



MONITOR OF BANKRUPTCIES, INSOLVENCY PROCEEDINGS AND BUSINESS CLOSURES

DECEMBER 2014

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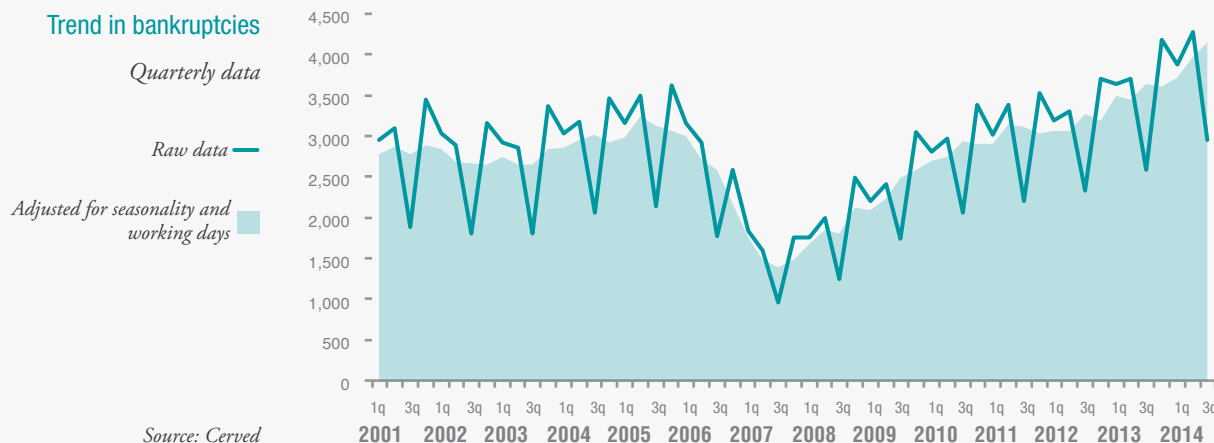
ANOTHER BANKRUPTCY RECORD, BUT VOLUNTARY LIQUIDATIONS DOWN

SUMMARY

Number of bankruptcies in 2014 breaks 10,000 mark in September, but voluntary liquidations drop for fourth consecutive quarter

Italian business closure data for the third quarter of this year paint a portrait mixed with lights and shadows. On one hand, the economic crisis has kept on claiming victims, as demonstrated by yet another record high number of bankruptcies reached as of the end of September. On the other hand, there has been a decline in the number of owners deciding to liquidate their companies voluntarily, which may be a sign of an improvement in business confidence.

About 3,000 Italian companies went bankrupt in the third quarter of 2014, 14.1% more than in the same period last year. Adding this to first and second quarter figures, over 11,000 businesses went bankrupt over the first nine months (+11.9% year-on-year), a new record high; 2014 is the first year since this historical series was initiated that there have been more than 10,000 bankruptcies by September.



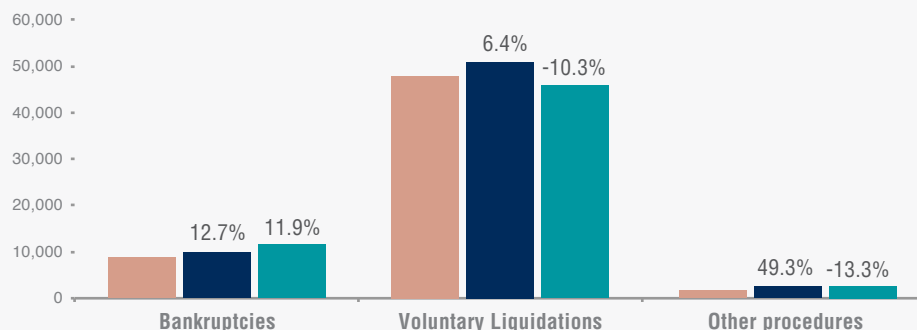
However, for the fourth consecutive quarter, the number of companies in good financial standing that were liquidated went down in the third quarter of 2014. In the first nine months of this year combined, about 45,000 entrepreneurs decided of their own accord to close their businesses; this is 10.3% fewer than a year ago, and reductions were seen throughout the country and in all economic sectors. Furthermore, the downward trend in non-bankruptcy insolvency proceedings did not stop in the third quarter: over the first nine months, there has been a 13% year-on-year decrease. In particular, requests for voluntary arrangements with creditors (including those with restructuring plans) fell sharply, owing to the collapse in “reserved” voluntary arrangements now that the courts can appoint a judicial commissioner to monitor the debtor’s conduct during such proceedings.

