



Atradius Payment Practices Barometer

International survey
of B2B payment behaviour
Core results overall survey

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1.1 Introduction

This report is the central component of the 10th edition of the Atradius Payment Practices Barometer. It focuses on 27 major global economies, examining the primary aspects of trade credit supply and management, as well as the payment behaviour of the customers of international companies.

The objectives of this report and of the individual country reports are the same: we strive to provide companies trading internationally with an understanding of the trade dynamics of the countries and wider EU region 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.

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

The Autumn 2011 Payment Practices Barometer is available on the Atradius website at www.atradius.com

1.2 Conclusions

The global economic slowdown remained a reality at the time of this report, as evidenced by a series of sluggish indicators from the world's largest economy - the USA - and from a range of European economies. Although economic growth in many Asian economies continued to outpace that of western economies, compared to respondents from Europe and North America, survey respondents from the Asia-Pacific region demonstrated the biggest increase in Days Sales Outstanding (DSO) compared to 2010.

In these difficult conditions, decisions about whether or not to sell on credit take on a greater importance. Three quarters of the surveyed companies were disinclined to grant credit for export sales, while the survey clearly showed that long-term sales relationships remain the key criterion in making these decisions.

In an environment where insufficient liquidity was cited as the prime determinant of payment delays, the impact on businesses has been that over 30% of the survey respondents' invoices fell overdue, placing an unwelcome strain on cash flow.

The use of a wide range of credit management practices, including early payment discounting, was reported by survey respondents, highlighting their concerns about securing payment. These practices can of course also include the use of credit insurance as a form of payment protection, aimed at promoting safe trade between all parties involved in the transaction.

How well these forms of risk mitigation can be balanced in the future will play a role in determining which companies survive and prosper.

1.3 Core results overall survey

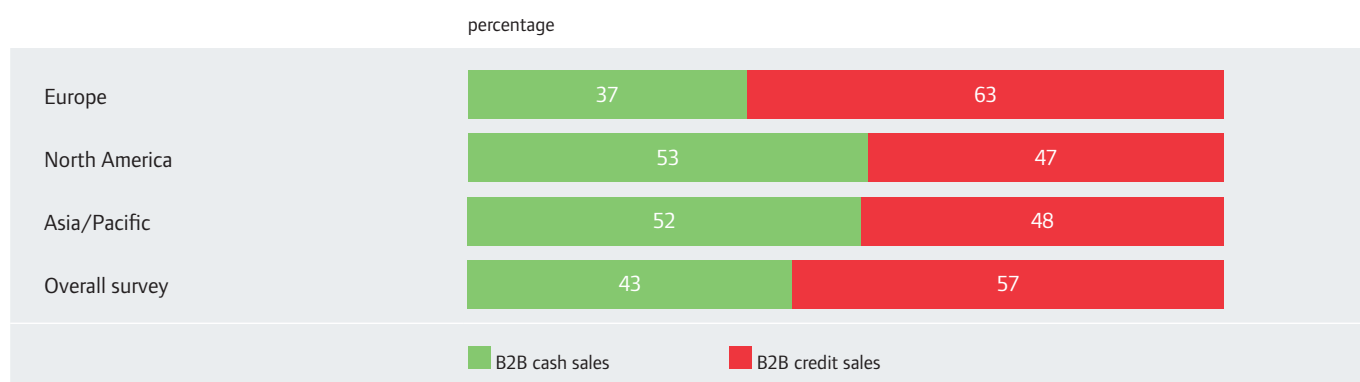
- Survey respondents in Europe were more inclined to B2B credit sales than respondents in North America and Asia-Pacific
- Aversion to the use of trade credit was focused on foreign sales
- Building long term trade relationships was the key driver of B2B credit sales
- Longest average payment terms were in Greece and Spain; shortest in Germany and Austria
- Domestic payment terms, on average, were shorter than foreign - except for Greece and Spain
- Trade relationship with the customer was the key driver in setting payment terms
- 2 in 5 respondents offered discounts for early payment of invoices - 1 in 4 customers took advantage of discounts
- Checking a buyer's creditworthiness was the most used credit management tool, overall, in first half 2011
- Credit checks on buyers were on the rise compared to the second half of 2010
- B2B customers of European respondents took, on average, longer to pay their invoices than customers of respondents in North America and Asia-Pacific
- Longest payment delays were in Greece, Spain and Italy
- Overall, 30% of the total value of B2B invoices was past due
- Lower percentage of past due invoices in North America than in Europe and the Asia-Pacific regions
- Overdue invoices were paid the fastest in Nordic countries and Hungary; the slowest in Greece and Spain
- Approximately 25% of past due invoices were paid 31-90 days after the due date (35% in Southern Europe).
- 18% of overdue invoices in Greece and 10% in Italy were paid more than 90 days after the due date
- Insufficient funds remained the main payment obstacle
- Disputes over the quality of goods or differences between the goods delivered and those agreed in the contract were the key drivers of overall payment delays experienced by respondents in Asia-Pacific
- Highest percentage of uncollectable B2B receivables were in Greece (6% against an overall average of 3%)
- Larger businesses waited longer to be paid
- Promptest payments were in financial sector; slowest in manufacturing
- DSO was highest in Southern Europe: Italy 63 days, Greece 70 days and Spain 88 days
- Manufacturing industry reported highest DSO
- Shortest DSO was among micro-enterprises
- An increase in DSO was recorded by 23% of respondents

2 Use of trade credit

- Survey respondents in Europe were more inclined to B2B credit sales than respondents in North America and Asia-Pacific
- Aversion to the use of trade credit focused on foreign sales
- Building long term trade relationships was the key driver behind B2B credit sales

2.1 Sales on credit terms (domestic/foreign)

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 – Fall 2011

Respondents in Hungary made the most use of trade credit; Japanese respondents most averse to B2B transactions on credit terms

With an average of 63% of the value of B2B sales transacted annually on credit terms, European respondents were more receptive to using trade credit than respondents in the North American and Asia-Pacific regions. On average, around half of the B2B sales of respondents in these regions (47% and 48% respectively) were made on credit terms.

Survey respondents in Hungary made the most use of trade credit (approximately 80% of B2B sales were made on credit terms), with Switzerland (77%) Sweden and Spain (74%), Germany (73%) and Slovakia (71%) not far behind. Europe also saw the highest percentages of respondents that sold exclusively on credit. In Sweden, 45%, Switzerland, 39%, Slovakia and Denmark, both around 33%, of respondents made 100% of their B2B sales on credit.

At the other extreme, Japanese respondents demonstrated the greatest aversion to credit, with only 30% of B2B transactions made on credit terms. The low use of trade credit by respondents in Japan had a significant impact on the average for the region. Asia-Pacific countries with the highest percentage of B2B credit sales by respondents were Australia, Hong Kong and Singapore (52%, 53% and 56% respectively).

In Europe, countries with relatively trade credit-averse respondents include Belgium (where 43% of the value of annual B2B

sales were on credit terms), Poland (45%), the Czech Republic (46%) and Great Britain (47%). The European country with the highest percentage of respondents who sold exclusively on a cash basis is the Czech Republic (37%).

In all of the countries surveyed, respondents were more likely to grant trade credit to domestic than to foreign customers. For the survey as a whole, on average, 75% of credit sales were made to domestic customers.

Europe, Spain and Greece reported the highest percentage of domestic credit sales (93% and 86% respectively), with Switzerland (84%) close behind. By contrast, the most open attitude to foreign credit sales was shown by respondents in Great Britain, where only 23% of respondents reported that they never extended trade credit to foreign customers.

In the Asia-Pacific region, respondents from Singapore were the most likely to grant trade credit to foreign customers (43% of foreign credit sales). Hong Kong and China had the lowest percentage of respondents reporting that they never granted export credit (15%), with Singapore and Taiwan (18% and 19% respectively) not far behind.

Of respondents in the Asia-Pacific region, those in Australia were more inclined to grant trade credit to domestic customers (84% of credit sales made to domestic customers), closely followed by Japan (70%) and Indonesia (74%).

Australia also registered the highest percentage of respondents (64%) that sold to foreign customers exclusively on a cash basis. In Europe, this was the case of Switzerland and Spain (63% and 62% respectively).

In North America, respondents in Mexico and Canada (52% and 50% respectively) were relatively less likely to extend export credit than those in the US (42%).

Sales on credit terms by business sector

European manufacturing industry made the most use of trade credit

By industry, the manufacturing sector made the most use of trade credit (63% of B2B sales were on credit terms, compared to 57% for the survey overall). This was particularly the case in the European manufacturing industry, with an average of 70% of B2B sales on credit terms. At country level, the highest percentages were in Hungary (87%), Sweden (86%) and Spain (80%), and Germany and Switzerland (both 78%). Contrary to the general

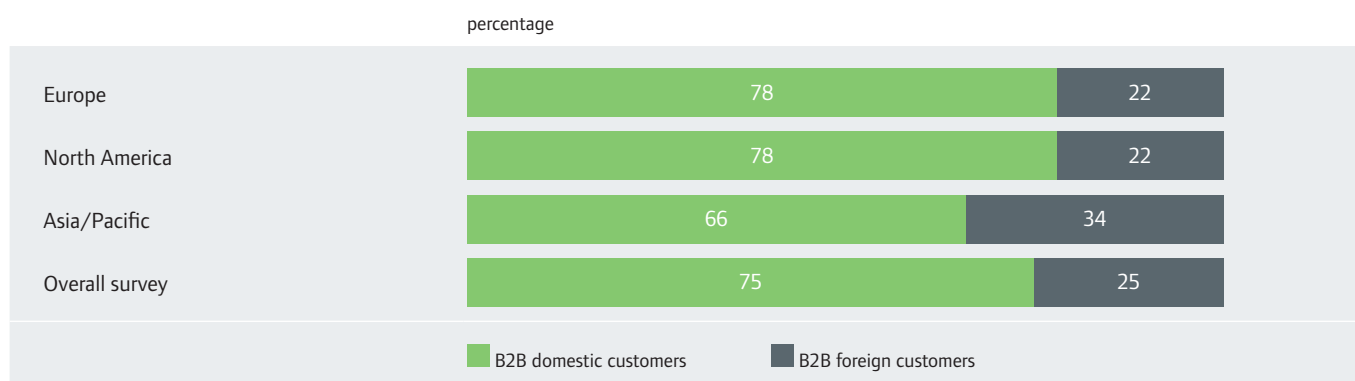
tendency to use credit primarily for domestic sales, responses from the manufacturing industry did not show a clear preference. However, the manufacturing industry in the Asia-Pacific region showed the highest rate of use of trade credit with foreign B2B customers.

Sales on credit terms by business size

Micro-enterprises more inclined to cash payments than larger businesses

A noticeable preference for cash payments was shown by respondents from micro-enterprises compared to larger businesses (51% of B2B cash sales compared to 43% for the survey overall). In comparison to larger businesses, which have more credit management resources, micro-enterprises focus their credit sales on domestic customers (85% of B2B credit sales, compared to an average of 75% for the overall survey). Foreign B2B credit sales rose in tandem with company size across the overall survey, rising from 15% for micro-enterprises to 35% for large enterprises.

