

PROGRAMMED FOR THE FUTURE

Insights

The EOS Group
in 2016/17

With head and heart in finance



EDITORIAL

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Dear reader,

For the first time since I became CEO, I have the privilege of introducing our annual report 'Insights' to you. This task brings a twofold pleasure as we look back on the outstanding results of the previous year and look forward to the future with confidence.

In this issue devoted to the motto 'Programmed for the future', you'll find stories about innovations such as robot judges, mini jets for the average consumer and self-healing teeth. It's no secret that my staff and I are fascinated by novelties from the world of business and research and are happy to think outside the box. That's where we find the motivation and inspiration to forge our own path and carry out our plans.

At EOS we do not wait to see what may one day be possible. Today we craft our technological and organisational future by ourselves. Our strength is in the mindset of our engaged employees who see change as an opportunity, not as a hurdle. So you'll read in this report how we are developing our own debt collection software with agile programming methods and how we are expanding into new business areas such as the international purchase of debt portfolios secured by real estate.

Because you are so savvy in the use of multimedia, you may want to do more than leaf through a printed publication. I understand completely your desire for additional information, photos, videos and the like. It's all here for you. I invite you to visit our online issue of 'Insights' at eos-solutions.com/insights.

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With head and heart in finance



Klaus Engberding: Chairman of the EOS Group's Board of Directors

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Simply try it out, dive into our world and, most importantly, keep questioning.

Yours
Klaus Engberding



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Disclaimer

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TEAM FUTURE RE



BEING PROACTIVE The EOS Group's Board of Directors is setting the Group on the right path with new technologies, new business models and an appropriate mindset for future challenges.



**DR ANDREAS
WITZIG:**

Member of the EOS Group's Board of Directors and responsible for the Western European and North American regions

**MARWIN
RAMCKE:**

Member of the EOS Group's Board of Directors and responsible for the Eastern European region

**ANDREAS
KROPP:**

Member of the EOS Group's Board of Directors and responsible for the German market

**KLAUS
ENGBERDING:**

Chairman of the EOS Group's Board of Directors

**JUSTUS
HECKING-VELTMAN:**

Member of the EOS Group's Board of Directors and Chief Financial Officer

INTERVIEW

Klaus Engberding assumed the role of Chairman of the EOS Group's Board of Directors in March 2017. He reviews the extraordinarily successful past financial year and explains how EOS is securing its position as one of the top service providers in the debt collection industry.

? Mr Engberding, you have been working for EOS for more than ten years and in your most recent position as member of the EOS Group's Board of Directors you were responsible for the German market. What has changed for you in your new role?

Klaus Engberding: As Chairman of the EOS Group's Board of Directors, I now look at things from a new point of view. While I was responsible for the German market, I steered the day-to-day business and solved specific problems on a daily basis. Now I am responsible for setting the course for the future of the entire Group. I now delegate even more operational issues to my executive team than I did in my last position. Steering the overall course for the EOS Group suits me and I enjoy it very much.

? This is your first time as Chairman of the Board of Directors that you can look back at the results of the past financial year. How satisfied are you?

Klaus Engberding: My colleagues on the Board of Directors and I are extremely satisfied. We achieved an extraordinarily good result in the last financial year. We are proud of this success because in many regions financially strong competitors are increasingly pushing onto the market, raising the stakes in terms of competition and pricing pressure. Nevertheless, in the reporting year, we managed to approximately double our investments in debt purchases compared to previous years. For instance, we expanded the purchasing and processing of secured receivables. We plan to increase investments in the purchases of receivables.

? How will you safeguard the competitiveness of the EOS Group in the future?

Klaus Engberding: We want to remain among the most efficient providers of receivables management in our core business area and offer our customers attractive

products. This is why we launched two key projects. The first concerns taking advantage of the opportunities of digitalisation to further expand our position as a technology leader. The other project is about properly positioning ourselves for the changes of the digital age using the Cultural Journey@EOS change process.

? How will you be advancing digitalisation within the EOS Group?

Klaus Engberding: We are experts in our core business today because in past years, we have always been at the forefront of new – technological – developments. Our debt collection software remained unique in the industry for many years. Now, EOS in Germany is in the process of developing a totally new debt collection system. At a total of 90 million euros, it is the biggest investment in IT ever within the EOS Group. This software is capable of analysing data even better. Thus, it supports our employees by adopting the optimal measures for every debtor. We are currently working on an international Centre of Analytics in order to pool these findings and have them benefit the entire EOS Group. This way, we continue to work more efficiently and at the same time protect our clients' reputations as best we can.

? Digitalisation often requires companies to switch to new work methods. How is EOS rising to this challenge?

Klaus Engberding: With employee participation, our parent company, the Otto Group, developed and issued a common mission statement for its more than 100 companies in 2017. Based on the motto, 'Together we push the limits', we are working together to ensure the Otto Group transforms itself into a fully digitalised trading and services group. We want to inspire our customers. This new sense of purpose will release fresh energy within the EOS Group and ensure our innovations continue to lead



WE ARE FULLY PROGRAMMED FOR THE FUTURE



us to success. We will use this energy to put the Otto Group purpose into practice for EOS and forge ahead with the Cultural Journey@EOS.

? What changes will come from the Cultural Journey@EOS?

Klaus Engberding: The Cultural Journey@EOS defines how we become faster and more efficient. Our future form

of collaboration must give employees more scope for decision-making. As we allow them more freedom, we need a modern approach to handling errors. Our goal must be to learn from wrong decisions. We are promoting independence, courage and motivation in our employees to help them perform at their best every day. Thanks to digitalisation and the Cultural Journey@EOS, the EOS Group is fully programmed for the future! ■

Cultural shift: Klaus Engberding, Chairman of the EOS Group's Board of Directors, wants to inspire customers



CORPORATION MEETS START-UP

DIGITALISATION New debt collection software, new methods: EOS is setting its sights on agile product development. This approach helps create a system to optimise receivables management by using modern data analysis.



Looking ahead:
Jörg Schweda, Managing Director of EOS Deutscher Inkasso-Dienst (DID), sets the balance between efficiency and security for the new debt collection system



A complex project: EOS is developing its new debt collection software with agile processes

EOS is now into punk rock. At least according to the Sideways Dictionary, which is an online resource created by 'The Washington Post' and Google that explains complicated technical vocabulary using analogies instead of definitions. Take agile software development for example: 'It's like punk rock. You don't spend years crafting the perfect guitar solo. You pick up a guitar, learn three chords, and get on with it'. Musicians release their as yet unfinished song to the public to find out what works and what needs improvement.

For IT projects, that means the parties involved approach the goal in small steps by testing intermediate products, improving functions and adding new ones. They are in total control of their instruments but continually test the best way to use them. This makes it easier to complete complex IT projects like the new debt collection system created by EOS in Germany.

An individual approach to debtors

EOS has been working on a fundamentally new piece of software for receivables processing since mid-2016. The new system will see an end to pre-defined procedures. The software analyses the data EOS has on a particular

debtor and expands it based on experiences with him. The system learns from these experiences with consumers and can generate recommendations for when it is the best time for EOS to reach the debtor and what payments he can make on what date. 'This helps us to decide what course of action to take in a way that is individually tailored to each debtor', explains Jörg Schweda, Managing Director of EOS Deutscher Inkasso-Dienst (DID), Germany.

Security above all

The goal: A highly-efficient system which meets the strict ethical standards of the EOS Group. 'Of course, person-to-person communication is still important in receivables management but the software will support us in our engagement with debtors', says Mr Schweda. Data protection plays a key role in striking the right balance between effective use and optimal security. 'The sensitive handling of client and debtor information is our greatest asset. This is why our IT security and data protection experts are helping us to find the right solutions', says Lars Ludwig, Managing Director of EOS Technology Solutions, the IT service provider of the EOS Group. ➤

Innovative working methods:
Thomas Lieder and his team work like punk rock stars



› Developing modern debt collection software requires innovative working methods, including mixed project teams consisting of employees from specialist areas and IT. 'In-depth experience is essential for IT to be able to develop suitable software. To put it another way, IT experts know what is technically possible and what is available', explains Mr Ludwig. The initiative enables everyone involved to act like a start-up, but still within the Group. EOS has been working with coaches to develop an agile working method perfectly suited to the company.

The development process for the software is divided into individual stages to allow developers to react quickly to changing requirements and any outside influ-

ences. Employees present a new partial solution every two weeks. Those involved in the project also expand available functions piece-by-piece, such as an automatic check that was previously performed manually. 'Agile procedures are all about transparency and openness. This includes a distinct error and feedback culture. We consciously take into account that an assumption may prove to be incorrect. It can be bothersome, but it brings new findings and pushes the project one step closer to a solution', explains Thomas Lieder, Agile Coach at EOS Technology Solutions.

Colourful collaboration

To make sure everyone feels part of a team working toward shared goals, project staff in Hamburg are assigned space on the same floor. They meet on a daily basis in specially designed rooms. 'We need to consult with one another regularly to plan the next step. Coloured charts on the wall depict our working procedures. Both the look and content of our work are colourful', says Mr Lieder.

To ensure the future debt collection system reaches its true potential, EOS runs an organisational development project parallel to the IT plans. This is because the software will change the day-to-day work of many employees but how it will look in detail is still unclear. After all, the experts do not yet know what the end product will be. To prepare employees as well as possible, EOS is optimising processes and responsibilities in Germany. 'The new debt collection system will keep EOS on track in the new digital age. As a leading provider of receivables management, we are setting further standards in terms of service, quality and payment success', summarises Mr Schweda. ■



THE NEXT DIMENSION IN COMPUTING

A quantum leap with quantum computers? IBM, Google and Co are working at full steam towards this goal. While traditional computers work with bits equalling one or zero, quantum processors use what are known as qubits. These can assume a state of zero and one simultaneously. This means quantum computers would be able to test all solutions to a problem simultaneously and thus complete tasks in seconds that would take normal computers years. Quantum computers could revolutionise many areas – from developing medicines, financial transactions, through to climate research.

NEW SOFTWARE Germany is taking a leading role in the digitalisation of the EOS Group. Right at the centre is the new debt collection system. Andreas Kropp, Member of the EOS Group's Board of Directors, talks about agile methods, smart data analysis and automated processes.

Why does EOS need a new debt collection system?

Andreas Kropp: Digitalisation represents a key challenge for our core business. EOS in Germany is rising to the challenge by developing a completely new debt collection software that is automated, data-driven and capable of learning. The key phrase is advanced analytics. Analysing consumer data and behaviour patterns allows debtor-specific receivables management, which introduces the next step in the collection process in a much more tailored way.

Where are the biggest differences compared to the old system?

Andreas Kropp: Even today, our analysts have a good overview of our data inventory. The new core system, however, takes it a huge stride further. At present, employees need to enter data continuously for analytics, but the future system will be far more automated. It will use analytical mechanisms to continually check the best way of engaging with debtors and the ideal time to make contact. But the system is capable of more than determining the right point in time; it can also initiate contact. In the future, for instance, it will be able to send a letter or email autonomously in specific cases, or organise for an employee to get in contact with the person in question.

Why are you developing the new system in-house?

Andreas Kropp: We are one of the leading companies in the German debt collection market. There is no standard software that can meet our wide range of requirements. Our core system needs to be capable of processing millions of receivables while meeting our stringent requirements in terms of analytics, process automation and data protection. That is why we are developing our own flexible debt collection system – second-to-none in the industry – that can adapt to future needs. We want to stay one step ahead of the market.

