RESULTS OCTOBER 2011

Atradius Payment Practices Barometer

International survey of B2B payment behaviour

Core results Australia

Copyright by Atradius N.V. · October 2011
Published by Atradius Corporate Communications & Marketing
The survey was conducted by Heliview Research, Breda

1.1 Introduction

This report is a part of the 10th edition of the Atradius Payment Practices Barometer. It focuses on Australia, examining the primary aspects of the country's trade credit supply and management, as well as the payment behaviour of its international and domestic trading companies.

The objectives of this individual country report is to provide companies trading internationally with an accurate understanding of the trade dynamics of the countries with which they do business, or plan to do business. Without an accurate understanding of the payment practices of both domestic and foreign customers, companies can encounter serious cash flow problems that set back their businesses.

The report therefore looks at a series of key areas of Australian companies' trade credit and credit management policy, including the extent in which trade credit is granted to customers, the payment terms set, the resultant incidence of late or non-payment, and the actions taken to mitigate payment risks.

The October 2011 Payment Practices Barometer (overall survey) is available on the Atradius website at www.atradius.com.

1.2 Conclusions

David Huey, the Regional Manager for Oceania, commented on the report. *"Our claims paid are at an acceptable level, reflecting the positive attitude of the market evident in the survey results. However, with uncertainty in Europe and America and the increasing trend in Australian insolvencies the demand for good market intelligence and insurance protection is growing. I was pleased to see that Australian businesses are not blindly trading but recognise the need for strong relationships, positive trading history and due diligence. Sound credit management is at the heart of what Atradius does on a daily basis."*

Despite Australia's relative economic ebullience, companies in the survey showed themselves to be fully aware of the dangers to the timeliness of their payment flows presented by liquidity problems among their buyers. Emphasising this point, insufficient availability of funds was underlined by all of the surveyed industries and business sizes as by far the most influential reason for their B2B payment delays.

Yet its companies were not especially risk averse, and traded on credit at an average 52% frequency that sat between Asian and wider survey appetites, and driven primarily by sustaining relationships with trading partners. Where caution did show through was in that 85% of credit sales went to domestic clients, and the prompt (average 26 day) payment periods that were based more on the seller's standard trading policy than on customer relationships.

There was also a restrained approach to early payment discounting, shown by the 24% average use of this technique: more so in the context of the 48% frequency in the wider Asia Pacific region. Australian companies appeared to prefer payment in full, and so brought diligence to bear on a buyer's track record and creditworthiness to pre-empt potential payments problems. Once transactions were underway, large enterprises, in particular, engaged in active credit management to expedite payments.

These came in at an average 1 day below due date - even faster for exports - with medium/large companies representing the main exception to this trend. Overdues were nevertheless comparatively low: the respondent cross-section averaged 25% of domestic and 20% of export invoices falling past due date. Again, though, medium/large enterprises – as well as financial services companies – were exceptions.

The red zones of delinquency (90 days overdues) and uncollectables were a little less encouraging. 4% of domestic B2B invoices and 6% of export invoices became delinquent, and, ultimately, 2.4% and 3% of domestic and foreign receivables went uncollected by respondents. Medium/large enterprises and financial services companies were again the most negatively affected within these patterns, but payment defaults were on average the lowest of any of the surveyed Asia Pacific countries.

In that regional context, respondents' efficiency in collecting their B2B payments was sufficient to bring about an average 38 day DSO performance: 14 days below the Asia Pacific mean and 12 days below that of any other surveyed Asian country. Medium/large enterprises and financial services companies, of course, generated the longest DSO by size and industry, but the broader picture was one of a relatively unchanged DSO trend in a region where DSO stability is less of a given.

Business confidence was such that Australian businesses showed no significant overall uptake of risk mitigation tools in 2011. Yet larger companies showed up as among the most active in the pockets of increased activity, while manufacturing and wholesale/retail/distribution companies raised their level of buyer risk monitoring.

1.3 Core results Australia

- 52% of sales were on credit, compared to Asian (48%) and survey (57%) appetites. 85% of credit sales went to domestic clients. Medium/large businesses, manufacturers and financial services companies used trade credit most regularly.
- 51% of respondents cited lasting sales relationships as the biggest influence on trade credit decisions. Large enterprises and manufacturers highlighted this reason with the most frequency. Lesser weightings were assigned to other determinants.
- Companies forest an average 26 day payment term: the quickest in Asia Pacific apart from Hong Kong. Domestic and foreign terms were set at 26 and 30 days respectively. Small enterprises and the wholesale/retail/distribution and manufacturing industries set the shortest terms.
- *Company standard terms* were reported as the most influential factor in setting payment, marginally ahead of *trade relationship with the customer*.
- Only 24% of Australian companies offered early payment discounting facilities, compared to the 48% Asia Pacific regional average. Acceptances were received from 30% and 37% of domestic and foreign customers. Financial services companies offered early payment discounts most regularly. Micro-companies offered least frequently, but were accepted most frequently.
- Australian companies practised buyer diligence most regularly in order to mitigate risks. Over half of large enterprises used active credit management. Less than the average regional use was made of cash sales, requesting secured payment, monitoring buyer credit risk and using credit insurance.
- Australian businesses showed no significant overall uptake of risk mitigation tools in 2011. Larger companies were among most active in the pockets of increased activity. Wholesale/retail/distribution companies raised their level of buyer risk monitoring.
- B2B payments averaged an overall 25 days: 1 day below due date. 25 day domestic payment durations matched the regional average. 28 day export times fell below the 30 day Asia Pacific average. Micro-companies waited the least. Medium/large companies waited the longest.
- Respondents received a relatively low 25% of domestic and 20% of export invoices past due date. Medium/large enterprises and financial services companies reported the highest level of overdues. 4% of domestic B2B receivables and 6% of export invoices became delinquent.
- *Insufficient availability of funds* was underlined by all of the surveyed industries and business sizes as by far the most influential reason for their B2B payment delays.
- 2.4% and 3% of B2B domestic and foreign receivables went uncollected by respondents, the lowest Asia Pacific level in the survey. Medium/large enterprises and financial services companies were the most affected by uncollectables.
- Respondents posted an average 38.4 day DSO performance: 14 days below the regional mean and 12 days below any other surveyed Asian country. Medium/large enterprises and financial services companies notched up the longest DSOs by size and industry.
- The Australian DSO trend during the first half of 2011 was relatively unchanged. The 77% stability figure averaged 10% higher than the wider Asia Pacific region. Micro-companies and the wholesale/retail/distribution sector showed the most stable DSO trend by size and industry.

2 Use of trade credit

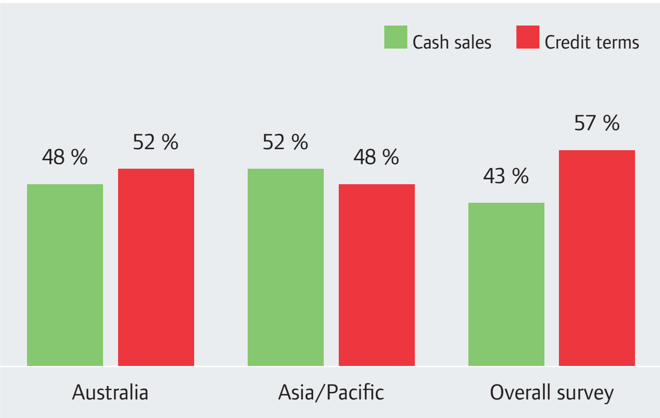
- An average 52% of B2B sales were credit-based
- Long-term sales relationships exerted the greatest influence on trade credit decisions

2.1 Sales on credit terms (domestic/foreign)

52% of sales were made on credit

The survey respondents in Australia made an average 52% of their B2B transactions on credit terms, showing an appetite for trade credits that sat in between the Asian and wider survey averages (of 48% and 57% respectively). This suggested that neither cash nor credit-based sales are strongly preferred by Australian companies. A relatively high level of risk aversion was evidenced in relation to foreign sales. An average 85% of credit sales went to the domestic market and only 15% to foreign customers, with only Greece and Spain exhibiting a higher aversion to foreign credit sales in the survey. Moreover 64% of Australian respondents indicated that they would offer no credit terms at all for foreign sales.

