

The Lindorff European Credit Outlook

2015



CEO's Corner	3
Summary	4

Status 2014

Denmark	6
Finland	8
Germany	10
Norway	12
Spain	14
Sweden	16
The Netherlands	18

Forecasts

The 2014 Lindorff Credit Outlook Survey	20
Denmark	25
Finland	26
France	27
Germany	28
Italy	29
Norway	30
Spain	31
Sweden	32
The Netherlands	33
United Kingdom	34

About the survey	35
About Lindorff	36

LECO is developed by Lindorff in cooperation with TNS.
Contributions from: Stig Inge Eikemo, Andreas
Nyheim, Nils Staib, Jarle Hersvik, Markus Ekornes Myhre
and Usenemen-James Etokebe.

CEO's Corner



Peter Sjunnesson
CEO,
Lindorff Group

Lindorff European Credit Outlook is provided to support decision makers in European companies in taking business decisions.

For the third consecutive year, Lindorff conducts a survey for executives across Europe about how they believe leading indicators in the credit management services market will develop in the upcoming year.

It is difficult to recognise a clear pattern in Europe's general economy. On one hand, stock markets have been fuelled by low interest rates and less uncertainty during 2014. Key indices like Germany's Deutscher Aktienindex (DAX) have climbed to new all time highs and the London Stock Exchange is comfortably situated at its highest levels in more than a decade. On the other hand, news channels are continuously reporting about a Europe in crisis. The unemployment rates in Spain are still in the mid-20s. Many important countries are suffering from a lackluster, in some countries negative, growth in GDP numbers.

Development is also mixed on our home turf, the credit management services market. Some of the markets which have suffered the most during the financial crisis are now showing some small signs of optimism. In the South, Lindorff sees a sharp increase in the competition in Spain with substantially higher prices for distressed debt portfolios, a market we have entered and managed to establish a sound business portfolio in during the last years. In the North, we find an increase in the number of debt collection cases in

countries like Norway and Sweden, despite good economic conditions. Business executives expect the trend to continue in 2015, according to our survey.

The Lindorff European Credit Outlook also confirms that skies are grey for many businesses across Europe. 14% of the respondents in our survey state that they will have to put even more resources in debt collection next year. Again, there are substantial differences. In France, more than 30% plans to increase their effort. Further, more than half of the respondents in France think they will have to tighten their credit policy. Such actions could make growth even more fragile, but it might also be totally necessary to protect businesses. Also respondents from Finland, Norway, Spain and the Netherlands, in particular, are warning about a tighter policy next year when issuing credits or payment time.

Within the strongly competitive credit management services market, Lindorff is experiencing increasing demand for its products and services. Today, we are a preferred partner to many major banks and financial institutions across Europe. With its 117 year long history, Lindorff stands out from the crowd with high ethical standards, strong business principles and core values, and by treating clients and customers with respect and professionalism.











Summary

The Lindorff European Credit Outlook comprises two main sections: first, interviews with several of our country managers about the situation in 2014 and second, our forecast for 2015.

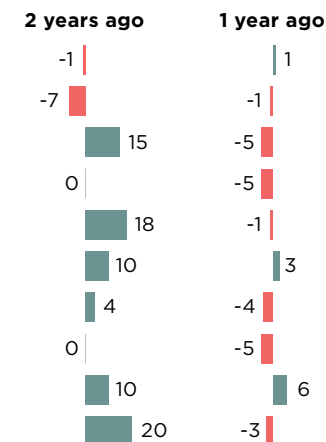
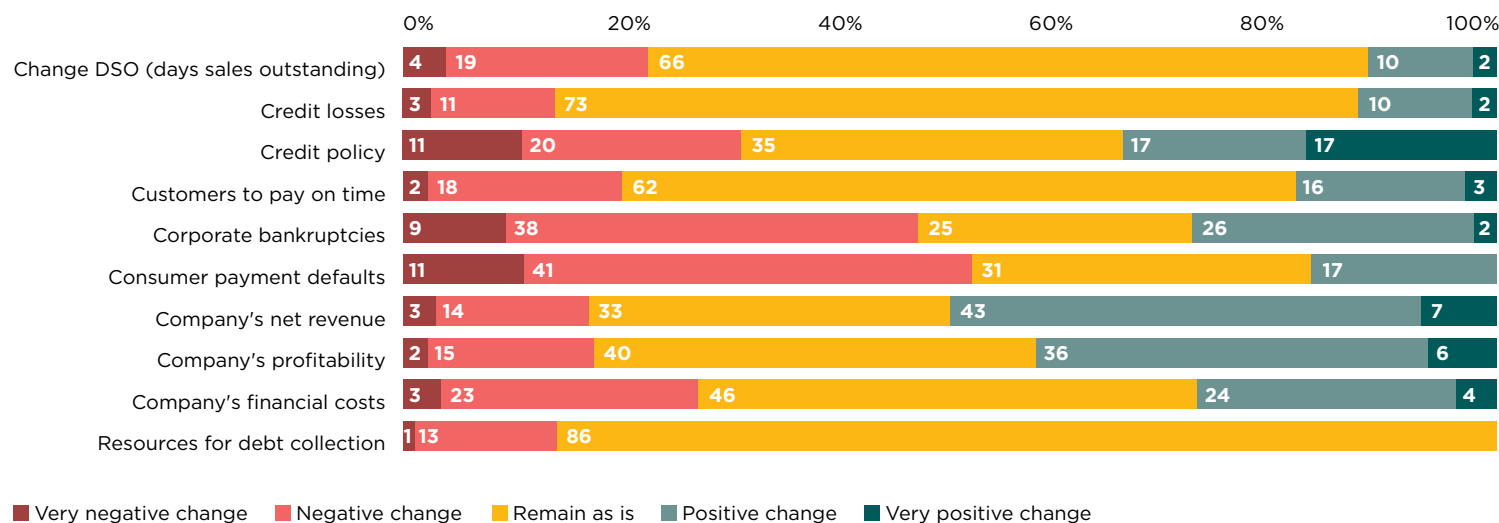
The first part consists of interviews with the country managers in Norway, Sweden, Denmark, Finland, the Netherlands, Germany and Spain. They elaborate on their view of the economy and the credit market in their countries.

In the second part of this report, you can read more about the predictions for 2015 from executives in Germany, Spain, France, Italy, the Netherlands, United Kingdom, Denmark, Finland, Sweden and Norway. More than 1,000 respondents have shared their opinions about their own businesses and the credit market.

- **23%** of the respondents believe Days Sales Outstanding (DSO) will increase during 2015. One year ago, 25% predicted the same.
- When it comes to credit policy, **31%** of the respondents believe their company is likely to tighten its credit policy when issuing credit or payment time. In France, more than half of the respondents believe this action is “somewhat” or “very” likely.

		POPULATION <i>(July 2014)</i>	GDP PR CAPITA <i>(USD 2014)</i>	UNEMPLOYMENT RATE <i>(Latest 2014)</i>	KEY INTEREST RATE <i>(Latest 2014)</i>	INFLATION RATE <i>(Latest 2014)</i>
	GERMANY	80,996,685	38,291.6	4.90%	0.05%	0.60%
	DENMARK	5,569,077	46,255.1	4.00%	0.20%	0.50%
	THE NETHERLANDS	16,877,351	40,187.1	8.00%	0.05%	1.00%
	FRANCE	66,259,012	34,140.6	10.40%	0.05%	0.30%
	ITALY	61,680,122	28,376.4	13.20%	0.05%	0.19%
	NORWAY	5,147,792	65,188.5	3.70%	1.25%	1.90%
	UNITED KINGDOM	63,742,977	37,955.1	6.00%	0.50%	1.30%
	SWEDEN	9,723,809	44,161.1	7.40%	0.00%	-0.20%
	FINLAND	5,268,799	37,676.6	8.30%	0.05%	1.00%
	SPAIN	47,737,941	24,573.1	23.67%	0.05%	-0.40%

- **20%** predict that their customers will be less likely to pay on time in 2015. Last year, the share was 23%. But there are also fewer executives who predict that their customers will be more likely to pay on time.
- **26%** believe their company's financial costs will increase in 2015, while 27% believe costs will decrease. In the UK, 46% expect the financial costs to increase.
- Last but not least, **14%** of the respondents believe they will need to put more resources into debt collection in 2015. In Finland, more than 30% of the respondents need increased resources.



Changes in expectations for 2015 compared to previous surveys

All but one of the questions in the survey are asked using a five-point scale. However, due to the wording of the different questions, a significant increase can be a positive answer as well as a negative one. When asked whether credit losses will increase or decrease in the coming year, an expected increase is a negative answer. When asked about expected revenue change, an expected increase is a positive answer. To correct for this, and for pure presentational purposes, we have rotated the scales so they all have the same direction, from the most negative to the most positive.



Denmark



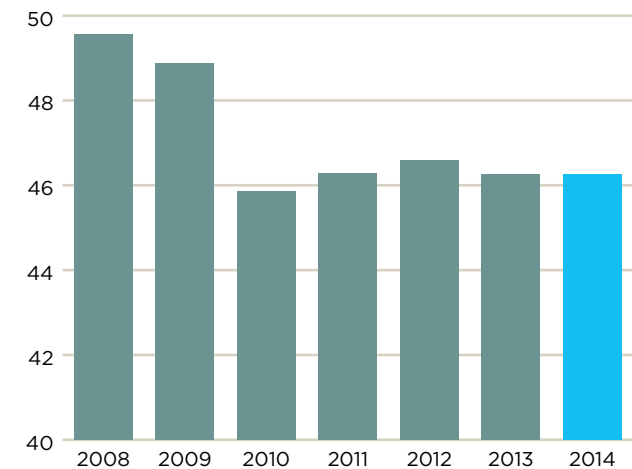
Lisbeth Dalum Hansen

Country manager,
Lindorff Denmark

Q What have been the most important drivers for the economic development in Denmark in 2014?

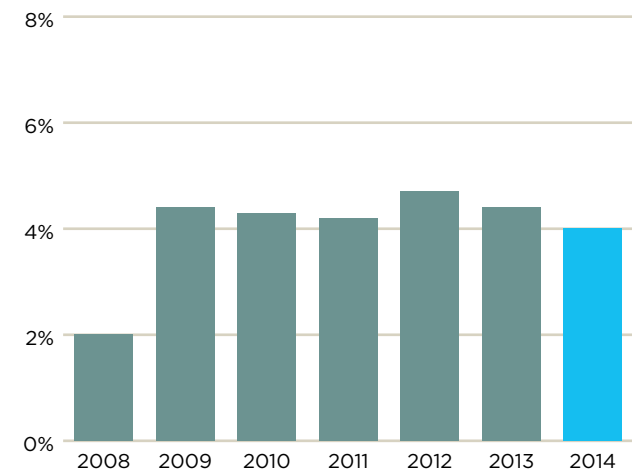
A Mortgage loan interests have stayed low and even decreased. Together with an increase in apartment and housing prices in many areas, this has untied capital for homeowners. Apartment prices in the Copenhagen area are almost back at the same levels as before the crisis. Housing prices in the Copenhagen area are down 5-20% compared to before the crisis. Prices in and around other large cities have also increased. Apart from this, I would also highlight a slight decrease in unemployment rates and relatively low inflation as important drivers.

GDP Per Capita in Denmark
(USD 1,000)



Source: tradingeconomics.com

Unemployment Rate in Denmark
(Latest Annual Data)



Source: tradingeconomics.com

Q Which single event has been most important for the economy in 2014?

A The Russian-Ukrainian conflict, causing the important Russian export market to freeze. The expected loss to the Danish economy is between DKK 20-25 billion per year.

Q What is the main risk factor for the economy in your country going forward?

A The GDP growth has been almost at recession level, except for the third quarter this year. In the fourth quarter we see a heavy reduction in income from oil production.

Q What are the most important characteristics of the credit market in your country right now?

A Expensive SME loans and cheap consumer loans. Businesses try to boost their sales by offering more payment opportunities. The consolidation in the banking and financial sector and easier access to money have increased the competition level compared to a few years ago. Smaller banks are bought by larger banks, and banks in the same geographical areas are considering mergers. However, the market is still conservative

and affected by the financial crisis. On the consumer side, savings are increasing. Consumers are hesitating to spend money and instead they build buffers in the bank due to uncertainty of what the near future will bring in terms of increasing interest rates and ever-increasing house and land taxes etc. Home owners are increasingly paying more on their mortgage.

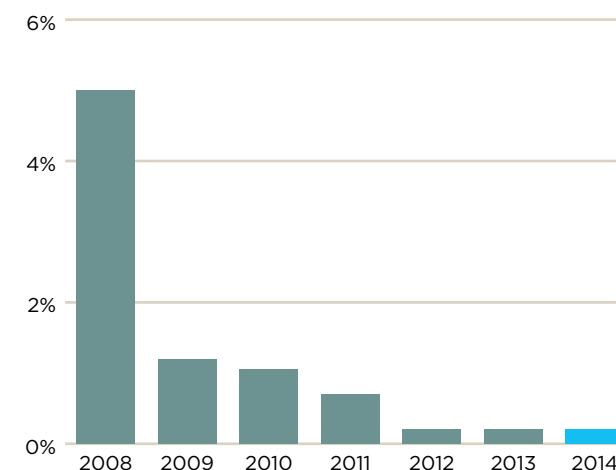
Q How has the economic development affected consumer default ratios?

A Default levels have stabilised after reaching the lowest level of new credit remarks since 2008. The decrease is very small – but it is there. It is, however, a mixed signal which has roots in better credit evaluation, fewer credit options, less spending and an improved economy.

Q What about company defaults and credit policies?