Business closures: breakdown by type of procedure

Number of proceedings
in the third quarter
and year-on-year
% changes

2012 q1-q3
2013 q1-q3
2014 q1-q3

Source: Cerved



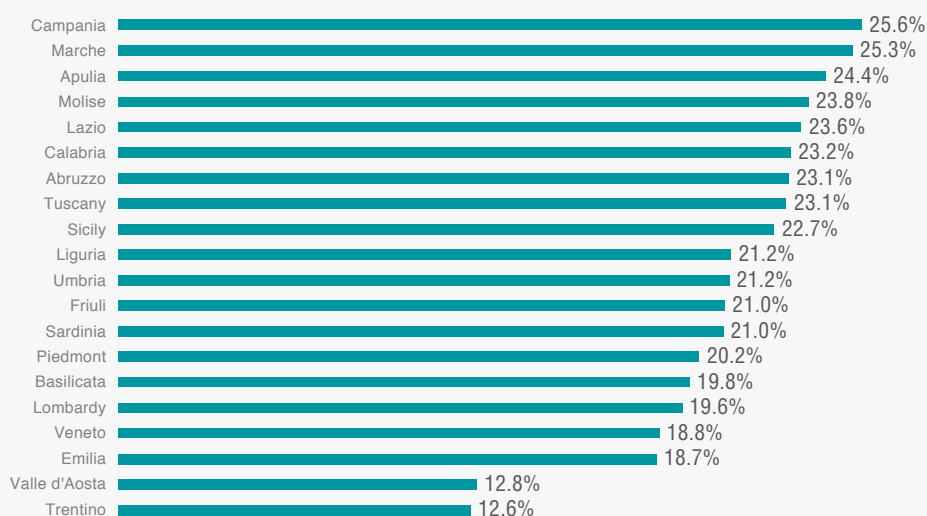
Thanks to the substantial decrease in voluntary liquidations, the total number of business closure proceedings tracked by this Monitor has decreased: between January and September 2014, about 59,000 Italian companies either went bankrupt, were liquidated or began non-bankruptcy insolvency proceedings; this is 6.9% less than in the same period of 2013. It is the first time the nine-month total business closure figure has gone down since 2008.

Analysing business closure figures for small to medium sized enterprises, we find that the crisis has hit hardest in the regions of Campania, Marche and Apulia, where about one-fourth of all SMEs that were active in 2007 have since then (between 2008 and the first half of 2014) either gone bankrupt or been liquidated. By contrast, with business closure rates of around 13%, the regions of Valle d'Aosta and Trentino Alto Adige have been hurt the least.

Italian SME Closure Rates

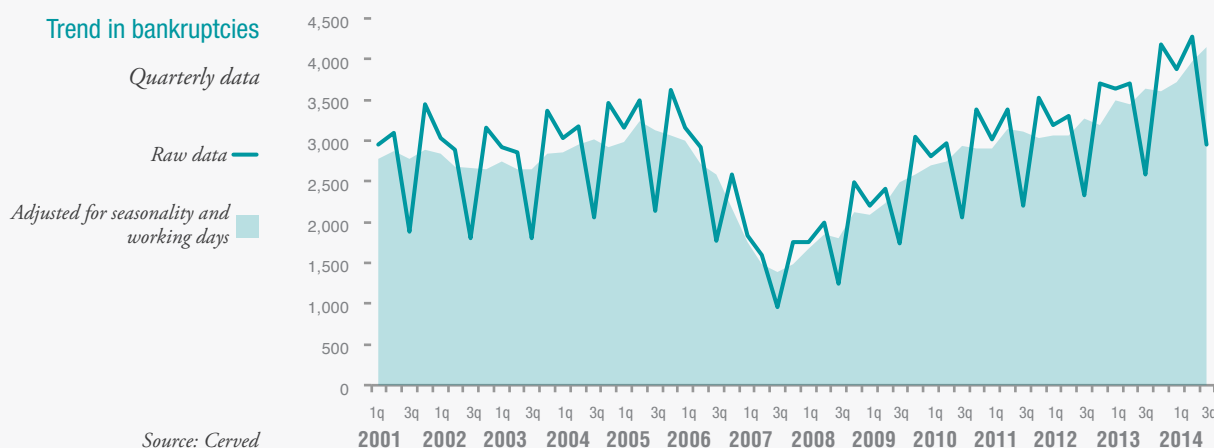
SMEs active in 2007 that were
liquidated, declared bankrupt
or faced other insolvency
proceedings between 2008
and June 2014

