PRESS RELEASE

Paris, 28 July 2021 – 17:35

Coface reports first-half net income of €123.2m, confirming an excellent start to the year. Annualised return on tangible equity at 13.5%

- **Turnover for the first half-year: €768m, up 7.4% at constant FX and perimeter**
  - Trade credit insurance premiums increased by 8.5%, reflecting the improvement in the economic environment
  - Retention reached 92.4% in a more competitive market. The price effect remains positive (+2.3%) during the semester but pricing has now turned negative
  - Information services rose by +11.0% and factoring by +10.9%

- **Net loss ratio at 21.4%, down by 36.0 ppts; net combined ratio at 51.9% (51.0% for Q2-2021)**
  - Gross loss ratio decreased by 29.4 ppts to 29.5%, in an environment still characterised by a low level of claims
  - Net cost ratio improved by 0.8 ppt to 30.4%, reflecting revenue growth and continued investments
  - In the first half of the year, government schemes have lowered pre-tax profit by €24.9m

- **Net income (group share) at €123.2m, including €66.9m for Q2-2021; annualised RoATE[1] at 13.5%**
- **Estimated solvency ratio at 191%[2], and 186%[2] excluding government schemes, above the target range (155% - 175%)**

Unless otherwise indicated, changes are expressed by comparison with the results as at 30 June 2020.
[1] RoATE = Average return on equity I [2] This estimated solvency ratio disclosed is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated Solvency ratio is not audited.

Xavier Durand, Coface Chief Executive Officer, commented:

"Coface's second-quarter 2021 results are fully in line with those of the first quarter. They reflect its excellent operating performance in an environment that remains highly unusual. Indeed, the expected increase in the number of post-COVID-19 bankruptcies has not yet materialised. However, Coface continues to expect a progressive rise in claims when the numerous business support measures are finally withdrawn.

In this period of economic rebound, Coface continues to support its clients with guarantees that are now very close to pre-pandemic levels. Since the beginning of the COVID-19 crisis, the cost for Coface of the risk-sharing agreements signed with several governments amounts to €31m.

Finally, Coface is also continuing to invest in the improvement of its trade credit insurance business as well as in adjacent businesses. Factoring and information services confirmed their growth potential with respective increases of 10.9% and 11.0% during the first half of the year."

PRESS RELEASE

Key figures at 30 June 2021

The Board of Directors of COFACE SA examined the consolidated financial statements at 30 June 2021 at its meeting of 28 July 2021. The Audit Committee, at its meeting on 23 July 2021, also previously reviewed them. These interim consolidated financial statements have been subject to limited review by the statutory auditors. The limited review report is being issued.

Income statements items in €m	H1-20	H1-21	%	% ex. FX*
Gross earned premiums	599.1	638.7	+6.6%	+8.5%
Services revenue	125.5	129.3	+3.0%	+2.5%
REVENUE	**724.6**	**768.0**	**+6.0%**	**+7.4%**
UNDERWRITING INCOME/LOSS AFTER REINSURANCE	40.4	155.8	+285.9%	+297.7%
Investment income, net of management expenses	16.7	15.9	(5.2)%	+1.2%
CURRENT OPERATING INCOME	**57.1**	**171.6**	**+200.6%**	**+208.5%**
Other operating income / expenses	(1.8)	0.4	(125.5)%	(127.9)%
OPERATING INCOME	**55.4**	**172.1**	**+210.9%**	**+219.2%**
NET INCOME	**24.0**	**123.2**	**+414.3%**	**+436.2%**

Key ratios	H1-20	H1-21	%	% ex. FX*
Loss ratio net of reinsurance	57.4%	21.4%	(36.0)	ppts
Cost ratio net of reinsurance	31.2%	30.4%	(0.8)	ppt
COMBINED RATIO NET OF REINSURANCE	**88.6%**	**51.9%**	**(36.8)**	**ppts**

Balance sheet items in €m	H1-20	H1-21	%	% ex. FX*
Total Equity (group share)	1,916.2	1,996.2	+4.2%	
SOLVENCY RATIO	**191%[1]**	**191%[1]**	0	ppt

** Also excludes scope impact*

[1] This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.

