

fair pay

magazine

3•2006



THEME

Greater focus on credit management and cash flow

EUROPEAN PAYMENTS

“Governments should be ashamed”

PROFILE: SPAIN AND PORTUGAL

Successful credit management in a tough market

CREDIT INFORMATION

Green light for safer business relations

**Taking
action against
slow payments**



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Europe's development demands active credit management

In recent quarters we have seen interest rates rise in Europe. The ECB announced a 25 bp rate hike as recently as early August. Higher rates, coupled with the Basel II directive, are forcing companies to reduce tied-up capital. A key is to slash accounts receivable by quickly securing payment for goods or services. As an added bonus, the risk of customer losses is reduced as well. But it is not always easy. So says Luís Salvaterra, Intrum Justitia's managing director in the Iberian region.

The positive message is that it can be done, as shown by Santiago Alborn, CFO of MGE UPI, who describes his company's success through active credit management.

We also demonstrate another way to reduce receivables and risks with the *Präkasso* concept, developed by our German office and described in the magazine. In this issue we also discuss the best ways to handle various types of debtors.

The importance of reducing credit periods is reflected in this year's European Payment Index, which is also commented on here. The trend is toward even slower payments, as also noted by the EU, which sees the problem as an obstacle to growth and has therefore taken action. Our man in Brussels, Leif Hallberg, gives his thoughts on Europe's slow-payment dilemma in this issue.

We hope you find your reading enjoyable and informative.

contents



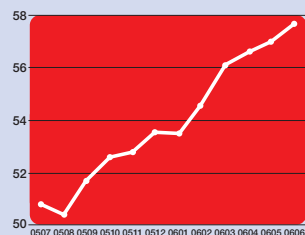
3 • 2006

- News** 3
A selection of news from around the industry.
- Credit management** 4
Improved measures shorten payment periods in Spain.
- European Payment Index** 6
European payment habits are hurting businesses.
- Credit management** 8
"Governments should be ashamed."
- Psychology** 10
Rabbit or bear? Psychological classification of debtors.
- News** 11
Facts about and news from Intrum Justitia.
- Credit management services** 12
Green light for strong business relations.
- Profile: Spain and Portugal** 14
Successful credit management in a demanding market.
- In conclusion** 16
Teaching students financial responsibility.

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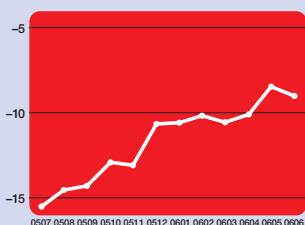
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IN BRIEF



Further jump in PMI

The euro zone manufacturing sector is growing steadily. The PMI climbed from 56.1 in March to 56.7 in April, only to continue to 57.0 in May and 57.7 in June, the highest level since September 2000. Following in its wake are welcome signs of job growth, which in May rose at the fastest pace in five and a half years. Some experts are warning about inflationary pressures, however.



Economic growth

The Consumer Confidence Index in the euro zone fell marginally from -8.5 in May to -9.0 in June after having remained stable at between -10.7 and -10.1 from January to April. Based on the pattern set since 2003, there is little reason to believe that the upward trend has come to an end.

Swedish corporate debt approaching record levels

Statistics from the Riksbank, Sweden's central bank, show that corporate debt is closing in on the record levels of the 1990's. The total debt burden now exceeds 90 billion euro. Still, some companies with debt/equity ratios of over 200% feel that their earnings and strong cash flows justify such high debt.

ECB, worried about inflation, raises rates

On August 3 the ECB raised rates by 25 basis points to 3.00 percent in an effort to hold inflation in check and stabilize prices. The central bank announced that it will carefully monitor developments to ensure continued price stability.

Rising interest rates and oil prices threaten U.S. economy

USA Despite positive signals on the U.S. economy from federal authorities, the Credit Managers Index (CMI) fell by 2.6% in May. While seven of the ten components remain above the 50% mark, indicating economic expansion, the decline was relatively large and quite widespread, the report states. "It is likely that the combination of rising oil prices and interest rates [will] continue to quietly erode the strength of the economy in the background,"

remarked Dan North, Chief Economist with credit insurer Euler Hermes ACI.

The Credit Manager's Index (CMI) is created from a monthly survey of U.S. credit and collection professionals. The National Association of Credit Management (NACM) launched the survey in January 2003 to provide analysts with another strong economic indicator. The CMI survey asks around 500 credit managers to rate favorable and unfavorable factors in their businesses. The new indicator has gained rapid acceptance among the business and financial community.

