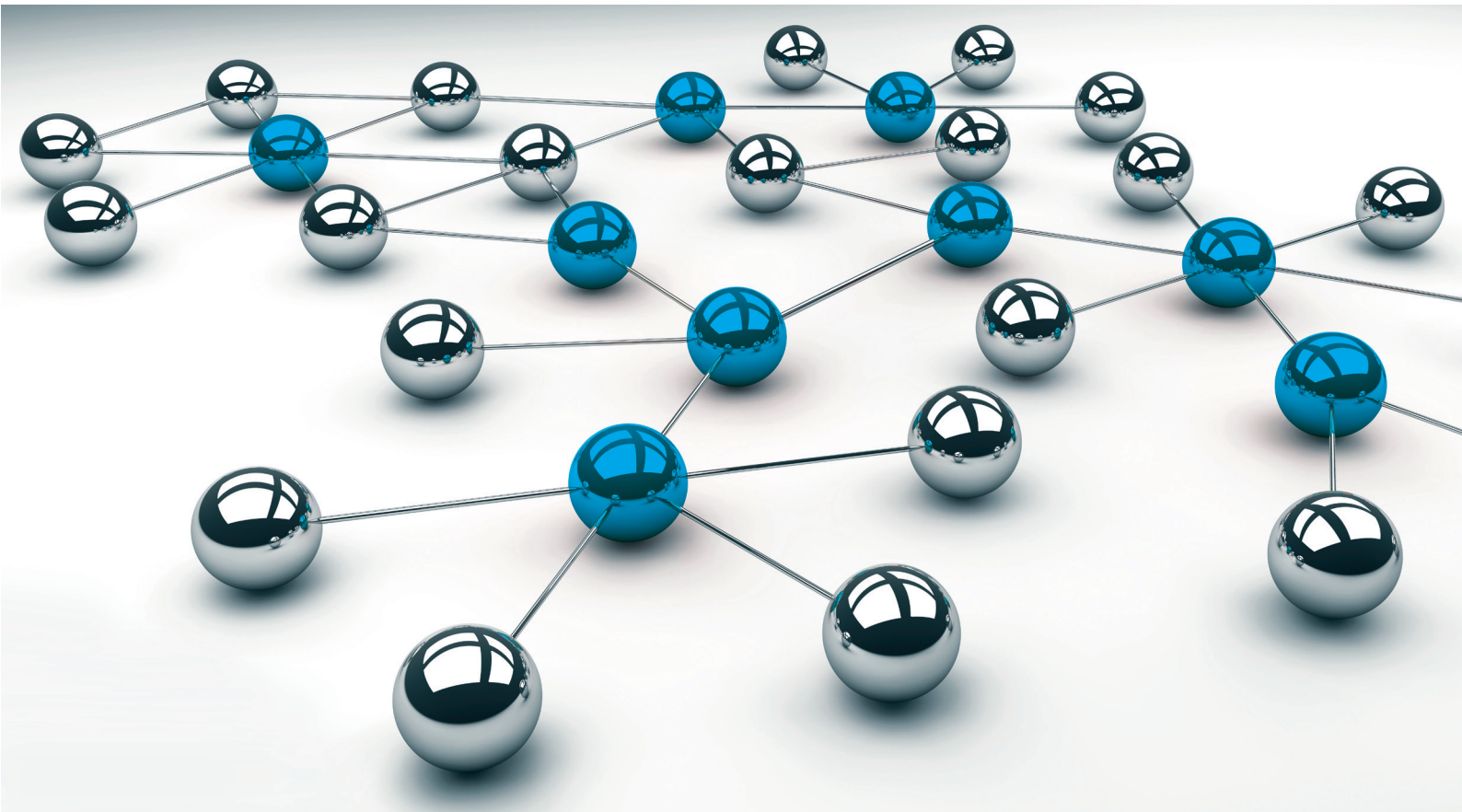


Annual Report

2017 / 2018



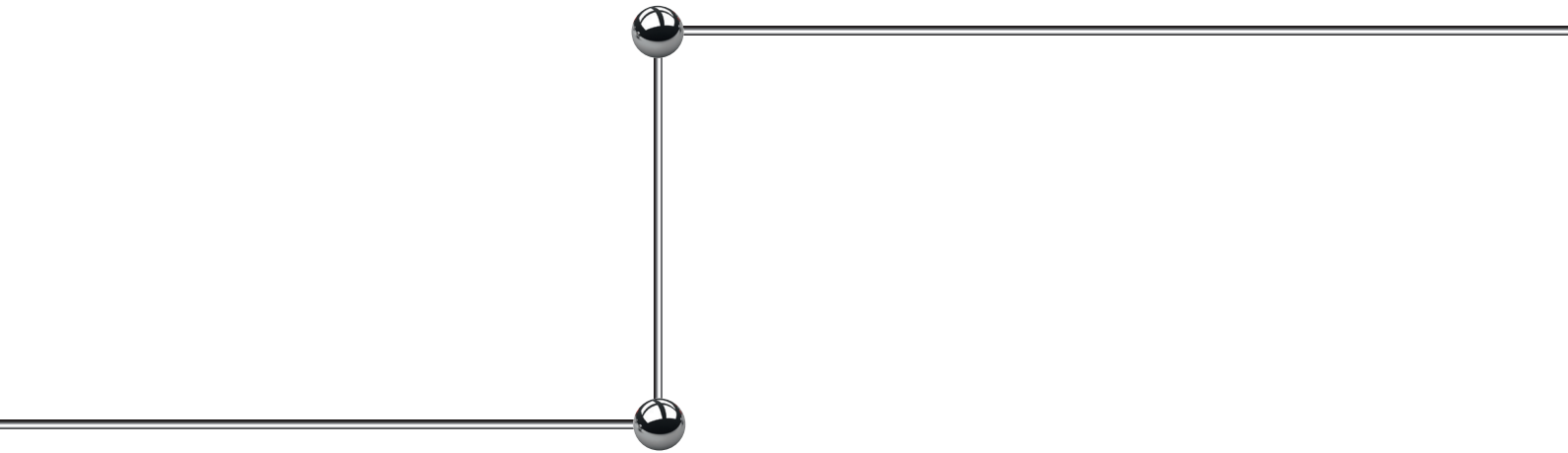


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FOREWORD

The whole world of data

Our regular surveys of small and medium-sized enterprises make it clear: although the Internet is used first and foremost for communication and self-presentation, almost 80 percent of SMEs use it for purchasing goods and services, and one quarter of them use it for selling – which here does not mean e-commerce in the narrower sense of the term. The figures apply across business sectors. They show how disruptive the new digital world is. Firms no longer order from wholesalers but directly from manufacturers. Financing is carried out via electronic platforms rather than through traditional across-the-counter bank loans. Intermediation steps are omitted, purchasing and ordering processes are simultaneously individualised, automated and accelerated. Credit management is called for.

And so we launched "My Creditreform". Particularly for members who do not use our services so frequently, customised dashboards provide access to commercial reports and monitoring. This is also where overdue invoices can be uploaded, and the current status of a debt collection procedure can be called up. Of course, the many connections via interfaces of the kind used by large-scale customers are retained.

Crefo WebServices collaborates with 60 solution partners, over 500 applications are possible, and last year this led to 65 million hits. Digitalisation has not put us on the defensive; instead, it has opened up new opportunities for you and us in our cooperation. This has also been reflected in our turnover figures. In fiscal 2017, we generated turnover of EUR 514.7 million in Germany, a year-on-year increase of 3.1 percent (2016: EUR 499.0 million). The European network of Creditreform International registered EUR 582.0 million, also 3.1 percent up on the prior year (2016: EUR 564.5 million).

Digitalisation is changing not only business processes but also entire business models. And for us it is important to keep an eye on both sides, not only taking these changes into consideration for our almost 130,000 members and customers, but also shaping our spectrum to anticipate their wishes and expectations. What does digital transformation mean for Creditreform? The crucial factor is that all Creditreform offerings are digitally networked and that your credit and risk management can access them at any time. After all, our customers' customers expect any order to be processed immediately. Credit management must be in a position to make a decision directly at the point of sale. In addition, we



provide balance sheet data and ratings, information to counter money laundering and data for marketing purposes.

Digitalisation also opens up new perspectives for debt collection. Artificial intelligence makes the measures employed in receivables management not only more efficient, but also more effective. The traditional interplay of commercial reports and debt collection provides new possibilities because the information on the debtor enables the right tools to be selected for the realisation of distressed claims. This already determines the communication path: reminders to young debtors, for example, can be sent to the smartphone. Artificial intelligence can customise the process of addressing the actual situation: it selects text modules aligned in tone and style to maintaining the dialogue with the debtor and producing a satisfactory result. In this way, volume collection is individualised; after all, not only each creditor but also each debtor is different.