Fintechs are currently on everyone's lips and are regarded as digital pioneers of the financial industry. Do you see them as a competition?

Andreas Kropp: Fintechs are all about agility, digitalisation and innovation, keywords that are also part of everyday life at EOS. We will be working with agile methods and developing a debt collection system to revolutionise the world of receivables management. Many debt collection fintechs have only a handful of clients with low volumes of receivables. For such companies, a simple piece of collection software that maps just a few functions can be adapted relatively quickly. At EOS, however, we work with a huge number of customers and millions of receivables. Naturally, it will take longer to develop such a complex and powerful debt collection system, but the final product will be even more impressive as a result. EOS thus combines both: the innovation and flexibility of a fintech with the experience and reliability of an established Hanseatic company with a tradition spanning decades. ■

'WE WANT TO STAY ONE STEP AHEAD OF THE MARKET'



Digitalising for the future:

Andreas Kropp, Member of the EOS Group's Board of Directors and responsible for the German market, wants to revolutionise receivables management

PEAK PERFO RMER

FLYING HIGH The Swiss insurance company Fortuna Rechtsschutz is number one in premium growth. The company relies on the support of EOS in Switzerland and its persistent but sensitive handling of defaulting clients to ensure continued growth.

The gondola takes about five minutes to glide from the base station in Adliswil, Switzerland, to the Felsenegg peak. At an altitude of about 800 metres an impressive panorama unfolds before the visitor. To the left, the city of Zurich lies directly below Lake Zurich and to the right are the peaks of the Glarus Alps. The cable car has been bringing sightseers to the lookout point on the Albis ridge for over 60 years.

Adliswil is also the headquarters of Fortuna Rechtsschutz-Versicherungs-Gesellschaft. It sells private, motor vehicle and business liability policies. Since 1996, the company has been part of the Generali Group Switzerland, one of the country's best-known insurers. Like the Adliswil cable car, Fortuna Rechtsschutz and its 80 employees are moving rapidly upwards. 'Thanks to innovative products and growth strategies, in 2016 we achieved an increase of 8.3 per cent, the highest relative premium growth in the Swiss legal insurance market', says Fabien Sigg, Administration Manager at Fortuna Rechtsschutz.

Policy-holders are impressed by the company's service and its favourable premiums. It stands out from its many competitors in three ways: 'We react to client enquiries within 48 hours, offer legal advice in all areas,



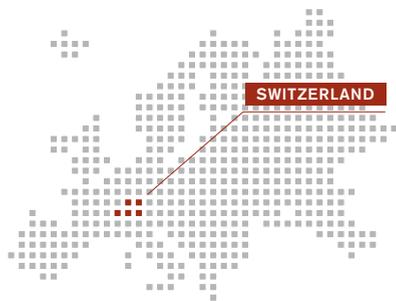
Together at the summit:

Fortuna's administration team optimises its receivables management



Vision:

Fabien Sigg of Fortuna Rechtsschutz wants to develop collaboration with EOS Schweiz



not just legal areas we cover, and are the only insurer in Switzerland to pay procedural costs', says Mr Sigg. The insurer currently has more than 130,000 policies on its books. 'Until now we focussed on private client business. But in future we want to devote more effort to the B2B area in order to also gain market share there', Mr Sigg states.

Mitigating declining payment behaviour

Admittedly most Swiss pay their bills on time. But in recent years Fortuna Rechtsschutz has noticed a decline in its clients' payment behaviour. That's why the company obtained professional help for debt collection. EOS Schweiz (Switzerland) has been its partner since 2014. The receivables management department of Fortuna Rechtsschutz sends invoices, payment reminders and formal payment notices by registered letter to defaulting clients. If they still fail to pay, the company outsources further procedures to EOS. 'Fortuna usually emails us the cases still unpaid after the internal collection procedures, in other words 90 days after due date. At present we process about 5,000 policies per year with an average debt of 300 Swiss francs', explains Yannick Schiess, Team

Leader Key Account Management at EOS Schweiz.

Quantifiable success

The success of the country's second largest debt collection company can be measured. Mr Sigg's view: 'Since we started working with EOS, the number of defaulting clients dropped to the very low level of under five per cent while our portfolio was increasing'. Mr Schiess explains further: 'Our success rate at Fortuna is above the industry average. One of the many reasons is that Fortuna uses a fully automated interface to notify us of its cases. This guarantees particularly fast and secure data transfer and speeds up the processing'.

But vision is needed along with efficiency. EOS always remembers that Fortuna's good relationships with its clients must be preserved even when payments are late. 'EOS is really masterful in its professional and sensitive way of dealing with our clients', says Mr Sigg. 'Our experiences with EOS have been consistently favourable, both at the business and personal level'. Fortuna is therefore planning to further expand its collaboration with EOS Schweiz. The outlook for the collaboration is as good as the view over the city, lake and mountains from the Felsenegg. ■

ROBOT JUDGES

Will artificial intelligence soon hand down judgements? Scientists at University College London and the Universities of Sheffield and Pennsylvania have programmed a system that predicts the judgements of the European Court of Human Rights. The outcome: In 79 per cent of the cases the robot judge came to the same conclusion as the judges in Strasbourg. Nevertheless, the scientists do not believe robots will replace judges in the near future, but think the program could be used effectively for preliminary analyses of cases.



Flowing smoothly:

Sales Director
Mikko Ruoho of
Visma Duetto is the
clients' first contact



PREFERRED PARTNER Successful recovery of receivables requires knowing the country and its people. The example of Visma Duetto of Finland shows how local partners support EOS in cross-border debt collection.

The Finns are masters at bridging large distances. Even the most remote parts of the country can be reached with ease by car, train or ship. High-speed internet is also available everywhere. In a republic of 5.5 million citizens with a population density of 16 people per square kilometre, networking is an extremely important aspect. Unsurprisingly, Finland is a front-runner in digitalisation amongst European countries.

Simply well-organised

The digital transformation has touched almost every part of life in this Northern European country from the economy, education, public administration and the debt collection industry. 'Modern receivables management must be part of the software companies use to organise all their processes', states Mikko Ruoho, Sales Director at Visma Duetto. The debt collection service provider based in Turku on the south-western coast of Finland provides user-friendly software to its more than 3,500 customers.

The software can then be integrated into companies' business process management programs. It enables automation of handovers, documentation and reporting of debt collection cases, thus ensuring fast, smooth implementation. Visma Duetto has been a

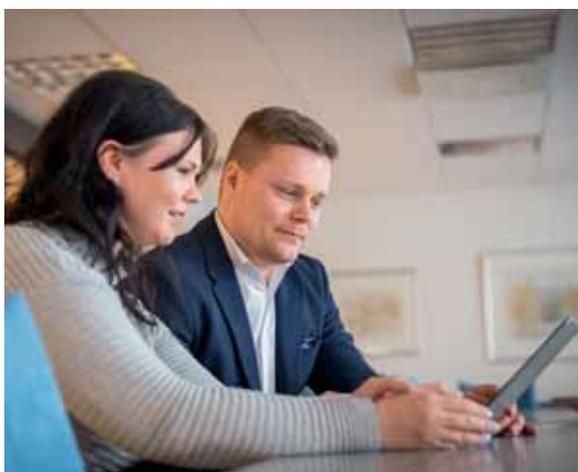


member of the EOS Preferred Partner Alliance since 2015. EOS has long been working with these companies in international receivables management. Their high-quality processes have been tested and proven in regular audits.

Debt collection in more than 180 countries

EOS also cooperates with its Preferred Partners in terms of strategy. 'For example, we consult on promising methods that can be used in the various regional debt collection markets', explains Romina Rosiello, Product and Cooperation Manager at the EOS Cross-border Center in Hamburg, Germany. EOS covers more than 180 countries

MASTERS OF NORDIC COMBINA TION



Unique selling point: Visma Duetto offers debt collection software plus personalised client service

via its partner network. Customers can gain access to the high-quality services of the EOS Group even when their native country does not have its own subsidiaries. 'Using their local expertise, our on-site partners ensure that recovery is performed quickly, smoothly and efficiently for the benefit of our customers', says Ms Rosiello.

The example of Visma Duetto: If a customer of the EOS Group has outstanding debt with Finnish companies or private individuals, EOS automatically forwards the cases concerned from the client's country to Turku, via its Global Collection platform. This is where Visma Duetto swings into action. 'Statutory regulations and cultural aspects can vary widely from country to country. Speaking

the language of a country, being familiar with local customs and the details of the local market are indispensable to success', says Mr Ruoho.

Strongly contested Finnish market

Like EOS, the Finnish debt collection specialist combines digital solutions with close contact to its customers. 'We assign every customer its own contact person who can be contacted for help with technical issues, questions and requests related to the entire debt collection process. This individual, all-round support is our unique selling point in the strongly contested Finnish market', explains Mr Ruoho.

Visma Duetto's status as 'Preferred Partner' also pays off for its own customers. For instance, their cross-country receivables can be recovered via EOS or the EOS partner system. 85 clients already use this service. 'Many Finnish companies sell their products across the entire world. That is why they prefer internationally established debt collection service providers. As a Preferred Partner, we can offer true added value', says Mr Ruoho. The wide-ranging network of the globally operating EOS Group overcomes distances with ease. ■



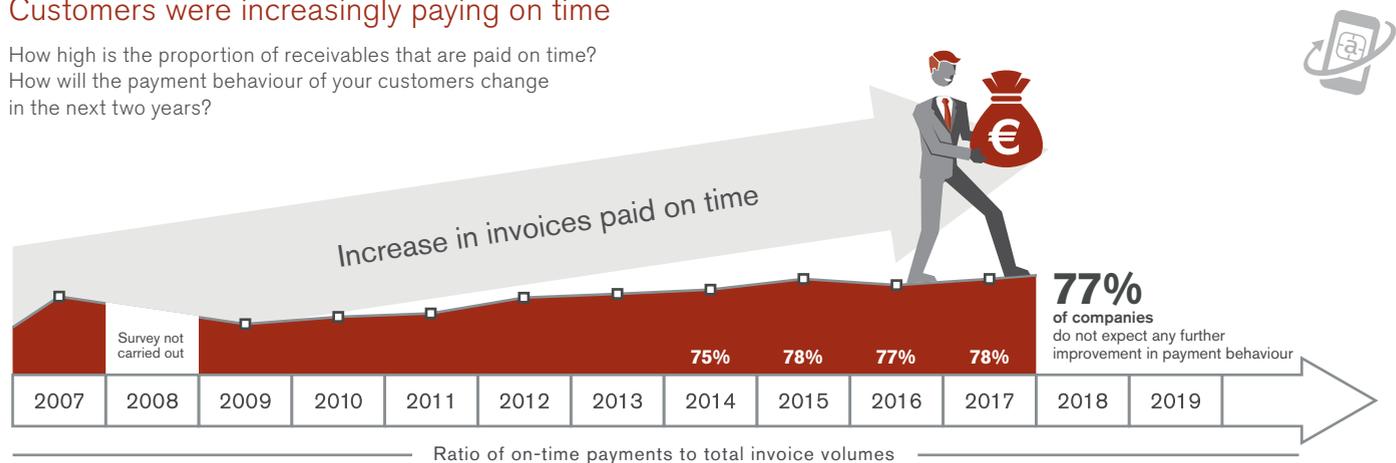
LET'S JET AWAY

The start-up Lilium based in Munich, Germany, has a vision of mini-jets for everyone. A prototype already exists. Their two-seater can transport payloads of 200 kilograms and fly at 400 kilometres per hour. It also takes off vertically like a helicopter. Thanks to the 36 electric drive units on the wing flaps and swivelling aerofoils, it takes off noiselessly. The plane's battery can be charged using a conventional power socket. One charge is enough for 300 kilometres.

