Interim financial report, First-half **2018**

The information contained in this document is a free translation of the Coface Group's Interim Financial Report for the first semester 2018 ("Rapport Financier, Premier semester 2018") and while efforts are made to provide an accurate translation, there may be material errors, omissions or inaccuracies in the reporting.

In no way does Coface assume any responsibility for any investment or other decisions made based upon the information provided on this translation. The original language version of the document in French prevails over the translation.

This document is publicly available at www.coface.com/Investors.

NOTE

COFACE SA (hereinafter, the "Company") is a public limited company (*société anonyme*) with a Board of Directors (*conseil d'administration*) incorporated under the laws of France, having its head office at 1 Place Costes et Bellonte, 92270 Bois Colombes, France and registered with the Nanterre Trade and Companies Register under number 432 413 599. Unless stated otherwise, references in this document to the "Group" or the "Coface Group" are references to the Company and its subsidiaries, branches and holdings.

At the date of June 30, 2018, the Company's share capital amounted to €314,496,464, divided into 157,248,232 shares with a nominal value of €2 (two) each, all of the same class, and all of which are fully subscribed and paid up.

Presentation of financial and other information

This report includes free English language translations of the audited consolidated financial statements of COFACE SA as of and for the year ended December 31, 2017 and for the six months ended June 30, 2017 and 2018. The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and the interim financial statements were prepared in accordance with International Accounting Standard ("IAS") 34. COFACE SA publishes its consolidated financial statements in euros. Sums of aggregates and totals in this report may not match exactly due to rounding.

This report presents certain figures on an actual historical value basis, on a "constant scope" basis or on a "constant exchange rate" basis. Where figures are presented at constant scope, the previous year's figures (N-1) are adjusted to reflect the entities that entered or left the scope of consolidation during the most recent year (N). The Coface Group believes that comparing periods at constant scope and exchange rate is helpful in enabling investors to understand the effect of exchange rate fluctuations and changes in scope of consolidation on its financial results. However, figures adjusted for the effects of changes in the scope of consolidation and in exchange rates should not be substituted for the IFRS data.

Forward-Looking Statements

This report includes information on the Coface Group's outlook and future areas of development. These forward-looking statements may be identified by the use of the future or conditional tenses, or forward-looking terminology such as "considers", "anticipates", "thinks", "aims", "expects", "intends", "should", "plans", "estimates", "believes", "hopes", "may" or, in each case, their negative, or other variations or other comparable terminology. These forward-looking statements do not constitute historical data and should not be interpreted as a guarantee that the stated facts and data will take place or be achieved. They appear in a number of places throughout this report and include statements regarding the Coface Group's intentions, estimates and objectives with regard, in particular, to the Coface Group's market, strategy, growth, results, financial position and cash flow.

These forward-looking statements are based on data, assumptions and estimates that the Coface Group deems reasonable. They may evolve or be modified due to uncertainty linked, in particular, to the economic, financial, competitive or regulatory environment. Furthermore, the forward-looking statements contained in this report also involve risks, both known and unknown, uncertainty and other factors that, were they to occur, could affect the Coface Group's future results, performance and achievements. Such factors may include, in particular, changes in the economic and business climate as well as the risk factors presented in chapter 5 of the Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on April 5, 2018 under the number D.18-0267.

Risk Factors

You are strongly encourages to carefully consider the risk factors presented in the aforementioned sections of the Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on April 5, 2018 under the number D.18-0267.

The occurrence of all or any of these risks is liable to have an adverse effect on the Coface Group's business, financial position or financial results. Additional risks that are not known at the date of this report, or that the Coface Group currently considers immaterial, may have the same adverse on the Coface Group, its business, financial position, operating results or growth prospects, as well as on the market price of its shares listed on Euronext Paris (**ISIN: FR0010667147**).

All this information is available on the website of the Company (www.coface.com/Investors) and the AMF (www.amf-france.org).

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I. Half-year business review

I. Half-year activity report

As each quarter, in June the Coface Group economic research team revised their global growth forecasts for 2018 and presented their first growth forecasts for 2019.

a) Economic environment in the first half

After reaching a peak, business growth in developed countries showed signs of slowing down from the first quarter of 2018. In effect, household and business confidence have gradually fallen since the start of the year, both in the eurozone and in most other large advanced economies, as the signals of risks have multiplied. On the one hand, political upheavals in Italy, with a new government questioning the country's membership of the eurozone, giving rise to an increase in the Italian sovereign spread, has led Coface to downgrade Italy to A4. On the other hand, increasing domestic economic difficulties in Sweden, with a high level of household debt, have led to the country being downgraded to A2. Portugal, on the contrary, has continued to post positive economic results and has been upgraded to A2.

The United States stand apart as an exception among developed countries. Growth is set to be higher in 2018 than in 2017 (2.7% compared to 2.3%), thanks in particular to the Trump administration's corporate tax cuts in the autumn of 2017, which boosted investment. In addition, good employment figures should continue to support American household consumption. The unemployment rate fell to 3.8% in May; its lowest level for 18 years. The protectionist environment does not therefore seem to be affecting the morale of American consumers, despite the expected effects on household purchasing power.

