E-Invoicing / E-Billing

International Market Overview & Forecast

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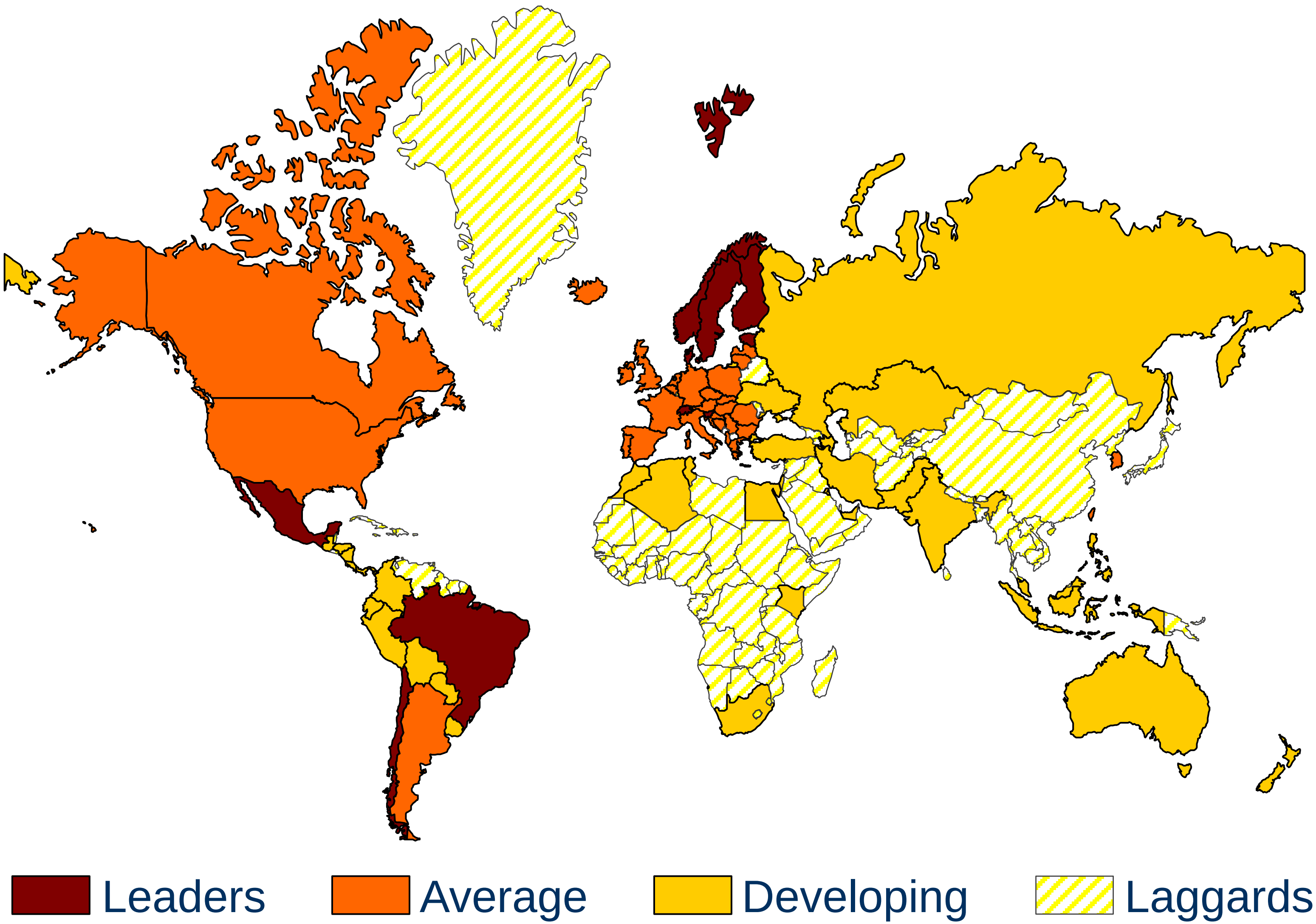
February 2012