Source: Cerved



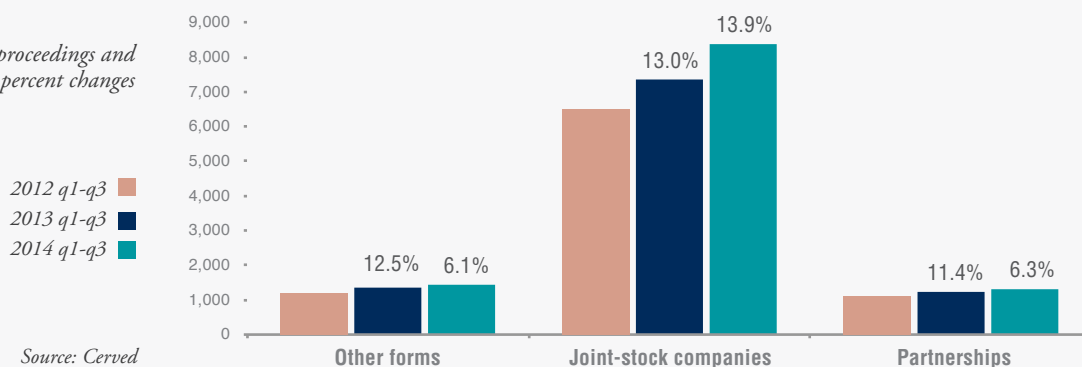
BANKRUPTCIES

The number of bankrupt companies has continued to rise: between July and September 2014, bankruptcy proceedings began for about 3,000 Italian businesses, 14.1% more than in the same quarter last year. Adding this to data for the first half of the year, the nine-month total was over 11,000, an 11.9% year-on-year increase and the highest ever number of bankruptcies for January to September. Once again, it was mostly joint-stock companies that went bankrupt: about 8,400 of them began bankruptcy proceedings between January and September 2014, showing a faster year-on-year increase (+13.9%) than last year (+13%). There were also increases in bankruptcies, although slower, among partnerships (+6.3%, vs. +11.4% last year) and among businesses of other legal status (+6.1% vs. +12.5%).



Bankruptcies by legal status, from January to September

Number of proceedings and year-on-year percent changes



Looking at the broad sectors of the economy, there was no hint of a slowdown in service sector bankruptcies: in the first nine months of 2014, about 5,700 tertiary companies went bust (+16.2% year-on-year, faster than the 15% growth seen in 2013). The number of bankruptcies in the building sector also rose sharply, by 11.8%, to nearly 2,500 businesses between January and September (compared to a 10.7% increase in 2013). There was also an increase, albeit at a decidedly softer pace, in the number of industrial sector bankruptcies (+3.5%, vs. +11.3% in 2013).

Bankruptcies by macro-sector from January to September

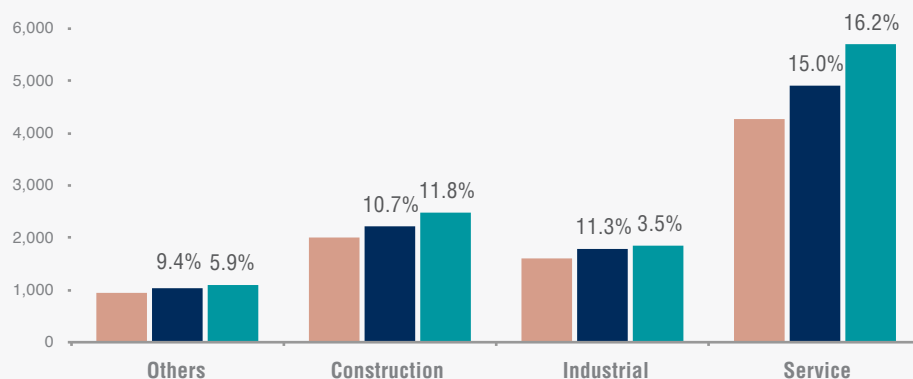
Number of proceedings and year-on-year percent changes

2012 q1-q3

2013 q1-q3

2014 q1-q3

Source: Cerved



Across the Boot, bankruptcy numbers rose at double-digit rates, by about 13-14% in most areas, with the exception of the North-East, where the number of bankruptcies in the first nine months of 2014 went up by only 4.4% year-on-year.

