5th Survey of the Management of Customer Accounts in Europe

BAROMETER 2007

Eurofactor

CRÉDIT AGRICOLE GROUP

Customer Accounts in Europe

AFDCC

L'ASSOCIATION DES CREDIT MANAGERS

csa

BIPE

Eurofactor

CRÉDIT AGRICOLE GROUP

Background and Objectives

Eurofactor, a partner for companies in the management of their receivables, introduced a survey of receivables management in 1998, in partnership with the French Association of Credit Managers and Advisors (AFDCC). The survey, known as the Eurofactor Barometer, was originally focused on France, but was expanded on a European scale in 2001.

This survey was conducted by the CSA research institute and BIPE.

The Eurofactor Barometer covers the entire field of small and medium-sized enterprises (SMEs) having between six and 500 permanent employees and generating at least 80% of their revenues from business customers. It was conducted in Germany, Belgium, Spain, France, Italy, Portugal and the United Kingdom.

More than 3,000 european companies contributed data on the major trends in 2007.

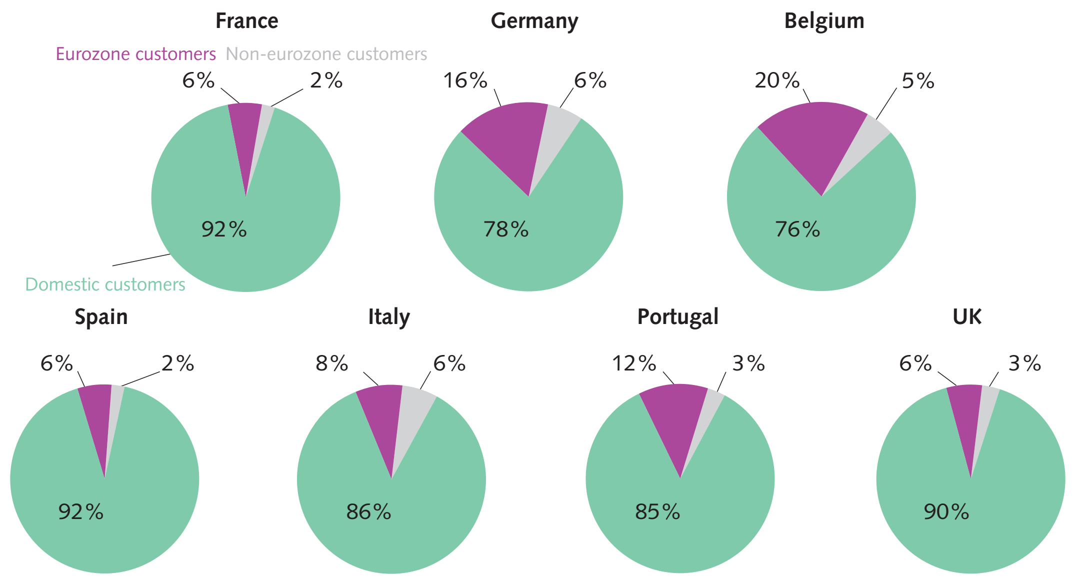
Structure of the survey sample

Structure of the corrected* samples in Europe

(in %)	France	Germany	Belgium	Spain	Italy	Portugal	UK
Business sector							
Construction and public works	12%	22%	16%	10%	7%	8%	11%
Commerce	18%	20%	27%	28%	14%	28%	21%
Industry	38%	39%	33%	49%	67%	56%	37%
Transport/Services	32%	19%	24%	13%	12%	8%	31%
Payroll size							
6 to 19 employees	69%	61%	64%	68%	71%	68%	63%
20 to 49 employees	20%	24%	24%	23%	20%	21%	22%
50 to 500 employees	11%	15%	12%	9%	9%	11%	15%

* The sample was compiled on the basis of the distribution of SMEs by business sector and payroll size category observed in each country. In order to ensure that the sample is entirely representative, a statistical adjustment was made to the business sector and company size criteria. The persons surveyed were, depending on the company, the Chief Executive Officer, the Deputy Chief Executive Officer or the Financial Director.

Description of companies' customer portfolio

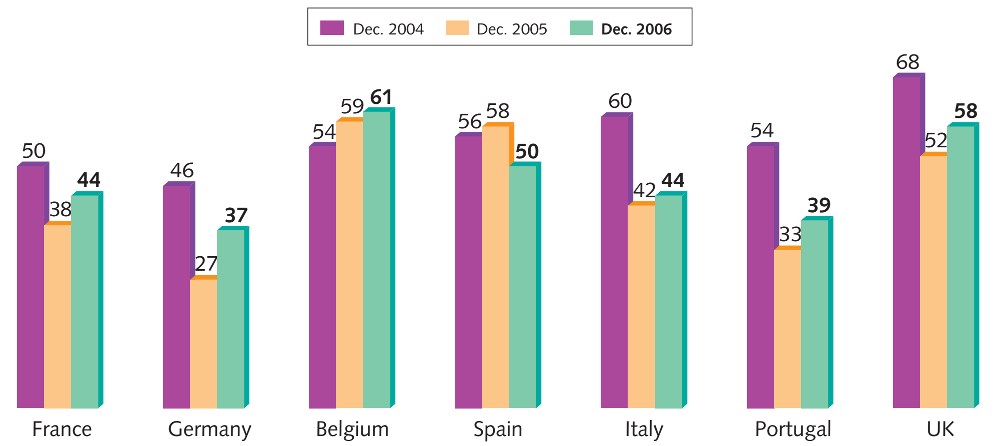


Breakdown into national and international customers by percentage of revenues

The geographic breakdown of the revenues of European SMEs generated from domestic and international customers indicates a low level of internationalisation. Belgium, however, because of its small size and its position at the heart of Europe, stands out markedly from the other countries, with its SMEs engaging in a much higher level of exports, particularly to the eurozone.

