

CREDITREFORM ANNUAL REPORT 2015-2016

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Bonität

Bonitätsindex^{2.0}: 211

PD: 0,36 %

Der Bonitätsindex^{2.0} 211 bedeutet "gute Bonität".
Die PD (Probability of Default) gibt die Wahrscheinlichkeit an, dass ein Kreditnehmer innerhalb eines Jahres gemäß Basel II-Kriterien ausfällt. Übertragen auf Creditreform gelten der Bonitätsindex 500 und 800 als Ausfall.
Die PD beträgt für diese Bonität 0,36%. Der Durchschnitt in Deutschland liegt bei 1,85% (Stand: Juni 2014).

Zahlungsweise und Krediturteil

Innerhalb vereinbarter Ziele, zuvor Skontoausnutzung.

(23)
(21)



	Page
FOREWORD	
Creditreform: On-the-spot presence	4
CREDITREFORM COMMERCIAL REPORTS	
Straight to the point	5
CREDITREFORM DEBT COLLECTION	
Not without my debt collection	6
CREDITREFORM BONIVERSUM	
Growing demand – assured answers	7
CREDITREFORM RATING	
Incorporating extensive databases	8
CREDITREFORM INTERNATIONAL	
Ideal prerequisites for exporting	9
IMPRINT	
Creditreform: Professional partner for secure business worldwide	10

Creditreform: On-the-spot presence



Christian Wolfram,

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

Using the Internet to buy something, to take out a loan or to obtain insurance is already everyday practice. And the purchase price, the loan instalment and the insurance premium are all assigned digitally – just as the entire prior process of information-provision, selection and decision-making has been effected digitally. New ways of payment break fresh ground. For Creditreform, the prospects raised by the growing extent of electronic networking have made performance and consideration in the field of trade and services a focus of attention.

In the last fiscal year, for instance, we developed further offerings for the sphere of e-commerce. This involves incorporating ourselves into the

payment systems of vendors and establishing our credit assessments and, whenever necessary, our debt collection capabilities as integral parts of the relevant work processes. After all, nearly one third of all purchases on the Internet are on account. Here, we have developed interfaces that help to minimise risks in such more anonymous transactions. We create system solutions that meet industry requirements not just in retailing but also, for example, in the area of financial services.

In these solutions, Big Data and the requisite analysis tools play a decisive role. And we ourselves are Big Data operators, with huge stocks of data: our balance-sheet database, the Accounts Receivable Register Germany (Debitorenregister Deutschland) and our corporate information database are examples of this. Moreover, by means of web crawling and links with additional external databases, for instance in the international arena, we open up further scope for de-ploying in-depth information for the purposes of identification and credit-standing appraisals.

In 2015, preparing individual interfaces, databases and analyses again made great demands on us. We developed new programmes for streamlining the processes involved in the issuing of commercial reports and in receivables management. These are innovations which our clients do not see,

but which benefit them in the form of increased user-friendliness and security.

But for all that's new, some vital basics have been maintained. Above all our nationwide on-the-spot presence, with 129 business offices all over Germany. That enables us to provide company information that is the result of our own observation and our own examination. Particularly when it comes to such a decisive matter as a creditworthiness check, an important role is played by direct knowledge of the regional economy and the history of an individual company within it. In our work, we place special emphasis on people and their analytical capabilities, something highlighted by our decentralised orientation. Our certified business analysts conduct a close-up examination of digitally collected information and can thus include regional findings in any appraisal. This helps, for instance, to prevent transactions being nullified merely because a general algorithm indicates negative creditworthiness. In this way, we boost our clients' revenues because our processes not only provide them with great security against the risk of a default but also open up the gateway to new customers who can place their orders faster and more smoothly. Researching valid data involves more than simply checking things via the Internet, it calls for closeness to the business scene. And closeness to debtors – a factor we furthered in 2015 with our Creditreform debt collection field service project – is also an advantage, because it significantly boosts the success of recovery measures. No matter how sophisticated an electronic procedure may be, our hotline is an added benefit, with a personal contact at Creditreform always available.

