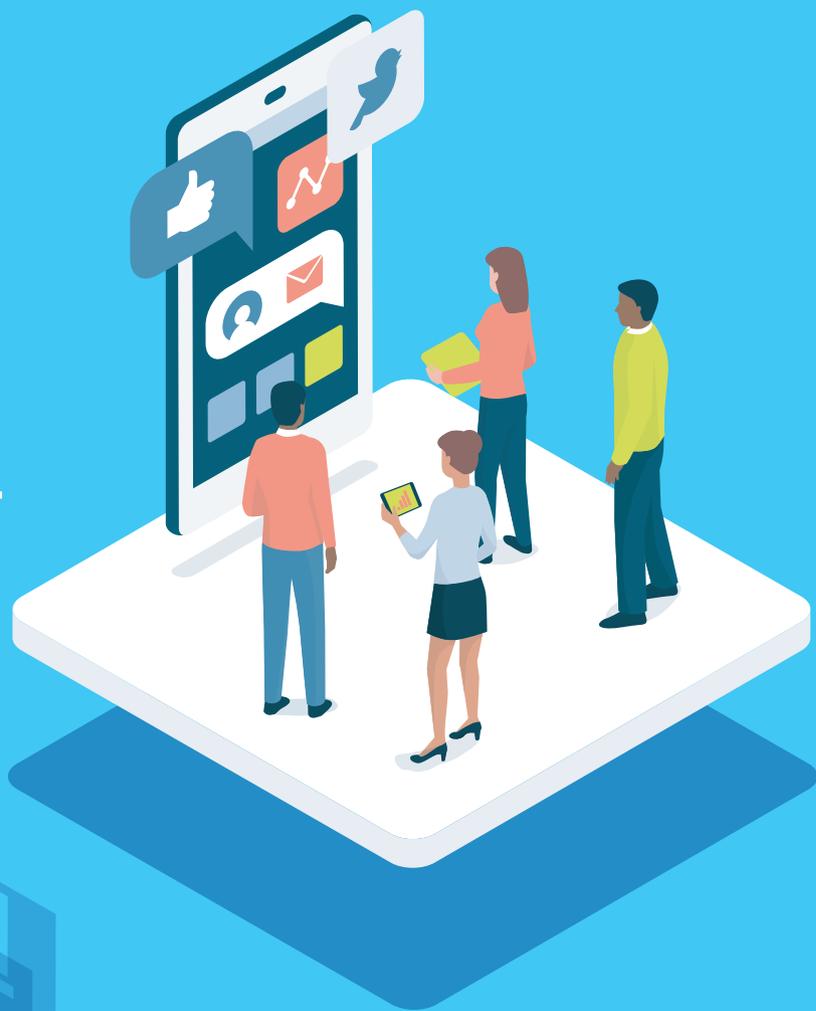


Creditreform

Shaping digitalisation

How Creditreform is changing and accompanying change in companies.



Annual Report 2019/2020

IMPRINT

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Dear Readers,

How is one to report on a business period which ended with everything turning out differently than expected? Admittedly, it was already foreseeable in the second half of 2019 that the German and the global economy would grow more slowly: the trade dispute between the USA and China and the long-lasting Brexit negotiations acted like a brake on business activity. The transformation of the automotive industry and ongoing digitalisation formed major challenges. But who would have thought that a virus like SARS-CoV-2 would engulf the world, temporarily paralysing the economy and yet at the same time serving as a catalyst to accelerate transformation and digitalisation?

Creditreform, too, has felt the impact of the virus, and, like others, we were not perfectly prepared for it. But we definitely were prepared for the change that the corona pandemic has set in motion. In the years before, we had already digitalised many of our business information services and also our receivables management offerings. With our platform "Meine Creditreform" („My Creditreform“), we have had a digital ecosystem in place since 2018, in which member companies can find all our services and those of selected cooperation partners - and can also use them despite the often enforced need to work from home. Especially important since many of our solutions are in particular demand during the crisis. For example, our own payment platform CrefoPay supports growing e-commerce. It helps to avoid or at least reduce payment problems in online trade. Then there is the online credit insurance CrefoEVA, which we developed together with our partner Atradius, and which enables suppliers to protect themselves in B2B business.

