M (1,412).

Accordingly, on a pro forma basis, earnings were roughly at the same level as for the preceding year. The region can now focus on acquiring portfolios and internal efficiency-enhancement measures following the divestment of subsidiaries under the terms imposed by the competition authorities.

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 3,790 M (2,775) and operating earnings of SEK 1,377 M (831).

On a pro forma basis, revenues for the year, excluding revaluations increased to SEK 3,681 M (3,233), with operating earnings, excluding revaluations and non-recurring items (adjusted operating earnings (EBIT)) of SEK 1,442 M (1,114). The region's strong development is explained by substantial investment and strong collection, particularly in acquired portfolios. Major investments in Greece and Hungary are making a strong contribution, and further business opportunities are available throughout the region. Regulatory development in some of the countries in the region is being monitored closely.

Western and Southern Europe
The region consists of the Group's operations for clients in Belgium, France, Ireland, Italy, the Netherlands and the UK.

The region reported revenues for the year of SEK 2,564 M (1,847) and operating earnings of SEK 228 M (290).

On a pro forma basis, revenues for the year, excluding revaluations increased to SEK 2,622 M (2,050), with operating earnings, excluding revaluations, non-recurring items and items affecting comparability ("adjusted operating earnings (EBIT)") of SEK 664 M (337).

The region is delivering strong results in its existing operations in several countries, with recently conducted portfolio purchases developing well. In Italy, the acquisition of the Italian company CAF in the fourth quarter of 2017, has contributed to increased revenues and earnings. In addition, the partnership with Banca Intesa Sanpaolo has brought an improvement in earnings, one month of which is included in net earnings for the year. The integration is progressing according to plan.

Earnings include a non-recurring item of a negative SEK 46 M relating to provisions for remaining expenses in connection with a contract with one of the region's clients not being renewed as expected.

Iberian Peninsula and Latin America
The region comprises the Group's operations for clients in Spain, Portugal and Brazil.

The region reported revenues for the year of SEK 3,109 M (1,800) and operating earnings of SEK 1,079 M (593). On a pro forma basis, revenues for the year, excluding revaluations and items affecting comparability, decreased to SEK 2,826 M (3,046), with operating earnings, excluding revaluations, non-recurring items and items affecting comparability ("adjusted operating earnings (EBIT)") of SEK 969 M (1,062).

The region's decline is explained by the fact that client contracts have been discontinued or have diminished, which had a negative impact on the Credit Management service line's earnings and margin. Portfolio investments are smaller in the region, but are developing well and, together with cost savings programmes, are helping counteract the effect of discontinued client contracts.

Earnings include an item affecting comparability of SEK 401 M in connection with compensation for a client contract that was discontinued prematurely and of a negative SEK 223 M for impairment in the carrying amount for client relationships with two clients where the carrying amount was no longer supported by the expected future cash flows.

The acquisition of Solvia is planned to be completed during the first half of 2019. However, Solvia's earnings for the second half of 2018 were beneath the anticipated level. Discussions are in progress with the seller to reach a final agreement.

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

- Credit Management services with a focus on late payments and collection. Collection services, credit information services and payment services.
- Purchasing of portfolios of overdue receivables. 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. Real estate acquisitions, primarily through the seizure of collateral for purchased covered receivables, other financing services and payment guarantees.

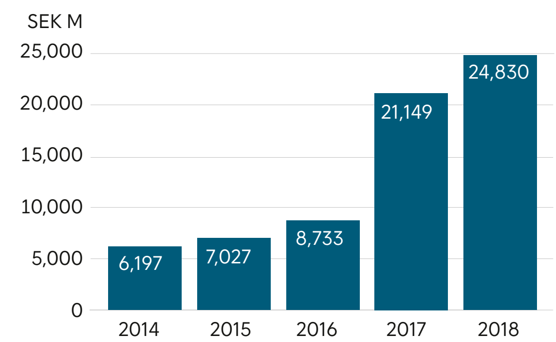
Credit Management services with a focus on late payments and collection
Service line revenues for the year amounted to SEK 9,480 M (6,700), with service line earnings of SEK 2,433 M (1,704). On a pro forma basis, revenues for the year, excluding items affecting comparability increased to SEK 9,257 M (8,852), with service line earnings, excluding revaluations non-recurring items and items affecting comparability, of SEK 2,489 M (2,475).

Credit Management is affected by the negative trend in Spain. Positive signs could already be seen towards the end of 2018. A continued focus on efficiency and acquisition synergies is also expected to have positive effects over the upcoming years.

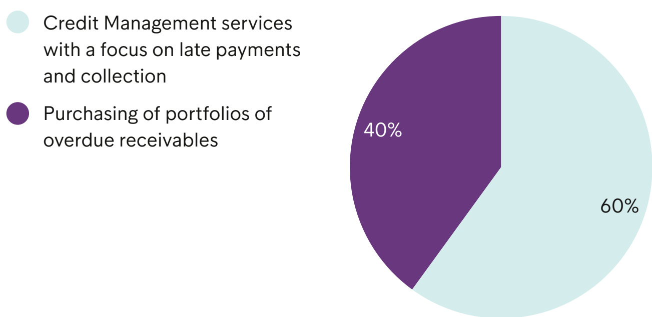
Purchasing of portfolios of overdue receivables
Service line revenues for the year amounted to SEK 6,394 M (4,516), with service line earnings of SEK 3,600 M (2,456). On a pro forma basis, revenues for the year increased to SEK 6,394 M (5,506), with service line earnings, excluding non-recurring items, of SEK 3,604 M (2,946).

The increase in service line earnings on a pro forma basis is primarily attributable to the greater portfolio value.

Carrying value, portfolio investments



Share of consolidated revenues



Pro forma-based growth in portfolio investments, combined with price discipline and strong collection outcomes led to strong financial development for the service line. The carrying values of portfolio investments, including participations in joint ventures but excluding real estate, increased by 40 percent since the end of the preceding year. The relatively high level of investment is explained by the transaction with Banca Intesa Sanpaolo, a number of major acquisitions in Greece and Hungary, and a diversified collection of medium-sized portfolios purchased in both mature and emerging markets.

The return on portfolio investments was 15 percent (16).

Expenses

The gross profit margin was just below the level for the preceding year.

Earnings for the year were burdened by non-recurring items of a negative SEK 742 (397), mainly involving integration costs following the merger between Intrum Justitia and Lindorff and transaction costs for acquisitions.

Amortisation/depreciation and impairment

Operating earnings for the year were burdened by depreciation/amortisation and impairment of tangible and intangible fixed assets by SEK 900 M (436). Accordingly, operating earnings before depreciation/amortisation and impairment amounted to SEK 4,878 M (3,164).

Net financial items

Net financial items amounted to an expense of SEK 1,363 M (973) and consisted of a net interest expense of SEK 1,185 M (565), exchange rate differences of SEK 19 M (38) and other financial items of a negative SEK 197 M (446). Net interest income was negatively affected by higher borrowing compared with the preceding year.

Other financial items refer primarily to bank fees and similar charges in connection with the Group's borrowing. Other financial items in 2017 included non-recurring items of a negative SEK 316 M (0) in connection with the Group's new borrowing, comprising a negative SEK 299 M in costs to secure new borrowing in connection with merger with Lindorff, and a negative SEK 17 M in amortisation of capitalised costs for the Group's previous borrowing.

Taxes

The tax expense for the year was equivalent to 23 percent of earnings before tax for the full-year, compared with 22 percent in the preceding year. For further information on the Group's taxes and tax disputes, 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 6,154 M (4,535). The increase is attributable to increased cash flow deriving from the merger with Lindorff. Cash flow from investing activities over the year, adjusted for cash and cash equivalents in acquired companies, was negative in the amount of SEK 7,525 M, compared with a negative SEK 8,585 M in the preceding year, including the positive cash flow of SEK 7,511 M from the sale of companies in accordance with the European Commission's conditions and negative cash flows of SEK 6,785 M in connection with the transaction with Banca Intesa Sanpaolo.

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 306 M (172) and largely 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 utilisation of the Group's databases. In pace with increasing demands for client-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 SEK 4.8 billion since the end of the preceding year. The proceeds have been received from the sale of Intrum Justitia's former subsidiary in Norway and Lindorff's former subsidiaries in Sweden, Denmark, Finland and Estonia, with the sale transaction being completed on 20 March 2018, while, on the other hand, disbursements have been made for the year's share dividend and investments in portfolios, subsidiaries and joint ventures.

Net debt in relation to pro forma rolling 12-month adjusted cash EBITDA amounted to 4.3 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, 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 27 June 2017 through a non-cash issue, whereby Intrum Justitia AB 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 were 131,541,320 shares in Intrum outstanding in the latter part of 2017. In 2018, 250,000 shares were repurchased for SEK 56 M. Accordingly, the average number of shares outstanding over the year was 131,390,632 compared with 102,674,307 in the preceding year.

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 organisation 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 authorisations. 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, acquisitions, processes and IT systems and in connection with major changes in the Company's organisation and operations.

Risk strategy
Intrum's risk strategy entails managing and assessing the risks to which its operations are, or may be, exposed by means of:
- Clear and documented internal procedures and control,
- An appropriate and transparent organisational structure with clearly defined and documented authorisations,
- Up-to-date and documented decision-making processes,
- Risk measurement methods and systems support tailored to the needs, complexity and scope of the operations,
- satisfactory control of the Company's compliance with the laws and other regulations applicable to its 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 industrialising 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 defence:
- The first line of defence is the risk-taking part of the organisation, which is tasked with managing the day-to-day management of the risks taken in the business operations.
- The second line of defence refers to the risk control and compliance functions. Risk control 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 organisation and compliance. The CRO reports to the President and, on a dotted line basis, to the Board of Directors.
- The third line of defence is the internal audit that works independently of the operations and reports directly to the Board of Directors.

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

The following summary is by no means comprehensive, but offers examples of risk factors which are considered especially important for Intrum'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 dialogue with the management team for each region and country and through regular checks on developments in each country.

Brexit
Although Intrum is monitors developments surrounding Brexit closely, our internal analyses indicate that the potential negative effects for us as a company of the UK leaving the EU are considered marginal.

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.

Intrum processes a large amount of personal data and prior to the European Data Protection Ordinance (GDPR) taking effect, extensive efforts were made at both the Group and local level to ensure compliance with GDPR. In each country where Intrum is present, as well as at the Group level, designated data protection officers are tasked with supporting and following up data protection efforts.

If the Company lacks sufficient knowledge about its clients and the transactions undertaken, there is a risk that we may become involved in money laundering or unethical transactions. Accordingly, our sales and anti-money laundering instructions require that we gather information regarding our clients and their ownership situation. 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. We also expect our suppliers to comply with our Code of Conduct. Associated with the Code of Conduct, the Company has implemented a procedure for the reporting of suspected irregularities, a so-called whistle-blower 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 prioritises 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 unauthorised 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 standardised process for how acquisitions are to be implemented and followed up.

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 through loans and currency forward transactions in foreign currencies.

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 utilised 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 in foreign currencies. 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 unutilised 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 optimising the balance between loans and liquid funds so that the net interest expense is minimised without, for that matter, incurring difficulties in meeting external commitments.

Credit risks attributable to outlays

As part of its normal operations, the Group incurs outlays for court expenses, legal representation, enforcement authorities and similar – outlays that are necessary for collection to be conducted through the legal system. In certain cases, these outlays can be passed on to, and collected from 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 such as a client or a bailiff is recognised as an asset in the balance sheet on the line Other receivables.

Risks with portfolio investments

To minimise the risks in this business, caution is exercised in purchase decisions. The focus is primarily on portfolios with relatively low average amounts, to help spread risks.

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. Risks are further diversified by acquiring receivables from clients in different sectors and different countries. We have also chosen to further diversify our operations by investing in covered receivables. This means that we are exposed to risks associated with real estate price trends, which we therefore analyse carefully and include when assessing new investment opportunities.

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 methods for credit optimisation.

Credit optimisation 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 and Deutsche Bank to share the capital investment and return.

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 Purchased Debt area of operations. The Group's risk in this operation is managed through strict credit limits on the issuance of new charge cards and through analysis of the customer's credit rating. A provision is made in the balance sheet to cover expenses that may arise due to the guarantee.

Financing risk

The Group's loan facility contains a number of operations-related and financial covenants, including limits on certain financial indicators. The Group Management Team carefully monitors these key financial indicators, so that it can quickly take measures if there is a risk that one or more limits may be exceeded. All such key financial indicators were fulfilled in 2018.

Goodwill

Consolidated goodwill amounted to SEK 33,055 M as per December 31, 2018, compared with SEK 29,565 M as per 31 December 2017. Of the increase, SEK 2,235 M is attributable to new acquisitions made during the year, SEK 169 M to the adjustment of the acquisition analysis from the merger with Lindorff, SEK 8 M to other adjustments of acquisition analyses, and SEK 1,078 M to exchange rate differences.

Non-financial earnings indicators

The average number of employees during the year was 7,910 (6,293). Over the year, personnel turnover was 28 percent (23). Of the total number of employees during the year, 62 percent were women (63). The percentage of employees with university-level degrees was 49 percent (39). Sick leave amounted to 6 percent (5) of the number of working days within the Group. The Group's strategy in the area of employees emphasises recruitment, competence development and performance improvement. Every second year, an employee survey is conducted to measure employees' satisfaction, motivation and loyalty. For further information on employees, wages and remunerations, see also pages 40–42, 119 and Notes 26–28.

Sustainability

Intrum has prepared a separate sustainability report which is included in the annual report on pages 28–43 och 115–123.

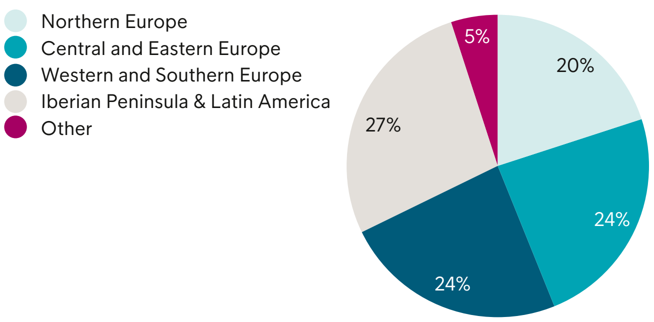
Intrum's sustainability work is rooted in our mission of leading the way to a sound economy. In a sound economy, companies are paid on time for the goods and services they have sold, while all people have sufficient knowledge of personal finance and credit to be able to make informed decisions.

As the leading player in credit management, and as experts in late payment and collection, Intrum bears a great responsibility to conduct its operations sustainably and ethically, while also working pro actively on issues of finance and debt. On a daily basis, Intrum is in touch with hundreds of thousands of people with varying degrees of debt and different financial circumstances. It is our duty to treat them ethically and with empathy and respect. We want to be involved in setting the standard for our industry in the area of sustainability and are therefore focusing on these issues.

Working conditions

Intrum's employees are the key to our success. To attract talent and develop and retain employees, we attach great importance to well-being, clear values, good leadership and continuous skills development. Our market-leading position allows us to offer favourable international development opportunities and skills development in several areas. All employees must be treated respectfully with equal opportunities for development. In our day-to-day work, we listen actively and do our utmost to understand people, treating them with dignity and respect. This applies both internally, as well as externally in our contacts with clients, customers and other stakeholders. With a presence in 25 markets, diversity also becomes an important asset. Through increased diversity, we can be responsive to our efforts to help people get out of debt.

Number of employees by geographical region



The 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.

Climate change is one of the greatest challenges of our time. Business and industry can play an important role in reducing the environmental and climate impact, and we consider it our responsibility to minimise our impact where we have the opportunity. Being a trusted and respected actor builds on Intrum's operations being conducted considerately, enabling a sustainable future for coming generations. Through our environmental instructions and Code of Conduct, we work to reduce our environmental and climate footprint. These instructions guide employees with regard to how environmental impact can be limited – meeting digitally instead of travelling, for example, and we do not permit company cars emitting more than 130 grams of carbon dioxide per kilometre.

Group Management
Intrum's Group Management consists of Mikael Ericson (CEO), Alejandro Zurbano (Regional Managing Director, Iberian Peninsula & Latin America), Anders Engdahl (Chief Investment Officer), Anette Willumsen (Regional Managing Director, Northern Europe), Cathrine Klouman (Chief Operating Officer), Danko Maras (CFO), Harry Vranjes (Head of Credit Management), Jean-Luc Ferraton (Chief Human Resources Officer), Johan Brodin (Chief Risk Officer), Marc Knothe (Regional Managing Director, Western and Southern Europe), Niklas Lundquist (Chief Legal Officer), Per Christofferson (Regional Managing Director, Central and Eastern Europe) and Anna Fall (Chief Brand and Communications Officer).

During the year, Erik Forsberg, Annika Billberg and Anne Louise Eberhard left Intrum and the Group Management team.

Market outlook and future prospects
In Intrum's balanced business model, consisting of Credit Management Services (CMS) focusing on late payments and collection, and Portfolio Investments, we see strong development in both areas.

Much of the ground work has now been done to enable us to start the execution of our production transformation programme in our credit management operations. We will gradually centralise, standardise and improve large parts of the collection process. The actions we take in this area will continue to improve efficiency and the CMS margin through 2019 and onwards.

We see a continued high activity across Europe in the non-performing loan market. Our investments' return levels were stable during 2018, which was a result of both increased interest rates and large volumes, and also our ability to leverage from our broad geographical footprint. We expect a continuously stable development during 2019.

In 2019, we will continue the transformation of our credit management services operations to benefit from our size, step up in growth through our partnership with Banca Intesa Sanpaolo and complete our merger activities and we also look forward to being an active partner on a continuously dynamic and attractive market across Europe. Intrum's size, diversification and highly cash-generative operations, mean we have the scope and flexibility to continue growing and invest applying ample judgement, ensuring we remain on track to meet our targets for 2020.

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 215 M (159) for the year and earnings before tax of SEK 1,666 M (–579). The improvement in earnings is due to higher earnings from participations in subsidiaries, in connection with divestments of subsidiaries and dividends received. The Parent Company invested SEK 43 M (26) in fixed assets during the year and had, at the end of the year, SEK 251 M (95) in cash and equivalents. The average number of employees was 68 (57).

The share and shareholders
At the end of the year there were 131,541,320 shares in the company, of which 250,000 were treasury holdings. All shares outstanding 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 (44.0 percent of shares outstanding), Sampo Oyj (5.2), NN Investment Partners (4.9), Handelsbanken Fonder (4.1) and Lannebo Fonder (2.5).

See also the table on page 45. 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's Articles of Association, the Board of Directors shall consist of no less than five and no more than nine ordinary members with no more than four deputies. All members are elected by the Annual General Meeting.

In 2018, the Board held 22 meetings (41 in the preceding year). For a description of the work of the Board of Directors, please see the Corporate Governance Report on pages 104–109. On pages 107–108, 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.

The Corporate Governance Report is also available from the Group's website www.intrum.com.

Events after the reporting year
In February 2019 it was announced that Intrum had completed the refinancing of the real estate portfolio that was acquired from Ibercaja Banco SA in December 2018 with senior debt to Citibank corresponding to 65 percent of the property value. Intrum also divested half of the shares in the company owning the portfolio to a co-investor, and will henceforth report the holding as a joint venture.

In March it was announced that Skandinaviska Enskilda Banken AB (SEB) was included as a lender in Intrum's existing rolling credit facility (RCF), on the same terms as other lenders, with a credit commitment of EUR 275 M. SEB thereby joined a group of banks consisting of Nordea, DnB, Swedbank, Danske Bank and Nykredit, which all offer financing on the same terms. Thereby, Intrum's rolling credit facility (RCF) amounts to EUR 1,375 M.

The Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for the Group Management Team of Intrum 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 2020. The guidelines will apply to the CEO and other members of Intrum's Group Management Team. The proposal has been prepared by the Board of Directors and the Remuneration Committee of the Board.

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 behaviours and focus our efforts on the right areas, performance is measured against goals that are closely linked to our business strategy and core values.

The total remuneration is based upon four main components; base salary, Variable Salary Part, Long-Term Incentive Program and Pension & Insurances. In addition hereto, other benefits, such as a company car, may be offered.

Base salary

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

Variable Salary Part

The Variable Salary Part (VSP) seeks to drive short-term performance, and it is therefore set for one year at a time. The metrics are individually decided for each member of the Group Management Team, in order to reflect the business strategy and our key focus areas. The evaluation metrics reflect business goals and other value creation for the Company. In addition, the Variable Salary Part allows for total remuneration costs to vary in accordance with business performance.

The maximum payout under the Variable Salary Part program is 50 percent of annual base salary for the CEO, and 35 to 50 percent of the annual base salary for the other members of the Group Management Team (except for the Chief Risk Officer, who is not eligible for Variable Salary Part).

Long-Term Incentive Program

Our Long-Term Incentive Program (LITP) aligns the interests and perspectives of the Group Management Team 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 the Group Management Team share the success of the business. As we believe it to be a good 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 the financial performance of the Company.

The Long-Term Incentive Program is proposed to be offered to the Group Management as allocation of Performance Shares. The maximum allocation under the Long-Term Incentive Program is 150 percent of the 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 the Long-Term Incentive Program is not pensionable income.

Pension & Insurances

Pension, disability and medical insurances and other similar benefits shall be designed to reflect home country practices and requirements.

Variable Salary Part and Long-Term Incentive Program costs

The costs for 2019 are estimated not to exceed SEK 18M for the Variable Salary Part, and SEK 33M 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 an individual case.

Proposed appropriation of earnings

The Board of Directors and the CEO propose that SEK 9.50 per share (9.50) be distributed to shareholders, corresponding to a total of SEK 1,247 M (1,250). The full dividend proposal is presented on page 99. 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 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 4 April 2019.

Financial overview

Income statement, SEK M	2018	2017	2016	2015	2014
Net revenues	**13,442**	**9,434**	**5,869**	**5,419**	**4,958**
Cost of sales	–7,369	–5,049	–3,069	–2,957	–2,819
Gross earnings	**6,073**	**4,385**	**2,800**	**2,462**	**2,139**
Sales, marketing and administration expenses	–2,201	–1,667	–871	–881	–813
Disposal of operations/Goodwill impairment	–	–	–	–	–111
Reversal of liability for additional purchase consideration	–	–	–	–	164
Participations in associated companies and joint ventures	106	10	–8	–4	3
Operating earnings (EBIT)	**3,978**	**2,728**	**1,921**	**1,577**	**1,382**
Net financial items	–1,363	–973	–165	–160	–175
Profit before tax	**2,615**	**1,755**	**1,756**	**1,417**	**1,207**
Taxes	–599	–389	–329	–273	–206
Net earnings for the year from continuing operations	**2,016**	**1,366**	**1,427**	**1,144**	**1,001**
Net earnings for the year from discontinued operations	–73	137	41	28	40
Net earnings for the year	**1,943**	**1,503**	**1,468**	**1,172**	**1,041**
Of which, attributable to the Parent Company's shareholders	1,936	1,501	1,458	1,164	1,031
Non-controlling interests	7	2	10	8	10
Net earnings for the year	**1,943**	**1,503**	**1,468**	**1,172**	**1,041**

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.

