



**coface**  
FOR SAFER TRADE

ACTIVITY REPORT **2014**

# FACILITATING COMPANIES DEVELOPMENT BY SECURING PAYMENTS DUE



# CONTENTS

01

**COFACE PROFILE / 01**

---

**A WORD FROM THE CEO / 02**

---

**GOVERNANCE / 04**

---

02

**2014  
FINANCIAL SUMMARY / 06**

---

03

**STRATEGY AND HIGHLIGHTS / 09**

*Key events in 2014 and perspectives for the future,  
region by region*

---

04

**PREVENTING AND MONITORING CREDIT RISKS / 17**

*Prevention: the core business of credit insurance*

---

05

**CREDIT INSURANCE,  
PROTECTING COMPANIES AGAINST  
UNPAID RECEIVABLES / 21**

*Credit insurance: one of the key instruments in hedging trade receivables*

---

06

**RESPONSIBILITIES / 25**

*Exemplary professional practices*

---

07

**SIMPLIFIED INCOME STATEMENT / 31**

---

01

COFACE PROFILE



2014

Figures

€1,441 million  
IN TURNOVER IN 2014

4,440  
EMPLOYEES

99 countries

IN WHICH WE OPERATE DIRECTLY OR INDIRECTLY, REPRESENTING NEARLY 92% OF GLOBAL GROSS DOMESTIC PRODUCT

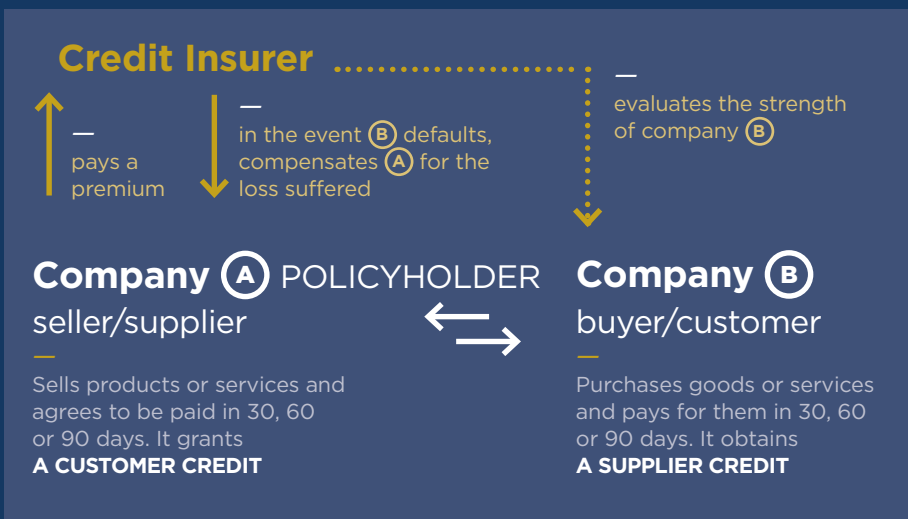
MORE THAN  
40,000  
COMPANIES INSURED

€508 billion  
OF INSURED RECEIVABLES AS AT 31 DECEMBER 2014

AA- INSURER FINANCIAL STRENGTH (IFS) RATING BY FITCH, A2 RATING BY MOODY'S.



Credit Insurance: **Coface's core business**



Credit insurance covers the risk of non-payment of a debt that a company (vendor / supplier) has due from another company (buyer / client) in the context of trade relations. If the debt goes unpaid, the insured company is compensated for the guaranteed amount that its client has not paid. Coface's experts then intervene to recover the unpaid receivable through amicable negotiation and then, if necessary, through litigation.



International  
**presence**

# GLOBAL REACH, CLOSE TO CLIENTS

To keep as close as possible to our customers, Coface operates directly or indirectly in 99 countries. Our credit insurance offer, in-depth knowledge of local economies and services are thus tailored to meet their needs.



## NORTH AMERICA

- Canada
- United States

## LATIN AMERICA

- Argentina
- Brazil
- Chile
- Colombia
- Ecuador
- Mexico
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

## ASIA PACIFIC

- Australia
- Bangladesh
- Brunei
- China
- South Korea
- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- New Zealand
- Pakistan
- Philippines
- Singapore
- Taiwan
- Thailand
- Vietnam



## CENTRAL EUROPE

- Austria
- Bulgaria
- Croatia
- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Poland
- Romania
- Serbia
- Slovakia
- Slovenia

## MEDITERRANEAN AND AFRICA

- Albania
- Algeria
- Bahrain
- Benin
- Burkina Faso
- Cameroon
- Chad
- Cyprus
- Djibouti
- Egypt
- Gabon
- Gambia
- Ghana
- Greece
- Guinea
- Israel
- Italy
- Ivory Coast
- Jordan
- Kuwait
- Lebanon
- Libya
- Mali
- Malta
- Mauritania
- Mauritius Island
- Morocco
- Niger
- Nigeria
- Qatar
- Senegal
- South Africa
- Saudi Arabia
- Tunisia
- Turkey
- UAE
- Uganda
- Yemen

## NORTHERN EUROPE

- Denmark
- Finland
- Germany
- Iceland
- Kazakhstan
- Liechtenstein
- Norway
- Netherlands
- Russia
- Sweden

## WESTERN EUROPE

- Belgium
- France
- Ireland
- Luxemburg
- Portugal
- Spain
- Switzerland
- United Kingdom



## Coface in five dates

### 1946

Creation of Coface, a French company specialising in export credit insurance

### 1992

Start of internationalisation. Gradual development of the network in many countries

### 1994

Privatisation

### 2011

Refocusing on credit insurance, the Group's core business line

### 2014

Opening of the capital of COFACE SA to the private sector (Euronext, Paris - SBF 120)

## FOR SAFER TRADE

### FACILITATING COMPANIES DEVELOPMENT BY SECURING PAYMENTS DUE

Backed by nearly 70 years of experience, the Coface Group is a global leader in credit insurance. A recognised expert in the analysis and management of macro- and micro-economic risks, it provides comprehensive, flexible and scalable solutions worldwide to protect every company, regardless of its size, nationality or sector of activity, against the risk of insolvency of its debtors – on their domestic and foreign markets.

Operationally and financially sound, the Group is a listed company (Euronext, Paris -SBF 120). Its 4,400 employees secure receivables held by companies in 99 countries each day.

Close to their concerns, Coface's teams support their customers at every stage of their development to anticipate, assess, and secure their risks, and to make the best decisions in managing their receivables.



**JEAN-MARC PILLU**  
Chief Executive Officer



## 2014: A PIVOTAL YEAR

### How would you qualify Coface's IPO in 2014?

**Jean-Marc Pillu:** Our IPO (Euronext, Paris) on 27 June 2014 was a success, confirmed subsequently on 22 December by Coface's listing on the SBF 120 index. Its success proved that investors recognise the soundness of our *Strong Commitment* strategic plan, our governance, and the quality of our results in recent years. The opening up of our capital has allowed us to diversify our share ownership and to reflect the Group's international dimension. It has also strengthened our visibility on the market. Internally the IPO was also well-received: a significant number of employees seized this opportunity to demonstrate their commitment and confidence

in the Group's future by becoming shareholders. I am particularly proud of their participation.

### What were the other highlights of 2014?

**J-M.P.:** Over the year we reviewed our commercial strategy, which is now based on three major pillars of innovation, the implementation of a multi-channel distribution model and geographical expansion. We modernised our product range considerably to meet the changing needs of our customers, with the deployment of our *EasyLiner* solution for SMEs (already available in 23 countries) and four new services: *CofaMove* (a customer application for smartphones), *CofaServe* (a solution enabling integration of Coface services into the customer's information

system), *PolicyMaster* and *CashMaster* (two new services which simplify the daily management of contracts and access to bank financing). These developments in our product offering strengthen our reputation as an innovative Group, a leader in its market.

At the same time, to ensure efficient sales growth, we launched a new version of *Smart*, our customer relationship management system, and aligned our commercial organisations on what we consider to be the most effective model. We are also putting a new emphasis on sales with an ambitious training programme, *Sales Force 1*. In 2014, 1,200 of the Group's sales people attended the training programme and in 2015 it will be further enhanced with new modules. Finally, our Group strengthened its international network, obtaining new licenses in 2014 allowing us to open credit insurance business in Colombia, Morocco and at the beginning of 2015 Israel. Two sales representative offices were also opened, in the Philippines and Kazakhstan, and a new business partnership was signed in Serbia. In addition to this, we expanded our presence in the US, significantly increasing the number of our distribution agents in the country.

#### How did you manage to maintain good results in 2014 despite the lacklustre economic situation?

**J-M.P.:** In 2014, our results were indeed in line with our expectations, despite the sometimes difficult economic environment.

### “We have built a more aggressive sales strategy so that in 2015 we are targeted and systematic in our commercial development.”

They demonstrate the relevance of our profitable growth model. Innovative offerings, effective distribution, a broad international presence and vigilant risk management – which remains our priority (our loss ratio net of reinsurance of 50.4% represented a decrease of 3.5 points compared with that for 2013) – all contributed to the considerable improvement in our results. Our revenues increased by 1.6% (at constant scope and exchange rates) and our adjusted net profit (Group share) rose by 23.2%. The positive commercial dynamic which began in 2013 was illustrated by a 7% increase in new contracts in 2014.

#### Is the global economic environment favourable for business in 2015?

**J-M.P.:** It is more favourable to the extent that the economy is improving. But the slow and laborious recovery has not yet enabled the numerous areas of fragility around the world to be cleared up, whether these are countries, sectors or companies in difficulty.

Of the main macroeconomic trends that are delaying global economic recovery, worth citing are the current political tensions particularly in Russia, weak growth in Europe, and the underperformance of Latin America. The United States and countries in the Asia Pacific region certainly seem to be holding up, but China is seeing businesses fail for the first time. These economic difficulties are continuing to weigh on businesses, weakening their financial solidity and constraining their willingness to act.