For e-commerce, we have created CrefoPay; this is a solution which, with its integrated credit assessment – and scope for a transfer to debt collection – is all the more important for online merchants because purchasing on account is still the



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

most popular form of payment. Studies have made it clear that the abort rate on the way to the electronic cash register is much lower if the customer has the option of paying on account. This applies equally to B2C and B2B trading. Of course, though, CrefoPay also enables all other types of payment, too.

For us, data protection and data security at the highest level come naturally. After all, we have always had to deal with sensitive data when assessing creditworthiness and collecting receivables. So the introduction of European data protection legislation in May did not present us with any new challenges in terms of what information we store and or who we communicate it to. We see the opportunities that Big Data offers for modern credit management; this is becoming even safer because, in combination with intelligent analysis and fast communication, the quantity of relevant information is increasing. The digital future has already begun – come with us as members as we head together along this path.

Yours

Digitalisation means individualisation

The Internet provides scope for individualising customer requirements and wishes to a completely new degree. It is no longer a matter of just a product or service with a few variants ready to be called up online; instead, users draw on a modular offering that enables them to configure exactly what they need. This is a demand that Creditreform is also geared to meeting. The new portal "My Creditreform" provides a convenient, low-threshold entry into the Creditreform world. The interactive platform thus becomes a central pathway

for all user groups – not only for members – to our spectrum of services.

Since the first version – "My Creditreform" is being steadily and flexibly developed further – members benefit from an intuitive user interface, a simplified log-in, an expansion of self-care functionalities and above all individual dashboards. These permit customised constellations using widgets, i.e. small symbols that lead directly into the special applications. In the area of business information and credit appraisal, for example, it can be a matter of directly accessing the most important business partners. Via a link created on the start page, the user leaps straight to the right place.

One of the new central features is the Watchlist. This can contain up to one hundred companies, and any changes can be observed free of charge. As soon as a signal is received, for instance regarding an address or a creditworthiness factor, the member is notified. The Watchlist is always present in the search processes: companies can be added to the Watchlist directly from the hit list and from the company details page. All Watchlist orders are entered in an overview with sorting option, which also records the creation date and the last notification.

Users are informed about new messages in their personal inbox. The search for companies is also simplified. In a manner familiar from Google, "Smart Sign-up" provides a new search that automatically completes the search-field during data entry and suggests names.

That pronoun "My" is more than just a fashionable attribute; it highlights completely individualised admittance to the entire Creditreform world. This is something that becomes clear with some further functionalities. This starts with the simple registration, when "Single Sign-on" is used to connect to all offerings – including the consumer data-base, for instance. In future, users will have fast access to all news via "My Inbox". News means current information on existing processes in the areas of debt collection and commercial reports. Also new is the "Vorgänge" ("Processes") area, which replaces the concept of filing. Processes are archived centrally and permanently: old information products and

Creditreform combined with ease of use and is already receiving a lot of praise.

For larger companies, such as banks, which are faced with ever-stricter regulation in their business transactions because of compliance requirements, Creditreform also provides appropriate solutions. The legislator has decreed that credit institutions must first combine legally or economically independent borrowers into a single entity. The idea behind these "borrower units" is to prevent the sum of million-euro-scale loans from bringing the affected credit institution into distress in the case of a default. Borrower units can, for example, be joint ventures or involve equity investments – interdependencies which often lack transparency. Due to the large number of interdependency enquiries, especially in the course of regular monitoring, it was necessary to create an ever more differentiated solution for credit institutions that are linked in each case.

Among Creditreform's 127,000 member companies are small businesses as well as



supplements, and current and completed collection procedures, can all be viewed.

Something important in the business information area is maintaining and updating one's own profile in the new central "My Profile" area. Here, users can view and edit their personal master data and those of their company. In this way, self-reports remain up-to-date and internally approved.

The successful launch of "My Creditreform" has sparked genuine enthusiasm. Especially for the many different small and medium-sized firms that characterise Germany's corporate landscape, it creates convenient digital access to

international groups. Digitalisation offers the possibility of making our broad knowledge of business information and creditworthiness appraisal available to all business enterprises on an individualised basis.

