



# P R E S S R E L E A S E

Paris, February 9, 2016

## **Coface 2015 results: Net Income of €126M and Proposed Dividend Stable at €0.48 per Share**

- Revenue growth of 3.4% at current scope and exchange rate (+1.2% at constant scope and exchange rates)
- Loss ratio net of reinsurance stabilized over the last six months; combined ratio at 83.1%
- Net income (group share) of €126M for 2015, €28M in 4Q
- Stable net income per share at €0.80, distribution rate<sup>5</sup> at 60% of net income
- Xavier Durand takes over as CEO as of today

*Unless otherwise stated, variations are expressed in comparison with results as of December 31, 2014.  
Published results for 2014 have been restated to take into account the impact of IFRIC 21.  
The annual results 2014 restated from IFRIC 21 are equivalent to those published in 2014.*

At the end of 2015, a year marked by a deterioration in the global economic environment, Coface recorded a slight increase in net income (group share), at €126M (€125M in 2014). Revenue for the year grew by 3.4% (+1.2% at constant scope and exchange rate), supported by emerging markets. The Group's loss ratio net of reinsurance has stabilized over the last six months, at 52.5%. Coface is prepared for Solvency II, which came into force on January 1, 2016. The ratio of capital required to cover subscribed risks stands at 147%<sup>7</sup>, a level in line with Coface's risk appetite and dividend pay-out policy of 60% of net income. On the basis of its net income per share, stable at €0.80, the Group has proposed a dividend<sup>5</sup> of €0.48 per share.

## Key figures as of December 31, 2015

The Board of Directors of COFACE SA examined the consolidated financial statements for FY 2015 during its meeting on February 9, 2016. These were subject to review by the Audit Committee. Financial statements are non-audited and being certified.

<i>Income statement items in €m</i>	2014 *restated IFRIC 21	2015	Change 2015 vs. 2014 restated IFRIC 21	Change like-for-like <sup>1</sup>
<b>Consolidated revenues</b>	<b>1,440.5</b>	<b>1,489.5</b>	<b>+3.4%</b>	<b>+1.2%</b>
<i>Of which gross earned premiums</i>	1,132.7	1,185.9	+4.7%	+2.0%
Underwriting income after reinsurance	166.2	143.4	-13.7%	
Investment income net of expenses	42.8	53.1	+24.1%	
Operating income	199.0	192.3	-3.4%	
<b>Operating income</b> excluding restated items <sup>2</sup>	<b>206.1</b>	<b>194.1</b>	<b>-5.8%</b>	<b>-6.1%</b>
Net result (group share)	125.0	126.2	+1.0%	+1.1%
<b>Net result (group share)</b> , excluding restated items <sup>2</sup>	<b>139.9</b>	<b>140.9</b>	<b>+0.7%</b>	<b>+0.8%</b>
<b>Key ratios (in %)</b>				
	<b>2014*</b>	<b>2015</b>		
Loss ratio net of reinsurance	50.4%	52.5%	+2.2	ppts
Cost ratio net of reinsurance	29.3%	30.5%	+1.2	ppts
<b>Combined ratio net of reinsurance</b>	<b>79.7%</b>	<b>83.1%</b>	<b>+3.4</b>	<b>ppts</b>
<b>Balance sheet items - in €m</b>				
	<b>12/31/2014*</b>	<b>12/31/2015</b>		
<b>Total equity</b>	<b>1,724.5</b>	<b>1,767.0</b>		

\*Published results for 2014 have been restated to take into account the impact of IFRIC 21. The annual results 2014 restated from IFRIC 21 are equivalent to those published in 2014.

## 1. Revenue

In 2015, Coface's consolidated revenue was €1 489.5M, up 3.4% compared with 2014 (+1.2% at constant scope and exchange rates). This increase is a consequence of the commercial strategy implemented by the Group that is based on product innovation, multi-channel distribution and the strengthening of its sales processes and sales monitoring.

New policy production was lower than in the previous year. Retention of our client portfolio was good, at 88.2%.

The competitive environment and sound profitability of policies in mature markets weighed on pricing throughout 2015. However, this price pressure remained controlled: the price effect on policies was stable compared to September 30 , 2015, at -2.4%.