Balance sheet, SEK M	2018	2017	2016	2015	2014
Assets					
Total fixed assets	67,904	54,815	12,304	10,294	9,362
of which, portfolio investments	24,830	21,149	8,733	7,027	6,197
Total current assets	8,129	4,646	2,100	1,851	1,979
Assets in operations held for sale	0	8,314	0	0	0
Total assets	**76,033**	**67,775**	**14,404**	**12,145**	**11,341**
Shareholders' equity and liabilities					
Total shareholders' equity	25,672	22,439	4,130	3,166	3,041
Total liabilities	50,361	44,168	10,274	8,979	8,300
Liabilities in operations held for sale	0	1,168	0	0	0
Total shareholders' equity and liabilities	**76,033**	**67,775**	**14,404**	**12,145**	**11,341**

Key figures	2018	2017	2016	2015	2014
Net revenues, SEK M	13,442	9,434	5,869	5,419	4,958
Revenue growth, %	42	61	8	9	14
Cash EBITDA, SEK M	8,732	5,953	3,668	3,193	2,916
EBITDA, SEK M	4,878	3,165	2,090	1,736	1,546
EBIT, SEK M	3,978	2,728	1,921	1,577	1,382
Non-recurring items in EBIT, SEK M	–742	–397	10	–54	36
Items affecting comparability in EBIT, SEK M	132	0	0	0	0
Revaluations of portfolio investments, SEK M	88	–3	45	32	33
Adjusted operating earnings (EBIT), SEK M	4,500	3,128	1,866	1,599	1,313
Net earnings, SEK M	1,943	1,503	1,468	1,172	1,041
Net debt, SEK M	42,122	37,322	7,260	6,026	5,635
Earnings per share, SEK	14.18	14.62	20.15	15.92	13.48
Dividend/proposed dividend per share, SEK	9.50	9.50	9.00	8.25	7.00
Average number of shares, thousands	131,391	102,674	72,348	73,097	76,462
Number of shares at year-end, thousands	131,291	131,541	72,348	72,348	73,848
Return on portfolio investments, %	15	16	20	20	20
Portfolio investments, SEK M	11,854	7,170	3,084	2,271	1,909
Average number of employees	7,910	6,293	3,865	3,738	3,694

For definitions, see Note 38, page 96–97 and page 126.

Financial statements

Consolidated income statement

SEK M	NOTE	2018	2017
Income from customers	2, 3	7,240	5,041
Income from portfolio investments in accordance with the effective interest method	2	6,114	4,394
Positive revaluations of portfolio investments	2	795	334
Negative revaluations of portfolio investments	2	–707	–335
Total revenues	2, 3	**13,442**	**9,434**
Cost of sales	3	–7,369	–5,049
Gross earnings		**6,073**	**4,385**
Sales, marketing and administration expenses	3	–2,170	–1,646
Provisions for credit losses on accounts receivable	3, 16	–31	–21
Participations in joint ventures	5	106	10
Operating earnings (EBIT)	2, 3, 4	**3,978**	**2,728**
Financial income	6	60	17
Financial expenses	7	–1,423	–990
Net financial items		**–1,363**	**–973**
Profit before tax		**2,615**	**1,755**
Taxes	8	–599	–389
Net earnings for the year from continuing operations		**2,016**	**1,366**
Earnings for the period from discontinued operations after tax	39	–73	137
Net earnings for the year		**1,943**	**1,503**
Of which, attributable to:			
Parent Company's shareholders		1,936	1,501
Non-controlling interests	12	7	2
Net earnings for the year		**1,943**	**1,503**
Earnings per share before and after dilution	9		
Average number of shares before and after dilution, thousands		131,391	102,674
Earnings from continuing operations		14.73	13.28
Earnings from discontinued operations		–0.56	1.33
Total earnings per share before and after dilution		**14.18**	**14.62**

Consolidated statement of comprehensive income

SEK M	NOTE	Full-year 2018	Full-year 2017
Net earnings for the year		1,943	1,503
Other comprehensive income, items to be reallocated to earnings:			
The year's change in translation reserve attributable to the translation of foreign operations		1,867	179
Comprehensive income for the year attributable to hedging of currency risks in foreign operations		–1,320	47
Other comprehensive income, items not to be reallocated to earnings:			
Revaluations of pension liability for the year	8, 21	6	–16
Total other comprehensive income		**553**	**210**
Comprehensive income for the year		**2,496**	**1,713**

Of which, attributable to:			
Parent Company's shareholders		2,486	1,712
Non-controlling interests		10	1
Comprehensive income for the year		**2,496**	**1,713**

Consolidated balance sheet

SEK M	NOTE	31 Dec 2018	31 Dec 2017
ASSETS			
Fixed assets			
Intangible fixed assets	10		
Goodwill		33,055	29,565
Capitalised expenses for IT development		393	341
Client relationships		3,670	2,703
Other intangible fixed assets		63	81
Total intangible fixed assets		**37,181**	**32,690**
Tangible fixed assets	11		
Property investments		256	0
Computer hardware		56	58
Other tangible fixed assets		181	187
Total tangible fixed assets		**493**	**245**
Other fixed assets			
Shares and participations in joint ventures	13	4,746	0
Other shares and participations		1	3
Portfolio investments	14	24,830	21,149
Deferred tax assets	8	620	692
Other long-term receivables	15	33	36
Total other fixed assets		**30,230**	**21,880**
Total fixed assets		**67,904**	**54,815**
Current assets			
Accounts receivable	16	719	755
Property holdings		2,429	93
Client funds		917	902
Tax assets		273	347
Other receivables	17	1,553	931
Prepaid expenses and accrued income	18	890	737
Liquid assets	19	1,348	881
Total current assets		**8,129**	**4,646**
Assets in operations held for sale	39	0	8,314
TOTAL ASSETS		**76,033**	**67,775**

SEK M	NOTE	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company's shareholders	20		
Share capital		3	3
Other paid-in capital		18,237	18,237
Reserves		1,175	630
Retained earnings including net earnings for the year		4,251	3,566
Total shareholders' equity attributable to Parent Company's shareholders		**23,666**	**22,436**
Shareholders' equity attributable to non-controlling interests	12	2,006	3
Total shareholders' equity		**25,672**	**22,439**
Long-term liabilities			
Liabilities to credit institutions	23	6,534	2,703
Bond loan	23	33,254	32,052
Other long-term liabilities		395	374
Provisions for pensions	21	263	175
Other long-term provisions	22	5	9
Deferred tax liabilities	8	1,729	1,206
Total long-term liabilities		**42,180**	**36,519**
Current liabilities			
Liabilities to credit institutions	23	296	0
Bond loan	23	1,000	1,000
Commercial papers	23	2,123	2,269
Client funds payable		917	902
Accounts payable		488	572
Income tax liabilities		241	364
Advances from clients		59	64
Other current liabilities		852	541
Accrued expenses and prepaid income	24	2,056	1,794
Other short-term provisions	22	149	143
Total current liabilities		**8,181**	**7,649**
Liabilities in operations held for sale	39	0	1,168
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**76,033**	**67,775**

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

Consolidated cash flow statement

SEK M	NOTE	2018	2017
Cash flow from continuing operations			
Operating activities			
Operating earnings (EBIT)	2	3,978	2,728
Not included in cash flow:			
Amortisation/depreciation and impairment	4, 10, 11	900	436
Amortisation/revaluation of portfolio investments	14	3,854	2,787
Other adjustments for items not included in cash flow	2	–351	–23
Interest received		60	17
Interest paid		–1,244	–359
Payments for other financial expenses		–42	–360
Income tax paid		–590	–453
Cash flow from operating activities before changes in working capital		**6,565**	**4,773**
Changes in factoring receivables		–67	–62
Other changes in working capital		–344	–176
Cash flow from operating activities		**6,154**	**4,535**
Investing activities			
Purchases of intangible fixed assets	10	–232	–116
Purchases of tangible fixed assets	11	–74	–56
Portfolio investments in receivables and property holdings	14	–6,872	–7,175
Purchases of shares in subsidiaries and associated companies	35	–8,587	–1,506
Cash and cash equivalents in acquired subsidiaries	35	–400	1,038
Divestments of shares in subsidiaries and associated companies		7,511	236
Other cash flow from investing activities		729	32
Cash flow from investing activities		**–7,925**	**–7,547**
Financing activities			
Borrowings		24,963	38,216
Amortisation of loans		–21,430	–33,764
Share repurchases		–56	0
Share dividend to Parent Company's shareholders		–1,250	–651
Cash flow from financing activities		**2,227**	**3,801**
Cash flows from continuing operations		456	789
Cash flows from discontinued operations		–372	77
Change in liquid assets		**84**	**866**
Opening balance of liquid assets		**1,253**	**396**
Exchange rate differences in cash and cash equivalents		11	–9
Closing balance of liquid assets	**19**	**1,348**	**1,253**
Of which, cash and cash equivalents in discontinued operations		**–**	**372**
Discontinued operations			
Cash flow from operating activities		13	459
Cash flow from investing activities		–589	–607
Cash flow from financing activities		204	225
Group total			
Cash flow from operating activities		6,167	4,994
Cash flow from investing activities		–8,514	–8,154
Cash flow from financing activities		2,431	4,026

←

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. net earnings for the year	Total	Non-con-trolling interests	Total equity
Opening balance, 1 January 2017	72,347,726	2	906	404	2,731	4,043	87	4,130
Comprehensive income, 2017								
Net 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
Comprehensive income for the year attributable to hedging of currency risks in foreign operations				47		47		47
Revaluations of pension liability for the year					–18	–18		–18
Income tax on other comprehensive income				13	2	15		15
Comprehensive income for the year	**0**	**0**	**0**	**227**	**1,485**	**1,712**	**1**	**1,713**
						0		0
Transactions with Group owners in 2017						**0**		**0**
Share dividend					–651	–651		–651
Acquired minority interest						0	–85	–85
New share issue	59,193,594	1	17,331			17,332		17,332
Closing balance, 31 December 2017	**131,541,320**	**3**	**18,237**	**631**	**3,565**	**22,436**	**3**	**22,439**
Amended accounting principle in accordance with IFRS 9					50	50		50
Opening balance, 1 January 2018	**131,541,320**	**3**	**18,237**	**631**	**3,615**	**22,486**	**3**	**22,489**
Comprehensive income, 2018								
Net earnings for the year					1,936	1,936	7	1,943
Other comprehensive income for the year:						0		0
The year's change in translation reserve attributable to the translation of foreign operations				1,864		1,864	3	1,867
Comprehensive income for the year attributable to hedging of currency risks in foreign operations				–1,401		–1,401		–1,401
Revaluations of pension liability for the year					8	8		8
Income tax on other comprehensive income				81	–2	79		79
Comprehensive income for the year	**0**	**0**	**0**	**544**	**1,942**	**2,486**	**10**	**2,496**
Transactions with Group owners in 2018								
Share dividend					–1,250	–1,250		–1,250
Share repurchases	–250,000				–56	–56		–56
Acquired minority interest						0	1,993	1,993
Closing balance, 31 December 2018	**131,291,320**	**3**	**18,237**	**1,175**	**4,251**	**23,666**	**2,006**	**25,672**

At the end of 2018, exchange rate differences accumulated since the transition to IFRS amounted to SEK 1,175 M (631) including tax effects.

Parent Company income statement

SEK M	NOTE	2018	2017
Net revenues	3	215	159
Gross earnings		**215**	**159**
Sales and marketing expenses	3	–46	–36
Administrative expenses	3, 4	–726	–460
Operating earnings (EBIT)		**–557**	**–337**
Income from participations in subsidiaries	6, 7	2,008	368
Exchange differences on monetary items classified as expanded investment		731	–166
Interest income and similar items	6, 7	1,017	680
Interest expenses and similar items	6, 7	–1,533	–1,124
Net financial items		**2,223**	**–242**
Profit before tax		**1,666**	**–579**
Tax on net earnings for the year	8	–191	199
Net earnings for the year		**1,475**	**–380**

Parent Company statement of comprehensive income

SEK M	NOTE	2018	2017
Net earnings for the year		1,475	–380
Other comprehensive income, items to be reallocated to earnings:			
Comprehensive income for the year attributable to hedging of currency risks in foreign operations		–1,320	47
Comprehensive income for the year		**155**	**–333**

Parent Company balance sheet

SEK M	NOTE	31 Dec 2018	31 Dec 2017
ASSETS			
Fixed assets			
Intangible fixed assets	10		
Capitalised expenses for IT development		43	10
Total intangible fixed assets		**43**	**10**
Tangible fixed assets	11		
Computer hardware		5	0
Total tangible fixed assets		**5**	**0**
Financial fixed assets			
Participations in Group companies	12	30,812	25,777
Deferred tax asset	8	9	199
Receivables from Group companies		24,148	27,565
Total financial fixed assets		**54,969**	**53,541**
Total fixed assets		**55,017**	**53,551**
Current assets			
Current receivables			
Tax assets		0	3
Receivables from Group companies		11,467	7,046
Other receivables	17	13	16
Prepaid expenses and accrued income	18	271	300
Total current receivables		**11,751**	**7,365**
Liquid assets			
Cash and bank balances		251	95
Total liquid assets		**251**	**95**
Total current assets		**12,002**	**7,460**
TOTAL ASSETS		**67,019**	**61,011**

SEK M	NOTE	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		3	3
Statutory reserve		282	282
Total restricted equity		**285**	**285**
Non-restricted equity			
Share premium reserve		17,442	17,442
Fair value reserve		–1,161	156
Earnings brought forward		–1,594	92
Net earnings for the year		1,475	–380
Total non-restricted equity		**16,162**	**17,310**
Total shareholders' equity		**16,447**	**17,595**
Long-term liabilities			
Liabilities to credit institutions	23	6,534	2,694
Bond loan	23	33,254	32,052
Liabilities to Group companies		3,207	3,260
Total long-term liabilities		**42,995**	**38,006**
Current liabilities			
Overdraft facility	23	11	0
Bond loan	23	1,000	1,000
Commercial papers	23	2,123	2,269
Accounts payable		33	53
Liabilities to Group companies		3,825	1,515
Other current liabilities		3	3
Accrued expenses and prepaid income	24	582	570
Total current liabilities		**7,577**	**5,410**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**67,019**	**61,011**

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

Parent Company cash flow statement

SEK M	NOTE	2018	2017
Operating activities			
Operating earnings		–557	–337
Amortisation/depreciation and impairment		5	16
Interest received		1,017	680
Interest paid		–1,351	–1,113
Payments for other financial expenses		–110	–11
Cash flow from operating activities before changes in working capital		**–996**	**–765**
Changes in working capital		65	197
Cash flow from operating activities		**–931**	**–568**
Investing activities			
Investments in intangible fixed assets		–38	–26
Investments in tangible fixed assets		–5	0
Purchases of shares in subsidiaries and associated companies		–67	–6
Disposal of subsidiary		1,907	0
Share dividend from subsidiaries		363	368
Cash flows from investing activities		**2,160**	**336**
Financing activities			
Borrowings		26,327	38,216
Amortisation of loans		–21,430	–7,684
Net loans to subsidiaries		–4,664	–29,562
Share dividend to Parent Company's shareholders		–1,250	–651
Share repurchases		–56	0
Cash flow from financing activities		**–1,073**	**319**
Change in liquid assets		156	87
Opening balance of liquid assets		95	8
Closing balance of liquid assets	19	251	95

←

Parent Company statement of changes in shareholders' equity

See also Note 20.

SEK M	Number of shares outstanding	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Earnings brought forward	Earnings for the year	Total shareholders' equity
Opening balance, 1 January 2017	**72,347,726**	**2**	**282**	**111**	**109**	**701**	**42**	**1,247**
Comprehensive income, 2017								
Net earnings for the year							–380	–380
Other comprehensive income for the year					47			47
Comprehensive income for the year	**0**	**0**	**0**	**0**	**47**	**0**	**–380**	**–333**
Disposition of previous year's earnings						42	–42	0
Transactions with Group owners in 2017								
Share dividend						–651		–651
New share issue	59,193,594	1		17,331				17,332
Closing balance, 31 December 2017	**131,541,320**	**3**	**282**	**17,442**	**156**	**92**	**–380**	**17,595**
Comprehensive income, 2018								
Net earnings for the year							1,475	1,475
Other comprehensive income for the year					–1,317			–1,317
Comprehensive income for the year	**0**	**0**	**0**	**0**	**–1,317**	**0**	**1,475**	**158**
Disposition of previous year's earnings						–380	380	0
Transactions with Group owners in 2018								
Share dividend						–1,250		–1,250
Share repurchases	–250,000					–56		–56
Closing balance, 31 December 2018	**131,291,320**	**3**	**282**	**17,442**	**–1,161**	**–1,594**	**1,475**	**16,447**

Notes

←

Note 1: Significant accounting and valuation principles

General

The Parent Company Intrum 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 2018, 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 28 March 2019. The balance sheets and income statements will be presented to the Annual General Meeting on 26 April 2019.

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 1 January – 31 December for income statement items and 31 December for balance sheet items.

Accounting standards applied

With regard to the consolidated financial statements, the Annual Report for Intrum 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 2018, 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 recognised 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 recognised 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 2018

Since 1 January 2018, Intrum has applied IFRS 9 Financial Instruments, which replaced 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 had 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, acquired credit-impaired receivables can be reported at a higher recognised value than cost if estimates of future cash flows change, which differs from Intrum's current application of the corresponding rules under IAS 39. The effect was that earnings brought forward in the opening balance for 2018 increased by approximately SEK 50 M after tax. Comparative figures for previous years are not recalculated.

Since 1 January 2018, Intrum also applies IFRS 15 Revenue from Contracts with Customers, which replaced IAS 18 Revenue, and included new rules regarding when revenues on sales are to be reported in certain cases. IFRS 15 is based on revenue being recognised when control of the good or service is transferred to the customer, which differs from the previous basis in the transfer of risks and benefits. IFRS 15 introduced new ways of determining how and when revenue should be recognised, entailing a new approach compared with how revenue was previously reported. The sectors most affected were the construction and civil engineering sectors, as well as companies engaged in contract manufacturing. The new accounting rules had no significant effect on the Intrum Group but entailed new disclosure requirements.

From 1 January 2019, the Group will apply IFRS 16 Leases, replacing IAS 17 Leases. IFRS 16 provides that leases previously accounted for as operating leases will generally start to be reported in a manner similar to the previous accounting of financial leases. This requires a right of use asset and a lease liability to also be reported for an operating lease, with associated reporting of costs for depreciation and interest, unlike previously when the leased asset and related liability were not entered in the accounts and lease payments were amortised on a straight-line basis as a lease expense. There are exceptions for short-term leases and leases of assets of low value. Based on the information available, the Group expects the principal effects on Intrum's accounting to be that the Group's total assets will increase by a preliminary amount of approximately SEK 450 M, calculated as per the beginning of 2019, with both an asset and a liability being reported with regard to leases in effect at any given time, and with operating earnings improving by a preliminary SEK 14 M through the implicit interest expense in the leases being reported in net financial items rather than in operating earnings.

The Group plans to apply the modified retroactive method. This means that the cumulative effect of IFRS 16 being introduced will be reported under earnings brought forward in the opening balance as of 1 January 2019 without the comparison figures being translated. Leases of low value (assets that, in new condition, have a value of less than approximately SEK 50,000) – primarily comprising IT and office equipment – will not be included in the leasing debt but will continue to be expensed on a straight-line bases over the lease term. Accordingly, the amended accounting relates mainly to rented office premises and cars.

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 recognised 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 recognised directly through profit or loss.

Non-controlling interests arise in cases where the acquisition does not relate to the entire subsidiary. There are two options for recognising non-controlling interests. The two options are to recognise the percentage of non-controlling interests that makes up proportional net assets, or to recognise non-controlling interests at fair value, which means that non-controlling interests form a percentage of goodwill. The method used for recognising 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 unrealised gains and losses that arise from transactions within the Group are eliminated in their entirety in the consolidated accounts.

Unrealised gains arising from transactions with associated companies and joint ventures are eliminated to a degree corresponding to the Group's ownership of those companies. Unrealised losses are eliminated in the same way as unrealised 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 recognised in the consolidated accounts according to the equity method, which means that the holding in the company is recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 (realised) 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 (unrealised) exchange rate difference arises. Both realised and unrealised exchange rate differences of this type are recognised 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 recognised 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 recognised 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. If this is the case, translation differences are recognised under other comprehensive income in the consolidated financial statements.

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

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

Financial assets and liabilities

The Group applies IAS 32 Financial Instruments: Presentation, IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement. The comparative figures for 2017 were prepared under IAS 39 rather than IFRS 9.

A financial instrument is 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 recognised 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 recognised 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.

On initial recognition, financial assets (except accounts receivable with no significant financing component) and financial liabilities are valued at fair value plus (in the case of financial instruments not measured at fair value via the income statement) transaction costs directly attributable to the acquisition or issue. Accounts receivable with no significant financing component are valued at the transaction price.

On initial recognition, a financial asset is classified as valued at amortised cost, fair value via other comprehensive income or at fair value via the income statement. Financial assets are not reclassified after initial recognition, unless the Group changes its business model for managing financial assets, in which case all of the financial assets concerned are reclassified from the first day of the reporting period commencing after the change in business model.

A financial asset or financial liability is recognised in the balance sheet when the Company becomes party to the instrument's contractual terms. Receivables are recognised 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 recognised in the balance sheet when an invoice has been sent. Liabilities are recognised 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 recognised when an invoice is received. A financial asset is removed from the balance sheet when the rights in the agreement are realised, 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 often unsecured receivables. They are reported in accordance with the rules for acquired impaired ("credit-impaired") receivables in IFRS 9, that is, at amortised cost applying the effective interest method and an effective interest rate reflecting the degree to which the receivable is impaired. The portfolios belong to the third class of credit risk as defined in IFRS 9.

In the income statement, income from portfolio investments is recognised, in accordance with the effective interest rate method, as the collected amount less amortisation. 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 amortisation for the period and are recognised in the income statement as a charge against 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 customers, 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 customers on instalment plans and macro-economic information including assessments of economic development and unemployment in each country. 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 life cycle 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 (amortisation) 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. This means that certain portfolios may be valued at an amount higher than their 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 customers. The entire remaining carrying values of the portfolios are recognised as amortisation. The comparative figures for 2017 as regards portfolio investments refer to financial statements prepared on the basis of then existing accounting principles in IAS 39. The main difference is that the Group in 2017 applied a rule where a portfolio was never allowed to be recognised at a higher value than its acquisition cost.

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 are recognised at amortised cost.

Accounts receivable
Accounts receivable are recognised 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. Provisions for impairment are made when the receivable is first recognised, for expected credit losses, and adjusted as needed over the lifetime of receivable. The anticipated maturity of accounts receivable is short, so they are carried at amortised 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 customers. In certain cases Intrum has agreements with its clients where 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 recognised 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 amortised 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.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, 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 initially recognised at the amount received following deduction of transaction costs. Subsequent to acquisition, loans are carried at amortised cost according to the effective rate method. Long-term liabilities have an anticipated remaining 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 as valued at amortised cost. However, accounts payable have a short anticipated maturity and are carried without being discounting to a nominal amount.

Derivatives
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 recognised separately if they are not closely related to the host agreement.

Forward exchange contracts are classified as financial assets or liabilities recognised 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 the closing rate with changes in value recognised in the income statement as exchange rate differences. Changes in the value of operations-related receivables and liabilities are recognised in operating earnings, while changes in the value of financial receivables and liabilities are recognised 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 recognised in the degree the hedge is effective in total comprehensive income, while cumulative changes are recognised in equity (translation reserve). As a result, translation differences that arise when Group companies are consolidated are neutralised.

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. They have been acquired for the purpose of being divested within the Group's ongoing operations, and are therefore classified as inventories. These are reported in the balance sheet at cost or net realisable value, whichever is lower. When goods from these inventories are sold, the sales price received is recognised as income and the amount recognised 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 recognised as Group goodwill. The goodwill that can arise through business combinations implemented through other than a purchase of shares is recognised 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 recognised directly through profit or loss.

Goodwill is recognised 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, as well as the Iberian Peninsula and Latin America) 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.

Capitalised expenses 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 capitalised and recognised as intangible assets. These capitalised expenses include staff for the development team and other direct and indirect expenses. Borrowing costs are included in the cost of qualified fixed assets.

Additional expenditures for previously developed software, etc. are recognised 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 programme's functionality beyond its original use and estimated useful life.

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

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

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

Other intangible fixed assets
Other intangible fixed assets relate to other acquired rights are amortised on a straight-line basis over their estimated useful life (3–5 years). Useful life is reassessed annually. The asset is recognised at cost less accumulated amortisation and impairment losses.

Tangible fixed assets
The Group applies IAS 16 Property, Plant and Equipment and IAS 40 Investment Property.

Tangible fixed assets are recognised 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 utilised 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.

Investment properties are properties that have been acquired to be leased to others or used within the Group's operations rather than being sold. They are reported in accordance with the cost method, applying depreciation over the estimated useful life of the buildings. Additional expenses are capitalised only to the extent that they increase value in relation to performance on the date on which the property was acquired. No depreciation is applied for land.