The major emerging economies have, for the most part, performed well, with some being buoyed by a rise in commodities prices. In effect, the recent increase in oil prices benefits exporting countries (Nigeria and Oman have been upgraded to C and B respectively), and weakens net importing countries. The recent fall in demand for emerging bonds and shares, the rise in the value of the dollar and the increase in the price of Brent crude have rendered open economies all the more vulnerable, subject to deep imbalances in their current accounts. India, a net oil importer, has seen its oil deficit change from -2.6% in 2017 to -3.2% in 2018, while pressure on the rupee has led the central bank to increase interest rates for the first time since 2014, as part of a tightening cycle with respect to its monetary policy. This situation has contributed to the downgrading of India to B. Although the risk weighing on current accounts remains high, the situation nevertheless remains less alarming than in Argentina and Turkey, which Coface has downgraded to C as a result of the recent exchange rate crisis.

Asia has been one of the regions driving global economic momentum, with high growth in China. Against this background, Malaysia has been upgraded to A3, thanks in particular to good economic signs and the new government's programme to encourage increased flow of capital into the country. Sri Lanka, on the other hand, has been downgraded to C, due to the weak growth recorded and the significant fall in the value of the Sri Lankan rupee, which has increased the burden of servicing the external debt. A new loan from the IMF in June should, however, enable the country to meet its short-term payment commitments.

Among the other emerging countries, South Africa is coming out of a turbulent political period and has been upgraded to B. Short-term economic and financial indicators reflect more optimistic corporate views, which should encourage investment. Growth is set to gradually pick up in 2018. Tunisia has been downgraded to C due to a difficult macroeconomic situation with a weakened external position and very high inflation, combined with a worrying public finance situation. Costa Rica has been downgraded to B. This is due to the size of the budget deficit (set to reach 6.5% in 2018) and soaring public debt, which the IMF expects to reach 48.8% in 2018, compared to 29.8% in 2011.

b) Significant events in the period

Coface is fully focused on executing its strategic plan, *Fit to Win*, launched at the end of 2016. The first half of 2018 therefore continued to see the implementation of new developments.

Introducing of a new tagline - Coface For Trade

During its Risk Country Seminar of 23 January 2018, an event bringing together its clients, brokers and partners, Coface has introduced its new tagline: Coface For Trade. This new wording is intended to be clearer and more engaging. It underlines the Group's commitment to trade and commerce, which is a powerful driver to create wealth and stability. It expresses the purpose of the Group, which is to help companies develop their business.

Election of François Riahi as Chairman of Coface's Board of Directors

The Board of Directors of COFACE SA had a meeting on June 15, 2018 and co-opted François Riahi, Chief Executive Officer of Natixis, as a board member and then elected him as Chairman of the Board of Directors. He replaces Laurent Mignon who leaves the Board of Directors of COFACE SA to devote himself to his new responsibilities within Group BPCE.

Own shares transactions

In accordance with the announcement made on February 12, 2018, and as a part of its capital management, Coface began on February 16, 2018, to buy-back its own shares in order to cancel them. Coface bought 1,698,395 shares during the first semester of 2018 for a value of € 16,502,098. The maximum amount planned for in the buyback program is € 30 million.

New organisation of the Group Operations department and creation of a Transformation Office

This new organisation is effective since May 2018. The purpose of this department is to respond to recent changes in the credit insurance market and meet one of Coface key strategic challenges: to improve operational efficiency in order to optimize client service. Resolutely client-oriented and focused on business needs, the new organisation strengthens the role of our business areas and fosters better project management.

It is structured into three pillars:

- a new Business Technology (BT) department resulting from the merger of IT department (DSI) and the Organisation department (DGO), led by Valérie Brami, who reports directly to Xavier Durand, CEO;
- the creation of a Transformation Office, which will be responsible in particular for project planning and Lean, led by Nicolas de Buttet, who reports directly to Thibault Surer, Strategy & Business Development Director; and,
- the creation of sponsors (at senior management level) and product owners, who will link projects to strategic objectives.

By adopting this new organisation, Coface changes its way of working and aims to facilitate and speed up decision-making processes affecting the life of the company; on the other hand, it encourages a collaborative approach between the Business Technology department, the Transformation Office and the teams.

Set up of a €300m syndicated loan agreement for Coface Poland Factoring

As part of the refinancing of its factoring activities, Coface Poland Factoring signed an agreement with a group of banking partners[1] for a €300m syndicated multicurrency loan (EUR, PLN) on 8 June 2018. This syndicated loan partly replaces existing bilateral credit lines. The loan is put in place for two years, with an option to extend its duration by one year, exercisable once, subject to the banks' agreement. This operation enables the Group to increase its financial flexibility and to extend the maturity of its refinancing debt, whilst benefiting from current favorable market conditions and strengthening its relationships with its leading banks, who thus confirm their commitment to Coface over the mid-term.

