

Review of English subsidiary completed

- **Provisions:**
 - **Initial adjustment for accounting inaccuracies remains at SEK 80 M, charged to Q2, 2003**
 - **Additional provision of SEK 104 M charged to Q3, 2003, to align operation to Group policy as regards to unallocated payment**
 - **Costs for review, new processes and routines amounts to SEK 48 M, of which SEK 41 M has been charged to Q3**
- **Evidence of deliberate misstatement of results and balances – further investigation as to legal remedies**
- **New processes for finance reporting and control functions implemented during 2003**

Press conference today at 10.00 a.m. CET at Operaterassen in Stockholm

Intrum Justitia invites you to a press conference open for journalists and analysts **today at 10.00 a.m. CET** at Operaterassen in Stockholm, Sweden. CEO Jan Roxendal and Chairman Bo Ingemarson will present the Group's conclusions of the review, present the Q3 results and answer questions. The conference will be held **in Swedish**. To listen to the conference, please dial +46 8 500 500 91. Intrum Justitia's Chairman, CEO and other members of Intrum Justitia's management will be available for individual interviews after the press conference.

Tele conference today at 3.00 p.m. CET

The conclusions from the review and Q3 results will be presented in a telephone conference held **in English today at 3.00 p.m. CET**. Please call in on phone number: +44 208 515 2319, or +1 800 814 4941. Intrum Justitia will be represented by CEO Jan Roxendal and CFO Bertil Persson. The conference will also be broadcast on the Internet. A replay of the telephone conference is available approximately one hour after the conference has ended. The replay will be accessible 48 hours after the conference. The replay number is +44 208 797 2499, code: 948806#.

Intrum Justitia, Europe's leading Credit Management Services Group, has substantially completed the review of its English subsidiary, following the announcement on July 28, 2003, that accounting inaccuracies had been discovered and that a full investigation was being launched with immediate effect. The objective, scope and summary of the review are presented in Appendix 1.

For complete financial information, please see the interim report published today.

Initial estimate of adjustment in respect of irregularities deemed sufficient, further provisions necessary in respect of unallocated payments received

Following the review, the Board and management have concluded that the financial effects of the identified irregularities amount to SEK 80 M, which has been accounted for as an item

affecting comparability in the second quarter 2003. The adjustments refer to historic accounting inaccuracies such as overstatement of revenues and assets.

Furthermore, the review has identified a need to make a further provision to cover the way in which the English operation has treated unallocated payments over a number of years. In total a provision of SEK 104 M is charged to the third quarter, on the basis of an alignment of the English subsidiary's operations to Group policies regarding unallocated payment received.

Need for provision – split by year and quarter

As evident from the review of Intrum Justitia's English subsidiary, a number of factors have affected the reported figures of this operation. The inaccuracies and irregularities identified refer to a very large number of transactions and in many cases consist of a long chain of transactions going back a number of years. This, coupled with the fact that a number of the irregularities could not be traced back to the original source of error, makes it impractical or even impossible to produce restated figures for previous accounting periods.

However, management has on a provisional basis produced a historical breakdown for the adjustments referring to inaccuracies and unallocated payments for each of the last three years and for the preceding period.

SEK '000	1999 and before	2000	2001	2002 (Q1)	2002 (Q2)	2002 (Q3)	2002 (Q4)	2002 full- year	Total
Accounting irregularities	3,000	3,000	8,000	13,500	14,200	4,300	34,000	66,000	80,000
Unallocated payments	69,300	6,700	11,300	4,200	4,200	4,200	4,200	16,700	104,000
Total	72,300	9,700	19,300	17,700	18,400	8,500	38,200	82,700	184,000

Source: Management's estimates.

Financial impacts

The cost for the review is estimated to amount to SEK 34 M, which has been charged to the third quarter as an item affecting comparability. Additional cost for improved processes and control functions are estimated to amount to SEK 14 M, of which SEK 7 M is included in the result of the third quarter.

In total provisions and costs for the identified inaccuracies and irregularities together with cost for review and new processes and routines amount to SEK 232 M, of which SEK 80 M was charged to Q2, SEK 145 M is charged to Q3 and remaining SEK 7 to be charged to Q4.

Deliberate alterations identified – legal recourse investigated further

The review has identified clear evidence that the English subsidiary's financial reports submitted to the Head Office have been deliberately misstated. Furthermore, there is evidence that some of these misstatements were intended to mislead the Head Office. Thus, Intrum Justitia has sought further legal and accountancy assistance in this regard, more particularly to conduct a close examination of the role of former English management in these misstatements. Intrum Justitia will consider carefully what actions to take in the light of the advice it receives.

