



## **9M-2018 RESULTS**

**—  
PRESENTATION TO FINANCIAL ANALYSTS**

**OCTOBER 24<sup>TH</sup>, 2018**

# 9M-2018 Results:

Net income at €98.2m; RoATE stands at 8.2%

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# PART 1

## 9M-2018 HIGHLIGHTS

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# Coface reports a solid performance confirming the relevance of its strategy and launches additional €15m share buyback programme

## Turnover reached €1,035.7m y-t-d, up 4.0% at constant FX and perimeter

- Q3-2018 up 8.0% y-o-y and 4.7% excl. one-offs<sup>1</sup>
- Insured turnover and client retention at record level. Controlled new business commercial underwriting

## 9M-2018 net loss ratio down by (9.4) ppts. at 45.0%; Net combined ratio at 79.0%

- Q3-2018 net loss ratio at 48.5% (44.4% excl. FX), driven by strict monitoring and continued high recoveries
- 9M-2018 net cost ratio down by (1.4) ppt. at 34.0% vs. 35.4% in 9M-2017, reflecting tight cost controls and business growth
- Net combined ratio at 82.8% for Q3-2018, reflecting a progressively normalising risk environment

## Net income (group share) at €98.2m, of which €35.4m in Q3-2018

- Q3-2018 includes a positive FX impact of €5m and continued favourable recoveries

## Annualised RoATE stands at 8.2%

- €30m share buyback program completed; shares will be cancelled<sup>2</sup>
- Additional share buyback programme launched for up to €15m before February 2019, in line with Fit to Win 2<sup>nd</sup> pillar

## Continuing to execute Fit to Win strategic plan :

- Signed agreement to acquire PKZ, market leader in credit insurance in Slovenia
- Announced strategic partnership with Tradeshift to develop digital activities
- Partial internal model progressing as expected while monitoring standard formula evolution
- A (Excellent) Insurer Financial Strength (IFS) rating assigned by AM Best for Coface North America
- “Prime” status awarded by ISS-Oekom sustainability rating

<sup>1</sup> €10.7m of one-off impacts | <sup>2</sup> Shares will be cancelled on the basis of the authorisation issued by the Board of Directors on October 24<sup>th</sup> 2018

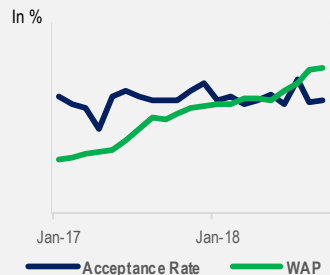
# Fit to Win execution : continuing to drive selective growth and efficiency initiatives, while actively monitoring risks



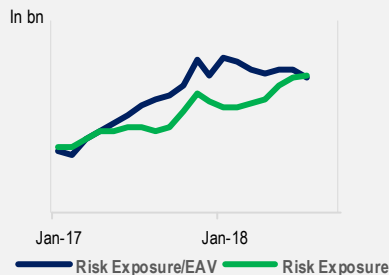
## Actively monitoring portfolio risk

- ▶ **Continuing targeted underwriting actions:**
  - Non-stop implementation of risk measures in Key countries: UK, Turkey, Argentina...
  - Targeting key sectors / large exposures : commodities, metals, distribution...
  - Revenues growth outpacing exposure
- ▶ **Actively adjusting to the cycle**

**Average WAP is on the rise**  
(Acceptance rate and average WAP)\*



**Revenues growing faster than exposure**  
(Exposure and EAV /Exposure)\*



\* Graphs are for illustrative purposes only



## Driving operational efficiency & service

- ▶ **Launched Group sales force effectiveness program**
  - Focus on mid-market to move sales process to the next level
- ▶ **Driving client satisfaction metrics to further strengthen retention**
  - Systematic monitoring of 7 drivers of client service quality
- ▶ **Cost savings will exceed €30m target (2018)**



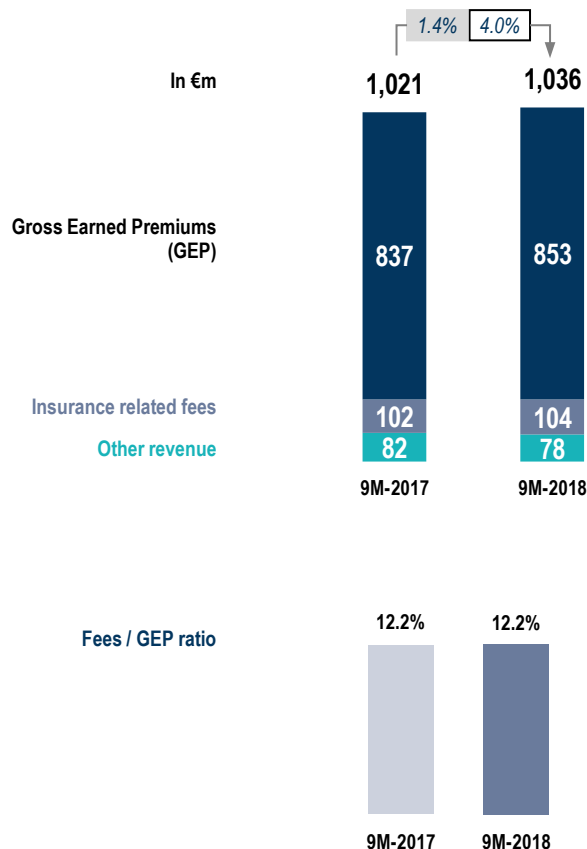
## Implementing select growth initiatives

- ▶ **Signed agreement to acquire PKZ**
  - Market leader in Slovenia, to be integrated in 2019
  - Positive impact on 2019 EPS ; Neutral on Solvency ratio
- ▶ **Announced strategic partnership with Tradeshift**
  - Historic partnership with leading B2B marketplace
  - Coface's information to be made easily available through an app.