Disposal of Cofacrédit

Coface announced on end-June, 2018 that it has ceded to Factofrance (Groupe Crédit Mutuel – CM11) its 36% stake in the Cofacrédit's capital, a factoring company previously jointly owned by the two groups. This minority stake was not core to the development strategy in the factoring sector. The disposal is also in line with the second pillar of *Fit to Win* strategic plan, which aims to improve Coface's capital efficiency. The transaction had a slightly negative impact on net income for Q2-2018 and a positive impact of approximately 3 points on Coface's solvency ratio[2].

c) Events after June 30, 2018

There has been no significant change to the Group's financial or commercial position since June 30, 2018.

As part of a shift in governance, Carmina Abad Sanchez joined Coface on July 16, 2018 as Chief Executive Officer for Latin America. She will sit on the executive committee and report to Xavier Durand, Group Chief Executive Officer.

Inflation has been high in Argentina for several months, and has increased significantly in May 2018, exceeding 100% on a cumulative basis over the last 3 years. The Coface Group has activities in Argentina. However, the Argentine entity's contribution to the total consolidated balance sheet and net income is insignificant a December 31, 2017 and at June 30, 2018. In accordance with recommendations from financial institutions, although Argentina has been considered a hyperinflationary country since June 2018, IAS29 *Financial Reporting in Hyperinflationary Economies* will only be applied from the second half of 2018.

d) Comments on the results as at June 30, 2018

i. Revenue

The Group's consolidated revenue increased by 2.1% at constant scope and exchange rate to €685.0 million for the half year ended June 30, 2018. It is down slightly by 1.0% at constant exchange rates.

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[1] 7 banking partners: Crédit Agricole CIB, HSBC, ING Bank Śląski and Natixis, acting as Mandated Lead Arrangers and Bookrunners, Banco Santader, Commerzbank and Société Générale CIB, acting as Mandated Lead Arrangers. Natixis is acting as Documentation Agent and Crédit Agricole CIB as Facility Agent.

[2] Information non audited

The foreign exchange effect is negative by 3.1 points and can be explained by the strengthening of the euro, particularly against the US dollar (largest foreign currency in the portfolio) and Asian currencies. This strengthening is due to the lessening of the political risk in Europe and good economic performance. The value of the common currency fell, however, during the 2nd quarter of 2018 due to the resurgence of political and economic uncertainty.

Furthermore, the Argentine peso and the Brazilian real fell sharply in the 1st half of 2018 due to the political and economic situation in these two countries.

The table below shows the changes in the Coface Group's consolidated revenue by business for the half years ended June 30, 2017 and 2018:

Change in consolidated revenue by activity (in millions of euros)	**As of june 30**		**Change**		
	2018	**2017**	**in €m**	**as a %**	**as a %: constant Group structure and exchange rate**
Insurance	651.4	655.7	-4.3	-0.7%	2.6%
of which Earned premiums [(1)]	*560.7*	*565.6*	*-4.9*	*-0.9%*	*2.6%*
of which Services [(2)]	*90.7*	*90.1*	*0.6*	*0.6%*	*2.5%*
Factoring	33.6	36.0	-2.5	-6.8%	-7.0%
Consolidated revenue	**685.0**	**691.7**	**-6.8**	**-1.0%**	**2.1%**

(1) Earned premiums - Credit Insurance, Single Risk and Bonding
(2) Sum of revenue from services related to Credit Insurance ("Insurance fees and commissions" and "Other insurance- related services") and services provided to customers without credit insurance (access to information on corporate solvency and marketing information - "Business information turnover" and debt collection services - "Receivables management").

Insurance

Revenue from the insurance business (including bond and Single Risk) rose by 2.6% at constant scope and exchange rate from €655.7 million for the half year ended June 30, 2017 to €651.4 million for the half year ended June 30, 2018 (-0.7% at current exchange rates).

Gross earned premiums increased by 2.6% at constant scope and exchange rate (-0.9% at current exchange rates) to €560.7 million for the half year ended June 30, 2018. The mature markets are continuing to recover, particularly in Northern Europe, thanks to clients' business growth and a high contract retention rate. In the emerging markets, contract portfolios are stabilising. Premium refunds have also been granted given the low loss level.

Production of new contracts, representing €61.8 million (annualised value) in the first half of 2018, is modest compared to the half year ended June 30, 2017 (€74.0 million) because of a slow start in the first quarter and despite an improvement in Asia and Latin America. The contract retention rate (annualised value of policies effectively renewed during the period over the value of the policies scheduled for renewal over the same period) remained high for all regions and reached a new record of 93.0% in the half year ended June 30, 2018, compared to 90.2% for the half year ended June 30, 2017. The volume of premiums reflected growth in policyholders' businesses, both in the mature and emerging markets, of +3.4% in the first half of 2018 (compared to +2.5% for the half year ended June 30, 2017), confirming a trend observed since the second half of 2017. The fall in prices remains under control at -1.7% (compared to -1.6% in the first half of 2017) in a competitive environment that remains favourable in terms of loss.

