



CREDITREFORM ANNUAL REPORT

2016 - 2017



CREDITREFORM
ANNUAL REPORT

2016 - 2017



CREDITREFORM
ANNUAL REPORT

2016 - 2017



CREDITREFORM
ANNUAL REPORT

2016 - 2017



Creditreform

	Page
FOREWORD	
Digital experience	4
CREDITREFORM COMMERCIAL REPORTS	
Never as valuable as now	5
CREDITREFORM DEBT COLLECTION	
Markt im Fokus – Digitalisierung	6
CREDITREFORM INTERNATIONAL	
Borders disappear – Risks remain	7
CREDITREFORM RATING	
Creditreform Rating with new line of business: Sovereign ratings	8
CREDITREFORM BONIVERSUM	
Boniversum stays on the fast track	9
IMPRINT	
Creditreform: Professional partner for secure business worldwide	10

DIGITAL EXPERIENCE

Between "digital-analogue converter" and "digital world", there are around 500 entries starting with the word digital in the German version of Wikipedia. And the articles themselves include countless more compounds containing that word. That is just another indicator of how important digitisation has become – in our day-to-day activities and in our working lives. And even though there are no entries headed "digital commercial reports" or "digital debt collection", our two core services are very much affected by the upheavals of digitisation.

Where electronic information delivery and debt collection are concerned, we have always been in the front line of development. As long ago as the 1980s, commercial reports were available from the database online via modem, while before the turn of the millennium, debt collection files were already available electronically, enabling creditors to check on a PC the status of any dunning proceedings. Nowadays, the information we provide is ready-to-handle in the risk management systems of our clients, customised in an electronic exchange to meet their individual controlling requirements. In this way, new commercial report formats and monitoring services have been developed – and are constantly being developed further – to adapt Big Data in creditor protection to meet the specific needs and requirements of each individual member. With the electronic integration of our balance-sheet database, the Accounts Receivable Register Germany, information from debtors' lists and insolvency registers as well as many other databases, we are creating not only a whole new range of products but also a density and security of information that is unique in the field of safeguarding creditors. That market leadership fuels further growth: in fiscal 2016, international turn-over reached EUR 563.0 million (2015: EUR 547.8 million), while revenues in Germany rose to EUR 498.7 million (2015: EUR 484.7 million).

Parallel to the advance of digitisation, we consider it crucial to go on extending and evolving the experience and expertise of our employees and integrating this into our processes. The credit verdict, the ultimate assessment of creditworthiness in a commercial report, is delivered by an employee. Is it worth launching a collection procedure? What is the most promising course of action? These are also matters decided by our staff

– in consultation with you. At 129 Creditreform locations in Germany alone, we conduct close-to-the-market research. Our own observations and our personal communication with those we deal with in our reports give us detailed knowledge of business enterprises. Research involves more than web-crawling. The current discussion about "fake news" in a "post-factual world" shows how important it is for people to be able to rely on information obtained via the Internet and to understand the background to the opinions and assessments obtained via Twitter or websites.



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

For Creditreform, communication with our members is important – whether this take place face-to-face or via new digital channels. To develop that dialogue further, we will this year unveil a new online portal – one that is not technology-driven but target-group-oriented and thus more personalised. It will give members greater scope to create an individual profile in connection with our services. They can then be offered additional services aligned to their needs

and wishes, and they will be able, for instance, to update their self-appraisals electronically. For us, the launch will be followed by a learning phase, with a two-way exchange: we will see what is well received, what goes down well and what does not, and that will enable us to adapt the new and dynamic Creditreform portal on an ongoing basis.

Our services, business information and debt collection activities – and all the complementary offerings clustered around them – require trust and a sense of closeness. Both are traditionally shaped by membership and geographical proximity. Now and in the future, they will also be created by the opportunities for dialogue in the digital world.

Yours

NEVER AS VALUABLE AS NOW

The most recent survey of German SMEs conducted by the Creditreform Economic Research Unit presents a highly positive picture. Business is booming, company order books are full. One third of all firms in the crafts sector report growing revenues, while over half are maintaining their turnover at a steady high level. Payment conduct among customers has also improved – over 90 % of the firms surveyed say that their invoices are settled within 30 days. Together, these factors might make risk-provisioning by means of business information products appear unnecessary. But is that really the case? Is it really no longer necessary to check out a customer's credit-worthiness?