I. Review of the financial and economic health of companies

Outlook for companies during the year ahead in terms of revenues and workforce



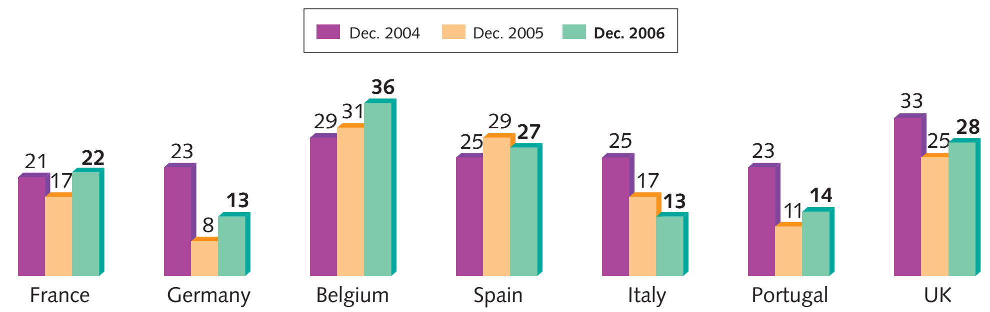
Outlook for revenues of companies

The business outlook for SMEs appears favourable. Across the whole area, companies expecting their business to improve outnumber substantially those expecting their revenues to decrease.

Belgian, Spanish and British companies are mostly optimistic: more than half of them expect their revenues to increase in the next 12 months, and this business growth is expected to have a favourable impact on employment, since these are also the countries in which recruitment is expected to be highest.

Spain, despite its level of optimism, is the only country which is less optimistic for 2007 than it was for 2006.

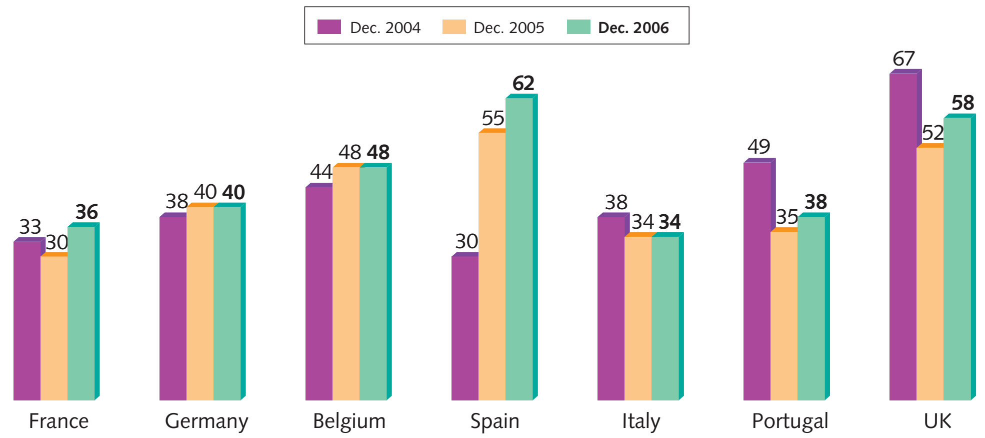
In the countries in which companies had appeared very nervous in 2005, optimism is gaining some ground, but caution remains the order of the day: those which believe their revenues will increase have risen from 27% to 37% in Germany, from 33% to 39% in Portugal and from 38% to 44% in France.



Outlook for workforce of companies

(% of companies expecting an increase)

Outlook for companies in the year ahead in terms of their financial situation and profitability

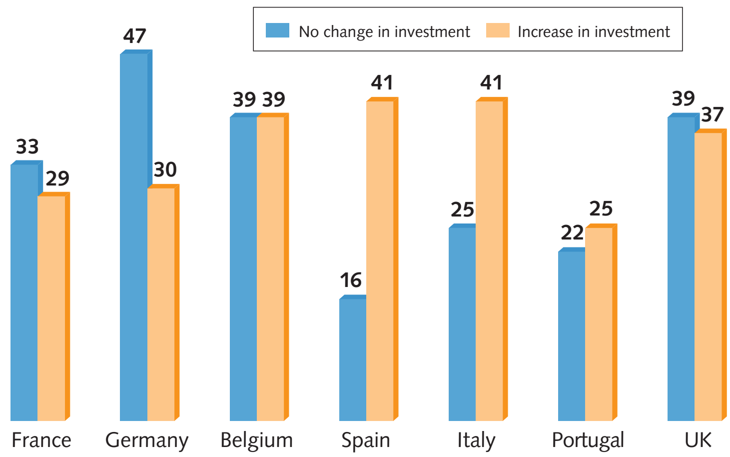


Outlook for the financial situation and profitability of companies

(% of companies expecting an improvement in their profitability)

Overall, European companies are expecting a moderate improvement in their profitability. They are no doubt hoping that the increase in revenues coupled with the efforts made in the last two years (debt reduction, restructuring, productivity gains) will enable them to improve their profitability. Improvements are expected in Spain and the UK.

Outlook for investment expenditure



Percentage of companies planning investment expenditure in the next 12 months

Most companies plan to invest in 2007. It is in the UK, Germany and Belgium that the highest proportion intend to do so (more than 80%), with Spain and Portugal tailing off at around 60%.

The number of companies planning an increase in investments is lower than last year.

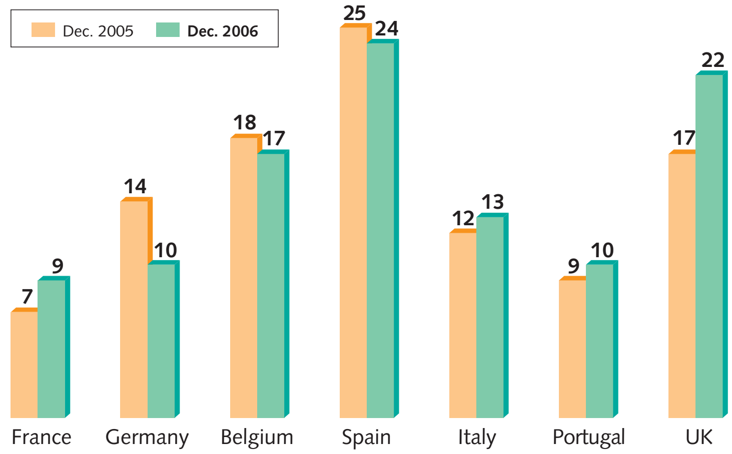
France, along with Portugal and Germany, is the country which remains most reserved: only 29% of French companies are planning an increase in investment expenditure. Given their persistent caution with regard to their investment programmes in the last few years, one might have expected a more positive intention to make up for lost ground.

What will companies invest in?

The lack of any marked tightness in production capacity means that investment in capacity will remain low. Most investment will be in the modernisation of existing equipment.

That confirms that, in order to address the immediate risks (raw material prices, emerging countries, etc.), companies are maintaining the quest for productivity gains as a major part of their current strategy. Productivity gains are also at the top of the list in companies' strategies for competing with emerging countries.

