

European Payment Practices

Results from
EOS Ten Nations Survey 2010

Hong Kong, December 4th



Background

Financial decision makers from various sectors in 10 countries participated in the EOS Survey 2010 'European Payment Practices'

Objective Together with Ipsos, the market research institute, the international **EOS Group**, which provides receivables management, marketing and risk information and payment services, **surveyed local payment practices at 2,200 companies in 10 European countries**

Target group Companies with at least **20 employees** and an annual **turnover** of at least **EUR 5 million¹⁾** from the sectors:

- **Trade** (including mail order business)
- **Industry**
- **Services**

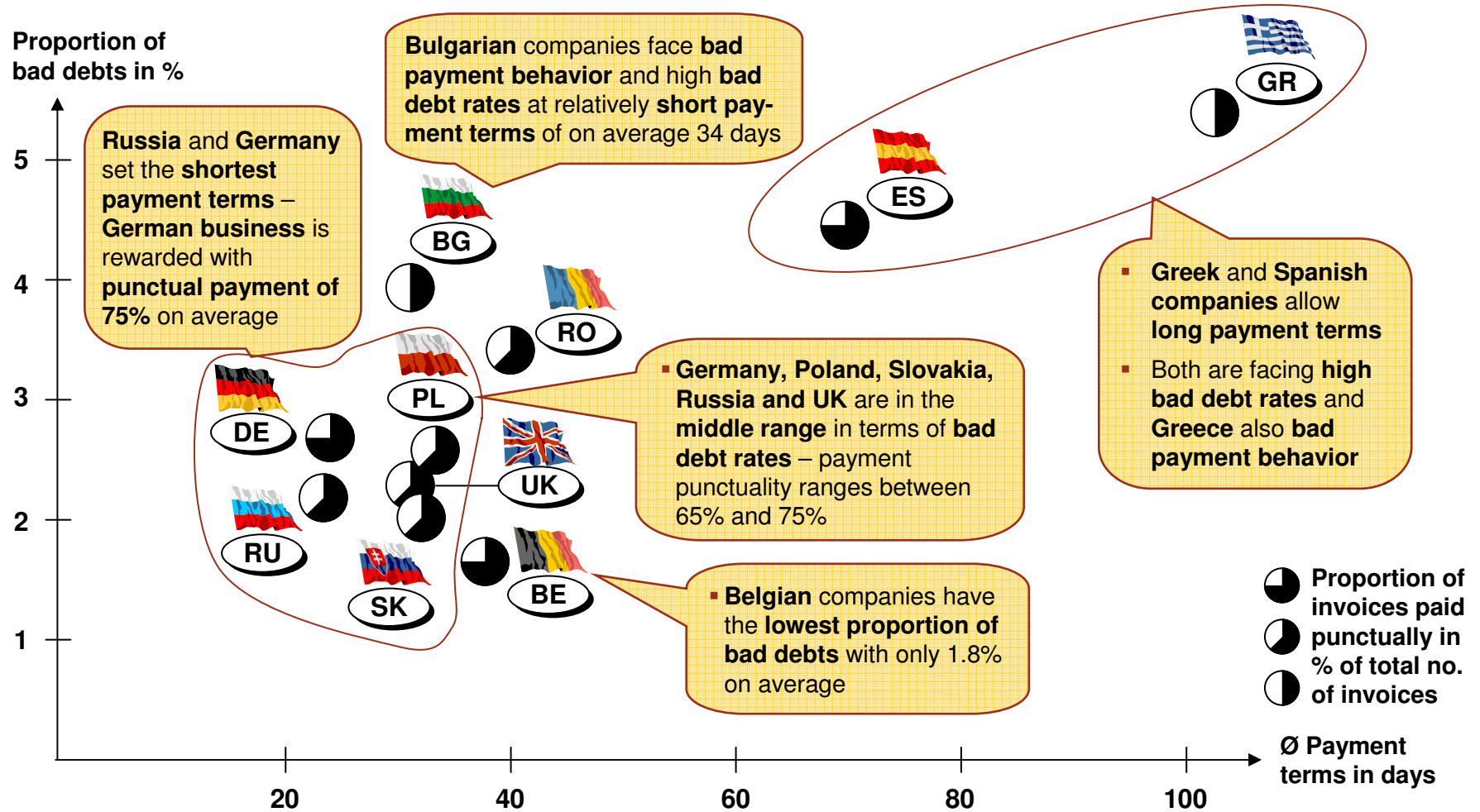
Target subject **Decision-makers** in the fields of **debt collection/ dunning services and/or credit/risk management**