PAYMENT BEHAVIOUR IS CHANGING OVER TIME

Customers were increasingly paying on time

How high is the proportion of receivables that are paid on time?
How will the payment behaviour of your customers change in the next two years?



Source: EOS Survey 'European Payment Practices' 2007–2017; n = 4.027/3.812/3.719/3.409 (2017/2016/2015/2014); before 2014 only the trend

EUROPE

A positive trend over the past ten years

A welcome development in Europe: Almost every third company reports that the payment behaviour of its customers has improved over the past ten years. Companies particularly in Poland, Croatia and Germany see this change in payment behaviour as very positive. On the other hand, companies in Greece, Britain, Bulgaria and Hungary see a negative trend.

This is demonstrated by the EOS Survey 'European Payment Practices' 2007–2017 which EOS compiled for the tenth time this year in collaboration with well-known market research institutes. More than 22,000 phone interviews with decision-makers in the field of receivables management were incorporat-

ed into this analysis. 'This in-depth body of data enables reliable assessments to be made for instance about the links between payment terms and payment behaviour in Europe', says Klaus Engberding, Chairman of the EOS Group's Board of Directors.

All in all adherence to payment schedules is improving. In 2017 about 78 per cent of customers are paying invoices on time. This is three percentage points more than in 2014 (see chart above).

Less optimism for the future

However, participants in the study were more sceptical about the future. 77 per cent of respondents expect that there will be no further improvement in payment behaviour

in the future. Of the respondents, Eastern European companies (76 per cent) are less pessimistic than Western European companies (80 per cent). Out of this total of 77 per cent, 18 per cent assume that customers' payment performance will deteriorate.

On average, Western European companies have kept their payment terms unchanged at 33 days in 2017, whilst Eastern European companies have reduced payment terms by one day to 37 days. 'However, if payment terms are extended in coming years, I expect that payment behaviour will decline. The reason is that in general the proportion of prompt payments drops as a result', says Mr Engberding. ■

PAYMENT HABITS An EOS survey has been investigating the evolution of receivables management in Europe over the past ten years. The good news: Payment behaviour has improved during this time. The not-so-good news: This trend will not continue. In any case, debt collection can significantly enhance liquidity for companies.

EUROPE

Debt collection as an engine for growth for the economy

Professional receivables management creates liquidity which is important for the business cycle. The respondents in the EOS survey indicate that on average they were able to collect about eight per cent of their revenue through collaboration with service providers. In Western Europe, German (eight per cent of their sales) and French (seven per cent) companies classified the financial benefit as particularly important.

In Eastern Europe, Romanian (13 per cent), Croatian (12 per cent) and Czech (11 per cent) companies

particularly profited from cooperation with external debt collection specialists. 'European companies clearly benefit from collaboration with debt collection specialists. Service providers strengthen companies' cash flow while leaving the companies able to concentrate on their core business', says Mr Engberding in summarising.

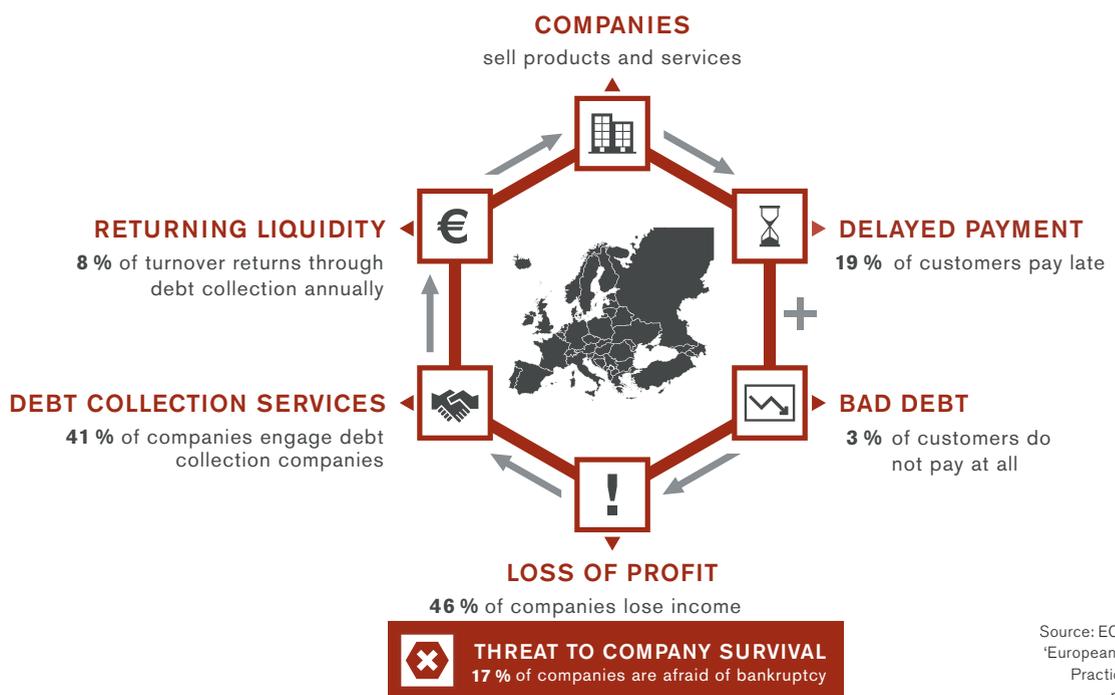
The improved cash flow not only strengthens the individual companies but also prevents a domino effect of payment defaults. 'When a customer defaults on payment, companies' first step is professional debt

collection. The customer's inability to pay is the main reason for a company's own late payments. In all the countries that were surveyed, companies primarily used the liquidity that they recovered as a means of settling their own payment obligations', Mr Engberding explains.

Companies also used the liquidity which they obtained to create and secure jobs, to expand and to invest in research and development. 'This is how debt collection becomes an economic driver', says the Chairman of the Board of Directors. ■

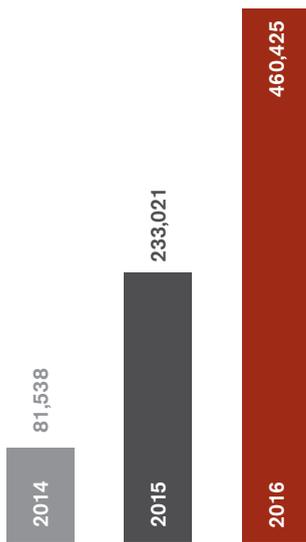
Increased liquidity for the business cycle

Professional receivables management strengthens cash flow and the economic capability of companies. 41 per cent of survey participants attributed part of their revenue to debt collection.



Source: EOS Survey 'European Payment Practices' 2017 n = 3,200

RESEARCH ON RECEIVABLES MANAGEMENT



More B2C receivables sold

In Bulgaria, the volume of non-performing receivables from private households sold to debt collection companies grew by about 100 per cent in 2016 compared to the previous year. Volume of B2C receivables sold, in thousands of euros

Source: Association of Bulgarian Debt Collection Agencies (ACABG); 2017; n = 10

SURVEYS EOS research confirms the growing trend toward outsourcing in Bulgaria and shows the challenges posed by debt collection for US American hospitals.

BULGARIA

Further increase in debt sales

Bulgarian creditors are strengthening their focus on the sale of B2C receivables. In 2016, the volume of these portfolios rose to a total of 460 million euros, according to a recent survey by EOS Matrix and 15 other members of the Association of the Collection Agencies in Bulgaria (ACA-BG). At the same time, companies passed fewer B2C receivables on to debt collection specialists for fiduciary processing. Their volume decreased in 2016 by 15 per cent from the previous year. 'Due to the higher volume of receivables sold, fewer cases are

going to fiduciary collection', explains Rayna Mitkova-Todorova, Managing Director of EOS Matrix in Bulgaria and President of the ACABG.

By contrast, the number of outsourced fiduciary cases in the field of B2B receivables rose considerably. In 2016, Bulgarian companies transferred business customer receivables worth 75 million euros to service providers – 66 per cent more than in the previous year. 'This trend proves that trust in the debt collection industry is growing at a noticeable rate', says Ms Mitkova-Todorova. ■

USA

Hospital budgets under pressure

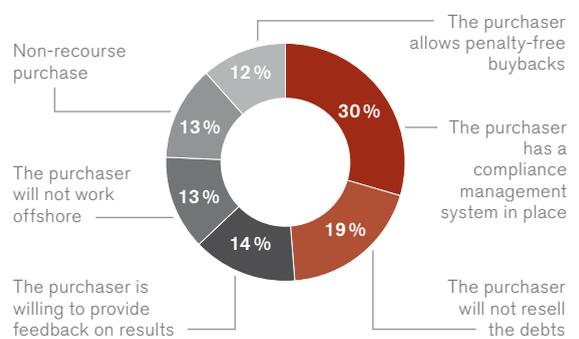
A deterioration in payment behaviour is subjecting the budgets of American hospitals to increasing pressure. This became evident in a survey conducted by EOS Healthcare in the United States among 166 experts who were drawn from hospitals with more than 250 beds. Over half of the interviewees registered an increase in bad debts and write-offs.

To limit bad debts, 80 per cent of hospitals use the professional help of debt collection agencies. However, only just under nine per cent of participants in the survey indicated that they

had sold their receivables. 'At the same time the research demonstrates that debt sales could help hospitals significantly improve their cash flow in the future. Just under 40 per cent of respondents indicated that they were open to the idea of selling receivables', says Todd Van Meter, President of EOS Healthcare. They attach particular importance to service-providers with a compliance management system and who would not resell the receivables (see chart). 'Reputable debt collection specialists meet these client expectations', says Mr Van Meter. ■

Requirements for debt purchasers

In your opinion what conditions would a receivables purchaser have to meet?

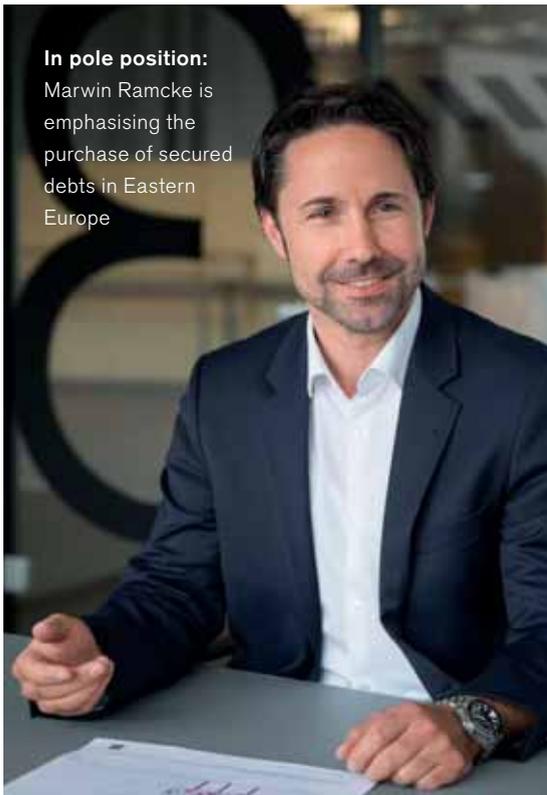


Source: EOS USA 'Debt Purchase Trends Survey' 2017; n = 78; For computational reasons, the chart contains rounding differences.