On the basis of our ongoing good business figures, we are addressing the new digital opportunities and requirements in the protection of creditors. In the latest fiscal year, we generated turnover of EUR 547.8 million internationally, and EUR 484.7 million in Germany. 126,000 companies – increasingly with their own Internet business – place their trust in us. The development of the digital world continues to advance – and, together with you, our clients and members, we are advancing with it.

Yours

Straight to the point

Against the background of growing digitisation, Creditreform as a classic credit agency differentiates its information offerings and its credit-standing appraisals in a variety of commercial report formats. Whether the matter at hand entails a high individual default risk or a host of „small risks“, there are products available for every requirement profile, from premium evaluations to short reports. The task is always the same: to safeguard receivables from goods and services by providing appropriate and soundly based information on a customer's ability to pay – in domestic and international transactions, and in both the corporate and the consumer area. An example of the provision of credit-status information to the „new world“ of digital business is eCrefo, the most recent product in Creditreform's broad range of different commercial reports.

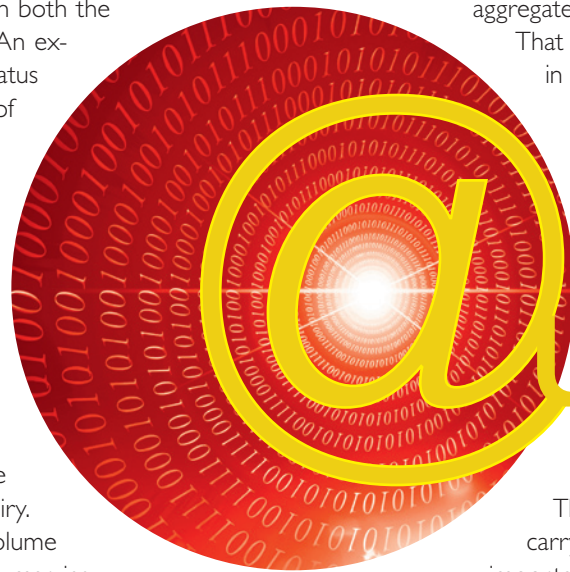
eCrefo provides online traders another product geared to the efficient risk assessment of business enterprises. Using Creditreform's Credit-Standing Index (Bonitätsindex), the online merchant sets the class boundary for an individual inquiry. In the case of a not especially large volume of purchases, coupled with just narrow margins, what counts is a rapid and assured examination of the identity and creditworthiness of a purchaser at the electronic point of sale. Before this, the merchant has laid down the cut-off thresholds in the credit-standing index grid, and this permits an immediate, date-related risk appraisal in terms of black or white. And the address, obtained via individual address fields – but ideally via the unique Crefo-number – is validated and completed ... or otherwise designated as „unknown“. Not least important: the ease of integration in automated supply and payment processes helps to save time and money.

A further current example of how Big Data and analyses based on it open up new avenues in the provision of information is given by the Creditreform Accounts Receivable Register Germany (DRD - Debitorenregister Deutschland). The DRD is the Creditreform data-pool for the anonymised, systematic and cross-industry exchange of payment ex-

periences. The pool of payment experiences is „fed“ by the participating firms from their own credit management systems. In return, participants receive evaluations of their overall receivables inventory but also – if they procure a commercial report – an analysis of the payment behaviour (due dates/time outstanding) of the individual new customer.

Big Data? Some 2.3 million business accounts receivable are available, and nearly 35 million documents are currently incorporated in the evaluation, producing an aggregate volume of about EUR 52 billion.

That is a huge stock – and a great help in setting payment targets appropriately, clearing out customer portfolios and optimising liquidity management.



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The use of the DRD stock in carrying out analyses shows how important the management and processing of large quantities of data can be, particularly when broken down to individual cases and their evaluation. And eCrefo shows that, even given a wide diversity of data, speed and flexible system conformity – within the framework of risk management boundaries established by each merchant himself – are still possible.