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 recognised as other operating earnings.

An annual determination is made of each asset's residual value and useful life.

Tangible fixed assets are recognised 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 recognised in the balance sheet as a fixed asset, while the estimated present value of future lease payments is recognised as a liability. The portion of the lease fee that falls due for payment within one year is recognised as a current liability, while the remainder is recognised as a long-term liability. Minimum lease fees for finance leases are divided between interest expense and amortisation 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 recognised 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 recognised 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 recognised 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 recognised in the income statement unless the underlying transaction is recognised directly in other total comprehensive income, in which case the related tax effect is recognised 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 recognised 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 realised 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 carry forwards are only recognised if it is likely they will be utilised within the foreseeable future. The value of deferred tax assets is reduced when it is no longer considered likely they can be utilised.

Shareholders' equity
Share repurchases and transaction expenses are recognised directly against equity. Dividends are recognised 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 recognised 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 pre-tax 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 recognised 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 recognised only if the persons in question have known or presumed to have expected to be terminated by the balance sheet date.

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

A provision for dilapidation agreements on leased premises is recognised 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 customers 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 recognised as income after a certain interval. A provision is recognised in the balance sheet corresponding to the anticipated repayments of incorrectly received payments on a probability analysis.

Contingent liabilities

A contingent liability is recognised 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 recognised 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 in the impairment testing of all assets except financial assets, which are valued in accordance with IAS 9, investment assets for pension liabilities, which are valued in accordance with IAS 19 Employee Benefits, and tax assets, which are valued in accordance with 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 recognised when the carrying value of an asset or cash-generating unit exceeds its recoverable value. Impairment is recognised 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 recognised

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 recognised 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 IFRS 9 Financial Instruments.

Expenses incurred to secure bank financing are amortised across the term of the loan as financial expenses in the consolidated income statement by using the effective interest method. The amount is recognised in the balance sheet as a deduction to the loan liability.

The Group capitalises 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 2017 or 2018.

Revenue recognition

The Group applies IFRS 15 Revenue from Contracts with Customers.

Revenue, consisting of commissions and collection fees, is recognised on collection of the claim. Subscription revenue is recognised proportionately over the term of the underlying service contracts, which is usually one year. Revenue from other services is reported when the service has been performed. Revenues from selling real estate are recognised when control of the property is transferred to the buyer.

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, realised and unrealised 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 recognised when the guarantees are issued, while a liability is recognised in the balance sheet for expected losses related to those guarantees. If the customers fails to make payment, Intrum acquires the claim. The disbursement is then recognised as an acquisition of a receivable, less the liability recognised 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 recognised as cash flow from investing activities, net, after deducting liquid assets in the acquired or divested company.

Earnings per share

The Group applies IAS 33 Earnings per Share.

Earnings per share consist of net earnings for the year (attributable to the Parent Company's shareholders) divided by a weighted average number of outstanding shares during the year. In this context, treasury holdings of repurchased shares are not included in outstanding shares.

Segments

The Group applies IFRS 8 Operating Segments.

An operating segment is a part of the Group from which it can generate income and incur expenses and for which separate financial information is available that is evaluated regularly by the chief operating decision maker, i.e. the CEO in deciding how to assess performance and allocate resources to the operating segment.

Intrum'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 and the UK), as well as the Iberian Peninsula and Latin America (Spain, Portugal and Brazil). 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.

In 2018, the composition of the Group's operating segments, the geographic regions, was changed. The change entailed operations in Spain, Portugal and Brazil being reported in the Iberian Peninsula and Latin America region. Accordingly, the operations in Portugal are no longer included in the Western and Southern Europe region. The comparison figures for 2017 have been recalculated in accordance with the new region structure.

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 recognised by the Parent Company at cost, including transaction costs less any impairment. Only dividends received are recognised as income. Credit risks in the Parent company's receivables against intercompany counterparts have been assessed, with the conclusion being that there is no significant impairment.

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 recognised as dividends and Group contributions paid are recognised as shareholders' contributions. Shareholders' contributions are recognised directly in the shareholders' equity of the recipient and capitalised in the shares and participating interests of the contributor, to the extent impairment is not required.

A further goal is to reduce the proportion of fixed costs.

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

	Group	
SEK M	2018	2017
Net revenues by geographical region from external clients		
Northern Europe	3,980	3,012
Central and Eastern Europe	3,790	2,775
Western and Southern Europe	2,564	1,847
Iberian Peninsula and Latin America	3,109	1,800
Total	**13,442**	**9,434**
Revenue from customers included in net revenues		
Northern Europe	2,650	1,958
Central and Eastern Europe	1,016	766
Western and Southern Europe	1,461	1,556
Iberian Peninsula and Latin America	2,113	761
Total	**7,240**	**5,041**
Income from portfolio investments in accordance with the effective interest rate method included in net revenues		
Northern Europe	1,353	1,036
Central and Eastern Europe	2,665	2,028
Western and Southern Europe	1,161	646
Iberian Peninsula and Latin America	935	684
Total	**6,114**	**4,394**
Net revenues per country from external clients		
Spain	2,689	1,445
Norway	1,587	763
Hungary	1,197	780
Finland	1,026	966
France	1,019	835
Sweden	882	879
Germany	857	564
Switzerland	802	732
Other countries	3,383	2,470
Total	**13,442**	**9,434**
Intra-Group revenues by geographical region		
Northern Europe	336	285
Central and Eastern Europe	737	574
Western and Southern Europe	372	240
Iberian Peninsula and Latin America	267	442
Elimination	–1,712	–1,541
Total	**0**	**0**
Operating earnings by geographical region		
Northern Europe	1,294	1,014
Central and Eastern Europe	1,377	831
Western and Southern Europe	228	290
Iberian Peninsula and Latin America	1,079	593
Total operating earnings	**3,978**	**2,728**
Net financial items	–1,363	–973
Profit before tax	**2,615**	**1,755**

SEK M	Group 2018	Group 2017
Tangible and intangible fixed assets by country		
Spain	10,382	10,783
Norway	9,359	9,134
Italy	5,909	1,570
Germany	3,788	3,657
France	1,490	1,224
Finland	1,213	1,147
Sweden	1,139	1,144
Other countries	4,395	4,278
Total	**37,674**	**32,935**
Investments in tangible and intangible fixed assets		
Northern Europe	79	79
Central and Eastern Europe	66	64
Western and Southern Europe	75	157
Iberian Peninsula and Latin America	22	28
Group-wide/eliminations	56	45
Total	**299**	**373**
Amortisation, depreciation and impairment by geographical region		
Northern Europe	–93	–70
Central and Eastern Europe	–97	–58
Western and Southern Europe	–94	–62
Iberian Peninsula and Latin America	–520	–184
Group-wide/eliminations	–96	–63
Total	**–900**	**–436**
Other items not included in cash flow by geographical region		
Northern Europe	–27	–16
Central and Eastern Europe	–32	50
Western and Southern Europe	–122	–54
Iberian Peninsula and Latin America	–206	0
Group-wide/eliminations	36	–4
Total	**–351**	**–23**
Participations in associated companies and joint ventures, by region		
Northern Europe	–	10
Central and Eastern Europe	–	–
Western and Southern Europe	106	0
Iberian Peninsula and Latin America	–	–
Group-wide/eliminations	–	–
Total	**106**	**10**
Net revenues from external clients by service line		
Credit Management	7,240	4,918
Financial Services	6,202	4,516
Total	**13,442**	**9,434**

SEK M	Group 2018	Group 2017
Net revenues by service line		
Credit Management	9,480	6,700
Financial Services	6,394	4,516
Elimination of inter-service line revenue	–2,432	–1,782
Total	**13,442**	**9,434**
Operating earnings by service line		
Credit Management	2,433	1,704
Financial Services	3,600	2,456
Central expenses	–2,055	–1,432
Total	**3,978**	**2,728**

No individual client is responsible for generating more than 4 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 and the UK), as well as the Iberian Peninsula and Latin America (Spain, Portugal and Brazil). 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 recognised 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.

See also Note 40 with segment information on a pro forma basis.

Note 3: Net revenues and expenses

Income	Group		Parent Company	
SEK M	2018	2017	2018	2017
Income from customers				
Collection fees, commissions and debtor fees	5,741	4,110	–	–
Subscription income	67	71	–	–
Commission income from payment guarantees	9	4	–	–
Sale of properties	278	162		
Income from Group companies	0	0	215	159
Real estate services	547	213	–	–
Other income	598	464	–	–
Total	**7,240**	**5,024**	**215**	**159**
Income from portfolio investments				
Collections on purchased debt	10,056	7,198	–	–
Amortisation of purchased debt	–3,942	–2,785	–	–
Revaluation purchased debt	88	–3	–	–
Total	**6,202**	**4,410**	**0**	**0**
Total	**13,442**	**9,434**	**215**	**159**

Income from customers refers mainly to the Group's collection operations, and is specified above by type of income and in Note 2 by geographical region. Intrum's income from the collection operations consists mainly of fees and commissions that are recognised as income when the service (performance obligation) has been confirmed as completed with the collection case having been paid. This means that no significant contractual liabilities or contractual assets are recognised beyond accounts receivable and accrued income as stated on separate lines in the balance sheet. Intrum can be paid for the services it renders, either more or less immediately, through fees and commission being deducted from the amounts collected and deposited in the client funds account, or on invoicing the client on payment terms customary in each market, for example 30 days.

The price of the collection service can be set as a fixed fee per case, a percentage of the amount collected or a combination of the two. For certain clients and in certain markets, fixed fees are charged instead in accordance with the price list for specific collection measures in administrating the client case with the enforcement service or in court. Some clients also pay an annual fees for the right to use Intrum's services (subscriptions), usually through advance payments that are allocated over the subscription term.

Costs	Group		Parent Company	
SEK M	2018	2017	2018	2017
Personnel expenses	–4,253	–3,272	–202	–160
Amortisation/depreciation and impairment	–900	–436	–5	–16
Cost of sold real estate	–95	–34	–	–
Write-down of real estate	–9	–1	–	–
Other expenses	–4,413	–2,973	–565	–320
Total	**–9,570**	**–6,716**	**–772**	**–496**

Note 4: Amortisation/depreciation and impairment

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Capitalised expenditure for IT development	–159	–129	–5	0
Client relationships	–596	–209	–	–
Other intangible fixed assets	–54	–33		–16
Computer hardware	–31	–24	–	–
Other tangible fixed assets	–60	–40	–	0
Total	**–900**	**–436**	**–5**	**–16**

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

Costs	Group		Parent Company	
SEK M	2018	2017	2018	2017
Cost of sales	–766	–395	–5	–16
Sales and marketing expenses	–2	–	–	–
Administrative expenses	–132	–41	0	0
Total	**–900**	**–436**	**–5**	**–16**

Note 5: Participations in associated companies and joint ventures

	Group	
SEK M	2018	2017
Joint ventures		
Avarda AB (Sweden)	–	10
Ithaca Investment DAC (Ireland)	106	–
Total participations in earnings	**106**	**10**

Note 6: Financial income

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Interest income from Group companies	–	–	1,004	671
Other interest income	60	17	13	9
Dividends from Group companies	–	–	195	144
Group contributions received from Group companies	–	–	2,968	224
Gain on disposal of participations in Group companies	–	–	1,646	–
Total	**60**	**17**	**5,826**	**1,048**

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

Operating earnings in accordance with the effective interest rate method include interest income attributable to portfolio investments amounting to SEK 6,114 M (4,394), defined as the difference between the year's collected amount and amortisation for the year.

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

Note 7: Financial expenses

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Interest expenses to Group companies	–	–	–154	–68
Other interest expenses	–1,245	–582	–1,196	–623
Translation differences	19	38	740	–167
Amortisation of capitalised borrowing costs	–82	–69	–79	–69
Commitment fee	–101	–353	–101	–353
Expensed shareholder contributions to subsidiaries	–	–	–2,800	–
Other financial expenses	–14	–24	–13	–10
Total	**–1,423**	**–990**	**–3,603**	**–1,290**

All interest expenses pertain to items not carried at fair value via the income statement.

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:

	Group	
SEK M	2018	2017
Current tax		
Tax expense attributable to net earnings for the year	–429	–310
Tax adjustments attributable to previous years	–58	–2
Deferred tax		
Deferred tax related to temporary differences	–127	–44
Net deferred tax expense attributable to previously capitalised and not capitalised tax value in tax-loss carry forwards	15	–33
Total tax expense	**–599**	**–389**

In addition, a tax expense of SEK 5 M (41) from divested operations is also recognised. No tax is recognised in respect of capital gains.

The Group has operations in more than 20 countries in Europe, with varying tax rates. The current tax expense for the year relates mainly to income taxes in Switzerland, Finland, France, Italy, Belgium, Portugal, Spain, the Czech Republic, Germany and Hungary. The Group's Swedish companies paid no income tax for the relevant year as they were able to utilise tax-loss carry forwards from historic losses, as well as from the loss for the year attributable to interest expenses and exchange rate losses.

Intrum AB is domiciled in Sweden where the nominal corporate tax rate in 2017 and 2018 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	2018		2017	
Reconciliation	SEK M	%	SEK M	%
Profit before tax	2,615		1,755	
Income tax calculated at standard rate in Sweden, 22.0 percent	**–575**	**22.0**	**–386**	**22.0**
Effect of different tax rates in other countries	121	–4.6	69	–3.9
Tax effect of tax-exempt income and non-deductible expenses	–48	1.8	–55	3.1
Unrecognised tax assets pertaining to tax-loss carry forwards	–82	3.1	–29	1.6
Utilised previously unrecognised tax assets pertaining to tax-loss carry forwards	14	–0.5	33	–1.9
Adjustments to previous years and other	–29	1.1	–22	1.2
Total tax on net earnings for the year	**–599**	**22.9**	**–389**	**22.2**

Unrecognised tax assets regarding tax-loss carry forwards relate to the negative tax effect during the year attributable to losses in countries where no deferred tax asset is recognised because it is not probable that enough taxable profit will arise within the foreseeable future. Utilised previously unrecognised tax assets pertaining to tax-loss carry forwards relate to the positive tax effect over the year arising through the utilisation of tax-loss carry forwards never previously recognised 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 recognised. Such temporary differences mainly arise for portfolio investments, provisions for pensions and intangible assets. Deferred tax assets include the value of tax-loss carry forwards in the instances where they are likely to be utilised to offset taxable surpluses within the foreseeable future.

Group	2018		2017	
SEK M	Asset/ liability	Income/ expense	Asset/ liability	Income/ expense
Portfolio investments	–1,509		–1,330	
Intangible assets	–558		–20	
Tax-loss carry forwards	935		922	
Provisions for pensions	17		14	
Other	6		–99	
Total	**–1,109**	**–112**	**–514**	**–77**
Deferred tax assets	620		692	
Deferred tax liabilities	–1,729		–1,206	
Total	**–1,109**	**–112**	**–514**	**–77**

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

Deferred tax assets are reported in the balance sheet, when it is expected to be possible to offset the loss carry forwards against taxable profits within the foreseeable future. Deferred tax assets and liabilities are recognised on a net basis if they refer to the same tax authority or are planned to be used simultaneously.

The Group has tax-loss carry forwards that can be utilised against future earnings totalling SEK 6,293 M (6,215).

On 31 December 2018, deferred tax assets regarding tax-loss carry-forwards amounted to SEK 935 M and included SEK 453 M in Sweden, SEK 231 M in Norway, SEK 105 M in Germany and SEK 74 M in Spain. The utilisation of tax-loss carry forwards is limited in time in Poland, where there were tax-loss carry forwards for SEK 74 M (47) and in Slovakia, where there were tax-loss carry forwards for SEK 4 M (3). In Poland, the tax-loss carry-forwards may only be utilised during a period of five years from the year in which the loss was incurred and, in Slovakia, they may only be utilised during a period of four years. For Poland, deferred tax assets are recognised in the amount of SEK 4 M and, for Slovakia, in the amount of SEK 1 M.

Tax-loss carry forwards for which no deferred tax assets are recognised pertain mainly to Sweden with SEK 1,541 M (1,484) and the UK with SEK 501 M (337). 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 assessment that tax-loss carry forwards cannot be fully utilised against positive taxable income in the foreseeable future without first restructuring the Group internally so that, for example, the Parent Company's interest expenses are transferred to foreign subsidiaries. If such restructuring is implemented, it may be relevant to evaluate the tax-loss carry forwards in the accounts. Loss carry forwards in Sweden may also be consumed through so-called CFC taxation on the earnings of foreign subsidiaries with revenues subject to low tax rates.

Tax expenses recognised in other comprehensive income over the year amounted to SEK 79 M (15) of which SEK 81 M refers to currency hedges and SEK –2 M refers to remeasurements of pension provisions. The tax impact of implementing new accounting principles according to IFRS 9 of SEK 6 M is recognised directly against equity.

Parent Company	2018		2017	
Reconciliation of Parent Company tax rate	SEK M	%	SEK M	%
Loss after financial items	1,666		–579	
Income tax calculated at standard rate in Sweden, 22.0 percent	**–367**	**22.0**	**127**	**22.0**
Tax effect of tax-exempt income and non-deductible expenses	176	–10.5	–26	–4.5
Utilised previously unrecognised tax assets pertaining to tax-loss carry forwards	0	0.0	98	16.9
Total tax on net earnings for the year	**–191**	**5.2**	**199**	**34.4**

Tax-free income and non-deductible expenses in the Parent Company consist largely of dividends from subsidiaries, as well as gains on disposals of shares and, for 2017, non-deductible transaction expenses in connection with the merger with Lindorff. At the end of the year, the Parent Company had accumulated loss carry forwards of SEK 68 M (1,357). To the extent that it is expected to be possible to utilise them against future taxable earnings, deferred tax assets are reported for these loss carry forwards in the amount of SEK 8 M (199).

Note 9: Earnings per share

	Group	
	2018	2017
Net earnings for the year attributable to Parent Company's shareholders, continuing operations (SEK M)	2,009	1,364
Net earnings for the year attributable to Parent Company's shareholders, discontinued operations (SEK M)	–73	137
Net earnings for the year attributable to Parent Company's shareholders, total (SEK M)	**1,936**	**1,501**
Number of shares at beginning of year	131,541,320	72,347,726
New share issue	–	59,193,594
Share repurchases	–250,000	–
Number of shares at end of year	**131,291,320**	**131,541,320**
Weighted average no. of shares during the year before and after dilution	131,390,632	102,674,307
Earnings per share before and after dilution:		
Earnings from continuing operations (SEK)	14.73	13.28
Earnings from discontinued operations (SEK)	–0.56	1.33
Total earnings per share before and after dilution (SEK)	**14.18**	**14.62**

There are no instruments outstanding with a dilution potential.

Note 10: Intangible fixed assets

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Goodwill				
Acquisition cost, opening balance	29,565	3,120	–	–
Acquisitions for the year	2,235	26,449	–	–
Adjustment of acquisition analyses for the year	177	–	–	–
Translation differences	1,078	–4	–	–
Carrying values	**33,055**	**29,565**	**–**	**–**
Capitalised expenditure for IT development				
Acquisition cost, opening balance	1,455	1,170	31	5
Discontinued operations	–	–68	–	–
Capitalised expenditures for the year	190	182	38	26
Disposals	–47	–42	0	0
Purchased via acquisition	–	161	–	–
Translation differences	60	52	–	–
Accumulated acquisition cost, closing balance	**1,658**	**1,455**	**69**	**31**
Accumulated amortisation/depreciation, opening balance	–1,091	–954	–5	–5
Discontinued operations	–	64	–	–
Disposals	14	42	–	–
Purchased via acquisition	–	0	–	–
Amortisation/depreciation for the year	–159	–129	–5	0
Translation differences	–6	–114	–	–
Accumulated amortisation/depreciation, closing balance	**–1,242**	**–1,091**	**–10**	**–5**
Impairments, opening balance	–23	–23	–16	–
Impairments for the year	0	0	–	–16
Accumulated impairment, closing balance	**–23**	**–23**	**–16**	**–16**
Carrying values	**393**	**341**	**43**	**10**
Client relationships				
Acquisition cost, opening balance	3,954	202	–	–
investments	10	0	–	–
Capitalised expenditures for the year	–	101	–	–
Disposals	–979	0	–	–
Purchased via acquisition	2,059	2,699	–	–
Translation differences	165	952	–	–
Accumulated acquisition cost, closing balance	**5,209**	**3,954**	**0**	**0**
Amortisation/depreciation, opening balance	–1,251	–139	–	–
Disposals	359	–	–	–
Reclassification	1	0	–	–
Amortisation/depreciation for the year	–596	–209	–	–
Translation differences	–52	–903	–	–
Amortisation/depreciation, closing balance	**–1,539**	**–1,251**	**0**	**0**
Carrying values	**3,670**	**2,703**		
Other intangible fixed assets				
Acquisition cost, opening balance	338	242	–	–
Capitalised expenditures for the year	22	32	–	–
Disposals	0	–2	–	–
Purchased via acquisition	0	35	–	–
Translation differences	19	31	–	–
Accumulated acquisition cost, closing balance	**379**	**338**	**0**	**0**

SEK M	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Accumulated amortisation/ depreciation, opening balance	–253	–191	–	–
Discontinued operations	10	0	–	–
Disposals	0	3	–	–
Amortisation/depreciation for the year	–54	–33	–	–
Translation differences	–15	–32	–	–
Accumulated amortisation/ depreciation, closing balance	**–312**	**–253**	**0**	**0**
Impairments, opening balance	–4	–4	–	–
Accumulated impairment, closing balance	**–4**	**–4**	**0**	**0**
Carrying values	**63**	**81**	**0**	**0**

Payments during the year regarding investments in intangible fixed assets amounted to SEK 232 M (116) for the Group.

Capitalised expenditure for IT development is mainly generated internally using our own employees and/or contracted consultants. Client relations and goodwill are acquired primarily in connection with business acquisitions. Other intangible fixed assets are mainly acquired externally.

Capitalised 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 38 Intangible Assets. The goodwill value is distributed among each group of countries as follows.

SEK M	2018	2017
Northern Europe	12,223	11,870
Central and Eastern Europe	5,486	5,147
Western and Southern Europe	6,229	3,820
Iberian Peninsula and Latin America	9,117	8,728
Total	**33,055**	**29,565**

Impairment testing of goodwill for each cash-generating unit was done prior to preparation of the annual accounts. The recoverable amount is determined through an estimation of its value in use. For each cash-generating unit, management has compiled a projection of annual future cash flows based on historical experience and the Company's own plans and estimates for the future. The calculation is based on a detailed forecast for the years 2019–2020 and thereafter an annual increase of 1 percent. The cash flows have been discounted to present value applying the Group's weighted average cost of capital, which is estimated at 6.2 percent (5.1) before tax, corresponding to 4.8 percent (4.0) 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 (4) is assumed, and for 2020, 4 percent (2), with each SEK 1,000 in increased revenue being assumed to result in an increase in working capital of SEK 250 (250), that is, an "incremental increase in earnings" of 25 percent (25). For the period after 2020, perpetual growth in cash flow of 1 percent (1) annually is assumed. The same assumptions were applied for all four 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. Applying this assumption, impairment of SEK 2.4 billion would need to be recognised in goodwill attributable to the Iberian Peninsula and Latin America region.

