

## In an exacerbated context of crisis, Coface maintains solid growth and limits the downslide in results

Since the last quarter of 2008, the global credit crisis has entered a second phase. Coface\*, backed by its solid fundamentals, is confronting the crisis with:

- an increase in turnover up by 7.1% in 2008 (6.5% at constant structure),
- a credit insurance loss ratio that has risen by 24 points up to 73%,
- and a net profit that has fallen to €94m (compared to €204m in 2007), the decrease being limited by the improvement of the services and factoring contributions.

In this context, Coface is preparing new tools to support companies throughout the crisis.

<i>(in millions of euros)</i>	2007	2008	Change (constant structure)	Change (current structure)
<b>Consolidated turnover</b>	<b>1,571</b>	<b>1,682</b>	<b>6.5%</b>	<b>7.1%</b>
⇒ Insurance	1,111	1,166	5.8%	5.0%
⇒ Services	250	270	2.9%	8.2%
⇒ Factoring	210	245	14.2%	16.8%
⇒ France (Natixis Factor)	132	139	5.3%	5.3%
⇒ Other (worldwide)	78	106	28.1%	36.0%
<b>Operating profit</b>	<b>279</b>	<b>136</b>		<b>-51%</b>
<b>Net profit</b>	<b>204</b>	<b>94</b>		<b>-54%</b>

\*Coface refers, throughout the press release, to Coface Holding (company that wholly owns Coface and Natixis Factor, and corresponding to the Natixis Trade Receivables Line).

**Annual turnover** stands at €1,682m, namely 7.1% growth at current structure, and 6.5% at constant structure and exchange rates, thus following the trend observed during the second half year of 2007. The two main growth drivers were, as in 2007, factoring line development (+16.8%), credit insurance and services outside Europe (+18.6%).

**The credit insurance line** has witnessed a rise in turnover of 5% compared to 2007. Coface has strengthened its headway on the international front, and standard receivables protection policies are now available in 93 countries; in 40 countries, these contracts are offered by Coface entities (Taiwan, Bulgaria and Latvia opening in 2008). Coface has also bolstered leading positions in South America (with the acquisition of a majority shareholding in SBCE, export leader in Brazil) and in Asia (with over 30% growth in Greater China for the fifth year running) in 2008.

**The factoring line** has increased by 16.8%, drawn by the incorporation, in 2008, of acquisitions in Denmark, the Czech Republic and Slovakia and by strong internal growth. The factoring line is available in 28 countries (compared to 16 at the end of 2007), now forming the leading global network in terms of geographical coverage. The two principal countries where it is present are still Germany, with Coface Finanz, (No. 1 in its market) and France with Natixis Factor (third factor in the country). Natixis Factor's factored invoices volume has increased by 10% (14% for export).

**Service lines (rating and business information, receivables management and public guarantees)** have grown by 8.2%. The information offering is available in 65 countries, and launch of Coface's financial rating is making headway. The worldwide receivables management network has been strengthened by two acquisitions in Argentina and the Netherlands.

**Costs are controlled**, with management expenses rising by 2.8% at constant structure and exchange rates, namely a four-point variance in relation to the increase in turnover (+ 6.5%).

## **The global credit crisis has entered a second phase, taking its toll on results**

In January 2008, Coface had already announced the start of the fifth global credit crisis since the first oil price shock. In the fourth quarter, the credit crisis entered a second phase: the worldwide growth went through an air pocket, meaning that all forecasts have to be reviewed. The global GDP growth shock between 2007 and 2009 is now estimated to be 4.5 points, comparable to the 4.9 points recorded when the system stalled in 1973 and 1975, and more than double those of the three previous world crises. The impact is felt worldwide and should attain 5.9 points in Emerging Europe, 5.2 points in Emerging Asia and South America, 4.5 points in the Euro area, and 4 points in the United States and Japan.

The recent downturn in growth explains the upturn in default recorded by Coface. The two crisis phases are clearly reflected in the credit insurance line loss ratio: from an all-time low of 49% in 2007, it raised in 2008 to 59% in the first three quarters and to 109% in the fourth quarter alone. With a ratio of 73% for the entire year, Coface nevertheless performed better in limiting the degradation than the other credit insurance players.

Measures were taken in January to adapt to this second phase of the crisis by completing the "Act on the crisis" plan launched by Coface in January 2008. Such measures forecast a further increase of at least 30% in credit insurance premiums and a reduction of 30% in exposure rated as "speculative" (representing 16% of the exposure of Coface).

An increased claims rate has caused a marked fall in profit with current loss for credit insurance (-€25m for the year); but contributions to profit by services (+22%) and factoring (+27%), on a sharp upwards trend, have provided Coface with positive operating profit of €136m. Net profit has decreased by 54% to €4m.

## Prospects – trust-building tools

Financial strength that is still intact, rapid measures to regain technical equilibrium, and appropriate offers to restore confidence, will all support Coface through 2009.

- Coface's financial structure is still robust, underpinned by stable shareholders' equity (€165m end 2008 vs €176m end 2007) ; by capital excess of €26m for insurance (a stable amount compared to end 2007) ; and by a 2009 reinsurance treaty renegotiated under good terms with reinsurers, all with A, AA or AAA ratings.
- The measures implemented to restore technical equilibrium for credit insurance should allow to return to a 70% loss ratio in 2009 and to ensure Coface a significantly positive profit.
- Coface aims to help companies and to reinforce trust between customers and suppliers during this difficult period: through financing thanks to factoring, particularly to SMEs; through its credit insurance guarantees; and through its credit risk ratings.
  - Coface guarantees increased by 14% from end 2007 to end 2008 (to €19bn). Coface is taking part in the government plan to supplement guarantees to suppliers: these complements of guarantees amounted to approximately €2m at mid-February.
  - The quality and transparency of the Coface ratings secures the essential trust required to maintain intercompany credit.

Coface has gone beyond the commitments undertaken by the profession, as negotiated last November with Christine Lagarde (French Minister of Finance) by setting up a Transparency Charter. This Charter allows any company - client or not - to access its solvency score free of charge, its evolution, and to transmit any information for its score to be updated. Three months after launching, more than 1,000 companies have applied to register for the Charter, which will be gradually adapted and extended to other countries where Coface is present.

Last, Coface will constantly strive to restore confidence in financial ratings: by actively participating in the debate concerning the future European regulation on ratings requesting that this regulation includes a proper external statistical quality control, and by becoming a financial rating agency itself together with the Big Three Anglo-American agencies. Coface financial rating for "company" risks is based on three exclusive strong points: cost, reliability, and 60 years of risk-taking expertise as a credit insurer. This product, at the test phase in Europe and in Asia, will be marketed in 2009 and submitted for the approval procedure currently debated in the European Parliament. It will provide companies with a tool to communicate with their commercial, strategic or financial partners in a convincing and inexpensive manner on their financial strength.

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### About Coface

Coface Holding, Natixis' Trade Receivables Line, brings together Coface and Natixis Factor. Coface Holding offers its 130,000 customers four product lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, business information and ratings, receivables management and factoring. Abroad, Coface Holding is present through Coface's network of specialized brokers and local partners within the CreditAlliance Network. Thanks to the worldwide local service delivered by 7,000 staff in 65 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface.