

**Intrum A/S**  
(CVR no. 10 61 37 79)  
Kirstens Walthers Vej 7, 2500 Valby

## **Annual report 2018**

Approved at the Company's annual general meeting on 24 May 2019

Chairman:

A handwritten signature in blue ink, appearing to read 'M. Larsen', written over a horizontal line.

Martin Larsen

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## **Company information**

### **The Company**

Intrum A/S  
Kirstens Walthers Vej 7  
2500 Valby  
Denmark

CVR no. 10613779  
Founded 1 January 1987  
Registered office Copenhagen  
Financial year 1 January - 31 December

### **Ownership**

Intrum AB  
Hesselmans Torg 14  
SE- 105 24 Stockholm, Sweden

Phone: + 46 (0)8 546 102 00  
Website [www.intrum.com](http://www.intrum.com)

### **Board of Directors**

Anette Willumsen, Chairman  
Jens Hjortflod  
André Holø Adolfsen  
Johan Brodin

### **Executive Board**

Jens Hjortflod

### **Auditor**

Ernst & Young P/S  
Osvold Helmuths Vej 4  
2000 Frederiksberg

### **Company's primary activity**

The primary activity of the company is credit management services.

**Statement by Management on the annual report**

The Board of Directors and the Executive Board have discussed and approved the annual report of Intrum A/S for the financial year 1 January - 31 December 2018.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and danish disclosure requirements in the Danish Financial Statement Act.

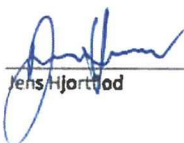
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

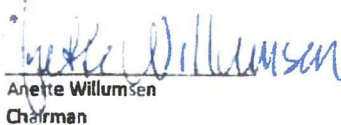
We recommend that the annual report be approved at the annual general meeting.

Valby, 24 May 2019

**Executive Board:**

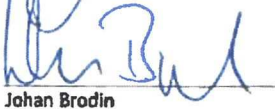
  
Jens Hjortlod

**Board of Directors:**

  
Anette Willumsen  
Chairman

  
Jens Hjortlod

  
André Holm Adolfsen

  
Johan Brodin

## **Independent auditor's report**

### **To the shareholder of Intrum A/S**

#### **Opinion**

We have audited the financial statements of Intrum A/S for the financial year 1 January – 31 December 2018, which comprise a statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

#### **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

#### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 24 May 2019

**Ernst & Young**

Godkendt Revisionspartnerselskab

CVR-nr. 30 70 02 28



Lars Rhod Søndergaard  
State Authorised  
Public Accountant  
mne28632



Anders Flymer-Dindler  
State Authorised  
Public Accountant  
mne35423

## Management's review

### Company's essential activities

Intrum AB is one of Europe's leading companies within Credit Management Services and Financial Services, which build on strong collection operations. Intrum Justitia AB was founded in 1923 and today has approximately 8.000 employees and operations in 24 countries. In addition, Intrum AB partner with representatives in a further approximately 160 countries to assist clients with operations both within Europe and beyond.

### Development and economic conditions

The result for 2018 is showing a result of DKK'000 -10.790 versus last year DKK'000 -7.963.

The result is affected by restructuring costs of DKK'000 5.000 in connection with termination of employees and other one-off costs. Dansk Kreditorservice A/S CVR 27962971 is merged into Intrum A/S.

In the annual report for 2017 the management expected an improved result for 2018 compared to 2017. Therefore the management considers the results to be unsatisfactory.

### Events after the balance sheet date (after reporting date)

There have been no other significant events after the end of the financial year 2018.

### Expected development

Intrum A/S expects that the operating profit for 2019 will improve around DKK'000 5.000 versus 2018, especially in the second half of the year were new clients expect to be full integrated.

## Financial highlights

DKK'000	2018	2017	2016	2015	2014
<b>Income statement</b>					
Gross profit	121.442	90.242	87.634	70.257	36.165
Operating profit	-4.775	-1.191	7.011	4.740	-9.107
Financial items, net	-8.689	-6.323	-4.419	-3.144	-689
<b>Profit for the year</b>	<b>-10.790</b>	<b>-7.963</b>	<b>3.546</b>	<b>1.424</b>	<b>-8.123</b>
<b>Financial position</b>					
Balance sheet total	338.164	339.284	364.182	210.795	188.761
Equity	13.426	19.245	27.208	20.929	6.489
Investments in property, plant and equipment	578	279	588	2.677	80
<b>Financial ratios (%)</b>					
Liquidity ratio	89,4	21,0	123,7	64,1	54,7
Solvency ratio	4,0	5,7	7,5	9,9	9,6
<b>Staff</b>					
Number of full-time employees at year end	220	158	138	120	79

Comparative figures for 2014 and 2015 are not adapted to IFRS.