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



Sample: interviewed companies which sell on credit terms to B2B customers (domestic and foreign markets)

Source: Atradius Payment Practices Barometer – Fall 2011

2.2 Trade credit supply determinants

Long term trade relationships exerted the greatest influence on trade credit decisions

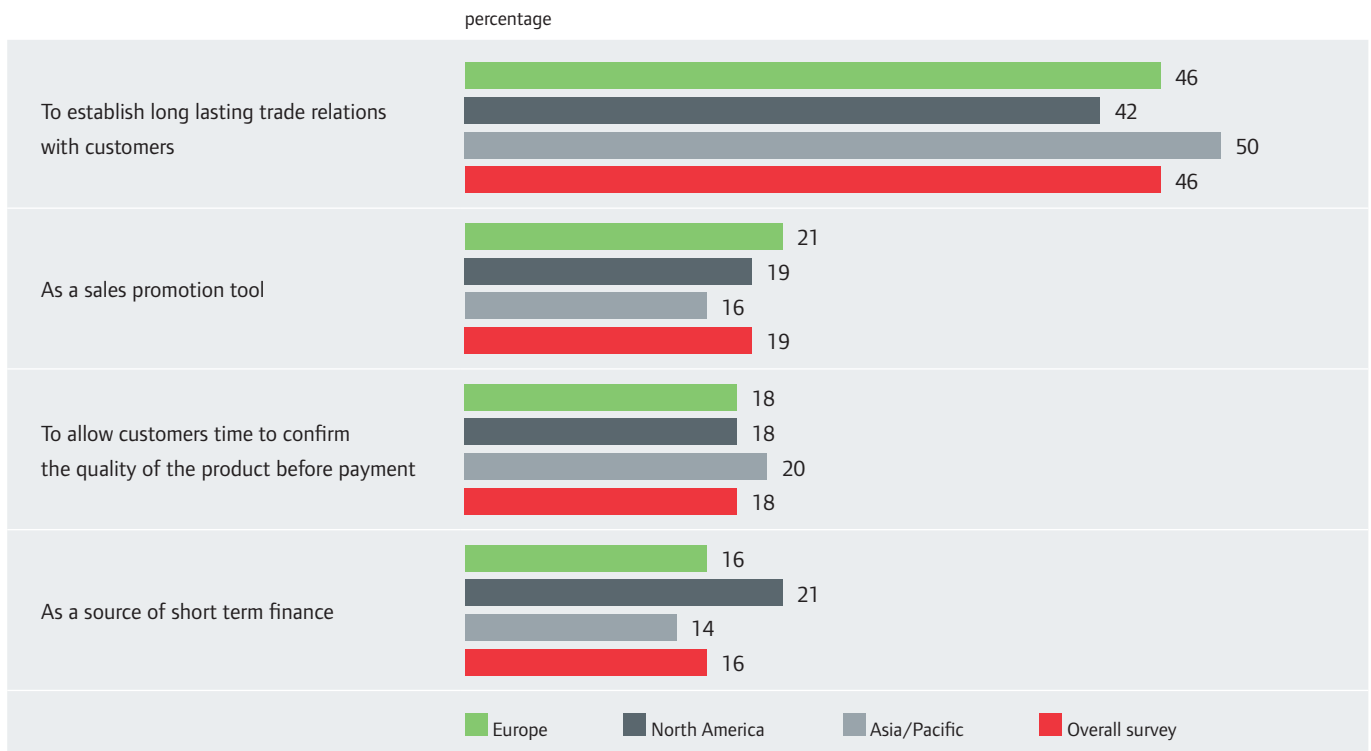
Survey respondents ranked the establishment of *long term trade relationships* as the most important reason for selling on credit terms to B2B customers. This opinion was shared by 46% of all survey respondents. In the Asia-Pacific region, this percentage was the highest (50%) and in North America the lowest (42%).

Countries with an above regional average response rate for ranking the establishment of long-term trade relationships as the most important reason for selling on credit include: In Europe, Switzerland (59%), Ireland (57%), Austria (55%), Germany (53%), Hungary (50%), Czech Republic, Sweden (49%) and Spain (48%); and in the Asia-Pacific region, Singapore (65%), Taiwan (59%), China (52%), and Australia (51%).

The *promotion of growth in sales* was reported by survey respondents as the second most important reason for granting trade credit to B2B customers: an opinion shared by 19% of all survey respondents. In North America, however, granting trade credit as a *source of short-term financing* ranked as the second most important trade credit supply determinant (21% of respondents). In Asia-Pacific, the same percentage of respondents ranked to *allow customers time to confirm the quality of the product before payment* as the second most important reason for granting trade credit.

In Europe, respondents in some countries differed from the general perception for the region. In Greece, the promotion of growth in sales ranked first as a trade credit supply determinant, followed by the *establishment of long lasting trade relations*. In

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



Sample: interviewed companies which sell on credit terms to B2B customers - Ranking in terms of importance

Source: Atradius Payment Practices Barometer – Fall 2011

Italy, the second most important reason for granting trade credit to B2B customers was as a *source of short term financing*. In Great Britain and Ireland the second most important reason for granting trade credit was to *allow customers time to confirm the quality of the product before payment*.

It is worth noting that in all of the countries surveyed in the Asia-Pacific region, as a *source of short-term financing* was the least important trade credit supply determinant.

Trade credit supply determinants by business sector

Manufacturing sector focuses on long term customer relationships

Respondents in the manufacturing sector (49%) cited *long term customer relationships* most frequently and financial services businesses (42%) cited it least frequently. In Singapore, a very consistent 65% of respondents in each of the four industries cited this reason for granting credit.

Using trade credit as a *sales promotion tool* was more frequently reported in the wholesale trade/retail trade/distribution sector, where respondents in Belgium (39%), Greece (36%), Sweden and France (both 34%) reported this reason most regularly. *Confirming product quality before payment* was noted as a trade

credit supply determinant by 15% to 20% of respondents in all industries. Respondents in the financial service sector showed a greater propensity (22%) for using trade credit as a *source of short-term finance*.

Trade credit supply determinants by business size

Large enterprises use trade credit as a source of short term finance more often than other businesses

Customer relations were a highly valued rationale for using trade credit by large enterprises (45% of respondents), small and medium/large companies (both 46%) and micro-enterprises (48%). However on a regional bases, it was a little less relevant for large European enterprises (40%), particularly for this respondent category in France (14%) and Greece (6%). In Hong Kong, only 23% and 33% of micro- and small enterprises prioritised this determinant.

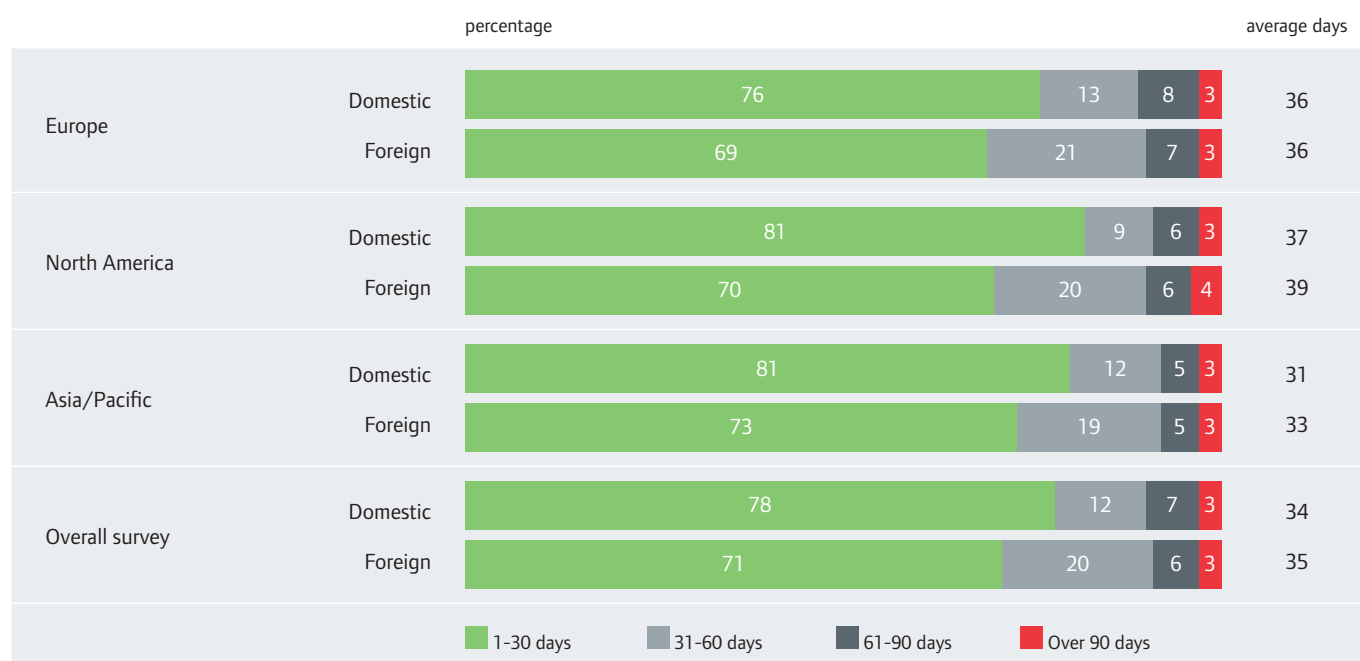
Using trade credit as a *sales promotion tool* was reported with very similar percentages across all the surveyed business sizes, as was *confirming the product quality before payment*. Mobilising trade credits as a *source of short-term finance* was reported relatively more frequently by larger enterprises in all three regions.

3 Credit management practices

- Longest average payment terms were in Greece and Spain; shortest in Germany and Austria
- Domestic payment terms, on average, were shorter than foreign - except for Greece and Spain
- Trade relationship with the customer was the key driver in setting payment terms
- 2 in 5 respondents offered discounts for early payment of invoices - 1 in 4 customers took advantage of discounts
- Checking a buyer's creditworthiness was the most used credit management tool, overall, in first half 2011
- Credit checks on buyers were on the rise compared to the second half of 2010

3.1 Average payment terms (domestic/foreign)

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



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

Source: Atradius Payment Practices Barometer – Fall 2011

Average domestic payment terms were shorter than payment terms set for foreign customers, except for Greece and Spain

Overall, B2B customers of the survey respondents were given an average of 34 days and 35 days to pay their domestic and foreign invoices respectively. In Europe, the average was 36 days (both domestic and foreign). In North America, it was 37 days domestic and 39 days foreign. In Asia-Pacific, it was 31 days domestic and 33 foreign.

At country level, the average payment terms set for B2B customers by survey respondents ranged from 23 days in Germany to 71 days in Greece. At the shorter end of the scale, Austria (25 days) followed Germany closely and, at the other extreme, Spain (70 days) was not far behind Greece. The average payment

term in Greece was more than two weeks longer than the second longest average payment term (55 days) observed in Italy. The Czech Republic and Mexico had average payment terms of 48 and 49 days respectively. In most of the countries surveyed, average payment terms were in the range of 26 to 37 days.

In North America, Mexico's average payment term (48 days) was noticeably longer than the average for the region (37 days). The average payment term in the US was 28 days and in Canada 33 days.

In Asia-Pacific, the average payment term was 31 days. Countries with relatively short average payment terms for the region include Hong Kong and Australia (both 26 days). Countries with relatively long average payment terms for the region include Japan and Taiwan (both 37 days) and Indonesia (35 days).

Viewing domestic and foreign average payment terms separately, Germany showed the shortest average domestic payment term (22 days) and Great Britain the shortest average term for foreign customers (25 days).

In general, average domestic payment terms reported in the countries surveyed were shorter than payment terms set for foreign customers. The only exceptions were Greece and Spain. Domestic customers in Greece were given an average of 22 days longer than foreign customers to pay their invoices. Domestic customers in Spain were given an average of 28 days longer than foreign customers to pay their invoices. This suggests that respondents in these countries were able to benefit from the normally shorter terms in foreign markets.