#### What is the Group's roadmap for 2015?

**J-M.P.:** To continue to support our customers despite the sometimes uncertain global economic environment. We are pursuing our *Strong Commitment* plan, the major strategic thrust of which is three-fold: to deliver credit insurance services in industrial mode (i.e. with optimised efficiency and service quality), to innovate on our markets and to attract new customers. All this while continuing to control our loss ratio. But, as I already mentioned, we have built a more aggressive sales strategy, so that in 2015 we are targeted and systematic in our commercial development. Remember that the credit insurance market is relatively undeveloped, since only 5% of business transactions in the world are insured. This means the market has strong growth potential, which in turn means excellent prospects for us in the coming years.



## COFACE S.A. BOARD OF DIRECTORS (JUNE 2015)

**LAURENT MIGNON,**  
Chairman of the Board  
of Directors

**JEAN ARONDEL,**  
Chairman of the Steering and  
Supervisory Board of Caisse  
d'Épargne Loire-Centre

**BPCE** represented by  
**MARGUERITE BÉRARD-  
ANDRIEU,**  
Deputy Chief Executive Officer,  
Strategy, Legal Affairs &  
Compliance Group Company  
Secretary of BPCE

**JEAN-PAUL DUMORTIER,**  
Chairman of the Board of Banque  
Populaire Rives de Paris

**ÉRIC HÉMAR,**  
Chairman and CEO of ID Logistics

**LINDA JACKSON,**  
Chief Executive Officer  
of Citroën brand

**SHARON MACBEATH,**  
Human Resources Manager  
of Rexel

**PASCAL MARCHETTI,**  
Chief Executive Officer of  
Banque Populaire des Alpes

**MARTINE ODILLARD,**  
Chief Executive Officer  
of Chargeurs

**LAURENT ROUBIN,**  
Chairman of the Management  
Board of Caisse d'Épargne Picardie

**OLIVIER ZARROUATI,**  
Chairman of the Management  
Board of Zodiac Aerospace

## GROUP MANAGEMENT COMMITTEE (JUNE 2015)

**01**  
**JEAN-MARC PILLU,**  
Chief Executive Officer

**02**  
**NICOLAS DE BUTTET,**  
Director of Group underwriting,  
information and litigation

**03**  
**CÉCILE FOURMANN,**  
Chief Human Resources Officer

**04**  
**NICOLAS GARCIA,**  
Commercial Director

**05**  
**PIERRE HAMILLE,**  
Chief Risk,  
Organisation and IT Officer

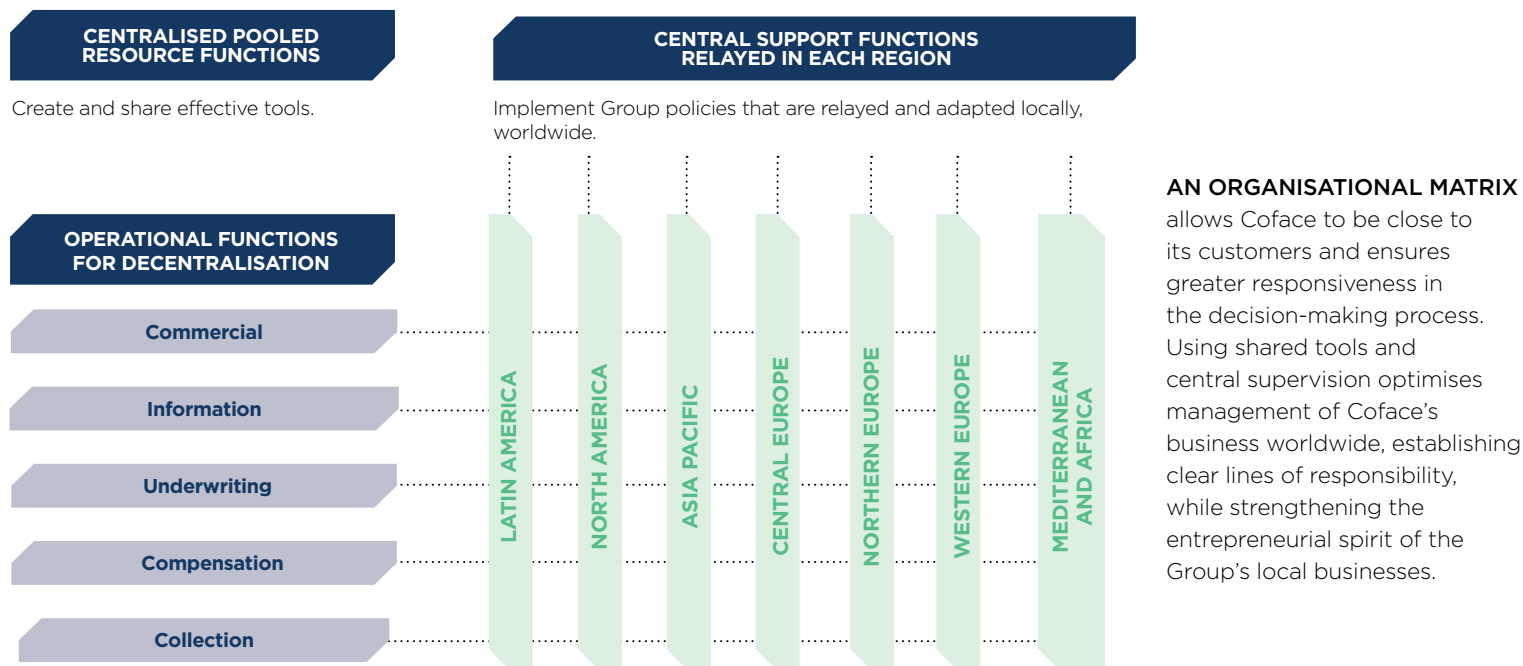
**06**  
**PATRICE LUSCAN,**  
Director of Group Marketing  
and Strategy

**07**  
**CAROLE LYTTON,**  
Chief Legal, Compliance and Facility  
Management Officer

**08**  
**CARINE PICHON,**  
Chief Financial Officer



## AN ORGANISATIONAL MATRIX FOR COORDINATING OPERATIONS IN 67 COUNTRIES



### EXECUTIVE COMMITTEE (JUNE 2015)

Chaired by the CEO, the Group Executive Committee consists of members of the Executive Committee and the seven Regional Managers for Latin America, North America, Asia Pacific, Central, Northern and Western Europe and the Mediterranean & Africa. It supervises cross-company operational matters within the Group and responds to specific regional situations and issues.

**CYRILLE CHARBONNEL,**  
Western Europe Regional Manager

**KATARZYNA KOMPOWSKA,**  
Central Europe Regional Manager

**ANTONIO MARCHITELLI,**  
Mediterranean & Africa Regional Manager

**BART A. PATTYN,**  
Latin America Regional Manager

**TÉVA PERREAU,**  
Northern Europe Regional Manager

**JUAN SABORIDO,**  
North America Regional Manager

**HUNG WONG,**  
Asia Pacific Regional Manager

### IN BRIEF

#### A new Group Commercial Director

**Nicolas Garcia** became Coface's Commercial Director in July 2014. Based in Paris, his mission is to accelerate the development of sales through product innovation, a reinforced multi-channel model and high quality services worldwide.

#### Two new Regional Managers

**Hung Wong**, based in Hong Kong, took over the Asia Pacific region in August 2014. Backed by his in-depth knowledge of the region and solid commercial experience, he is responsible for increasing the Group's business in a region of the world with strong growth potential.

**Juan Saborido** became Regional Manager for North America in April 2015. He joined Coface in 1999 to lead all of the Group's business in Spain and Portugal, before being appointed deputy director for the North America region in July 2014.

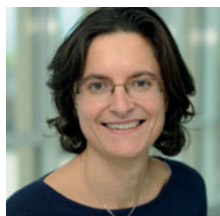
### IN BRIEF

#### Appointment of five independent directors

Following the Group's IPO, the General Meeting of Shareholders of COFACE SA appointed five new independent directors for a term of four years: **Éric Hémar**, Chairman and CEO of ID Logistics, **Linda Jackson**, Chief Executive Officer of Citroën brand, **Martine Odillard**, Chief Executive Officer of Chargeurs, **Sharon MacBeath**, Director of Human Resources of Rexel, and **Olivier Zarrouati**, Chairman of the Supervisory Board of Zodiac Aerospace

02

# 2014 FINANCIAL SUMMARY



## CARINE PICHON, Chief Financial Officer

### How strong is the Group from a financial standpoint?

Coface's financial position is solid. In 2014 Fitch Ratings and Moody's confirmed our financial strength rating (respectively "AA-" and "A2"), with a stable outlook in both cases. This provided an opportunity for both of the rating agencies to highlight once again the Group's excellent solvency position, prudent investment policy and sound results based on consistent discipline in terms of risk management.

The agencies also underlined our good positioning on the global credit insurance market due, among other factors, to our business' geographic diversification.

Coface is the credit insurer with the largest international footprint. We operate in 67 countries and can sell our credit insurance solutions in 99 countries. This means our growth drivers and diversification channels are among the most developed in the world, allowing us to benefit from high-growth areas and better spread risks.

### Do your results validate Coface's commercial strategy?

The results of the past year show that we are in line with the objectives for business growth and profitability announced to the market during our IPO. Our production of new contracts and our retention rate, which illustrates the loyalty of our clients, are both increasing. These results confirm that the initiatives we have taken to optimise our sales processes are sound.

### What are your perspectives?

The results achieved in 2014 in a still fragile macroeconomic environment – but one more favourable than in 2013 – demonstrate the relevance of our model.

We believe this model will allow us to face the challenges of 2015. While remaining vigilant in order to maintain the profitability of our portfolio, the rule in risk control is to keep close to the customer and be highly proactive in our decisions. Our policy of product innovation and multi-channel distribution will allow us to gradually extend the scope of our customer base and, more generally, that of credit insurance. In addi-

tion, by expanding our geographical presence, we intend to capture growth on the most dynamic markets.