PART 2  
9M-2018 RESULTS

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# Turnover growth at 4.0% driven by credit insurance premiums



## Total revenue up 4.0% vs. 9M-2017 at constant FX and perimeter

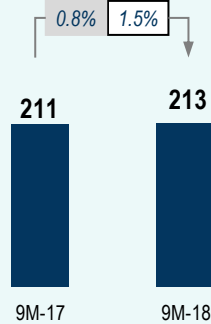
- ▶ Trade credit insurance<sup>1</sup> growing at 4.8% at constant FX in the first 9 months
- ▶ Growth driven by record client activity (volume effect) and retention
- ▶ Pricing remains under control
- ▶ Other revenue<sup>2</sup> down by (3.9)% vs. 9M-2017, driven by Factoring
- ▶ Fees / GEP stable as fees are growing in line with premiums

<sup>1</sup> Including Bonding and Single Risk | <sup>2</sup> Other revenue includes Factoring and Services

V% V% ex. FX

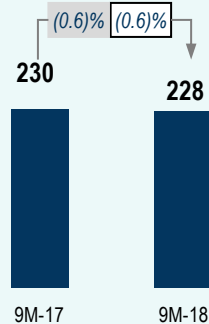
# Growth acceleration in Q3-2018 driven by mature markets recovery and growth in client activity

## Western Europe



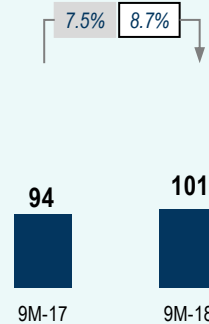
Growth driven by client activity and lower premium refunds

## Northern Europe



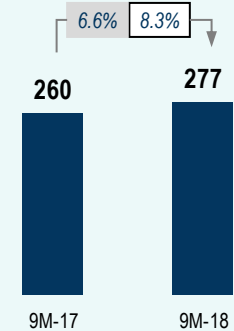
Insurance revenues growing ; Lower factoring

## Central Europe



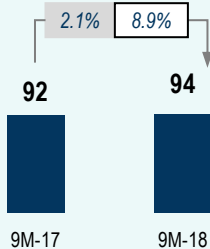
Insurance revenues growing with record retention and higher activity

## Mediterranean & Africa



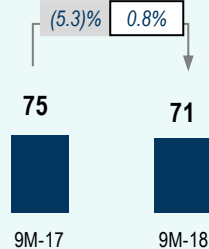
Good commercial momentum and higher activity

## North America



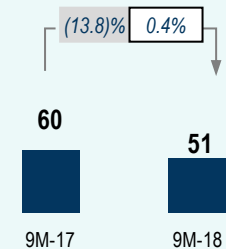
Stabilised portfolio; Higher revenues driven by Single Risks

## Asia Pacific



Growing portfolio driven by client activity; higher premium refunds and lower Single Risks

## Latin America



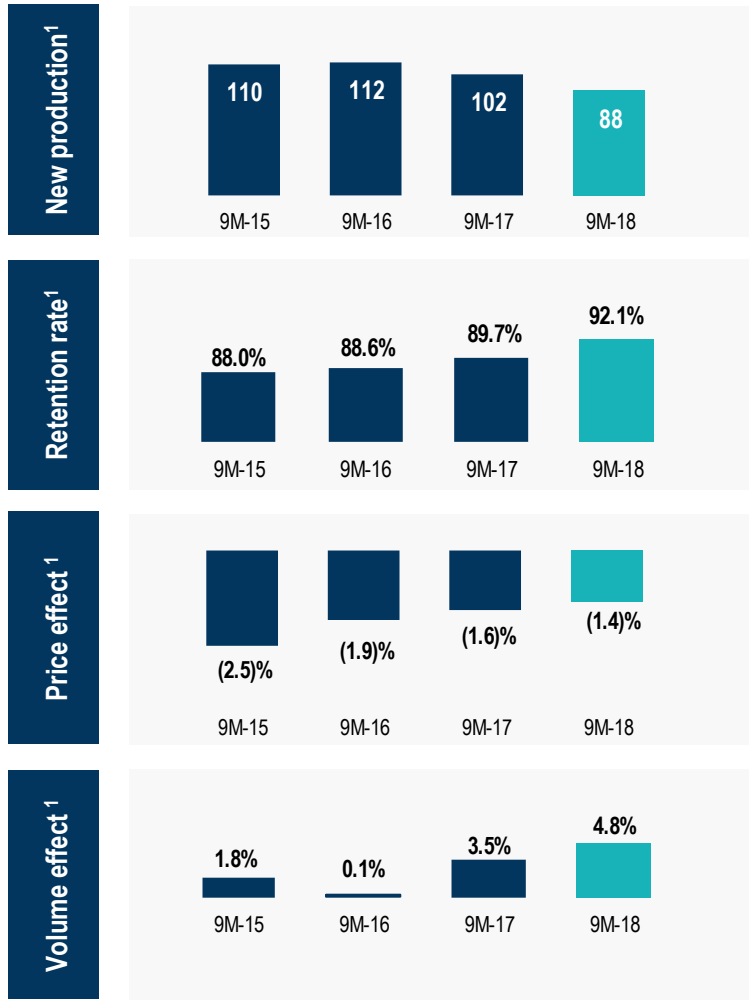
Selective growth in a volatile environment

V% V% ex. FX

Total revenue by region, in €m



# Insured turnover and retention at record levels



▶ New business slowly recovering, reflecting selective growth strategy

▶ Record/high retention in most regions

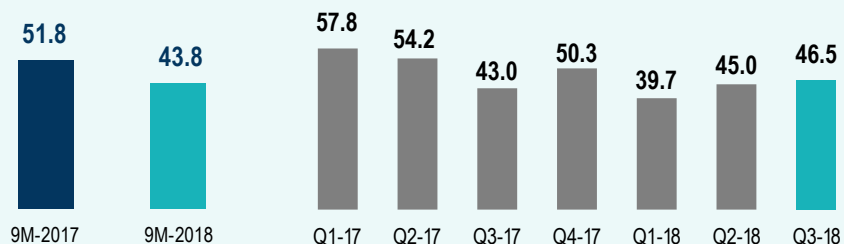
▶ Controlled price decrease  
Driving repricing of risky markets

▶ Client activity remains high in all markets confirming previous quarters trends

<sup>1</sup> Portfolio as of September 30<sup>th</sup> 2018; and at constant FX and perimeter. New production: in €m

