

EOS

Annual Report



THE FINANCIAL YEAR IN BRIEF

EOS increased its
revenue by 2.3 percent to

EUR **813.7**
million.

EOS Group expanded
its investments in receivables
and real estate by

EUR **179.2** million to
EUR **668.4**
million.

Earnings before interest, taxes,
depreciation and amortization
(EBITDA) rose steadily over the last
four reporting years, reaching

EUR **283.6**
million in 2018/19.

The EOS Group is
represented in
26 countries by
more than

60 subsidiaries.

More than **7,500**
employees serve about
20,000 customers
around the world.

A In 2019 Euler Hermes Rating
granted EOS an
rating for the 15th time in a row.

EOS ANNUAL REPORT 2018/19

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THIS IS EOS

SUPPLYING COMPANIES WITH LIQUIDITY IS THE AIM OF THE EOS GROUP. AS A FINANCIAL SERVICES PROVIDER AND INVESTOR, EOS LOOKS AFTER THE BAD DEBTS OF ITS CLIENTS.

WHO?

The EOS Group, a subsidiary of the Otto Group, is a financial services provider and investor with over 40 years of experience. It is represented in 26 countries by its own companies.

WHY?

The core business of the international Group is supplying companies with liquidity. In doing so, the Group contributes to securing investments and jobs.

WHAT?

EOS is an expert in the assessment and processing of receivables. For Europe's banks and companies, the Group is one of the leading purchasers of defaulted receivables and non-performing loans (NPLs). EOS acquires secured and unsecured NPL portfolios as well as real estate. The sellers thus strengthen their capital base. Also, EOS assumes receivables management on a fiduciary basis for companies and in that way improves their cash flows.

HOW?

More than 7,500 people in over 60 subsidiaries work according to a clearly defined purpose: "EOS. For a debt-free world." The aim is to ensure that defaulting payers become debt-free as quickly as possible and that clients receive their money back immediately. The employees of EOS work with modern debt collection systems and advanced analytics to achieve this goal. Individual responsibility and an entrepreneurial spirit are called for – because the best technologies are only as good as the people who develop and use them. With this approach, EOS succeeds in protecting the good reputation of its customers and giving late payers the chance to remain active participants in the economic cycle.

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VISION

WE ARE A GLOBALLY CONNECTED
DRIVEN BY TECHNOLOGY AND

Investor Part of Otto Group
WHO? Global
Financial services provider

WHY?

Debt reduction
Liquidity **Cashflow**
Economic cycle
Companies

EOS

FOR A DEBT-FREE WORLD

Debt Purchase
WHAT?
Assessment and processing of receivables
B2B B2C
(Un)secured portfolios

HOW?
Advanced Analytics
Spirit

More than **60** subsidiaries
26 countries
7,500 employees
Entrepreneurial Spirit

ECTED FINANCIAL INVESTOR
ENTREPRENEURIAL SPIRIT.

WE ARE EOS

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IN RISK MANAGEMENT, RECEIVABLES MANAGEMENT AND DATA ANALYSIS, MORE THAN 7,500 EMPLOYEES WORLDWIDE CONTRIBUTE THEIR EXPERTISE TO THE SUCCESS OF THE EOS GROUP.

“What sums up EOS for me is the people. You can feel **a family-like spirit.**”

Angelo, EOS Apprentice

“EOS is really something special: **international, large, financially strong.**”

Karin, EOS Field Services

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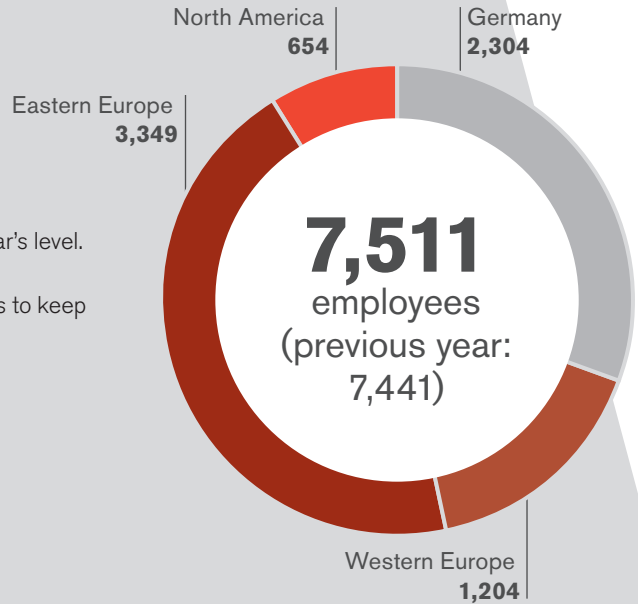


throughout

,500 experts

EMPLOYEE DEVELOPMENT IN HEADCOUNT

The number of employees rose slightly over the previous year's level. In the financial year 2018/19 it was at 7,511 in more than 60 subsidiaries. EOS expanded its know-how and capacities to keep pace with the increased activities of a financial investor.



“My boss trusts me.
That really motivates me.”

Markus, EOS IT

“I wanted to be in
a company **I could
identify with.**
I have found that
here at EOS.”

Alisha, EOS Dual Student

07

the world

“OUR PURPOSE MAKES A DIFFERENCE”

HOW DOES THE CEO SECURE THE SUCCESS OF THE EOS GROUP?
FOR KLAUS ENGBERDING, FOCUS IS ON CULTURAL TRANSFORMATION,
THE ROLE OF EOS IN THE SOCIETY, AND NEW TECHNOLOGIES. LAST
YEAR THE COMPANY REACHED SEVERAL MILESTONES.

Mr Engberding, nearly three years ago you took over as Chairman of the EOS Group’s Board of Directors. How has the company changed since then?

KLAUS ENGBERDING: Today we are reflecting on our role in society more than we did in the past. This is the result of our cultural transformation. It is also mirrored in our purpose “For a debt-free world”. It portrays the meaning behind our daily work which is characterized by a strong sense of responsibility. Our purpose expresses the commitment to live up to this responsibility and act with good judgment. We are increasingly noticing that many people are no longer learning how to handle money properly. That’s why we are examining the

option of establishing an initiative to promote financial education. That’s one way we will fulfill our responsibility toward society. I am especially proud of the fact that this proposal came from employees. Examples like these show the power of our purpose.

How is the public responding to the purpose “For a debt-free world”?

ENGBERDING: Our purpose makes a difference. Up to now nobody in the industry has positioned itself in this way. Our customers appreciate our ambitious goal. They know that we are extremely capable and responsible partners who protect our customers from damage to their reputations. The purpose also has an effect on recruiting because as a debt collection company, we have a competitive disadvantage when it comes to finding skilled workers, especially in IT. However, we have noticed that we have become more attractive to applicants now that we have formulated our societal commitment. Thus, the response has been very positive.

What were the most important milestones last year in the process of building a new culture?