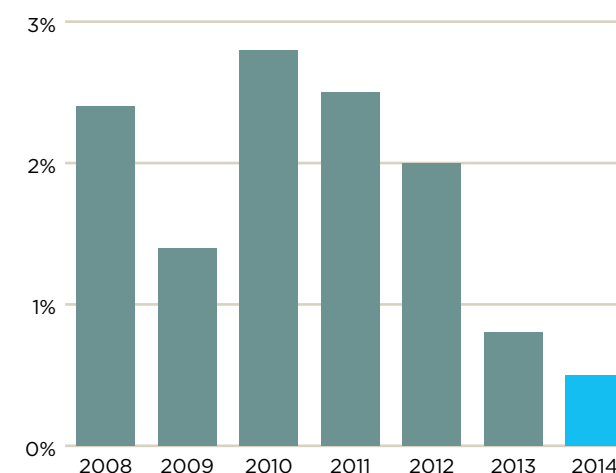
A The trend is positive. In total, we expect 2014 to end with a 20-23% decrease in company bankruptcies compared to last year and the figure is the same when we look into defaults. Businesses have tightened their credit policy and lowered the number of days in their payment terms. They are also increasing their use of third-party credit decisions.

Key Interest Rate in Denmark
(Latest Annual Data)



Source: tradingeconomics.com

Inflation Rate in Denmark
(Latest Annual Data)



Source: tradingeconomics.com



Finland

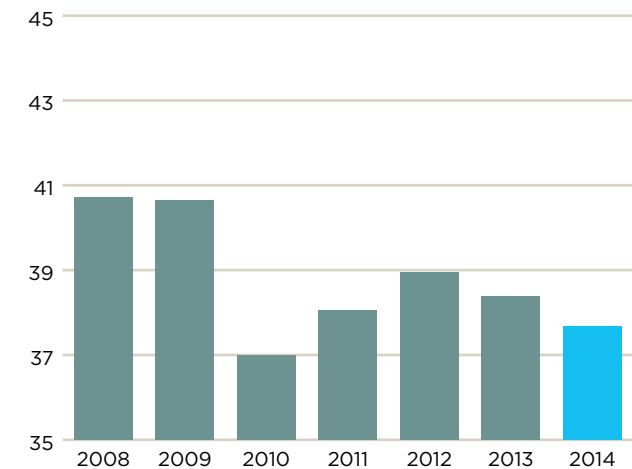


Turkka Kuusisto
Country Manager,
Lindorff Finland

Q What have been the most important drivers for the economic development in Finland in 2014?

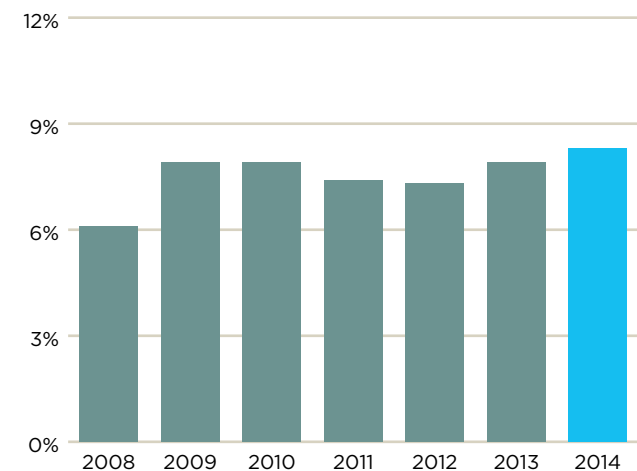
A In general, the economic development has been quite negative. While the other European countries are starting to pick up again after the Eurozone crisis, Finland is still declining. We are moving in the wrong direction. The development is a result of multiple factors. Finland is suffering from a structural change where we have lost large exporters like Nokia, together with its cluster, and some paper and pulp companies. They have not been replaced by new stars. At the same time, public spending has increased, leading to higher government debt year over year. Finally, financial sanctions by EU, USA, and some other countries to Russia due to the Ukrainian crisis have further decreased export to Russia. Russia was Finland's third-largest export market before the crisis.

GDP Per Capita in Finland
(USD 1,000)



Source: tradingeconomics.com

Unemployment Rate in Finland
(Latest Annual Data)



Source: tradingeconomics.com

Q How has the lacklustre growth in the Eurozone been affecting your country?

A Significantly, because the Eurozone is the most important export region. On the other hand, it has kept interest levels, and raw material prices, low.

Q What is the main risk factor for the economy in Finland going forward?

A Whether we manage to regain international competitiveness and re-balance public economy or not.

Q What are the most important characteristics of the credit market in your country?

A Clients are searching for lower operating expenses and as a result they are outsourcing larger parts of the processes, with special focus on the early steps of the process. Clients also prefer accelerating cash flows and improving the credit decision making.

Q How has the economic development affected consumer default ratios?

A The number of registered consumer defaults is beating previous records from 1990s. Fortunately the growth is now stabilising. The number of people with defaults is not increasing – it is more a question of concentration.

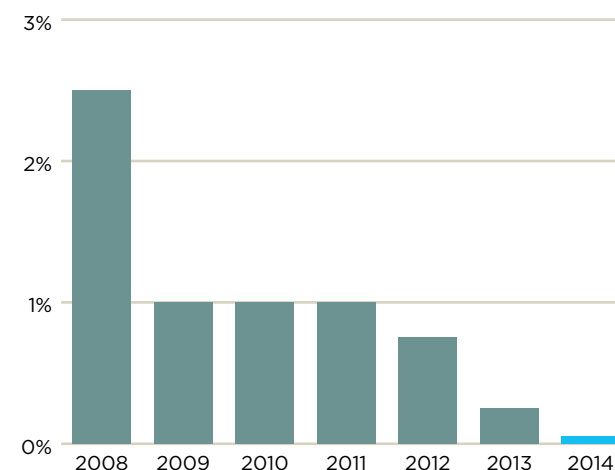
Q Which demographic groups are most affected by the recent development?

A Previously, young people were increasingly affected. Now retired people have started to face challenges in adapting their consumption to decreased incomes.

Q. In which sectors have the claim ratios been rising during 2014?

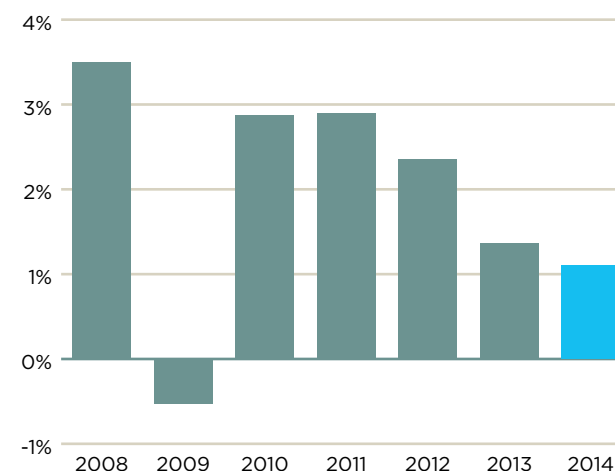
A For retailers and financial institutions.

Key Interest Rate in Finland
(Latest Annual Data)



Source: tradingeconomics.com

Inflation Rate in Finland
(Latest Annual Data)



Source: tradingeconomics.com



Germany

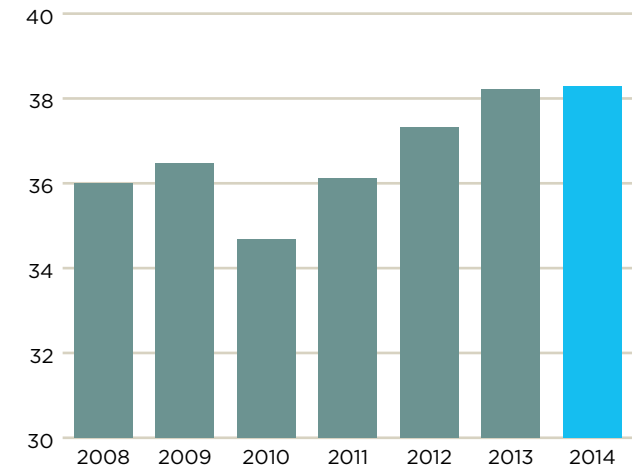


Florian Wöretshofer
Country Manager,
Lindorff Germany

Q What have been the most important drivers for the economic development in Germany in 2014?

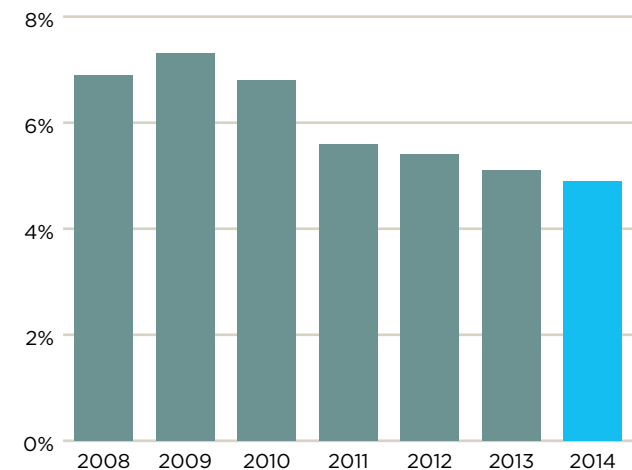
A First, we have a historically low unemployment rate and large areas with “full” employment. As a result of this, domestic demand is strong. Second, we have extremely low interest rates, which have caused a rush to the real estate market. Apartment prices have increased rapidly. People are starting to talk about a bubble in important areas like Munich. Third, we cannot hide from the problems in our neighbouring countries like Italy and France. Our neighbours do not buy as many products as they did before, and we would obviously prefer to see them in better shape. This has also affected growth rates in Germany.

GDP Per Capita in Germany
(USD 1,000)



Source: tradingeconomics.com

Unemployment Rate in Germany
(Latest Annual Data)



Source: tradingeconomics.com

Q Which single event has been most important for the economy in 2014?

A The Russian-Ukrainian crisis has caused problems for many businesses. Russia is an important trade partner for Germany.

Q What is the main risk factor for the economy in your country going forward?

A The aging of the population. As in many other countries, this is a challenge to the social welfare system in Germany. Related to this is also the lack of skilled workers. We don't have enough skilled workers growing up, so we need more immigration. These are the biggest challenges for our economy.

Q What are the most important characteristics of the credit market in your country right now?

A It has been quite stable. We have seen a significant rise in consumer loans due to very low interest rates. More retail purchases are now financed with credit loans. Corporate loans have shown a slight increase, because German banks have become a bit more willing to take risks.

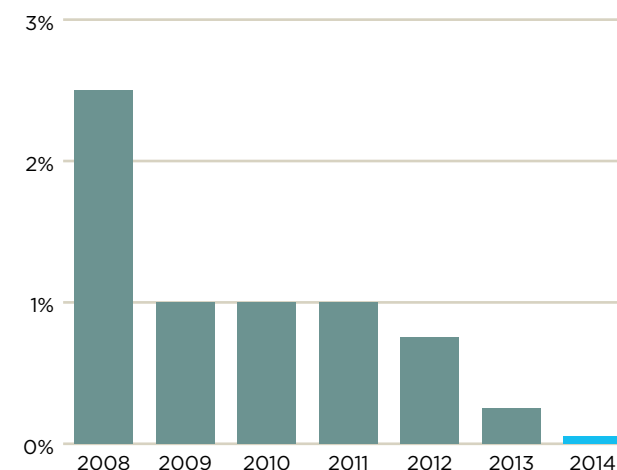
Q How has the economic development affected consumer default ratios?

A According to public statistics, default ratios have remained stable around 2.5%. In Lindorff, we see the same development. Outlook is also stable, with low interest rates and unemployment rates.

Q Which regions are most affected by the recent development?

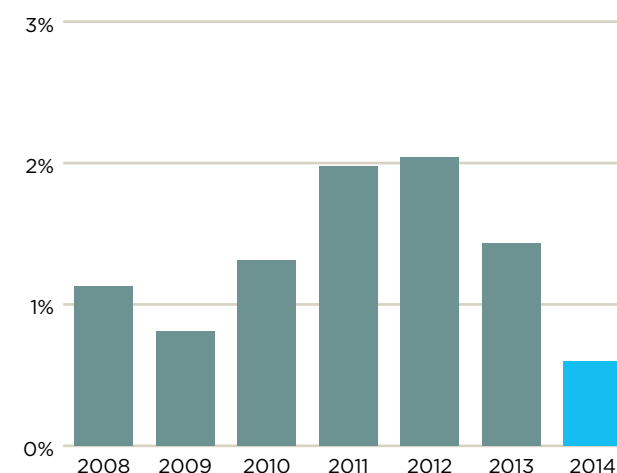
A We still have regional differences, but the contrasts are not as sharp as before. The large counties in the east and north are improving. They are closing the gap to the large counties in the south like Bavaria and Baden-Württemberg. Some regions still suffer from 7-10% unemployment, but unemployment in these regions was higher in the past.

Key Interest Rate in Germany
(Latest Annual Data)



Source: tradingeconomics.com

Inflation Rate in Germany
(Latest Annual Data)



Source: tradingeconomics.com



Norway

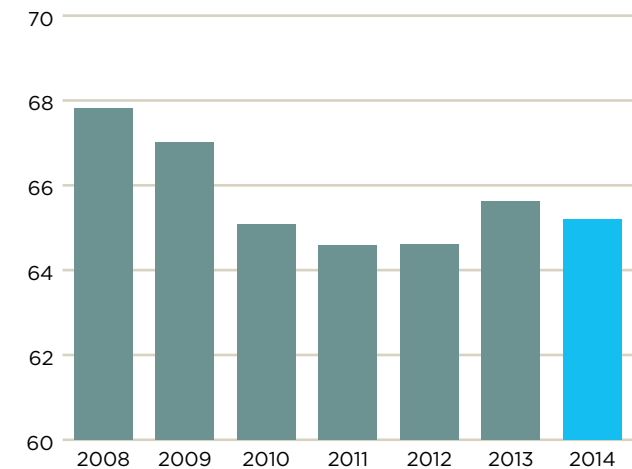


Anette Willumsen
Country Manager,
Lindorff Norway

Q What have been the most important drivers for the economic development in Norway in 2014?