The review has also established that the English subsidiary was characterised by a high turnover of clerical staff and insufficient competence at managerial levels in the finance department. These factors in combination with the lack of focus on control, reporting and reconciliation resulted in the accounting inaccuracies.

Irregularities isolated to the English operation, improved controls implemented

Following the announcement of 28th July 2003, the Group's auditors have performed an extended review of all major Intrum Justitia entities and nothing further has come to their attention indicating irregularities. This task has encompassed a review of the subsidiaries as well as their compliance with the Group's Handbook. In addition, Intrum Justitia's management has carried out special in-depth business reviews of all entities with the aim of verifying reported business and financial development. Special attention has been brought to the issues in focus in the review of the English subsidiary.

An internal audit function is being established at Head Office, initially supported by Ernst & Young. Furthermore the financial departments in several entities have been strengthened through additional qualified persons.

High-level financial controls in the English subsidiary to prevent similar irregularities occurring in the future have been put in place (for example processes to handle unallocated payments correctly going forward). Improved operating routines and control systems are being implemented and estimated to be fully operational before year-end.

The English subsidiary has committed resources and established routines to handle the issue of unallocated payments. A team has been dedicated to properly allocate payments received with all reasonable efforts.

Comment by Mr. Jan Roxendal, President and CEO:

"The conclusions of the review are disturbing. In particular, the review has identified behaviour which Intrum Justitia considers unacceptable, bearing in mind Intrum Justitia's Group policies and in particular its commitment to its clients under its 'Fair Pay philosophy'. Intrum Justitia will consider all of its legal and regulatory remedies and obligations carefully in respect of the issues that have been identified in the review of the English subsidiary.

Intrum Justitia's current management emphasizes its commitment to the Fair Pay philosophy and underpins that it has learnt from the mistakes that may have been made by previous management. In response to the issues that have been identified in Intrum Justitia's English subsidiary's accounts, we have implemented a redesigned system of internal control in the group, and the strengthening of key central functions."

Comment by Mr. Bo Ingemarson, Chairman:

"The Board has spared no efforts in searching for the full explanation and the investigation has been conducted in such a way that we have received a comprehensive description of the course of events. The Board of Directors makes the assessment that the causes of the inaccuracies within the English subsidiary have been found, and are being corrected as appropriate systems and controls are now put in place. The Board has also asked for a second opinion on the conducted review from authorized public accountant Mr. Torbjörn Hanson."

Comment by Mr. Torbjörn Hanson, Ernst & Young:

"I have been asked to provide a second opinion of the Board's' investigation of the accounting inaccuracies discovered in the English operations. I believe that the conclusions drawn by the Board based on available facts and circumstances including information provided by PricewaterhouseCoopers are appropriate and reasonable."

For further information, please contact:

Jan Roxendal, President and CEO
Tel: +46 (0)8 546 10200

Anders Antonsson, Director of Communications
Tel: +46 (0)8 546 10206, mobile: +46 (0)70 336 7818
E-mail: a.antonsson@se.intrum.com

Intrum Justitia is Europe's leading credit management services group. The group has revenues of SEK 2.8 billion and has about 2,900 employees in 21 European countries.

Intrum Justitia's objective is to be a leading provider of CMS in Europe through excellence in local client care, ledger administration and debt collection and by measurably improving clients' cash flow and long-term profitability. The group offers efficient high quality management of commercial and consumer receivables in all phases in the CMS process. Intrum Justitia has a growth strategy and aims to take active part in consolidating its industry. Intrum Justitia is listed on Stockholmsbörsen, the Stockholm Exchange, ticker IJ. For more information, please visit www.intrum.com

Summary of the review of Intrum Justitia's subsidiary in England

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On 28th July 2003 Intrum Justitia issued an announcement stating that, while preparing the semi-annual report, accounting inaccuracies had been discovered in the Group's English subsidiary, Intrum Justitia Limited (referred to as "Intrum Justitia England" below).

At the same time it was also stated that a thorough review to further substantiate the necessary adjustments to its accounts and the reason for the inaccuracies had been launched. The company further announced that, as a consequence of the identified inaccuracies, an estimated adjustment of SEK 80 M would be charged to the second quarter result, as this was the company's best estimate at that time.

