

Bucharest, 27 October 2020

Coface reports €28.5m net income for the third quarter and launches a share buyback programme for €15m*

- **Turnover first nine months: €1,082m, down -0.9% at constant FX and perimeter due to client activities, and down -2.2% in Q3-2020**
 - Client retention and new business at record levels, with a positive net production of €36.9m
 - Positive pricing dynamics confirmed (+1%) in a continued uncertain environment
 - Slowdown in client activities – as anticipated
- **9M-2020 net loss ratio up by 10.1 ppts at 55.2%; Net combined ratio increased by 8.5 points at 85.3%**
 - Q3-2020 net loss ratio at 50.0%, up 2.8 ppts vs Q3-19 but down 7.4 ppts vs H1-2020, reflecting low loss activity
 - 9M 2020 net cost ratio improved by 1.6 ppt at 30.1%, reflecting continued cost controls
 - Net combined ratio at 77.4% for Q3-2020, benefitting by 6.8 ppts from the temporary impact of government plans
 - In Q3-2020, government schemes improved net cost ratio by 1.1 ppt and the net loss ratio by 5.7 ppts. Nevertheless, the impact on pre-tax profit before tax is negative by -€1m in Q3-2020, and a positive €7m year to date
- **Net income (group share) of €52.4m, of which €28.5m in Q3-2020**
 - As expected, Q3-2020 profit benefited from a non-recurring positive impact of €8.9m (badwill¹) related to the acquisition of Coface GK in Norway
- **Annualised RoATE² of 4.1%**
- **Strong balance sheet and positive operational KPIs allow to launch share buyback programme for a maximum amount of €15 million**

Unless otherwise stated, evolutions are expressed by comparison with the results as at 30 September 2019.

** Launching a share buyback programme for a maximum amount of €15m or 2.4 million shares*

¹ Badwill is based on preliminary estimates and could vary pending final analysis

² RoATE = Average return on equity

Xavier Durand, Coface's Chief Executive Officer, commented:

"The coronavirus pandemic continues to create a high level of uncertainty across the global economy. In this context, Coface's teams have continued to work closely with their clients to help them navigate this uncertain environment. Coface recorded very good operating results in the third quarter, again demonstrating its resilience and the relevance of its Build to Lead strategic plan.

During the quarter, Coface signed its second acquisition in recent years, and welcomed our new teams at Coface GK in Norway. As previously announced, this integration has resulted in a positive purchase gap of €8.9m.

Strengthened by good operating ratios and a solid balance sheet, Coface is launching a share buyback programme, for a maximum amount of €15 million."

Key figures at 30 September 2020

The Board of Directors of COFACE SA examined the consolidated financial statements at 30 September 2020 (non-audited figures) at its meeting of 26 October 2020. The Audit Committee at its meeting on 23 October 2020 also previously reviewed them.

Income statement items in €m	9M-2019	9M-2020	%	% ex. FX*
Gross earned premiums	917.9	897.2	(2.3)%	(1.1)%
Services revenue	185.6	185.3	(0.2)%	+0.0%
REVENUE	1,103.4	1,082.4	(1.9)%	(0.9)%
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	145.7	74.6	(48.8)%	(49.8)%
Investment income, net of management expenses	28.4	23.5	(17.4)%	(10.3)%
CURRENT OPERATING INCOME	174.1	98.1	(43.7)%	(43.2)%
Other operating income / expenses	0.1	(2.4)	N.A	N.A
OPERATING INCOME	174.2	95.7	(45.1)%	(44.6)%
NET INCOME	117.3	52.4	(55.3)%	(55.2)%

Key ratios	9M-2019	9M-2020	%	% ex. FX*
Loss ratio net of reinsurance	45.1%	55.2%	+10.1	ppts.
Cost ratio net of reinsurance	31.7%	30.1%	(1.6)	ppt.
COMBINED RATIO NET OF REINSURANCE	76.8%	85.3%	+8.5	ppts.

Balance sheet items in €m	2019	9M-2020	%	% ex. FX*
Total Equity (group share)	1,924.5	1,945.9	+1.1%	

* Also excludes scope impact

1. Turnover

Coface recorded consolidated sales of €1,082.4m during the first nine months of the year, down by -0.9% at constant FX and perimeter compared to September 2019. On a reported basis (at current FX and perimeter), turnover was down by -1.9%.

Revenues from insurance activities (including bonding and Single Risk) declined by -1.1% at constant FX and perimeter compared to 9M-2019 (down by -2.3% at current FX and perimeter).

Client retention rates are high in most regions and reached a new record level of 92.7% for the Group. New business stood at €114m, a rise of €18m compared to 9M-2019.

Growth in client activities had a negative impact of -0.7% on the first nine months of the year. This contribution became negative, in line with the expectations of an economic slowdown due to the coronavirus epidemic. The rise in pricing of 1%, confirms the upward reversal of the cycle that began in the second quarter.

Turnover from other activities (factoring and services) was stable compared to 9M-2019. The growth in services – and notably in information services (up by 10%), compensated for the fall in factoring revenues in Germany.