These are the main components of our strategy to continue our profitable growth.

## STRENGTH

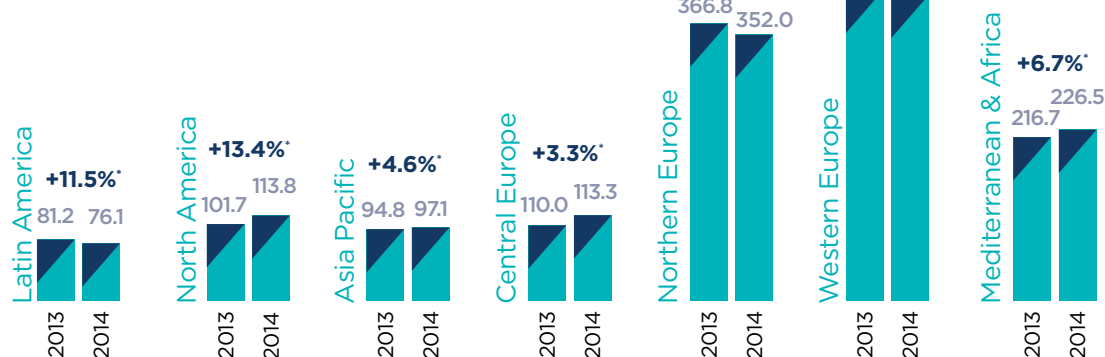
### Recognised financial solidity

In December 2014, Moody's and Fitch Ratings confirmed the ratings assigned to Coface of "A2" and "AA-" respectively, with a stable outlook in both cases. They noted the excellent positioning of Coface on the credit insurance market, excellent solvency levels, prudent investment policy and strong results based on consistent discipline in risk management.

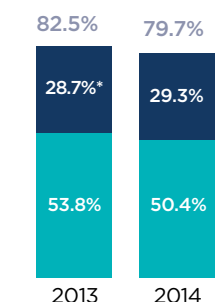
### Turnover (in millions of euros)



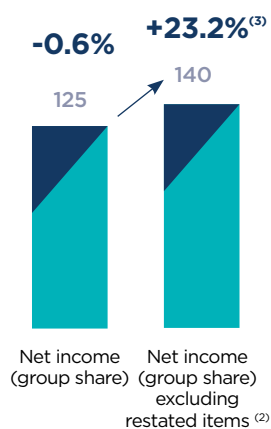
### Turnover by region (in millions of euros)



\* percentage variation at constant scope and exchange rates

**Combined ratio after reinsurance**

■ Loss ratio after reinsurance  
■ Cost ratio after reinsurance

**Net income 2013-2014 evolution <sup>(1)</sup>**

\* Excluding costs of relocation of Coface Head Office

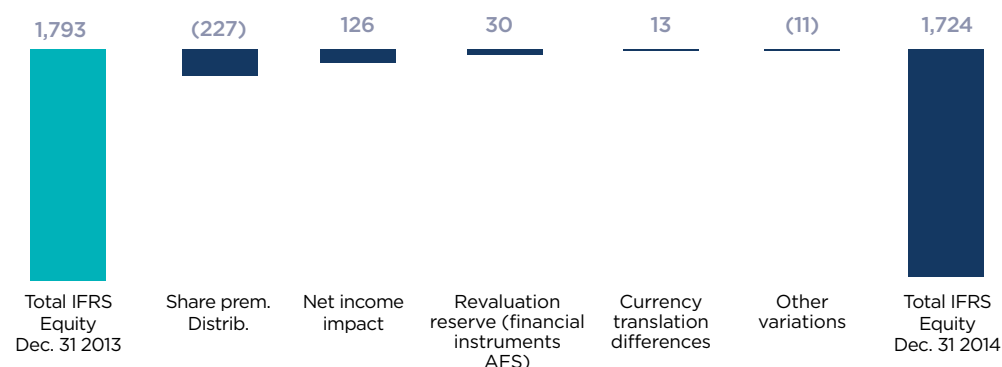
(1) At constant scope, exchange rate and perimeter.

(2) As at Dec. 31<sup>st</sup> 2014 net income (group share) is restated to exclude the following items: interest charges for the hybrid debt, IPO costs, constitution of Coface Re and tax rate for the year 2014.

(3) Net income (group share) is restated to exclude the following items: relocation costs and outsourcing of capital gains for the year 2013, interest charges for the hybrid debt, IPO costs, constitution of Coface Re. A normalised tax rate is applied to the restated items.

**IN BRIEF****Coface is actively preparing for the entry into force of Solvency II**

These regulations, which apply from 1 January 2016, are designed to ensure that insurers will be in a position to compensate customers even in the event of a sharp deterioration in global economic conditions. They include new methods for calculating regulatory capital, as well as requirements applicable to governance, risk management, reporting and transparency. Coface has adapted its organisation in order to comply with the regulations within the set time limit.

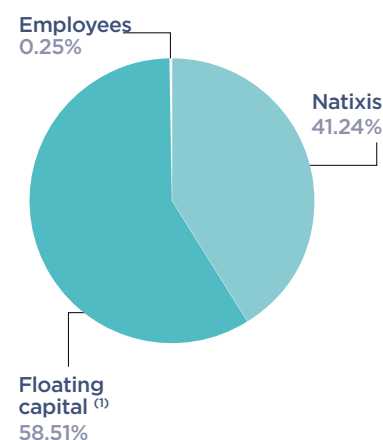
**Changes in equity (in millions euros)****Market profile**

(at 31 December 2014)

Negotiation	Euronext Paris (compartment A), eligible SRD
Code ISIN	FR0010667147
Reuters code	COFA.PA
Bloomberg code	COFA FP
Stock market indices	SBF 120, CAC Mid 60, CAC Mid and Small, CAC All-tradable, CAC Financials, Next 150, MSCI Global Small Cap
Capital	€786,241,160
Number of shares	157,248,232
Market capitalisation (price used) €10.98	€1,726,585,587
Earnings per share	€0.80
Cash distribution per share <sup>(2)</sup>	€0.48
Payout ratio	60%
IPO price	€10.40
Highest price	€11.55
Lowest price	€9.55

**Shareholder structure**

(at 31 December 2014)



(1) Including 80,819 treasury shares held as part of the Liquidity Contract (0.05%)

(2) Special dividend deducted from the "issue premium, merger and contribution" item, subject to the approval of the Annual General Meeting of Shareholders



03

## STRATEGY AND HIGHLIGHTS

Coface's regional managers and economists give an overview of major developments in 2014 and outlook for the future, region by region.





## # TWEET INTERVIEW

**BART A. PATTYN,**  
Regional Manager  
for Latin America**What are your competitive advantages?**

Unrivalled experience in our markets. A reputation for excellence and durability, which are essential for convincing our clients.

**What was your main success in 2014?**

Despite the difficulties experienced by several Latin American economies, our production of new contracts was historically high.

**What is your business strategy for the region?**

Maintain close relationships with local, regional and international companies, identify new high-potential customers and focus on multi-channel commercial distribution.

## IN BRIEF

Coface launches a direct credit insurance offer in Colombia and maintains its historic partnership with the Colombian insurer *Mundial de Seguros*.

## LATIN AMERICA: A DYNAMIC YEAR



**EMPLOYEES: 409 / TURNOVER: €76.1 MILLION /  
TOTAL AMOUNT OF INSURED RECEIVABLES: €40.6 BILLION**

In the 1990s, Coface was the first credit insurer to realise the potential of Latin America. With a market share of more than 35%, Coface holds a leading position in this key region.

**DYNAMIC GROWTH THAT IS  
STRENGTHENING COFACE'S  
LEADERSHIP IN THE REGION**

In 2014, Coface experienced a significant increase in its turnover in Latin America and continued its expansion strategy in the region. This strong growth was also the result of an efficient multi-channel distribution strategy based on direct sales, management of key accounts and, to a lesser extent, brokerage. However, in 2014, the economic downturn and the dependence of Latin American economies on exports of raw materials resulted in an increase in the level of claims. Against this backdrop, Coface managed to support its customers and collected a large number of their outstanding receivables.

**AN AMBITIOUS STRATEGY FOCUSED  
ON MULTATIONALS**

With a view to obtaining a license to directly market its credit insurance solutions in Colombia (which has already shown its growth potential), Coface secured a stronger position in the country. Colombia is characterised by the strong presence of multinationals, which represent nearly 40% of insurance premiums. For Bart A. Pattyn, Regional Manager, *"the majority of local, regional and international companies operating in Latin America are increasingly looking for solutions to protect their business transactions, thus creating new growth opportunities for Coface. One of our priorities is to attract high-growth Latin American international companies."*

**"ANALYSIS BY"****PATRICIA KRAUSE,**  
a Coface Group economist  
in Brazil

Growth in Latin America could continue to be very low in 2015. The downturn is forecast to continue in Brazil, but the market should be dynamic in Peru, Mexico, Chile and Colombia. On the other hand, the recession is expected to continue in Argentina and Venezuela: both countries are heavily dependent on their exports of raw materials, the prices of which are currently very low, forcing them to seek new growth drivers. Investments in transport infrastructure are needed to enhance their competitiveness.

# NORTH AMERICA: NEW GROWTH OPPORTUNITIES



**EMPLOYEES: 124 / TURNOVERS: €114 MILLION /  
TOTAL AMOUNT OF INSURED RECEIVABLES: €43.2 BILLION**

Coface is the second largest credit insurer in the North American market. 90% of its offer is related to credit insurance and company information products.

## HIGH LEVEL OF POLICYHOLDER SATISFACTION

In 2014, the North American region recorded the highest renewal rate of credit insurance contracts since the Group set up in the region, reflecting the high level of satisfaction amongst its policyholders. It also succeeded in controlling its loss ratio without major difficulties.

## NEW GROWTH OPPORTUNITIES

*"Our goal in 2015 is to maintain the high levels of satisfaction of our customers and partners, by expanding our sales force and offering innovative solutions.*

*This should lead to new contracts. In addition, with the economic upswing and the lower price of oil per barrel, US companies have more resources to devote to the profitable growth of their business by better securing their commercial transactions,"* comments Juan Saborido, Regional Manager.

