

Paris, 11 February 2019 – 17h35

## FY-2018 results: net income up 47% at €122.3M and pay-out of 100% of net income

- **Turnover: €1,385m, up 4.6% at constant scope and FX**
  - Q4-2018 up 6.3% vs. Q4-2017 and 4.0% excluding one-off adjustments<sup>1</sup>
  - Growth in credit insurance at 5.7% at constant FX
  - Insured turnover and client retention at record levels
- **Net loss ratio at 45.1%, an improvement of 6.2ppts; annual net combined ratio at 79.6%**
  - Net loss ratio under control at 45.5% in Q4-2018, thanks to good management of past claims and rigorous underwriting
  - Net annual cost ratio down by 0.7ppts to 34.5% compared to 35.2% in 2017 reflecting tight cost control and sustained investments
  - Net combined ratio at 81.4% in Q4-2018
- **Net income (group share) of €122.3m; of which €24.1m in Q4-2018. Annualised RoATE<sup>2</sup> at 7.7%**
  - Earnings per share at record level of €0.79
- **Solvency ratio estimated to have risen to ~169%<sup>3</sup>, above target range (140%-160%)**
  - Coface still aims to file for approval of its internal model in the summer of 2019, and to this end has initiated discussions with the regulator.
- **Coface continues to actively manage its capital base**
  - Proposed pay-out of 100% of the year's results of which at least 60% as a dividend<sup>4</sup>

*Unless otherwise indicated, changes are expressed in comparison with the results as at 31 December 2017.*

### Xavier Durand, Coface's Chief Executive Officer, said:

*“Our good 2018 results show the relevance of our Fit to Win strategic plan in a now more volatile economic environment. Our net income of €122 million is up 47% and corresponds to a return on equity close to our average through the cycle objective excluding further capital optimisation actions. Our 169% solvency ratio reflects the strength of our balance sheet and enables us to propose a pay-out ratio of 100% of our net income. These solid numbers have been achieved at a time when new risk factors (Chinese slowdown, Brexit, shutdown, trade wars) came in addition to risk areas that were already known (Argentina, Turkey).*

*In 2019, leveraging on our risk infrastructure, which has been strengthened over the past three years, we will continue with our rigorous underwriting policy and investments strategy. We plan to invest €25 million in major projects, including implementing new accounting standards.*

*Finally, we have started discussions with the French regulator on our internal model. We still aim to file our application for registration in the summer of 2019.”*

<sup>1</sup> One-off adjustment of €(7.1)m including refunds provisions and retroactive effects.

<sup>2</sup> RoATE = Average return on tangible equity

<sup>3</sup> This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.

<sup>4</sup> The proposed distribution is subject to approval by the general shareholders meeting on 16 May 2019.

## Key figures at 31 December 2018

The Board of Directors of COFACE SA examined the consolidated financial statements at 31 December 2018 at its meeting of 11 February 2019. These have been reviewed by the Audit Committee; accounts are non-audited, certification is in progress.

Income statement items in €m	2017	2018	%	% ex. FX
Gross earned premiums	1,109.7	1,142.6	+3.0%	+5.7%
Services revenue	245.2	242.1	(1.3)%	(0.1)%
<b>REVENUE</b>	<b>1,354.9</b>	<b>1,384.7</b>	<b>+2.2%</b>	<b>+4.6%</b>
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	99.8	157.8	x1.6	x1.5
Investment income, net of management expenses	55.3	51.1	(7.5)%	+10.3%
<b>CURRENT OPERATING INCOME</b>	<b>155.0</b>	<b>208.9</b>	<b>x1.3</b>	<b>x1.4</b>
Other operating income / expenses	(0.6)	(5.0)	x8.5	N.A
<b>OPERATING INCOME</b>	<b>154.4</b>	<b>203.9</b>	<b>x1.3</b>	<b>x1.4</b>
<b>NET INCOME</b>	<b>83.2</b>	<b>122.3</b>	<b>x1.5</b>	<b>x1.5</b>

  

Key ratios	2017	2018	%
Loss ratio net of reinsurance	51.4%	45.1%	(6.2) ppts.
Cost ratio net of reinsurance	35.2%	34.5%	(0.7) ppts.
<b>COMBINED RATIO NET OF REINSURANCE</b>	<b>86.6%</b>	<b>79.6%</b>	<b>(7.0) ppts.</b>

  

Balance sheet items in €m	2017	2018	%
Total Equity (group share)	1,802.6	1,806.2	+0.2%
<b>SOLVENCY RATIO</b>	<b>164%*</b>	<b>169%<sup>3</sup></b>	<b>+5 ppts.</b>

\* End-2017 final solvency ratio stands at 164% (based on the interpretation by Coface of Solvency II and integrating a stricter estimation for Factoring SCR to anticipate regulatory changes). Not audited.