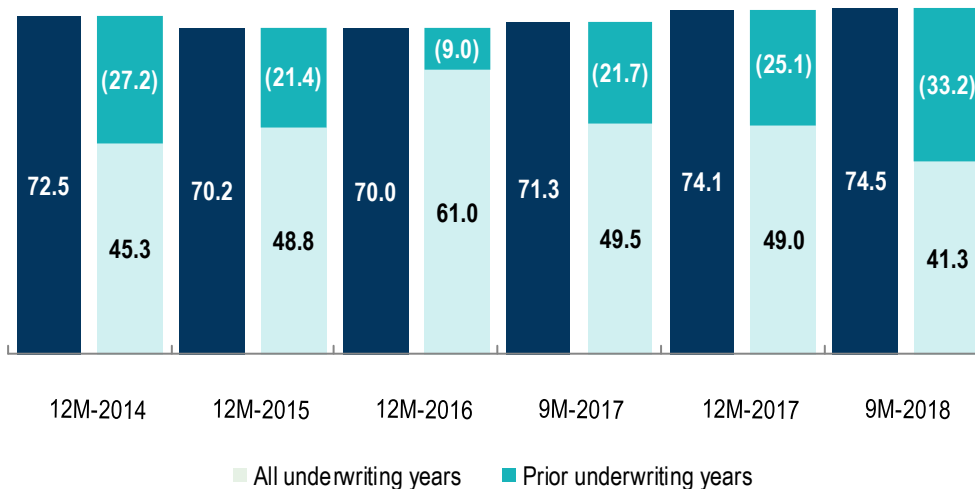
# Gross loss ratio at 46.5%, progressively normalising

Loss ratio before reinsurance and including claims handling expenses, in %



- ▶ Gross loss ratio impacted by FX movements (43.6% excl. FX impact) in Q3-2018
- ▶ Good claims performance (past and new) in a more volatile economic environment

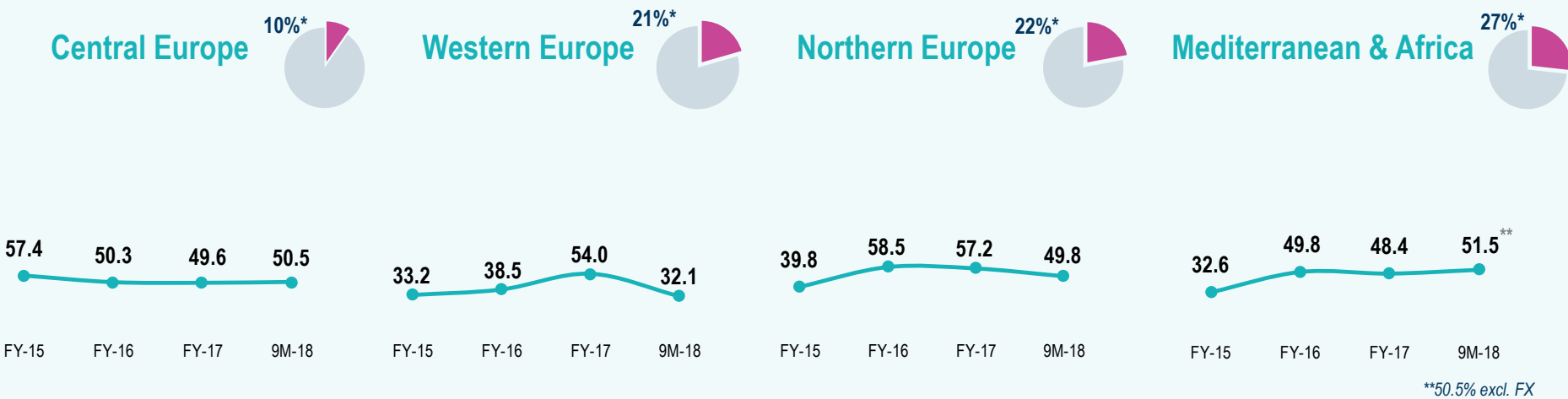
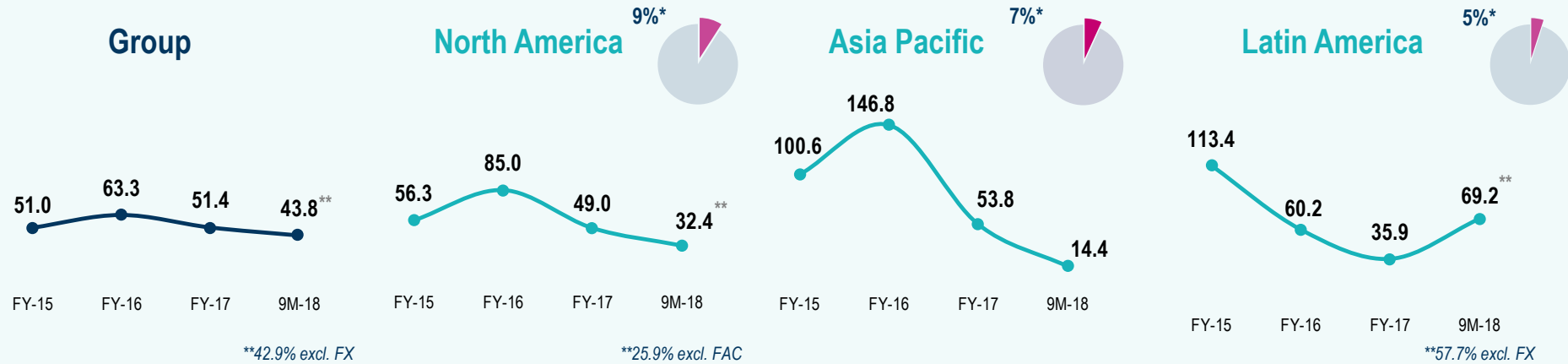
Loss ratio before reinsurance and excluding claims handling expenses, in %



- ▶ Unchanged reserving policy
- ▶ Current underwriting year above historical average due to large case roll over