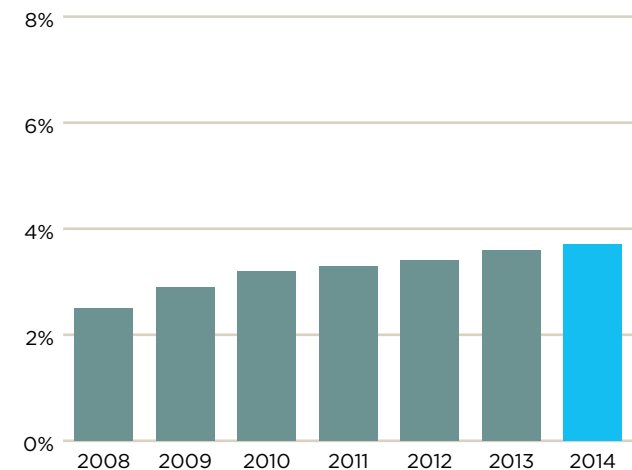
A The oil price, the currency and the interest rate. Lately, oil prices have fallen quite dramatically. It is one of the main drivers for the economy and the price drop is affecting the whole value chain. The Norwegian currency has also been weak, which is positive for travel and tourism and our export industries. Interest rates have been low for a long period and we have no indication it will increase during 2015. Norwegian consumers will still have strong purchasing power.

GDP Per Capita in Norway
(USD 1,000)



Source: tradingeconomics.com

Unemployment Rate in Norway
(Latest Annual Data)



Source: tradingeconomics.com

Q Which single event has been most important for the economy in 2014?

A Again, the oil prices. So far, we have not seen any consequences in our books. But we definitely think the price drop will affect both the general economy and our business.

Q What is the main risk factor for the economy in your country going forward?

A Two things, which are related. Real estate prices have continued to increase during the last years. A very different development compared to the rest of Europe. Consumer debt levels are also all time high, when we look at debt levels compared to the levels of income.

Q What are the most important characteristics of the credit market in your country right now?

A Despite the good macro situation, credit losses are increasing. This is the case for both company and consumer defaults. We think the development is a bit alarming given the macro climate. Default rates are at very high levels and more companies are missing out on their debt payments.

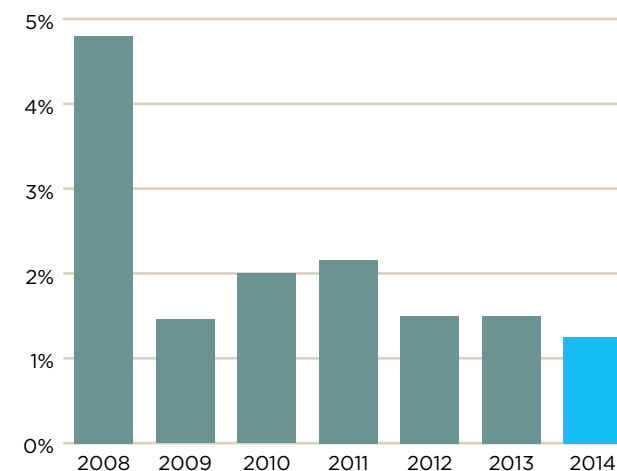
Q Which regions are most affected by the recent development?

A Probably the oil region in the southwest, together with other regions with significant revenues from the oil sector. The drop in oil prices can easily affect other businesses in these areas. Consulting businesses could be among the ones to suffer from this, since oil companies are a large buyer of these services.

Q And which demographic groups are most vulnerable?

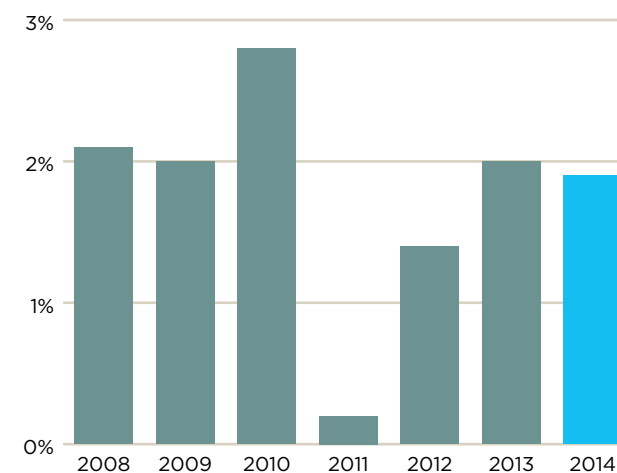
A Many individuals in the higher age groups have high debts and are more dependent on their income than earlier. While young people have improved their economic situation during recent years, more claims are made to people in retirement. But it is fair to say that people above 55 still account for a small proportion of the total market.

Key Interest Rate in Norway
(Latest Annual Data)



Source: tradingeconomics.com

Inflation Rate in Norway
(Latest Annual Data)



Source: tradingeconomics.com



Spain



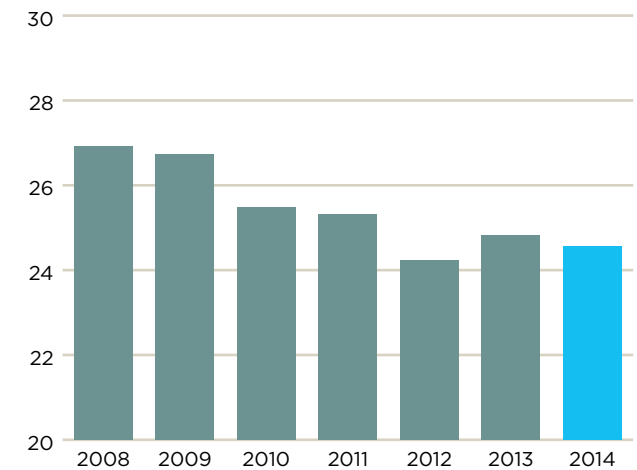
David Pérez

Country Manager,
Lindorff Spain

Q What have been the most important drivers for the economic development in Spain in 2014?

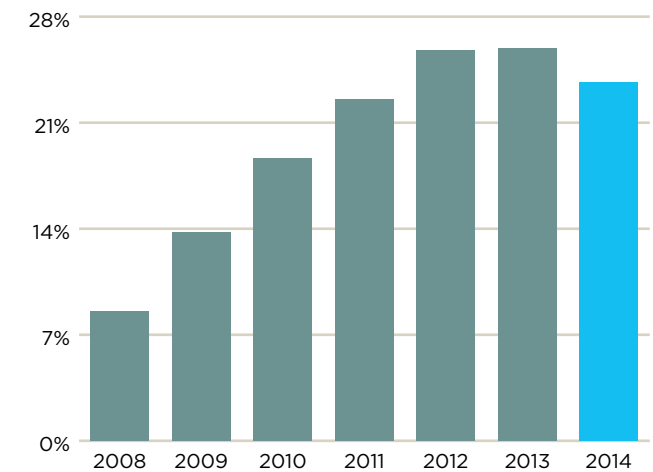
A We are still in a deep recession. For the last two years we have been touching the bottom. Now, we see some very small signs of recovery. The latest unemployment report showed the largest increase in new jobs in November in the last 20 years. However, this is due to Christmas and the holiday season, so we do not give too much weight to it. Also, the real estate market is starting to pick up again. Both prices and the number of transactions in the real estate market have been dropping for 4-5 years. The number of transactions has now been increasing for some months.

GDP Per Capita in Spain
(USD 1,000)



Source: tradingeconomics.com

Unemployment Rate in Spain
(Latest Annual Data)



Source: tradingeconomics.com

Q Which single event has been most important for the economy in 2014?

A The yield drop on government bonds. Spain's borrowing costs have dropped dramatically. Foreign investors are again happy to own Spanish government bonds, something they have not been for a while.

Q What is the main risk factor for the economy in your country going forward?

A Unemployment. The unemployment rate is still around 25%. It has got to be reduced. So far we have not seen sufficient actions from the government to make that happen.

Q What are the most important characteristics of the credit market in your country right now?

A It is a very active market. Debt portfolios worth EUR 25 billion have been sold, mostly in the secured market. There has been a fierce price war. Risk premiums are dropping and a lot of players are returning to the Spanish market.

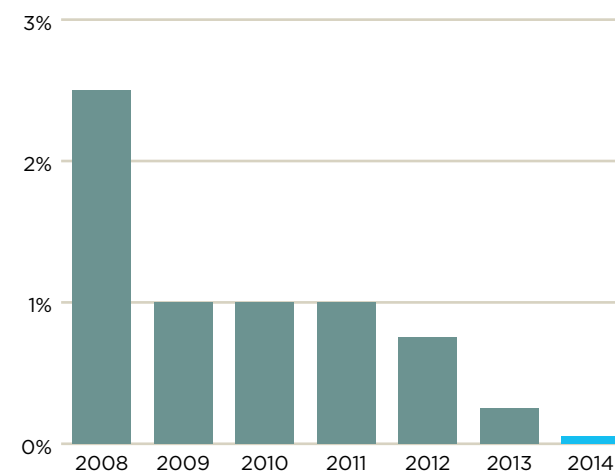
Q How has the economic development affected consumer default ratios?

A Default ratios are quite stable. The credit market is closed for new credits for many individuals. When banks and credit institutions grant loans, they prefer to give it with guarantees. That counts for both individuals and SMEs. Today, defaults have a very different profile compared to a few years ago.

Q Which demographic groups are most affected by the recent development?

A Youth unemployment rates are up to 90%. Young people finishing university have a very hard time finding a job. We have seen a huge wave of emigration from Spain, and salaries have decreased.

Key Interest Rate in Spain
(Latest Annual Data)



Source: tradingeconomics.com

Inflation Rate in Spain
(Latest Annual Data)



Source: tradingeconomics.com



Sweden

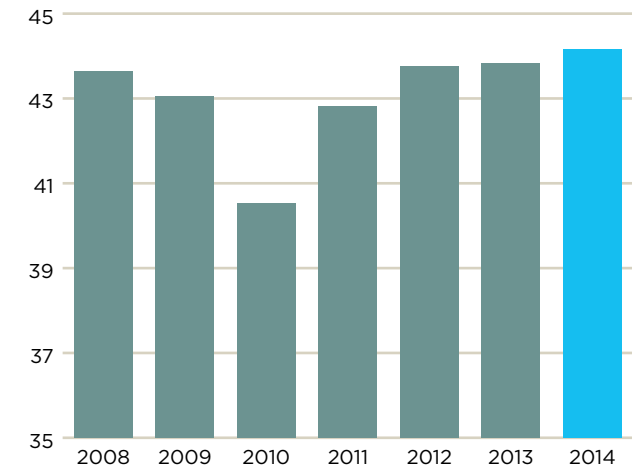


Erika Rönnquist Hoh
Country Manager,
Lindorff Sweden

Q What have been the most important drivers for the economic development in Sweden in 2014?

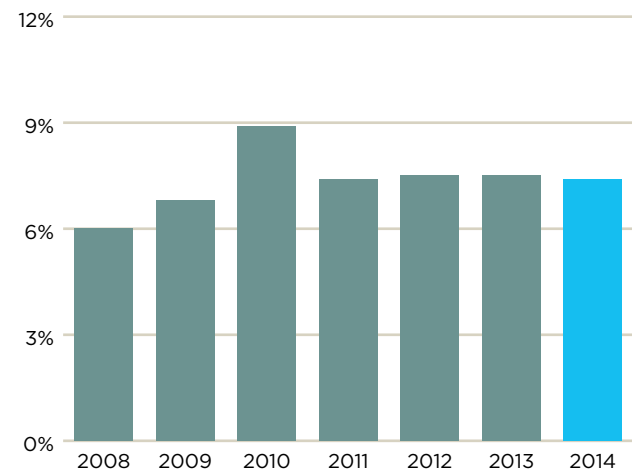
A Sweden has had a moderate positive GDP growth in 2014, mainly driven by the large increase in private consumption and housing construction, which has kept the economy going at a steady pace. The real disposable income has continuously increased due to a strong labour market with higher employment rates, low interest rates, and lower energy prices. Since Sweden is an export based economy, GDP growth normally derives from the Export Industry sector. However, in spite of lower exchange rates for the Swedish krona, the export of goods is stagnant.

GDP Per Capita in Sweden
(USD 1,000)



Source: tradingeconomics.com

Unemployment Rate in Sweden
(Latest Annual Data)



Source: tradingeconomics.com

Q Which single event has been most important for the economy in 2014?

A The elections. EU elections in May, with a very large participation rate, and then the Swedish government elections in September, which led to a change of regime to a Social Democratic-Green Party minority government. Economic political uncertainty characterised the autumn due to the budget of the elected new government not being approved. A settlement between the main political coalitions in the so-called “December-överenskommelsen (DÖ)” was made in December and that will most probably decrease the level of uncertainty going forward, even if the “DÖ” has risen a number of issues regarding democracy, legislation and politics.

Q What is the main risk factor for the economy in your country going forward?

A We are heavily dependent on our export industry and thus the economy and growth of our export markets is of significant importance for our future growth. Two of our most important trade partners are Norway and Germany. We do have a rapid increase in job growth, but at the same time we have a high unemployment rate, which affects domestic demand.

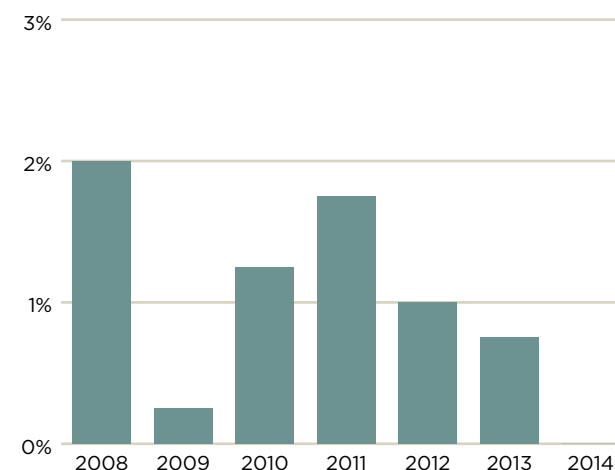
Q What are the most important characteristics of the credit market in your country right now?