Not without my debt collection

At first glance it might seem that debt collection is now needed less than before. Payment periods are shorter; insolvencies are rarer; and bad debts are declining. At the same time, the number of judicial dunning procedures is also falling. But appearances, as so often, are deceptive. Admittedly, the good economic climate, with wage increases and the stable labour market, is playing a positive role when outstanding accounts among consumers are concerned. And when it comes to businesses, the low interest rates are having a beneficial impact, since liquidity is now achieved less by exploiting long payment periods and more by means of external financing on favourable terms. In fact, though, it is less these framework conditions – which could shift very quickly again anyway – that have produced a change; instead, it is the importance now attached to liquidity management itself which is improving the key ratios. But professional working capital management cannot function without an external debt collection service. Which is why Creditreform continues to register growth in this area. In just the important core segment of not legally enforceable debts, our order volume rose year-on-year by about 8 %.



Important factors for the receivables management of our clients – alongside competitive terms for efficient debt recovery processes and customer-oriented communication – are the specific advantages offered by Creditreform's decentralised organisation, such as the deployment of our debt collection field service (CAD) or the scope for talking directly to debtors at all Creditreform locations. One prerequisite for acceptance is focusing professionally on client-specific needs. This includes, for instance, implementing the compliance requirements of an increasingly sophisticated clientele. Where the protection and safety of sensitive personal data are concerned, such requirements are no longer confined just to banks and insurers.

Then there is online trading with its above-average growth rates. Here, Creditreform can offer CrefoPay as a payment service. In e-commerce, it is steadily becoming standard practice for the risk to be transferred to the payment guarantor. Via its brand CrefoFlow, Creditreform offers default protection against non-payment in online transactions.

The individual configuration of upstream ERP and accounting systems influences the way in which Creditreform debt collection is integrated, and so do client-specific workflows and information requirements. A detailed needs analysis forms the basis for this and quickly indicates where interface integration goes beyond the actual exchange of data.

The legal conditions governing debt collection activities are subject to constant evolution. This begins with a new rule imposed by the German Ministry of Justice and Consumer Protection (BMJV) in connection with the reform of the clarification of facts and circumstances: as a preliminary step towards electronic legal transactions, this establishes a standardised form for judicial enforcement, and since 01.04.2016, use of this has been obligatory. Something else is the government's planned amendment – following pressure from the business community – of the law on insolvency contestation. This will improve the protection of classic trade and service transactions, since the granting of payment by instalments and other forms of accommodation of the kind customary in debt collection will no longer fall automatically into the insolvency defeasibility schema. The upcoming tightening of the law on money laundering (GwG) will also impact on our work. The GwG already subjects debt collection firms to extensive identification, control and documentation obligations. Stricter sanction measures and the introduction of a public register of companies which violate the GwG underline the earnestness of European lawmakers to combat money laundering and the financing of terrorism.

In this complex environment, with its technical innovations, new growth markets and increasing official regimentation, Creditreform continues to face up to all challenges, in order to meet the demands of its clients as perfectly as possible and to extend its clientele.

Growing demand – assured answers

For Creditreform Boniversum, too, 2015 was one of the strongest years, and here, too, it was above all e-commerce which lifted inquiry figures by over 30 % year-on-year, and thus far higher than the industry average. The company acquired numerous new clients, including some sizeable ones, especially from the fields of tourism, e-commerce and online pharmacies. Boniversum continues to work hard on product design and is this year planning to launch new industry scores. In the marketplace, Boniversum is perceived as a competent partner

ACCESS



In 2016, after years of debate, the representatives of the EU Commission, the European Parliament and the member countries have now finally agreed on a new EU General Data Protection Regulation. However, this contains several unclarified legal formulations. For instance, the processing of data for a changed purpose is to be considered admissible

only if this is „compatible“ with the original purpose. Unfortunately, though, compatibility is defined on the basis of other, equally uncertain terms such as „context uniformity“ and „foreseeability“. So whether or not the processing of decisive debt collection and payment data is in accordance with the new regulation in respect of any change of purpose can be a matter of dispute. At present, the German government is

revising the relevant national legislation and it is not yet clear what parts of the relevant German law (BDSG) will be dropped and which will be redefined. It can be assumed that slight modifications of our business model will be necessary.

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for analysis and advisory issues. Demand for support regarding analytical concerns grew in 2015, and the trend in 2016 remains upward.

Boniversum is steadily sharpening its profile as an innovative consumer database and last year it successfully took its first step towards establishing itself as a multi-agency for cross-border risk assessments. Switzerland and Austria now complement the domestic German data portfolio. Expansion into other countries, in line with client demand, is being addressed in controlled fashion.