What percentage of the total value of your annual B2B sales (domestic and foreign) are made on a cash basis/credit terms?



Sample: all interviewed companies
Source: Atradius Payment Practices Barometer – October 2011

By business size

Medium/large businesses worked on credit more frequently than other business sizes

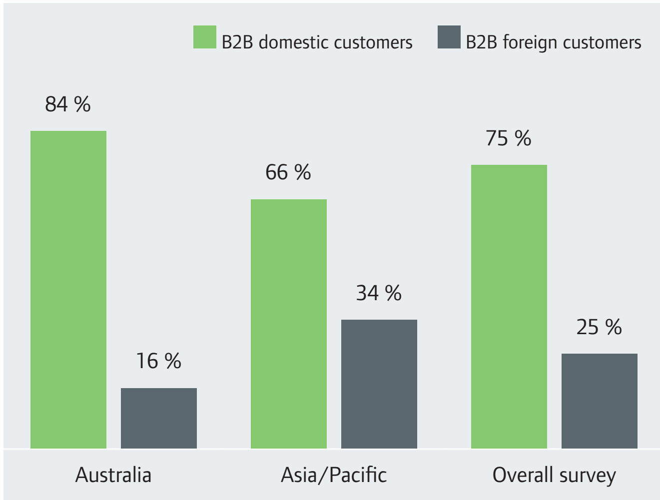
The highest appetite for trade credit was shown by medium/large Australian firms (average 71% of respondents), followed by 55% of small firms. Large companies and micro-enterprises (42% each) showed a preference for cash sales. Medium/large enterprises also exhibited the most open attitude towards export credit sales (36%), in comparison to large companies (19%) and small enterprises (14%). Aligning with their typical requirement for fast cash flow, an average 96% of micro-businesses preferred cash sales for exports, surpassed in the Asia Pacific by only Japanese micro-companies (100%).

By business sector

Manufacturing and financial services companies were the most frequent trade credit users

Trade credit was extended with the greatest frequency by Australia's manufacturing and financial services industries (average 55% of respondents each). Wholesale/retail/distribution and services companies were not far behind in their use (52% and 51% of sales respectively). This general trend was also observed with regard to foreign sales. An average 26% of financial services companies and 24% of manufacturers respectively showed a propensity to grant trade credit to foreign customers. This inclination was shown by only 14% of wholesale/retail/distribution companies and 13% of the services industry.

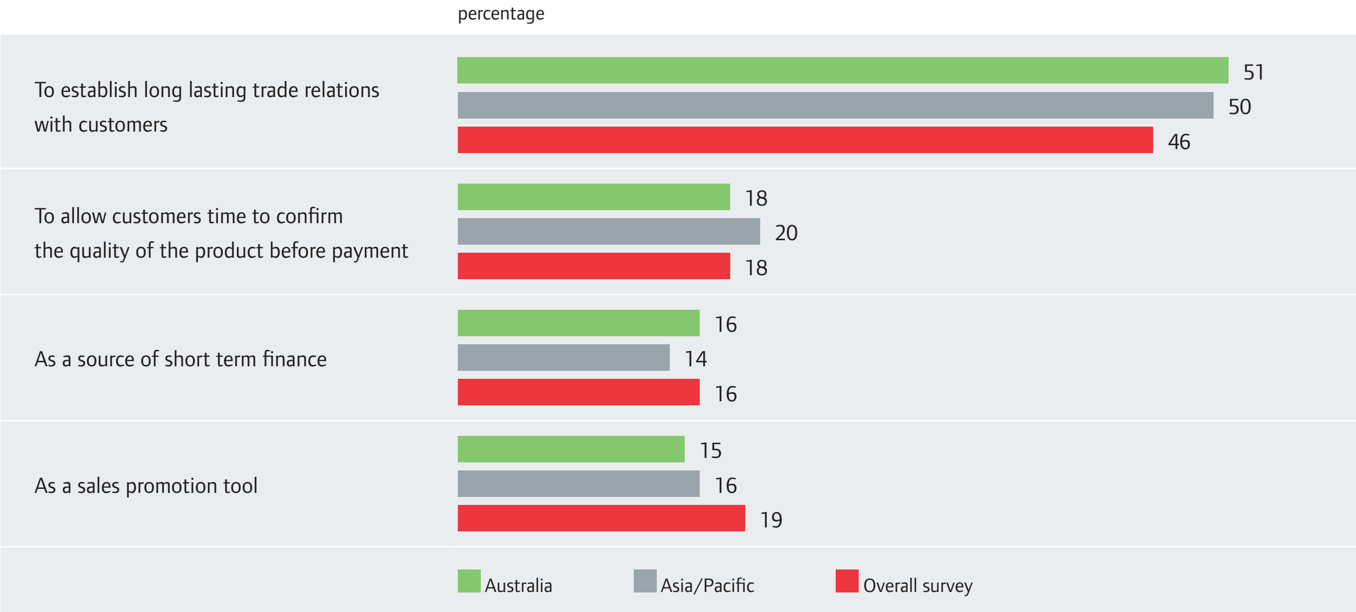
What percentage of the total value of your B2B credit sales are to domestic/foreign customers?



Sample: interviewed companies with credit sales
Source: Atradius Payment Practices Barometer – October 2011

2.2 Trade credit supply determinants

What are the main reasons that your company grants trade credit to its B2B customers?



Sample: interviewed companies with credit sales that rank respective aspect most important

Source: Atradius Payment Practices Barometer – October 2011

Lasting sales relationships exerted the greatest influence on trade credit decisions

A sustainable commercial mentality was observed to underpin the majority of Australian credit decisions. The drive to create *long-term sales relationships with customers* was cited by 51% of the surveyed Australian businesses as the key reason for extending B2B trade credit, higher than the Asia Pacific and overall survey means of 50% and 46% respectively.

After this the rankings were tight. Second priority was accorded to *confirming the quality of the product before payment* (18% of respondents). Slightly lesser weightings were assigned to *a source of short-term finance to customers* (16%) and *as a sales promotion tool* (15%).

By business size

Large enterprises showed the greatest focus on sustainable relationships

67%, 53%, 50% and 46% of large, medium/large, micro and small enterprises respectively prioritised *long-term sales relationships with customers* as the key determinant for extending trade credit. No standout trends were observed for the other determinants.

By business sector

Manufacturers prioritised credit as a long-term commercial tool

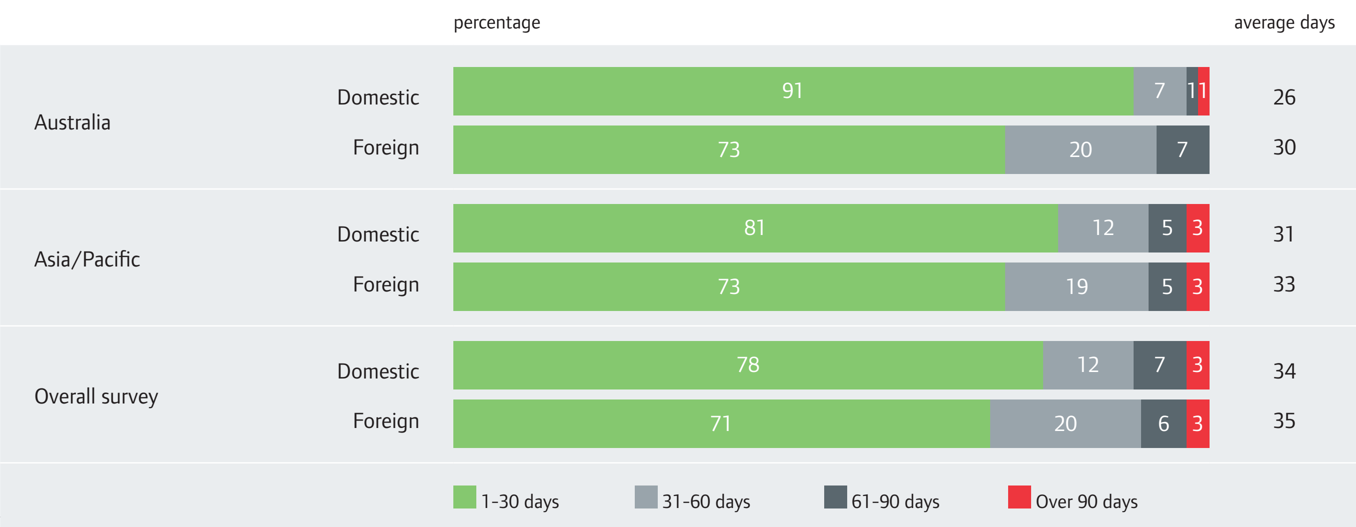
By industry, Australian manufacturing companies (61% of respondents) allocated the highest weighting to the deployment of trade credit as a technique to develop *long-term sales relationships with customers*. Only 9% of manufacturers and 6% of wholesale/retail/distribution companies highlighted *source of short-term finance* as a key determinant. Services and financial services companies spotlighted *sales promotion tool* with the least regularity (9% each).