Billentis

Global overview

International E-Invoicing Market 2012

B2B, B2G, G2B and B2C



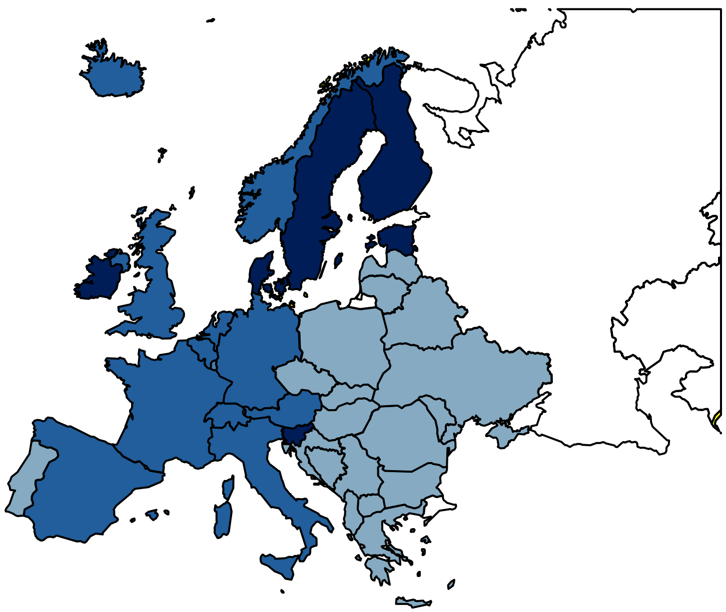
E-Invoicing outside Europe

- **Northern America**, CAGR of 23 – 25%
  - Still very consumer and bill issuer focused
  - Payment and Procurement as the main drivers
  - Preference for direct exchange in B2B; 3rd party network operators not very powerful compared to LATAM/Europe
- **Latin America**, Brazil is saturated, but CAGR of up to 200% in other countries
  - Very strict legislation
  - E-Invoicing pushed by public sector
  - Service providers with key role
  - Real-time audit in Brazil and in Mexico (depend. on amount/size)
- **Asia/Pacific and Africa**
  - Leaders are Singapore, Hong Kong, Taiwan, South Korea, Australia, New Zealand, South Africa
  - First steps with B2C E-Billing; B2B legislation missing in many countries

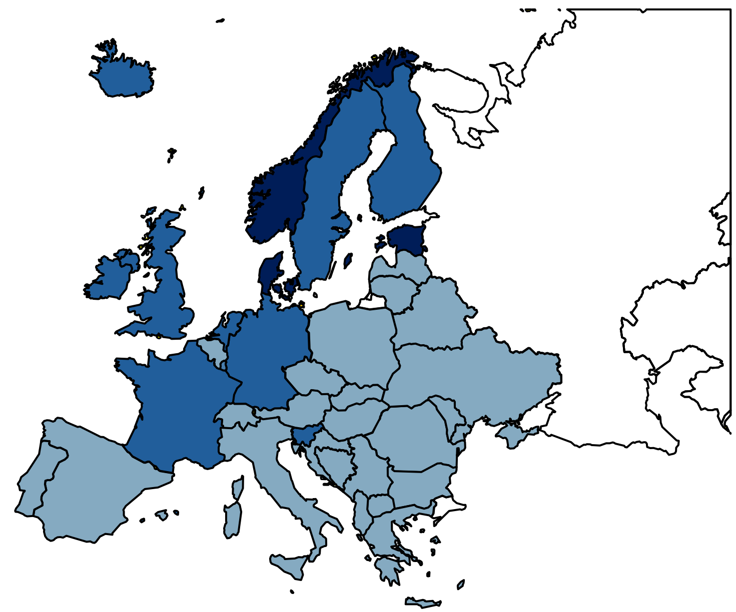
European Market

Market Penetration 2012
(Electronic share of total invoice/bill volume)

B2B/B2G/G2B



B2C



>30% 10-30% <10%

Development of European Market Penetration

Electronic share	2008	2009	2010	2011 (E)	2012 (E)	2013 (E)
B2C	4%	5%	7%	10%	12%	15%
B2B/B2G/G2B	6%	8%	10%	14%	18%	23%
Weighted average	5%	7%	9%	12%	15%	19%

