

February 2013

Monitor of Bankruptcies, Insolvency Proceedings and Business Closures

FourthQuarter 2012



Total number of business closures breaks the 100k mark in 2012

The most bankruptcies in over a decade

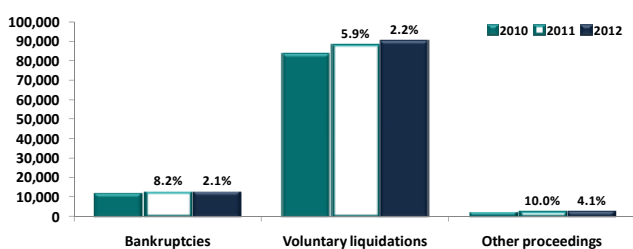
Summary

Cerved Group's records indicate that the recession enveloping Italy has had a severe impact on small and medium Italian companies, many of them being forced to carry their accounting books into the courtroom or close their doors. In 2012, there was an increase in bankruptcies and other types of insolvency proceedings as well as an increase in voluntary liquidations: a total of about 104,000 companies folded, 2.2% more than in the previous year. An analysis of Business Registry details shows that there has been a real boom in new arrangements with creditors: in the fourth quarter alone, it is estimated that a thousand applications were submitted for the new "reserved" voluntary arrangement procedures, an amount similar to the number of requests presented under the 'old' procedure throughout the entire year.

2012 was a very harsh year in terms of bankruptcies. Over 12,000 bankruptcy procedures began during the year, a 2.1% increase from 2011 and the highest number registered since our records have been kept – even higher than levels seen prior to Italian bankruptcy law reform, when the set of companies against which courts could begin proceedings was much broader. The number of defaults increased in the service sector (+3.1%) and in the construction sector (+2.7%), while in manufacturing there was a 6.3% year-on-year decrease – even if the number in that sector remains at a critical level. Geographically, the number of bankruptcy proceedings rose in the North-West (+6.6%) and in central Italy (+4.7%), but remained near last year's levels in the

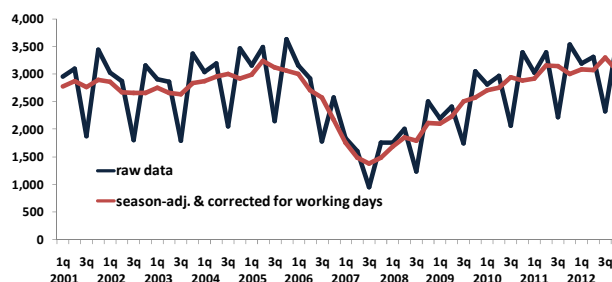
Businesses ceasing activity, by type of procedure

Number and year-on-year growth rates



Source: Cerved Group

Bankruptcy trend

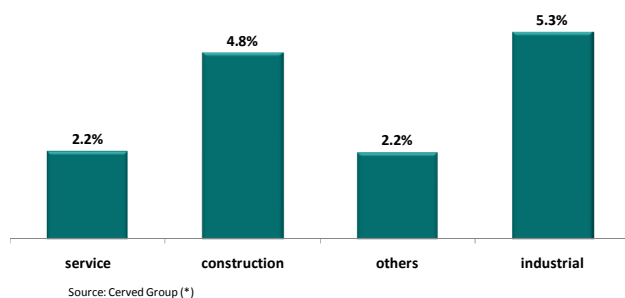


Source: Cerved Group



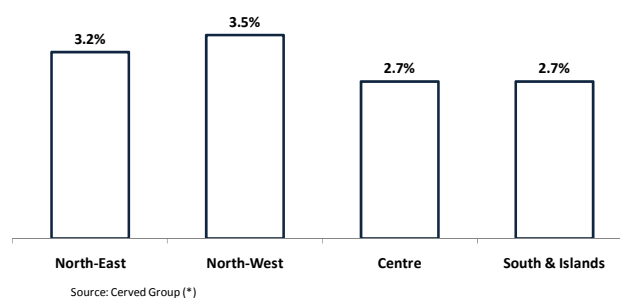
Bankruptcy rate by sector since 2009

joint-stock companies that went bankrupt, 2009-2012,
as % of total with positive assets on balance sheet



Bankruptcy rate by sector since 2009

joint-stock companies that went bankrupt, 2009-2012,
as % of total with positive assets on balance sheet



South and Islands (-0.4%). In the North-East, there was a decrease of 4.3% in bankruptcies, but this was more than offset by a sharp increase in voluntary liquidations, bringing the total number of business closures in the area to over 20,000 (8.6% more than in 2011).

