

Coface announces a rebound in its turnover exceeding expectations on the 3rd quarter

All Coface indicators are green on the 3rd quarter:

- it is the 5th consecutive quarter of substantial improvement in profitability, leading to a net profit for 2010 at €60m;
- growth in turnover rebounds at +9%;
- the loss ratio decreases again at 53%;
- management costs are down by 3%, and 1% for the first 9 months.

2010 marks a full turnaround compared to 2009

Growth in turnover over 9 months is now positive again, at +1.9% at current structure, and at +0.6% at constant structure and exchange rates.

Current operating profit has reached €89 million, compared to €-240 million in 2009.

The €43 million contribution of Insurance to operating profit benefits from the 51 point drop in the loss ratio from 109% to 58%, and from a one point drop in the cost ratio.

The contribution of Factoring at €27 million (+61%) benefits from the sharp increase in NBI for this line (+18%), from the drop in the cost of the risk and in that of the operating ratio.

The €19 million contribution of Services is penalised by the drop in turnover (-5%) but is offset for a large part by the drop in expenses (-4%).

All geographical zones are profitable in 2010. Germany has recorded the best performances, with growth in turnover (+15%) as well as in the operating margin (13% of TO), thanks to the most advanced implementation of the Coface model, in which Credit Insurance is supported by Factoring and Credit Management Services.

(in €m)	9 months of 2009	9 months of 2010	Current change	Constant change
Consolidated turnover	1186	1209	1.9%	0.6%
• Insurance (earned)	901	930	3.2%	0.5%
• Services	212	194	-8.7%	-5.3%
• Factoring	73	85	17.0%	18.0%
Operating profit	-240	89	329	
• Insurance	-287	43	330	
• Services	30	19	-11	
• Factoring	17	27	10	
Net profit	-166	60	226	

The third quarter confirms that sustained growth is back

The rebound in turnover in the third quarter was expected: the economic recovery, and as such insured companies are invoicing once again, causes the Credit Insurance premiums to rise, as they are based on this invoicing. But this rebound of +9% at a current structure and +7% at a constant structure is stronger than expected.

- The commercial dynamics is improving in Credit Insurance: the balance between contracts won and contracts lost has changed from +2% in the portfolio in Q2 to +4% in Q3; the satisfaction index for insured customers increased by ten points compared to 2009.

- The growth in NBI in Factoring is still accelerating at +26%. Coface is further strengthening its leading position in Germany with a growth of +38%.

The third quarter confirms the excellent level of instantaneous claims at 35% (after 45% in Q1 and 33% in Q2). The accounting claims has decreased, now at 53% (after 63% and 59% in the previous quarters), and it continues to incorporate a substantial margin of caution.

(in €m)	Q2 2010	Q3 2010	Current change Q3/Q2 2010	Current change Q3 2010 / Q3 2009	Constant change Q3 2010 / Q3 2009
Consolidated turnover	397	410	3.3%	9.2%	7%
• Insurance (earned)	303	316	4.3%	12.6%	7.6%
• Services	65	63	-3.4%	-9.1%	-2.9%
• Factoring	29	31	7.2%	22.3%	25.8%
Operating profit	31	33	2		
• Insurance	16	13	-3		
• Services	5	7	2		
• Factoring	10	13	3		
Net profit	20	25	5		

Financial solidity of Coface continues to grow stronger

Solidity at the operating account level remains very strong, with since 2007 (therefore before the crisis) a 21% drop in risk weighted exposure, compared to a 15% increase in premiums remunerating these risks.

The solidity of the balance sheet continues to improve:

- consolidated equity has reached €1,334 million, compared to €1,311 million at 30 June and €1,084 million at 31 December 2009;
- compared to the pre-crisis period, the coverage of risks by equity has substantially improved: the drop in weighted exposure (-21%) is to be compared to a 13% increase in consolidated equity;
- the debt rate (excluding Factoring debt) has gone down again to 19%.

The Moody's A2 rating "with stable outlook" of Coface was confirmed on 29 October.

A positive outlook

The outlook for the end of 2010 is positive: the commercial acceleration, reduction in claims expenses and the control of general expenses should continue to manifest.

The economic conditions in 2010-2011 should slightly deteriorate. Coface's latest forecasts revised the 2010 global growth upwards (from 3.7 to 3.9%), and the 2011 growth downwards (from 3.5 to 3.4%).

This slowing down of growth should have an impact on Coface's instantaneous claims in 2011. But this deterioration will not call into question the strong improving trend of accounting claims for Coface in 2011, considering the exceptionally low starting level of accounting instantaneous claims in 2010 (instantaneous loss ratio of 37% over the first 10 months).

"Furthermore, the setting up in the first quarter of 2011 of Coface's new worldwide organisation (new offer, ACCESS programme of consolidated resources in a single team, and the simultaneous monitoring of risks and premiums) should increase our customers' satisfaction, our risk control and gains in productivity" declares Jérôme Cazes, CEO of Coface.

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About Coface

Coface's mission is to facilitate global business-to-business trade by offering its 130,000 customers four business lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, factoring, ratings and business information and receivables management. Thanks to the worldwide local service delivered by 6,600 staff in 67 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface. Coface is a subsidiary of Natixis whose share capital (Tier 1) was 12.8 billion Euros end June 2010.

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