

CREDITREFORM ANNUAL REPORT 2014–2015



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Ahead to new shores

If we look at the megatrends of business activity, two terms suffice to summarise the current situation and the future of business activity: digitisation and internationalisation. Creditreform, as a service-provider close to the business community, follows its clients and members along the paths prescribed by these two terms. Indeed, with our offerings we seek to smooth these paths into the world of data and other countries. How we address these tasks is examined, from various angles, by our Annual Report for 2014/15.

In recent years there has been much talk in this context of the development of new commercial report formats and of a new Credit-Standing Index (Bonitäts-index). Last year we took what is for now the final step and connected up more than 100,000 members to this new world. They include 13,000 clients who use our system solutions for their credit management operations and who require customised solutions and advisory services for their interfaces with us. At their disposal now they have additional data, for instance from our Accounts Receivable Register Germany (Debitorenregister Deutschland), and new tools, such as an enhanced link-up with CrefoPay for e-commerce. This roll-out created a technological platform for further applications that are already in the pipeline or at least at the conceptual design stage.

The new reporting offers, the modified Credit-Standing Index and the extended system solutions represent product innovations, but last year we also launched a process innovation which – although conceived originally to optimise our own internal efficiency in receivables management – ultimately also benefits our clients. The background: in 2014, in all its

business offices nationwide, Creditreform introduced one of the most modern debt collection systems, CrefoTeam Inkasso. The new software gives employees greater freedom to concern themselves more intensively with cases which call for their entire know-how, their authority and their perseverance. The incidence of large case-numbers in volume debt collection is speeded up.

The protection of creditors is based on business information and debt collection alike. And these core services do not stop at national borders. That is why one of our foremost objectives is to ensure that the quality of a commercial report on a firm in another country – drawing on the scope for information which that country provides – should be as close as possible to the quality of a commercial report on a business enterprise in this country. That applies to the depth of information, its up-to-dateness and the accuracy of its credit assessment, and also to the provision of a range of different report formats in line with the risk horizon of any export activity. And in the very near future that includes a standardised form of identity number which permits clear-cut identification of any and every business firm and its appropriate classification.

After all, Europe not only offers opportunities, it also represents risks. In the process of allegedly modernising data protection, there are efforts apparent at the European level which could restrict the activity of credit and debt collection agencies to such an extent that the indispensable role they play in the entire spectrum of trading in goods and services could be severely limited. In collaboration with business associations, we are doing all we can to make policy-makers aware of the consequences.



Christian Wolfram,
President and Chairman of the Joint Board of
Verbandes der Vereine Creditreform e.V.

How have our activities in regard to IT processes and to internationalisation fared in the verdict of the market? A look at our figures for the past financial year suggests that the answer is positive. In 2014, Creditreform generated turnover of EUR 498.7 million in Germany, representing an increase of 1.7 percent compared with 2013 (EUR 490.5 million). In Europe – via the national companies brought together under the umbrella of Creditreform International – we registered a 1.8 percent rise in turnover compared with 2013 (2013: EUR 546.5 million; 2014: EUR 556.2 million). This growth is something we owe not least to the expanding business activities of our 126,000 members. Please continue to accompany us as we accompany you on your path towards digitisation and internationalisation.

Yours

Accompanying our clients

Online trading is booming. In 2014, e-commerce in Germany expanded by forty percent compared with the year before – and the trend is upwards. Whether a customer completes a purchase or not depends not just on the right range of products but also and decisively on whether he or she accepts the payment procedures offered. On the other hand, for the online retailer, the costs of payment processing and the risks of payment delays or defaults need to be kept within limits. Together with partners, Creditreform has developed an all-in-one solution for handling payments on the Internet. CrefoPay, as it is called, permits the use of all established payment methods through to purchase on account while increasing the security of risk-prone procedures. In this, Creditreform credit-check information on private individuals and business firms makes a decisive contribution and also serves to prevent fraud in online trading. Other features are reporting functions, the integration of debt collection and, if requested, free-of-charge partial hedging against uncertain means of payment. And of course CrefoPay can also be used in cross-border transactions. In an ever-closer European internal market, customers are no longer a block away, they are just a mouse-click away. Thanks to Creditreform, e-commerce is becoming more cost-effective and more convenient – locally, nationally and internationally, too.