Note 11: Tangible fixed assets

SEK M	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Property investments				
Acquisition cost, opening balance	0	–	–	–
Purchased via acquisition	256	–	–	–
Accumulated acquisition cost, closing balance	**256**	**0**	**0**	**0**
Carrying values	**256**	**0**	**0**	**0**
Computer hardware				
Acquisition cost, opening balance	322	240	1	1
Investments for the year	24	25	5	–
Sales and disposals	–5	–10	–	–
Reclassification	–27	0	–	–
Purchased via acquisition	0	17	–	–
Discontinued operations	–	–6	–	–
Translation differences	14	56	–	–
Accumulated acquisition cost, closing balance	**328**	**322**	**6**	**1**
Accumulated amortisation/ depreciation, opening balance	–264	–199	–1	–
Sales and disposals	7	10	–	–
Reclassification	27	0	–	–
Discontinued operations	0	5	–	–
Amortisation/depreciation for the year	–31	–24	–	–1
Translation differences	–11	–56	–	–
Accumulated amortisation/ depreciation, closing balance	**–272**	**–264**	**–1**	**–1**
Carrying values	**56**	**58**	**5**	**0**
Other equipment				
Acquisition cost, opening balance	530	313	–	–
Investments for the year	53	33	–	–
Sales and disposals	–14	–17	–	–
Reclassification	0	2	–	–
Purchased via acquisition	5	130	–	–
Discontinued operations	–1	–10	–	–
Translation differences	21	79	–	–
Accumulated acquisition cost, closing balance	**594**	**530**	**0**	**0**
Accumulated amortisation/ depreciation, opening balance	–343	–250	–	–
Sales and disposals	10	16	–	–
Reclassification	0	–1	–	–
Discontinued operations	–4	7	–	–
Amortisation/depreciation for the year	–60	–40	–	–
Translation differences	–16	–75	–	–
Accumulated amortisation/ depreciation, closing balance	**–413**	**–343**	**–**	**–**
Carrying values	**181**	**187**	**0**	**0**

Disbursements during the year regarding investments in tangible fixed assets for the Group amounted to SEK 74 M (56).

Note 12: Group companies

SEK M	No. of shares	2018	2017
Intrum Brasil Consultoria e Participaçoes, S.A	729	37	0
Intrum A/S, Denmark	40	188	188
Intrum AS, Estonia	430	1	1
Intrum Finans AB	66,050,000	75	75
Intrum Oy, Finland	14,000	1,649	1,649
Intrum SAS, France	5,000	345	345
Intrum Holding Greece AE	24,000	0	0
Intrum Justitia SpA, Italy	0	0	22
SIA Intrum Global Technologies, Latvia	2,000	0	0
Intrum BV, Netherlands	40	377	377
Fair Pay Please AS, Norway	0	0	264
Intrum Portugal Unipessoal Lda, Portugal	68,585	71	71
Intrum AG, Switzerland	7,000	942	942
Intrum Justitia Ibérica S.A.U, Spain	600,000	32	13
Collector Services Ltd, UK	88,100,002	0	0
Intrum Sverige AB, Sweden	22,000	1,749	1,649
Intrum International AB, Sweden	1,000	601	601
Intrum Justitia Holding GmbH, Germany	2,050,000	36	36
Intrum Austria GmbH, Austria	72,673	37	37
Intrum Romania SA, Romania	39	16	16
Intrum Financial IFN SA	3,000,000	30	0
Lock TopCo AS, Norway	861,952,839	24,626	19,491
Total carrying value		**30,812**	**25,777**

	2018	2017
Opening balances	25,777	6,322
Acquisition	67	17,348
Capital contributions paid	5,254	2,107
Disposal	–286	0
Closing balance	**30,812**	**25,777**

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.

Acquisitions in 2018 refer to Intrum Brasil Consultoria e Participaçoes, S.A, Brazil, Intrum Holding Greece AE, Greece and Intrum Financial IFN SA, Romania.

Disposals in 2018 refer to shares in Fair Pay Please AS, Norway, which was divested in accordance with the European Commission's terms for permitting the merger with Lindorff, and Intrum Justitia SpA, Italy, which was divested within the Group to Intrum Italy Holding srl.

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

	Corp. identity no.	Domicile	Share of capital
Subsidiaries of Intrum AB (publ) and their subsidiaries in the same country			
BRAZIL			
Intrum Brasil Consultoria e Partici-paçoes, S.A.	29.063.190	São Paulo	51%
DENMARK			
Intrum A/S	DK 10613779	Copenhagen	100%
ESTONIA			
Intrum Estonia AS	10036074	Tallinn	100%
FINLAND			
Intrum Oy	FI 14702468	Helsinki	100%
Intrum Rahoitus Oy	FI25086904	Helsinki	100%
FRANCE			
Intrum SAS	B322 760 497	Lyon	100%
Intrum Corporate SAS	B797 546 769	Lyon	100%
Socogestion SAS	B414 613 539	Lyon	100%
Cabinet PPN SAS	B380 637 405	Vernon	90%
Intractive SAS	B480 172 998	Lille Métropole	100%
GREECE			
Intrum Holding Greece AE	800914045	Athens	100%
LATVIA			
SIA Intrum Global Technologies	40103314641	Riga	100%
NETHERLANDS			
Intrum BV	33.273.472	Amsterdam	100%
NORWAY			
Lock TopCo AS	913,852,508	Oslo	100%
PORTUGAL			
Intrum Portugal Unipessoal Lda.	503,933,180	Lisbon	100%
Seguridad en la gestión Portugal unipessoal, LDA	508,624,878	Lisbon	100%
Andanças e Semel-hanças Unipessoal Lda	514,167,041	Lisbon	100%
ROMANIA			
Intrum Romania SA	18496757	Bucharest	100%
Intrum Financial IFN SA	39041618	Bucharest	100%
SWITZERLAND			
Intrum AG	CH-020.3.020.656-9	Zurich	100%
Inkasso Med AG	CH-020.3.913.313-8	Zurich	70%
Byjuno AG	CH-020.3.921.420-2	Zug	100%
Intrum Finance Service AG	CH-020.3.912.665-1	Zurich	100%
Intrum Brugg AG	CH-400.3.023.076-0	Brugg	100%

←

	Corp. identity no.	Domicile	Share of capital
SPAIN			
Intrum Justitia Ibérica S.A.U.	A28923712	Madrid	100%
Segestion Gabinete Tecnico Empresarial, S.L	B61210696	Madrid	100%
Seguridad en la gestión, S.L	B58182973	Barcelona	100%
UNITED KINGDOM			
Intrum UK Group Ltd	03515447	Reigate	100%
Intrum UK Holdings 2 Ltd	01356148	Reigate	100%
Intrum UK 2 Ltd	01918920	Reigate	100%
Intrum UK Funding Ltd	05265651	Reigate	100%
Intrum UK Acquisitions Ltd	05265652	Reigate	100%
Intrum UK Holdings Ltd	04325074	Reigate	100%
Intrum UK Ltd	03752940	Reigate	100%
Intrum UK Finance Ltd	04140507	Reigate	100%
Intrum UK Finance 6 Ltd	07694793	Reigate	100%
Intrum UK Finance 7 Ltd	07694791	Reigate	100%
Intrum UK Finance 8 Ltd	07694764	Reigate	100%
Intrum UK Finance 9 Ltd	08149397	Reigate	100%
Intrum UK Finance 10 Ltd	08149421	Reigate	100%
SWEDEN			
Intrum Sverige AB	556134-1248	Stockholm	100%
Intrum Intl AB	556570-1181	Stockholm	100%
Intrum Finans AB	556885-5265	Stockholm	100%
AUSTRIA			
Intrum Austria GmbH	FN 48800s	Vienna	100%
Schimmelpfeng Auskunftei GmbH	FN 105105t	Vienna	100%

Subsidiaries of Intrum Sverige AB

LUXEMBOURG			
Intrum Luxembourg sarl	B 183336	Luxembourg	100%
SWEDEN			
Intrum Delgivnings-service AB	556397-1414	Stockholm	100%
Intrum Shared Services AB	556992-4318	Stockholm	100%

Subsidiaries of Intrum Intl AB

MAURITIUS			
Intrum Mauritius Ltd	127206	Port Louis	100%
SWITZERLAND			
Intrum Debt Finance AG	CH-020.3.020.910-7	Zug	100%
Intrum Debt Finance Domestic AG	CH-170.3.026.065-5	Zug	100%
Intrum Licensing AG	CH-020.3.926.747-8	Zug	100%

	Corp. identity no.	Domicile	Share of capital
SWEDEN			
Fair Pay Management AB	556239-1655	Stockholm	100%
Fair Pay Please AB	556259-8606	Stockholm	100%

Subsidiaries of Intrum Debt Finance AG

LUXEMBOURG			
LDF65 S.a r.l.	B 134749	Luxembourg	100%
IDF 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%
Lindorff I NSFIZ	RFI 752	Wroclaw	100%

Subsidiary of Fair Pay Please AB

BELGIUM			
Intrum N.V	BE 0426237301	Ghent	100%
Outsourcing Partners N.V	BE 0466643442	Ghent	100%

Subsidiaries of Intrum BV

FRANCE			
FCT IJ Invest SAS	—	—	100%
IRELAND			
Intrum Ireland Ltd	175808	Dublin	100%
NETHERLANDS			
Intrum Justitia Data Centre BV	27.306.188	Amsterdam	100%
SLOVAKIA			
Intrum Slovakia s. r. o.	35,831,154	Bratislava	100%
CZECH REPUBLIC			
Intrum 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%
Intrum Hitel Zrt.	01-10-045485	Budapest	100%

Subsidiaries of Fair Pay Management AB

SWEDEN			
Intrum Invest AB	556786-4854	Varberg	100%

	Corp. identity no.	Domicile	Share of capital
Subsidiary of Lock TopCo AS			
SWEDEN			
Indif AB	556733-9915	Stockholm	100%

	Corp. identity no.	Domicile	Share of capital
Subsidiary of Indif AB			
SWEDEN			
Intrum Holding AB	556723-5956	Stockholm	100%

	Corp. identity no.	Domicile	Share of capital
Subsidiaries of Intrum Holding AB and their subsidiaries in the same country			
FINLAND			
Lindorff Finland Oy	1858518-2	Helsinki	100%
IRELAND			
Lindorff Investment No 1 DAC	584295	Dublin	100%
Intrum Hellas DAC	613412	Dublin	100%
Intrum Hellas 2 DAC	626396	Dublin	100%
ITALY			
LSF West Srl	09409950962	Milan	100%
Intrum Italy Holding Srl	08724660967	Milan	100%
Cross Factor SPA	09490900157	Milan	100%
Isabel SPV Srl	04614020263	Milan	100%
Gextra Srl	03008751202	Bologna	51%
Intrum Italy Spa	10311000961	Milan	51%
CAF Spa	08010981002	Rome	51%
FT Real Estate Srl	09421851008	Rome	100%
LATVIA			
Intrum Latvia SIA	40203088409	Riga	100%
LITHUANIA			
Intrum Lietuva UAB	304615887	Vilnius	100%
Intrum Global Business Services UAB	303,326,659	Vilnius	100%
NETHERLANDS			
Intrum Nederland Holding BV	08178741	Amsterdam	100%
Intrum Nederland BV	05025428	Amsterdam	100%
Mirus International BV	30150149	Amsterdam	100%
Marjoc I BV	08203108	Ede	100%
NORWAY			
Lindorff Holding Norway AS	992,984,899	Oslo	100%
Lindorff AS	835,302,202	Oslo	100%
Lindorff Obligations AS	945,153,547	Oslo	100%

	Corp. identity no.	Domicile	Share of capital
POLAND			
Intrum Global Technologies Spzoo	0000654943	Wroclaw	100%
Intrum Spzoo	5212885709	Warsaw	100%
Kancelaria Prawna KIG Intrum Spzoo SK w likwidacji	5213705017	Warsaw	100%
Intrum K & WKP SK	000270515	Wroclaw	99%
Intrum Detektyw Spzoo	0000223801	Wroclaw	95%
Intrum Service Spzoo	0000364126	Wroclaw	100%
Finotrex Spzoo w likwidacji	0000507125	Wroclaw	100%
Trigon Profit NS FIZ	1037	Warsaw	99.62%
Trigon Profit II NS FIZ	1099	Warsaw	100%
SPAIN			
Intrum Holding Spain SAU	A86128147	Madrid	100%
Intrum Servicing SAU	A85582377	Madrid	100%
Northwind Investments Holdings, S.L.U.	B88213012	Madrid	100%
Northwind Finco, S.L.	B88250774	Madrid	80%
Global Zappa, S.L.U.	B88208822	Madrid	100%
Copodia ITG, S.L.U.	B88174131	Madrid	100%
Lindorff Iberia Holding SLU	B87523262	Madrid	100%
Aktua Soluciones Financieras Holdings SL	B86538279	Madrid	85%
Aktua Soluciones Financieras SL	B84983956	Madrid	100%
Aktua Soluciones Immobiliaras SLU	B50509447	Zaragoza	100%
SWEDEN			
Intrum Holding 2 AB	556664-5460	Gothenburg	100%
Lindorff International AB	559077-1274	Stockholm	100%
GERMANY			
Lindorff Finanzholding GmbH	HRB 87998	Heppenheim	100%
Lindorff Holding GmbH	HRB 88008	Heppenheim	100%
Lindorff Deutschland GmbH	HRB 87484	Heppenheim	100%
DMV Debitoren-management– und Verwaltungsgesellschaft mbH	HRB 81939	Hamburg	100%
HIT Hanseatische Inkasso-Treuhand GmbH	HRB 52053	Hamburg	100%
AssetGate GmbH	HRB 13260	Heppenheim	100%
Intrum Financial Services GmbH	HRB 4709	Darmstadt	100%
Intrum Justitia Banken-services GmbH	HRB 5345	Darmstadt	100%
Schimmelpfeng Credit-management GmbH	HRB 85778	Darmstadt	100%

←

	Corp. identity no.	Domicile	Share of capital
Subsidiaries of Lindorff Investment DAC No 1			
SPAIN			
Locairol ITG, S.L.U.	B87882528	Madrid	100%
Venira ITG, S.L.U.	B88001128	Madrid	100%
Subsidiary of Intrum Spzoo			
CYPRUS			
Casus Management Ltd	HE 310705	Nicosia	100%
Subsidiary of Intrum Holding 2 AB			
NORWAY			
Lindorff Capital AS	958,422,830	Oslo	100%
Companies without a shareholding that are consolidated on the basis of contractual controlling interest			
ITALY			
IJ DF Italy Srl	08438930961	Milan	
Alicudi SPV srl	04703580268	Treviso	

Subsidiaries in which the Company has a holding without a controlling interest (minority interests)

	Minority interest in equity		Minority interests in earnings	
SEK M	2018	2017	2018	2017
IJCOF Corporate SAS, France	0	0	0	2
Inkasso Med AG, Switzerland	4	3	0	0
Intrum Brasil Consultoria e Participaçoes, S.A	7	–	–3	–
Northwind Finco, S.L.	174	–	0	–
Intrum Italy SPA	1,136	–	15	–
CAF SpA	660	–	0	–
Gextra Spl	25	–	–5	–
Total	**2,006**	**3**	**7**	**2**

Ellisphère SA was a minority shareholder in IJCOF Corporate SAS during the period January to March 2017.

Ärztekasse Genossenschaft Urdorf AG is a minority shareholder in Inkasso Med AG.

Private individual Lucilla Ines Tchira holds 49 percent of the shares in Intrum Brasil Consultoria e Participaçoes, S.A.

A subsidiary of Ibercaja Banco is a minority shareholder in Northwind Finco, S.L., holding 20 percent of the shares.

Intesa Sanpaolo SpA is a minority shareholder in Intrum Italy SpA, CAF SpA and Gextra Srl, holding 49 percent of the shares in those companies.

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 utilised.

Note 13: Shares and participations in joint ventures

	Group	
SEK M	2018	2017
Joint venture		
Ithaca Investment Designated Activity Company, Dublin	4,746	–
Total, joint ventures	**4,746**	**–**

Ithaca Investment DAC

Since 2018, Intrum has held profit participating notes corresponding to 80 percent of the capital in Ithaca Investment DAC. The company is subject, by agreement, to controlling influence shared by Intrum and CarVal Investors.

Ithaca Investment DAC invests in junior notes and mezzanine loans issued by the Italian company Penelope SPV S.R.L., corresponding to 51 percent of the capital in Penelope SPV. Penelope has invested in overdue receivables acquired from Banca Intesa Sanpaolo in 2018. Penelope also controls property company, Savoy Reoco S.R.L., which assumes control of seized collateral in the form of properties.

Summary financial information on a 100 percent basis for Ithaca Investment DAC including the consolidated companies Penelope SPV S.R.L. and Savoy Reoco S.R.L:

SEK M	2018
Income statement	
Total revenues	379
Operating earnings (EBIT)	308
Net financial items	–75
Profit before tax	**233**
Taxes	0
Net earnings for the year	**233**
Of which, attributable to:	
Parent Company's shareholders	132
Non-controlling interests	101
Earnings for the period	**233**
Balance sheet	
ASSETS	
Other fixed assets	
Portfolio investments	27,031
Current assets	
Property holdings	73
Other receivables	137
Prepaid expenses and accrued income	43
Cash and bank balances	1,096
Total assets	**28,380**
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' equity	
Attributable to Parent Company's shareholders	135
Attributable to non-controlling interests	98
Total shareholders' equity	**234**
Liabilities	
Junior notes	6,151
Mezzanine loan	5,033
Senior notes	16,778
Current liabilities	78
Accrued income	107
Total shareholders' equity and liabilities	**28 380**

Note 14: Portfolio investments

Purchased debt		Group
SEK M	2018	2017
Acquisition cost, opening balance	35,775	20,611
Effect before tax of amended accounting principle in accordance with IFRS 9	56	–
Discontinued operations	0	–519
Purchased debt	6,882	7,130
Sales and disposals	–65	14
Purchased via acquisition	0	7,826
Translation differences	1,568	713
Accumulated acquisition cost, closing balance	**44,216**	**35,775**
Amortisation, opening balance	–14,626	–11,878
Discontinued operations	0	391
Amortisations and revaluations for the year	–3,854	–2,788
Sales and disposals	–12	15
Reclassification	–83	–
Translation differences	–811	–366
Accumulated amortisation, closing balance	**–19,386**	**–14,626**
Carrying values	**24,830**	**21,149**

Amortisations and revaluations for the year		Group
SEK M	2018	2017
Time and interest component	–3,942	–2,785
Upwards revaluation in connection with changes in expectations in projections of future cash flows	795	332
Impairment in connection with changes in expectations in projections of future cash flows	–707	–335
Total amortisations and revaluations for the year	**–3,854**	**–2,788**

Payments during the year for portfolio investments amounted to SEK 6,872 M (7,175).

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

Note 15: Other long-term receivables

		Group
SEK M	2018	2017
Deposits	16	16
Loan receivables	17	20
Total	**33**	**36**
Opening balances	36	6
Paid	–3	0
Repaid	0	0
Reported through acquisitions of subsidiaries	0	30
Carrying values	**33**	**36**

Note 16: Accounts receivable

		Group
SEK M	2018	2017
Non-delinquent receivables	403	453
Accounts receivable < 30 days overdue	114	140
Accounts receivable 30–60 days overdue	30	59
Accounts receivable 61–90 days overdue	29	30
Accounts receivable > 90 days overdue	175	97
Total accounts receivable	**751**	**779**
Accumulated reserve for impaired receivables, opening balance	–24	–19
Reserve for impaired receivables for the year	–17	–12
Realised client losses for the year	1	5
Withdrawals from reserve for impaired accounts receivable for the year	9	1
Translation difference	–2	1
Accumulated impaired receivables, closing balance	**–32**	**–24**
Carrying values	**719**	**755**

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

Note 17: Other receivables

		Group		Parent Company
SEK M	2018	2017	2018	2017
Outlays on behalf of clients	165	145	–	–
Less: reserve for uncertainty in outlays on behalf of clients	–3	–6	–	–
Total	**162**	**139**	**–**	**–**
Factoring receivables	437	351	–	–
Acquired VAT refund claims on purchased debt	54	66	–	–
To be recovered from Netherlands bailiffs	87	89	–	–
Receivable, co-financier of joint venture	373	–	–	–
Receivable, joint venture	145	–	–	–
A further goal is to reduce the proportion of fixed costs.	295	286	13	16
Total	**1,391**	**792**	**13**	**16**
Carrying values	**1,553**	**931**	**13**	**16**

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 customers and is therefore recognised as a separate receivable. The portion that is expected to be recovered within 12 months is recognised 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 enforcement authorities.

Note 18: Prepaid expenses and accrued income

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Prepaid expenses and accrued expenses				
Prepaid rent	14	18	0	0
Prepaid insurance premiums	4	3	2	1
Prepaid expenses for purchased debt	58	7	0	0
Accrued income (contract assets)	480	351	0	0
Derivative assets (forward exchange contracts)	229	212	229	212
Other	105	147	40	87
Total	**890**	**737**	**271**	**300**

Note 19: Cash and cash equivalents

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Cash and bank balances	1,315	857	251	95
Restricted bank accounts	33	24	0	0
Total	**1,348**	**881**	**251**	**95**

Note 20: Shareholders' equity

Share capital
According to the Articles of Association of Intrum 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. See below regarding repurchased shares.

New share issue
On 27 June 2017, Intrum Justitia AB merged with Lindorff and completed a non-cash issue, whereby Intrum Justitia AB issued 59,193,594 new Intrum Justitia shares, in exchange for all shares in Lock TopCo AS, which was the parent company of the Lindorff Group. Accordingly, there are 131,541,320 shares outstanding in Intrum.

Share repurchase
No shares were repurchased in 2017. In 2018, 250,000 shares were repurchased for SEK 56 M. Accordingly, there were 131,291,320 shares outstanding in Intrum at the beginning of 2018. The average number of shares outstanding over the year was 131,390,632 (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 programmes. 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 (9.50), or a total estimated payout of SEK 1,247 M (1,250).

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 unrealised 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 totalled SEK 25,672 M (22,439).

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 4.3 (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 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 and employees in Norway and Italy are covered by unfunded defined benefit pension plans that can be paid out as a one-time sum or as monthly payments following retirement. In France, 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 recognised 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 recognised in other comprehensive income.

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

	Group	
SEK M	2018	2017
Present value of fully or partly funded obligations	321	319
Fair value of plan assets	–253	–243
Deficit in the plan	**68**	**76**
Present value of unfunded obligations	195	99
Total provisions for pensions	**263**	**175**

Changes in net obligation:

	Group	
SEK M	2018	2017
Opening balances	175	157
Expenses for employment in current year	15	17
Interest expense	5	2
Pensions paid	–19	–19
Pension provisions in acquired operations	86	26
Discontinued operations	–	–24
Revaluations	–8	18
Exchange rate differences	9	–2
Closing balance	**263**	**175**

Reconciliation of fair value of assets under management:

	Group	
SEK M	2018	2017
Opening balance	243	247
Fees paid	41	40
Compensation paid	–43	–23
Interest revenue	2	2
Assets under management in acquired operations	0	37
Discontinued operations	–	–53
Revaluations	–7	5
Exchange rate differences	17	–12
Closing balance	**253**	**243**

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

	Group	
SEK M	2018	2017
Expenses for employment in current period	15	17
Net interest income/expense	5	2
Total pension expense in net earnings for the year	**20**	**19**

Costs for employment in the current period are reported in operating earnings. Net interest income/expense is reported under net financial items. Revaluations of the pension liability are included in other comprehensive income in the amount of SEK 8 M (negative 18) before tax. In calculating provisions for pensions, the following assumptions are used:

	Group	
%	2018	2017
Discount rate	0.85–2.50	0.75–2.30
Assumed rate of increase in compensation	1.0–2.5	1.0–2.5
Assumed return on assets under management	1.0–2.0	1.0–4.0
Assumed pension increases	0.4–2.0	0.4–3.0
Future adjustment to social security base	2.0–4.2	2.5–4.2

The Group also finances a number of defined contribution plans, Consolidated expenses for these amounted to SEK 146 M (108).

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 307 M (273), and the fair value of the assets under management is SEK 237 M (206). Consequently, the net pension liability is SEK 70 M (67). The pension commitment is funded through insurance contracts. During the year Intrum paid SEK 42 M (40) to the plan, while disbursements to retirees amounted to SEK 43 M (22). In 2019 payments to the plan are estimated at SEK 42 M, with disbursements to retirees of SEK 43 M. For these pension plans, a discount rate of 0.85 percent is applied. An increase/decrease in the discount rate by 0.5 percentage points would entail the pension liability decreasing by 7.7 percent/increasing by 8.9 percent.

For Group employees in Norway, mandatory occupational pensions commitments exist that were previously secured through a funded defined benefit pension solution, although these were replaced in 2019 by an unfunded defined benefit solution and a defined contribution solution.

