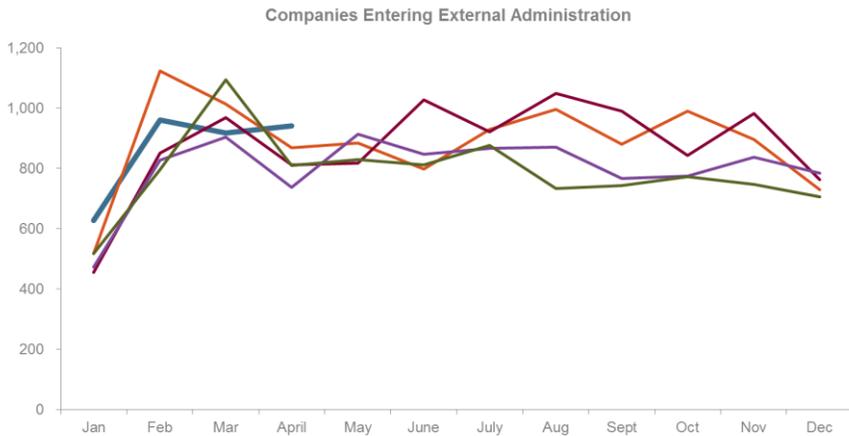


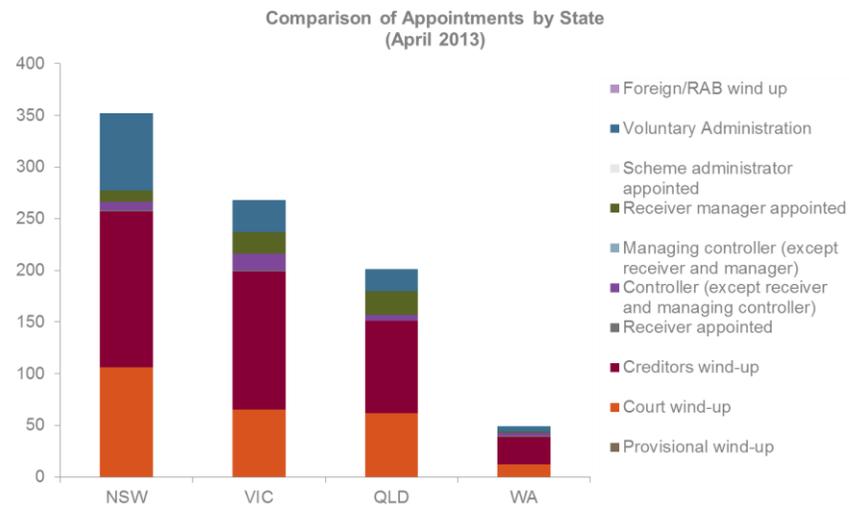
INSOLVENCY INSIGHTS

6 June 2013

Analysis of ASIC's Latest External Administration Appointments Statistics to April 2013 from the Corporate Finance/Restructuring Practice of FTI Consulting



Source: ASIC



Source: ASIC

The Figures

What these latest figures suggest

- 941 companies entering external administration during April, the highest on record for the month since ASIC statistics were made available in 1999.
- The result was 2.5% higher than in March 2013, when 918 companies entered administration, and ahead of the 869 insolvencies recorded in April 2012.
- With 3,447 companies entering administration so far in 2013, total insolvencies remain slightly behind the same period last year (Jan to April 2012: 3,524), but well ahead of the same time for 2008 to 2011.
- The increase from March to April was driven by an 8.1% rise in creditor wind-ups and a 16.1% climb in voluntary administrations. FTI Consulting expects voluntary administrations rose after companies reviewed first quarter earnings.
- Insolvencies climbed in Victoria and Queensland from relatively lower levels recorded in March, and were generally down or steady across the other States.

Economic Influences

What's happening in the broader market with particular attention to macro influences on insolvency?