It is not only in the field of online trading that IT-based methods support the seamless processing of information products. Increasingly, small and medium-sized enterprises are employing software to enable them to reach decisions on the creditworthiness of potential or existing customers on the basis of reliable credit assessments. With CrefoScore,

CrefoSprint – which featured a new release in 2014 – and CrefoSystem, Creditreform can be integrated easily into risk management workflows. And whenever necessary and required, a network of certified solution partners is available. These include, for instance, Cosmo Consult AG for the joint further development of the CrefoDynamics modules in the Microsoft environment – currently with the roll-out of a debt collection module named „CrefoDynamics NAV Inkasso“.

One increasingly important focus of Creditreform services is that to a growing extent business companies have to meet compliance demands resulting from regulatory legislative measures. On the one hand, members take advantage of Creditreform products for establishing the beneficial owner in accordance with the Money Laundering Act and in connection with the formation of borrower units, and on the other hand, Credit-

reform itself has to document its adherence to compliance requirements vis-à-vis existing and potential clients.

In relations between companies, compliance – the comprehensive consideration of judicial or internal corporate regulations – calls for more than just strict adherence to the relevant rules; it ultimately also calls for trust. Last year, one proof of the trusting cooperation between Creditreform and its clients was the changeover of more than 100,000 companies to the new informational world. This was an extremely extensive assignment with an ongoing series of demands made on client credit manage-



ment functions on the one hand and on the individual Creditreform business office on the other – demands that not only varied but which could often only be met on a truly customised basis. The result was not just a further step in ensuring much-improved risk management on the basis of even more selective data, but also a significant enhancement of collaboration between ourselves and our clients in a spirit of trust.

Speeding up processes – Increasing quality

With around 1.5 million new orders a year and more than 70,000 satisfied debt collection clients, Creditreform plays a foremost role when it comes to collecting overdue payments efficiently while at the same time taking the particular customer relationship into account.

Efficiency and quality are both a yardstick and a stimulus. Applying state-of-the-art IT systems and ensuring optimised processes naturally represent essential prerequisites for meeting the changing and increasingly demanding requirements of clients. And so in 2014, Creditreform completed the nationwide launch of its ultra-modern debt collection system, CrefoTeam Inkasso. The new software enables users to get a high-performance IT grip on even very complex work sequences. Different kinds of information – from incoming

mail and case history through to the most recent credit check – are linked to provide a 360 degree view of the receivable and the debtor concerned. This relieves our debt collection experts from routine tasks and enables them to concentrate on their core competence – applying their professional skills, their sensitivity and their perseverance to work with the debtor to obtain a repayment solution which both sides can live with.

CrefoTeam Inkasso puts Creditreform in a position to handle even large quantities of similar receivables in volume processes highly efficiently, without losing sight of specific individual cases. This is particularly important in sectors like e-commerce. In online business, breaking through the anonymity of Internet trading represents a major success factor in getting unpaid invoices settled. Professional telephone debt collection by trained employees increases the chances of repayment quite substantially.

To ensure that the quality principle extends beyond desk and PC monitor, Creditreform places stringent demands on IT security and IT compliance and meets these demands day-in and day-out. We have two own leading-edge computer centres and operate a closed IT network geared to protecting all data from unauthorised access. In addition, all our employees are contractually bound to handle sensitive data with the utmost care, and they receive regular training in this respect. Every debt collection client and every debtor can rest assured that their data will not fall into the wrong hands.

Creditreform debt collection stands in high esteem far beyond the German borders. As well as national companies in 24 different countries, Creditreform has a global network of debt collection partners and specialised lawyers. Debtors are contacted in their own language and are assigned a direct, on-the-spot contact. This complex networking process is managed from Germany. This ensures that creditors in this country do not need to familiarise themselves with the specific features of foreign legislations and that they always receive relevant information in German. This all-embracing concept of the value of service is one of the factors which have made Creditreform a leading player in the field of international debt collection.