## A MULTI-CHANNEL DISTRIBUTION APPROACH

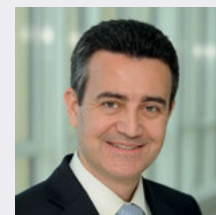
Coface markets its products through four distinct distribution channels: a network of sales agents, brokers, partners and the Coface Global Solutions team. The latter is responsible for key accounts and works directly with international brokers. Given the low penetration rate of credit insurance,

the Group has expanded its sales organisation with a vice-president in charge of monitoring each distribution channel. Coface also increased the density of its network of agents in the region to attract and serve new customers. In 2014, a significant number of additional vendors were recruited as part of a multi-year network densification plan.

## "ANALYSIS BY"

**JULIEN MARCILLY,  
Coface Group Chief  
Economist**

US growth remains dynamic. The good performance of consumption is supporting domestic market-oriented sectors such as automotive, retail and textiles and clothing. Companies are, on average, profitable with low debt levels, so they should be well able to absorb the expected upcoming increase in the Fed rate in 2015.



## # TWEET INTERVIEW JUAN SABORIDO, Regional Manager for North America

### What is special about your region?

It is a huge, sophisticated market in terms of the quality and professionalism of its companies, which also have a great sense of service quality. The penetration rate of credit insurance in the region is one of the lowest in the world. So we have some great growth opportunities for quality credit management solutions.

### What is your strategy in broad terms?

Multi-channel distribution. Strengthening our sales force. Product innovation. Adapting to the needs of our customers.

### What are the challenges for credit insurance?

In North America, credit insurance is seen as an expense. Thus, every day, we need to focus on demonstrating the major contribution that our credit insurance solutions make to the robust and profitable development of companies.





## ASIA PACIFIC: FORMING THE BEST TEAM AND DEVELOPING TALENT



### # TWEET INTERVIEW

#### HUNG WONG, Regional Manager for Asia Pacific

##### What makes your region special?

High economic growth. Companies that know little about the benefits of credit insurance.

##### What is your strategy?

Optimal organization to be efficient in such a large region. An in-depth knowledge of our markets to win and retain customers.

##### What are the challenges for credit insurance?

The potential for credit insurance development is huge, but it requires extensive work in convincing clients.



**EMPLOYEES: 346 / TURNOVER: €97.1 MILLION /  
TOTAL AMOUNT OF INSURED RECEIVABLES: €73.7 BILLION**

Backed by 20 years of experience in Asia Pacific, the Group has developed extensive local expertise and a widespread sales network. It has a significant market share, thanks to its direct presence in 12 countries.

#### A STRATEGY BASED ON STRONG BUSINESS DEVELOPMENT

Most of the Group's products offered in the region are credit insurance policies and single-risk solutions, complementary company information and debt collection services. These products are marketed using a multi-channel distribution model, based on numerous partnerships with insurers and banks. In 2014, the Group continued to develop its network of partners and extended its direct presence by opening an office in the Philippines. Significant investments have been made in training and recruiting new sales forces. Some offices, especially in South Korea and China, have been considerably strengthened. In parallel, the region has reorganised its teams and improved its tools and systems to meet the Group's rules and standards.

#### EFFICIENT SERVICES FOR MULTATIONALS

Part of Coface's strategy in the region lies in the deployment of comprehensive solutions for multinationals. In 2014 the Group signed its first Coface Global Solutions contract in Australia and had numerous commercial successes in South Korea with large conglomerates. *"Our challenge is to attract more Asian companies"*, says Hung Wong, Regional Manager. *"Our market share in the region is expected to grow as a result of the widespread distribution of our products and the strong growth of Asian economies."*

### IN BRIEF

Coface opens a representative office in the Philippines.



#### "ANALYSIS BY"

#### ROCKY TUNG, Coface Group economist in Hong Kong

Chinese economic growth is slowly descending and is currently at around 7%. This normalisation of growth rates means that Chinese companies are becoming more vulnerable due to high levels of debt and continuing production overcapacities in many sectors. The economies of the region, particularly Australia, are impacted by the slowdown in Chinese growth and also by the drop in the demand for raw materials. At the same time, the deferral by Japan of its VAT rate increase should relax the pressure on domestic demand for a time, but in turn will affect significantly the entire region.



# CENTRAL EUROPE: FOCUSING ON COMMERCIAL SUCCESS



**EMPLOYEES: 696 / TURNOVER: €113.3 MILLION /  
TOTAL AMOUNT OF INSURED RECEIVABLES: €37.3 BILLION**

Coface has the largest direct market presence in Central Europe, covering 14 countries including Austria, the Czech Republic, Hungary and Poland.

## A SALES STRATEGY BASED ON THE DIVERSITY OF COFACE'S PRODUCTS

One of the specific features of this region is that, in addition to credit insurance, in many countries Coface also markets company information services, debt collection services and factoring services (Poland). This is a mix that allows Coface to optimise its commercial strategy through cross-selling.

## AN EFFECTIVE COMMERCIAL STRATEGY

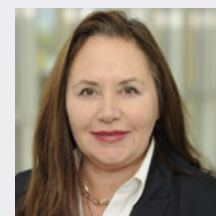
In 2014, sales in the region were increased through the strengthening of the commercial organisation. Coface achieved significant market successes in Austria, Poland and the Czech Republic through its Coface *Global Solutions* offer for international customers. In addition, the Group began to prospect the SME segment with *EasyLiner*, a product designed for SMEs, whose deployment in other countries in the region will continue in 2015. As part of

its expansion policy, Coface has strengthened its partnership network and implemented a fronting agreement in Serbia with the French insurer AXA. *"Our aim is to increase our business volume significantly in 2015, particularly in emerging markets. But we continue to carefully manage risks, which are still high in this emerging region,"* explains Katarzyna Kompowska, Regional Manager.

## "ANALYSIS BY"

### GRZEGORZ SIELEWICZ, Coface Group economist in Poland

Growth in central European countries, which was primarily export-based in the past, is gradually shifting towards domestic demand. This is explained by the improved outlook of the labour market, due to lower unemployment rates and the rise in wages. The risk factors are mainly related to foreign demand, given the disappointing recovery in the euro zone and the slowdown of the Russian economy - which is affecting the Baltic States in particular and, to a lesser extent, Poland.



## # TWEET INTERVIEW

### KATARZYNA KOMPOWSKA, Regional Manager for Central Europe

#### What is special about your region?

It is a dynamic market that offers many opportunities. Maximum responsiveness is required!

#### What is your core strategy?

To develop the business while ensuring proper control. To develop credit insurance in emerging markets through multi-channel distribution, concentrating on the high-growth SME segment. Manage risk for the good of our clients in Central Europe, who increasingly finance their transactions through credit.

#### What are your main strengths?

In-depth knowledge of the region, the professionalism and excellence of our teams and a strong desire to develop credit insurance.

## IN BRIEF

Coface entered into a commercial partnership agreement (*fronting*) with French insurer AXA, to implement a local credit insurance offer in Serbia.





# **TWEET INTERVIEW**  
**TÉVA PERREAU,**  
**Regional Manager**  
**for Northern Europe**

**What is special about your region?**

Market diversity, strong positions in several business lines, the extensive expertise of our teams in supporting existing customers over time and in convincing potential customers of the added value of Coface's products.

**What are the broad outlines of your strategy?**

Growth in each country and each business line, improving the quality of service to our customers and partners, operational efficiency.

**Your greatest asset?**

A clear and efficient organisation to meet our customers' needs effectively.

## NORTHERN EUROPE: AN ORGANISATION TAILORED FOR GROWTH



**EMPLOYEES: 946 / TURNOVER: €352 MILLION /**  
**TOTAL AMOUNT OF INSURED RECEIVABLES: €95.4 BILLION**

Northern Europe is the Group's second largest market in terms of turnover. The region consists, of five countries with mature markets, such as Germany and the Netherlands, and intermediate markets, such as Denmark, Sweden and Russia.

**STRONG ASSETS TO MEET THE CHALLENGES OF GROWTH IN NORTHERN EUROPE**

Due to a historically low number of business failures in its traditional markets, credit insurance was less attractive than in previous years in an increasingly competitive market. To reverse this trend, we will expand our multi-channel distribution strategy in the region, in particular by focusing our efforts on potential customers not yet equipped with credit insurance and by seeking new partnerships. The region will also benefit from its involvement in the Group's innovation strategy for new products and tools. It may also rely on its wide range of existing products in Germany, the largest in the Group, which includes credit insurance, factoring, bond support, single risk, debt collection and business information.

**TOWARDS GREATER EFFICIENCY IN GERMANY**

Much of the past year was devoted to setting up clear and effective organisations in Germany, in particular at the commercial level, and by adopting common operating methods in the region which are more in line with the Group's business model. This will help to boost the growth potential in each of the business lines and improve the quality of service provided to our customers and partners.

**ONGOING COMMERCIAL DEVELOPMENT IN OTHER COUNTRIES IN THE REGION**

In Russia, Coface continued its growth strategy by opening several regional offices, while taking into account the deteriorating economic and monetary environment. The Nordic countries experienced strong growth, especially in Denmark. In the Netherlands, organisational changes were implemented, while business continued to develop despite the difficult market.



**"ANALYSIS BY"**

**JULIEN MARCILLY,**  
**Coface Group Chief Economist**

Despite its slower pace in 2014, German growth remained promising. It is supported by the revival of household consumption and strong foundations. Failures among German businesses are on the downturn and retail businesses, which were weakened by sluggish consumption, are now stronger. In Russia, however, the economic crisis has become a reality due to the triple shock resulting from the geopolitical crisis with Ukraine, the sanctions by Western countries and falling crude oil prices.