‘WE ARE OPTIMALLY POSITIONED FOR DEBT SALES’

In pole position:

Marwin Ramcke is emphasising the purchase of secured debts in Eastern Europe



Mr Ramcke, what is the growth strategy you are pursuing in Eastern Europe?

Marwin Ramcke: We are now represented in 15 Eastern European countries and are therefore well positioned in the market. In most of these countries, we are the market leader for processing unsecured debts. We want to continue to expand this pole position. To accomplish this we will enhance our debt collection processes with the aid of new IT solutions as well as other means. I also want to strengthen existing customer relationships and develop new ones.

How do you intend to achieve this?

Marwin Ramcke: In 2015 we also started investing in secured debts. Last year, we succeeded in concluding major transactions, particularly in markets such as Romania and Croatia. We want to maintain that momentum this year as this is where we see further opportunities for growth.

INTERVIEW Marwin Ramcke has been

a Member of the EOS Group's Board of Directors and responsible for Eastern Europe since January 2017. In this interview he explains how EOS intends to continue to grow in the region.

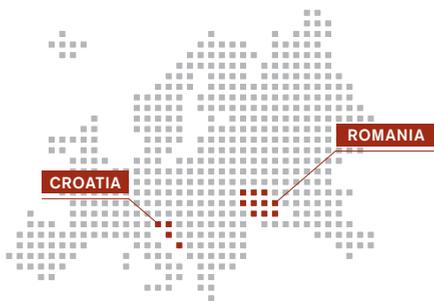
What trends do you see in sales of non-performing loans, NPLs for short?

Marwin Ramcke: The volume of individual NPL transactions in Eastern Europe has been growing for the past two years. One reason is that sellers of secured and unsecured debts have been combining them into large receivables packages. At the same time, the number of our competitors has sharply increased. However, our international presence and long-term experience gives us an advantage over many other purchasers of receivables. This is because large NPL transactions are now often extremely complex. In order to make the best transnational use of our extensive know-how we have recently established a Transactioncenter NPL secured.

What advantages does the Transactioncenter NPL secured provide?

Marwin Ramcke: The employees are specialists in the purchase and processing of secured debts packages. The structuring and valuation of portfolios of this nature and the negotiations with sellers are very complex. The Transactioncenter NPL secured experts coordinate the exchange between the EOS company in the respective country, the employees involved in the project at the EOS headquarters in Hamburg, Germany, and the portfolio vendors. They therefore ensure that we are able to make attractive and reliable offers to the sellers. Once the acquisition is complete the specialists also spend a lot of time on site to guarantee that the receivables are efficiently processed. In this area, too, we must be better than our competitors if we are to continue to be successful in the market. ■

BLASTING STING OFF





Equal to the challenge:

Managing Directors of EOS in Romania, Adrian Boghiu (left) and Georg Kovacs, set out to begin a new chapter

PREMIERES IN EASTERN EUROPE EOS purchased secured debts in Croatia and Romania for the first time in 2016. With real estate expertise and a lot of tact, the companies are positioning themselves in this sector.

The Sky Tower reaches up into the sky like a rocket at lift-off. Standing 137 metres tall it is Romania's highest office building and a landmark in the capital city of Bucharest. The Romanian real estate market has grown rapidly in recent years – not quite with the speed of a rocket, but with considerable thrust nonetheless. According to a current survey of Romania's largest property portal, Imobiliare.ro, one out of three inhabitants of the country's six most populous cities is contemplating buying, selling or renting a house or a flat. This trend reflects the situation throughout the entire region. The accounting firm Deloitte observes a recovery in the property markets of Central and Eastern Europe as the economic recovery

continues. Deloitte notes that an increasing market value of securities for non-performing loans (NPLs) secured by real estate makes the purchase of NPL portfolios all the more interesting for investors. At the same time, Deloitte is seeing a growing willingness on the part of banks to sell secured NPLs.

In light of this development, in 2016 two EOS subsidiaries set out to begin a new chapter in their corporate histories: For the first time, EOS in Romania acquired a comprehensive B2C portfolio secured by real estate. 'It comprises 5,400 loans to 3,900 private individuals at a nominal value of 370 million euros', explains Managing Director Georg Kovacs. In Croatia, EOS Matrix also >



Experts in fair offers: Barbara Cerinski and Bernhard Melischnig of EOS Matrix in Croatia



› celebrated a premiere: 'We purchased a secured B2B receivables portfolio, a first for us', recalls Managing Director Barbara Cerinski. Both EOS subsidiaries have expanded their expertise in property since the initial transactions.

Each portfolio is unique

In April 2016, EOS Matrix established a department in Croatia which specialises in the assessment and handling

of secured B2B portfolios. 'It is made up of 20 employees who are lawyers and specialists in corporate banking', says Ms Cerinski. When a portfolio is purchased, the experts are involved in the bidding procedure from the very beginning. The seller initially provides them with select data on the receivables contained in the portfolio. On the basis of these data, the experts conclude a rough assessment of the portfolio and put in an initial, non-binding bid. Afterwards they receive detailed information on the portfolio. 'The challenge lies in the fact that we do not have access to historical data, as each secured portfolio is unique in its composition', explains Bernhard Melischnig, Executive Director for Corporate Collection at EOS Matrix in Croatia. 'When performing the assessment, we estimate the market and the value of every single security. We also determine if the receivables and the securities are legitimate'. To accomplish this, EOS Matrix works together with external experts such as lawyers and real estate agents. All of this culminates in the



Sky Tower in Bucharest:

A symbol for the recovery of real estate markets in Central and Eastern Europe



final bid. 'We always strive to present the seller with an offer that is fair', explains Mr Melischnig.

Fairness also remains a priority after the sale is concluded. For example, in most cases the portfolio purchased by EOS in Romania is secured by the borrower's own home. Therefore, EOS approaches matters with great care. The processing team is made up of 25 specialists, most of them lawyers. 'They analyse every single case in order to find a solution that is best for both the debtor and EOS', says Adrian Boghiu, Co-Managing Director of EOS in Romania.

Foreclosure is always viewed as a solution of last resort. 'Generally, we offer a 12- to 24-month payment plan that includes a larger payment when it ends. This affords debtors the time to refinance their loans or generate new sources of income and thus keep their home', elaborates Mr Boghiu.

Finding amicable solutions

The example of a Romanian priest is a case in point to illustrate just how highly EOS values amicable solutions. He provides a place to go to for socially disadvantaged families in his village. 'We succeeded in finding a solution that enabled him to keep his house. In doing so, we have helped him as well as many people in his parish', says Mr Boghiu.

Some debtors do, however, decide to sell their property in order to pay down the loan with the proceed-

ings. EOS provides assistance for these cases too. 'We help the owner to put the property up for sale and ensure that he is able to sell it at a fair price', adds Mr Kovacs.

EOS always approaches a purchase prudently and in accordance with the Group's Code of Conduct. 'Ultimately, a transaction will be worthwhile for the seller only if his reputation does not suffer in the process', says Ms Cerinski.

There is a good chance that this first purchase of secured debts in Romania and Croatia will not be the last for EOS. It is possible that the banks in the region will make greater use of portfolio sales to improve their balance sheets in the future. Deloitte believes that the upward trend in the sale of NPLs secured by real estate, which has been observed in Central and Eastern Europe since 2016, will continue. In any case, the experts at EOS are ready for further transactions.



HOME-BUILDING ROBOT

Robots might be constructing buildings in the not-too-distant future. Hadrian 105, the commercial prototype of Australian company Fastbrick Robotics, builds the shell of a small one-family home in just two days – a task that takes a team of bricklayers four to six weeks. The robot calculates the location and size of each brick needed and then lays them accurately using a grapple. In this fashion, it is able to lay up to one thousand bricks an hour – around the clock.



Banking expert:
Professor Dr Christoph
Schalast of the Frankfurt
School of Finance

‘NPL PORTFOLIOS SET TO INCREASE’

INTERVIEW The European Central Bank (ECB) intends to use new guidance to speed up the reduction in non-performing loans. Professor Dr Christoph Schalast of the Frankfurt School of Finance explains what this means for banks.

? The large volume of non-performing loans (NPLs) held by European banks has long been a problem. Why is the ECB now giving banks guidance on how to reduce their NPLs?

Christoph Schalast: The initial spark was probably Italy’s Banca Monte dei Paschi di Siena, which got into trouble again in 2016. However, more than anything, non-performing loans on the books of many banks inhibit lending to trade and industry. In September 2016 the total NPL portfolios held by the major banks in the Eurozone amounted to 900 billion euros. This demonstrates that the wait-and-see attitude of many banks has still not solved the problem. Therefore, the ECB has now put together appropriate procedures for dealing with NPLs. The guidance demands that banks with large NPL volumes reduce them.

? Which banks is the ECB’s guidance aimed at?

Christoph Schalast: It is aimed at the banks which are directly regulated by the ECB, in other words, large banks in the Eurozone. This will also affect their international subsidiaries. In addition, it will be indirectly relevant to the smaller banks, which are not directly regulated by the ECB, but by national supervisory bodies, such as the Federal Financial Supervisory Authority (BaFin) in Germany.

? What lies in store for the banks?

Christoph Schalast: Banks with large NPL volumes need to develop a strategy for dealing with their NPL portfolios. The ECB mentions suitable measures, such as working out, selling and writing off NPLs, and seizing assets. The ECB expects the financial institutions to set quantitative targets for reducing NPLs. They are also expected to work out a timetable for implementing their strategy. This guidance is not legally binding but the ECB, through banking supervision, will scrutinise on a regular basis what progress the banks are making to reduce their NPLs.

? What effects do you expect the ECB guidance to have?

Christoph Schalast: It is anticipated that, in addition to banks, insurance companies which issue loans will have to comply with similar risk management requirements and reduce their stock of non-performing loans or keep them at a low level. Overall, the number of NPL portfolios available for sale is set to increase. This applies particularly in the Balkan States and in Southern Europe – in other words, the regions predominantly affected. By selling NPLs, the banks will reduce the risks in their receivables portfolios and increase their inflows of liquidity, thereby enabling them to concentrate more on their core business. ■

Balkan gem:
EOS establishes
professional debt
collection in
Montenegro

UNEXPLORED COUNTRY

NEW SUBSIDIARY Until 2016 there were no professional debt collection services in Montenegro. Then EOS arrived on the scene. Expert know-how is in demand, particularly amongst international groups of companies.



Montenegro is regarded as a secret escape amongst Europe's tourist destinations: In 2016 about 1.7 million foreign tourists visited the Balkan state of 625,000 inhabitants – 6.2 per cent more than the previous year. Thanks in part to tourism, Montenegro's economy is on course to recovery. Many Montenegrin companies need to catch up, however, in one respect: professional receivables management. 'Companies often lack the know-how and resources to approach debtors in an individual and professional manner', says industry expert Katerina Bosevska. She manages the business of EOS Montenegro, EOS Matrix Macedonia and the latter's branch in Kosovo.