To learn more about CMI, visit www.nacm.org

Sweden investigating late payment problem

EUROPE Are our biggest corporations purposely paying their bills late? This is a question that Thomas Östros, Sweden's Minister for Industry and Trade, has often heard from small business owners, according to a press release. As FPM previously reported, Östros has demanded in a letter to EU Commissioner Günter Verhaugen that the EU put a stop to long payment terms in Europe.

At the same time, the Swedish govern-



Thomas Östros

ment has appointed Anders Bengtsson, formerly secretary to the Supreme Administrative Court and head of the secretariat of the Swedish Accounting Standards Board, as a

special investigator to clarify the problem and analyze potential actions. A final report will be submitted by July 1, 2007.

In its directive, which cites Intrum Justitia's annual survey of European payment habits, the Swedish government notes that late payments and long payment terms seriously disrupt trade between EU member states. This especially hurts Swedish companies, which generally pay their bills on time.

The growing problem of long payment terms has a major impact on the reporting and payment of value-added tax. A Swedish survey shows that 60% of responding companies were forced to pay the VAT on their invoices before they received the money, and 20% said VAT rules caused them major liquidity problems.

EU takes up fight against late payments

The role of EU Commission's SME Envoy, Françoise Le Bail, is to make sure that SME's interests are given priority. Spurred by Thomas Östros, the Commission has ordered a study of the consequences of the EU directive on late payments.

"The study will continue through the rest of the year, and its conclusions will be presented in early 2007," said Le Bail. "One of the things we are using is a questionnaire, which is available at www.latepayments.org."

Le Bail cites three main aspects of the directive that need closer scrutiny: Is the

restriction against grossly unfair provisions in contracts effective enough? Are organizations that represent small and medium-sized enterprises to take action before the courts able to do their job? And lastly, are recovery routines for unchallenged claims achieving their objective?

In the next issue of Fair Pay Magazine, we are planning an interview with Françoise Le Bail, where she will respond to several of the questions Thomas Östros has brought before the EU Commission.

To reduce its Days Sales Outstanding, MGE UPS SYSTEMS, a global provider of power supply and protection solutions, has been using credit management services with great success. This year alone, its average time to collect outstanding receivables has been cut by eight days.

Spanish eyes focus on cash flow

Taking action again

MGE UPS SYSTEMS is a global provider of power quality solutions designed to increase the availability and uptime of mission-critical applications or processes, from a simple desktop PC to a large Internet Data Center or a semiconductor manufacturing plant. The market leader in Spain, MGE UPS operates in more than 100 countries.

To improve working capital, MGE UPS has sought to reduce its Days Sales Outstanding (DSO), a measure of the average number of days it takes to collect on a sale, explained CFO Santiago Albors.

Spain is a market with typically slow payers, he noted, although the situation has improved in recent years. Many companies in the Spanish market have a high DSO, meaning that they are selling their products and services to customers on credit and it takes time to collect their money.

“We have definitive targets to reduce our DSO and collect accounts receivable in fewer days,” Albors said. “Every year

our headquarters establishes numbers for all the countries where we operate. At the moment we are well in line to meet those goals.”

Despite an ambitious target in Spain for 2006, the company had managed to reduce DSO by eight days in May. The normal payment term for MGE UPS in Spain is 60 days. Many customers do not accept this, however, and pay later.

In Spain, it is normally not the customer who compensates a supplier for capital tied up in receivables; it is a cost the supplier has to bear. “It is virtually impossible to pass that along to the customer,” Albors said. “To be successful, it is what you have to pay. It’s the cost to become the market leader. We are used to conditions here and are not really afraid of the costs that arise from tied-up capital. You have to accept that in Spain, or you risk losing customers.”

It is not standard practice in Spain to charge interest on late payments. Legislation traditionally hasn’t helped, either.



“As early as May, MGE UPS achieved its ambitious goal of shortening payment periods – by no less than eight days,” says CFO Santiago Albers.

st slow payments

And the fact that a company does not pay before the due date usually won't prevent further deliveries from the suppliers it hasn't paid on time, according to Albers.

MGE UPS has been working with Intrum Justitia to reduce payment periods in Spain and Portugal since 2001. In Spain, Intrum Justitia last year addressed 4,500 cases and in Portugal 2,500. In total, 35 million euro has been collected in Spain. According to Luis Salvaterra, Managing Director of Intrum Justitia Spain and Portugal, MGE UPS has reached about a 90-percent collection rate in three months.

Albers also pointed to the success of the online service Intrum Justitia adapted to MGE UPS' needs: “The information flow over the Internet between us and Intrum Justitia works very well. It gives us the flexibility and speed to solve cases quickly.”

MGE UPS SYSTEMS

MGE UPS SYSTEMS is a leading global supplier of Uninterruptible Power Supply. Solutions include a full range of equipment such as non-interruptible power supplies, power distribution units, complete power supply solutions for VoIP and WiFi, static transfer switches, harmonic filters and advanced power management solutions.

