Intrum MAGAZINE

THE CREDIT MANAGEMENT MAGAZINE FROM INTRUM JUSTITIA

NO. 2 | 2009

CMS GUIDE

Improve cash flow with smarter credit management

ICELAND'S MELTDOWN

What does it take to survive a national bankruptcy?

HOW TO BOOST SALES

Lift profits and win satisfied customers

GREEN AGENDA

Senior Economist Klas Eklund sees a way out of the crisis

Editorial:

Fine-tune your business

The first strategy in any crisis, for individuals and businesses alike, is simple survival. But the smart folk quickly realise that any period of uncertainty that is sparking fast-moving changes in your landscape creates both challenges and opportunities.

The challenges of a credit crisis sparked by housing and consumer debt that has left markets and investors around the world reeling are painfully obvious. The opportunities in a world of headlined debt, liquidation and growing bankruptcy rates may not appear immediately obvious but they are there nonetheless.

For example, a financial downturn is the perfect opportunity to fine-tune your business to discover what is making money and what isn't. Our feature on credit management on page 6 shows how a CMS chain can be made to work efficiently to benefit cash flow and develop better customer relations – all to the benefit of the bottom line.

Finnish telecommunications company DNA is a great example of how a business can maximise opportunity by integrating customer segmentation services to ensure the right customers are targeted more efficiently. Read their inspiring story on page 12.

On a lighter note, this issue of Intrum Magazine reveals not all that glitters in the investment world is gold. Share prices may have tumbled, but you can learn on page 4 why investments in art and fine wine could be where your savvy money should be.

Finally, let me say how happy I am in my new role as CEO and President of Intrum Justitia. I want to assure you that no matter what challenges lay ahead, we are here to help you find the opportunities to do better and more profitable business.

One useful tool is our upcoming EPI 2009 review of the European credit marketplace based on annual interviews with management executives and experts around Europe. It will be published on our website, Intrum.com, in June.

LARS WOLLUNG, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTRUM JUSTITIA

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HOW CAN WE HELP YOU?

We have several key reports, white papers and business cases that can give you insight into payment behaviour, trends and risks. We can also assist you in the acquisition stage.
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intrum justitia

first:
BETTER INTRO WITH INTRUM JUSTITIA

TANGIBLE ASSETS ARE IN VOGUE

Last year was more than a bumpy experience for shareholders around the world. And more than a few lost confidence in the stock markets and started to look for real tangible assets.

Last year US stocks suffered their sharpest annual declines since the Great Depression and many Asian and European markets racked up their worst yearly performance on record. The future of the stock market is uncertain. So what to do with your investments?

Art has low correlation with other assets and thus may play a role in a diversified portfolio today. According to Mei Moses Art Index which tracks art auction resales, the returns grew by more than 20 percent in 2007. It fell by around 4,5 percent last year, but still outperformed most stock markets. Although over the past 50 years the Mei Moses index has slightly underperformed stocks.

Carl-Gustaf Petersén, CEO at The Bukowski Auction House in Stockholm, points out that the art market is not easy to predict. And if you want to invest you need to know the market. But art is more than making money, he adds.

"My suggestion is that all cultivated and civilized people should have five to ten percent of their assets in fine art. After twenty to thirty years they will be content regardless of selling or not. The point of having fine art is that there is a return every day."

Top Bordeaux wines are another alternative to the volatile stock market, according to Ole Nielsen, wine connoisseur, owner and founder of Winefinder.

"We have seen prices on fine Bordeaux wines fall 30 – 40 percent from August to December 2008. These wines get better and better while aging. AMeanwhile, supply diminishes pushing prices up. Since January the prices have slowly started to rise, so now is a good time to invest," says Ole Nielsen.

When prices will be back on top depends of course on the overall economy. But The Liv-ex 100 Fine Wine Index shows that top Bordeaux wines have increased, on average, by 10 percent a year over the past 50 years.

There are more traditional alternatives to the stock market. Johan Ahldin at HQ Bank sees investments in assets like corporate loans, real estate, infrastructure, forest, currency and raw materials as a natural part of a portfolio today. Somewhere between 25 and 50 percent is a good share of alternatives. Of course, it depends on your risk aversion and liquidity preference.

"With the alternatives there are no spectacular returns. But there is a safer, more linear and positive development. Lending to the bank is not optional today in our world of close to zero interest rate," he adds.

Words Karin Nilsson

The gloomy days of the stock markets in 2008

London FTSE-index	–30%
Frankfurt	–42%
Paris	–42%
Dow Jones	–35%
Nasdaq	–42%
Stockholm	–42%
China CSI 300 Index	–65%
Japan's Nikkei 225	–42%
India's Sensei 30 Index	–50%

The Liv-ex 100 Fine Wine Index is the industry's leading benchmark. The value of the index as of 31 January 2009 was 207.42, a rise of 1.2% on the previous month. The index was down –14.6% in 2008.

SOURCE: HTTP://WWW.LIV-EX.COM

No debt payback – ever

USD 14 trillion is what US consumers have taken on in debt, up 137 percent in a decade thanks to rising house prices and easy credit, according to website 24/7 Wall St (www.247wallst.com). Roughly equal to the annual output of the USA's entire economy, it's a sum of capital that cannot ever be paid back, notes commentator Douglas A. McIntyre.

UK bankruptcy rates soar

Official stats from the British Government's Insolvency Service for the last quarter of 2008 showed 19,100 people went bankrupt – a rise of 22 percent on the same period a year earlier. At the same time, 4,607 companies went into liquidation in the last quarter of 2008 – 52 percent more than a year earlier.

Q&A

LEIF PAGROTSKY

The European Union has missed a golden opportunity to assume the role of global leader in the wake of the financial crisis, according to Leif Pagrotsky, Vice-Chairman of the Bank of Sweden (Riksbanken) and Swedish Member of Parliament. He fears the failure to act has reinforced an impression of European impotence.

Q: You have been critical of the EU's handling of the financial crisis. What has been done wrong?

A: The US's role of uncontested global leader has been eroded by the unpopular foreign policy of the Bush years and by the increasingly indebted nature of the US economy. This created a lack of leadership in the global financial arena and opened a fantastic opportunity for the EU, as the world's largest trading bloc, to assume that role. It failed to do so.

In the present acute crisis the EU has shown very little decisiveness. Instead, when action has been taken it has been done defensively, too late, and by individual nations rather than collectively. too late, and it has been done by individual nations, rather than collectively. Instead of taking a position of unity and strength, we see now in the EU internal competition, protectionism, internal conflicts and a lack of initiative.

Q: Is the EU actually strong enough to take on this role?

A: The opportunity arose for someone to take the stage and assume a strong position, and there were not many candidates that could have assumed that role. The EU's self image is that of a world leader. In other areas we have shown leadership and through our actions and example shown that we can make a difference in the global arena, such as on the climate issue. Twenty-seven countries have given up national sovereignty over emission rights, which was a very important breakthrough. This chance to take a leading role may not come back for a very long time and the lack of action on the global arena will, I'm afraid, reinforce an impression of European impotence.

Q: Will the EU be damaged by missing out on this chance to lead the world to economic recovery?

A: It was an historic opportunity to step forward and show leadership and establish a new level of global respect and global authority for the EU. But national governments do not want to compromise; instead they want to look after their national interests first. Maybe they want to appear decisive and constructive at home, and that means acting unilaterally and not waiting for talks at the common level.