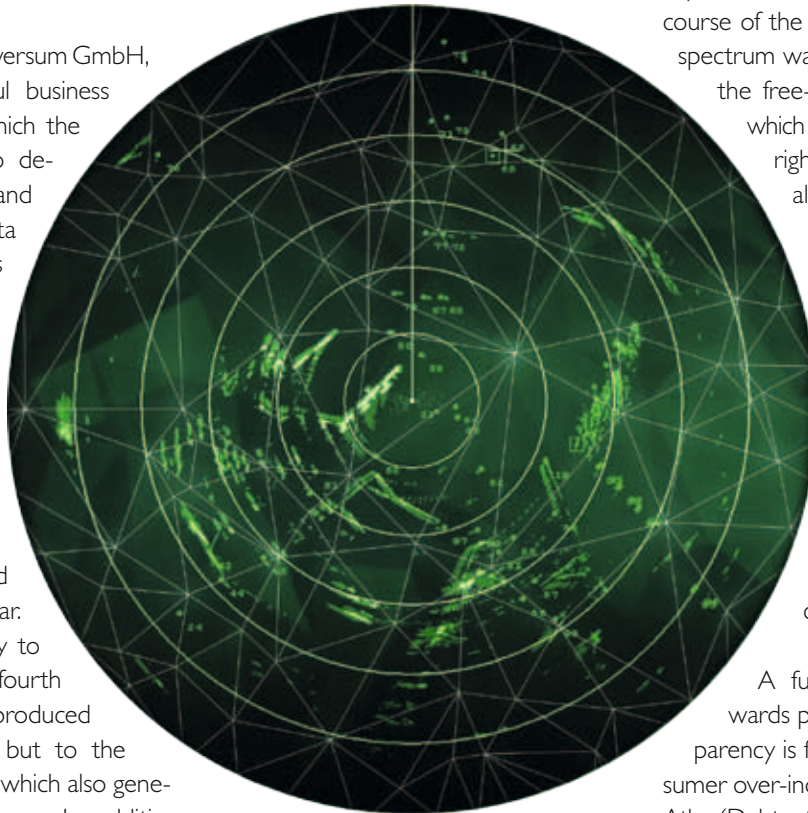


In focus: Consumer creditworthiness

For Creditreform Boniversum GmbH, 2014 was a successful business year. It was one in which the company was able to demonstrate the quality and high selectivity of its data on the creditworthiness of consumers – and to do so more and more frequently, and to major clients, too. So developments in the field of BONIMA were positive, with the number of inquiries doubling compared with the previous year. This was due not only to the traditionally strong fourth quarter, which again produced the highest turnover, but to the other quarters as well, which also generated significant increases. In addition, Boniversum has extended its product portfolio: since 2014 it offers companies a customer-specific scorecard and has already secured one large client for this.

The greater volume of orders and the demands this places on data storage and processing made a new computer centre necessary – and at the beginning of this present year, after an 18-month project phase and a work-intensive 2014, this was successfully put into operation. Its location, since January 11, 2015, is Hamburg. The computer centre provider is certified in accordance with ISO-27001 and ISO-9001 and thus provides a reliable framework for our technical operations and the secure storage of Boniversum data.

However, it is not just the technical side of things which continues to require Boniversum's attention and proactive commitment,



it is also the legislative environment concerning the storage and passing-on of data. In the view of Boniversum – and of other business information agencies, too – the EU Data Protection Regulation which is currently en route through the political institutions needs a number of clarifying touches. In September 2014, against this background, the trade association „Die Wirtschaftsauskunfteien e.V.“ published a scientific study on the economic significance and legal framework of scoring in an international comparison. As a member of the association, Boniversum made a contribution to this study.

