fair pay magazine

1•2006

THEME

Managing financial risks

EUROPEAN PAYMENTS

Payment habits are getting worse

TRENDS

Finding growth in purchased debt

Europe's debt problems can be slowed with education

editor's letter

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Determining in advance what a company's financial risks will look like and how they will affect its income statement and balance sheet is difficult. But no less important. We have therefore asked an experienced CFO, Peter Claesson, to describe these risks and how they can be avoided.

Account receivables are perhaps the most common and largest financial risk for many small and medium-sized companies. This is why we are constantly discussing how they can be made liquid. That goes for both fresh receivables and old ones. In this issue, we especially focus on purchased debt, a service which continues to gain attention and interest.

Our European Payment Index survey conducted in late 2005 shows that payment habits continue to worsen across the continent. This naturally raises risks, especially for international trade. But here you can read about the 2-2-2 PLUS best practice formula how to improve your credit management and increase the chances of getting paid on time.

With this information, we hope we are doing our small share to be of help and be a driving force for Fair Pay.

Last but not least, we report on a new initiative by the EU on consumer credits. It is one of the fastest-growing and most profitable areas in the European market. That explains why officials are now trying to work out an agreement to harmonize member states' rules on consumer credit.

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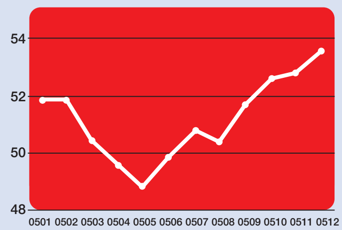
IN BRIEF

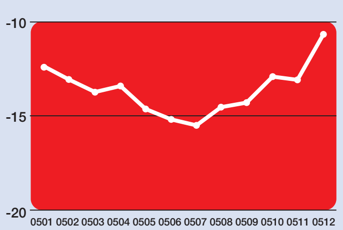


European consumer confidence rebounds

The euro zone's Consumer Confidence Index began 2005 on a downslide, hitting a low of –14.6 in July before reversing course and finishing the year at –10.8. Though still below its long-term average, consumer confidence has passed where it was a year ago and appears to be heading even higher.

US Credit Managers Index fell in December

The NACM Credit Managers Index fell 2.5 percent to 54.9 in December, a level still associated with economic expansion. While the manufacturing sector sharply fell by 4.8 percent, the service sector remained stable, slipping just 0.2 percent. In both sectors, dollar collections and dollar amount beyond terms fell the most, suggesting that customers are short on cash flow. "Higher energy costs, interest rates, and labor rates are likely culprits," according to the index report.



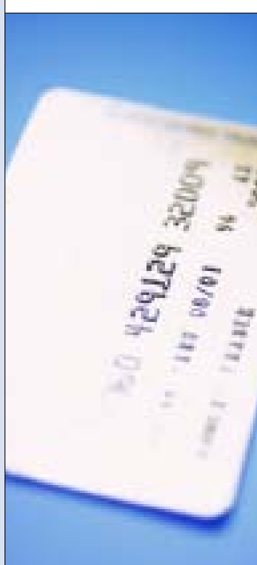
Highest PMI in 15 months

Since bottoming out in May at 48.7, the euro zone's Purchasing Managers Index (PMI) has zigzagged higher to 53.6, the highest figure in 15 months. The gain reflects increased production and order backlogs and a rise in employment for the first time since May 2001.

Three out of ten UK companies take debtors to court

UK A survey by Better Payment Practice Group in the UK shows that three of ten British companies went to the courts last year to collect outstanding debts from business customers. "It can be an effective way of recovering money owed, but it can also be expensive and should be seen as a last resort," says Clive Lewis the Institute of Chartered Accountants in England and Wales.

Businesses can do a lot to improve their credit management before resorting to court, he suggests, such as credit checking new customers, agreeing to terms of trade at the outset, invoicing promptly and staying in contact with debtors. He also strongly recommends the use of collection and credit reference agencies.