1. Turnover

Coface recorded consolidated turnover of €768.0m for H1-2021, up by +7.4% at constant FX and perimeter compared to H1-2020. On a reported basis (at current perimeter and exchange rates), turnover rose by 6.0% due to the appreciation of the euro against other currencies notably the US dollar.

Turnover benefited from the increase in client activities, both past and expected. After a sluggish first quarter (positive impact of +0.2%), the second quarter saw more sustained growth (+1.7%). The price effect followed an opposite trend since the increases recorded in the first quarter (+2.6%) did not recur. In Q2-2021, the price effect was actually negative at -0.3%, as the trade credit insurance market quickly returned to its pre-Covid trends.

The retention rate remained high in all regions and stands at 92.4% for the Group, down 1 point compared to H1-2020 in a market that has become more competitive again. New business amounted to €72m, down from a record year in 2020, but up from 2019.

Turnover from insurance activities (including bonding and Single Risk) grew by +8.5% at constant FX and perimeter compared to H1-2020, as a result of previous repricing well as past and anticipated increases in client activities.

Revenues from other activities (factoring and services) was up +2.5% compared to H1-2020. Fee and commission income was down in the first half of the year despite a good recovery in Q2-2021 (+6.0%). Turnover from factoring was up +10.9% at constant perimeter and FX due to the recovery in volumes financed. Growth in business information services reached +11.0%.

Total revenue - cumulated - in €m	H1-20	H1-21	%	% ex. FX[1]
Northern Europe	147.0	166.9	+13.6%	+9.8%
Western Europe	142.6	153.7	+7.8%	+7.9%
Central & Eastern Europe	73.5	75.4	+2.6%	+2.4%
Mediterranean & Africa	200.5	212.0	+5.7%	+7.0%
North America	69.2	66.3	(4.2)%	+3.2%
Latin America	34.7	36.2	+4.2%	+17.4%
Asia Pacific	57.1	57.6	+0.8%	+6.5%
Total Group	**724.6**	**768.0**	**+6.0%**	**+7.4%**

In Northern Europe, revenues increased by +13.6% (and +9.8% at constant FX) mainly due to the rebound in activity, a good level of new business and the impact of past price increases. Factoring revenues were up +10.8%.

In Western Europe, turnover was up by +7.8% and by +7.9% at constant FX. This growth benefited from the rebound in customer activity and the impact of past price increases, partially offset by higher premium refunds against a backdrop of persistently low claims.

In Central and Eastern Europe, turnover was up +2.6% and +2.4% at constant FX as a result of increased activity offset by higher premium refunds. Factoring revenues rose in Poland by +8.8% (+11.7% at constant FX).

In the Mediterranean and Africa, a region driven by Italy and Spain, turnover rose by +5.7% and by +7.0% at constant FX. This was due to the economic recovery as well as solid growth in service revenues.

In North America, turnover declined by -4.2% on a reported basis but rose +3.2% at constant FX. Higher pricing was partially offset by an increase in premium refunds.

[1] *Also excludes scope impact*

Turnover for the Asia-Pacific region was up +0.8% on a reported basis but +6.5% at constant FX, mainly due to the recovery in client activities.

In Latin America, turnover rose by +4.2% at current FX, but +17.4% at constant FX. The region recorded an increase in new business against a backdrop of higher pricing and the normalisation of risks after several difficult years.

2. Result

– Combined ratio

The combined ratio, net of reinsurance, stood at 51.9% for H1-2021 (an improvement of 36.8 ppts compared to H1-2020). Excluding the effect of government schemes, the net combined ratio was 61.5%.

(i) Loss ratio

The gross loss ratio for H1-2021 stood at 29.5%, an improvement of 29.4 ppts compared to the previous year. The gross loss ratio for Q2-2021 improved by 33.2 ppts compared to Q2-2020 (29.6% vs 62.8%).

The Group's reserving policy remains unchanged. At 75.1%, the provisioning level for the subscription year remained slightly higher than the historical average, reflecting Coface's expectation that the number of bankruptcies will increase when the economic support measures are withdrawn. Strict management of past claims made it possible to record 48.1 ppts of recoveries over the first half of the year. These levels remain well above the historical average.