# WESTERN EUROPE: A YEAR OF TRANSITION



**EMPLOYEES: 1,095 / TURNOVER: €461.7 MILLION /  
TOTAL AMOUNT OF INSURED RECEIVABLES: €147.1 BILLION**

The Group continues to make the largest proportion of its turnover in Western Europe, its “historic” region.

## GOOD COMMERCIAL RESULTS AND WELL-MANAGED LOSS RATIO

In 2014, customers in the region remained very loyal to Coface. The production of new contracts was high compared with the previous year, especially in our key accounts in France and in the Iberian Peninsula. According to Regional Manager Cyrille Charbonnel, combined with good control of the loss ratio, these trends are “*promising for the years to come and are the result of the many changes made in business information, risk monitoring, underwriting as well as in commercialisation over the last few years.*”

## AMBITIONS GROWTH STRATEGY

2014 was a year of transition and commercial reinvestment for the region, marked by the strengthening of local sales teams in Ireland, the United Kingdom and Switzerland, as well as the opening of a new office in Belgium (Ghent). In France, Coface implemented a new tool for the commercialisation of bonds and redeployed its *Single Risk* offering. In addition, commercial partnership agreements were signed with four leading banks such that they are able to autonomously sell innovative products such as *EasyLiner*, the first “full web” credit insurance offer on the market designed specifically for SMEs. The Group tested its new *CofaNet-Policy Master* and *Cash Master* service offerings on the Spanish market, which has generated significant market interest. In Belgium, the strategy of transforming “Excess of loss” contracts into classic contracts was carried out in good conditions.

## OPERATIONAL ORGANISATION READY TO MEET GROWTH CHALLENGE

Coface intends to pursue its development in the region by recruiting sales staff, opening new distribution channels (especially banking), strengthening the role of its managers and by launching innovative products to further differentiate its offers from its competitors. To optimise its action, the region put in place a regional organisation for all the countries in this zone.

## “ANALYSIS BY”

**JULIEN MARCILLY,  
Coface Group Chief Economist**

Western Europe has emerged from recession, but recovery is lengthy and uneven across countries in the region. Because of domestic demand which is still constrained, there is a high level of business failures, particularly in France. However, it is worth noting that countries that have undergone an acute crisis, such as Spain and Portugal, are beginning to reap the fruits of their reforms. The United Kingdom is experiencing strong growth, driven by consumption and investment.



**# TWEET INTERVIEW  
CYRILLE CHARBONNEL,  
Regional Manager  
for Western Europe**

### What is special about your region?

Europe, a traditional territory for credit insurance, is shifting away from the conventional insurer culture to a customer culture focused on innovation.

### What is your business strategy?

To industrialise our tools and processes. To expand our sales force, including through high added-value partnerships.

### What are your challenges for 2015?

Commercial expansion, innovation and improving customer loyalty, while controlling our risks.





## MEDITERRANEAN AND AFRICA: CONSOLIDATING MARKET POSITIONS, HIGH GROWTH



### # TWEET INTERVIEW

#### ANTONIO MARCHITELLI, Regional Manager for Mediterranean & Africa

##### What is special about your region?

Our activities cover three continents. The markets are very different, but all have a high potential that has yet to be fully exploited.

##### What are your strengths?

The diversity and dynamism of our teams. A strong interaction between our business units, with maximum coordination for seizing opportunities.

##### What is your strategy?

To open new markets through substantive commercial work. Export the expertise of mature countries to developing countries.



**EMPLOYEES: 558 / TURNOVER: €226.5 MILLION /  
TOTAL AMOUNT OF INSURED RECEIVABLES: €70.7 BILLION**

Coface is continuing its geographical expansion in Africa, while sustaining efforts to maintain its position in more mature markets.

#### EXCELLENT RESULTS THAT STRENGTHEN COFACE'S POSITION IN THE REGION

In 2014, the region posted significant growth in business volumes, particularly as a result of developing its offerings for multi-nationals.

In addition, in most of its entities the Group prepared the launch of *EasyLiner*, a solution specifically designed for SMEs.

The main countries in which the Group markets its credit insurance solutions - whether directly or through partnerships - are Italy, South Africa, Turkey and the Gulf countries. In Italy, where Coface generates a significant portion of its revenues in the region, the loss ratio has gradually improved.

For the second year in a row, the Group's development strategy in Italy was recognised with the *Milano Finanza Insurance e Previdenza Award* in the "Best credit insurance company" category.

#### AN AMBITIOUS EXPANSION STRATEGY IN AFRICA

In 2014, the Group continued its business development strategy in Africa. Africa is a strategic region for Coface, where it stands as the leading credit insurer with an unrivalled network of direct offices, ensuring a thorough knowledge of local conditions and efficient local services. Significant investments, including numerous recruitments, have been made to strengthen the sales teams in several countries. Coface has also increased its presence in North Africa by obtaining a credit insurance license in Morocco.

Antonio Marchitelli, Regional Manager, explains this strategy: *"Coface draws on the experience and best practices developed in more mature markets to provide operational support to all other entities in the region."*

### IN BRIEF

In Morocco, Coface has been granted approval by the authorities to directly issue credit insurance contracts, thus strengthening its leading position in Africa.

At the beginning of 2015, Coface obtained a credit insurance licence in Israel.

### "ANALYSIS BY"

#### JULIEN MARCILLY, Coface Group Chief Economist

Italian companies continue to be constrained by weak economic activity and the lack of available credit. The expected recovery, however small, and the reforms in the business environment should have a positive impact in 2015. The North Africa / Middle East region has been marked by falling crude oil prices, a decline that should have little impact

on the economies of the Gulf, which have accumulated large financial reserves. However, the situation of oil-importing countries remains very constrained given the geopolitical environment of the region. In Turkey, the slow descent is continuing, but the Turkish Lira is highly volatile and sensitive to external crises. In sub-Saharan Africa, growth is buoyant, but the fall in prices of raw materials is a major handicap for many exporting countries.



04

## PREVENTING AND MONITORING CREDIT RISKS

Coface's business is about more than covering the losses incurred by its policyholders. We help them develop a creditworthy customer base by identifying reliable customers – the best way to avoid future claims.

## PREVENTION: CENTRAL TO OUR CONCEPT OF THE CREDIT INSURANCE BUSINESS

For Coface, the collection and analysis of reliable information, updated in real time anywhere in the world, is key to each stage of risk monitoring. To achieve this, the company is supported by first-rate IT infrastructure.

INFORMATION ON  
**65**  
MILLION  
COMPANIES  
WORLDWIDE.

**4**  
NEW ENHANCED  
INFORMATION CENTRES  
OPENED IN 2014.

**350**  
UNDERWRITERS TAKING  
10,000 COVERAGE  
DECISIONS A DAY.

**1.4**  
DAYS: RESPONSE  
TIME TO CUSTOMERS'  
UNDERWRITING  
REQUESTS (1.8 AT  
YEAR-END 2013).

### **M**ajor investments to improve the collection and quality of information

Coface operates a network of 49 centres dedicated to the collection of financial information on more than 65 million debtors worldwide, as well as to the processing and analysis of debtor information and risks. The information collected is compiled into Coface's *Atlas* database. The data are then analysed to produce a debtor assessment on a common scale for all of the Coface Group (*Debtor Risk Assessment* or DRA). The underwriters use this to decide the extent of coverage to be proposed to each policyholder. Information is regularly updated, in particular through exchanges with policyholders, to monitor the risks they take with their debtors.

### Underwriting 'close to the concerns of our policyholders'

The decision to guarantee a risk on a debtor (underwriting) is made by the underwriter for the country in which the debtor is located. By working "close to the risk", underwriters know the local environment and economic fabric better than anyone. If necessary, decisions may be revised upwards or downwards by the underwriter for the country in which the policyholder is located, based on their knowledge of the latter's commercial or strategic situation. This organisation means that proximity to the debtor can be combined with proximity to the policyholder.

### Extensive economic research

The information collected by the Group's information specialists, and analysed by the underwriters and information specialists, is reviewed by Coface's economic research team so they can provide technical advice to the Group's other departments. Coface's 17 economists, 5 of whom are located in the regions, also provide regularly updated information to policyholders and the public through 1 or 2 page summaries on the macro- and micro-economic situation in 160 countries, as well as through *Panorama* publications covering developments in country risks, business sectors and company failures. Since 2014, in addition to these services accessible to the public, Coface offers its major customers a complementary "Alert" service, which gives the perspective of its economists on topical economic news.

### Debt collection 'close to the claim'

Coface relies on the expertise of its 360 employees specialised in debt collection and a worldwide partner network to recover outstanding receivables in more than 200 countries. By being located in their respective countries, these teams establish quick, direct contact with debtors, and so improve the recovery rate. In addition, the Group has standardised its debt collection procedures to facilitate monitoring and improve its debt recovery performance.



## ON-LINE

### **DRA and WAP, two risk monitoring indicators available to customers**

*Debtor Risk Assessment (DRA)* is a synthetic indicator and a management tool for the Group, but is also made available to policyholders. It reflects the risk of default of potential buyers on a scale from 0 (defaulting company) to 10 (the best possible rating). Our clients use this tool to monitor developments in their risk portfolio through daily alerts, and to assess the quality of a risk for any debtor in the world. As for the *Weighted Assessment of Portfolio (WAP)*, this gives a comprehensive, quantitative vision of the quality of their receivables portfolio.

A real plus that lets clients know exactly where they stand.

### **Coface country risk conferences: understanding, exchanging and preparing for developments in the global economy**

Coface organised 22 seminars on country risk changes around the world in 2014. Attracting as large an audience as always, consisting mainly of the Group's customers, but also other companies, economists, and academics, these seminars provide a perfect opportunity to learn about and discuss the major trends in the global economy.

## Questions to



### **LAURA QUARTULLI - Underwriter for Argentina, Paraguay and Uruguay**

 based in Buenos Aires

#### **What skills are required of a good underwriter?**

In addition to technical expertise, underwriting requires analytical capabilities and good judgment. Underwriters have to keep up to date on market trends and events and share the information they have with other teams. Finally, they must always be one step ahead to prevent the occurrence of unpaid receivables, and so minimise the losses of the companies we insure.

