

fair pay

magazine

4•2005

THEME

Growing interest
in outsourcing

EUROPEAN PAYMENTS

Swiss schools teach
students about money

PROFILE

Europe's emerging
markets



Empathy and
smart solutions
get debtors to pay



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The biggest shopping season of the year is upon us, and in all likelihood retailers will set new sales records. European households are going deeper into debt to consume and keep pace with their neighbors. This is especially true of young people, whose priorities sometimes extend no further than the latest mobile phone or mp3 player. Or to fly off to celebrate New Year's Eve on some exotic island.

One question that more salespeople have to ask themselves these days is, "Should I sell to this person or company?"

The answer must be based on thorough knowledge of the individual or company. Gaining that information can take time and cost a lot of money in the form of unpaid receivables.

It may be wiser to utilize a CMS provider that has contact with thousands of debtors and every industry. The experience and databases a company like Intrum Justitia has take decades to build up, and the Group is increasingly providing clients with business intelligence to complement debt collection services.

A survey by the Educational Policy Institute* shows that Swedish students are among the most indebted in the world. This doesn't necessarily have to be a problem, since in the future their earnings can be used to pay off debt.

What is a problem, however, is that many students have a poor understanding of what things cost and how much debt they have. Intrum Justitia has therefore begun to work with schools and other organizations to teach young people how to manage their personal finances so that they are prepared for what to expect when they graduate.

In this issue, you can also read about how Intrum Justitia is advising salespeople and debtors how to avoid problems.

* The entire survey can be viewed at www.educationalpolicy.org

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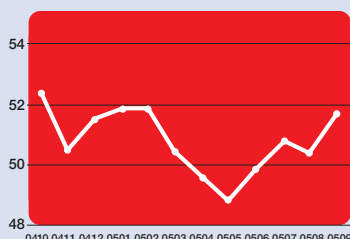
IN BRIEF

Major consumer price increase in U.S.

U.S. consumer prices rose by 1.2% in September, the biggest increase in 25 years. A record 12% rise in energy prices was the main reason for the higher prices. Excluding food and energy, core inflation rose just 0.1%, however. Energy, consumer goods and services accounted for more than 90% of the increase in the Consumer Price Index (CPI).

Substantial rise in U.S. PMI

Hurricanes Rita and Katarina are fueling the U.S. industrial sector. The Purchasing Managers Index (PMI) rose from 53.6 in August to no less than 59.4 in September. Analysts were expecting a figure of 52.0.

**PMI continues to rise**

After rebounding in June to 49.9 from a record-low 48.7 a month earlier, the European Purchasing Managers Index (PMI) has continued to rise. In July the PMI jumped to 50.8. After slipping slightly to 50.4 in August, the index climbed again, reaching 51.7 in September. The gain from August to September is the strongest monthly rise in seven months and was bolstered by strong industrial orders, which reached a 12-month high. The gains have been driven by both domestic sales and exports, the latter of which rose at the fastest rate in 13 months. Success in the export market is partly due to the decline in the euro against the U.S. dollar and British pound.

A figure of over 50 indicates expansion, while below 50 indicates contraction.

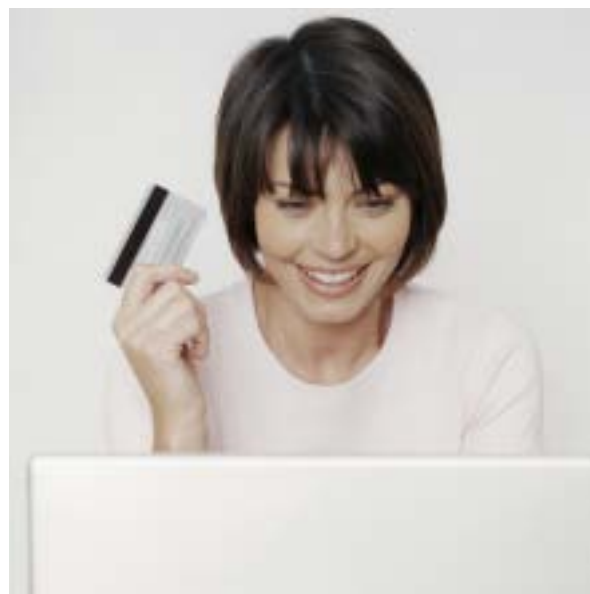
EU keeps its eye on e-commerce

EU Electronic commerce continues to grow by leaps and bounds. Technological innovations such as wireless communication are driving competition in an increasingly global economy.