Key figures and financial ratios are calculated in accordance with "Recommendations & Financial Ratios" published by the Danish Financial Society.

Liquidity ratio = Current assets / Current liabilities  
Solvency ratio = Equity / Total assets

## STATEMENT OF COMPREHENSIVE INCOME

DKK'000	Note	2018	2017
Revenue	3	178.882	156.374
Cost of sales		-32.952	-46.586
Other external costs		-24.488	-19.546
<b>Gross profit</b>		<b>121.442</b>	<b>90.242</b>
Staff costs	4	-117.631	-84.159
Amortisation and depreciation of tangible and intangible assets	8, 10	-8.586	-7.274
<b>Operating profit</b>		<b>-4.775</b>	<b>-1.191</b>
Financial income	5	436	257
Financial expenses	6	-9.125	-6.580
<b>Profit before tax</b>		<b>-13.464</b>	<b>-7.514</b>
Tax on profit	7	2.674	-449
<b>Profit for the year</b>		<b>-10.790</b>	<b>-7.963</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>-10.790</b>	<b>-7.963</b>



## STATEMENT OF FINANCIAL POSITION

DKK'000	Note	2018	2017
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	8	251.352	150.601
Other intangible assets	8	11.907	15.026
Property, plant and equipment	10	1.123	1.973
Investment in subsidiaries	12	-	101.758
Deferred tax assets	7	4.965	1.737
Other long-term receivables		3.640	1.022
<b>Total non-current assets</b>		<b>272.987</b>	<b>272.117</b>
<b>Current assets</b>			
Trade and other receivables	18	20.577	18.168
Receivables with Group Companies		18.927	14.230
Income tax receivable	7	746	-
Prepayments		2.705	4.014
Cash and cash equivalents	15	22.222	30.755
<b>Total current assets</b>		<b>65.177</b>	<b>67.167</b>
<b>Total assets</b>		<b>338.164</b>	<b>339.284</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	11	1.300	1.300
Share premium		-	7.800
Reserve for development costs		-	-
Retained earnings		12.126	10.145
<b>Total equity</b>		<b>13.426</b>	<b>19.245</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Liabilities to parent company	18	251.793	-
Provisions	13	-	-
<b>Total non-current liabilities</b>		<b>251.793</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	18	3.568	4.459
Deferred income		2.152	507
Liabilities to Group Companies	18	25.162	270.885
Income tax payable	7	-	421
Client funds		18.316	23.401
Other liabilities	14	23.747	20.366
<b>Total current liabilities</b>		<b>72.945</b>	<b>320.039</b>
<b>Total liabilities</b>		<b>324.738</b>	<b>320.039</b>
<b>Total equity and liabilities</b>		<b>338.164</b>	<b>339.284</b>

### Note

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## STATEMENT OF CASH FLOWS

DKK'000	Note	2018	2017
<b>Cash flow from operating activities</b>			
Operating profit		-4.775	-1.191
Non-cash adjustments	16	5.821	7.668
Changes in working capital	17	-8.879	-11.562
Interest paid		-6.877	-2.672
Interest received		459	234
Income taxes paid		-1.776	-1.244
<b>Cash flow from operating activities</b>		<b>-16.027</b>	<b>-8.767</b>
<b>Cash flow from investing activities</b>			
Purchase of shares in subsidiaries		-	-
Investments in intangible assets	8	-3.290	-3.338
Sale in intangible assets		-	-
Investments in property, plant and equipment	10	-578	-279
Sale in property, plant and equipment		-	-
Other cash flow from investing activities		-	-
<b>Cash flow from investing activities</b>		<b>-3.868</b>	<b>-3.617</b>
<b>Cash flow from financing activities</b>			
Increase in borrowings		17.005	2.208
Dividends paid to equity holders of the parent		-	-
Repayment of borrowings		-	-
<b>Cash flow from financing activities</b>		<b>17.005</b>	<b>2.208</b>
<b>Net cash flow</b>		<b>-2.890</b>	<b>-10.176</b>
Cash and cash equivalents at 1 January		7.354	17.530
Cash through merger with Dansk kreditorservice A/S		-558	-
Net foreign currency gains or losses		-	-
<b>Cash and cash equivalents at 31 December</b>		<b>3.906</b>	<b>7.354</b>