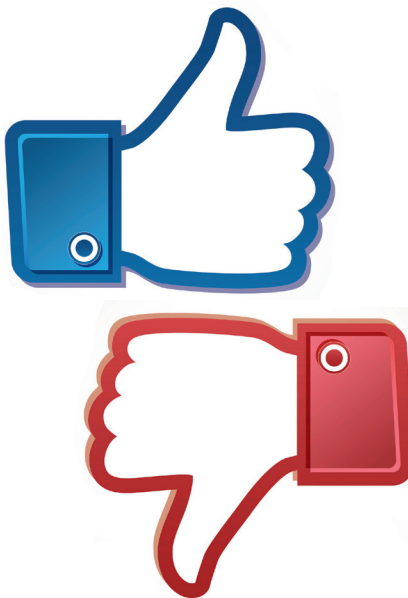


More invoices – more money outstanding

In 2017, there was a renewed improvement in payment conduct. And although the first months of 2018 produced slight signs of a slowdown in this respect, the trend looks set to continue (for the time being?). It is therefore somewhat surprising that in the past financial year Creditreform Debt Collection recorded further growth in turnover and orders. The number of collection orders placed increased by around 6.5 percent and the volume of receivables processed by 5.7 percent. The decisive factor for this success – in addition to our competitive edge - is something which is probably also the reason for the shorter collection periods: the good economic situation. This is because the booming economy is making more money available for faster payment, and it is also resulting in more business transactions and higher sales revenues, and in a greater volume to be shouldered in credit management. Payment delays may have shortened a little and the actual number of bad debts may have decreased slightly, but the bottom line is that the sums involved – of those invoices that are paid too late or not at all – have grown bigger:

That is something acknowledged by those responsible for receivables management, and so they make use of an external partner to provide debt collection which is tailored perfectly to the orientation of the creditor and client. Creditreform offers the right solutions for the volume collection required by large merchants, for public utilities or financial service providers, but also for small firms with fewer case numbers. A specific solution not only needs to be developed for a major customer, but there must also be the capability to meet the individual requirements of smaller businesses. For this target group, too, the new Creditreform portal "My Creditreform" has created new ways in debt collection.

The aim is to keep the threshold for the collection order low, to avoid unnecessary paperwork. Just take a photo of the overdue invoice, upload it and send it off: this means that a collection order can be submitted in just a few seconds. Website users do not like long, confusing forms. Our application form offers easy entry because it provides clear separation between mandatory fields and optional information, and only displays fields when they are required (as much as necessary,



as little as possible). Finally, the file can be uploaded using drag & drop.

In addition, "My Creditreform" offers the highest degree of transparency in viewing and managing ongoing collection procedures through possible widgets. These provide a quick overview for the user, ensure the personalised design of the start page and enable direct access to the collection activities. Here the creditor can immediately see what has already been done in each specific collection case, what the overall state of affairs is in the ongoing proceedings, or what amounts have already been realised. For debt collection orders, the status of the procedure and any need for action can be seen at a glance. With the timeline, the individual measures can be traced precisely. A mouse click takes the user to the detailed view of a file.

It contains incoming and outgoing correspondence, telephone conversations with the debtor or returns.

The ongoing dialogue between Creditreform and the creditor is crucial. And communication is no one-way street: from the portal, the customer has the possibility of sending messages regarding the case to his particular Creditreform business office, such as subsequently submitted partial claims, documents or payments, but also simple notifications. Although the aim is to keep things simple through digitalisation, it remains important to furnish as much information as possible – also in the further course of the management of a distressed claim. This information is decisive for the success of debt collection.

In the future, facts and figures about the debtor will play an even greater role. Creditreform is working on ways to precisely adapt the tonality and style of its approach to each individual debtor. The specific medium used will also play a key role. Some debtors are more likely to be reached via a smartphone, others traditionally via a letter; yet others via a landline telephone. Artificial intelligence, based on a large amount of data, will not replace the work of an experienced debt collection specialist employee, but will be able to complement it sensibly.

Best result in company history – 20 years of Boniversum

Boniversum is one of the most innovative companies in Germany. This was the finding of an independent survey conducted by brand eins and Statista. In the category "Process Innovations", the company performed very successfully. Also highly pleasing were our year-end figures. The strong, steady upward trend of 2016 continued in 2017. Year-on-year, the number of enquiries increased by two million. This growth enabled the company to generate its best annual result in its 20-year history.

20 years in the information business gave Boniversum – originally founded as CEG – every reason to celebrate. And we did so with colleagues, partners, supporters and customers in a festive and entertaining setting. After starting with just four employees, Boniversum has become an agile company with a staff of over 80 – on a rising curve.