In this way, in 2019 we laid the foundation for being able to help our over 128,000



members in our 128 local business offices even in difficult times. Other innovations besides „My Creditreform“ include the use of artificial intelligence in addressing debtors in debt collection processes and also in balance sheet analysis. Thanks to our expertise in the semi-automated evaluation of corporate balance sheets, Creditreform was able to provide companies with confirmation very quickly, unbureaucratically and free of charge that they were still economically sound in December 2019 and had only got into difficulties because of the corona crisis. This confirmation was and still is decisive in determining whether companies receive state crisis management aid such as KfW loans.

Notwithstanding the corona pandemic, another project of great importance to Creditreform also made great progress in

2019 and 2020: the construction of our CrefoCampus not far from the previous location in Neuss. Since the end of 2020, some 650 Creditreform employees have been working in the new office building under one roof. I am certain that the CrefoCampus will bundle strengths, leverage synergies and enhance Creditreform's image as an attractive employer, especially if in the future employment includes more days working at home. Because Creditreform knows perfectly how to deal with change, to accompany change and sometimes even to drive it – as it has been demonstrating for 141 years.

**Yours
Christian Wolfram,**

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

Digitalisation improves data quality and increases convenience for customers



When uncertainty spreads through the economy, the demand for sound, reliable information about the creditworthiness of business partners increases. This was the case in 2019, with a technical recession already looming, and since spring 2020, with the corona pandemic, this trend has accelerated. Accordingly, many companies are not only focusing more closely on their customers, but increasingly want to know more about the stability of their suppliers as well. After all, in times of tightly networked supply chains, failure on that side can quickly bring their own production to a halt.

As a reliable supplier of business information, the services of Creditreform are increasingly in demand. Particular interest is focusing on monitoring products, i.e. solutions that inform companies promptly about solvency-relevant changes in customers and suppliers.

In 2019, Creditreform once again did a great deal to further improve the quality of its commercial reports. For example, by steadily expanding the payment experience pool: nowadays, around nine million invoices are evaluated every month. This data provides timely information on how the payment behaviour of individual companies is changing. In order to assess their creditworthiness, Creditreform analyses not only annual financial statements, but increasingly also shorter-term business management evaluations.

Information via interface

In the course of its rapidly advancing digitalisation, Creditreform has also created improved and even more convenient offers for customers. Via the My Creditreform portal, they have easy access to a wider range of information and services. For large customers who regularly submit multiple queries, Creditreform is increa-

singly setting up interface solutions, thus delivering information directly to their data-processing systems.

In view of all this, Creditreform commercial reports with creditworthiness verification for 2019 proved to be extremely helpful when the corona pandemic began. Companies were able to order this verification free of charge via [creditreform.de](https://www.creditreform.de) - it was issued within one working day - to prove that they were creditworthy on the cut-off date of December 31, 2019. The proof is necessary in order to access the funding provided by the state business development bank KfW.

Due to the continuing uncertainty in the economy, the changing measures to combat the pandemic, and the resultant anticipated increase in insolvency figures, Creditreform commercial reports will continue to play a decisive role in receivables management and in protecting the liquidity of business companies. ■