A Annual growth of Swedish household loans was in November 2014 approx. 5.9%, the highest increase is in mortgage with 6.1% and the rest is consumer loans with an increase of 5.1%. The very low interest rate contributes to keep the households interest costs at a very low level. Interest rates have been cut from 0.75 to 0.25%. According to our Riksbank the financial system works well, but is somewhat vulnerable for disturbances such as increase in household debt ratio. Therefore, Riksbanken is recommending repayment mortgages when people are buying houses or apartments.

Q How has the economic development affected consumer default ratios?

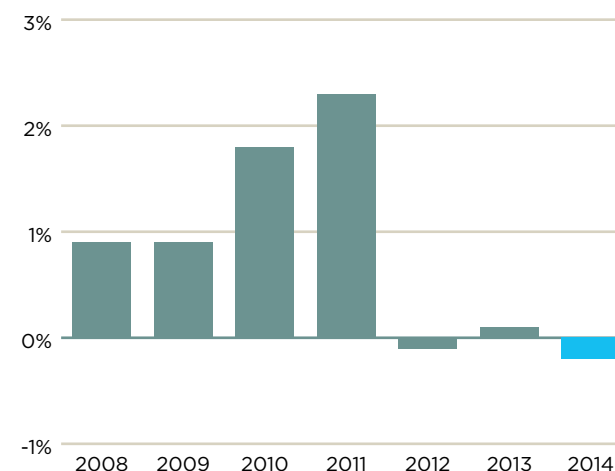
A The increase in debt ratio is obviously a risk. The low interest rate has contributed to a large increase in mortgages. This means that households are having low interest costs, but at the same time the sensitivity for interest fluctuations is a lot higher and so is the sensitivity for decreases in real estate prices. The number of verdicts for injunctions to pay has increased with 1.2% the first 6 months of 2014.

Key Interest Rate in Sweden
(Latest Annual Data)



Source: tradingeconomics.com

Inflation Rate in Sweden
(Latest Annual Data)



Source: tradingeconomics.com



The Netherlands



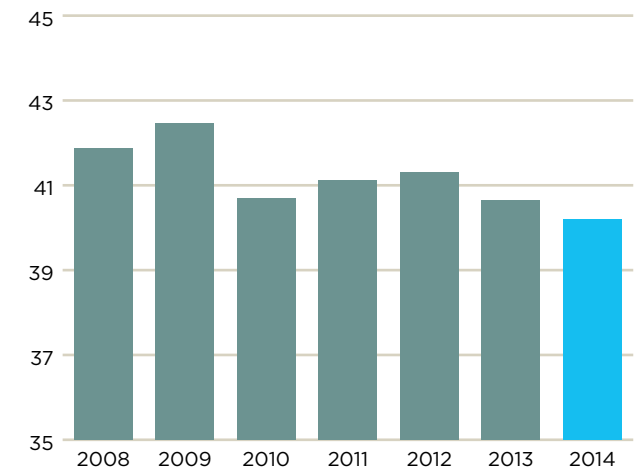
Henk Kroeze

Country Manager,
Lindorff Netherlands

Q What have been the most important drivers for the economic development in the Netherlands in 2014?

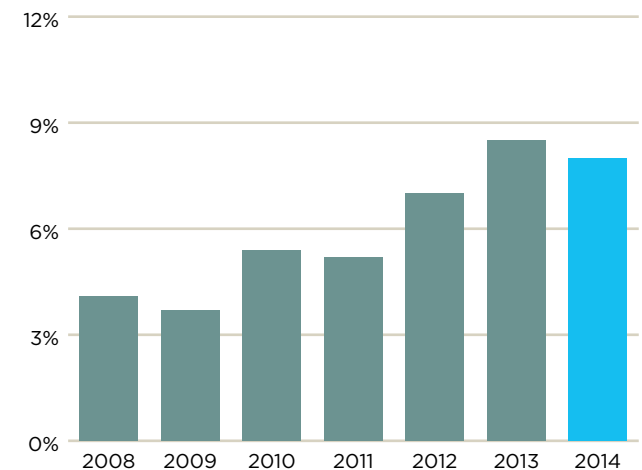
A We have seen a slight recovery and some economic growth. Our economy is very dependent on the export of goods. On one hand, we have faced some problems in Russia, but on the other hand, exports have grown. We have seen two favourable developments in the domestic market. The construction sector, which has been sluggish for a while, has shown promising growth, especially in the second part of the year. Also, consumers are less pessimistic and the consumer trust levels have risen from minus 40 to minus 10. The economy is recovering, but we are still at a low level.

GDP Per Capita in The Netherlands
(USD 1,000)



Source: tradingeconomics.com

Unemployment Rate in The Netherlands
(Latest Annual Data)



Source: tradingeconomics.com

Q What is the main risk factor for the economy in your country going forward?

A The economic development in southern Europe, and especially France. The Netherlands is very much affected by other countries.

Q What are the most important characteristics of the credit market in your country right now?

A The previous year we saw a lot of defaults, both individuals and companies. The prices in the housing market have decreased 20–40%. As a consequence, all major banks have suffered losses and been reluctant to grant new credits. There is still a lot of stress in this market. The government has introduced new rules forcing banks to limit their credit policies. Venture companies find it difficult to get credit lines.

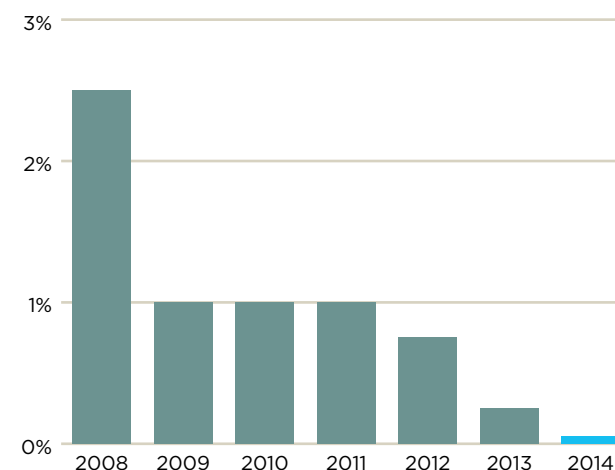
Q How has the economic development affected consumer default ratios?

A Unemployment has been increasing rather fast, but in the second half of the year it started to decrease. However, a lot of people are already defaulted. Before, most people had an access value on their mortgage loans, but this has changed. It makes people more vulnerable if they, for instance, lose their jobs. The good news is that new defaults certainly are decreasing.

Q Which regions and demographic groups are most affected by the recent development?

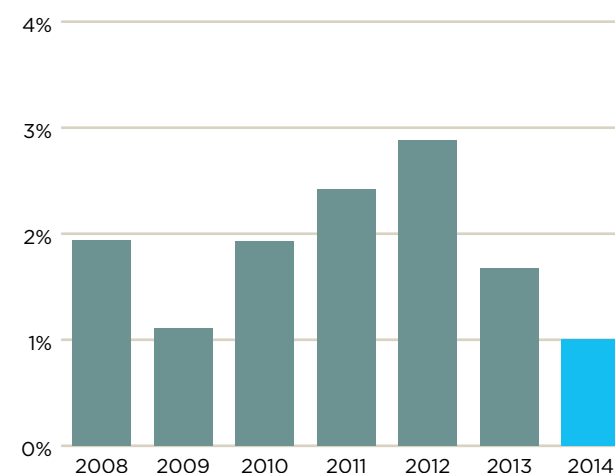
A The industrial part in the West is in a relatively better shape than the North and the East. When it comes to demography, we are most concerned about young people because they have problems entering the labour market. Many people have loans and commitments, but cannot find a job. Men and women in their 40s are another exposed group. Divorces are among the reasons.

Key Interest Rate in The Netherlands
(Latest Annual Data)



Source: tradingeconomics.com

Inflation Rate in The Netherlands
(Latest Annual Data)



Source: tradingeconomics.com

The 2014 Lindorff Credit Outlook Survey

Six years after the financial crisis, unemployment, volatile oil prices and slow economic growth continue to create uncertainty for European businesses. Many executives see more trouble ahead. But the relative strength between the countries has changed the last two years.

While top management in French businesses still are very pessimistic, countries like Spain and the Netherlands have moved to the more optimistic side. In Finland, on the other hand, the economic outlook is worse than it was in both in 2012 and 2013. Although stock markets have climbed to new highs, we struggle to find the same enthusiasm inside the businesses.

For the third consecutive year, Lindorff presents a specially commissioned survey where top executives in large European businesses have predicted business conditions for the upcoming year. The survey includes an analysis of key indicators in the credit management services market such as average collection periods, credit losses, credit policy, customer payment likelihood, corporate bankruptcies, consumer payment defaults, revenue, profitability and financial costs.

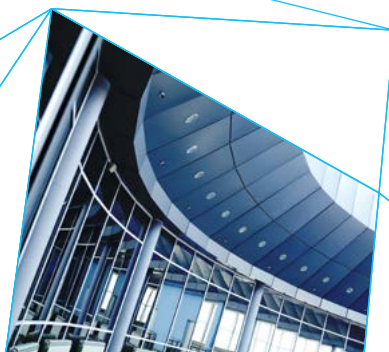
Looking into 2015 from a business perspective, the clouds over European economies seem to be breaking apart in various countries, the rain showers are fewer and the sun is starting to glimpse again in the South West.

The conclusions from the survey are based on 1,094 interviews with chief executives, chief financial officers, and other highly qualified professionals across a broad range of industries and business sectors in Norway, Sweden, Finland, Denmark, the Netherlands, Germany, France, Italy, Spain and the UK.

Trust in their own businesses

Half of the executives expect their own businesses to increase their revenue in 2015. However, only 7% expect revenues to increase significantly. This moderate optimism is most apparent in Denmark, Germany, Norway, Spain, Sweden, the Netherlands and the UK. As in last year's survey, businesses in Finland and France are the most pessimistic. In Finland 24% of businesses believe in a moderate decrease in revenue while 2% believe in a significant decrease. In France 23% believe in a moderate decrease, while 7% believe the decrease will be significant. In both countries this is a slightly more pessimistic view than at the start of 2014.

An increase in revenue also affects the outlook for higher profitability. As for revenues, respondents from Denmark, Germany, Norway, Spain, Sweden, the Netherlands and the UK are the most optimistic about the profitability of the companies they run. In all these countries, more than 40% of executives believe profitability will increase. In last year's survey, executives in France were the most pessimistic about future profitability. Looking into 2015, this pessimism seems to persist. Half of the French respondents believe profitability will remain stable, while 38% believe profitability will decrease. Business executives in Finland increasingly share the French pessimism. While 44% of the Finnish



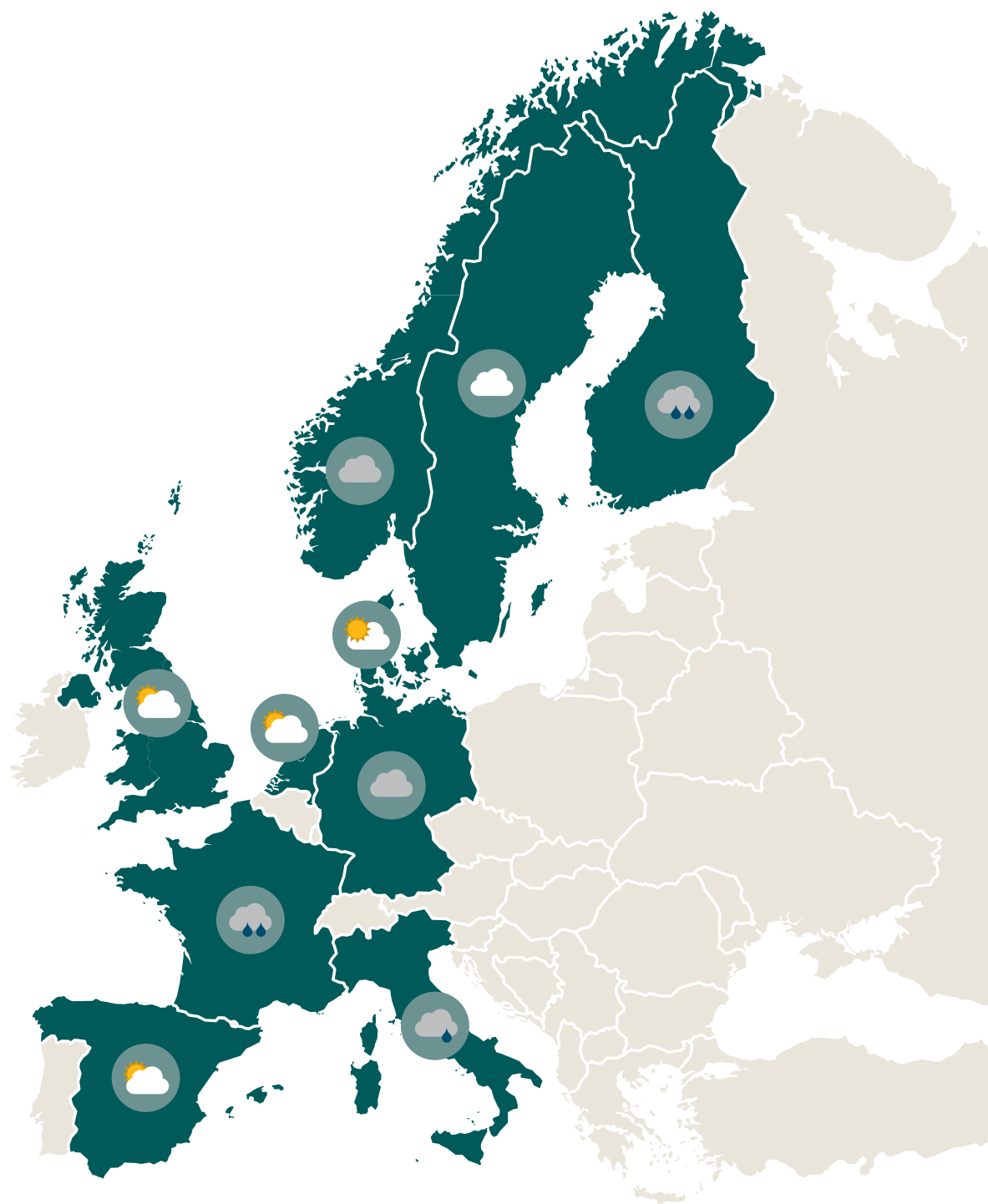
businesses predicted profitability to increase in 2014, 31% believes the same when we are about to enter 2015.

