# fair pay magazine

2•2006

THEME

International credit management

EUROPEAN PAYMENTS

Greater focus on overdue payments

TREND

Pan-Nordic web improves cash flow

# Secure payments from Asia

# editor's letter

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Title: Editor, Intrum Justitia
E-mail: m.lahti@intrum.com

**More international trade** means more foreign receivables. Since receivables are managed differently from country to country, knowing the right steps to take is important in order to get paid, and to succeed internationally. This is where international credit management companies, which help businesses with accounts receivable almost anywhere in the world, come in.

Take the example of the new EU member states. In this issue we look at credit management services in three of them: Slovakia, Hungary and Lithuania.

China is a growing market for both imports and exports. But doing business in China is fairly different than in Europe. China offers many good opportunities, but also challenges and risks. Not least with regard to payments. In this issue we provide a few suggestions that may be of help.

**There are many other** challenges in international business, within and outside the EU. Many business executives regard payment uncertainties as one of the biggest obstacles to cross-border trade.

Swedish Minister for Industry, Employment and Communications Thomas Östros feels that large companies are pressing their suppliers too hard by delaying payment on invoices. Earlier this year Östros sent a letter to EU Commission Vice-President Günther Verheugen requesting action. Several politicians have joined the debate. You can read their comments on the problem in this issue.

On May 30 the results of the latest European Payment Index was announced. The survey shows that average payment times have risen in Europe compared with 2005. We reveal several trends here, with more detailed comments to follow in our next issue.

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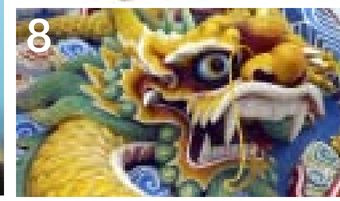

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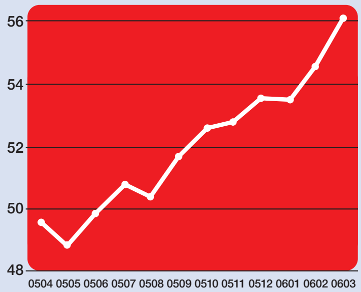
# 2•2006



**fair pay magazine** no. 2, June 2006 **Publisher** Intrum Justitia AB, ISSN 1652-5620 **Publisher** Anders Antonsson **Editor-in-chief** Marina Lahti **Assistant editors** Leif Hallberg, Meri Mäkkylä and members from RHR CC **Production** RHR Corporate Communication **Printer** Printing **Subscriptions** info@intrum.com **Change of address** Intrum Justitia shareholders should advise their account-operating institutes. Others should contact the editorial desk. **Editorial desk** Fair Pay Magazine, SE-105 24 Stockholm, Sweden, info@intrum.com **Phone** +46 8 546 10 200 **Fax** +46 8 546 10 211 **Cover** IBL Pictures Final editing of this issue: May, 2006. The next issue of Fair Pay Magazine will be published in September 2006.  Fair Pay Magazine existe également en version française. Fair Pay Magazineist auch auf Deutsch erhältlich. Fair Pay Magazine finns även på svenska.

IN BRIEF

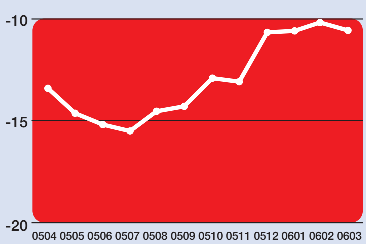



### Highest PMI in five years

The manufacturing sector in the euro zone is experiencing its fastest growth in five years. The Purchasing Managers Index (PMI) rose from 53.5 in January and 54.5 in February to 56.1 in March, the highest level since September 2000. Despite major increases in new orders and production, there is still widespread hesitancy to add new employees. Most analysts see prospects of improving job numbers, however, and anticipate an interest rate hike in May as a result of growth.

### U.S. consumer credit up 1.8%

U.S. consumer credit rose by USD 3.26 billion in February, slightly less than expected, according to the Federal Reserve's April report. Outstanding consumer credit as of February totaled USD 2.264 trillion, up 1.8% since January.




### Consumer confidence stable

The Consumer Confidence Index for the euro zone rose to –10.1 in February before dipping back to the January level of -10.7. The steady improvement in consumer confidence since mid-2005, now that fewer people expect to be unemployed, points to a modest recovery in consumer spending.