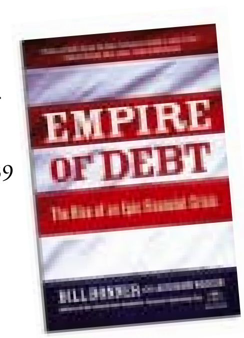


Alarming report on irresponsible credit card companies

UK Britain's credit card industry is under attack by consumer groups and insolvency experts in a report branding them as "grossly irresponsible," says an article in The Scotsman. The report says that thousands of pounds of credit are being granted to people who can't afford it. An astonishing 88 percent of those who successfully applied for a credit card last year were not asked to prove their income. Some received a credit limit above their annual income level. In one case, a borrower earning less than £10,000 a year was given credit of £12,000. A debt like that would require over 28 years to clear with a total of £8,600 in interest. British consumers face a record of £1 trillion in debt, with credit cards accounting for £56.35 billion. They account for two thirds of total credit card debt in the EU.

Best-seller draws parallels to Great Depression

USA *New York Times* best-selling author Addison Wiggin draws a chilling parallel to the Great Depression in his latest book, "Empire of Debt: The Rise of an Epic Financial Crisis," noting that Americans today are spending more than they earn for the first time since then. Data from the US Bureau of Economic Analysis show that the personal savings (unspent income of the Americans) was –0.2 percent in November 2005. Americans spent $39 billion more than they earned. "The level of consumption is unsustainable," says Addison Wiggin.



Significant increase in business loans

In its quarterly report, the European Central Bank, ECB, noted a significant increase in business loans in the fourth quarter of 2005. Banks anticipate continued high demand during the first quarter of this year. Consumer loans also rose substantially during the same period, but in this case the banks expect a slowdown in the first quarter.

Sources: CollectionIndustry.com, New York Times, Better Practice Group (BPPG), National Association of Consumer Bankruptcy Attorneys (NACBA), The Scotsman, Los Angeles Times, DN nye medier AS, Mercator Advisory Group, First Data, The National Association of Credit Management (NACM), Eurostat, Times, Finfacts, EU business, Sveriges Riksbank.

After fits and starts, EU legislators are now attempting to reach agreement on the hotly debated proposal to harmonize consumer credit rules. Time is of the essence, considering how quickly the consumer credit market is growing around Europe.

Growing m for consumer credit

The European Commission's modified proposal for a new directive reflects the strong opposition its first draft received when presented to the European Parliament. After bowing to criticism, the commission this time hopes that it will gain approval from the parliament and Council of Ministers some time this year.

Consumer credit is one of the fastest-growing and profitable sectors in the European financial services market. On average it has grown by over 7% in the last five years, generating 19 billion euro in profit and rising to 900 billion euro in outstanding credits. Over the next decade, annual profits are expected to climb to 26 billion euro.

At the same time, regulatory changes resulting from the new capital requirements for banks in the EU are likely to substantially reduce the cost of capital of credit, perhaps by as much as 25% for consumer loans.

A recent report presented by the European Credit Research Institute (ECRI) and the international finance service and risk management consultancy Mercer Oliver Wyman concludes that consumer credit has good chances of growing even in mature markets with relatively high levels of indebtedness. In countries where this is not the case, it isn't overconsumption that is slowing growth, but rather stifling regu-

Photo: © Helt Enkelt / Johnér

arket

lation and a lack of domestic competition to fuel demand.

The European consumer credit industry certainly seems attractive, but rapid growth masks big differences between countries. Some are obvious. Outstanding credit relative to GDP varies from less than 3% (Switzerland, Czech Republic and Hungary) to over 10% (Norway, UK, Sweden and Germany). Unlike much of the rest of Europe, the UK stands out as a mature market with high levels of indebtedness and rising provisions.

The one thing that is clear is that competition will intensify for control of national credit markets and various categories of credit. An array of business models will be deployed in consumer lending.

In its new draft directive, the European Commission tries to reconcile the need for better information for consumers with fears that the new rules will create more red tape. One change is that mortgage credit will now be addressed separately.

This latest move to revive controversial consumer credit legislation coincides with a deregulation drive by the Commission.