# Improving mature market performance, while controlling emerging markets volatility

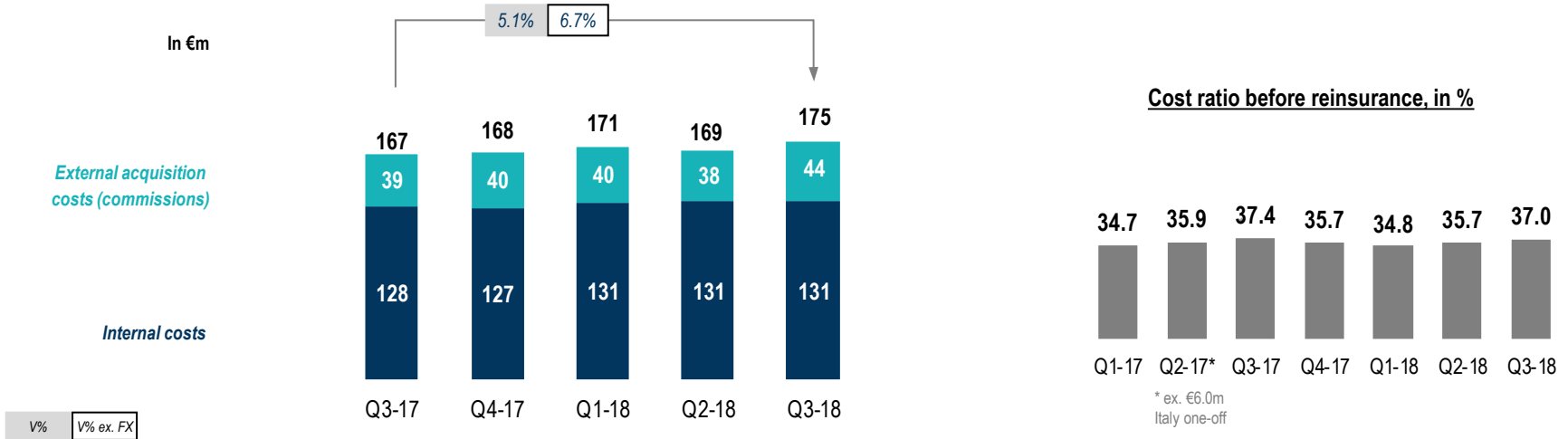
Loss ratio before reinsurance, including claims handling expenses – in %



\*% of Total revenue by region

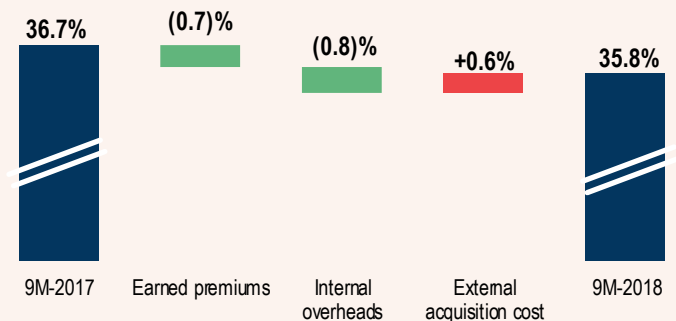
# Internal costs remain flat

## External costs growing with top line geography



- ▶ Achieved €27m Fit to Win savings y-t-d
- ▶ Cost savings will exceed €30m annualised 2018 target
- ▶ Continue to invest (€16m) into growth, risk management, compliance and process transformation
- ▶ 9M-2018 gross cost ratio at 35.8%; 37.0% on Q3

### 9M-2018 gross cost ratio stands at 35.8%



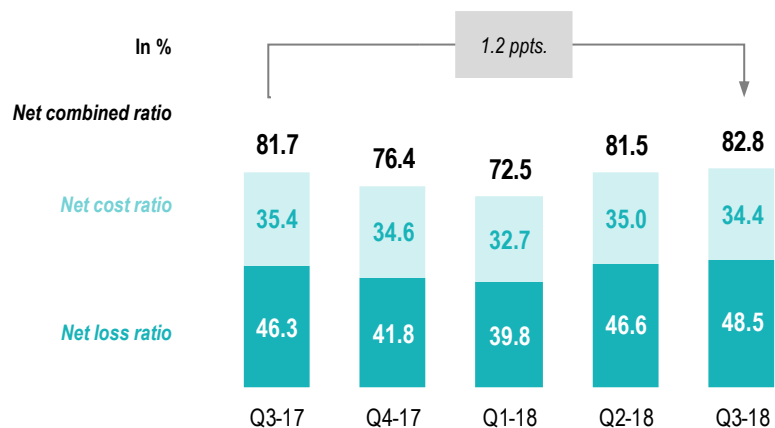
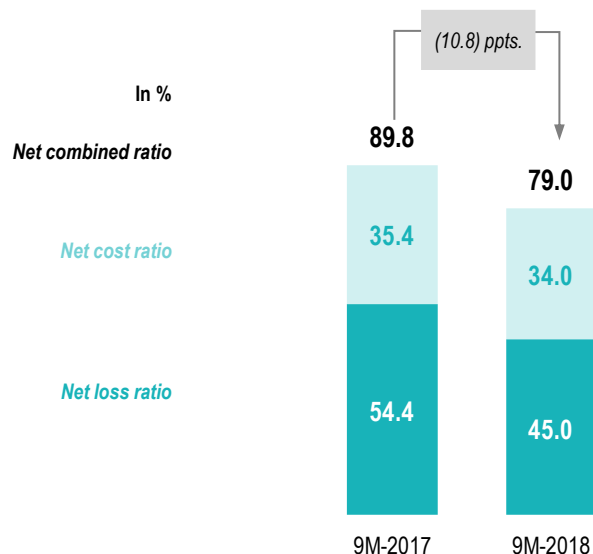
# Reinsurance result reflecting low loss ratios and growing accounting cession rate

- Higher premium cession rate (underwriting years 2017 and 2018) materialising in accounting numbers

	9M-17	9M-18
Gross earned premiums	837.2	852.9
Net earned premiums	613.6	606.4
<b>Premium cession rate</b>	<b>26.7%</b>	<b>28.9%</b>
Gross claims expenses	433.7	373.3
Net claims expenses	333.7	272.9
<b>Claims cession rate</b>	<b>23.1%</b>	<b>26.9%</b>