Channels Used for Electronic Invoices
B2B/B2G/G2B volume

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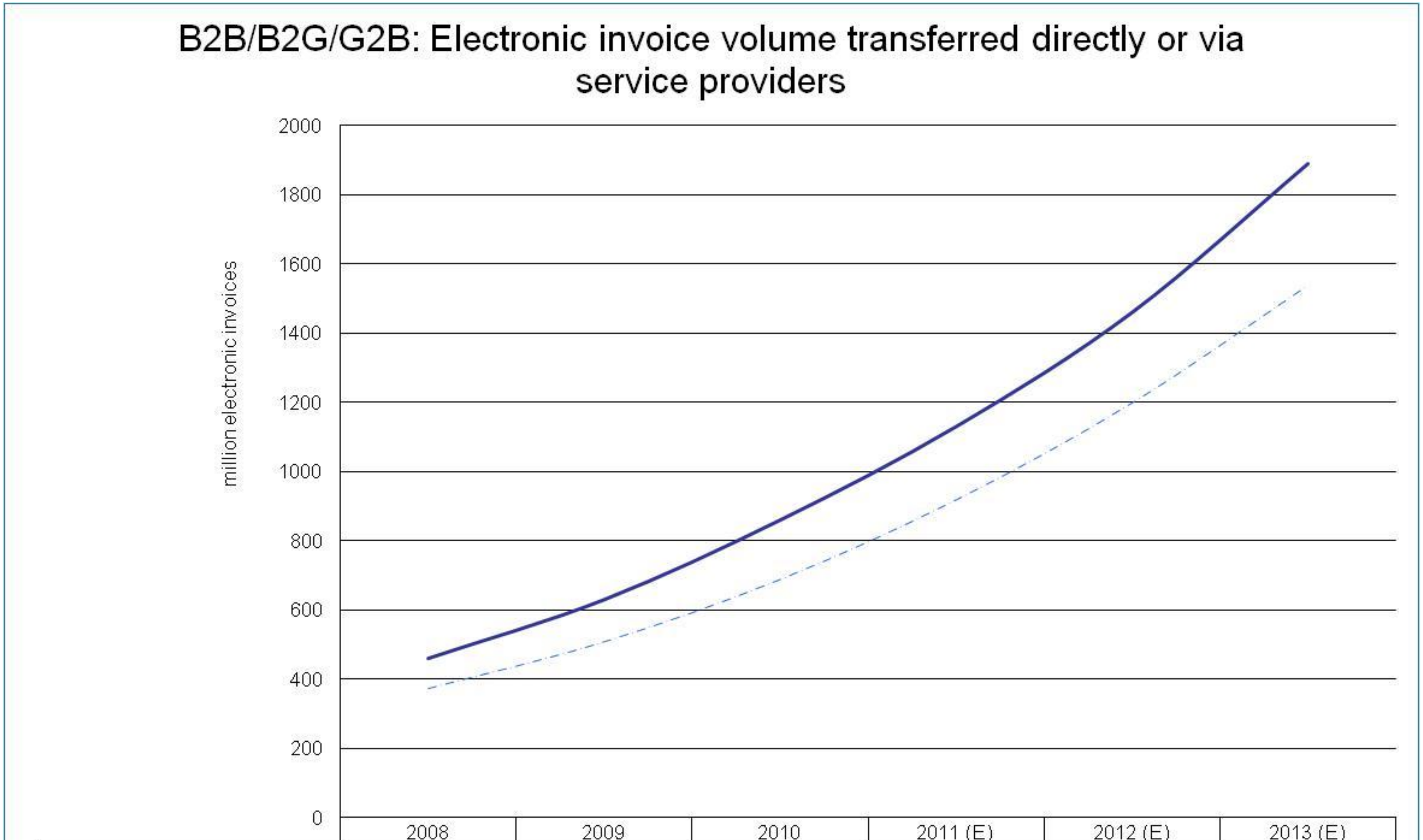
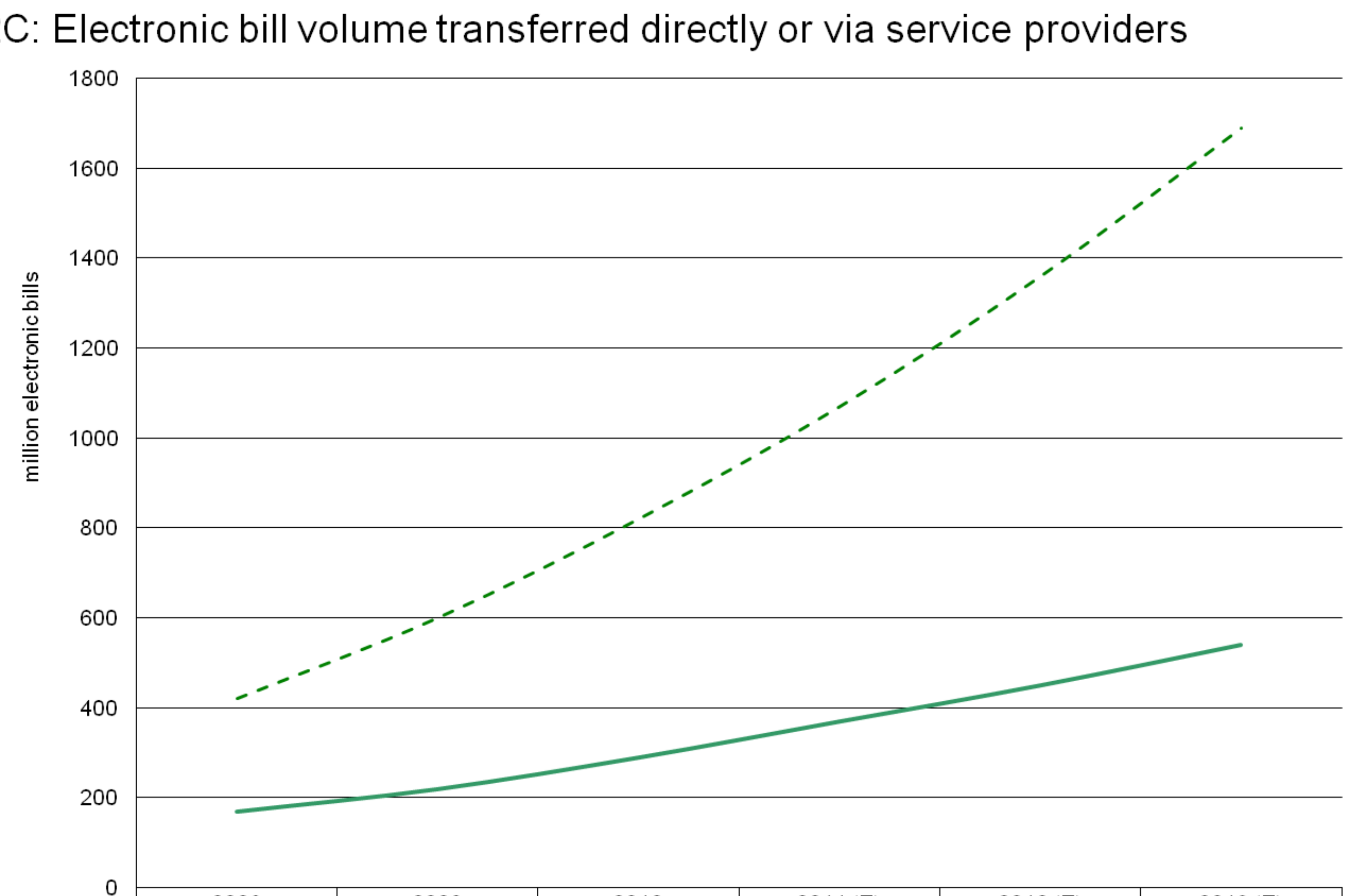