ENGBERDING: We established the Cultural Transformation Team, which first conducted a thorough analysis of our culture. The team supports all employees in implementing cultural change at EOS. Every one of us can start with this immediately. In order to emphasize the significance of cultural transformation, the team reports directly to me.



High standards: CEO Klaus Engberding is positioning the EOS Group in ways that differ from the competition

Favors open discussions:
Klaus Engberding
knows how the Board can
achieve better results

What does cultural transformation look like in practical terms?

ENGBERDING: All of us at EOS think about how we should behave. In management, we have taken unfamiliar paths to learn more about ourselves. For example, we had a new colleague observe us in all meetings for ten weeks. Her feedback prompted us to change some aspects of our behavior. I hold back more now in discussions. Today we discuss things much more openly. Not all of the results are 100 per cent the way I want them, but overall, better results emerge. In this change process, our heartbeat gives us orientation with seven principles such as “embrace change”, “trust”, or “be courageous”. We on the board have listed what these principles mean for us. We want to be measured against this.

Orientation is also provided by the vision “We are a globally connected financial investor driven by technology and entrepreneurial spirit.” It formulates the cornerstones of future success for the EOS Group. What progress has been made in the implementation?

ENGBERDING: Let’s take, for example, the aspect “technology-driven”. At its core, it means data-driven portfolio assessment and processing. The self-learning platform in our Center of Analytics plows through large data volumes and uses advanced analytics to determine the best next step in debt collection. In order to be able to process these recommendations, we need state-of-the-art debt collection systems. We therefore developed the system FX in Germany and, for our foreign companies, Kollektio+. Both went live in 2018 – that was a real milestone. Now we are further developing both of them in an agile process to optimize our incoming payments. At the same time we will avoid superfluous reminder campaigns and fees for late payers, completely in line with our commitment: “For a debt-free world”.

How are you refining your digital strategy?

ENGBERDING: We have a big competitive edge because of a huge amount of meaningful pseudonymized and international data. This data is of course being protected to highest standards. By connecting all of our companies to the data pool, we expand the pool and make more precise predictions. In the medium term, I could imagine EOS also providing data analysis as a service to third parties. For customers who process receivables themselves, we can optimize their collection results with our data pool. Consequently, our data base grows. The same principle applies here as with many platforms: the bigger the data pool, the more precise the analysis and the better the results.



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“Going live with of our new debt collection systems was an important milestone.”

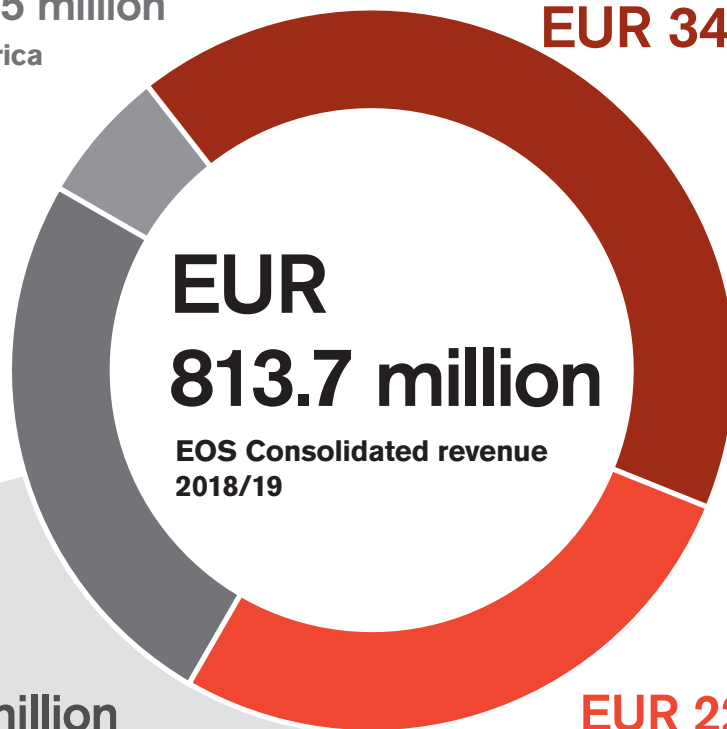
Klaus Engberding, CEO of the EOS Group

THE YEAR IN FIGURES

SUCCESSFUL DEVELOPMENT: AT EUR 813.7 MILLION, THE REVENUE OF EOS CONSOLIDATED IN THE 2018/19 FINANCIAL YEAR WAS SLIGHTLY ABOVE THE OUTSTANDING LEVEL OF THE PREVIOUS YEAR. EOS ALSO ACHIEVED AN EXCELLENT RESULT OF EUR 283.6 MILLION IN EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA).

6%
EUR 48.5 million
North America

41.9%
EUR 341.1 million
Germany



EUR
813.7 million
EOS Consolidated revenue
2018/19

25%
EUR 203.2 million
Eastern Europe

27.1%
EUR 220.9 million
Western Europe

EOS CONSOLIDATED REVENUE BY REGION

With a share of 41.9 percent, Germany is again the region with the highest turnover within EOS Consolidated. The Western Europe region exceeded the previous year's revenue adjusted for special effects, and Eastern Europe increased its share of EOS Consolidated revenue by two percentage points compared to the previous year. The share of revenue by the North America region increased slightly over prior year too.

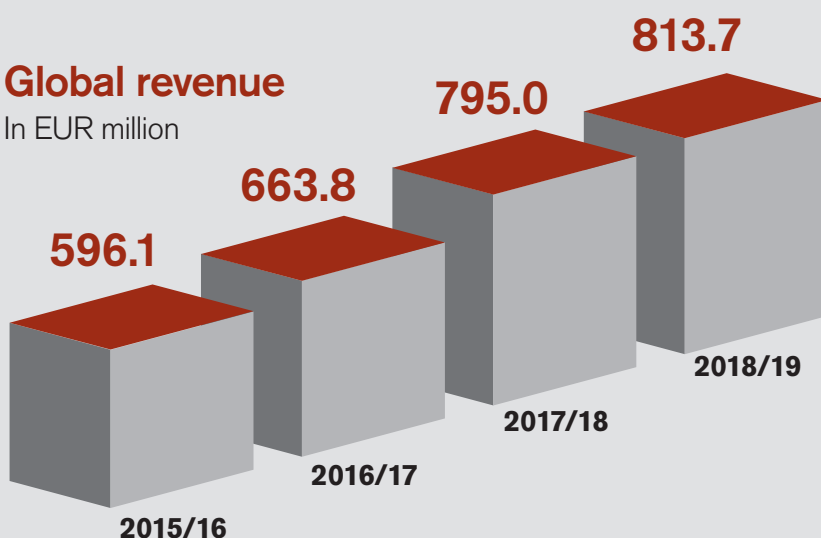
REVENUE DEVELOPMENT

EOS Consolidated has steadily increased its revenue since 2015/16. The merely moderate increase to EUR 813.7 million in the last reporting period can be attributed to the group-wide harmonization of annual accounts in the previous year, when the results from about 30 companies over 14 months were incorporated into the EOS Consolidated accounts. EOS has consistently increased earnings before interest, tax, depreciation and amortization (EBITDA) in the past four reporting years.