3 Credit management practices

- The average payment term (domestic and foreign) set was 26.4 days
- Company standard terms and trade relationships were ranked almost equally as key payments terms determinants
- Only 24% of Australian companies offered early payment discounting facilities
- Two forms of risk mitigation were deployed at a rate above the regional average
- Respondents showed no significant overall uptake of risk mitigation tools in 2011

3.1 Average payment terms (domestic/foreign)

What payment terms does your company set for its domestic/foreign B2B customers?



Sample: interviewed companies (active on domestic and foreign markets)

Source: Atradius Payment Practices Barometer – October 2011

Australian companies asked for average 26 day payments

A relatively strong emphasis was placed on prompt payments in Australia. The average payment term (domestic and foreign) set was 26.4 days, with only Hong Kong companies requesting quicker (average 26 days) payment. Respondents reported that they set 26 day average terms for domestic customers, and 30 days for foreign customers. Although this suggests that Australian companies see a relatively greater risk in foreign trade credit, the 30 day figure fell below the Asia Pacific and survey averages (33 and 35 days respectively).

By business size

Small enterprises set the shortest terms, medium/large firms set the longest

By business size, the shortest B2B payment terms were offered by small Australian companies (18 days domestic: 19 days foreign). The longest were set by medium/large companies (42 days domestic: 46 days foreign), mirroring the higher appetite for credit among respondents in this category.

By business sector

Prompt payment requests characterised the wholesale/retail/distribution and manufacturing industries

By industry, the shortest B2B payment terms were requested by the wholesale/retail/distribution sector (24 days domestic: 25 days foreign). Manufacturers' average terms (29 days domestic: 31 days foreign) were also below the Asia Pacific (35 days domestic: 36 days foreign) and survey (39 days domestic and foreign) averages. The longest domestic and foreign terms were set by financial services and services sector companies, averaging 34 days and 33 days respectively.

3.2 Payment terms determinants

Top 3 payment terms determinants (domestic/foreign)

Sample: interviewed companies (active on domestic and foreign markets)

Source: Atradius Payment Practices Barometer – October 2011

Company standard terms were seen as the key influence over payment terms

Australian respondents reported *company standard terms* to be the most influential factor in setting domestic payment terms (51% of respondents) and foreign terms (46%). However, there was only a marginal preference shown for this reason over the prioritisation of *trade relationship with the customer* (47% domestic: 46% foreign).

This suggests that, if credit terms are to be set, Australian businesses juggle the requirement to adhere to their company policy with the drive to accommodate the customer's needs. A lesser weighting was accorded to *credit capacity of the customer* (33% domestic: 38% foreign), and to *industry standard* (37% domestic: 38% foreign).

By business size

Medium/large companies cited a range of foreign terms determinants

Company standard terms and *trade relationship with the customer* were strongly prioritised as drivers of payment terms by every business size surveyed. Beyond these and other key determinants cited above, Australia's medium/large sector emphasised three other key influences on how it sets foreign payment terms. In this regard, *government regulations, competition* and *type of product sold* each received a 50% weighting.

By business sector

Competition/company standard terms received key weightings

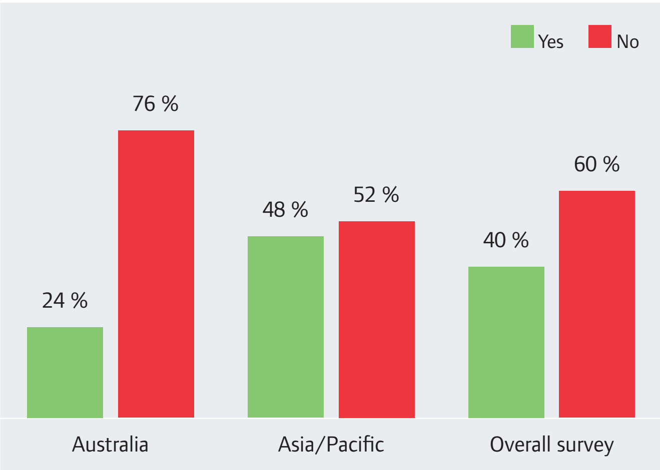
There were two standout prioritisations. The largest was the 75% of financial services companies that highlighted *competition* as the key influence on domestic payment terms. This would suggest that Australia's domestic banking space is a crowded environment where companies can distinguish themselves by longer loan tenors. Another above-average trend was the 63% of service sector respondents that highlighted *company standard terms* as the most important foreign terms driver.

3.3 Early payment discounts

Only 24% of Australian companies offered early payment discounting facilities

Companies in our survey showed a distinct aversion to offering early payment discounts: just 24% of respondents said that they offered this facility. This indicates that Australian enterprises prefer to be paid in full. Respondents in other Asia Pacific countries (regional average: 48% discounting) discounted for early payment at a 42% or greater frequency, with only Japan (15%) showing a lesser inclination for extending early payments discounts. Where early payment discounting was available from Australian companies, it was met by acceptance from 30% of domestic customers and 37% of foreign customers, above the regional mean (30% domestic: 28% foreign).

Does your company discount early payment of invoices?



Sample: all interviewed companies
Source: Atradius Payment Practices Barometer – October 2011

By business size

Micro-companies offered early payment discounts least frequently, but these were accepted most frequently

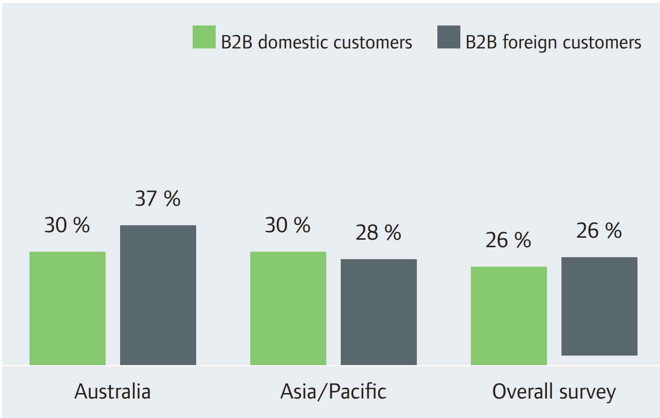
Each size of business in Australia offered early payment discounts at far lower levels than the Asia Pacific and survey averages. Medium/large and small businesses (34% and 30% of respondents respectively) made the most frequent offers of early payment discounts to their B2B clients. Less frequent offers were made by large companies (25%). Micro-businesses made offers with the least frequency (15%) of all, but met with the greatest level of acceptances, averaging 43% of domestic offers and 55% of export offers. This indicated that this business segment was relatively more efficient at choosing opportunities for early payment discounting. Better than average acceptances were also reported by small businesses (35% domestic: 38% foreign).

By business sector

Financial services companies were most inclined to offer early payment discounts

By industry, the most regular practitioners of early payment discounting were financial services companies, with 33% offering these facilities. Services companies (21% of respondents) were the least active. The highest rate of acceptances, (44% domestic: 46% foreign), was reported by the financial services sector, suggesting that this industry favours early settlement and pays a high level of attention to the opportunities for discounting. The wholesale/retail/distribution industry reported the second highest acceptances level (34% domestic: 45% foreign).