Average payment terms (domestic/foreign) by business sector

Longer average payment terms in the manufacturing industry

Manufacturing sector respondents provided slightly longer payment terms than the other surveyed industries for domestic and foreign business sales (both 39 days). The longest domestic payment terms were recorded by manufacturers in Greece (98 days), Spain (78 days) and Italy (65 days). Manufacturers' longest for-

foreign terms were set in Greece (71 days), the Czech Republic (61 days) and Italy (58 days). Relatively long domestic terms were also offered by the wholesale trade/retail trade/distribution industry respondents in Greece (79 days), Spain (73 days) and the Czech Republic (55 days). A very different response came from the North American financial services sector, where average foreign payment terms ranged between 16 days in Canada, 31 days in the USA and 84 days in Mexico.

Average payment terms (domestic/foreign) by business size

Shorter payment terms extended by micro-enterprises

Medium/large enterprises offered the longest average terms overall for domestic payments (39 days) and foreign payments (41 days), most noticeably in Greece (90 days domestic / 72 days foreign). Micro-enterprises extended considerably shorter payment terms for domestic (29 days) and foreign business payments (28 days) than any of their larger peers. European micro-enterprises offered longer payment terms than those in Asia and North America, but the averages were skewed by domestic terms reported in Greece (70 days) and Spain (67 days), and for all terms set by respondents in Italy (55 days domestic / 51 days foreign).

3.2 Payment terms determinants

Trade relationship with the customer and company standard payment terms are key drivers of payment terms

Consistent with the finding that long term trade relationships with customers are perceived as the most important reason for selling on credit terms, the key driver for setting overall payment terms is again the existing *trade relationship with the customer*. 49% and 47% of respondents overall reported this as the key driver for determining domestic and foreign payment terms respectively. At a regional level, this picture changed only in North America, where the *credit capacity of the customer* (42%) was ranked as the leading domestic payment terms driver over trade relationships (41%). Mexican respondents (more than 55%) were the most predisposed to this opinion.

In Europe, the countries with the highest percentage of respondents who ranked existing *customer relationships* as the main payment term determinant include Austria (70%), Germany (58%) and Switzerland (56%). The Eastern European countries of the Czech Republic, Poland and Slovakia also rated this factor relatively high compared to the average. In Southern Europe, namely in Greece (58%) and Spain (58%), the trade relationship with the customers was reported - by a higher than regional average percentage of respondents (46%) - as the key driver for foreign payment terms.

In the Asia-Pacific region, China (61%), Japan and Taiwan (both 52%) had the highest percentages of respondents that ranked

trade relationship with the customer as the key driver for determining domestic payment terms. Respondents in China and Taiwan also shared the opinion that the *trade relationship with the customer* acted as the key driver for foreign payment terms (63% and 59% respectively).

Company standard payment terms were the second most reported payment term determinant overall. 42% of respondents reported company standards as the second most influential determinant for domestic payment terms, and 39% as the second most influential determinant for foreign payment terms. A relatively lower percentage of respondents in North America shared this opinion (38% for domestic and 35% for foreign payment terms). In the Asia-Pacific region, the percentages of respondents considering company standards as the second most influential determinant for overall payment terms was, on average, higher than that of the overall survey (46% for domestic payment terms and 45% for foreign).

In Europe, Slovakia saw the highest percentage of respondents ranking company standards as the second most influential determinant for both domestic and foreign payment terms (68% and 53% respectively). Czech respondents were not far behind (58% and 51% respectively). 50% of respondents in Ireland also shared the opinion that company standards were the second most influential determinant for foreign payment terms.

In North America, the second most important determinant of domestic payment terms was considered to be company stand-

ards (38%), with Canadian respondents giving this response most often (42%). Mexican respondents voted this the second most important determinant of foreign payment terms (38%).

In Asia-Pacific, company standards were the second most influential determinant for domestic payment terms with China and Taiwan (both 53%), Australia (51%) and Singapore (49%) having the highest response rates for the region. 50% of respondents from China and Singapore ranked company standards as the second most influential determinant for foreign payment terms as well. This was noticeably higher than the regional average.

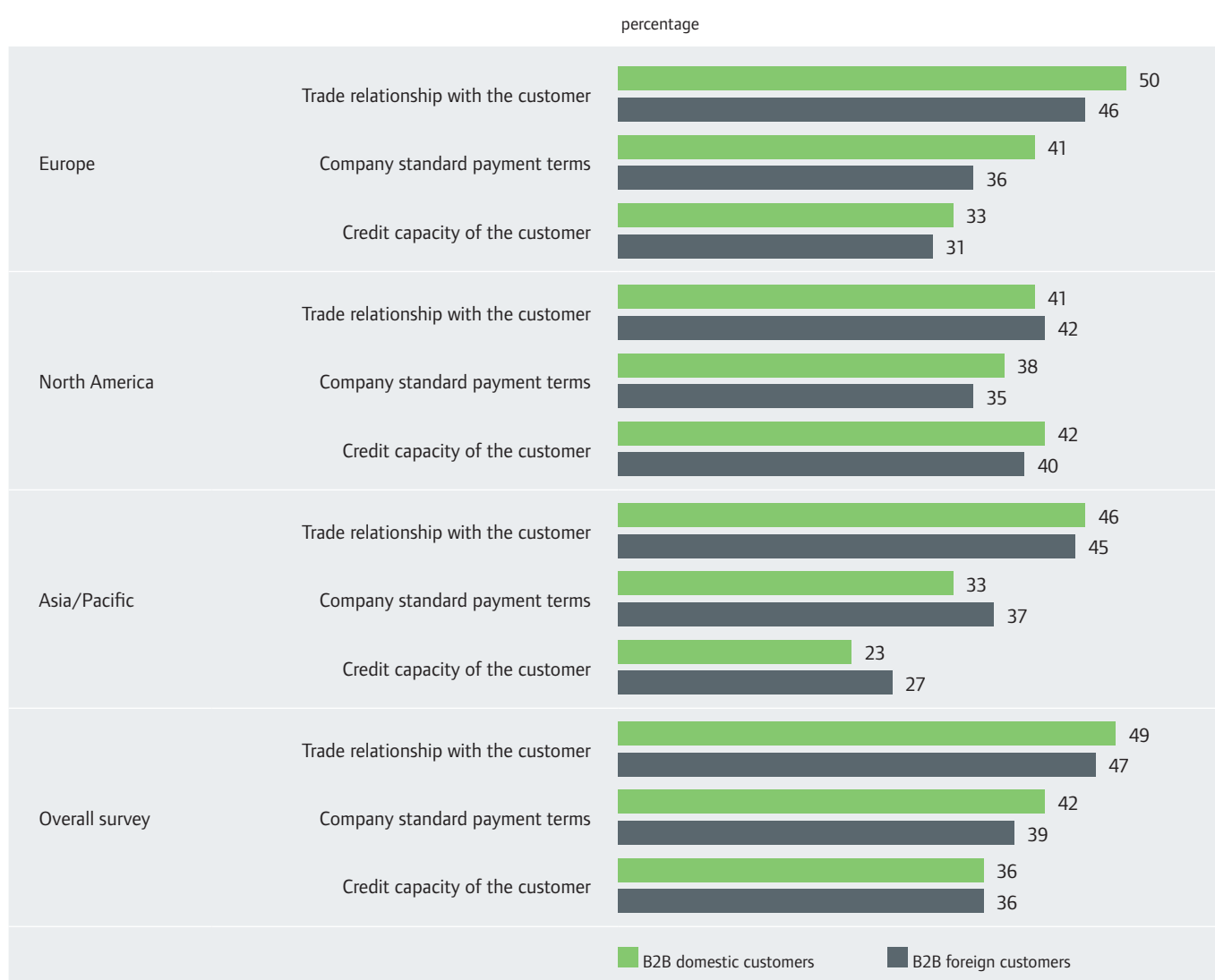
The *credit capacity of the customer* was ranked as the third most influential overall payment terms determinant by 36% of respondents.

In Europe, the *credit capacity of the customer* was the third most influential determinant for domestic payment terms. This was most notable in Southern Europe: namely in Greece (51% of

respondents) and Spain (47%). Response rates in Switzerland (42%), Austria and Germany (both 41%) and Poland (40%) were not far behind. Austria (47%), Switzerland and Germany (both 44%) also had high response rates, compared to the region overall, for ranking the *credit capacity of the customer* as the third most influential payment terms determinant for foreign customers as well. Greece (43%) and Belgium (40%) had above average response rates in this respect.

In Asia-Pacific, China (60%) had the highest percentage of respondents that ranked the *credit capacity of the customer* as the third most influential determinant for domestic payment terms. The same percentage of Chinese respondents, together with 48% of respondents in Singapore, ranked the *credit capacity of the customer* as the third most influential determinant for foreign payment terms.

Top 3 payment terms determinants (domestic/foreign)



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – Fall 2011

Payment terms determinants by business sector

Financial services sector more inclined to use trade credit as a source of short-term finance

The drive to *establish long-term sales relationships* with customers was cited as the most important determinant for extending trade credit across all four surveyed sectors: more frequently by the manufacturing sector and least frequently by the financial services sector. In Singapore, however, 65% of respondents in each of the industries cited this reason. The rationale of *confirming product quality before payment* was ranked almost equally as a determinant across all sectors, whereas respondents in the financial services sector were more inclined to use trade credit *as a source of short-term finance*. Using trade credit as a *sales promotion tool* was more frequently reported in the wholesale trade/retail trade/distribution sector: most of all in the Asia-Pacific region by 30% of Japanese and 31% of Australian respondents. European wholesale trade/retail trade/distribution companies in Belgium (39%), Greece (36%), Sweden and France (both 34%) selected this criterion.

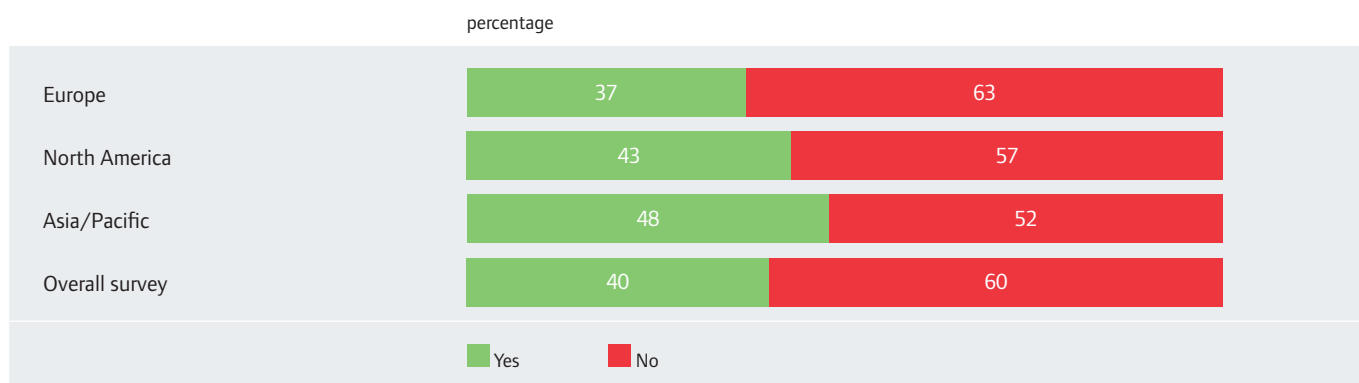
Payment terms determinants by business size

Building long term trade relations key driver for businesses of all sizes

Long lasting customer relations were the main driver for determining payment terms among business of all sizes, but were relatively less relevant for large enterprises in Europe. Although 72% of large Austrian enterprises prioritised this reason, it was cited by as few as 14% and 6% of large respondents in France and Greece. By contrast, 50% of medium/large Greek enterprises prioritised trade credit *as a sales promotion tool*, which was reported with very similar percentages across all the surveyed business sizes, as was *confirming the product quality before payment*. Mobilising trade credits as a source of short-term finance was reported more often by larger enterprises in all three regions.

