



P R E S S R E L E A S E

Bucharest, 3rd September 2014

10 % DECREASE OF ROMANIAN COMPANIES INSOLVENCIES NUMBER IN THE FIRST HALF OF 2014

Coface Romania conducted a new study on the Romanian insolvencies' evolution, taking into consideration the newly opened cases registered within the Bulletin of Insolvency Proceedings for January - June 2014.

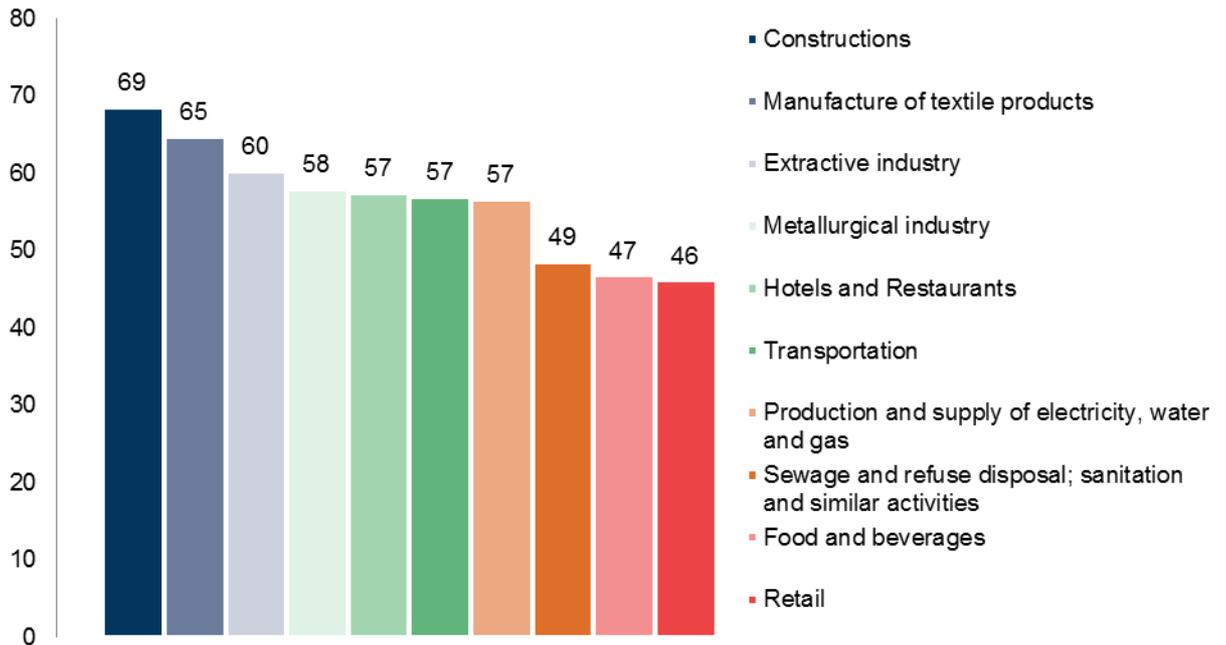
Coface's analysis, based on the data provided by the National Trade Register Office, indicates that during the first semester of this year 12.453 new insolvencies were registered, down by 10% compared to the same period of 2013 when 13.855 new insolvencies were opened.

Considering the average of the last 10 years, the number of insolvency cases reported during the 2nd half of the year represented 80%-85% of the level registered during the 1st Semester. If this dynamic continues through the 2nd half of the current year we will witness a total maximum volume of 23,000 insolvency cases for the whole year. This will translate into a 15% contraction in the number of insolvency cases in 2014 vs. 2013. Nevertheless, there has to be considered the fact that the **new insolvency law** entered into force starting with June this year and its impact, alongside the companies' behavioral pattern are still unclear. Thus, we have to take into consideration the possibility of insolvency dynamics to be volatile and unpredictable.

From the sector distribution point of view, Constructions, which consistently occupied a place within Top 10 for the last 5 years is now ranking the first place. Textiles, mining and quarrying industry, metallurgy and HORECA are still within Top 5 ranks by considering the number of insolvencies reported at 1,000 active companies. The top 10 sectors that registered the highest value for this indicator are listed in the chart below.

The geographical distribution of the insolvent enterprises has undergone several changes vs. the same period of last year. The number of insolvencies has increased though only in Bucharest and the Western region (+8%), while the rest of the regions have registered a decrease of this indicator with the most significant contractions registered in the South-Eastern (-23%) and the North-Eastern sides (-22%).

TOP 10 INSOLVENCY CASES BY INDUSTRY SECTOR FOR THE 1ST SEMESTER OF 2014 - EXPRESSED AT 1,000 ACTIVE ENTERPRISES



Source: IBP, MPF, Data analyzed by Coface

The improvement of the payment discipline, registered within the first trimester can also be seen in the first half of 2014, the figures indicating in terms of both value and number, a reduction of 30% of defaulted payment instruments. In the same time, the number of insolvent companies with a turnover above 1 MEUR dropped by 30%, signaling a rebound of a negative contagious effect over large companies.

To deepen the understanding of the structural causes that triggered insolvency procedures during the first semester this year, Coface appraised the financial declarations that were reported by the insolvent companies for the 2008 - 2013 activity. A list of most important conclusions following this analysis, are reported below:

- The majority of an additional debt (3.3 BRON) were attracted to cover loss (increasing with 2.3 BRON) and receivables' investment (1.1 BRON current assets, over 95% represented by receivables), where the book value of the fixed assets remained constant;
- Insolvent enterprises have attracted short term capital mostly from suppliers, their balance within the total debt balance increasing from 35% (2008) to 50% (2013);
- Long term investment that proved to be unprofitable, with increasing loss during the analyzed period;

- The increasing average DSO indicates an inadequate credit risk policy, the average DSO increasing with 81 days during the analyzed period, from 79 days (2008) to 160 days (2013);
- This has caused slower supplier payment, the average payment term increased with 117days, from 112 days (2008) to 229 days (2013).

Coface has compiled the „invoice” caused by the insolvent companies during the 1st Semester of this year, to see the list of the payers and the impact for each category, the final figures being the following:

- Private suppliers: 3.25 BRON
- Banks: 2.6 BRON
- Shareholders: 1.7 BRON (not a direct cost, but rather the opportunity cost of cancelling dividends during 2008)
- Government Fiscal Authorities (the state): 0.65 BRON

“Even if the number of insolvent companies that ceased their activity during the 1st Semester of this year dropped by 10%, compared to the same period of last year, the number of new registered companies within the same timeframe dropped even faster, by 24%. Therefore, we conclude on a gradual recovery of the payment behavior amid the reduction of the insolvent companies and defaulted payment instruments, taking into consideration a relatively unfriendly economic landscape, for both private investors and entrepreneurship initiatives.”, concluded Constantin Coman, Country Manager, Coface Romania.

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About Coface

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