fairpay magazine
1•2004

THEME

European companies: Poor payment habits

PROFILE

Reliable partner in Switzerland, Austria and Italy

CREDIT MANAGEMENT SERVICES

Don't let your company suffer from late payments

ETHICS AND MORALS

From collections to financial cooperation

Where is Europe headed?

Jean-Claude Trichet ponders:

Name: Anders Antonsson
Title: Director of Corporate Communications

Welcome to Fair Pay Magazine, a publication about relationships and risks. Relationships between buyers and sellers, whether business-to-business or business-to-consumer, are the basis of all profitable businesses. In almost ever case, business also entails risk, and we hope through this magazine to help you to understand how to balance risks with opportunities. It is a question of respecting each other and of opportunities for profitable business in the future.

We have chosen the title Fair Pay Magazine because principles of fairness are imperative to the success of any business. The title also alludes to payments. In our case, the emphasis is on secure capital and cash flows. In the broadest sense, it is about credit management.

Globalization, increased international trade, new markets and new technologies. As a businessman, it is a challenge to keep track of and adapt to what are often rapid changes. To provide a little help in this situation, we have surveyed over 9,000 companies in Europe about their view of changes in payment patterns and trends that affect their businesses. The results show that European payment habits have worsened in six years and that credit risks are on the increase.

The survey is a follow-up to a similar study conducted in 1997. Then as now, the commitment of European businesses has been the key to helping us compile a comprehensive index on Europe's payment routines.

It is my hope that Fair Pay Magazine will provide you with an overview of Credit Management Services (CMS) and how efficient management of receivables can benefit your business.

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fair pay magazine #01, May 2004 **Publisher** Intrum Justitia AB, ISSN 1652-4071 **Editor-in-chief** Anders Antonsson **Production** RHR CorporateCommunication **Printer** On Paper **Subscription** info@intrum.com **Change of address** Shareholders in Intrum Justitia AB should advise their account-operating institutes. All other parties should contact the editorial desk. **Editorial desk** Fair Pay Magazine, SE-105 24 Stockholm, Sweden, info@intrum.com **Phone** +46 8 546 10 200 **Fax** +46 8 546 10 211 **Cover** ECB President Jean-Claude Trichet ponders the future direction of interest rates. Photo: Pressens Bild. Final editing of this issue: April 20, 2004. The next issue of Fair Pay Magazine will be distributed in September 2004.

IN BRIEF

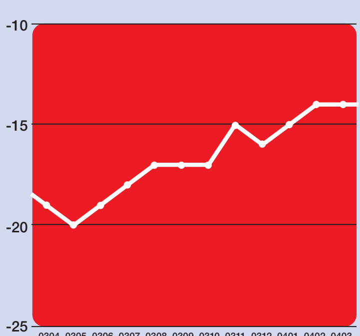
EU rules on payment disputes

The EU directive on late payments in commercial transactions, which took effect in August 2002, has now been incorporated into the national legislation of most EU member states.

One of the directive's most important provisions sets a benchmark payment period of 30 days from the invoice or delivery date. Agreements with credit periods of longer than 30 days probably cannot be negotiated or could warrant compensation if the agreement is "grossly unfair" to the creditor. According to the directive, reminders are not necessary. Penalty interest is at least 7 percentage points above the European Central Bank's rate.

Provisions have been introduced on the retention of title until full payment is made. Reasonable collection fees can be charged to the debtor in the event of late payment.

The directive also covers standardization, required documentation, the degree of control courts can exercise in enforcing claims, claim notification and opportunities for appeal.



Consumer sentiment gradually rising

Consumer spending and the consumer confidence index (CCI) have basically stood still of late. Europe's consumers have shown less confidence in economic growth than businesses. Although it has remained low, consumer sentiment has risen slightly in recent months. The CCI for the EU has risen from –16 in December 2003 to –14 in March 2004.

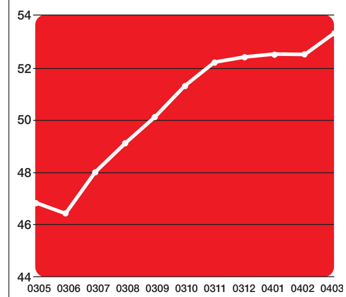
Sources: News Agency Direkt, European Commision, ECB, Dagens Industri i,etc.

New British bankruptcy laws

UNITED KINGDOM In the biggest overhaul of personal insolvency laws in a generation, UK is now implementing Enterprise Act 2002, a more equitable set of regulations for honest debtors that also proposes a harder stance against the minority who take advantage of creditors and society.

The new laws:

- Discharge most debtors from bankruptcy after a maximum of 12 months;
- Introduce restrictions on irresponsible bankrupt's estates to protect society and commercial enterprises;
- Introduce agreements on debt repayment through an income payments agreement with the bankrupt;
- Introduce agreements on faster annulment of bankruptcies through accelerated payment;
- Remove unnecessary restrictions on a bankrupt's estate; and
- Limit the period that a trustee can take action involving the bankrupt's home to three years.



European purchasing managers positive

In March the European purchasing managers' index (PMI) rose to its highest level in 39 months at 53.3, compared with 52.5 a month earlier. A figure of over 50 indicates expansion, while below 50 indicates contraction. The market had forecast an index of 52.3, which was exceeded by a significant margin. From a global perspective, signs are even more positive, with a PMI of 57.1 in January, the highest level in four years.

UK interest rates unchanged despite high household debt

LONDON British household debt has increased by 25 percent since 1998 and shows no signs of tailing off. At the same time, the Bank of England has kept its repo rate at 4 percent, surprising the market. Many analysts in the City had expected a rate hike.

"I am conscious of the debt situation and the possibility that the potential vulnerabilities stemming from higher debt levels do in fact crystallise at some point and trigger a sharp demand slowdown that could have an adverse impact on monetary stability and make it more difficult to meet the inflation target over time," says Sir Andrew Large, Deputy Governor of the Bank of England.