Italian businesses believe both revenue and profitability will remain predominantly stable, with only minor adjustments.

Payment defaults and bankruptcies to stabilise, but with national variations

When we entered 2014, 47% of European businesses were expecting corporate bankruptcies to increase. As we enter 2015, the overall number is still the same. Respondents from Denmark, Spain and the Netherlands are most optimistic, with more than half of the businesses believing in a moderate decrease in bankruptcies. On the other hand, executives in Finland, Germany, Norway, and to some extent Sweden, believe in an increase in bankruptcies. Compared to last year's survey, more German and Swedish businesses believe corporate bankruptcies will increase moderately. French and Italian businesses are the most pessimistic with 39% and 27% respectively, expecting a significant increase in bankruptcies.

French and Italian businesses are also the most pessimistic with respect to the development in consumer payment defaults. 33% of executives in France and 30% of executives in Italy believe in a significant increase in consumer payment defaults in 2015. Also in Finland, Germany and Norway there is a shared expectation that

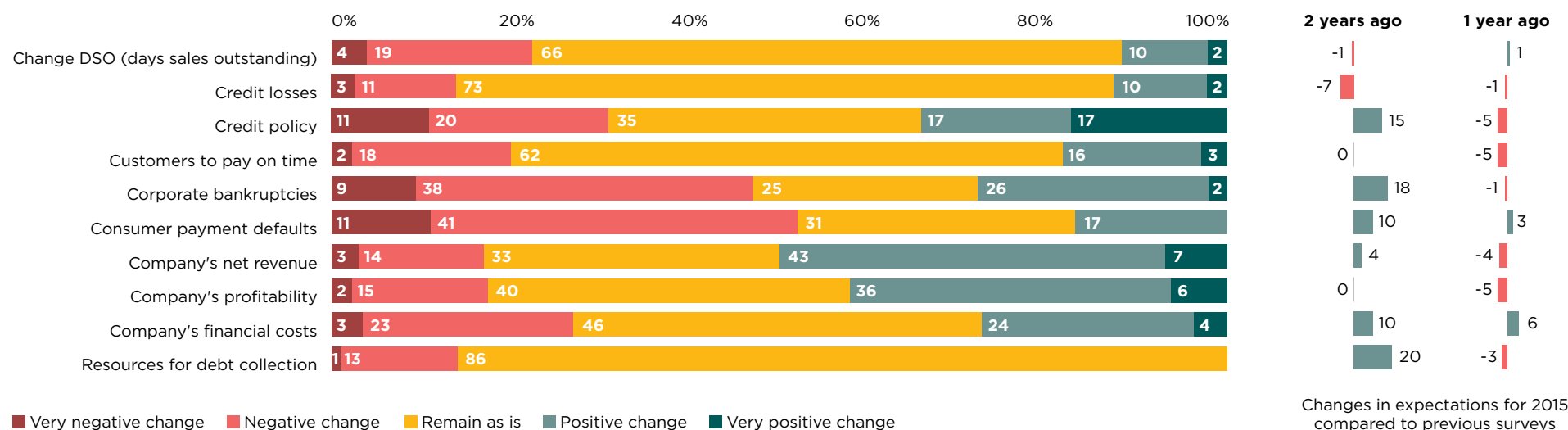


payment defaults will increase. However, top managements predominately believe that the increase will remain moderate. 77% of executives in Finland, 55% in Germany and 56% in Norway believe in a moderate increase in consumer payment defaults in 2015. Contrary to this, in both Denmark and Spain an increasing proportion believe consumer payment defaults will decrease moderately. While only 3% of the Danish businesses thought payment defaults would decrease in last year's survey, 33% state the same this time. In Spain 21% was expect-

ing a moderate decrease at the start of 2014, while 37% expects payment defaults to decrease moderately when entering 2015.

When asked about their own customer's ability to pay on time, 62% of all businesses expect this to remain "as is" in the upcoming year. Businesses in France and Finland are in general more pessimistic than businesses in other countries, as they were one year ago. Close to half of all Finnish executives, and 37% of French executives, believe it is less

likely that their customers will pay on time. In both cases a majority believes it to be somewhat less likely that their customers will pay according to set dates, while only 3% and 8% respectively, believe that it is much less likely that customers will pay on time. The most positive development is found among Spanish executives. At the end of 2013, 20% of Spanish businesses expected their customers to be less likely to pay on time. One year later only 5% expects the same. Close to 70% now believes the situation will remain stable.



All but one of the questions in the survey are asked using a five point scale. However due to the wording of the different questions a significant increase can be a positive answer as well as a negative one. When asked whether credit losses will increase or decrease in the coming year, an expected increase is a negative answer. When asked about expected revenue change, an expected increase is a positive answer. To correct for this, and for pure presentational purposes, we have rotated the scales so they all have the same direction, from the most negative to the most positive.

Strong expectation that credit losses and financial costs will remain more or less at the same level

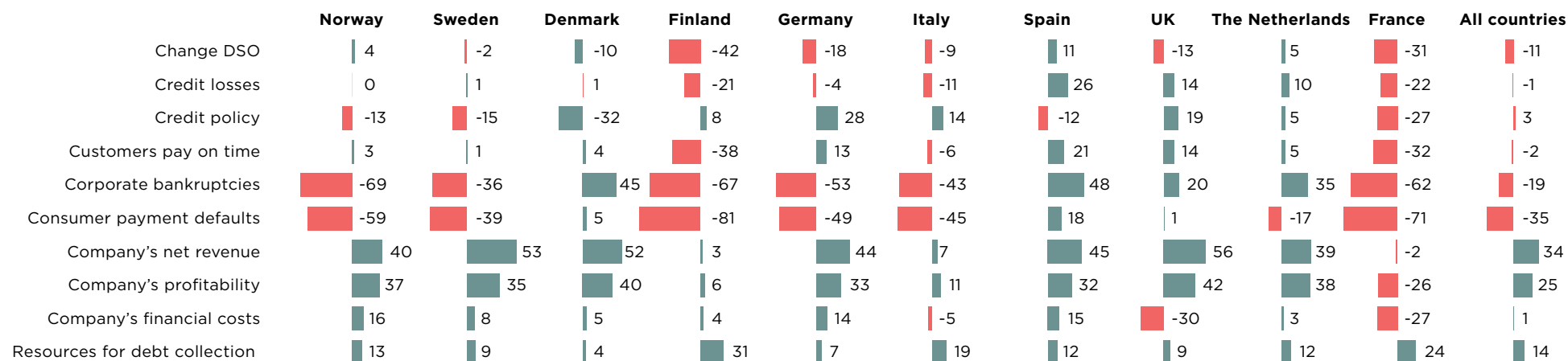
From 2012 to 2013 there was a shift in the European outlook related to a potential increase in credit losses. In our 2012 survey, 31% of all businesses were preparing for credit losses to increase, either moderately or significantly. One year later, only 15% expected the same, while 72% expected the situation to remain stable. In the 2014 survey, looking into 2015, we find the same. Only 14% expects an

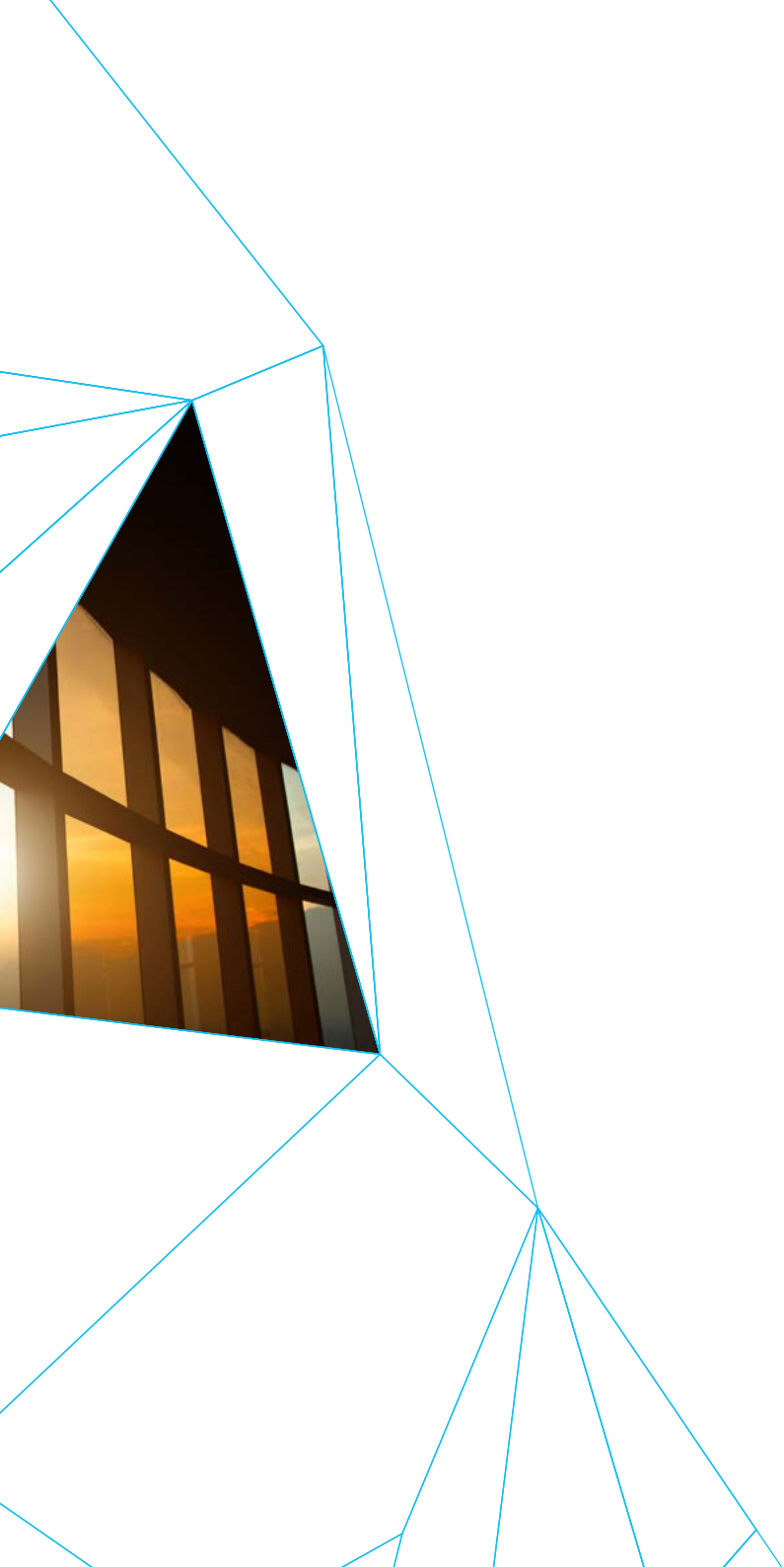
increase, while 73% expects the situation to be the same as in 2014. While most other countries share a neutral or slightly more optimistic view, businesses in Finland and Italy are somewhat more pessimistic than last year. More executives from these countries believe credit losses will increase, and fewer believe in a decrease.

The consensus is also more positive when looking at financial costs in 2015. Still, 26% of European businesses believe in an increase. However, during

the last two years this proportion has dropped from 42% in 2012 and 35% in 2013. Among the ten countries in the survey, France is the only country where more than 10% of the executives believe in a significant increase in financial costs. 13% of the French respondents believe financial costs will increase significantly, while 25% believes in a moderate increase. Compared to previous years this is, however, less pessimistic. In 2012 and 2013, respectively, 42% and 49% of French businesses expected an increase during the next 12 months.

Percent (%) positive answers minus percent negative answers





Contrary to this, an increasing number of Spanish executives now believe that financial costs will decrease moderately. During the last three years the share of Spanish businesses believing financial costs will increase has declined from 43% in 2012 to 22% in 2014. In this year's survey, 31% of the Spanish respondents expect financial costs to decrease moderately in the upcoming year, while 6% believe in a significant decrease. In comparison, 22% believed in a decrease in financial costs a year ago.

Still a need for restrictive credit policies

Even though the economic turmoil seems to be easing up, 31% of the executives still believe it is somewhat or very likely that their company will tighten its credit policy on issuing credit or payment time. This is at the same level as last year.

As with many of the other indicators, French businesses deviate from the other countries. 19% of the executives in France find it somewhat likely, and 38% find it very likely, that they will tighten their credit policies in 2015. French businesses are also, together with businesses in Finland, the most aggressive with respect to put more resources into debt collection. While approximately 13% or less of businesses in most of the other European countries expect to put more resources into debt collection, 24% of businesses in France and 31% of businesses

in Finland expect to use more resources to collect debt in 2015. Italian businesses also believe debt collection costs will increase. Last year, only 7% of Italian businesses expected to put more resources into debt collection, while 18% believes the same when we are about to enter 2015.

Conclusion

The Lindorff European Credit Outlook shows that the positive signs from one year ago have become stronger in some areas, while there still are tough times ahead in other areas. Slight optimism seems to be gaining some ground in Spain, the Netherlands, Denmark, and in some areas also in Norway, while French and Finnish businesses are still very pessimistic. Signs from German and Swedish businesses, expecting a moderate increase in corporate bankruptcies and consumer payment defaults, are also worrying. As such the clouds over the European economy do not seem to fade away during the next 12 months. Local showers might still occur and there is still a high degree of uncertainty related to the long term forecast.