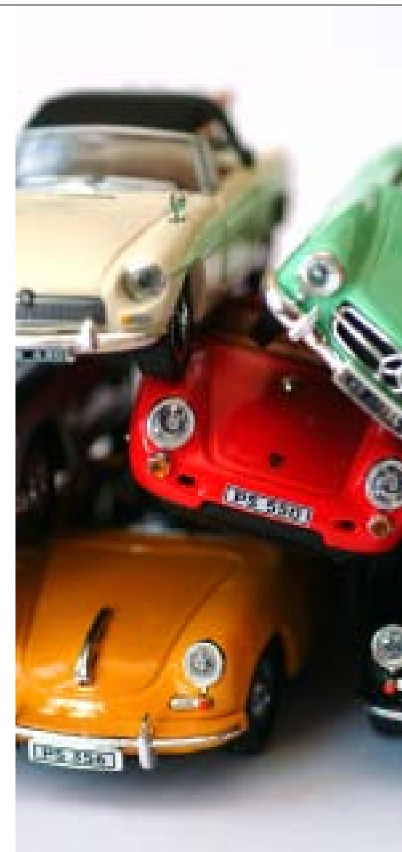
*Sources: Eurostat, ECB reports, Reuters, NTC Research.*

# ECB optimistic about growth

In early March the European Central Bank (ECB) raised interest rates rates by 0.25%. Most observers had expected ECB President Jean-Claude Trichet to warn of a further rate hike in May and to emphasize "cautiousness" in the fight against inflation. That wasn't the case. Instead, he hinted that the ECB may take a more patient stance than the market had anticipated.

ECB's key interest rate was 2.50% in April, compared with 4.75% in the U.S. The market anticipated a 25 basis point increase in May, followed by another rate hike in August and one more before year-end, to 3.25%.

# Auto industry owes USD 7.6 billion in late invoices



EUROPE Automotive suppliers are not only fighting against tight competition with low margins. They also find themselves struggling with negative cash flows due to excess working capital tied up in customers' late invoices and faster payments to their own suppliers.

Auto suppliers are overlooking USD 7.6 billion in the form of unpaid invoices, according to the research firm The Hackett Group and the Swedish business daily Dagens Industri.

By more efficiently managing its working capital, Sweden's Autoliv, one of the 17 largest suppliers to the European automotive industry, got its customers to pay their invoices 12% faster in 2005 than the year before. This huge improvement has freed up USD 135 million. Autoliv's customers took an average of 68 days to make their payments, against 58 days for the auto sector as a whole. The Hackett Group believes that the company could still free up another USD 200 million.

At the same time Autoliv is paying its own invoices 15% faster, which translates into USD 120 million being paid out faster than a year earlier.

## European households borrow and consume more

EUROPE According to ECB reports, borrowing by European households rose in the fourth quarter of 2005 due to increases in mortgages and consumer loans. Loan demand is being driven by favorable financial terms and a strong housing market in a number of euro zone countries. Increased borrowing has naturally led to higher household indebtedness, although the ratio of household debt to GDP stood at 57% in the fourth quarter, relatively modest by international standards.

In early 2006 requirements were tightened on mortgage loans and consumer credit. In the case of home mortgages, the reason was said to be increased competition between banks, while for consumer credit it was the result of higher risks owing to the declining creditworthiness of customers.

*Sweden's Minister for Industry and Trade Thomas Östros is unhappy with* large companies taking advantage of their suppliers by extending payment periods. In a letter this spring to EU Commission Vice-President Günther Verheugen, Östros requested action from the Commission.

# Swedish Minister thinks the EU should put a stop to lengthy paymer

**In recent years Thomas Östros,** Sweden's Minister for Industry and Trade, has received numerous complaints from companies and trade organizations about the impact of late payments, especially on small businesses.

"The unfair payment practices of certain companies cause significant problems for the businesses affected," he says. "Various indications are that this problem has grown in scope in recent years. This is worrisome, particularly from a growth perspective. Good payment habits are critical to the economy and society as a whole."

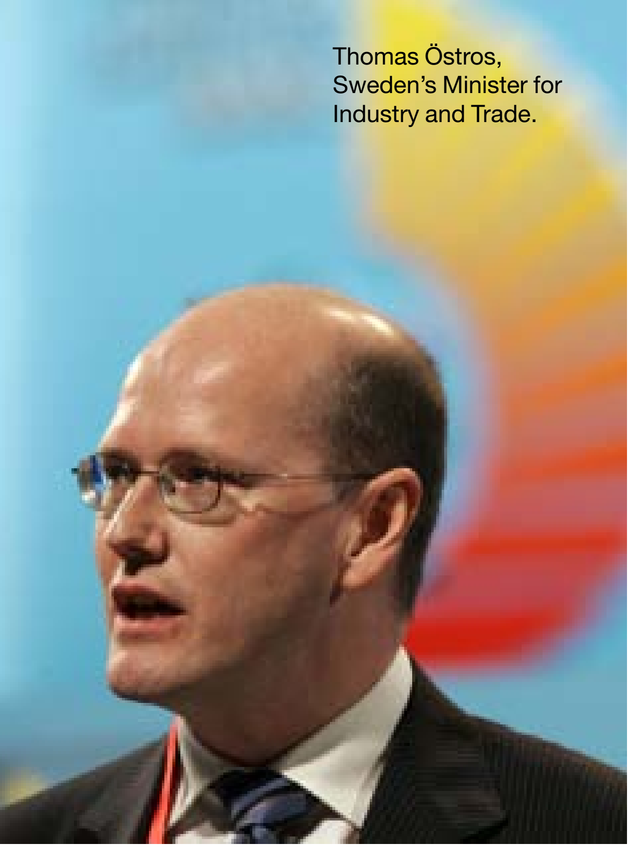
Mats Odell, economics spokesman for Sweden's Christian Democratic Party.

