

Bucharest, 8 August 2013

12,739 COMPANIES BECAME INSOLVENT IN THE FIRST 6 MONTHS OF 2013, WITH 10% LESS THAN IN THE SAME PERIOD OF 2012

Coface Romania conducted ¹ the analysis regarding the Romanian insolvencies evolution nationwide, for the first half of the current year. At the end of June, 12,739 companies were in various stages of insolvency's proceedings, with 10% less compared to the same period of 2012, when 14,218 insolvencies were opened.

After five years of continuous growth in the number of insolvencies, the auspices of 2013 present us again a growth of insolvent medium and large companies, while the number of newly opened for the current year continues to decline.

- **Construction, HORECA and Transport were the most affected sectors in relation to the number of active companies**

For the third consecutive year, the first ten sectors registering the highest number of insolvent companies remain unchanged and the only modifications are related to the order in the top list, but with variations of one, maximum two positions.

By analyzing the evolution of insolvency cases over the last 5 years, we noticed a consolidating trend regarding the volumes concentration degree in the first 3, respectively 5 sectors. Thus, the weight of the first 3 sectors which registered most of the insolvency cases (in absolute figures) varied in the last 5 years between 50% - 54%, and the first 5 sectors between 65% - 70%.

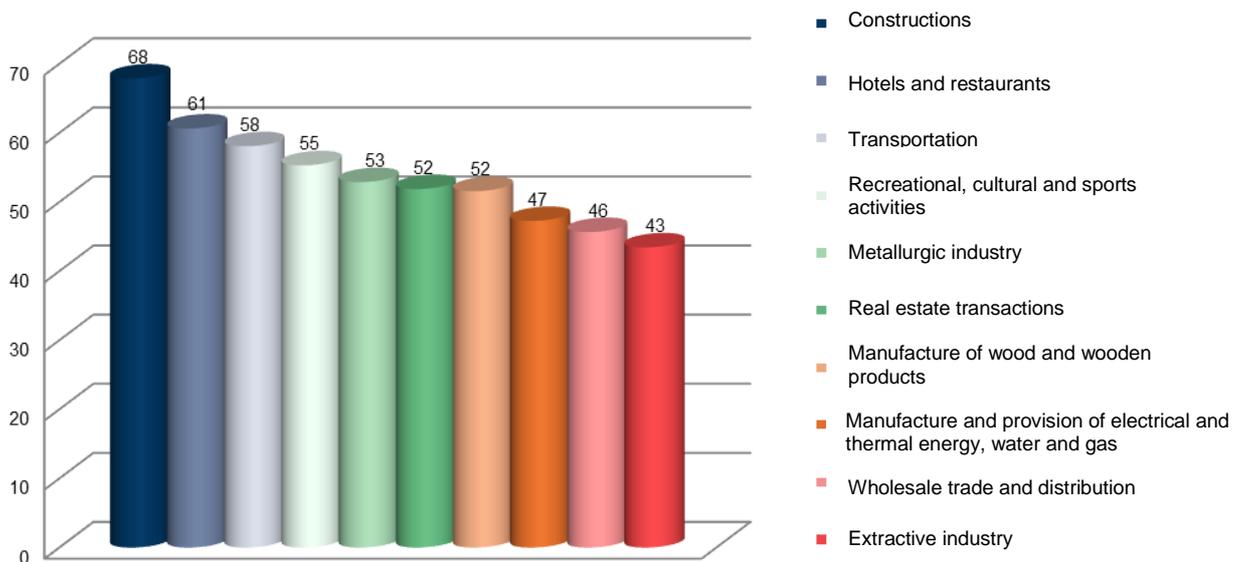
These shares are not random and they are determined by structural factors such as sectoral distribution of all active firms nationwide.

The top 5 sectors that registered the highest number of insolvencies covers a similar proportion in terms of total active companies. Given this structural factor, it is important to analyze the number of insolvencies compared to all active companies in the sector. The top 10 sectors that registered the highest values for this indicator are listed in the chart below.

Construction, HORECA and Metallurgy are the sectors with the highest level of insolvencies opened in the first semester of this year in relation to the number of active companies. We should mention that the same sectors were included in the 2012 top 5 insolvent sectors, which indicates the persistence of structural problems.