3.3 Early payment discounts

Does your company discount early payment of invoices?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – Fall 2011

Overall, 2 respondents out of 5 offer discounts for early payment of invoices

On average, for the whole survey, 40% of respondents reported that they offer discounts to their customers for early invoice payment. Respondents from the Asia-Pacific (48%) region were the most likely to offer early payment discounts, while respondents in North America (43%) and Europe (37%) were a little less likely to. At a country level, Swedish respondents (11%) were the least likely and Chinese respondents (76%) the most likely to offer discounts for early invoice payment.

In Europe, Spain (61%), Italy (60%) and Greece (55%) had the highest percentage of respondents who offered discounts for early invoice payment. Typically longer average payment terms in Southern Europe than in other countries suggest that this

practice can be of value in lowering DSO and improving cash flow. Germany (50%), Poland (48%), Austria (45%) and Great Britain (44%) followed suit. Despite having the opportunity of a discount for paying early, only 9% of the domestic customers of respondents in Spain took advantage of this. Respondents in Austria had a much higher success rate (34%). Differences narrowed when it came to foreign customers, ranging from 15% of the foreign customers of German respondents to 30% of the foreign customers of respondents in Great Britain taking advantage of early payment discounts.

In North America, the 62% of Mexican respondents offering early payment discounts was noticeably higher than the regional average of 43%. 32% of Mexican respondents' domestic customers and 40% of their foreign customers took advantage of these discounts.

In Asia-Pacific, China (76%) and Indonesia (69%) had the highest percentage of respondents who offer discounts for early payment. In Hong Kong (58%) and Taiwan (53%) of respondents also offered early payment discounts - relatively high percentages compared to the average for the region. The range, from country to country, of the percentage of customers taking advantage of the discounts was narrower in the Asia-Pacific region than in other regions. 28% of the domestic customers of Chinese respondents and 35% of the domestic customers of respondents from Hong Kong took advantage of the discounts. For foreign customers, the acceptance rate ranged from 21% in Indonesia to 32% in Hong Kong. The lowest acceptance rate in the region surveyed was observed in Japan (15% of domestic and 12% of foreign customers respectively).

Early payment discounts by business sector

Manufacturing industry more likely to offer discounts for early payment of invoices

More respondents from the manufacturing industry (50% on average) were likely to offer discounts for early invoice payment than respondents from other industries. Response rates for manufacturing industries were as high as 75% in Austria, 76% in Spain, 78% in Mexico, 80% in China and 81% in Germany. At the other end of this scale, however, were manufacturing respondents in Sweden (13%) and Japan (18%). This shows a significant difference in approach from country to country. Services respondents (30% on average) were the least inclined of the four industries to discount, with respondents in Sweden (8%), and

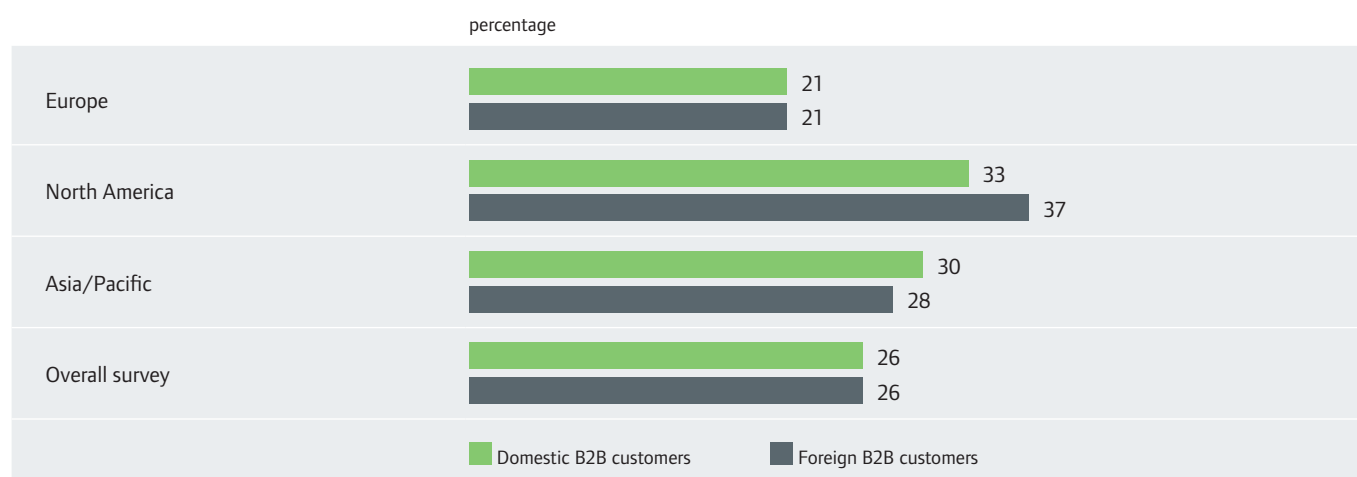
Denmark and Netherlands (both 11%) the least active of all. Services companies in China (74%), Indonesia (60%) and Mexico (57%) were exceptions to this trend. Again, there was a wide spread, but with fewer countries on the high end of the scale. There was little overall distinction across the business sectors in respect to the percentage of domestic and foreign customers that took advantage of early payment discounts.

Early payment discounts by business size

Micro-enterprises less likely to offer early payment discounts than larger businesses

Micro-enterprises showed far less inclination (31%) to offer early payment discounts than their larger counterparts in all regions (ranging from 44% to 47%), with the lowest levels seen in the Northern European countries of Denmark (9%), Sweden (10%), the Netherlands and Belgium (both 13%). This regional trend was to some extent replicated by large enterprises, among which respondents from Sweden (8%), Denmark (18%) and the Netherlands (21%) were the least likely to discount for early payment. Micro-enterprise respondents in China (65%) and Indonesia (64%) were the most likely to discount early payment. Southern European micro-enterprises in Spain (50%), Italy (52%) and Greece (56%) were also very active discounters. There was little overall distinction across the business sizes between the levels of use of early payment discounts by domestic and foreign customers.

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

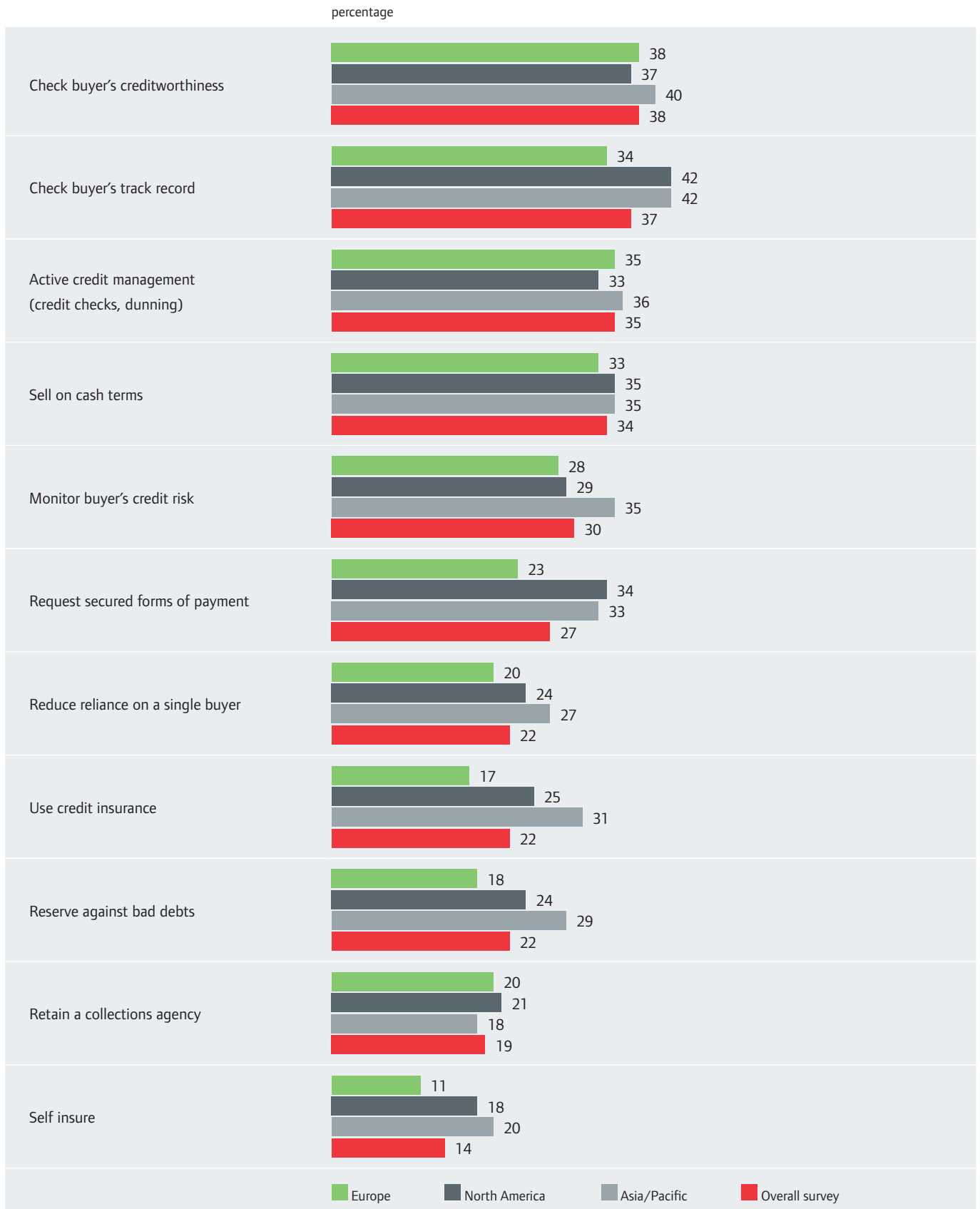


Sample: interviewed companies that discount early payment (active on domestic and foreign markets)

Source: Atradius Payment Practices Barometer – Fall 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 – Fall 2011

Checking the creditworthiness of a buyer most reported credit management tool

Four credit management tools were used by over a third of respondents, with three of these almost equally reported in all regions: *checking a buyer's creditworthiness* (overall average 38%), *active credit management* (35%) and *selling on cash terms* (34%). *Checking the buyer's track record* (37% of respondents overall) was most often reported in Asia-Pacific and North America (both 42%). In Europe it was reported by 34% of respondents.

Roughly similar regional weightings applied to *reducing reliance on a single buyer* and *requesting secured forms of payment*. Respondents in the Asia-Pacific region were more active in *monitoring buyer credit risk* (35%) and *using credit insurance* (31%) than their European and North American counterparts. The European attitudes may reflect a greater commercial imperative to maintain sales levels as their economies returned to positive growth.

Countries where respondents were most likely to check the creditworthiness of their buyers were Spain (58%), Greece (56%), Singapore (53%), Mexico (48%) and China (46%). Spain also had the highest percentage of respondents (63%) who check the track record of the buyer. Singapore (53%), Indonesia (49%) and Slovakia (46%) followed.