Companies basically are under no contractual obligation when it comes to payment terms, Östros admits, noting that in recent years payments have slowed to the point where 60 days or more now is common. Under normal circumstances, he believes, 30 days is more than reasonable.

Mats Odell, the spokesman on economics for the Christian Democrats, feels that Swedish law must be revised so that an aggrieved party has greater opportunity to demand compensation for late payments. "A lot of people suffer as a consequence: employees don't get paid, the state ends up having to wait for tax revenues and the company's vendors risk being treated similarly. In other words, a company's poor payment practices can impact at many levels and cause considerable harm to the economy."

Odell agrees that a maximum of 30 days is reasonable for most payments. Ninety days, he feels, is far too generous and can create, and spread, liquidity problems.

**To solve this dilemma,** Östros has appointed an investigative committee to identify the extent of late payments and long payment periods. It will also analyze what measures need to be taken.



Thomas Östros, Sweden's Minister for Industry and Trade.

# nt periods

"Late payments and long delays can seriously disrupt trade between member states of the EU," Östros says. "It especially affects Swedish companies, which generally pay on time."

He mentions the directive on late payments in commercial transactions issued by the EU in 2000. "The EU Commission should have reviewed the directive in 2004, and in my letter to Günther Verheugen I stressed the importance of expediting the process."

**In his reply to** the Swedish minister, Verheugen stated that the issue of combating late payments is a priority for the EU and that the Commission has appointed a committee to investigate late payments. Its findings will be reported later in the year.

Alexander von Witzleben, press officer for the EU Commission, notes that the Commission is currently awaiting conclusions on the wording of the new directive, which will hopefully be completed during the summer.



The European Payment Index for spring 2006 has arrived!

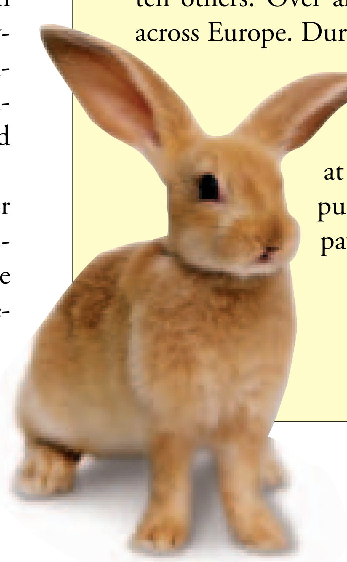
# Payment habits are getting worse

*This spring's edition of the European Payment* Index, EPI, was published on www.european-payment.com on May 30, concurrent with a public announcement in Brussels. EPI evaluates payment habits in 22 European countries twice a year. The latest results point to a further deterioation compared with the previous year.

**The survey, which analyzes** payment terms, periods, delays, losses and so on, results in an index showing the relative payment risk in the majority of European countries. Previous surveys indicated a temporary improvement in payment habits in certain countries, but worsening conditions in others.

The current survey, conducted in spring 2006, shows a marginal improvement in payment terms in 13 of 22 countries compared with EPI 2004. Relative to 2005, however, the numbers have declined. The survey also provides a forecast of payment trends for the rest of the year.

**If we look at the details** on payment practices, we find that payment durations have decreased in 12 countries, but increased in ten others. Over all, the results point to an average increase across Europe. Durations vary not only between countries but also between groups. Consumers are taking longer to pay their bills compared with 2005, while businesses remain at about the same level. The slowest payers are public authorities, which take twice as long to pay as consumers.



*Success in international markets is vital to businesses in* the UK and elsewhere in Europe. Of course, export opportunities come with the risk of late or non-payment of invoices. As debt levels continue to climb, it is important for firms to properly manage their international payments.

# Credit manage

**Although measures** such as the EU *Late Payment Directive* have been introduced to harmonize credit management across Europe, differences in payment practices remain a serious obstacle. Intrum Justitia's European Payment Index reveals that business managers see payment uncertainties as a constraint to cross-border trade and therefore to growth.

Fair Pay Magazine has reviewed practices in three new EU member states: Slovakia, Hungary and Lithuania.

## Slovakia

In Slovakia, there are no specific laws on debt collection. The Data Protection Act strictly governs personal information, and debtors currently have better rights than creditors. Some industry sectors are working to create their own debtor databases, but due to strict regulations of personal information cannot easily be shared.

No revision of the debt collection process is planned, but there is optimism that the legal status of creditors in Slovakia will improve.