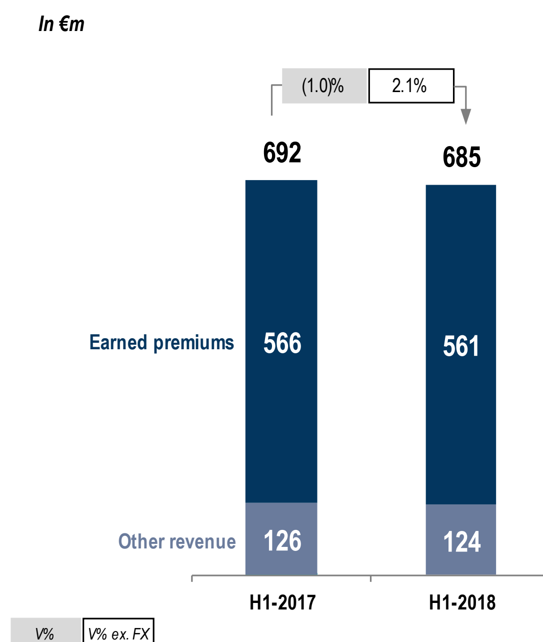
Revenue from the services business is slightly up by 2.5% at constant scope and exchange rate (+0.6% at current exchange rates), from €90.1 million for the half year ended June 30, 2017 to €90.7 million for the half year ended June 30, 2018.

Factoring

Revenue from the factoring business (exclusively in Germany and Poland) is down by 6.8% (-7.0% at constant scope and exchange rate), from €36.0 million in the first half of 2017 to €33.6 million in the first half of 2018.

In accordance with the *Fit to Win* strategic plan which prioritises selective and profitable growth, Germany has undertaken a review of its portfolio. Increased rigour in the choice of receivables for factoring as well as terminations explain the 9.6% decline in business.

In Poland, the commercial roll-out of the business continues, with revenue up 12% (+11% at constant scope and exchange rate). The growth in the receivables portfolio has generated a rise in fees and income from interest.



Change in revenue by region

The following table shows the changes in consolidated revenue (net of intra-group flows) within the Group's seven geographic regions between the periods ended June 30, 2017 and 2018:

Change in consolidated revenue by region of invoicing (in millions of euros)	**As of june 30**		**Change**			
	2018	**2017**	**in €m**	**as a %**	**as a %: constant exchange rate**	**as a %: constant Group structure and exchange rate**
Western Europe	143.2	142.5	0.7	0.5%	1.5%	1.5%
Northern Europe	152.2	155.0	-2.8	-1.8%	-1.8%	-1.8%
Mediterranean & Africa	184.6	174.5	10.1	5.8%	7.3%	7.3%
North America	58.1	63.3	-5.1	-8.1%	1.7%	1.7%
Central Europe	67.1	62.8	4.3	6.9%	7.8%	7.8%
Asia-Pacific	46.0	51.3	-5.3	-10%	-1.5%	-1.5%
Latin America	33.8	42.5	-8.6	-20%	-6.5%	-6.5%
Consolidated revenue	**685.0**	**691.7**	**-6.8**	**-1.0%**	**2.1%**	**2.1%**

Four regions have posted increased revenue at constant scope and exchange rate: Central Europe (+7.8%), Mediterranean & Africa (+7.3%), North America (+1.7%) and Western Europe (+1.5%), unlike three of them: Asia-Pacific (-1.5%), Northern Europe (-1.8%) and Latin America (-6.5%).

In Western Europe, revenue is up 1.5% at constant scope and exchange rate (+0.5% at current exchange rates) supported by a high retention rate for all markets in the region and growth in clients' businesses.

In Northern Europe, revenue is down 1.8% at constant scope and exchange rate (-1.8% at current exchange rates) due to the fall in factoring income in a context characterised by a control of margins. The credit insurance business in Germany is stabilising. Pressure on prices remains high but is offset by fewer terminations and a growth in clients' businesses. Revenue is on the increase in the Netherlands, Sweden and Denmark.

Revenue in the Mediterranean & Africa region is up 7.3% at constant scope and exchange rate (+5.8% at current exchange rates), thanks to good sales results for the whole region, due in particular to a significant drop in terminations. The region is also supported by a return to growth in revenue in South Africa and Turkey, due in particular to the acquisition of new contracts.

In North America, revenue is up by 1.7% at constant scope and exchange rate (-8.1 at current exchange rates). In a context of portfolio stabilisation, this growth in revenue is due to the signing of new Single Risk policies.

Central Europe posted an increase in revenue of 7.8% at constant scope and exchange rate (+6.9% at current exchange rates). Revenue from credit insurance is supported by a high retention rate as well as by growth in clients' businesses across all the markets. Sales continue to be dynamic in Poland both in credit insurance and factoring.

