

Coface confirms the strong recovery of its result in the 1st semester 2010

Recovery of Premium growth
New drop in the claims rate
Very strong growth in factoring
Reinforced financial solidity

The positive trend that began in the second half of 2009 is confirmed in the first half of 2010, with operating profit of €55m compared to -€47m in the second half of 2009 and -€202m in the first half of 2009.

This is explained by the turnaround in Insurance operating profit, driven by the fast improvement in the claims rate, due to the improvement in the economic situation and Coface's tight management of its risks: compared to December 2007 and before the crisis, the gross insured exposures (which measures the service rendered to clients) increased by 6% to €377 billion, while the risk weighted exposure based on debtors' ratings (which measures the risks Coface is exposed to) decreased by 26%.

These substantially reduced risks are covered by increased premiums (up 13% over 2007) and shareholders' equity up 11% (compared to the end of 2007) to €1.311 billion (+21% compared to December 2009).

The accounting improvement in the claims rate is based on a prudent claims rate assumption at the end of the 2010 policy writing year of 59%, when the instantaneous claims to premium ratio in the first 6 months of 2010 was 39%.

Factoring continues to post excellent performances: growth in revenue (Net Banking Income) has returned to double digits, its pre-crisis level (+14% in S110), the cost of risk is controlled and operating profit is up 85%.

Management costs were well controlled and remain stable in the first semester of 2010.

(in €m)	S1 2009	S2 2009	S1 2010	Change (current structure)	Change (constant structure)
Consolidated turnover	811	752	798	-1,5%	-2,4%
• Insurance (earned)	620	565	613	-1%	-3%
• Services	143	133	131	-9%	-6%
• Factoring	48	54	54	14%	14%
Operating profit	-202	-47	55	+257	
• Insurance	-233	-74	28	+261	
• Services	24	12	14	-10	
• Factoring	7	14	13	+6	
Net profit	-117	-46	35	+152	

Second quarter: positive trends confirmed on profitability, claims rate and turnover

(in €m)	Q1 2009	Q2 2010	Q1 2010	Q2 2010	Change (current structure) Q2 10 / Q2 09	Change (constant structure) Q2 10 / Q2 09
Consolidated turnover	412	399	401	397	-0,4%	-1,4%
• Insurance (earned)	320	300	310	303	1%	-2%
• Services	69	75	66	65	-13%	-8%
• Factoring	23	25	25	29	18%	21%
Operating profit	-76	-126	24	31	+157	
• Insurance	-90	-143	13	15	+158	
• Services	12	12	8	6	-6	
• Factoring	2	5	3	10	+5	
Net profit	-37	-80	15	20	+100	

The quarterly profitability trend remained positive with operating profit improving in the second quarter for the fourth consecutive quarter (to €31 million), along with net profit (at €20 million).

The quarterly revenue trend was also positive, as Insurance premium growth returned to +3% in the second quarter, after two quarters of decline, and growth in Factoring accelerated to +21%. Total Insurance turnover growth remained negative, at constant structure, at -2%, due to the drop in single risk premiums (due to the tightening of policy writing) and investigation expenses and indemnification (the improvement in the economic situation reduces indemnities, but the insured still haven't returned to their pre-crisis level of activity). Turnover in the Services line remained under pressure at -8% in the second quarter (due to a base effect on the remuneration for managing public guarantees, the improvement in the economic situation, which weighs on receivables management, and a still depressed marketing information market): but the especially rigorous control of costs protects the operating margin.

Implementation of the strategic plan: successful first steps

The Coface strategic plan 2010-2012 aims at 3 objectives: an improvement in service to clients, in the quality of underwriting and productivity gains of 3 points per year.

Among the first realizations:

- in Credit Insurance:
 - From now on the weighted exposures are the central tool for risk management: all of the 30,000 insureds have now got access to the scores of all of their 3 million clients, as and from October they will permanently be able to have access to the weighted risks corresponding to their guarantees contracts; any imbalances in one way or another could be corrected
 - The access for the insureds to the dialogue on risks will be spread out from 30 to 59 countries, but the underwriting will be concentrated in 19 platforms (as opposed to 39).
- in Factoring:
 - Coface maintains the most widespread network of the sector with 27 countries, but has concentrated the underwriting in 10 platforms (as opposed to 27)
- in Services:
 - The local information offer to third parties has been reduced to 24 countries (as opposed to 43): those in which Coface is or could become in the position of leader
 - The responsibility on the internal ratings of large risks has been transferred to the Services line (already in charge of the scoring of small risks), and the means are reinforced; at the same time, this rating «large risks» is open to rated companies, to financial institutions which are interested, and on the 13th of July Coface submitted its request for accreditation as a rating agency to the CESR in light of the new European regulation.

Worldwide growth: the « double dip » should be avoided but Euro zone is still below the 2%

The year 2010 is characterised by a "multi-speed" recovery, with disparities from a geographical as well as from a chronological standpoint. Geographically, Coface is forecasting 6.3% growth in the emerging countries, with growth that is still high in Asia, honourable in South America but clearly on the downturn compared to the pre-crisis level in Russia. Although the gap is reducing between the United States and Europe, it is widening within the Euro zone. Germany is the only major country in the Euro zone exceeding the 2% growth threshold. On the other hand, after a first half year of recovery, worldwide growth should slow down due to stagnation in American consumption in the 2nd half of 2010.

According to Coface, worldwide growth should stabilise in 2011 (3.5% in 2011 compared to 3.7% in 2010). The drop in US households consumption and restrictive budgetary policies in Europe will be the 2 main items hindering growth. "Double dip" scenarios seem however to be less and less likely, thanks to a still possible recourse to reflationary policies in China and in the US and to the world trade maintaining its dynamism. The main fears remain the quick reforming of overcapacities in China and especially a persisting significant leverage of speculative liquidities which threaten the real economy.

In France, the results of Coface's observatory of French bankruptcies in July confirm the good trend of the first semester of 2010. In July, the number of bankruptcies makes a 10% decrease compared to the month of July 2009. The financial cost of bankruptcies for suppliers, at €285m, strongly decreases (-35% compared to July 2009). And the number of jobs threatened reaches 15, 871 (-29% compared to July 2009).

« This context allows Coface to anticipate in the second semester a further improvement in the claims rate, the continuation in cost control and a turnover growth once again positive », concludes 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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