Sweden's lowest interest rates in 100 years

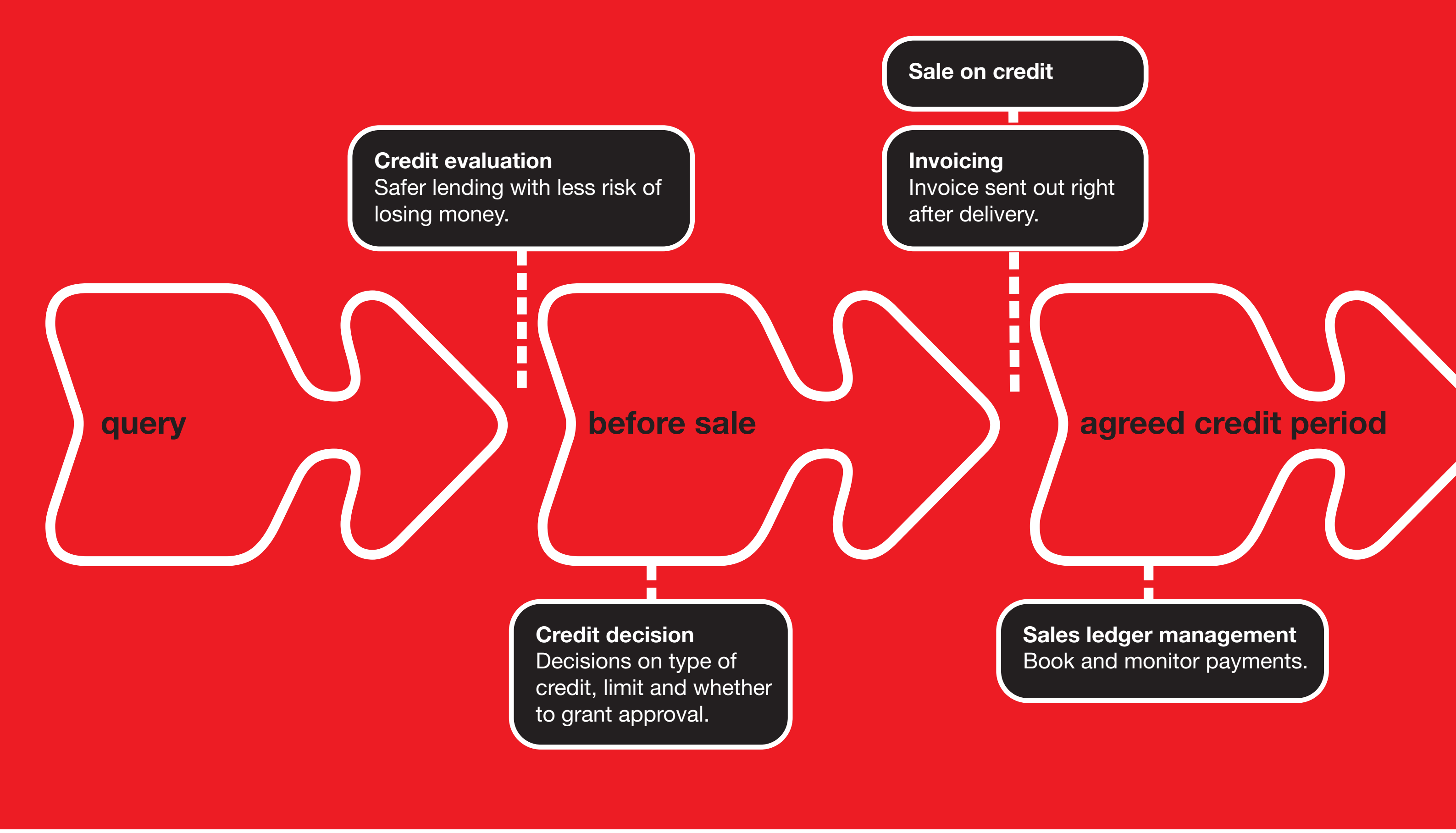
STOCKHOLM Sveriges Riksbank has cut its repo rate by 0.5 basis points to a historically low 2.0 percent. Lower-than-expected increases in import prices, rising unemployment and improved productivity were mentioned as the main reasons for the rate cut.

The Swedish central bank has forecast growth in the gross domestic product of 2.5 percent a year for the next three years. There was a warning, however. "Sooner or later rates will go up. Every borrower should be aware of that," said Deputy Governor Irma Rosenberg.

Ericsson reduces credit period

In the fourth quarter of 2003 the Sweden-based telecommunications supplier Ericsson reduced its accounts receivable turnover from 92 to 79 days. The goal is stay below 90 days this year.

"This is no one-time occurrence, and it's mostly thanks to our employees that we have achieved this level," Ericsson CFO Karl-Henrik Sundström told the Swedish press.



Growing focus on

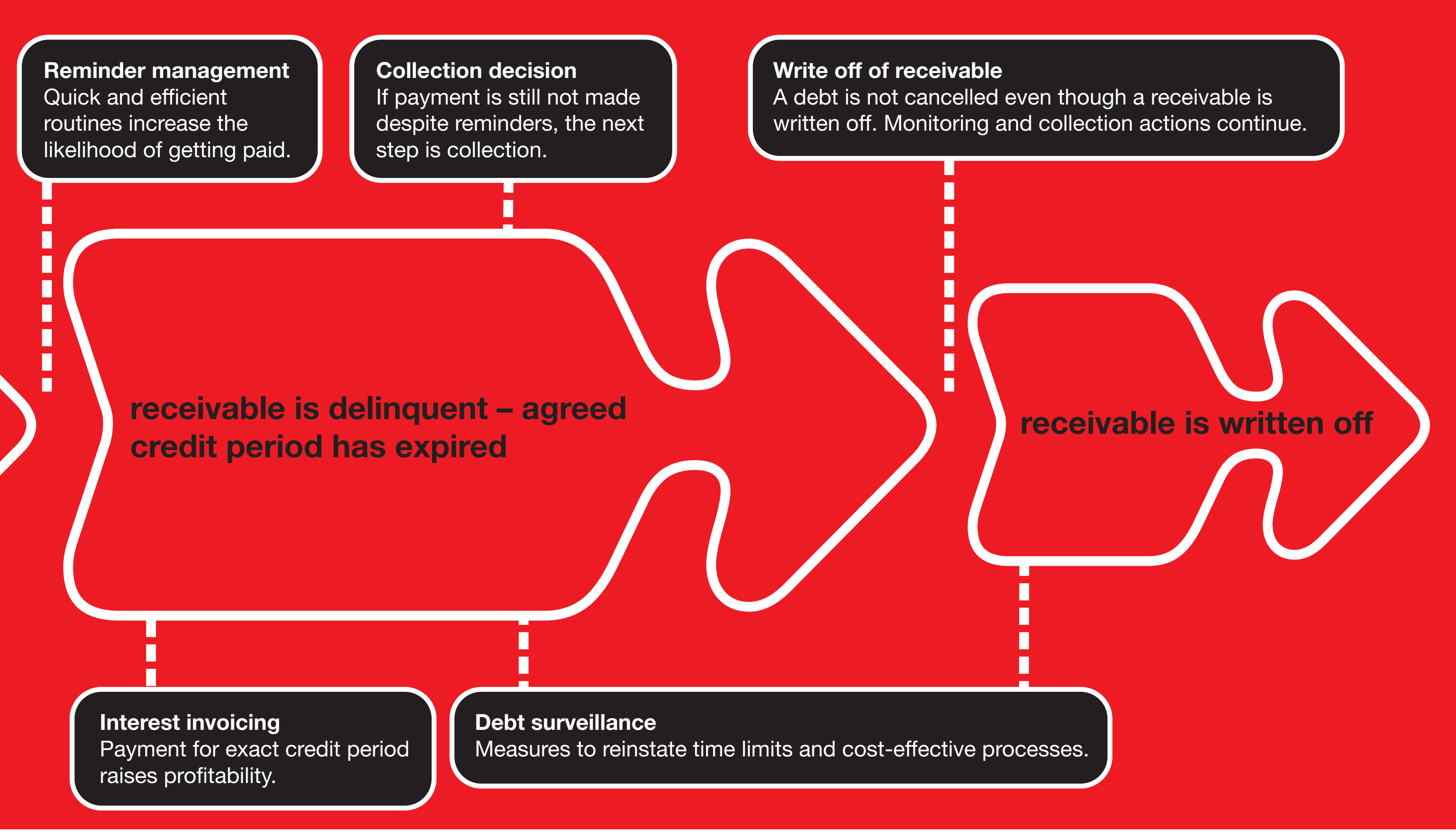
Accounts receivable have a way of growing. It is not unusual to find large companies with outstanding receivables reaching to the millions of euro. Even small and medium enterprises (SME's), which are often transaction-intensive, can easily accumulate large receivables.