“Experience, quality, proximity and services are some of the reasons why top businesses have chosen MGE UPS as their preferred supplier,” says CFO Santiago Albers.

MGE UPS is represented in more than 100 countries and has 2,600 employees.

European Payment Index 2006

points to growing payment risks.



European payment habits hurt businesses

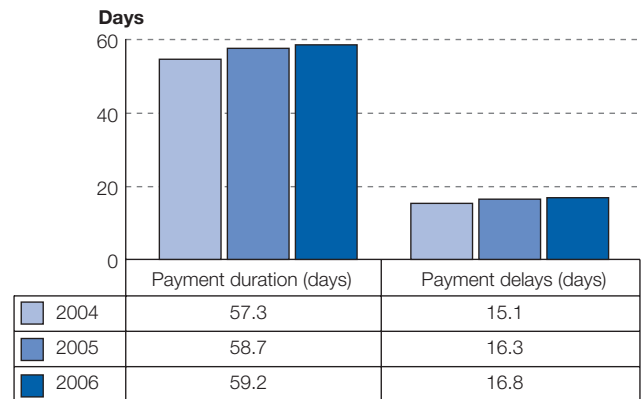
The results of a new survey, the *European Payment Index 2006* (EPI), were presented to an audience including EU politicians at a breakfast seminar in Brussels on May 30. The report paints a disturbing picture of payment habits around Europe.

“The extent of the problem is obviously very troubling and calls for stronger action by both businesses and legislators,” said Leif Hallberg, Public Affairs Director at Intrum Justitia, in his opening address. “Long payment delays certainly don’t help economic growth. On the contrary, current payment habits harm businesses and disrupt trade between EU member states.”

The survey shows that the average payment delay in Europe has risen from 15.1 days in 2004 to 16.8 days 2006, working out to roughly 25 billion euro or the equivalent of Luxembourg’s GDP. The total value of overdue invoices in Europe has reached a staggering 250 billion euro, equaling the entire GDP of Austria.

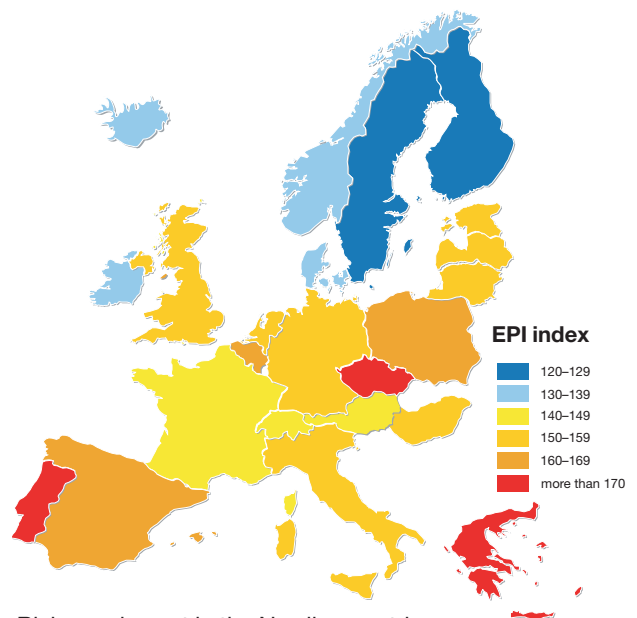
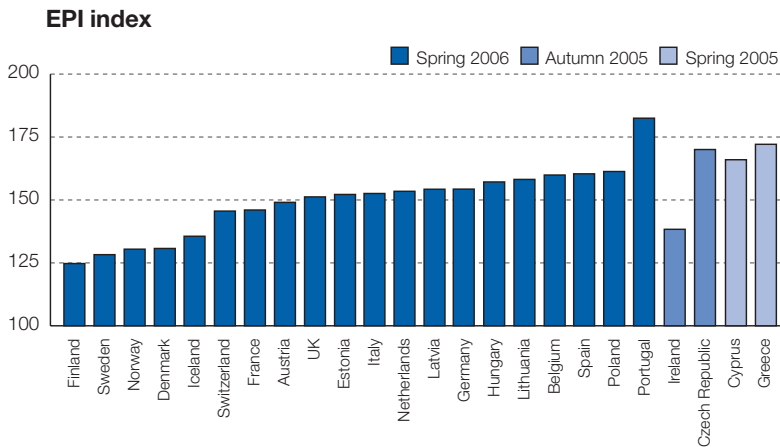
Leif Hallberg stressed the importance of making late payments a higher priority on the EU’s economic growth agenda, the so-called Lisbon Agenda*.