The reason for this explosive growth varies, however, by sector. Some are mainly looking for ways to cut costs. For others, e-commerce has opened important new avenues for contacts and cooperation with customers and partners.

Companies that use information and communication technologies usually see the results in terms of productivity. But how much does it increase? And what are the differences between the manufacturing and service sectors, large and small companies, buyers and sellers?

Back in 2001 the European Commission launched *e-Business Watch* to monitor electronic business and the implications in



various sectors. Since then it has refined its methods and now can provide politicians, analysts and researchers with a better overview of the growing digital economy. Sector analyses, in contrast to national studies, show that a company's size and type of business are more important than its geographic location in terms of how it organizes its e-commerce.

The EU Commission plans to continue to "keep an eye on" e-commerce, including through seminars on its development.

**U.S. courts drown in bankruptcies****New law makes it more difficult to file for personal bankruptcy**

USA The long lines recently seen outside U.S. bankruptcy courts were debtors trying to beat an October 17 deadline for a new, tougher law that makes it more expensive and complicated to file for personal bankruptcy. Over 100,000 Americans beat the cut-off date for so-called *Chapter 7*, which provided generous protection for filers.

Those without assets can still file personal petitions and erase their debts under the new law, but it has become much harder for those

who own a home, for example, to wipe away their credit card debts through bankruptcy. The idea behind the new law is to encourage debtors to accept a payment plan.

Bankruptcy attorneys worked overtime to handle all the clients who wanted to beat the deadline. Bankruptcy advisers were also in high demand. Office supply stores and web sites chipped in as well by offering special packets with bankruptcy forms.

* For more information regarding Chapter 7, please visit www.bankruptcy-courts.net

Sources: NTC, Reuters, EU, DI, MarketWatch.

A woman with short brown hair, wearing a light blue button-down shirt, is holding a silver credit card. The card is held in her right hand, and the embossed details on the back, including the signature strip, are visible. The background is a plain, light-colored wall. The text "Smart credit processes for profitable compa" is overlaid on the image in a large, bold, black font.

Smart credit processes for profitable compa

make panies

Companies can give their bottom line a boost by taking a close look at customers' payment habits. By dividing customers into categories and evaluating the risks and opportunities in each group, they can optimize their credit policy and the entire credit process.

Categorizing and analyzing customers' payment habits makes it clearer which measures should be taken and how large outstanding credits really are. Besides that, it increases control over customers and their cases.

Scoring, which is making use of information on a customer's payment habits, is done much more frequently than ever before, notes Hans Lindqvist, Vice President of Intrum Justitia Sweden.

"Scoring helps in a structured way to make payment forecasts for customers, especially late payers," he says. "Customers with a certain payment pattern are treated on that basis. Scoring produces a great deal of data that can be used to optimize interactions with customers and manage their cases."

In the U.S. and UK, scoring has been widely used by the CMS industry, and there is little doubt it is here to stay.

"A credit management company that doesn't use scoring is like a car without wheels; that's how important it is," adds Hans Lindqvist. "Our goal is to maximize successful payments for our clients, and scoring is a very effective tool to ensure that cases are managed professionally."

Tying various measures to customers' particular payment habits is also important when it comes to claims and credit processes. Lindqvist feels it is unnecessary to allow

customers who never pay, or usually pay late, to cost too much money. In such cases it is essential to quickly begin the collection process, especially since these customers entail a great financial risk.

Scoring can also be customer friendly in the sense that it clearly shows which customers always pay their bills in a timely fashion. For example, a customer who hasn't received a single reminder in the past year would be considered a very good payer.

"For many clients, we create a routine whereby a customer who has not paid his bills on time, but who otherwise has paid punctually during the past 12 months, does not automatically receive a reminder," says Lindqvist. "Instead, a letter is sent out stating in the usual way that the customer has not paid, but since he has always paid on time it was probably due to something unforeseen. The customer is encouraged in a friendly tone to contact us to discuss what has happened. If payment isn't received after the letter, a reminder is sent out, followed by a collection claim."