Even successful companies with good equity/asset ratios can easily face liquidity problems while expanding. After the long recession's divestitures, liquidations and cost-cutting programs, many companies are now trying to figure out how to improve cash flow and reduce working capital.

Supply chain systems are reducing lead times in production and inventory. But the savings can often be just as high in terms of time and money with efficient routines for invoicing and receivables. CMS (Credit Management Services) is more important than ever.

CMS is a turn-key concept that goes beyond collecting on overdue receivables. It is even more so a question of evaluating creditworthiness, getting invoices out in time, creating payment routines, monitoring credits and making sure payments are received in the shortest time possible.

There is usually a long gap between the time a customer places an order and the date payment is secured. The main objective of CMS is to shorten lead times in a company's cash flows. The better control it has over the entire chain from order to delivery and from invoice to payment, the



There are many opportunities to maximize accounts receivable.

cash flow

shorter the lead time and the better the company's finances. Efficient CMS frees up capital, improves the net interest margin and reduces the risk of credit losses.

As their liquidity declines and overdue receivables rise – in some sectors by as much as 10-20 percent – companies naturally become more focused on credit management and how they can quickly get their money and minimize credit risks.

There has especially been greater interest in CMS from companies with large transaction volumes, such as utilities, banks, oil companies with their own credit cards, mass marketers and even large exporters with operations in many different geographic markets. Others are also following suit due to the many benefits:

- Optimal payment flows.
- Better control over accounts receivable and financial information.
- Delinquent payers are discovered in time and can be avoided.
- Greater certainty through the entire business process.
- Lower credit losses.
- Less capital tied up in accounts receivable.

In the past, companies have usually managed most of their receivables themselves. Now that the concept of CMS has become established, there is a trend toward outsourcing to specialized companies. There is a lot of money to be earned for customers, who free up resources for their core business and avoid having to invest in the know-how and specialized systems.

Many of the companies that have handled their own credit administration as part of cash management are now beginning to outsource all or parts of this work.

"We are meeting with many companies to discuss opportunities to take over management of their collections," says Lennart Laurén, Managing Director of Intrum Justitia Sweden. "Those that have previously handled it in-house are realizing how much money there is to be made that they feel it is worth outsourcing to specialists in collection management."

ECB keeps interest rate at 2 percent

For the tenth consecutive month, the European Central Bank held its benchmark interest rate steady at 2 percent, disappointing, among others, Germany and France, which had openly urged the ECB to cut rates to stimulate economic growth in the EU.

EU-based export companies hardly welcome the decision, either, at a time when the euro is at its highest against the dollar in eight years. The steady rate level also contrasts with the Riksbank's decision to cut Sweden's repo rate by 0.5 basis points to 2 percent.

At a press conference in the days following the ECOFIN summit on April 1 when the ECB announced its decision to leave interest rates unchanged, ECB President Jean-Claude Trichet stated: "The ECB has not blocked interest rates for a considerable period of time. We evaluate the suitability of rate adjustments month by month. Since risks are balanced, we didn't change the interest rate last Thursday."

The EU Commission is forecasting GDP growth in the euro zone of 1.8 percent this year, after just 0.4 percent in 2003. Its optimism is supported by the European purchasing managers' index (PMI), which unexpectedly rose from 52.5 in February to 53.2 in March. The French consumer confidence index rose from -23 in February to -22 in March.

Most analysts were not surprised by the decision not to lower rates, although there were still those who had hoped for a rate cut due to weak spending in the EU. The ECB president feels that global growth is stable and that current interest rates in the euro zone are already low enough to favor investments. This hasn't stopped the German financial group HVB from predicting a rate cut of at least a half percentage point in May or June.

Is ECB President Jean Claude Trichet having a hard time finding common ground in Europe? The UK has kept its benchmark rate unchanged, while Sweden has cut its. Today's historically low rates are walking a fine line due to rising debt levels.

Growing expectations of interest rate hike

The golden rule for central banks around the world is that the real rate of interest should be equal to the real rate of growth in order to attain a long-term economic equilibrium. The difference between the benchmark interest rate and growth in GDP is therefore one of the most important reasons to consider altering rates.

In the U.S., where the Federal Reserve has maintained a discount rate of 1 percent despite growth of 6 percent, there is growing support for a rate hike. As soon as it is announced that jobs have increased, analysts expect a rate hike, which could actually happen prior to the presidential election in November. Employment and retail sales figures are already rising much more than expected. Robert T. Parry, President of the Federal Reserve Bank in San Francisco, is signaling that he may be prepared to raise the discount rate to as high as 3.5 percent.

Analysts in London are expressing surprise that the Bank of England has held its benchmark rate at 4 percent. Many had expected a rate hike.