Active credit management, using credit checks and dunning, was most frequently reported in Asia-Pacific by Taiwan (46%) and China (48%) and in Europe by the Netherlands (49%) and Germany (47%).

Differences in credit management cultures were also apparent from various countries' choice of most used credit management tool: *sales on cash terms* by respondents in the Eastern European countries of the Czech Republic (46%) and Poland (47%); in the Asia-Pacific region *requesting secured forms of payment* in China (49%) and Taiwan (46%); and the *use of credit insurance* in China (47%) and Hong Kong (37%).

Use of credit management tools: first half 2011 by business sector

Manufacturing and financial services sectors more likely to check buyers' creditworthiness than other sectors

European respondents from the manufacturing and financial services sectors were most inclined to *check buyers' creditworthiness* (45% of respondents). The same percentage of respondents in the wholesale/retail trade/distribution sector preferred to sell on a cash basis. The European financial services sector was also very active in dunning (43%). In North America, *checking buyer's creditworthiness* and *checking the buyer's track record* were applied by almost half of the respondents across all the industries surveyed. The wholesale/retail trade/distribution respondents (40%) also reported significant use of active *dunning* and *secured forms of payment* or *sales on a cash basis*. The same pattern in the use of credit management tools was observed in the Asia-Pacific region, where the financial services industry was relatively more active in *monitoring buyer credit risk* (40% of respondents) than the other industries surveyed in the region.

Use of credit management tools: first half 2011 by business size

Micro-enterprises confirm their preference for cash payments

Micro-enterprises, across all the regions surveyed, showed a greater preference for cash payments (more than 45% overall reported that they sell on cash terms). Larger businesses, with more credit management resources, made the most strategic use of credit management tools of *checking buyer's creditworthiness*, *checking buyer's track record* and *dunning* (over 40% of respondents). The same percentage of respondents from large enterprises in the Asia-Pacific region reported being active in *monitoring buyer credit risk*.

3.5 Trend in the use of credit management tools

Credit checks on buyers on the rise compared to the second half of 2010

Around 50% of survey respondents reported no change in their use of credit management tools in the first half of 2011, compared to the second half of 2010. If a change was made it was more likely to be an increase in use than a decrease.

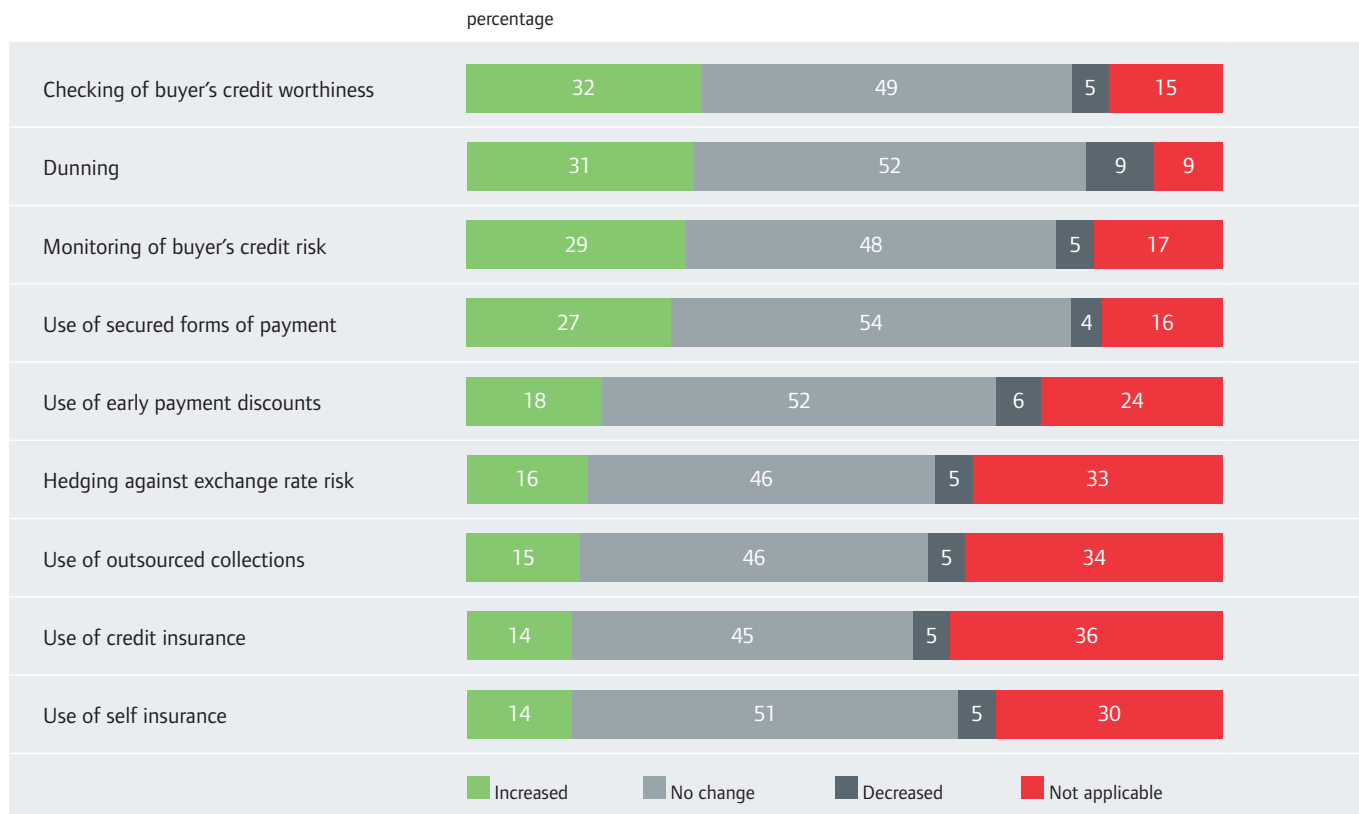
The credit management tools which were used more often than in the past are:

- checking buyer's creditworthiness* (32% of respondents for the overall survey) which was more frequently reported by respondents in the Asia-Pacific (38%) and North America (34%) regions than in Europe (28%);
- dunning* (31% of respondents for the overall survey), more often used in Europe (33% of respondents);

- monitoring buyer's credit risk* (29% of respondents for the overall survey), which was more frequently reported by respondents in the Asia-Pacific region (39%) than in North America (28%) and Europe (25%);
- use of secured forms of payment* (27% of respondents for the overall survey), more often used in the Asia-Pacific (35% of respondents and North America (30%) regions.

In the Asia-Pacific region, Indonesia saw the greatest increase in *checking buyer's creditworthiness* (53% of respondents). Other Asia-Pacific countries where the use of this credit management tool increased significantly include China (49%), Singapore (43%) and Taiwan (42%). In North America, this was also the case in Mexico (49%). In Europe, Spain saw the greatest increase in the use of this credit management tool (51% of respondents). Other European countries where the use of this credit management tool increased significantly include Greece and Ireland (both 45%).

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



Sample: all interviewed companies (overall)

Source: Atradius Payment Practices Barometer – Fall 2011

The highest increase in *monitoring the buyer's credit risk* was seen in Indonesia (63%). Other countries in the Asia-Pacific region where the use of this credit management tool increased significantly include Singapore (48%) and China (46%). In North America, this was the case in Mexico (40%) and in Europe, it was the case in Spain (51%), Greece (44%) and Ireland (42%).

In Europe, the use of *dunning*, increased the most in Poland (50% of respondents) and Ireland (45%).

As to the increase in the *use of secured forms of payment*, in North America this was most prevalent in Mexico (42%). In the Asia-Pacific region, the biggest increase in use was reported by respondents in Indonesia (66%). Also respondents in China (45%) saw a significant increase in the *use of secured forms of payment* in the first half of 2011, compared to the second half of 2010.

Trend in the use of credit management tools by business sector

Increase in dunning mostly reported in the wholesale/retail trade/distribution sector

A higher percentage of European respondents from the wholesale/retail trade/distribution sector (34% of respondents) increased their *dunning* than did respondents from other surveyed

industries in the region. In the financial services sector, a relatively higher percentage of respondents (35%) were *checking buyer's creditworthiness* and *monitoring their buyer's credit risk*. In North America, both the manufacturing and the wholesale/retail trade/distribution sectors increased their use of *checking of buyer's creditworthiness* (over 40% of respondents) more than the other sectors surveyed. Both the manufacturing and the financial services sectors increased their *use of secured forms of payment* (both 32%) more than other industries surveyed. Increased *monitoring of buyer's credit risk* was most notable in the wholesale/retail trade/distribution sector (30% of respondents).

In Asia-Pacific, 51% of respondents in the financial services sector and 43% in the wholesale/retail trade/distribution sector increased their *monitoring of buyer's credit risk*. A relatively higher percentage of respondents from both the financial services (49%) and the manufacturing sectors (41%) increased *checking of buyer's creditworthiness*. The financial services sector also had a high percentage of respondents who increased their *use of secured forms of payment* (45%).

Trend in the use of credit management tools by business size

Large enterprises relatively more inclined to increase their monitoring of buyer's credit risk

On average, 30% of respondents across businesses of all sizes in Europe increased *dunning*. Respondents in large enterprises were relatively more inclined to increase their *monitoring of buyer's credit risk* and *checking of buyer's creditworthiness* (36% and 34%

respectively). In North America, an average of 30% of respondents across businesses of all sizes, except for micro-enterprises, increased their *checking of buyer's creditworthiness*, the *monitoring of buyer's credit risk* and the *use of secured forms of payment*. In Asia-Pacific, increased *checking of buyer's creditworthiness* and *monitoring of buyer's credit risk* was applied most by respondents from companies larger than SMEs, which had a relatively greater increase in the *use of secured forms of payment* (around 40% of respondents).

4 Customers' payment behaviour

- B2B customers of European respondents took, on average, longer to pay their invoices than customers of respondents in North America and Asia-Pacific
- Longest payment delays occurred in Greece, Spain and Italy
- Overall, 30% of the total value of B2B invoices were past due
- Lower percentage of past due invoices in North America than in Europe and the Asia-Pacific regions
- Overdue invoices were paid the fastest in Nordic countries and Hungary; the slowest in Greece and Spain
- Approximately 25% of past due invoices were paid 31-90 days after the due date (35% in Southern Europe).
- 18% of overdue invoices in Greece and 10% in Italy were paid more than 90 days after the due date
- Insufficient funds remained the main payment obstacle
- Disputes over the quality of goods or differences between the goods delivered and those agreed in the contract were key drivers of overall payment delays experienced by respondents in Asia-Pacific
- Highest percentage of uncollectable B2B receivables in Greece (6% against an overall average of 3%)
- Larger businesses wait longer to be paid
- Promptest payments are in financial sector; slowest in manufacturing

4.1 Average payment durations and payment delays

Longest payment delays in Southern Europe

Overall, customers of our survey respondents took an average of 33 days from the invoice date (not the due date) to pay their invoices (32 days average domestic and 34 days average foreign). The average payment duration in Europe (36 days) was longer than in North America (28 days) and Asia-Pacific (26 days).

On a country basis, payment durations varied widely: from 22 days in China to 83 days in Greece. Spain (82 days) was not far behind. The latter was more than one month longer than the second longest average payment duration (51 days) observed in Italy.

In North America, customers of Mexican respondents took an average of 36 days to pay their invoices: noticeably longer than the 28 day average for the region. In Asia-Pacific, it took customers of respondents in Taiwan and Japan 35 days and 31 days respectively to pay their invoices: again noticeably longer than the 26 day average for the region.