Slowing payment trend



“Although we have seen various initiatives such as the EU Late Payment Directive, differences in payment practices among EU members remain a serious obstacle to harmonious trade,” he said.

He called for more substantial measures from businesses, member state governments and the EU’s central institutions to alleviate the problems of late payments and long payment periods, partly through the development of simpler, cost-effective, harmonized payment procedures in Europe.



Risks are lowest in the Nordic countries.

Portuguese businesses face a major problem with poor payment habits.

“A lot has to be done to stimulate the European economy, and the Lisbon Agenda is indeed long. But there is one problem we rarely hear EU and industry leaders discuss as they lay out their plans for helping European business grow and prosper, and that is late payments,” Leif Hallberg continued.

The EPI survey, carried out in 22 countries, reveals that business managers across Europe see payment uncertainties as the most significant obstacle to international trade.

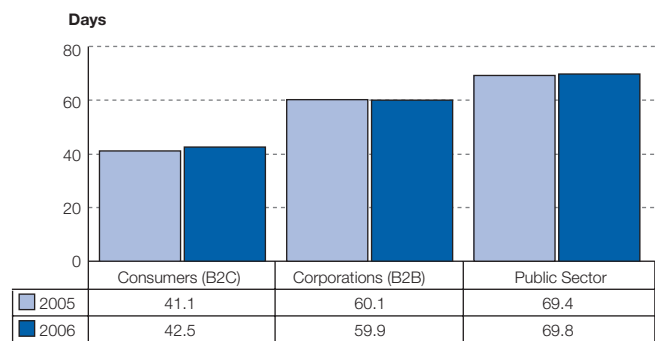
“The money delayed due to late payment or lost completely because of unpaid invoices adds up to billions of euro, which could be used instead for investments that support growth and create jobs. Europe simply must do more to combat late payments,” Leif Hallberg concluded in his presentation of the European Payment Index 2006 in Brussels.

Highlights of new EPI

- Average payment duration in Europe – from invoice until payment – has increased to 59.2 days from 57.3 days in 2004.
- On average, European consumers settled their payments in 42.5 days and businesses in 59.9, while the public sector took 69.8 days – 27 more than business-to-consumer transactions. Clearly, governments are setting a poor example and putting suppliers at risk.
- Payment habits still vary greatly between countries. Portugal, the Czech Republic and Greece remain at the

bottom of the payment league, while the Baltic region has shown the biggest improvement. The Nordic countries, with Finland and Sweden in the lead, are still the best payers in Europe.

The public sector is the slowest payer



Download the EPI report

Intrum Justitia's European Payment Index (EPI) is a unique tool for comparing payment habits between markets and regions. Based on an annual survey of several thousand companies in more than 20 European countries, the EPI report and specific country reports offer businesses a reliable basis for decision-making and effective benchmarking.

The new European Payment Benchmark provides comparisons with market averages and best practices.

The European Payment Index and EP Benchmark are available at www.europeanpayment.com

*) Lisbon Agenda - Action and development plan established by EU leaders in Lisbon in March 2000 to make the EU "the most competitive and dynamic knowledge-based economy in the world" by 2010.

Much needs to be done to the whole culture of late payments in Europe. The total value of overdue receivables has now reached 250 billion euro.



Using the results of the latest European Payment Index, Leif Hallberg from Intrum Justitia points to the regional differences in payment habits around Europe.

British EU parliamentarian on late payments: ‘Governments should be named

EU parliamentarians and members of the business community attending a seminar in Brussels on European payment habits, organized by Intrum Justitia and the British Chamber of Commerce in Belgium (see also article on page 6), were highly critical of what had been done so far, or not done, to combat late payments.

“The EU’s Late Payment Directive is centuries away from installing the proper legal framework right,” said British member of European Parliament Diana Wallis. Her countryman and fellow parliamentarian Malcolm Harbour added

that the poor example set by government agencies with regard to late payments was nothing short of disgraceful.

These and other pointed remarks were made as Intrum Justitia presented its *European Payment Index – Spring 2006*, based on survey responses from 6,500 businesses, mostly SME’s, in over 20 countries.

Payments risks are on the rise, according to the report :

- 250 billion euro in overdue receivables across Europe
- Unfair payment practices disrupt trade
- Small firms and entrepreneurs risk a credit squeeze
- Governments set the worst example as late payers.

Maurice Wagner, Director General of Eucomed, a trade association for medical technology manufacturers and suppliers, gave alarming examples from southern Europe. “In Italy,” he said, “companies either have to accept very long payment delays or risk not being considered for future tenders, and in Spain the way to deal with late payments is to go via the courts, a long-winding procedure which is both expensive and highly time-consuming. Long payment delays and deviations from trade rules have become the norm. This is absolutely unacceptable.”