	9M-17	9M-18	V%
<b>Underwriting income before reinsurance</b>	<b>89.7</b>	<b>166.5</b>	<b>+86%</b>
<i>Reinsurance result</i>	(34.0)	(46.8)	N.S.
<b>Underwriting income after reinsurance</b>	<b>55.8</b>	<b>119.8</b>	<b>+115%</b>

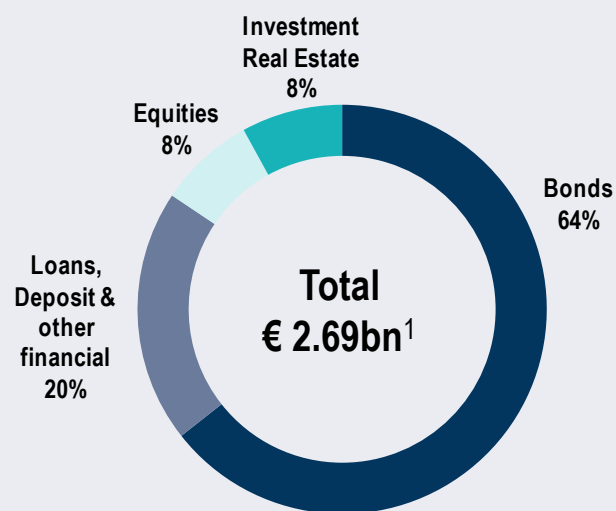
# Net combined ratio at 79.0%



- ▶ Net combined ratio improved to 79.0% (vs. 89.8% in 9M-17) due to lower losses and improved reinsurance commissions
- ▶ Cost ratio down 1.4 ppt. as investments are fully financed by cost savings
- ▶ YTD net loss ratio down by (9.4) pts. mainly driven by strong underwriting

- ▶ Loss ratio remains under control in normalising risk environment
- ▶ Despite negative FX impact, Q3-2018 combined ratio is below “through the cycle target” (~83%)

# Financial portfolio: stabilised yield despite low rates



Keeping a diversified strategy

€m	9M-2017	9M-2018
Income from investment portfolio without gains on sales <sup>2</sup>	30.8	32.7
Gains on sales	8.6	6.4
Investment management costs	(2.4)	(5.6)
FX effect	5.2	9.5
Other	2.5	(0.6)
<b>Net investment income</b>	<b>44.7</b>	<b>42.5</b>
<b>Accounting yield on average investment portfolio</b>	<b>1.5%</b>	<b>1.4%</b>
<b>Accounting yield on average investment portfolio excl. gains on sales</b>	<b>1.2%</b>	<b>1.2%</b>

<sup>1</sup> Excludes investments in non-consolidated subsidiaries

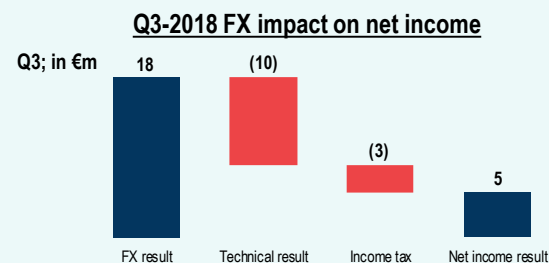
<sup>2</sup> Excludes investments in non-consolidated subsidiaries, FX and investment management costs

- ▶ Stable accounting yield
- ▶ €9.5m gain in financial result (FX effect) compensated by similar decrease in 9M technical result (€8.8m)

# 9M-2018 net income at €98.2m, of which €35.4m in Q3-2018

<i>Income statement items - in €m</i>	9M-17	9M-18
<b>Current operating income</b>	<b>100.5</b>	<b>165.3</b>
Fit to Win investments & restructuring expenses	(1.7)	(4.2)
Other operating income and expenses	(0.5)	2.4
<b>Operating income</b>	<b>98.2</b>	<b>163.4</b>
Finance costs	(13.4)	(13.5)
Share in net income of associates	1.4	0.6
Income tax	(31.3)	(52.2)
<i>Tax rate</i>	37%	35%
Non-controlling interests	0.1	(0.1)
<b>Net income (group share)</b>	<b>55.0</b>	<b>98.2</b>

- ▶ Strong operating performance in 9M-2018
- ▶ Restructuring charges lower than expected on good execution
- ▶ Operating income at 163.4m; of which €63.1m in Q3
- ▶ Tax rate at 35% (40% in Q3)
- ▶ 9M-2018 net income at €98.2m; Net profit of €35.4m in Q3, benefitting from €5m of FX positive impact