Getting ready for the regulation of the debt collection system

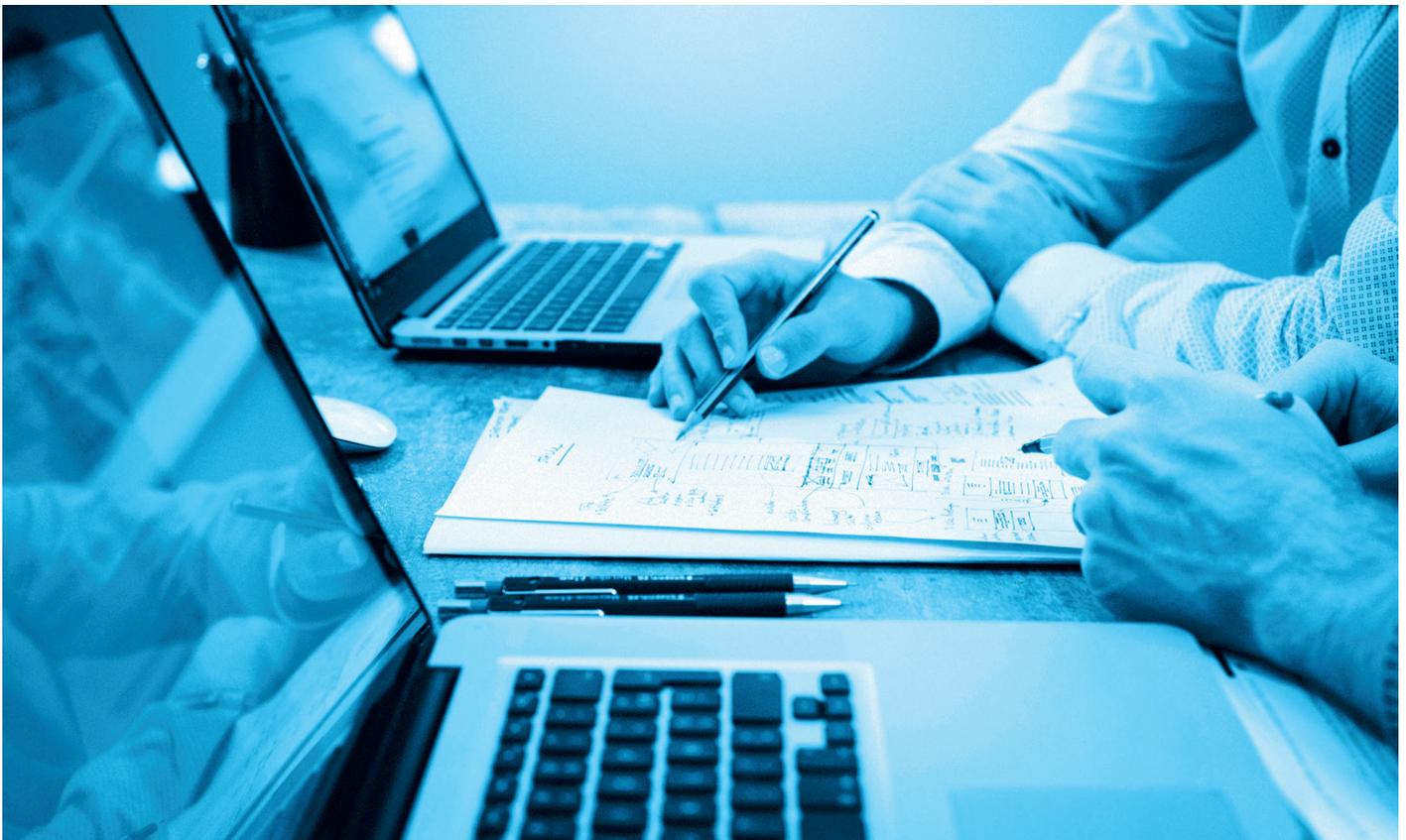
The year 2019 saw a continuation of the stable growth in receivables management and debt collection that has been customary for several years. Creditreform recorded a moderate single-digit percentage increase in both turnover and receivables volume. Then, after a good start in 2020, there initially came a slump in orders against the background of the corona pandemic. Major clients in particular were hesitant to hand over outstanding receivables to Creditreform for processing.

At the beginning of the second quarter, the situation changed. The payment morale of debtors was surprisingly good. It is possible that many consumers reduced their debts by drawing on money they had not used for buying things during the

lockdown period. During the period under review, Creditreform was very busy preparing for the forthcoming regulation of the debt collection system. The planned legislation will have a considerable impact on all market participants, as the volume of charges will fall significantly.