## STATEMENT OF CHANGES IN EQUITY

2018

DKK'000	Share capital	Share premium	Reserve for development costs	Retained earnings	Total
<b>Equity at 1 January</b>	<b>1.300</b>	<b>7.800</b>	-	<b>10.145</b>	<b>19.245</b>
Profit for the period	-	-	-	-10.790	-10.790
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>-10.790</b>	<b>-10.790</b>
<b>Transactions with owners of the Company and other equity transactions:</b>					
Share Premium transferred to Retained earnings	-	-7.800	-	7.800	-
Profit from merger with subsidiary using the pooling of interest method	-	-	-	4.971	4.971
Dividends paid	-	-	-	-	-
<b>Total transactions with owners of the Company and other equity transactions</b>	-	<b>-7.800</b>	-	<b>12.771</b>	<b>4.971</b>
<b>Equity on 31 December</b>	<b>1.300</b>	-	-	<b>12.126</b>	<b>13.426</b>

2017

DKK'000	Share capital	Share premium	Reserve for development costs	Retained earnings	Total
<b>Equity at 1 January</b>	<b>1.300</b>	<b>7.800</b>	-	<b>18.108</b>	<b>27.208</b>
Profit for the period	-	-	-	-7.963	-7.963
Other comprehensive income for the period	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	<b>-7.963</b>	<b>-7.963</b>
<b>Transactions with owners of the Company and other equity transactions:</b>					
Profit from merger with subsidiary using the pooling of interest method	-	-	-	-	-
Dividends paid	-	-	-	-	-
<b>Total transactions with owners of the Company and other equity transactions</b>	-	-	-	-	-
<b>Equity on 31 December</b>	<b>1.300</b>	<b>7.800</b>	-	<b>10.145</b>	<b>19.245</b>

## NOTES OVERVIEW

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## Notes

### Note 1 General accounting policies

#### Corporate information

Intrum A/S (Intrum or the Company) is incorporated and domiciled in Denmark. The Company's registered office is located at Kirsten Walthers Vej, 2500 Valby.

#### Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as well as additional Danish disclosure requirements applying to entities of reporting class medium C. Further they are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The Board of Directors and Executive Management has on the XX May approved the annual report 2018 for Intrum A/S.

The financial statements have been prepared on a historical cost basis, except as noted in the various accounting policies.

These financial statements are expressed in DKK, as this is Intrum A/S's functional and presentation currency. All values are rounded to the nearest thousand DKK '000 where indicated.

The Company is included in the Consolidated Financial Statement of Intrum Justitia AB. The address of Intrum AB is Hesselmans Torg 14, 13134 Nacka, Sweden.

#### Applied materiality

The financial statements are a result of processing large numbers of transactions and aggregating those into classes according to their nature or function. The aggregated transactions are presented in classes of similar items in the financial statements. Line items not individually material are aggregated with other items of a similar nature in the financial statements or in the notes.

IFRS disclosure requirements are substantial. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the financial decision-making of the users of these financial statements and otherwise not warranted or not applicable.

#### Changes in accounting policies

##### Changes that entered into force in 2018

Since 1 January 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 had no significant effect on the Intrum A/S accounting.

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 A/S but entailed new disclosure requirements.

#### Reclassification

Provisions for losses on receivables relating to guarantee contracts have been reclassified from provision to other receivables. Comparative figures have been changed.

#### Foreign currencies

Intrum's financial statements are presented in Danish kroner, which is also Intrum Justitia's functional currency.

#### Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the income statement under financial items.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### Revenue

Income, consisting of commissions and fees from debt collecting services, is recognised on collection of the debt.

Subscription income is recognized proportionately over the term of the underlying service contracts, which is usually one year.

Prepaid subscription fee is recognized as deferred income under non-current liabilities.

Income is exclusive of tax, VAT and discounts.

#### Cost of sales

Cost of sales includes direct costs incurred when generating the revenue for the year. Intrum Justitia recognizes cost of sales as revenue is earned.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to employees. The item is net of refunds made by public authorities.

#### Financial income and expenses

Financial income and expenses comprise interest income and expenses, cost of permanent loan facilities, gains and losses on securities, receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, etc.

#### Current income tax

The parent company is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit (loss) for the year is recognized in the income statement, and the tax expense relating to amounts recognized in other comprehensive income is recognized in other comprehensive income.

## Note 1 General accounting policies (continued)

### Current income tax (continued)

Current tax payable is recognized in current liabilities and deferred tax is recognized in non-current liabilities. Tax receivable is recognized in current assets and deferred tax assets are recognized in non-current assets.

### Deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the period, adjusted for tax on the taxable income of prior periods and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

### Intangible assets

#### Goodwill

Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least once a year. Goodwill is written down to the recoverable amount if the carrying amount is higher than the computed recoverable amount. The recoverable amount is computed as the present value of the expected future net cash flows from the enterprises or activities to which the goodwill is allocated. Impairment of goodwill is not reversed.

#### Other Intangible assets

Other intangible assets are initially recognised at cost. Subsequently, other intangible assets are measured at cost less accumulated amortisations and impairments. Other intangible assets are amortised on a straight-line basis over its estimated useful life, which are no longer than 10 years. Other intangible assets are tested for impairment at least once a year.

### Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs of materials, components, suppliers, direct wages and salaries and indirect production costs until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives, which are 3-5 years for operating assets and equipment, and 5 years for leasehold improvements.

### Investments in subsidiaries

Investments in subsidiaries are recognized at cost. This comprises the purchase price at fair value plus direct acquisition costs. If there is indication of impairment, an impairment test is conducted as described in this section of the accounting policies. Where the carrying value exceeds the recoverable amount, the investment is written down to this lower value.

For distribution of reserves other than retained earnings in subsidiaries, the distribution will reduce the cost of the investments as the distribution is characterized as repayment of the parent's investment.

If parts of the purchase consideration is contingent on future events or fulfilment of agreed terms, this part of the purchase consideration is recognised at fair value at the time of acquisition with changes in fair value recognised in the statement of Profit or Loss. The actual cash outflows might materially vary from the valuation of the provisions for the acquisition of non-controlling interests if:

- The timing of the actual contingent consideration differs from the assumptions applied
- The actual defined multiples for the contingent consideration may differ from the assumptions applied by management

### Financial assets

Financial assets are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### 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 comprise cash at banks and on hand and demand deposits.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and short-term deposits, net of outstanding overdrafts.

### Equity

#### Dividends

The expected dividend payment for the year is disclosed as a separate item in equity. Proposed dividends are recognized as a liability at the date they are adopted by the annual general meeting (declaration date).

#### Reserve for development cost

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or if they are no more part of the Intrum A/S's operations by a transfer directly to distributable reserves under equity.

#### Share premium reserve

The share premium reserve represents positive differences between the nominal share capital and the amount paid by shareholders for newly issued shares. The reserve is a distributable reserve.

## Note 1 General accounting policies (continued)

### Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Company's financial liabilities comprise other debt, which primarily consist of staff-related costs not due for payment.

### Payment guarantees

Intrum offers some of its clients the opportunity, against payment, to obtain a guarantee from Intrum regarding the clients' receivables from their customers. The guarantee entails an undertaking by Intrum to acquire the receivable from the creditor at its nominal value, or a certain part thereof, once it has fallen overdue for payment by a certain number of days. The income, in the form of a guarantee fee, is recognized when the guarantees are issued, while a liability is recognized in the balance sheet for expected losses related to those guarantees. If the debtor fails to make payment, Intrum settles the difference up to the guaranteed amount. The expected loss recognised as a liability is calculated using Intrum's historical collection curve on actual collections.

### Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

### Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific measurement. Intrum Justitia uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. Intrum Justitia's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and transport costs.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level of input is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

### Cash flow statement

Cash flow is divided into cash flow from operating activities, investing activities and financing activities.

The cash flow statement cannot be directly derived from the statement of financial position and income statement.

Cash flows from the operating activities are prepared using the indirect method based on operating profit before amortisation and depreciation and corrected for non-cash items, changes in working capital, interests and taxes.

Cash flow from investing activities comprise of payments relating to sale or purchase of companies or activities, purchase of intangible, tangible or other non-current assets.

Cash flow from financing activities comprise of financing activities incl. obtaining and repayment of loans from Group Companies and dividends to Shareholders.

### Legal merger with the fully owned subsidiary Dansk Kreditorservice A/S in 2018

During 2018, it was decided to legally merge the Parent Company, Intrum A/S, and its wholly owned subsidiary, Dansk Kreditorservice A/S, with Intrum A/S being the continuing company (upstream merger). According to the registration with the Danish Business Authorities, the merger was completed 10 April 2018 with legal effect as of 1 January 2018.

The common control merger has been accounted for by applying the "pooling-of-interest" method:

- Recognising all assets and liabilities of Dansk Kreditorservice A/S at their carrying amounts as at 1 January 2018
- Derecognising the carrying amount of the investment in Dansk Kreditorservice A/S at the transaction date as well as receivables from Intrum A/S
- Recognising the difference between the carrying amount of the investment in Dansk Kreditorservice A/S and the carrying amount of the net assets transferred from Dansk Kreditorservice A/S in connection with the merger directly in the Parent Company's other comprehensive income (equity) as an adjustment to retained earnings.

The merger has had no impact on the comparative figures presented by the Parent Company, which therefore are not comparable to 2018.

## **Note 2 Critical accounting estimates, assumptions and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the assets and liabilities and the accompanying disclosures.

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 therefore vary from the assessments and best estimates applied by management.

The areas in which estimates and assumptions could entail significant risk of adjustment in the recognised amounts for assets and liabilities in future financial years are primarily the following:

### **Impairment**

#### **Goodwill**

An impairment test of goodwill is performed prior to the preparation of the annual accounts. Impairment exists when the carrying value of an asset exceeds its recoverable amounts. The recoverable amount have been established by calculating their value in use. Assumptions and assessments are made by Management with regard to expected cash flows and discount rates in the form of weighted average cost of capital, as well as a sensitivity analysis.