■ Indicator of the growth trend



Percentage of companies that are optimistic with regard to their business activity and are likely to stimulate growth by investments

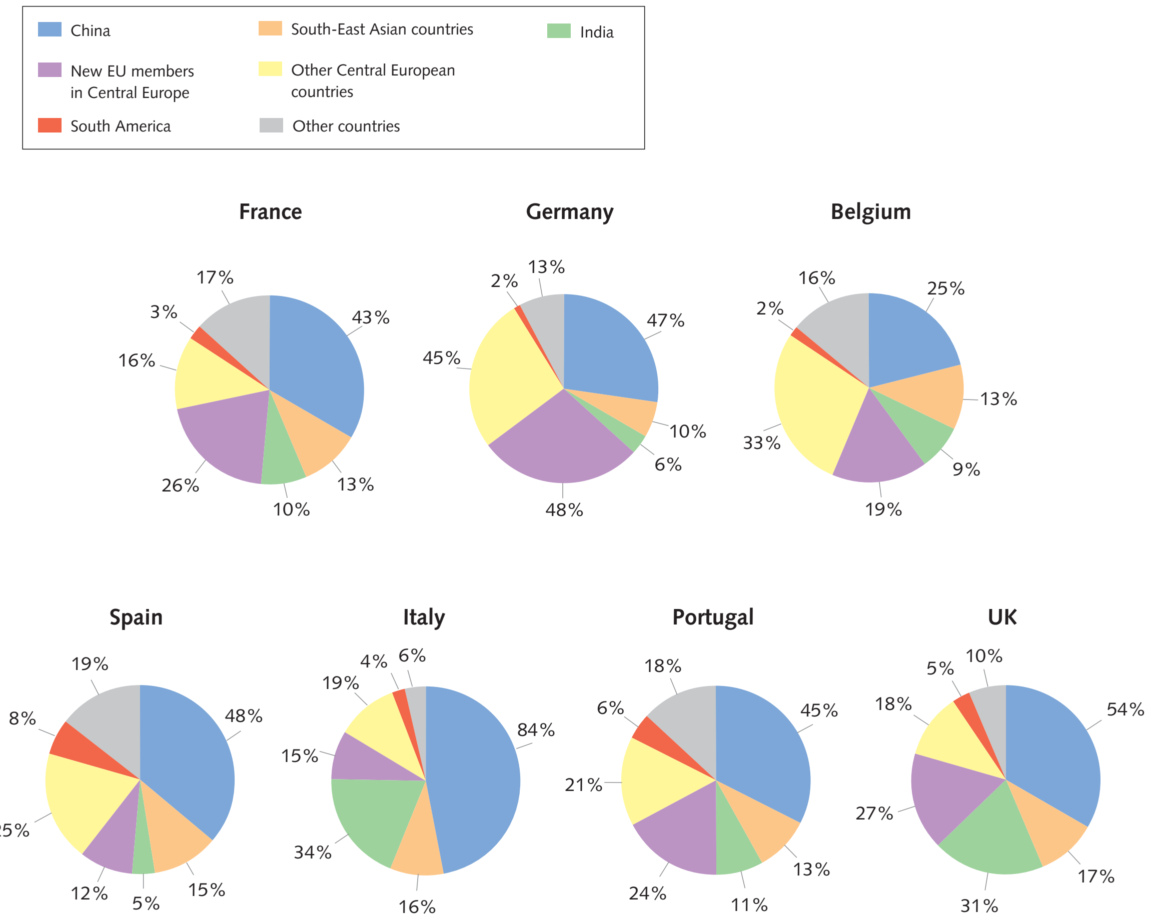
In order to summarise the attitudes of SME managers with regard to the situation of their company in 2007, a synthetic indicator has been calculated: the Eurofactor/AFDCC growth trend indicator. This indicates the proportion of companies expecting all of the following simultaneously in 2007:

- Growth in their revenues
- An improvement in their profitability
- Investment expenditure

Overall, the European average for this indicator has remained unchanged since the 2005 survey, at 15, but this average does not reflect the diversity of opinions among the various countries. Furthermore, wide disparities are found in terms of size and business sector within each country.

II. The Concerns of European Companies

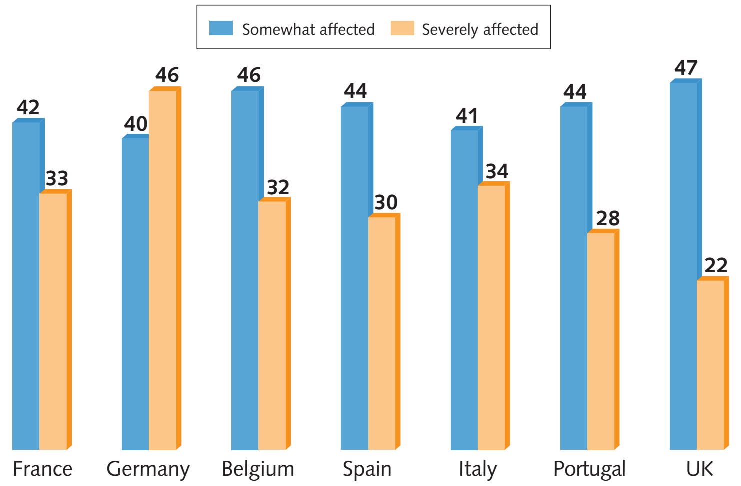
Competition from emerging countries



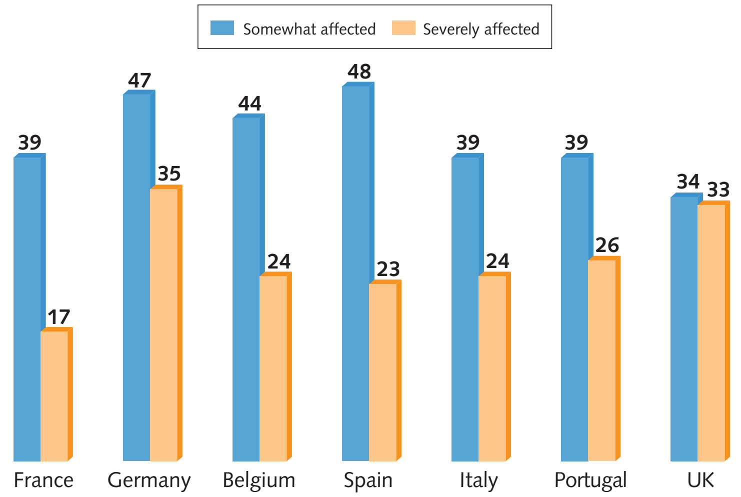
Analysis of countries which pose most danger to companies

Competition from emerging countries is a concern shared by the majority of SME managers in Europe, particularly in Italy. In 2006, however, this concern eased markedly. The emerging countries cited as dangerous competitors are essentially China and to a lesser extent the new member states of the European Union. China is feared particularly in Italy, which is quite logical considering its industrial activity (industry and commerce specialising in consumer goods). Although Germany appears more sensitive to the new EU member states, that is mainly due to its geographic proximity and extensive relocation of production capacity to the countries concerned in the past.