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 142 percent (154). 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

	Group	
SEK M	2018	2017
Opening balances	152	27
Amounts utilised during the year	–134	–27
Unutilised amounts reversed during the year	–18	0
New provisions for the year	33	64
Provisions in acquired operations	114	88
Provisions in divested operations	1	0
Translation differences	6	0
Closing balances	**154**	**152**

	Group	
SEK M	2018	2017
Of which, long-term provisions		
Expenses for returning leased office premises to their original condition	2	2
Personnel expenses	2	7
Rent and additional costs	1	0
Of which, short-term provisions		
Expenses for termination of personnel and other restructuring expenses	0	51
Additional purchase consideration for shares	138	92
Consultancy expenses (law, tax and compliance)	11	0
Total	**154**	**152**

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

Note 23: Borrowing

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Long-term liabilities				
Bank loans	6,534	2,703	6534	2,694
Bond loan	33,254	32,052	33,254	32,052
Current liabilities				
Commercial papers	2,123	2,269	2,123	2,269
Bond loan	1,000	1,000	1,000	1,000
Bank overdraft facilities	296	0	11	0
Total	**43,207**	**38,024**	**42,922**	**38,015**

Since June 2017, Intrum AB has had a four and a half year revolving syndicated loan facility totalling EUR 1,100 M with a bank consortium consisting of five Nordic banks. The loan framework of EUR 1,100 M can be utilised for borrowing in a number of different currencies. On 31 December 2018, the loan framework had been utilised for loans in SEK totalling SEK 0 M (700), in EUR totalling EUR 295 M (100), in GBP totalling GBP 102 M (0), in NOK totalling NOK 3,000 M (0) and in HUF totalling HUF 16,200 M (0). The unutilised portion of the facilities amounted to SEK 4,241 M (8,008). 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 2018. 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 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. During 2018, Intrum issued an additional public bond for SEK 1,000 M, and thus has bond loans outstanding for a total SEK 34,254 M (33,052). In 2018, Intrum also issued a commercial paper that, at the end of the year, amounted to SEK 2,123 M (2,269).

Change in borrowings during the year	Group	
SEK M	2018	2017
Opening balance	38,024	7,843
Borrowings	24,963	38,216
Amortisation of loans	–21,430	–33,764
Acquisitions and divestments	286	25,687
Translation differences	1,364	42
Closing balance	**43,207**	**38,024**

Bonds outstanding as per 31 December 2018

Designation	Maturity date	Interest rate for fixed-rate bonds, and margin for variable-rate bonds	Currency	Nominal amount in currency, million	Nominal amount, SEK M	Carrying value, SEK M	Market value of bond, SEK M
EUR 2024 Fix	15 July 2024	3.13%	EUR	900	9,233	9,163	8,240
EUR 2022 Fix	15 July 2022	2.75%	EUR	1,500	15,388	15,282	14,234
EUR 2022 Float	15 July 2022	2.63%	EUR	300	3,078	3,056	2,890
SEK 2022 Float	15 July 2022	2.75%	SEK	3,000	3,000	2,980	2,872
SEK 2020 Float	6 July 2020	1.90%	SEK	1,000	1,000	998	988
SEK 2019 Fix	15 May 2019	3.13%	SEK	200	200	226	202
SEK 2019 Float	15 May 2019	1.60%	SEK	800	800	908	801
EUR 2013 Float PP	22 June 2023	–	EUR	160	1,641	1,641	1,379
Total					**34,340**	**34,254**	**31,606**

Bonds with the word "Fix" in the designation accrue a fixed interest rate. Bonds with the word "Float" in the designation accrue a variable interest rate.

Maturities of long-term bank borrowings

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Maturities of long-term bank borrowings				
Between 1 and 2 years	1,000	1,000	1,000	1,000
Between 2 and 3 years	11,200	11,200	11,200	11,200
Between 3 and 4 years	21,466	–	21,466	–
Between 4 and 5 years	1,646	22,281	1,646	22,281
More than 5 years	9,233	8,854	9,233	8,854
Total	**44,545**	**43,335**	**44,545**	**43,335**
Unused lines of credit excluding guarantee facility				
Expiring within one year	0	0	0	0
Expiring after more than one year	4,200	8,008	4,200	8,008
Total	**4,200**	**8,008**	**4,200**	**8,008**

Specification of maturity dates for short and long-term loans as per 31 December 2018 (excluding interest)

SEK M	2019	2020	2021	2022	2023	2024
Commercial papers	2,124					
Bond loan	1,000	1,000		21,466	1,646	9,233
Syndicated loan facility			7,000			
Unutilised portion of facility			4,200			
Total	**3,124**	**1,000**	**11,200**	**21,466**	**1,646**	**9,233**

Specification of maturity dates for short and long-term loans as per 31 December 2017 (excluding interest)

SEK M	2018	2019	2020	2021	2022	2023	2024
Commercial papers	2,270						
Bond loan	1,000	1,000			20,707	1,574	8,854
Syndicated loan facility				2,814			
Unutilised portion of facility				8,386			
Total	**3,270**	**1,000**	**0**	**11,200**	**20,707**	**1,574**	**8,854**

Note 24: Accrued expenses and prepaid income

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Accrued social security expenses	116	103	20	22
Accrued vacation pay	192	187	12	14
Accrued bonus expense	241	264	55	50
Prepaid subscription income	110	81	0	0
Provisions for losses on charge card guarantees	1	1	0	0
Accrued interest	387	388	386	387
Provision for expenses to pay to collection authorities in the Netherlands	15	19	0	0
Other accrued expenses	994	751	109	97
Total	**2,056**	**1,794**	**582**	**570**

Note 25: Pledged assets, contingent assets and contingent liabilities

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Pledged assets				
Deposits	16	16	–	–
Restricted bank accounts	33	24	0	8
Shares in subsidiaries	35,503	28,371	29,944	24,709
Total	**35,552**	**28,411**	**29,944**	**24,717**
Contingent assets	None	None	None	None
Contingent liabilities				
Payment guarantees	120	111	–	–
Total	**120**	**111**	**0**	**0**

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 client 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 amount guaranteed was SEK 120 M (111). 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 Spain, a number of disputes are 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. Although Intrum won in the court of first instance in 2018, the counterparties have appealed. Intrum refutes all of these claims. The potential impact on consolidated earnings is not considered to be material.

In Poland, a dispute is in progress related to the acquisition of Casus Finanse S.A. 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 requested an expert opinion in 2018 and is expected to announce its ruling in the spring of 2019. Intrum Justitia has made a provision for the dispute in accordance with the anticipated outcome.

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			
		2018		2017		2018		2017
	Men	Women	Men	Women	Men	Women	Men	Women
Belgium	49	58	45	48	–	–	–	–
Brazil	13	10	–	–	–	–	–	–
Denmark	74	110	66	109	–	–	–	–
Estonia	5	20	6	21	–	–	–	–
Finland	120	324	131	306	–	–	–	–
France	200	443	197	455	–	–	–	–
Ireland	33	45	25	45	–	–	–	–
Italy	108	166	31	133	–	–	–	–
Latvia	148	73	126	51	–	–	–	–
Lithuania	59	220	27	110	–	–	–	–
Luxembourg	1	0	1	0	–	–	–	–
Mauritius	20	39	15	31	–	–	–	–
Netherlands	129	81	138	97	–	–	–	–
Norway	295	349	157	191	–	–	–	–
Poland	227	279	218	333	–	–	–	–
Portugal	77	150	56	122	–	–	–	–
Romania	65	117	50	74	–	–	–	–
Switzerland	130	140	134	133	–	–	–	–
Slovakia	34	65	33	57	–	–	–	–
Spain	614	1,256	429	810	–	–	–	–
UK	65	82	58	59	–	–	–	–
Sweden	157	256	156	264	39	29	34	23
Czech Republic	32	46	33	52	–	–	–	–
Germany	157	340	99	225	–	–	–	–
Hungary	147	243	106	192	–	–	–	–
Austria	13	26	14	24	–	–	–	–
Total	**2,972**	**4,938**	**2,351**	**3,942**	**39**	**29**	**34**	**23**
		7,910		**6,293**		**68**		**57**

Of the Group's employees 21 percent are younger than 30 years old, 37 percent are 30–39 years old, 25 percent are 40–49 years old and 17 percent are 50 years old or older.

		2018		2017
	Men	Women	Men	Women
Gender distribution of senior executives				
Board of Directors	6	3	6	2
Group Management Team	10	3	10	4
Country Managers	20	3	16	5
Board members in subsidiaries (percent)	85	15	80	20

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

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Salaries and other remuneration to Board members, Presidents and Executive Vice Presidents	**141**	**136**	**16**	**8**
Salaries and remunerations to other employees				
Northern Europe	1,096	842	–	–
Central & Eastern Europe	690	552	–	–
Western and Southern Europe	718	502	–	–
Iberian Peninsula and Latin America	656	423	–	–
Head offices and central operations	219	252	127	114
Total salaries and other remuneration, Group	**3,520**	**2,707**	**144**	**122**
Social security expenses	728	565	58	39
Of which, pension expenses	161	125	20	15
Total	**4,248**	**3,272**	**202**	**160**

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

Note 28: Terms of employment for senior executives

Guidelines on compensation for senior executives
The 2018 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 Justitia 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's earnings. We also strive to be able to recruit, develop and retain high-performance employees in a competitive international environment. At the same time, we try to ensure that our employees are offered salaries in line with the market.

Remuneration levels should reflect duties, responsibility and performance, and should be competitive compared with similar companies in similar sectors in the same geographic area. To ensure that appropriate behaviours 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 three principal components: fixed salary, incentive programmes and pension benefits. Other benefits, such as a company car, may be offered as well.

Fixed salary is set based on three perspectives: The complexity and responsibility of the post, individual performance and local market conditions.

Variable salary component
Intrum's variable salary component primarily rewards financial business targets and serves to encourage short-term performance. It is set for one 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 35 and 50 percent for other members of Group Management. However, the Chief Risk Officer does not receive a variable salary component.

Long-term incentives
Through the long-term incentive programme, 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 in the company's financial success. Growth in Intrum Justitia'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 the variable salary component, an effect of the programme's design is that the cost varies alongside the Group's financial performance.

It is proposed that long-term incentives be offered in the form of shares or share-related instruments. The maximum initial allocation is 150 percent of fixed annual salary for the CEO, CFO and CIO and between 35 and 50 percent for other members of Group Management.

The outcome of long-term incentives is not pensionable.

Costs
For 2018, expenses for incentive programmes for the CEO and other members of Group Management are expected to amount to at most SEK 18 M for the variable salary component and at most SEK 33 M for the long-term incentive programme, excluding social security contributions. The estimate does not take into account any changes in the composition of Group Management during the year.

Guidelines for individual share ownership
To further encourage commitment and behaviour as shareholders among Group Management, expectations are expressed with regard to individual shareholdings representing a certain proportion of annual fixed salary before tax – 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. . Each member of Group Management has (individually) been allocated a period of time in which to accumulate shares if this target has yet to be met.

Other
In the event of termination by Intrum Justitia, 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 two 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 2018, Mikael Ericson, President and CEO, received remuneration in accordance with the Group's principles as detailed above. In 2018, his fixed monthly salary amounted to SEK 500,000. In addition to his fixed salary, he had the opportunity to receive 50 percent of his annual salary within the framework of the short-term remuneration programme and 50 percent of his annual salary within the framework of the 2016 long-term remuneration programme, in proportion to his period of employment. In 2018, he was offered long-term incentives with an initial allocation of 150 percent of his fixed annual salary. 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 subsidised meals under the same terms as other Group employees in Sweden.

Terms of employment and remuneration for other members of Group Management
During 2018, other members of Group Management also had benefit levels in accordance with the Group's principles as detailed described above. This includes fixed annual salary and the opportunity to receive 0–50 percent of annual salary within the framework of the short-term remuneration programme and, for former members of Intrum Justitia's Group Management, 20–50 percent within the framework of the 2016 long-term remuneration programme. In 2018, they were offered long-term incentives with an initial allocation of 35–150 percent of their fixed annual salary. 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 subsidised meals and travel.

In March 2017, certain senior executives, excluding the President and CEO, were offered an additional bonus, amounting to two or three months' salary, linked to the merger between Intrum Justitia and Lindorff. With the predetermined terms having been met, the exceptional bonus was paid out in March 2018. Reported variable remuneration below includes the exceptional bonus, which was vested during the period 22 March 2017 to 31 March 2018.

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 112–114) other than the CEO. In 2018, two individuals were appointed and three stepped down. During the period from 12 February 2018 to 16 July 2018, Thomas Moss was acting CFO and thus a member of Group Management. At the end of 2018, there were 12 other senior executives.

SEK thousands	2018	2017
President and CEO		
Mikael Ericson		
Base salary	6,000	5,570
Variable compensation	4,920	4,309
Other benefits	75	106
Pension expenses	2,136	1,984
Total, President and CEO	**13,132**	**11,970**
Other senior executives (13 individuals)		
Base salary	36,094	28,080
Variable compensation	19,375	23,096
Other benefits	2,651	1,622
Severance pay	0	3,458
Pension expenses	5,615	4,085
Total other senior executives	**63,735**	**60,341**

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 2017 was disbursed in 2018, while the variable remuneration for 2018 is to be disbursed in 2019.

No share-based remunerations were paid in 2017 or 2018.

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 6,795 thousand (5,395). Board fees are distributed between Directors as determined by the AGM according to the proposal by the Nomination Committee. The Directors have no pension benefits or severance agreements.

SEK thousands	2018	2017
Board fees		
Per E. Larsson, Chairman	1,310	1,060
Magnus Yngen, Deputy Chairman	700	600
Magdalena Persson	600	0
Hans Larsson	750	800
Kristoffer Melinder	600	450
Andreas Näsvik	600	600
Synnöve Trygg	750	600
Fredrik Trägårdh	685	535
Ragnhild Wiborg	800	650
Total Board fees	**6,795**	**5,395**

Board fees pertain to the period from the 2017 Annual General Meeting until the 2018 Annual General Meeting and from the 2018 Annual General Meeting until the 2019 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

	Group		Parent Company	
SEK M	2018	2017	2018	2017
External audit assignments				
Ernst & Young	21	15	4	4
Audit assignments, other auditors	9	15	0	0
Other assignments				
Ernst & Young review activities beyond the audit assignment	7	3	0	0
Total	**37**	**33**	**4**	**4**

Note 30: Operational leasing

	Group		Parent Company	
SEK M	2018	2017	2018	2017
Lease payment commitments on non-cancellable leases				
Year 1	171	213	1	3
Years 2–4	351	402	1	2
Year 5 and thereafter	113	126	0	0
Total	**635**	**741**	**2**	**5**

The present values above include lease commitments that will not be reported in the balance sheet in accordance with IFRS 16, since they relate to short-term leases or leases of lower value.

Lease costs for operating leases amounted to SEK 193 M (192) during the year, of which SEK 2 M (2) were in the Parent Company.

Operating leasing primarily refers to the office premises used by the Group in the countries in which it operates. No individual lease is of material significance to the Group in terms of its amount.

Note 31: Financial leasing

	Group	
SEK M	2018	2017
Minimum lease payments and their present value		
Within one year	2	3
Later than one but within five years	3	7
Later than five years	0	1
Total	**5**	**11**

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

Note 32: Investing commitments

Commitments to acquire fixed assets amounted to SEK 1,949 M (0) at year-end of which SEK 1,949 (0) in business combinations.

Note 33: Financial instruments

	Group		Parent Company	
SEK M	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Carrying value of financial instruments				
Financial assets valued at amortised cost	29,507	25,000	35,880	34,722
Financial assets valued at fair value	602	212	229	212
Financial liabilities valued at amortised cost	47,440	42,113	50,544	43,362
Financial liabilities valued at fair value	29	55	29	55

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 recognised value of consolidated financial assets amounted to SEK 30,109 M (25,212) on the balance sheet date. Financial assets classified as loan receivables and accounts receivable in 2017 and at amortised cost in 2018 amounted to SEK 29,507 M (25,000) and financial assets recognised at fair value via the income statement amounted to SEK 602 M (212).

The total recognised value of the Parent Company's financial assets amounted to SEK 35,909 M (34,934) on the balance sheet date. Financial assets classified as loan receivables and accounts receivable in 2017 and at amortised cost in 2018 amounted to SEK 35,880 M (34,722) and financial assets recognised at fair value via the income statement amounted to SEK 229 M (212).

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 recognised value of consolidated financial assets amounted to SEK 47,469 M (42,168) on the balance sheet date. Financial liabilities recognised at amortised cost amounted to SEK 47,440 M (42,113) and financial liabilities recognised at fair value amounted to SEK 29 M (55).

The total recognised value of the Parent Company's financial liabilities amounted to SEK 50,573 M (43,417) on the balance sheet date. Financial liabilities recognised at amortised cost amounted to SEK 50,544 M (43,362) and financial liabilities recognised at fair value amounted to SEK 29 M (55).

Portfolio investments
Portfolio investments consist of purchased debt reported at amortised cost according applying an effective interest rate model with an effective interest rate reflecting the risk of defaulted payment. 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 recognised 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 carrying value of purchased debt amounted to SEK 24,830 M (21,149). An account of purchased debt by year acquired is provided in Note 34.

Accounts receivable
Accounts receivable are recognised at amortised cost with no discount being applied since the remaining maturity is judged to be short. Accounts receivable amounted to SEK 719 M (755) 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 3,211 M (2,427) on the balance sheet date. The item includes forward exchange contracts for SEK 229 M (212), and receivables of SEK 373 M (0) recognised at fair value in the income statement. The remaining SEK 2,982 M (2,215) is valued at amortised cost. For the Parent Company, other receivables, including receivables from Group companies, amounted to SEK 35,857 M (34,839). The item includes forward exchange contracts for SEK 229 M (212), recognised at fair value in the income statement. The remaining SEK 35,628 M (34,627) is valued at amortised cost.

Cash and cash equivalents
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. On the balance sheet date, cash and cash equivalents amounted to SEK 1,348 M (881). For the Parent Company, the corresponding amount was SEK 251 M (95) 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 6,831 M (2,703) and for the Parent Company, they amounted to SEK 6,545 M (2,694).

Bond loans
The Parent Company and the Group had bond loans outstanding for a value of SEK 34,254 M (33,052) on the balance sheet date. The bond loans are recognised at amortised cost. The fair value of the bonds, in accordance with observable market data, is SEK 31,606 M (33,408).

Commercial papers
The Parent Company and the Group had commercial papers outstanding for a value of SEK 2,123 M (2,269) 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 488 M (572). For the Parent Company, the equivalent amount was SEK 33 M (53).

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 3,773 M (3,572) on the balance sheet date. The item includes derivatives valued at SEK 29 M (55), recognised at fair value in the income statement (held for trade). Other liabilities, excluding derivatives amounted to SEK 3,744 M (3,517).

For the Parent Company, other liabilities amounted to SEK 7,618 M (5,348) on the balance sheet date and included liabilities to Group companies and accrued expenses. Derivatives are recognised at fair value in the income statement (held for trade) and amounted to SEK 29 M (55). Other liabilities, excluding derivatives amounted to SEK 7,589 M (5,293).

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 totalling SEK 29 M (50) 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 and Oslo, 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 minimised.

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) and the Norwegian krone (NOK).

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

			Average	Average
Currency	31 Dec 2018	31 Dec 2017	2018	2017
CHF	9.11	8.42	8.88	8.67
EUR	10.26	9.84	10.26	9.63
HUF	0.0319	0.0317	0.0322	0.0312
NOK	1.03	1.00	1.07	1.03

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 some 25 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	2018	2017
SEK	882	878
EUR	7,791	5,282
CHF	802	732
HUF	1,197	780
NOK	1,587	763
Other currencies	1,183	999
Total	**13,442**	**9,434**

An appreciation of the Swedish krona of 10 percentage points on average in 2018 against EUR would thus, all else being equal, have affected revenues negatively by SEK 779 M, against CHF by SEK 80 M, against HUF by SEK 120 M and against NOK by SEK 159 M.

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

SEK M	2018	2017
SEK	7,497	4,526
EUR	32,811	31,003
– less EUR hedged through foreign currency loans	–27,654	–31,709
+ EUR hedged through derivatives	5,817	7,944
CHF	1,581	1,303
– less CHF hedged through foreign currency loans	–31	–97
– less CHF hedged through derivatives	–957	–505
DKK	707	1,745
– less DKK hedged through derivatives	–438	0
HUF	2,494	1,865
– less HUF hedges through foreign currency loans	–516	0
– less HUF hedged through derivatives	–1,050	–1,183
NOK	13,036	13,163
– less NOK hedged through foreign currency loans	–5,135	–6,462
– less NOK hedged through derivatives	–4,221	0
Other currencies	1,732	522
Total	**25,672**	**22,439**

All else being equal, an appreciation in the Swedish krona of 37 percentage points as per 31 December 2018 against EUR would have affected shareholders' equity in the Group negatively by SEK 1,097 M, against CHF by SEK 59 M, against DKK by SEK 27 M, against HUF by SEK 93 M and against NOK by SEK 37 M.

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

The Group hedges itself against part of the translation exposure through currency hedging via external loans in foreign currency and derivatives. There is an economic relationship between the hedged balance sheet items and the hedge instruments where the efficiency of the hedges is tested and adjusted on a monthly basis. The effects of the translation exposure and the hedging arrangements have opposite signs and are reported in Other comprehensive income.

Hedge instruments amounted to SEK –34,185 M (–32,012) at year-end. No inefficiency has been reported during the year as regards hedges of net investments in foreign operations.

Interest rate risks
Interest rate risks relate primarily to the Group's interest-bearing net debt, which amounted to SEK 42,122 M (37,322) on 31 December 2018. 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 30 months (39) for the entire loan portfolio. A 1-percent increase in market interest rates during the year would have adversely affected net financial items by approximately SEK 397 M. A 5-percent increase would have adversely affected net financial items by SEK 1,986 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 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 fulfil 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.

Since June 2017, Intrum AB has had a four and a half year revolving syndicated loan facility totalling EUR 1,100 M with a bank consortium consisting of five Nordic banks. The loan framework of EUR 1,100 M can be utilised for borrowing in a number of different currencies. On 31 December 2018, the loan framework had been utilised for loans in SEK totalling SEK 0 M (700), in EUR totalling EUR 295 M (100), in GBP totalling GBP 102 M (0), in NOK totalling NOK 3,000 M (0) and in HUF totalling HUF 16,200 M (0).

The unutilised portion of the facilities amounted to SEK 4,241 M (8,008). 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 2018. 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 AB issued public bonds for approximately EUR 3,000 M, divided into four tranches totalling EUR 2,700 M and SEK 3,000 M. During 2018, Intrum issued an additional public bond for SEK 1,000 M, and thus has total outstanding bond loans for SEK 34,254 M (33,052). In 2018, Intrum also issued a commercial paper that, at the end of the year, amounted to SEK 2,123 M (2,269).

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 unutilised 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 optimising the balance between loans and liquid funds so that the net interest expense is minimised 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 including interest. 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
31 Dec 2018				
Accounts payable and other liabilities	4,262			4,262
Liabilities to credit institutions	3,105			3,105
Bond loan	1,929	27,491	9,700	39,120
Commercial papers	2,123			2,123
Total	**11,419**	**27,491**	**9,700**	**48,610**
31 Dec 2017				
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
Total	**7,414**	**24,530**	**10,428**	**42,372**

Financial liabilities in the balance sheet – Parent Company

SEK M	Within one year	2–5 years	Later than five years	Total
31 Dec 2018				
Accounts payable and other liabilities	618			618
Liabilities to credit institutions	2,820			2,820
Bond loan	1,929	27,491	9,700	39,120
Commercial papers	2,123			2,123
Liabilities to Group companies	3,825	3,207		7,032
Total	**11,315**	**30,698**	**9,700**	**51,713**
31 Dec 2017				
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
Total	**5,411**	**27,781**	**10,428**	**43,620**

Credit risks

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

Financial assets that potentially subject the Group to credit risk include cash and cash equivalents, accounts receivable, portfolio investments, outlays on behalf of clients, derivatives and guarantees. For financial assets owned by Intrum, no collateral or other credit reinforcements have been received, with the exception of a certain portion of the Group's portfolio investments. The maximum credit exposure for each class of financial assets corresponds to the carrying amount.