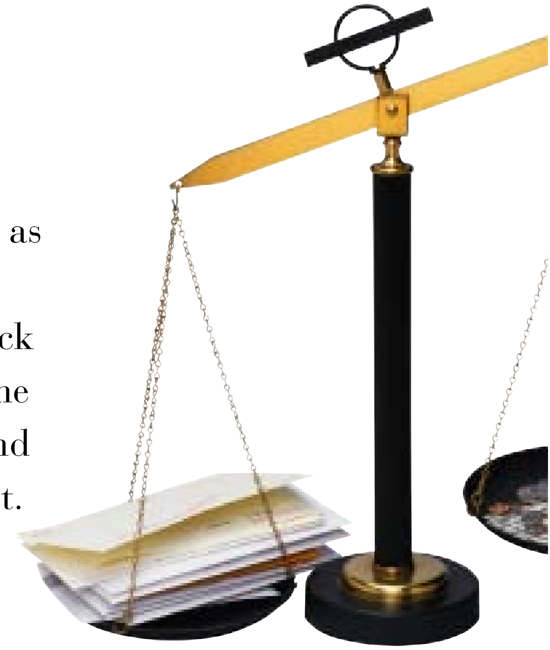
The key changes from the Commission's first amended proposal in October 2004 include:

- Restricting the scope to consumer credit of up to 50,000 euro to cover the most common consumer credit contracts;
- Mortgage credit will be addressed separately;
- Applying a specific regime based on pre-contractual and contractual information to credit contracts of up to 300 euro;
- Giving member states more flexibility to adapt the rules to their national situation in clearly specified areas, while insisting on a mutual recognition clause in a limited number of cases to protect the single market;
- Making it easier to compare consumer credit terms through a harmonized method of calculating credit costs;
- A list of information that consumers must be given, including the size of the monthly repayment and any fees. The information requirements will be lighter, however, for loans of up to 300 euro;
- A right of withdrawal of up to 14 days;
- The right to repay a loan early;
- The right to break a credit contract if the related purchase is cancelled.

The draft law will now be debated in the EU's Council of Ministers, with a consensus expected some time later in 2006, followed by a second and final reading by the European Parliament at the end of the year.

Sources: European Credit Research Institute,Mercer Oliver Wyman, EU Commission's proposal for new consumer credit directive.

Apart from the risks associated with outstanding receivables, companies face other types of financial risks as well. Assessing and balancing them is always a juggling act. Global events can either be an advantage or drawback to risk-taking and risk exposure. The key is to plan for the latter by being proactive and evaluating possible risks and their impact on your income statement and balance sheet.



Think first:

Tips on the best way to manage financial risks

Risk management usually means more than pure financial risks, such as avoiding the costly refinancing of maturing loans. Many companies that operate outside their own country also have to consider foreign exchange risk, which arises when they export or import goods in a foreign currency. The risk is that fluctuations in exchange rates can adversely impact their earnings, according to Peter Claesson, Head of Treasury at Trelleborg, an industrial group with worldwide operations.

"One way to address foreign exchange risk is to buy and sell currencies at a given price on a predetermined date in the future," Claesson says. "Another way is to buy options, with the advantage being that you don't have to buy or sell currencies at a specific price. You can also combine the purchase and sales of options, and sell them at favorable levels to reduce the cost of the purchased options."

Groups with international subsidiaries also have to remember that exchange rate movements could impact consolidated earnings when the income statements of these subsidiaries are translated back to the reporting currency.

That also goes for investments in foreign subsidiaries, where the risk is that exchange rates will affect the group's balance sheet. Claesson explains that this risk can be managed by financing the assets through the equity hedge method*, which will eliminate fluctuations in the balance sheet. Even when exchange rates move, equity will remain the same.

Besides fixing interest rates over specific periods, companies can manage interest rate risk with swaps, where two counterparts exchange one stream of future interest payments for another, replacing variable interest rates with fixed rates or vice versa.

Those responsible for a company's treasury department also have to consider the credit risks that arise when investing liquid assets and trading financial instruments.

"For many companies, it's good to have a policy to work strictly with banks with a high credit rating. Trading shouldn't be done with just one bank, so risks can be spread in a better way," Claesson concludes.

**The translation of net assets in foreign subsidiaries, an "equity hedge," is reported directly in equity together with translation differences.*

UK businesses partly to blame for late payment crisis

UK businesses are quick to complain about not being paid on time by suppliers, but they might want to take a look at their own credit management processes to find out if they are not partly to blame.

The latest findings of the UK Payment Index show that many businesses are far too slow at sending out payment reminders after due dates and are not doing enough to collect overdue receivables, all of which contributes to UK's late payment problem.