Very low interest rates in Asia, where Hong Kong followed Japan's lead and cut its rate to 0 percent, now appear to have stimulated the economy, and rate hikes are expected soon by most experts.

Inflation figures in the U.S. and parts of Europe, including Sweden, are surprisingly high.

"Inflation figures indicate that we are in an expansive period," says Kristina Persson, Deputy Governor of Sveriges Riksbank, whose 2 percent repo rate is the lowest in a century.

Poor payment habits in Europe. European companies continue to face problems with late payments, which in just six years have increased in length by an average of 14 percent. The liquidity problems this causes can lead to bankruptcies.

european payment index

find out more at www.intrum.com

As one of Europe's leaders in credit management services, Intrum Justitia has a widespread network of contacts among European companies, over 9,000 of which replied to a survey on payment habits and risk assessments. The results are reported for the first time in the European Payment Index, a pan-European study conducted in 22 countries.

The purpose of the index is to facilitate comparisons of payment patterns between individual markets, commercial regions and industries. The survey consists of eight groups that together serve as a basis for calculating each country's risk index. This value is a help to companies when assessing the risks of doing business in each country.

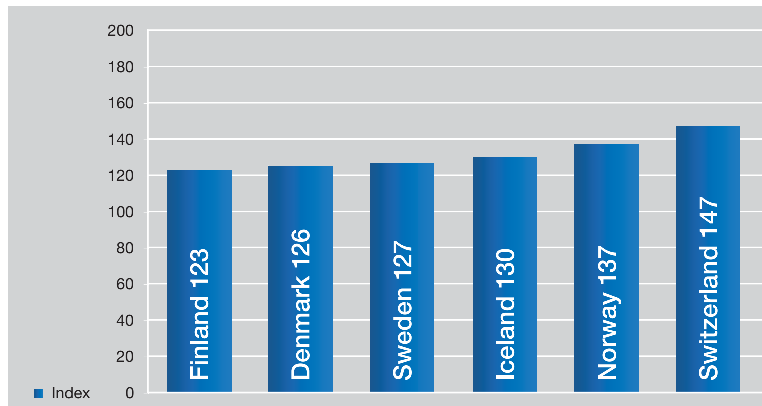
LOWEST RISK FACTOR

1. Finland
2. Denmark
3. Sweden
4. Iceland
5. Norway

HIGHEST RISK FACTOR

1. Portugal
2. Czech Republic
3. Lithuania
4. Spain
5. Belgium

By weighing a number of factors, an index value can be calculated for the credit risks in each country. A figure 100 would indicate that there are no payment risks and that payments are made in cash, on time and without any credit. A value of 200 alerts for immediate action. (DIAGRAM 1)



Big differences between countries

Credit risks generally are lowest in the Nordic countries (Sweden, Finland, Norway, Denmark and Iceland). With an average of 129, the region has the best figure by far. The poorest was Portugal with 191, followed by the Czech Republic, Lithuania and Spain.

The average for all EU member states is 152, just below that of the euro zone, i.e. the countries that have introduced the euro as their currency. The Czech Republic, Poland, Hungary, Estonia, Latvia and Lithuania – six of the ten new EU member states as of May 1, 2004 – have the worst average as a group, at 162, while EFTA members Iceland, Liechtenstein, Norway and Switzerland have the best result as a group, at 143.

Mediterranean nations lag behind

In the Nordic countries, late payments average of 7.5 days, i.e. they arrive after 31.6 days instead of the 24.1 days agreed upon. In southern Europe, Italy, Portugal and Spain form the rear guard. The average total payment period is about 89 days.

Payment delays in the Scandinavian countries, compared with their neighbors to the south, seem almost inconsequential. But for a Finnish company with sales of EUR 20 million, a payment delay of 5.9 days still has major consequences. It means that its outstanding receivables rise by 29 percent, in turn raising its capital requirements by EUR 327,000. (DIAGRAM 2)

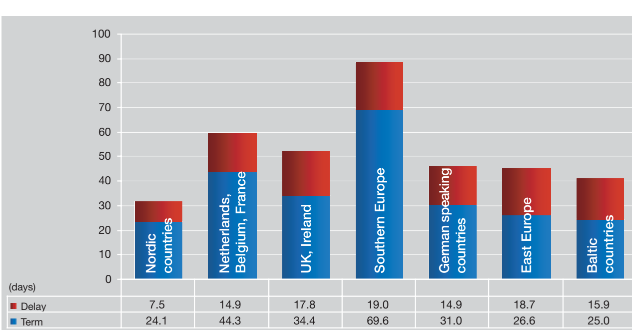


DIAGRAM 2 There are clear differences between the Nordic countries and their southern neighbors not only in contractual payment terms but also actual payment periods.

EU directive

In 1997 Intrum Justitia, together with the EU Commission, conducted a payment study in 16 European countries. The most important conclusions were as follows:

- Late payments are a significant problem for European businesses;
- The overwhelming majority of companies wanted better debt collection laws;
- The EU Parliament wanted the EU Commission to issue a directive to alleviate the problem as soon as possible.

Political discussions eventually led to the approval of EU directive 2000/35, which has since become law in individual member states. An evaluation of the effect of the EU directive on payment conditions in member states will be made in early August 2004.

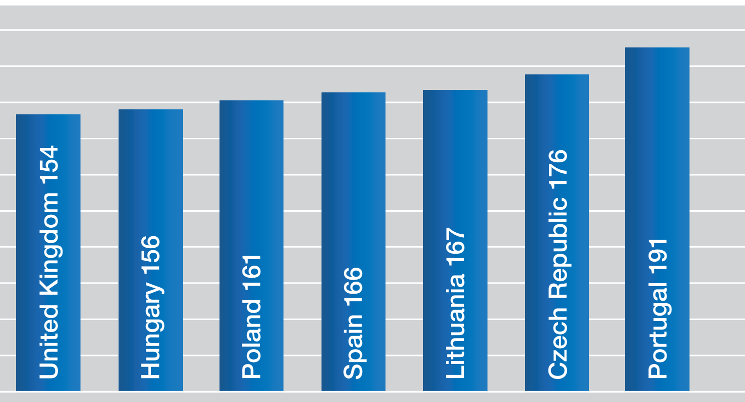
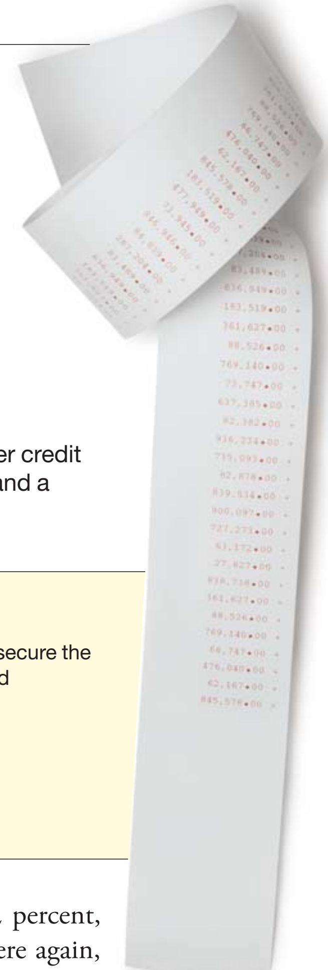


DIAGRAM 1 The Payment Index indicates lower credit risks in the Nordic countries than Portugal and a number of new EU member states.