In the interim report for the period January–June 2003, published on 19th August 2003, Intrum Justitia announced that an investigation, in close contact with Stockholmsbörsen (the Stockholm Exchange) had begun, with the intention of surveying the causes of the inaccuracies and their timing, etc. Intrum Justitia also stated that the investigation was to be extensive and that the conclusions were scheduled for publication by the time of the company's interim report on 11th November 2003. The company also stated that a preliminary scrutiny of accounting information for 2003 and 2002

indicated that the causes included inaccurate accounting of revenues and excessive valuation of assets, but that no cash shortfall had been identified.

1.0 The Review

As soon as the inaccuracies in Intrum Justitia England were observed, the Board of Intrum Justitia AB instructed Group management to initiate a review to determine what adjustments had to be made to the accounts, and the reasons for the inaccuracies. Also, the investigation teams were given the objective to propose necessary changes in the internal control systems in England.

This review has now been completed in all substantial parts.

The Board also retained authorized public accountant Mr. Torbjörn Hanson, Ernst & Young, to provide a second opinion on the investigations carried out by Intrum Justitia assisted by PricewaterhouseCoopers and Lovells.

2.0 Project organisation and reporting

From the outset, the review was organised as a project organisation reporting to the Board of Directors and in day-to-day matters to the Audit Committee, consisting of three members of the Board of Directors; Mr. Björn Fröling (chairman), Mr. Bo Ingemarson and Ms. Maria Lilja.

Intrum Justitia's CEO Mr. Jan Roxendal was appointed project leader with the Company Secretary, Ms. Ingrid Westin Wallinder of the law firm RydinCarlsten, as project manager. Mr. Roxendal and Ms. Westin Wallinder have supervised the project teams conducting the review maintaining close liaison throughout.

The review has been conducted in close contact with Stockholmsbörsen, who have received continuous updates. Stockholmsbörsen has also met with Intrum Justitia AB's authorized public accountant Mr. Michael Bengtsson of Öhrlings PricewaterhouseCoopers AB.

3.0 Project targets

The overall objectives of the review can be summarised as follows:

- to establish what happened and when;
- to establish the causes of the inaccuracies;
- to establish the timing of the inaccuracies;
- to assure that these issues have come to an end;
- to establish what adjustments need to be made to the accounts and the timing of those;
- to establish what adjustments need to be made to internal control systems: and
- to establish responsibilities

4.0 Project scope

The review was organised as three sub-projects, namely Accounting reconciliation work, Forensic investigation and Process review. The scope of the three sub-projects is outlined below.

4.1

Accounting reconciliation

This sub-project was aimed at addressing the lack of reconciliation between various accounts in the book-keeping of Intrum Justitia England. The main aspects of the sub-project were at the outset of the review identified as:

- The initial phase, where PricewaterhouseCoopers would provide resources and to assist Intrum Justitia England in carrying out a detailed reconciliation of the main bank account and a review the reconciliation carried out by Intrum Justitia England staff on certain control accounts; and
- The second phase, where PricewaterhouseCoopers, based on above, would make recommendations as to the necessary adjustments of accounts, ascertain, to the extent possible, the accounting period to which the underlying transactions and entries requiring adjustment related to, and identify any procedural or control weakness which may come to light in the course of the review and to make recommendations as to the appropriate remedial action.

4.2

Forensic investigation

This sub-project was aimed at addressing the causes of the identified irregularities and the scope of this investigation was at the outset identified as;

- Aiming at answering **how** and **why** the accounting errors occurred including, if possible, what adjustments would be necessary to correct them;
- As far as possible, aiming at determining which period the underlying transactions and entries subject to adjustment relate to; and
- As far as possible verify the initial estimate of an adjustment of SEK 80 M.

4.3

Processes

As part of the review, PricewaterhouseCoopers were asked to assist in documenting and reviewing the key finance processes and to make appropriate recommendations to enable Intrum Justitia England to develop and implement an appropriate plan to ensure that client monies are properly controlled and that accurate financial reporting is produced. The key objectives of the process review and associated mapping exercise was at the outset set out as follows:

- To enable the process team to gain detailed understanding of the business and system processes;
- To verify, with business input, the activities being undertaken by the finance department of Intrum Justitia England;
- To identify existing controls within business and system processes;
- To identify control weaknesses, and risks within the business and system processes;
- To document the impact of issues arising as a result of the identified control weaknesses;
- To develop recommendations to improve the control environment; and
- To provide a framework for ongoing process improvement, staff education and training.