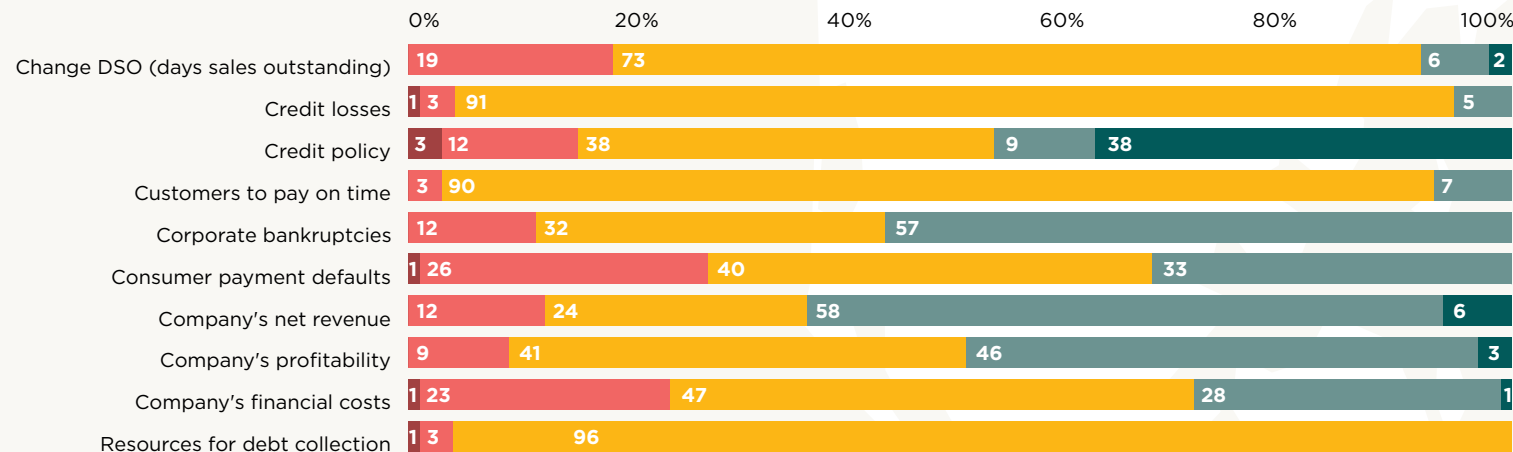
Having seen the default levels stabilise in 2014, Danish executives believe economic conditions will start to improve for Danish consumers.

One year ago, most Danish businesses were optimistic about the economic outlook for 2014, with one exception. 64% of the Danish respondents in our survey expected consumer payment defaults to increase in 2014. One of the reasons was the high loan to value ratio in the housing market. One year later, the share of Danish businesses who expects an increase in consumer payment defaults dropped to 27%. As a result of this,

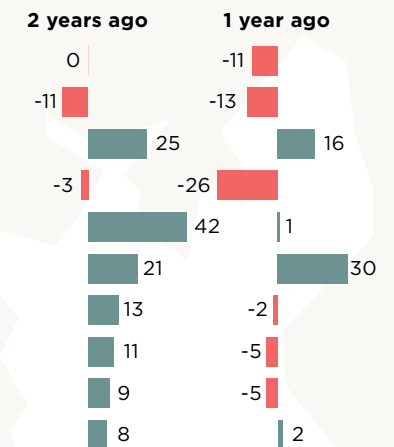
Danish businesses are also more optimistic about their credit losses, and to a larger extent they expect a moderate decrease in financial costs. They are also less likely to tighten their credit policies.

Lower unemployment, increasing private consumption and continued growth in housing prices contribute to an optimistic outlook for Danish businesses. More than 60% of the Danish

executives believe their businesses will increase revenues in 2015 and 49% believes profits will increase. This is more or less the same as in 2013. On the other hand, fewer respondents believe in significant changes. While 13% predicted a significant increase in revenue one year ago, together with 16% predicting a significant increase in profitability, only 6% and 3% respectively, forecast the same for 2015.



■ Very negative change ■ Negative change ■ Remain as is ■ Positive change ■ Very positive change



Changes in expectations for 2015 compared to previous surveys

+ Finland

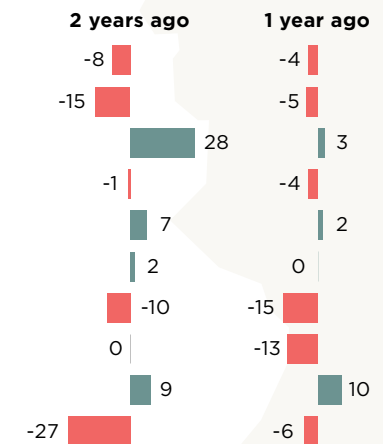
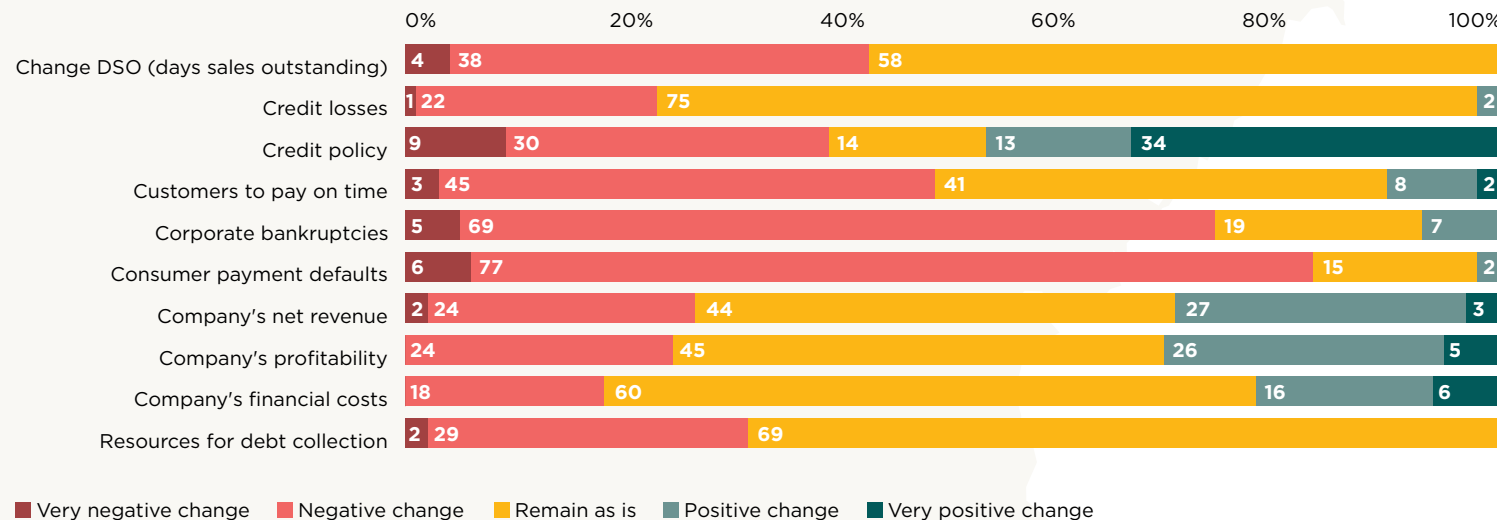
Nearly half of the Finnish executives believe their customers will be less likely to pay on time. No other country is equally pessimistic.

There are few signs of change in the pessimism we saw among Finnish businesses in last year's survey. As in France, the Finnish economy is showing few signs of recovery, fuelling uncertainty about the outlook for 2015. More than 70% of Finnish businesses still believe in an increase in corporate bankruptcies and more than 80% believe consumer payment defaults will increase further. Finnish executives have also become

slightly more pessimistic about their own businesses ability to grow, both with respect to revenues and profits. Only 30% believes revenue will increase and 31% believes profitability will increase. This is among the most pessimistic forecasts of all European businesses.

Finland is suffering from a downturn in traditional industries like electronics and forestry, and the

restructuring process to adapt to a new "reality" has been slow. At the same time, lower domestic demand is contributing to the pessimism, or depression, being expressed in this survey. There are very few signs indicating that economic conditions for Finnish businesses will improve in 2015.



Changes in expectations for 2015 compared to previous surveys

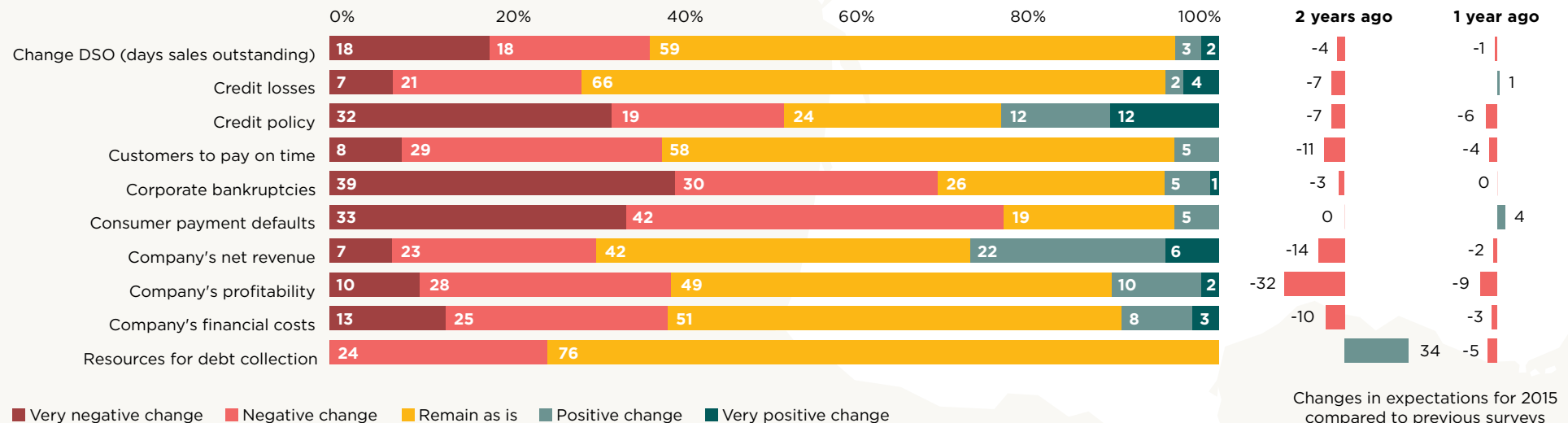
France

Seven out of ten French executives expect an increase in company defaults in 2015. Nearly four out of ten expect the increase to be “significant”.

French businesses were right when they expressed a pessimistic outlook for the French economy in 2014. This year's survey confirms that France still is a “danger zone”. Little has changed in the French economy during the last year. Economic growth is still very weak and, looking forward into 2015, French businesses still express pessimism on behalf of their own businesses, other businesses and consumers.

As they did last year, approximately 40% of French executives expect corporate bankruptcies to increase significantly. In addition, 30% expects a moderate increase. 33% believes in a significant increase in consumer payment defaults, down from last year's 44% share. 32% finds it very likely that their company will tighten its credit policies and 38% believes credit losses will increase, either moderately or significantly. French executives

are also the least optimistic with respect to the growth potential in the businesses they run. Only 28% believes company revenues will increase, while a mere 12% believes in increased profits. This is even more pessimistic than last year (21%), and the most pessimistic of all ten countries in our survey. Compared with last year's survey, there are few signs of improvement for 2015.





Germany

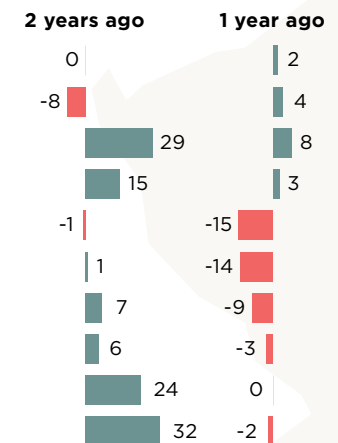
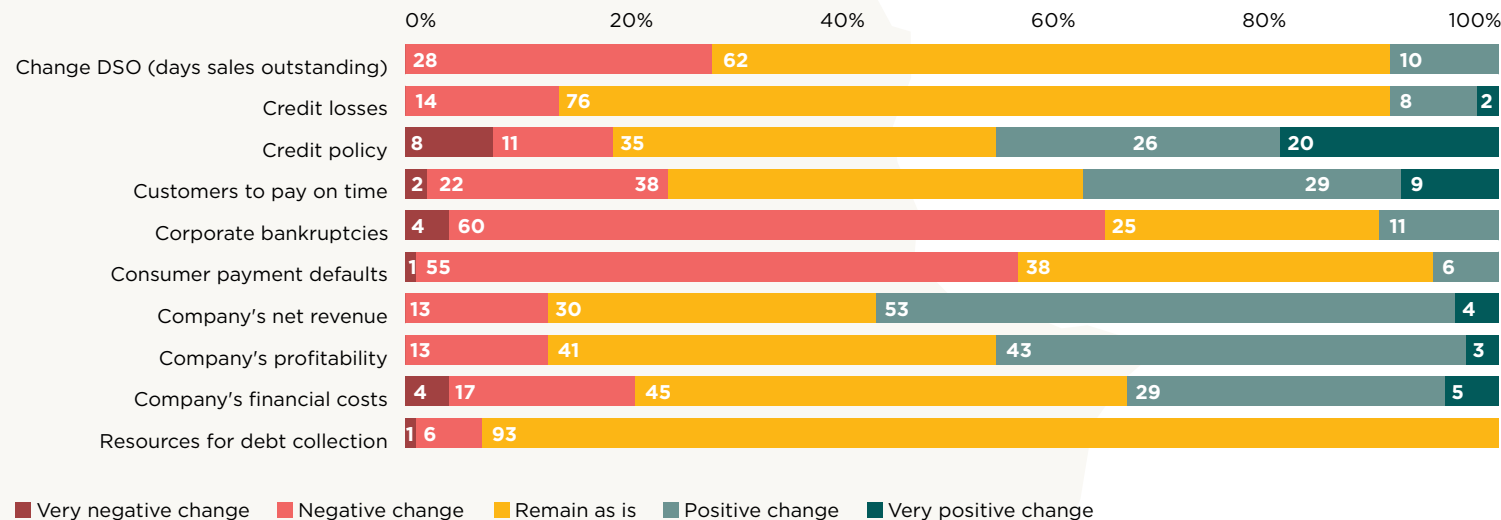
German executives are expecting more company and consumer defaults in 2015, but the increases are more moderate than for the neighbours in France and Italy.