Since its foundation in June 2016, EOS Montenegro has been the only professional debt collection company in the country. 'We have broken completely new ground', notes Ms Bosevska. Because employees in Montenegro have no access to data on payment records with which debtors' behaviour could be analysed, the company is performing a genuine pioneering role. 'We are hav-

ing numerous conversations with defaulting consumers with the goal of setting up debtor profiles', the Managing Director explains. In the end, EOS Matrix is attempting to find a solution which is acceptable for all involved.

Quality speaks for itself

The good reputation of the EOS Group has spread as far as Montenegro, particularly amongst international clients. The first Montenegrin subsidiaries already place their trust in the services EOS provides. For example, Ms Bosevska and her team look after 80 per cent of the debt collection of Telekom Montenegro, a subsidiary of the German company Deutsche Telekom. 'We are very pleased with the service. EOS Montenegro meets all the conditions of modern receivables management, which we defined in advance', says Customer Finance Manager, Ana Milovic. Even a bank is included amongst the customers. Addiko Bank Macedonia, which is part of an international finance group based in Vienna, uses debt sales in order to improve its cash flow. Nikola Boskovic, Managing Director of Retail Risk Management & Collection, praises the co-operation: 'The EOS team has responded flexibly and promptly to our needs and has shown a deep understanding of our decision-making processes'.

In future, Ms Bosevska would like to purchase more and larger receivables packages from regional banks. Her aim: 'We intend to continue establishing ourselves as a reliable, internationally experienced partner in receivables management that looks after the good reputation of its clients'. ■



THE REVOLUTIONARIES



Trailblazers: Miriam Wohlfarth and Jesper Wahrendorf of RatePAY are helping online shops out of a quandary

E-PAYMENT RatePAY has been shaking up the German market for online payment solutions since 2009. This up-and-coming fintech relies on EOS Deutschland for its debt collection services. After all, both companies in the partnership know all about efficient technical solutions.



The term 'fintech' was completely unheard of back in 2009 when Miriam Wohlfarth launched RatePAY in Berlin, Germany. The company is a classic example of a start-up revolutionising financial services with the help of digital technologies. 'We make it possible for online shops to use payment methods such as direct debit purchases, advance payment and payment on account, which used to be reserved for large-scale mail order companies. We also offer instalment payments and zero-per cent finance deals without consumers needing to have their identity verified in advance at a post office', says the company's Managing Director. Online merchants from many sectors, from furniture dealers and fashion specialists to airlines, rely on RatePAY. For 2017, the Berlin team is planning on shop revenue of over one billion euros.

The networker and the strategist

Ms Wohlfarth had worked for many years for various banks and payment service providers. She recognised early on that mail order businesses would be increasingly moving over to the internet and that online retailers would require more options for electronic payments.

To complement her payment system knowledge base, Jesper Wahrendorf joined the management team at RatePAY soon after it was founded. He had previously worked for a number of companies, including the Otto Group, and was able to contribute his profound e-commerce expertise to the company. With Ms Wohlfarth as a sales specialist and top networker, and Mr Wahrendorf as the strategist, the newly founded company quickly established itself as a niche provider of online payment services. 'Over the course of the past few years, we have risen to become one of the leading companies in the industry', says Mr Wahrendorf.

100 per cent default guarantee

RatePAY offers shop operators an all-inclusive tailored package to help them enhance customer service. Online merchants often find themselves in a quandary: On the one hand, online shoppers prefer payment on account or paying in instalments. On the other, these payment methods are subject to a high risk of default since the merchants deliver the goods before they are paid for. However, RatePAY bears this risk: 'We guarantee online shops full payment of the purchase amount irrespective of

whether the buyer pays or not', explains CEO Wahrendorf. 'We developed our own assessment system to verify the identity and creditworthiness of each buyer. We use a variety of data, including information from credit agencies, to avoid the risk of payment fraud. Everything happens in a matter of seconds during the payment process'.

Completely automatic, internationally

Should a default in payment occur despite all risk-minimisation measures, RatePAY can rely on the fiduciary collection services of EOS Deutscher Inkasso-Dienst (EOS DID), which have been provided since the company's inception. 'RatePAY's outstanding receivables are processed by a specialised e-commerce team, which is supported by our EOS call centre in the area of telephone-based warnings', says Andreas Behmenburg, Regional Head at EOS Deutschland in Germany. 'We transfer cases involving overseas consumers to the countries in which the defaulting party resides via the EOS Global Collection platform. Here, EOS subsidiaries or partner companies take over the recovery process'.

RatePAY is highly satisfied with the collaboration thus far. 'We work with EOS in a true partnership. The team always reacts flexibly where there are special technical requirements and can adjust processes to meet our needs. All of this is performed at a speed quite uncommon in the marketplace', says Chief Operating Officer Urs Bader, who supervises receivables management at RatePAY.

Both companies share data with each other on a daily basis – fully automated, of course. This is essential because efficient technological solutions are the cornerstone of the success of both RatePAY and EOS. ■



VOICE-ACTIVATED PARCEL TRACKING

'Alexa, where's my package?' Online shoppers in Great Britain need only speak this phrase in their living room to immediately find out when their Hermes package will be delivered. This is thanks to logistics firm Hermes, which is the first in the UK to be using the voice-controlled Amazon Echo device. Users need only the appropriate speaker and the Alexa app. Other countries and services are set to follow. In the future, Alexa will, for example, be able to coordinate which neighbour the Hermes package can be left with and when the carrier will collect returned goods.

MILLIONS WATCH DEBT COLLECTION BLOCKBU STER



GREAT RESPONSE Receivables management is often perceived as a shady business. Time to change that: The EOS Group's first viral campaign satirises debt collection clichés – and reaches an audience of millions.



Film 1: Completing an assignment

A gloomy parking garage, a mobile phone rings. The driver of the car anxiously speaks into the phone: 'I'm here now'. 'You know what you have to do', a husky voice answers. 'The family's decided'. Is this the mafia in action? See for yourself.



Film 2: Survival of the fittest

Two suspicious-looking men sit on a park bench: 'There are no rules here, there's only the survival of the fittest', one of them says. 'Have you heard that from Tom's guys?', asks the other. The answer: 'Yes, it's bad'. But how nasty will the end really be?



Film 3: Setting an example

A dark cellar. A man is mixing concrete in a plastic tub. 'You knew that the day would come. He's coming for every one of you'. The man then grabs hold of a young boy and plunges his feet into the concrete. Will the boy be saved?





Making of: On the set of the viral EOS films in Bucharest, Romania

never would have thought that a debt collection company could make me laugh' and 'Superbly made little films; playing with clichés turned out well'. These are only two of thousands of reactions of Facebook users to the first social media image campaign of a German debt collection company. Three short films counter common preconceptions about debt collection and refute them with great charm – for example, those about ruthless thugs and other Mafia-like methods.

In addition to these videos, the website the-debt-collectors-way.com is the focal point of the campaign. It provides facts on such matters as statutory principles and fees. It also illustrates how debt collection helps consumers by stabilising prices and protecting jobs. 'By articulating the important contribution that professional receivables management makes to the business cycle, the EOS Group assumes responsibility for all the reputable aspects of the industry', explains Lara Flemming, Head of Corporate Communications & Marketing of the EOS Group, who also is responsible for the campaign.

Open dialogue, even with critics

Shortly after the campaign launched in February, the response already exceeded all expectations: Users had watched the films on YouTube and Facebook over two million times each. In addition, there were 13,000 interactions on Facebook, including more than 2,000 comments. Reports on the campaign in the press and on the radio reached more than 4.5 million readers and listeners.

'We have achieved our objective of speaking with the public instead of always talking about each other', says Ms Flemming.

In the course of all this, Facebook users' discussions were definitely controversial. Because debt collection is a sensitive topic that also evokes defensive emotions. 'It is precisely these critics whom we seek to engage in dialogue. This way we can accomplish long-term changes in thinking and encourage people to be more comfortable with speaking openly about debts and debt collection', Ms Flemming explains. But it is likely to be some time before there is a fundamental change in public perception of the industry's image. 'Our goal is to continue to actively address misgivings – in our public relations work just as in our daily interactions with debtors', says Ms Flemming. ■



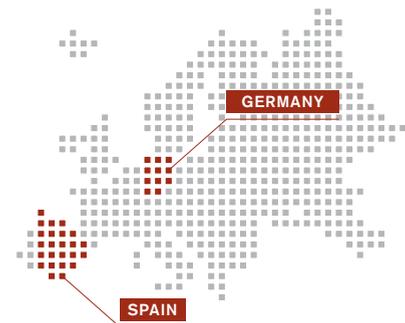
SEEING THINGS MORE CLEARLY THANKS TO SMARTPHONES

In the future, smartphones could help us see things that we are unable to detect with the naked eye. Scientists at the Fraunhofer Institute, for example, have developed the prototype of an app that is able to identify the chemical property of an object. With the help of spectral analysis, it can reportedly detect such things as whether fruit and vegetables are organic produce or whether a used car has been repainted after an accident.

POSITIVE IMAGE Prestige helps companies thrive in competitive situations. Two examples demonstrate how EOS establishes a close relationship with clients – to the mutual benefit of all.

The scene is Munich, Germany. In a prime location near the Hofgarten park, you will come upon the head office of the Münchener Hypothekbank (MünchenerHyp for short). A real treasure trove of data slumbers in the 120-year-old bank's cellar vaults. One document records the sale to EOS Immobilienworkout of a portfolio of foreclosed loans secured by real estate that took place more than ten years ago. Hundreds of what are called 'mirror documents' or copies of original documents containing all the details of the receivables package were prepared for evidence purposes in case of disagreements at a later date.

However, the vault has not been opened to this day, since there has been no need to do so. Karl-Heinz Reisach, Head of Workout-Management of MünchenerHyp, says: 'A quick phone call was all that was needed to clarify a point. That's how I envision trustful coopera-



tion'. For him, that also includes having both parties complying with contractual agreements, keeping their word in any oral agreements and also helping each other above and beyond any formal contracts.

Reliable partner

This attitude is shared by Jochen Prinz, Managing Director of EOS Immobilienworkout. This transaction was the first one concluded by EOS with MünchenerHyp, but many have followed since then. Mr Prinz values reliability as well as rapid, flexible and pragmatic solutions. 'Our offers are realistic and we only make commitments that we can keep', Mr Prinz emphasises. He went on to observe that some competitors, particularly Anglo-American investors, would often take a more aggressive stance in negotiations, offering high prices for portfolios with which they would subsequently speculate instead of working them out responsibly themselves. In contrast, EOS Immobilienworkout has built up the image of a particularly reliable player in the transparent German market. A large number of studies substantiate just how important a



EOS AWARDED 'A' RATING FOR THIRTEENTH TIME

For the thirteenth time in a row credit agency Euler Hermes Rating awarded EOS Holding with an 'A' rating, attesting to its continued low financial risk. Reasons for this assessment of the Group's creditworthiness are, among others, its high earnings power as well as very solid equity base and debt repayment capacity. Its many years of experience in valuing and recovering non-performing receivables, a strong market position in Germany and a broad footprint in Western and Eastern Europe were seen as especially positive points by Euler Hermes.