The facts of the matter are that in economically secure times, quite a few firms will be in a better position to cope with losses or payment defaults. But why should they? Every single unpaid bill is one too many, every payment default calls for additional sales to keep profits stable. And so Creditreform commercial reports continue to flourish, as indicated by the growing numbers of reports issued. After all, before any goods are sold, the question of the customer's credit-worthiness arises – and this is something that the increasing digitisation of sales channels hasn't changed. Quite the opposite, in fact: this makes transactions even more anonymous and extends trade credit into the consumer sector, too.

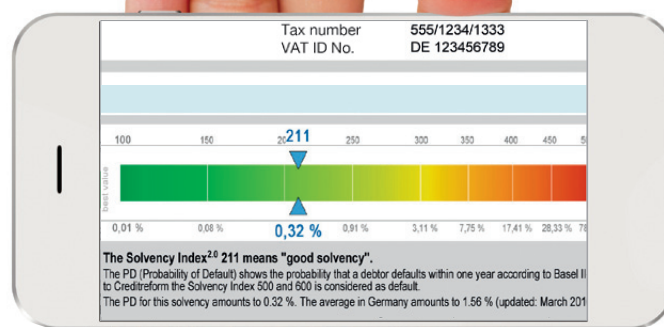
Against this background, Creditreform offers online merchants a comprehensive solution for payment processing: CrefoPay. This not only helps to reduce the number of aborted purchases and payment defaults, but also helps to cut costs. With the objective of maximising revenues while at the same time protecting traders from bad debts, the risk involved in any transaction is checked and evaluated by means of a multi-stage procedure. Depending on the result this produces, the buyer is automatically taken to a dynamic payment page which offers the appropriate payment methods. Coupled with this is professional accounts receivable management with integrated dunning.

In 2017, following the insolvency of the British firm of UPG, Creditreform took over its activities in Germany and acquired all the shares in the former parent company, UPG Technology GmbH, Berlin, which had not been affected by

the insolvency. UPG Germany remains an important partner in the onward development of CrefoPay – but is now funded by Creditreform and under its sole management.

But it is not just in e-commerce that the full spectrum of Creditreform business information products – from compact data to premium commercial reports – offer integration in customer sales and controlling processes. What sizeable, expansion-oriented Creditreform clients need is not so much a standard solution as individualised interfacing with their risk management in credit-standing appraisals. Every year, the Creditreform Customer and Partner Management team carries out a large number of interfacing projects. Most of these projects take only a few months, frequently within the framework of a made-to-measure development for the particular client. As a result of the increasing digitisation of business processes at customers and partners, and the corresponding multiplier effects following implementation, the Creditreform specialists are familiar with the systems that clients use and can thus tailor their offers precisely. Of special interest in this regard are CRM, ERP, accounting, and CMS systems. Systematic questioning identifies the relevant information on the client's processes and this is then stored in our own customer management system. And although even experienced Creditreform advisers can find it difficult to maintain an overview of all products and their applications, focusing on particular fields of business enables us to offer pragmatic and efficient solutions.

It takes just a look at the fields of e-commerce or fintech to highlight the fact that even in times of a favourable economic climate and improved liquidity, it is clear that commercial reports and credit-checking are not only not superfluous – they are in fact even more crucial than before. And, thanks to new ideas on connectivity, they now also offer greater convenience and ease of use.



MARKET IN FOCUS – DIGITISATION

Creditreform debt collection – our second pillar of creditor protection alongside commercial reports – continued to exhibit a good business performance in 2016. Revenues increased in all fields of Creditreform accounts receivable management, from traditional debt collection to debt purchasing, and from our domestic to our international activities. Creditreform thus continues to play a leading role in Germany and Europe when it comes to ensuring the payment of unsettled bills.