Asia-Pacific posted a fall in revenue of 1.5% at constant scope and exchange rate (-10.4% at current exchange rates). The negative exchange rate effect is attributable to currencies that have prices correlated to the US dollar, such as the Hong Kong dollar. Sales results in the region are improving. New production is on the increase and terminations are falling. The decline in revenue is due to the recording of premium refunds and a fall in new Single Risk contracts.

In Latin America, there was a 6.5% increase in revenue at constant scope and exchange rate (-20.3% at current exchange rates) due to the recording of premium refunds. The significant adverse exchange rate effect can be explained by the marked depreciations of the Argentinian peso and the Brazilian real. The Brazilian portfolio has resumed growth thanks to the positive production of new policies net of terminations and an increase in the volumes of clients' businesses.

ii. Underwriting income

Underwriting income before reinsurance

The underwriting income before reinsurance stands at €122.2 million for the half year ended June 30, 2018 up more than threefold compared to the first half of 2017 (€38.8 million) thanks to a fall in loss (-€79.2 million).

The 13.6 point improvement in the loss ratio justifies a combined ratio before reinsurance down 14.7 points compared to the first half of 2017 at 77.6% (92.3% for the half year ended June 30, 2017). The cost ratio is down by 1.1 point (stable excluding the exception tax change recorded by Italy in 2017).

Loss experience

The loss ratio before reinsurance has improved from 56.0% for the six months ended June 30, 2017 to 42.4% for the half year ended June 30, 2018 (-13.6 points), thanks in particular to good management of the loss experience in previous years. The loss level is gradually returning to normal, both in terms of frequency and severity. The loss experience remains stable in mature countries, while the favourable trends observed in recent quarters in the emerging markets persist.

Loss Experience	**As of june 30**		**Change**	
(in millions of euros and %)	**2018**	**2017**	**in €m**	**as a %**
Claims expenses incl. claims handling costs	237.5	316.8	-79.2	-25%
Loss ratio before reinsurance	42.4%	56.0%		-13.6 pts
Earned premiums	560.7	565.6	-4.9	-0.9%

In Western Europe, the loss ratio improved by 11.2 points to 34.7% for the half year ended June 30, 2018, whereas the first half of 2017 had been affected by a few major claims. The region also benefits from good claims management regarding highly reinsured optional policies.

In Northern Europe, the loss ratio was down 4.5 points to 54.2%. A few major claims were recorded in 2017.

The loss ratio in the Mediterranean & Africa region stands at 53.9%, up slightly by 2.1 points compared to the half year ended June 30, 2017, particularly in Italy.

In North America, the loss ratio is down sharply to 12.2% (-45.4 points) thanks to better debt collection than expected.

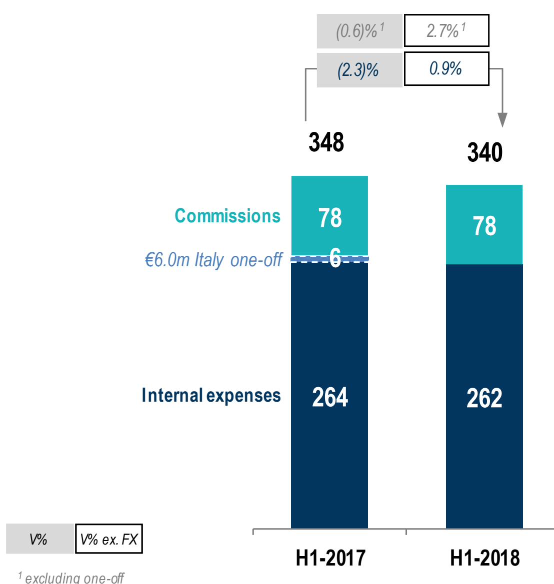
Central Europe presented a more or less stable loss ratio of 52.3% (+0.5 points).

The loss ratio in Asia-Pacific stood at 2.1% at June 30, 2018 (91.6% for the first half of 2017). The loss level is gradually returning to normal.

In Latin America, the loss ratio worsened to 56.3%, +5.4 points compared to the six months ended June 30, 2017 (51.0%) due to a major claim recorded in Argentina. The situation in Brazil continues to improve. The loss experience in other markets remains under control.