Projections of future cash flows are based on the best possible assessments of future income and operating expenses.



**Note 3 Revenue**

2018		2018	2017
DKK'000			
Commissions		138.905	111.812
Collection fees		28.681	41.517
Other revenue		11.296	3.045
<b>Total</b>		<b>178.882</b>	<b>156.374</b>

**Note 4 Staff costs**

DKK'000		2018	2017
Wages and salaries		103.557	72.268
Defined contribution plans		7.871	6.064
Other social security costs		849	533
Other staff costs		5.354	5.294
<b>Total</b>		<b>117.631</b>	<b>84.159</b>
Average number of full-time employees		220	158

Remuneration to the company's management is not disclosed, with reference to the Danish Financial Statement Act §98b(3), (ii).

**Note 5 Financial income**

DKK'000		2018	2017
Interest income from Group Companies		395	221
Interest income external		0	0
Currency adjustments		41	36
<b>Total</b>		<b>436</b>	<b>257</b>

**Note 6 Financial expenses**

DKK'000		2018	2017
Interest costs to Group Companies		8.600	6.442
Other interest costs		451	113
Currency adjustments		74	25
<b>Total</b>		<b>9.125</b>	<b>6.580</b>

## Note 7 Income tax

### Tax for the year

DKK'000	2018	2017
<b>Total tax for the year is specified as follows:</b>		
Tax for the year	2.674	-449
Tax on other comprehensive income	0	0
<b>Total</b>	<b>2.674</b>	<b>-449</b>
<b>Income tax of profit from the year is specified as follows:</b>		
Current tax	0	-298
Deferred tax	2.749	1.874
Adjustment of tax related to prior years	-75	-2.025
<b>Total</b>	<b>2.674</b>	<b>-449</b>

	2018		2017	
	DKK'000	%	DKK'000	%
Profit before tax	-13.464		-7.514	
Calculated 22 % (22,% in 2017) tax of the profit before tax	2.962	22%	1.653	22%
<b>Tax effect of:</b>				
Non-deductible costs	-118	0,9%	-77	1,0%
Adjustment to prior years	-170	1,3%	-2.025	26,9%
Change in tax percentage	-	0,0%	-	0,0%
<b>Tax effect total</b>	<b>2.674</b>	<b>24,1%</b>	<b>-449</b>	<b>50,0%</b>

### Deferred tax

DKK'000	2018	2017
<b>Deferred tax</b>		
Deferred tax 1 January	1.737	-895
Additions through merger with Dansk Kreditor Service A/S	385	-
Deferred tax for the year recognised in profit for the year	1.127	1.874
Loss carried forward	1.716	
Adjustment to prior years	0	758
<b>Deferred tax 31 December</b>	<b>4.965</b>	<b>1.737</b>

### Deferred tax is recognised in the balance sheet as follows:

Deferred tax assets	4.965	1.737
Deferred tax liabilities	-	-
<b>Deferred tax 31 December, net</b>	<b>4.965</b>	<b>1.737</b>

DKK'000	2018	2017
<b>Deferred tax concerns:</b>		
Plant & machinery	144	116
Leasehold improvements	85	-42
Completed development	-1.993	-1.843
Impairment on trade receivables	167	66
Acquired intangible assets	-626	-1.462
Accruals	1.228	-374
Provisions	4.244	5.276
Loss carried forward	1.716	-
<b>Total</b>	<b>4.965</b>	<b>1.737</b>

DKK'000	2018	2017
<b>Income tax receivable/payable 1 January</b>		
	-421	-
Additions through merger with Dansk Kreditor Service A/S	-732	
Current tax	0	-298
Adjustment of tax relating to previous years	123	-1367
<b>Income tax paid during the year</b>	<b>1.776</b>	<b>1.244</b>
<b>Income tax receivable/payable 31 December</b>	<b>746</b>	<b>-421</b>