Detrimental effect of raw material and energy prices



Percentage of companies detrimentally affected by raw material prices

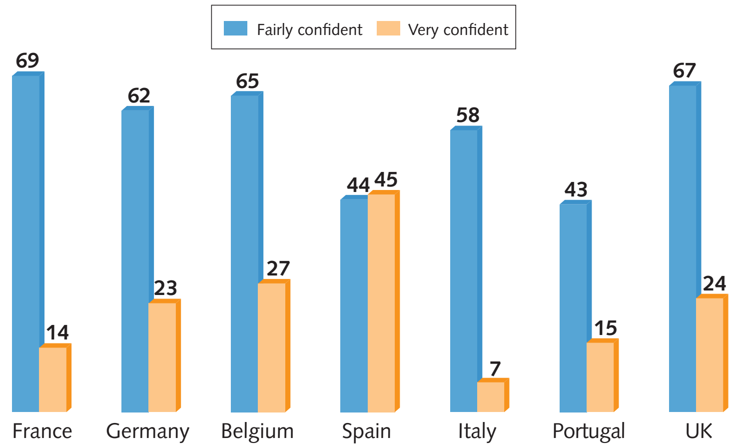


Percentage of companies detrimentally affected by energy prices

The rise in raw material prices is seen as detrimental by the majority of European industrial companies, particularly in Germany, where, among the 86% of detrimentally affected companies, more than one in two describes itself as severely affected. Germany is the country with the highest concentration of manufacturing industries, which consume large volumes of raw materials.

As was the case last year, the increase in energy prices is deemed to be detrimental by almost nine out of ten German companies, whereas only 56% of French companies share this point of view.

Assessment of the economic environment



Percentage of companies that are confident in their economic environment

Managers of European SMEs are on the whole confident with regard to the short-term economic environment.

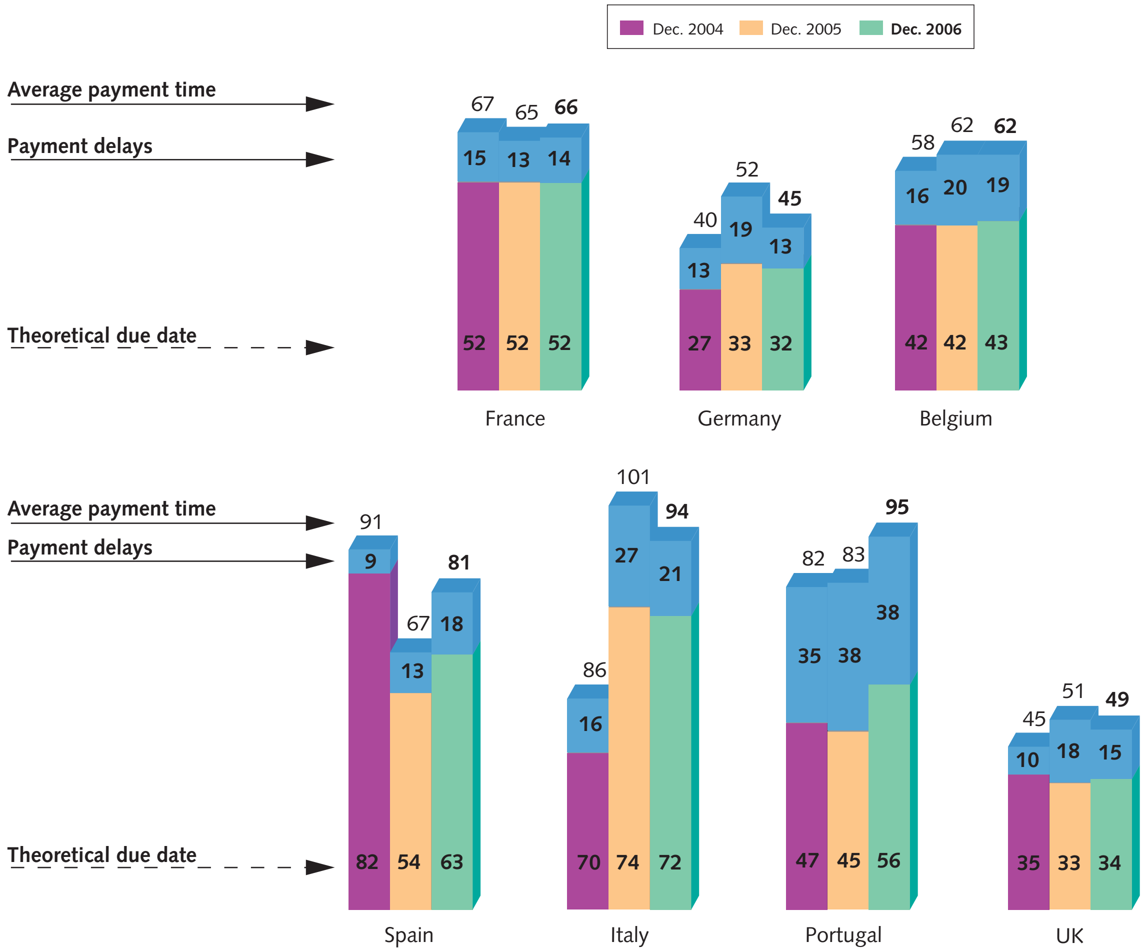
Three countries clearly stand out with an economic environment deemed favourable by 90% of persons surveyed: Belgium, the UK and Spain.

Portugal and Italy show a decrease, although the confidence percentage remains high at around 60%.