By doing this they have confirmed the view of some sceptics in Asia, for instance, that the EU is irrelevant in the world. I'm not sure I agree with this view, but it is unfortunate that influential people in Asia have this view of Europe rather than talking about us with respect and admiration.

But my main concern is that the crisis is getting deeper and deeper and people will suffer. If actions had been taken, things could have been better.

Words David Wiles

Germans buck downturn

Consumer spending in Germany should stay strong until 2010, when the effects of rising unemployment will likely kick in, according to data released by the GfK economic research group in early February. The think tank forecast spending would increase by 0.5 percent in 2009 despite the global economic slowdown due to German consumers feeling buoyed by falling energy prices and low inflation.

GE

An integrated credit management services chain can benefit cash flow, save money and develop better customer relationships.

TTING SMART
with credit management

Sharper sales focus, better customer relationships and improved cash flow. The world of credit management has expanded dramatically in recent years. Once a purely accounting function, credit management services (CMS) today critically impact front-end customer relations embracing sales and marketing. Here is how a **CMS chain** can be made to work efficiently to benefit cash flow and develop better customer relationships.

WORDS DAVID NOBLE & MADELEINE BOSCH

1

Credit evaluation

Q: How can I make sure that new customers will pay the bill on time?

A: The solution is credit evaluation. Your marketing and sales efforts should be targeted towards consumers or companies that can and will pay you. These customers bring you profit from day one. Of course, selling to less creditworthy or slow paying customers can be done as well. However, other measures should then be taken as pre-payment or cash on delivery to ensure that you get paid.

2

Invoicing

Q: My new customer has been checked on its creditworthiness and is now being credit monitored. I have sold and delivered the goods. How can I make the invoicing more efficient?

A: Electronic invoicing will save you money. Outsourcing your invoicing is an option that is worthwhile, especially in combination with payment monitoring, reminder services and a customer services aimed at invoice related questions.

Business is about seizing opportunities and minimising risk. Running a commercial operation, whether a profit-driven enterprise or a public body such as a hospital or social housing scheme run by a local council, has never been easy, but today's credit-driven, more mobile society has upped the pressure to get paid in full promptly.

As a branch of accountancy, credit management was traditionally a pure accounting function. However, the function has evolved dramatically to become fully integrated in every phase of the customer process, from identification of audiences and segmentation through payment processing, allocation of payments, reconciliation and collection, credit review and a approval processes.

Pro-active credit management in Europe in the first decade of the 21st century is also about adapting to new regulatory pressures resulting from agenda such as Basel II to the Lisbon Agenda. As EU Consumer Commissioner Meglena Kuneva said in a message earlier this year to the airline industry to tackle confusing advertising and hidden costs: "Full compliance with the EU is an obligation, not an option."

"CREDIT MANAGEMENT SHOULD START BEFORE THE SALES PITCH"

European Central Bank President Jean-Claude Trichet highlighted the need for more risk regulation at a February conference of European securities regulators in Paris. He called for greater supervision of financial markets, including a coordinated international framework for regulating credit rating agencies, for example.

"The main factor that I would identify as underlying the current turmoil is the broad-based under-appreciation of risk. This under-appreciation of risk has been observed across financial institutions, across markets and across economies. Looking ahead, the main lesson I believe we need to draw is therefore for the financial sector to establish a much more rigorous identification, assessment and handling of risk."

The ultimate aim of an efficient credit

3

Debt collection

Q: What action can I take if the receivable remains unsuccessful despite preliminary actions?

A: It is important to have well documented procedures for what actions are to be taken and when for different customer segments. When own initiatives don't work, the only solution is professional debt collection. The longer you wait to take action, the less feasible it is that you will get paid since your customer can go bankrupt in the meantime.

1+2+3

Integration benefits cash flow

In most companies credit management is fragmented in various departments and not understood as an integrated process. Customer creditworthiness is often checked by the accounting department, while other types of customer data is taken care of by marketing and sales. Ongoing research shows that a lot of money can be made and saved through more efficiency and cooperation between various departments.

management service (CMS) is not only to ensure the efficient handling of customer credit lines or limits to deliver profit but also embraces building customer loyalty, helping identify and speed successful penetration into new markets and avoiding wasting time and money on efforts to sell to customers who should not be on the prospect list from the start.

In an ideal commercial world, the credit management role should start even before the sales function launches its sales pitch to a potential customer. The earlier CMS becomes a front-end, customer facing function the better.

A sound review of a potential customer, whether individual consumer or an enterprise, helps develop a sound business model perspective that results in not launching sales to a customer who has a high probability of ending up seriously delinquent or in default. By identifying credit worthy business opportunities, the CMS process promotes successful business from the start, helps maximise the accuracy of a credit management decision and improves working capital efficiency.

> "A LOT OF MONEY CAN BE SAVED BY AN INTEGRATED CMS CHAIN"

The business world is not going to come to a cataclysmic end because of the current credit crisis. In fact, research shows there is still a lot of money to be both made and saved across a company's financial supply chain if greater efficiency and integration between various departments is created.

So how to start? The best advice is to quickly integrate the often disparate functions of sales, marketing, billing and collection processes to ensure they do not operate at cross-purposes. The focus should be on identifying and targeting those customers that will bring you profit from day one.

Ensuring the marketing and sales people have a profit-driven database to work from helps their focus move to also getting paid rather than just selling. Even risky customers can be accepted and help generate profit, albeit with different payment conditions ▶

such as pre-payment or cash in advance governed by pre-evaluation processes. And careful monitoring keeps surprises low.

The next phase of improving bottom line with CMS encompasses creating smarter invoicing efficiencies geared to ensure payment is made on time or pursued pro-actively if overdue. For example, electronic invoicing can save substantial amounts of stamp, paper and manual handling costs (and helps the environment, too!).

Even the best run operations can run into problems, but having an efficient CMS platform in place can alleviate and often solve overdue or non-payment problems.

Not only is it expensive to wait to get paid, the reality is that the longer you wait to take action, the less likely it is you will get your money. Individuals can move house to avoid creditors and companies may resort to going bankrupt.

> **"30 PERCENT OF BANKRUPTCIES ARE DUE TO NOT GETTING PAID ON TIME"**

The grim reality is that some 30 percent of company bankruptcies are due to not getting paid on time by creditors! And Intrum Justitia research shows that in Europe some Euro 250 billion is written off each year due to non-payment, while Euro 25 billion is spent annually by companies trying to get paid.

It is vital collection processes mirror a corporation's strategy and treat the debtor intelligently. For example, if addressing an individual the approach should take into consideration age, gender, buying behaviour, payment history and many other variables to determine the most suitable steps to get payment. The best option is always to seek amicable payment as it is the least expensive and most customer-oriented. The last resort should always be legal collection, using lawyers or bailiffs.