REPUTATION BRINGS SUCCESS



Really good business partners:

Jochen Prinz (left) and Karl-Heinz Reisach have worked in close cooperation for years

company's esteem is for its success. In scholarly research, reputation is often defined as the interaction of credibility, trustworthiness, reliability and a sense of responsibility. Charles Fombrun, Head of the Reputation Institute in New York (USA), compares the effect of a good reputation with that of a magnet. High esteem attracts new clients and heightens trust and acceptance by clients, investors and the general public. Mr Fombrun describes the economy in times of converging products and services as the 'reputation economy' in which this intangible resource contributes to the defence and enhancement of a company's competitive position.

Code of Conduct as DNA

The EOS Group also underpins its reputation by means of a Code of Conduct which applies for all employees worldwide. 'Our Code of Conduct is like the DNA of our Group. It says that we treat our partners, debtors and employees with respect and meet the objectives of our clients in the best possible manner', explains Klaus Engberding, Chairman of the EOS Group's Board of Di-

rectors. EOS is also active in national and international trade associations such as the Federation of German Debt Collection Agencies (BDIU). 'In this way we contribute to setting reliable standards for equitable and responsible debt collection and enhancing the reputation of the industry among the public at large', says Mr Engberding.

The example of EOS Spain also shows the close association of a good name with trust-based client relationships: In 2016, Abanca awarded the company a contract covering a receivables portfolio amounting to 1.4 billion euros. 'We had previously impressed the bank with the quality of our services when acting as a client in fiduciary collection', says Manuel González Cortés, Managing Director of EOS Spain. This explains why more than the financial aspect was crucial for Abanca when selecting the purchaser. 'We beat other bidders with similar prices because Abanca trusted us to protect its good name', explains Mr González. An excellent reputation is as much a major competitive advantage for EOS as it is for its clients. ■



Practical approaches:
Keeping up with digitalisation

AS YOU WIKET



CO-EVOLUTION The new networked practice management of Health AG facilitates the work of dentists and their teams. The company relies on the know-how of clients and artificial intelligence to achieve customised solutions.

What do dentists actually do? Most people would answer that they simply look after teeth. That is because patients don't see many of the complex behind-the-scenes processes – such as creating therapy and cost schedules or account settlement with service providers and health insurers.

To link information from various computer programs, handwritten notes and verbal agreements and make the everyday work of dental practices easier, EOS Health Honorarmanagement AG (Health AG) has developed a system for networked practice management. In developing this system, the factoring solutions specialist



Dr Gustav Gerstenkamp:

The dentist has contributed to the development of networked practice management



With clients for clients: Jens Törper (left) and Uwe Schäfer, Board Members of Health AG, want to simplify the work of dental practices

for the German dental industry is building on practical suggestions. 'No one knows clients' needs better than clients themselves', emphasises Jens Törper, Board Member and CEO of Health AG.

Developers encounter pragmatists

Since the end of 2015, Health AG has been putting dentists in touch with internal partners from software development, data security, merchandise management, financial control and quality management. Over 270 professionals are working together on a specially designed co-evolution development platform. Health AG presented the results in the spring of 2017: 'Hēa – networked practice management'. The name consists of the first three letters of 'health' and the overline gives it a distinctive originality. Hēa offers four modules – practice management, factoring, invoicing and knowledge – for individual or combined use. 'Hēa helps with personnel search and planning, invoicing, complete documentation of treatment via voice documentation, booking appoint-

ments and merchandise management through to comprehensive practice auditing', says Mr Törper.

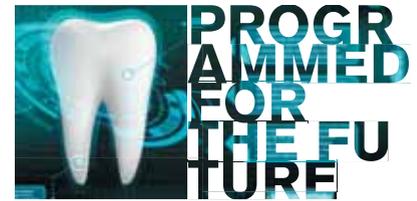
The dentist Dr Gustav Gerstenkamp helped develop Hēa from the start. 'The system helps with things such as preparing a treatment and cost schedule. When we enter a diagnostic finding, it automatically generates the invoicing items and necessary information for the patient', Dr Gerstenkamp explains. Hēa also substantially simplifies documentation: 'Before this, we write down the individual treatment stages. Hēa allows me to use my smartphone or tablet to record a voice file and converts it into a text file, so documentation can be completed more quickly and is less prone to errors', says the dentist.

Artificial intelligence simplifies account settlement

Now his team also has less work with invoicing. 'When we enter the services involved in a treatment, the system almost instantaneously checks whether it complies with the fee schedule for dentists (GOZ) – based on 9,000 defined rules. This simplifies and improves account settlement tremendously', Dr Gerstenkamp explains.

Dr Jobst Landgrebe is in charge of these 9,000 rules. He is a co-evolution partner and expert for artificial intelligence (AI), computer systems that mimic human intelligence. 'With the help of AI we have analysed millions of invoices. The system used the 253 service categories of the GOZ to define the 9,000 rules mentioned above on which the analysis is based'. Furthermore, AI is equipped with trainable and thus consistently improved recognition of the material types, treatments and explanatory text indicated. The more submissions artificial intelligence analyses, the more intelligent it becomes. 'AI puts dentists on a level playing field with the payer organisations – because now their analysis and objection to invoices is often also automated', says Dr Landgrebe.

Hēa gets better all the time. 'We continuously optimise our product as that is the only way to keep up with digitalisation', says Mr Törper. His next objective: 'We are working on expanding the solution to practices such as those for oral and maxillofacial surgery. Hēa still has a great deal of potential!'



SELF-REGENERATING TEETH

Professor Paul Sharpe of London's King's College is working with a team of scientists on encouraging decaying teeth to heal themselves. This is how it should work: After removal of the decayed parts, a special filling is inserted in the affected tooth. This filling uses the stimulation of stem cells to encourage the tooth to produce new dentine and thus heal itself. In the process, the filling always dissolves in line with the growth rate of the dental tissue.

QUALITY DOES NOT HAPPEN BY COINCIDENCE



QUALITY MANAGEMENT What constitutes a good debt collection service provider? Fast, efficient processes, a high level of transparency, and certified data security are important criteria. EOS subsidiaries around the world can prove that they provide their customers with precisely these things and more.



Those wanting to assess the quality of a car might look at aspects such as fuel consumption, horsepower or acceleration, for example. In the case of a jacket, wearing comfort, workmanship and materials make up the quality. For services, however, an objective assessment has to be more demanding, especially when the service is as complex as receivables management.

That is precisely why the EOS Group places such emphasis on making its high standards transparent. A

growing number of clients would like their service providers to operate in accordance with accepted quality standards and provide corresponding documentation.

Quality management is key to success

EOS trusts in efficient quality management systems. Just recently, the branch office of EOS Deutscher Inkasso-Dienst (DID) in Potsdam, Germany, had its quality management system certified according to ISO 9001:2015 by certification body TÜV Nord. 'ISO 9001 certification

Standardised service: A manual documents all processes for the employees at EOS DID in Potsdam, Germany





High standards:
Daniela Popp (left)
and Stefanie
Stocker at EOS DID
are committed to
quality with head
and heart



is the most prevalent and prominent quality management standard both nationally and internationally, and sets out the minimum requirements that a quality management system must meet', explains Nenad Tomic, Quality Manager at EOS DID. Stefanie Stocker, Head of EOS DID Potsdam, agrees: 'At EOS our quality standard goes well beyond simply fulfilling minimum requirements. We live and breathe quality management each and every day'. Before the auditors from TÜV Nord arrived, EOS DID compiled all documentation in a single location, inspected and streamlined processes, and closely scrutinised information security.

A highly involved undertaking, certification establishes confidence with clients and communicates the high quality standards to the world in a way that is sincere. In order to accomplish the same for other branch offices, the team at EOS DID in Hamburg, Germany, is already prepared for certification of the debt collection procedures.

Put to the test every six months

Stuart Knock, Managing Director of EOS Solutions UK also recognises how important the ISO Standard 9001 seal of quality is to many clients. 'Many companies even make it a prerequisite of working with us'. EOS Solutions UK has borne the seal of quality for around ten years.

Since 2016, the company has also been one of the few debt collection specialists to be certified in accordance with ISO 27001. This demonstrates the high standards in IT security, such as encrypted transmission and data storage with respect to firewalls, as well as defending against malware. The audit is cost- and time-intensive and the requirements are high. 'A neutral body puts us to the test every six months for the certification process. This creates transparency and shows our customers that we do business as reliably as promised in our brochures and presentations', says Mr Knock.

Long-term commitment

More and more customers demand transparency in IT security, emphasises Milan Stojanović, IT Director at EOS Matrix in Serbia: 'We regularly fill in questionnaires on this subject for our clients in the banking and telecommunications industries. Thus, they know that they can rely on us across the board. Our quality and IT security management makes us a sought-after partner', explains the IT expert.

EOS Matrix continually enhances its system and thereby protects itself against unauthorised access, human error, as well as software and hardware malfunctions. The company confirmed the quality of its IT security officially with certification to ISO/IEC 27001:2013. 'This is the crowning achievement of our years of hard work', explains Mr Stojanović. ■



SELF-LEARNING PROTECTION

Anti-malware protects IT system against cyber attacks. Until recently, programs have been able to detect only known malware and system weak points. The research project 'Intelligent detection of cyber attacks on IT infrastructures' in Hessen, Germany, is now developing software for early, automated recognition of attacks on the company's computer systems. The use of artificial intelligence means it can learn independently and thus ward off any as yet unknown dangers.



Win-win situation:
Martine T'Jampens
and Sébastien
Dirand, Managing
Directors of
Contentia in
Belgium and France

NEW OPPORTUNITIES EOS has expanded:
After the acquisition of the Contentia Group with
branches in Belgium and France, the debt collection
specialists are now working closely together and are
thus strengthening their market position.



THE PERFECT ACT ADDITION

More than 2000 years ago, the Greek philosopher Aristotle declared that the whole is greater than the sum of its parts. This equation also applies to the acquisition of the Contentia Group by EOS since the companies are well-suited to each other and their businesses are complementary.

In July 2016 the EOS Group acquired 100 per cent of the shares in the debt collection service provider. Four companies in particular had good reason to be pleased about the transaction, namely, EOS Credirec in France, EOS Aremas in Belgium and the Contentia companies in France and Belgium. 'In France Contentia is among the top three debt collection service providers. We strengthened our position in the French market with this purchase', says Nathalie Lameyre, President of EOS Credirec. Roel Dumont, Managing Director of EOS Aremas, adds, 'Thanks

to the acquisition, all the companies involved can offer their customers an even broader range of services'.

Growth with specialist expertise

The products and customer segments of EOS and Contentia complement each other perfectly. EOS in Belgium and France specializes in services for the banking sector, while Contentia looks after companies from the telecommunications, health and utilities sectors >

Brilliant outlook:
Contentia headquarters in the Belgian city of Mouscron





› and banks. The sale to the EOS Group opens up new growth opportunities for the company and boosts its competitiveness.

Mutual gain

In the future, each entity will continue to concentrate on the customer segments in which it has gained the most experience. EOS Aremas and Contentia in Belgium have agreed upon a clear market allocation: EOS Aremas looks after customers from the financial sector and Contentia takes care of clients from the other sectors. 'We have a



DIGITAL PARCEL SERVICE

It's the middle of the night and you want to return an article to a mail order company right away. In future that should not be a problem with the Starship robot. The rolling parcel robot should be able to make deliveries and pick up returns independently at any time of day the customer wishes. The consumer delivery specialist Hermes tried out the concept during a six-month test phase in Hamburg, Germany, and launched another pilot in London, Great Britain, in April 2017. For legal reasons, the robot in Hamburg still has to be accompanied by a person. Very soon in Great Britain, however, the human escort will no longer be necessary.