In her capacity as an attorney before joining the European Parliament, Diana Wallis had been increasingly agitated by

“Payment terms are part of the Lisbon Agenda and must be taken seriously,” said Liliانا Brykman (second from left) of the EU Commission.



Governments should set a better example, suggested Malcom Harbour.



named and shamed'

the state of indebtedness in Europe, particularly in the UK, she told the seminar. Now she despaired of the legal environment which, she feels, is unable to help when things go wrong.

"In order to efficiently combat late payment problems and improve the everyday lives of consumers and businesses, it is necessary to interlock our legal systems within the EU," she said.

In her eyes, contract law favors consumers too much to the detriment of businesses. It would be up to EU Commissioners Frattini (freedom, justice and security), McCreevy (internal market) and Kyprianou (consumer protection) to correct this imbalance, Wallis suggested.

MEP Malcolm Harbour expressed his annoyance with the whole culture of late payments and the way big companies address payments at the expense of their suppliers. "Prompt payments are integral for small businesses, but due to late payments they often end up not being able to afford to do business."

A number of measures need to be taken with respect to late payments, he suggested. "Start with governments. They set a disgraceful example by paying suppliers very late and should be named and shamed for that."

Liliana Brykman, the EU Commission's representative

Debt collection vital to U.S. economy

Third-party collection agencies have recovered no less than 39 billion dollars for private companies in the U.S., according to a study published on behalf of the Association of Credit and Collection Professionals (ACA). This corresponds to three percent of all pre-tax corporate profits in the U.S.

"American collection professionals are proud to play a vital role in the economy," said ACA President Gary Rippentrop. "Debt collection reduces the risk of loss for businesses and helps them to grow. It makes it possible, for example, for healthcare providers to provide their services. Debt collection generally improves access to credit as a financial tool for American consumers.

"Losses arising from unpaid debts are built into price of all products and services," he added. "So consumers have everything to gain from the debt collection industry's work."

According to the report, the average American household saved 351 dollars in 2005. This is what they would have had to pay if businesses had been forced to raise their prices to cover bad credits.

"The effects of late payments are especially troublesome for credit companies and financial institutions. Today's economy increasingly depends on the wide availability of credit at low cost," said Rippentrop. "As credit risk increases, lenders must tighten their credit policies – resulting in reduced consumer spending and lower sales, which could lead to an economic recession."

On behalf of the public sector, the private collection industry has doubled recoveries of unpaid taxes and similar debts, from 351 million dollars in 2000 to 693 million dollars in 2005.

on the panel, reminded the audience of the ongoing evaluation of the Late Payments Directive, noting that Enterprise & Industry Commissioner Günter Verheugen was determined this year to resolve what needs to be done to improve the free flow of goods and services by the end of 2009. "This goal is, in fact, part of the Lisbon Agenda," she said.

Rabbit or wounded bear?

Fair Pay Magazine has covered debtor behavior in previous issues. Now Intrum Justitia in Switzerland, working together with a psychologist, has classified various types of debtors.

Aside from normal demographic data on address and date of birth, collection agencies now have access to a classification system that defines various types of debtors from a psychological perspective.

Every debtor is a person with a specific problem. Behind the financial issues are always human dimensions. With a better understanding of the psychological forces at work, it is easier to communicate with different types of debtors.

In December 2005 and May 2006 Intrum Justitia's office in Switzerland held workshops with a psychologist and administrators to find a way to classify debtors by type and decide how best to handle them.

In the end, four main types of debtors were identified, using animal symbols to make them easier to categorize. With pictures of different animals in their minds, employees can more easily classify debtors and adapt their actions accordingly. This fall collection agents will begin training on systematic classification and individualized treatment of debtors.



“Rabbit”

Qualities: Chaotic and confused or passive and paralyzed.

Needs: An easy way out, a timetable and a simplified description of the problem to relieve their panic.



“Chicken”

Qualities: Either cooperative or needy and submissive.

Needs: Support, almost a relationship. Encouragement is often better than force to reach a solution.



“Wounded bear”

Qualities: Offended and on guard or furious and aggressive.

Needs: Honesty, calm and trust. Must be treated well. Aggression and pressure usually lead nowhere.



“Tick”

Qualities: Exploits the system or actively works against it.

The most difficult type. Understands the system and uses it to his advantage. Or doesn't and isn't interested. No standard solution here. Conversation may lead in any direction.