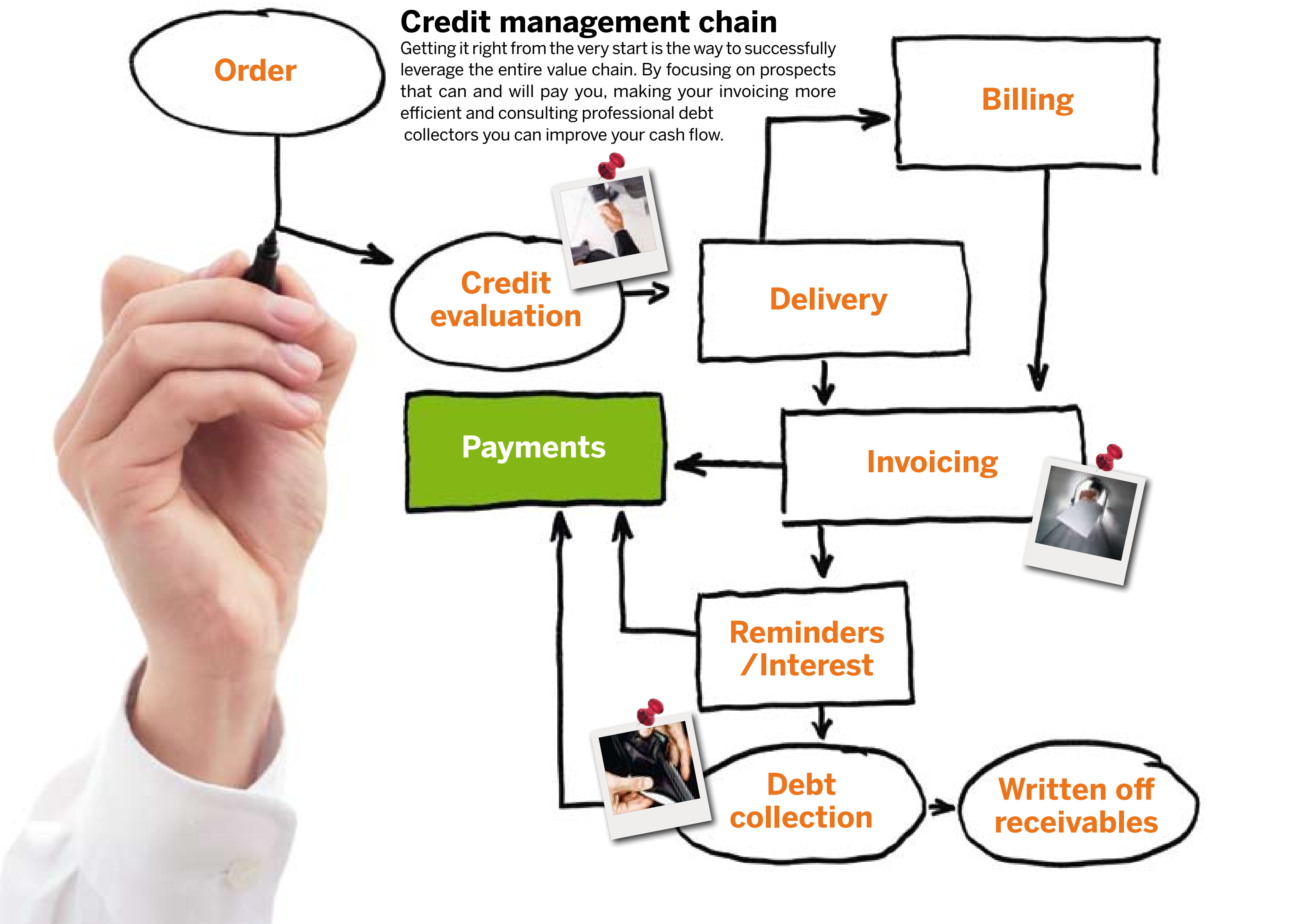
Benefits of an integrated CMS chain

- ✓ Sharper sales focus
- ✓ Improved cash flow
- ✓ Better customer relationship

Read more about how one Finnish firm is getting it right on **page 12.**

Credit management chain

Getting it right from the very start is the way to successfully leverage the entire value chain. By focusing on prospects that can and will pay you, making your invoicing more efficient and consulting professional debt collectors you can improve your cash flow.



36 credit management words you need to know!

Every day markets change and new challenges, regulations and technologies emerge. Here are some of the key words and terms you need to know to stay up to speed in your credit management work.

Acid test ratio
A way to measure the short-term ability of a business to meet its obligations. It is calculated as current assets, less stocks and work in progress, divided by current liabilities.

Behaviour scoring
A system used in both collections and marketing activities for assessing the continued risk on an existing loan account.

Charging order
A way to enforce a judgment, which attaches to property, normally land or shares, owned by the debtor. The charging is usually used to secure payment by instalments and upon a default an order for sale may be made.

C.O.D
Cash on delivery (C.O.D) means payment is due upon delivery of the goods.

Compliance
Many enterprises are now obliged to carefully consider their data management infrastructures due to regulations like Sarbanes-Oxely, HIPAA and Basel II.

Contractual interest
Interest on late payment as stipulated in a seller's contract with the debtor.

Counter-cyclical
A term used in economics to describe an element that moves in the opposite direction to the overall economy.

Credit crunch
A term reflecting sudden reluctance by banks and other investors to lend money. It should not be confused with a 'credit squeeze', which is something usually imposed by governments.

Credit insurance
Insurance against bad debts.

Credit reference
The information returned as a result of an enquiry to a credit reference agency.

Credit scoring
A method that assigns a 'score' to various attributes of a potential debtor for assessing statistically the likelihood that credit will be repaid punctually.

Customer data integration (CDI)
This term covers the process of managing customer information from all sources and making sure that the most current and comprehensive view of customer data is available enterprise-wide.

Cut-off score
That score which represents the boundary between accepting and rejecting an application for credit. This figure is movable and is determined by those granting credit.

Data governance
This refers to the processes and policies surrounding how data is handled. It has been around for a long time, but is seeing a resurgence of interest due to regulatory compliance.

Default risk
The risk that companies or individuals will be unable to pay the contractual interest or principal on their debt obligations.

D.S.O
Days sales outstanding; an average guide to the length of time it takes a company to receive payment for goods sold.

Frozen credit market
A credit and lending freeze due to banks feeling uncomfortable extending credit to individuals or businesses.

Gearing
Accounting ratio of money borrowed compared with unencumbered capital. A company is considered highly geared if a high proportion of their working capital is borrowed rather than invested.

Generic scorecard
A scorecard that has been designed rather than statistically derived, usually because there is no (or little) data available from which to develop a statistical scorecard.

Going underwater
Falling into negative equity.

Homedebtor
A homeowner whose mortgage is so large that they are unlikely to ever pay it off.

IPOD
An acronym for "insecure, pressured, overtaxed, and debt-ridden."

Insolvency
Insolvency is inability to pay one's debts. Insolvency is not synonymous with bankruptcy, which is a determination of insolvency made by a court of law.

Jingle mail
Sending house keys to the mortgage company because of repossession.

Leverage
Leverage is borrowing money to reinvest in an attempt to increase the returns to equity. Deleveraging is the action of reducing borrowings.

Long firm
A term used to describe a swindling organisation, in business for the purpose of obtaining goods on credit, selling the proceeds, and then absconding or failing, without having paid.

NINJA loans
Loans provided to borrowers with no income, no job, no assets, so that the only security is the value of the homes.

Portfolio at Risk (PAR)
Portfolio at Risk (PAR) is a standard international measure of portfolio quality that measures the portion of a portfolio that is deemed at risk because payments are overdue.