Working out strategies:

All involved parties share the same values

very loyal customer base and a high satisfaction rate with our clients. That will not change in the future. With this clear distribution of responsibilities, we give our customers the certainty that they can rely on our efficiency and professionalism just as much in future as they did before the acquisition', says Martine T'Jampens, Managing Director of Contentia in Belgium.

Shortly after the purchase by EOS, Contentia in Belgium acquired a large debt portfolio. In doing so, the company benefited from the financial strength of the EOS Group. The Belgians also gained from the expertise of the EOS Group. 'Risk Management at the Hamburg headquarters assisted us with the analysis of the portfolio', explains Ms T'Jampens. She identified a further advantage in the opportunity to expand the range of services: thanks to the EOS companies and their partners, Contentia in Belgium can now provide customers cross-border collection in more than 180 countries around the world. In addition Contentia, like the EOS Group, will offer comprehensive outsourcing solutions in future. 'By outsourcing their internal collection department to us, companies can concentrate more on their core business', says Ms T'Jampens. Contentia also enhances EOS. Take France as an example: 'EOS Credirec will implement our sophisticated IT solution in the future', explains Sébastien Dirand, Managing Director of Contentia in France. 'Our collaboration is a true win-win situation'.

New brands bolster unity

The companies also cooperate so well because they have a very similar work ethic. 'Our actions are based on the same values as EOS. We too always treat our debtors respectfully with the goal of protecting the good reputations of our clients', explains the Managing Director of Contentia in Belgium.

At the same time, EOS and Contentia are growing increasingly closer and within the next few months the companies in the two countries will take on new names. 'In Belgium, we will align our brand to EOS in the course of the year', says Ms T'Jampens. EOS Credirec and Contentia in France will gradually conduct their business under the shared name of EOS France. 'With this uniform brand identity, we will combine the excellent reputations of both EOS Credirec and Contentia and make our unity apparent to the outside world', says Mr Dirand. And so, many parts will eventually become a complete whole. ■

The companies of the EOS Group are represented in

26

countries.

More than

55

subsidiaries

serve around

20,000

clients worldwide.

THE 2016/17 FINANCIAL YEAR

EOS CONSOLIDATED achieved an outstanding result in the reporting year.

Operating through an international network of subsidiaries and partner companies, EOS offers services in more than

180

countries.

In terms of international debt collection, EOS resolves

98

per cent of all paid cases out of court.

EXCELLENT RESULT

POSITIVE OUTCOME The members of the EOS Group's Board of Directors look back over a very successful financial year 2016/17. They reveal how they were able to achieve this despite a difficult market environment.

Klaus Engberding Chairman of the EOS Group's Board of Directors

■ EOS Consolidated achieved an extraordinarily good result in the reporting year 2016/17. At 195.4 million euros, earnings before tax (EBT) significantly exceed the previous year's figure. This success is all the more remarkable as the competitive pressure is increasing. As a result of the expansionist monetary policy, many competitors with access to plentiful capital are crowding onto the market. Nevertheless, we have held our position in debt purchases very well. Faced with declining margins in fiduciary business we want to increase our efficiency still further. To achieve this we are pushing ahead with the digitalisation of our services. We are currently investing 90 million

euros in our IT systems, the biggest sum ever in the history of EOS Consolidated.

We need the right mindset to be in a position to use the opportunities of digitalisation in the best possible way. This is why we have initiated a change process. In our Cultural Journey@EOS we define how we want to work together in the future. For example, by giving our employees greater latitude in decision-making, we make EOS faster and more efficient. Our objective is to continue to be at the forefront in technology and our services. We therefore want to maintain or achieve a position among the top 3 service-providers in all established markets.

Justus Hecking-Veltman, Member of the EOS Group's Board of Directors and Chief Financial Officer

■ One of the reasons behind the excellent annual financial statements of EOS Consolidated in the financial year 2016/17 is the development of new business models. For example, we are increasingly extending the purchase of non-performing receivables secured by real estate and the acquisition of real estate that can be restructured. When we do this, we benefit from the know-how we have developed in Germany over a long time. Happily we have been able once again to noticeably increase the investment volume in debt purchases in the past financial year.

At the same time we have further improved the productivity of our debt collection processes. This is the path we want to follow. In future we will therefore focus even more heavily than before on data-driven debt collection processes. But at the same time we pay particular attention to data security and data protection. This is how we will increase our efficiency, performance and competitiveness in the future.

Andreas Kropp, Member of the EOS Group's Board of Directors and responsible for the German market

■ In Germany we far outperformed our expectations in the financial year 2016/17. Sales increased 11.1 per cent compared with the previous year and were well above the forecast. After adjustment for the sale of our holding in the business information service Bürgel, earnings before tax (EBT) are higher than the previous year and therefore exceed the planned EBT level.

In spite of aggressive pricing by our competition, we were able to increase our investments in debt purchases to an extraordinary degree, compared to the previous year. This applies to the purchase of both unsecured debt portfolios and debt portfolios secured by real estate.

To further increase the productivity of our debt collection processes, we have made significant investments in the redevelopment of our debt collection software, a process we initiated in the financial year 2015/16. With the assistance of digitalisation we are ensuring that we will make a major contribution to the level of earnings of EOS Consolidated also in the future.

Dr Andreas Witzig, Member of the EOS Group's Board of Directors and responsible for the Western European and North American regions

■ In the last financial year in the Western European region we succeeded in exceeding the already outstanding sales level of the previous year by 33.5 per cent. One reason is the very large increase in debt purchases, especially in France and Belgium. Major investments in the purchase of interesting receivables portfolios in Spain contributed to an increase in sales in this country, and in Portugal debt purchases jointly with a partner company produced the same effect.

In addition the purchase of the companies of the Contentia Group in France and Belgium made a considerable contribution to the increase in sales.

In the North American region sales were unfortunately below the level of the previous financial year. This is due for the most part to the downward trend in receivables management for government student loans. In the current financial year we are planning to significantly increase the sales level in the fiduciary area among others, for example in the healthcare sector.

Marwin Ramcke, Member of the EOS Group's Board of Directors and responsible for the Eastern European region

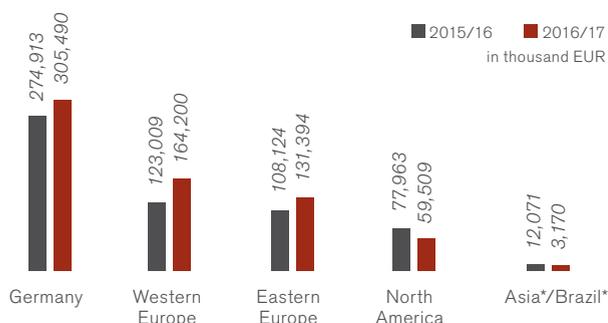
■ We achieved an outstanding result in the Eastern European region. Sales were 21.5 per cent over the previous year's level, which was already very high. The outcome was that in the last financial year we achieved sales and earnings before tax (EBT) which were at the highest level ever seen for this region in the history of EOS Consolidated.

The major increases in sales resulting from debt purchases in Croatia and Hungary played an important part in this positive development. The greatly improved performance of the receivables purchased in Russia and the high investment volume in Bulgaria from the previous financial year also contributed to the increased sales.

In the financial year 2016/17 the investment volume in the region increased again over that of the previous year, which was already at a very high level. This was driven by the purchases of real estate and receivables secured by real estate in Romania and Croatia, which were made jointly with external investors.

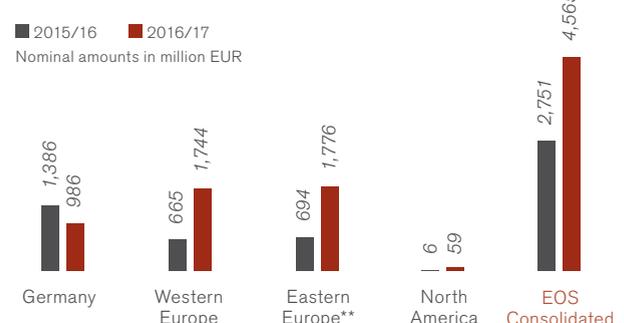
Sales development by region

■ In the financial year 2016/17, sales increased significantly in Germany, Western Europe and Eastern Europe.



Debt purchase volumes by region

■ The volume of principal debts purchased by EOS Consolidated increased appreciably in the Western European, Eastern European and North American Regions.



*only in the financial year 2015/16 **as a result of the sale of Hoepers Recuperadora de Crédito, Brazil's contribution to Consolidated sales in the financial year 2016/17 was limited to only four months *** in Eastern Europe a mix of principal and secondary debts where necessary

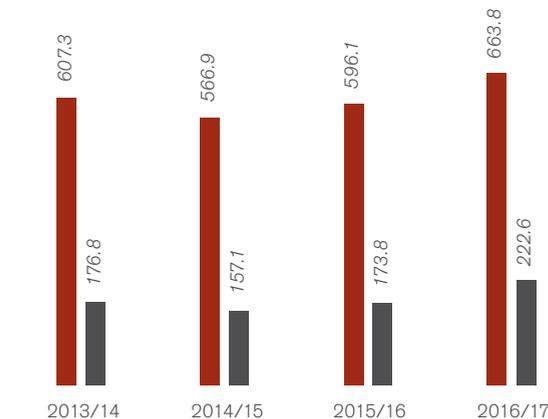
RESULTS IN FIGURES

SUCCESS At 195.4 million euros, earnings before tax (EBT) of EOS Consolidated reached an all-time high in the financial year 2016/17. Sales were at 663.8 million euros, representing an extremely gratifying increase compared to the previous year.

Sales development

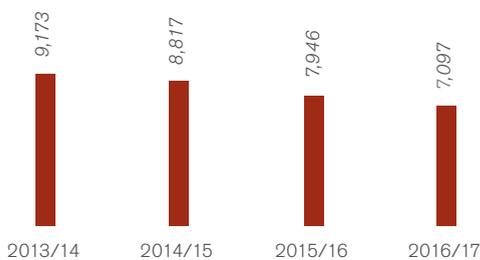
■ EOS Consolidated increased its sales level considerably in the financial year 2016/17.

■ Sales worldwide
In million EUR



Employee development in terms of headcount

■ The total number of EOS Consolidated staff is 7,097 people worldwide.



As at: 28.02.2017

EOS Consolidated volume of debt purchases

■ The volume of debt purchases undertaken by EOS Consolidated reached a new record in the financial year 2016/17.

Nominal amounts in million EUR



EOS Consolidated sales by region

■ Germany remains the most important regional market with a share of 46 per cent of overall sales.



*As a result of the sale of Hoepers Recuperadora de Crédito, Brazil's contribution to Consolidated sales in the financial year 2016/17 was limited to only four months

Sales by region

■ The sales of EOS Consolidated grew strongly in the financial year 2016/17, increasing by 11.4 per cent over the previous year. Western Europe in particular saw sales increase sharply. This is due to a large part

to the new companies of the Contentia Group in France and Belgium.

Germany and the region of Eastern Europe also increased their sales substantially. By contrast, sales in North America

fell noticeably. As a result of the sale of Hoepers Recuperadora de Crédito, Brazil's contribution to Consolidated sales was limited to only four months.