5.0 Execution

Intrum Justitia has carried out the review with the assistance of PricewaterhouseCoopers in three teams separated from the regular audit team, with one group focusing on the reconciliation work, one team carrying out the forensic investigation and finally one team responsible for the process review. The review has also drawn on resources from the company's legal advisers RydinCarlsten in Sweden and Lovells in the United Kingdom. In total, 100 persons, of which approximately 50 external participated and internal resources amounting to 50 persons.

The review has been conducted in the following manner when it comes to the three sub-projects:

5.1

Accounting reconciliation

PricewaterhouseCoopers have focused on the main bank account reconciliation as at 30 June 2003 and carried out a detailed analysis of individual reconciling items by means of system interrogation, document review, interviews with relevant staff, both accounting and operational. The priority has been on the largest reconciling items first. When the start of the review on 30th June 2003, the number of uncleared reconciling items amounted to 11,500 with a gross value of GBP 77 million. In concrete terms, the reconciliation work of the main bank account encompassed, inter alia: reconciliation of 8,073 items of a gross value of GBP 72 M; and preparations 287 journals to correct identified errors.

5.2

Forensic investigation

- PricewaterhouseCoopers has, in close co-operation with Lovells, conducted the forensic investigation which formed part of the review. PricewaterhouseCoopers have used a wide range of forensic techniques to date and sources, including reviews of documentation, hard copies as well as electronic documentation, e-mail, and interviews with relevant individuals.

5.3

Processes

The Process review has outlined recommendations on 49 key issues during the course of the review. The process review involved a team from PricewaterhouseCoopers of 17 professionals, with involvement from 45 Intrum Justitia employees from the IT, Finance, Client services, Human Recourses and Training teams. In addition, the Intrum Justitia England management team actively participated in the review, which included knowledge transfer to Intrum Justitia staff and support the development and implementation of actions to resolve the 49 identified control issues. In total, the process review assessed 79 finance processes, which included the following:

- Consumer and Commercial Collection receipts;
- Suspense, Refunds and overpayments;
- Third party payments
- Client payments and invoicing;
- Agent Payments;
- Bank Reconciliation;
- Sales Ledger;

- Bank and General Ledger Account Maintenance; and
- Period End

In addition, seven systems supporting these processes were reviewed for control weaknesses, including collections systems.

6.0 The findings

In summary, the English operation had complex manual processes to post transactions into the company's accounting records. The complexities of the system, taken together with very high staff turnover and the general lack of accounting knowledge in the finance function created an environment in which accounting errors could, and did, arise. A considerable weakness was the continuing failure to complete a proper reconciliation of various accounts over a long period of time.

The final adjustment to the accounts for the identified accounting inaccuracies amount to SEK 80 million, which were charged to the second quarter 2003.

6.1

Accounting inaccuracies

The review has established a number of inaccuracies and irregularities in the book-keeping and reporting of Intrum Justitia England. The inaccuracies includes, inter alia: incorrect postings to clearing account. The consequences of these errors are that cash balances recorded in the general ledger became increasingly overstated. This overstated balance was later used to write off old sales ledger balances, thereby avoiding the need potentially to make a provision, which would have required a corresponding debit entry to the profit and loss account.

6.2

Unallocated payments

Furthermore, the review has identified a need to make a further provision to cover the way in which the English operation has treated unallocated payments received over a number of years. A provision of SEK 104 M is charged to the third quarter, on the basis of an alignment of the English subsidiary's operations to Group policies regarding unallocated payment received.

Group policy states that unidentified funds should be reviewed regularly, and kept to a minimum.

7.0 Possible legal recourse and other actions investigated further

Following the completion of the review, Intrum Justitia will continue to investigate what legal recourse or other actions may be open to the company as a consequence of the events and actions that have been identified.

The review has established that the English subsidiary was characterised by a high turnover of clerical staff and insufficient competence at

managerial levels in the finance department. These factors in combination with the lack of focus on control, reporting and reconciliation resulted in the accounting inaccuracies.

However, there is evidence to suggest that management or other employees of Intrum Justitia England took steps to improve the perception of financial reports to Head Office in Stockholm, Sweden. This appears to have been achieved by releasing suspense and unallocated cash balances, which had the effect of increasing reported revenues (or reducing costs) and thereby increasing reported profit.