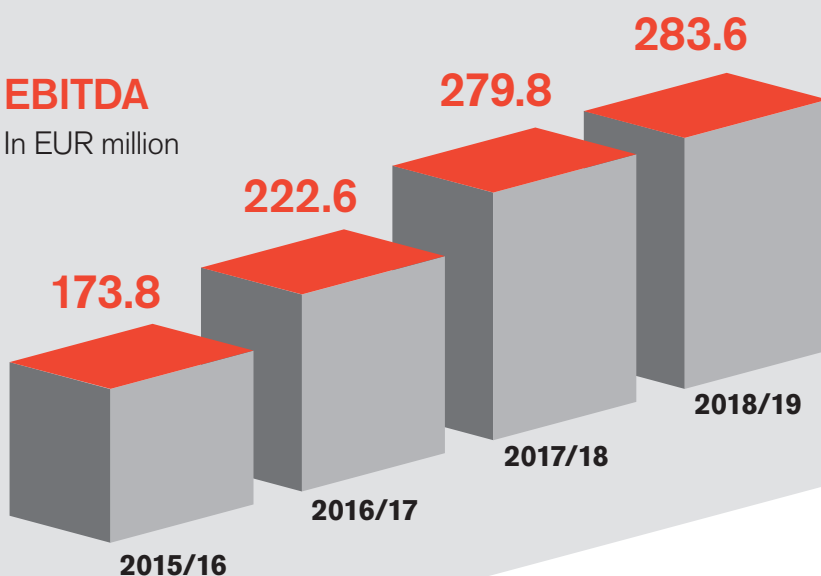
Global revenue

In EUR million



EBITDA

In EUR million



“A” RATING – FOR THE 15TH TIME IN

SUCCESSION

Euler Hermes Rating has awarded EOS Holding an “A” rating for the 15th time in succession in 2019. In this year’s assessment of the company’s creditworthiness, the auditors attested that EOS continues to present a low financial risk. The rating experts cited the high stability of cash flows and the continued very high earnings level as the main reasons for the rating. Euler Hermes gave especially positive ratings to the longstanding experience in the valuation, acquisition and realization of non-performing receivables, the market leadership of EOS in Germany, and the strong position in the Western and Eastern European markets.

FINANCIAL PERFORMANCE

REVENUE BY REGION

In the financial year 2018/19 revenue showed a slight increase of 2.3 percent over previous year. The highest growth was recorded for the region of Eastern Europe, where revenue was 10.9 percent higher than in the previous reporting year. The decline in revenue of 8.1 percent in Western Europe was due to the fiscal year harmonization that took place in the 2017/18 annual financial statement. As a result, the

companies in four high-revenue Western European countries contributed an additional two months to the revenue for 2017/18. Adjusted for this one-time effect, the revenue exceeded the previous year's result.

North America increased revenue by 10.2 percent over the previous reporting period.

		2018/19	2017/18
	Comparison with previous year in %	EUR (000)	EUR (000)
Germany	+ 4.2	341,128	327,501
Western Europe	-8.1	220,885	240,402
Eastern Europe	+ 10.9	203,188	183,175
North America	+ 10.2	48,456	43,962
EOS Consolidated	+ 2.3	813,657	795,040

PROFIT AND LOSS ACCOUNT (SUMMARY)

EOS Consolidated generated net income of EUR 234.2 million in the financial year 2018/19.

The moderate revenue growth of 2.3 percent was due to the Consolidated fiscal year harmonization in the financial year 2017/18. That process added about 30 companies' results for 14 months to the consolidated year-end financial statements for the previous year. Operating income was EUR 20.9 mil-

lion above revenues. The result was attributed to liquidation of accrued liabilities for a company being wound up.

Other operating expenses rose to EUR 300.9 million, primarily due to high write-offs of trade receivables for a company in liquidation. Significant IT expenses incurred within the scope of software development also contributed to the increase.

	2018/19	2017/18
	EUR (000)	EUR (000)
Revenue	813,657	795,040
Total operating income	834,537	806,303
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	283,587	279,761
Earnings before tax (EBT)	270,501	271,476
Profit for the year	234,194	237,550

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

ASSETS POSITION

The total assets of EOS Consolidated rose by EUR 459.9 million to EUR 2.2 billion in the financial year 2018/19. This increase can be traced back to, among other things, considerable investments in purchased portfolios. They included secured and unsecured receivables as well as purchased un-

developed real estate. Their book value increased in the past financial year by EUR 346.1 million over the previous year.

Purchased receivables and real estate made up 72.7 percent of the total assets for EOS Consolidated.

	02/28/2019		02/28/2018	
	EUR (000)	%	EUR (000)	%
Fixed assets	217,650	9.8	195,366	11.1
Purchased receivables and real estate in inventories*	1,610,358	72.7	1,264,280	72.1
Receivables	212,306	9.6	114,660	6.5
Cash and cash equivalents	49,309	2.2	67,765	3.9
Other assets	124,663	5.6	112,301	6.4
Total assets	2,214,285	100.0	1,754,371	100.0

EQUITY AND FINANCING

The increased financing requirements can be explained by the high investments made by EOS Consolidated in the past financial year. They were met by borrowing from the shareholder and credit institutions.

1.2 percentage points to 28.7 percent compared to the previous year. However, it is still at a comparatively high level for a financial services group.

Equity too was increased considerably. This reflects the very good result for the financial year. The equity-to-asset ratio for EOS Consolidated fell slightly by

	02/28/2019		02/28/2018	
	EUR (000)	%	EUR (000)	%
Equity	634,430	28.7	523,969	29.9
Provisions	85,923	3.9	82,373	4.7
Liabilities with banks	257,317	11.6	187,725	10.7
Liabilities with related parties and companies	1,027,028	46.4	754,593	43.0
Trade payables	38,397	1.7	78,477	4.5
Other liabilities	171,189	7.7	127,234	7.3
Total financing	2,214,285	100.0	1,754,371	100.0

*Include portfolio investments which are shown as a loan claim for structural reasons (financial presentation).

“WE ACHIEVED AN OUTSTANDING RESULT”

JUSTUS HECKING-VELTMAN IS HIGHLY SATISFIED WITH THE RESULT OF EOS CONSOLIDATED. THE MEMBER OF THE EOS GROUP'S BOARD OF DIRECTORS AND CHIEF FINANCIAL OFFICER EXPLAINS THE BUSINESS PERFORMANCE AND WHY INVESTMENTS PLAYED A MAJOR ROLE IN IT.



Potential in sight: The CFO plans to further expand debt purchases

Mr Hecking-Veltman, how did the recent financial year go from your point of view?