In order to maintain our accustomed high level of service, it will be important to make processes more efficient. Creditreform is working flat out on appropriate solutions. The focus is on developing a new platform for receivables management, which is expected to be fully operational by mid-2021. This will make it possible to offer all services in a highly efficient manner. A major role in this will be played by the use of artificial intelligence (AI).

AI and machine learning already create the prerequisites for addressing debtors individually and in a targeted manner and making appropriate payment proposals. This increases the probability of success in receivables management. In addition, an individual approach avoids the chance of annoying an existing customer about a collection procedure, which might even raise the possibility of a termination of the business relationship. If the claim is settled by mutual agreement, the debtor remains a customer. The latter is a key argument and major interest in receivables management, which can help to make this topic – especially important in economically difficult times - more present and popular with many business companies. ■



Pioneer in digitalisation in credit and risk management



Creditreform Rating can look back on a successful 2019. A major role in what has been achieved, and in further growth, is played by the digital transformation of services in credit and risk management. In a consortium led by the Bundesbank, Creditreform Rating for instance supported the development of the DiFin digital financial report. In this standardised format, companies and their accountants can transmit annual financial statements or business management evaluations directly from their accounting systems to banks or other DiFin providers such as Creditreform Rating.

In further processes, this data can be analysed using artificial intelligence. In order to support banks with balance sheet commentary, Creditreform Rating

has trained an algorithm that is able to write the required comments automatically on the basis of available balance sheet data. Using a hybrid approach, where bank analysts only have to check the automatically generated texts, the system is already market-ready

The future of scoring and rating

AI-based methods have also always been used in the development of scoring and rating systems. Creditreform Rating is constantly evolving and so are the methods that offer new possibilities. In order to meet the demands of the market in the future, too, the use of new methods must be examined and tested on the company's own databases. Here we have already achieved initial successes and –

using new AI procedures – have developed new scoring and rating models.

The fact that process and data security have top priority is demonstrated by Creditreform Rating's successful certification in 2019 in accordance with the 951 standard of the Institute of Auditors in Germany. (IDW PS 951). This standard confirms the appropriateness and effectiveness of an internal control system. It gives clients the certainty that data and processes that they hand over to Creditreform Rating are handled in accordance with all legal requirements.

Evidence of this internal control system also offers competitive advantages. In many cases, it is already required by customers as a matter of course and - if not available - can be a criterion for exclusion. ■

From consumer credit agency to digital risk management solution-provider

Even before the corona pandemic, e-commerce and online services were the segments with the strongest growth in many industries. Accordingly, the services of Creditreform Boniversum as a partner for credit assessments of private individuals were in greater demand than ever before in 2019. Online merchants, providers of digital services and insurance companies rely on data and analyses from Boniversum for risk management.

Banks now also rely on creditworthiness and risk management solutions from Boniversum – a field where Stephan Vila, who became Managing Director in January 2019 with responsibility for sales and marketing, sees great potential.

In 2019, Boniversum successfully continued its strategic development from a pure credit agency to a seamless provider

of risk management solutions. An important pillar in this is the risk management platform CUBE. Since its introduction in 2018, the fully automated and dynamic process control for decision-making in risk management has been developed continuously.

The focus in the risk assessment process is shifting from pure creditworthiness to identity checks. Is the person who is buying online or wants to conclude a contract really the person he or she claims to be? Only for a person who is clearly identified can a valid credit assessment be made, preventing fraud on both sides.

The product portfolio is growing

With the Creditreform Tenant Information System, Boniversum was also able to

launch a new product for the Creditreform business offices. It combines basic data on creditworthiness and the so-called account information service. Risks of loss of rent or other risks in connection with apartment rentals can thus be minimised.

In 2020, Boniversum continued the systematic digitalisation of its business models, for example in the areas of AI and block chain technology. Internal processes are also being steadily digitalised further. Boniversum is also set to cooperate even more closely with its sister company microm, which will open up further sales opportunities.