1) UK at least EUR 2 million, Poland at least EUR 3 million, Bulgaria at least EUR 2 million, Slovakia at least EUR 4 million

Survey Analysis – Outstanding Receivables B2B

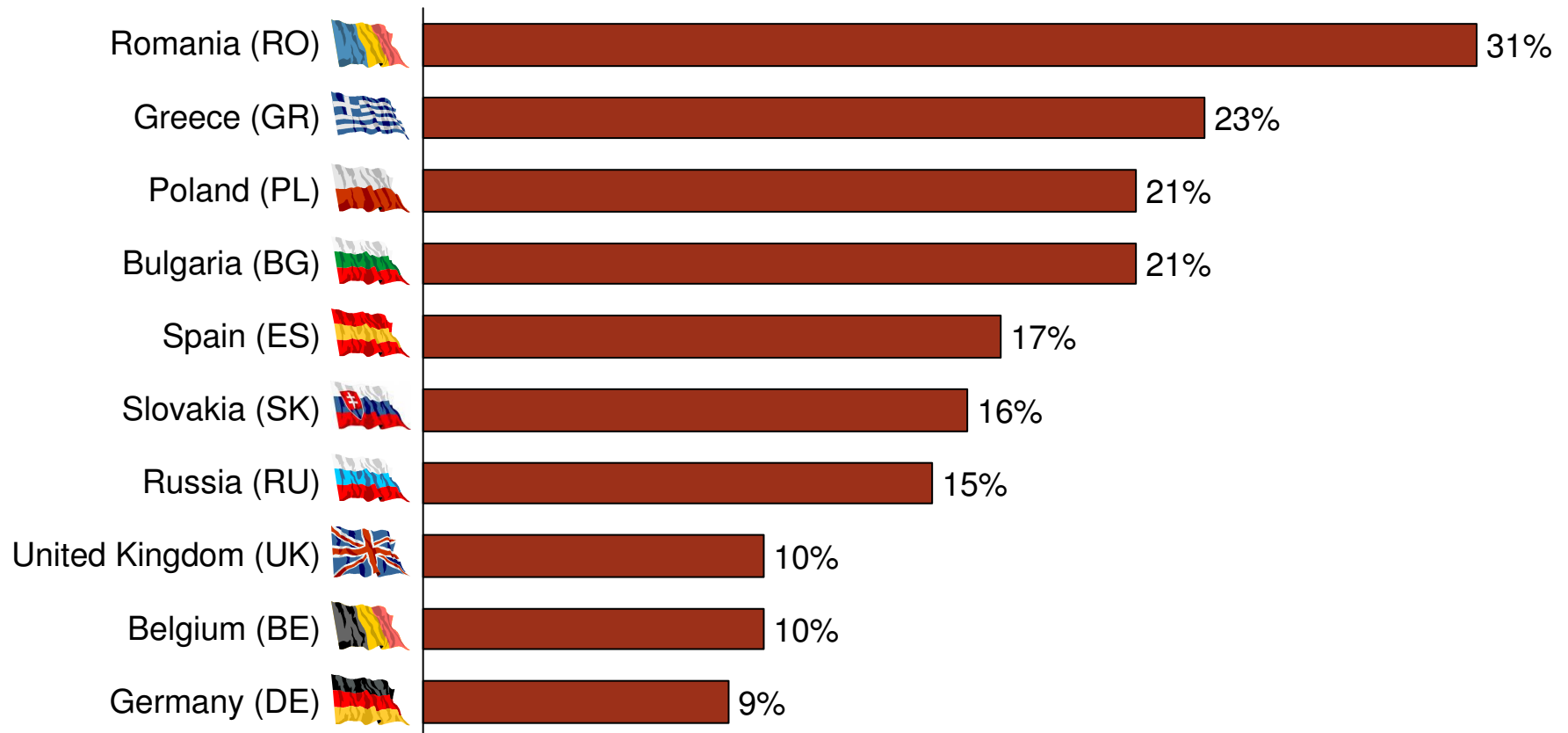
Greek and Spanish companies allow the long payment terms up to 105 days in average and concurrently facing high bad debt rates