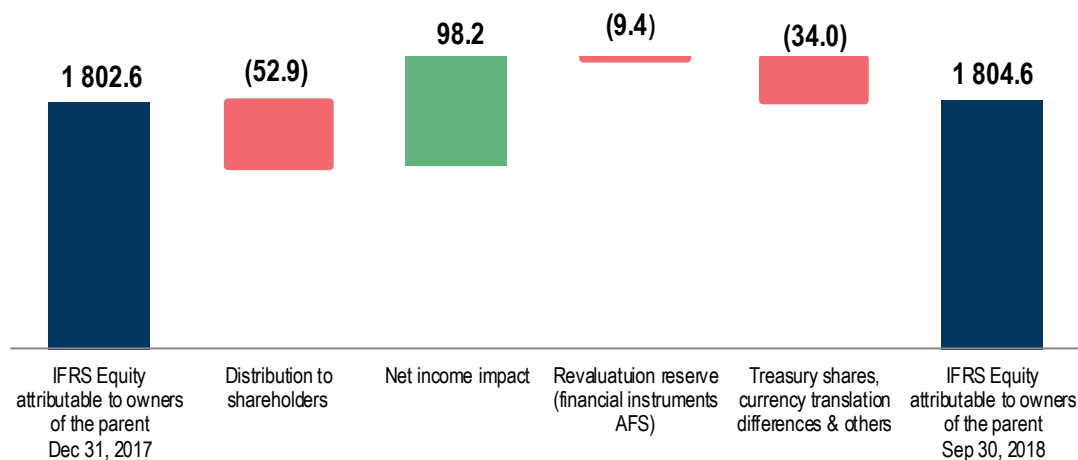




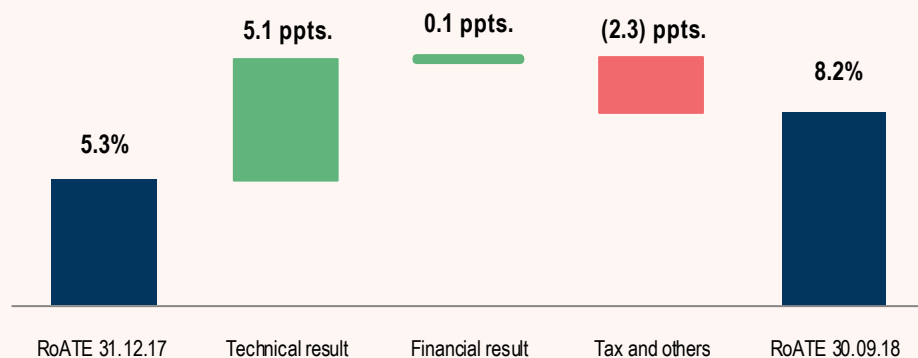
# RoATE stands at 8.2% for 9M-2018

## Change in equity

In €m



## Return on average tangible equity (RoATE)<sup>1</sup>



<sup>1</sup> Annualised RoATE

**PART 3**  
**KEY TAKE-AWAYS**  
**& OUTLOOK**

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# Key take-aways & outlook

## Solid results in Q3 and 9M-2018 demonstrate Coface's ability to perform in a normalising risk environment

- Economic environment is more volatile (protectionism, populism... still on the rise)
- Trade credit insurance<sup>1</sup> growing at 4.8% driven by client activity; new sales slowly recovering
- Net combined ratio at 79.0% driven by a net loss ratio of 45.0%
- Net income (group share) at €98.2m, of which €35.4m in Q3 ; Annualised RoATE stands at 8.2%

## Strong balance sheet allows for additional capital return

- Partial Internal Model project progressing as expected. No recent evolution on standard formula development
- Additional share buyback programme launched for up to €15m until February 2019
- Ratings: A (Excellent) IFS rating assigned by AM Best to Coface North America

## FY-2018 outlook: Fit to Win determined execution continues

- Fit to Win measures allow us to react quickly in a less favourable environment:
  - Risk actions in key regions and sectors
  - Tight cost control and disciplined investments : we will exceed €30m annualised cost savings for 2018
  - Implementation of select growth : PKZ & Tradeshift transactions show ability to grow and innovate

<sup>1</sup> Including Bonding and Single Risk.

PART 4  
APPENDICES

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# Key figures (1/2)

Quarterly and cumulated figures

Income statement items in €m Quarterly figures	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	%	% ex. FX
Gross earned premiums	282.2	283.4	271.6	272.5	278.4	282.3	292.2	+7.6%	+9.2%
Services revenue	66.1	60.0	57.9	61.2	65.6	58.7	58.5	+1.2%	+1.6%
<b>REVENUE</b>	<b>348.3</b>	<b>343.4</b>	<b>329.4</b>	<b>333.7</b>	<b>344.0</b>	<b>340.9</b>	<b>350.7</b>	<b>+6.5%</b>	<b>+7.9%</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>14.5</b>	<b>7.0</b>	<b>34.2</b>	<b>44.0</b>	<b>52.4</b>	<b>35.9</b>	<b>34.5</b>	<b>x1.0</b>	<b>x0.9</b>
Investment income, net of management expenses	5.6	20.2	18.9	10.6	8.3	4.6	29.6	+56.7%	+91.3%
<b>CURRENT OPERATING INCOME</b>	<b>20.1</b>	<b>27.3</b>	<b>53.1</b>	<b>54.6</b>	<b>60.7</b>	<b>40.5</b>	<b>64.1</b>	<b>x1.2</b>	<b>x1.2</b>
Other operating income / expenses	(1.0)	0.0	(1.3)	1.7	(2.3)	1.5	(1.0)	N.A	N.A
<b>OPERATING INCOME</b>	<b>19.2</b>	<b>27.3</b>	<b>51.7</b>	<b>56.3</b>	<b>58.4</b>	<b>42.0</b>	<b>63.1</b>	<b>x1.2</b>	<b>x1.2</b>
<b>NET INCOME</b>	<b>7.3</b>	<b>12.9</b>	<b>34.8</b>	<b>28.2</b>	<b>35.5</b>	<b>27.3</b>	<b>35.4</b>	<b>x1.0</b>	<b>x1.0</b>
<i>Income tax rate</i>	52.0%	47.1%	27.3%	47.2%	35.3%	26.4%	39.7%	+ 12.4 pts.	
Income statement items in €m Cumulated figures	Q1-17	H1-17	9M-17	FY-17	Q1-18	H1-18	9M-18	%	% ex. FX
Gross earned premiums	282.2	565.6	837.2	1,109.7	278.4	560.7	852.9	+1.9%	+4.8%
Services revenue	66.1	126.2	184.0	245.2	65.6	124.3	182.8	(0.7)%	+0.3%
<b>REVENUE</b>	<b>348.3</b>	<b>691.7</b>	<b>1,021.2</b>	<b>1,354.9</b>	<b>344.0</b>	<b>685.0</b>	<b>1,035.7</b>	<b>+1.4%</b>	<b>+4.0%</b>
<b>UNDERWRITING INCOME(LOSS) AFTER REINSURANCE</b>	<b>14.5</b>	<b>21.5</b>	<b>55.8</b>	<b>99.8</b>	<b>52.4</b>	<b>88.3</b>	<b>122.8</b>	<b>x2.2</b>	<b>x2.1</b>
Investment income, net of management expenses	5.6	25.9	44.7	55.3	8.3	12.9	42.5	(5.0)%	+18.3%
<b>CURRENT OPERATING INCOME</b>	<b>20.1</b>	<b>47.4</b>	<b>100.5</b>	<b>155.0</b>	<b>60.7</b>	<b>101.2</b>	<b>165.3</b>	<b>x1.6</b>	<b>x1.7</b>
Other operating income / expenses	(1.0)	(0.9)	(2.3)	(0.6)	(2.3)	(0.8)	(1.8)	x0.8	N.A
<b>OPERATING INCOME</b>	<b>19.2</b>	<b>46.5</b>	<b>98.2</b>	<b>154.4</b>	<b>58.4</b>	<b>100.4</b>	<b>163.4</b>	<b>x1.7</b>	<b>x1.7</b>
<b>NET INCOME</b>	<b>7.3</b>	<b>20.2</b>	<b>55.0</b>	<b>83.2</b>	<b>35.5</b>	<b>62.8</b>	<b>98.2</b>	<b>x1.8</b>	<b>x1.9</b>
<i>Income tax rate</i>	52.0%	49.0%	36.9%	40.8%	35.3%	31.7%	34.8%	(2.1) pts.	