As Europe's economic locomotive, Germany is highly influential towards other European economies, but also highly influenced by its neighbours. Weak economic growth and stagnation in most of Europe, including Germany itself, has during the past year cooled down some of the optimism from last year's survey. The most significant change is that more German businesses believe in a moderate increase in corporate bankruptcies compared

with last year. While 48% of German businesses believed that corporate bankruptcies would increase at the end of 2013, 64% believes the same looking into 2015. Also, more than half of the respondents are expecting an increase in consumer defaults, but more moderately than in Italy and France.

German executives are also somewhat more sceptical about the development in their own

businesses when it comes to revenue and profitability growth. As such, German businesses seem to look at 2015 as a kind of a "make or break" year, where they expect to get some answers to whether the financial turmoil is over, or whether there is still more trouble ahead. In order to continue to reduce unemployment and improve profitability in the industry, Germany is dependent on a positive economic development in its export markets.



Changes in expectations for 2015 compared to previous surveys

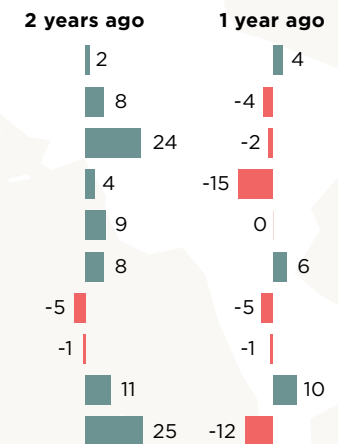
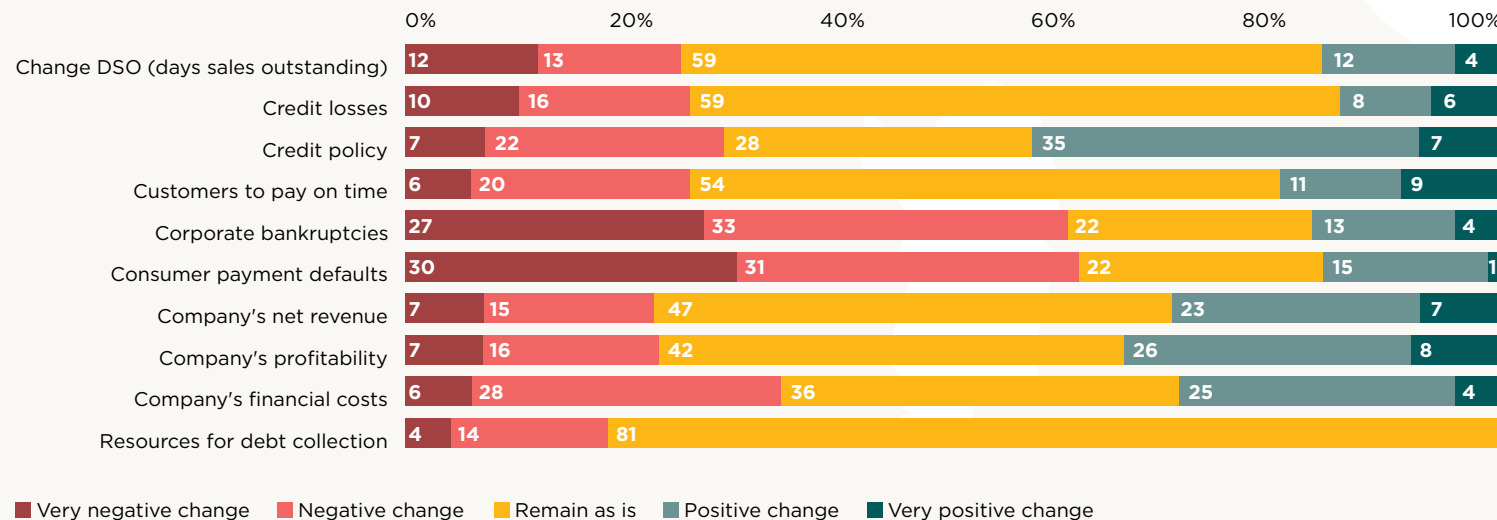
Italy

Italian executives have mixed expectations for 2015. The most alarming forecast is the sharp increase in consumer defaults.

While Spanish executives are increasingly optimistic about the economic outlook, their Italian counterparts are still more reluctant. The changes from last year's survey in Italy are small, although slightly positive. A majority of Italian executives still believe in an increase in both corporate bankruptcies and consumer payment defaults. 30% believes the consumer payment defaults will increase "significantly". This is an even higher share than last year.

Italian executives are also among the most sceptical regarding their own businesses' growth potential for 2015, both with respect to revenue and profits. Only 30% of Italian businesses believe their revenue will increase in 2015, while 34% believes in an increase in profitability. Only France and Finland show lower figures in our survey. The Italian economy is still struggling to regain momentum and get out of the stagnation

zone, and the uncertainty is still substantial. Thus, it is not surprising that we find a slight increase in the proportion of businesses which find it likely that they will tighten credit policies, expect a slight increase in credit losses and dedicate more resources to debt collection in 2015. Italian businesses need more positive feedback from the markets, both domestic and abroad, to regain confidence and optimism.



Changes in expectations for 2015 compared to previous surveys

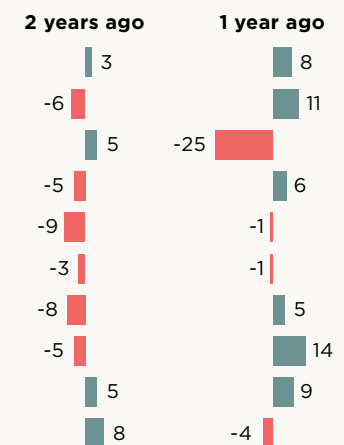
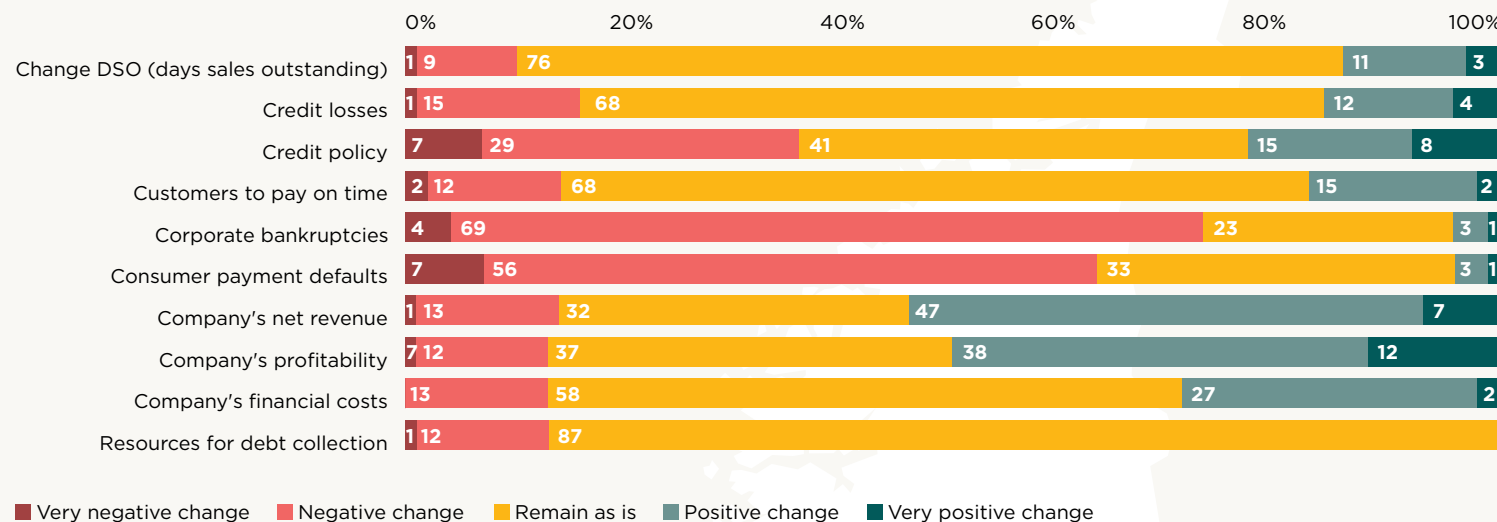
Norway

Norwegian executives have a strong belief in their own businesses, but are also expecting an increase in defaults among corporates and individuals.

After a moderate decrease in last year's survey, Norwegian businesses are again showing a stronger optimism on their own behalf. The key driver is a stronger belief in their own growth potential and profitability. One year ago 49% of Norwegian businesses expected their revenue to grow, while 36% expected profitability would increase. Now 54% believes revenues will increase and 40% believes profitability will increase.

As we saw in last year's survey, the optimism is still being cooled down by a concern over increases in both corporate bankruptcies and consumer payment defaults. As in 2013, approximately 70% of the businesses surveyed believe corporate bankruptcies will increase and more than 60% believe in an increase in consumer payment default. On both indicators the Norwegian businesses believe the increases to be of a mod-

erate character. Nevertheless, Norwegian businesses and the Norwegian economy are highly dependent on oil and oil prices, both directly and indirectly. The sharp drop in oil prices during the last 6 months, and lower investments in oil related projects, could reduce some of the optimism that Norwegian businesses are expressing at the moment, also in a short-term perspective.



Changes in expectations for 2015 compared to previous surveys

Spain

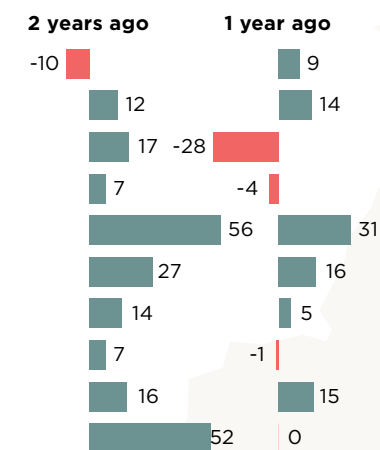
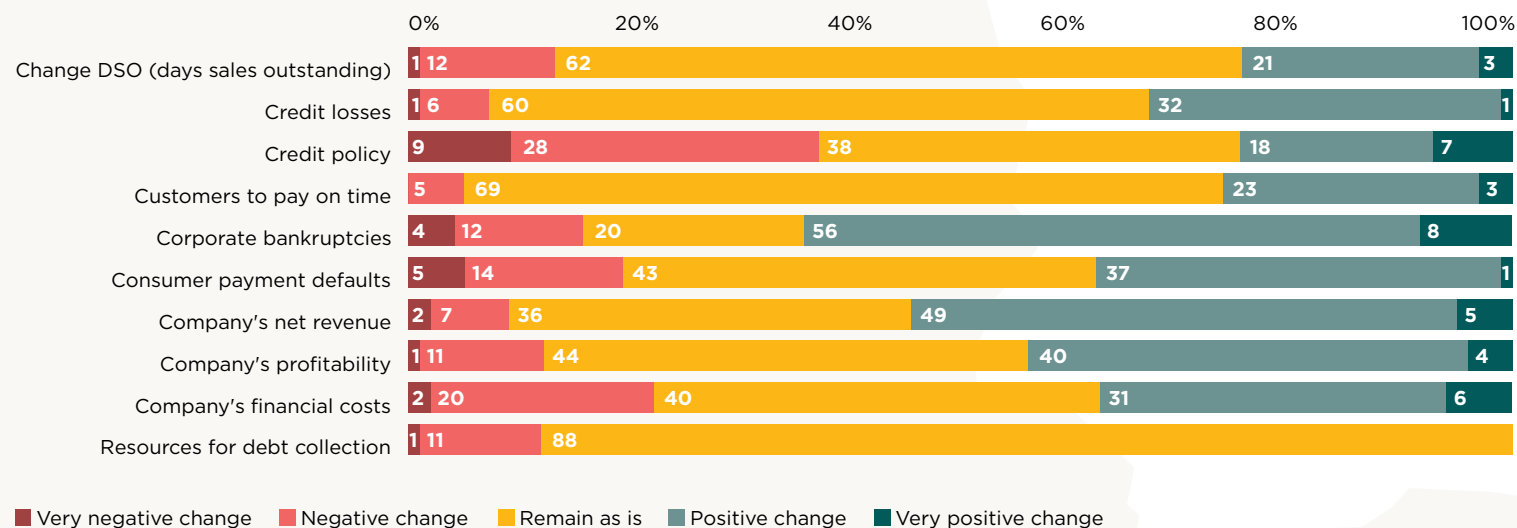
Spain hopes to build on a recovery from very low levels, and the respondents in our survey think it will succeed.

Having been severely affected by the financial crisis, there are now some positive signals from Spanish businesses. Both last year and this year, we have seen a growing optimism that the economy will start to recover from very low levels. A slow, but steady GDP growth and more job creation fuels this optimism, leading to expectations of lower corporate bankruptcy rates, a decrease in consumer payment defaults, and a moderate

growth in revenue and profits. More executives in Spanish businesses also believe financial costs and credit losses will decrease moderately.

In the Spanish economy, businesses and households still have a long way to go before they can be characterised as “healthy”. Unemployment rates are still looming around 25%, and even higher among people under 30. As such, it can

still take years before Spain has a healthy labour market. The persisting optimism, however, tells us that Spanish executives now believe the country is through the worst period and that the future looks brighter. There is potential for a continued economic growth and more profitable investments.