<sup>3</sup> This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited. It includes the impact of the stricter estimation for Factoring SCR.

## 1. Turnover

In 2018, Coface recorded consolidated turnover of €1,384.7 million, up +4.6% at constant exchange rates compared to 2017. On a reported basis (at current exchange rates), turnover increased by +2.2% due to the strengthening of the euro against the other currencies in which the Group operates.

In line with the trends of previous quarters, the growth in Coface's customer business had a positive impact of +6.1% for the year, despite a slight slowdown at the end of the year. The price decline remains controlled at (1.4)%, reflecting good commercial management and the start of re-pricing in highest risk markets.

The retention rate was high in most regions and reached a record annual level of 91.1% for the Group. New business totalled €116m, down €13m from 2017, in line with a rigorous underwriting policy. The fourth quarter was up very slightly compared to the same period in 2017, confirming the gradual catch-up undertaken throughout the year.

Insurance turnover (including bonding and single risk) increased by +5.7% at constant scope and exchange rates compared to 2017 (up +3.0% at current exchange rates), thanks to the return to growth in mature markets as a result of the growth in our clients' business and a high level of contract retention.

Turnover from other activities (Factoring and Services) was down (1.3)% compared to 2017 due to lower factoring revenues in Germany in a context of tight control of margins and risks, offset by good growth in services revenues.

Total revenue - in €m	2017	2018	%	% ex. FX
Northern Europe	303.9	303.1	(0.3)%	(0.2)%
Western Europe	280.8	284.0	+1.1%	+1.6%
Central & Eastern Europe	127.7	133.8	+4.8%	+6.1%
Mediterranean & Africa	348.0	370.4	+6.4%	+8.2%
North America	121.9	126.5	+3.8%	+8.3%
Latin America	75.7	71.5	(5.5)%	+11.9%
Asia Pacific	96.9	95.4	(1.5)%	+2.7%
<b>Total Group</b>	<b>1,354.9</b>	<b>1,384.7</b>	<b>+2.2%</b>	<b>+4.6%</b>

In the Northern Europe region, turnover decreased by (0.3)% and (0.2)% at constant exchange rates, mainly due to lower factoring revenues. Credit insurance revenues increased by +1.6% due to policyholders' activity and a good level of retention, marking the reversal of the downward trend observed in the last several years.

In Western Europe, turnover was up by +1.1% and +1.6% at constant exchange rates thanks, on the one hand, to the activity of our customers and, on the other hand, to the Group's record retention.

In Central and Eastern Europe, turnover grew by +4.8% and +6.1% at constant exchange rates. This growth is taking place in the context of strict risk management, particularly in Poland where factoring revenues were also up.

In Mediterranean and Africa, a region driven by Italy and Spain, turnover rose by +6.4% and +8.2% at constant exchange rates, thanks to good sales momentum and growth in policyholders' business.

In North America, turnover increased by +3.8% as reported and +8.3% at constant exchange rates. The Group has now stabilised its portfolio and the signing of major contracts, particularly in Single Risk, explains the significant growth in turnover.

Turnover in the Asia-Pacific region decreased by (1.5)% as reported and increased by +2.7% at constant exchange rates. Customer activity is on the rise and the region is recording improved sales performance in credit insurance. Part of this increase was offset by high premium refunds (low claims experience).

In Latin America, turnover decreased by (5.5)% as reported but increased by +11.9% at constant exchange rates due to a good level of customer activity and the signature of major international contracts. This increase was achieved in a context of prudent risk management (currency turbulence).

## 2. Results

### - Combined ratio

The combined ratio net of reinsurance was 79.6% for the year (down 7.0 points year-on-year). The combined ratio net of reinsurance for Q4-2018 was 81.4%, reflecting a further gradual normalisation of the claims ratio.

#### (i) Loss ratio

The gross loss ratio stood at 44.2% in 2018, an improvement of 7.2 points compared to the previous year. In Q4-2018, the gross loss ratio was 45.3% but benefited from a favourable exchange rate effect (revaluation of liabilities in local currency) to the equivalent of one point. Excluding this effect, the gross loss ratio would have been 46.3% for the quarter compared to 43.6% in the previous quarter (also excluding currency).

The Group's provisioning policy remains unchanged. The rigorous management of past claims enabled the Group to record 34.0 points of recovery on previous claims during the year. These levels remain well above the historical average. In particular, they benefited from good recoveries on two major claims recorded in previous years. A portion of these recoveries has been provisioned again in the current year because the companies concerned, to which the Group retains exposure, have not fully recovered from their difficulties.