## Key figures (2/2)

Revenue by region: quarterly and cumulated figures

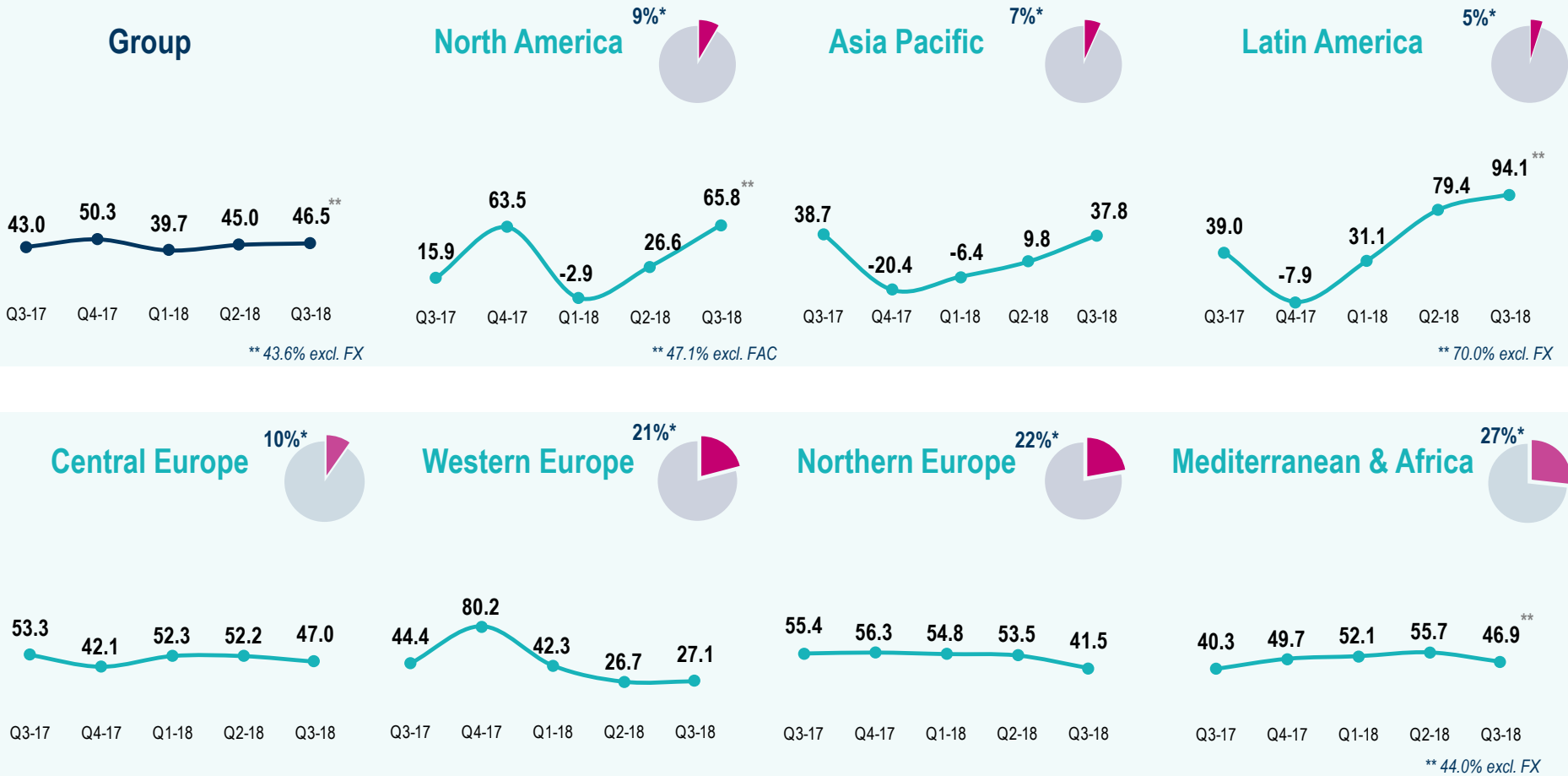
Total revenue by quarter - in €m	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	V% ex. FX
Northern Europe	79.8	75.1	74.7	74.2	79.0	73.2	76.2	+1.9%
Western Europe	73.1	69.3	68.5	69.8	74.8	68.4	69.6	+1.5%
Central Europe	31.9	30.9	31.0	34.0	33.6	33.5	33.7	+10.5%
Mediterranean & Africa	86.8	87.7	85.1	88.5	91.8	92.7	92.2	+10.3%
North America	32.2	31.1	29.2	29.4	27.4	30.7	36.3	+24.3%
Latin America	21.1	21.4	17.2	16.1	16.2	17.7	17.6	+17.4%
Asia Pacific	23.4	27.8	23.8	21.8	21.3	24.6	25.1	+5.7%
<b>Total revenue</b>	<b>348.3</b>	<b>343.4</b>	<b>329.4</b>	<b>333.7</b>	<b>344.0</b>	<b>340.9</b>	<b>350.7</b>	<b>+7.9%</b>

Total revenue cumulated - in €m	Q1-17	H1-17	9M-17	FY-17	Q1-18	H1-18	9M-18	V% ex. FX
Northern Europe	79.8	155.0	229.7	303.9	79.0	152.2	228.3	(0.6)%
Western Europe	73.1	142.5	211.0	280.8	74.8	143.2	212.8	+1.5%
Central & Eastern Europe	31.9	62.8	93.7	127.7	33.6	67.1	100.8	+8.7%
Mediterranean & Africa	86.8	174.5	259.6	348.0	91.8	184.6	276.8	+8.3%
North America	32.2	63.3	92.4	121.9	27.4	58.1	94.4	+8.9%
Latin America	21.1	42.5	59.7	75.7	16.2	33.8	51.5	+0.4%
Asia Pacific	23.4	51.3	75.1	96.9	21.3	46.0	71.1	+0.8%
<b>Total Group</b>	<b>348.3</b>	<b>691.7</b>	<b>1,021.2</b>	<b>1,354.9</b>	<b>344.0</b>	<b>685.0</b>	<b>1,035.7</b>	<b>+4.0%</b>

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# Loss ratio of the quarter at 46.5% (43.6% excl. FX impact)

Loss ratio before reinsurance, including claims handling expenses – in %



\* % of Total revenue by region

# Combined ratio calculation

## ▶ Combined ratio before reinsurance

$$\text{loss ratio before reinsurance } \frac{(B)}{(A)} + \text{cost ratio before reinsurance } \frac{(C)}{(A)}$$

## ▶ Combined ratio after reinsurance

$$\text{loss ratio after reinsurance } \frac{(E)}{(D)} + \text{cost ratio after reinsurance } \frac{(F)}{(D)}$$

Ratios	9M-2017	9M-2018
Loss ratio before reinsurance	51.8%	43.8%
<b>Loss ratio after reinsurance</b>	<b>54.4%</b>	<b>45.0%</b>
Cost ratio before reinsurance	36.7%	35.8%
<b>Cost ratio after reinsurance</b>	<b>35.4%</b>	<b>34.0%</b>
Combined ratio before reinsurance	88.5%	79.6%
<b>Combined ratio after reinsurance</b>	<b>89.8%</b>	<b>79.0%</b>

In €k	9M-2017	9M-2018
<b>Earned Premiums</b>		
<b>Gross earned premiums [A]</b>	<b>837 182</b>	<b>852 876</b>
Ceded premiums	(223 616)	(246 482)
<b>Net earned premiums [D]</b>	<b>613 566</b>	<b>606 394</b>
<b>Claims expenses</b>		
<b>Claims expenses [B]</b>	<b>(433 688)</b>	<b>(373 265)</b>
Ceded claims	83 710	94 882
Change in claims provisions	16 259	5 482
<b>Net claims expenses [E]</b>	<b>(333 719)</b>	<b>(272 901)</b>
<b>Technical expenses</b>		
Operating expenses	(494 227)	(491 423)
Employee profit sharing sharing and incentive plans	3 055	2 975
Other revenue	184 006	182 797
<b>Operating expenses, net of revenues from other services before reinsurance [C]</b>	<b>(307 166)</b>	<b>(305 652)</b>
Commissions received from reinsurers	89 669	99 369
<b>Operating expenses, net of revenues from other services after reinsurance [F]</b>	<b>(217 497)</b>	<b>(206 283)</b>

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# Q3-18 results vs. consensus

in M€	# of replies	Consensus	Q3-2018	Spread	Comment
<b>Total revenue</b>	6	337	351	+14	Revenue increase driven by mature markets, high retention and higher client activity
Gross Earned Premiums	6	279	292	+13	
Net Earned Premiums	6	199	208	+9	
<b>NEP/GEP</b>	6	71.6%	71.1%	(0.5) ppt	<b>Higher cession goes through the P&amp;L</b>
<b>Net underwriting income</b>	6	34	34	0	<b>Normalising loss ratio but neg. FX impact</b>
Net Investment Income	6	9	30	+21	Positive FX movements (+18M in Q3-18)
<b>Current operating income</b>	6	43	64	21	<b>Positive FX movements</b>
Other operating & Restructuring charges (Fit to Win)	6	(2)	(1)	+1	Limited charges this quarter, FY now set at 5M
<b>Operating Income</b>	6	40	63	23	<b>High recoveries and positive FX</b>
<b>Net income</b>	6	25	35	10	<b>o/w +5M net FX impact</b>
Net Loss Ratio (%)	6	49.7%	48.5%	(1.2) pts	44.4% excluding FX impact
Net Cost Ratio (%)	6	33.2%	34.4%	+1.2 pts	Internal costs under control
<b>Net Combined Ratio (%)</b>	6	82.9%	82.8%	(0.1) pts	<b>Better loss offsets higher costs</b>

# Financial Calendar & investor relations contacts

## Calendar

Next Event	Date
FY-2018 Results	Feb. 11 <sup>th</sup> , 2019 after market close
Q1-2019 Results	April 24 <sup>th</sup> , 2019 after market close
Annual shareholders meeting	May 16 <sup>th</sup> , 2019 after market close
H1-2019 Results	July 25 <sup>th</sup> , 2019 after market close
9M-2019 Results	Oct. 23 <sup>rd</sup> , 2019 after market close

**Coface is scheduled to attend the following investor conferences**

Next Event	Date
Exane Mid Cap Conference, Paris	November 28 <sup>th</sup> , 2018

## Own shares transactions

Date	Liquidity Agreement	LTIP	Buy-back (cancellation)	Own shares transactions		
				TOTAL (in shares)	% Total of # Shares	Voting rights

30/09/2018	90,534	764,868	3,094,916	3,950,318	2.51%	153,297,914
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*Note: After the Board's decision of 24 October 2018, 3,348,971 will be cancelled. The new Company's share capital will amount to €307,798,522, divided into 153,899,261 shares (€2 nominal value).*

**IR Contacts: [investors@coface.com](mailto:investors@coface.com)**

**Thomas JACQUET**

Head of Investor Relations & Rating Agencies

[thomas.jacquet@coface.com](mailto:thomas.jacquet@coface.com)

+33 (0)1 49 02 12 58

**Ana-Cecilia URIBE ARCE DE BREANT**

Investor Relations Analyst

[anacecilia.uribearce@coface.com](mailto:anacecilia.uribearce@coface.com)

+33 (0)1 49 02 22 40

# Important legal information

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Participants should read the interim financial report for the first half, the financial statements for the period ending 30 June 2018 and complete this information with the Registration Document for the year 2017. The Registration Document for 2017 was registered by the *Autorité des marchés financiers* ("AMF") on 5 April 2018 under the number D.18-0267. These documents all together present a detailed description of the Coface Group, its business, strategy, financial condition, results of operations and risk factors.

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