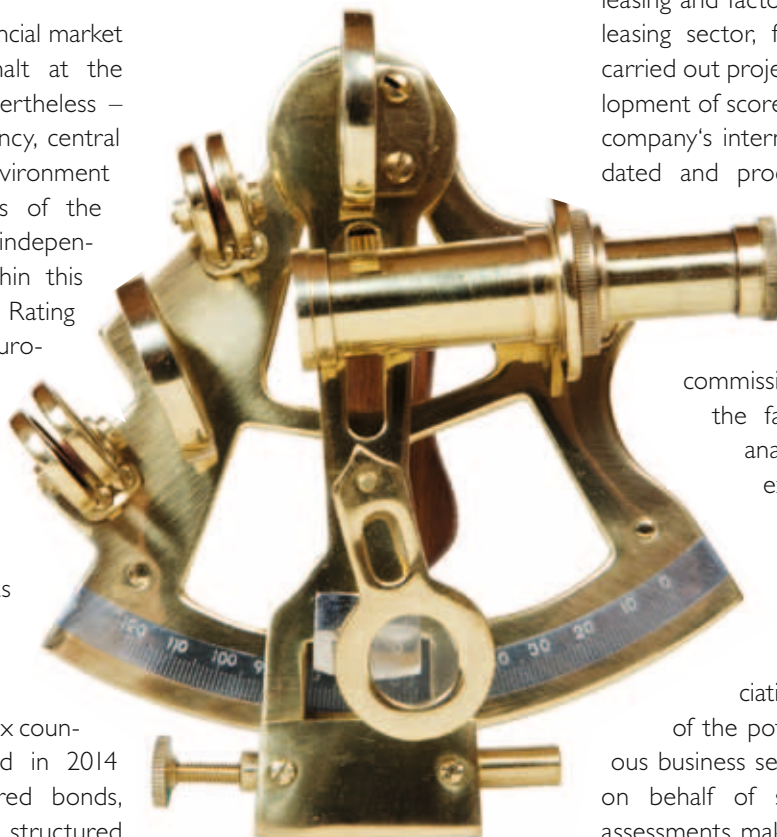
One pertinent fact in this connection is that Boniversum – since October 2014 with its new Managing Director, Ralf Zirbes – is increasingly active in the cause of creating transparency for consumers. Since the beginning of 2014, for instance,

the company has been offering its credit-check service BONIGO for private individuals. Via our website, they can now view their own creditworthiness data online at any time. On several occasions in the course of the year, the relevant product spectrum was extended. In addition to the free-of-charge self-appraisal to which consumers have a statutory right once a year, the website also facilitates the ordering of a comprehensive printed credit-check. A cooperation agreement has now also been concluded with the real estate portal „Immowelt“. Property exposés there now contain a link to BONIGO, so that a creditworthiness report for the potential landlord can be ordered directly.

A further service geared towards public awareness and transparency is formed by surveys on consumer over-indebtedness. The Schuldner Atlas (DebtorAtlas) functions as a regional and municipal tool which can contribute to the identification of problem zones and social flashpoints. Within the framework of the most recent edition of the SchuldnerAtlas, a trend survey was conducted among experts from German social welfare offices to investigate the phenomenon of „cross-generational over-indebtedness“. Altogether, more than 160 specialists from the social welfare offices of German municipalities participated. Around one million people in Germany are affected by cross-generational over-indebtedness – a further indication of the importance of creditworthiness reports for protecting both creditors and debtors.

Creditreform Rating goes international

Although the European financial market does not come to a halt at the continent's borders, it nevertheless – thanks to the shared currency, central bank, and a regulatory environment covering all the members of the monetary union – forms an independent financial region. Within this framework, Creditreform Rating has established itself as a European rating agency. The company is approved by the ECB and operates under an obligation to observe the ratings quality criteria of the European Securities and Markets Authority (ESMA). Ratings have been carried out in, for instance, Austria, France, Spain, Russia and the Benelux countries. Especially in demand in 2014 were issue ratings (covered bonds, asset based finance) and structured finance ratings. The company has registered substantial growth in the field of ratings for bonds in the institutional market. Above all, this includes fund-related solutions – in other words forms of investment which enable banks to outsource risks and give institutional investors access to the relevant investment opportunities. The underlying assets are frequently real estate, infrastructure financing arrangements or corporate loans. The study „Credit Funds as Alternative Investment Form“, which Creditreform Rating published in September 2014, depicts the development of the market and describes the relevant rating processes. Credit funds have a complex structure and this makes an analysis of the risks associated with any such investment a sophisticated



task. This, in turn, explains the demand for high-grade ratings. The services provided by Creditreform Rating are used, for example, by such institutions as pension schemes, pension funds and insurance companies.

The internationalisation of balance sheet rating – i.e. the application of the ECB-approved rating tool in different European countries and its calibration with respect to the specific features of these countries – has also been accomplished. Where the future is concerned, the agency regards the use of balance sheet rating as a rating tool, especially for the European market, as a field that promises flourishing business.

In Germany, too, though, the processing of balance sheet information has been evolving successfully, particularly in the spheres of supplier risk management and of credit decision-making for leasing and factoring companies. In the leasing sector, for instance, we have carried out projects involving the development of scorecards, with the leasing company's internal data being consolidated and processed together with balance sheet and commercial report data.