With state-of-the-art IT systems and the corresponding infrastructure, our activities as service-provider for a diverse range of business sectors were intensified in 2015 and 2016. With the connection to sectoral customer systems, Creditreform services can be utilised simply, securely and as integral components within the customer

application. The benefits this creates in the efficient shaping of customer processes, and thus the reduction of the customer- and creditor-related costs, set our offerings apart from the traditional software solutions available in the market. And we always tailor what we offer to the specific requirements of the sector concerned, from energy supply, e-commerce, health-care, manufacturing and retail to logistics and transport, including local public transport services. Our offerings are not confined to classical fiduciary debt collection but provide process solutions for the entire lifetime of a monetary claim – from the moment it first arises to the moment it is settled.

In all this, emphasis is also placed on communication with Creditreform members. On our digital agenda, 2016 brought the energetic development of the new customer portal. The new Creditreform web portal will offer clients – not just in the field of accounts receivable management – access to a new

personalizable Creditreform world. The self-services on offer – for instance for staff and authorization administration, the storing and modification of contact data, an overview of the services already called up, and process solutions – enable members to draw at any time on the entire spectrum of what the Creditreform Group can provide. The development of this portal reflects the stringent demands made on IT security and compliance: it meets the highest standards of IT safety and availability requirements. The launch will take place in the second half of 2017.

Even though Creditreform is taking over the leading role in the digitisation of receivables management, a key principle of our corporate strategy is closeness to the market and to our customers. Thanks to over 129 business offices in Germany alone, Creditreform is always present as a personal business partner. And this local and regional presence is an important factor in our successful debt collection efforts. Closeness to debtors means that open claims can be clarified in on-site discussions – and unsettled invoices can be paid on the spot. Our debt collection field service experts are often able to clarify claims with the individual debtor at an early stage in proceedings and thus avoid the high costs associated with obtaining a legal title and subsequent judicial enforcement.

A double-digit increase in international debt collection orders in 2016 testifies to our effectiveness in this field and underlines our top status in any international comparison. The inclusion of further partners in our cross-border network is helping to extend the availability of Creditreform services to virtually all the countries in the world. The coordination, management and monitoring of debt recovery cases is always in the hands of Creditreform's international debt collection department.

Rounding off our receivables management services is factoring. As a nationally leading operator, Crefo Factoring is much in demand. It handles over a million claims a year for retail, light industrial and service firms, involving around 500,000 customer accounts and a volume of about 1.8 bn euros.

Those are some facts and figures for 2016, and in view of the digital agenda we are energetically pursuing, they present positive prospects for 2017 and beyond.

BORDERS DISAPPEAR – RISKS REMAIN

Germany is and remains an export nation – despite the fact that this country's substantial foreign trade surplus attracts criticism from neighbours near and further away, and despite the increasing protectionist tendencies seeking to restrict free trade. A world without the exchange of goods across borders would become poorer. It is not just big industry that opens up markets abroad – Germany's small and medium-sized firms also leave borders behind them and export their products. But that is not an easy path. After all, it holds not just many opportunities but also risks. Especially in respect of payment conduct and the debt recovery regulations of the individual legal systems, there are considerable differences from German law even in regions that are quite close to us.

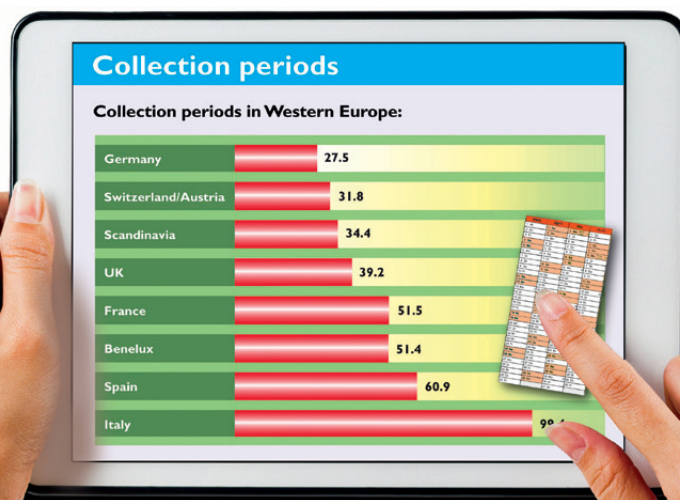
A Creditreform commercial report is the method of choice when it comes to obtaining information on a business partner in another country. We attached great importance to ensuring that our international reports conform to those in Germany, particularly regarding the breadth and reliability of the information provided. This is a sign that in its worldwide activities, too, Creditreform remains loyal to the principle of de-centrality. That is why we foster cooperation with comparable operators elsewhere offering competence and market closeness. Links of this kind call for ongoing quality control and monitoring, to ensure that the standards which Creditreform sets in Germany are met and secured elsewhere as well. In Central and Eastern Europe, Creditreform itself has been active since the fall of the former borders, and it operates in China, too. Altogether, we are located in 23 countries.