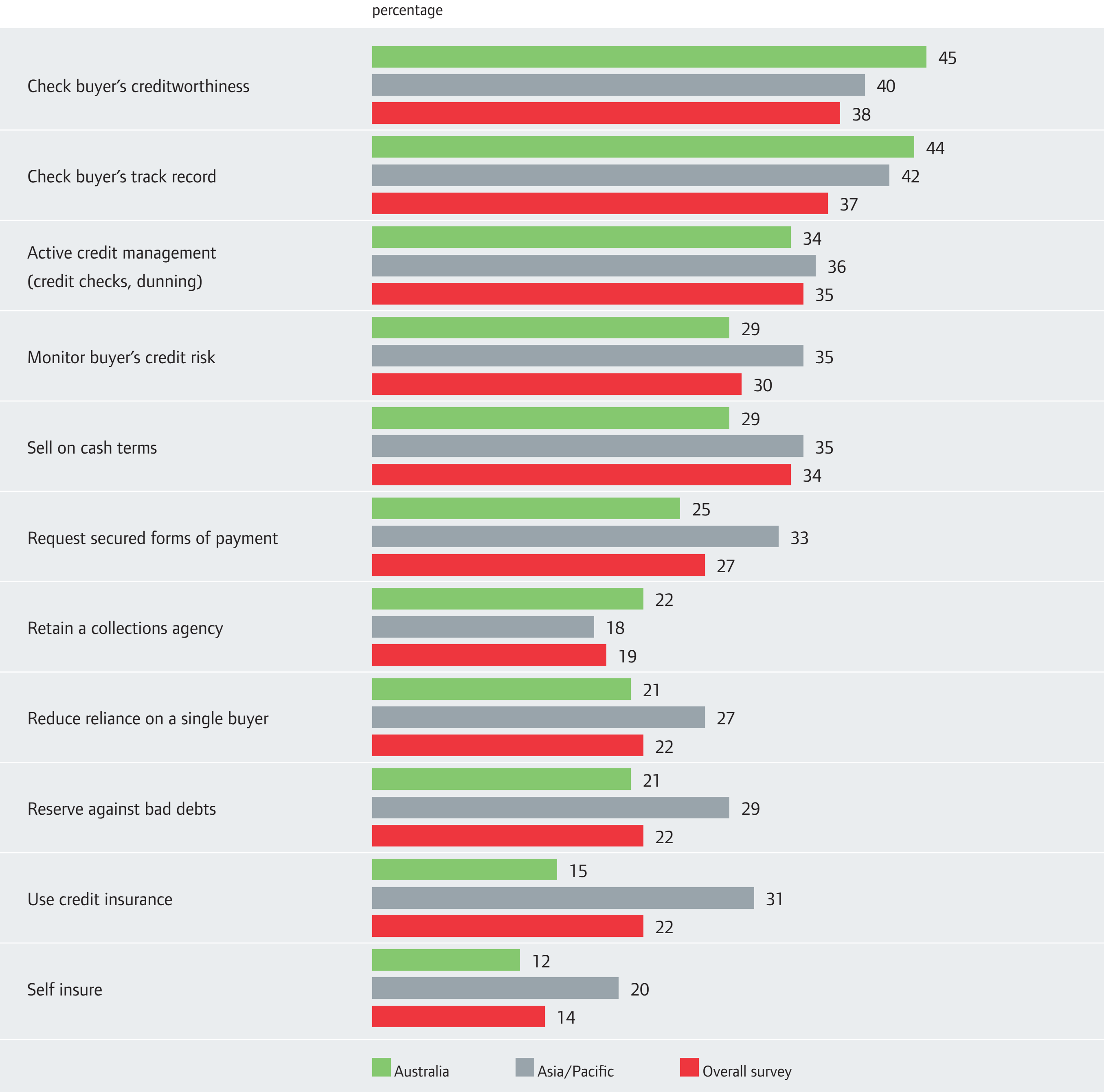
What percentage of your domestic/foreign B2B customers take advantage of the early payment discount?



Sample: interviewed companies that discount early payment (that sell products or services abroad)
Source: Atradius Payment Practices Barometer – October 2011

3.4 Use of credit management tools: first half 2011

How do you protect your business against payment default?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – October 2011

Buyers track record and credit checks were most regularly used to mitigate risks

Australian companies were among the least inclined in the Asia Pacific region to use credit management tools to mitigate their payment risks. Only in two regards did Australian survey participants report using a regular form of risk mitigation at a rate above the regional average: this concerned the 44% of respondents that recorded their inclination for *checking a buyers track record* (42% average Asia Pacific usage), and the 45% that showed a propensity for *checking a buyers creditworthiness* (40% Asia Pacific average). Australian companies reported less than the regional average use of the options of active *credit management, selling on cash terms, requesting secured forms of payment, monitoring buyer credit risk* and *using credit insurance*.

By business sector

Buyer diligence was seen as important by the wholesale/retail/distribution sector

Analysed by industry, the highest levels of risk mitigation activity involved the *checking of a buyer's track record*. 52%, 50% and 47% of wholesale/retail/distribution, manufacturing and financial services companies respectively highlighted this as their most regularly used method of countering payments risk. Also suggesting a view that in-house activity can counter some payments risk, *checking a buyer's creditworthiness* was selected by 50% of wholesale/retail/distribution companies, and 45% and 44% of manufacturing and services companies. Mention should also be made of the 47% of financial services respondents that recorded their use of *reserves against bad debt*.