JUSTUS HECKING-VELTMAN: I am happy about the extremely satisfactory result for the past financial year. Both for revenue and for earnings before tax, or EBT for short, we once again achieved the outstanding level of the previous year. That is remarkable because of the harmonization of the financial year we completed in the 2017/18 reporting period. At that time we included around 30 companies with 14 months in the consolidated


year-end financial statements, which showed extraordinarily strong results because of that. Still, at EUR 813.7 million, the revenue of EOS Consolidated exceeded the revenue from the previous year by 2.3 percent. With an EBT of EUR 270.5 million, we greatly surpassed the 200-million-euro mark for the second time in a row. This is a clear sign of our sustainable business growth.

How did you accomplish that?

HECKING-VELTMAN: We are much more diversified today than we were a few years ago because our investments are more balanced in the regions with EOS companies. In the past financial year, Germany was once more the most important market for the EOS Group. Western and Eastern Europe have caught up, though. In addition, we again held our ground in a highly competitive environment. With an investment of EUR 668 million in unsecured and secured receivables and real estate, we have further stepped up our exposure. Especially in the secured receivables segment, we have purchased NPL portfolios in numerous countries and increased our expertise and capacities.

The low interest rate phase is continuing. Doesn't that make activities in debt purchasing more difficult?

HECKING-VELTMAN: Yes, because of the low interest rate phase most of the leading companies in the industry have intensified their investments in non-performing loans in the last few years. They saw good opportunities for high returns here. At the same



Proud of the distinction:
Justus Hecking-Veltman
is happy about the renewed
A rating for EOS

“EOS is increasingly operating as a globally connected investor.”

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

time, some competitors recently merged and now have access to a broader capital base. However, some buyers have lately paid excessive amounts and many lenders of capital have become more cautious. This could mean that the market will not heat up further. The EOS Group also sees great potential in the purchase of NPLs in the future because we already have a lot of expertise in that business in numerous regions. We want to extend this to other countries and operate even more strongly in the future as a globally connected financial investor. In the current financial year we are again planning on an intense engagement in secured and unsecured debt purchase in Germany, Western and Eastern Europe.

How did the investments in IT at EOS last year turn out?

HECKING-VELTMAN: Overall, we invested EUR 10 million in technology in the last reporting year. For one thing, we are further expanding our Center of

Analytics internationally. It forms the basis for the application of advanced analytics. The Center of Analytics platform analyses large data volumes and puts them in a form that our debt collection systems can work with. EOS in Germany is already connected to this platform. Our companies in France, Spain, and Belgium will follow. We are simultaneously advancing our trendsetting debt collection software systems and rolling them out internationally. For example, we are currently designing the Kollektio+ system for 12 countries in Eastern Europe. We are doing all of this not least of all to make greater use of synergies, reduce IT complexity within the Group, and thereby become more efficient. Over the longer term, it remains our goal to maintain or achieve a top three position in all established markets.

All of these investments require a strong capital base. What is the situation with regards to that?

HECKING-VELTMAN: Our capital structure continues to be very good. We deploy our capital in a profit-oriented manner and are continuously optimizing our financial structure. With an equity ratio of 28.7 percent, we are structured very solidly. This is also demonstrated by our A rating from Euler Hermes Rating, the 15th in a row for us.



CLOSE- UP

Results in the regions

The Members of the EOS Group's Board of Directors give insight into the outstanding results from the past financial year and present highlights from their regions.

REVENUE UP AGAIN

ANDREAS KROPP, MEMBER OF THE EOS GROUP'S BOARD OF DIRECTORS RESPONSIBLE FOR THE GERMAN MARKET, EXPLAINS HOW EOS GROUP'S STRONGEST REGION ACHIEVED ITS OUTSTANDING PERFORMANCE.



“Despite the tough competition, we increased debt purchases.”

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

We are happy in Germany about a further increase in revenue to EUR 341.1 million. With a share of EOS Consolidated's turnover of 41.9 percent, Germany is the EOS Group's strongest region.

INVESTMENTS INTENSIFIED

The volume of fiduciary debt collection grew over the last year. The number of receivables increased by 18 percent. In debt purchasing, we held our ground very well in a highly competitive environment. Due to the good economic situation in Germany, only a few significant portfolios went on the market. Despite that, we stepped up our investments by nearly 24 percent. For example, we were able to acquire a forward flow port-

folio from a major German bank with a term of 24 months. We also intensified investments in real estate-secured receivables and real estate to be restructured. Our inventory of commercial real estate nearly doubled. At the same time, we were able to increase the volume of restructured real estate divestitures.

EOS sold the EOS Health Honorarmanagement AG within the scope of the sale of factoring activities, with closing in May 2019. We are continuing to embrace digitalization in Germany with the further development of the debt collection system FX. We are also positioning ourselves with our good reputation and wealth of experience in business process outsourcing as a partner for companies wishing to outsource their receivables management.

TOP 3 HIGHLIGHTS OF THE YEAR



Revenue increase achieved

In Germany, EOS once again bumped up revenue slightly over the previous year to EUR 341.1 million.



Previous year far surpassed

Increase in investments in portfolio purchases, especially in real estate and receivables secured by real estate.



Growth in fiduciary business

In Germany, the number of receivables in the fiduciary business increased by 18 percent over the previous year.

TOP 3 HIGHLIGHTS OF THE YEAR



Revenue: On target

In Western Europe, EOS was able to increase revenue – adjusted for a one-time effect – over the previous year to EUR 220.9 million.

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Clearly above expectations

In France, Austria, and Switzerland, investments in debt purchases exceeded the target by a significant margin.

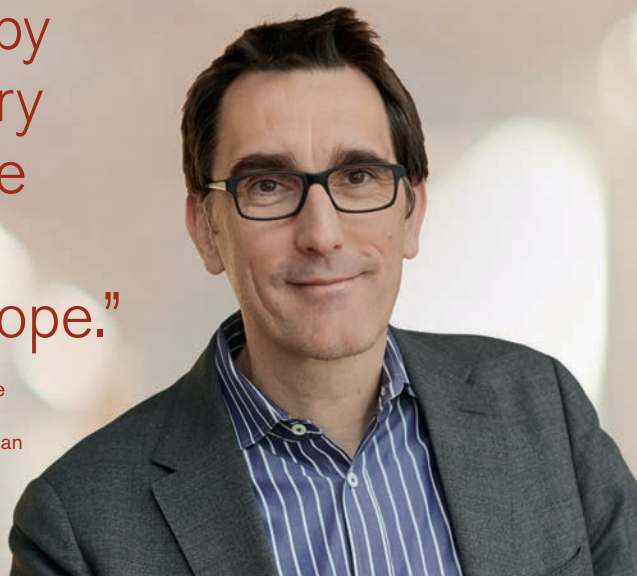


Revenue growth in USA

A revenue increase of a good 10 percent was achieved through debt purchases.

“We are happy about the very good revenue growth in Western Europe.”