Almost half of UK companies surveyed stated they wait at least two weeks before sending out a first reminder to chase late payment, while a lazy 13% wait longer than a month.

The research reveals that one in two companies reminds suppliers at least three times before starting legal action. And only a minority of businesses in the UK resort to outside expertise – including legal action – if receivables are still unpaid at the end of the reminder period. More surprisingly, only a handful charge late payment interest and recovery costs on overdue receivables, making it easier for poor payers to get away with it.

Owen James, Sales and Marketing Director at Intrum Justitia UK, comments: "Many businesses choose not to take legal action because they don't want to jeopardize the supplier-customer relationship. However, it is imperative that businesses get smarter at their credit management processes rather than being part of the late payment problem. Supplier reminders need to be taken seriously and actioned on time; it is the only way businesses stand a chance of being on top of their overdue receivables."

Photo: © Per Magnus Persson / Johnér

The survey also revealed a rise in losses incurred as a result of late payment. In spring 2005 UK businesses lost 1.6% of total revenue, a figure that rose to 1.9 % that autumn.

Average late payments have fallen by 0.2% to 17.5 days. Every customer group isn't the same, however. While businesses and public authorities have improved marginally, consumers are getting worse at paying on time. The research shows consumers paid slower than they did six months earlier (spring 2005: 44.8 days; autumn 2005: 45.4 days).

"It's disappointing to find that payment loss has actually increased. Though 12% of UK businesses surveyed are positive and forecast a decrease in payment risk, the majority (70%) anticipate no significant change, which is why measures to bring about a real difference are necessary," James concludes.

By selling their portfolios of written-off receivables, businesses can obtain a lump sum they can be sure of rather than waiting for small sums to trickle in over time. There are other advantages, too, like not having to collect on troublesome cases and avoiding the costly administration associated with account receivables.

Old receivables can be

For international investors, buying receivables has become an attractive alternative in many cases to other investments. For companies in the credit management industry, it is a service for clients who are increasingly interested in selling, as well as an important complement to the collection business.

The market for debt portfolios took off in the U.S. in the early 1990's. Europe soon followed suit, and growth accelerated later in the decade. Now banks, financial institutions and investors sell each other billions of dollars and euros worth of portfolios and assets every year.

According to Kari Kyllönen, Purchased Debt Director at Intrum Justitia, U.S. statistics show that purchased debt now accounts for a third of the business of many collection firms, a figure expected to rise both there and in Europe.

"We see a clear movement in the markets toward buying and selling portfolios," Kyllönen says. "In my opinion, the most important part of the credit management market in the UK is purchased debt. We simply have to be part of this business to ensure our future. It is not just a complementary product any more; it is part of our strategic objectives."

Most trades involve portfolios of performing debt, which are often secured. In this case, debtors are paying their installments every month on a regular basis. Another common type of portfolio contains written-off receivables that are secured by other types of assets, such as a car or house. But for credit management companies, nonperforming portfolios of unsecured receivables, where debtors have stopped paying, are the most interesting.

Nonperforming portfolios may represent just a small fraction of the global market for purchased debt, but it is a huge business nonetheless. In Europe alone, it is worth around 10 billion euros a year.

The reason why banks or financial institutions want to sell their nonperforming debts is that the chances to collect the money are very low. Normally, they do not have the resources or know-how to get it back cost-effectively. Instead, most of these debts end up being written off after the debtor and creditor have gone through the legal process. After that they may try to sell them as part of a portfolio.

"The debt portfolios we buy are usually priced far below nominal value, since the seller has written them off to practically nil," Kyllönen explains.

Intrum Justitia focuses on portfolios of unsecured consumer debt to avoid the risks associated with commercial collections, where limited companies can file for bankruptcy if

Not the same as factoring

The main difference between purchased debt and factoring is that a factoring company that discounts or buys invoices from a client typically retains the right to back out if the debtor does not pay. With purchased debt, the buyer takes full responsibility, which motivates the prices for portfolios.

a profitable business

they can't pay their bills. The aim is to purchase homogenous portfolios of relatively small receivables.

One factor that may lead to an even hotter market for debt portfolios is the new Basel II regulations governing how banks treat doubtful assets in their balance sheets. Kyllönen expects that the new legislation will further increase demand for purchased debt.