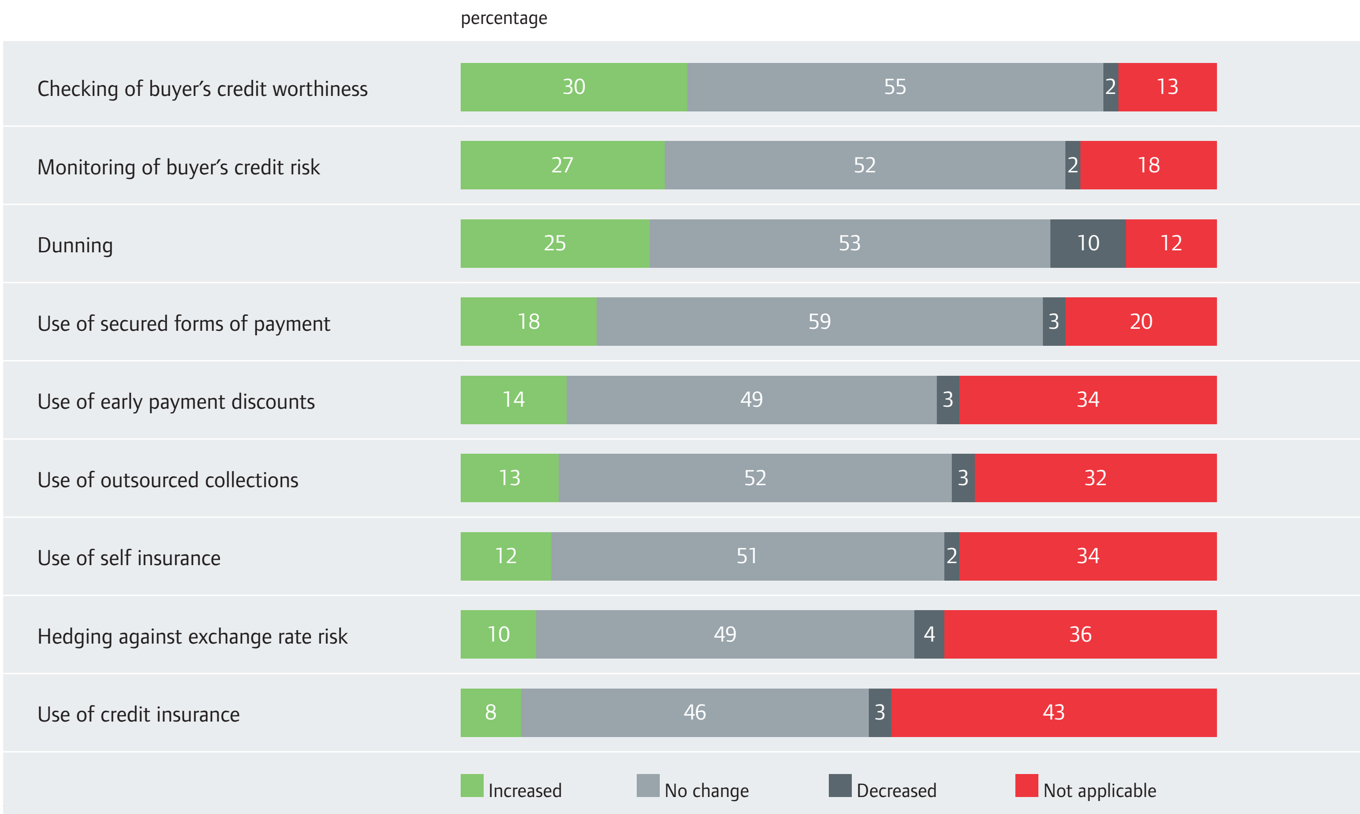
By business size

Large enterprises most frequently stressed active credit management

Checking a buyer's track record and *checking a buyer's creditworthiness* were reported as frequently used forms of risk mitigation by every size of business surveyed. Among the less regularly cited risk mitigants, large businesses emphasised *active credit management* (53% of respondents) and *reserves against bad debt* (47%) as regular practices.

3.5 Trend in the use of credit management tools

In the first half of 2011 (compared to the second half of 2010) how have your credit management practices changed?



Sample: all interviewed companies from Australia

Source: Atradius Payment Practices Barometer – October 2011

Australian businesses showed no significant overall uptake of credit management tools in 2011

Our survey showed that three credit management tools showed significantly increased use in the Asia Pacific region during the first half of 2011 compared to the second half of 2010. These were *monitoring buyer risks, using secured forms of payment,* and *checking a buyer's creditworthiness*, which showed average usage increases of 39%, 35% and 38% respectively. No overall rise in uptake above or at these frequencies was reported by Australian respondents, although pockets of activity were observed below.

By business size

Larger companies showed the highest increase in risk mitigation activity

Medium/large companies showed a noteworthy increase in their use of risk mitigation in three regards. 44% of respondents from this business size reported an increased recourse to *monitoring buyer credit risk*, 31% recorded an uptake in using *secured forms of payment*, and 37% lifted their frequency of *checking a buyer's creditworthiness*. The latter practice was also reported to have risen significantly among large companies (47% of respondents).

By business sector

Wholesale/retail/distribution companies raised their level of buyer risk monitoring

The highest increases in risk mitigation activity were concentrated mainly on *monitoring buyer risks* – including a 38% rise in usage by wholesale/retail/distribution sector companies - and *checking a buyer's creditworthiness*. The other pattern worthy of mention was a 30% increase in the use of *hedging against exchange rate risk* by financial sector companies.

4 Customers' payment behaviour

- Respondents averaged a 25 day (domestic and foreign) payment duration, 1 day less than requested terms
- 25% of domestic and 20% of export invoices fell overdue; 4% and 6% became delinquent
- Insufficient funds were highlighted as the key payment delay factor (62% domestic: 59% foreign)
- 2.4% and 3% respectively of domestic and foreign invoices went uncollected

4.1 Average payment durations and average payment delays

Payments to Australian companies arrived in an overall 25 days

Australian respondents averaged an overall 25.1 days payment time (domestic and foreign) in the survey, just over 1 day faster than the average due date. This placed Australian respondents at the mean point for Asian payment durations, sandwiched between the faster times reported for China, Indonesia and Hong Kong, and more protracted waiting times in Singapore, Japan and Taiwan.

Domestic payment durations were 25 days, matching the Asia Pacific regional average. Payments for export receivables were received in an average 28 days: 2 days earlier than the 30 day Asia Pacific average.

By business size

Medium/large companies received the slowest payments

Matching the relatively longer payment terms that they set, medium/large enterprises recorded the slowest payment durations. Averaging 31 days for domestic business and 42 days for exports, these were below the terms requested (42 days domestic: 46 days foreign). The fastest payment times (19 days domestic: 16 days foreign) were reported by micro-companies, almost matching the average terms requested (18 days domestic: 19 days foreign) in a business segment that prioritises the promptest possible payment durations.

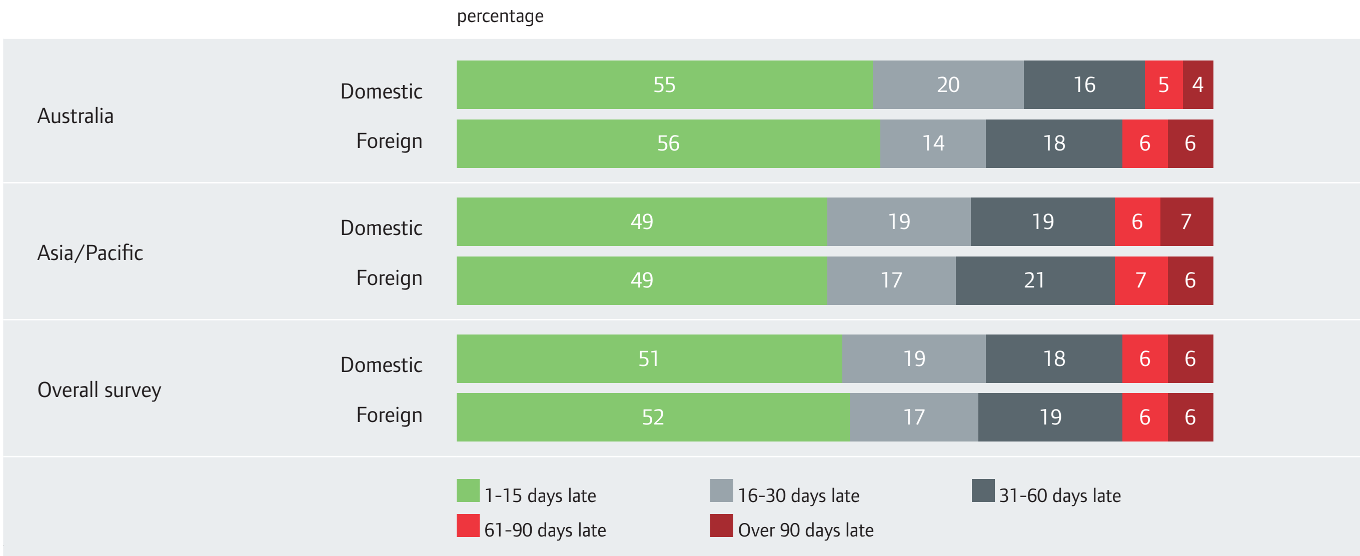
By business sector

Waiting times showed a convergence across every sector

It was difficult to perceive any significant trends in the sectoral analysis, with times compressed into a minimum 23 day and maximum 31 day range, with the domestic and foreign payments durations for each industry adhering closely to regional averages.

4.2 Overdue B2B invoices (domestic/foreign) – Payment timing

Domestic/foreign B2B overdue invoices - Payment is made between….



Sample: interviewed companies with overdue invoices (active on domestic and foreign markets)

Source: Atradius Payment Practices Barometer – October 2011

Relatively low export overdue levels evolved into average delinquency levels

Australian companies received an average 25% of domestic receivables past due date: comfortably below the 30% regional average. A less frequent 20% of export invoices fell overdue: even more comfortably below the 32% regional average. The majority (75% domestic: 70% export) of receivables were paid within the first 30 days after due date.

However, this did not appear to play any major role in limiting the delinquency (unpaid after 90 days) figures. 4% of domestic B2B invoices and a much larger 6% of export invoices became delinquent, respectively falling below and matching the wider survey averages (both 6%). This indicates that less frequently occurring overdue export invoices tended to suffer from relative neglect in the following 90 day period.