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



STRONG INVESTMENTS

IN THE LAST FINANCIAL YEAR EOS AGAIN ACHIEVED A HIGH LEVEL OF REVENUE IN WESTERN EUROPE. REVENUES ALSO ROSE IN THE US AND CANADA. ONE REASON WAS HIGHER INVESTMENTS IN DEBT PURCHASES.

I am very satisfied with the performance in the region of Western Europe over the past financial year. We weren't quite able to reach the revenue level of the previous year in the region. However, this was due to our financial year harmonization in 2017/18, when the companies from four Western European countries contributed an additional two months of results to the revenue. With adjustment for this one-time effect, we exceeded the previous year's revenue.

One reason was the satisfying operating performance in France. There we invested in secured receivables, among other assets. For example, we acquired a portfolio from real estate financier Crédit Immobilier

de France with a nominal value of EUR 125 million. Here, as in Austria and Switzerland, we were clearly above and in Belgium slightly above the planned volume with our investments in bad debts.

REVENUE GROWTH IN NORTH AMERICA

In the region of North America, we posted a healthy increase in revenue of a good 10 percent. The reason for this positive development was the intensified debt purchasing in the US. In Canada, revenue and profit exceeded the previous year's values and were above the targets. Here, we expanded the fiduciary business with existing clients due to very good operating performance. We also entered the debt purchasing market with a few small initial investments.

NEW RECORD ACHIEVED

THE EASTERN EUROPE REGION CLOSED 2018/19 WITH ALL-TIME HIGHS. REVENUES AND INVESTMENTS IN DEBT PURCHASES HAVE RISEN. SECURED PORTFOLIO PURCHASES IN PARTICULAR ARE BECOMING MORE AND MORE IMPORTANT.

We are very proud of the result in the region of Eastern Europe for the past financial year. At EUR 203.2 million, revenue surpassed the previous year by more than 10 percent. Earnings before tax (EBT) were also way above the previous year's level. For both KPIs, we achieved the highest levels ever seen in the region.

DEBT PURCHASES AND PRODUCTIVITY

The reasons for this outstanding development differ for the various countries. In Russia, we were able to step up revenue by significantly increasing our productivity. In contrast, in Hungary and Poland, we chalked up a substantial growth in revenue from debt purchases. We once again expanded our investment volume in

non-performing loan portfolios. Especially in Poland and Croatia, but also in Russia and Slovakia, we considerably exceeded the level from the previous year.

In addition we were able to step up our investments in secured receivables. We have greatly expanded the necessary structures and have thus far established them in nine countries. We continue to see excellent growth opportunities in this segment and therefore plan on extending secured NPL purchases to all the EOS countries in Eastern Europe. In doing so, we will profit from the international EOS network. We already have a lot of know-how and experience in assessing and processing of secured receivables in numerous countries. We will use this to form international expert teams to tap into new markets.

“In Eastern Europe, revenue and earnings before tax were higher than ever before.”

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



TOP 3 HIGHLIGHTS OF THE YEAR



**New record in
revenue**

At EUR 203.2 million, revenue surpassed the previous year by more than 10 percent and set a new record.



**Strong earnings
contribution**

As with revenue, earnings before tax (EBT) reached an all-time high for the region.



**Investments
boosted again**

EOS once again stepped up investments in NPLs in the region and extended its purchases of secured receivables.

DEBT COLLECTION – WORLDWIDE

With its cross-border debt collection, EOS supports companies wishing to recover their receivables from private or business customers in other countries. The hub of activity is the EOS global collection platform in the Cross-border Center in Hamburg. Via the international IT platform, EOS transfers cross-border cases from the country in which the client is based to the country in which the late payers are located. There, the receivables are processed by EOS Group companies or their selected partners, debt collection specialists who are well acquainted with the characteristics of the location.

551

employees work for EOS worldwide in **international debt collection**, 319 of them at EOS companies.

80 partners

handle **cross-border cases throughout the world** for EOS customers. All of them meet the high quality standards prescribed by EOS.

98% of all paid cases are settled out of court by EOS in its international debt collection.

Agreement is reached faster and creditors save on the high court fees.

70% of the cases

involve **receivables from private customers**. The remaining 30 percent are B2B cases.

2/3 of all payments

are made in the form **installments**.

72,244

cases were processed by EOS in 2018/19 in **cross-border debt collection**. Companies from Germany commission most of the cases. Overall, the majority of cases are processed in France.

E-commerce **26%**
IT hardware **13%**
Telecommunications **10%**
Consumer credit **6%**
Trade and logistics **5%**

% share of cases according to industries

100 days

is the average maximum amount of time it takes until the experts of the Cross-border Center at EOS **receive the first payment**.

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DEBT COLLECTION 4.0

EOS buys a receivables portfolio in a country in which it doesn't have its own company



The partner assumes the servicing



DEBT PURCHASE IN NEW MARKETS

EOS also buys bad debts in countries in which there is no EOS company. Example: Portugal. In December 2018 EOS bought two receivables portfolios from major banks there in cooperation with the Portuguese debt collection specialist Servdebt. The partner advises on the purchase and assumes the processing. So far, EOS and Servdebt have acquired nine receivables portfolios with a total volume of nearly EUR 800 million. All portfolios together hold nearly 70,000 unsecured receivables. EOS calls this international cooperation in debt purchase Debt Collection 4.0.

FINANCIAL INVESTOR

THE PURCHASE OF NON-PERFORMING RECEIVABLES AND REAL ESTATE TO BE RESTRUCTURED IS THE CORE BUSINESS AND A GROWTH AREA FOR EOS. IN 2018/19, EOS CONSOLIDATED FURTHER STRENGTHENED ITS COMMITMENT AS A GLOBAL INVESTOR.

Germany

EUR **78** million

in **secured receivables and real estate** was purchased by EOS in Germany in the 2018/19 financial year.

Western Europe

EUR **48** million

is the value of outstanding receivables that EOS Aremas in **Belgium** purchased through existing **forward flow agreements** in 2018/19.

Eastern Europe

EUR **46** million

is the sum of the **largest unsecured portfolio** that EOS acquired in **Croatia** in the past financial year.

Eastern Europe

40,000

cases are included in the NPL portfolio that EOS Matrix acquired in Bosnia and Herzegovina. It is one of the largest receivables packages ever sold by a financial institution in the country.

Germany

EUR **60** million

is the value of the receivables volume in the **forward flow portfolio** that EOS acquired **from a large German bank** in 2018. EOS thereby receives a significant share of the seller's non-performing receivables for 24 months.

SELECTED TOP INVESTMENTS OF THE YEAR

In the 2018/19 financial year, the EOS Group again demonstrated its extensive know-how in purchasing and processing secured and unsecured receivables worldwide with one of the largest receivables packages ever sold by a bank in Bosnia and Herzegovina, a significant forward flow portfolio in Germany and a large portfolio of non-performing mortgages in France.