Cash and cash equivalents

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 customers in various industries, are not concentrated in a specific geographical region. The Group's largest client accounts for less than four percent of revenues. Most accounts receivable outstanding are with clients 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 customers 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 24,830 M (21,149) would become worthless and have to be written off.

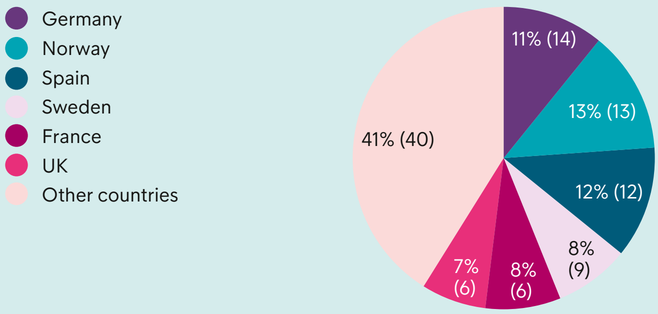
To minimise the risks in this business, prudence is exercised in purchase decisions. The focus is on small and medium-sized portfolios with relatively low average amounts, to help spread risks. The average nominal value per case is approximately SEK 18,465. Portfolios are normally acquired from clients 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 collateralised receivables. Since 2016, 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 and Deutsche Bank to share the capital investment and return.

The portfolio values are reassessed quarterly for impairment, based on historical collection patterns as well as macroeconomic forecasts.

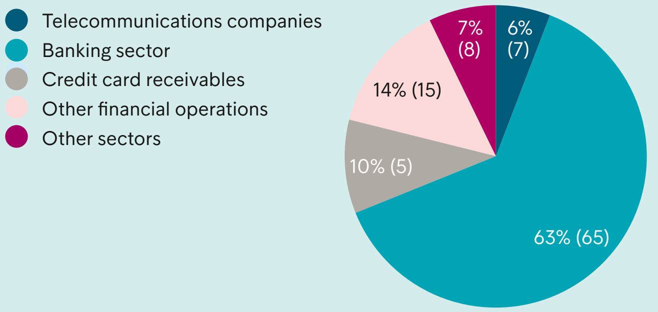
The currency risk is attributable to the translation of the balance sheet item Portfolio investments is limited due to currency hedging using loans in the same currency as the assets, and currency forwards. A considerable proportion of the acquisitions take place through forward flow agreements – that 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 customers 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, 26 percent represents portfolios acquired in 2018, 25 percent those acquired in 2017, 13 percent those acquired in 2016 and 12 percent acquired in 2015. The remaining 24 percent relates to receivables acquired in or before 2014, 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 customers 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 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 recognised as an asset in the balance sheet on the line Other receivables.

Derivative contracts

The Parent Company and the Group hold forward exchange contracts to a limited extent. The credit risk in the Group's forward exchange contracts is because the counterparty generally is a large bank or financial institution that is not expected to become insolvent. On the balance sheet date, assets regarding forward exchange contracts were valued at SEK 229 M (212), and liabilities at SEK 29 M (55). 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 recognised in the income statement. The purpose of these forward exchange contracts has been to minimise exchange rate differences in the Parent Company attributable to receivables and liabilities in foreign currency.

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

Currency	Local currency amount, buy	Hedged amount, sell
CHF	50,955,314	–105,000,000
CZK	528,907,000	0
DKK	19,086,000	–975,370,000
EUR	857,084,209	–763,480,353
GBP	11,473,000	–138,447,000
HUF	16,761,976,000	–37,170,134,000
NOK	2,296,600,000	–6,433,583,000
PLN	1,810,000	–221,337,600
RON	7,465,000	–154,903,000

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 client 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 amount guaranteed was SEK 120 M (111). Intrum's risk in this business is managed through strict credit limits and analyses of the borrower's credit status. At the end of the year 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

In the cash flow statement, SEK 8,587 M (1,506) is reported as acquisitions of subsidiaries and joint ventures.

For 2018, the amount relates to the acquisition of 51 percent of the shares in Intrum Italy Spa for SEK 1,883 M, the acquisition of 100 percent of the shares in Northwind Investment Holding Sl for SEK 1,787 M, the acquisition of Iplatform Consultoria e Participacoes SA for SEK 15 M, and the acquisition of profit participating notes in Ithaca Investment DAC for SEK 4,902 M (recognised as participations in a joint venture).

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 9 M, Mirus International for SEK 2 M, Top Factoring for SEK 27 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.

Partnership with Banca Intesa Sanpaolo

In April, Intrum entered into a partnership agreement with the Italian bank Banca Intesa Sanpaolo in April, contributing a collection department with a labour force of 600 and a portfolio of overdue receivables that is held together with an investor. The transaction was completed in early December. Intrum reports its holding in the jointly-owned portfolio of receivables as a participation in a joint venture, Ithaca Investment DAC, and the holding in the shared Italian collection business as a subsidiary, Intrum Italy Spa, in which the minority share attributable to shares owned by Banca Intesa Sanpaolo is reported as non-controlling interest.

On Intrum's acquisition of the shared collection operation, the company Intrum Italy Spa, the following preliminary acquisition analysis was prepared:

SEK M	Carrying amounts before the acquisition	Fair value adjustments	Fair value
Client relationships		2,065	2,065
Fixed assets	26		26
Deferred tax liability		–576	–576
Net assets	**26**		**1,515**
Other companies added			718
Paid in cash			1,884
Minority interests			1,136
Goodwill			2,223

The company was included in the consolidated accounts effective from December 2018 and contributed to consolidated revenues by SEK 113 M and to operating earnings by SEK 60 M. The company was founded in 2018 and it would be inpractible to determine what revenues and earnings would have been if it had existed the full-year.

The goodwill recognised is attributable to synergies in the form of expected cost savings and economies of scale achieved when the Italian operations are integrated, and to the combined workforce.

Acquisition of 100 percent of the shares in Northwind Investment Holding Sl

In December, Intrum met with Ibercaja Banco SA to acquire 6,400 properties in Spain from Ibercaja and the bank's subsidiaries. The real estate portfolio has been transferred to a new company, in which Intrum will initially be the majority shareholder, while Ibercaja's subsidiary retains a minority holding of 20 percent. This company, Global Zappa Sl, is owned through a holding company by Northwind Investment Holding Sl, in which Intrum has acquired 100 percent of the shares. Intrum's final investment, when financing and co-investors are in place, will amount to approximately EUR 30–40 M. Property holdings are not a strategic area of focus for the Group.

On Intrum's acquisition of Northwind Investment Holding Sl, the following preliminary acquisition analysis was prepared:

SEK M	Carrying amounts before the acquisition	Fair value adjustments	Fair value
Fixed assets	256		256
Property holdings	2,233		2,233
Liabilities	–530		–530
Net assets	**1,959**		**1,959**
Less minority interests in subsidiaries			–172
Net assets, Intrum			1,787
Acquisition price			1,787

Acquisition of 51 percent of the shares in platform Consultoria e Participacoes SA

In July, a majority shareholding of 51 percent was acquired in the Brazilian credit management company iPlatform. The name of the company has been changed to Intrum Brasil Consultoria e Participaçoes, S.A. Goodwill of SEK 15 M has been recognised.

Acquisition of Solvia

In December, Intrum met with Banco Sabadell regarding the acquisition of the bank's wholly owned subsidiary Solvia Servicios Inmobiliaros (Solvia), which offers real estate management services in the Spanish market. The transaction is expected to be concluded during the first half of 2019. Solvia's earnings for the second half of 2018 were below the expected level. Discussions are in progress with the seller to reach a final agreement. The acquisition analysis has yet to be prepared.

Merger with Lindorff

On 12 June 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 27 June 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 AB (publ).

The merger was effectuated through a non-cash issue whereby Intrum Justitia AB issued new shares in exchange for all shares in Lock TopCo AS.

The preliminary acquisition analysis prepared by Intrum in connection with the merger has been adjusted to the following final acquisition analysis. A change from the preliminary acquisition analysis previously prepared is that contingent liabilities regarding some of Lindorff's litigation and tax disputes, ongoing as per the transaction date, are reported as current liabilities and provisions in the final acquisition analysis.

The acquisition is reported as follows in the consolidated accounts:

	Preliminary acquisition analysis from June 2017			Final acquisition analysis from June 2018	
SEK M	Carrying value before the acquisition	Fair value adjustments	Fair value	Fair value adjustments	Fair value
Intangible assets	19,001	–15,248	3,753	–16,072	2,929
Database of credit data	0			261	261
Tangible assets	138		138		138
Portfolio investments	7,826		7,826	–34	7,792
Other fixed assets	508	334	842	489	997
Current assets	1,778		1,778	89	1,867
Cash and bank balances	684		684		684
Assets for sale	5,184		5,184		5,184
Long-term liabilities	–22,940	–1,392	–24,332	–1,408	–24,348
Current liabilities and provisions	–2,047		–2,047	–155	–2,202
Liabilities in operations to be sold	–3,091		–3,091		–3,091
Net assets	**7,041**	**–16,306**	**–9,265**	**–16,830**	**–9,789**
Acquisition price			17,332		17,332
Goodwill			26,597		27,121
Of which, in operations to be sold			4,255		1,826
Of which, in continuing operations			22,342		25,295

Other acquisitions in 2017

Acquisition of 100 percent of the shares in CAF S.p.A (CAF)
In December 2017, CAF S.p.A (CAF) was acquired, the third-largest credit management company for unsecured claims in Italy. In connection with this, Intrum also acquired a large, diversified investment portfolio where collection is handled by CAF. 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 acquisition analysis was detailed in the 2017 Annual Report.

Acquisition of 100 percent of the shares in Asset Gate GmbH
In December 2017, Asset Gate GmbH was acquired. The company has been included in the consolidated accounts as of December 2017. The acquisition analysis was detailed in the 2017 Annual Report.

Acquisition of 100 percent of the shares in Mirus International BV
In September 2017, 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 acquisition analysis was detailed in the 2017 Annual Report.

Acquisition of 100 percent of the shares in Top Factoring SA
In April 2017, the acquisition of Top Factoring, one of the leading purchased debt companies in Romania, was completed. The Company is mainly present in the bank and telecommunications sectors, with several strong customer relationships generating recurring investment opportunities in portfolio investments. The acquisition analysis was detailed in the 2017 Annual Report.

Acquisition of the minority shareholding in IJCOF Corporate SAS
In April 2017, Intrum acquired the minority shareholding of 42 percent of the shares in the French subsidiary IJCOF Corporate SAS. 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 finalised
In February 2017, the acquisition was completed of 1st Credit, a medium-sized company active in portfolio investments in the UK. The name of the company has been changed to Intrum UK Ltd. The company was consolidated as of February 2017. The acquisition analysis was detailed in the 2017 Annual Report.

Acquisition of 100 percent of the shares in Intractiv Wide Development SAS
In February 2017, 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 corporate receivables.

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 recognised 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 formalised 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, an amendment of the cash flow projection normally requires an agreement between local management in the country in question and the Group's risk department. 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 recognised 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 customers 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 amortisation of purchased debt.

Useful lifetimes of intangible and tangible fixed assets
Group Management establishes assessed useful lifetimes and thus consistent amortisation and depreciation for the Group's intangible and tangible fixed assets. These estimates are based on historical knowledge of equivalent assets' useful lives. Useful life and estimated residual values are tested on each balance sheet date and adjusted when necessary. Recognised 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 carry forwards or other future tax deductions are recognised 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.

Joint venture
As stated in Note 13, in 2018, the Intrum Group invested in profit participating notes issued by the Irish company Ithaca Investment DAC. Through its holding in the profit participating notes and the wording of the agreement, Intrum holds a position closely corresponding to that of a shareholder in the company, and the consolidated accounts therefore treat the profit participating notes as though they were an equity instrument issued by Ithaca Investment DAC. Although Intrum's holding corresponds to 80 percent of the profit participating notes issued shareholder loans, through an agreement with another investor holding 20 percent of the profit participating notes, the two parties share a controlling influence, and Intrum therefore reports the investment according to the rules for joint ventures.

Acquisitions
In 2018, Intrum entered into a partnership with Banca Intesa Sanpaolo, which included the acquisition of a subsidiary and participations in a joint venture. During the final month of the year, a real estate company was also acquired in Spain. The acquisitions and acquisition analyses are detailed in Note 35. The acquisitions were large and complex, and the acquisition analyses 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.

Transactions with related parties, individuals and companies, are conducted on market terms and at arm's length.

During 2018, Intrum sold services to LBHF Joint Ventures Ltd for SEK 5 M (1), a collection company in which three Intrum employees in the UK, including Country Manager Edward Nott, are board members.

During 2018, Intrum sold services for SEK 10 M to Sbanken ASA, a bank in which a member of Intrum's Group Management, Cathrine Klouman, 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 214 M (159) in income from sales of services to Group subsidiaries, and incurred SEK 203 M (14) in expenses attributable to services purchased from subsidiaries.

Note 38: Reconciliation of key figures

			Group
SEK M, unless otherwise indicated			Pro forma
	2018	2017	2017
Earnings from portfolio investments	**3,464**	**2,433**	**2,979**
Of which, revaluations	88	–3	63
Average carrying value of portfolio investments in receivables	22,990	14,830	18,696
Average reported value of properties excluding the Ibercaja transaction	145	47	47
Total	**23,134**	**14,877**	**18,743**
Return on portfolio investments incl. properties, percent	**15**	**16**	**16**
Earnings from portfolio investments	3,464	2,433	2,979
Participations in joint ventures	106	0	0
Total	**3,570**	**2,433**	**2,979**
Average carrying value of portfolio investments in receivables	22,990	14,830	18,696
Average reported value of properties excluding the Ibercaja transaction	145	47	47
Average value of shares and participations in joint ventures	2,373	0	0
Total	**25,507**	**14,877**	**18,743**
Return on portfolio investments including properties and joint ventures, percent	**14**	**16**	**16**
EBIT	3,978	2,728	3,489
Depreciation/amortisation	900	436	742
EBITDA	**4,878**	**3,164**	**4,231**
EBIT	3,978	2,728	3,489
Depreciation/amortisation	900	436	742
Amortisation and revaluations, portfolio investments	3,854	2,788	3,295
Cash EBITDA	**8,732**	**5,952**	**7,526**
EBIT	3,978	2,728	3,489
Non-recurring items (NRIs)	742	397	499
EBIT excl. NRIs	**4,720**	**3,125**	**3,988**
EBITDA	4,878	3,164	4,231
Non-recurring items (NRIs)	742	397	499
EBITDA excl. NRIs	**5,620**	**3,561**	**4,730**
Cash EBITDA	8,732	5,952	7,526
Non-recurring items (NRIs)	742	397	499
Cash EBITDA excl. NRIs	**9,474**	**6,349**	**8,025**

			Group
SEK M, unless otherwise indicated			Pro forma
	2018	2017	2017
EBIT	3,978	2,728	3,489
Non-recurring items (NRIs)	742	397	499
Revaluations of portfolio investments	–88	3	–63
Items affecting comparability	–132	0	0
Adjusted operating earnings (EBIT)	**4,500**	**3,128**	**3,925**
Liabilities to credit institutions	6,830	2,703	2,703
Bond loan	34,254	33,052	33,052
Provisions for pensions	263	175	175
Commercial papers	2,123	2,269	2,269
Other interest-bearing liabilities	0	4	4
Liquid assets	–1,348	–881	–881
Net debt	**42,122**	**37,322**	**37,322**

Return on portfolio investments
Return on portfolio investments is the service line earnings for the period, excluding factoring and payment guarantees, recalculated on a full-year basis, as a percentage of the average carrying amount of the balance-sheet item Portfolio investments. 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 amortisation (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 amortisation 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 programmes, 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.

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.

Adjusted operating earnings (EBIT)
Adjusted operating earnings (EBIT) are operating earnings excluding revaluations of portfolio investments, items affecting comparability and non-recurring items (NRIs).

Pro forma financial reports including Lindorff
Pro forma financial reports are issued for the Group including Lindorff, as if Lindorff had been included in the Group throughout the comparison period. Pro forma earnings have been calculated by adding Intrum'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 recognised in earnings for any period, although they can be recognised as costs in the acquired legal entity.

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

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

In connection with the merger, Intrum undertook to the European Commission to divest Intrum Justitia's Norwegian subsidiaries, as well as Lindorff's Swedish, Finnish, Danish and Estonian subsidiaries. In November 2017, Intrum agreed to divest these subsidiaries to a company in the Lowell Group, and the transaction was finalised in March 2018, in connection with which Intrum received the purchase consideration of SEK 7,511 M.

In the income statement, the subsidiaries being divested in accordance with the above have been 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 for 2017, these subsidiaries are reported as assets and liabilities in operations held for sale, without the comparative figures being recalculated.

Earnings from discontinued operations are stated below:

		Group
SEK M	2018	2017
Net revenues	415	1,051
Operating expenses	–335	–824
Operating earnings (EBIT)	**80**	**227**
Net financial items	–7	–49
Profit before tax	**73**	**178**
Taxes	–5	–41
Earnings from discontinued operations	**68**	**137**
Loss on disposal including accumulated translation differences	–141	0
Total earnings from discontinued operations	**–73**	**137**

The loss on disposal includes transaction costs of SEK 126 M.

The above income statements include Intrum Justitia's Norwegian subsidiaries for 1 January 2017 to 31 March 2018, as well as Lindorff's Swedish, Finnish, Danish and Estonian subsidiaries for the period 27 June 2017 to 31 March 2018.

At the end of 2017, the carrying values 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.

←

Note 40: Pro forma income statement including Lindorff

On 27 June 2017, Lock TopCo AS and a subsidiary (the Lindorff Group) was acquired. Below is a calculated pro forma income statement, as well as key ratios and alternative performance measurements, in which Lindorff has been consolidated for all of 2017 in the comparison figures.

	Group	Group	Lindorff	Pro forma
SEK M	Full-year 2018	Full-year 2017	1 Jan–27 Jun 2017	Full-year 2017
Consolidated income statement				
Income from customers	7,240	5,041	1,793	6,834
Income from portfolio investments in accordance with the effective interest method	6,114	4,394	928	5,322
Positive revaluations of portfolio investments	795	334	64	398
Negative revaluations of portfolio investments	–707	–335	0	–335
Total revenues	**13,442**	**9,434**	**2,785**	**12,219**
Operating expenses	–9,570	–6,716	–2,024	–8,740
Participations in earnings of associated companies and joint ventures	106	10	0	10
Operating earnings (EBIT)	**3,978**	**2,728**	**761**	**3,489**
Net financial items	–1,363	–973	–969	–1,942
Profit before tax	**2,615**	**1,755**	**–208**	**1,547**
Taxes	–599	–389	–78	–467
Net earnings for the year from continuing operations	**2,016**	**1,366**	**–286**	**1,080**
Earnings for the period from discontinued operations after tax	–73	137	101	238
Net earnings for the year	**1,943**	**1,503**	**–185**	**1,318**
Net revenues by geographical region				
Northern Europe	3,979	3,012	857	3,869
Central and Eastern Europe	3,790	2,775	471	3,246
Western and Southern Europe	2,564	1,847	209	2,056
Iberian Peninsula and Latin America	3,109	1,800	1,248	3,048
Total net revenues by geographical region	**13,442**	**9,434**	**2,785**	**12,219**
Revaluations of portfolio investments				
Northern Europe	–23	18	24	42
Central and Eastern Europe	109	–19	32	13
Western and Southern Europe	–58	0	6	6
Iberian Peninsula and Latin America	60	–2	4	2
Total revaluations of portfolio investments	**88**	**–3**	**66**	**63**

	Group	Group	Lindorff	Pro forma
SEK M	Full-year 2018	Full-year 2017	1 Jan–27 Jun 2017	Full-year 2017
Net revenues excluding revaluations and items affecting comparability				
Northern Europe	4,002	2,994	833	3,827
Central and Eastern Europe	3,681	2,794	439	3,233
Western and Southern Europe	2,622	1,847	203	2,050
Iberian Peninsula and Latin America	2,826	1,802	1,244	3,046
Total net revenues excluding revaluations and items affecting comparability	**13,131**	**9,437**	**2,719**	**12,156**
Operating earnings (EBIT)				
Northern Europe	1,294	1,014	257	1,271
Central and Eastern Europe	1,377	831	137	968
Western and Southern Europe	228	290	2	292
Iberian Peninsula and Latin America	1,079	593	365	958
Total operating earnings (EBIT)	**3,978**	**2,728**	**761**	**3,489**
Adjusted operating earnings (EBIT)				
Northern Europe	1,425	1,124	288	1,412
Central and Eastern Europe	1,442	999	115	1,114
Western and Southern Europe	664	334	3	337
Iberian Peninsula and Latin America	969	671	391	1,062
Total adjusted operating earnings (EBIT)	**4,500**	**3,128**	**797**	**3,925**
Net revenues by service line				
Credit Management	9,480	6,700	2,152	8,852
Financial Services	6,394	4,516	990	5,506
Elimination of inter-service line revenue	–2,432	–1,782	–356	–2,138
Total net revenues by service line	**13,442**	**9,434**	**2,786**	**12,220**
Service line earnings excl. NRIs and items affecting comparability				
Credit Management	2,489	1,771	704	2,475
Financial Services	3,604	2,445	501	2,946
Shared expenses	–1,505	–1,091	–342	–1,433
Total service line earnings excl. NRIs and items affecting comparability	**4,588**	**3,125**	**863**	**3,988**
Key figures and alternative performance indicators				
Adjusted operating earnings (EBIT)	4,500	3,128	797	3,925
Cash EBITDA excl. NRIs	9,474	6,349	1,676	8,025
EBITDA excl. NRIs	5,620	3,561	1,169	4,730
EBIT excl. NRIs	4,720	3,125	863	3,988
Non-recurring items in EBIT	–742	–397	–102	–499
Items affecting comparability	132	0	0	0
Revaluations of portfolio investments	88	–3	66	63
Cash EBITDA	8,732	5,952	1,574	7,526
EBITDA	4,878	3,164	1,067	4,231
EBIT	3,978	2,728	761	3,489
Portfolio investments	11,854	7,223	634	7,857

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	–1,163,951,762
Retained earnings	–1,593,942,869
Net earnings for the year	1,477,888,542
Total	**16,161,829,195**

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

SEK	
Dividend, 131,291,320 shares x SEK 9.50	1,247,267,540
Balance carried forward	14,914,201,655
Total	**16,161,829,195**

The Board of Directors' complete statement motivating the proposed disposition of earnings for the 2018 fiscal year will be presented in a separate document prior to the 2019 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 19 July 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 28 March 2019 and are proposed for approval by the Annual General Meeting on 26 April 2019.

Stockholm, 28 March 2019

Mikael Ericson
President and CEO

Per E. Larsson
Chairman of the Board

Magnus Yngen
Deputy Chairman of the Board

Hans Larsson
Board member

Kristoffer Melinder
Board member

Andreas Näsvik
Board member

Magdalena Persson
Board member

Synnöve Trygg
Board member

Fredrik Trägårdh
Board member

Ragnhild Wiborg
Board member

Our audit report regarding this annual report was submitted on 3 April 2019.

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Audit report

To the Annual General Meeting of Intrum AB (publ), corporate identity number 556607-7581.

Report on the annual and consolidated accounts

Opinions

We have conducted an audit of the annual and consolidated accounts of Intrum AB (publ) for the year 2018. The company's annual and consolidated accounts are presented on pages 46–99 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 31 December 2018 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 31 December 2018 and its financial performance and cash flow for the year in accordance with the International Financial Reporting Standards IFRS), as adopted by the EU, and the Annual Accounts Act. We believe that our audit provides a reasonable basis for our opinion set out below.

We therefore recommend that the Annual General Meeting approve the consolidated Income Statement and Balance Sheet and the Income Statement and Balance Sheet of the Parent Company.

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 Opinions

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Income recognition

Description of the area	How our audit addressed this key audit matter
Consolidated net revenues for 2018 amounted to SEK 13,442 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 purchased receivables less amortisation. 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 programme development, programme 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 income recognition.

Goodwill

Description of the area	How our audit addressed this key audit matter
Goodwill is reported in the amount of SEK 33,055 M in the consolidated balance sheet as per 31 December 2018. Over the fiscal year, goodwill increased by SEK 3,490 M as a consequence of acquisitions. 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 2018 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 our audit addressed this key audit matter
Purchased debt is reported at SEK 24,830 M in the consolidated balance sheet as per 31 December 2018. 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 customers on instalment plans and macroeconomic information. Accounting principles for purchased debt are presented in Note 1, critical estimates and assumptions are presented in Note 36, and a description of the purchased debt is given in Note 14. The Company's accounting of purchased debt is considered to be a particularly important area in the audit due to reported amounts being of significance for the financial reporting and the portfolio valuations require the Company to make estimates, assumptions and judgements.	In our audit, we have, among other things, evaluated the Company's processes for valuing purchased debt, the valuation models applied and the reasonableness of the assumptions made in calculating effective interest rates. We have also reviewed the company's ongoing review of book values. We have also reviewed the disclosures in the financial statements regarding purchased debt.

Information other than the annual and consolidated accounts

This document also contains information other than the annual and consolidated accounts presented on pages 1–45 and 104–128. 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 CEO
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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. In addition, we:

- 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 Managing Director'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 a opinion that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these areas in the audit report unless legislation or other regulations prevent disclosure.

Report on other legal and regulatory requirements

Opinions

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 AB (publ) for 2018 and the proposed appropriations of the Company's profit or loss.

We recommend that the Annual General Meeting appropriate Company's profit or loss in accordance with the proposal presented in the statutory administration report (Board of Directors' Report) and that the directors and the President be discharged from liability for the fiscal year.

Basis for opinions

We 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 CEO

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 organisation 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 organisation 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 Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable 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 judgement and maintain professional scepticism 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 judgement 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.

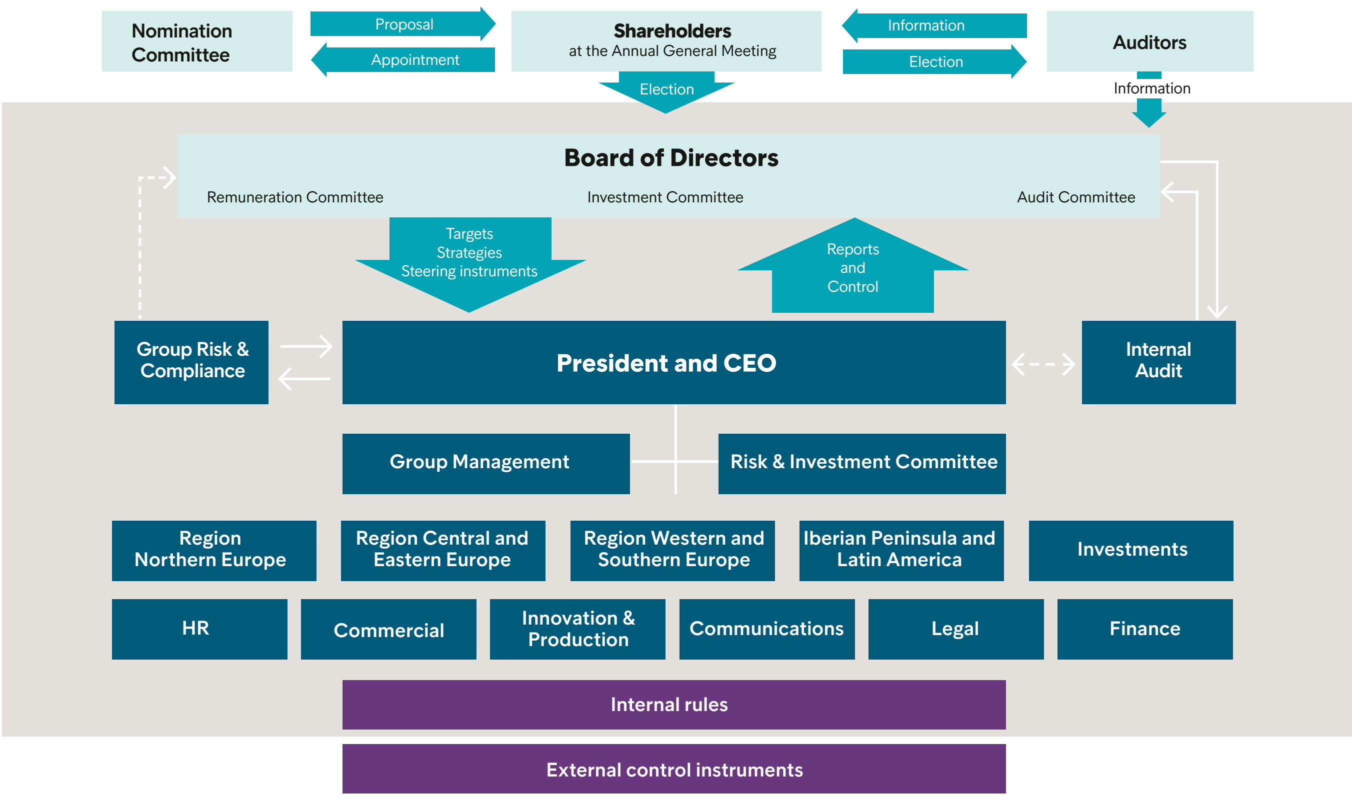
Ernst & Young AB, Box 7850, SE–103 99 Stockholm, Sweden was appointed Intrum AB's auditor at the Annual General Meeting on 27 April 2018 and has been the Company's auditor since 25 April 2012.

Stockholm, 3 April 2019
Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Corporate Governance Report

Intrum's corporate governance 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 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 2018. 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 1 July 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. The code is available at www.corporategovernanceboard.se, where the Swedish model of corporate governance is also described.

Intrum's Articles of Association are available on www.intrum.com.

Shareholders

At the end of the year, Intrum's largest shareholder, Cidron 1748 Sarl, held approximately 43.9 percent of all shares outstanding in the Company. See also page 44–45.

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. Shareholders are entitled to have matters addressed at General Meetings, they are also entitled to ask questions regarding the Group's operations at the Annual General Meeting.

The Annual General Meeting was held on 27 April 2018. Among other things, the Meeting resolved:

- to adopt the income statements and balance sheets for the Company and the Group, and to pay a dividend of SEK 9.50 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 2017 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 establish guidelines for remuneration to senior executives,
- to establish guidelines for the appointment of a new Nomination Committee,
- to introduce a new long-term incentive programme, and to transfer treasury shares in accordance with that programme,
- to authorise the Board of Directors to repurchase (and, under certain conditions transfer) up to 10 percent of shares in the company via the stock market, and
- to amend the Articles of Association to change the name of the Company to Intrum AB (publ).

At the Annual General Meeting, 69 percent of the shares conveying voting rights were represented. All nine Board members 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 2019 Annual General Meeting is scheduled for 26 April 2019.

Resolutions of the Annual General Meeting are published in a press release following the Meeting, and the minutes of the Meeting are published on the company's website.

Nomination Committee

The task of the Nomination Committee, among others, is to nominate Board members for election at the next Annual General Meeting. The 2018 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 2019 Annual General Meeting was announced on 24 September 2018: Robert Furuhjelm (appointed by Cidron 1748 Sarl) (chairman), Patrick Lapveteläinen (appointed by Sampo plc), Mats Gustafsson (appointed by Lannebo Fonder), Carl Cederschiöld (appointed by Handelsbanken Fonder) and Tomas Flodén (appointed by AMF and AMF Fonder). 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. In accordance with the Articles of Association, the Board of Directors shall comprise at lease five and at most nine members with at most four deputies. From the 2017 Annual General Meeting until the 2018 Annual General Meeting, the Board of Directors comprised eight members elected by the Annual General Meeting, of whom, six were men and two were women. At the 2018 Annual General Meeting, nine 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. There are no employee representatives on the Board of Directors. Further information about Board members, including their shareholdings, can be found on pages 110–111.

Hans Larsson, Magdalena Persson, Synnöve Trygg, Fredrik Trägårdh, Ragnhild Wiborg and Magnus Yngen are considered independent in relation to the Company and company management as well as in relation to major shareholders. Per E. Larsson, Andreas Näsvik and Kristoffer Melinder have been 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 an Investment Committee. The Separation and Integration Committee established in connection with the merger between Intrum Justitia and Lindorff was discontinued in connection with the 2018 Annual General Meeting. Issues related to integration and separation have since been addressed by the Audit 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.

Attendance at Board meetings in 2018

Per E Larsson	22/22
Magnus Yngen	22/22
Hans Larsson	22/22
Kristoffer Melinder	21/22
Andreas Näsvik	22/22
Synnöve Trygg	22/22
Fredrik Trägårdh	21/22
Ragnhild Wiborg	22/22
Magdalena Persson	12/12

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 22 meetings in 2018 (41 in the preceding year). Over the year, the Board devoted particular focus to the following issues:

- the Company's strategies and objectives,
- synergies and cost efficiency
- the Group's earnings and financial position,
- interim reporting,
- corporate governance, risk management and internal control,
- corporate acquisitions and acquisitions of major portfolios of receivables, including follow-up of completed acquisitions,
- the Company's risk appetite and investment objectives,
- a new long-term incentive programme,
- 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 and four meetings of the Audit Committee.

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. In the third quarter of 2018, an assessment was performed with the assistance of an external adviser 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 2018 Annual General Meeting, fees and other compensation to the Board of Directors are payable totalling SEK 6,795,000, 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 250,000 to the Chairman of the Investment Committee, SEK 150,000 each to the other eight members of the Investment 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 2018 Annual General Meeting, the Audit Committee has consisted of Ragnhild Wiborg (chairman), Hans Larsson and Synnöve Trygg. All are considered independent in relation to the Company and its management as well as in relation 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 Committee. During the year, Andreas Näsvik was also co-opted to the work of the committee and participated in one of the meetings.

The Audit Committee met seven times in 2018 (four times in 2017). All of the ordinary members of the Committee attended all meeting. The external auditors attended four of the meetings. The issues addressed by the Annual General Meeting over the year included interim reporting, risk management, aspects of internal control. The Committee has paid special attention to issues relating to acquisitions and divestments, and of integration and separation in relation to the merger between Intrum Justitia and Lindorff, data security and compliance (particularly with regard to GDPR). 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 programmes 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 2018 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 2018, the Committee met four times (five meetings in the preceding year) with all Committee members present. Among other matters, efforts focused on determining remuneration for the new company management and preparing a proposal for a new long-term incentive programme that was adopted by the 2018 Annual General Meeting.

Investment Committee

In 2018, the Board established an Investment Committee. The Investment Committee is tasked with making decisions on matters involving investments in companies (or operations) and portfolios of receivables, to the extent that such matters require decisions being made outside ordinary Board meetings.

The Investment Committee consists of all Board members with Per E. Larsson as chairman.

In 2018 the Committee met five times. The work have focused exclusively on investments in companies or portfolios of receivables.

Remuneration principles for senior executives

The 2018 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 2018 are described in Note 28, on pages 88–89. The Board of Directors' proposed guidelines for 2018 are reported in full in the Directors' Report on page 54 For a more detailed account of wages and remunerations for senior executives, see Note 28 on pages 88–89.

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 Brand and Communications Officer (CBCO), the Chief Operations Officer (COO), the Head of Credit Management Services (HCMS), the Chief Human Resources Officer (CHRO), the Chief Risk Officer (CRO) and the 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 112–114.

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 2018 Annual General Meeting, the accounting firm Ernst & Young AB was elected as the auditor of the Parent Company. Authorised Public Accountant Jesper Nilsson is the auditor in charge. The auditor was elected for the period extending until the close of the 2019 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 89 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 formalised 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 organisation, 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 programmes. The Group's internal regulations are revised annually.

Intrum operates according to the principle of three lines of defence, where the operations, along with the support functions, form the first line of defence. These are responsible for risk management in their respective areas and report risks to the second line of defence.

The second line of defence consists of the Risk and Compliance functions. These serve to support to the operations in the first line of defence and provide them with training and advice. The functions are also tasked with following-up and controlling the operations in the first line of defence. The Risk and Compliance function comprises four main 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 defence comprises internal and external audits, which are tasked with following-up, in terms of risk, the operations in the first and second lines of defence 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 reorganisations 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. The intention is for such plans to be subject to annual assessment.

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. Operational subsidiaries, also draw up annual compliance programmes that include both risk-based controls and 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 organised 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 organisation 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 organised and its efficacy, as well as following up on outstanding material observations from previous audits.

Stockholm on 28th March 2019

The Board of Directors of Intrum AB (publ)

Auditor's statement regarding the Corporate Governance Report

To the Annual General Meeting of Intrum AB (publ), corporate identity number 556607-7581.

The Board of Directors is responsible for the Corporate Governance Report for 2018 presented on pages 104–109 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 3rd April 2019

Ernst & Young AB

Jesper Nilsson
Authorised 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.

Magnus Yngen
Deputy Chairman

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

Magnus 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, Välinge Group, Fractal Design, and a Board Member in Dometic.

Holding in Intrum AB (publ): 7,500.
Independent in relation to the company and its management, and the major shareholders.

Per E. Larsson
Chairman

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

Per E. 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 at Itiviti, and Senior Advisor and Operating Chairman to the Nordic Capital Funds.

Holding in Intrum AB (publ): 33,500.
Independent in relation to the company and its management, but not in relation to the company's major shareholders.

Kristoffer Melinder

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

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

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

Hans Larsson

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

Hans 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 of Nordnet Bank AB and Board Member in the Swedish Export Credit Corporation (SEK), and CEO and owner of Linderyd Advisory AB.

Holding in Intrum AB (publ): 34 500.
Independent in relation to the company and its management, and the 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 and Vaitor Hf (Island).

Holding in Intrum AB (publ): 3,500.
Independent in relation to the company and its management, and the major shareholders.

Andreas Näsvik

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

Andreas Näsvik has previously worked with corporate finance and private equity investments at Deutsche Bank and Goldman Sachs. He has also been a Board Member at Lindorff AB. Näsvik is currently a Board Member at Munters AB (publ), Ryds Bilglas AB, Partner at NC Advisory AB and advisor to the Nordic Capital Funds.

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

Magdalena Persson

Born: 1971
Elected: 2018
Education: M.Sc. in International Economics and Licentiate in Industrial Economics, Linköping University.

Magdalena Persson has been the CEO of Interflora and has had several roles at Microsoft, SamSari and WM Data. She is Chairman of the Board at Candidator DGC, Board Member of NCAB Group and industrial advisor to EQT Partners. She has previously been Chairman of the Board at Affecto Plc and Board Member at Aditro and Fortnox.

Holding in Intrum AB (publ): 0.
Independent in relation to the company and its management and to major shareholders.

Ragnhild Wiborg

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.

Ragnhild Wiborg is Chairman of the Board of EAM Solar AS and 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 AB (publ): 300.
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.

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

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

AUDITORS
Ernst & Young AB

Jesper Nilsson

Born 1964.
Chief auditor since 2017.
Jesper Nilsson is an Authorised Public Accountant at Ernst & Young AB.
Other auditing assignments includes Handelsbanken, Alecta, Fora and FOREX Bank.

Group Management

Danko Maras
Chief Financial Officer

Born: 1963

Danko Maras joined as Chief Financial Officer for Intrum in July 2018. He is an experienced financial professional with senior international positions in the fast moving consumer goods industry such as Unilever, Leaf and most recently Cloetta where, in addition to being Group CFO, he also held positions such as CEO and President interim and Area President Italy. He holds a GMP from Harvard Business School (HBS) and a B.Sc. in Business Administration and Economics, Uppsala University.

Own holdings and/or holdings of closely affiliated persons: 100,002.

Mikael Ericson
CEO & President

Born 1960.

Mikael Ericson assumed the role as CEO and President 1 March 2016. Previously Mikael Ericson has held various leading positions within the banking and finance sector. His most recent role prior to joining Intrum was as Head of International Banking at Danske Bank. He has also held the position as CEO of Carnegie AB and during more than a decade he had a number of senior roles at Svenska Handelsbanken. Ericson holds a Bachelor's degree in Economics from Stockholm University.

Own holdings and/or holdings of closely affiliated persons: 64,500.

Johan Brodin
Chief Risk Officer

Born 1968.

Johan Brodin joined as Chief Risk Officer (CRO) in 2011. Previous to that he 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, Central & Eastern Europe

Born 1968.

Per Christofferson joined Intrum in 2009 and has since 2012 held the position as Regional Managing Director. Previous to that he was Director of Credit Management Services at Intrum between 2009–2012. Before joining Intrum he worked 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: 15,000.

Anders Engdahl
Chief Investment Officer

Born 1974.

Anders Engdahl assumed his position at Intrum in 2017. Between 2014–2017, he worked at Lindorff as EVP Debt Purchasing. Before that he held several senior positions at Morgan Stanley, Goldman Sachs, Credit Suisse and McKinsey. At Morgan Stanley, Anders Engdahl was Managing Director and Head of Nordic Financial Institutions investment banking. Anders Engdahl has a M.Sc. in Business administration and Economics from the Stockholm School of Economics.

Own holdings and/or holdings of closely affiliated persons: 198,000.

Anna Fall
Chief Brand & Communications Officer

Born 1969.

Anna Fall joined as Chief Brand & Communications Officer of Intrum in October 2018. Anna Fall has a long background from the financial industry, where she most recently held the position as Head of Communications at Första AP-fonden (The First Swedish National Pension Fund). 2004–2016 she was Nordic Head of Marketing & Communications at The Royal Bank of Scotland (RBS) and prior to that, she had different roles at the property leasing company Nordisk Renting and within the real estate and construction company NCC. Anna Fall has a B.Sc. from Uppsala University in Political Science, Business Administration and Communications.

Own holdings and/or holdings of closely affiliated persons: 750.

Jean-Luc Ferraton
Chief Human Resources Officer

Born 1973.

Jean-Luc Ferraton holds his current position as Chief Human Resources Officer (CHRO) since 2012. Jean-Luc Ferraton has held several positions at Intrum 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 joining Intrum, he was HR Director JTEKT of Toyota Group 2001–2006. Jean-Luc Ferraton holds a M.Sc. in Economics from ESDES Lyon and an Executive MBA from INSEAD.

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

Cathrine Klouman
Chief Operating Officer

Born 1962.

Cathrine Klouman assumed her role as Chief Operating Officer at Intrum in 2017. Previous to that she held the position as EVP Lindorff Business Partner and Group CIO since January 2016. Previous to her position at Lindorff she was Chief Information and Digital Officer at The Moller Group and held different senior positions within IBM, Bank-Axept and DNB. Cathrine Klouman holds an M.Sc. 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.

Niklas Lundquist Chief Legal Officer

Born 1970.

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

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

Marc Knothe Regional Managing Director, Western & Southern Europe and Managing Director Italy

Born 1968.

Marc Knothe was appointed as Managing Director Italy during 2018 in addition to his role as Regional Managing Director. Before joining Intrum 2017, Marc Knothe held the position as Country Manager at Lindorff Netherlands. Between 2011–2016, he was Executive Board Member at GFKL (an Advent Intl company) and previous to that he was CIO at Bawag PSK (a Cerberus Company) in Austria, COO at GE Money Bank in Russia and Germany and he has also 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: 20,067.

Harry Vranjes Head of Credit Management Services

Born 1970.

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

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

Anette Willumsen Regional Managing Director, Northern Europe

Born 1963.

Anette Willumsen assumed the position as Regional Managing Director in 2017. During 2009–2017 she held several positions at Lindorff, as Country Manager in Norway from 2012–2017, acting Country Manager in Denmark 2016–2017 and Head of the Corporate Client Division at Lindorff in Norway 2009–2012. Prior to joining Lindorff she was SVP in EDB Business Partner (EVRY). She has an EMP from INSEAD and holds a M.Sc. 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, Iberian Peninsula and Latin America

Born 1967.

Alejandro Zurbano assumed the role as Regional Managing Director in 2017. Between 2015–2017, he held the position as Country Manager, Lindorff Spain. Before that he was the Chief Executive Officer of Emergia and has acted as Country Manager for SITEL Spain, Chile, Colombia and Portugal. 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.

About the Sustainability Report

Accounting principles

This Annual and Sustainability Report includes financial data and sustainability information. The Sustainability Report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and is designed in accordance with the GRI Standards Core option. The report also constitutes Intrum's Communication of Progress (COP) at the Active level for the UN Global Compact and contains information on how Intrum contributes to the UN's global development goals and Agenda 2030. The Sustainability Report covers the period from 1 January 2018 to 31 December 2018. The preceding Sustainability Report was published on 4 April 2018.

The report includes disclosures regarding our view on sustainability, value creation and risks associated with issues related to the environment, social conditions, personnel, respect for human rights and anti-corruption. The auditor's report on the statutory sustainability report is found on page 124.

Governance of Intrum's sustainability work

The strategic focus of Intrum's sustainability work is approved by the Board of Directors. Ongoing work on strategies, targets and review in the area of sustainability is led by the Chief Brand and Communications Officer, who is a member of the Group Management team. Operationally, sustainability work is conducted by a number of different functions, thus forming an integrated part of our operations.

Our purpose, values, mission and vision lay the foundation for our sustainability work alongside our Code of Conduct and related internal instructions. The Code of Conduct covers all of our employees and all of those who represent us, whether consultants or suppliers. Other governance documents of significance for our sustainability work include our environmental instructions, our HR instructions and instructions on anti money laundering and financing of terrorism.

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. More information on our governance model and control of compliance with our internal regulations can be found in the Corporate Governance Report on page 104–109.

Framework for sustainability work

To contribute to a global acceptance of responsibility with regard to sustainability, Intrum has, since 2016, been a signatory of the UN's Global Compact business initiative and its ten principles on human rights, working conditions, the environment and anti-corruption. These are implemented through our internal instructions and our Code of Conduct, which also governs our work in the area of sustainability. We also support Agenda 2030 and the UN's global development goals.

The scope and limitations of the report

The report encompasses Intrum AB (publ) and our operations in 25 markets.

Operations beyond Intrum's direct control, suppliers, customers, clients or partners are not included in the account.

Dialogue with our stakeholders and key issues

We maintain daily discussions with our stakeholders in various contexts. Through continuous discussions, we can be sensitive to our stakeholders' expectations and develop our business in line with stakeholders' expectations.

Our principal stakeholders are those who are influenced by our operations to a substantial extent and who play a significant role in our operations. We communicate with them in a variety of ways, including through individual conversations, broader discussions, surveys and questionnaires. The results of these conversations and dialogues have formed the basis of our materiality analysis and played a significant role in setting our sustainability agenda. We view stakeholder dialogues as a rewarding element in our operations, as they facilitate development in the desired direction. We will be developing and strengthening the dialogues with additional groups in 2019.

Our customers

We meet our customers on a daily basis and talk with them on the phone, in person at meetings and through our website. We have conducted detailed customer surveys in a number of markets and, in the UK for example, we have arranged round table discussions for our customers, at which they have had opportunities to address issues relevant to debt and the services we offer. Over the year, we also met with organisations representing people in debt and conducting discussions with them.

Our customers demand and appreciate a personal approach, which requires us to treat them with empathy and to adapt solutions to their the individual circumstances. We are also expected to provide flexible and easily accessible and user-friendly tools.

Our clients

Our clients are companies, large and small alike, who we help secure payment. We are in contact with our clients on a daily basis through face-to-face meetings, by e-mail and over the phone to provide the best possible service, which we follow up with the help of our annual customer satisfaction survey. We are also in close dialogue with organisations representing companies and business – small business owners in particular. Each year, Intrum also carries out its European Payment Report survey, in which we talk to about 10,000 entrepreneurs around Europe about the principal challenges they face with regard to payment times.

Key issues for companies and organisations involve shortening payment times and ensuring that companies are paid for the goods or services they have sold. Our clients seek a credible partner offering user-friendly, customised solutions and service.