These movements are an opportunity for the Group to highlight the sensitivity of the credit insurance business to large single claims, which can represent a significant portion of quarterly profit.

The net loss ratio also improved to 45.1%, a decrease of 6.2 points compared to 2017.

#### (ii) Cost ratio

Coface continues to implement its operational efficiency programme. Savings achieved for the year amount to €39 million; a level higher than the target set in the Fit to Win plan for a total annualised saving of €30 million over 2018.

The savings made it possible to continue to reinvest in Coface's in-depth transformation around risks, systems, processes and service quality.

The cost ratio net of reinsurance was 34.5%, an improvement of 0.7 points year-on-year.

- Financial result

Net financial income amounted to €51.1 million in 2018, including €4.7 million in net realised capital gains and depreciations. Given the conditions prevailing on financial markets, the level of realised capital gains was down compared to 2017.

In an environment still marked by historically low rates, Coface managed to record a slight increase in the portfolio's current yield (i.e. excluding capital gains and depreciations) to €40.7 million (compared with €37.5 million in 2017). The accounting yield<sup>5</sup>, excluding capital gains, stood at 1.5% in 2018, and was very slightly higher than the previous year (1.4%).

- Operating income and net income

Operating income amounted to €203.9 million for the year, up sharply (+32.0%) compared to the previous year, mainly as a result of the lower claims ratio, and revenue growth.

The effective tax rate decreased to 34% from 41% in 2017.

In total, net income (group share) amounted to €122.3m, including €24.1m in Q4-2018.

**3. Shareholders' equity**

At 31 December 2018, the Group's shareholders' equity amounted to €1,806.2 million, up €3.6 million or +0.2% (€1,802.6 million at 31 December 2017).

The change is explained mainly by the positive net result of €122.3 million offset by the dividend payment (€52.9 million), share buybacks (€46.8 million) and negative adjustments on the fair value of investments (€18.7 million).

The share buyback programme announced on 24 October 2018 for a maximum amount of €15 million was completed on 8 January 2019. In total, 1,867,312 shares were purchased for a value of €14,999,990 (excluding fees).

The return on average tangible equity (RoATE) was 7.7% for the full year 2018 and 8.0%<sup>6</sup> excluding non-recurring items.

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<sup>5</sup> Accounting profitability ratio calculated on average investment portfolio excluding non-consolidated subsidiaries.

<sup>6</sup> Non-recurring items amounted to €(3.8)m and mainly including €10.6m of restructuring charges partially offset by reversals of provisions €7.5m.

#### 4. Outlook

The end of 2018 confirms Coface's scenario of a gradual normalisation of the risk environment. The economic environment is now clearly more volatile as new risk factors (Chinese slowdown, Brexit, shutdown, trade wars) come in addition to the risk areas already known (Argentina, Turkey).

In this economic context, Coface is confident in the relevance of its strategy, which is to become the most agile credit insurer, and remains focused on its implementation.

Thanks to its investments in risk management, Coface will pursue a disciplined underwriting policy, while noting the sensitivity of the credit insurance business to large claims, which can represent a significant portion of a quarter's profit.

Confident in the strength of its balance sheet, and in line with its capital management policy, the company will propose to its shareholders the distribution of 100% of its net income, including a minimum of 60% in the form of a dividend<sup>7</sup>.

Coface maintains its objective of submitting its application for approval of its internal model in the summer of 2019. Discussions with the regulator on this subject have begun.

Moreover, changes in the standard formula, the estimated effect of which is a decrease of between 15 and 20 points in the Group's solvency ratio, are now expected to be implemented in 2020.

The objectives of delivering a net combined ratio of around 83% through the cycle and achieving a RoATE of 8% + 1% are maintained.

#### Conference call for financial analysts

Coface's results for FY-2018 will be discussed with financial analysts during the conference call on 11 February at 18.00 (Paris time). Dial one of the following numbers: **+33 (1) 72 72 74 03** (France), **+44 2071 943 759** (United Kingdom), **+1 646 722 4916** (United States). The access code for participants is: **59598878#**

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

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<sup>7</sup> The proposed distribution is subject to approval by the general shareholders meeting on 16 May 2019.