By business size

Micro-companies reported the smallest proportion of overdues

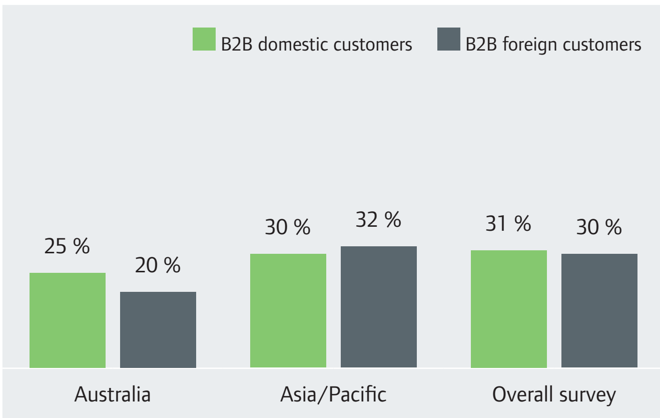
The lowest level of overdue B2B invoices was reported by Australian micro-enterprises: 21% of domestic and 11% of foreign invoices fell overdue in this size segment, where payments were very prompt. Medium/large enterprises reported the highest level of overdue figures by company size, 32% for domestic sales and 28% for export business. This segment granted the highest levels of trade credits and experienced the longest payments durations.

By business sector

Financial services generated the largest proportion of overdues

By sector, Australia's financial services respondents recorded the highest overdue figures, with an average 33% of domestic business invoices and 28% of exports receivables falling past their due date. This sector's relatively high volume of trade credits may have influenced the overdue figure. The overdue frequency among the other surveyed sectors was relatively similar in its composition.

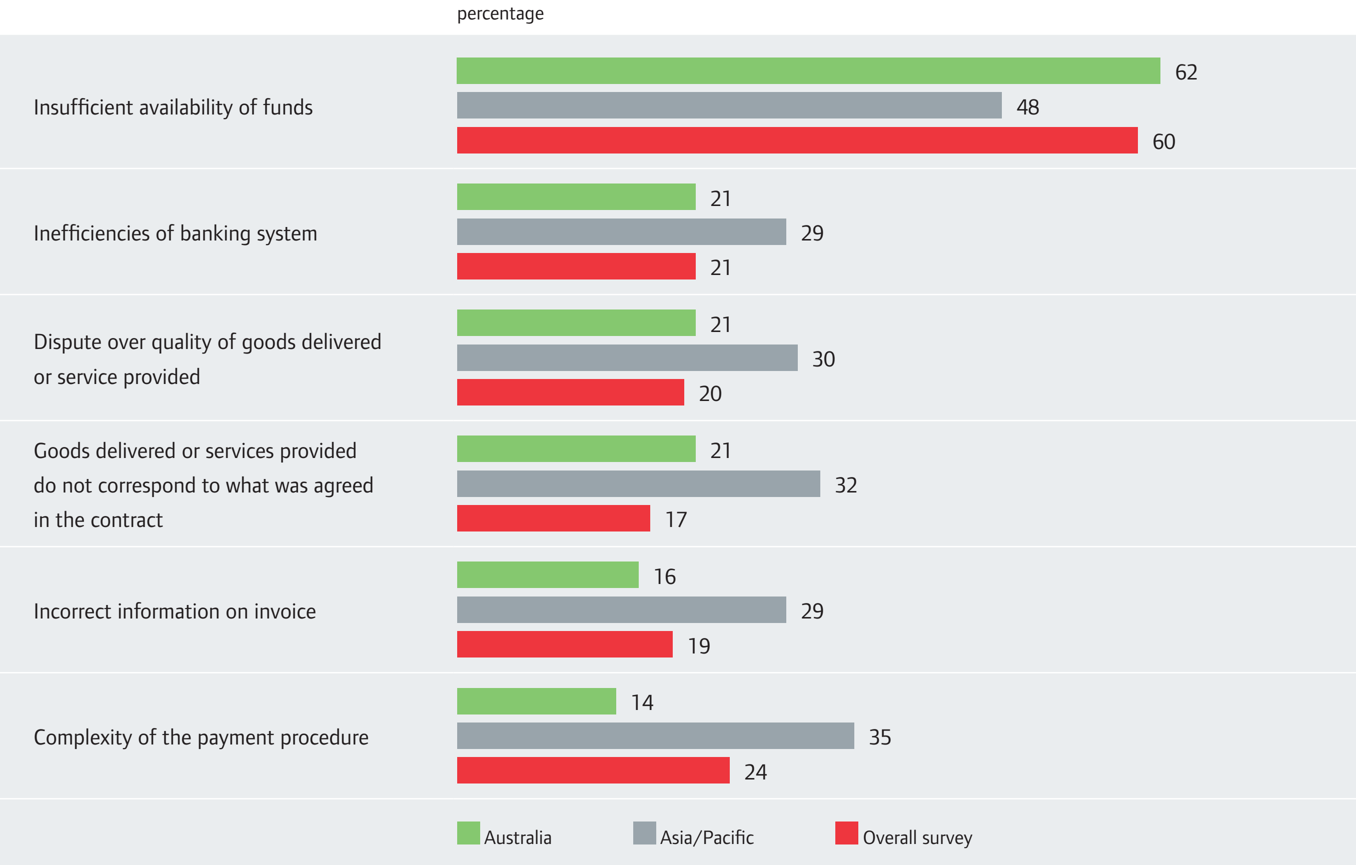
What percentage of your domestic/foreign B2B invoices are overdue?



Sample: all interviewed companies (that sell products or services abroad)
Source: Atradius Payment Practices Barometer – October 2011

4.3 Main reasons for payment delays from customers

What are the main reasons for payment delays by domestic B2B customers?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – October 2011

Insufficient funding was pinpointed as the key delay factor

According to the surveyed companies, the key reason for their B2B payment delays was an *insufficiency of available funds*. 62% of Australian respondents cited this as a major domestic delay factor, and 50% pinpointed it as the key export delay factor: in each case, well above the Asia Pacific regional average (48% domestic: 37% foreign).

This indicates that Australian businesses have become alert to the dangers that their trading partners' liquidity levels can swiftly fall to a level where prompt payments become problematic. Three other determinants - *inefficiencies of the banking system, disputes over the quality of goods*, and *goods not correspondent* - received a much smaller prioritisation. In each case, 21% of respondents cited this as a domestic payment delay factor, and 17% as a trigger for export payment delays.