EUROPEAN PAYMENT INDEX

Up to 124	Preventive actions – measures to secure the current situation are recommended
125–149	Need to take action
150–174	Major need to take action
175–199	Very major need to take action
Over 200	Urgent need to take action

Getting worse

Even before the directive is evaluated, it is obvious that the fundamental problem has not improved much despite political efforts. On the contrary, late payments have risen from an average of 13.8 days to 15.7 days at the end of 2003 – or by no less than 14 percent.

In a comparison of deviations from the average in the 1997 survey, there now appears to be regression to the mean. Countries that had late payments below the average then have seen their credit periods increase, while countries with late payments above the average have seen theirs decline.

The exception is Finland, the only country below the average in 1997 to have reduced late payment days.

Loss risk increases the longer a receivable is unpaid

The age of an outstanding receivable is a valuable risk indicator, especially in relation to contractual payment terms. In principle, a loss risk increases proportionately to the age of the receivable. This is even more evident among overdue claims. (DIAGRAM 3)

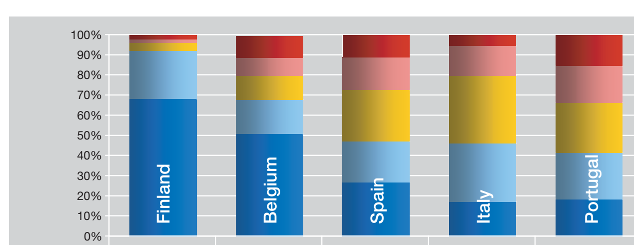
Largest credit losses in Spain

Portugal shows the highest share of long overdue receivables, followed by Austria and Spain. In a Nordic comparison of credit losses, Norway stands out at 1.9 percent, while Denmark, Finland and Sweden are below 1 percent and Iceland is only slightly higher.

The highest figure is in Spain, at 3.2 percent, followed by Lithuania and Belgium. Here again, the numbers in the Nordic region are practically negligible. However, if we take a Swedish company with a turnover of SEK 300 million, an average order backlog of SEK 12,500 and a contribution margin of 20 percent, a payment loss ratio of 0.7 percent means that it must take in and supply an additional 840 orders just to compensate for the loss.

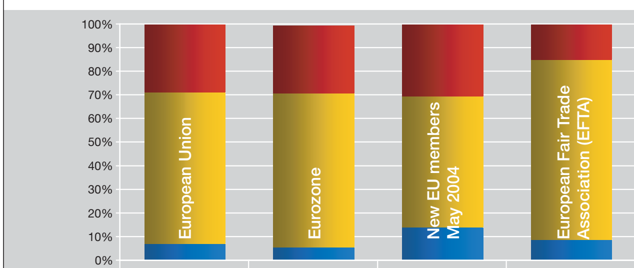
Continued high risk level

The survey shows few signs of short-term improvements in the risks associated with receivables during the first half of 2004. In a pan-European perspective, a clear majority of



	Finland	Belgium	Spain	Italy	Portugal
over 120 days	1.9%	10.5%	10.8%	5.2%	15.2%
91–120 days	1.6%	9.0%	16.2%	14.7%	18.2%
61–90 days	4.0%	12.0%	25.6%	33.5%	24.7%
31–60 days	24.0%	17.0%	20.2%	29.2%	23.3%
up to 30 days	68.5%	51.0%	27.2%	17.4%	18.6%

DIAGRAM 3 Portugal shows the highest share of long overdue receivables, while Belgium has the same share as Spain and twice that much as Italy.



	European Union	Eurozone	New EU members May 2004	European Fair Trade Association (EFTA)
higher risk	29%	29%	30%	15%
unchanged risk	64%	65%	56%	76%
lower risk	7%	6%	14%	9%

DIAGRAM 4 Of the new EU members, the Baltic countries have the highest expectations on declining credit risks.

the companies that replied to Intrum Justitia's survey assume that the high risk level to date will persist. As many as one fourth assume that the situation may even get worse.

This trend is most clearly evident in Italy and Portugal, where 40 percent expect the situation to worsen, 55 percent see the current level continuing and only 5 percent foresee an improvement. (DIAGRAM 4)

Displeasure with public collection process

Most companies stated that they were dissatisfied with the public debt collection process and with the costs and time involved. Dissatisfaction was highest among companies in Portugal, Italy, Hungary and Spain. The biggest complaints about costs were from businessmen in Italy, Latvia and, again, Spain. With regard to payment delays, the Portuguese, Czechs, Germans and Spaniards were most dissatisfied. Their displeasure is understandable. An insolvency case drags on for an average of 2.6 years in Portugal and 2.3 years in Spain, compared with Ireland, where it takes only 0.4 years.[1]

Significant obstacle to international trade

Intrum Justitia's survey shows that payment uncertainty – followed by late payment periods and legal uncertainties – is a significant obstacle to international trade. In other words, payment problems constitute a new headache in the efforts to open the EU's inner markets, which to date have focused on traditional stumbling blocks to trade such as customs duties, taxes and administrative constraints.

1. Source: Doing Business in 2004: Understanding Regulation – A Study by the World Bank.

EUROPEAN payment index

The index is based on widely recognized economic principles, statistical analyses and Intrum Justitia's experience from years of credit management in Europe

Intrum Justitia's **European Payment Index** (EPI) is a unique instrument for comparing payments between markets and regions. In addition to financial data, EPI factors in European companies' own values. The data are updated twice a year through a standardized written questionnaire on the following variables:

- Contractual payment terms (in days)
- Effective payment period (in days)
- Late payments (in days)
- Age of outstanding receivables
- Payment losses (in %)
- Risk assessment
- Consequences of and actions to remedy late payments
- Causes of late payments

The index is calculated based on these eight weighted subindexes, which are supported by 21 individual values.

