



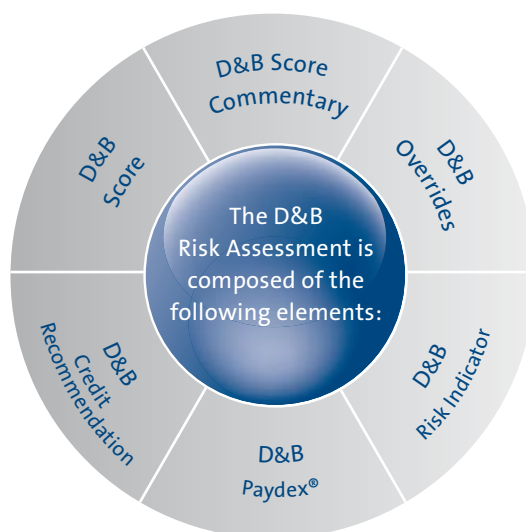
IDENTIFY, WHAT´S SAFE.

The German D&B Risk Assessment

THE GERMAN D&B RISK ASSESSMENT

REGARDLESS OF WHETHER NEW OR EXISTING CLIENTS ARE CONCERNED, CREDIT DECISIONS ARE ALWAYS ASSOCIATED WITH RISK. WHEN EXTENDING CREDIT, THE OBJECTIVE IS TO ACHIEVE THE HIGHEST PROFIT POSSIBLE WHILE AVOIDING CLIENTS THAT BEAR RISK. OFTEN, IT IS DIFFICULT TO FIND RELIABLE INFORMATION ABOUT A PARTICULAR COMPANY.

Many factors need to be considered to clearly determine a company's financial situation. D&B Risk Assessment enables you to play it safe with your credit decisions, terms and payment of your receivables. With D&B Risk Assessment, you can identify credit risks before they become acute and reduce the rate of payment default for both existing and new business partners. Thanks to D&B's database and high predictive quality, you can make sound decisions quickly that are based on reliable ratings and credit recommendations.



A D&B RISK ASSESSMENT ENABLES YOU TO DO THE FOLLOWING:

Assess the risks and opportunities entailed by specific customer relationships

Plan and monitor customer relationships

Stipulate credit conditions, as well as any collateral that may be necessary

Make credit decisions quickly and objectively

Manage payment reminders and collection procedures in a cost and time-efficient manner

SOUND ASSESSMENTS OF CREDIT RISK

D&B BASES ITS COMPANY DEFAULT RISK ASSESSMENTS ON A HOST OF DATA SOURCES THAT HELP DETERMINE THE LIKELIHOOD OF INSOLVENCY.

ANALYSIS AND DECISION-MAKING TOOLS

Once risk has been calculated, it is expressed as a D&B Risk Indicator, which is in turn based on the D&B Risk Score. This score can be used to assess the efficiency of your current credit management guidelines or formulate new guidelines. In addition supplier portfolios can be analysed with regard to secure supply availability.

The D&B Risk Score is also useful, in the context of daily operations, for automatic credit decisions concerning new and return customers. In addition, changes in the score serve as an instrument for (a) customer relations management; (b) setting credit conditions; and (c) early-stage implementation of securitisation and collection procedures.

CONTINUOUS OPTIMISATION

As the world's premier information provider, more than three decades ago D&B developed scoring technologies and integrated them into its business information system. In Germany as well, D&B employs objective scoring methods for risk-related decisions, and has thus been a pioneer in this field for more than 15 years. Such scores also include customer-specific scorecards for businesses. We continuously monitor changes in the relevant business sectors and regulatory frameworks, both of which have a major impact on companies and how they operate. Our risk scoring technique takes these and other changes into account. In addition, over the years, we have amassed a database whose size and depth grow continuously, and we now have risk scores for 4.6 million German businesses.

PROVEN WORLDWIDE

The D&B Risk Indicator and the D&B Risk Class are available not only on German businesses, but also on companies in the following countries, thus allowing for optimum comparability of the relevant data: Australia, Benelux, France, Great Britain, Ireland, Italy, Japan, Canada, Austria, New Zealand, Portugal, Switzerland, Spain, Norway, Denmark, Finland, Sweden, Hungary, Poland, Czech Republic, Slovenia, Hong Kong, Taiwan, and the US. The local data approach takes account of cultural particularities in a manner that allows for optimum projections. Different mathematical techniques are used in other countries.