By business size

Banking inefficiencies seen as most influential for foreign delays

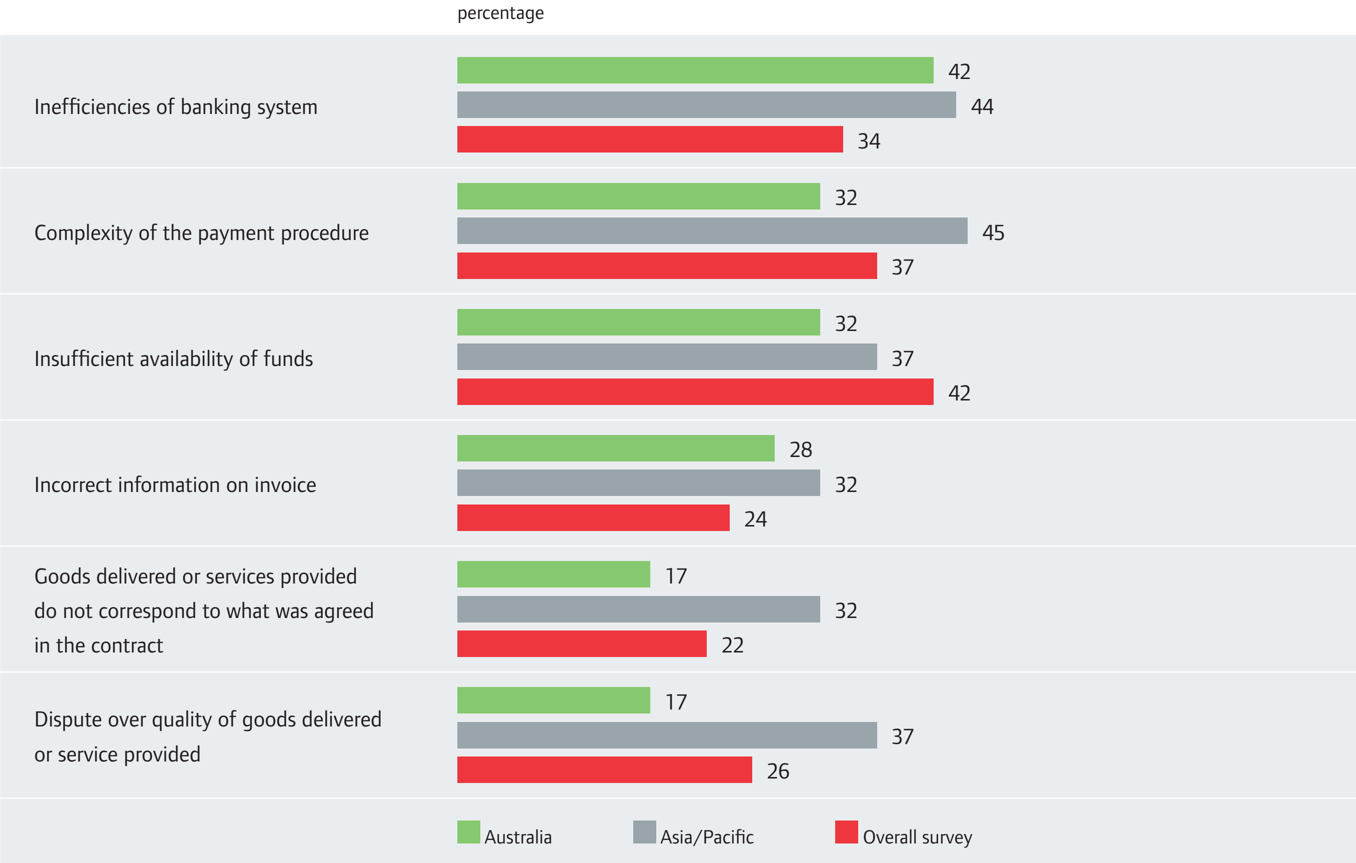
Insufficient availability of funds was underlined by Australian companies of all sizes as a prime reason for their B2B payment delays. 71% of large enterprises referred to this reason as the main trigger for domestic payment delays, and also to *inefficiencies of the banking system* as a prime determinant of their export payment delays. 50% of medium/large companies and 43% of micro-businesses cited *complexity of the payment procedure* for their export payment delays, while 44% of medium/large enterprises highlighted *not contracted goods* for export delays.

By business sector

Insufficient funding was the key delay factor across all industries

Insufficient availability of funds was underlined by each of the surveyed industries as a reason for their B2B payment delays with a frequency far above any other reason. Among the lesser-cited reasons, *incorrect information on the invoice* was highlighted by financial services companies (33% domestic: 71% foreign).

What are the main reasons for payment delays by foreign B2B customers?



Sample: all interviewed companies (that sell products or services abroad)

Source: Atradius Payment Practices Barometer – October 2011

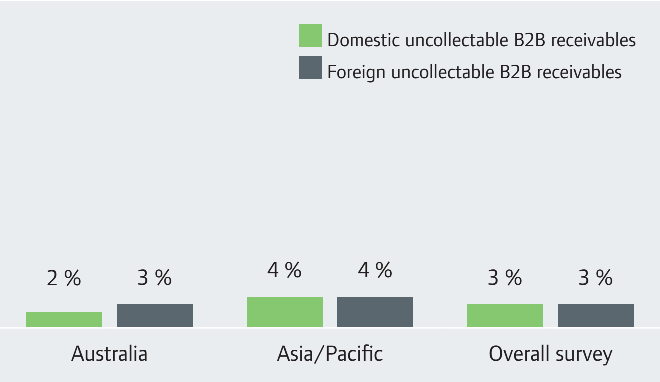
4.4 Uncollectable receivables (domestic/foreign)

Below-average proportions of invoices went into default

2.4% and 3% respectively of their B2B domestic and foreign receivables were reported as uncollectable by respondents. These proportions compare favourably with every other Asian country surveyed, and to the Asia Pacific regional (4% domestic and foreign) average, and also fall below the domestic component of the survey average (3% domestic and foreign).

They suggest that Australian companies have been weathering the trade risk now affecting every global economy better than many of their Asian counterparts.

Over the last six months, what percentage of the total value of your B2B receivables (domestic/foreign) were uncollectable?



Sample: all interviewed companies (that sell products or services abroad)
Source: Atradius Payment Practices Barometer – October 2011

By business size

Medium/large companies were the most affected by uncollectables

Micro-companies recorded the smallest proportion of uncollectable receivables (average 1% domestic and foreign), followed by large companies (2% domestic and foreign), small companies (3% domestic and foreign) and medium/large businesses (5% domestic and foreign). The latter was the sole business size whose performance failed to match the Asia Pacific equivalent average (4% domestic and foreign). It waited longer for payment and ran up greater levels of overdues than the other three segments, pushing it into a relatively higher uptake of risk mitigation tools.

By business sector

The financial services sector suffered the highest level of uncollectables

A significantly higher frequency of uncollectables (averaging 5% of domestic and 7% of foreign receivables) was recorded by financial services companies. This trend tallies with the higher level of overdues recorded by the sector. Respondents in the other three surveyed industries reported proportions of domestic and foreign uncollectables in the 2-3% range.

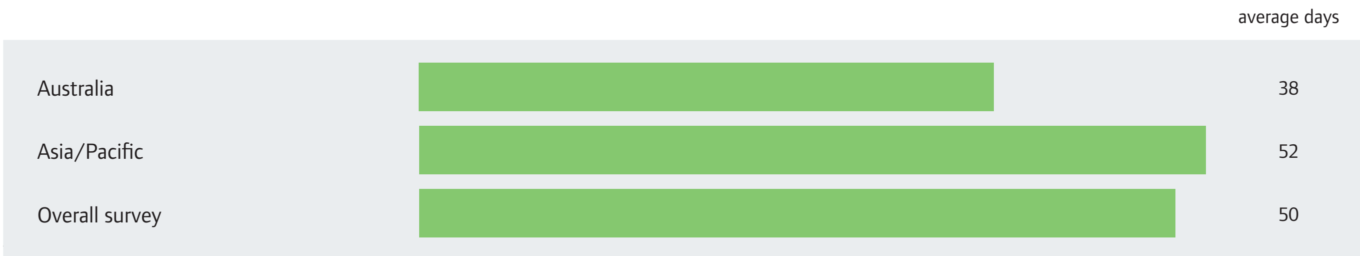
TABLE OF CONTENTS
EXECUTIVE SUMMARY
USE OF TRADE CREDIT
CREDIT MANAGEMENT PRACTICES
CUSTOMERS' PAYMENT BEHAVIOUR
CASH INFLOW MONITORING
SURVEY DESIGN

5 Cash inflow monitoring

- Companies reported a 38.4 day DSO performance, 14 days below the Asia Pacific average
- 77% of companies' DSO remained stable, compared to 67% in the wider Asia Pacific region

5.1 Average Days Sales Outstanding (DSO): first half 2011

What is your company's average DSO (Days Sales Outstanding) for the first half of 2011?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – October 2011

Companies averaged a 38 day DSO, 12 days below the regional mean

Australian respondents posted an average 38.4 day DSO performance, 14 days below the 52 day Asia Pacific average and 12 days below all other surveyed Asian countries.

This indicates that Australian companies are strongly focused on collections activity, with confirmation for this argument available in the relatively lesser frequency of uncollectable invoices (see above).

By business size

Medium/large companies generated the longest DSO figure

Analysed by business size, medium/large Australian businesses surveyed reported the highest DSO figure, averaging 50 days. Their longer overdues will have played a key role in this respect.

Small and large companies both recorded a 40-day DSO. Micro businesses averaged a 29 day DSO, mirroring their relatively lesser overdues.