We should also note the very positive year-on-year trends in Spain and Belgium (confidence up 13 points and 12 points) and in Germany, with a 10-point rise in confidence.

III. Assessment of the Management of Companies' Receivables

■ Payment delays



➡ **The average payment time is calculated on the basis of the following assumptions: theoretical due date + payment delays for customer categories in proportion to their breakdown in % of revenues.**

Average payment times in each country

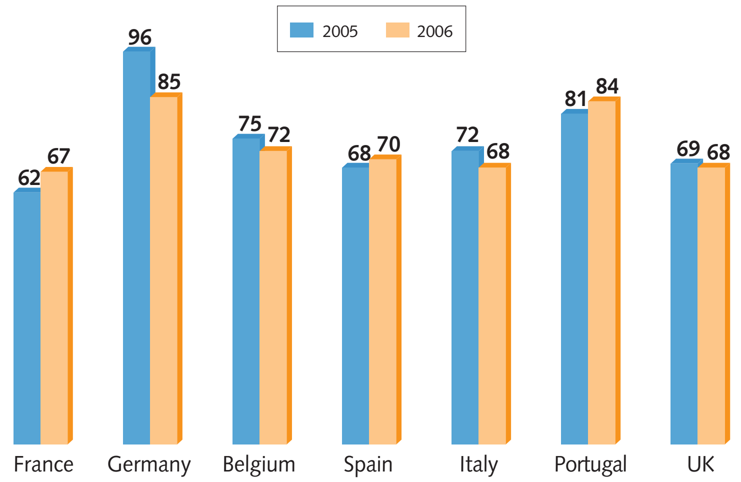
(in number of days)

A European SME receives payment on average in two and a half months. But there are relatively large differences, and the UK and Germany, which are already the best performers in this regard, have advanced even further, with payment delays down to 45 and 49 days respectively (compared to 52 and 51 last year). Belgium and France remain stable at 62 days and 66 days. Portugal has slipped to the bottom of the class at 95 days (just ahead of Italy, 94 days), 12 days longer than in 2005.

The public sector accounts for a large part of the lengthening of payment delays, particularly in Italy, Portugal and Spain, with 111, 109 and 100 days respectively.

The European economic context improved in 2006 for almost all economic agents (private individuals, private companies and public sector). As a result, customers are less inclined to transfer part of their difficulties to their suppliers by extending payment delays.

Rate of bad debts



Percentage of companies with bad debts

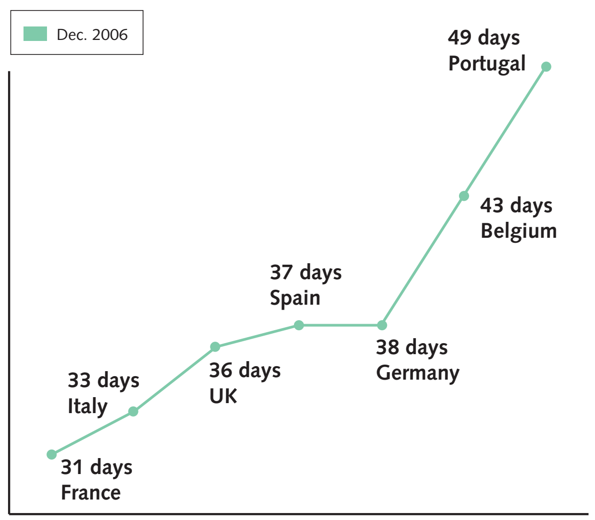
Bad debt: an amount which the company is certain will not be paid.

Three-quarters of European companies are affected by bad debts.

It is in Germany that SMEs appear to be most affected by commercial risks (85% of German companies have bad debts, putting them in the lead just ahead of Portugal). In this country, bad debts averaged 1.2% of the revenues of the companies surveyed.

Bad debts have decreased in Germany, Belgium, Italy and the UK, but have risen constantly in Spain and Portugal for several years.

Collection methods used



Percentage of companies initiating amicable settlement or legal collection processes:

Portugal: 76%

Belgium: 91%

Germany: 91%

Spain: 76%

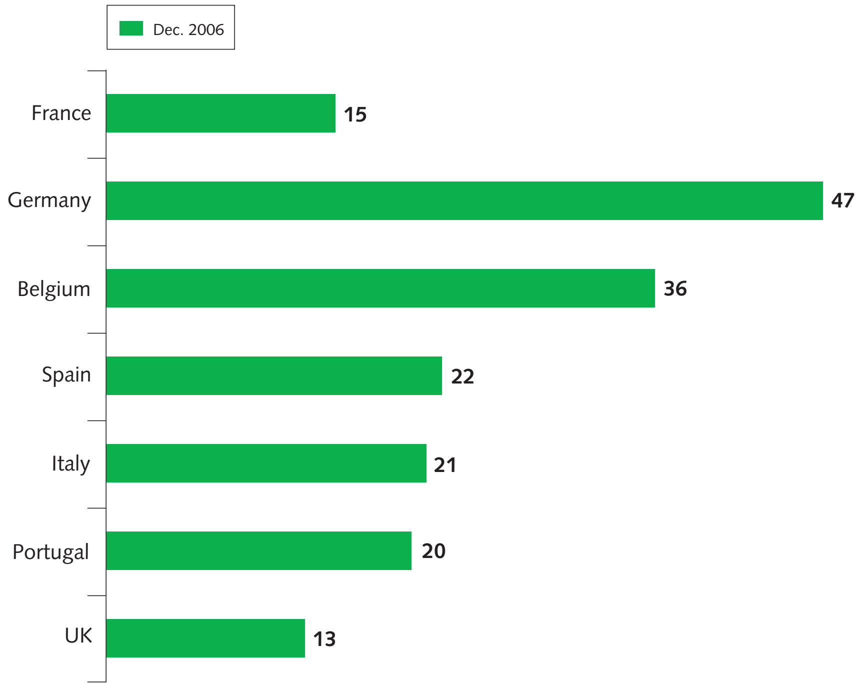
UK: 91%

Italy: 83%

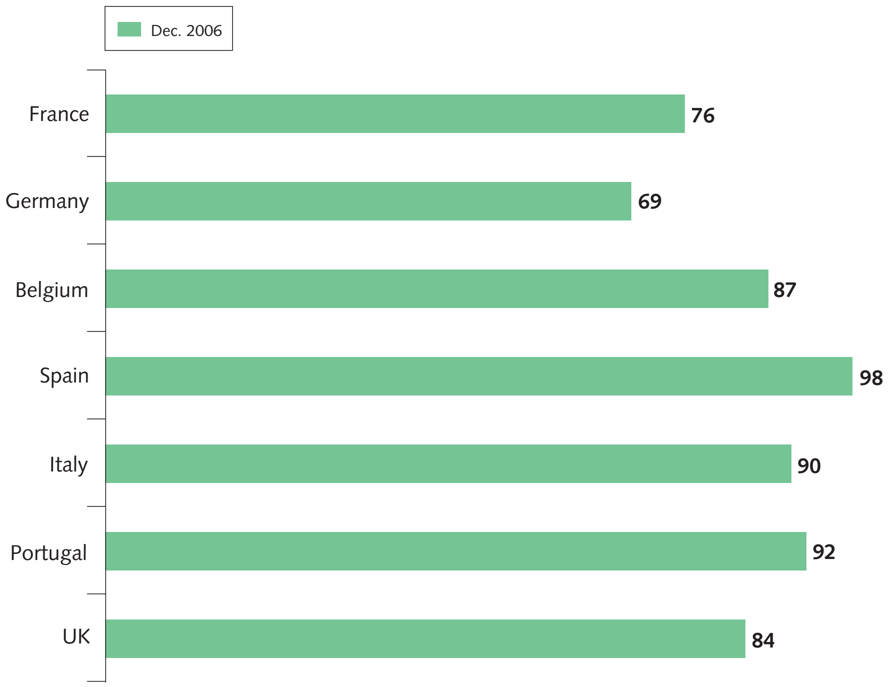
France: 82%

Average number of days before a collection process is initiated

At least 91% of German, Belgian and British SMEs initiate legal collection procedures, whereas only 76% of Spanish and Portuguese SMEs take such action. Among the fastest at initiating legal collection procedures are companies in France, which do so 31 days after the due date of invoices, and companies in Italy, which do so after 33 days. Portugal and Belgium take action after 49 days and 43 days respectively.



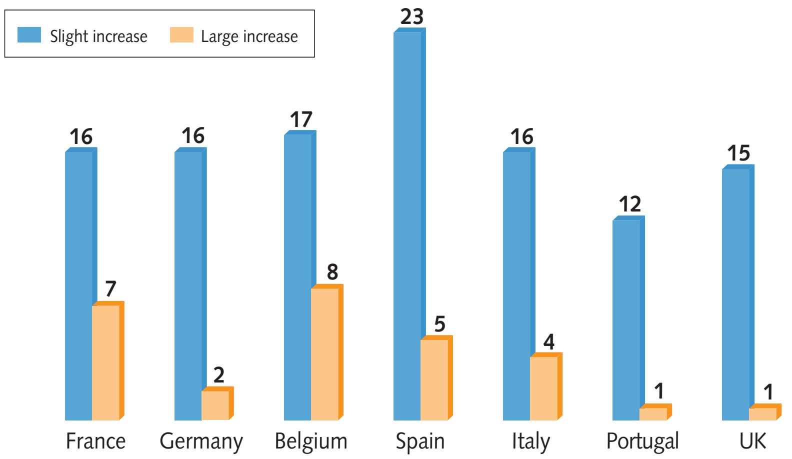
Percentage of companies levying late payment charges



Percentage of companies collecting late payment charges

European companies charge interest on late payment, but there are differences among the various countries: in Germany and Belgium this practice is common (47% and 36% of companies respectively charge interest on late payment after the due date). It is far less common in the countries of southern Europe (22% of companies in Spain, 21% in Italy, 20% in Portugal) and less common still in France (15%) and the UK (13%). Where it is charged, interest on late payment is actually received in an average of two-thirds of cases.

■ Short-term financing requirements

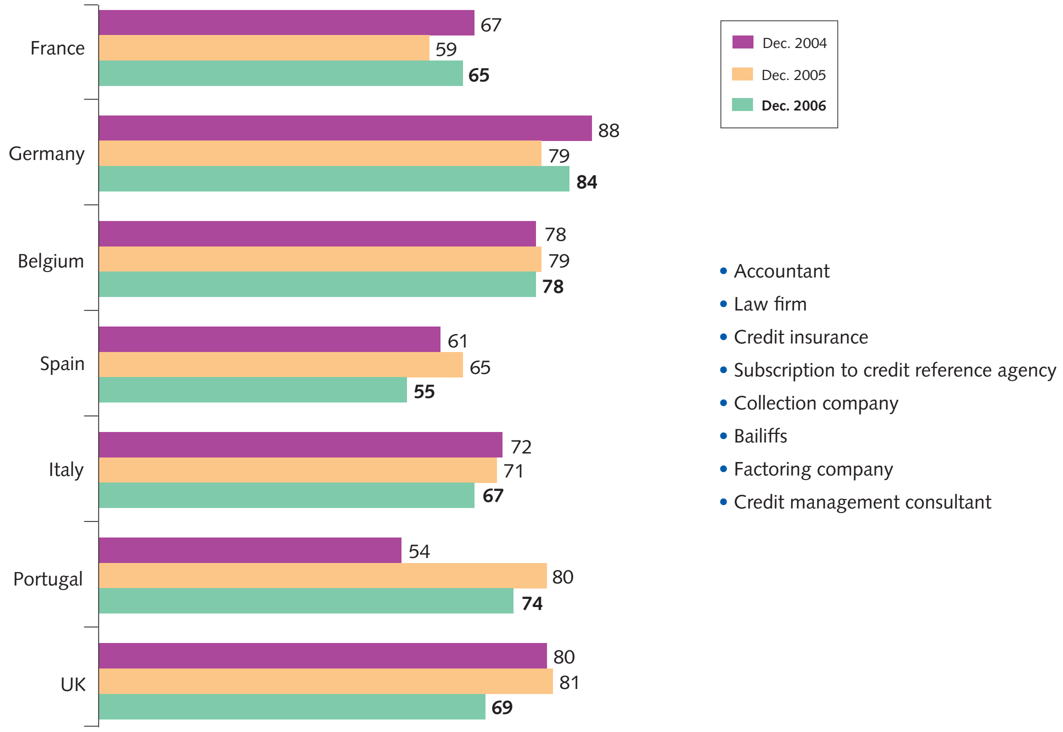


Percentage of companies expecting their financing requirements to increase

Short-term financing requirements will continue to grow, but at a slower pace than in 2006.