8.0 The costs

The cost for the review is estimated to amount to SEK 34 M, which has been charged in full as an item affecting comparability to the third quarter. The cost for new and enhanced systems and control functions is estimated to amount to SEK 14 M, of which SEK 7 M has been charged to the third quarter.

9.0 The share

On 20th August 2003, Stockholmsbörsen (the Stockholm Exchange) announced that Intrum Justitia AB would be placed under observation from that day pending the outcome of the investigation that Intrum Justitia had initiated relating to the shortcomings of the English subsidiary's accounting with the intention of surveying the causes of the inaccuracies and their timing.

Stockholmsbörsen has been fully informed of the review.

10.0 Actions taken in England

As a consequence of the events described in this document, Intrum Justitia England has identified a number of improvements to be fully operational before the year-end. These actions include improved processes and internal controls, and recruitment of additional staff and on going scheduled training and full adherence to Group policies.

When it comes to staff issues, Intrum Justitia England has a Managing Director, Mr. John Easden since Oct 2002, and a Finance Director, Mr. Brian Hanks since July 2003, in place. Mr. Jan Roxendal has since 28 July 2003 taken over the role of Regional Managing Director temporarily.

Mr. Brian Hanks has also strengthened the management of the finance department with additional qualified accountants. The finance department has been reorganised and short-term investigations have been separated from the day-to-day work. Finally, qualified staff has been taken on board to assist short term and there are ongoing recruitment processes to replace the temporary staff with ordinary staff.

The former Regional Managing Director for the *UK & Ireland* region, who joined the company in 1997 and gave his notice in March 2003, went on garden leave on 28th July 2003 and subsequently left the company on 30th September 2003.

The former Financial Director of the English subsidiary, who joined the company in 1998 as Financial Controller and assumed the position as Finance Director in mid-2002, following the predecessor's resignation, took a leave in agreement with the company management in the beginning of July 2003, went on maternity leave in September 2003 and has since left the company.

11.0 Actions taken in the Group

Following the events in England, Intrum Justitia group management has carried out a number of actions to ensure that there are no similar deficiencies in the remainder of the Group. These actions include:

- An extended review carried out by the company and its auditors of all subsidiaries in the Group;
- A survey of compliance with Group policies with special emphasis on the deficiencies identified in Intrum Justitia England;
- An in-depth business review to verify reported development in all subsidiaries; and
- Formal and informal contacts throughout the Group to ensure local management's attention to the issues in question

Intrum Justitia will, going forward, strive for continued improvements in its operations, including reviews and enhancements of systems and processes, coupled with training of staff and proper management of its operations.

Personae

The review consisted of teams of 50 Intrum Justitia employees and the same number of persons from the auditing firms PriceWaterhouseCoopers as well as from the law firms Lovells and RydinCarlsten, totalling to about 100 individuals.

Torbjörn Hanson of the Swedish branch of the auditing firm Ernst & Young has been reviewing the work undertaken by the investigation teams.

The review has been carried out in close relationship with the Stockholm Exchange (Stockholmsbörsen).

Öhrlings PricewaterhouseCoopers

The company's statutory auditors are Öhrlings PricewaterhouseCoopers AB, with Michael Bengtsson as the responsible auditor. He has been in charge of the audit of Intrum Justitia AB since June 2001.

PricewaterhouseCoopers UK

Alongside Öhrlings PricewaterhouseCoopers AB, PricewaterhouseCoopers LLP is a member firm of the international PricewaterhouseCoopers organisation, the largest professional services organisation worldwide. PricewaterhouseCoopers LLP conducts the statutory audit of Intrum Justitia Limited in the United Kingdom.

The accounts reconciliation work, the forensic investigation and the process review have been carried out by PricewaterhouseCoopers LLP under separate terms of engagement and by a team of forensic and process specialists independent of the audit team. (www.pwc.com)

Lovells

An international business law firm with offices in major financial and commercial centres across Europe, Asia and the United States. Lovells is one of the largest law firms in Europe. (www.lovells.com)

RydinCarlsten

A medium-sized Swedish law firm practicing in all important areas of commercial law, established 1983. (www.rydincarlsten.se)

Torbjörn Hanson

Authorized Public Accountant with Ernst & Young AB who has provided the Board of Intrum Justitia AB with a second opinion.

Members of the Intrum Justitia AB Audit Committee

Björn Fröling, Chairman
Bo Ingemarson
Maria Lilja