Western Europe

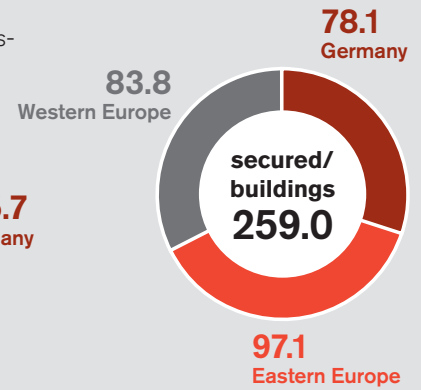
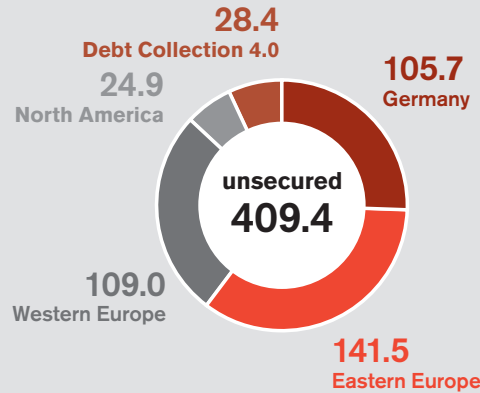
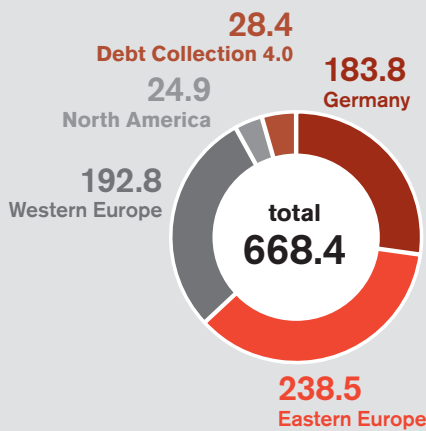
EUR **125** million

is the nominal value of the portfolio with **non-performing mortgage** loans that EOS France acquired from mortgage lender Crédit Immobilier de France in 2018.

INVESTMENTS IN RECEIVABLES PURCHASES AND BUILDINGS

EOS Consolidated expanded its investments in secured and unsecured receivables and buildings by EUR 179.2 million to EUR 668.4 million, compared to the previous year. Investments in secured receivables and real estate, especially, increased sharply. They more than doubled in comparison to the previous year. With Debt Collection 4.0, the EOS Group purchases assets in countries where it does not have its own subsidiary.

In EUR million

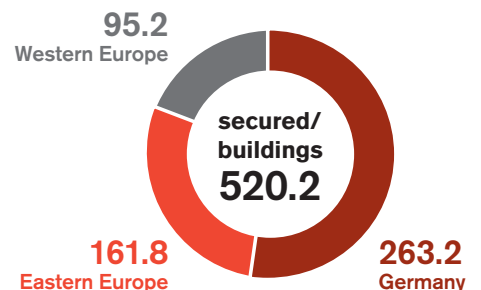
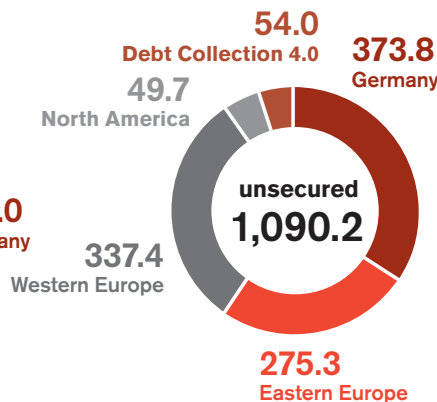
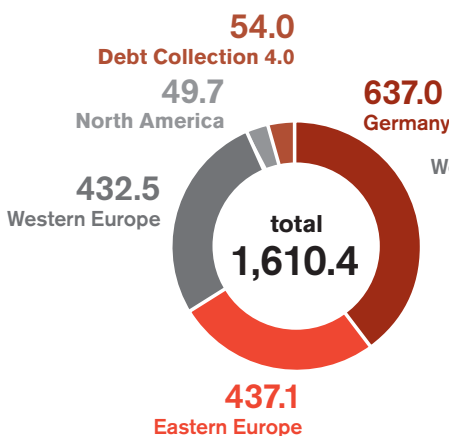


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PURCHASED RECEIVABLES

The total book value of the portfolios recognized at the end of the 2018/19 financial year amounts to EUR 1.61 billion*. Here, at EUR 1.09 billion, the value of unsecured receivables packages is almost twice as much as that of secured portfolios and buildings.

In EUR million

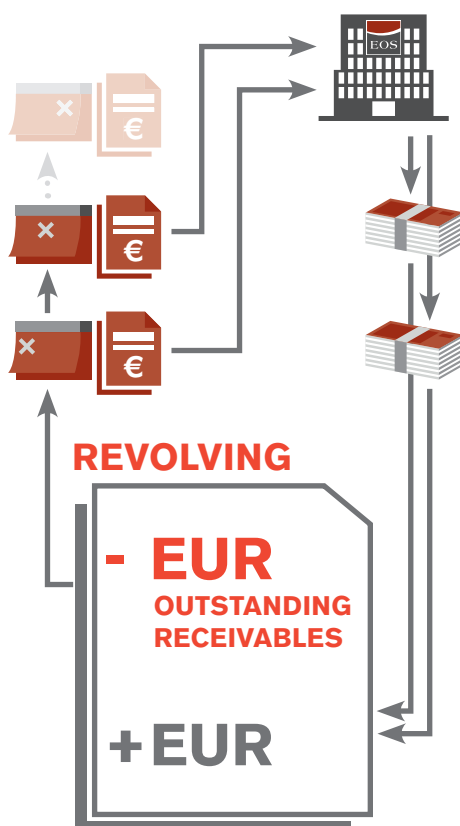


*Includes portfolio investments which are shown as a loan claim for structural reasons.

INVESTOR IN ALL ASSET CLASSES

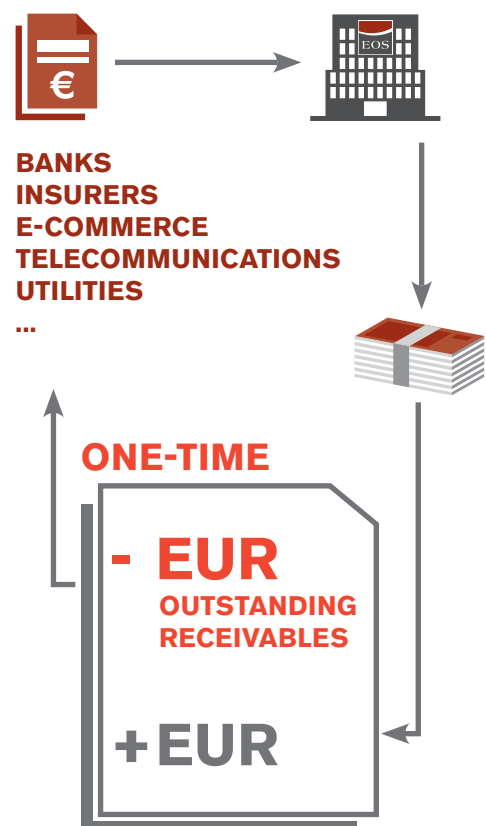
FORWARD FLOW CONTRACT

Steadily unburdening the balance sheet: with a forward flow agreement, a company sells portions of defaulted receivables to EOS at a predefined purchase price rate and at regular intervals over a specified term. On the sale dates, the seller eliminates the bad debts from its books and increases its liquidity.