In France, almost one company in four (23%) expects its financing requirements to increase, whereas only 10% expect a decrease. The solutions adopted differ depending on the country. Germany (46% of SMEs) and the UK (57%) make extensive use of bank overdrafts and also use suppliers' payment terms. Italy is the country which makes most use of discounting (59%), while 52% of Spanish companies use receivables financing (comparable to the Dailly system in France).

External services used



Percentage of companies using external services

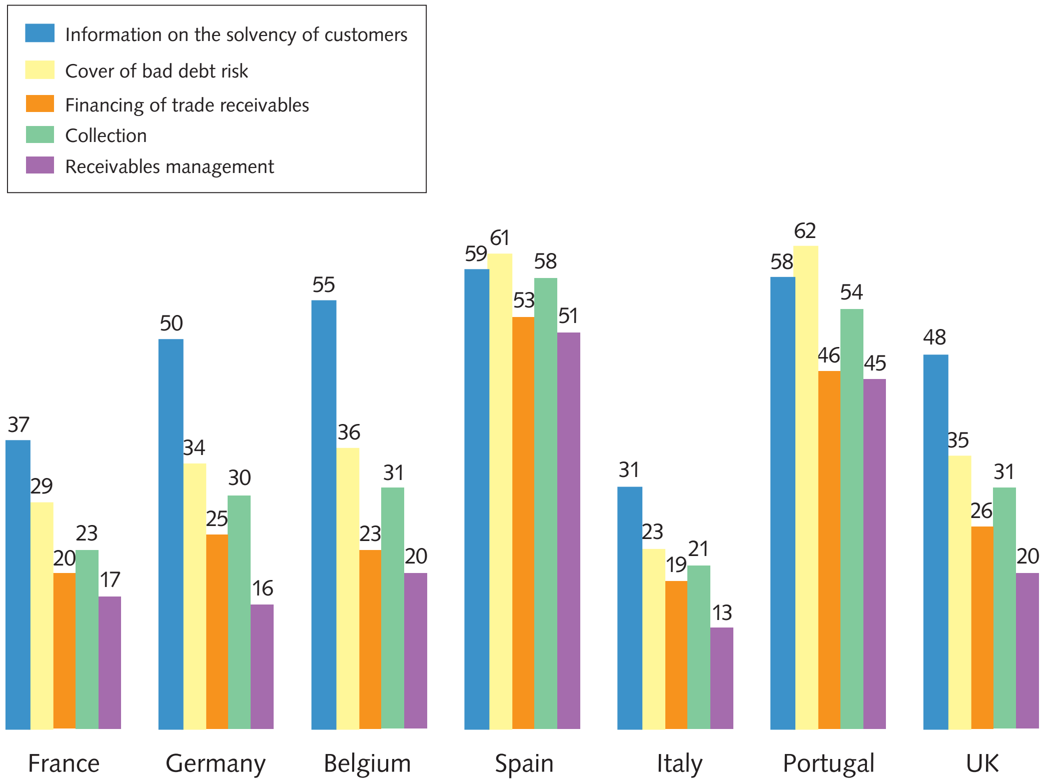
In European countries as a whole, the cost of managing receivables is estimated at 0.8% of companies' revenues (the same as in 2005). The cost is highest in Portugal (1%).

A majority of European companies use one or more of the external services mentioned. Seven out of ten companies use them. France, Italy and particularly Spain have the lowest level of outsourcing of receivables management.

The services used by companies also vary from one country to the next. With the exception of France and the UK, companies mainly use law firms (more than one company in two in Belgium, Portugal and Germany). Among the other services used, the most common are accountants or approved management centres. That is the case particularly in Italy and Portugal. One European company in five uses credit insurance.

Among the European companies which do not currently use external receivables management services, one in five overall intends to do so, particularly in Belgium and the UK. The proportion is slightly lower in France, Spain and Italy.

Factoring



Percentage of companies very or fairly interested in factoring services

Factoring is little used by European SMEs. It is present to a limited extent in Germany and Italy (only 5% of companies) and is used by 14% of companies in Portugal and 8% to 10% of companies in the other European countries. Factoring nevertheless arouses clear interest when its various components are explained, although the degree of interest varies depending on the country. The most interested are companies in Portugal and Spain.

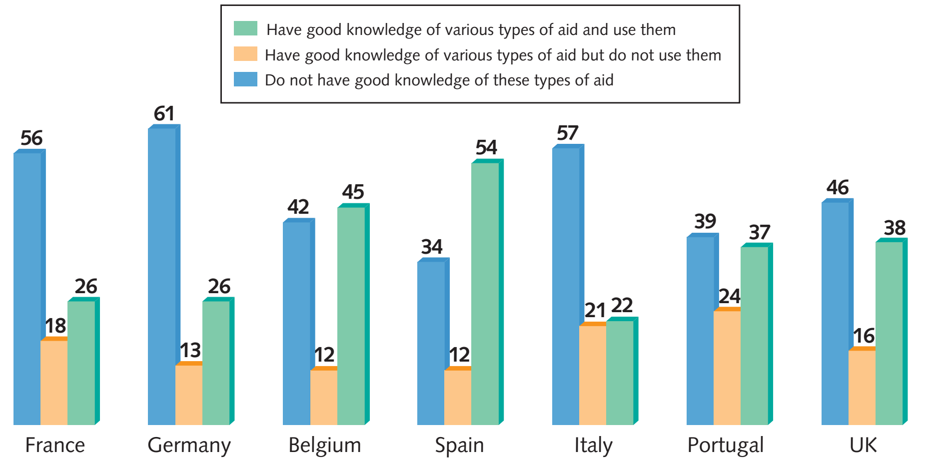
The two areas which arouse most interest, like last year, are the preventive dimension, i.e. information on the solvency of customers, and cover for bad debts.