The dreary trend seen last year follows several consecutive years of high tension on the bankruptcy front. Since the economic crisis hit Italy in 2009, over 45,000 companies have defaulted. Nearly half of them were service sector companies, but the figures tell us that the industrial sector has actually suffered most from the recession: from 2009 to 2012, of all the Italian joint-stock manufacturing companies that had submitted valid financial statements at the beginning of that period, 5.2% went bankrupt, as compared to 4.6% of construction companies and 2.2% of service companies. The bankruptcy rate is most severe in sectors that are emblematic of Italian production, like household goods (7.9%) and fashion & apparel (7.1%). The same statistics, when broken down geographically, also indicate that the northern part of the boot has felt the strongest impact from the crisis over the last four years, as the bankruptcy rate for the period is 3.5% in the North-West and 3.2% in the North-East, compared to 2.7% in the Centre and South. The individual regions that have suffered most are Friuli (4.4%, with 5.9% in the province of Pordenone), Marche (4.1%, with 4.9% in Ancona province) and Piedmont (3.6%); on the opposite end, Valle d'Aosta (1.9%), Lazio (2.1%) and Basilicata (2.1%) have suffered least.



Bankruptcies

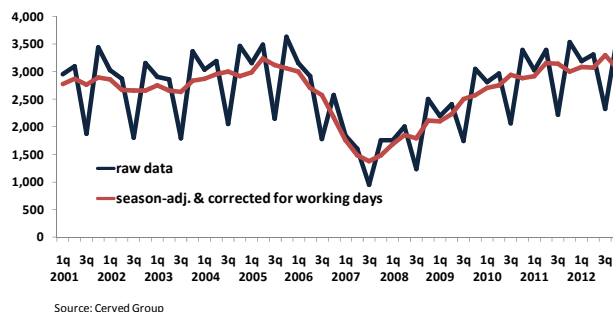
Bankruptcy fever remained rampant in the fourth quarter of 2012, as 3,596 new procedures were opened between October and December, a 1.7% year-on-year increase. This brings the total number of bankruptcies in 2012 to about 12,000 (+2.1% vs. an already high 2011 figure), a new record for the past decade and even higher than the levels seen prior to bankruptcy law reform, when even micro-businesses were subject to court-ordered bankruptcy proceedings.

Among joint-stock companies, bankruptcies continued to rise (+5.1%), whereas there was a decrease among partnerships (-3.7%) as well as among sole proprietorships and other legal formats (-6.7%).

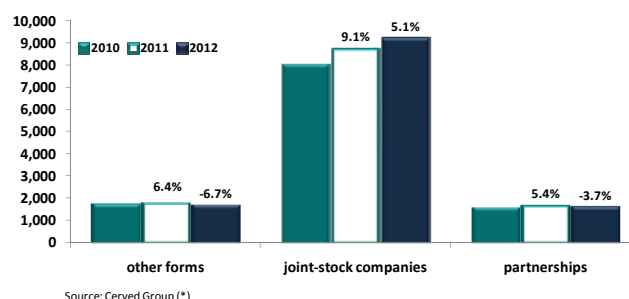
Nearly half of all bankruptcy procedures that began in 2012 (i.e., about six thousand) involved service sector companies, marking a 2.7% year-on-year increase. The exceptions to this trend were financial and insurance services (-12.5%) and non-financial services for families (-2.8%), while the highest increases were among real estate companies (+21.9%) and in the media and entertainment sector (+12%).

Defaults in construction rose again (+3.1% vs. 2011) to nearly 3k; this is the sector where the bankruptcy phenomenon has risen fastest over the last two years, entering dangerous territory.