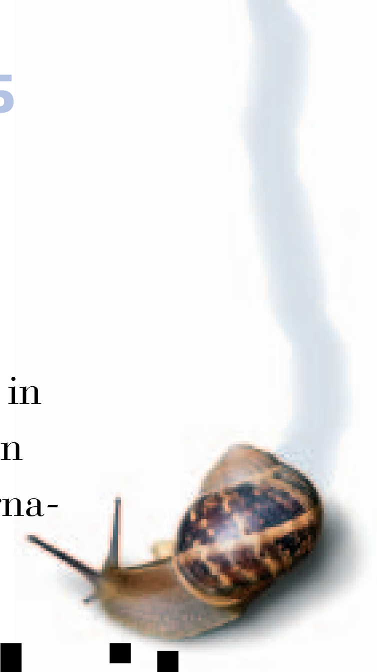
Kari Kyllönen

Intrum Justitia is buying debt portfolios

As an alternative to engaging Intrum Justitia to collect their receivables on a commission basis, clients can sell them to the company instead. This works well for businesses and organizations that want to re-duce their administrative expenses while quickly realizing hidden values and bringing cash flows forward.

With the help of scoring and analysis, Intrum Justitia can accurately access the value of a portfolio. It then offers a lump sum equal to a percentage of that value. This enables the client to free up capital and at the same time not have to tie up resources with no guarantee it will collect anything.

"Our strength is a pan-European scoring system and having collection practices in place to help clients value these portfolios and price them accordingly," says Kari Kyllönen, Purchased Debt Director at Intrum Justitia. "And we do so in accordance with our ethical philosophy, Fair pay … please."



Twice a year Intrum Justitia carries out a pan-European survey, the European Payment Index, on payment habits in 22 European countries. Compared with a similar survey in 1997, payment habits have worsened and the risk in international trade has risen as a result.

Payment habits have worsened

The survey analyzes data from a number of variables such as payment terms, durations, delays and losses. The results are compiled in an index suggesting the relative payment risk by country. Compared with the spring of 2004, eleven of the 17 countries surveyed reported lower payment risks, while five countries – Finland, France, Switzerland, Italy and Germany – noted increases.

Three of the most important economies in the EU25 – France, Italy and Germany – have noted an increase in payment risks since 2004, and the UK since spring 2005 after a drop in 2004. Every country shows a significant need to reduce their payment risks, but especially Portugal, the Czech Republic, Spain, Lithuania and Poland.

The latest index shows that payment delays have increased by as much as 22 percent in eight years. The average payment delay in Europe is 17.3 days, and the average payment duration is up to 61.2 days.

Only one in four companies questioned fears rising payment risks during the next six months. But just ten percent anticipate a positive trend. So a significant change in risks isn't to be expected before summer. Companies in the Baltic countries are the most optimistic, while Portugal, Germany, Switzerland and Netherlands are more pessimistic.

Best Practice Formula for better credit management
2-2-2-PLUS

Companies using the 2-2-2-PLUS formula show the lowest payment durations and payment losses.

2: Send the first reminder not later than 2 weeks after due date.

2: Don't send more than 2 reminders
More than 2 reminders are not worth the effort. Even if bad payers get more time to pay with more reminders, payment losses tend to increase with longer payment time. And there is always a group waiting till the last moment to pay, whether you send 2 or 6 reminders.

2: Don't let the time between the reminders be longer than 2 weeks.

PLUS: Charge reminder and recovery costs.Charge late payment interest from the very first day of delay.
The added costs and interest must be significantly high. They must be paid even after the original debt is paid. The costs must be asked for the minute the debt is overdue. Beware! If costs and interests are not charged the good payers will bear the costs and the bad payers will benefit. You will bear higher risks as those with bad credit with the banks will see you as a very attractive financing source.
Don't invoice if you know the customer does not pay.

For more information on the European Payment Index and related products, visit www.europeanpayment.com.