Survey Analysis – Cash Flow Bottlenecks Due to Unpaid Receivables

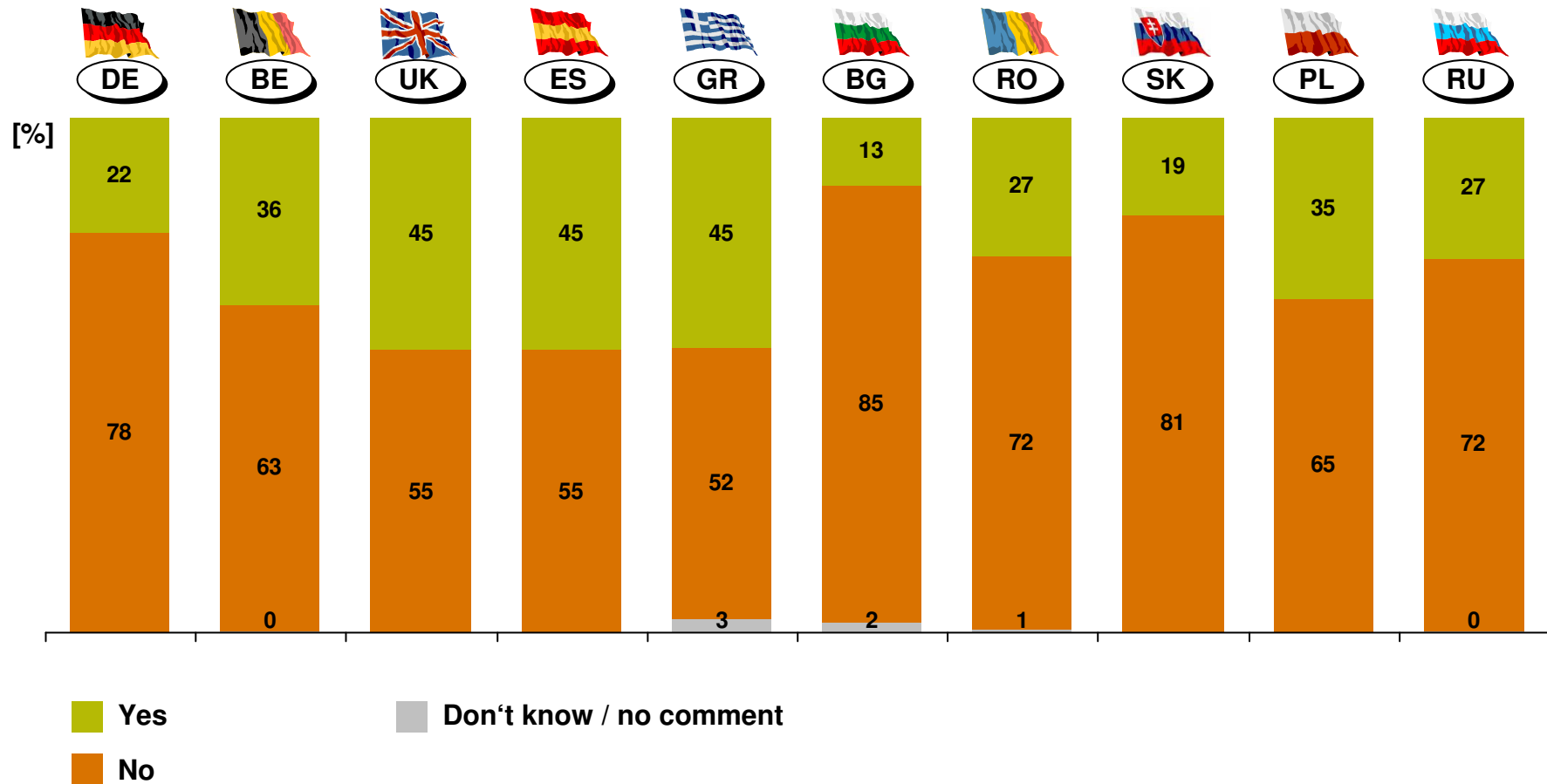
Bad debts cause cash flow problems – Eastern European companies suffer more frequently than Western European companies

