

EOS Survey “European Payment Practices 2015”

Upward trend: Improved payment practices throughout all of Europe

In Western Europe, only every fifth invoice late or unrecoverable/

Annual bad debts still a threat to existence of companies/ Germany has the most reliable payers

Hamburg – Increasingly, customers in Europe are becoming more reliable in paying their bills. Payment practices have improved in the B2B segment in particular. Whereas in 2014, every fourth invoice in Western Europe was being paid late or not at all (24 per cent), now it is only every fifth (20 per cent). This is one of the insights from the representative EOS Survey “European Payment Practices” 2015, in which market research institute TNS Infratest polled 2,800 decision-makers from 13 European countries.

“Europe is recovering from economically turbulent times and is now largely experiencing an upturn. Low interest rates are helping companies achieve more liquidity to service their debts,” says Hans-Werner Scherer, CEO of the EOS Group. At the same time, the implementation of EU Directive 2011/7/EU to combat late payments in commercial transactions is having a positive impact on payment practices in many countries, continues Scherer. One of the Directive’s provisions is that companies may generally only grant their business customers a maximum payment term of 60 days.

The latest survey results support these assessments. Throughout Europe, companies are reducing their payment terms for business customers.

Spanish companies in particular have significantly cut their payment terms in the B2B area from an average of 64 days to the current level of 45 days.

However, compared with other countries in Western Europe they continue to lag behind in this respect. In Eastern Europe, the payment term of 40 days for business customers is well above the Western European average of 35 days. This is attributable above all to the payment terms offered in Greece (51 days), Russia (41 days) and Slovakia (40 days). Hungarian and Polish companies impose the shortest payment terms on their business customers,

whereby Hungary now leads Eastern Europe after cutting its terms by seven days to 33 ahead of Poland's 35.

Payment defaults are a threat to survival

“Despite improvements in the payment practices of European customers, the level of bad debts has not reached an economically acceptable level,” stresses Hans-Werner Scherer. The EOS survey shows that almost every eighth company in Western Europe (13 per cent) and nearly every seventh company in Eastern Europe (15 per cent) gets into serious financial difficulties that are a threat to their business as a result of payment defaults over the course of the year.

“Several short-term cash flow problems can quickly result in a situation that threatens a company's very existence. Working with debt collection specialists reduces this risk and allows companies to focus on their core business,” says Scherer. Ever more companies share this view: The EOS survey highlights a trend towards collaborating with external service providers. Currently, 40 per cent of those polled outsource their receivables management fully or partially to experts. That is five per cent more than in the previous year. More than half of the companies continue to collect their receivables themselves. Companies in Eastern Europe in particular frequently work without any standardised processes.

Frontrunner Germany not aiming for any further improvement

Unlike the other countries surveyed, companies in Germany say that the bad debts that do occur are not putting them in serious financial jeopardy. With top values of 87 per cent for on-time payments in the B2C segment and 82 per cent in the B2B segment, as well as the shortest payment terms, payment practices are at a level that the respondents feel needs no further improvement. Whereas many European firms say that they have to work on the payment practices of their customers, German companies see their greatest challenge as maintaining the status quo for the next two years. Nevertheless, the survey also shows that once the payment deadline has



passed, companies in Germany wait on average seven days longer than other countries in Western Europe for payments from B2C customers. "It is surprising that German companies want to maintain the level of delayed and unrecoverable payments, given that just over a third of those polled assume that payment practices in the B2C segment will deteriorate," comments Klaus Engberding, Member of the EOS Group's Board of Directors responsible for Germany. "Although at the moment this level is manageable, we have all experienced in the recent past how quickly our economic situation can suddenly deteriorate. This is why the focus should continue to be on improving payment practices," Engberding continues.

About the EOS survey: "European Payment Practices"

In the spring of 2015, in partnership with independent market research institute TNS Infratest, EOS asked 2,800 companies in 13 European countries about the payment practices in their respective countries. 200 companies in each of the countries UK, Spain, France, Austria, Greece, Romania, Russia, Slovakia, Bulgaria, Poland and Belgium, and 400 companies from Germany, answered questions about their own payment experiences, economic developments in their countries and on issues relating to risk and receivables management.

Further results from the survey are available online at: <http://www.eos-solutions.com/paymentpractices2015>

The EOS Group

The EOS Group is one of the leading international providers of customised financial services. Its core business is receivables management. With its workforce of more than 8,500, EOS provides financial security through customised services for its approximately 20,000 customers in 26 countries worldwide through over 50 subsidiaries. Together with an international network of partner companies, EOS Group offers its customers resources in more than 150 countries on all continents. Its key target sectors are banking, insurance, utilities, telecommunications and IT companies. For more information go to: www.eos-solutions.com.

