

Paris, 5 February 2020 – 17:35

FY-2019 results: Record net income up 20% at €146.7m and proposed dividend per share of €1.0¹

- **Turnover: €1,481m, up 5.9% at constant FX and perimeter**
 - Trade Credit Insurance growing at 7.0% at constant FX and perimeter
 - Client retention at record level and new business growing
 - All regions contributing to growth
- **Net loss ratio of 45.0% - an improvement of 0.1 ppt.; annual net combined ratio at 77.7%**
 - Good control of net loss ratio at 44.8% for Q4-2019, due to favourable past claims management and disciplined underwriting in a riskier environment
 - Net annual cost ratio improved by 1.8 ppt. to 32.7%, compared to 34.5% for 2018, reflecting disciplined cost controls and revenue growth
 - Net combined ratio of 80.4% for Q4-2019, an improvement of 1 ppt. over one year
- **Net income (group share) of €146.7m, of which €29.4m in Q4-2019. Annualised RoATE² of 8.9%**
 - Earnings per share reached a record level of €0.97, up 23% compared to 2018
 - Annualised RoATE of 9.1%³, excluding non-recurring items
- **Coface continues proactive capital management**
 - Estimated solvency ratio up at ~ 190%⁴, above the new target range (145% to 175%)
 - Proposal to pay a dividend per share of €1.0, representing a distribution rate of over 100%
- **Renewal of the mandate of CEO, Xavier Durand, for 4 years**

Unless otherwise indicated, change comparisons refer to the results as at 31 December 2018.

Xavier Durand, Coface CEO, said:

“We have completed our Fit to Win plan with record results, despite a riskier economic environment. Our net income is up by 20%, to €147m. The tangible return on equity comes in at 9.1%, excluding non-recurring items. Record retention and a pick-up in new business boosted growth to 5.9%. Finally, in terms of capital, the French regulator authorised our usage of our internal model to calculate the solvency requirement. Our solvency ratio stands at 190%, up 21 points, which allows us to propose a payment of a dividend of €1.0 per share to the Shareholders Annual General Assembly.

Our new strategic plan will build on the many successes of Fit to Win, to continue the transformation of the company initiated in recent years. Our roadmap for the coming years will aim to strengthen Coface’s profitable growth and the resilience of our economic model.”

¹ The distribution proposal is subject to the approval of the Annual General Shareholders’ Assembly of 14 May 2020

² Return on average tangible equity

³ Non-recurring items amounted to €(4.6)m and are mainly including €(4.0)m regulatory projects, €(5.3)m of restructuring charges partially offset by badwill for €4.7m

⁴ This estimated solvency ratio constitutes a preliminary calculation made according to Coface’s interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited

Key figures at 31 December 2019

The Board of Directors of COFACE SA examined the consolidated financial statements at 31 December 2019 at its meeting of 5 February 2020. The Audit Committee at its meeting on 31 January 2020 also previously reviewed them. Accounts are non-audited, certification is in progress.

Income statement items in €m	2018	2019	%	% ex. FX*
Gross earned premiums	1,142.6	1,235.6	+8.1%	+7.0%
Services revenue	242.1	245.5	+1.4%	+0.6%
REVENUE	1,384.7	1,481.1	+7.0%	+5.9%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	157.8	187.9	+19.1%	+16.2%
Investment income, net of management expenses	51.1	36.9	(27.7)%	(21.1)%
CURRENT OPERATING INCOME	208.9	224.9	+7.7%	+7.1%
Other operating income / expenses	(5.0)	(6.0)	+20.6%	+21.0%
OPERATING INCOME	203.9	218.9	+7.3%	+6.8%
NET INCOME	122.3	146.7	+19.9%	+19.4%
Key ratios	2018	2019	%	% ex. FX*
Loss ratio net of reinsurance	45.1%	45.0%	(0.1)	ppt.
Cost ratio net of reinsurance	34.5%	32.7%	(1.8)	ppt.
COMBINED RATIO NET OF REINSURANCE	79.6%	77.7%	(1.9)	ppt.
Balance sheet items in €m	2018	2019	%	% ex. FX*
Total Equity (group share)	1,806.2	1,924.5	+6.5%	
SOLVENCY RATIO	169%²	190%³	21	ppts.