UNSECURED RECEIVABLES

Whether consumer or commercial loans – a company can sell its unsecured NPLs in a package. EOS pays a fair calculated purchase price for such a portfolio. This increases the seller's cash flow. After the transaction, EOS processes the receivables.



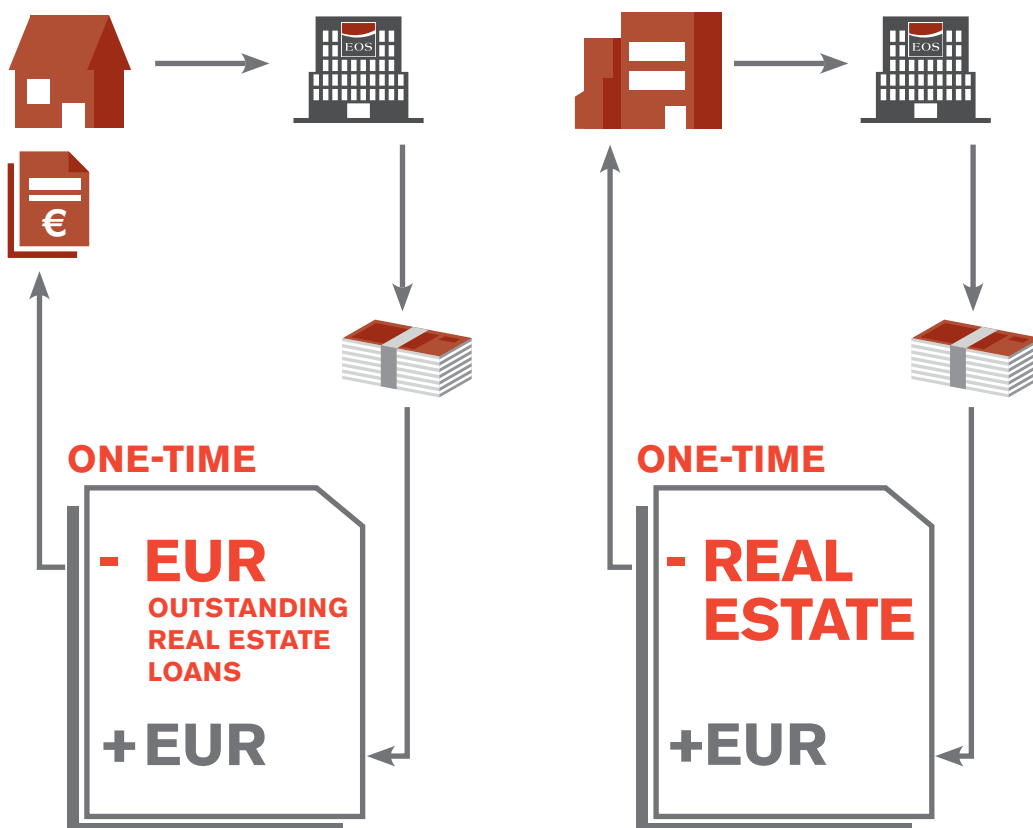
BAD DEBTS PLACE A BURDEN ON THE BALANCE SHEETS OF COMPANIES SUCH AS BANKS. HERE, EOS HELPS AS AN INVESTOR IN ALL ASSET CLASSES: THE GROUP BUYS SECURED AND UNSECURED RECEIVABLES AS WELL AS REAL ESTATE. THROUGH THE SALE, COMPANIES IMPROVE THEIR LIQUIDITY AND HAVE MORE FINANCIAL LEEWAY FOR INVESTMENTS.

SECURED RECEIVABLES

Defaulted loans secured by real estate burden banks' balance sheets. Through the sale to EOS, banks build up their equity and get the NPLs off their books. EOS then finds a mutually agreeable solution with the borrowers. A foreclosure is always the last resort.

REAL ESTATE

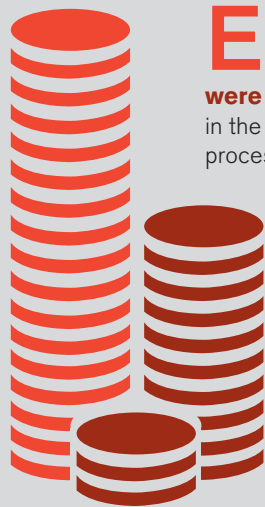
Many companies own real estate in need of restructuring. However, their core business may not be development of property. This is where EOS comes in. The Group buys developable real estate, upgrades it if necessary, and either finds a viable rental concept or sells it.



DRIVEN BY TECHNOLOGY

DIGITALIZATION HELPS TO OPTIMIZE DEBT COLLECTION PROCESSES. THAT'S WHY EOS IS INVESTING IN TECHNOLOGY. IT-EXPERTS ARE DEVELOPING STATE-OF-THE-ART DEBT COLLECTION SYSTEMS THAT USE DATA ANALYSIS AND PREDICTIVE MODELING TO GENERATE BETTER RESULTS.

FINANCIAL YEAR 2018/19



EUR 10 million

were invested by EOS in IT core systems

in the past financial year alone. This included all technologies used in the processing of receivables, i.e.:

Development of debt collection software



Advanced Analytics

Data analyses and analytical models deliver predictions about the best next action to be taken in the collection process.

Approximately

600

IT experts worldwide are driving digitalization forward at EOS. Among them are:

71 data-scientists
and
227 software developers.

38 agile teams are developing sustainable IT solutions in the EOS companies.



107 new IT jobs were created by EOS in 2018/19 alone.

94 IT specialists are collaborating on international IT projects.

ANALYZING DATA THE RIGHT WAY

With advanced analytics, the experts at EOS Group can address late payers more individually and accelerate the settlement of outstanding receivables by offering customized payment plans.

1. DATA POOL

EOS has accumulated a large volume of meaningful and international data through contact with late payers and companies.



2. ANALYSIS USING ADVANCED ANALYTICS

The data are stored on the Center of Analytics platform in pseudonymized form. Therefore, no conclusions about actual people can be drawn from them. However, data scientists can scan them for patterns and program models by using those patterns.

3. BEST NEXT ACTION

The models provide the connected debt collection software with predictions about the best next action to be taken in the processing, which could be a letter, an SMS, or an email. For the respective receivable, the system makes a real-time decision regarding the most promising action that the claims handler should take to achieve the optimum solution for all parties involved.