On the agenda in 2017 were important technical innovations and the expansion of the product range. Decisions have been made to revamp the existing information software and to renew the search logic. Switching to ultra-modern systems offers not only a significant improvement in performance, but also new possibilities in terms of internationalisation. In the future, it will also be possible to enquire about foreign addresses in the software. The move to integrate a decision engine as "Software as a Service" was a future-oriented step for the company. The Boniversum CUBE platform is a fully automated and dynamic solution for process control and decision-making. It combines the advantages of an independent multi-information interface with scalable risk management software and can be used in both the B2C and B2B sectors. The solution thus represents a significant milestone in the expansion of the Boniversum service chain.

In the period under review, Boniversum was able to acquire major well-known new customers from the retail, tourism and financial services sectors. The e-commerce sector remains the growth driver. However, the energy and insurance sectors also offer great potential. New contracts concluded with leading providers from both segments encourage Boniversum to continue to focus particularly on these sectors. The subject of digitalisation is playing an increasingly important role, especially among insurers. In particular, the topic of "identification" has come into the foreground, and the first insurance-specific products are now available.

In many areas, Boniversum faces increasingly complex documentation requirements, and in the medium term the only way of providing full evidence of the relevant capabilities is by means of appropriate ISO certifications. In 2017, a project team began implementing certification according to DIN ISO 27001 and realising the requirements of the new EU General Data Protection Regulation.

Boniversum, together with its associated companies DIGITALRAUM and microm, was present at the dmexco in Cologne, the largest and most important trade fair for the digital economy and e-commerce. The trade fair team used the two days to make new contacts. Renewed participation in the FRAUDMANAGEMENTforBANKS banking congress also proved to be a worthwhile investment for Boniversum. The increasing number of cyber-attacks against credit institutions made "cybercrime" the main topic of the congress. In addition, solutions for machine learning and artificial intelligence in fraud prevention were central topics. In this context, the company presented its tailor-made solutions in the field of anti-fraud management to the many congress participants. The first projects to

integrate artificial intelligence have already been launched.

The publication of study findings on industry-relevant trend concerns stepped up press response. The consumer study "Car Banks and Mobility Service Providers" attracted lively interest. In addition, the guest article "Die angegriffene Mitte" ("The centre under attack") in the annually published SchuldnerAtlas (Debtor Atlas) offered an exciting special topic.

Outlook: The groundwork has been laid for implementing the EU General Data Protection Regulation. This will be the focus of customer dialogue. A central issue will be the establishment and further development of the decision platform CUBE, with which Boniversum will advance its overriding goal of becoming "a cross-sector system solution provider in the field of digitalisation".



CREDITREFORM RATING

From CRAS to Fort-Docs - Creditreform Rating in the age of digitalisation

Last year Creditreform Rating was able to report on the expansion of its business fields, as evidenced particularly in the preparation of sovereign and bank ratings. Since the end of last year, the company has also – as previously announced – been carrying out ratings of covered bonds. The rating of Pfandbriefe and similarly structured covered bonds involves quantitative and qualitative analysis methods. The basis of the rating procedure is an analysis of the issuer. Setting out from this, the legal framework and the structure of the issue are considered. The liquidity and refinancing risks of the transaction are analysed, and so, too, are the quality of the cover pool and the underlying collateral. In addition, Creditreform Rating also prepares ratings for parts of a portfolio of a large insurance company.

Under insurance supervisory law (Solvency II), the solvency capital ratio is calculated, inter alia on the basis of the ratings of the investments. Investments without ratings must be highly secured, even if the investment has supposedly good creditworthiness. In order to improve the solvency capital ratio, ratings of Pfandbriefe, banks and companies are carried out. For the insurance company, this releases new capital, which can be used for reinvestments.

Another service for investors is provided by the MyRatings function on the newly designed Creditreform Rating website. Institutional investor debt ratings are for the most part not published on the Internet and are therefore not presented on the Creditreform Rating website. However, ratings that are not public on the Internet can be aligned to selected users/investors. Registered users can create a table with their ratings in the MyRatings area. The ratings and the rating report are

assigned by Creditreform Rating. Users themselves can add ratings publicly displayed on the homepage to their table.

Other innovations that will be made available by Creditreform Rating from summer onwards are CRAS (Country Risk Assessment Score) and FortDocs, the online portal for submitting annual financial statements.