On the other hand, there are customers who time and again are overdue with their payments and are always sent reminders. In their case, there is no reason to bother with a reminder; instead a collection claim goes out right away.

"Another benefit of scoring is that it makes it easy for



“Scoring is a great tool to evaluate credit risks” says Hans Lindqvist, Vice President of Intrum Justitia Sweden.

debt has been paid; otherwise there would have been a foreclosure. This is an old-fashioned approach that punishes potential customers by hurting them from obtaining bank loans.”

Scoring is also helpful when analyzing which industries’ customers are the most willing to take on risks. When the economy slows down, these companies can adjust their credit policy based on a scoring analysis.

“We also make comparisons within industries. An energy company can be compared with other energy companies. They can find out where they stand in relation to the industry average, how successful they are at getting paid and how long their payment times are. Companies can use that information internally to optimize their credit processes and credit policy. In that way, they also become more competitive,” concludes Lindqvist.

clients to periodically analyze customers’ payment habits and get an overview of their customer base,” Lindqvist explains. “Is it stable? Is the trend upward or downward? The more often they do it, the more they know about their customers.”

He also notes that companies may be able to grow their sales by taking slightly greater lending risks. By checking to see whether or not customers eventually pay, they can see if the added risk will pay off in terms of additional revenue.

“This is a way to improve lending. Since the majority of borrowers usually pay at some point, there is enough leeway to expand sales,” he adds. “Unfortunately there aren’t many Swedish companies that are utilizing this potential due to overly rigid lending practices. I feel that if a company has a good margin, it can take bigger risks for the sake of greater rewards.”

Helping clients to structure their customers in order to get them to pay their debts is common practice in the U.S. The goal there is to communicate with borrowers as effectively as possible – to build a relationship and pave the way for better payment habits.

“In the U.S., customers who are good payers are encouraged and sometimes get better prices. It is important in an effective credit process to adapt in various ways and avoid inflexibility,” states Lindqvist. “There are still lenders in Sweden who won’t grant a loan to a person with just one late payment, even if it’s a year old. They can check whether the

Scoring

Scoring is a statistical method to forecast the likelihood of an event. The most common method to design a scorecard is logistical regression. Scoring, as we use it, is based on empirical information.

The Intrum Justitia Group uses scorecards for a number of purposes. In each case, the scorecard forecasts the likelihood of payment in a case or from a debtor:

- Applications, scoring is used to separate future payers from non-payers in the most effective way possible. Credit applications from likely non-payers can then be denied.
- In CMS, scoring is used to estimate the likelihood of payment in a collection case. The type of action taken and its frequency can then be combined to produce the most profitable outcome for the client.
- In debt surveillance, scoring is mainly used to estimate the likelihood of receiving payment in a particular campaign. The type and frequency of the campaign can be adapted accordingly.
- Lastly, scoring is used to estimate future revenue from portfolios of receivables available for sale. In this case, scorecards, coupled with other models, create a monthly payment forecast over a period of years.

Intrum Justitia has been working with scorecards and related monitoring systems since 1999. We also help a number of clients with forecasting models, scorecards and monitoring in their fields. Feel free to contact Intrum Justitia for further information.

When a business is 4/5 psychology and 1/5 laws, it is crucial to think about what you say and how you listen. Especially in debt collection, where success relies just as much on empathy for debtors as an ability to see cases to their conclusion.

Empathy: The key to collection



A credit management company never has a direct, contractual relationship with debtors. It is always a proxy, dealing with them on behalf of its clients.

“We can never interfere with the client’s relationship with the customer, even though it may be strained at the point in time when we come in. It is important to appreciate the debtor’s situation, but without letting them totally have their way,” says Lars Lidén, who is responsible for commercial receivables at Intrum Justitia Sweden. “By showing empathy and understanding for the debtor, it is easier to get my opinion across, even if it’s the opposite of the person’s I’m talking to.”

In Sweden, a well-designed organization has been put in place to manage collections. Clients,

Pirjo Ahola, Branch Manager in Finland, is happy to try new technology to improve Intrum Justitia's operations.



cases and various types of receivables are categorized to be handled more efficiently.

“People who want to dispute a claim, for example, will initially reach our contact center. It’s where most debtors’ calls are received. The operators at the center are specially trained to ask the right questions to find out the real cause of a dispute,” Lidén explains.

For each client, an agreement is reached how they want their cases handled. Operators at the contact center can easily see the instructions for every type of case on their computer screens.

“In Sweden, we always try to reach a settlement before the operator and debtor wind up their conversation,” Lidén says.

If a debtor still objects to paying, the operator will notify the client that the case has been disputed.

“It is imperative that our operators ask debtors the right

questions, and then ask clients the right ones, too, in order to reach a resolution,” he adds. “With commercial receivables, it is usually important to be close to clients, particularly small companies. All in all, we have the flexibility to adapt the way we work so that our clients get the service they want.”

Administrators are also available in Sweden to assist with payment plans, and lawyers address complex disputes and processes. An account manager ensures that each client’s cases are handled as agreed upon. They visit clients as well, to monitor various routines and verify any changes in agreements.

“We are staffed by specialists who are experts in their areas and know the industry well. This adds value for clients, who can consult them on the legal aspects of debt collection free of charge,” Lidén says.

One way to improve collections is to gather best practices from across borders. Pirjo Ahola, Branch Manager, Intrum Justitia Finland, says the company can benefit from its presence throughout Europe by sharing experiences, processes and production tools.

“We’re using the new communication tools now available,” she says. “For instance, we can text message a debtor and ask him to call us. Or we can send information about a payment plan and the debtor can reply by SMS.”

Ahola stresses that legislative and cultural differences must be taken into consideration at all levels of debt collection.

“As we’ve seen from our European Payment Index, collection and payment processes differ in our regions, particularly between Northern and Southern Europe. This makes best practices even more important. But what unites us is our ‘Fair Pay ... please’ philosophy, which encourages us to be friendly and professional in our contacts with debtors.”

What happens when you get a collection letter?

If you receive a collection letter or a phone call from a collection company such as Intrum Justitia, chances are you have an unpaid debt. We would contact you to encourage you to pay or contest the claim, i.e., explain why you feel you are not obligated to pay. If you have an objection to a claim, it is important you make yourself heard.

People and companies can wind up in situations where they have trouble with their bills. Together with the collection company, you can review your income and expenses and work out a payment plan.

If you stay in contact with the collection company, you can avoid extra costs and a poor credit rating. A good rating is important, especially when you want to borrow money, obtain a credit card or rent an apartment.

Outsourcing takes new roads

To outsource or not to outsource, that is the question. Whether you are for or against it, there is little doubt that outsourcing has grown in popularity in recent years and will continue to do so in the future.

Outsourcing offers many advantages, allowing a business to focus on its core competencies, streamline operations, access top-flight capabilities, share risks, free up cash flow and be more flexible to change.

Of course there are also disadvantages, such as the risk that the service provider will go bankrupt or the business will lose control, talent or customer focus. Employees may also react badly to outsourcing and the quality of their work may suffer.

Outsourcing in information technology has been common for years. As this sector enters a more mature phase, new areas have emerged such as business process outsourcing (BPO), which can entail entire functions such as payroll management, accounting or call centers.

Proponents maintain that BPO saves money, allowing companies to focus on their strengths and gain operational freedom. They can also draw on competence and resources that would otherwise be too expensive to have in-house.

In reality, BPO isn't new. Companies have always hired outside help to manage certain parts of their business. Shipping, cleaning, advertising and sales are just a few examples. One reason for the growth in recent years is the advent of high-speed data communication, which has made it easier to exchange information between customer and supplier.

According to analyst firm IDC, BPO spending by Nordic companies amounted to approximately SEK 12 billion in 2004. By 2008 the market is expected to reach SEK 30 billion.

Globalization of the economy has certainly been a factor, bringing in competition from low-cost countries in Asia and Eastern Europe. With increased pressure to cut costs, it isn't hard to see why so many companies let others handle their IT, accounting or human resources.

"There are much tougher demands on companies these days, and though there's talk about the many benefits of

outsourcing, at the end of the day it's the promise of lower costs that sells," says Kathy Tornbohm, an analyst specializing in BPO at Gartner in London.

A team of three Swedish researchers – Lars Bengtsson, Professor of Innovation at Gävle University; Christian Berggren, Professor of Industrial Organization at Linköping University; and Johnny Lind, Acting Professor of Accounting and Finance at the Stockholm School of Economics – have analyzed how companies are addressing the growing competition. One of the conclusions of their book, "Alternatives to outsourcing," published earlier this year, is that companies that outsource aren't always more profitable.