MAKING ONLINE PAYMENTS EASIER

Digitalization makes it easier for late payers to keep track of their account balances at all times and to choose the payment method that is most convenient for them. That's why EOS offers online service portals in numerous countries. In Germany, for example, users have access to six different payment methods, including Apple Pay. The most popular payment method is SOFORT instant bank transfer. **In 2018 the German service portal alone counted more than 650,000 visitors, 135 percent more than in the previous year.** Visitors frequently used the service portal via their smartphones.



CULTURAL JOURNEY

EOS IS PREPARING FOR TECHNOLOGICAL ADVANCES AND THE INCREASINGLY COMPLEX WORLD WITH CULTURAL CHANGE. THE TRANSFORMATION PROCESS OPENS UP NEW APPROACHES TO COLLABORATION AND LEADERSHIP, INCREASES THE COMPANY'S RESPONSIVENESS AND STRENGTHENS ENTREPRENEURSHIP.

EN ROUTE TO BECOMING A RESPONSIVE COMPANY

As a responsive company EOS is in a position to adapt to the constantly changing environment. With this goal in mind, EOS embarked upon its Cultural Journey in 2017. The company has undertaken a great deal since then. In approximately 400 workshops on the purpose and heartbeat, managers and employees worldwide have engaged in cultural change and held in-depth discussions about the purpose "For a debt-free world". Since its establishment in September 2018, the Cultural Transformation Center in Hamburg, Germany, has been supporting all EOS countries with the change process.

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For a debt-free world

THE PURPOSE

Debts are part of life. They are important, for example, in financing the purchase of a house. If the borrower has difficulties in making his payments, EOS is there. The more than 7,500 employees have one goal in mind: that defaulting payers get out of this imbalance as quickly as possible and companies get their money back. That means "For a debt-free world" at EOS.

THE HEARTBEAT

With the heartbeat, EOS defines the guiding principles for how to work with one another. The aim is to respond faster to new challenges, take personal responsibility and to work in a more interconnected way, which will result in a culture of entrepreneurial spirit and action. All employees can shape the change. These seven principles guide them along their way:

- ♥ Be courageous ♥ Trust ♥ Love to learn
- ♥ Strive for excellence ♥ Embrace change
- ♥ Walk your talk ♥ Share your knowledge



EOS invested
EUR 1 Million
in cultural change in the financial year 2018/19

including for example workshops with managers and employees worldwide on the purpose and heartbeat, and to build the Cultural Transformation Center.



2 Culture Camps

brought together Culture Companions and representatives from management.

Here, they had the opportunity to share best practices in the transformation process and to learn from one another – in line with the heartbeat principles “Share your knowledge” and “Love to learn”.

5 employees

are part of the new Cultural Transformation Center, founded in September 2018. It helps local management and the Culture Companions (see below) to implement the transformation process. The team reports directly to CEO Klaus Engberding.

42 Culture Companions

in 23 countries help local management teams to make cultural change a reality.

They organize workshops, for example, in which the team members translate the heartbeat into their everyday work.



STAGE GOAL: THE ROUTE IS CLEARLY DEFINED

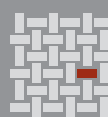
What hurdles do we have to overcome at EOS to become a responsive organization and to meet the challenges of digitalization? The Cultural Transformation Team asked itself this question in 2018 and then interviewed managers and employees worldwide.

62 Interviews

were conducted by the Cultural Transformation Team with employees and across all hierarchy levels in all EOS countries.



4 cultural patterns



still prevent EOS from being responsive at times:

1. Hierarchy and distance between countries and departments
2. Improvable communication culture
3. Old-fashioned management style and a management team that does not present itself as a team
4. No room for innovation

1 green light for change

The cultural analysis now provides orientation to all EOS countries. They can decide which issues they want to work on because the patterns are not as developed to the same extent in each country.





EOS WORLDWIDE

EOS IN AMERICA

CANADA

EOS Canada

USA

EOS Healthcare

EOS USA

U.S. Asset Management, Inc.

EOS IN WESTERN EUROPE

AUSTRIA

EOS ÖID Inkasso-Dienst Ges.m.b.H.

BELGIUM

Contentia SA/NV

EOS Aremas Belgium SA/NV

DENMARK

EOS Danmark A/S

FRANCE

EOS act!

EOS FRANCE S.A.S.

IRELAND

EOS Credit Funding DAC

EOS Securitisation DAC

SPAIN

EOS Spain, S.L.

SWITZERLAND

EOS Schweiz AG

UNITED KINGDOM

EOS Solutions UK Plc

EOS IN GERMANY

CINTHIA Real Estate GmbH

EOS Communication Center Nürnberg GmbH

EOS Deutscher Inkasso-Dienst GmbH

EOS Deutschland GmbH

EOS Field Services GmbH

EOS Holding GmbH

EOS Immobilienworkout GmbH

EOS Investment GmbH

EOS KSI Inkasso Deutschland GmbH

EOS Serviceline GmbH

EOS Technology Solutions GmbH

P+L Services GmbH

Schober Direct Media GmbH + Co. KG



EOS IN EASTERN EUROPE

BOSNIA AND HERZEGOVINA

EOS Matrix d.o.o.

BULGARIA

EOS Matrix EOOD

EOS SERVICES EOOD

CROATIA

EOS Matrix d.o.o.

EOS REO HR

EOS Investment HR

CZECH REPUBLIC

EOS KSI Česká republika s.r.o.

EOS Investment Česká republika s.r.o.

GREECE

EOS Matrix S.A.

EOS Securitisation GmbH

HUNGARY

EOS Faktor Magyarország Zrt.

EOS KSI Magyarország Inkasszó Kft.

KOSOVO

EOS Matrix DOOEL L.L.C.

MONTENEGRO

EOS Montenegro DOO

NORTH MACEDONIA

EOS Matrix DOOEL

POLAND

EOS KSI Polska Spółka z o.o.

EOS & M. Witoń Kancelaria Prawna spółka komandytowa

EOS 1 Fundusz Inwestycyjny Zamknięty

Niestandaryzowany Fundusz Sekurytyzacyjny

EOS Investment Poland

Non-Standardized Securitization Closed End Fund

Aneto

VPF I Niestandaryzowany Sekurytyzacyjny Fundusz

Inwestycyjny Zamknięty

ROMANIA

EOS KSI România S.R.L.

EOS Finance IFN S.A.

EOS IT Services SRL

EOS NEXT Services SRL

EOS Investment RO

RUSSIA

LLC EOS

EOS Investment CEE

EOS Investment RU

SERBIA

EOS Matrix DOO

SLOVAKIA

EOS KSI Slovensko, s.r.o.

EOS Slovensko Investment LC, s.r.o.

SLOVENIA

EOS KSI Upravljanje terjatev d.o.o.

As of: July 2019

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