Bankruptcies by geographical area, January to September

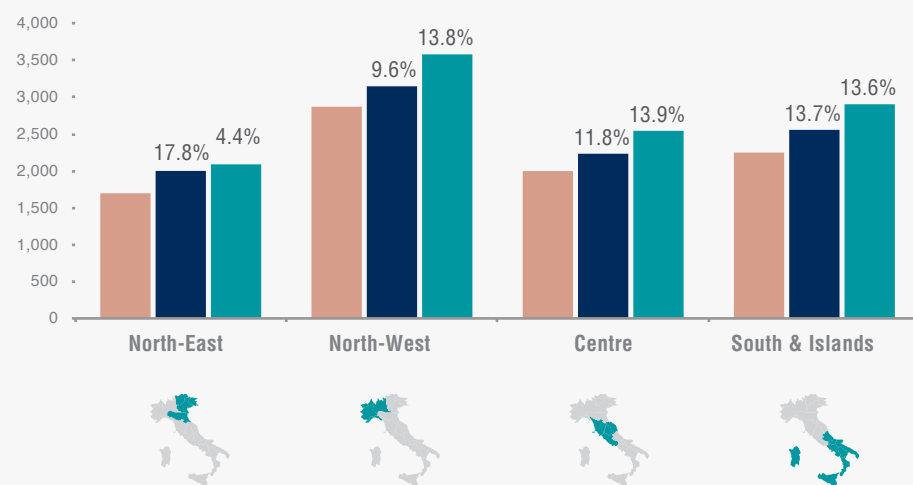
Number of proceedings and year-on-year percent changes

2012 q1-q3

2013 q1-q3

2014 q1-q3

Source: Cerved



NON-BANKRUPTCY INSOLVENCY PROCEEDINGS

In the third quarter of 2014, roughly 500 requests were submitted for “reserved” voluntary arrangements with creditors, a 29% drop from the third quarter of 2013, which was in turn the first quarter to be affected by legislative changes enabling the courts to appoint a judicial commissioner to monitor the applicant debtor’s conduct. Overall in the first nine months of 2014, “reserved” arrangements came to around 2,200, or 40.7% less than in the same period of 2013.

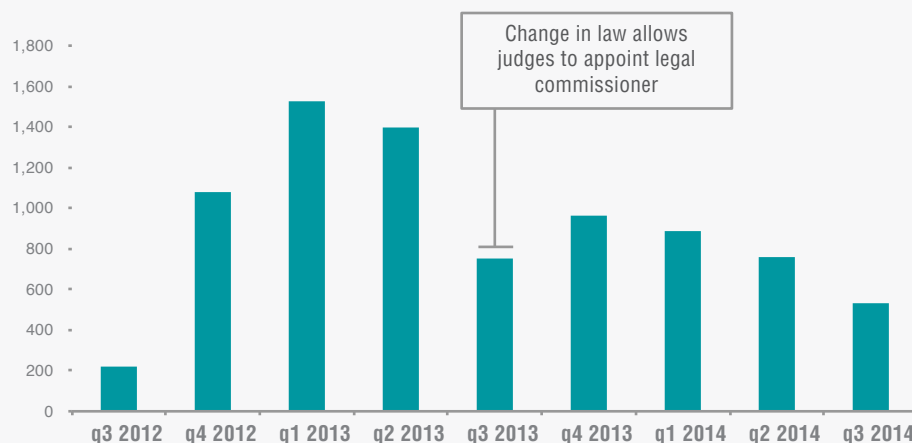
This sharp reduction in reserved arrangements with creditors was reflected in the number of full-fledged voluntary arrangements (those where the insolvent company must draw up a restructuring plan), which fell by 15.7% year-on-year in the first nine months of 2014, although the number was still nearly twice as many as in the same period of 2011. Also over the first nine months of 2014, the number of other insolvency proceedings fell by 7.8% year-on-year. In all, the number of non-bankruptcy insolvency proceedings came to about 2,100, 13% fewer than a year ago.

"Reserved" voluntary arrangements with creditors

Number of applications
per quarter

NB: the "reserved" voluntary
arrangement was first
introduced in September 2012

Source: Cerved estimates



Non-bankruptcy insolvency proceedings from January to September: breakdown by type