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 2,900 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
Cazenove – Erik Karlsson
Enskilda Securities – Stefan Andersson
Handelsbanken – Peter Grabe
Standard & Poor's – Joakim Ström

Financial report dates 2006	
Interim report, January–March	April 25
Annual General Meeting	April 25
Interim report, January–June	July 25
Interim report, January–September	November 1

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Norwegian women go gaga over mail order

NORWAY The number of Norwegian women who face debt collection is on the rise. They now make up more than a third of all 165,000 Norwegians with claims against them. Men, however, tend to owe larger amounts. "Women in this country like to shop by mail order, which you can tell by how many overdue bills are leading to collection cases and debt relief," says Intrum Justitia's Elisabeth Tønnessen. Unpaid debt is rising faster than ever in Norway. At the same time, one billion Norwegian kroner in overdue receivables was collected last year.

New website

In March Intrum Justitia AB's website, www.intrum.com, was officially relaunched. Visitors will now find general information on the Group as well as investor information. We have given the site a facelift, too, and it's changed structurally with menus up top and on the left to simplify navigation. There is also room for comments on the site's contents and structure, so we hope you will help us with even more improvements. Please visit us at **www.intrum.com**.

Intrum Justitia joins sponsors of legendary race

"24h du Le Mans" is one of Europe's biggest sporting events. Twenty-four hours of racing that starts on June 17 and ends a day later. A full day of fast cars, over 200,000 spectators and a lifetime's worth of hopes and dreams. Organizers expect a television audience of around 385 million viewers around the world, making the 24 Hours of Le Mans one of the most watched events of the year.

With a history dating back to 1923, the same year Intrum Justitia was founded, Le Mans has established itself among Europe's premier auto races. This year viewers will be able to see a car bearing the Intrum Justitia emblem, driven by Luc Alphand and his teammates David Hallyday and Jérôme Policand, who hope to stand atop the winner's podium holding the obligatory bottle of champagne.

We at Intrum Justitia are naturally keeping our fingers crossed! For more information on the race, visit www.lemans.org.

Fair Pay Web is Intrum Justitia's web service for debt collection, surveillance and invoicing. This free service helps clients to manage their outstanding receivables and review collection cases any time of the day.

Fair Pay Web provides 24-hour collection assistance

With Fair Pay Web, clients can report overdue receivables and keep an eye on their status. They can also check on payments that have been made and the measures Intrum Justitia has taken. And they can access statistics based on their overall caseload.

In January 2006 Fair Pay Web was made available to clients in the Baltic countries, Finland, Denmark, Norway, Sweden, the Netherlands and the UK. The goal is eventually to reach every country where Intrum Justitia operates.

Sara Gustavsson, IT Manager at Intrum Justitia Sweden, says that the new user interface is easy to navigate: "Our clients have wanted to be able to check their cases, and add new ones, online. Fair Pay Web lets them do just that. Every invoice quickly becomes part of the collection process, increasing its probability of getting paid. Clients can manage their collection cases, and obtain statistics and reports, whenever they want. There is also a message function to allow them to get in touch with us. Besides shortening lead times, this considerably reduces paperwork."

Another advantage is that clients always have access to the very latest information, so they in turn can tell their customers about accrued interest or the status of their cases. They can also see what Intrum Justitia's offices have done and the measures planned, and more actively impact management of specific cases.

"Regardless of the countries their cases are in, the client has access to them all through one interface, with plenty of statistics," Gustavsson adds. "This is an excellent way for our multinational clients to get an overview of all their outstanding receivables."

Fair Pay Web is free of charge with all of Intrum Justitia's collection subscriptions. All that is needed to start using it is an Internet connection and a password.

"To begin using Fair Pay Web, all you have to do is contact your representative at Intrum Justitia. Fair Pay Web works as well for large or small clients, and today we have 15,000 users," Gustavsson concludes.

Students in year 10 in Warwickshire in central England today are receiving help with the skills they need to manage their money through a financial literacy project, DebtCred, supported by Intrum Justitia together with other business partners and charitable organizations through the Warwickshire Education Business Partnership.

British students receive financial literacy training

A new program within DebtCred, KS4 Finance, was introduced in the George Eliot School in Nuneaton and Campion School in Leamington in February.

The new program offers students in year 10 throughout Warwickshire practical advice on managing money, drawing up a budget, understanding the credit market and avoiding large debts. Schools can choose a program for their teachers, allowing them to explain DebtCred with the help of a CD-ROM or other tools, or a tutor from DebtCred can teach the students directly.