Revenue in €m	2014	2015	Change	Change like-for-like <sup>1</sup>
Western Europe	461.7	457.2	(1.0)%	(2.5)%
Northern Europe	352.0	334.9	(4.9)%	(3.8)%
Mediterranean & Africa	226.5	246.4	+8.8%	+8.5%
North America	113.8	131.3	+15.4%	(0.6)%
Central Europe	113.3	114.9	+1.4%	+1.4%
Asia Pacific	97.1	121.3	+25.0%	+10.8%
Latin America	76.1	83.5	+9.6%	+16.7%
<b>Consolidated revenue</b>	<b>1 440.5</b>	<b>1 489.5</b>	<b>+3.4%</b>	<b>+1.2%</b>

Revenue growth was supported by emerging markets. In the United States, the reorganization of the entire country's agency network explains the contraction in performance. In mature markets, where policy profitability is higher, competition remained fierce and put pressure on prices.

## 2. Results

### - Combined ratio

The loss ratio net of reinsurance stood at 52.5%, stabilized over the last six months as a result of reducing exposure to the most fragile companies and sectors. During this period Coface continued to reduce its coverage, particularly in emerging markets, and the effects of this approach are materializing progressively, depending on payment behavior.

Internal overheads remained under control. Excluding exceptional items<sup>3</sup>, these decreased by 1.8% at constant scope and exchange rates (-0.5% at current scope and exchange rates), a level significantly lower than the growth in premiums, which was up 2.0% (+4.7% at constant scope and exchange rates). The distribution costs grew faster than premiums in 2015, due in particular to stronger revenue growth in regions where policies are sold through brokers or partners. The cost ratio net of reinsurance was 30.5% as of December 31, 2015, and 29.5% excluding exchange rate effects and exceptional items, an increase of 0.2 points compared with December 31, 2014.

In total, the combined ratio stood at 83.1% at December 31, 2015, up 3.4 points compared with December 31, 2014, reflecting the deterioration in the macro-economic environment over the last year.

- Financial income

Due to the diversification of the financial portfolio, illustrated by investments made in non-quoted pan-European real estate funds, financial income<sup>4</sup> was €53.1M (of which €4.5M externalization of capital gains) at December 31, 2015, versus €42.8M (of which €8.4M externalization of capital gains) in 2014.

- Operating income and net income

Excluding restated items, operating income<sup>2</sup> stood at €194.1M and net income (group share)<sup>2</sup> at €140.9M. On the basis of net income per share of 0.80, a dividend<sup>5</sup> of €0.48 euro per share will be proposed for 2015, an amount stable compared with 2014.

### 3. Financial solidity – Solvency II

As of December 31, 2015, IFRS equity (group share) was €1 760.9M. The change in equity is mainly the result of positive net income of €126.2M offset by the distribution of €75.5M to shareholders and a decrease in re-evaluation reserves of financial assets ready for sale.

Coface is prepared for the new regulatory framework, Solvency II, which came into force on January 1, 2016. In this context, Coface plans to complete its capital management tools and intends to set up a contingent capital line to protect its solvency during extreme case scenario<sup>6</sup>. Calculated on the basis of the standard formula, the coverage ratio of required capital to insurance and factoring risk coverage was 147%<sup>7</sup>, a level in line with the Group's risk appetite and dividend<sup>5</sup> pay-out policy of 60% of net income per share, proposed again this year.

Ratings agencies Fitch and Moody's reconfirmed the Group's ratings (IFS) at AA- and A2 (stable outlook), respectively, on September 17 and October 13, 2015.

### 4. Transfer of public guarantee activity

Work is on-going by Bpifrance to prepare for the transfer of public guarantees activity currently carried out by Coface on behalf of the French State. The transfer is subject to modification of the applicable legislative and regulatory framework<sup>8</sup>, which will come into effect by decree. Coface will continue to be remunerated by the French State until the transfer of this activity becomes effective, at a date which is not yet known.

### 5. Outlook

The current macroeconomic environment is demanding (weak growth in advanced economies, greater risks in emerging markets, and the volatility of financial markets), and no significant change in this situation is anticipated in 2016. In the absence of significant rebound in global activity, and taking into account the transfer of the management of the public guarantees activity, the targets of growth and profitability (return on average tangible equity or RoATE) that Coface settled two years ago for the period ending 2016, will not be achieved. However, Coface's business model, its financial strength, and its pay-out ratio of about 60%, are not undermined.