#### **How do you calculate the debtor (buyer) risk?**

We study the information we have compiled on companies to optimise our analysis of their operational and financial position.

We also study developments in their business sectors and other external factors - for example, the high level of inflation in a country like Argentina.

We also use our enhanced information centres for additional elements so that, through telephone calls or visits, we can issue informed recommendations.

### **THE PROTECTION PROVIDED BY COFACE IS BASED ON A POWERFUL PREVENTIVE SYSTEM, AS IN THE FOLLOWING EXAMPLE:**

An SME is about to win a major contract with a retailer of consumer products. After a complete analysis of the retailer's situation, Coface issues an alert on the risk of a payment default by the prospect. The Managing Director, however, incited by his sales manager, is ready to accept the order, which alone would increase the annual turnover of the company by 5%. The CFO then meets a Coface analyst who finally convinces him that the retailer will face serious difficulties in the very near future. The contract is finally left to a competitor who will never be paid by the retailer and will file for bankruptcy a few months later. Meanwhile, the SME refocuses its commercial offer on a creditworthy buyer, resulting in more modest but solid growth.

04

PREVENTING AND MONITORING CREDIT RISKS



Company data in a global, efficient **information system**

50 CENTRES DEDICATED TO COLLECTING, PROCESSING AND ANALYSING INFORMATION

INFORMATION ON 65 million COMPANIES WORLDWIDE

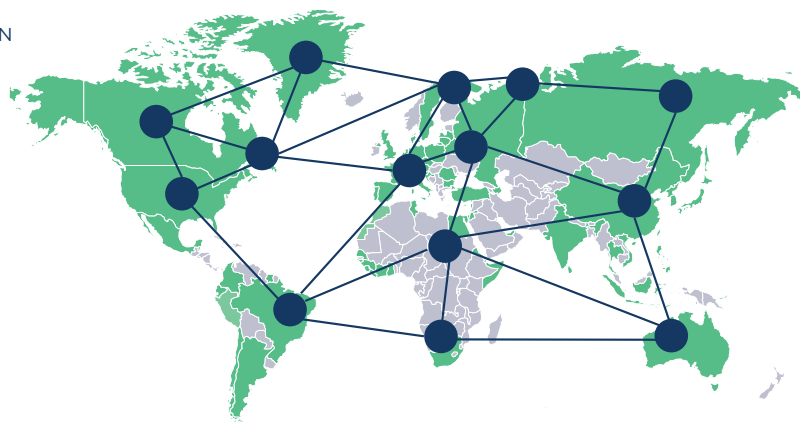
25 MILLION BACK OFFICE TASKS PROCESSED EACH YEAR

99.7% OF OUR INSURED RECEIVABLES - OR 2.5 MILLION BUSINESSES - ARE ASSESSED VIA A DRA

1 NEW INFORMATION CENTRE OPENED IN JANUARY 2015

46 ENHANCED INFORMATION CENTRES

3 BACK OFFICE CENTRES



**CUSTOMER TESTIMONIAL**

*"I have been pleasantly surprised by Coface's good commercial handling. They do not offer a common insurance, where the client pays for the policy, and waits for an accident to happen. They go beyond this offering with on-going follow-up and plenty of interaction amongst the parties. Knowing we are protected against a client's failure to pay gives us peace of mind, which, in addition, allows us to focus on our own business. Coface gives us very important support."*

**ALAIN SOUVANNAVONG, Chief Financial Officer - VIRBAC (Colombia)**

**ON-LINE**

**Panorama: a publication known for quality**

Throughout the year, Coface publishes a series of reference articles, under the umbrella title "Panorama", on various economic issues. Below is a list of some of the **29 Panorama publications issued in 2014, all of which are available on Coface's website (www.coface.com)**

- French merchandise road transport (February 2014)
- Which emerging countries will take over from the BRICS? (March 2014)
- How SMEs are evolving in Spain and France (March 2014)
- Asian electronics sector (April 2014)
- The British recovery: miracle or mirage? (June 2014)
- Is the Russian economy heading towards freezing point? (September 2014)
- Global commerce: a case of temporary fatigue? (October 2014)
- European pharmaceuticals: is austerity fatal? (November 2014)
- What should we fear from low-flation? (December 2014)



**"Finely-tuned risk analysis and monitoring for full control"**



**Interview with NICOLAS DE BUTTET, Director of Group underwriting, information and litigation**

**What is Coface's strength?**

We are the credit insurer with the greatest number of enhanced information centres for underwriting, litigation and debt collection. That is a genuine competitive advantage. So much so that in 2015 we will continue our drive to open new information and underwriting centres.

**What is your policy on risk management?**

Optimal control of our risks is essential in order to fulfil our mission as a credit insurer. This has even greater relevance with the advent of new Solvency II regulations which will impose even greater constraints on insurance companies.

**How do you promote a networking spirit within your teams?**

Our experts are constantly faced with new situations. They need to interact with their peers in different areas of the world and learn from each other's experiences. That is why we encourage all forms of cooperation between employees, for example by formalising exchanges of information by business line as part of a collaborative work platform.





# CREDIT INSURANCE, PROTECTING COMPANIES AGAINST UNPAID RECEIVABLES

Credit insurance is Coface's core business. Protection against unpaid debts is crucial for the development of a company, whether on its domestic or export markets.

05





## SUPPORTING COMPANIES BY BEING 'CLOSE TO THE RISK'

Coface plays a key role in helping companies develop, enabling them to cover the risks of unpaid receivables through effective insurance solutions.

### Four good reasons to opt for Coface credit insurance

**1/ STAY WELL INFORMED:** with detailed analyses of the risks by country and by sector, and efficient tools for monitoring and assessing the risk of business partner insolvency.

**2/ KNOW YOU'RE TAKING THE RIGHT DECISION:** with the help of analysis and management tools.

**3/ FEEL SUPPORTED:** with the advice and assistance of high-level experts well-versed in information technology, risk underwriting and debt collection.

**4/ IMPROVE YOUR RESPONSIVENESS:** thanks to the physical proximity of our teams in the countries where companies operate.

## A key business service

*"Credit insurance," says Patrice Luscan, Group Marketing and Strategy Director, "is one of the key instruments in hedging receivables. The time limits for payment are a form of credit that companies grant to their customers. The credit is therefore a source of risk, since it involves a liability that the receivable will be unpaid. By using Coface's solutions, companies can cover these risks under optimal conditions. With Coface, companies can secure their profit margins by ensuring against the financial impact of unpaid receivables, while benefiting from the risk prevention and information tools on the financial solvency of their debtors."*

### A vision of credit insurance

Coface provides its policyholders with its expertise in debt management and recovery, through a full range of services. The Group's flagship product, *Globaliance* (to be replaced by *TradeLiner*), is designed for any company that wishes to protect itself against debtor risks. As part of its innovation strategy, the Group regularly enhances its solutions and services. Examples include

supplementary coverage with *TopLiner* and products for specific customer segments – such as for international groups, with *Coface Global Solutions*, and for small and medium enterprises with *EasyLiner*.

### Innovating to improve protection

In 2014 Coface launched *EasyLiner*, a new product for small and medium enterprises. Simple and affordable, it adapts to the context of each market to provide simplified management of guarantees under an easy-to-understand contract.

The insurance policy is offered directly, or through retail partners. An Internet portal allows prospective policyholders to subscribe to the offer on line.

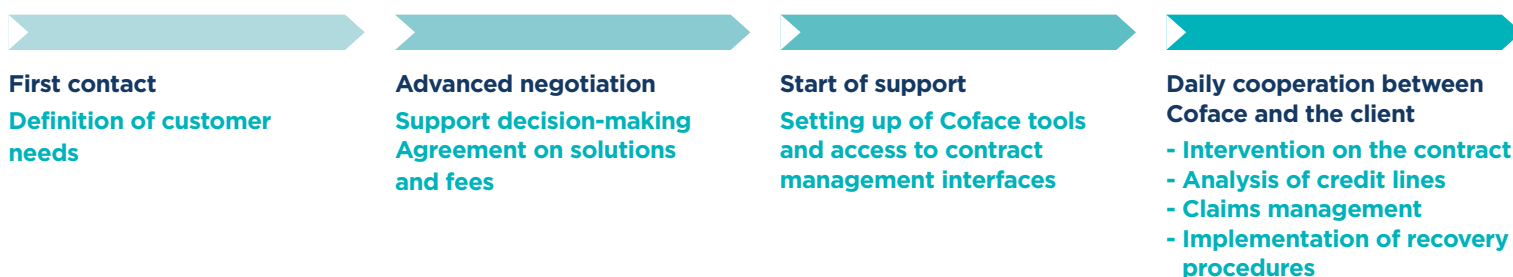
*CofaMove*, another innovation, is a multilingual mobile application for credit managers and brokers which enables them to improve their reactivity in portfolio management.

It also gives them access anywhere, anytime, to the main features of *CofaNet*, Coface's online platform for managing credit insurance contracts.

With this new tool always at hand, credit managers can react more quickly and effectively when taking risks. *CofaMove* also facilitates the supervision of sales staff on the move, which helps to improve their performance when prospecting and negotiating markets.



## Customer journey



### Coface expands its *CofaServe* range of web services

For companies wishing to incorporate credit insurance features in their information systems, Coface has developed a series of web services consolidated within its *CofaServe* offer. This offer helps improve credit management response time in the company and reduces the workload involved in managing credit insurance contracts. In 2014, Coface enhanced its offering with a web service for insurance claim submission, which can now be carried out on line.

### CUSTOMER TESTIMONIAL

NOVARTIS HAS SELECTED COFACE FOR ITS QUALITY SERVICE AND ITS INTERNATIONAL NETWORK.