## Appendix

### Quarterly results

Income statement items in €m Quarterly figures	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	%	% ex. FX
Gross earned premiums	282.2	283.4	271.6	272.5	278.4	282.3	292.2	289.7	+6.3%	+8.4%
Services revenue	66.1	60.0	57.9	61.2	65.6	58.7	58.5	59.3	(3.1)%	(2.9)%
<b>REVENUE</b>	<b>348.3</b>	<b>343.4</b>	<b>329.4</b>	<b>333.7</b>	<b>344.0</b>	<b>340.9</b>	<b>350.7</b>	<b>349.1</b>	<b>+4.6%</b>	<b>+6.3%</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>14.5</b>	<b>7.0</b>	<b>34.2</b>	<b>44.0</b>	<b>52.4</b>	<b>35.9</b>	<b>34.5</b>	<b>35.0</b>	<b>x0.8</b>	<b>x0.8</b>
Investment income, net of management expenses	5.6	20.2	18.9	10.6	8.3	4.6	29.6	8.6	X0.8	X0.8
<b>CURRENT OPERATING INCOME</b>	<b>20.1</b>	<b>27.3</b>	<b>53.1</b>	<b>54.6</b>	<b>60.7</b>	<b>40.5</b>	<b>64.1</b>	<b>43.6</b>	<b>x0.8</b>	<b>x0.8</b>
Other operating income / expenses	(1.0)	0.0	(1.3)	1.7	(2.3)	1.5	(1.0)	(3.2)	N.S	N.S
<b>OPERATING INCOME</b>	<b>19.2</b>	<b>27.3</b>	<b>51.7</b>	<b>56.3</b>	<b>58.4</b>	<b>42.0</b>	<b>63.1</b>	<b>40.5</b>	<b>X0.7</b>	<b>x0.7</b>
<b>NET INCOME</b>	<b>7.3</b>	<b>12.9</b>	<b>34.8</b>	<b>28.2</b>	<b>35.5</b>	<b>27.3</b>	<b>35.4</b>	<b>24.1</b>	<b>x0.9</b>	<b>x0.8</b>
Income tax rate	52.0%	47.1%	27.3%	47.2%	35.3%	26.4%	39.7%	32.8%	(14.4) pts.	

### Cumulated results

Income statement items in €m Cumulated figures	Q1-17	H1-17	9M-17	FY-17	Q1-18	H1-18	9M-18	FY-18	%	% ex. FX
Gross earned premiums	282.2	565.6	837.2	1,109.7	278.4	560.7	852.9	1,142.6	+3.0%	+5.7%
Services revenue	66.1	126.2	184.0	245.2	65.6	124.3	182.8	242.1	(1.3)%	(0.1)%
<b>REVENUE</b>	<b>348.3</b>	<b>691.7</b>	<b>1,021.2</b>	<b>1,354.9</b>	<b>344.0</b>	<b>685.0</b>	<b>1,035.7</b>	<b>1,384.7</b>	<b>+2.2%</b>	<b>+4.6%</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>14.5</b>	<b>21.5</b>	<b>55.8</b>	<b>99.8</b>	<b>52.4</b>	<b>88.3</b>	<b>122.8</b>	<b>157.8</b>	<b>x1.6</b>	<b>x1.5</b>
Investment income, net of management expenses	5.6	25.9	44.7	55.3	8.3	12.9	42.5	51.1	(7.5)%	+10.3%
<b>CURRENT OPERATING INCOME</b>	<b>20.1</b>	<b>47.4</b>	<b>100.5</b>	<b>155.0</b>	<b>60.7</b>	<b>101.2</b>	<b>165.3</b>	<b>208.9</b>	<b>x1.3</b>	<b>x1.4</b>
Other operating income / expenses	(1.0)	(0.9)	(2.3)	(0.6)	(2.3)	(0.8)	(1.8)	(5.0)	N.S	N.S
<b>OPERATING INCOME</b>	<b>19.2</b>	<b>46.5</b>	<b>98.2</b>	<b>154.4</b>	<b>58.4</b>	<b>100.4</b>	<b>163.4</b>	<b>203.9</b>	<b>x1.3</b>	<b>x1.4</b>
<b>NET INCOME</b>	<b>7.3</b>	<b>20.2</b>	<b>55.0</b>	<b>83.2</b>	<b>35.5</b>	<b>62.8</b>	<b>98.2</b>	<b>122.3</b>	<b>x1.5</b>	<b>x1.5</b>
Income tax rate	52.0%	49.0%	36.9%	40.8%	35.3%	31.7%	34.8%	34.4%	(6.4) pts.	

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#### FINANCIAL CALENDAR 2019 (subject to change)

Q1-2019 results: 24 April 2019 (after market close)

Annual General Shareholders' Meeting 2018: 16 May 2019

H1-2019 results: 25 July 2019 (after market close)

9M-2019 results: 23 October 2019 (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 S1-2018 and our 2017 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 2018, Coface employed ~4,100 people and registered turnover of €1.4 billion.

[www.coface.com](http://www.coface.com)

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