The authors assert that companies that have invested in production upgrades in recent years are now the stronger financially. Many that were sold on outsourcing have begun to rethink. Slow deliveries and other uncertainties sometimes offset savings on the production end.

The book's conclusions are supported by a survey by Compass Consulting, which notes that a good relationship

between the customer and outsourcing provider is critical to success.

The survey is based on Compass Consulting's global database of 8,000 projects in 32 countries. It found that customers are dissatisfied in 58% of outsourced projects involving IT and business processes. In most cases, it is the business relationship that proves disappointing and makes a project less productive than expected.

Compass Consulting advises companies that outsource to manage the entire relationship, not only in monetary terms but also when it comes to chemistry.

Regardless of the debate about its benefits, outsourcing is here to stay, and more strategically sensitive areas will be outsourced in the not-too-distant future, says Mark Gottfredson, management consultant at Bain & Company, who argues that almost anything a company does, whether strategic or tactical, can be outsourced.

Most critics of outsourcing argue that strategic capabilities should be kept in-house. Mark Gottfredson couldn't disagree more. In an article in the *Harvard Business Review*, he maintains that any capability, strategic or not, can be outsourced in the new global economy.

"Typically, a lot has been said about 'core' and 'non-core,' and that only the latter should be outsourced," he says. "But this argument makes no sense. Just think about customer service and call centers. What could be more strategic than your interface with customers? Yet it's not something companies consider confidential. Most companies handle their customers in a similar way. Even though it is strategic, other companies can often do the job better and less expensively."

Instead of talking about "cores," he thinks companies should worry only about retaining the capabilities they do better than their rivals.

Companies should ask themselves what they are the best at in the world. If they are not the best at a particular activity, they have three options: to invest to become the best, to outsource to someone who will be, or to find someone that can do it cheaply with high quality. It doesn't mean you have to lose the control, Gottfredson concludes.

Everest finds BPO has yet to summit

The outsourcing industry is undergoing major changes as buyers demand more value, flexibility and manageability from business process outsourcing (BPO), according to new findings (September 2005) by Everest Research Institute, based on research conducted with Bernstein Research.

In an analysis of new outsourcing contracts and related market trends, Everest found that as the market for outsourcing services continues to grow and mature, buyers are shifting away from large, broad-based, IT-oriented, single-vendor contracts in favor of more specialized contracts focused on functions such as human resources, finance & accounting and procurement that are designed to deliver more tangible results and benefits.

"Much has been made of the fact that outsourcing contracts are being parcelled out to multiple vendors and that average contract size is getting smaller as a result, misleading some into questioning the current state of the outsourcing market," said Peter Bendor-Samuel, CEO of Everest Research Institute. "The industry has never been stronger, with significantly more choices available to buyers."

Read more on www.everestresearchinstitute.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	2004
Revenues, SEK M	2 740
Operating profit (EBITA), SEK M	430,6
Cash flow from operating-activities, SEK M	485,3
Collection cases in stock, million	11,6
Total collection value, SEK billion	79,4
Average number of employees	2 945
<i>For definitions, see www.intrum.com</i>	

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Financial report dates 2006	
Full-year report	February 15
Interim report, January–March	April 25
Annual General Meeting	April 25

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New CFO at Intrum Justitia

SWEDEN Monika Elling has been named the new Chief Financial Officer of the Intrum Justitia Group and a member of the Group Management Team. She takes over in December 2005.

Monika Elling, who is 43, has a degree from the Stockholm School of Economics, combined with MBA studies at McGill University in Montreal, Canada. She leaves a position as Equity Analyst at Enskilda Securities in Stockholm, where she has been employed since 1999. Monika Elling also has a background from Securitas, where she spent five years in business development and investor relations. Prior to that she spent 2 1/2 years as CFO and COO of the U.S. company Arrow Lock Group, which is now part of Assa Abloy. In addition she has been Business Controller at Industor AB and was responsible for accounting and administration at Sandvik Öberg, a subsidiary of Sandvik AB.

“Monika Elling has an impressive track record that combines profound knowledge from the financial sector with operational experience,” says Intrum Justitia CEO Jan Roxendal. “She will be an important contributor to the continued success of our company, and we are pleased to welcome her to Intrum Justitia.”