>> Percentage of companies which have experienced cash flow problems in the past due to bad debts and/or delays in payment



Survey Analysis – Significance of internal Risk/Receivables Management

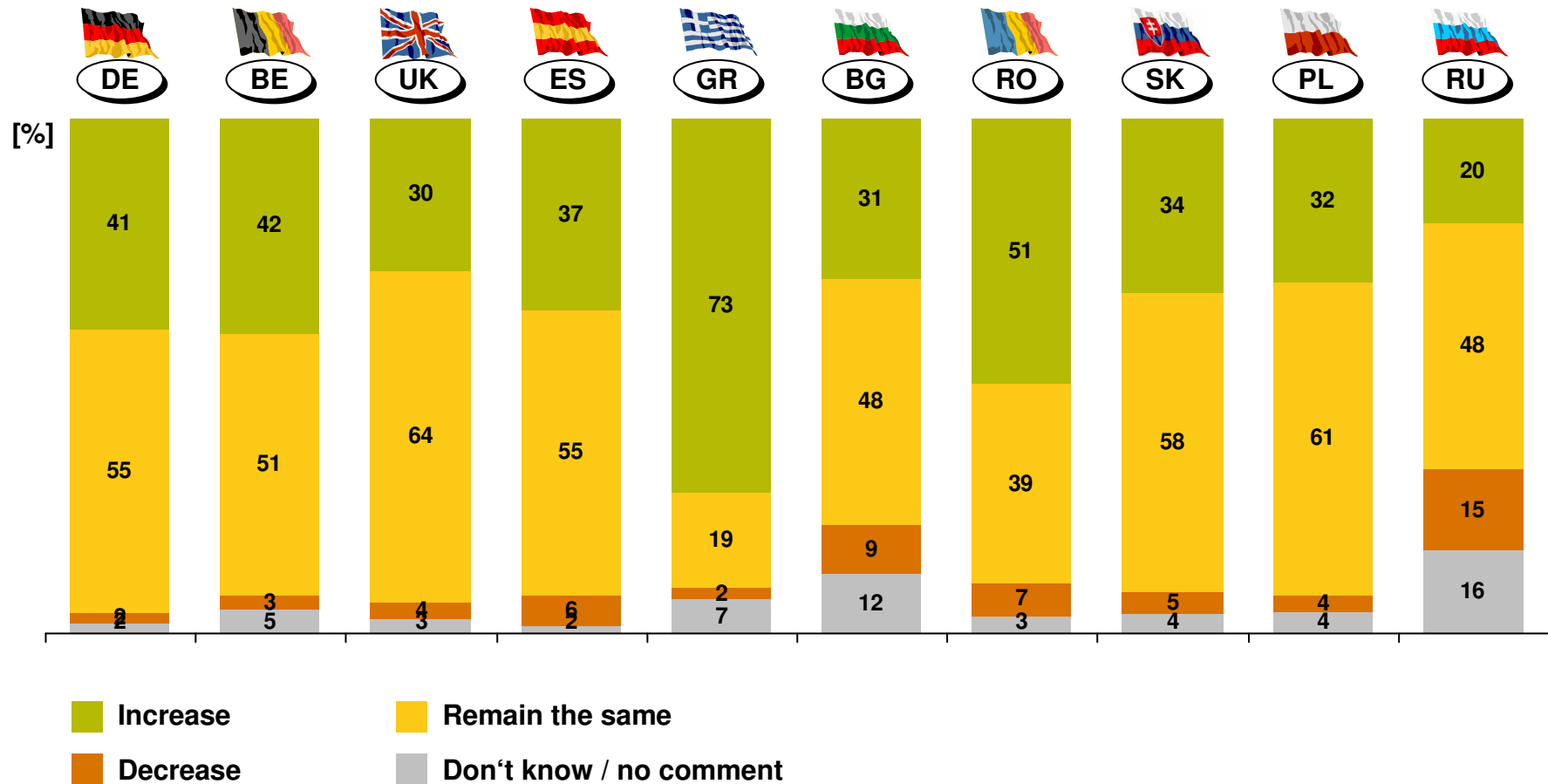
British, Spanish and Greek companies are most likely to have specialist staff / departments for receivables and credit management