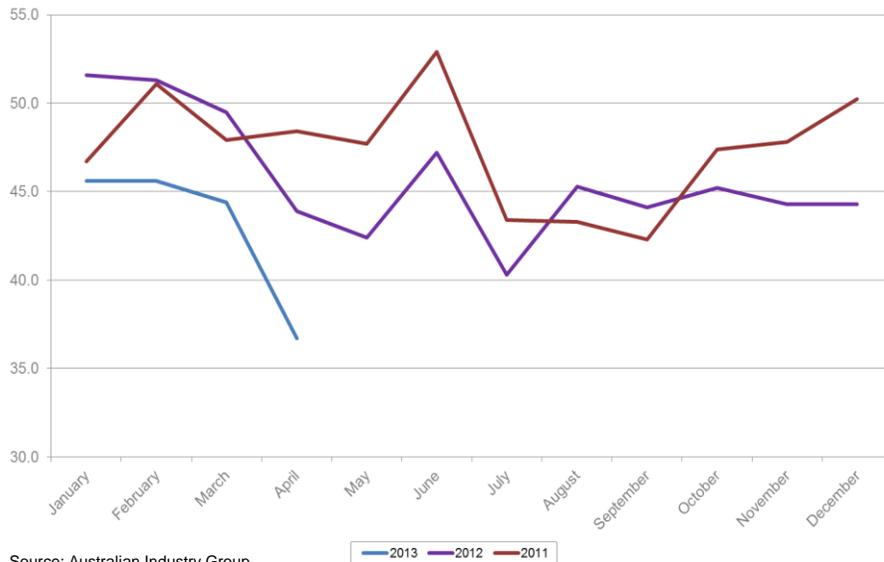
- Economic indicators in April continued to point to mixed conditions for businesses.
- ABS data showed the total number of building approvals rose for the first time in 2013 during April, following decreases in January and February and nil growth in March. Additionally, the HIA New Homes Sales report in April showed seasonally adjusted sales increased by 3.9%, evidence that the recovery in new homes sales continues.
- Meanwhile, seasonally adjusted retail turnover rose 0.2% in April, after a strong jump in February gave way to a dip in March.
- However, there was ongoing weakness in the construction sector; the Australian Industry Group (AIG) / HIA Australian Performance of Construction Index was down 3.8 points to 35.2 in April, a seven month low. The AIG / Commonwealth Bank Performance of Services Index was also negative for the month.
- The Westpac Melbourne Institute of Consumer Sentiment stumbled back to 104.9 after rising 9.9% in the previous two months.

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Performance Manufacturing Index by year



Source: Australian Industry Group

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Special Focus – Manufacturing

- Weakness in the manufacturing sector has continued in May, with the AIG Performance of Manufacturing Index at 43.8 points, well below the 50 points that separates expansion from contraction.
- While this was an improvement on April (36.7 points), recent developments in the local motor vehicle manufacturing industry may have negative flow on effects for manufacturers servicing that sector.
- Positively, the stress of import competition may start to be alleviated with falls in the Australian dollar.

Outlook

What we predict for the future and what inferences we can draw

- Economic data subsequent to April has indicated ongoing softness in industries, including construction and manufacturing.
- The falling Australian dollar may provide a significant boost to sectors competing with cheap imported goods, such as retailers and manufacturers, while exporters should also benefit. We expect insolvencies for the remainder of the year from those sectors to be dependent on the Australian dollar remaining below parity to the US dollar and continuing to fall.
- While the cash rate remains at historic lows set in May 2013, it has not translated into consumer confidence, with the Westpac Melbourne Institute of Consumer Sentiment back in negative territory in May.
- While there have been positive signs with building approvals and new home sales growing, the challenge is for consistent growth and increased consumer spending in sectors such as retail and non-mining business investment to counter the slowing mining sector.
- With ABS data showing total personal credit provided rose by 3.1% and business credit was up 1.4% for the year through to April, there is evidence that the low cash rate has fuelled borrowing and may assist in stimulating the spending and investment needed by those businesses struggling to cope.
- Meanwhile, the outlook for those companies servicing the mining sector remains challenging as miners increasingly focus on managing costs and significant capital expenditure stagnates.

About FTI Consulting, Inc.

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.