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
 SEB Enskilda – Stefan Andersson
 Handelsbanken – Peter Grabe
 Standard & Poor's – Joakim Ström

Financial report dates 2006	
Interim Report January–September	November 6
Full-year Report	February 2007
Annual Report	March 2007

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New CEO of Intrum Justitia AB

Intrum Justitia President and CEO Jan Roxendal will step down on August 31 and be succeeded by Michael Wolf, 42, Executive Vice President and Head of the Europe and Latin America Division at Skandia.

Michael Wolf had previously held positions as head of Skandia's German division (1999–2001) and CFO of the group (2002–2003). In 1985–1998 he was an employee of SEB Merchant Banking, based in various locations including London and New York. He holds a Master of Science in Economics from Stockholm University.

“Michael has considerable experience from creating growth in successful service companies,” said Lars Lundquist, Chairman of the

Board. “We believe his well-documented leadership skills will prove extremely valuable to the continued development of Intrum Justitia.

“Jan Roxendal has executed successful restructuring programs in a number of operations within the group and intensified activities within the Purchased Debt service line. All in all, this creates a platform for profitable growth, and the Board is grateful for Jan's considerable efforts and dedicated approach in strengthening the group,” he continued.

Fair Pay Magazine will publish a profile of Michael Wolf in the next issue.

ESTONIAN AND CZECH OPERATIONS CELEBRATE

In 2006 Intrum Justitia is celebrating the tenth anniversary of its subsidiaries in Estonia and the Czech Republic. Intrum Justitia has established itself as the leading credit management service company in both markets.



Fifth annual tent campaign in Helsinki

FINLAND For the fifth consecutive year Intrum Justitia has set up a tent during the summer in Helsinki's Market Square. This year the tent is staffed by Finnish business students who discuss debt and personal finances with passers-by. People are also encouraged to enter a prize competition that serves as a basic survey on how people in general regard Intrum Justitia and their attitudes toward debt.

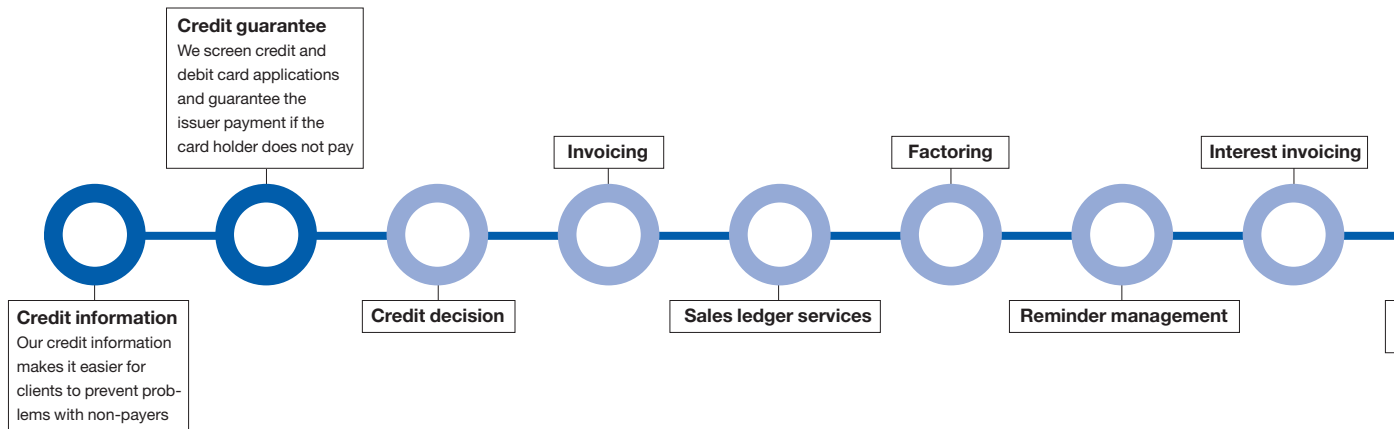
“A lot of people have stopped by the tent this year,” said Thomas Feodoroff, Managing Director of Intrum Justitia in Finland. “It is a great way to talk to young people and others about debt. We show them that we are accessible, and people quickly gain confi-

dence in us and are willing to discuss their debt problems. We see it as a way to build good relations with both debtors and creditors, in line with our motto, *Fair pay...please.*”

Intrum Justitia is the first and undoubtedly the only credit management service provider in the world to offer debt advice under a tent.



credit management services



Green light for bu

*Intrum Justitia is continuously expanding its credit management services (cms). The latest addition is *Präkasso*®, an information service now being launched in Germany.*

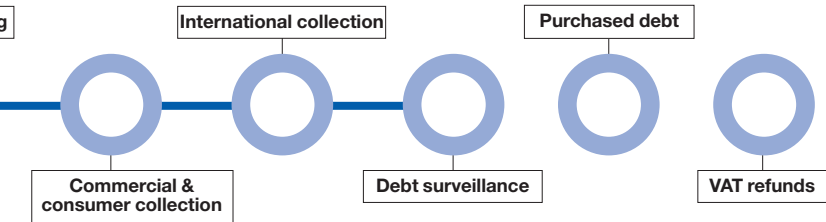
A green light can mean free collection services.