The CRAS is based on Creditreform Rating's sovereign rating methodology and has global coverage (190 countries). The score reflects risks for companies in foreign business and relates to the business environment in a particular country. The CRAS thus makes the country risk of a national economy measurable. Country risk is here defined as the risk that a company in a specific country will not or cannot meet its financial obligations in full and on time. The country risk is calculated on the basis of the economic conditions assessed as significant for companies and other private actors. The CRAS is based on the factors "macroeconomic performance" and "institutional

structures", whose parameters are weighted equally. Creditreform Rating uses a statistical approach in which a score is determined for the CRAS factors. In this, Creditreform Rating draws on a wide range of quantitative and qualitative indicators and consolidates these in the individual risk factors. In addition, other relevant economic parameters are mapped for a quick overview of the specific country. The results are displayed in a one-pager and can also be transmitted electronically. The data is updated twice a year.

FortDocs is an online portal for the submission of annual financial statements and thus a further component in our relevant full-service offering. With it, Creditreform Rating provides institutions and companies (balance sheet users) with a submission tool for annual financial statements. The portal offers companies with balance sheet accounting (balance sheet submitters) the possibility of uploading and evaluating their annual financial statements as a PDF



document at a central location. Alternatively, the annual financial statements can be photographed by smartphone. The annual financial statements submitted via FortDocs are then registered by Creditreform Rating in line with the required classification features and given the desired structure. The balance sheet submitter receives a free brief analysis of his balance sheet creditworthiness and the option of transferring the annual financial statements to a specific balance sheet specialist. Beyond that, the new FortDocs portal is to be offered to the individual Creditreform business offices to provide a preliminary examination in order to support the marketing of CrefoZert.

With the redesign of the website and the associated new functions such as the Webshop and the MyRatings function, and the development of the FortDocs online portal, Creditreform Rating is taking advantage of the benefits of digitalisation and offering customers and investors even more added value.

Reacting safely and swiftly in international business

It is not only in Germany that the economy is booming. Europe generally is flourishing, and the global economy is also looking brighter. Although some initial signs of fatigue became evident in the spring of 2018, for the time being the economic outlook remains bright. At the same time, though, there is a danger that numerous factors that can generate structural risks in international trade may be overlooked or forgotten. In Europe, the impact of Brexit still looms, while differences of opinion on key issues in the European Union are accelerating centrifugal forces. "Trumponomics" creates fears of trade wars and customs barriers – a fatal prospect especially for Germany as an export nation.

For small and medium-sized enterprises in Europe, however, framework conditions are currently not so pressing a

matter as the stability of trading partners – be they suppliers or customers – in cross-border business transactions. As always, it is vital to be informed quickly and securely.

With its "Digitalisation International" project, Creditreform continued to address this requirement of its customers in 2017. Our offering has long since extended beyond simply issuing a commercial report on a company abroad in just one format; nowadays, we make a multitude of different forms of business information products and creditworthiness appraisals available online. The full spectrum ranges from the classic International Commercial Report (Wirtschaftsauskunft International) to compact and brief information products and the business company information service Kompakt International.

Particularly important against the background of the wider risk horizon in the field of imports and exports is monitoring, i.e.

keeping a constant eye on business partners. The International Commercial Report does not comprise any automated supplements, and so our international monitoring service, which can optionally be ordered from the first month onwards, is ideal for this purpose.

Score, CrefoSprint V8, CrefoSystem, CrefoDynamics, CrefoDirect and CrefoMobile, and is available in German, English, French or Italian. Information on companies in 16 European countries is currently available.



Scope is provided for the monitoring of all commercial report chapters with a statement of the reason for the supplement and for obtaining an updated commercial report.

In addition, there are our Signal products. Here, too, there are various possibilities for calibrating the observation of relevant business information factors. An entry point is provided by Signal Universal International, which is initially being offered free of charge within the framework of a campaign, as a basic product to monitor companies abroad.

In the event of changes within a business firm, the user receives a notification (there are 22 possible notification messages, e.g. change of name, address, financial data, ownership, etc.). This detailed information can be supplemented by calling up additional business data. This Signal product can be used with Crefo

Decisive for the international orientation of Creditreform, which provides a creditworthiness index and an information density comparable to those for Germany, is the speed and immediate availability of all information and monitoring services in the online sector. The proportion of reports available in answer to any enquiry is already 80 percent. This is due to the improved search options and the wide range of products. In particular the most important export and import countries, with the enquiry-relevant companies there, are thus predominantly available in real time.

In both Western and Eastern Europe, the number of corporate insolvencies declined significantly in 2017, but all the same, the risks in individual cases remain high.

IMPRINT

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 127,000 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. This applies also – and in particular – in the field of e-commerce.

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.



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