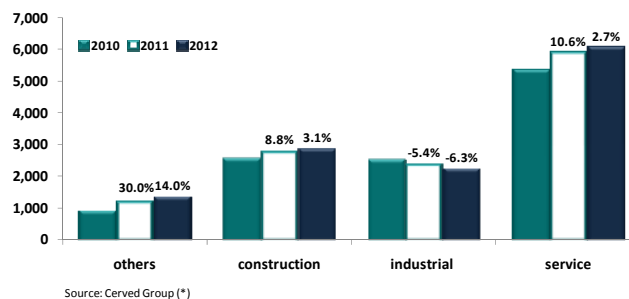
Bankruptcy trend
quarterly data



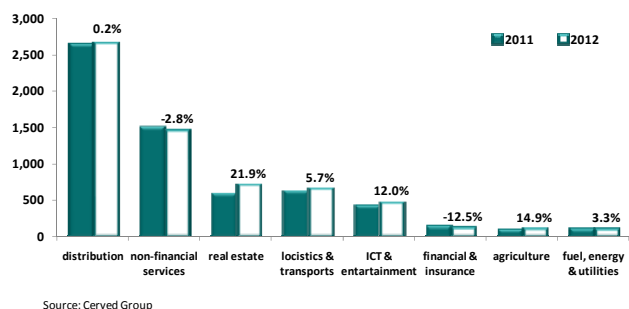
Bankruptcies: breakdown by legal status
Number and year-on-year growth rates



Bankruptcies: breakdown by macro-sector
Number and year-on-year growth rates



Bankruptcies in services and other sectors
number of bankruptcies and YoY growth rates

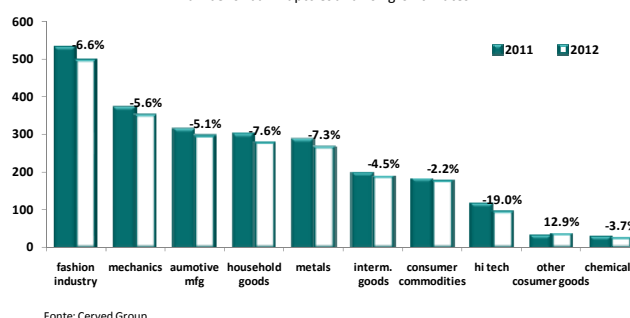




Going against the overall trend, with 2,212 bankruptcy procedures opened in 2012, the industrial sector is the only macro-sector where there was a year-on-year decrease (-6.3%). This improvement occurred in practically all manufacturing sectors except consumer goods (in which there was a double-digit growth rate in bankruptcies again in 2012). Despite this improvement in 2012, the rate of bankruptcies among manufacturing companies is still at a critical level (see the Focus below for details).

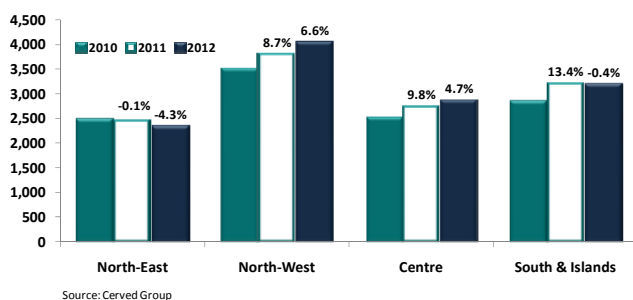
From a geographical standpoint, dynamics were varied in 2012. The number of procedures opened broke the 4,000 mark in the North-West (up 6.8% from 2011), with increases in all four regions (+50% in Val d'Aosta, +12.1% in Piedmont, +5.2% in Lombardy and +1.5% in Liguria). Defaults also increased in central Italy (+4.7%); although Tuscany recorded a slight decrease of 1.7%, the number of bankruptcies rose in the other central regions, with double-digit growth in Umbria (+16.2%) and above-

Bankruptcies by sector in manufacturing
number of bankruptcies and YoY growth rates

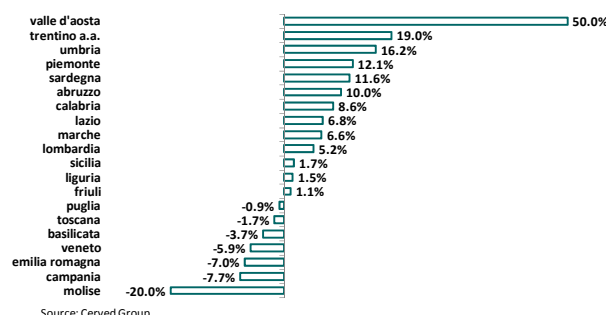


average increases in Marche (+6.6%) and Lazio (6.8%). In southern Italy and the islands, the number of bankruptcies dipped 0.4% year-on-year to 3,187, with increases in Sardinia (+11%), Abruzzo (+10%), Calabria (+8.6%) and Sicily (+1.7%) neutralised by decreases in Campania (-7.7%), Basilicata (-3.7%) and Apulia (-0.9%). For the second consecutive year, defaults decreased in the North-East (-4.3% from 2011 to 2012), with significant drops in Emilia Romagna (-7%) and Veneto (-5.9%) more than compensating for increases in Trentino (+19%) and Friuli (+1.1%).