Number of proceedings and
year-on-year percent changes

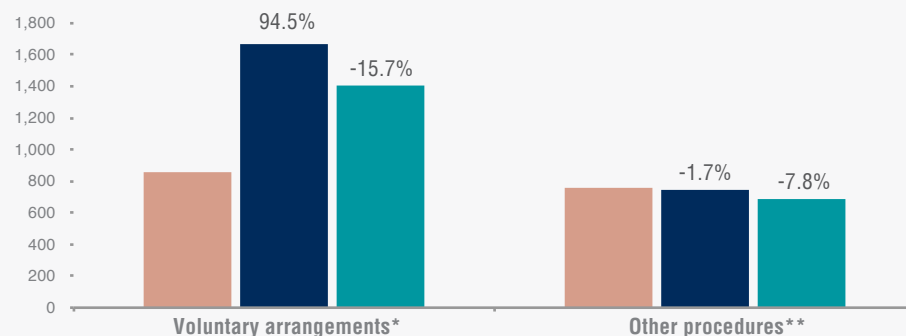
2012 q1-q3

2013 q1-q3

2014 q1-q3

(*) Arrangements with creditors that
involve restructuring plans
(**) Does not include
proceedings for business registry
cancellations, dissolutions by
regulatory authorities and
court-ordered proceedings

Source: Cerved



Non-bankruptcy insolvency proceedings from January to September: breakdown by macro-sector

Number of proceedings and year-on-year percent changes

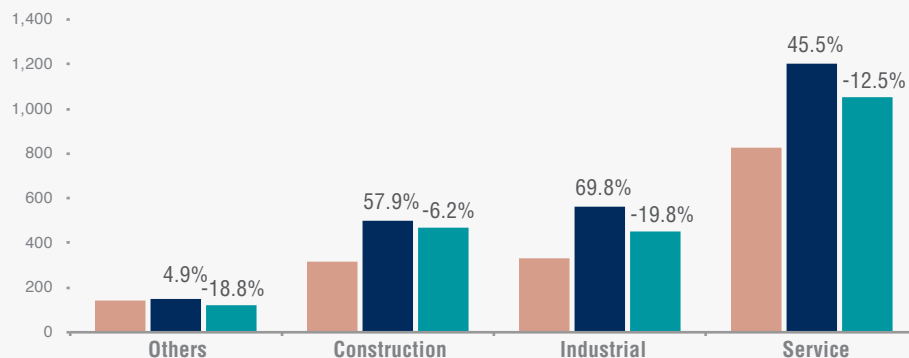
2012 q1-q3

2013 q1-q3

2014 q1-q3

NB: Excludes "reserved" arrangements with creditors, proceedings for business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings

Source: Cerved



This decrease was seen in all sectors of the economy, most prominently in manufacturing, where non-bankruptcy insolvency proceedings fell by 19.8% year-on-year to 451 in the first nine months of 2014. A double-digit decrease was also seen in services (-12.5%), although this remains the sector with the highest number of proceedings. Finally, non-bankruptcy insolvency proceedings fell by 6.2% in the construction sector.

Non-bankruptcy insolvency proceedings, January to September: breakdown by geographical area

Number of proceedings and year-on-year percent changes

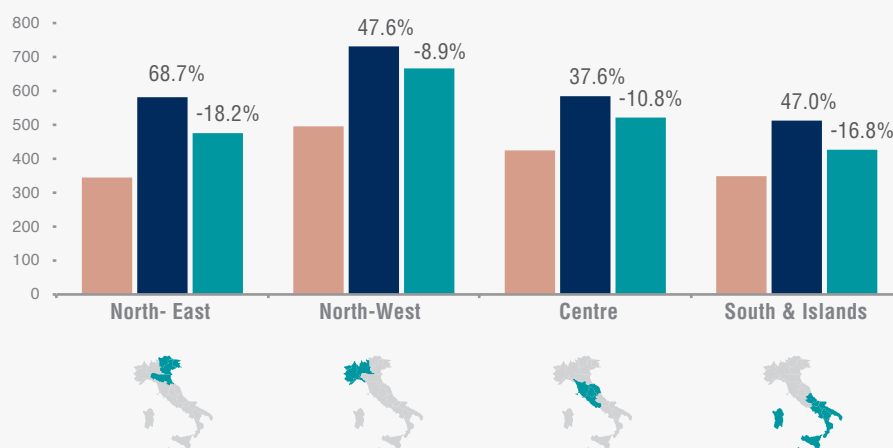
2012 q1-q3

2013 q1-q3

2014 q1-q3

NB: Excludes proceedings for business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings

Source: Cerved



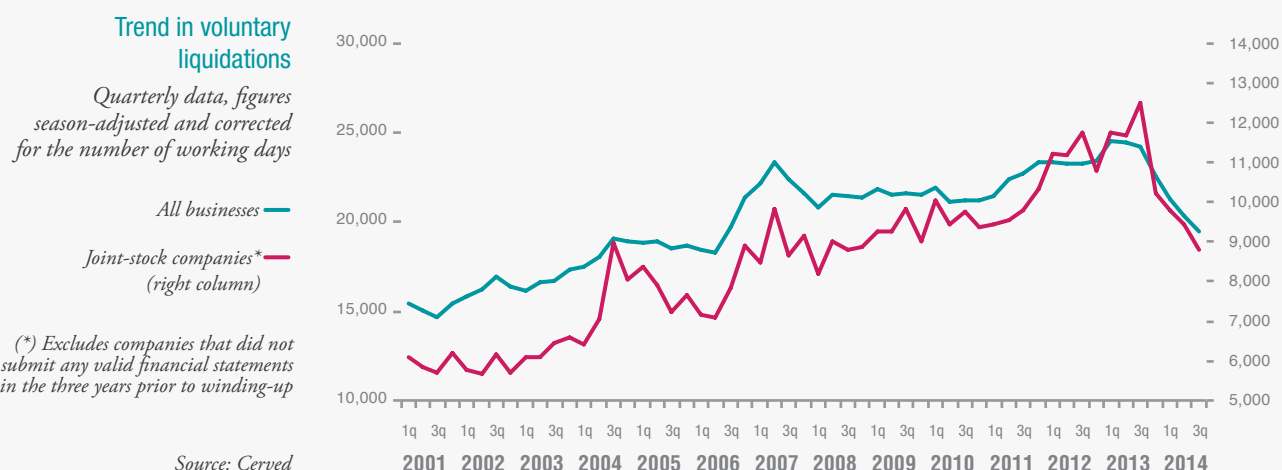
From a geographical point of view, non-bankruptcy insolvency proceeding numbers went down across the entire country, at a double-digit rate among companies in the North-East (-18.2%), in the South (-16.8%) and in the Centre (-10.8%), and at a slightly slower 8.9% in the North-West.

VOLUNTARY LIQUIDATIONS

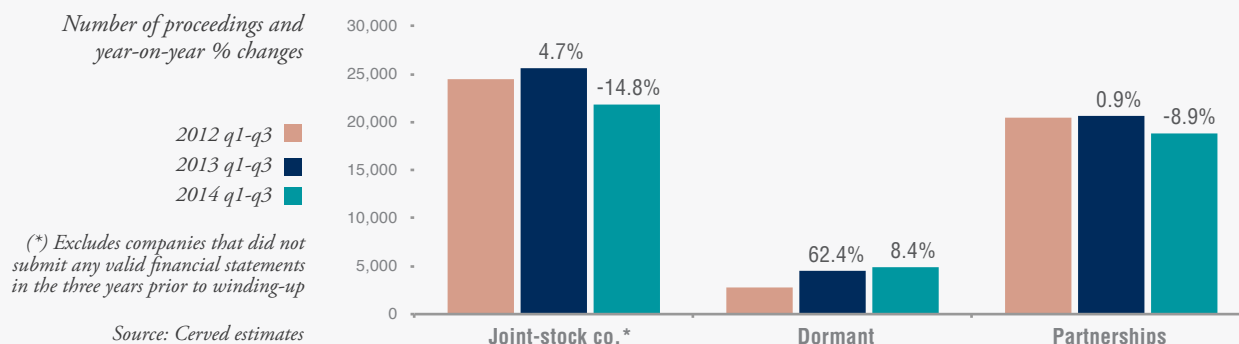
It is estimated¹ that from July to September 2014, about 14,500 business owners started procedures to liquidate their companies. That figure is 0.2% less than what was registered in the third quarter of last year, making it the fourth consecutive quarter in which business liquidations have fallen. For the first nine months of 2014, total liquidations came to about 45,500 businesses, 10.3% below the corresponding figure recorded in 2013, thus marking the first reduction for the January-September period since 2008.

Year-on-year decreases for the first nine months of 2014 have been especially notable among “truly active” joint-stock companies (-14.8%) and partnerships (-8.9%), whereas the number of voluntary liquidations of “dormant” companies (those that had not filed valid financial statements in the three years prior to winding up) actually rose by 8.4%.

The reduction in voluntary liquidations among active joint-stock companies was common to all sectors of the economy and all geographical areas of the country.



Voluntary liquidations from January to September: breakdown by business status



1. Due to delays in Chamber of Commerce database updates, liquidation figures are estimated for the most recent quarter and then corrected and updated to show the actual number in the subsequent Monitor report. The actual second quarter 2014 number of about 14,000 is lower than the estimate of 16,000 provided in the previous edition of this Monitor.