## Note 8 Intangible assets

	Completed development projects	Acquired intangible assets	Goodwill	Total
Cost 1 January 2018	14.221	18.992	152.600	185.813
Additions through merger with Dansk Kreditor Service A/S	1.000	-	100.751	101.751
Additions	3.290	-	-	3.290
Disposals	-210	-	-	-210
<b>Cost 31 December 2018</b>	<b>18.301</b>	<b>18.992</b>	<b>253.351</b>	<b>290.644</b>
Amortisation and impairment 1 January 2018	5.842	12.345	1.999	20.186
Additions through merger with Dansk Kreditor Service A/S	250	-	-	250
Amortisation for the year	3.297	3.798	-	7.095
Impairment for the year	-	-	-	-
Disposals	-146	-	-	-146
<b>Amortisation and impairment 31 December 2018</b>	<b>9.243</b>	<b>16.143</b>	<b>1.999</b>	<b>27.385</b>
<b>Carrying amount 31 December 2018</b>	<b>9.058</b>	<b>2.849</b>	<b>251.352</b>	<b>263.259</b>
Cost 1 January 2017	11.165	18.992	152.600	182.757
Additions	3.338	-	-	3.338
Reclassification	-	-	-	-
Disposals	-282	-	-	-282
<b>Cost 31 January 2017</b>	<b>14.221</b>	<b>18.992</b>	<b>152.600</b>	<b>185.813</b>
Amortisation and impairment 1 January 2017	3.504	8.546	1.999	14.049
Amortisation for the year	2.620	3.799	-	6.419
Reclassification	-	-	-	-
Disposals	-282	-	-	-282
<b>Amortisation and impairment 31 December 2017</b>	<b>5.842</b>	<b>12.345</b>	<b>1.999</b>	<b>20.186</b>
<b>Carrying amount 31 December 2017</b>	<b>8.379</b>	<b>6.647</b>	<b>150.601</b>	<b>165.627</b>

## Note 9 Impairment test

Management prepares an impairment test on Goodwill once a year. If there are marked indications of impairment, then the impairment test is carrying out during the financial year, when the indications of impairment are identified.

The Impairment test is based on calculation of net realisable value. Goodwill is written down if the carrying amount exceeds the value in use calculation.

### Cash flows

Based on current revenue, EBIT-margin and future expectations to the development in the market incl. necessary investments a 5 years budget is prepared and approved by the Management. Year 2023, terminal period, is based on an expectation of 2 % growth per year.

### Discount factor

Discount rate applied is based on a weighted average cost of capital 6% (WACC).

## Note 10 Tangible assets

	Plant and machinery	Other fixtures and fittings	Leasehold improvements	Total
Cost 1 January 2018	285	3.511	2.525	6.321
Additions through merger with Dansk Kreditorservice A/S	-	565	-	565
Additions	84	363	131	578
Disposals	-	-195	-	-195
<b>Cost 31 December 2018</b>	<b>369</b>	<b>4.244</b>	<b>2.656</b>	<b>7.269</b>
Depreciation and impairment 1 January 2018	171	2.651	1.526	4.348
Additions through merger with Dansk Kreditorservice A/S	-	502	-	502
Depreciation for the year	54	438	999	1.491
Disposals	-	-195	-	-195
<b>Depreciation and impairment 31 December 2018</b>	<b>225</b>	<b>3.396</b>	<b>2.525</b>	<b>6.146</b>
<b>Carrying amount 31 December 2018</b>	<b>144</b>	<b>848</b>	<b>131</b>	<b>1.123</b>
Cost 1 January 2017	152	3.386	2.504	6.042
Additions through merger	-	-	-	-
Additions	133	125	21	279
Reclassification	-	-	-	-
Disposals	-	-	-	-
<b>Cost 31 January 2017</b>	<b>285</b>	<b>3.511</b>	<b>2.525</b>	<b>6.321</b>
Depreciation and impairment 1 January 2017	138	2.256	1.099	3.493
Depreciation for the year	33	395	427	855
Disposals	-	-	-	-
<b>Depreciation and Impairment 31 December 2017</b>	<b>171</b>	<b>2.651</b>	<b>1.526</b>	<b>4.348</b>
<b>Carrying amount 31 December 2017</b>	<b>114</b>	<b>860</b>	<b>999</b>	<b>1.973</b>

## Note 11 Equity

### Capital management

Intrum continuously assesses the need to adjust the capital structure to balance the higher return on equity against the increased uncertainty associated with external capital. The equity ratio of the total assets amounted to 4,0% for 2018 5,7% for 2017.

### Share capital

	Issued shares			
	Number of shares		Nominal value (DKK'000)	
	2018	2017	2018	2017
1 January	1.300	1.300	1.300	1.300
31 December - fully paid	1.300	1.300	1.300	1.300

The share capital has been unchanged the past six years, and amounts to DKK'000 1,300.