GUARANTEED QUALITY

The seal of quality shown here stands for the high quality standards that we adhere to. One of the cornerstones of this quality assurance is the D&B DUNSRight® Process, whose more than 2,000 automated validation operations, as well as numerous manual validation operations, ensure that all data are accurate, complete, updated, and consistent worldwide. Another important component of the D&B DUNSRight® Process is the D&B D-U-N-S® Number, which allows for (a) clear identification of companies worldwide and (b) optimum data transparency. Thanks to the D&B DunTrade® Program, more than 600 million actual invoices have been added to the D&B data pool annually over the past 30 years. These data are pivotal for our insolvency projections.



THE D&B SCORE

A SOUND BASIS FOR ASSESSING CUSTOMER CREDITWORTHINESS

The D&B Score is a statistically calculated value, compiled using the latest statistical methods. It estimates the risk that a given company could become insolvent or cease trading without paying its creditors within the subsequent 12 months. The scores are calculated with the assistance of multiple criteria, each of which contributes a specific value for the final rating. The score ranges from 1 (highest risk of failure) to 100 (lowest risk of failure).

Important note: The D&B Score is a dynamic indicator that is updated on an ongoing basis and that is adjusted each time relevant new information is received. Thus you can rest assured that your risk assessments will always be based on the latest information available.

SCORE COMMENTARY

The score commentary explains the key factors that form the basis for the D&B Score.

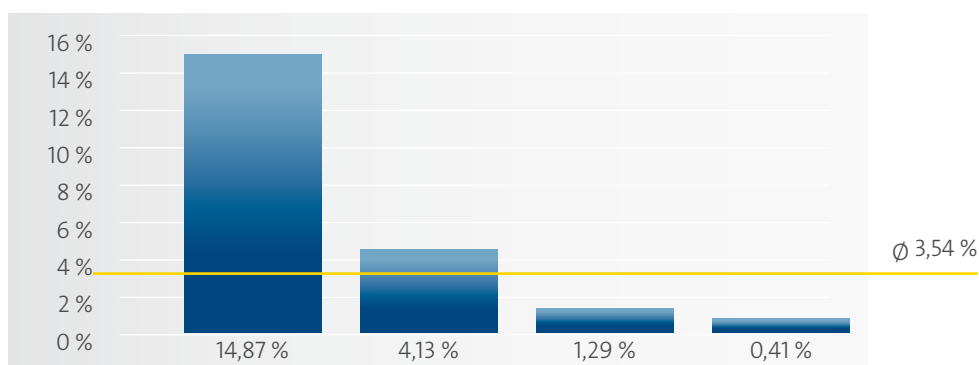
Your benefits

- You see at a glance the key variables that have a positive or negative impact on the D&B Score
- Transparent scorecard mechanisms
- Risk assessment changes are clearly explained

Specimen of score commentaries

- The legal form of this company has a positive impact on the D&B Risk Assessment.
- The high proportion of late payments (i.e. payments effected more than 30 days following the invoice date) has a negative impact on the D&B Risk Assessment.

THE D&B RISK INDICATOR AND DEFAULT RISK



RISK INDICATOR	4	3	2	1
SCORE CLASS	1–10	11–45	46–85	86–100
DEFAULT RISK	High	Above average	Below average	Minimal

The mean aggregate default risk for German businesses is 3,54 %.

SCORING FACTORS



FOLLOWING IS A PARTIAL LIST OF THE FACTORS THAT ARE USED TO DETERMINE THE RISK OF A BUSINESS DEFAULTING ON PAYMENT WITHIN THE NEXT TWELVE MONTHS:

DEMOGRAPHIC DATA

- Legal form
- Number of employees
- Start year
- Region
- Industry/sector
- No. of branch offices
- Parent company
- No. of subsidiaries
- Changes in principals
- Age of management personnel

PAYMENT BEHAVIOUR AS ASSESSED BY THE D&B DUNTRADE® PROGRAM

- Current D&B Paydex®
- Three-month average for overdue payments
- Percentage of payments effected on time or only marginally late over the past twelve months
- Percentage of extremely late payments (more than 90 days) over the past twelve months

NEGATIVE DATA

- Principals

FINANCIAL DATA

- Equity
- Changes in equity
- Changes in property, plant and equipment
- Industry/sector benchmarks
- Retained earnings
- Net earnings per employee
- Short-term liabilities relative to equity
- Current ratio
- Working capital
- Total assets

MACROECONOMIC DATA

- Index of production
- Sales in the relevant sectors
- Consumer price index
- Unemployment rate
- DAX30
- European Central Bank interest rate
- GDP
- Oil price
- Import prices

THE D&B RATING

THE D&B RATING PROVIDES YOU WITH ALL INFORMATION YOU NEED (E.G. THE D&B FINANCIAL STRENGTH INDICATOR AND D&B RISK INDICATOR) TO QUICKLY IDENTIFY AND ASSESS RISKS ARISING FROM TRADE ACCOUNTS RECEIVABLE.