“Reliable information is absolutely essential to the success of an enterprise,” said none other than Christopher Columbus, before sailing west from Spain in search of India.

Obviously, things aren’t always what they seem. What at first glance may seem logical could prove to be just the opposite. With *Präkasso*, clients are protected from unpleasant surprises, simply and quickly.

“With reliable credit information as a base, *Präkasso* will custom-tailor various alternatives for any transaction,” said Klaus Gildhorn, Sales and Marketing Manager for Intrum Justitia in Germany. “Intrum Justitia’s information may support the decision to invoice an end customer after delivery or it may suggest other means of payment – in advance, for example.”

If a debt isn’t paid despite a positive recommendation, the *Präkasso* offer kicks in. Under certain conditions the client may be entitled to have the collection handled free of



business

charge. In a best-case scenario, the client will be refunded its outstanding claim. Using the *Präkasso* service gives the client the opportunity to improve profitability while strengthening the trust of its customers.

How Präkasso works:

GREEN LIGHT: If a customer, whether new or old, is listed in Intrum Justitia's database and otherwise has no negative marks, it will receive a high rating and Intrum Justitia's client will have a better basis to decide whether to invoice them upon delivery. The client also receives the *Präkasso* offer. If the debt isn't paid despite the positive rating, the client will be refunded 100 percent of the amount submitted to collection if the case is reported within 90 days, provided there are no deductions for contractual fees.

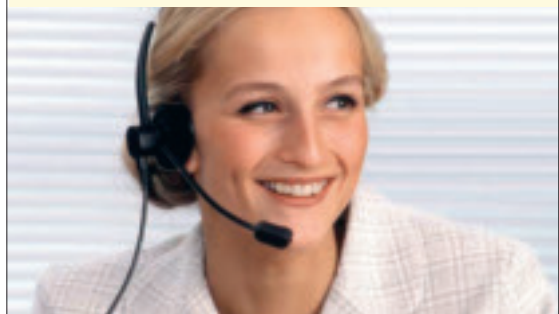
YELLOW OR RED LIGHT: If a customer isn't in Intrum Justitia's database or has debts with a collection agency or payment injunctions, the risk of non-payment naturally is high. Here the client will have to decide whether it wants the business and what payment terms to set.

Intrum Justitia acquires portfolio of defaulted bank loans

GERMANY In July Intrum Justitia and Goldman Sachs jointly agreed to acquire a large portfolio of written-off, nonperforming bank loans from one of Germany's leading banks. The portfolio comprises over 65,000 accounts with an aggregate outstanding principal and interest value of approximately 485 million euro.

Purchases of written-off receivables are a vital part of Intrum Justitia's offering and an important complement to its core business. Joint ventures have been established for significant debt purchases with Calyon and Goldman Sachs. This is the third acquisition together with Goldman Sachs.

During the first half of 2006 Intrum Justitia acquired 130 portfolios of defaulted receivables with a principal of approximately 240 million euro. These portfolios are mainly composed of written-off unsecured bank loans and finance and telecom debt.



Intrum Justitia Germany consolidates collections

GERMANY On July 1 Intrum Justitia's collection center in Mannheim was moved to the German head office in Darmstadt. As a result, all 180 of the subsidiary's employees are now under the same roof, as are all its core competencies, paving the way for more efficient service.

"We are now experiencing a period of greater cost consciousness, where companies are concentrating on their core businesses and outsourcing their receivables to specialists," said Ulla Richter, team leader at Intrum Justitia's German collection center. "It's why I think the outsourcing of telephone collections to a call center will increase in importance. At present 37 employees work at our center, but we expect the staff to grow in the months ahead."

Laws that do little to promote debt collection, courts that are ineffective at dealing with debt cases and companies that lack professionalism in terms of credit management. This summarizes the situation in Spain and Portugal. Yet Intrum Justitia managed to grow by 35 percent in Spain and 80 percent in Portugal during the first half of 2006. In 2005 growth was more than 30 percent in both countries.

Successful credit management



Luís Salvaterra, Managing Director, Intrum Justitia Spain and Portugal.
Age: 45
Family: Married with two daughters
Hobbies: Football (favorite team Benfica), travel and beaches

The Spanish debt collection and credit management market started to take off 25 years ago. Since then finance companies and banks have been the strongest clients for CMS providers, according to Luís Salvaterra, Managing Director for Intrum Justitia in Spain and Portugal.