	Comparison with previous year in %	2016/17		2015/16	
		EUR (000)	% in sales	EUR (000)	% in sales
Germany	+ 11.1	305,490	46.0	274,913	46.1
Western Europe	+ 33.5	164,200	24.7	123,009	20.6
Eastern Europe	+ 21.5	131,394	19.8	108,124	18.1
North America	- 23.7	59,509	9.0	77,963	13.1
Asia*/Brazil**	- 73.7	3,170	0.5	12,071	2.0
EOS Consolidated	+ 11.4	663,763	100.0	596,079	100.00

*only in the financial year 2015/16 **As a result of the sale of Hoepers Recuperadora de Crédito, Brazil's contribution to Consolidated sales in the financial year 2016/17 was limited to only four months

Profit and loss account (summary)

■ EOS Consolidated achieved an annual profit of 173.2 million euros in the financial year 2016/17. Sales revenue increased by 11.4 per cent. One of the key reasons behind this development is the enhanced return flow from substantially increased investment in debt purchases. Another is the ac-

quisition of the companies of the Contentia Group during the year, which made considerable contributions to growth.

Operating income was up by 70.8 million euros compared to the past year. Despite a decline in the number of employees, labour costs remain 6 million euros above the lev-

el of the previous year. The sale of the Brazilian company has meant a large number of employees have left EOS Consolidated. Scheduled and unscheduled depreciation on intangible assets and tangible assets are virtually unchanged compared to the previous year.

	2016/17	2015/16
	EUR (000)	EUR (000)
Sales	663,763	596,079
Total operating income	677,586	606,819
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	222,610	173,790
Earnings before tax (EBT)	195,376	181,407
Profit for the year	173,157	160,649

Assets position

■ The total assets of EOS Consolidated increased by 388.8 million euros to 1.5 billion euros in the reporting year.

	28/02/2017		29/02/2016	
	EUR (000)	%	EUR (000)	%
Fixed assets	203,261	13.3	185,752	16.3
Other assets tied up in the long term	741,792	48.6	537,464	47.2
Deferred taxes	6,508	0.4	4,779	0.4
Assets tied up in the short term	574,775	37.7	409,538	36.0
Total assets	1,526,337	100.0	1,137,532	100.0

Equity and financing

■ The equity ratio of EOS Consolidated saw a slight decline to 29.2 per cent in the financial year 2016/17. This continues to be assessed as quite robust for a financial services provider. The increase in earned

equity reflects the excellent result of the financial year.

An increase in financing needs owing to the high investments made in the past financial year was covered predominantly

by borrowing from the shareholder and financial institutions. The largest share of these loans has an average term with a maturity of up to five years.

	28/02/2017		29/02/2016	
	EUR (000)	%	EUR (000)	%
Equity	446,013	29.2	378,322	33.4
Long-term borrowed capital	287,247	18.8	253,110	22.3
Deferred taxes	5,108	0.3	7,192	0.6
Short-term borrowed capital	787,969	51.7	497,320	43.7
Total financing	1,526,337	100.0	1,137,532	100.0

For computational reasons, tables and texts may show rounding differences.

THE EOS BUSINESS MODEL

BUSINESS UNITS EOS is a true professional with head and heart where your receivables are concerned.

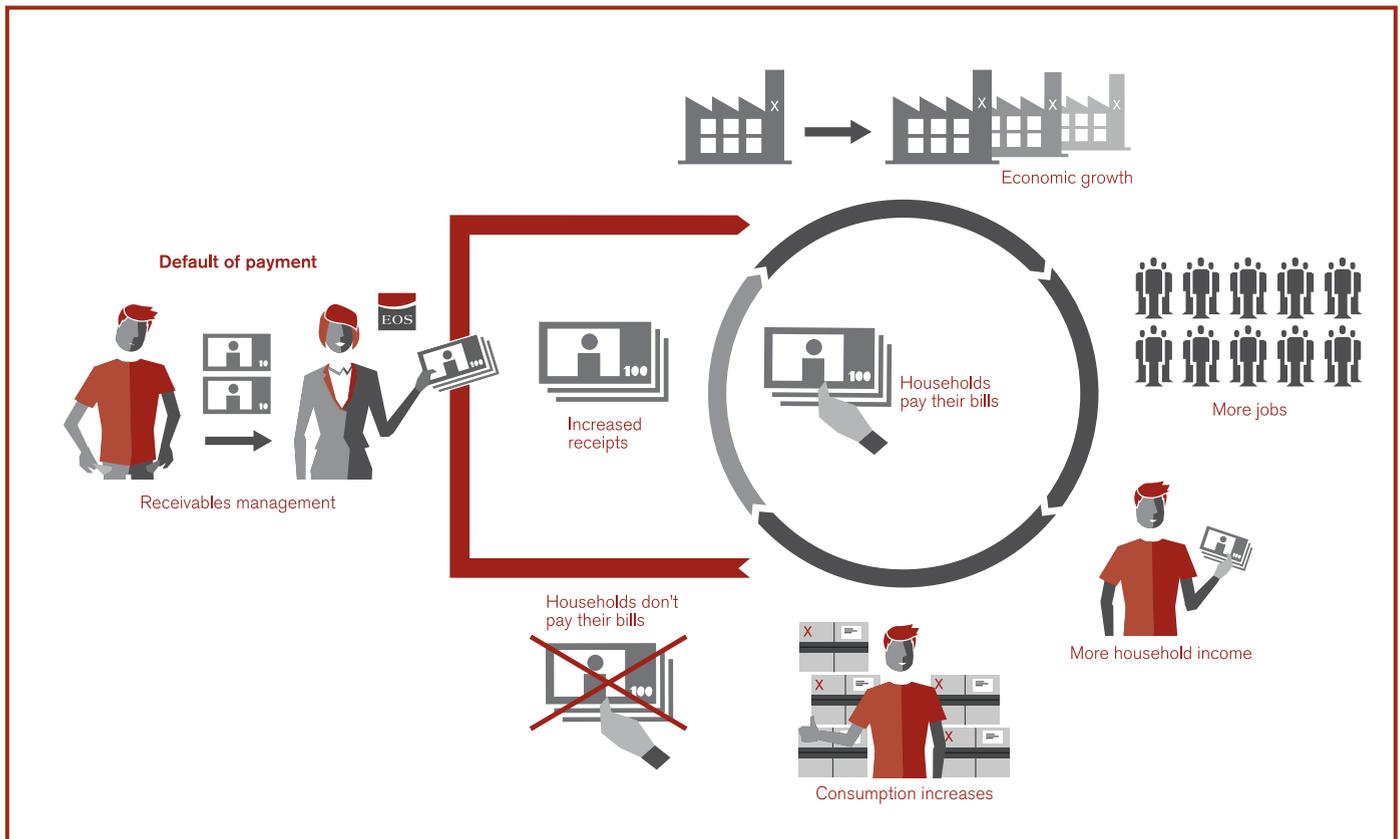
At EOS, everything revolves around receivables management. Our goal is to meet the varied needs of our clients with the most modern and effective services.

Three business fields are at our core. With a fiduciary collection, we process your unsecured and secured receivables in your name. With debt purchase, we become owners of the receivables. In the third, you can choose complete business process outsourcing, in

which you give up the receivables management in order to streamline your processes and focus on your core business. Whatever you decide, we offer premium services in almost all industries in the B2C or in the B2B area.

We have mastered our business nationally and across borders and have been serving clients for more than four decades and operate today in 26 countries. ■





EOS RETURNS LIQUIDITY TO THE ECONOMIC CYCLE

GROWTH Healthy cash flow is the foundation of business success. EOS helps clients around the world to safeguard their liquidity.

The target of every company is solid growth. A good product leads to a high number of orders, the company grows, more jobs are created, more money is earned and more consumption stimulated. The demand for products increases, more is produced and offered. An ideal cycle.

But what happens when liquidity dries up as a result of bad debts and there is no money for production? That's where EOS comes in. As a global group of companies with more than 40 years of experience in collaborative receivables management, we support around 20,000 clients to maintain the flow of money into their companies. ■



EOS worldwide

EOS IN AMERICA

EOS Canada (Canada)
EOS Healthcare (USA)
EOS USA (USA)
U.S. Asset Management, Inc.
(USA)

EOS IN WESTERN EUROPE

EOS Contentia
(France)
Contentia SA/NV
(Belgium)
EOS Aremas Belgium SA/NV
(Belgium)
EOS Cari Recoveries, S.L.
(Spain)
EOS Credirec S.A.S.
(France)
EOS Credit Funding
Designated Activity Company
(Ireland)
EOS Danmark A/S
(Denmark)
EOS ÖID Inkasso-Dienst
Ges.m.b.H. (Austria)
EOS Schweiz AG (Switzerland)
EOS Solutions UK Plc (United
Kingdom)
EOS Spain, S.L. (Spain)
Zahnärztekasse AG
(Switzerland)

EOS IN GERMANY

EOS Communication Center
Nürnberg GmbH
EOS Deutscher Inkasso-
Dienst GmbH
EOS Deutschland GmbH
EOS Field Services GmbH
EOS Holding GmbH
EOS Health Honorar-
management AG
EOS Health IT-Concept GmbH
EOS Immobilienworkout GmbH
EOS Investment GmbH
EOS Technology Solutions
GmbH
EOS KSI Inkasso Deutschland
GmbH
EOS Serviceline GmbH
P+L Services GmbH
Schober Direct Media GmbH
+ Co. KG
NR Immobilien Service GmbH

EOS IN EASTERN EUROPE

EOS 1 Fundusz Inwestycyjny
Zamknięty
Niestandaryzowany Fundusz
Sekurytyzacyjny (Poland)
EOS & M. Witoń Kancelaria
Prawna spółka komandytowa
(Poland)
EOS Faktor Magyarország Zrt.
(Hungary)
EOS Finance IFN S.A.
(Romania)
EOS Investment CEE GmbH
(Russia)
EOS Investment Česká
republika s.r.o. (Czech
Republic)
EOS Investment Poland GmbH
(Poland)
EOS Investment RO GmbH
(Romania)
EOS KSI Česká republika s.r.o.
(Czech Republic)
EOS KSI Magyarország
Inkasszó Kft. (Hungary)
EOS KSI Polska Spółka z o.o.
(Poland)
EOS KSI România S.R.L.
(Romania)
EOS KSI Slovensko, s.r.o.
(Slovakia)

EOS KSI Upravljanje terjatev
d.o.o. (Slovenia)
EOS Matrix d.o.o. (Bosnia and
Herzegovina)
EOS Matrix DOOEEL L.L.C.
(Kosovo)
EOS Matrix d.o.o. (Croatia)
EOS Matrix DOOEL
(FYR Macedonia)
EOS Matrix d.o.o. (Serbia)
EOS Matrix EOOD (Bulgaria)
EOS Matrix S.A.
(Greece)
EOS Montenegro DOO
(Montenegro)
EOS NEXT Services SRL
(Romania)
EOS Securitisation GmbH
(Greece)
EOS SERVICES EOOD
(Bulgaria)
EOS Slovensko Investment LC,
s.r.o. (Slovakia)
LLC EOS (Russia)
VPF I Niestandaryzowany
Sekurytyzacyjny Fundusz
Inwestycyjny Zamknięty
(Poland)

As of: July 2017

WITH HEAD AND HEART IN FINANCE

EOS Holding GmbH

Steindamm 71 | 20099 Hamburg | Germany

Phone: +49 40 2850-1222

Email: press@eos-solutions.com

www.eos-solutions.com