THE D&B FINANCIAL STRENGTH INDICATOR

The D&B Financial Strength Indicator, which allows you to assess a company's financial health, is based on the relevant company's equity as indicated in its current and audited balance sheet. Using **net worth** as a basis

- + convertible debenture
- + contribution of silent partners
- + 60% of special reserves

an alphanumeric code such as 5A is assigned to the company in question.

If balance sheet figures are unavailable, the D&B Financial Strength Indicator is based on capital issued to shareholders, or, in Germany, on total assets.

Total assets are composed of the following elements:

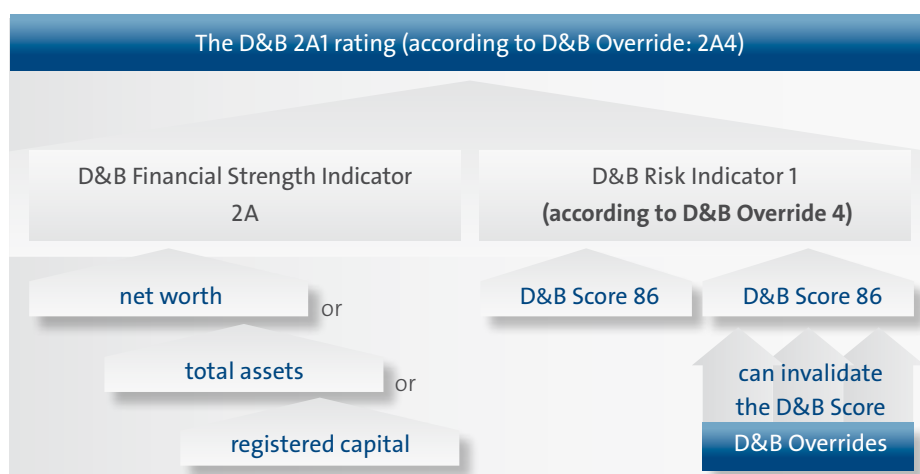
Fixtures and equipment

- + inventories
- + accounts receivable
- short-term liabilities

In this case, an alphanumeric code comprising a number and a repeated letter (e.g. 5AA) is assigned to the company in question.

In cases where information regarding total assets is unavailable, the **company's registered capital, equity capital or partners capital** is used, depending on the company's legal form. If this information is likewise unavailable, the code letter "O" (for "no capital rating") is assigned to the company in question (see the annexed D&B Financial Strength Indicator table).

D&B RATING COMPONENTS



Example: A 2A1 D&B rating means that the company has equity ranging from 2 million to 9,999,999 million Euros (Financial Strength Indicator 2A) and exhibits a minimal risk of default (Risk Indicator 1, score class 86 to 100).

THE D&B RISK INDICATOR

The D&B Risk Indicator identifies a company's current default risk class (also see the graphic on page 4) and is based on the D&B Score and Overrides.

The D&B Overrides are used for unusual factors that the normal scoring process cannot take into account. These rules can potentially invalidate a company's risk class rating that is based solely on the D&B Score.

The score for the company in the example (see graphic on page 6) is 86. However, if an untoward event such as the company filing for insolvency has occurred, then an Override is applied, thus invalidating the original score, which is suppressed. In addition, the company is assessed a D&B Risk Indicator of 4 and a credit recommendation is not issued.

