

Example of calculation of factoring payments and interest expense

According to the terms of the factoring, the interest rate is 3 months EURIBOR + 1.87% per annum. 99% of the invoice amount will be paid as an advance payment after the invoice has been approved by Eesti Energia. The remaining 1% (minus factoring costs) will be paid on the invoice payment deadline date.

Example:

Invoice amount (assumed)	1000 EUR
Invoice payment deadline	95 days
Advance payment to the partner after confirmation of the invoice by Eesti Energia (assumed that on the 5th day)	$99\% * 1000 \text{ EUR} = 990 \text{ EUR}$
Factoring interest expense calculation:	
3 months EURIBOR rate (assumed)	0,1% per annum
Total interest rate (3 months EURIBOR + 1,87%)	1,97% per annum
Factoring period	Payment deadline 95 – advance payment on 5 th day = 90 days
Interest rate for the actual factoring period	$=1,97\% / 360 \text{ days} * 90 \text{ days} = 0,4925\%$
Interest expense on the advance for the actual factoring period	$0,4925\% * 990 \text{ EUR} = 4,88 \text{ EUR}$
Final payment to the partner on the invoice payment deadline date (1% of the invoice amount minus factoring costs)	$1\% * 1000 \text{ EUR} - 4,88 \text{ EUR} = 5,12 \text{ EUR}$