Total revenue - cumulated - in €m	9M-2019	9M-2020	%	% ex. FX ¹
Northern Europe	232.8	221.1	(5.0)%	(6.0)%
Western Europe	219.4	219.8	+0.2%	(0.0)%
Central & Eastern Europe	110.1	107.0	(2.9)%	(3.6)%
Mediterranean & Africa	288.7	291.8	+1.1%	+2.1%
North America	102.7	102.3	(0.4)%	(0.1)%
Latin America	61.6	50.8	(17.5)%	+2.0%
Asia Pacific	88.2	89.5	+1.5%	+1.3%
Total Group	1,103.4	1,082.3	(1.9)%	(0.9)%

In the Northern Europe region, revenues declined by -5.0% and by -6.0% at constant FX. Credit insurance was down -4.0%, affected by the contraction of client activities partially offset by a good level of retention as well as an upturn in new production.

In Western Europe, turnover grew by +0.2% and was stable at constant FX, mainly due to record client retention and growing new business in credit insurance.

In Central and Eastern Europe, turnover was down by -2.9% and by -3.6% at constant FX, mainly due to changing trend in credit insurance which declined as a result of lower customer activity.

In the Mediterranean and Africa, a region driven by Italy and Spain, turnover grew by 1.1% and by 2.1% at constant FX, thanks to positive sales and a high level of client retention.

In North America, turnover fell slightly by -0.4% on a reported basis and by -0.1% at constant FX. Client retention improved and is now close to the group average while new business is experiencing further growth.

¹ Also excludes scope impact

Emerging markets recorded light growth at constant FX and perimeter. Turnover for the Asia-Pacific region was up by +1.5% at current FX and by +1.3% at constant FX. Client activity declined and the region is showing improved sales performance.

In Latin America, turnover fell by -17.5% at current FX, but rose by +2.0% at constant FX. These figures are affected by the existence of local policies expressed in international currencies.

2. Result

- Combined ratio

The combined ratio, net of reinsurance, stood at 85.3% for the first nine months of the year (a rise of 8.5 ppts over one year). The combined ratio, net of reinsurance, for Q3-2020 was at 77.4%, an improvement of 0.7 ppt compared to the third quarter of 2019. Government plans had a temporary positive impact of 6.8 ppts on the combined ratio for the quarter.

(i) Loss ratio

The gross loss ratio was 57.6% for the first nine months of 2020, representing a rise of 15.0 ppts compared to the previous year. The gross loss ratio for Q3-2020 was 54.8%, showing a good improvement compared to the previous quarter (62.8% for Q2-2020), as was shown in all regions. This improvement reflects the risk management measures taken by Coface at the beginning of the crisis, the mechanical drop in exposure during the confinement period and the significant support received by companies from most governments.

The Group's reserving policy remains unchanged. Strict management of past claims has enabled the Group to record 33.5 ppts of recoveries during the previous 9 months – a level above the historical average. Claims frequency was down and Q3-2020 was marked by an almost total absence of major claims.

9M-2020 net loss ratio was 55.2%, showing a clear rise compared to 9M-2019 (45.1%).

(ii) Cost ratio

Coface has continued with its policy of strict cost controls and investment over the long term. During Q3-2020, costs fell by -5.4% at current FX and by -2.9% at constant FX and perimeter. This reduction is due to continued efforts on all variable costs (travel, communications, and consultants).

The cost ratio, net of reinsurance, was 30.1% for the nine months, an improvement of 1.6 ppt over one year, thanks to cost control and a high level of reinsurance commissions in line with increased cession (government plans in particular).

- Financial result

Net financial income for the nine months was €23.5m, of which €0.6m of net realised capital gains and a negative FX effect of -€2.0m. This figure is clearly down from the previous year, which benefited from a positive FX gain of €4m million recorded in 9M-2019.

Despite an environment still marked by historically low interest rates, the sharp reduction in the proportion of risky assets resulted in a fall in the recurring portfolio yield (i.e. excluding capital gains, depreciation and currency effects) which recorded €25.8m (compared to €32.6m for 9M 2019). The accounting yield¹, excluding capital gains was 0.9% in 2020, down from the previous year (1.2%).

During recent weeks, Coface has been gradually reducing the liquidity portion of the portfolio, down by 7 ppts but still above its long-term objective.

- Operating income and net income

Operating income since the beginning of the year was €98.1m, down by -43.7% compared to the previous year. It benefitted by €7m from the positive impact of government schemes. In Q3-2020, this impact was negative by -€1m.

The effective tax rate rose to 44%, compared to 28% for 9M-2019.

In total, net income (group share) was €52.4m, of which €28.5m was in Q3-2020. Net income benefited from non-recurring positive impact (badwill²) related to the acquisition of Coface GK in Norway for an amount of €8.9m, in line with expectations.

3. Shareholders' equity

At 30 September 2020, total shareholders' equity amounted to €1,946.2m, up €21.5m or +1.1% (vs €1,924.7m at 31 December 2019).

This change is mainly due to the positive net income of €52.4m which is partially offset by negative currency adjustments (-€24.2m).

The annualised return on average tangible equity (RoATE) stood at 4.1% as of 30 September 2020.