Society

Intrum conducts discussions with decision makers, public authorities and politicians nationally and within the EU to promote sound payment times. Over the year, we played an active role, responding to referrals on legislation regarding payment times and in connection with the European Commission's proposal for a new directive on non-performing loans. In addition, each year, we conduct a European Consumer Payment Report in which we ask 24,000 consumers about their payment habits and household finances.

For this broad stakeholder group, priority issues involve shortening payment times and counteracting unreasonable interest rates on loans and credit, as well as disseminating knowledge on personal finances and preventing over-indebtedness. The importance of conducting sustainable and ethical business is also emphasised.

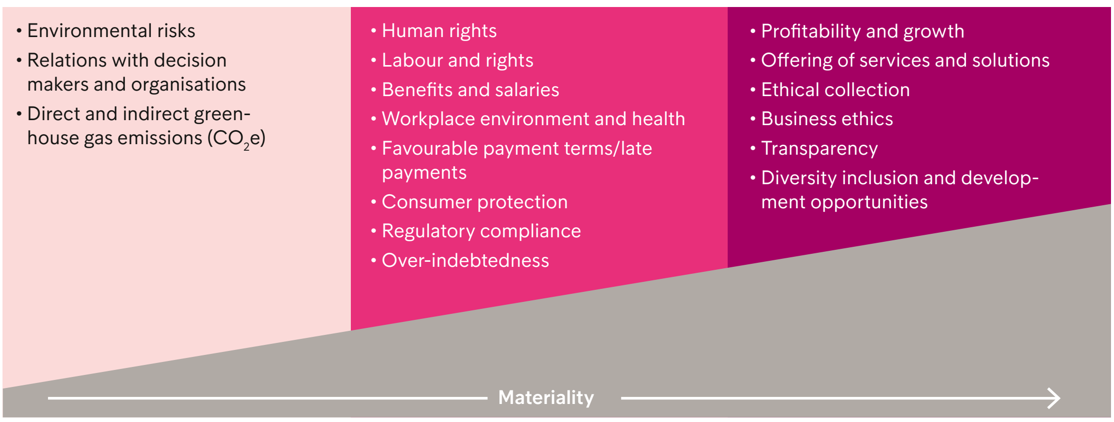
Shareholders

We meet our investors and shareholders and actively engage in dialogue with them in one-on-one meetings, conferences, seminars, quarterly presentations and at the Annual General Meeting. To increase our understanding of the expectations of our shareholders, in 2018 we conducted a survey among a selection of our shareholders in which key areas of sustainability were ranked. Some of the areas that our shareholders consider particularly important are financial results, corporate ethics, consumer protection, transparency, anti-corruption and issues of diversity. Increasingly, investors also highlight the importance of work on risks related to sustainability.

Employees

Channels we use to converse with our employees include our recurring development interviews, employee survey, information meetings, and our internal communication platform Workplace. In addition, we maintain an ongoing dialogue with the trade union organisations representing our employees. Through the recurring and varied dialogues we conduct with our employees, we obtain an understanding of their needs and expectations of us as an employer. Our employees underscore topics including workplace environment and health, internal development opportunities and the company's earnings as being particularly important.

Materiality analysis



Materiality analysis

Intrum conducted its first materiality analysis in 2018 and this will be updated continuously as we refine our sustainability work, and extend and deepen our stakeholder dialogues. The materiality analysis builds on questions emerging from our stakeholder surveys and discussions. Based on this, we conducted an internal exercise at the Group level over the year, focusing on Intrum's opportunities to influence these areas.

This process identified 17 areas of significance, six of which were considered to be of the utmost importance: profitability and growth, service offering and solutions, ethical collection, corporate ethics, transparency and diversity inclusion and development opportunities. Other issues on which we focus and report are our environmental and climate footprint in the form of direct and indirect greenhouse gas emissions, human rights, workplace environment and health, and how we work to prevent over-indebtedness.

Sustainability areas

The stakeholder dialogues and materiality analysis have paved the way for our efforts to identify key aspects in our sustainability efforts. Based on this, our sustainability work builds on three areas of strategic focus: enabling sustainable payments, being trusted and respected, growing by making a difference.

We work with a number of internal and external activities to achieve the objectives associated with each area, and we renew the objectives annually.

Sustainability data

Enabling sustainable payments

Over-indebtedness involves those who find they experience recurring problems with not being able to pay for the goods and services they have purchased. In certain countries and among certain groups of people, knowledge about private finances and the consequences of paying on credit is low, and many people would like to learn more about these issues at young age.

For this reason, we conduct a number of different educational initiatives in our various markets.

Norway	• Intrum supports Norway's official pensioners' association and its helpline on financial matters, and we, among other things, provided knowledge and training for those answering the helpline. • A full day of training has been provided on two occasions within the "Street Lawyer" youth programme, within the "Young Economy" project.
Belgium	• Intrum supports "Socrem vzw", a special-interest organisation that works, among other things, to increase awareness on private finances among the younger population.
Sweden	• Spendido is an interactive digital tool for upper-secondary school students and their teachers in Sweden, through which they can learn about issues related to credit and indebtedness.
France	• Partnership with CRESUS, a French association providing support and advice on over-indebtedness.
Hungary	• In 2017 we launched the annual competition "Zsebpénzügyes (Pocket-money)" for upper-secondary school students, in which they can test their knowledge on financial education and personal finance.
Netherlands	• In 2018, we gave seven guest lectures at the regional education centre (ROC), informing students aged 16–22 about personal finance and payment habits.
Finland	• Over a period of three days, we provided debt counselling at the Tampere market. • We provides training materials in financial education.
Portugal	• Educational initiative at a university.
UK	• Education initiative for young adults on private finances and credit.
Germany	• Financial support for the charity organisation Caritas.

Trusted and respected

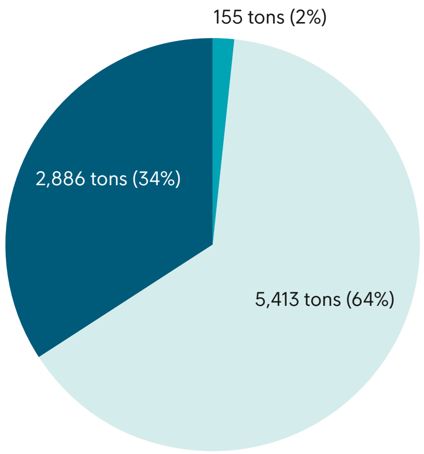
Environmental and climate impact
Climate change is one of the greatest challenges of our time. Business and industry can play an important role in reducing the environmental and climate impact, and we consider it our responsibility to minimise our impact where we have the opportunity. The year 2018 acts as our start year for measuring the climate and environmental footprints of our operations within scopes 1, 2 and 3 of the Greenhouse Gas Protocol. During 2019, we will strengthen our efforts to establish a process ensuring that all country organisations are included in the next set of environmental data in the sustainability disclosures. In 2019, we will set goals for the extent to which we are to reduce our impact, and these will be presented in the next annual report.

Our climate footprint (CO_2e* emission)

Total tCO_2e emission: 8,454

- Scope 1
- Scope 2
- Scope 3

* GWP 100 (IPCC 2014)



Data for calculating our greenhouse gas emissions within scopes 1, 2 and 3 have been gathered in 23 of the 25 countries in which we operate. The data have been gathered through own measuring systems, invoices and estimates based on data from previous years and months. The emission factors used to calculate carbon dioxide equivalents have been obtained from fuel suppliers, the Swedish Environmental Protection Agency, the Association of Issuing Bodies (AIB), the Department of Environment, Food and Rural Affairs (DEFRA) and the Green House Gas (GHG) Protocol.

The data presented for 2018 do not represent all 23 countries for all three scope since the data gathering processes have different degrees of maturity. During 2019, we will establish a process ensuring that all of the countries are included in the next set of environmental data in the sustainability disclosures.

Scope 1 data represent six out of the ten countries in which we own cars.

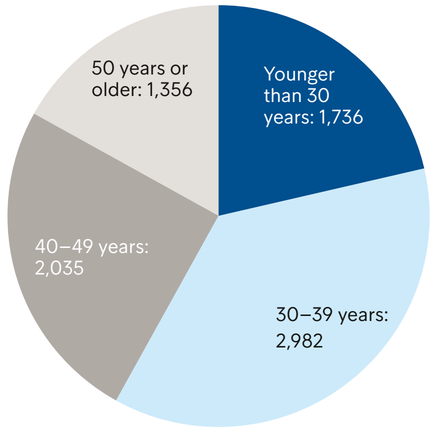
Scope 2 emissions from electricity consumption are reported for 21 countries. Emissions from district heating are accounted for by 10 of the 14 countries that have district heating. Emissions from refrigeration plants are reported from one of three countries. Emissions from natural gas heating are reported by all three countries that have this kind of heating.

Scope 3 emissions from leased cars are accounted for by 13 of 17 countries. Emissions from business travel are reported for 19 of the 22 countries where business travel has taken place in 2018, by train, air, taxi and/or bus.

Growing by making a difference

Employee statistics	
Average number of employees	7,910
Personnel turnover	28%
Number of new hires	2,204
Number covered by collective agreements	approximately 50%

Number of employees by age category:



In our 25 markets, we speak a total of 36 different languages in addition to English. Shown in brackets are the number of markets in which a language is spoken and where support and help can be provided in that language (2018)

French (12)	Polish (4)	Serbo Croatian (3)	Estonian (1)	Armenian (1)
German (11)	Arabic (4)	Persian (3)	Latvian (1)	Catalan (1)
Spanish (11)	Turkish (4)	Hindi-Urdu (3)	Greek (1)	Norwegian (1)
Italian (8)	Albanian (3)	Romanian (2)	Icelandic (1)	Telugu (1)
Russian (7)	Slovakian (3)	Czech (2)	Macedonian (1)	
Dutch (6)	Lithuanian (3)	Bulgarian (2)	Lingala (1)	
Swedish (5)	Danish (3)	Tamil (2)	Azerbaijani (1)	
Portuguese (4)	Hungarian (3)	Finnish (2)	Punjabi (1)	

Suppliers, partners and purchasing
Intrum has a number of different suppliers of both services and materials for our offices. Following the merger of Intrum Justitia and Lindorff, we have been working to derive economies of scale from shared purchasing and streamlining our IT infrastructure. In 2017, Intrum signed a global agreement with IT provider Fujitsu for IT infrastructure services in all markets, including outsourced IT services, data centre management, cloud and hybrid IT.

For us, human rights and favourable working conditions are just as important with regard to our own employees as for everyone working for us throughout our value chain. All who represent us, including our suppliers and partners, are obliged to sign our Code of Conduct.

Intrum has established partnerships with representatives in some 160 additional countries to assist clients with operations both within Europe and beyond. All of our partners have signed our Code of Conduct.

Organisations and partnerships of which we are members
As a global company, Intrum is a member of several organisations and we also support a number of Non-governmental organisations in several markets.

Globally, we are members of FENCA, the Federation of European National Collection Associations, working at the European level to coordinate the credit management and collection industry.

In Belgium, Intrum is also a member of SOCREM, an organisation for the credit management industry and representatives of people in debt aimed at creating a socially and financially sustainable industry, with an understanding of the particular circumstances of the customers. Intrum co-founded the organisation in June 2018.

To name a few others, in Sweden, Intrum is a member of Föreningen för Effektiva Affärstransaktioner (the Association for Effective Business Transactions), the trade association Svensk Inkasso and the Gilla din ekonomi (Like Your Finances) network. In Ireland, we are members of the Irish trade association for the Receivable Management services industry.

We also support a number of voluntary organisations and provide philanthropic contributions. In several countries, Intrum's employees have themselves determines what organisation we should support. Support is provided either financially or in the form of collaboration and exchange of knowledge.

- Spain: Fundación Adecco and Fundación Prodis for a more inclusive labour market.
- Norway: The Red Cross and the national pension association to disseminate knowledge on sound finances.
- Switzerland: Kinderhospitz (Swiss Children's Hospice Foundation)
- Romania: Let's do it Romania (environmental organisation), Free Miorita (renewable energy project for those without access to electricity)
- Sweden: Hand in Hand (fighting poverty and promoting entrepreneurship)
- France: Partnership with CRESUS, a French association providing support and advice on over-indebtedness
- Hungary: Heliopolis Minden Gyermek Érték Alapítvány (works to help foster children and young adults with their studies and continued education).
- Netherlands: Amargi (providing knowledge on sound finances)

Significant changes since the preceding reporting period

A sustainability report was prepared in accordance with the supplement in the Annual Accounts Act for the first time in 2017. The Sustainability Report was then prepared as an appendix to the Annual Report and thus constituted a separate report according to the Annual Accounts Act and the UN Global Compact's Communication of Progress.

Intrum's first full calendar year following the merger of Intrum Justitia and Lindorff was 2018. In connection with this, the Sustainability Report has been included into the Annual Report and follows the guidelines in the core level of the Global Reporting Initiative's standards. This framework brings a new method for preparing the accounts. The targets for sustainability efforts in 2019 have been established in accordance with the new approach and also constitute a start year in this regard.

Goals	GC principles	Status
Expand the geographical scope of our educational initiatives.	1, 2	●
Initiate a forum for dialogue with our external stakeholders.	1, 2	●
Include the views and perspectives of our stakeholders in our sustainability work.	1, 2	●
Become involved in charity activities supporting the fulfilment of the UN's sustainability goals.	1, 2	●
Provide our employees with training to increase their awareness of human rights.	1, 2	○
Start gathering data on work-related injuries among our employees.	3–6	●
Start measuring the composition with regard to gender and age of managers in our operations.	3–6	●
Increase our employees' satisfaction with Intrum as an employer.	3–6	○ *
Initiate a dialogue with our employees and integrate their views and perspectives into our sustainability work.	3–6	◐
Update and develop our environmental instructions to reduce our climate footprint.	7–9	●
Increase our data collection to improve opportunities for measuring progress with regard to our climate footprint.	7–9	●
Initiate recycling initiatives at all our offices.	7–9	○
Strengthen our antitrust protection by formulating a new policy.	10	●

● Achieved ◐ Partially achieved ○ Not achieved

* Engagement Index 2017: 76/100
Engagement Index 2018: 74/100

GRI Index

GRI Standard	Description	Page reference	Comment
101	This report has been prepared in accordance with GRI standard Core.	Page references are to Intrum's Annual and Sustainability Report 2018.	
General disclosures			
102-1	Name of the organisation	125	Intrum AB (publ)
102-2	Activities, brands, products, and services	8–10	
102-3	Location of headquarters	46	Stockholm, Sweden
102-4	Location of operations	22–23, 47–48	
102-5	Ownership and legal form	46	Limited company
102-6	Markets served	22–23, 47–48	
102-7	Scale of the organisation	40, 48, 52, 55, 58,	
102-8	Information on employees and other workers	40, 42, 52, 119	Due to technical reasons we have insufficient information regarding the type of employment and employment contracts based on gender and per region.
102-9	Supply chain	119	
102-10	Significant changes to the organisation and its supply chain	46	During 2018 we implemented our first, minor acquisition in Brazil, and a joint venture with Banca Intesa Sanpaolo.
102-11	Precautionary Principle or approach	38	
102-12	External initiatives	117, 119–120	Intrum is a signatory of the Global Compact since 2016.
102-13	Membership of associations	119–120	
Strategy			
102-14	Statement from senior decision-maker	6–7	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	16, 32–33	
Governance			
102-18	Governance structure	104–107, 115	
Stakeholder engagement			
102-40	List of stakeholder groups	116	
102-41	Collective bargaining agreements	119	
102-42	Identifying and selecting stakeholders	116	
102-43	Approach to stakeholder engagement	30, 115–116	
102-44	Key topics and concerns raised	116–117	

GRI Standard	Description	Page reference	Comment
About the report			
102-45	Entities included in the consolidated financial statements	115	The report covers all our subsidiaries.
102-46	Defining report content and topic Boundaries	30, 115–116	
102-47	List of material topics	30, 116	
102-48	Restatements of information	120	2018 is Intrum's starting year for measuring environmental- and climate data according to scope 1, 2 and 3.
102-49	Changes in reporting	120	This is Intrum's first report according to GRI.
102-50	Reporting period	115	1 January – 31 December 2018.
102-51	Date of most recent report		This is Intrum's first sustainability report in accordance with GRI. The latest sustainability report was published the 4th of April 2018.
102-52	Reporting cycle		Annually
102-53	Contact point for questions regarding the report	125	anna.fall@intrum.com
102-54	Claims of reporting in accordance with the GRI Standards	115	
102-55	GRI content index	121–123	
102-56	External assurance	124	

Topic-specific disclosures

GRI Standard	Description	Page reference	Comment
201: Financial results			
103-1–103-3	Management approach	12–13, 19–20, 115	
201-1	Direct economic value generated and distributed	55	
205: Anti-corruption			
103-1–103-3	Management approach	31, 37	
205-3	Confirmed incidents of corruption and actions taken	37	
305: Emissions			
103-1–103-3	Management approach	38	
305-1	Direct (Scope 1) GHG emissions	38, 118	
305-2	Energy indirect (Scope 2) GHG emissions	38, 118	
305-3	Other indirect (Scope 3) GHG emissions	38, 118	

GRI Standard	Description	Page reference	Comment
Social			
401: Employees			
103-1–103-3	Management approach	40–43	
401-1	New employee hires and employee turnover	119	
405: Diversity and equality			
103-1–103-3	Management approach	40, 43, 52	
405-1	Diversity of governance bodies and employees	42, 110–111, 112–114	

Company-specific issues			
Ethical collection			
103-1–103-3	Management approach	26, 32–33	
Corporate ethics			
103-1–103-3	Management approach	33, 36	
Offering of services and solutions			
103-1–103-3	Management approach	19–20, 26, 36	

←

The auditor's report on the statutory sustainability report.

This is the translation of the auditor's report in Swedish.

To the Annual General Meeting of Intrum AB (publ), corporate identity number 556607-7581.

Engagement and responsibility
The Board of Directors is responsible for that the statutory sustainability report for 2018 on pages 28–43 and 115–120 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination of the statutory sustainability report has been conducted in accordance with FAR´s auditing standard RevR 12 The auditor´s report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion
A statutory sustainability report has been prepared.

Stockholm 3rd of April 2019

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Information for shareholders

Annual General Meeting
The Annual General Meeting of Intrum AB (publ) will be held preliminarily on Friday April 26, 2019 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.

Dividend
For the 2018 fiscal year, the Board proposes to the Annual General Meeting that a dividend of SEK 9.50 (9.50) per share be paid.

Financial information 2019
Annual General Meeting 2019, April 26
Interim Report January–March, April 26
Interim Report January–June, July 18
Interim Report January–September, October 23

Additional information from Intrum
Financial reports are published in Swedish and English and can be ordered from Intrum 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. 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, 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
Ph. +46 8-546 10 342
E-mail: ir@intrum.com

This Annual Report can be ordered in printed format via ir@intrum.com or downloaded as a pdf via www.intrum.com.

Contact for the content of the report
Anna Fall
Ph. +46 709 98 96 21
E-mail: anna.fall@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, customers 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).

Average number of employees:
Average number of employees over the year as full-time equivalents.

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.

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.

Dividend payout:
Dividends as a share of earnings for the year attributable to Parent Company shareholders.

Earnings per share:
Earnings for the year attributable to Parent Company shareholders, divided by the average number of shares over the year.

Expected remaining collections, ERC:
Estimated remaining collections are the nominal value of expected future collections on the Group's portfolio investments.

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.

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.

Operating cash flow per share:
Cash flow from operating activities divided by the average number of shares over the year.

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.

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.

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.

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.

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.

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.

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.

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.

See also Note 38 on page 96.

Intrum AB (publ)

Hesselmans Torg 14
Nacka
105 24 Stockholm
Sweden
Ph +46 8 546 10 200
Fax +46 8 546 10 211
www.intrum.com
info@intrum.com

Austria

Intrum
Donau-City-Strasse 6,
AT-1220 Vienna
Austria
Ph +43 1 260 88 80 0
Fax +43 260 88 99 0
www.intrum.at

Belgium

Intrum
Martelaarslaan 53
B-9000 Gent
Belgium
Ph +32 9 218 90 94
Fax +32 9 218 90 51
www.intrum.be

Czech Republic

Intrum
Ža Pasáži 1609
53002 Pardubice
Czech Republic
Ph +420 277 003 734
Fax +420 283 880 902
www.intrum.cz

Denmark

Intrum
Kirsten Walthers Vej 7
2500 Valby
Denmark
Ph +45 33 69 70 00
www.intrum.dk

Estonia

Intrum
Rotermanni 8
EE-Tallinn 10111
Estonia
Ph +372 6060 990
Fax +372 6060 991
www.intrum.ee

Finland

Intrum
PL 47
FI-00811 Helsinki
Finland
Ph +358 9 229 111
Fax +358 9 2291 1911
www.intrum.fi

France

Intrum
97 Allée Alexandre Borodine
CS-80008
FR-69795 Saint Priest Cedex
France
Ph +33 4 7280 1414
Fax +33 4 7280 1415
www.intrum.fr

Germany

Intrum
Donnersbergstraße 1
D-64646 Heppenheim
Germany
Ph: +49 6252 672 0
www.intrum.de

Greece

Intrum
268 Kifisias Avenue
152 32, Halandri,
Greece

Hungary

Intrum
Váci út 144–150
HU-1138 Budapest
Hungary
Ph +36 1 459 9400
Fax +36 1 459 9574
www.intrum.hu

Ireland

Intrum
1st Floor, Block C
Ashtown Gate
IE- Dublin 15
Ireland
Ph +353 1 869 22 22
Fax +353 1 869 22 44
www.intrum.ie

Italy

Intrum
Via Galileo Galilei 7
Milano – 20124
Italy
Ph +39 02 288 701
Fax +39 02 288 70 411
www.intrum.it

Latvia

Intrum
Latvijas filiale
Duntes iela 11
LV-1013 Riga
Latvia
www.lindorff.lv

Lithuania

Intrum
filialas
Konstitucijos pr. 29
LT-08105 Vilnius
Lietuva
www.lindorff.lt

Netherlands

Intrum
PO Box 36161
1020 MD Amsterdam
Netherlands
Ph +31 (0)88 118 99 39
www.intrum.nl

Norway

Lindorff
Hoffsveien 70B
0377 Oslo
Norway
Ph +47 23 21 10 00
Fax +47 23 21 11 00
www.lindorff.no

Poland

Intrum
Ul. Domaniewska 41
PL-02-672 Warszaw
Poland
Ph +48 22 576 66 66
Fax +48 22 576 66 68
www.intrum.pl

Portugal

Intrum
Alameda dos Oceanos 59
Edifício Espace
Piso 1, Bloco 2, A/B
Parque das Nações
1990-207 Lisboa
Portugal
Ph +351 21 317 22 00
Fax +351 21 317 22 09
www.intrum.pt

Romania

Intrum
Str. Dinu Vintilă nr. 11, 021101
Bucuresti Sector 2
Romania
Ph + 40 21 301 29 25
Fax +40 21 301 29 29
www.intrum.ro

Slovakia

Intrum
Blumental Offices I.
Mýtna 48
811 07 Bratislava
Slovakia
Ph +421 2 321 63 185
Fax +421 2 3216 3280
www.intrum.sk

Spain

Intrum
Lindorff España SAU
Calle Vía de los Poblados, 3.
Edificio 1.
28033. Madrid.
Spain
Ph +34 91 423 4600
www.intrum.es

Sweden

Intrum
105 24 Stockholm
Sweden
Ph +46 8 616 77 00
Fax +46 8 640 94 02
www.intrum.se

Switzerland

Intrum
Eschenstrasse 12
CH-8603 Schwerzenbach
Switzerland
Ph +41 44 806 56 56
Fax +41 44 806 56 60
www.intrum.ch

United Kingdom

Intrum
The Omnibus Building
Lesbourne Road
Reigate, Surrey, RH2 7 JP
United Kingdom
Ph + 44 17 372 373 70
www.intrum.co.uk

Intrum's Annual and Sustainability Report for 2018 has been produced in collaboration with Passion:Reutersten AB. Design: J Friman. Portrait photo: Erik Thor. Illustration: Bo Lundberg
Intrum AB (publ) (corporate identity number 556607-7581).

intrum