Change in loss experience by region of invoicing (as a %)	**As of june 30**		**Change (% points)**
	2018	**2017**	
Western Europe	34.7%	45.8%	-11.2 pts
Northern Europe	54.2%	58.6%	-4.5 pts
Mediterranean & Africa	53.9%	51.8%	2.1 pts
North America	12.2%	57.6%	-45.4 pts
Central Europe	52.3%	51.8%	0.5 pts
Asia-Pacific	2.1%	91.6%	-89.6 pts
Latin America	56.3%	51.0%	5.4 pts
Loss ratio before reinsurance	**42.4%**	**56.0%**	**-13.6 pts**

Overheads



General expenses (in millions of euros)	As of june 30		Change	
	2018	2017	as a %	as a %: constant Group structure and exchange rate
Internal general expenses	262.1	270.0	-2.9%	0.1%
of which claims handling costs	*14.7*	*13.1*	*12%*	*13%*
of which investment management expenses	*2.0*	*1.4*	*40%*	*40%*
Commissions	78.0	78.2	-0.4%	4.0%
Total general expenses	**340.1**	**348.3**	**-2.3%**	**0.9%**

Overheads, including claims handling expenses and internal investment costs, are up 0.9% at constant scope and exchange rate (-2.3% at current scope and exchange rate) from €348.3 million for the half year ended June 30, 2017 to €340.1 million for the half year ended June 30, 2018. After restating the exceptional tax expense recorded by Italy in 2017, overheads are up +2.7% at constant scope and exchange rate and are -0.6% at current scope and exchange rate.

Contract acquisition commissions are up 4.0% at constant scope and exchange rate (-0.4% at current scope and exchanges rate), from €78.2 million for the half year ended June 30, 2017 to €78.0 million for the half year ended June 30, 2018. This rise is chiefly attributable to the increase in revenue on brokerage-based markets (Mediterranean & Africa region) or in markets becoming brokerage-based (Central Europe region), as well as the building of relationships with new agents and banking partners.

Internal overheads, including claims handling expenses and internal investment costs, are stable at +0.1% at constant scope and exchanges rate (-2.9% at current scope and exchanges rate) from €270.0 million for the half year ended June 30, 2017 to €262.1 million for the half year ended June 30, 2018. The increase is 2.3% at constant scope and exchange rates after restatement of the exceptional tax expense of €6 million recorded by Italy in 2017 (-0.7% at current scope and exchange rate).

Structural internal overheads remain under control. Payroll costs thus remain stable at +0.2% at constant scope and exchange rate, from €142.3 million as at June 30, 2017 to €138.7 million as at June 30, 2018.

IT costs are up 3.0% at constant scope and exchange rate, to €24.6 million. Other expenses (taxes, information purchases, rental expenses, etc.) are down by 0.9% at constant scope and exchange rate (-4.6% at current scope and exchange rate) from €103.7 million for the half year ended June 30, 2017 to €98.8 million for the half year ended June 30, 2018. Excluding the exceptional tax effect in Italy, the 5.2% increase at constant scope and exchange rate (+1.2% at current scope and exchange rate) is chiefly attributable to expenses in connection with the Group's strategic projects (Partial Internal Model, leadership training, etc.).

The cost savings achieved in the first half of 2018 stand at €18 million (a further €12.6 million compared to the first half of 2017). Coface confirms its objective of €30 million per year likely to be slightly exceeded. Coface also invested €15 million over the first half of 2018 (growth shares, risk and solvency management, process transformation, etc.).

The gross cost ratio has improved by 1.1 points from 36.3% at June 30, 2017 to 35.3% in the first half of 2018. This is stable after restatement of the effect of the 1.1 point exceptional tax expense in Italy.

The allocation of central overheads passed on to the regions is based on the contribution of each region to the Group's results. The calculation rules were reviewed in the second half of 2017 in order to better take into account work carried out by head office for the benefit of the regions.

In Western Europe, overheads are down 4.9% at constant scope and exchanges rate (-5.5% excluding the change in methodology in allocating central overheads) thanks to savings on rental expenses and lower payroll costs, linked to the implementation of the *Fit to Win* plan.

In Northern Europe, overheads are down 1.1% at constant scope and exchanges rates (-2.9% excluding the change in methodology in allocating central overheads) as a result of targeted savings on payroll costs.

In the Mediterranean & Africa, overheads are up 0.9% at constant scope and exchanges rate (-2.4% excluding the change in methodology in allocating central overheads). After restating the exceptional tax expense recorded by Italy in 2017, the 5.6% increase is due in particular to contract acquisition commissions in a region with high growth in revenue.

In Central Europe, overheads are up 12% at constant scope and exchanges rate (+5.5% excluding the change in methodology in allocating central overheads) due chiefly to the increased acquisition commissions in Poland, Russia and Romania.

In North America, overheads are down 5.0% at constant scope and exchanges rate (-9.4% excluding the change in methodology in allocating central overheads). The internalisation of agents generated significant savings in external commissions.

In Latin America, overheads are up 9% at constant scope and exchanges rate (+2.5% excluding the change in methodology in allocating central overheads), a moderate increase in a region characterised by high inflation.

In Asia-Pacific, overheads are up 12% at constant scope and exchanges rate (+7.5% excluding the change in methodology in allocating central overheads). This rise is due in part to an increase in external commissions, plus a rise in payroll costs in a region undergoing restructuring.

Underwriting income after reinsurance

Underwriting income after reinsurance stands at €88.3 million for the half year ended June 30, 2018; a more than fourfold increase over that recorded in the first half of 2017 (€21.5 million).