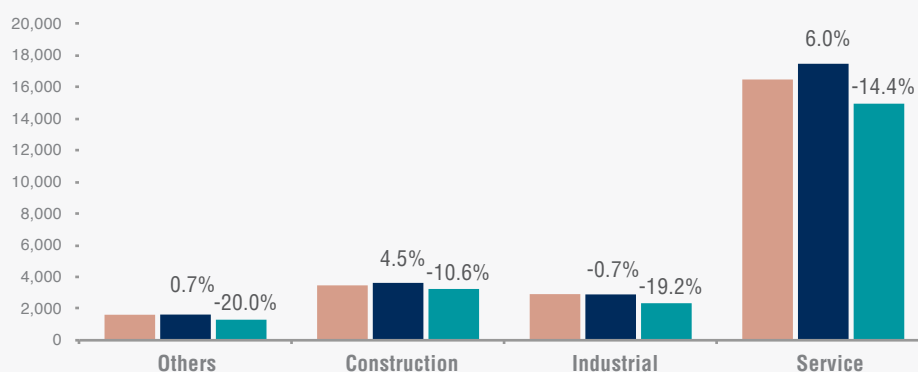
Voluntary liquidations of joint-stock companies* from January to September: breakdown by macro-sector

Number of proceedings and year-on-year percent changes

2012 q1-q3
2013 q1-q3
2014 q1-q3

(*) Excludes companies that did not submit any valid financial statements in the three years prior to winding-up

Source: Cerved estimates



In the industrial sector, there was a year-on-year decrease of nearly 20%, between January and September 2014, in the number of closures of companies in good standing (-19.2%). Decreases were smaller but still in double digits in the other macro-sectors: -14.4% in services and -10.6% in construction.

In all broad geographical areas of Italy, the number of voluntary liquidations among truly active joint-stock companies fell at a double-digit pace.

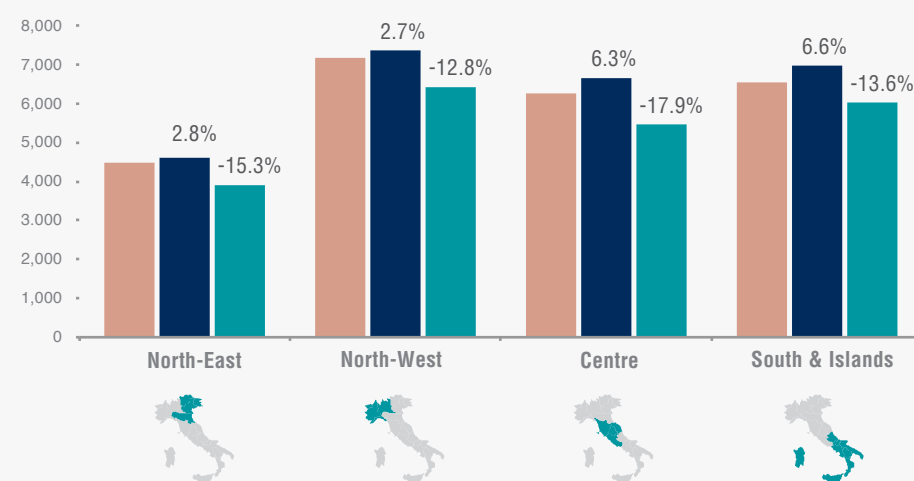
Voluntary liquidations of joint-stock companies*, January to September: breakdown by geographical area

Number of proceedings and year-on-year percent changes

2012 q1-q3
2013 q1-q3
2014 q1-q3

(*) Excludes companies that did not submit any valid financial statements in the three years prior to winding-up