Intrum Justitia nominated for Swiss business ethics prize!

SWITZERLAND On October 25 the magazine *Cash*, together with the organization Swiss Code of Ethics and the Forum for Business Excellence, awarded the inaugural Swiss prize in business ethics. Intrum Justitia was one of finalists for its student competition “Students, Debt and Money.”

Intrum Justitia's campaign, which is designed to draw attention to the alarming rise in debt among Swiss teenagers by creating an educational module out of managing money, was one of five entries nominated to the finals. Among the others were from Chiquita, with a program to replant tropical rainforests, and s&b Institut für Berufs- und Lebensgestaltung, with a project that prepares people for today's rapidly changing job market. The winner was Verband Schweizerische Türenbranche vst, also for a project to preserve tropical rainforests. In total, 25 companies submitted entries.

To learn more about Intrum Justitia's contest for Swiss students, please visit www.my-money.ch.

Intrum Justitia redeems shares worth SEK 590 M

The Extraordinary General Meeting held on June 16 resolved that Intrum Justitia AB would redeem 7,029,353 shares for a cash payment of SEK 84 per share, in accordance with the previous decision of the Annual General Meeting. A total of SEK 590,465,652 has now been paid to shareholders, thereby reducing the share capital by SEK 140,587.06 and the share premium reserve by SEK 590,325,056.94.

After the reduction, Intrum Justitia AB's share capital amounts to SEK 1,559,125.02 distributed among 77,956,251 shares.





Contest gets Swiss students thinking about money

In September 2004 Intrum Justitia's Swiss subsidiary launched a national competition called "Students, Debt and Money" for students between the ages of 13 and 20. Since the summer deadline for entries, the jury has been inundated by material from classes around the country.

The competition is designed to inspire classes to come up with an educational module for "Managing money." Though Swiss schools normally don't offer personal finance as a subject, they might want to consider it given the high level of indebtedness among teenagers. No less than 25% of all Swiss teens have debt problems. In Finland, on the other hand, basic economics is a mandatory subject and teenagers have considerably fewer problems with debt.

Since the summer, the jury, which includes Benno E. Oertig, Managing Director of Intrum Justitia in Switzerland, has been reviewing the entries and has been deeply impressed

by their range and creativity. Students have evidently responded to the task with great enthusiasm. Videos have been filmed, surveys taken, songs penned, board games and budget plans created. In one school, all the students joined together to submit a single entry.

The award ceremony will be held in Bern on January 24, 2006. All classes whose submissions make it to the finals will be invited. Finalists will also have the opportunity to briefly present their work to the audience.

In June 2005 Intrum Justitia acquired

Creditexpress Slovakia s.r.o., Slovakia's leading debt collection company, expanding the Group's operations to 22 European countries.