Question: In your company, do you have a special department for credit management (receivables/risk management) or employees who deal exclusively with receivables and credit management? This applies to e.g. steps taken during credit assessments and to dealing with unpaid receivables and bad debt losses.

Survey Analysis – Trend in the importance of Risk/Receivables Management

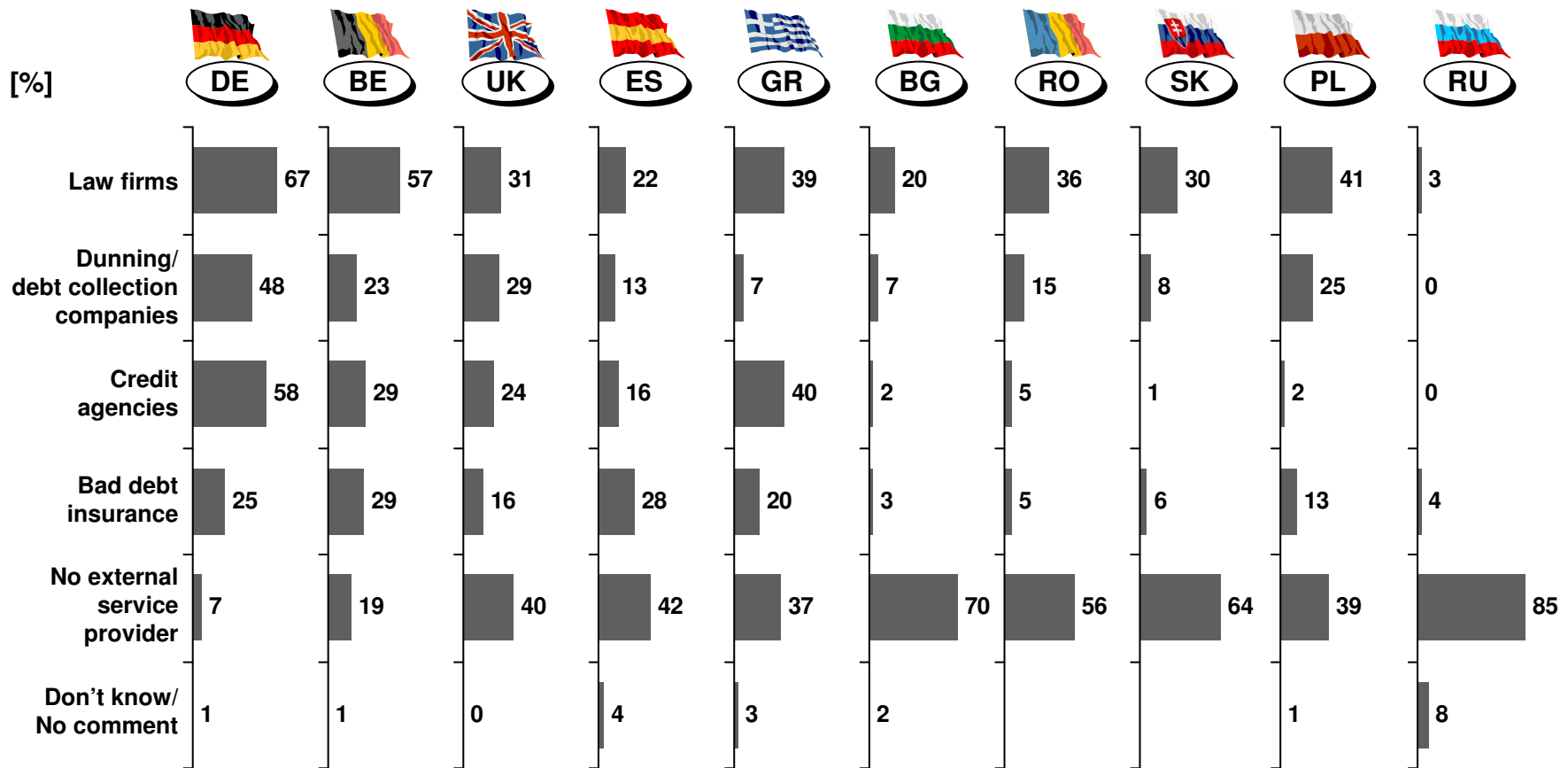
Greek and Romanian companies are strongly believe in the importance of an increase in receivables management, by a wide margin