“Most Spanish debt collection companies started with tight connections with banks. Over the past decade, however, they have cultivated other types of clients,” he noted.

While the B2C market in Spain is fairly mature, the B2B market is still untapped. That contrasts with Portugal, where the B2C market is also very new and even banks don’t usually outsource collection cases. As a result, lawyers are used extensively in both countries and many cases go to court.

Although the Spanish economy has grown strongly in recent years, exceeding the EU average, Intrum Justitia’s European Payment Index shows that Spain has among the longest average payment times of all EU members. The normal payment term in Spain and Portugal is 60 days. The average payment time, on the other hand, is 82 days in Spain and 92 in Portugal.

“There are several reasons why,” Salvaterra explained.



ABOUT THE REGION

➔ **SPAIN & PORTUGAL** Intrum Justitia's market share has risen in recent years, partly as a result of the acquisitions of D&B RMS and the Spanish/Portuguese Vía Ejecutiva. Intrum Justitia is the market leader in both countries.

➔ **FRANCE** In recent years operations have greatly expanded through a restructuring and several acquisitions. Today Intrum Justitia is the market leader.

MD Intrum Justitia Spain & Intrum Justitia Portugal Luís Salvaterra
MD Intrum Justitia France Pascal Labrue

SEK M	2005*
Revenues	364.0
EBITA	72.7
Operating margin, %	20.0
Employees	413

* Including France

ment in a demanding market

“First, legislation is not very favorable to debt collection. Spain was the last country in the EU to adopt the late payment directive, doing so only last year. Its laws do not penalize bad debtors. And while interest charges are legal, most B2B companies are not used to charging interest. It is not commercially acceptable and is an important reason for bad payment habits.”

Another reason Salvaterra points to is that the Spanish courts have not helped much in debt collection cases. “They have changed for the better in the last couple of years, but there is still a lot of bureaucracy and a lot of time is spent on cases,” he said. “It takes too long to resolve cases in the Spanish courts and can be costly. Moreover, there is a lack of professionalism by companies in terms of credit management. Most are small and medium-sized businesses, and outsourcing debt collection isn’t common. In the B2B market, probably less than 10 percent of companies outsource their collection cases. Things have improved of late, but compared with many other EU countries Spain and Portugal still have far to go.”

While finance companies and banks have accounted for most of Intrum Justitia’s business in Spain and Portugal,

new clients began to join the roster at the start of the decade, mainly in the telecommunications industry.

“Today we are market leader in Spain and Portugal. We have clients in Spain in banking, finance, telecommunications, utilities, mail order and the media, including cable television. In Portugal, telecoms, banks and finance companies are our main clients,” Salvaterra said.

Debt collection is Intrum Justitia’s largest service in Spain and Portugal. It also offers consumer debt surveillance and international services in both countries. And lately there has been a lot of activity in purchased debt.

“Intrum Justitia bought its largest debt portfolio to date in Spain. We have bought several debt portfolios in Portugal as well. We plan to go on purchasing even more and are defining a long-term strategy to build market share in the Iberian market,” Salvaterra concluded.

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in conclusion



Teaching students financial responsibility

Throughout the Western World there is a growing debt problem among young people. Easy access to credit cards, relaxed credit checks by the telecom industry and tempting new offerings such as text message loan services with no security are attracting people into a debt trap at an ever-earlier age.

In Switzerland, as FPM has previously reported, debt and personal finance have been added to the school curriculum thanks to a project sponsored by Intrum Justitia, "Students, debt and money." In a national competition, over 300 students between the ages of 13 and 20 years submitted entries in 2005 as part of an educational module for "Managing money." The final results, which garnered widespread attention, were announced on January 24 of this year.

The purpose of the project is to counteract the escalating debt problem among Swiss students. Among those aged 12 to 18 in Switzerland, 30 percent are already in debt, and the number of shopaholics has doubled in ten years.

Following the success of the original contest, people have asked that it be repeated.

As a result, a follow-up is in the works, this time with three themes. Elementary students will compete for the best poster or class diary with the theme "My money – mobile phones and spending money." Upper secondary classes will compete for the best concept for an information presentation with the theme "My money – teenagers and money." Other classes will vie for best submission in the category "My money – what do young people do with their money?"

The contest is also an effort to avoid finger pointing. Through positive messages, the participation of celebrities from sports and the media, and interactive forms of education, the hope is to make young people aware, in an entertaining way, of the dangers of debt and get them to adopt a common-sense approach to money.

Submissions will be judged by a jury of representatives from education, politics, sports and science. A presentation and award ceremony will be held before a large audience early next year.



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To learn more about "Students, debt and money," visit www.swisschoolaward.ch