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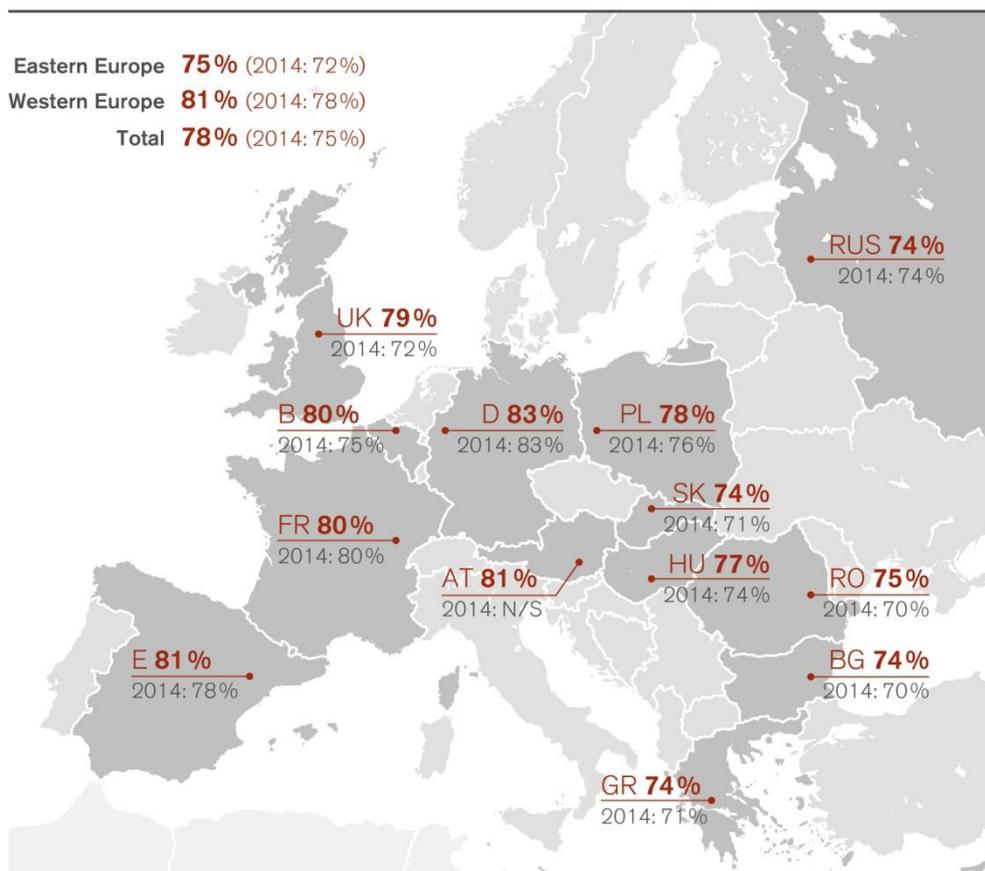
Punctual payments in Europe

More and more customers are paying on time

Eastern Europe **75%** (2014: 72%)

Western Europe **81%** (2014: 78%)

Total **78%** (2014: 75%)



What is the share of receivables paid on time per (business) year? (B2C and B2B customers)

2015: n=3,719 | 2014: n=3,409

Source: EOS Survey 'European Payment Practices' 2015 (and 2014)

Payment deadlines in the B2B segment in days

Germany still on top

Western Europe



Eastern Europe



Total



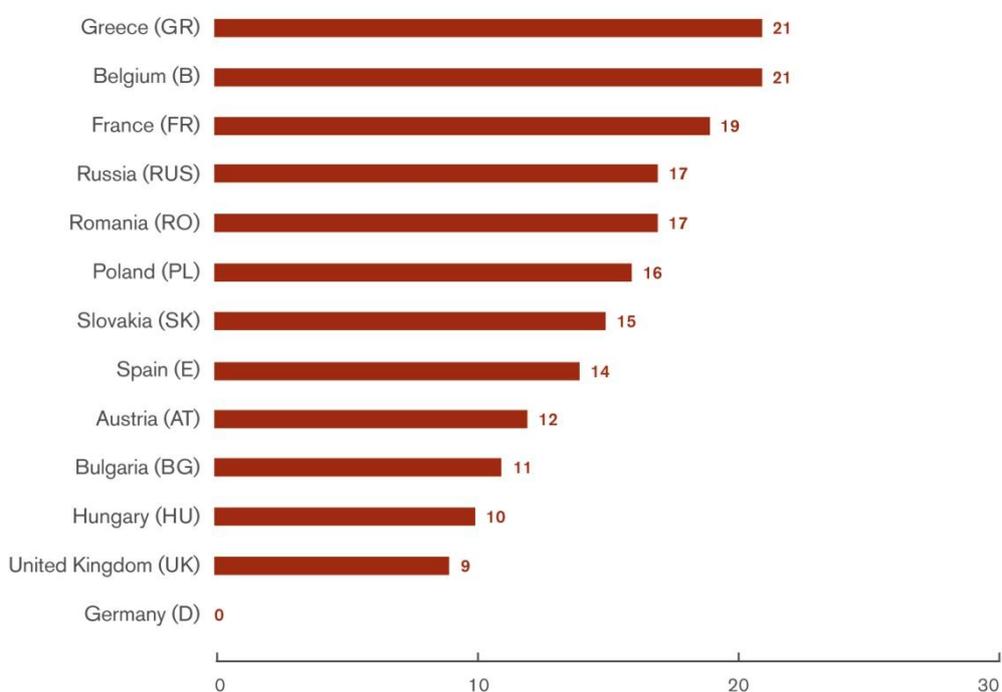
What payment deadline does your company generally grant? (B2B customers)

In days | 2015: n=2,495 | 2014: n=2,182

Source: EOS Survey 'European Payment Practices' 2015 (and 2014)

Bad debts are a threat to survival

Companies in Greece and Belgium feel particularly threatened



To what extent does the bad debt you have reported threaten the survival of your company?

n = 2,111
The responses are displayed in % based on ratings 8–10
1 = low, 10 = high threat to survival

Source: EOS Survey 'European Payment Practices' 2015 (and 2014)