*"Our group is insured through the Coface Global Solutions programme that allows us to benefit from the terms negotiated with our group while retaining local flexibility, and above all customer relationship quality and service. Our account managers are always available and we are building together a real information strategy on some specific customer segments in Morocco that enable us to make better decisions. Coface is a real "Business Partner" that I recommend."*

**MEHDI EL MOKHTAR LAMGOUNI,**  
Credit Manager of Novartis  
Pharma Maroc SA

### IN BRIEF

#### **Coface Partner**

The largest credit insurance partnership network in the world, *Coface Partner* brings together a community of companies that share Coface's ambition and have decided to diversify into credit insurance. Based on the principle of exchanging best practice, each member has access to the tools and expertise of the Coface Group with which to develop commercially. *Coface Partner* is also a recognised quality label that its members can promote with their customers, differentiating them from the rest of the market.

#### **Coface Global Solutions (CGS) confirmed success in 2014**

The highly successful CGS offer is based on a global organisation providing multinationals with management and control services and tools tailored to meet their own specific issues and needs. It means policyholders have at their disposal a special programme manager to ensure the coordination of operations by Coface Group teams. CGS policyholders also have access to a set of tools to manage the credit insurance services and expertise of the Group's international network, in particular through a global database providing information on 65 million debtors. The *Dashboard*, a genuine business intelligence tool, allows them to develop advanced online analyses of their risk portfolio and the performance of their Coface programme.

### IN BRIEF

In 2015, Coface will be replacing *Globalliance* by *TradeLiner*, a revamped credit insurance contract, better tailored to the changing economic environment of our policyholders.





## Supporting Coface customers

**NICOLAS GARCIA,  
Group Commercial Director**

“During the first interview with our client, we define the commercial offer best suited to their needs. Then, in a more advanced phase of negotiations, we detail and analyse the precise risks of their portfolio in order to confirm the various forms of coverage we can provide and indicate the limits for each credit line. When we sign the credit insurance contract, we implement the interface tools via *CofaNet* so that the policyholder can manage the contract on a daily basis. Through *CofaNet*, they can follow their guarantees, make new requests for credit lines and make any claims. At any time, clients can contact not only their con-

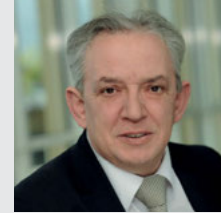
tract managers to ask them to intervene on contractual issues, but also our underwriters, to review their portfolio in terms of credit lines or ask for advice. Finally, in the case of a claim, our policyholders can contact the Coface teams in charge of recovering receivables from debtors and are informed of the steps in the recovery process. The needs of our customers vary according to the size and complexity of their activities. A large international group often seeks to insure a number of its subsidiaries worldwide. In these cases, we make available all of our resources and teams in each country where the client operates, and we designate a leading team to coordinate them.”

## CUSTOMER TESTIMONIAL

*“We have been working with Coface for more than 25 years and have found them to be outstanding in their personal customer support. As a globally active company with 40,000 employees in more than 55 countries around the world and with international well-known products and brands we can count on local Coface customer support, competitive and innovative solutions as well as on their professional credit-management in all our countries.”*

**BJÖRN BUCHER, Group Credit and Political Risk Manager / Senior Finance Manager of Freudenberg (Germany)**

## “Ensuring we protect our customers”



**Interview with  
PIERRE HAMILLE,  
Chief Risks,  
Organisation and  
IT Officer**

**What does risk management actually involve?**

We monitor risks covering all of Coface's activities, including business intelligence, our commercial offer, issuance of credit limits, compensation, recovery and security of information systems. Risk control is critical to our business, because by ensuring the Group's solvency and profitability, we also protect those of our policyholders.

**What challenges do information systems present for Coface?**

We have to ensure business continuity for each of our entities in the event of the unavailability of their premises, information systems or personnel, in particular by implementing mutual assistance between Group entities. In addition, by ensuring the performance and reliability of our information systems we can optimise the quality of our services, innovate in terms of commercial offerings, improve risk prevention and management for the benefit of our customers and finally ensure a level of responsiveness in line with their expectations.

**Is security also an issue?**

Absolutely! Against a background of rising cybercrime, cyber security is an ongoing challenge. Coface has unified its information systems and invested heavily in securing access to our data and applications.

Our information system equipment is located in two datacentres. In case of a failure in one of these two sites, the other seamlessly takes over for all our customers and internal users.



## EXEMPLARY PROFESSIONAL PRACTICES

Developing a clear corporate culture understood by all, using diversity to better meet the challenges of our policyholders, taking into account the environment, working in compliance with proven and mutually approved ethical rules... are all facets of daily work and life at Coface.

06



# HUMAN RESOURCES MANAGEMENT ACCOMPANYING TRANSFORMATION IN OUR PROFESSION

Human resources management is a key factor in Coface's performance. The objective is to ensure consistence in human resources, by leveraging innovative HR tools and accompanying employees in the development of their careers.

## STRENGTHS

### Remuneration – a tool for fairness and financial efficiency

Coface's remuneration policy is designed to attract, motivate and retain the best talent. It encourages performance, continuing market competitiveness and respect for the Group's financial equilibrium. The policy is supported by Group Human Resources and relayed in each region and country. Structured in a clear and transparent manner, remuneration is designed to fit with the Group's goals and support its growth strategy. With these objectives in mind, at the end of 2014 Coface reviewed and redefined its variable remuneration policy for salespeople in every country, in order to align individual performances with priority sales strategies. Finally, all *top managers* (150 people in 2014) benefit from a Group bonus policy, reviewed annually. 80% of each bonus is based on meeting quantitative targets. At the beginning of 2015, Coface deployed a dedicated online tool to administer managers' bonuses, which ensures safe data management and effective coordination of the process – definition of objectives, validation by the manager via a workflow process, and automated calculations. The manager defines and validates objectives and evaluates results.

## A year of challenges and commitments to develop our sales teams

In 2014, in parallel to training courses on the technical issues involved in financial analysis, risk analysis and marketing, Coface defined and deployed a large-scale commercial training programme. Designed for 1,200 employees, representing nearly a quarter of the workforce, this included hosting webinars with managers and facilitating 110 sessions, in 14 languages across 35 countries. The training will continue throughout 2015, with new modules. The innovative programme is part of the *Strong Commitment* business plan, and will strengthen the deployment of the new commercial organisation.

Setting up an HR project of this scope and scale requires taking into account the Group's specificities, including the differences in size between business entities, explains Cécile Fourmann, Chief Human Resources Officer. *"The whole point of our HR function is to design operations that have as much meaning and significance for countries such as France, with more than 1,000 employees, or Germany with over 750, as for other countries where teams may be much smaller. We have to be very attentive to communication and find versatile solutions, such as e-learning or webinars."*

## Developing skills and identifying future talents

To strengthen its managers' accountability, in 2014 Coface built a leadership model that integrates the Group's corporate strategy. Based on four fundamentals – *commitment to results, team building, openness and cooperation* – this model is deployed in all of the Group's entities and is now a shared benchmark for the harmonised management of managerial resources. This skill set, which is integral to all HR processes, provides a means of sharing the DNA of our corporate culture and helping managers and employees to develop. Furthermore, people reviews are organised to best prepare the future of Coface. These serve to identify key positions in the Group and to ensure we have reliable succession plans, as well as to discern staff with high potential in order to best focus HR policies on their development.

## Evaluating performance with innovative tools

Highly international groups like Coface require the design of innovative management tools. In 2014, almost all of the annual assessment interviews were completely dematerialised, via a special on line tool. Translated into 22 languages, this application enables individual performance assessment, by the employee and the manager, based on clearly-established common criteria. E-learning modules have been made available



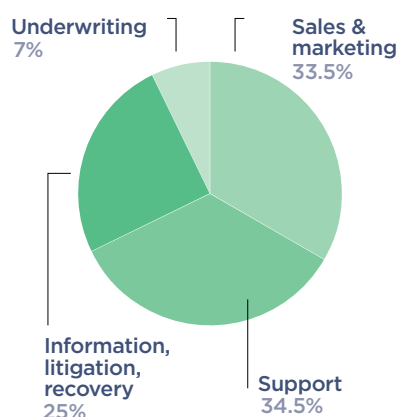
to managers and employees to guide them in preparing their interviews and to help them manage their performance. Over and above the yearly assessment, the interviews provide an opportunity for real dialogue on the objectives to be set and plans for career development. In 2014, nearly 99% of our employees benefited from an annual interview with their manager, during which they discussed and validated their individual goals. A vast training programme to facilitate managers' development is also planned in 2015.

## COFACE HR PROFILE

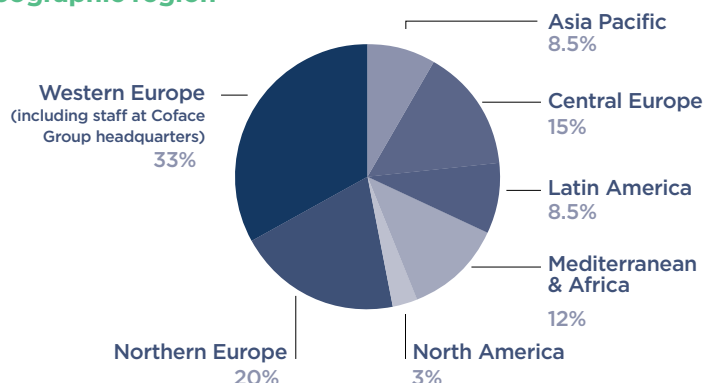
Employees in  
**67** countries

**56%** of employees  
are women

Employees  
by function  
(31 December 2014)



Employees  
by geographic region



## IN BRIEF

### Strong support for Coface's business plan

Through *Share*, the Group offered employees the opportunity to buy shares in Coface, as part of its Initial Public Offering (IPO).

The share purchase offer at preferential conditions was made available to 83% of employees in 20 countries. With a participation rate of almost 50%, employees marked their strong support for Coface's business plan.

## CORPORATE SOCIAL RESPONSIBILITY **DIVERSITY** **AS A DRIVING FORCE**

Multicultural and international by nature, Coface has made diversity a driving force of its corporate social responsibility policy. Another key focus is the place of women in the group.