The cost of reinsurance has increased to -€33.9 million for the half year ended June 30, 2018 (-€17.2 million for the half year ended June 30, 2017). This change is due to the improvement in the loss experience (fewer claims ceded to reinsurers) and to the increase in earned premiums (more premiums ceded to reinsurers).

	As of june 30		Change	
(in thousands of euros and %)	**2018**	**2017**	**in €k**	**as a %**
Revenue	684,963	691,737	-6,775	-1.0%
Claims expenses	-237,546	-316,781	79,235	-25%
Policy acquisition costs	-117,452	-125,580	8,128	-6.5%
Administrative costs	-126,694	-132,000	5,306	-4.0%
Other insurance activity expenses	-46,629	-40,689	-5,940	15%
Expenses from banking activities, excluding cost of risk	-5,897	-6,535	639	-9.8%
Risk cost	-1,744	-2,454	710	-29%
Expenses from other activities	-26,772	-28,930	2,158	-7.5%
UNDERWRITING INCOME BEFORE REINSURANCE	**122,229**	**38,768**	**83,461**	**x3.2**
Income and expenses from ceded reinsurance	-33,946	-17,234	-16,712	97%
UNDERWRITING INCOME AFTER REINSURANCE	**88,283**	**21,534**	**66,749**	**x4.1**
Combined ratio after reinsurance	77.0%	93.7%	-	-

iii. Investment income, net of management expenses (excluding finance costs)

Financial markets

The global economic recovery took off in the first half of 2018, albeit with notable differences between regions. In the United States, the economic climate has been very favourable. In the eurozone, indicators have stabilised after some nasty surprises in the first quarter. In China, signs of a slowdown have reappeared. Concerns over the risk of a trade war have intensified with the protectionist decisions taken by the Trump administration, triggering retaliation from other countries, followed by new American threats. The political risk also resurfaced in Europe, particularly as a result of the situation in Italy.

After raising its key interest rate in March, the American Federal Reserve did so again on June 13, affirming its confidence in the economic outlook and signalling two further rate rises to come in 2018. The American 10-year rate thus reached 2.86% at the end of June, compared to 2.4% at the end of December.

In the eurozone, the slower than expected normalisation of the monetary policy weighed on rates. The ECB ceased buying bonds at the end of the year, but will not raise key interest rates before summer 2019. The Italian political risk has weighed on credit spreads. The German and French 10-year rates thus reached 0.3% and 0.7% respectively, compared to 0.4% and 0.8% in December, reflecting an inverse trend to the Italian 10-year rate, which reached 2.7% compared to 2.0% at the end of December.

The MSCI World index measured in local currencies showed neutral results for the first half year. Good performance by the American indexes (S&P 500: +1.6%) cancelled poor performance by the European indexes (MSCI EMU: -2.3%) particularly in connection with the Italian situation.

Financial income

In this global economic environment, the Coface Group has, as part of the defined strategic allocation, started its gradual move to lower the credit risk by reducing its exposure to investment grade and high yield credit, in favour of sovereign bonds and monetary products.

The total value of the portfolio remained more or less stable during the first half year.

The following table shows the financial portfolio by main asset classes:

Market value (in millions of euros)	**Jun. 30, 2018**	**Dec. 31, 2017**
Listed shares	193	192
Unlisted shares	15	14
Bonds	1,755	1,785
Loans, deposits and UCITS money-market funds	545	549
Investment property	218	219
Total investment portfolio	**2,726**	**2,761**
Associated and non-consolidated companies	126	116
Total	**2,853**	**2,877**

In the first half of 2018, the investment portfolio income delivered €25.1 million, i.e. an accounting rate of return of 0.9% as at June 30, 2018, compared to income of €29.3 million, i.e. an accounting return of 1.1%, as at June 30, 2017. The amount of capital gains realised stood at €3.8 million, all asset classes combined, for the first half of 2018, compared to €8.1 million for the same period in 2017. The accounting rate of return of the investment portfolio, excluding realised gains, is stable compared to the same period in 2017, at 0.8%.

Investment portfolio income (in million euros)	**As of June 30th**	
	2018	**2017**
Shares	4,0	4,7
Fixed-income instruments	16,3	22,0
Investment property	4,7	2,6
Total investment portfolio	**25,1**	**29,3**
o/w realised gains	*3,8*	*8,6*
Associated and non-consolidated companies	0,3	2,6
Net foreign exchange gains and derivatives	-10,3	-3,9
Financial investment charges	-2,1	-2,2
Total	**12,9**	**25,9**

After income from investments in companies, foreign exchange and derivatives income, financial expense and investment costs, financial income for the first half of 2018 stands at €12.9 million compared to €25.9 million for the same period in 2017, impacted mainly by the foreign exchange income.