Ben Dhesi, High Sheriff of Warwickshire, commented: "Basic money management is essential in today's society. Financial products and services have become increasingly accessible, and getting into debt is a whole lot easier than getting out of it. This is why DebtCred is so important for school leavers who, at some point in their life, may be tempted by one of many luring credit options targeted at them."

Also in agreement was Sheila Hancox, director of Warwickshire Education Business Partnership, who added: "This is an excellent resource which will support teachers in the delivery of financial literacy and hopefully enable students to be far more financially aware in the future."

"We're very pleased to be supporting such a worthwhile project," said John Easden, Managing Director for Intrum Justitia in the UK. "As a debt collection agency, we obviously see cases where people get into severe financial difficulties. Ensuring young people receive financial literacy education is an essential part of reducing the number of 'can't pays' in today's society and promoting greater personal responsibility for finances."

Swiss student competition completed

On January 24, 2004 the Swiss national competition called "Students, Debt and Money" reached a finale. Around 300 students ages 13-20 from around the country submitted entries to an education module for "managing money."

A festive award ceremony was held in Bern. First prize for best class work went to Rita Blunschi's class at Diplommittelschule in Zug. First prize for best individual student work went to Aargauer Fabian Gehring and Rod Lüscher for their analysis of debt among students in the canton of Aargau.

Intrum Justitia supported the competition in an effort to slow escalating debt levels among young people in Switzerland.

For more on the competition and submissions, visit **www.my-money.ch**

Foto: © Photonica / Johnér

Monika Elling changed sides when she said yes to taking over as Chief Financial Officer (CFO) of Intrum Justitia. Previously she had been a senior analyst at Enskilda Securitas specializing in Swedish retail and service companies.

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As a financial analyst, Elling was the one asking questions to senior managers, including those at Europe's largest CMS company. Since her studies at the Stockholm School of Economics and in Canada, she has also worked for major Swedish corporations such as Securitas and US lock maker Arrow Lock Group.

"She has a long list of credentials, with considerable skills and experience from the operating side as well as the financial sector," said Intrum Justitia's President and CEO Jan Roxendal, when he presented the new CFO in September.

How does it feel to switch sides?

"While you could say it was a switch, I have actually worked longer in operations than as an analyst," says Monika Elling. "So I feel right at home working with a company's accounting and treasury departments and look forward to getting to know Intrum Justitia from the inside."

How would you describe your first months at Intrum Justitia?

"First and foremost I would like to thank everyone for their friendliness. I have had the opportunity early on to meet with the Group's financial managers in various countries, and they are a qualified group of dedicated employees who will help us at the head office to make Intrum Justitia even better. I have followed the company since it went public in 2002, so there weren't any major surprises. But I now have a better understanding of conditions in our various countries and can see that there are significant differences, which I find exciting. The Group operates in 22 countries, all with different laws and traditions; in certain cases with different traditions within a country."

What do you see as your priorities in 2006?

"For the Group as a whole, it is important that we increase sales. We know that there are plenty of companies in Europe today with the large assets locked up in receivables. If they took a more active approach, they could improve their cash flows and profitability. We want to help them realize this potential and make them more competitive. Intrum Justitia has a number of services other than collection that can help companies small or large to get paid. There is a whole chain from credit information to having us purchase their receivables.

"If you look at my area of responsibility, the key is to continuously improve quality and efficiency. Through internal controls, we identify strengths and weaknesses in our subsidiaries and facilitate exchanges of knowledge and experience between them in order to quickly implement improvements. It's also a question of sharing the cutting-edge competence we have, so that it can be spread through our pan-European organization."

The full-year report for 2005 shows that Intrum Justitia had one of its best years. What lies behind the numbers?

"We have been working to reduce our costs and have terminated unprofitable contracts. But the most important reason is that we have become better at collection. We have skilled employees with a great deal of experience and use web solutions that help clients to check the status of their invoices. We are happy to see that several of our countries itions

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Monika Elling, CFO
Age: 43.
Family: Married with two children.

Hobbies: Her children, dancing, skiing, sailing and a general interest in sports.

have succeeded in reversing a profit slide, which naturally contributed to our better numbers."

You meet many analysts and investors. What do they usually ask?