By business sector

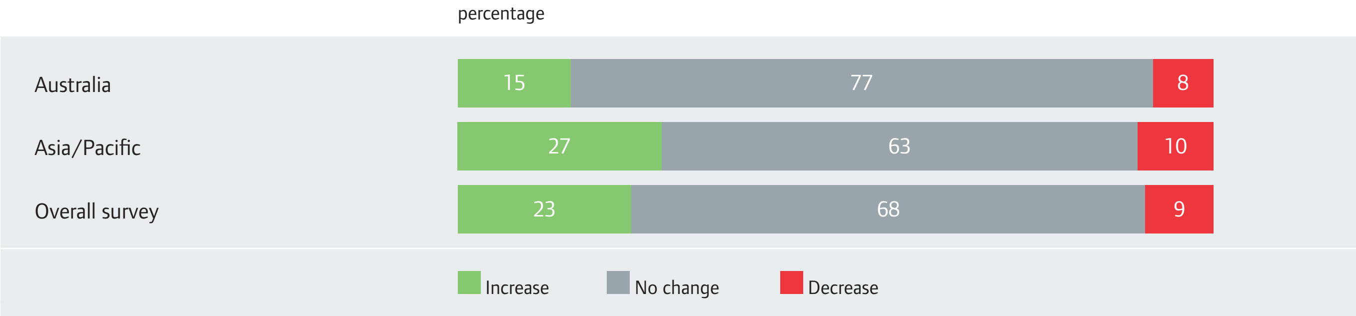
The highest sectoral DSO was recorded by financial services

In alignment with its longer overdues and higher uncollectables, the financial services sector recorded a 70 day DSO, the highest by surveyed Australian industry, and well over the Asia Pacific sectoral average of 48 days.

Manufacturers in the survey recorded a 56 day DSO, 1 day over the Asia Pacific sectoral average. The remaining DSO values were 33 days and 31 days for the wholesale/retail/distribution sector and services industry respectively.

5.2 DSO trend over the past year

Has your company's average DSO changed compared to the same period a year ago?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – October 2011

Australia's DSO trend is relatively stable

The Australian DSO trend during the first half of 2011 was relatively unchanged. 15% of respondents reported an increase in their DSO, 8% reported a decrease, and 77% of respondents' DSO remained unchanged.

In the wider Asia Pacific region, a lesser 67% of DSO showed no change, and 27% exhibited an increase. Australian companies will undoubtedly be focusing on collections and other forms of risk mitigation activity in the second half of 2011 to prevent greater volatility seeping into the trend.

By business size

Micro-companies showed the most stable DSO trend

The greatest level of change in DSO during the first half of 2011 was reported by medium/large enterprises. These averaged a 17% increase and a 28% decrease in their DSO, leaving 56% unchanged.

The biggest DSO increases, 18% each, were recorded by large and small companies. Micro-enterprises exhibited the highest DSO stability (average 86% unchanged), and an 18% DSO increase.

By business sector

The wholesale/retail/distribution sector exhibited the highest DSO stability

The greatest level of DSO change was observed among Australia's financial sector companies, where 23% of respondents reported a DSO decrease and 8% an increase.

This left 69% of unchanged DSO. 74% stability was recorded across the services sector, and 82% and 84% of the DSO in the manufacturing and wholesale/retail/distribution industries respectively stayed unchanged.

6.1 Survey background

Atradius conducts regular surveys of corporate payment behaviour across a range of countries; its findings published in the Atradius Payment Practices Barometer. From its inception in 2006, when 1,200 companies from six European countries were interviewed for their views of their business partners' payment behaviour, the twice yearly Atradius Payment Practices Barometer has grown in scope each year.

In the second survey of 2011 (the 10th in the series) approximately 5,400 companies from 27 countries worldwide (Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, France, Germany, Great Britain, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan and USA) have been surveyed.

6.2 Survey objectives

The 10th edition of the Atradius Payment Practices Barometer addresses the following research questions:

Use of trade credit

- Annual B2B sales (domestic/foreign): % split sales made on a cash basis/credit terms
- B2B credit sales: % split domestic/foreign customers
- Trade credit supply determinants

Credit management practices

- Average payment terms (domestic/foreign) granted to customers
- Payment terms determinants
- Discounts for early payment of invoices (acceptance rate from customers)
- Current use of credit management tools
- Trend in the use of credit management tools (overtime comparison)

Customers' payment behaviour

- Average payment durations and payment delays (domestic/foreign) at country level
- % of overdue B2B invoices and payment timing from customers
- Main reasons for payment delays from customers
- Uncollectable receivables (domestic/foreign)

Cash inflow monitoring

- Average DSO at country level
- DSO trend over the past year

6.3 Structure of the survey

- Determining the appropriate company contact for accounts receivable management
- Ascertaining the interviewed company's industry and size
- Ascertaining the industries and countries the company does business with
- Assessing the extent to which survey respondents use trade credit in their B2B transactions
- Focusing on the main credit management practices in each country surveyed
- Focusing on the following topics:
  · customers' payment behaviour
  · cash inflow monitoring (current DSO and its trend)

6.4 Survey scope

Basic population

- Companies from 27 countries were monitored: Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, France, Germany, Great Britain, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan and USA
- The appropriate contacts for accounts receivable management were interviewed
- Selection process Sample - Internet survey: companies were selected and contacted by use of an international internet panel. At the beginning of the interview, a screening for the appropriate contact and for quota control was conducted n=5,399 persons were interviewed in total (approx. n=145-215 persons per country)
- In each country, a quota was maintained according to three rough industry categories and two classes of company size
- As to Spain, the sample has been extended with the inclusion of the businesses with turnover under 1 million euro
- Interview: Web-assisted personal interviews (WAPI) of approx. 12 minutes duration

6.5 Sample overview

Country (n=5,399)	n	%
Belgium	168	3.1%
Germany	210	3.9%
Italy	208	3.9%
The Netherlands	212	3.9%
France	205	3.8%
Spain	201	3.7%
Sweden	202	3.7%
Denmark	201	3.7%
Great Britain	210	3.9%
Ireland	145	2.7%
Austria	205	3.8%
Greece	203	3.8%
Switzerland	192	3.6%
Poland	203	3.8%
Czech Republic	200	3.7%
Hungary	209	3.9%
Slovakia	201	3.7%
Australia	194	3.6%
China	215	4.0%
Hong Kong	202	3.7%
Taiwan	197	3.6%
Singapore	207	3.8%
Indonesia	201	3.7%
Japan	207	3.8%
USA	210	3.9%
Canada	190	3.5%
Mexico	201	3.7%

Turnover (n=5,399)	n	%
Micro enterprise	1,869	34.6%
Small enterprise	1,692	31.3%
Medium/Large enterprise	1,111	20.6%
Large enterprise	727	13.5%

Economic sector (n=5,399)	n	%
Manufacturing	1,250	23.2%
Wholesale/Retail/Distribution	1,335	24.7%
Services	2,319	43.0%
Financial services	495	9.2%

Where a single answer is possible, it may occur that the results are a percent more or less then a 100% when adding the results up. This is the consequence of rounding off the results. We have chosen not to adjust the results so the outcome would fit to a 100%, with the purpose of representing the individual results as exact as possible.

Legal disclaimer

Survey results and content were based on data collected and tabulated by Heliview Research. This report is provided for information purposes only and is not intended as a recommendation as to particular transactions, investments or strategies in any way to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided.

While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied.

In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages, even if advised of the possibility of such damages.

Your contact at Atradius

Mark Hoppe

Level 5, Export House
22 Pitt street
Sydney NSW 2000
Australia

Phone: +61 29201 5801
Email: mark.hoppe@atradius.com

Mary Ibrahim
Level 5, Export House
22 Pitt street Sydney NSW 2000
Australia

Phone: +61 29201 2180
Email: mary.ibrahim@atradius.com

Atradius
Level 5, Export House
22 Pitt Street
Sydney NSW 2000
Australia

www.atradius.com.au

Atradius
Level 7
70 Shortland Street
Auckland
New Zealand

www.atradius.co.nz