D&B OVERRIDES

DESCRIPTION OF OVERRIDES FOUND IN CREDIT REPORTS	EFFECT
A company has negative indicators.	If a company has negative indicators, it is automatically lowered to Risk Indicator 4. Its D&B Score no longer applies.
A parent company has negative indicators. As a result, D&B Risk Indicator 4 is assigned to this company.	If a parent company has negative indicators, it is automatically lowered to Risk Indicator 4. Its D&B Score no longer applies.
One or more company officers has negative indicators.	If the owner of an individual company has negative indicators, the company is automatically lowered to Risk Indicator 4. Its D&B Score no longer applies.
A D&B Score is not available for this company. D&B does not have sufficient information to calculate a score.	The D&B Risk Indicator is set to “-” if the minimum information required is not available. A D&B Score is not calculated.
Due to special circumstances, the D&B Score is not shown.	The D&B Risk Indicator is set manually, the D&B Score no longer applies.
This company's industry has a positive effect on its D&B Risk Assessment.	If it is a holding company, it's Risk Indicator is increased. Its D&B Score no longer applies.
This is a state-run company. As a result, a D&B Score is not available for this company.	The D&B Risk Indicator is set to “-” if the company is owned by the government. Its D&B Score no longer applies.
We have knowledge of special events regarding this company. As a result, this company's D&B Risk Assessment has been adjusted.	Particular events from press releases and other media publications that pertain to a company can cause an adjustment to the company's Risk Assessment. Its D&B Score no longer applies.
Accounting insolvency (negative equity on the balance sheet) is compensated for by a letter of guarantee. The company is now scored as if there was no negative equity on the balance sheet.	If negative equity is compensated for with a letter of guarantee, the company's rating increases. Its D&B Score no longer applies.

THE D&B PAYDEX®

EACH RISK ASSESSMENT ALSO FOLDS IN AN ANALYSIS OF A COMPANY'S PAYMENT TRACK RECORD, ANY CHANGE IN WHICH IS OFTEN THE INITIAL SIGN OF IMPENDING INSOLVENCY.

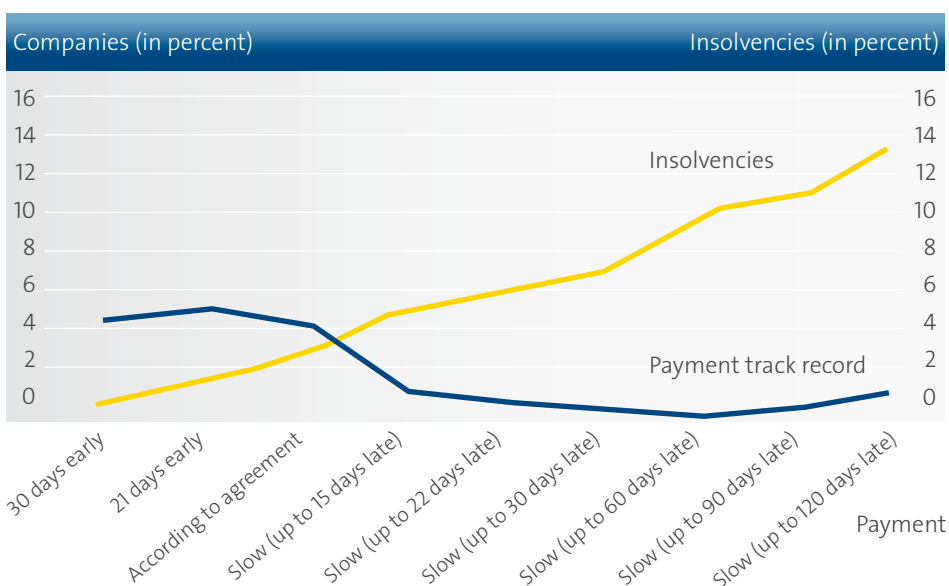
EARLY-WARNING INDICATOR

Thanks to the DunTrade® Program, more than 600 million actual invoices are analysed annually with a view to formulating informative projections concerning a company's payment practices. The D&B Paydex® reflects a company's past and present payment track record and allows for objective assessments of how the company's payment track record has evolved over the past twelve months. Inasmuch as, in nine out of ten cases, a company's payment behaviour worsens considerably six months prior to insolvency, a company's payment practices are a key early-warning indicator. In other words, the greater the number of days of late payment, the higher the probability that a company will go insolvent during the coming twelve months.

The D&B Paydex® enables you to do the following:

- compare a company payment track record with that of the relevant industry or businesses in general
- objectively assess a company's payment behaviour towards customers and suppliers
- analyse trends
- detect insolvency risks at an early stage

THE D&B PAYDEX®



D&B CREDIT RECOMMENDATION



AS WITH D&B SCORES, D&B CREDIT RECOMMENDATIONS ARE UPDATED IMMEDIATELY IN THE DATABASE ACCORDING TO ANY NEW INFORMATION THAT COMES TO LIGHT.