An analysis by domestic and foreign customers shows that domestic invoices were paid, on average, in a wide range from 21 days (Germany) to 92 days (Greece). Payments from foreign customers ranged from an average of 23 days in the US to 62 days in Japan.

In all countries, except Spain, Greece and Italy, domestic customers took less time than foreign customers to pay their invoices. This is consistent with the finding that, with the exception of the countries surveyed in Southern Europe, average domestic B2B payment terms were shorter than average foreign terms.

Average payment delay figures were arrived at by comparing the overall average payment durations with the overall average payment terms. An average of 57% of payments were received by survey respondents in a range spanning an average of 12 days earlier than the average due date (in Mexico and Indonesia) to 12 days after the average due date (in Greece and Spain).

In Europe, respondents from the Czech Republic received their payments from B2B customers the swiftest: around 10 days earlier than the average invoiced payment term. France, with the second fastest average payment duration, received payment, on average, about 8 days earlier than the average due date.

In North America, respondents from Canada and the US received their payments, on average, earlier than the due date (8 days and 5 days earlier respectively). In Asia-Pacific, all countries surveyed except Indonesia, received their overall payments, on average, between 8 days (China) and 1 day (Australia) earlier than due date.

When considering only overdue payments, we found that the overall percentage of past due date invoices amounted to 30% of the total value of B2B invoices across the countries surveyed (foreign 30%, domestic 31%).

North America registered a relatively lower percentage of overall past due invoices (27%) than Europe and Asia Pacific. In Asia-Pacific, on average, 32% of foreign invoices were past due (slightly above the 30% figure for domestic invoices). This was the same percentage of domestic past due invoices as in Europe. In Europe, 32% of export invoices fell overdue.

At a country level, domestic past due invoices ranged from an average of 18% in Japan to 41% in Greece. Foreign past due invoices ranged from an average of 17% in Greece to 37% in Germany and the Netherlands.

In Europe, countries that, along with Greece, had a higher than regional average percentage of past due domestic invoices include Ireland (39%) and Italy (37%). Countries that, with Germany and the Netherlands, had a higher than regional average percentage of past due foreign invoices include Switzerland and Austria (both 36%), France and Great Britain (both 35%).

In North America, Mexico had a higher than regional average percentage (29%) of past due domestic invoices, and the US had a higher than regional average percentage (32%) of past due foreign invoices.

In Asia-Pacific, countries with a percentage of domestic past due invoices noticeably higher than the average for the region include Hong Kong and China (both 35%). China (36%) and Hong Kong (35%) also had a noticeably higher percentage of foreign past due invoices than other countries in the region.

Average payment durations and average payment delays (domestic/foreign) by business sector

Financial services companies paid the swiftest

Financial services companies were paid in the shortest average times: 26 days for domestic invoices and 28 days for exports. This fell to just 13, 14 and 15 days for domestic payments in Hungary, the Czech Republic and Austria respectively. Manufacturing companies waited the longest for payment: 37 days for domestic invoices and 38 days for foreign invoices. Payments to manufacturing respondents in Greece and Spain (both 99 days domestic and 58 days foreign), along with Italy (71 days domestic and 52 days foreign) stood out markedly as the slowest. Respondents in Austria, Britain and Germany, however, were paid in significantly below average times. Asian manufacturing sector payments were generally very prompt, and skewed by the 71-day timescale for foreign payments to Japanese respondents.

Average payment durations and average payment delays (domestic/foreign) by business size

Micro-enterprises received their payments quickest

Medium/large companies experienced the longest average wait, with domestic invoices (36 days) paid quicker than foreign invoices (40 days). Micro-enterprises received their payments quickest, averaging 28 days for both domestic and foreign customers, while British, French and German companies in this segment averaged a maximum of 20 days' payment wait. Domestic payments to Indonesian micro-businesses averaged just 15 days. At the longest end of the scale, domestic payments to Spanish small enterprises averaged 96 days, while foreign payments to Japanese micro-enterprises took, on average, 100 days.

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

Overdue invoices were paid fastest in Hungary and Nordic countries; slowest in Greece and Spain

On average, 70% of all past due invoices, both domestic and foreign, were paid between 1 and 30 days after the due date.

In the case of domestic overdue invoices, this percentage rose to 85% in the Nordic countries surveyed - Denmark and Sweden - and to 90% in Hungary. These three countries had the highest percentage of domestic past due invoices paid within 1 day to 30 days after due date. At the other extreme, 55% of domestic past due invoices in Italy and Indonesia were paid 1 day to 30 days after due date. In Greece this percentage was 45%, reflecting the country's current difficult economic conditions.

In the case of foreign overdue invoices, the percentage of payments made between 1 day and 30 days after the due date was 85% in Sweden and 95% in Hungary. Again these two countries displaying the best success in collecting foreign as well as domestic past due invoices. By contrast, only 60% of respondents in France and Italy and 55% of respondents in Indonesia were able to collect past due invoices within 30 days.

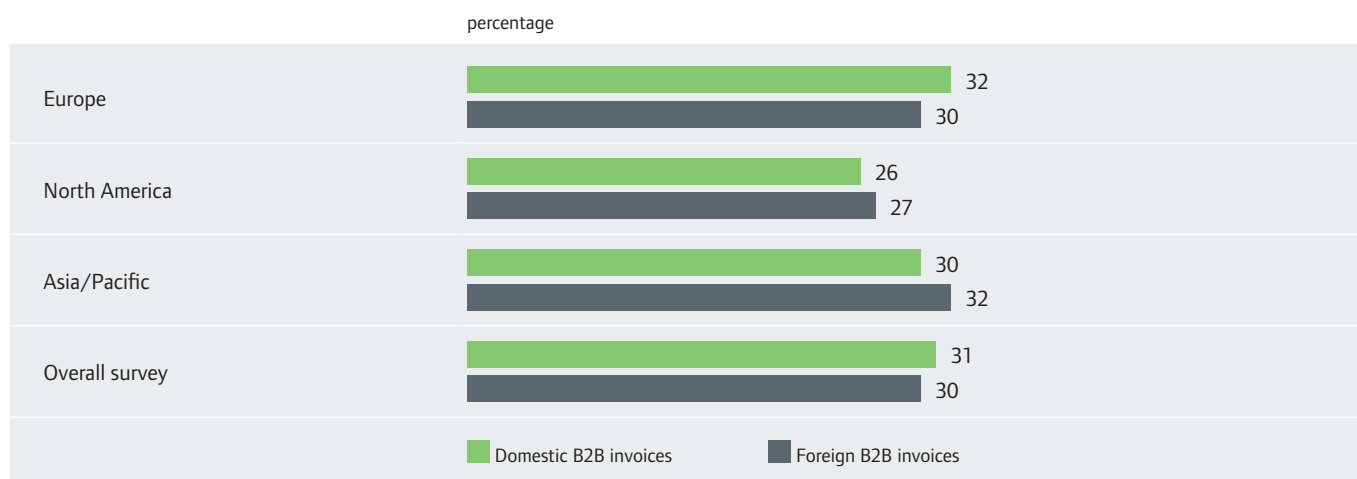
An average 24% of all past due invoices (domestic/foreign) were paid 31 to 90 days after the due date. In the case of domestic past due invoices, this percentage was 36% in Greece, 33% in Italy and 32% in Spain (the Southern European countries surveyed), 10% in Sweden and Denmark, and less than 10% in Hungary.

Foreign overdue figures were highest for respondents in Indonesia (35%), Canada, USA, Hong Kong, Japan and Italy (all 30%). Countries with the lowest percentage of past due invoices paid 31 to 90 days late were Denmark and the Czech Republic (15%), Sweden (10%) and Hungary (5%).

percentage was highest in Greece (18%), Indonesia (14%) and Italy (10%). Indonesia also had the highest percentage of foreign past due invoices that were paid over 90 days late (11%).

On average, 6% of all overdue invoices were paid over 90 days past due date. In the case of domestic overdue invoices, this per-

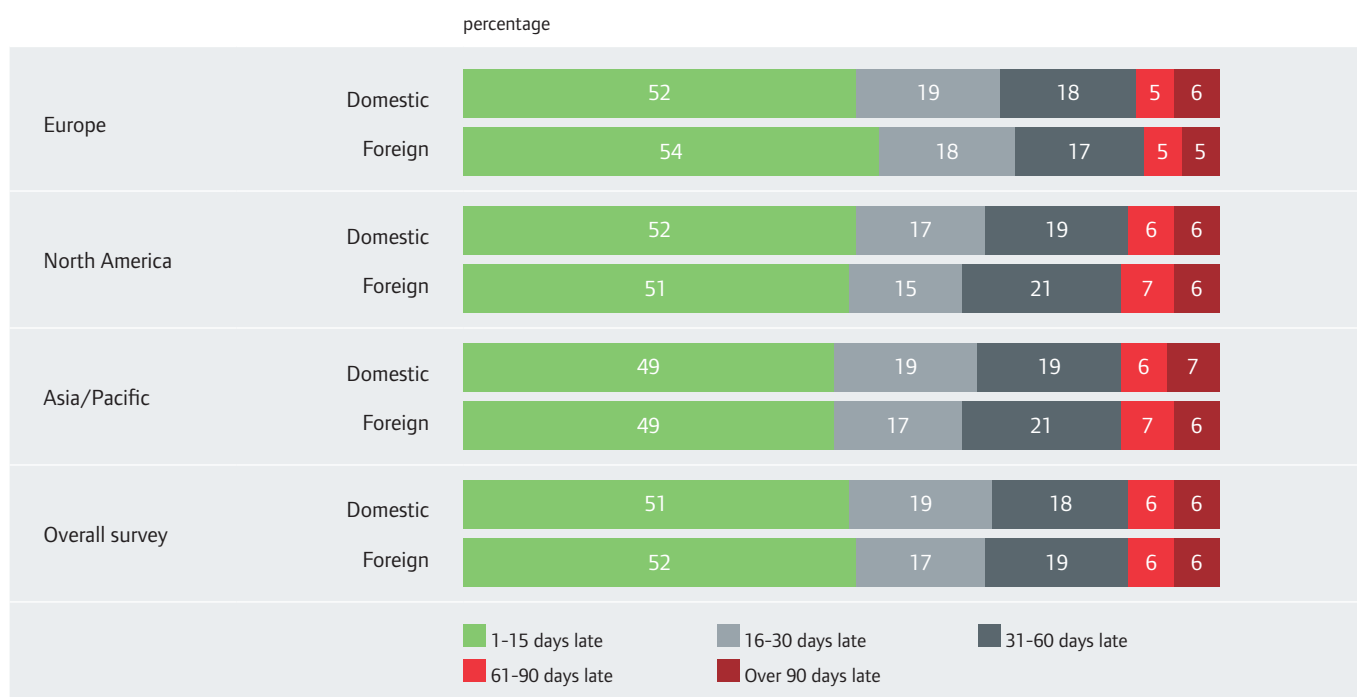
What percentage of your domestic/foreign B2B invoices are overdue?



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

Source: Atradius Payment Practices Barometer – Fall 2011

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 – Fall 2011

Overdue B2B invoices (domestic/foreign) – Payment timing by business sector

Very little differentiation between domestic and foreign overdue invoices in all of the surveyed industries

The percentage of overdue payments to businesses in all of the surveyed industries fell into a very tight range (29% to 33%), with very little differentiation between domestic and foreign overdue invoices. Japanese companies in the financial services sector had a very small percentage of overdue invoices (3% domestic and 5% foreign) and the lowest proportion (16%) of overdue domestic invoices in the services sector. Danish and Japanese companies led the manufacturing sector in collecting payments on time (Denmark: 18% domestic and 23% foreign overdue invoices; Japan: 23% domestic and 19% foreign overdue invoices). The performance of Canadian financial services respondents in collecting payments on time (23% domestic and 14% foreign) was also noteworthy, whereas Czech and French financial services respondents reported average overdue domestic payments of 70% and 54% respectively.