Intrum Justitia in Slovakia – the Group's latest addition

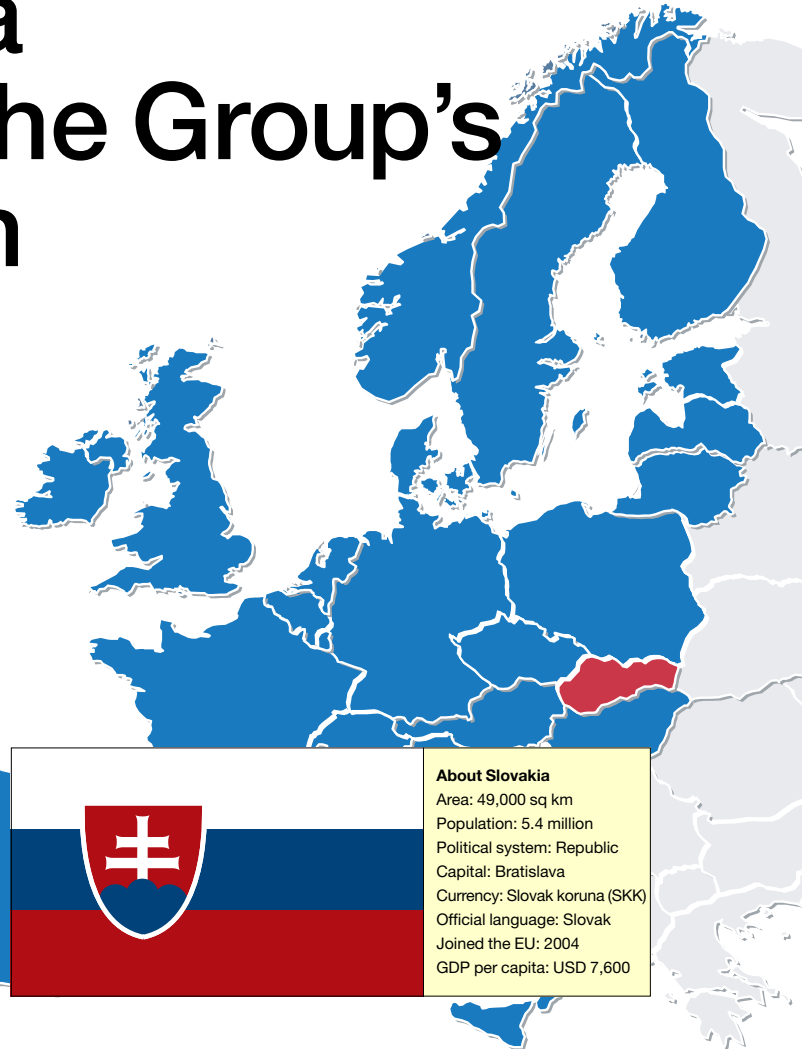


Viktória Grossová,
MD of Intrum
Justitia Slovakia.

Slovakia has a population of 5.4 million and a debt collection market mainly focused on consumer collection. Creditexpress have changed its name to Intrum Justitia Slovakia s.r.o. and the Slovak operations are now looking forward to sharing international best practices and introducing new services to clients.

The company has a strong market position, with a turnover of about SEK 6 million and 30 staff members at its office in Bratislava.

On September 26 a press conference was held in Bratislava to introduce the new company to the media and clients. Henning Bensland, Regional Manager for Poland, Czech Republic, Slovakia & Hungary, compared the Slovak business community favorably to the rest of the region. Payment habits are inadequate, but this is not due to bad companies or bad people. The problem, according to Bensland, is a lack of credit agencies and a need for better, updated legislation. "This is something the Intrum Justitia Group is working to improve," he says.



Viktória Grossová, Managing Director for Intrum Justitia Slovakia, is excited to be part of the Group, which will be noticeable through the introduction of new services such as purchased debt and international debt collection.

Furthermore, Intrum Justitia's Fair pay concept has been introduced by the new company. Debt collectors have received special training how to handle clients and debtors. "We will work with debt collection in a way that it is fair to debtors but also ensures that our clients get paid," she says.

The region comprising the Poland, the Czech republic, Slovakia & Hungary. has grown rapidly in the last ten years. Competition is tight, and many large companies use more than one cms provider. Intrum Justitia remains the market leader in all four countries, however.

Fast-growing market

Intrum Justitia started operations in Hungary at the end of 1993, then expanded to the Czech Republic and Poland. Earlier this year, a collection company was acquired in Slovakia.

“We either share or are alone in the top position in all

four markets,” says Henning Bensland, head of Intrum Justitia’s operations in the region. “In the Czech Republic, we’re clearly the leader with about a 40% market share. In Hungary, we have 30%, and in Poland and Slovakia we have a market share of about 20%.”



Henning Bensland,
Regional Managing Director for
Poland, Czech Republic, Slovakia
& Hungary.
Age: 44
Family: Married with three children.
Resides in Zurich, Switzerland.
Hobbies: Golf, skiing and sailing.

The region has approximately 65 million people, with a significantly lower GDP than the rest of the EU but much stronger growth. According to Bensland, operations have expanded thanks in part to the growing number of mobile phone users.

“Almost half the population has a mobile phone compared with almost none ten years ago. We’ve really been able to draw on the emerging privatization of the state-owned companies,” he says. “We have then gone on to expand in other areas, such as the financial sector, among banks, insurers and small credit companies. State-owned utilities are being partly privatized as well. In this sense, the region is following the pattern of Western Europe.