Responsible lending
Responsible lending refers to the lending policies and practices of financial institutions that take steps to ensure that clients are treated fairly, and benefit from the loans they receive. Central to the responsible finance concept is a commitment by the lender to avoid over-indebting clients by offering well-designed products and carefully establishing ability to repay.

Shadow banking system
The shadow banking system – money market funds, securities dealers, hedge funds, and the other nonbank financial institutions that have defined "new finance" in the past decade – has been radically altered by the credit crunch crisis.

Subprime loan
A subprime loan is a loan offered at a higher rate of interest for people who do not qualify for prime rate interest rates (the rates charged by banks to their most "creditworthy" borrowers).

Red lining
Stemming from the original practice of drawing a red line around an address on a map, practice of declining an applicant for credit wholly on the grounds that he/she lives at an address considered unsatisfactory. This practice is frowned upon or outlawed in many countries.

TARP
The Troubled Asset Relief Program – the official US government's official term for the Wall Street bailout bill.

Technically insolvent
Where a company has a deficit of shareholders funds but can have a positive working capital or long-term borrowings allowing it to continue trading.

Third party debt order
A legal proceeding to recover money owed to the debtor by a third party.

Z-scoring
A technique for forecasting corporate failure based on financial ratios extracted from company accounts.

Sharpening sales focus

Credit management fragmented across several departments can lead to unnecessary credit losses and defaults. Here's how one Finnish company is getting it right.

WORDS DAVID NOBLE / PHOTO JUHA RAHKONEN

When times are tough like now it puts even huger pressure on enterprises to make the most of every competitive advantage to drive sales and generate profit.

Finland's fastest-growing mobile communication service provider, DNA, is no exception. Providing a mix of mobile and fixed network services to consumer and corporate customers, DNA ceaselessly hunts new and better ways to secure its competitive ability in today's extremely tough business environment.

"Our goal is to achieve good sales and profits by ensuring our customers are satisfied – and by minimising our credit risks," DNA Services' Chief Financial Officer Eeva Iivanainen tells Intrum Magazine.

Established some two years ago with the merging of a number of Finnish telephone companies, DNA Group today has over 2 million customers and a 2007 turnover of Euro 534 million. DNA Group offers mobile communications and network services, fixed-network broadband and TV services, and its own retail network of stores.

Intrum Justitia's prospecting service is helping DNA reach its sales and cash flow targets.

"We've been working with Intrum with collection of written-off receivables, so when we decided to develop smarter customer segmentation tools they were a natural partner," Eeva Iivanainen recalls.

DNA's overall target is to integrate customer segmentation seamlessly into its sales and marketing efforts.

"We've spent the past year putting in place the right processes and information systems for integrating credit information, management of receivables and payments, credit ledgers, reminders and collection to debt surveillance, collection of written off receivables and purchased debt and, naturally, the customer service linked to them."

"Our main aim now is to make the processes for managing receivables and payments as efficient as possible to improve our cash flow. We have already taken the first steps using the CMS tool in targeting new customers, especially in new areas. And we are also using it to sell new or additional services to existing customers."

Although it is still too early to specify detailed success rates being achieved, Eeva Iivanainen is upbeat about what has been achieved so far.

"Intrum's CMS experience and flexibility in applying its knowhow to our specific requirements is helping us reach our sales and cash flow targets. We see that when sales and account managers get the new information about potential customers, their sales efforts are more efficient and the probability of achieving targets increases. This makes us more competitive."

So how does it work? Turo Rytsölä, Intrum's sales chief in Finland, says basically the customer segmentation services being implemented for DNA involve more focused credit and existence checks on individuals and companies on the customer prospect lists.

"A client such as DNA supplies us their prospect list, often as an Excel sheet. We then carry out extensive checks that result in deleting prospects who no longer exist or have a critical payment history in our database. The great benefit is that the information we provide enables our client's sales force to concentrate on real prospects who are in a sound financial situation," Turo says.

Other benefits that companies such as DNA derive from a tailored CMS program from Intrum all involve achieving substantial cost savings in the sales process.

Turo Rytsölä adds: "Our clients save time by not having to sell to customers who cannot pay. This gives a client the time to focus more on a good prospect, which not only makes the customer happier but also helps the sales people close deals faster and make better commission. Not only is a customer with good liquidity more willing to buy, but our CMS approach makes it easier for a client company to predict its cash flow." ◗

> Our overall target is to integrate customer segmentation seamlessly into our sales and marketing efforts.

Eeva Iivanainen, CFO, DNA Service.

Staying GREEN

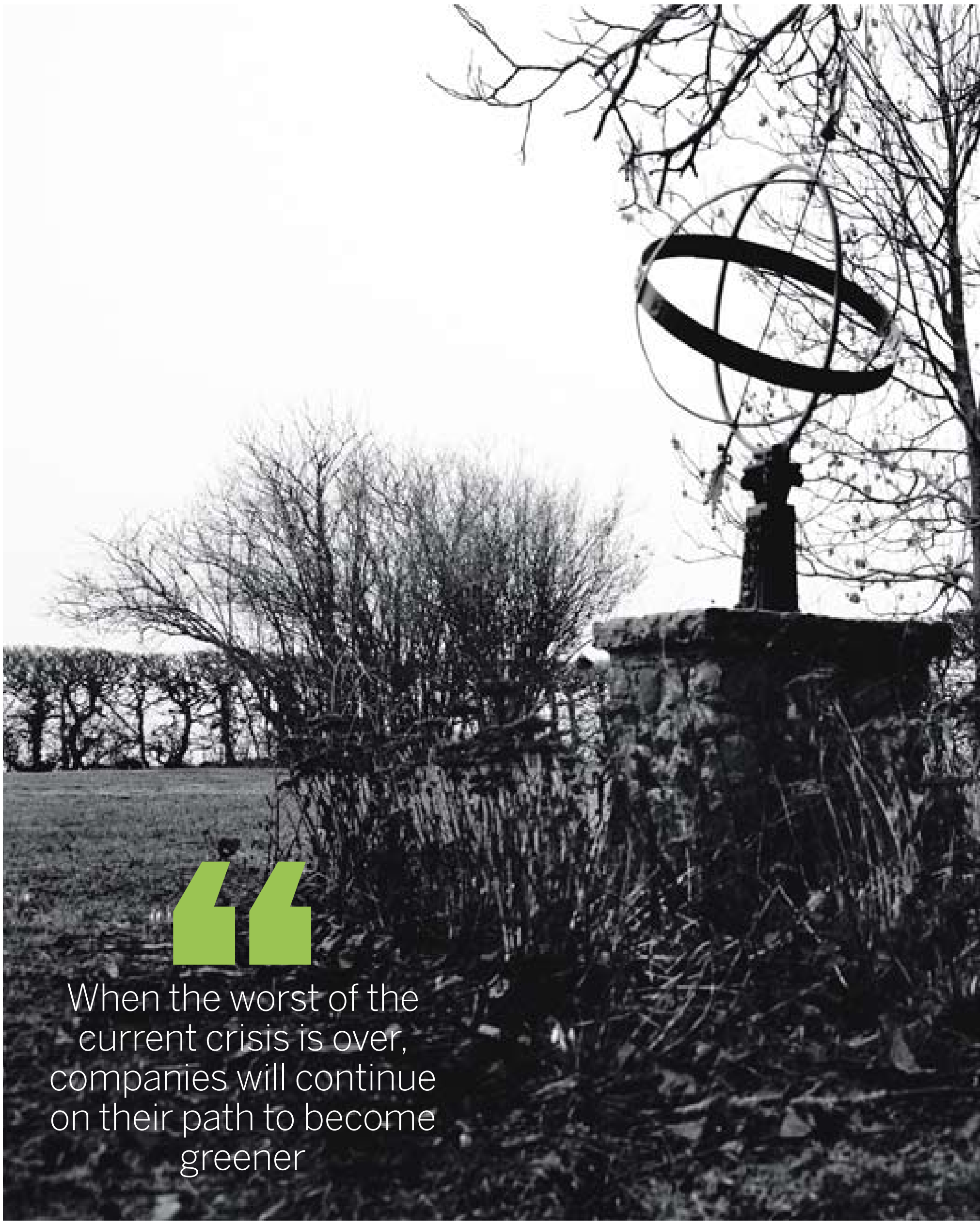
A pause but no more. That is the effect of the financial crisis upon corporate climate commitments according to SEB's Senior Economist **Klas Eklund**. The business community is part of the solution but the politicians need to set the rules. Now everyone is waiting for the Copenhagen summit.