In cooperation with renowned partners and institutions, Boniversum regularly publishes extensive studies in order to provide an assured basis for the early prediction of trends and changes in debtor behaviour or in credit-related matters. In particular, the SchuldnerAtlas (DebtorAtlas), published jointly with Creditreform AG once a year, has established itself as a regional and municipal tool; it even used by the German government as a sound source of information and is frequently cited in the media. The special topic of „Poverty-linked indebtedness among the elderly“, addressed in cooperation with the social welfare organisation Paritätischer Gesamtverband, attracted a great deal of public discussion. Boniversum regards it as a contribution to further transparency not only with regard to individual consumers but also as an attempt to provide a more general clear depiction of matters connected with credit-standing, solvency and over-indebtedness.

The new computer centre which went into operation at the beginning of 2015 is functioning robustly and reliably even under maximum load. The system handsomely mastered the acid test of Christmas business, when inquiries were well in the six-digit range every day. The CTC software and the computer centre ran smoothly and continuously, with response times that were all within the terms of the service-level agreements with clients. The shift to the ISO-certified computer centre provider in Hamburg was an important step, enabling Boniversum to guarantee technically trouble-free operations at a high level, in the longer term as well.

Incorporating extensive databases

The individual analysis of borrowers and business partners is an essential element in the credit management of banks and financial services and in company accounts payable and receivable management. In the business initiation phase or when an application for credit is being examined, Creditreform commercial report products provide the decisive creditworthiness information.

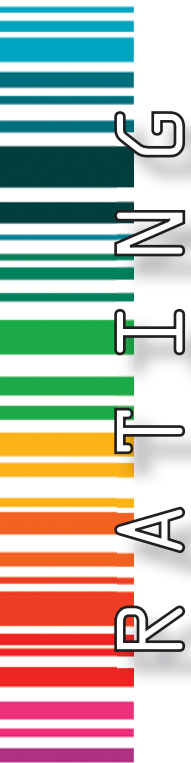
To permit a targeted evaluation of the individual items in a Creditreform commercial report, it is necessary to see the information in the context of additional data, thus facilitating a more in-depth interpretation. For more than 15 years, Creditreform Rating AG has been storing and analysing company-related facts and figures from financial statements, balance-sheets and commercial reports in its own databases. This provides a comprehensive overall picture of business in Germany, on the basis of which the Creditreform Rating specialists can analyse customer-specific portfolios. Today, the knowledge and experience gained in this way are put to efficient and high-quality use by our Credit Services unit in the ongoing development of customer scoring and rating models. Last year, for instance, brought the conclusion of work on a decision-making system for one of Germany's leading leasing companies. Via the jointly developed evaluation concept, a decision-value, a default probability figure and a risk class are established and documented for every partner firm on the basis of balance-sheet and commercial report data and the leasing company's own internal data. The scorecard's decision-making behaviour is checked monthly via a monitoring report. And to meet regulatory requirements, all contractual risks are subjected to quarterly surveillance.

Creditreform Rating has also developed complete rating and scoring concepts for motor company banks on the basis of balance-sheet and commercial report data and qualitative information. The evaluation of dealers and of sizeable contractual risks is carried out by means of a rating system adapted to the particular features of the institution concerned. This, in turn, is effected by means of institution-specific questionnaires whose results are incorporated in the evaluation procedures and represent an additional qualitative aspect of the rating process. The quantitative side of the rating in retail business is included in the scoring system by means of processed Creditreform balance-sheet and commercial report data. Thanks to this concept, all risks are evaluated by means of a uniform methodology and are thus comparable with one another.

Another important target group for the Credit Services unit is the Sparkassen-Finanzgruppe (Savings Banks Finance Group). Creditreform Rating AG has established itself as a service-provider for entering annual financial statements into the EBIL system of Deutscher Sparkassenverlag (German Savings Banks Publishing Company). Initially, on an order-related basis, annual financial statements were entered directly into the EBIL-system; now, a web-service, the so-called credit-factory function, is being integrated into the data acquisition process, thus permitting the direct and client-specific provision of registered financial statements to the institution concerned.