* Also excludes scope impact

² End-2018 final solvency ratio stands at 169% (based on the interpretation by Coface of Solvency II and integrating a stricter estimation for Factoring SCR to anticipate regulatory changes). Not audited.

³ This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.

1. Turnover

In 2019, Coface recorded a consolidated turnover of €1,481.1 million, up +5.9% compared to 2018, at constant FX and perimeter. On a reported basis (at current FX and perimeter), turnover increased by +7.0%. This notably includes the contribution of Coface PKZ, an activity that was integrated during the second quarter of 2019.

The growth in Coface's customer business had a positive impact of +2.8% during 2019. Although still positive, this growth rate shows a marked slowdown compared to the previous year (+6.1% for 2018). This slowdown was particularly apparent during the second half of the year. The price decline remains under control, down by (1.0)%, reflecting good commercial management and re-pricing in the riskiest markets.

The client retention rate was high in most regions and reached a record annual level of 91.6% for the Group. New business recorded a total of €133m, representing an increase of €17m compared to 2018. This increase was driven by renewed commercial momentum in the mid-market and stronger performance on large accounts.

Revenues from insurance activities (including bonding and Single Risk) grew by +7.0% at constant FX and perimeter compared to 2018 (up by +8.1% at current FX and perimeter), thanks to growth in our clients' activity, a high level of client retention and stronger commercial performance.

Revenues from other activities (factoring and services) rose by +1.4% compared to 2018. The fall in revenues from factoring in Germany, within a context of controlled margins and risks, was more than compensated for by the strong growth in revenues from services.

Total revenue - in €m	2018	2019	%	% ex. FX*
Northern Europe	303.1	307.5	+1.5%	+1.5%
Western Europe	284.0	294.6	+3.8%	+3.4%
Central & Eastern Europe	133.8	148.1	+10.6%	+2.4%
Mediterranean & Africa	370.4	394.2	+6.4%	+6.7%
North America	126.5	138.5	+9.5%	+4.2%
Latin America	71.5	80.7	+12.8%	+24.4%
Asia Pacific	95.4	117.6	+23.2%	+17.8%
Total Group	1,384.7	1,481.1	+7.0%	+5.9%

In the Northern Europe region, sales increased by +1.5% at constant and current FX, with the growth in credit insurance offsetting the fall in revenues from factoring. Revenues from credit insurance increased by +3.0%, as a result of a strong retention and increased levels of new business, although policyholder activity was almost stagnant.

In Western Europe, sales rose by +3.8% (and by +3.4% at constant FX), thanks to record retention and a recovery in new business in France, as well as in the United Kingdom.

In Central and Eastern Europe, revenues grew by +10.6% and +2.4% at constant FX and perimeter, mainly due to growth in credit insurance. The increase at current perimeter is explained by the contribution of Coface PKZ, the activity that was integrated in Q2-2019.

* Also excludes scope impact

In the Mediterranean and Africa, a region driven by Italy and Spain, sales rose by +6.4% and +6.7% at constant FX, thanks to strong commercial performance and growth in policyholders' activity.

In North America, sales rose by +9.5% on a reported basis and by +4.2% at constant FX. This increase was driven by growth in both client retention and new business.

In Latin America, sales increased by +12.8% at current FX and by +24.4% at constant FX, boosted by the signature of major international contracts. This increase is within a context of prudence on risks (due to economic and social turmoil).

Revenues in the Asia-Pacific region rose by +23.2% at current FX and by +17.8% at constant FX. 2018 was marked by high premium refunds (low claims experience). Restated for this effect, growth would be +10.8%, driven by a recovery in new business.

2. Results

– Combined ratio

The combined ratio, net of reinsurance, was 77.7% for the year (an improvement of 1.9 ppt. compared to the previous year). The combined ratio net of reinsurance for Q4-2019 was 80.4%, an improved of 1 ppt. over Q4-2018.

(i) Loss ratio

The gross loss ratio for 2019 was 43.4%, an improvement of 0.8 ppt. compared to the previous year. The gross loss ratio for Q4-2019 was 45.8%.

The Group's reserving policy remains unchanged. Strict management of past claims enabled the group to register 32.2 ppts. of recoveries during the year. These levels continue to be higher than the historical average.

The net loss ratio was practically stable at 45.0%, lower by 0.1 ppt. compared to 2018.