WORDS KARIN NILSSON
PHOTO PER-ANDERS JÖRGENSEN

Companies, their CEOs and CFOs have a responsibility and it is not just to shareholders and not just about making money. Considering the effects of their decisions on the environment, the community and the employees must also be part of their everyday agenda. That is the conviction of Klas Eklund, Senior Economist at SEB.

"Now, when the market economy has conquered the world it has to have a human face. When you are strong

N



and in power you have to be kind," states Klas Eklund and sees Swedish children's book heroes like Pippi Longstocking as role models to learn from.

Politically Klas Eklund started out on the left. After studying economics "to be able to change the world" he was himself changed and began to trust the powers of the market economy. Over the years he has grown a deeper interest in environmental issues. During the 1980s he tried to give the market economy a greener approach as an adviser to the Swedish Social Democratic Party. And recently he published a book on climate change and strategies for a world with lower emissions of greenhouse gases.

How does he think the financial crisis and the dark economic outlooks affects the business community's commitment to their environmental efforts?

"There will most likely be a pause, not because climate issues are less important but simply because the companies are struggling more than ever with their order books, payments and customers. But I believe it will be a transitory phase only."

When the worst is over companies will continue on their path to become greener, due to both economic pressure and a true interest, says Klas Eklund. Even though there are still a few climate skeptics among top executives, they are becoming rarer. And the number of those who see the possibilities of profitable green businesses is increasing.

"The cynics will say that the companies environmental concerns are just a way to make money. But if a strategy is good for both the companies and the climate I think we should be quite happy. I am an economist. I believe in economic incentives," he adds.

Klas Eklund also is a fan of the Austrian economist Josef Schumpeter. According to his theories, periods of destruction like we are facing now, are a natural part of how capitalism works. The chaotic phase is hopefully followed by something better when new technologies are replacing the old.

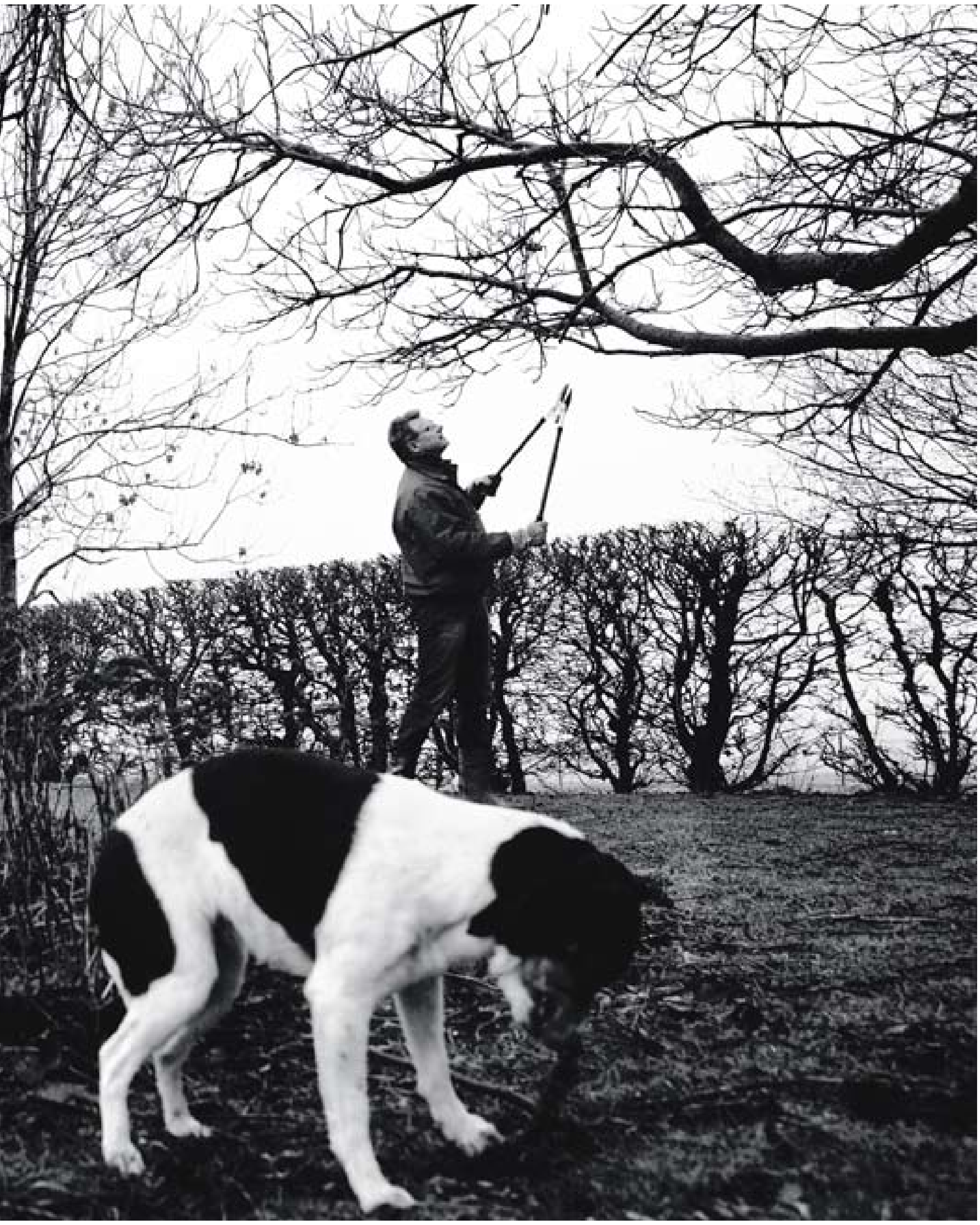
"We are moving towards an intense phase of 'creative destruction' right now when the old energy technology will be replaced. Also the financial markets are facing huge changes. There will be no more toxic and complicated securities. It will be back to basic and 'plain vanilla', no added ingredients."