Average interest scores in Europe:

- Information on the solvency of customers: 48%
- Cover of bad debt risk: 40%
- Financing of trade receivables: 30%
- Collection: 35%
- Receivables management: 26%

IV TOPICAL SUBJECTS

Knowledge and use of various types of financial aid

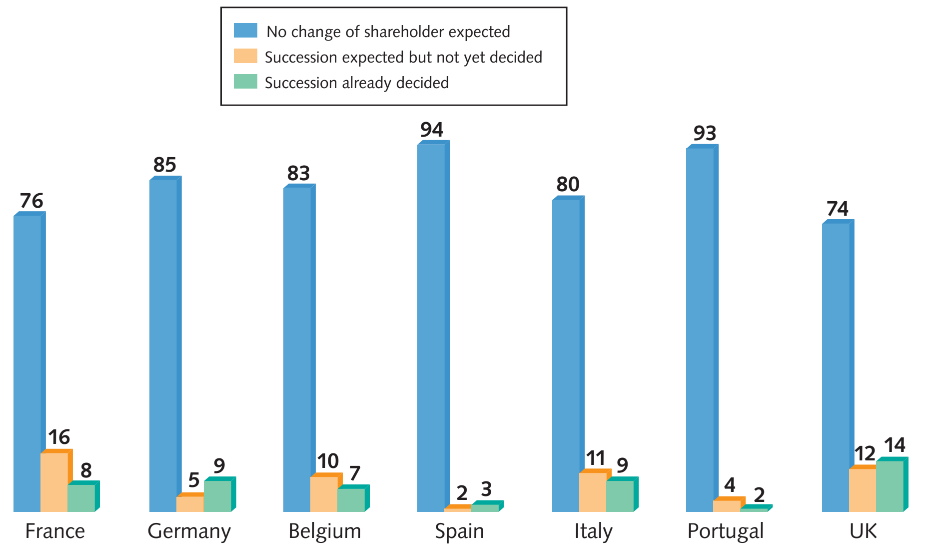


Percentage of companies having knowledge of and using aid

There are many types of financial aid: aid for specific types of business, geographic aid, aid at different administrative levels (city, region, government, Europe). SMEs state that they have a poor knowledge of these types of aid, particularly in Germany (61%), Italy (57%) and France (56%), whereas 66% of Spanish companies are very familiar with them.

There are clear differences in terms of actual recourse to aid: whereas 54% of companies in Spain and 45% in Belgium pursue aid applications right to the end, only just over one-third do so in the UK and Portugal, barely one-quarter in France and Germany and just 22% in Italy.

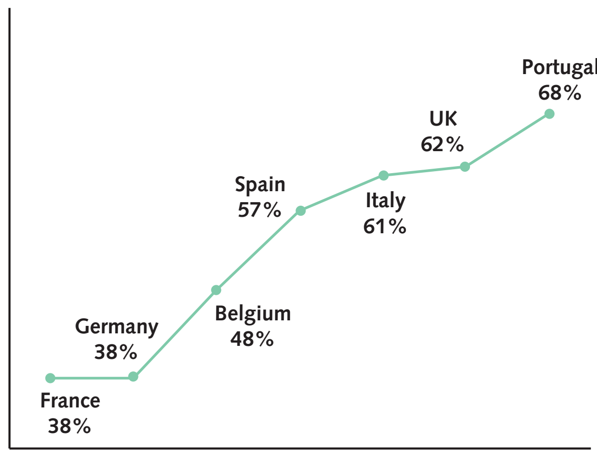
Possible changes of shareholder



A very large majority of SME managers in Spain and Portugal (93% and 94%) state that they do not expect any change of main shareholder in the next five years. By contrast, one company in five will have changed hands in Italy, and one in four in France and the UK.

In companies that are set to change hands in the next five years, German managers are the most cautious: almost two out of three have already decided on the succession. Managers in France and Portugal have made the least provision, with only one company in three having decided on the succession.

■ Establishment of an environmental protection plan in the company



Percentage of companies having an environmental protection plan

Although issues of sustainable development and the management of resources and energy have become a key part of public and economic debates in Europe, the picture is more mixed when it comes to implementing a strategy or plan to protect the environment within the SME's business operation.

Portugal is in first place with 68% of SMEs (all categories combined) having already introduced environmental protection measures, followed by the UK, Italy and Spain with 62%, 61% and 57% respectively. In Belgium, just under one company in two has introduced such measures in its business operations (48%). In joint last position – with France – is Germany, where, even though the country is a pioneer in ecological matters, only 38% of companies are involved in protecting the environment.

About Eurofactor:

Eurofactor is the leading factoring provider in France and the first integrated factoring network in Europe. As a subsidiary of Crédit Agricole, Eurofactor plays a key role in business development by working with companies to structure the receivables management solution most suitable for their strategy, business sector, size and customer profile, both in France and abroad, notably through a pan-European service, called European Pass®.

Internationally, Eurofactor operates the leading integrated factoring network in Europe, with a presence in France, Germany, the Benelux countries, Spain, Portugal and the United Kingdom.

Eurofactor is also a member of the International Factors Group, which has 89 members in 50 countries.

Germany:
Bajuwarenring, 3
82041 Oberhaching b. München - GERMANY
Other branches in: Cologne, Frankfurt, Hanover, Stuttgart.
Tel.: (+)49 - 89 9590 950
Fax: (+)49 - 89 959095-909
Web: http://www.eurofactor.de

Belgium:
Ave Louise, 140
1050 Brussels - BELGIUM
Tel.: (+)32 - 2 643 6363
Fax: (+)32 - 2 643 6364
Web: http://www.eurofactor.be

Spain:
Calle Goya no 8 - 3a Planta
28001 Madrid - SPAIN
Tel.: (+)34 - 91 781 90 80
Fax: (+)34 - 91 577 55 37
Web: http://www.eurofactor-es.com

France:
1-3 rue du Passeur de Boulogne
92130 Issy Les Moulineaux - FRANCE
Tel.: (+)33 - (0) 1 57 72 07 77
Fax: (+)33 - (0) 1 57 72 26 41
Web: http://www.eurofactor.fr

Portugal:
Edificio Omni
1050 Lisboa - PORTUGAL
Tel.: (+)351 - 21 319 0010
Fax: (+)351 - 21 319 0029
Web: http://www.eurofactoring.com

United Kingdom
Bellerive House
3, Muirfield Crescent
Docklands, London E14 9SZ - UNITED KINGDOM
Tel.: (+)44 - 20 7517 3000
Fax: (+)44 - 20 7517 3100
Web: http://www.eurofactor.co.uk

Eurofactor
1-3 rue du Passeur de Boulogne - CS 91000 92 861 - Issy-les-Moulineaux Cedex 9 - France.
Société Anonyme à Directoire et Conseil de Surveillance au capital de 40 606 820 Euros - B 333 871 259 RCS Nanterre.
Société Financière agréée par le Comité des Etablissements de Crédit et des Entreprises d’investissement.