Question: Now please think about the significance of risk and receivables management in your company. Over the next two years, will the importance of these tasks in your company increase, remain the same or decrease?

Survey Analysis – Cooperation with External Service Providers

German and Belgian companies are most likely to use external service providers – 85% of Russian companies with no external support



Question: With which of the following external service providers do you co-operate in the field of credit/receivables management?
Please differentiate between business customers and end customers.

Summary

Few debts written off in Eastern Europe, better cash flow in Western Europe – Value of professional receivables mngt. acknowledged

The macroeconomic situation in the countries surveyed corresponds to the results of our survey – the vast majority of decision-makers have recognised the value of receivables management under the pressure of the crisis

Western companies are doing better than their East European counterparts in avoiding cash flow problems:

- Only 9 to 10% of German, Great Britain and Belgium companies have experienced cash flow problems because of payment defaults
- More than 20% of all companies in Eastern Europe were most frequently affected by cash flow problems, in Romania even 31%

Professional receivables management is almost taken for granted at Western European companies by both using internal specialists and cooperation with specialist service providers:

- 45% of British, Greek and Spanish companies employ internal credit and receivables management specialists
- In Slovakia, only 19% of businesses have own experts
- Particularly in Germany (89%) and Belgium (78%), companies rely on external support
- Only 3% of businesses in Russia work with attorneys or debt collection companies, the figure in Bulgaria is around 27% and in Slovakia 36%



East European companies seldom suffer from bad debts:

- Write off rates range between 1.8% (Russia) and 2.3% (Poland) of invoice
- In Slovakia, only 19% of businesses have their own experts
- The proportion of bad debts in Spain (4.7%) and Greece (5.0%) is particularly high

Participated companies evaluate the future development of payment behaviour differently:

- In Greece over half (52%) of businesses fear a further decline in payment behaviour meanwhile in Great Britain, almost two thirds (63.8%) assume that there will be no change in payment behaviour
- In Russia, by contrast, one third (34%) expects that willingness to pay will improve
- Well over 75% of all business agree on the assessment of receivables management

Thank you for your time!