(ii) Cost ratio

Coface is continuing its strict policy of cost controls and investments. The Fit to Win plan has enabled €48 million of savings, while maintaining high levels of investment. Costs rose during the year by +3.2% (and by +2.3% at constant FX and perimeter). This rise, when compared with the increased revenues of +5.9% (at constant FX and perimeter), demonstrates good levels of operational leverage.

In Q4-2019, costs rose by +6.1% (+4.9% at constant FX and perimeter) due to increased investments in the transformation of information systems, regulatory projects and some non-recurring items.

The gross reinsurance cost ratio was 34.4%, an improvement of 1.5 ppt over one year.

– Financial income

The net financial income for 2019 was €36.9m, including €10.1m of realised net capital gains (including depreciation).

Despite an environment that is still experiencing historically low interest rates, Coface has managed to achieve a higher yield on its current portfolio income, (i.e. excluding capital gains, depreciation and currency effects) of €44.6m (compared to €40.7m in 2018). The accounting yield¹ for 2019, excluding capital gains and depreciation, was 1.6% and is slightly up compared to the previous year (1.5%).

Within an environment of persistently low interest rates, Coface has continued with its financial investment strategy of focusing on recurring revenues and low volatility. In the absence of a forthcoming rise in interest rates, the contribution of the financial portfolio is likely to be lower in future years.

– Operating income and net income

Operating income for the year grew to €218.9m, a rise of +7.7% compared to the previous year, mainly due to the fall in the cost ratio and the growth in revenues.

The effective tax rate improved by 6 pts. to 28%, compared to 34% in 2018.

Total net income (group share) stood at €146.7m, of which €29.4m was in Q4-2019.

3. Shareholders' equity and Solvency

At 31 December 2019, total shareholders' equity amounted to €1,924.5m, up €118.2m, or +6.5% (compared to €1,806.2m as at 31 December 2018).

These changes are mainly explained by the positive net income of €146.7m offset by the payment of the €119.4m dividend, as well as positive adjustments to the fair value of investments (€78.0m).

The annualised return on average tangible equity (RoATE) was 8.9% for the year of 2019 and 9.1%² excluding non-recurring items.

The solvency ratio reached 190%, representing an increase of 21 pts. This ratio has been calculated using the partial internal model and the new factoring methodology. It takes into account the drop of the reinsurance cession rates, which stands at 23% as from 1 January 2020 (compared to 26%).

Coface will propose the payment of a dividend of €1.0 per share to its Annual Shareholders Assembly, which corresponds to a distribution rate of just over 100%, in line with its capital management policy.

¹ Book yield calculated on the average of the investment portfolio excluding non-consolidated subsidiaries

² Non-recurring items amounted to €(4.6)m and are mainly including €(4.0)m regulatory projects, €(5.3)m of restructuring charges partially offset by goodwill for €4.7m

4. Outlook

The end of 2019 was marked by the anticipation of the signing of a trade agreement between the United States and China, as well as elections in the United Kingdom, which made it possible to confirm the effective date of exit from the European Union. Leading economic indicators have also stabilised at relatively low levels, particularly in the manufacturing sectors. Financial conditions remain accommodative due to the action of central banks.

Persistent global imbalances and the rise in corporate debt continue to pose significant risks of increased defaults, especially in sectors undergoing transformation (for example, due to digitalisation or environmental factors) or countries affected by political shocks. Coface therefore confirms its economic outlook of a gradual slowdown in global growth and a further rise in the number of insolvencies around the world.

It is within this environment that Coface has completed its Fit to Win plan and developed a new strategic plan. This new plan will build on the many successes of Fit to Win and will continue the transformation initiated in recent years. It will focus on strengthening Coface's profitable growth and the resilience of its business model.

Finally, the Board of Directors has renewed the mandate of Xavier Durand as Chief Executive Officer for a term of 4 years. This mandate will end at the annual general assembly responsible for approving the 2023 accounts. Xavier Durand and the Board of Directors will present Coface's new strategic plan on 25 February 2020.