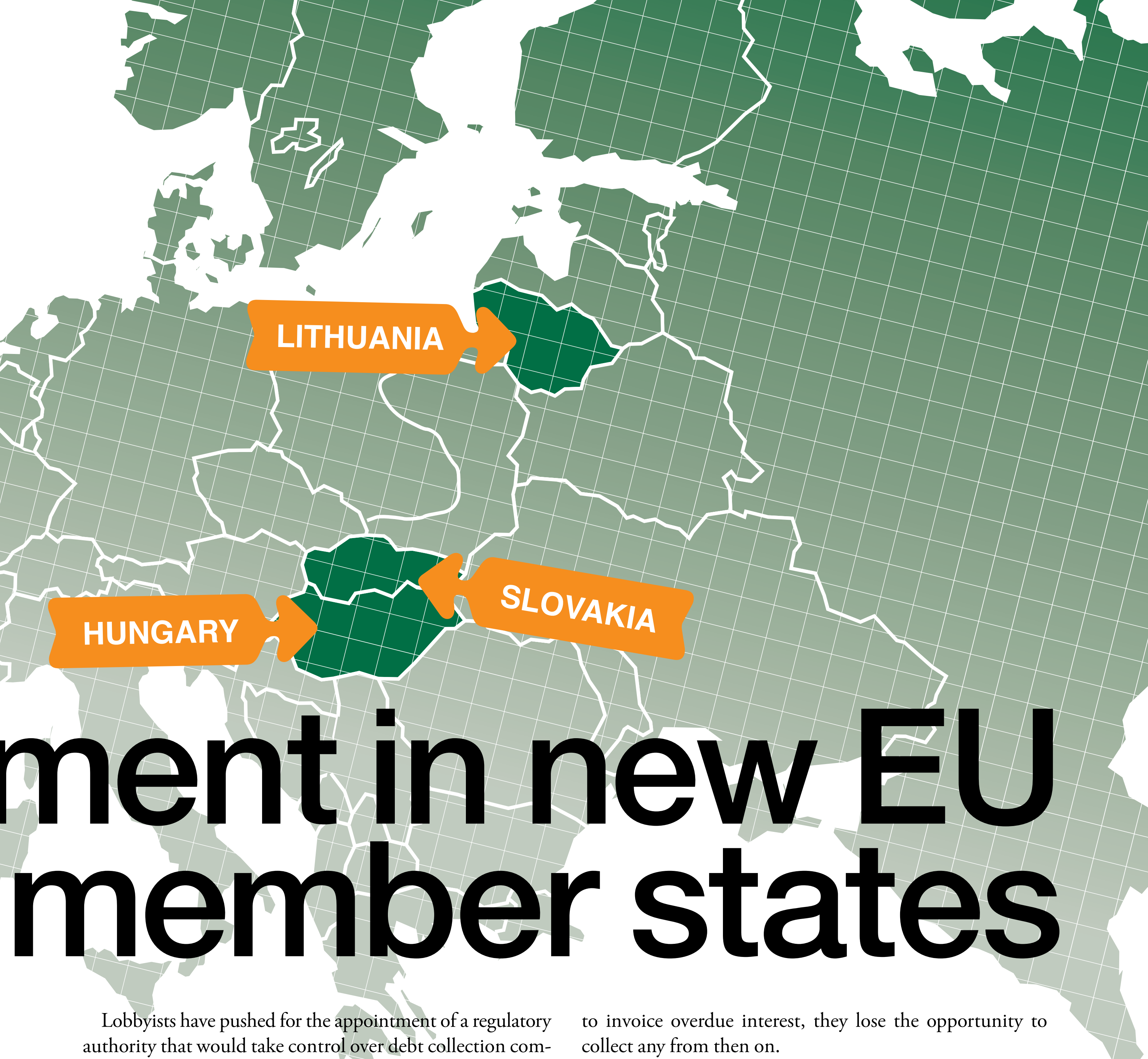
## Hungary

In Hungary, debt collection is not regulated by law, allowing large companies to abuse their position of power.

One of the differences is court-issued "payment warrants" to debtors, who can either accept, making their debt legally enforceable, or refuse the warrant. What is striking is that debtors do have to prove they have no outstanding debts. They can simply reply to the warrant by stating: "I protest. I do not owe any money to the creditor." This signals the start of a long-winded and costly litigation process. If and only if the creditor wins does an enforcement procedure begin.

It is common for debtors to offer creditors a payment plan they can meet. Normally, debtors offer to pay back in installments, without interest, which debt collection companies often have to settle for.

The liquidation process differs from payment warrants and the litigation process, since the aim is to terminate companies unable to fulfill their obligations. If a claim is a minimum of 60 days overdue and has never been disputed by the debtor, the process can begin.




# ment in new EU member states

Lobbyists have pushed for the appointment of a regulatory authority that would take control over debt collection companies. Data protection laws prevent a private person's data from being handled by a third party, with the exception of the financial, telecommunication and energy sectors.

Despite planned amendments to the Hungarian Civil Code, it seems there will be no harmonization with other EU members.

## Lithuania

Lithuania does not have any laws on debt collection, though civil laws are in place.

Creditors face a myriad of rules relating to the debt collection process, and debtors can only be asked to pay interest on unpaid invoices for six months. If creditors fail to invoice overdue interest, they lose the opportunity to collect any from then on.

A number of databases exist with company and credit information. Data protection laws prohibit information on private individuals from being listed without their written permission. To make the process more efficient, firms usually put a clause into contracts to deal with this up front.