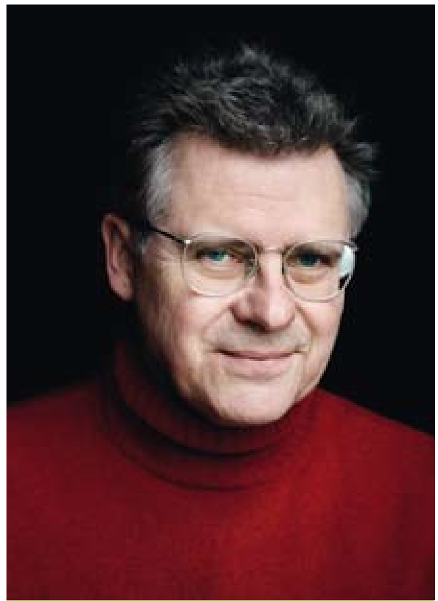
In order to survive the destruction period companies need to learn more about the climate and prepare themselves for the technology shift. Klas Eklund is certain that the next long economic boom will be driven by investments in clean tech. According to a projection from the International Energy Agency's 'Blue Map', some 50,000 billion USD are needed in the coming decades to make the energy sector sustainable. The threats of tardiness are unfortunately well known.

"If Saab had been more successful in developing greener engines and greener fuels the risk of closing down the plant in Trollhättan would have been smaller. That is something to learn from," Klas Eklund states.

Ironically, a recession also has some positive side effects for the environment, at least in the short run. Lower production means lower emissions. Lower demand also means lower investments hence less pressure on natural resources, but also less investment in sustainable technology. The net outcome is of course impossible to predict and measure.

Another positive aspect is that the recession can trigger companies to reduce cost, for example by being more energy efficient. But the sharp fall in oil prices due to weak demand might reduce that incentive, argues Klas Eklund and that clearly worries him. Lessons learnt from the financial crisis have probably made CEOs and CFOs more cautious in general, hence more hesitant to invest in new areas. A situation that enhances the necessity of political initiative when it comes to green investments, argues Klas Eklund.





KLAS EKLUND

Part of Klas Eklunds career: Economist, teacher and writer, former economic adviser to the Prime Minister and the Minister of Finance during the 1980s, member of the Executive Board of the Swedish Central Bank 1987 – 1989, moved from politics to business in the 1990s, chief economist at SEB 1994 – 1997, since 2007 senior economist at SEB, member of the European Commission's Group of Economic Policy Analysis.

Now reading: Kunzelmann & Kunzelmann by Carl-Johan Vallgren, also political biographies since he is writing a book about former Swedish Prime Minister Olof Palme

Spare time: "For the first time in ages I now have periods with nothing schediled. I can read, I can just relax and breathe or lie back in the grass or play with our dog."

Climate conscience: I fly a lot and I have a bad conscience about that. But I want air transport to be included in the emissions trade system. Furthermore, we live in the countryside so there is a lot of transportation by car. However, we have switched from heating our house with oil to geothermal heating and have improved insulation through new windows.

When asked if the business community really can afford to take a pause from their climate engagement, he wants to rephrase the question. The question needs to include the governments. Can the climate afford to see a political failure and an unsuccessful outcome of the UN climate summit in Copenhagen in December? The simple answer is No, Klas Eklund points out.

He hopes for success but believes the realistic outcome will be a draft of a system of emissions trade which longer-term includes more countries like the US and China. But companies should nonetheless prepare for higher costs of emitting greenhouse gases and start to invest in greener technology.

"We already know that politicians in the important markets in the world will push companies in that direction. President Obama has said that he wants to create a federal system. Countries like Japan and Australia will join and in a few years there will be a widespread system."

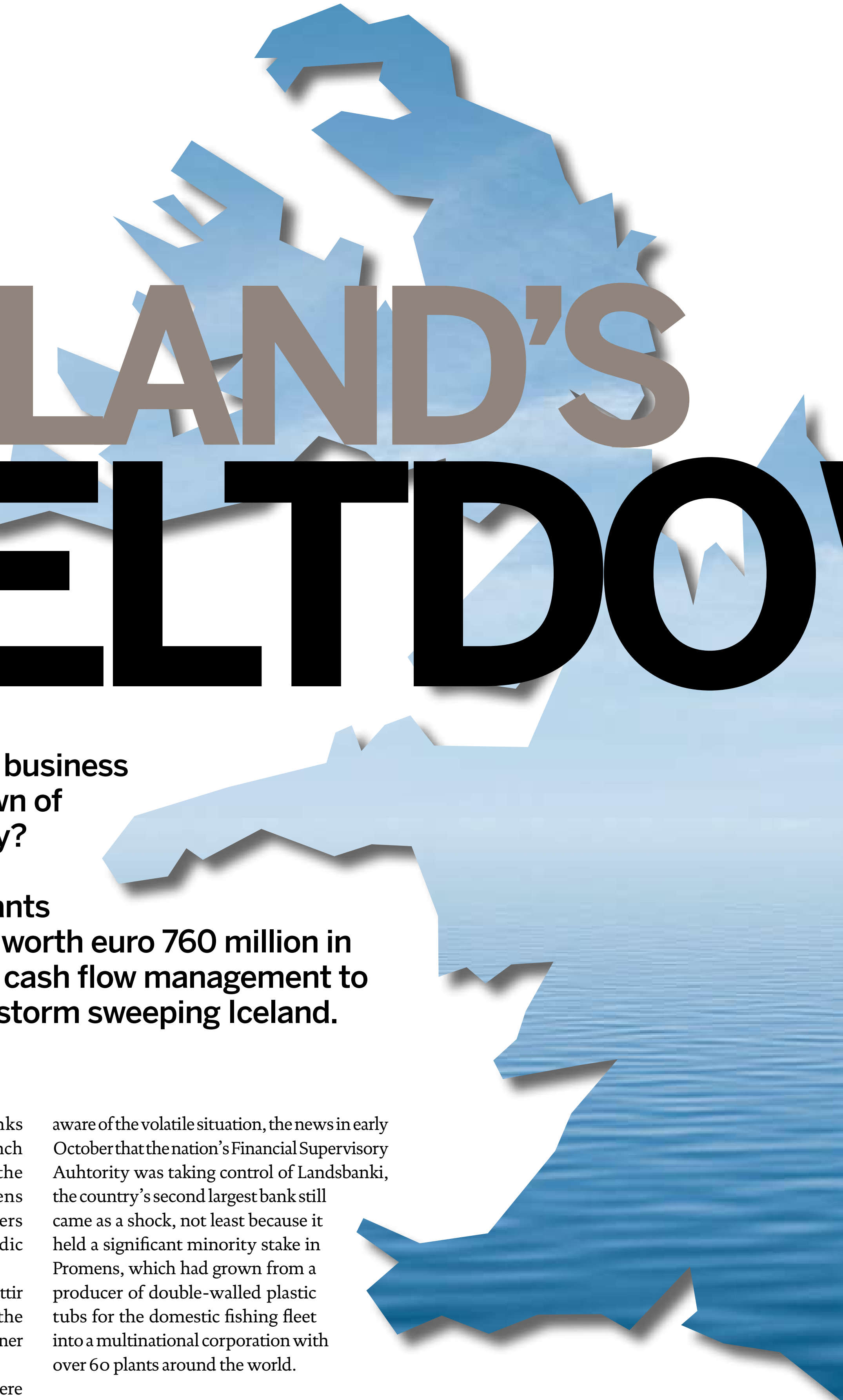
Even China will eventually join such a system, though it will take some years, believes Klas Eklund. He visited China before Christmas and found out that the leadership in Beijing is concerned. Since China is one of the biggest polluters and also faces severe threats from climate change, China needs to be a part of a global system.