ABOUT THE REGION

- **POLAND** Operations started in 1998. Originally the emphasis was on collection services for telecom companies, but operations have gradually been expanded to other services. Intrum Justitia is the market leader in Poland.
- **CZECH REPUBLIC** Intrum Justitia was established in the Czech Republic in 1996 and is the market leader here as well.
- **SLOVAKIA** Operations date back to June 2005 through the acquisition of Creditexpress. The company is one of the market's five largest players.
- **HUNGARY** Intrum Justitia was established in Hungary in 1993 and is now one of the five largest companies in the market.

MD Intrum Justitia Poland: Grzegorz Dmowski
MD Intrum Justitia Czech Republic: Ivo Klimeš
MD Intrum Justitia Slovakia: Viktória Grossová
MD Intrum Justitia Hungary: Péter Felfalusi

SEK M	2004*
Revenues	162.1
EBITA	34.4
Operating margin, %	21.2
Employees	357

* Slovakia is not included in the figures for 2004

ts in Central Europe

In the mid-1990's payment conditions in the region averaged around fourteen days. This has gradually increased to about 30 days. In general, payments take longer than in Western Europe.

"In the past most companies didn't send out reminders or sometimes even invoices. This has improved a lot lately, but credit management laws still don't carry enough weight in the market. Because of this, the incentive to pay isn't so strong," he notes.

Clients are predominantly large multinationals that have acquired small businesses in the region. These businesses in turn frequently have more than one provider of credit management services, making it hard to become the preferred supplier.

"We benchmark every month, comparing our results with the competition," says Bensland. "We have to deliver good results, because poor quality or overly high prices will have clients quickly switching to other providers. In our

case, we've managed to maintain most of our large clients through client relationship management (CRM) and, in general, an attention to their needs."

Though there are only a few major competitors in the region, there are many small players, including roughly 800 collection companies in Poland alone.

"Besides best practices, we use scoring techniques, where statistics suggest how a case should be handled," Bensland explains. "This has helped us to improve efficiency, and of course raised productivity. Scoring is a very potent tool in competition against local companies with inferior quality and efficiency."

commentary

Good things come to those who wait

Can you imagine anything more embarrassing than a bartender telling you your credit card has been rejected when you try to treat a couple of women to drinks?

Well, I can. If the two ladies work for a debt collection company.

Believe me, I've been there.

The next day I called one of the women in question happens to be tight with my brother. I wanted to explain. You see, I had gone online and transferred money from my savings account to the checking account linked to my credit card and, obviously, it hadn't worked.

"I'm sorry about yesterday," I said. "Normally I keep better track of my money."

"Don't worry about it," she replied. "I don't have a contract on you. Not yet, anyway."

"Actually it wasn't my fault. It was probably a problem with the server."

"Oh, right. The server. That's a 2 B."

"What do you mean, 2 B?"

"We have a list of excuses; 2 stands for computer problems, B for servers. Or maybe it was a 2 B:11?"

"What's that?"

"That's a problem with a server caused by a rodent that chewed through a cable."

"You must think I'm an idiot," I said.

"No," she replied, "but plenty of people we come into contact with obviously think

we are. As a matter of fact, I just spoke to a guy who claimed he wasn't home. I tried to call him to discuss a payment plan for a debt he swore he was going to pay last week. No such luck.

"Lindberg,' he answered when I called. I introduced myself and told him the reason for my call. 'Aha,' he said. 'You must be looking for my brother Tom. Unfortunately he's not home. I'm just here to water his plants. He's in Thailand.' Sorry, I said. That's not going to work. I have your information in front of me and you don't have a brother. He started to fume: 'You have no right to that information. I'm going to sue!' Tom, I said. I don't have any of your personal information in front of me, but I'm glad we have the opportunity to talk. And I'm very glad you don't have a brother. Maybe now we can discuss the payment you promised to make last week?"

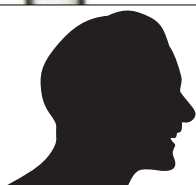
Her story left me totally deflated.

"So you think I'm like all those clowns you put on your 8 B:19 list or whatever you call it?"

"There is no such list," she replied.

"I made that up, too. But we have a good feel for people and a whole lot of experience. I'll tell you more about it over a drink sometime. Bring your brother along and I'll treat."

"Sure. If my server is working."



Commentary: Dr. Guy Wise
Profession: Professional
printer and publisher of
Now & Again

Now & Again offers
unsolicited opinions on
traditional values.