From today's perspective, all this is already paying off in the corona crisis and will help Boniversum to continue to grow even under the ongoing difficult conditions. ■



Transformation started successfully



For 25 years, microm has been providing its customers with the basis for entrepreneurial decisions. From analysing suitable locations and addressing target groups appropriately to shaping sales territories. Based on extensive data, the specialists for Customer and Location Intelligence outline made-to-measure solutions. In this, microm has to constantly assert and reposition itself in the competitive environment.

In this respect, 2019 was ground-breaking. When the new managing director Michael Goy-Yun took the helm in November 2019, a comprehensive reorganisation and reorientation concept was launched together with the employees following a thorough analysis of the company. Since

2020, microm has been working even more closely with its sister company Boniversum. Within the framework of an interlocking management set-up, Stephan Vila and Michael Goy-Yun are together running both companies. Sales, product management and marketing are to be handled by Boniversum on behalf of microm. This will enable the company to focus on its core business, geodata analysis.

The microm team will use this to develop new scalable products alongside its individual project business. The aim is to be able to offer solutions for typical customer problems in a standardised and thus more cost-effective way, in order to open up new customer groupings such as small and medium-sized enterprises. Since December 1,

2020, the microm Location Report, the first fully automated and scalable product, has been available. This was deliberately developed as a so-called minimum viable product. Together with participating Vereine Creditreform and their customers, the Location Report is now being tested in practice and further optimised.

Other projects in cooperation with individual Creditreform business offices or the Verband der Vereine Creditreform as a whole are set to come. This means that following microm's successful organisational transformation, it will be able to deploy its competence in the field of geomarketing and customer behaviour even more effectively in the service of the Group. ■

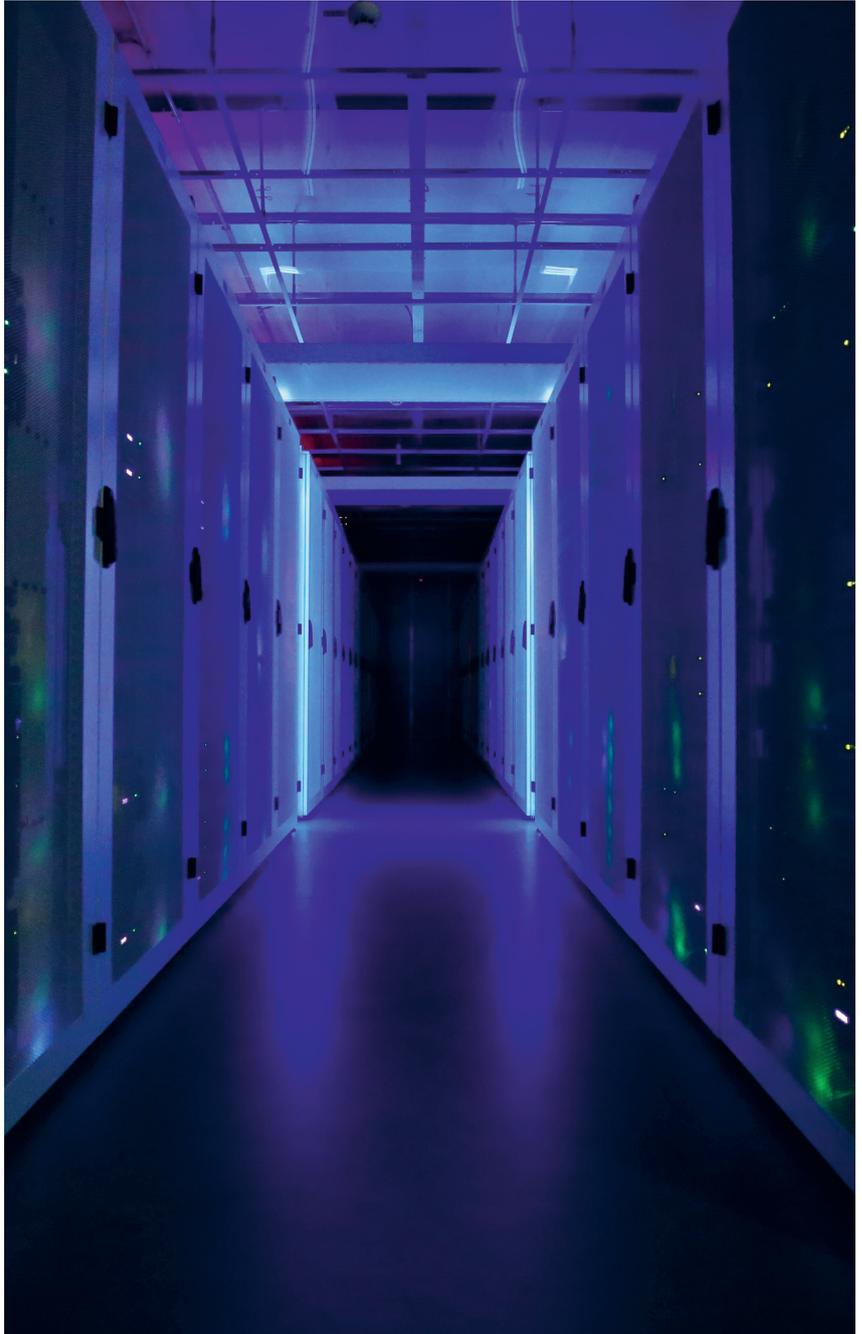
New data centre for Creditreform: Failsafe, future-oriented, cost-efficient