FOR OBJECTIVE CREDIT DECISIONS

A D&B Credit Recommendation provides you with a ballpark figure that you can use as a basis for your credit-amount decisions. Each recommendation is based on a statistical analysis of DunTrade® Program invoices, which accurately reflect actual credits granted for trade accounts receivable.

D&B Credit Recommendations comprise two elements:

- The D&B maximum transactional Credit Recommendation is the maximum 30-day credit limit that the company in question should be subject to for standard individual transactions and in light of current practice in the relevant industry.
- The D&B total Credit Recommendation is the total credit amount that the company would be able to handle over a period of twelve months or less. This figure is based on our own statistical analysis.

CALCULATION METHOD

Our Credit Recommendations are derived from the value of millions of real invoices from the DunTrade® program. As such, actual credit granted serves as the basis for calculating a company's credit recommendation.

Values of merit

- No. of employees
- Net worth
- Turnover
- Industry / sector

Integration of D&B Risk Assessments

- D&B Score (see page 5)

WITH THE D&B CREDIT RECOMMENDATIONS...

...you ramp up your projection capabilities.

Each Credit Recommendation is based on a wealth of information concerning economic and structural changes in the relevant industry.

...you always have the most up-to-date information.

All data that are used for our statistical analyses are updated automatically in real time.

...you can accept orders with confidence.

Here, you can simply compare the order amount entailed by the Credit Recommendations with the open items from the D&B DunTrade® information sheet; or simply compare your trade accounts receivable with the Credit Recommendation.

D&B GERMANY

D&B helps you find out what's important and provides you with an invaluable knowledge base – the largest of its kind worldwide – and innovative solutions that will help keep you one step ahead of the competition and cement your success. This in turn will help you reduce payment default risk, leverage customer potential, and optimise your procurement processes.



Decide with Confidence

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D&B RISK ASSESSMENT RANKINGS

Risk Management
Solutions



D&B RISK INDICATOR AND D&B SCORE

D&B RISK INDICATOR	SCORE CLASS	DEFAULT RISK	
1	86–100	0,41%	Minimal
2	46–85	1,29%	Below average
3	11–45	4,13%	Above average
4	1–10	14,87%	High
4	0	100,00%	Insolvent
-	Undetermined		Indeterminate

The various scores, which can range from 1 to 100, are classified according to scale segment (Risk Indicator). A score ranging from 86 to 100 is a class-1 risk, which means that default risk is minimal. A company whose score scale segment is 1 to 10 is a class-4 default risk and thus poses a substantial default risk, as is also the case with a 0 score, which is assigned to companies that are bankrupt.

D&B FINANCIAL STRENGTH INDICATOR

NET WORTH	TOTAL ASSETS/ SUBSCRIBED CAPITAL	FROM...	...TO (IN EUROS)
5A	5AA	50.000.000	> 50.000.000
4A	4AA	25.000.000	49.999.999
3A	3AA	10.000.000	24.999.999
2A	2AA	2.000.000	9.999.999
1A	1AA	1.000.000	1.999.999
A	AA	500.000	999.999
B	BB	250.000	499.999
C	CC	150.000	249.999
D	DD	100.000	149.999
E	EE	50.000	99.999
F	FF	25.000	49.999
G	GG	10.000	24.999
H	HH	–	9.999
N	Negative net worth		
O	Net worth is undetermined		
NB	New Business		
NQ	Company has ceased its activities		

Using **net worth** as a basis
 + convertible debenture
 + contribution of silent partners
 + 60% of special reserves
 an alphanumeric code such as 5A is assigned to the company in question. If no balance sheet figures are available, an alphanumeric code comprising a number and a repeated letter (e.g. 5AA) is assigned to the company.

D&B RISK ASSESSMENT RANKINGS

D&B OVERRIDES

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D&B PAYDEX®

RATING	PAYMENT PRACTICES
90	Discount leveraging
80	According to agreement
70	Slow (up to 15 days late)
60	Slow (up to 22 days late)
50	Slow (up to 30 days late)
40	Slow (up to 60 days late)
30	Slow (up to 90 days late)
20	Slow (up to 120 days late)
10	Slow (up to 150 days late)
0	Slow (up to 180 days late)
UN	N.a.

The D&B Paydex® is derived from real payment experiences based on more than 600 million items of billing information annually obtained from the DunTrade® Program. It is an effective monitoring indicator of potential company liquidity problems.

For further information, feel free to contact one of our consultants on +49 (0) 61 51 13 75-777.