The loss ratio net of reinsurance improved by 36.0 ppts compared to H1-2020, to reach 21.4%. This improvement is 6.6 ppts greater than the improvement in the gross ratio. This difference is explained by the implementation of government reinsurance schemes, which resulted in a higher ceded reinsurance rate for the current underwriting year, which has a higher loss ratio. Excluding government schemes, the net loss ratio would have been 31.0%.

(ii) Cost ratio

Coface has continued with its policy of strict cost controls and investment. Over the first half of the year, costs grew by +4.6% and +5.9% at constant FX and perimeter. This increase is calculated compared to H1-2020, which was characterised by a very strict lockdown and a significant compression of variable costs. Compared to H1-2019, the cost increase is only +1.4%, which is lower than the revenue increase over the same period (+4.8%).

The H1-2021 net cost ratio improved by 0.8 ppt to 30.4%. Excluding government schemes, the ratio would have been identical at 30.4%.

– <u>Financial income</u>

Net financial income for H1-2021 dropped slightly (-€0.8m) year-on-year to €15.9m. The accounting yield[1], excluding portfolio capital gains and depreciation, was stable at 0.6% (0.6% in H1-2020).

– <u>Operating income and net income</u>

Operating income for H1-2021 was €171.6m, more than triple the previous year, mainly due to the improvement in the loss ratio.

The effective tax rate was 24%, compared to 46% for H1-2020.

In total, net income (group share) was €123.2m, up +57% compared to H1-2019, of which €66.9m in Q2-2021

3. Shareholders' equity

As of 30 June 2021, Group shareholders' equity stood at €1,996.2m, down €2.1m, or -0.1% (compared to €1,998.3m at 31 December 2020).

The change is mainly due to the positive net income of €123.2m, the payment of the dividend (-€82.0m) and the fall in unrealised capital gains (-€23.4m).

The annualised return on average tangible equity (RoATE) was 13.5% at 30 June 2021, mainly due to the improvement in underwriting income.

The solvency ratio stands at 191%[2], above the target range (155% - 175%). Its evolution is driven by an increase in the capital required by trade credit insurance as well as factoring, reflecting mostly volume growth. Capital required by invested assets is also on the rise as Coface has started to reinvest its excess liquidity. Equity markets have also gone up. Eligible own funds are stable, in line with shareholders' equity.

The solvency ratio benefited to the extent of 5 points from government plans. In the absence of these risk transfer schemes, the solvency ratio would have been at 186%[2], still above the target range.

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[1] *Book yield calculated on the average of the investment portfolio excluding non-consolidated subsidiaries.*
[2] *This estimated solvency ratio constitutes a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The result of the definitive calculation may differ from the preliminary calculation. The estimated solvency ratio is not audited.*

4. Outlook

In the second quarter of 2021, the global economy confirmed its rebound. As such, Coface expects a global GDP growth of 5.6% in 2021 followed by 4.3% in 2022. Progress on vaccinations and the massive measures to support the economy have led to localised overheating resulting in big price increases of varying duration (timber, steel, semi-conductors). These price increases have fuelled the debate on whether some degree of persistent inflation could return. Despite these tensions and the existence of viral outbreaks, Coface is expecting a continued economic recovery in the second half of the year.

Against this backdrop, the number of bankruptcies has remained at historically low levels in most countries, whether or not they have set up government trade credit insurance schemes. The number of bankruptcies is therefore expected to logically increase as the economy recovers from the public health crisis and economic support measures are withdrawn.

In this context, Coface continues to invest in improving its efficiency and its operating tools, while strengthening its growth opportunities in adjacent businesses.

Coface's operations continue to be backed by a solid balance sheet. Its solvency ratio reached 191%[1], and 186%[1] excluding government schemes, which is above the target range of 155% to 175%.