Changes in expectations for 2015 compared to previous surveys



Sweden

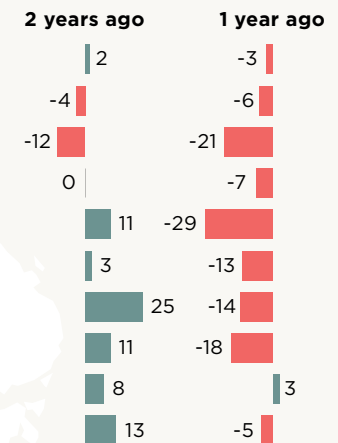
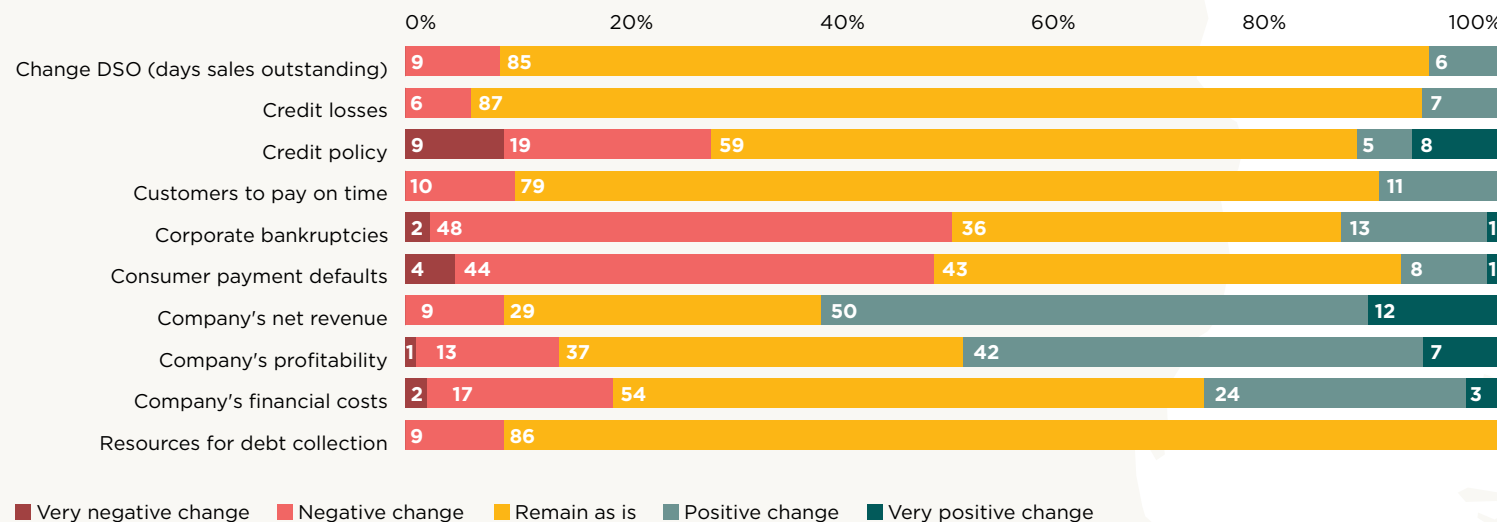
In contrast to last year, Swedish executives are now predicting an increased number of defaults for both corporates and individuals.

For the past two years, Swedish businesses have expressed a highly optimistic view on the economic outlook in the country. Looking into 2015, views have changed on key indicators. Just like their Norwegian counterparts, Swedish businesses now express a growing concern over both higher corporate bankruptcy rates and increasing rates of consumer payment defaults. While 39% of Swedish businesses believed corporate bankruptcies would increase and 40% believed in an

increase in consumer payment defaults last year, these shares have risen to 50% and 48% respectively in this year's survey. This also leads to higher uncertainty about whether to tighten credit policies, and a slight increase in the proportion of businesses that will put more resources into debt collection.

On the other hand, Swedish executives express concern regarding rising financial costs, but in-

creasingly believe the costs will remain as is. The economic situation in Sweden is getting tighter and the businesses surveyed do not expect the same growth as last year, both with respect to revenue and profitability. 76% of Swedish businesses expected revenue to increase, and 67% expected profits to increase, in last year's survey. Now, 62% believe revenues will increase and 49% expect profits to increase in 2015.



Changes in expectations for 2015 compared to previous surveys

The Netherlands

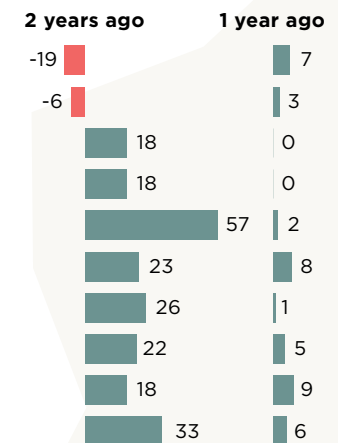
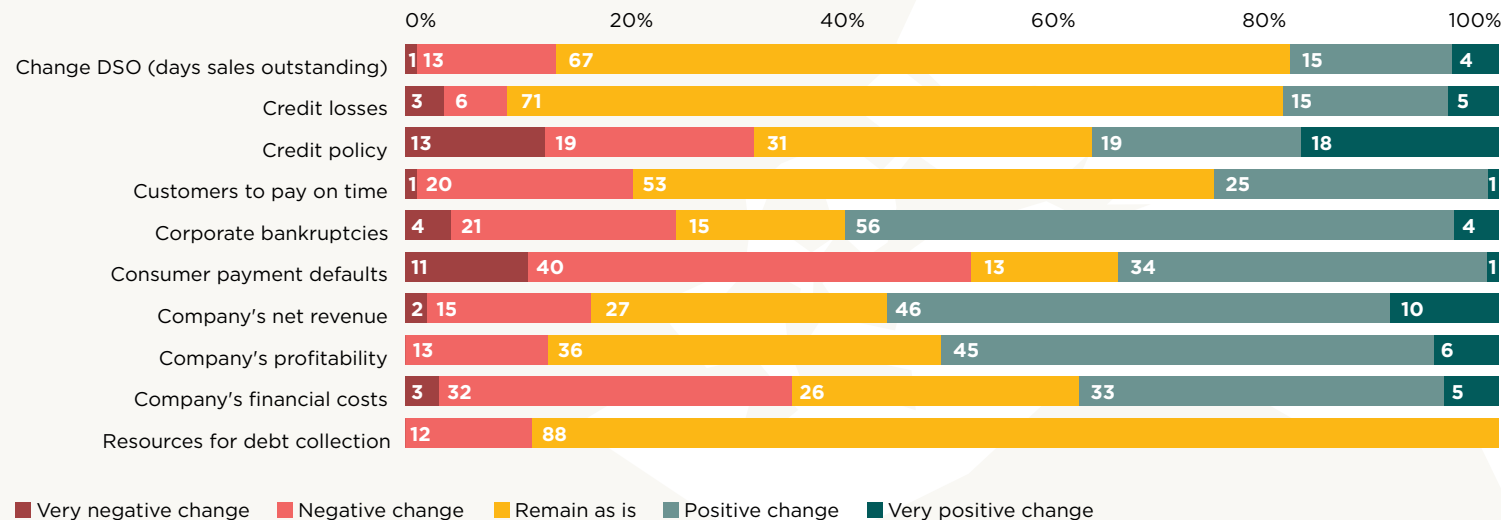
The Netherlands might not be on a comfortable level yet, but confidence levels indicate that the economy is on the right track.

At the end of 2013, Dutch businesses demonstrated ambivalence for the year to come. Now, the sentiment seems to have consolidated into a more outspoken optimism for 2015. Executives in the Netherlands increasingly believe that revenue and profits will rise in the upcoming year, although moderately. Approximately 60% of the respondents believe corporate bankruptcies will decrease, and the proportion who believe con-

sumer payment defaults will increase is slowly going down. While 29% of the Dutch businesses surveyed in 2013 thought financial costs would decrease during 2014, 38% believes financial costs will decrease in 2015.

In past years, the loan to value ratio in the housing market has been very high in the Netherlands, something which might have contributed to the

uncertainty on the consumer side. Last year's development, with reductions in unemployment and recovering GDP growth, seems to have eased some of these concerns and reduced some of the uncertainty about the economic outlook. However, the situation in the Netherlands is still fragile and the economy has to consolidate further and become more robust, to be able to cope with potential setbacks in the near-term future.



Changes in expectations for 2015 compared to previous surveys



United Kingdom

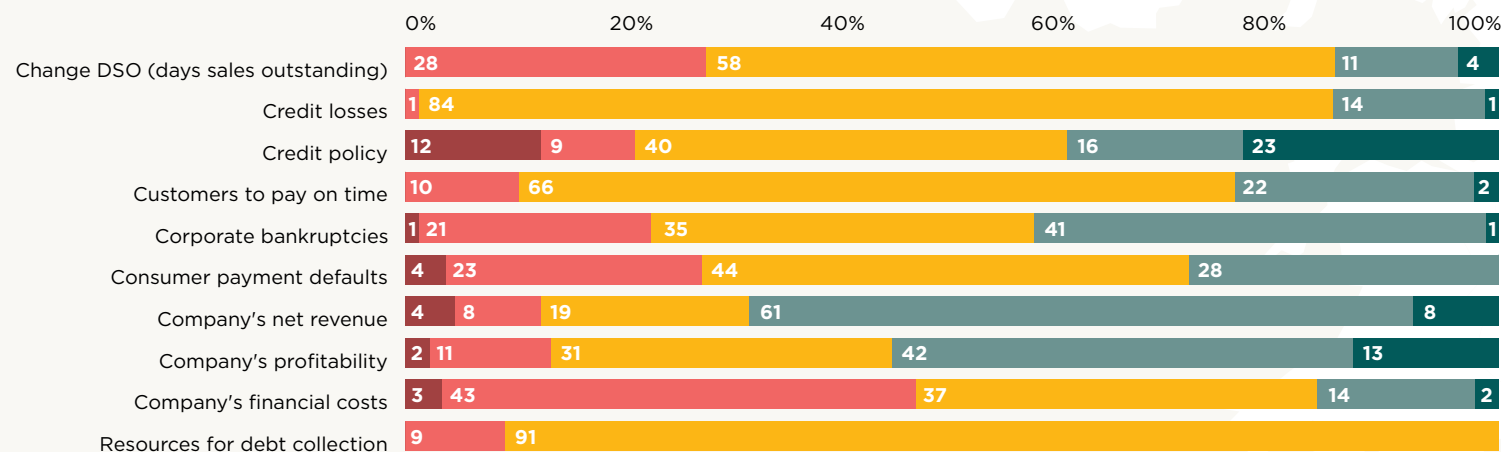
Optimism is still dominant in the UK, with another strong revenue and profit forecast for the upcoming year.

For the past two years, executives from the United Kingdom have been among the most optimistic in this survey. The optimism has been directly linked to a relatively strong economic growth, and a positive economic development in the UK. This year we also track a strong optimism in UK based businesses. On most indicators we find the same answer patterns as last year. A majority of UK businesses still believe revenue and profit-

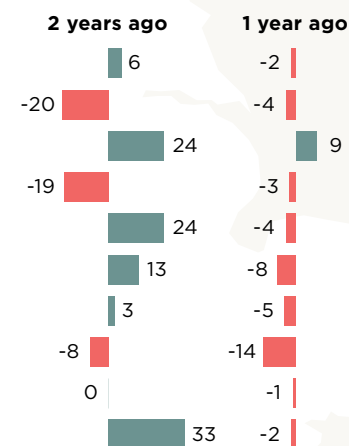
ability will increase moderately, a relatively low proportion believe bankruptcies and consumer payment defaults will increase, and UK businesses express a slightly more positive outlook related to credit policies and credit losses.

The relatively strong performance of the economy seems to have given the United Kingdom, and executives in the UK businesses, a self-con-

fidence which is fuelling continued optimism and growth. Not being fully integrated in the European Union, the UK has been able to choose its own way and prioritising UK interests in economic issues. For UK businesses this seems to have turned out favourably and contributed to the growth which the country now experiences.



Very negative change Negative change Remain as is Positive change Very positive change



Changes in expectations for 2015 compared to previous surveys

About the survey

The Lindorff European Credit Outlook is based on interviews with the country managers for Norway, Sweden, Denmark, Finland, the Netherlands, Germany and Spain. The external facts and figures have been collected from various open sources in each participating country.

We have also conducted a comprehensive survey which was carried out in 10 countries in Europe in October 2014: Norway, Sweden, Denmark, Finland, Germany, the Netherlands, Spain, Italy, France and the UK.

The survey, conducted by TNS Gallup, went out to financial professionals and decision makers in medium and large-sized companies within banking and finance, retail, utilities and telecom. It was conducted by TNS Gallup as a telephone interview.

23% represent a large company with over EUR 50 million in annual turnover, while over 62% represent businesses with over EUR 10 million in annual turnover. The respondents were mainly male (72%) and worked in senior management (55% owner/partner/CEO/MD/VP).

The purpose of the Lindorff European Credit Outlook is to provide information on the credit management services situation and is not legally binding. Lindorff will not accept any liability for any loss or damage directly or indirectly connected to any use of the content of this outlook.

Lindorff does not guarantee the accuracy or comprehensiveness of the information presented in the survey. Lindorff shall not be held liable for any statement (expressly or implicitly) contained or omitted from the survey or in any other written or oral communication regarding the survey.

The Lindorff European Credit Outlook is copyrighted by Lindorff. No parts may be reprinted or reused without written permission.

All questions as asked in the survey:

- A Do you think that your company's DSO, days sales outstanding, will increase or decrease in 2015?
- B How do you see that your company's credit losses (%) will develop in 2015 compared to this year?
- C How likely is your company to tighten its credit policy on issuing credit or payment time in 2015?
- D Compared to 2014, do you believe your customers will be more or less likely to pay on time in 2015?
- E Thinking about your country specifically, do you believe corporate bankruptcies will increase or decrease in 2015 compared to 2014?
- F Do you believe consumer payment defaults will increase or decrease in your country in 2015 compared to 2014?
- G How do you expect your company's net revenues to change in 2015, compared to 2014?
- H How do you expect your company's profitability to change in 2015, compared to 2014?
- I Do you expect your company's financial costs to increase or decrease in 2015?
- J Do you need to put resources into debt collection in 2015?



About Lindorff

With roots back to 1898, Lindorff is today a full-service European credit management service provider. We offer information services, payment services, invoicing services, debt collection and debt purchase.

Today, Lindorff is particularly strong in the financial industry, where we hold the leading position in Europe. Lindorff has approximately 2,750 employees in 12 countries. Net revenue in 2013 was € 450 million.

Nordic Capital Fund VIII is the majority owner of Lindorff. The headquarters are located in Oslo, Norway.

For more information:

stig-inge.eikemo@lindorff.com

LINDORFF