## Note 12 Investments in subsidiaries

Name	Headquarter	Equity DKK'000	Profit and loss DKK'000	Ownership 2018 %	Ownership 2017 %
Dansk Kreditorservice A/S	Vejle	5.978	2.748	0	100
					<b>Total</b>
Cost 1 January 2018					101.758
Additions					-
Merger with Dansk Kreditorservice A/S.					-101.758
Cost 31 December 2018					-
Carrying amount 31 December 2018					-
Cost 1 January 2017					101.758
Additions					-
Cost 31 December 2017					101.758
Carrying amount 31 December 2017					101.758

## Note 13 Provisions

DKK'000	2018	2017
Provision 1 January 2018	-	20.435
Arising during the year	-	1.708
Utilised/reclassification to receivables	-	-22.143
Provision 31 December 2018	-	-
Non-current	-	-
Current	-	-

## Note 14 Other liabilities

DKK'000	2018	2017
Payable VAT and taxes	3.068	2.338
Wages payable, taxes and social contributions	5.119	1.646
Holiday pay	12.588	9.524
Other payable costs	2.972	6.858
	<b>23.747</b>	<b>20.366</b>

## Note 15 Contingencies, contractual obligations, collaterals and pledged assets

### Collateral

The company has provided guarantees for a total of DKK 6,200,000.

### Contractual liabilities and contingencies

#### Other economical liabilities

Rental and operating lease liabilities:

DKK'000	2018	2017
Rental and operating lease liabilities	31.585	4.642

Rental and operating lease liabilities include rent commitments with a total of DKK'000 28,350 in non-cancellable rent with a contractual period until 28 February 2024. Furthermore, operating lease contracts on cars, printers etc. totalling DKK'000 3,295 with a contractual period of 2-5 years are included.

#### Pledged assets

DKK'000 18,316 (23,401) of cash is pledged as client funds.

## Note 16 Non-cash adjustments

DKK'000	2018	2017
Depreciation and amortisation	8.584	7.274
Impairment	-	-
Write down tax receivable	-168	-1.309
Provisions	-2.595	1.703
Total non-cash adjustments	5.821	7.668

## Note 17 Changes in working capital

DKK'000	2018	2017
Change in receivables	-7.960	-16.725
Prepaid expenses/deferred income	1.359	3.132
Change in trade payables, other liabilities and provisions	-2.278	2.031
Total change in working capital	-8.879	-11.562

## Note 18 Financial risk and financial instruments

### Risk management policy

The financial risks that arise in Intrum's operations are limited. Thanks to a strong cash flow, combined with little need for investment and operating capital, the requirements for external capital can be limited to Group financing.

Financing and financial risks are managed in close relationship with the Group in accordance with Group treasury policy established by the Group Board of Directors. External financial operations are concentrated in Group Treasury in Stockholm and therefore Intrum A/S does not have any internal or external derivatives or hedging activities.

### Market risk

Market risk is limited to risks related to changes in exchange rates and interest rate levels.

#### Currency risk

Exchange rate risk is the risk that fluctuations in exchange rates will affect the income statement, financial position and/or cash flow.

Intrum A/S's exposure against fluctuations in exchange rates is very limited as all income and operating expenses are denominated in local currency. Income and expenses are thereby hedged in a natural way, which limits the exposure and risk that fluctuations in exchange rates will affect the income statement, financial position and/or cash flow of Intrum.

#### Interest rate risk

Interest rate risk is the risk that fluctuations in interests on interest bearing debt will affect the income statement, financial position and/or cash flow.

Intrum A/S has a floating interest rate loan with Group Company. The loan is refinanced on an on-going basis.

### Liquidity and financing risk

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

Intrum A/S's cash readiness is ensured through combined short- and long-term contractual cash flows. The main financing required for investments and working capital is obtained through a Group loan with the Parent Company, Intrum AB.

The Group loan is re-negotiated on an on-going basis, in order to meet local financing requirements for both investments and working capital. The parent company has confirmed that it guarantees for refinancing of loans in the coming year.

#### Contractual cash flows:

2018	Carrying amount	Total	< 1 year	2 - 5 years	>5 years
<b>Non-derivative financial instruments</b>					
Liabilities to parent company/Group companies	276.955	276.955	25.162	251.793	-
Trade and other payables	3.568	3.568	3.568	-	-
Financial guarantee	-	-	-	-	-
<b>Total non-derivative financial instruments</b>	<b>280.523</b>	<b>280.523</b>	<b>28.730</b>	<b>251.793</b>	<b>-</b>

2017	Carrying amount	Total	< 1 year	2 - 5 years	>5 years
<b>Non-derivative financial instruments</b>					
Liabilities to parent company	270.885	270.885	270.885	-	-
Liabilities to other group Company	1.020	1.020	1.020	-	-
Trade and other payables	3.439	3.439	3.439	-	-
Financial guarantee	-	-	-	-	-
<b>Total non-derivative financial instruments</b>	<b>275.344</b>	<b>275.344</b>	<b>275.344</b>	<b>-</b>	<b>-</b>

### Credit risk

Credit risk consists of the risk that Intrum's counterparties are unable to fulfil their obligations. Financial assets that potentially subject Intrum to credit risk include cash and cash equivalents, accounts receivables, outlays on behalf of clients and financial guarantees. For financial assets owned by Intrum, no collateral or other credit reinforcements have been received. The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount.