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

² Badwill is based on preliminary estimates and could vary pending final analysis

4. Outlook

The third quarter was marked by a resurgence of the COVID-19 pandemic, as well as travel restriction measures implemented by many countries aimed at containing the spread of the coronavirus.

The rapid phase of economic recovery that followed the end of lockdown is now over. Nevertheless, the unprecedented level of support for the economy from numerous central banks and governments has so far prevented an increase in business insolvencies.

Coface's teams are continuing to work closely with clients to help them adapt their levels of risk. This focus on customer service has made it possible to achieve positive net production, despite the pricing adjustment made necessary by the current circumstances.

To date, most of the governmental support schemes implemented in 2020 will continue until the end of the year.

Given its strong performance on the majority of its operational indicators, and a solid balance sheet, Coface is launching a share buyback programme for a maximum amount of €15m, or 2.4 million shares. This, once again, demonstrates Coface discipline in managing its capital.

The development of the economic situation will depend on the pandemic, and the accompanying measures, which will be implemented by governments and central banks. Coface is confident that its agility and efficiency will allow us to navigate in this challenging period successfully. The objectives of the Build to Lead strategic plan remain unchanged.

Conference call for financial analysts

Coface's results for 9M-2020 will be discussed with financial analysts during the conference call on 26 October 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: **44146189#**

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	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	%	% ex. FX*
Gross earned premiums	299.0	306.3	312.6	317.7	301.2	297.9	298.1	(4.6)%	(2.2)%
Services revenue	66.4	60.8	58.3	59.9	69.3	56.3	59.7	+2.5%	+3.4%
REVENUE	365.5	367.1	370.9	377.6	370.5	354.2	357.8	(3.5)%	(1.4)%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	52.0	47.4	46.3	42.2	28.2	12.1	34.2	(26.1)%	(31.5)%
Investment income, net of management expenses	5.1	11.5	11.8	8.5	2.7	14.0	6.7	(42.7)%	(39.7)%
CURRENT OPERATING INCOME	57.2	58.9	58.0	50.7	30.9	26.2	40.9	(29.4)%	(33.2)%
Other operating income / expenses	(0.2)	1.3	(1.0)	(6.1)	(0.2)	(1.6)	(0.6)	N.A	N.A
OPERATING INCOME	56.9	60.3	57.0	44.6	30.7	24.6	40.3	(29.3)%	(33.2)%
NET INCOME	36.4	42.2	38.8	29.4	12.7	11.3	28.5	(26.7)%	(31.2)%
<i>Income tax rate</i>	29.4%	28.9%	25.0%	29.1%	50.5%	39.9%	42.4%	+17.4 pts	

Cumulated results

Income statement items in €m – Cumulated figures	Q1-19	H1-19	9M-19	FY-19	Q1-20	H1-20	9M-20	%	% ex. FX*
Gross earned premiums	299.0	605.3	917.9	1,235.6	301.2	599.1	897.2	(2.3)%	(1.1)%
Services revenue	66.4	127.3	185.6	245.5	69.3	125.5	185.3	(0.2)%	+0.0%
REVENUE	365.5	732.6	1,103.4	1,481.1	370.5	724.6	1,082.4	(1.9)%	(0.9)%
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	52.0	99.5	145.7	187.9	28.2	40.4	74.6	(48.8)%	(49.8)%
Investment income, net of management expenses	5.1	16.6	28.4	36.9	2.7	16.7	23.5	(17.4)%	(10.3)%
CURRENT OPERATING INCOME	57.2	116.1	174.1	224.9	30.9	57.1	98.1	(43.7)%	(43.2)%
Other operating income / expenses	(0.2)	1.1	0.1	(6.0)	(0.2)	(1.8)	(2.4)	N.A	N.A
OPERATING INCOME	56.9	117.2	174.2	218.9	30.7	55.4	95.7	(45.1)%	(44.6)%
NET INCOME	36.4	78.5	117.3	146.7	12.7	24.0	52.4	(55.3)%	(55.2)%
<i>Income tax rate</i>	29.4%	29.2%	27.8%	28.0%	50.5%	46.0%	44.4%	+16.6 pts	

* Also excludes scope impact

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FINANCIAL CALENDAR 2020/2021 (subject to change)

FY-2020 results: 10 February 2021 (after market close)
Q1-2021 results: 27 April 2021 (after market close)
Annual General Shareholders' Meeting 2020: 12 May 2021
H1-2021 results: 27 July 2021 (after market close)
9M-2021 results: 28 October 2021 (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 S1-2020 and our 2019 Universal Registration Document.

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Coface: for trade

With over 70 years of experience and the most extensive international network, Coface is a leader in trade credit insurance and adjacent specialty services, including Factoring, Single Risk insurance, Bonding and Information services. Coface's experts work to the beat of the global economy, helping ~50,000 clients build successful, growing, and dynamic businesses across the world. Coface helps companies in their credit decisions. The Group's services and solutions strengthen their ability to sell by protecting them against the risks of non-payment in their domestic and export markets. In 2019, Coface employed ~4,250 people and registered a turnover of €1.5 billion.

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