Conference call for financial analysts

Coface's H1-2021 results will be discussed with financial analysts during the conference call on 28 July 2021 at 18.00 (Paris time). You can access the conference call either:

- By webcast: [Coface H1-21 results - Webcast]
- By telephone - dial one of the following numbers:
  - +33 1 72 72 74 03 (France)
  - +44 207 1943 759 (United Kingdom)
  - +1 646 722 4916 (United States)

The access code for participants is: **56859303#**

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

[1] *This estimated solvency ratio disclosed is a preliminary calculation made according to Coface's interpretation of Solvency II regulations and using the Partial Internal Model. The final calculation may differ from this preliminary calculation. The estimated solvency ratio is not audited.*

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

Annexes

Quarterly results

Income statements items in €m – Quarterly figures	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	%	% ex. FX*
Gross earned premiums	301.2	297.9	298.1	307.2	312.1	326.7	+9.7%	+10.9%
Services revenue	69.3	56.3	59.7	61.3	65.9	63.4	+12.8%	+10.3%
REVENUE	**370.5**	**354.2**	**357.8**	**368.4**	**377.9**	**390.1**	**+10.1%**	**+10.8%**
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	**28.2**	**12.1**	**34.2**	**52.7**	**74.3**	**81.5**	**+571.7%**	**+519.2%**
Investment income, net of management expenses	2.7	14.0	6.7	3.4	5.7	10.1	(27.9)%	(25.7)%
CURRENT OPERATING INCOME	**30.9**	**26.2**	**40.9**	**56.2**	**80.0**	**91.6**	**+250.0%**	**+232.6%**
Other operating income / expenses	(0.2)	(1.6)	(0.6)	(11.4)	(0.4)	0.8	(153.2)%	(154.7)%
OPERATING INCOME	**30.7**	**24.6**	**40.3**	**44.8**	**79.6**	**92.4**	**+275.5%**	**+255.4%**
NET INCOME	**12.7**	**11.3**	**28.5**	**30.5**	**56.4**	**66.9**	**+491.8%**	**+423.6%**
Income tax rate	*50.5%*	*39.9%*	*42.4%*	*24.5%*	*24.6%*	*23.0%*	*(16.9) pts*	

Cumulated results

Income statements items in €m – Cumulated figures	Q1-20	H1-20	9M-20	FY-20	Q1-21	H1-21	%	% ex. FX*
Gross earned premiums	301.2	599.1	897.2	1,204.3	312.1	638.7	+6.6%	+8.5%
Services revenue	69.3	125.5	185.3	246.5	65.9	129.3	+3.0%	+2.5%
REVENUE	**370.5**	**724.6**	**1,082.4**	**1,450.9**	**377.9**	**768.0**	**+6.0%**	**+7.4%**
UNDERWRITING INCOME(LOSS) AFTER REINSURANCE	**28.2**	**40.4**	**74.6**	**127.3**	**74.3**	**155.8**	**+285.9%**	**+297.7%**
Investment income, net of management expenses	2.7	16.7	23.5	26.9	5.7	15.9	(5.2)%	+1.2%
CURRENT OPERATING INCOME	**30.9**	**57.1**	**98.1**	**154.2**	**80.0**	**171.6**	**+200.6%**	**+208.5%**
Other operating income / expenses	(0.2)	(1.8)	(2.4)	(13.8)	(0.4)	0.4	(125.5)%	(127.9)%
OPERATING INCOME	**30.7**	**55.4**	**95.7**	**140.4**	**79.6**	**172.1**	**+210.9%**	**+219.2%**
NET INCOME	**12.7**	**24.0**	**52.4**	**82.9**	**56.4**	**123.2**	**+414.3%**	**+436.2%**
Income tax rate	*50.5%*	*46.0%*	*44.4%*	*37.4%*	*24.6%*	*23.8%*	*(22.2) pts*	

** Also excludes scope impact*

PRESS RELEASE

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FINANCIAL CALENDAR 2020/2021 (subject to change)
9M-2021 results: 28 October 2021 (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 S1-2021 and our 2020 Universal Registration Document.

Coface: for trade

With 75 years of experience and the most extensive international network, Coface is a leader in trade credit insurance and adjacent specialty services, including Factoring, Single Risk insurance, Bonding and Information services. Coface's experts work to the beat of the global economy, helping ~50,000 clients build successful, growing, and dynamic businesses across the world. Coface helps companies in their credit decisions. The Group's services and solutions strengthen their ability to sell by protecting them against the risks of non-payment in their domestic and export markets. In 2020, Coface employed ~4,450 people and registered a turnover of €1.45 billion.

www.coface.com

COFACE SA is quoted in Compartment A of Euronext Paris
Code ISIN: FR0010667147 / Mnémonique : COFA

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