¹Based on the data from the Bulletin of Insolvency Proceedings

TOP 10 SECTORS BASED ON THE NUMBER OF INSOLVENCIES DURING H1_2013



Source: BPI, MFP, Coface data

- **Approximately two-thirds of the analyzed companies in the first six months of 2013 show a very high or significantly above average risk of insolvency**

Coface Romania analyzed at an individual level, during the first semester of 2013, at its business partners' request or to monitor the direct exposures within the insurance division, 20,943 companies, with a total turnover of 109 BEUR, representing almost 48% of the turnover of all the active companies nationwide.

At the same time, analyzing the companies verified by Coface in 2012 and 2013, we noticed:

- Decreased risk assessment from 4.84 registered in 2012 to 4.42 in 2013, that indicates an increasing trend in the risk of insolvency for the analyzed companies;
- 14% decrease (on average) in the credit limit recommended for the analyzed companies;
- Both trends are observed for all the analyzed companies, regardless of their size, but especially for the companies with a turnover over 1 MEUR;
- The number of companies that have experienced a decrease within Coface's risk assessment is 67% higher than the companies that have benefited from the improvement.

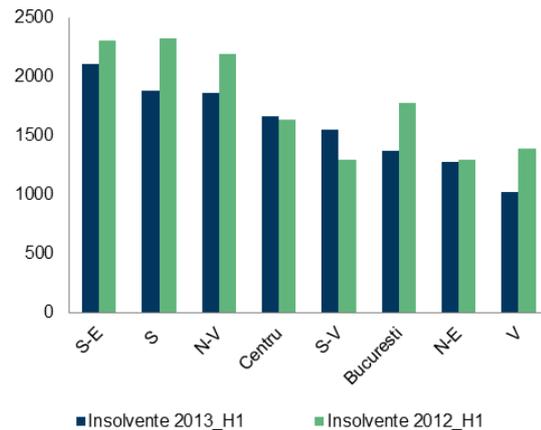
Thus, we consider that the numerical decrease for newly opened insolvencies during 2013 becomes relevant only statistically, given that the main concern is related to the record number of medium and large insolvent companies, the latter disseminating a negative, faster and harder to replace effect on the economy.

- SE, S and NW frame half of all the insolvencies for the first half of 2013

The territorial distribution of insolvency cases for the first semester of this year did not suffer significant changes from the existing situation of the same period of 2012. Thus, the most affected three areas are SE, S, and NW, concentrating approximately 50% of the total insolvencies registered in the analyzed period.

The only area where the number of insolvencies for the first 6 months of this year increased, compared to the same period of 2012 is SW, given that the Center area indicated a poor stabilization.

Regional distribution of insolvency cases recorded during H1 2013



Other areas registered declines in the number of insolvencies for the first 6 months of this year; the biggest drop was recorded in the W area (26%). We should mention that W area registered twice less insolvencies than the SE, given that the number of active companies is similar in both of the regions.

"The economic environment of the first half of 2013 proved to be a challenging one. We noticed a deterioration of the companies' financial situation, especially for the medium-large ones, despite of the announced increases of 2.2 % of GDP. Lack of banking credits left scars in the smooth functioning of the Romanian economy; for example large companies have been forced to transfer more risks into the commercial credit. It is no coincidence that the number of DSO of large firms increased, as well as the payment incidents within promissory notes and checks; the latter show an increasing value of over 22%, compared to the same period of 2012, due to the lack of liquidity on the market. I would characterize 2013 as the year with the most insolvent companies that will lead eventually to a socio-economic impact.

Despite of a higher confidence level and some positive macroeconomic indicators mainly due to exports and a good agricultural year, the economic environment is still suffering and this was noticed in a very large share of debts regarding the medium-large companies, about 49% in total debts. 59% of the total turnover achieved by the H1 2013 insolvent companies was generated by medium-large companies.", says Constantin Coman, Country Manager, Coface Romania.



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

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About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2012, the Group posted a consolidated turnover of 1.6 BEUR. 4,400 staff in 66 countries provides a local service worldwide. Each quarter, Coface publishes its assessments of country risk for 158 countries, based on its unique knowledge of companies' payment behavior and on the expertise of its 350 underwriters located close to clients and their debtors.

In France, Coface manages export public guarantees on behalf of the French state.

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