Adhering to German standards also means that international business information products must cover the same spectrum

as in this country, offering the various report formats and monitoring solutions that customers here are familiar with. This extends from compact infos (Unternehmensinfo Kompakt) to full commercial reports. With this extensive range, the products cover an exporter's risk situation and information requirements. If the risk is only minor, a business information product providing company structural data and sectoral facts is sufficient. If the demands are more stringent, an international commercial report is needed, giving a triple-digit credit-standing index figure and, among other things, financial data from a three-year period. Rounding off this product profile are monitoring services, which are also available in line with the specific risk horizon. Corresponding to the report's information fields, the follow-up specifications create scope for the permanent monitoring of customers and suppliers abroad.

And should something ever go wrong, producing an unpaid invoice and a customer who has become a debtor, our international debt collection specialists can help. Here, too, our services are aligned to the individual case. This starts with our International Dunning Service and extends to the recovery of titled claims. In this way, language barriers and differing legislative systems and unfamiliar judicial proceedings can be overcome.

Looking beyond borders for sales opportunities can be a good and profitable idea, but the risks remain. A recent survey of the payment conduct of companies in major customer countries reveals that only rarely are the collection periods standard in Germany found elsewhere: on average in Europe, it takes around 55 days before invoices are settled – and that is almost twice as long as the average in Germany.



CREDITREFORM RATING WITH NEW LINE OF BUSINESS: SOVEREIGN RATINGS

Up to now, Creditreform Rating has focused largely on rating business companies and their public offerings, performing asset-backed finance ratings for various asset classes and producing structured finance ratings. Last year, this spectrum was significantly broadened. Alongside bank ratings, one prime new field comprises sovereign ratings. This puts Creditreform Rating in a league with the three major American rating agencies. Sovereign ratings represent a global tool for comparing and assessing the creditworthiness of a country and its level of development.

Sovereign ratings – which rate sovereign bond issuers – must not be confused with country risk ratings, which are based on the business environment and the borrower in the country concerned. A sovereign rating is an assessment of the bond-issuer's capacity to meet its financial obligations in full and on time.

Creditreform Rating also rates sovereign financial liabilities or debt instruments denominated in foreign or national currencies. The ratings of government bonds rarely differ from the issuer's rating because they are mostly senior unsecured bonds redeemable by a sovereign entity.

Sovereign analysis takes account of numerous quantitative and qualitative indicators. Creditreform Rating has developed a sovereign rating model that provides an analytical framework for quantitative and qualitative analysis.

The basis for the model is formed by four risk factors: foreign exposure, macroeconomic performance, fiscal sustainability and institutional structure. In applying it, the analysts employ a statistical approach that produces a score for each individual risk factor derived from the summarized results of a wide range of quantitative and qualitative indicators. The model also takes account of country-specific influencing factors.

The risk situation assessments are based on both historical data and the future development of the indicators used. This forecasting takes account of the fact that any rating assessment is a tool for the future. A through-the-cycle approach is thus adopted.

Risk factor analysis is largely based on quantitative features. However, the influence of qualitative indicators on the rating should also not be underestimated. In many cases, qualitative data analysis can be crucial for a rating. The special status of a sovereign bond-issuer visà-vis other borrowers plays a role here. A government has special rights and powers. It also has greater scope for action, e.g. through monetary and fiscal policy.

Since July 2016, Creditreform Rating has assessed a total of 24 sovereign entities: the 19 eurozone members plus the USA, China, Sweden, Denmark and Poland. The ratings were well received by the national authorities, although subsequent responses differed. Some finance ministries merely confirmed receipt of the rating report, others contacted Creditreform Rating with requests to exchange expertise.