These insights from new EU member countries underscore the challenges UK companies face when doing business elsewhere in Europe.

By continually pushing for greater transparency, clearer rules and higher ethical standards, the collection industry is trying to improve awareness and understanding across Europe on efficient debt collection.

Antje Fisseler.

*Doing business in China is different than in Europe.* There are many good opportunities, but you can't overlook the challenges and risks. When it comes to getting paid for your products and services, there are a lot of things to keep in mind, says Antje Fisseler at Intrum Justitia International.

# Payments in a g

# rowing China

**China is an expanding market** for both imports and exports. The economy is growing at a rate of around 9 percent, and foreign trade has reached USD 1,155 billion. This makes China the third largest economy in the world.

Payment practices have generally been good, mostly thanks to the favorable economic climate. Still, there are invoices that do not get paid on time, mainly owing to inefficient management practices and a lack of respect for signed contracts.

In most Chinese companies, credit and sales policies are controlled by sales managers. Credit management is often weak and inconsistent. Local companies normally keep sending reminders to debtors every quarter or so. Only when a debt is two to three years old and there is no other way out will legal action be taken.

**Letters of credit** and export credit insurance – e.g., through the People's Insurance Company of China (PICC) – are used by local companies that do business with foreign customers. In fact, 70 percent of Chinese companies use letters of credit.

Collections are handled in China by local law firms, since licenses are not available to collection agencies. Moreover, it is illegal to conduct a business that collects debts from Chinese companies and individuals.

It is generally recommended, therefore, that foreign firms avoid working directly with a collector based in China. For one thing, such contracts are not legally binding. And if the local partner commits a crime, the client may be obligated. In addition, there is nowhere to turn if the local debt collector does not hand over the money it has collected.

A better solution is to combine the experience of a credit management company with the legal access provided by local attorneys. Local law firms can try to handle collections directly, and they are able to work in every Chinese province.

**A professional collection** partner in China will first check with the government that the local attorneys that have been selected are officially registered and have the right to carry out collections. A partner can also supervise and steer the collection process as well as offer expertise on amicable settlements.

Intrum Justitia offers credit management services in Hong Kong and China through a network of attorneys contracted by RMS, Intrum Justitia's strategic partner. RMS has offices in the U.S., Canada, Mexico and Hong Kong.

Collection cases are first sent to RMS in Hong Kong, which assigns them to local law firms. After an initial background check on the debtor, contact is established by mail and telephone. A personal visit may be made as well to ensure the case moves forward.

**The focus is on finding** an amicable solution, since legal measures are expensive and time-consuming in China. Negotiations, investigations, court proceedings, enforce-

ment and other fees can add up to 10,000 euros or more. Enforcement of a judgment can cost more than the legal costs themselves. If you receive a relatively low fee from a Chinese law firm, it usually means that enforcement measures are not included. It is also important to keep in mind that in China the winning party cannot demand reimbursement for court costs from the loser.

**Aside from high legal costs,** the courts are poor at enforcing judgments, though some improvement has been noted of late. It is vital, therefore, to try to reach a settlement right from the start. If legal action is taken, it is extremely important to double-check the debtor's identity and financial status. As in the rest of the world, Chinese shareholders are not responsible for a company's debts.

As a whole, doing business in China, and getting paid, require an attention to detail throughout the entire process. This is made easier by turning to an experienced credit management specialist.

## Basic advice

- Make sure the company that signs the contract is the same one you have negotiated with.
- Ensure that the person handling negotiations is a professional representative of the company you are doing business with.
- Sign a detailed contract on payments, keeping in mind restrictions on foreign currency.
- A company's stamp is required for a contract to be valid.
- When you get paid in Chinese yuan, make sure the official exchange rate is used.
- Keep in mind that most claims fall under the statue of limitation after two years and take action before that period expires.
- Avoid hiring local collection agencies in China.
- Legal actions, especially enforcement procedures, are very expensive. Investigate who your customer really is and their financial situation before you proceed further.

## The EU's services directive
# Collection services aren't affected – yet

After two years of lively debate, the European Parliament has revised the controversial draft directive to open up the service market. Since services account for a major part of the EU economy, a competitive service market is imperative to growth. At present there are a number of obstacles preventing small and medium-sized service companies in particular from expanding across national borders and fully benefiting from a deregulated market.

The directive is important to the EU's economic future and is part of the Lisbon strategy's economic reform process. If approved, the draft will meet one of the objectives that has been part of the Lisbon treaty for fifty years.

A deep political division has arisen between the member states and Parliamentarians that have regarded the project as too liberal and those that have opposed an overly protectionist version.

The new version of the draft now seems to be acceptable to a majority of the Parliament, as well as member states and the EU Commission.

**Two objectives have to be met simultaneously:**

- The simplification of free movement of services to reinvigorate the market and stimulate job growth.
- The prevention of unfair competition between member states owing to differences in social systems and wages, along with the guarantee of the national sovereignty of labor laws.