As announced on January 15, 2016, Xavier Durand takes over from Jean-Marc Pillu as CEO of Coface with effect as of today. Xavier Durand, 52, a graduate of *Polytechnique*, spent most of his career in GE Capital. Over the last 25 years he has acquired senior-level operational experience in general management of regulated financial services in more than 30 countries.

Commenting on his new appointment, **Xavier Durand**, CEO of Coface, said:

*"I am proud to be at the head of this great company: Coface is a world-wide recognized brand and the Group has in-depth expertise. My priorities will be the following:*

- *Risks: our exposure was adjusted between 2014 and 2015, and we will continue to make adjustments for as long as it is necessary; the effects of this will be seen over time.*
- *Costs: we will study and put in place the structural changes required to improve the Group's operational efficiency.*
- *In this context, my mission is also to identify the levers and means to re-boost the Group's commercial activity.*

*With my leadership team, and after an initial settling-in period, I will define the actions to strengthen Coface's profitable growth over the long-term. I begin this work today and I will take the opportunity of our quarterly updates to keep you informed of our progress."*

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## NOTES

<sup>1</sup> Constant scope and exchange rates. Published results for 2014 have been restated to take into account the impact of IFRIC 21. *The annual results 2014 restated from IFRIC 21 are equivalent to those published in 2014.*

<sup>2</sup> See annex, "Reconciliation table", for the calculation of operating income excluding restated items. For the calculation of net income (group share), a normalized tax rate has been applied to restated items for fiscal years 2014 and 2015.

<sup>3</sup> Internal overheads are restated to exclude an exceptional provision of €3.2M.

<sup>4</sup> Investment income net of expenses, excluding cost of debt.

<sup>5</sup> Distribution subject to approval by the Annual General Meeting of Shareholders on May 19, 2016.

<sup>6</sup> Subject to the signature of the agreement regarding the establishment of this contingent capital line.

<sup>7</sup> Coverage ratio calculated according to Coface's interpretation of Solvency II standard formula. Preliminary calculation.

<sup>8</sup> Finance Law No. 2015-1786, Article 103, from December 29, 2015.

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### FINANCIAL CALENDAR 2016

May 4, 2016: publication of Q1-2016 results  
May 19, 2016: general shareholders' meeting  
July 27, 2016: publication of H1-2016 results  
November, 3 2016: publication of 9M-2016 results

### FINANCIAL INFORMATION

This press release, as well as Coface SA's integral regulatory information, consolidated accounts and FY-2015 analyst presentation, can be found on the Group's website: <http://www.coface.com/Investors>

#### About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2015, the Group, supported by its 4,500 staff, posted a consolidated turnover of €1.490 billion. Present directly or indirectly in 99 countries, Coface protects transactions of 40,000 companies in more than 200 countries. Each quarter, Coface publishes assessments of country risk for 160 countries, based on its unique knowledge of company payment behavior and on the expertise of its 340 underwriters located close to clients and their debtors. In France, Coface manages export public guarantees on behalf of the French State. Learn more at [www.coface.com](http://www.coface.com).

Coface SA. is listed on Euronext Paris – Compartment A  
ISIN: FR0010667147 / Ticker: COFA



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## ANNEX - Reconciliation Table: Operating income excluding restated items

in thousand euros	2014 Restated IFRIC 21	2015 published
<b>Operating income</b>	<b>199,023</b>	<b>192,297</b>
Finance costs	-14,975	-18,491
<b>Operating income including finance costs</b>	<b>184,048</b>	<b>173,806</b>
<i>Other operating income/expenses</i>		
IPO costs (including matching contribution for employees having acquired shares in the company)	7,962	
Coface Re	1,777	
SBCE - Restructuring costs	1,957	
Portfolio buyout costs linked to the restructuring of the distribution network in the USA		1,889
Stamp duty Coface Re		326
Write-back of restructuring provision for Italy	-1,534	
Other operating expenses	113	3,275
Other operating income	-338	-1,258
<i>TOTAL Other operating income/expenses</i>	9,937	4,232
<b>Operating income including finance costs &amp; including other operating income/expenses</b>	<b>193,985</b>	<b>178,038</b>
<i>Restated items</i>		
- Headquarters' relocation costs		
- Outsourcing of capital gains		
- Interest charges for the hybrid debt	12,075	16,117
<b>Operating income excluding restated items</b>	<b>206,060</b>	<b>194,155</b>

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