The company's own strong growth, the demands of technological progress and ever higher security standards have prompted Ecofis, a subsidiary of the Verband der Vereine Creditreform and the Group's exclusive IT service-provider, to relocate its computer and data centre. Its new home is the DUS1, a so-called colocation centre in Hilden built in 2019. There, Creditreform now has an individual, failsafe data centre that is technologically state-of-the-art and future-proof, and which also sets new standards in design.

The move to the colocation centre offers above all cost and security advantages. There, many of the services required for the operation and security of a computer and data centre - including 24/7 surveillance throughout the year - are offered for multiple users. In DUS1, Creditreform's sensitive data is protected to the highest degree. At its new location, the computer and data centre is also well equipped for further growth of the Creditreform Group. It offers sufficiently large capacity reserves.

Smooth relocation during ongoing operation

After extensive preparations, the move was finally completed during two weekends in August and September 2020, while customers and business partners were able to use the data centre's services during this time without any restrictions or interruptions. This was possible because Ecofis had previously mirrored the data to a backup centre in Düsseldorf and operations were run from there until the new site was up and running. Now, the backup centre is once again fulfilling its original function. ■



Overcoming worries, providing security



The corona crisis is increasingly leaving its mark on the German economy, and its consequences are creating uncertainty with regard to existing business relationships. Admittedly, the corporate insolvency situation has so far been paradoxical: in the midst of the severe economic crisis, fewer insolvency proceedings are being initiated than ever before, the labour market is largely stable, and corporate financing is secure. But the seemingly relaxed situation is in fact primarily the result of extensive state support in the crisis - from short-time working grants, KfW loans and bridging allowances to the suspension of the obligation to file for insolvency.

Just how long companies, especially those in the sectors affected by the first

and second lockdowns, will be able to survive in 2021 depends on many factors. There is still liquidity in the market, and in addition to government aid measures, banks are also fulfilling their role and providing companies with loans. But in view of the wave of insolvencies definitely expected in 2021 and the associated payment defaults, the institutions will become more restrictive in their lending.

Everything on a single platform

Active financial communication on the one hand and comprehensive information about customers and business partners on the other will continue to be crucial for companies' success in the future. So, too, will be the further and consistent

digitalisation of business and internal processes. Here, the pandemic has acted like a catalyst to accelerate the transformation and to set in motion developments that will be indispensable in the post-corona future.

In this respect, Creditreform is well underway on the right course with many digital projects, applications and customer solutions. The aim is to offer a digital platform for all services relating to business information, credit rating, supplier credits and receivables management. In this process, the 128 local Creditreform business offices will also continue to play a key role. Because in everything we do, our focus remains the same: every single one of our just on 128,000 member companies in Germany. ■