Source: Cerved estimates

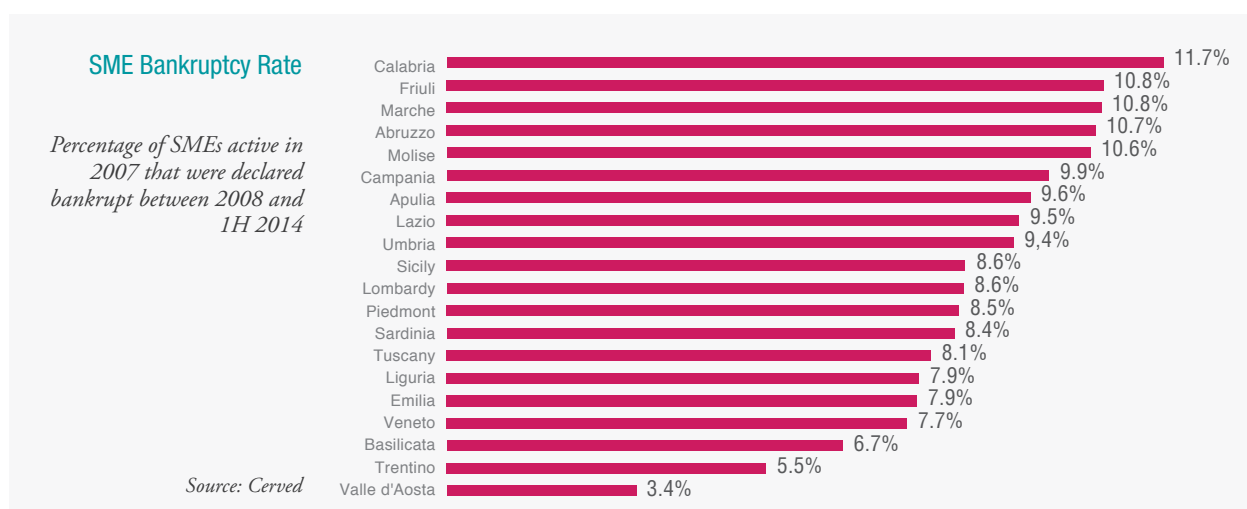


SME CLOSURES SINCE 2007: COUNTING THE CASUALTIES OF THE CRISIS

The economic crisis has clearly pushed up the exit rates of the roughly 150,000 joint-stock companies that were active in Italy before the crisis began and that met European Union criteria to be considered an SME (these criteria are: between 10 and 250 workers, and annual turnover of €2 million to €50 million). The data indicated that about one-fifth of all Italian SMEs active in 2007 either began some form of insolvency proceedings or were liquidated voluntarily between January 2008 and June 2014.

Within that time frame, about 13,000 SMEs went bankrupt, or 8.7% of the total active as of 2007, while another 5,500 underwent non-bankruptcy insolvency proceedings (3.6% of the total, with the majority being voluntary arrangements with creditors) and about 23,000 were liquidated voluntarily (15%). In all, about 31,500 SMEs active in 2007 were involved in at least one such business closure procedure between the beginning of 2008 and June 2014, or 21% of the total.

With nearly a quarter of its SMEs having either gone into insolvency proceedings or been liquidated, central and southern Italy has paid a higher price amid the crisis than either the North-West (where 19.8% have gone through such proceedings) or the North-East (18.5%). Looking at individual regions of the country, the highest exit rates are in Campania, Marche and Apulia, while the lowest rates by far are in Trentino Alto Adige and Valle d'Aosta. However, considering bankruptcies only, the regions that have suffered most – witnessing more than one in ten SMEs going bankrupt since the end of 2007 – are Calabria, Friuli, Marche, Abruzzo and Molise.



SMEs gone out of business:
regional breakdown

	Bankruptcies	Other Insolvency Proceedings	Voluntary Liquidations	SMEs with at least one proceeding	as % of total SMEs
North-East	3,052	1,491	5,052	7,181	18.5%
Emilia	1,217	571	2,084	2,903	18.7%
Friuli Venezia - Giulia	375	145	458	730	21.0%
Trentino Alto Adige	165	93	228	379	12.6%
Veneto	1,295	682	2,282	3,169	18.8%
North-West	4,289	1,802	7,195	9,980	19.8%
Liguria	249	162	481	670	21.2%
Lombardy	3,122	1,215	5,276	7,122	19.6%
Piedmont	908	422	1,409	2,150	20.2%
Valle d'Aosta	10	3	28	37	12.8%
Centre	2,930	1,339	5,665	7,512	23.5%
Lazio	1,313	252	2,436	3,267	23.6%
Marche	508	329	856	1,191	25.3%
Tuscany	921	658	2,077	2,630	23.1%
Umbria	188	100	296	424	21.2%
South & Islands	2,754	838	4,852	6,832	23.8%
Abruzzo	285	114	363	617	23.1%
Basilicata	46	23	96	137	19.8%
Calabria	207	60	248	409	23.2%
Campania	918	186	1,793	2,361	25.6%
Molise	46	22	62	103	23.8%
Apulia	555	188	997	1,403	24.4%
Sardinia	209	54	354	519	21.0%
Sicily	488	191	939	1,283	22.7%
Total Italian SMEs	13,025	5,470	22,764	31,505	21.0%

Source: Cerved