Overdue B2B invoices (domestic/foreign) – Payment timing by business size

Micro-enterprises reporting the lowest percentage of foreign payments overdue

The average percentage of overdue payments to businesses of all sizes fell into a very tight 27-32% range, with very little differentiation between domestic and foreign overdue invoices. The best performers were micro-enterprises in Australia, Canada, Denmark, Sweden and Japan, with just 3% of foreign payments overdue. Large enterprises in Japan, Canada and Hungary (11% domestic and 15% foreign) also had relatively low percentages of overdue invoices. 48% of export invoices from German micro-enterprises were overdue, and larger Swiss companies reported the highest percentages (55%) of overdue export invoices.

4.3 Main reasons for payment delays from customers

Insufficient funds remains the main payment obstacle

Insufficient availability of funds was by far the most cited reason for overall payment delays across all the regions surveyed. An average of 60% of respondents cited it as the reason for payment delays from domestic customers, and 42% as the reason for foreign payment delays. Only in respect to delays in the payment of foreign invoices to respondents in Asia-Pacific did this fall below the top ranked determinant.

On a country basis, Slovakia and the Czech Republic had the highest percentage of respondents (both 87%) citing *insufficient availability of funds* as the reason for payment delays from domestic customers, with Hungary on 84%. Other European countries where the percentage of respondents with this opinion was noticeably above the mean for the region (66%) are Greece (84% of respondents), Spain (74%) and Italy (71%). This suggests potential cash flow issues across Eastern and Southern Europe. Respondents from these countries cited this reason more frequently than any of the other countries surveyed for both domestic and export payment delays. In North America, over 70% of Mexican respondents cited this as the reason for overall payment delays. In Asia-Pacific, Australia saw the highest percentage of respondents citing this as the reason for domestic payment delays (62%), with China (56%) not far behind. China had the highest percentage of respondents citing this as the reason for foreign payment delays (56%).

Complexity of the payment procedure emerged as the second most important reason for payment delays across all the regions surveyed. Cited more often as a reason for foreign payment delays (37% of respondents compared to 24% for domestic delays), it

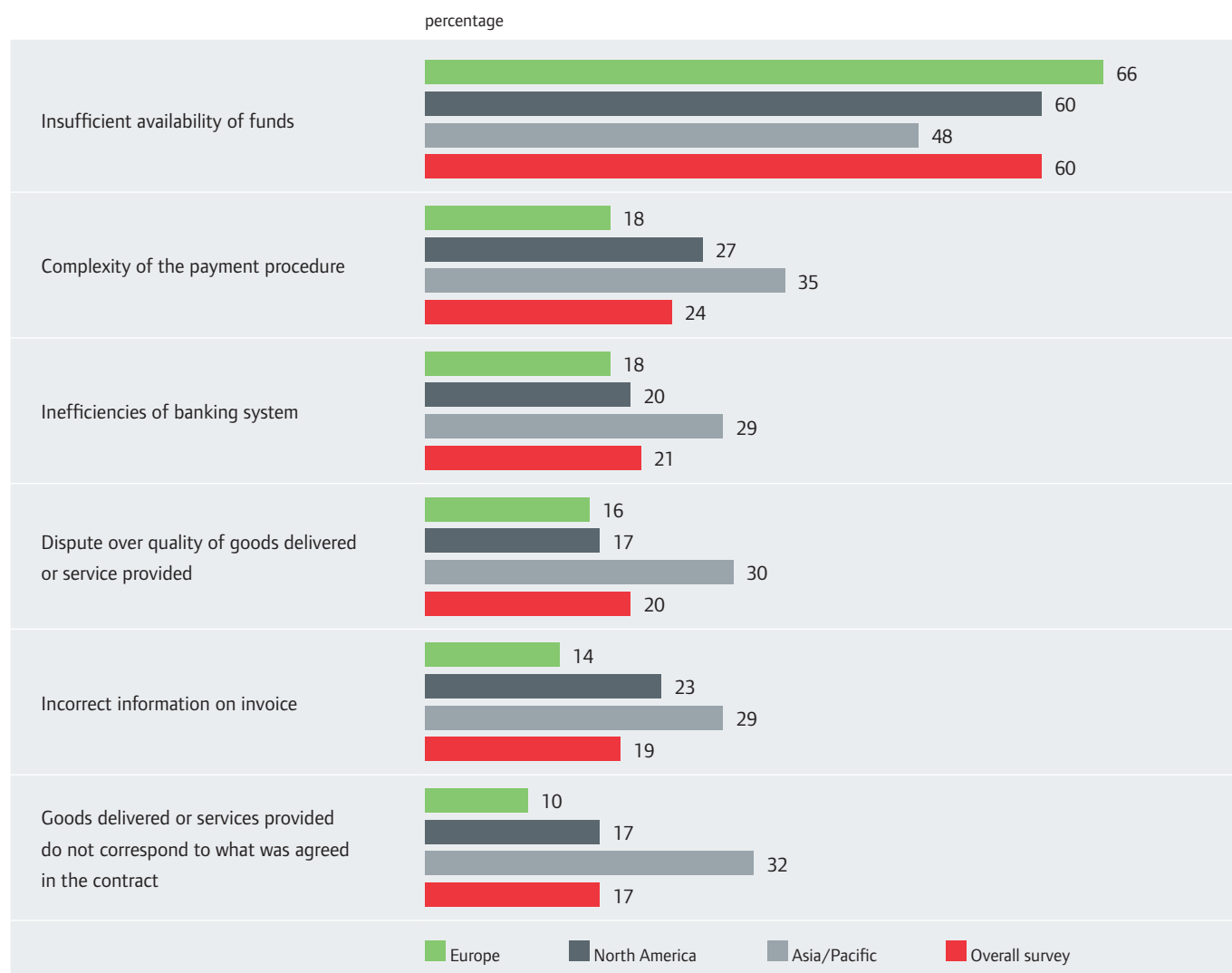
was mentioned more often by respondents in Asia-Pacific (49%) than in North America (39%) and Europe (30%). Over 40% of companies surveyed in China (44%), Indonesia (42%), Taiwan and Singapore (both 41%), also cited this as one of the main reasons for domestic payment delays.

Inefficiencies of the banking system ranked as the third most important reason for payment delays. It was also cited more often as a reason for foreign payment delays (34% of respondents) than for domestic payment delays (21% of respondents). Like complexity of the payment procedure, it was experienced more often by respondents in Asia-Pacific (44%) than in North America (36%) and Europe (27%). China had the highest percentage of respondents who cited this as the reason for domestic payment delays (40%), followed by 33% of respondents in Indonesia and Hong Kong.

Commercial reasons, such as *disputes over the quality of goods, incorrect information on the invoice and no correspondence of the goods delivered with the agreed contract*, were also frequently mentioned by respondents in Asia-Pacific as reasons for payment delays. Overall, over 30% of respondents in this region experienced these as reasons for payment delays, compared to an average of around 20% of respondents in North America and Europe.

In particular, China had the highest percentage of respondents (over 40%) who cited *disputes over the quality of goods and no correspondence of the goods delivered with the agreed contract* as the most frequent reasons for overall payment delays. *Incorrect information on the invoice* was flagged up most frequently by respondents in Singapore as a reason for domestic and foreign payment delays (36% and 34% respectively).

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



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – Fall 2011

Main reasons for payment delays from customers by business sector

Insufficient availability of funds main reason for payment delays in the financial services and wholesale/retail trade/distribution sectors

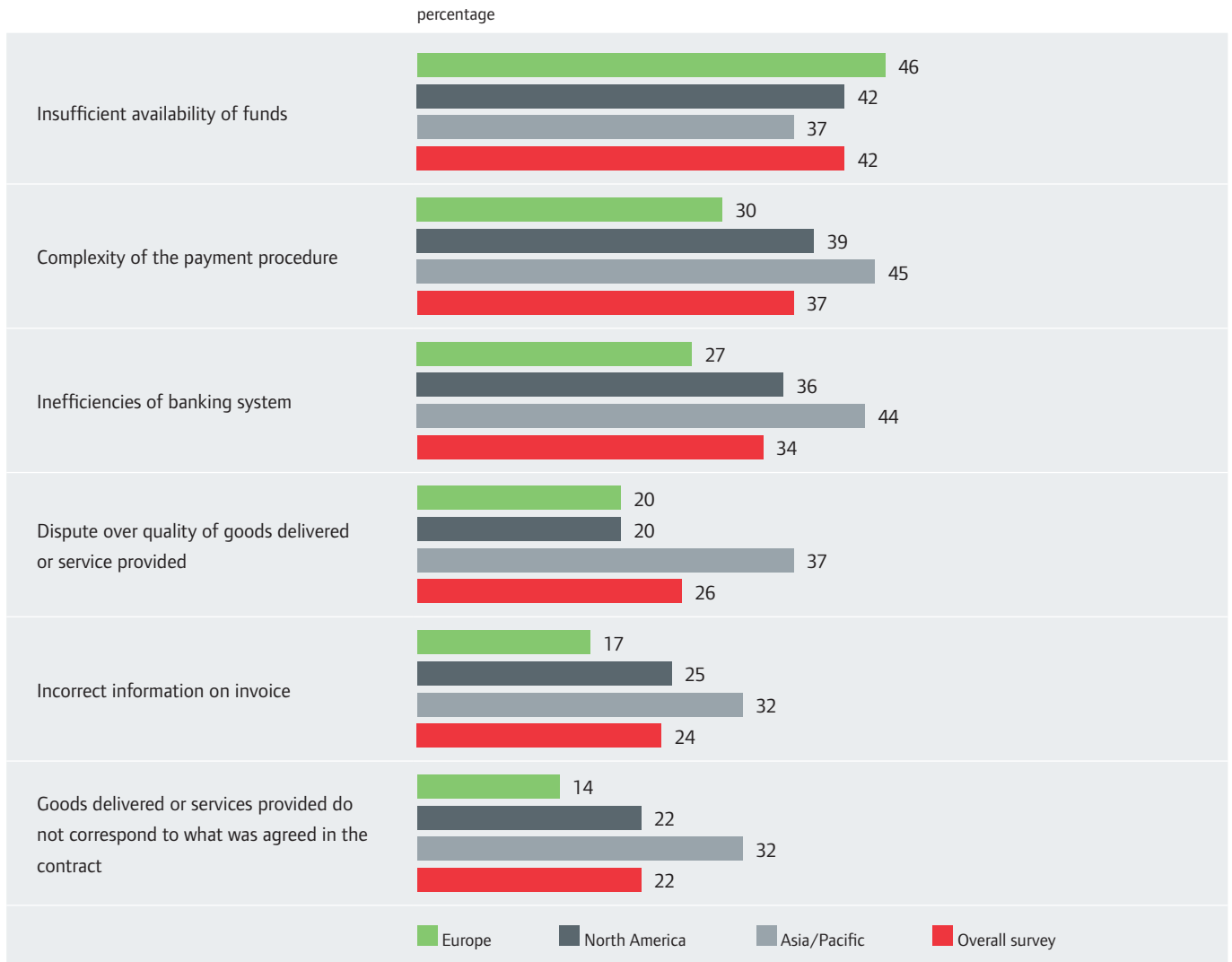
European respondents in the financial services sector and wholesale/retail trade/distribution sector reported *insufficient availability of funds* as the main reason for payment delays, particularly from domestic customers (71% of respondents). *Complexity of the payment procedure* and *inefficiencies of the banking system* were reported as the main reasons for payment delays from foreign customers by 40% of respondents in the financial services sector. The same pattern was observed in North America and Asia-Pacific.