With both the financial crisis and the climate out of order, Klas Eklund concludes that the market economy has failed but sees no alternative. He is happy about his own position as an adviser and agrees that being in an executive position today is no easy task. But although the business community has a responsibility, the only way to get the climate back on track is to ask for help from the politicians. But he is worried about their capacity and strength. They are simply preoccupied with the financials crisis.

"Today everyone is waiting for the outcome of the climate summit. Uncertainty does not attract investors. But without government intervention there will be accelerating emissions and a warmer world," states Klas Eklund.

"These crises scare us now. But often good things can come out of a crisis. Old excesses and bad investments disappear. Even if it is unpleasant this can pave the way for something better."

ICELAND'S MELTDO



What does it take as a business to survive the meltdown of your national economy? Icelandic plastics firm Promens – with 60 plants around the world and worth euro 760 million in 2008 – applied sound cash flow management to sidestep the financial storm sweeping Iceland.

WORDS DAVRELL TIEN

Last Autumn, as Iceland's banks fought to survive the credit crunch storm raging around them, the management team of Promens assured customers, shareholders and employees "thetta reddast", Icelandic for "all will turn out fine".

President and CEO Ragnhildur Geirsdottir explains how Promens coped with the unexpected - the nationalisation of one owner and the de-listing of the other.

"Even long time business partners were unsure what to expect in the first weeks and senior management was flooded by inquiries from within the group as well as from partners the world over," recalls Geirsdottir.

Although Promens management had been aware of the volatile situation, the news in early October that the nation's Financial Supervisory Auhtority was taking control of Landsbanki, the country's second largest bank still came as a shock, not least because it held a significant minority stake in Promens, which had grown from a producer of double-walled plastic tubs for the domestic fishing fleet into a multinational corporation with over 60 plants around the world.

Within hours of the demise of the "Old" Landsbanki, Geirsdotter learned that the bank's holdings in Promens had been transferred to New Landsbanki, a government controlled entity. ▶

WN

> During those first weeks it was not uncommon for Icelandic companies to be asked for an up-front payment for orders

Frank dialogue and "making deadlines and honouring obligations" was key to survival says CEO and President Ranghildur Geirsdottir.

Famed for its fish industry, Iceland found itself in the icy grip of economic mayhem as the global credit crunch bit deeply.

► In the wake of Landsbanki's problems, the Atorka Group, an investment company that holds a 79 percent majority position in the Promens, scrambled to have itself de-listed from the OMX Nordic Exchange as the króna fell freely.

Although ATMs and Internet banking denominated in króna functioned, businesses and households that had taken loans in foreign currencies found themselves in trouble. For Promens, the króna's weakness should not have mattered since 99 percent of its business was overseas and the company's banks were Scandinavian or European. However, the wave of negative publicity could itself destroy.

"Despite years of good credit history, during those first weeks it was not uncommon for Icelandic companies to be asked for an up-front payment for orders," says Geirsdottir, whose firm needs a steady supply of resin and other raw materials.

For Geirsdottir, CEO since January 2006, focus on sound cash flow management is imperative.

Besides being the world's largest manufacturer in rotational moulding, Promens has factories that form plastic through blow moulding, thermoforming and injection moulding. The diversity of products has given the firm a broad customer base in everything from automotive to pharmaceuticals.

However, during the worst days of the Icelandic financial crisis Promens' strengths were easily forgotten. The firm's approximately 6,000 employees, almost all outside of Iceland, needed to know that headquarters was intact after the storm. Each day Geirsdotter, and her five colleagues on the executive management team quickly briefed each other on the daily situation, then spent long days communicating the business as usual message.

According to Geirsdotter the key to restoring confidence in those critical first weeks was frank dialogue backed up by "making deadlines and honouring obligations."

"We're a well-balanced team of 6 persons, bringing together 4 nationalities and professional experience from between 8 and 30 years: we were used to leading and fit for fight," she says.

Prior to Iceland's financial turmoil, Atorka had its sights on an IPO for Promens. Those plans are now on hold, but Geirsdotter believes that once Iceland's financial situation stabilises the opportunity for a public offering may return:

"We are still open to the idea, but it is unlikely to happen during the coming 18 months. However, experience shows that new opportunities often come out of difficult times. It's important to stay alert and not to let current difficulties distract us from our long term goals."

Atorka, says Geirsdotter, stood squarely behind Promens throughout the crisis and the CEO sees no change in the close relationship in the near future.

Although Iceland is still struggling to get its finances back in order, the challenge for Promens is really worldwide.

"I believe all Promens employees are doing their utmost to bring the company safely through the storm that seems to be raging across the globe these days," concludes the CEO. ◗

WORDS DAVID NOBLE

53 million

... the number of people in developing countries who the World Bank says will remain poor because of the world economic slowdown. 40 percent of the world's 107 developing countries are "highly exposed" to the global crisis.

Huge gaps in 'good health' lifespan across Europe

Residents in the European Union's wealthier nations live in good health up to 14 years longer than their more recent EU neighbours to the east, according to a major study by a team of researchers at the University of Leicester in Britain.

The gap between nations with the shortest and longest average lifespan was 9.1 years for men (71.3 in Latvia compared to 80.4 in Italy), and a narrower 6.1 years for women (79.3 in Latvia and 85.4 in France).

On average, a 50-year-old man from Italy, the Netherlands, Sweden or Malta will live well past 70 without disability or the need to limit his activities – ten extra years of healthy life compared to his neighbours in Hungary, Latvia, Slovakia and Lithuania.

Life expectancy in Europe has been steadily climbing, and reached an average of 78.6 years for men who were 50 in 2005, and 83.5 years for women.

Crunch time for jobs

Unemployment in many European countries is on the rise due to the credit crunch and global recession. Figures from Eurostat show EU jobless rate rising to new highs each month with forecasts that Spain will be amongst the worst hit, with unemployment possibly hitting 18% by 2010.

Upbeat EU interim forecasts for 2009–2010

The European Commission forecasts a sharp slowdown in the EU economy but remains upbeat for the future believing growth will come back before the end of 2009.

In an interim economic forecast in late January, the European Commission said it expects GDP growth in the European Union to fall by 1.8 percent in 2009 before recovering moderately to 0.5 percent in 2010. This is the result of the impact of the financial crisis, the ensuing global downturn manifested in world trade and manufacturing output and, in some countries, housing-market corrections.

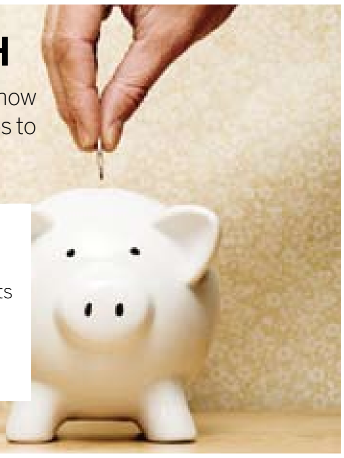
Although the severity of the downturn will have a significant impact on employment, the Commissions says government consumption and public investment will provide relief.

"The measures to stabilise the financial market, the easing of monetary policies and the economic recovery plans will enable us to put a floor under the deterioration of the economy this year and create the conditions for a gradual recovery in the second part of 2009," said Joaquín Almunia, Economic and Monetary Affairs Commissioner.