An English-language version of the complete report can be ordered from Intrum Justitia AB, SE-105 24 Stockholm, Sweden or downloaded from **www.intrum.com**.

Feel free to contact your representative at Intrum Justitia for further assistance with the calculations and interpretations of the European Payment Index.

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 relations with 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 80,000 clients, revenues of SEK 2.9 billion and around 2,900 employees in 21 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. President and CEO: Jan Roxendal. For more information on the Intrum Justitia Group, visit **www.intrum.com**

Intrum Justitia Group	2003	2002
Revenues, SEK M	2,865	2,775
Adjusted EBITA, SEK M	428.1	481.4
Operating profit (EBIT), SEK M	93.9	346.2
Cash flow from operating activities, SEK M	301.8	333.1
Collection cases in stock, million	10.6	8.2
Total collection value, SEK billion	79.3	79.9
Average number of employees	2,870	2,661

For definitions, see www.intrum.com

Analysts who cover Intrum Justitia

ABG Sundal Collier – Espen Bruu Syversen
Carnegie – Charlotte Widmark
Cazenove – Gorm Thomassen
Enskilda Securities – Monika Elling
Handelsbanken – Henrik Kronqvist
Morgan Stanley – E R. De Figueiredo, C Jimenez
Nordea Securities – Stefan Andersson

Financial report dates 2004	
Interim report, January–March	5 May
Annual General Meeting	5 May
Interim report, January–June	18 August
Interim report, January–September	27 October
Year-end report 2004	February 2005

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New CFO at Intrum Justitia

STOCKHOLM Bo Askvik has been appointed the new Chief Financial Officer (CFO) at Intrum Justitia and will also become a member of the Group Management Team. He succeeds Bertil Persson, who will remain CFO until Bo takes up the position no later than August 2004.

Born in 1958, Bo Askvik has extensive experience in Swedish and international business, most recently from the Swedish industrial group Sapa, where he served as CFO since 2001. He joined Sapa AB in 1997 in Group Treasury and later was responsible for M&A activity. Bo gained his experience in finance through earlier positions at Nordstjernan, Östgöta Enskilda Bank, Neste and Borealis.

He is a graduate of the Stockholm School of Economics.

"The role of CFO is central to the Intrum Justitia group, and I am pleased that we were successful in recruiting Bo to this position," says Jan Roxendal, President and CEO of Intrum Justitia. "His international experience, combined with his financial background, is an asset in our efforts to further develop the Group's management accounting and financial procedures."

NEW REGIONAL MANAGING DIRECTORS

John Easden joined Intrum Justitia in 2002 and since March 2004 has served as Regional Managing Director of United Kingdom & Ireland. He is an experienced executive, with a strong background in sales and marketing in the financial services industry, with companies including Abbey National, Alliance & Leicester and Legal and General.

Pascal Labrue is Regional Managing Director of France, Spain & Portugal since March 2004. He joined Intrum Justitia in 2000 and has broad experience from the CMS industry, including with the French company B.I.L.

Labrue graduated from ESC Bordeaux.

Intrum Justitia gets pay TV in Italy to pay off

ITALY SKY TV began offering satellite television service in Italy in 2002 after a merger of Stream and Tele+. A successful campaign raised the number of subscribers to 3 million in 2004. With so many subscribers, there are naturally many non-payers as well. In March 2004 Intrum Justitia managed over 100,000 of Sky's cases with a gross collection value of 30 million euros. The forecast for the months ahead is for an additional 50,000 cases. Moreover, all bulk cases below 50 euros will be handled by Intrum Justitia and will serve as the basis of the Debt Surveillance service area for the company's first major B2C client in Italy.

Total control with Fair pay Web

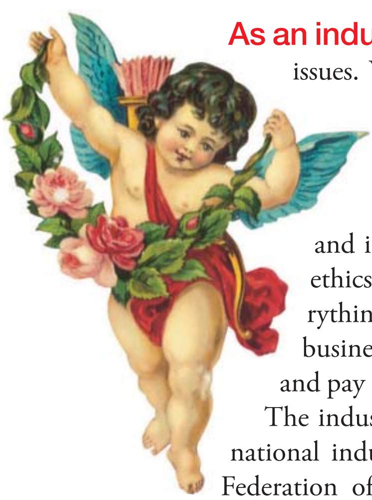
INTERNET With its new Internet-based tool, Fair pay Web, Intrum Justitia is taking a big step toward simpler, faster credit monitoring and reporting. Fair pay Web gives Intrum Justitia's customers direct access to all sales ledger information from Intrum Justitia.

The user-friendly system, which operates in real-time over the Internet, is designed for day-to-day credit surveillance, but also contains advanced reports and statistical tools for financial monitoring with both standardized and individualized analyses of key financial ratios.

When a cooperation is established, Intrum Justitia performs a thorough presentation and training on the system and its detailed user manual.

From collections to financial cooperation

All professional credit management companies place a high priority on business ethics. This is particularly true in Europe, where centralized trade organizations have set minimum standards for how companies should operate.



As an industry leader, Intrum Justitia works actively with ethical issues. We have gone so far as to coin the phrase, "Fair pay … please," to show that we stand by the principles of fairness in business – and that we do so in a way that doesn't disrupt our clients' business.

Respect for both buyers and sellers is prevalent every day, and is regarded by the industry as the foundation of business ethics. By being trustworthy and acting appropriately in everything they do, credit management companies promote sound business practices, where all parties abide by their commitments and pay their bills on time.

The industry's leading companies are members of their countries' national industry associations, which in turn are affiliated with the Federation of European National Collection Associations (FENCA). This organization requires that national member associations set ethical requirements for their authorized members. FENCA in turn has a Code of Conduct to guide its members. Moreover, FENCA promotes European legislation in CMS as well as training issues.

Fair pay... please!

Intrum Justitia for years has abided by a code of ethics that is unique to the industry. The Fair Pay ethic is based on the following fundamental norms:

- comply with current laws and regulations,
- respect the integrity of debtors in every situation,
- safeguard the privacy of all parties involved,
- separate client's funds from other funds and accounts,
- conduct all work involving credit management and receivables in a professional manner, i.e. promptly, efficiently and accurately.

Fair pay is a promise to Intrum Justitia's clients: to ensure that their customers abide by their obligations without damaging the reputation of the client. This also means not demanding the impossible of debtors and instead working together with them to find a solution that is realistic and acceptable to all parties.