**To achieve this, the Parliament has adopted three significant amendments in the draft:**

- The rule that service providers must abide by the laws of the country where they are established when they temporarily provide services in another member state is replaced by the rule of "free movement of services." This eliminates the awkwardness of the original draft and creates greater maneuverability for the receiving country.
- Parliament has also reduced the number of areas where the directive applies. What is striking is that healthcare and other social services as well as financial services are exempt. For the time being, credit management and collection services are not covered by the directive.
- It has not been clearly stated whether the directive can be applied without affecting labor and social laws. Every reference to temporary workers in a member state other than the one where the company is established has been deleted.

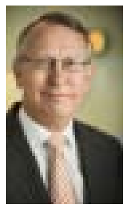
The part of the draft directive that would seem to have the greatest impact on credit management companies is chapter VI, article 40(1), which states that the Commission shall propose harmonization instruments for "access to activities for the legal recovery of debts."

If the EU's Council of Ministers signs the current text without major revisions, as anticipated, Parliament can take a final decision this autumn. An agreement between institutions can then be expected by year-end.

# New Board of Intrum Justitia AB

The Annual General Meeting on April 25 2006 resolved, in accordance with the Nomination Committee's proposal, that the Board of Directors shall have eight members with no deputies. Sigurjón Th. Árnason, Helen Fasth-Gillstedt, Lars Förberg, Bo Ingemarson and Jim Richards were reelected to the Board.

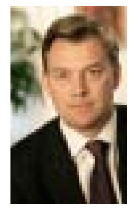
*New Chairman:*



**Lars Lundquist,** formerly Executive Vice President and Chief Financial Officer of the SEB Group, has over 32 years of experience with a number of banks, securities brokers and insurance companies.

*New Board Members:*

**Lars Wollung** is President and Chief Executive Officer of the management and IT consulting company Acando-Frontec, which he helped found in 1999.



**Michael Wolf** is Executive Vice President of Försäkrings AB Skandia responsible for the European and Latin American Division. Appointed new CEO of Intrum Justitia as of September 1, 2006.

## 20 million euros in VAT refunds

Last year Intrum Justitia's VAT Refund service returned over 20 million euros to clients. All EU member states as well as Iceland, Monaco, Norway, Switzerland and Canada refund value-added tax. VAT varies by member state from 15 to 25 percent, which makes it worthwhile for companies to apply for refunds for international business travel and for VAT incurred from European vendors.

# Norway joins Nordic collection system

NORWAY Since the start of 2006 Intrum Justitia in Norway is part of the Group's Rekondis collection system. The shared production system for recovering debts was already in use in Sweden, Finland and the three Baltic states.

The Norwegian company is now using a system that fits the Nordic IT strategy, according to project manager Abbas Manouchehri. This facilitates faster system development at lower cost as well as faster recovery in connection with technical crises.

"Our clients will see many benefits with the new collection system," says Rune Viermyr, Managing Director of Intrum Justitia Norway. "The advanced technology allows us to design flexible solutions and integrate with our clients' systems. It will also improve the debt recovery process by optimizing routines. Moreover, the Rekondis scoring system adopted from Sweden and Finland will give us a powerful collection tool."

### Intrum Justitia widely recognized

FINLAND The market research firm Taloustutkimus Oy has evaluated the images of Finland's collection companies. Its survey shows that Intrum Justitia without question is the biggest name in the industry, recognized by more than 80 percent of those interviewed.

The survey covered not only respondents' familiarity with the companies but also what they thought about their images.

Client service, knowledgeable employees and quality were cited as the most important factors in a company's image. Intrum Justitia ranked the highest, especially in industry expertise and service quality.

## QUICK FACTS

**Intrum Justitia** is Europe's leading Credit Management Services (CMS) group. Its objective is to measurably improve clients' cash flows and long-term profitability by offering effective services and high quality in relation to both clients and debtors in each local market. Intrum Justitia's services cover the entire CMS chain, from credit information via invoicing and reminder management to debt surveillance and collection of written-off receivables. The Group has more than 90,000 clients, revenues of SEK 2.8 billion and around 2,800 employees in 22 European countries. The company was founded in 1923 in Sweden and has been listed on the O-list of Stockholmsbörsen, the Stockholm Exchange, since June 2002. The head office is located in Nacka, outside Stockholm, Sweden. President and CEO: Jan Roxendal. For more information on the Intrum Justitia Group, visit **www.intrum.com**

| **Intrum Justitia Group** | **2005** |
|---|---|
| Revenues, SEK M | 2,823.2 |
| Operating profit (EBITA), SEK M | 503.6 |
| Cash flow from operating activities, SEK M | 527.0 |
| Collection cases in stock, million | 13.1 |
| Total collection value, SEK billion | 93.3 |
| Average number of employees | 2,863 |

*For definitions, see www.intrum.com*

**Analysts who cover Intrum Justitia**
ABG Sundal Collier – Espen Bruu Syversen
Carnegie – Mikael Löfdahl
Enskilda SEB – Stefan Andersson
Handelsbanken – Peter Grabe
Standard & Poor's – Joakim Ström

| **Financial report dates 2006** | |
|---|---|
| Interim report, January–June | July 25 |
| Interim report, January–September | November 8 |

intrum justitia

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*Since it opened for business in the Nordic region in 1978, JET's concept of* selling gasoline at unmanned stations has been a success. Credit periods and non-payments have remained at a very good level thanks to consistent efforts to improve routines and technical solutions. The latest improvement is Fair Pay Web, which helps JET maintain better control over the collection process and eases communication with Intrum Justitia.