Main reasons for payment delays from customers by business size

Customers of large enterprises delay payment mainly due to the complexity of the payment procedure and inefficiencies of the banking system

Across the three regions surveyed, respondents from businesses of all sizes reported *insufficient availability of funds* as the main reason for payment delays. This was particularly the case when it came to domestic customers of European respondents (65% of respondents). *Complexity of the payment procedure* and *inefficiencies of the banking system* were reported as the main reason for foreign payment delays mainly by respondents in large enterprises (35% of respondents).

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

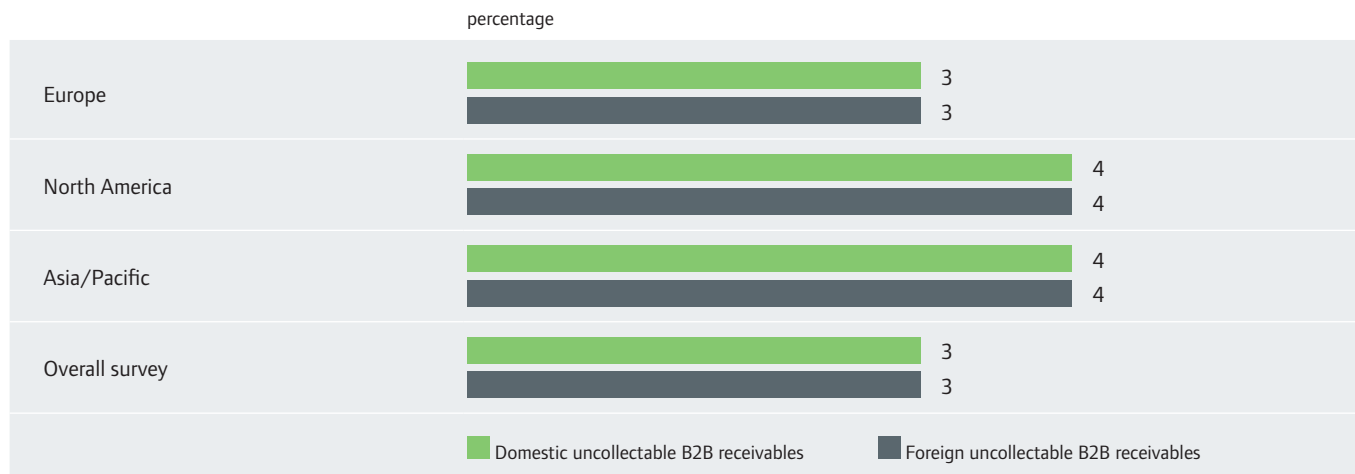


Sample: all interviewed companies that sell products or services abroad

Source: Atradius Payment Practices Barometer – Fall 2011

4.4 Uncollectable receivables (domestic/foreign)

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



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

Source: Atradius Payment Practices Barometer – Fall 2011

Highest percentage of uncollectable receivables in Greece

Overall, an average of 3% of the total value of domestic and foreign B2B receivables was reported as uncollectable. The percentage rose to 4% for respondents in North America and the Asia-Pacific region.

In Europe, countries with an average percentage of domestic uncollectable receivables noticeably above the average for the region include Greece (6%) and Italy (5%). In North America, this was also the case for Mexico (5%) and, in Asia-Pacific, for Hong Kong and Indonesia (both 5%).

European countries with the highest percentage of foreign uncollectable receivables were Great Britain (4.5%), Italy and France (both 4%). Outside Europe, the highest volumes of foreign uncollectable receivables were experienced by respondents in the US and in Hong Kong (both 5%).

Uncollectable receivables (domestic/foreign) by business sector

Financial services sector had the highest percentage of uncollectable receivables

The four surveyed sectors produced remarkably consistent figures. The percentage of uncollectable invoices in three of the sectors was 3% (both domestic and foreign). In financial services, the proportion rose to 5% (domestic and foreign) with respondents from France (7% domestic and foreign) and the USA (7% domestic, 6% foreign) having the highest percentage of uncollectable

receivables. Spanish respondents (2% domestic and 1% foreign) had the lowest overall percentage of uncollectable receivables with respondents from the services sector reporting that they had collected every foreign invoice. Hungarian businesses held the lowest volume of uncollectable invoices (maximum 1%) in the wholesale/retail trade/distribution and manufacturing industries.

Uncollectable receivables (domestic/foreign) by business size

Micro-enterprises reported the lowest level (3%) of uncollectable receivables

Respondents from micro-enterprises reported the lowest level (3%) of uncollectable invoices. This ranged from a high of 7% in Greece to a low of 1% in Australia, Denmark and Hungary. 4% of invoices issued by large enterprises were uncollectable, but Spanish respondents in this segment collected all of their foreign invoices. The worst performances for this size business were in Italy and the USA (both 6%) and the Czech Republic (5% domestic and 10% foreign).

5 Cash inflow monitoring

- DSO was highest in Southern Europe: Italy 63 days, Greece 70 days and Spain 88 days
- Manufacturing industry reported highest DSO
- Shortest DSO was among micro-enterprises
- An increase in DSO was recorded by 23% of respondents

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 – Fall 2011

DSO highest in Southern Europe

During the first half of 2011, the European countries where businesses recorded DSO significantly above the regional average of 49 days were Italy (63 days), Greece (70 days) and Spain, (86 days). In North America, Mexico's average DSO of 60 days stood well above the regional average of 49 days. In Asia-Pacific, a 59 day DSO for Taiwan was the region's highest, 7 days more than the 52 day average for the region.

Splitting DSO into reference ranges further highlights different payment cultures. The 1-30 day range encompassed 69% of the DSO volume in Germany, 72% in France and 73% in Austria, indicating the generally faster payment culture in these countries. The 90 days and over range encompassed 21% of the DSO volume in Greece, 25% in Italy and 40% in Spain, emphasizing the frequently longer payment terms and payment periods in Southern Europe.

DSO by business sector

Highest DSO in manufacturing industry

Manufacturing respondents reported the highest DSO by industry (54 days), reflecting the sector's longer payment terms and more active use of trade credit. Swedish manufacturers reported the longest DSO figure in Europe (88 days). In the services sector, Singaporean companies recorded a 76 day DSO, while Danish service companies contained their DSO at just 22 days, the lowest

in the survey. Taiwanese financial services companies had an 87 day DSO, whereas Austrian companies in this sector reported an encouraging 23 day DSO. Spanish companies in the manufacturing sector reported 93 days DSO.

DSO by business size

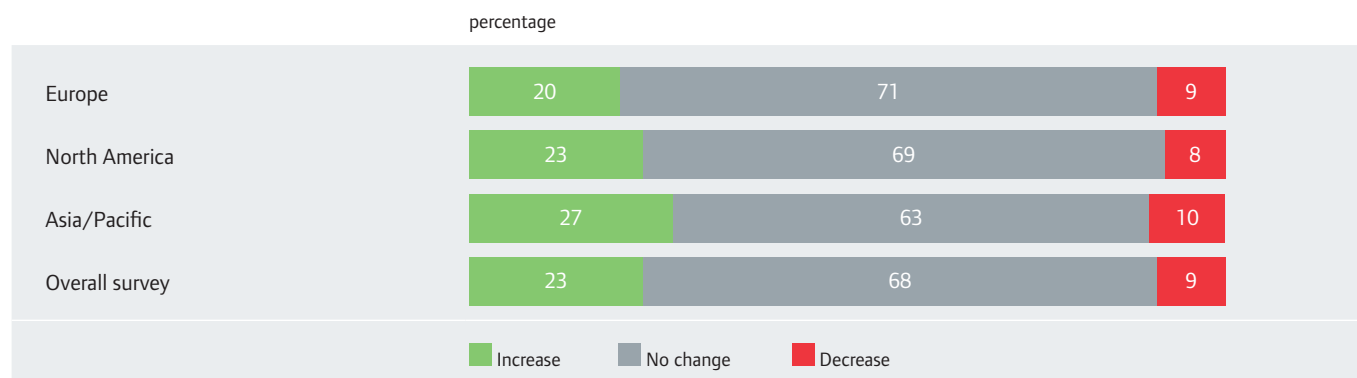
Shortest DSO reported by micro-enterprises

Micro-enterprises across the survey distinguished themselves by recording the shortest DSO by business size (43 days) during the first six months of 2011. This aligns with their generally tighter approach to payment terms and credit sales. Micro-enterprises in Germany (24 days) and the USA (28 days) reported the shortest DSOs. A 94 day average DSO was reported by medium-large enterprises in Spain. In Europe, Poland (15 days) and the Czech Republic (82 days) stood at either end of the DSO range for large enterprises. In North America, the average DSO by business size of respondents was in general longer in Mexico (60 days) than in the US (41 days) and Canada (47 days).

* Days Sales Outstanding (DSO) is a calculation used by a company to estimate their average collection period, using the average number of days taken to collect revenue after a credit sale has been made against the level of cash tied up in receivables.

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 – Fall 2011

Increases in DSO most frequently experienced in Southern Europe

DSO levels have increased slightly over the past year, although just over two thirds of the respondents in the countries surveyed reported no change. Where a change was experienced it was most frequently an increase in DSO (23% of respondents).

Increases were most frequently experienced in Southern Europe, where Greece (46%), Spain (31%) and Italy (24%) recorded the highest percentage of respondents whose DSO increased. Respondents in Spain reported a 24 day increase in average DSO in the first half of 2011. Greek respondents reported a 32 day increase. In Eastern Europe only Poland (32%) recorded a notable rise (average of 11 days). Western European respondents in this bracket recorded DSO increases ranging from 8 days in Great Britain to 14 days in Ireland.

In North America, 31% of Mexican respondents reported an increase in DSO (regional average 23%). The increase in DSO in Mexico averaged 16 days, and in the US 11 days.

In the Asia-Pacific region, an average of 27% of respondents experienced an increase in DSO compared to 2010. Although Japan (2% of respondents) stood out as an exception to this pattern, testifying to the low reliance on credit sales by Japanese companies, DSO increases in Asia-Pacific were led by Indonesia (13 days), followed by Singapore and Taiwan (10 days each) and China (9 days).

DSO trend over the past year by business sector

DSO relatively more stable in the services sector than in the other industries surveyed

In Europe, all industries surveyed, except the services sector, reported an increase in DSO (around 20% of respondents). 70% reported no change in this indicator over the past year. In North America, the same pattern was observed, but the percentage of respondents reporting an increase in DSO (25%) was higher than that for Europe. In Asia-Pacific, the manufacturing and the financial services sectors registered higher percentages of respondents (an average of 30%) whose DSO increased over the past year.

DSO trend over the past year by business size

DSO relatively more likely to increase in SMEs than in businesses of other sizes

The DSO of European respondents from SMEs (25%) was more likely to increase than that of respondents from businesses of other sizes (15%). The average increase for SMEs was 15 days. The same pattern was observed in North America and in Asia-Pacific, where a relatively higher percentage of respondents from SMEs experienced an increase in DSO over the past year (30%). In these regions the average increase (10 days) was lower than that observed in Europe.

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 tenth 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 than 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.

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