	2008	2009	2010	2011 (E)	2012 (E)	2013 (E)
B2B Supplier/Buyer Direct	375	510	690	920	1200	1540
B2B via Service Provider	460	630	860	1130	1460	1890

Rolling update of these figures during the year, as many service providers do not publish figures before May

Channels Used for Electronic Bills

B2C volume



	2008	2009	2010	2011 (E)	2012 (E)	2013 (E)
B2C Biller Direct	420	600	820	1070	1360	1690
B2C via Service Provider	170	220	290	370	450	540

Rolling update of these figures during the year, as many service providers do not publish figures before May

Number of Users Increasing Sharply

Consumers

- Large suppliers (mainly from telcos, utilities, the credit/customer card industry) push clients to accept electronic invoices, or receive penalty, e.g. charged EUR 2.50 per paper invoice
- PDF/email is the preferred channel in many countries

Companies

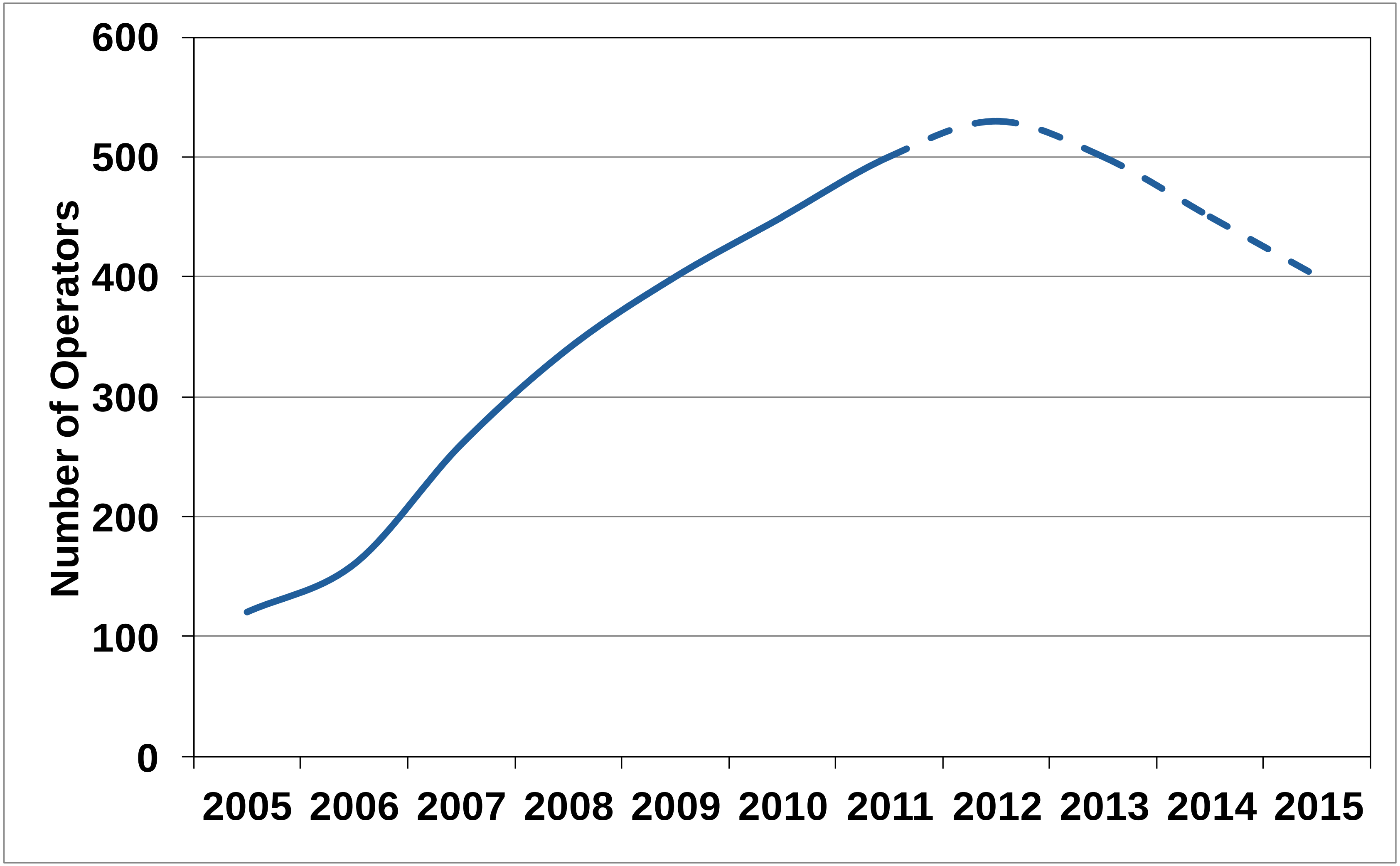
- Pushed by their trading parties to send/receive electronic invoices
- New user-friendly and efficient market offerings, especially for SMEs

In 2012, expect daily, as new E-Invoicing users:

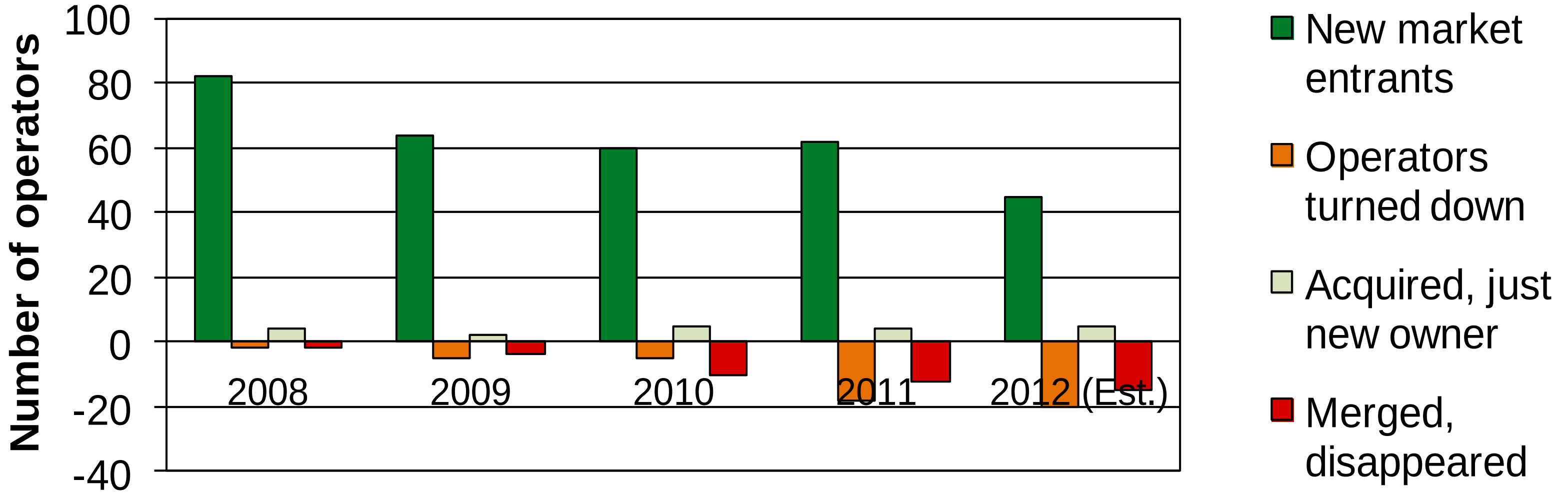
- 60,000 consumers
- 3,500 enterprises

E-Invoicing network operators in Europe

E-Invoicing network operators in Europe



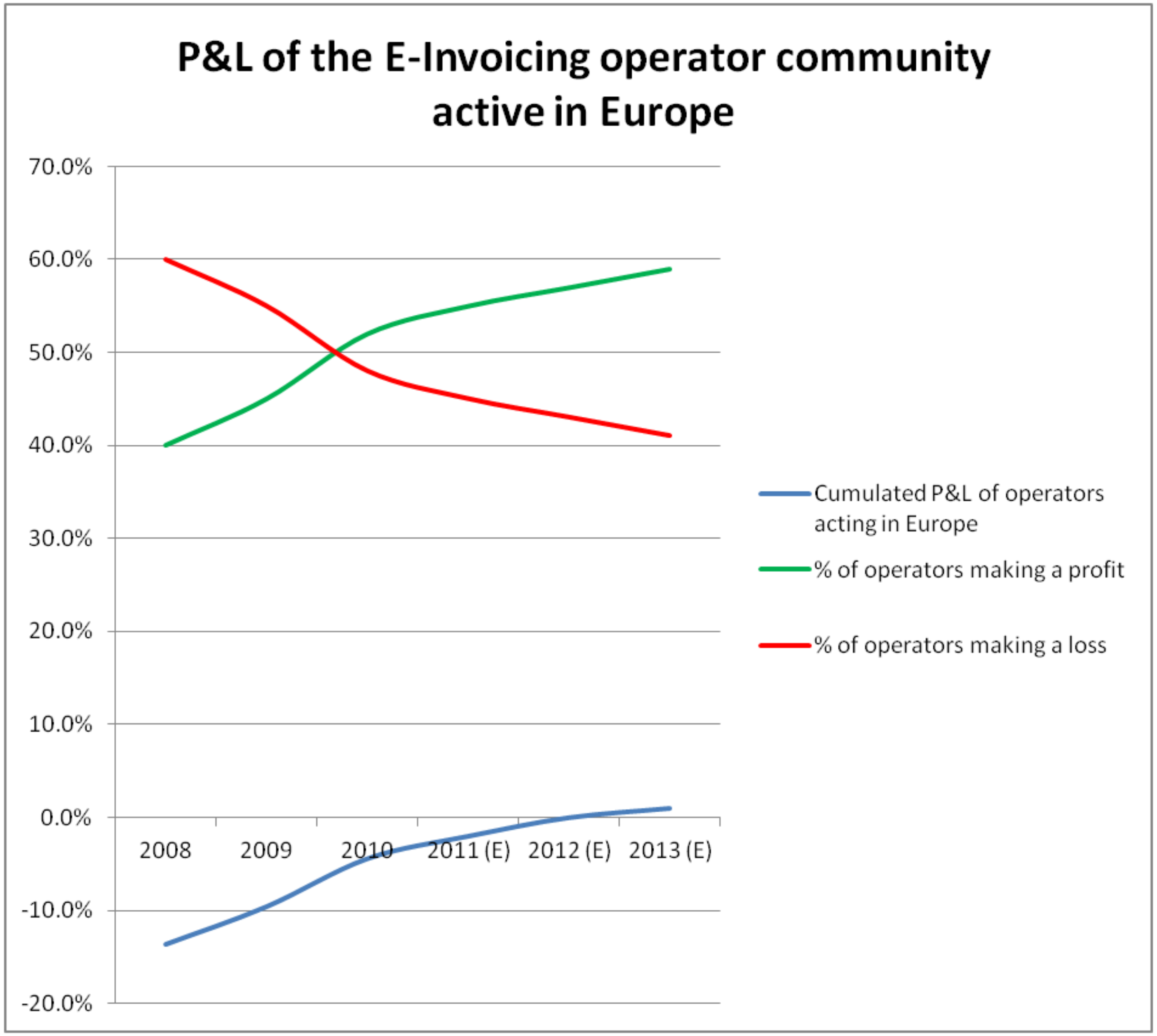
Changes in the service provider landscape