# Electronic credit ma
# at JET speed


**The JET brand is owned by** U.S.-based ConocoPhillips, the sixth largest oil company in the world. After opening in Sweden in 1978, JET expanded to Denmark in the mid-1980's and Norway and Finland in the early 1990's. Today there are over 300 JET stations in the region, where the strategy is to offer the lowest prices and focus strictly on fuel.

"The concept is exactly the same in every Nordic country, and our philosophy is to always offer customers a low price without complicated discounts or restrictions, whether they pay with our JET card, cash or a credit card," explains Håkan Silén, credit officer at ConocoPhillips Nordic AB. "We have no bonus point system, which is one of the reasons why we can keep our prices so low. Our goal is to use the simplest routines possible to keep costs down. This goes for the entire Nordic organization.

"We always receive high marks in customer loyalty surveys, and that's because they know exactly what to expect – gasoline at a low price."

**ConocoPhillips Nordic's** headquarters in Sweden coordinates credit management procedures as far as possible.

"Intrum Justitia handles our collection cases, long-term debt surveillance and international cases. We have built up anagement


Håkan Silén, credit officer at ConocoPhilips Nordic AB.

good routines with them that we are pleased with. I feel we receive excellent feedback and reports that give us the information we need," Silén says.

Figures in recent years show an improvement in payment times and lower non-payment losses, in both cases thanks to the cooperation with Intrum Justitia.

"If our CMS provider doesn't collect on our behalf, we naturally lose money. We measure the success of the collection process every month, and it has risen in the last year," Silén notes. "We also have a Nordic organization that demands a lot in terms of electronic system solutions, and in this respect we have achieved great success along with Intrum Justitia."

**Today all of ConocoPhillips' collection** cases are handled through Intrum Justitia's Fair Pay Web, regardless of country. Cases are not assigned to a particular staff member at ConocoPhillips or Intrum Justitia.

"With Fair Pay Web, communication isn't limited to any one country or administrator. We use the same interface for all Nordic customers. We send over cases electronically and receive status updates back," Silén explains. "We receive payments electronically as well. For us it is very important to have these types of services. Furthermore, Intrum Justitia covers all four Nordic countries where we operate."

**ConocoPhillips is saving** a lot of time by using Fair Pay Web. The amount of paperwork has decreased and less time is spent on the telephone than before.

"We get a response directly from Intrum Justitia once they have received a case and assigned it a number. We can then access Fair Pay Web to see what is happening. If a customer calls, we can immediately check on the status of their case," he continues. "Intrum Justitia can also ask us questions through Fair Pay Web, and we can reply quickly to them and the customer. As a whole, we receive better service and accessibility internally and externally."

# Growing international trade means more foreign receivables

*When a company needs help getting paid for its foreign receivables,* Intrum Justitia's department for international collection is always close at hand. Besides assisting with collections, it can provide clients with support and advice how to handle international receivables.

**Payment habits among debtors,** legal restrictions and the ways to get debtors to pay tend to differ widely between countries.

"We are experts in international receivables and know which steps should be taken when a debtor in another country doesn't pay. We provide support throughout the process, from sending out reminders to taking legal action, all to ensure that our clients get their money," says Anders Carlström, who is responsible for Intrum Justitia International.

Intrum Justitia has around 150 people working with international collections in 22 countries. This is in addition to a global network of around 70 agents who cover the parts of the world where Intrum Justitia does not have its own operations. Through cooperations with these agents, the company can offer collection services for receivables in more than 170 countries.

"Basically we can handle all our clients' unpaid invoices regardless of where in the world they originate. This means every country where people buy on credit. We can bridge the gap between differences in laws, cultures and payment habits. What's more, we offer the biggest geographic coverage in Europe through our own offices," Carlström adds.

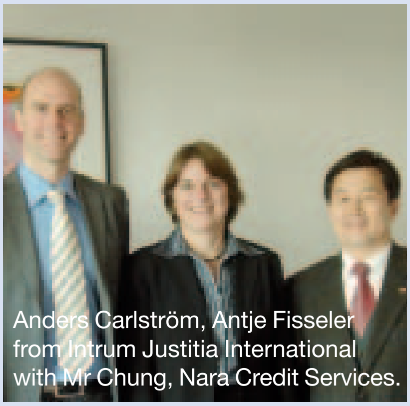
**He notes that trade between** European countries and between Europe and the rest of the world has jumped by nearly ten percent a year in the last decade. This has naturally created strong demand for international collection services.