FENCA – MEMBERSHIP RULES

The following guidelines are intended for national FENCA member associations as an indication of procedures to be adopted by the members. The guidelines are not intended as an exhaustive directive to member associations; they state the minimum requirements a national association and its' members should fulfil. In every instance national associations will have their own national code of conduct whose guidelines may exceed the requirements of this FENCA code.

FENCA's Code of Conduct:

National associations and their members shall:

- work in accordance with the laws and rules of their respective countries,
- comply with all European and national data protection laws.

National associations shall ensure:

- that all enquiries to the association are dealt with promptly and truthfully,
- that only properly licensed agencies are accepted into their association,
- that there is a code of practice for their members and ensure that the code is complied with by their members,
- that basic rules exist for contacts between their member agencies and those agencies' clients,
- that member agencies maintain confidentiality about all information concerning clients and debtors,
- that a complaints procedure exists within their associations for debtors and clients and that complaints are promptly and properly investigated.

FENCA membership

- Member association shall provide to the board of FENCA on request a sample of their national code of conduct and evidence that this code is properly complied with by their members.
- FENCA is a Federation of National Associations. Only the national association may display the symbol of FENCA, not individual agencies.

Pan-European credit management

Among northern Europe's mature markets, the UK and Switzerland have extensive experience with efficient credit management. Intrum Justitia continues to lead this market by offering a comprehensive range of services.

For more established markets such as Belgium and France, a wide range of services includes debt surveillance and purchased debt. But in new markets such as Italy, Hungary and the Baltic states, where it is not as common to outsource credit management, Intrum Justitia is still concentrating at this point on collection services.

Knowledge transfers and turn-key approach

As Europe's leading CMS company, Intrum Justitia has excellent opportunities to introduce its experience from northern Europe's mature markets to new markets now emerging in Southern and Central Europe. This will mean not only lower credit risks and more efficient cash flows but also lower administrative expenses for credit management.

The amount of a receivable, the credit terms, the debtor's financial status, etc. all factor into the ability to collect on a receivable. The older a debt becomes, the more difficult it is to collect. The chances of getting paid increase if a credit is followed up quickly.

Intrum Justitia's core competence is comprised in a complete range of services for all stages of a receivable's life cycle that increase opportunities to get paid by applying the right measures at the right time.

Responsibility for entire credit management chain

A growing number of customers realize the advantages of outsourcing services such as sales ledger management and debt surveillance and collection to specialists, and then concentrating on their core business. The trend is most clearly evident among transaction-intensive companies such as telephone companies, utilities, financial service providers and mail order firms.

Intrum Justitia combines various services into turn-key solutions where companies, without any investments of their own, gain access to the best expertise and all the sophisticated support systems they need to cost efficiently manage their credits. Among the benefits of outsourcing to an advanced CMS provider are:

- Free up resources that can instead be invested in the core business.
- Less investment in technology, software and credit management expertise.
- Companies with international operations receive assistance with cultural and linguistic problems.

One letter can mean a lot

Intrum Justitia's brand is very strong. The company is well known and strength of its name means that a letter from Intrum Justitia is almost always given priority.

INTRUM JUSTITIA'S CREDIT MANAGEMENT SERVICES:

- *Credit information*
- *Credit analysis*
- *Invoicing*
- *Notification service*
- *Sales ledger management*
- *Reminder service*
- *Penalty interest invoicing*
- *International receivables*
- *Collections*
- *International collections*
- *Debt surveillance*
- *Process serving*
- *VAT refunds*

Intrum Justitia's relatively mature markets in Switzerland, Austria and Italy offer great potential. Many companies in these countries face the risk of going bankrupt due to late payments. They need a reliable partner to help with their credit management cases.

Switzerland, Austria & Italy:

'Obviously we want

Payment habits are fairly similar in Austria and Switzerland. On average, 55 percent of invoices are paid on time, about 40 percent are late, and 5 percent wind up as collection cases. In Italy, 65 percent of invoices are paid on time, while 45 percent of cases take between 60 and 120 days before payment.

"Average payments of 93 days and late payments of 20 days in Italy are naturally unacceptable for businesses in terms of liquidity and refinancing," says Benno Oertig, Intrum Justitia's Regional Managing Director. "But for us it means a big potential. According to the European Payment Index, it takes a long time to get paid in Italy. Our services reduce payment times, which means less risk and lower interest expenses."

Oertig helped to establish Intrum Justitia's office in Austria and was also involved in the start-up in Italy. He has worked for the company for 28 years and since 1993 is responsible for the entire region, which consists of Switzerland, Austria and Italy.

Intrum Justitia is the leader in credit management services in Switzerland with a market share of 70 percent. In Italy, it is the third largest in the industry, and in Austria, where the competition is stiff, it is number five.

"We have a very strong position in Switzerland not only in collections but also information services including credit evaluation," says Oertig. "We are continuously performing credit checks. If a customer of our client has a poor credit profile, we suggest a different form of payment in connection with delivery."

He stresses the importance of Intrum Justitia's information systems, which protect customers against debtors who never pay. Every year the system runs more than five million credit checks.

"I estimate that in the future our services will be much larger than they are now. Today we have around a half million cases in Switzerland, and I expect that to grow to about 3 million. There is a great growth potential here."

The region's biggest potential is among government ministries and other public authorities. Intrum Justitia is currently focusing on cases involving taxes, social insurance and health insurance. This type of assignment was not easy to get before, but the door is gradually opening. The company already offers its services to new customers in the public sector. Moreover, the healthcare sector is very important for Intrum Justitia in Switzerland when it comes to invoicing patients.

Italy has the biggest growth potential in Europe. The mar-

Name: Benno Oertig
Age: 52.
Profession: Regional Managing Director Switzerland, Austria & Italy.
Family: Married, with one daughter.
Interests: Family. Sports in general, but especially golf

REGIONAL FACTS

SWITZERLAND When Intrum Justitia commenced operations in Switzerland in 1971 it marked its first venture outside Sweden. Through organic growth and acquisitions, the business has expanded to become market leader in a fragmented CMS market, with an especially strong position in services involving credit information and credit decisions.

AUSTRIA Operations were established in 1995. The market is fragmented, with numerous companies operating mainly on a regional level. Intrum Justitia is among the top five CMS companies in the country.

ITALY Operations commenced in 1985. The CMS market is still relatively immature and fragmented, and consists in large part of commercial collection services. This is partly because Italian legislation restricts public access to personal information required to identify debtors. Intrum Justitia strengthened its position through the acquisition of D&B RMS, and today it is among the five largest players

MD of Intrum Justitia Switzerland: Thomas Hutter.
MD of Intrum Justitia Austria: Michael Fischer.
MD of Intrum Justitia Italy: Ettore Molinario.