A number of commissioned studies highlight the fact that the agency's analytical competence is extremely well suited to providing an insight into market and regional structural data. For the East German Savings Banks Association (OSV), assessments of the potential offered by various business sectors were conducted on behalf of savings banks. These assessments make substantiated statements regarding market penetration and differentiate market potential according to A-, B- and C-customers, thus facilitating a meaningful and targeted way of addressing potential new customers.

In the study „Economic Momentum Bonn/Rhine-Sieg Region“, Creditreform Rating examined for instance the nature of this region's economic structure and the risk-profile revealed by different business sectors. This was a successful first step and the application to other regions and states is now in preparation.

Exporting is good – if the liquidity's right

Modular commercial reports of the kind already customary in Germany, with a depth of information corresponding to the risk horizon, will soon also be available for international business. Creditreform clients can choose between four types of reports, ranging from a „Wirtschaftsauskunft International“ (Commercial Report International) to a „Kurzauskunft“ (Brief Report) or an „Unternehmensinfo“ (Company Info, with master data on the relevant company). For clients, the new modular approach also helps to optimise costs.

Any members wanting to keep a close eye on changes affecting their international business partners can also opt for „Monitoring International“. In line with the commercial report sections, this covers 23 grounds for supplementary information. Exporters always receive an updated report, for instance, if there are any fundamental changes affecting business partners, or if their credit-standings assessment has to be amended. Especially in distant countries, the credit-worthiness of customers can shift very quickly without the supplier in Germany being aware of this.

As a partner of the Global Data Network (GDN), Creditreform will in future offer clients with international portfolios the benefits of a global database in which a uniform company identity number is laid down for all firms stored in the database. This unique identification of a business enterprise will make it easier to identify existing customers precisely and to check out structural links between companies. At the same time, GDN opens up new scope for sales activities while allowing credit management to recognise risk entities

within a corporate grouping and adapt payment and delivery terms accordingly.

Creditreform also offers professional debt collection support when a foreign business partner has not settled an invoice. In a situation like that, an exporter's own scope for action is quickly exhausted. But Creditreform collaborates with experts in the country concerned who know the language and are totally familiar with the business culture, the legal system and the specific local ways and means for the realisation of receivables. The collection order is carried out in the country where the debtor is based – but the process is managed centrally from Germany.

Judicial proceedings in connection with unpaid bills can be time-consuming and cost-intensive. Some legal systems are also alleged to harbour the risk of inefficiency or possibly even corruption. This is why Creditreform attaches maximum importance in international debt collection to reaching amicable and

rapid out-of-court solutions, such as repayment by instalments or agreed settlements. Before legal action is taken, the cost risk is calculated and the express consent of the creditor regarding the envisaged measures is obtained.

Just how important it is to consider the possibility of payment default when taking initial steps beyond the German borders is shown by the fact that every year German companies have to write off receivables worth a total of 60 billion euros. One delayed payment in every eight is already more than 60 days overdue. And this is despite the slight decline in the number of corporate insolvencies in Europe in 2014 and the more positive development of the economy as a whole.



Creditreform: Professional partner for secure business worldwide

Creditreform stands for business information, receivables management, marketing services, and systems and consulting. 129 independent business offices in Germany, organised in the umbrella association Verband der Vereine Creditreform e.V., serve around 126,000 member companies of all sizes and from all business sectors.

The spectrum on offer ranges from the creditworthiness-based selection and targeting of new customers and the provision of credit-standing data on business enterprises and private individuals through to complete system platforms for company-internal risk management and sophisticated receivables manage-

ment tools. Each single service, applied at the appropriate point in the customer relations chain, is aimed at preventing payment defaults or minimising their impact.

The extensive range provided in the field of business information comprises products to appraise the credit-standing of firms or consumers, and products offering data on business companies without a credit-status assessment. The business company credit-appraisal portfolio includes solutions to assist in credit decisions in the medium and high-risk area and also commercial report formats which facilitate swift credit-standing assessments in the low-risk sector. Then

there are also balance-sheet analyses with various depths of evaluation.

In the sphere of receivables management, Creditreform offers a full service for recovering outstanding moneys: from handling commercial dunning and accompanying judicial default summons proceedings through to the long-term monitoring of titled receivables. In addition, there are specialised offers such as buying-in receivables within the framework of factoring and the purchase of distressed debts.

In the field of marketing services, Creditreform provides solutions for updating existing stocks of addresses and appraising these with regard to the default risk. Another option on offer is the creditworthiness-based selecting and targeting of potential new customers.

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