Operators with 20+ millions of E-Invoices / E-Bills in Europe (Billentis estimation for 2012)

- Anachron
- b-process (Ariba)
- Basware
- Cegedim
- Crossgate
- e-boks
- EDB
- EDICOM
- Editel / eXite
- Evenex
- GXS
- Itella
- Logica
- Medidata
- Nets
- Nordea
- Seres
- SETCCE
- Swiss Post
- Tieto

Analysis of financial figures



Analysis:

- Considered are just providers with E-Invoicing as significant part of its business (at least 1/3 of the turnover)
- Hard facts & figures from 150 financial statements or annual reports
- Own estimates for 20 market entrants

Prediction for industry's financial development 2012-2014 (1)

- **Predictions for costs**
  - Economies of Scale help to reduce the costs per E-Invoice
  - Development costs increase due to additional requirements of new customer segments and internationalisation
  - New/additional investment to increase interoperability
- **Predictions for turnover**
  - Strong increase in transaction volume and revenues
  - Revenue sharing in case of roaming
  - Price erosion due to volume rebates for existing clients
  - Price erosion due to replacement of 1st generation clients (in coming years, expiring contracts are replaced by new ones with lower transaction prices)
  - Price erosion due to high competition and increasing number of offerings in the low-priced segment

Prediction for industry's financial development 2012-2014 (2)

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- **Industry's profitability**
  - It is a classical growth industry; Rapid growth is absorbing capital with negative impact on profitability
  - Financial break-even for "the provider community" is expected in 2012

- **Operators making profit or loss**
  - The majority of providers in France and Norway are already and will probably stay profitable, whereas the UK seems to be an extremely hard field to become profitable
  - Around 275 profitable operators are likely to use their flexibility to reduce the end-users prices with the aim of further increasing their market share; the pressure to the other (not profitable) competitors could be quite painful

In-depth market information

Please find further details in the Market Report

"E-Invoicing / E-Billing 2012 - Opportunities in a challenging market environment"

English Version issued in March and German Version in April 2012.

For further information, please visit

www.billentis.com

Definitions & Methodology

Definitions as used in my statistics

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E-Invoices	Transported and archived fully electronically from end-to-end in a tax compliant manner; 2011: 10%+ in Europe
Electronic, nok	Fully electronic, but not tax compliant due to lack of integrity, authenticity and legibility; ≈ same volume as tax compliant invoices
Semi-electronic	Electronic invoices are supported by paper summary invoices, scanned or printed/archived by recipients; ≈ same volume as tax compliant invoices
Transported and archived as paper only	Major bulk of paper invoices

Not considered in my statistics

Methodology

- Screening and interpreting 650+ key sources, including
  - User surveys in countries (AT, ES, FR, PT etc.) and industries (e.g. banking associations, GS1, santésuisse, …)
  - Figures of large invoice issuers & recipients (e.g. Deutsche Telecom with around 600 million issued invoices p.a., public sector in several countries representing 10%+ of invoice volume in each country)
  - Figures of leading service providers
  - Consolidated figures of domestic E-Invoicing associations

- In total, results of surveys with 15,000+ enterprises and 10,000 consumers are considered in these statistics and forecasts