SEK M	2003	2002
Revenues	351.3	413.7
Operating profit (EBITA)	43.8	90.6
Operating margin, %	12.5	21.9
No. of employees	274	295

to be number one!’

ket is five times larger than Austria and Switzerland combined.

“There are no really big players in our industry in Italy,” says Oertig. “We set ourselves apart from the competition through our business model, our organization and our ability to handle a very large number of cases. For example, in one month we handled more than 100,000 payment reminders for Sky TV.”

The average late payment of 20 days in Italy is very negative and often leads to higher costs, including for reminders and administration. It also affects an average of between two and four percent of sales and, thus, an entire company’s earnings. Austria and Switzerland have slightly better payment habits, with late payments averaging 17 and 15 days, respectively.

Increase in unpaid receivables. In Switzerland, one of every ten companies fears for its survival. At the beginning of 2002 approximately two thirds of all invoices were paid on time, but that figure had fallen to about half in the third quarter of 2003.

“This is one reason why there is a high demand for credit information services in both Switzerland and Austria,” says Oertig. “We are also seeing the number of written off cases companies want us to handle steadily grow in Switzerland.”

Intrum Justitia uses automatic feedback in the region to reach 800,000 debtors per month. Companies can call their debtors’ fixed-line telephones and leave recorded messages.

“We repeat the message every month, in particular with debt surveillance cases,” he continues. “We can also send SMS messages, which we also do monthly to remind a person of his or her unpaid bills.”

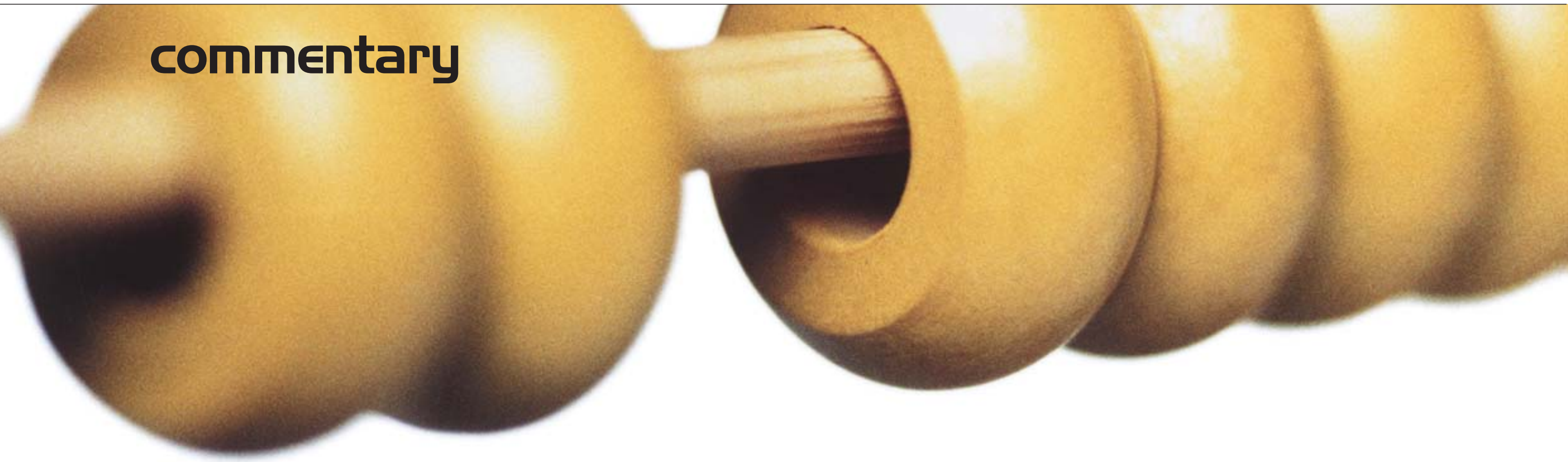
Intrum Justitia’s decentralized organization makes it easier to focus on various sectors and help everyone from multinationals to SME’s.

“We live in the cultures of our countries, which really helps. Our next step in the case of Italy is to go more into the sophisticated area of collections, which is one of our largest opportunities for the future. And obviously we want to be number one in all ourmarkets, includingItaly,” concludes Oertig.

Ettore Molinario, new MD of Intrum Justitia in Italy

Ettore Molinario has over twenty years of experience in senior positions in the banking and insurance industries in Italy and internationally.

Sender:
Intrum Justitia AB
SE-105 24 Stockholm
Sweden



Focus on receivables

Commentary: J.M. Henderson
Profession: Chief Financial Officer KPN NV

KPN has approximately 33 000 employees serving 7.7 million fixed-line customers, 14.2 million mobile customers and 1.5 million Internet subscribers.

KPN is the market leader in all major segments of the Dutch telecommunications market and the third mobile operator in Germany and Belgium (through E-Plus and BASE, respectively).

Like many other telecom operators in Europe, KPN's financial position had weakened significantly in 2001 as a result of major acquisitions. With a net debt position of over EUR 22 bn and a long-term credit rating of BBB-/Baa3 (negative watch), little margin was left.

The initial actions taken to improve the company's financial profile included the start of a working capital project led by me as CFO. Close monitoring of performance, and my direct involvement chairing a steering committee, turned out to be the way to improve working capital processes KPN- wide.

During the first year of the project the committee held weekly (90-minute) meetings to design a step-by-step plan to improve receivables, payables and inventory management.

Specifically, the reduction of outstanding trade receivables generated more than EUR 500 million of additional cash-in over 2002 and 2003, representing a reduction in *Days Trade Receivables Outstanding* of 30%. KPN successfully reduced overdue debtors and accelerated settlement of disputes, stimulated by reporting top disputes directly to the board of management and implementing a dispute management database. Furthermore KPN harmonized billing patterns of approximately 8 million retail customers and increased payment terms for suppliers.

The total amount of cash extracted was impressive and higher than anticipated. In 2002 the improvements resulted in a positive cash flow from working capital of EUR 765 million, which helped to decrease net debt to EUR 12.4 billion as per year-end 2002. Another EUR 233 million was released in 2003 via continuous efforts to embed improvements throughout the organization, helping to bring down net debt to EUR 8.3 billion at year end 2003 and credit ratings up to 'A–' (S&P) and "Baa1" (Moody's), both stable outlooks.

Some people my see it as boring slave work, but after a change in the overall organizational mindset it can pay off!