### IN BRIEF

#### **Coface wins prestigious awards in 2014, thanks to the dedication of its teams**

Coface was named credit insurer of the year in the UK at the *British Credit Awards 2014* held by the *Institute of Credit Management*. In Italy, the Group received the "Excellence in credit insurance" award at the *"Milano Finanza Insurance e Previdenza Awards"*, and in Asia that of *"Best Provider of Trade Credit Insurance"* from CFO Innovation Asia. These awards recognise Coface for its commitment to satisfy corporate insurance policyholders, its quality of service as part of its strategic vision for dynamic development and its experience in terms of innovative expansion. But first and foremost the awards are due to all the people working in Coface today.

**U**nderstanding our customers, the markets where they operate, their economic and administrative representatives, and their cultures, are all essential to Coface's overall performance. This makes diversity a major asset in our development. At year-end 2014, more than 70 nationalities were represented within the Group. This diversity is enhanced by the frequent integration of employees from other countries in our teams with, to date, around one hundred people working outside their home country. To maintain this diversity, Coface's established values include no discrimination in hiring, assessment of recruits based on their skills alone, and objective assessment

of their results throughout their careers. Over the coming years, Cécile Fourmann, Chief Human Resources Officer, explains that *"Coface intends to enhance international mobility, in order to accelerate the Group's cultural diversity and skills sharing, and to develop opportunities for participating in cross-company projects."*

#### **Gender equality: further progress**

Coface has for many years promoted equality between women and men through clear-cut policies for recruitment, compensation, mobility and promotion. However, in 2014, while women represented about 56% of the total workforce, they held only just over a third of management positions. This difference can vary across the Group's local businesses. In France, for example, the proportion of women in management is about 40%. Coface will continue its efforts to promote greater equality in the years to come.

#### **Opportunities for improvement**

Coface intends to develop a clear and shared Group policy to ensure progress in the two areas of employment of disabled and of older people over the coming years.





# CORPORATE SOCIAL RESPONSIBILITY ETHICS AND COMMITMENTS

Involved in the related areas of finance and insurance, Coface must comply with the appropriate regulations and maintain the highest ethical standards. The Group also continues efforts to be socially responsible everywhere it operates

## STRENGTHS

### An anti-fraud network

The Group set up an effective anti-fraud network by designating special correspondents in each of the countries where it operates in 2013. Through this network, Coface detects insurance fraud and controls transactions that are suspicious or require enhanced due diligence.

### A committed Group

Coface joined the United Nations *Global Compact* in 2003. The Group's commitment is reflected in the on-going search for, and promotion of, the principles laid down by the UN on human rights, labour standards and the environment.

## C oface's core mission: to develop inter-company trade

Credit insurance, by its very nature, helps to develop trade by providing a more secure framework for business transactions. The Group strives to offer its customers the products most suited to their needs, in order to facilitate their development. It has made innovation a major pillar of its strategy, as illustrated in 2014 by the marketing of *EasyLiner* for SMEs in France and abroad, accessible on line. Coface has also set up a system to improve the identification and handling of any complaints. All of these are examples of the levers that democratise and simplify access to credit insurance services, helping to make commercial transactions safer.

*years ago, based on KYC procedures (Know Your Customer), risk classification and computerised transaction filtering tools."*

### Coface Trade Aid

In 2003 Coface created *Coface Trade Aid*, a non-profit association which promotes the actions for solidarity proposed by its employees. Its objective is to facilitate trade, particularly between developed and emerging countries. It also supports initiatives involving education or labour market inclusion designed to help people who are prevented, due to their economic or social status, from participating in the economy under normal conditions.

*Coface Trade Aid* focuses on specific, fully-identifiable micro-projects, in order to follow and be involved in them from start to finish. The associations are selected on the basis of their usefulness and effectiveness, as well as on the aims of their projects. The associations' financial transparency, drive and involvement are also important criteria.

## Legislative and regulatory compliance: a constant imperative

"The Group," explains Carole Lytton, Chief Legal, Compliance and Facility Management Officer, "complies with the legislation and regulations relating to financial security, the fight against money laundering, financial crime and the finance of terrorism, regardless of the country in which it operates. In addition," she adds, "the Group set up a system to control and monitor suspicious transactions several



## ENVIRONMENT

# IDENTIFYING AND APPLYING LEVERS FOR ACTION

As a service company, Coface's environmental levers consist mainly of optimising real estate management and raising employees' awareness of environmental issues. In broader terms, the Group intends to increasingly integrate environmental issues in the decisions it takes.

### IN BRIEF

#### Working towards a structured CSR policy

In 2014 Coface launched an internal project to develop a coherent social and environmental responsibility policy adapted to the specific challenges facing the Group.



Its choice of real estate represents the main lever for Coface to reduce its environmental footprint.

Initiatives have been taken in each country to examine the different situations and identify areas for improvement.

Environmental issues were a decisive factor in the building chosen for the Group's head office in France and its 1,300 employees in 2013. The building is certified NF HQE (High Environmental Quality) and BREE AM (*BRE Environmental Assessment Method*). It incorporates current best practice in terms of impact on the immediate environment, construction materials and processes, and waste production. In addition, since the office is a certified Low-Energy Building (LEB), consumption of conventional energy is limited. The building also conserves natural resources, with reduced need for water (thanks to the recycling of run-off water from the roof) and the use of low-energy consumption exterior lighting.

#### Optimising travel

Managing commuting and business trips is another lever for improving environmental performance. France serves as a test country for concrete measures to reduce the Group's emission of greenhouse gases: only travel by train is allowed for business trips, and a fully-equipped video conferencing system has been set up to limit the need to travel. This commitment is also

reflected in the management of the car fleet. A CO<sub>2</sub> emission limit of 105g per vehicle is imposed on any vehicle purchased by the Group.

#### Commitment to compliance with environmental standards

As part of the guarantees that it manages on behalf of the State, the Group makes credit-insurance and investment guarantees for projects financed over the medium and long-term conditional to compliance with environmental and social standards. This is in line with the OECD's Recommendation, signed by its member states, on common approaches to state export credits and the duty of environmental and social diligence. Coface systematically evaluates the environmental impacts and social aspects of projects of over €10 million as well as those located in sensitive areas. These projects must meet both the standards of the host country and relevant international standards, in particular those of the World Bank. This action has an impact on environmental protection in the broad sense of the term, including waste management, protection of the local population, biodiversity and cultural heritage. At least 30 days before taking a decision to guarantee a project, in order to inform the interested parties and facilitate feedback, Coface publishes information on the most important projects on its website, including the environmental and social issues involved.



07

# INCOME STATEMENT

## SIMPLIFIED INCOME STATEMENT

### EXCERPT FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF COFACE SA

In thousands of euros

	12/31/2013	12/31/2014
<b>Turnover</b>	<b>1 440 330</b>	<b>1 440 536</b>
Gross premiums written	1 206 690	1 242 676
Return premiums and profit-sharing	-75 564	-98 309
Change in unearned premiums	-2 583	-11 640
<b>Gross premiums earned</b>	<b>1 128 543</b>	<b>1 132 727</b>
Policy fees	<b>123 410</b>	<b>124 756</b>
Net banking income, net of cost of risk	66 678	68 577
Revenues or income from other activities	119 167	112 431
Investment income net of expenses, excluding cost of debt	67 516	42 769
<b>Total revenues from ordinary activities</b>	<b>1 505 313</b>	<b>1 481 259</b>
Claims and benefits expenses	-576 263	-538 721
Bank operating expenses excluding cost of risk	-11 884	-11 066
Other expenses	-51 884	-47 338
Net reinsurance income or expense	-66 202	-68 660
Contract acquisition expenses	-256 867	-262 854
Administrative expenses	-263 891	-269 106
Other current operating expenses	-83 112	-74 455
<b>Total ordinary income and expenses</b>	<b>-1 310 104</b>	<b>-1 272 200</b>
<b>Other Operating Income And Expenses</b>	<b>1 721</b>	<b>-9 937</b>
<b>OPERATING INCOME</b>	<b>196 931</b>	<b>199 122</b>
Financing charges	-3 035	-14 975
Share of income from associated companies	1 493	2 136
Income tax	-67 380	-60 367
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>128 008</b>	<b>125 916</b>
Net income from discontinued operations	0	0
<b>CONSOLIDATED NET INCOME</b>	<b>128 008</b>	<b>125 916</b>
Non-controlling interests	-569	-825
<b>NET INCOME (GROUP SHARE)</b>	<b>127 439</b>	<b>125 092</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

*In thousands of euros*

ASSETS	12/31/2013	12/31/2014
Intangible assets	240 441	231 968
Insurance business investments	2 208 633	2 677 731
Debtors arising from banking and other activities	2 120 516	2 244 262
Investments in associated companies	17 621	19 001
Share of reinsurers and reinsurance companies in liabilities in respect of insurance contracts	347 221	329 163
Other assets	784 667	806 468
Cash and cash equivalents	273 920	278 624
<b>TOTAL ASSETS</b>	<b>5 993 019</b>	<b>6 587 217</b>

*In thousands of euros*

LIABILITIES	12/31/2013	12/31/2014
Equity (Group share)	1 780 238	1 717 427
Non-controlling interests	13 089	6 737
Total equity	1 793 327	1 724 164
Provisions for liabilities related to insurance contracts	112 056	117 792
Funds from banking sector operations	15 133	395 123
Borrowing	1 450 499	1 472 180
Technical liabilities related to insurance contracts	2 109 297	2 217 782
Other liabilities	512 708	660 175
<b>TOTAL LIABILITIES</b>	<b>5 993 019</b>	<b>6 587 217</b>



COFACE SA  
1 place Costes et Bellonte  
92270 BOIS-COLOMBES FRANCE  
SA (French limited company) with share capital of €786 241 160  
Trade Commerce Registry no. Nanterre 432 413 599

**coface**  
FOR SAFER TRADE