"The top priority is to make those measures work effectively: to improve the flows of credit at reasonable prices and to implement the fiscal stimulus packages quickly to stimulate investment and private consumption."

WAYS TO SURVIVE THE CREDIT CRUNCH

Cruise the Web and you'll find loads of sites offering advice on how to survive the credit crunch. Here are some of our favourite tips to consumers and business for surviving the market turmoil.



Consumers

- Overpay your mortgage
- Do not take on more debt
- Clean up your credit rating
- Build up rainy day savings
- Insure your income
- Get help fast when problems hit

Businesses

- Trim your overheads
- Chase outstanding accounts
- Manage your debts
- Avoid penalties and fees
- Stay focused on marketing

WORDS DAVID NOBLE & PIA SKAERBAK

EU firm's survival threatened by lending cuts

With banks still reticent to lend to companies thousands of European businesses, large and small, are cutting investment and staff as they fight for their existence.

Politicians and business leaders are united in the belief that the most important prerequisite for a recovery is increasing the flow of credit to companies. Despite the rhetoric, lending restrictions remain a core stumbling block.

A recent survey in the UK by the Confederation of British Industry reveals nearly one in five companies reporting access to credit as a significant concern. It's a scenario that prompted Britain's top trades union official, Brendan Barber of the TUC, to note gloomily: "With the banks no longer lending to companies on decent terms, many firms are struggling to stay afloat. Either they can't take out new loans or the repayments on their existing debts have soared, leaving many with no choice but to shed jobs or to shut up shop."

The European employers association, BusinessEurope, warns that more and more companies will be driven into bankruptcy unless it becomes easier to get credit. The reforms BusinessEurope envisage include the European Central Bank taking on a role of clearing house for the interbank market, directly purchasing government and corporate debt as does the US's Federal Bank and to help the flow of credit to companies through specially designed guarantees and risk-sharing schemes.

Agreement on debt collection in the Faroe Islands

In one of the northernmost European countries much is expected from Intrums special methods of debt collection. Intrum started working for the largest bank in the Faroe Islands last year, and in the long run both parties expect much from the result.

"Intrum has resources that we as a bank do not have, although debt collection is a natural part of our bank activities. This is why we have chosen to cooperate with Intrum Faroe Islands, and we look forward to seeing the result," says Bogi Bendtsen, Director and Head of the Credit Department of the Faroese Eik Banki.

Eik Banki is the largest bank in the Faroe Islands, situated in the North Atlantic with a population of approximately 50,000. The islands are part of the Danish Kingdom and – although remote – on a high level of development fully comparable to that of any other European country.

The Eik Banki Group holds more than 50 percent of the market share in the Faroe Islands, and furthermore owns the largest Internet bank in Denmark, Eik Bank Danmark.

Intrum Justitia in the Faroe Islands was established in 2006. As in the rest of the world, the activities are debt collection for corporations and individuals.

"Part of our plan on the Faroese market is to make cooperation agreements with the banks. Our cooperation with Eik Banki means that we have come a long way in this respect", says Jákup Bech Jensen, Manager of Intrum Faroe Islands.

Furthermore, he says, that the bank has accepted the fact that debt collection is time and resource consuming and that outsourcing is the right decision.

"Intrum's methods of debt collection are new to the Faroese market and we are already experiencing an effect. I would be surprised if other Faroese corporations did not see the benefits of cooperating with Intrum," says Bogi Bendtsen.

INTRUM FØROYAR IS AN ASSOCIATED COMPANY

Jákup Bech Jensen, Intrum Justitia Føroyar, and Bogi Bendtsen, Eik Banki.

176 years old

Eik Banki has a long history. Founded 176 years ago, it is one of the first financial institutions in the Danish Kingdom of which the Faroes are a part.

In 2006 the bank changed its name from Føroya Sparikassi to Eik Banki, as well as graphic identity. The new name stems from the banks old logo, an oak tree, since Eik is the Faroese word for oak.

New EU regulations on cross-border debt recovery

As of 1 January 2009 two new EU regulations came into effect which will simplify and speed up cross-border debt recoveries.

The European Payment Order seeks to simplify, speed up and reduce the costs of litigation in cross-border cases in uncontested claims by laying down minimum standards, although it neither replaces nor harmonises the existing mechanisms for the recovery of uncontested claims under national law. It will apply to civil and commercial matters in cross-border cases. The regulation applies to all EU Member States except Denmark.

The European Small Claims Regulation establishes a European procedure for small claims, intended to simplify and speed up litigation concerning small claims in cross-border cases, and to reduce costs. The Small Claims will be available to litigants as an alternative to the procedures existing under the laws of the Member States. The regulation also eliminates the intermediate proceedings necessary to enable recognition and enforcement in other Member States of judgments given in one Member State. The regulation applies to civil and commercial matters, whatever the nature of the court or tribunal, where the value of a claim does not exceed Euros 2 000. In order to reduce costs and delays, the European Small Claims Procedure provides for several procedural simplifications, introducing standard forms to be used by the parties and the court and establishing time limits the parties and for the court in order to simplify and speed up litigation concerning small claims.

The parties will not be required to be represented by a lawyer or another legal professional. The unsuccessful party will bear the costs of the proceedings.

No accounting requirements for micro enterprises

In February the European Commission put forward a new proposal which would allow Member States to completely abolish financial reporting obligations for the EUs smallest companies. The new rules are designed to alleviate the regulatory burden on micro entities. The proposal, which was included in the European Economic Recovery Plan in November 2008, will go to the European Parliament and the Council of Ministers for consideration and eventual adoption either in its present, or in a future amended form.

The financial reporting obligations for EUs smallest companies can be abolished.

Meanwhile, UEAPME, representing the interests of SMEs has criticised the proposal, dismissing the Commission's claims that the measure will generate a net cost reduction, since, "most will keep filing accounts anyway for national administrations, banks, suppliers and customers". UEAPME also claimed that the possibility for Member States to opt out from accounting requirements for their micro enterprises will create an uneven playing field and decrease transparency. According to UEAPME, cross-border consistency would no longer be guaranteed, and Member States would be tempted to use this measure to protect their own micro enterprises to the detriment of foreign competitors. UEAPME therefore recommended simplifying the existing harmonised accounting rules as a better alternative.

Mid-term report on e-invoicing

In January, the Commission's Expert Group on e-invoicing issued its mid-term report reiterating that e-invoicing has great potential, but is being held back by a number of barriers to the achievement of mass adoption. The report set out a number of recommendations to remove or reduce these barriers. Key priorities for the expert group in 2009 are, among others, to promote the communication of the benefits, clarify the requirements and support legal harmonisation. Major progress has been made so far in this respect but in the remainder of its term the group still needs to identify and communicate further steps to help the market move more rapidly into e-Invoicing. The group's work will be completed by the end of 2009.

European database for financial education

The European Commission has published a European database for financial education (EDFE). It has been designed to reference numerous financial education programmes offered by public or private institutions in the EU Member States. The EDFE includes information about educational schemes and research projects. It is open to all providers and potential users. By improving access to information about the existing initiatives the Commission wants to contribute to improving financial capability of consumers.

It will serve as an electronic library of financial education projects, which can be searched by a number of criteria such as name of the provider, country, subject matter or target audience.

http://ec.europa.eu/internal_market/fesis/index.cfm