

Coface announces a positive result for all of its businesses in the 1st quarter

The turnaround in Coface's accounts, which started in the 4th quarter of 2009, is confirmed in the 1st quarter of 2010 with:

- net income of €15m thanks to the Insurance line becoming profitable again;
- €401m in turnover driven by factoring, and on the recovery compared to the 4th quarter of 2009;
- reinforced financial solidity thanks to these positive results, an improvement in the risk profile and a €175m capital increase.

(in €m)	Q1 2009	Q1 2010	Change (current structure)	Change (constant structure)
Consolidated turnover	412	401	-2.5%	-3.8%
<ul style="list-style-type: none"> • Insurance (acquired) • Services • Factoring 	320	310	-3%	-4%
	69	66	-4%	-7%
	23	25	10%	7%
Operating profit	-76	24	+100	
<ul style="list-style-type: none"> • Insurance • Services • Factoring 	-90	13	+103	
	12	8	-4	
	2	3	+1	
Net profit	-37	15	+52	

Return of profitability, net and operating

The first quarter of 2010 has a positive result: +€15m for consolidated net income (after +€3m in the fourth quarter of 2009), and +€24m for operating profit (after -€9m in the fourth quarter of 2009).

Operating profitability for credit-insurance is now positive again (+€13m). That for Services and Factoring remains, as during the crisis, positive: €8m for Services and €3m for Factoring.

The turnaround in Credit-insurance can be explained by the drop in the claims/premium ratio to 63% (compared to 98% in 2009). This ratio is the combination of the following hypotheses on the subscription years:

- 109% for 2008,
- 77% for 2009,
- and 58% for 2010.

The latest developments concerning claims are very positive, with another drop in claims declarations at the beginning of the year: their level over the first 4 months corresponds to a claims/instant premiums ratio less than 50%. This good performance is occurring in all subscription zones except in the United Kingdom (with a substantial potential loss concerning bankruptcy caused by fraud).

Contrasted change in turnover – factoring is back to double-digit growth

There is an overall 2.5% drop in turnover in Q1 compared to Q1 2009 (over 2009, the increase was 3.8%). At constant structure and exchange rates, the drop is 3.8%. This downward trend for 3 quarters now seems to be interrupted, with a 6.3% increase in the first quarter of 2010 compared to the fourth quarter of 2009. This turnaround is even more marked for the written turnover with an increase of 22% compared to Q4 and of 3% compared to Q1 2009.

Earned credit-insurance turnover is down compared to the same quarter from last year for the second quarter in a row (by -3% after -7%; the written turnover is up 3%). The impact (positive) of net production is slowing down (to +2%), and that (also positive) of the increase in rates is increasing (to +11%). The main impact, linked to the drop in the activity of the insured parties, remains very negative. But it is decreasing for the first time since the beginning of the crisis (-16% compared to -24% in Q4 2009) and it should be neutralised in Q3 2010 (the invoicing methods in credit-insurance create a shift of about 2 quarters in relation to the actual activity of the insured parties, which has now stabilised).

Factoring turnover (Net Banking Income, directly based on customer invoicing) had its turnaround as early as Q4 2009 and reached in Q1 2010 +10%: it has now returned to the double-digit growth that factoring has been producing at Coface for ten years now, after the pause of 2009 (+2%).

Services turnover, down 4%, measures only the turnover invoiced to third parties (turnover for proprietary activity, cancelled out in the consolidation, is enjoying growth of 17% due to the group's increasing integration): this 4% drop is the combination of a -14% change in France and 23% outside of France. The drop in France in the first quarter can be explained by changes in scope for 6 points (stoppage of the INPI public service delegation, the civil debt management activity leaving the scope), and the balance by a downward adjustment in information budgets (marketing, in particular), as well as a decline in compensation for the management of public guarantees (due to a base effect).

General expenses are down 0.6% (at constant structure and exchange rates) compared to the first quarter of 2009.

Reinforced financial solidity

A Coface €175m capital increase was carried out on 18 March 2010. Consolidated equity at 31 March 2010 was brought to €1,284m, compared to an amount of €1,182m before the crisis, at 31 December 2007.

This corresponds to a significant reinforcement of Coface's financial solidity since, at the same time, the risks to be covered (weighted exposure), net of reinsurance, decreased by 35%. Although the exposure covered remains close to pre-crisis amounts (€360bn compared to €377bn), the quality of this exposure is much higher thanks to Coface's risk management, and corresponds to a 33% drop in weighted exposure. And Coface has extended the reinsurance for its risks, from 19% in 2009 to 24% in 2010.

Coface's 2010 – 2012 strategic plan is being implemented

- **The new internal organisation in the 67 countries** where we have locations is defined, and will be implemented by the end of the year. Each country will be assigned a level of means (on a scale of 3) for each of the 7 major operational functions (business relations, credit-insurance subscription and indemnification, Factoring, Financial ratings, Services and accounting). This in order to combine greater proximity with the customer and a concentration of the expertise on platforms that have a better critical size.
- The slowdown observed in the subscription of new Credit-insurance contracts justifies **the revision of the short-term private credit-insurance model** that Coface is working on. A first step in this new model has been set into motion: since 19 April, 1,500 Coface insured parties (out of 30,000) have free access to all of the Coface scores of their customers. This is a free management tool for the insured parties, as well as an instrument for dialoguing with Coface. All insured parties will have access to this service in the upcoming months. Coface will then be offering its insured parties other responses to the criticism that was evoked concerning credit-insurance during the crisis.
- Coface is making progress with its objective of becoming a global European rating agency, specialized in companies. In June, it will submit its request for accreditation to the CESR (Committee of European Security Regulators), for its different financial rating offices in Europe.

2010, coming out of the crisis at 2 speeds

Coface has increased its forecast for world growth for 2010 to 3%. The recovery however remains below the average growth rates observed during the good years. Of all the major economic zones, Europe is the one where the economic recovery is the weakest. This offset can be measured through the time it takes for each zone, at the rate of its growth for 2010, to return to its pre-crisis level of GDP: according to this indicator, the emerging countries have already returned to this level, the global economy (6 months needed for recovery) will have recovered by next month, the United States by the beginning of 2011 (13 months), but Europe will need 55 months (20 months for France, and 46 months for Germany).

This fragility at the end of the crisis is also evident in Coface's barometer about French bankruptcies at the end of April, which was published today:

- bankruptcies' financial cost (for suppliers) is clearly on the decrease, at 4 billions (over 12 months) in April, after it had reached 4.7 billions in September.

- a number which seems to be starting to decrease in April for the first time with 63,909 bankruptcies (over 12 months), after having stayed around 64,000 for 7 months.

- and the first decrease also of the impact on employment (-1.3%) at 219,814 jobs threatened (over 12 months): the first decrease after more than 3 years of uninterrupted increase.

"If measures are not taken, limiting the pro-cyclical mechanisms in general, and financial speculation in particular, the next credit crisis runs the risk of arriving sooner than the previous ones and of being more substantial," warns Jérôme Cazes, CEO of Coface. "We are preparing for this with two tools that are able to support the current economy: a new credit-insurance model that is able to take more risks for more premiums, and a rating agency specialising in companies that is transparent and reliable".

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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 12.7 billion Euros end December 2009.