Bankruptcies: geographical breakdown
Number and year-on-year growth rates



Bankruptcies by region
2012/2011 growth rates





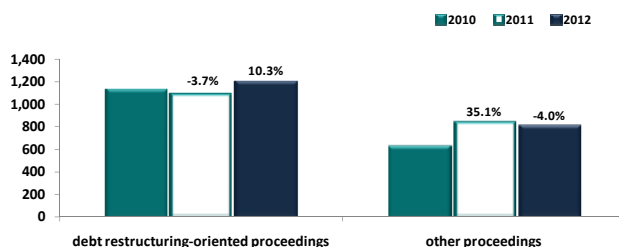
Non-bankruptcy insolvency proceedings

Adding the 384 non-bankruptcy insolvency proceedings¹ that began between October and December, the total number of new insolvency proceedings in 2012 surpassed the 2,000 mark, growing by 4.1% from 2011. There was a notable 10.3% increase in debt restructuring proceedings for businesses experiencing a financial crisis, whereas the number of other types of proceedings decreased by 4%.

The 2012 non-bankruptcy insolvency proceedings figures show a boom in the construction sector (+24%), but no significant change in either the services (+1.1%) or industrial sector (-0.5%). Geographically, non-bankruptcy insolvency proceedings rose in the North-West (+11.5%) and in the Centre (+8.5%), held stable in the South and Islands (+0.5%), and went down in the North-East (-5.3%).

Analysing detailed Business Registry data, there was clearly a real boom in the new types of arrangements with creditors: it is estimated that in the fourth quarter of 2012 alone, a thousand such applications were submitted, many under the “reserved” voluntary arrangement format.

Non-bankruptcy proceedings: breakdown by type
Number and year-on-year growth rates



Source: Cerved Group. Excludes proceedings for business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings

Non-bankruptcy proceedings by geographical area
Number and year-on-year growth rates



Source: Cerved Group. Excludes proceedings for business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings

Non-bankruptcy proceedings by macro-sector
Number and year-on-year growth rates



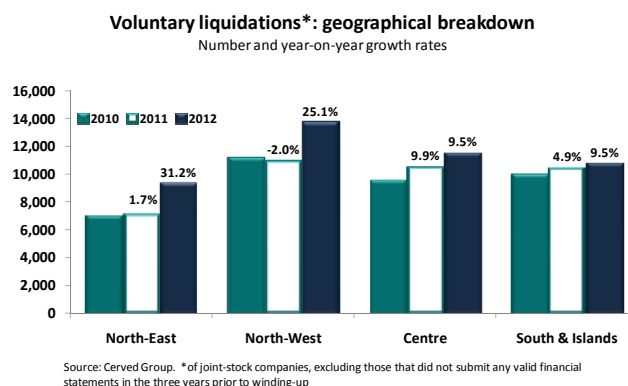
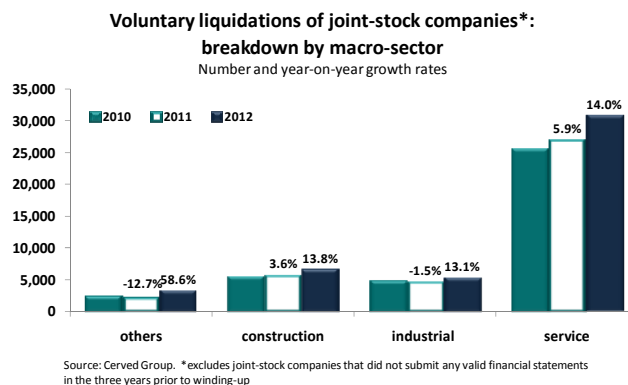
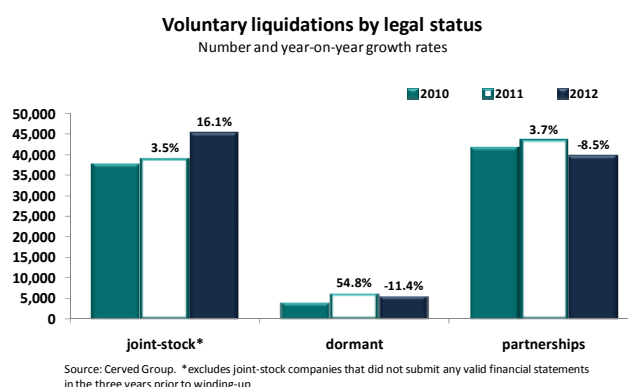
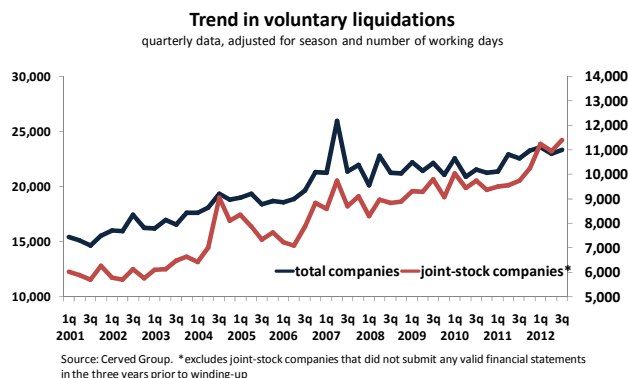
Source: Cerved Group. Excludes proceedings for business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings

¹Excludes business registry cancellations, dissolutions by regulatory authorities and court-ordered proceedings (court-mandated administration of assets, compulsory liquidation and precautionary seizures of assets or shares). Also excludes new forms of legal arrangements with creditors introduced under a recent reform, as these are not identified specifically in the Business Registry.



Voluntary liquidations

In the last quarter of the year, an estimated 43k companies *in bonis* (without prior insolvency proceedings to their names) began liquidation processes; this is 0.8% less than in the fourth quarter of 2011. This brings the total number of voluntary business closures in 2012 to about 90k (+2.2% year-on-year); in the past decade, a higher number was registered only in 2007, when there was an influx of liquidation proceedings related to Italian bankruptcy law reform. The number of voluntary liquidations decreased by 8.5% among partnerships; among joint-stock companies, there was an 11.4% decrease in voluntary liquidations among “dormant” companies (those that did not submit any financial statements in the three years prior to liquidation), but a 16.1% increase among “real” active joint-stock companies. The 2012 increase in voluntary liquidations was true in all macro-sectors of the economy. Focusing on “real” joint-stock companies, there were double-digit growth rates in services (14%), construction (13.8%) and manufacturing (13.1%). From a geographical standpoint, voluntary liquidations grew much faster in northern Italy (+31.2% in the North-East, +25.1% in the North-West) than in central and southern Italy (+9.5%).



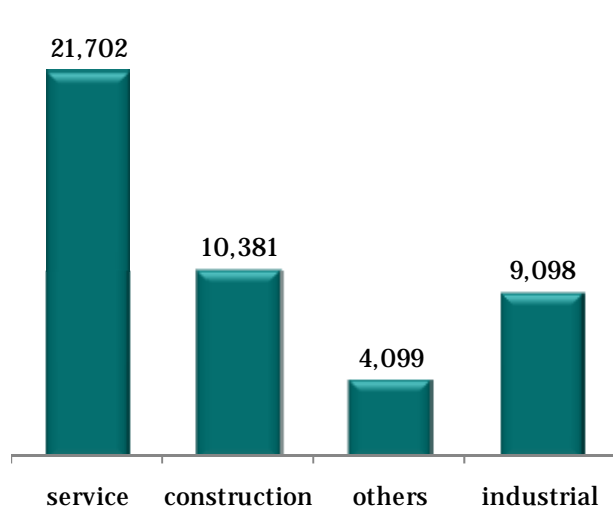
Four years of bankruptcies: the toll of the crisis

According to Cerved Group's records, more than 45,000 Italian businesses declared bankruptcy between 2009 and 2012. Last year, a peak was reached with over 12,000 bankruptcies, 64% more than in 2008, the last year before the crisis hit and the first year after reforms were made to the country's bankruptcy laws.

Of those 45,000 companies that went bankrupt, nearly half (about 21,000) operated in the service sector, over 10,000 were construction companies and over 9,000 were in the industrial sector. Geographically, the highest number of bankruptcies has been in the North-West (14k), followed by the South and islands (12k), the Centre (more than 10k) and the North-East (slightly under 10k).

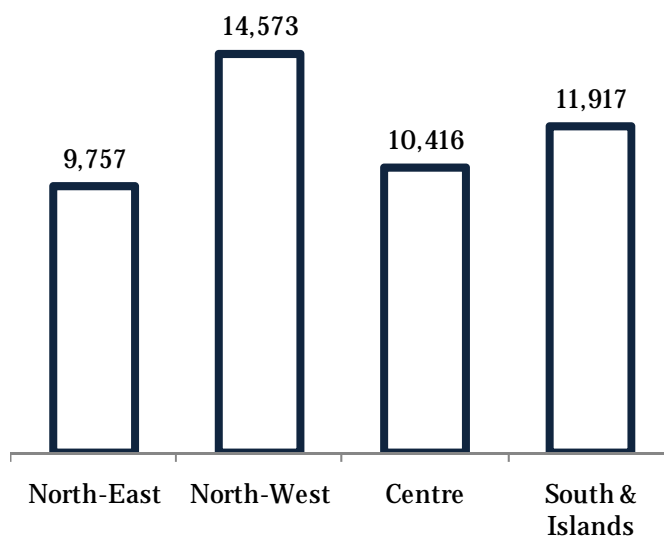
A good indicator of how the economic crisis has affected business mortality is the number of joint-stock companies that went bankrupt as a percentage of all such companies that submitted valid financial statements one year before, within a given sector or geographical area. These ratios indicate that the crisis has most severely affected the manufacturing sector, with a 5.2% bankruptcy rate, followed by construction at 4.6%, while 2.2% of service sector companies have gone bankrupt over the last four years. More detailed data indicate that the

Bankruptcies since 2009
by macro-sector 2009-2012



Source: Cerved Group

Bankruptcies since 2009
by geographical area 2009-2012



Fonte: Cerved Group

sectors suffering most are all in the industrial macro-sector, including household goods (7.9%), fashion and apparel (7.1%), intermediate goods manufacturing (5.5%) and machinery (5.1%). By contrast, the sectors in which defaults have been least frequent are real estate (0.9%), agriculture (1.2%), financial services (1.3%) and energy and utilities (1.6%). From a geographical perspective, the bankruptcy phenomenon has been more potent in the northern part of the Italian peninsula (3.5% in the North-West, 3.2% in the North-East) than in central and southern Italy (2.7%). The individual regions that have suffered the highest bankruptcy rates are Friuli (4.4%), Marche (4.1%), Piedmont (3.6%) and Lombardy, whereas the regions with the lowest incidence of bankruptcies are Valle d'Aosta (1.9%), Basilicata (2.1%), Lazio (2.1%), Sicily (2.3%) and Trentino Alto Adige (2.3%). The provinces of Pordenone (5.9%), Teramo (5.3%), Ancona (4.9%) and Vibo Valentia (4.9%) are the ones with the highest concentrations of bankruptcies, while Milan is the province with the highest number of bankruptcies (over 4,000), followed by Rome (3,622), Naples (2,081) and Turin (1,932).

Bankruptcy rate by sector

joint-stock companies that went bankrupt, 2009-2012, as % of total with positive assets on balance sheet

household goods	7.9%
fashion industry	7.1%
intermediate goods	5.5%
other	5.4%
mechanics	5.1%
metals	5.0%
constructions	4.8%
automotive mfg	4.7%
hi tech	4.4%
logistics & transports	4.2%
distribution	4.0%
other consumer goods	3.9%
consumer commodities	3.0%
ICT & entertainment	2.9%
chemicals	2.5%
non financial services	1.7%
fuel, energy & utilities	1.6%
financial & insurance	1.3%
agriculture	1.2%
real estate	0.9%

Source: Cerved Group. *excludes companies that did not submit any valid financial statements in the three years prior to winding-up

Bankruptcy rate by region

joint-stock companies that went bankrupt, 2009-2012, as % of total with positive assets on balance sheet

friuli	4.4%
marche	4.1%
piemonte	3.6%
lombardia	3.5%
umbria	3.4%
abruzzo	3.4%
veneto	3.3%
toscana	3.2%
calabria	3.2%
emilia romagna	3.1%
liguria	2.9%
puglia	2.7%
campania	2.7%
molise	2.4%
sardegna	2.4%
sicilia	2.3%
trentino a.a.	2.3%
basilicata	2.1%
lazio	2.1%
valle d'aosta	1.9%

Source: Cerved Group. *excludes companies that did not submit any valid financial statements in the three years prior to winding-up