"Of late many have been asking about our purchased debt operations. We buy receivables from companies looking for an alternative to collection services and a way to improve their cash flows right away. During the second half of 2005 we saw greater interest, mainly from banks and credit card companies, and we purchased a large written-off loan portfolio from a major Spanish bank. We usually buy small and medium-sized portfolios from our clients, but together with financial partners we can also buy large portfolios when they become available.

"Otherwise they are mostly interested in how the market is doing and which factors are driving its development. We see a big market with lots of opportunity. In Europe as a whole, Intrum Justitia has around ten percent of the market available to CMS companies. Even in countries where we have a strong position, we can grow by convincing more companies to hire experts like us. Indebtedness among European consumers continues to grow. Our role is to help those who find themselves in financial difficulties to resolve their situation."

How will clients notice Intrum Justitia is getting better?

"I know that Intrum Justitia has a very good reputation for the way we work. Some people might think that debt collection is about threatening debtors. But it's just the opposite, as we have proven since 1923. Fair Pay…please! isn't just a marketing slogan. All our employees must respect our clients and their debtors. Our collection results are better, and our clients naturally benefit as well.

"Last year we conducted a survey among clients in several of countries, and the results were positive. We have strengthened our brand and our employees received very high ratings for their work. But we want to improve our communication with clients and debtors and are therefore working more with the Internet. The survey noted that both want to use websites to check the status of their cases, so we will be putting more effort into this area."

How do you see 2006?

"Market conditions are in our favor. The economy is growing and consumers have a positive outlook, which means they are willing to spend money. The hike in interest rates from a historically low level is probably something that companies and consumers have begun to adapt to. For our industry, this means we can expect further growth. We are also seeing that more companies want to sell their written-off receivables."

Sender:
Intrum Justitia AB
SE-105 24 Stockholm
Sweden

commentary

My life as a risk taker

Basically I'm a good person. I'm enthusiastic, positive and trust people.

Naïve, my wife calls me. Unfortunately, she is right. Risk management has never been my strong suit. Instead I have had to pay dearly over the years for experience I never bother to use.

It all began when I took a ride with a friend to look at a house he was interested in. It was in a new area and there were just two units left. He chose one and, on the spur of the moment, I bought the other. I had no money, but that wasn't a problem. I got a loan to cover the house, my moving expenses and new curtains.

By the time all the papers had been signed, which took about an hour, the economy had taken a nosedive. Interest rates were heading up and housing prices down. Sound familiar?

Lots of overtime and an ascetic lifestyle helped me survive until the next economic boom.

An hour after the economy bounced back, I had forgotten everything.

Soon enough, another fantastic house went on the market. It wasn't really the house that was fantastic but the location. The house needed work. We planned to put up new wallpaper. But the hall was a little dark and if you opened it up by taking down the wall to the next room it would be perfect. Of course in that case you looked right into the kitchen, which wasn't so great. So that had to be changed, too. And something had to be done about the bathroom.

We realized that the renovation would be extensive and that we wouldn't be able to live in the house while it was going on. So we waited to sell our old house and took out a loan to pay for the construction costs. The contractor got a big advance to buy the material.

Then the tax laws changed on deductibility, the currency was sabotaged by an international speculator, gasoline prices skyrocketed and the real estate market died an abrupt death. It was a perfect time for my contractor to file for bankruptcy.

One of the loans that I had to take out to manage through this period had an interest rate of 24 percent!

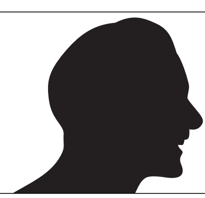
It took more overtime and an even more frugal lifestyle to get back on my feet again.

When it was time to buy an apartment a few years ago, I thought I had it all figured out. No more overtime, no more self-denial. I wanted a fixed-rate loan. We signed up for an interest rate of about 5 percent.

Now, two years later, variable rates are just over 2 percent. So I'm a loser. Again.

But just wait until the central banks, Euro-politicos, Chinese factories, avian viruses and terrorists have taken a back seat in a few years. You'll see!

Of course by then it will be time for me to renew my loans.



Commentary: Dr. Guy Wise
Profession: Printer and publisher of *Now & Again*

Now & Again offers unsolicited opinions on traditional values.