In addition, individual savings bank companies utilise Creditreform Rating's web-based risk management solution CreditRiskSolution (CRS). This provides task management support. For every firm to be analysed, a separate corporate file is created. The modules balance-sheet registration and rating analysis permit quantitative credit-standing evaluation of business enterprises, differentiate size and industry categories, and apply a Basel II-compliant definition of the default event. This provides a suitable instrument for risk classification in accordance with the demands made on risk management (MaRisk).

The Creditreform rating system, as the basis of the rating analysis module, is a powerful, statistically valid and independent instrument for assessing creditworthiness and measuring risk (default probabilities). Drawing on the registered annual financial statement information and the Creditreform commercial report, a rating report is generated. As well as stating the rating result that has been determined, this also comprises the balance-sheet analysis, including a cash flow statement and additional credit-relevant information. The service offered is comprehensive: the key ratios determined for the company being rated are prepared in diagram form and set off against industry comparison figures. One decisive prerequisite for such projects is compliance with the client's legal and regulatory requirements. The Credit Services unit of Creditreform Rating AG is establishing itself as a strong partner for solutions in the field of credit management and thus provides valuable additions to the Creditreform range of business information products.



Ideal prerequisites for exporting

Those who have been hoping to see Europe draw closer together are likely to be disappointed in 2016. In the face of the refugee crisis, growing nationalistic tendencies, and the problems relating to the policies of the ECB against the background of the ongoing financial weakness of some EU member states, centrifugal forces have become increasingly evident. But these political problems detract from the fact that where cross-border business is concerned, the European Union remains a success story. The extent to which small and medium-sized firms are participating in exports, for instance, is expanding steadily, and so, too, is the share which European partner countries have in foreign trade as a whole.

In line with this, there has also been a rise in the number of orders for commercial reports on foreign companies. In particular there has been a further increase in the scale of direct call-ups via the online system. In fact, compared with 2010, these have risen by 33 %. This success is due not simply to the growing international orientation of German SMEs but also to Creditreform's extended information offering. Just as with German firms, there is a wide range of different types of commercial reports on companies abroad, from short and compact to full-length, with a „look and feel“ already familiar from German reports. This facilitates the monitoring of business partners in other countries.

Now, with immediate effect, members using iOS-based IT can also access Creditreform's full, compact or short commercial reports on companies in many European countries. Since further countries are added every month, there will soon be a uniform means throughout Europe for checking credit-standing, with figures that are comparable with one another. Positive feedback has been coming in from suppliers who are now able to access decisive company and creditworthiness information on current or potential business partners directly via their mobile devices (iOS) while they are abroad. In its new version, CrefoMobile is multi-lingual, supporting French and English as well as German.

An important role in Creditreform's international business is also played by companies from abroad which operate in Germany and draw on commercial reports and debt collection services to safeguard their business. In 2016, Creditreform International Debt Collection registered a 50-percent increase in relevant orders. And in fact that is hardly surprising, since just by themselves foreign-owned German SMSs generate sales revenues in this country of

EUR 135 billion, which they naturally want to turn into earnings without any default losses.

In general, the framework conditions for importers and exporters have eased somewhat, as indicated by the development of corporate insolvencies. In 2015, in Western



Europe as a whole, these totalled 174,941, which was nearly 7,200 fewer (-3.9 %) than the year before (182,132). But despite marked improvements in the past two years, the number is still higher than before the financial crisis (2008: 155,581 insolvencies). In Central and Eastern Europe, developments were more mixed, but overall – across all the countries surveyed – the total fell considerably, from just over 102,000 to 90,000. All the same, Creditreform clients know that for their export business, every insolvency and every default on payment is one too many.

The EU's General Data Protection Regulation, which was passed in 2016 and comes into force in 2018, will create an assured legal environment for consumers, but also for small business-people and the self-employed. Requests for information fundamentally remain legitimate vis-à-vis the claims of the person about whom information is being sought, and applications for deletion, for instance in the case of negative reports, have to be substantiated. At the same time, scoring, as a procedure for categorising credit-status, will continue to be equally admissible in all the countries concerned.

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.

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