"Most of our international cases are business-to-business transactions, although international consumer receivables have also grown substantially in recent years, mainly due to e-commerce and the increase in travel across borders."

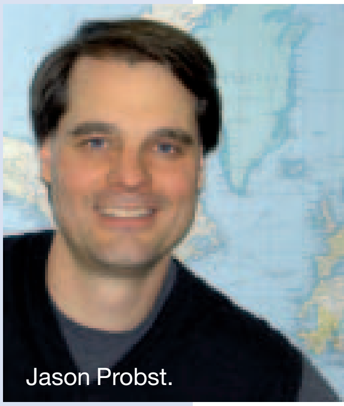
Carlström wants clients to feel free to contact the international department with questions how to recover their foreign receivables. "We are specialists and want to support our clients in an area where they may not feel at home. We are familiar with local

Anders Carlström.

*Intrum Justitia's network of* agents stretches around the world to ensure that clients get paid.



Anders Carlström, Antje Fisseler from Intrum Justitia International with Mr Chung, Nara Credit Services.



Jason Probst.

# Authorized collection agents

**Irena Joaman, head of international collections, George Y. Yiangou & Co, Cyprus, has worked with Intrum Justitia for two decades.**
"It is a big advantage to be part of Intrum Justitia's enormous network, which covers the entire chain of credit management services. Our clients are impressed to hear that we provide access to such a large partner, which also has considerable influence in the credit management industry,."

**Receivable Management Services (RMS) North America is Intrum Justitia's partner in the U.S., Canada, Mexico and Hong Kong.**
According to Jason Probst, head of international business development and telephone sales, RMS coined the term "Receivable Chain Management," which covers all functions and processes related to managing receivables.

"Intrum Justitia provides RMS North America and its subsidiaries with a European network of the highest class in terms of collections," says Probst. "We know that debts will be collected professionally, fairly and legally. On the whole, the relationship gives our clients a value no other credit management company in the world can offer."

**Hyu-Bong Chung, General Manager, International Business, Nara Credit Services.**
In South Korea, the credit management industry has grown in significance since the country recovered from the financial crisis in 1997. Of course, the tremendous increase in exports has a downside as well; in this case unpaid invoices from international trade had risen to approximately USD 100 million in 2005.

"By working with Intrum Justitia, we can utilize their knowledge and experience. This is important when it comes to assisting Korean and European exporters with credit information and collection services."

regulations and payment practices in various countries and know why and how debtors pay. When they entrust us, the client can be assured that we will be following local laws. It is especially important for large companies and listed companies to know they can feel secure when they use Intrum Justitia."

**Information is available** to companies that sell on credit to various markets in Intrum Justitia's European Payment Index, an annual report on changes in payment patterns and risks in Europe. Intrum Justitia has also created European and global guides for each country with facts that are important to know when selling on credit. All the material is available at www.europeanpayment.com.

"Compared with domestic receivables, we have noticed that international receivables usually are submitted a few months later," Carlström says. "We believe that clients are hesitant to send us cases early because they are unsure how cases are handled in other countries. In our experience it rarely helps, it just delays the process. The fact is that the older the recievable, the tougher it is to get the money back. By sending the cases early to Intrum Justitia, we can take the right actions in time and ensure that the clients get paid."

**Sender:**
Intrum Justitia AB
SE-105 24 Stockholm
Sweden

quiz

*Test your knowledge of cross-border payments in* Europe. Check the right box without peeking at the answers below (updated as of autumn 2005).

# What do you know about European payment habits?

**1. Which European country has the longest payment delay?**

- ☐ 1. Lithuania
- ☐ X. Greece
- ☐ 2. Portugal

**2. How much does a company have to raise its revenues to compensate for a credit loss of 2% of sales at a margin of 20%?**

- ☐ 1. 3%
- ☐ X. 8%
- ☐ 2. 10%

**3. Which customer category is the slowest payer?**

- ☐ 1. Consumers
- ☐ X. Businesses
- ☐ 2. Public sector

**4. Which invoices do European companies give the highest priority?**

- ☐ 1. From most important suppliers
- ☐ X. Oldest due date
- ☐ 2. Taxes and fees to public authorities

**5. Do Spanish creditors charge reminder fees?**

- ☐ 1. No
- ☐ X. Sometimes
- ☐ 2. Yes


**Answer 1:** (2) Portugal at 38.7 days, up from 38.4 days in 2004. *Learn more in the European Payment Index 2005 at www.europeanpayment.com* **Answer 2:** (X) 10%. *The answer is derived using a simple formula: paymet loss × 100% / contribution margin = revenue increase.* **Answer 3:** (2) European public authorities are nearly twice as slow in paying their invoices as companies and consumers. *Read more in the European Payment Index 2005 at www.europeanpayment.com* **Answer 4:** (1) Many debtors give priority to key suppliers. *The oldest due date comes in fourth. To learn more, see FPM no. 3 2005.* **Answer 5:** (1) No, never. *Learn more about payment terms and practices in European countries in the EPI guide at www.europeanpayment.com, under Guide.*