Conference call for financial analysts

Coface's FY-2019 results will be discussed with financial analysts during the conference call on 5 February 2020 at 18.00 (Paris time). Dial one of the following numbers:

- +33 1 72 72 74 03 (France)
- +44 207 1943 759 (United Kingdom)
- +1 646 722 4916 (United States)

The access code for participants is: **86664732#**

The presentation will be available (in English only) at the following address:
<http://www.coface.com/Investors/financial-results-and-reports>

Appendix

Quarterly results

Income statement items in €m Quarterly figures	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	%	% ex. FX*
Gross earned premiums	278.4	282.3	292.2	289.7	299.0	306.3	312.6	317.7	+9.7%	+8.0%
Services revenue	65.6	58.7	58.5	59.3	66.4	60.8	58.3	59.9	+1.0%	(0.2)%
REVENUE	344.0	340.9	350.7	349.1	365.5	367.1	370.9	377.6	+8.2%	+6.6%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	52.4	35.9	34.5	35.0	52.0	47.4	46.3	42.2	+20.6%	+16.6%
Investment income, net of management expenses	8.3	4.6	29.6	8.6	5.1	11.5	11.8	8.5	(1.3)%	(0.2)%
CURRENT OPERATING INCOME	60.7	40.5	64.1	43.6	57.2	58.9	58.0	50.7	+16.3%	+13.6%
Other operating income / expenses	(2.3)	1.5	(1.0)	(3.2)	(0.2)	1.3	(1.0)	(6.1)	x1.9	x1.9
OPERATING INCOME	58.4	42.0	63.1	40.5	56.9	60.3	57.0	44.6	+10.3%	+7.4%
NET INCOME	35.5	27.3	35.4	24.1	36.4	42.2	38.8	29.4	+22.0%	+18.9%
<i>Income tax rate</i>	35.3%	26.4%	39.7%	32.8%	29.4%	28.9%	25.0%	29.1%	<i>(3.7) pts.</i>	

Cumulated results

Income statement items in €m Cumulated figures	Q1-18	H1-18	9M-18	FY-18	Q1-19	H1-19	9M-19	FY-19	%	% ex. FX*
Gross earned premiums	278.4	560.7	852.9	1,142.6	299.0	605.3	917.9	1,235.6	+8.1%	+7.0%
Services revenue	65.6	124.3	182.8	242.1	66.4	127.3	185.6	245.5	+1.4%	+0.6%
REVENUE	344.0	685.0	1,035.7	1,384.7	365.5	732.6	1,103.4	1,481.1	+7.0%	+5.9%
UNDERWRITING INCOME (LOSS) AFTER REINSURANCE	52.4	88.3	122.8	157.8	52.0	99.5	145.7	187.9	+19.1%	+16.2%
Investment income, net of management expenses	8.3	12.9	42.5	51.1	5.1	16.6	28.4	36.9	(27.7)%	(21.1)%
CURRENT OPERATING INCOME	60.7	101.2	165.3	208.9	57.2	116.1	174.1	224.9	+7.7%	+7.1%
Other operating income / expenses	(2.3)	(0.8)	(1.8)	(5.0)	(0.2)	1.1	0.1	(6.0)	+20.6%	+21.0%
OPERATING INCOME	58.4	100.4	163.4	203.9	56.9	117.2	174.2	218.9	+7.3%	+6.8%
NET INCOME	35.5	62.8	98.2	122.3	36.4	78.5	117.3	146.7	+19.9%	+19.4%
<i>Income tax rate</i>	35.3%	31.7%	34.8%	34.4%	29.4%	29.2%	27.8%	28.1%	<i>(6.4) pts.</i>	

* Also excludes scope impact

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FINANCIAL CALENDAR 2020 (subject to change)

Investor Day: 25 February 2020 (Paris)
Q1-2020 results: 23 April 2020 (after market close)
Annual General Shareholders' Meeting 2019: 14 May 2020
H1-2020 results: 29 July 2020 (after market close)
9M-2020 results: 29 October 2020 (after market close)

FINANCIAL INFORMATION

This press release, as well as COFACE SA's integral regulatory information, can be found on the Group's website:

<http://www.coface.com/Investors>

For regulated information on Alternative Performance Measures (APM),
please refer to our Interim Financial Report for S1-2019 and our 2018 Registration Document.

Coface: for trade - Building business together

70 years of experience and the most finely meshed international network have made Coface a reference in credit insurance, risk management and the global economy. With the ambition to become the most agile, global trade credit insurance partner in the industry, Coface's experts work to the beat of the world economy, supporting 50,000 clients in building successful, growing and dynamic businesses. The Group's services and solutions protect and help companies take credit decisions to improve their ability to sell on both their domestic and export markets. In 2019, Coface employed ~4,250 people and registered turnover of €1.5 billion.

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