In delivering sovereign ratings, Creditreform Rating has entered the domain of the three major North American rating agencies, thus contributing to a greater diversity of opinion. But there are more new rating activities under development. In 2017, Creditreform Rating also plans to take up covered bond rating.



BONIVERSUM STAYS ON THE FAST TRACK

"So viel ist sicher" ("This much is certain") – is the new Boniversum claim featured on its revamped website since the end of 2016. What is definitely also certain is Boniversum's ongoing positive business development. The strong and stable upward trend evident in 2015 has continued – and the outlook remains bright.

Consumer enthusiasm in Germany brought Boniversum a very successful year in 2016. The big online discounts offered in November on "Black Friday" and "Cyber Monday" mass-mobilised shoppers and produced the busiest and best sales month in Boniversum history. But the other months of the year were also very satisfactory. The number of inquiries received in 2016 increased by 16 % against the prior year. The company's growth continues to be driven by its e-commerce competence. Inquiries here grew more sharply than the ecommerce market itself. The strategic realignment of sales activities towards solution sales with a sectoral focus has also started achieving successes.

Energy suppliers, banks, fintech companies and insurers were defined as strategic targets for more growth. 2016 already produced many new clients in the energy sector. And since consumers are increasingly willing to switch between energy suppliers, the market potential for the future is substantial.

2016 saw significant investment in new technologies and products. Alongside the onward development of scoring products, the extension of the anti-fraud ID product line proved highly popular. In 2017, Boniversum will unveil more new products designed to meet sector-specific market requirements.

Further development and stabilisation measures for older systems also proceeded on schedule. The adjustments and improvements made by September 2016 guaranteed the performance required for Christmas business – a good and sound basis for the redevelopment and replacement of the company's business information agency software, which Boniversum will start in 2017.

Modern, transparent and dependable – three qualities that sum up Boniversum and which need to be communicated externally through its market presence. The company website has been completely redesigned – technically, conceptually and visually. Clear and modern with a high recall value and an optimised user-friendly interface, it now focuses more sharply on the individual business sectors. The visitor receives extensive information on companies, products and the end-to-end integrated solutions portfolio that Boniversum offers in conjunction with the other members of the Creditreform Group. All other business and marketing materials have also been

modernised and conceptually optimised, so that Boniversum started 2017 with a fresh and up-to-date look.

High on the Boniversum agenda is the desire to promote a more positive public perception of creditworthiness. So the website now features a section specifically designed for consumers: Bonipedia. In it, private individuals find easy-to-understand information on creditworthiness, scoring and data protection. The content will be continuously developed and enhanced.

In addition, access to self-appraisals has been made easier, and thanks to cooperation with fintech companies, important groundwork has been laid for digitising processes.

In its studies and publications, Boniversum will in future place greater attention on matters of public interest. The publication SchuldnerKlima-Index (Debtor Climate Index) was discontinued after the winter 2016 issue. Instead, Boniversum will focus on consumer surveys on topical issues that affect society, business and politics and are relevant for the sectors in which Boniversum clients operate. The intention is to generate even more positive media interest and create new scope for sales.

Outlook: All signs point to growth. Further products are in the pipeline and the modernisation of IT systems will make it possible for the company to get new products to market faster.



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 management 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 creditworthiness 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.

Joint Board::

Dipl.-Kfm. Christian Wolfram, Duisburg (President)
 Ingolf Dorff, Herford & Minden (Vice-President)
 Dipl.-Kfm. Thomas Schurk, Aschaffenburg (Vice-President)
 Michael Bolte, Oldenburg
 Stephan Brodmerkel, Koblenz
 Dipl.-Kfm. Stefan Langenfeld, Bad Kreuznach
 Attorney Sebastian Schlegel, Kassel

Management Verband der Vereine Creditreform e. V.:

Attorney Volker Ulbricht (Senior Managing Director)
 Dipl.-Inf. Bernd Bütow
 Dr. Hans-Jürgen Walbrück

 Verband der Vereine Creditreform e. V.
 Hellersbergstr. 12, 41460 Neuss
 Telephone (02131) 109-0
 Telefax (02131) 109-8000
 E-mail kontakt@creditreform.de
 www.creditreform.de



Creditreform