Intrum's accounts receivables from clients and debtors are spread out in different industries naturally diluting the credit risk and limiting the exposure. Intrum A/S has not realised material impairment on receivables from clients historically and do not have material overdue receivables at 31 December 2018. The maturity of trade receivables is shown below.

The credit risk is also mitigated as Intrum contractually is able to offset any overdue amounts against client funds collected on behalf of their clients from third party clients. The contractual ability to offset is naturally limited the credit risk against trade receivables.

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

Intrum has deposited its liquid assets with established financial institutions where the risk of loss is considered remote.

Trade receivables past due but not impaired compound as follows:

DKK'000	2018	2017
Less than 30 days	5.307	4.518
Between 31 and 90 days	443	196
More than 91 days	941	563
<b>Total</b>	<b>6.691</b>	<b>5.277</b>

The reserve for impaired accounts receivable represents DKK'000 760 (2016: DKK'000 302) and relates primarily to receivables overdue by more than 90 days.

### Guarantee Contracts

DKK'000	2018	2017
Guarantee Payouts	98.741	88.903
Collected	-66.680	-55.791
Provision	-19.291	-22.143
<b>Total</b>	<b>12.770</b>	<b>10.969</b>

### Fair Value measurement

#### Financial guarantee

Intrum offers services whereby clients, against payment, obtain a guarantee from Intrum regarding the clients' receivables from their customers. This entails a risk being incurred that Intrum must compensate the customer for the guaranteed amount in the event that the invoices are not paid on time. In those cases where the guarantee comes into play, Intrum assumes the client's claim against its customer and takes over the continued handling of the case within the Purchased Debt area of operations.

### Categories of financial instruments

DKK'000	Carrying amount	
	2018	2017
<b>Cash and receivables</b>		
Trade and other receivables	20.577	18.168
Receivables to Group Companies	18.927	14.230
Cash and cash equivalents	22.222	30.755
<b>Total cash and receivables</b>	<b>61.726</b>	<b>63.153</b>
<b>Financial liabilities measured at amortised cost</b>		
Liabilities to Group Company	276.955	270.885
Trade payables	3.568	4.459
Client funds	18.316	23.401
<b>Total financial liabilities measured at amortised cost</b>	<b>298.839</b>	<b>298.745</b>
<b>Financial liabilities measured at fair value via profit and loss</b>		
Financial guarantee	2.852	-1.708
<b>Total financial liabilities measured at fair value via profit and loss</b>	<b>2.852</b>	<b>-1.708</b>



## Note 19 Leases

### Operating leases

Intrum leases under operating leases. The leasing period is typically between 3 and 4 years with the possibility of extending the contracts.

Non-cancellable operating leases are as follows:

	2018	2017
0-1 year	7.706	3.863
1-5 years	23.879	779
>5 years	-	-
	<b>31.585</b>	<b>4.642</b>

For the year 2018 there has been recognised DKK'000 7.236 (2017: DKK'000 4.829) in the income statement with regards to operating leases.

## Note 20 Related party disclosures

Intrum A/S's related parties include the following:

### Information about the consolidated financial statements

Parent company	Headquarters	Access the parent company's consolidated financial statements
Intrum AB	Nacka, Sweden	<a href="http://www.intrum.com">www.intrum.com</a>

### Transactions with associates, not conducted under normal market conditions

There has not been any transactions not conducted under normal market conditions.

### Ownership

The following shareholders are registered in the company's register of shareholders as holding at least either 5% of the votes or share capital:

Name	Headquarters
Intrum AB	Marcusplatsen 1A, 13134 Nacka, Sweden

### Executives

Intrum A/S's related parties with significant influence include the board and directors including these employees family members. Furthermore, related parties include the companies in which the mentioned related parties have significant interest.

Remuneration to the company's management is not disclosed, with reference to the Danish Financial Statement Act §98b(3), (ii).

## **Note 21 Events after the reporting period**

There have been no other significant events after the end of the financial year 2018.

## **Note 22 Standards issued but not yet effective**

Intrum A/S has decided against early application of any new or amended accounting recommendations or interpretations that enter into force in or after 2019.

### ***IFRS 16 Leases***

From 1 January 2019, Intrum A/S 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 Intrum A/S expects the principal effects on Intrum's accounting to be that the Intrum A/S's up's total assets will increase by a preliminary amount of approximately DKK 4M, calculated as per the beginning of 2019 and increasing to DKK 23M due to new office premises lease, 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 DKK 2M through the implicit interest expense in the leases being reported in net financial items rather than in operating earnings. Intrum A/S 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 DKK 35.000) – 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.