The economic rate of return of financial assets was therefore 0.2% for the first half of the year, versus 1.2% for the same period in 2017. The economic return this first half year was affected by several factors having an adverse effect on most asset classes. Chief among these were monetary policy decisions in the United States (rate rises) and political tensions surrounding the Italian risk and the risk of a trade war (increase in spreads and neutral performances of the stock markets).

iv. Operating income

(in millions of euros)	As of june 30		Change		
	2018	2017	in €m	as a %	as a %: constant Group structure and exchange rate
Consolidated operating income	**100.4**	**46.5**	**53.9**	**116%**	**126%**
Operating income including financial costs	**91.0**	**37.5**	**53.5**	**142%**	**154%**
Other operating incomes and expenses	-0.8	-0.9	0.1	-13%	11%
Operating income including financial costs and excluding other operating incomes and expenses	**91.8**	**38.5**	**53.3**	**139%**	**151%**

Consolidated operating income stands at €100.4 million, a more than twofold increase compared with the half year ended June 30, 2017 (€46.5 million).

Current operating income, including finance costs and excluding other operating income and expenses, has increased by €53.3 million, i.e. +139% at current scope and exchange rate (+151% at constant scope and exchange rate), from €38.5 million for the half year ended June 30, 2017 to €91.8 million for the half year ended June 30, 2018.

The net combined ratio is down 16.7 points from 93.7% for the six months ended June 30, 2017 to 77.0% for the half year ended June 30, 2018, comprised of -15.1 points in net loss ratio and -1.6 points in cost ratio.

Other operating income and expenses amount to -€0.8 million. This is chiefly composed as follows:

- exceptional income in connection with the renegotiation of the lease on the head office at Bois-Colombes (€5.3 million);
- the loss recorded from the sale of Cofacrédit (-€2.2 million);
- restructuring expenses linked to the roll-out of the *Fit to Win* strategic plan (-€3.5 million).

All regions contributed positively to operating income.

Change in consolidated operating income by region (in millions of euros)	As of june 30		Change	Share of half-yearly total at June 30, 2018
	2018	2017		
Western Europe	9.9	19.2	-9.3	8%
Northern Europe	23.5	23.2	0.3	20%
Mediterranean & Africa	29.1	25.3	3.8	25%
Central Europe	14.5	13.9	0.7	12%
North America	23.1	-2.6	25.7	20%
Latin America	3.3	5.3	-2.0	3%
Asia-Pacific	14.3	-19.9	34.2	12%
Total (excluding inter-regional flows and holding costs not rebilled)	**117.7**	**64.4**	**53.3**	**100%**

v. Net income for the year

The effective tax rate of the Coface Group fell 17.4 points from 49.0% for the half year ended June 30, 2017 to a more normal 31.7% for the half year ended June 30, 2018, thanks to an upturn in the fortunes of the emerging markets.

Net income for the period stands at €62.8 million as at June 30, 2018, up threefold compared with that of the first half of 2017 (€20.2 million).

e) Group cash and capital

Equity

Shareholders’ equity attributable to owners of the parent totalled €1,791 million at the end of June 2018, more or less stable compared with the end of December 2017, when it stood at €1,803 million.

Goodwill

Goodwill, amounting to €154.9 million, is stable overall compared with December 31, 2017 (€155.1 million).

Debt

Coface Group indebtedness, excluding current operating debts, consists of financial debt and operational debt in connection with the refinancing of the factoring business.

The financing of the factoring business accounted for €2,238 million at June 30, 2018 compared with €2,205 million at December 31, 2017 (i.e. +€33 million).

The gross financial indebtedness, excluding the financing of the factoring business, accounted for €380.7 million at June 30, 2018 compared with €388.2 million at December 31, 2017. The -€7.5 million variation is essentially due to the adjustment in connection with the amount of the accrued coupon (payment made on March 27, 2018) of the subordinated debt. The Group's gross debt-to-equity ratio stands at 21%, i.e. the same level as at December 31, 2017.

Solvency of the Group

In accordance with the regulations, the Group measures its financial strength based on the capital requirement (amount of equity required to cover its managed risks) according to the Solvency II Regulation standard formula for its insurance business and according to bank regulations for the Group’s financing companies. The change in capital requirement depends on numerous factors and parameters linked to changes in the loss ratio, underwriting volumes, risk volatility, the sequencing of loss settlement and the asset types invested in the Company’s balance sheet (see the 2017 Registration Document, Section 5.2.2 “Risks related to hedging the Group’s solvency” – SCR ratio).

For insurance activities, pursuant to the Solvency II Regulation which became effective on January 1, 2016, the Group proceeded on June 30, 2018 with the calculation of the solvency capital requirement (SCR) under the standard formula introduced by European Directive No. 2009/138/EC. The Group’s SCR evaluates the risks linked to pricing, underwriting, establishment of provisions, as well as market risks and operational risks. It takes account of frequency risks and severity risks. This calculation is calibrated to cover the risk of loss corresponding to a 99.5% quantile at a one-year horizon.

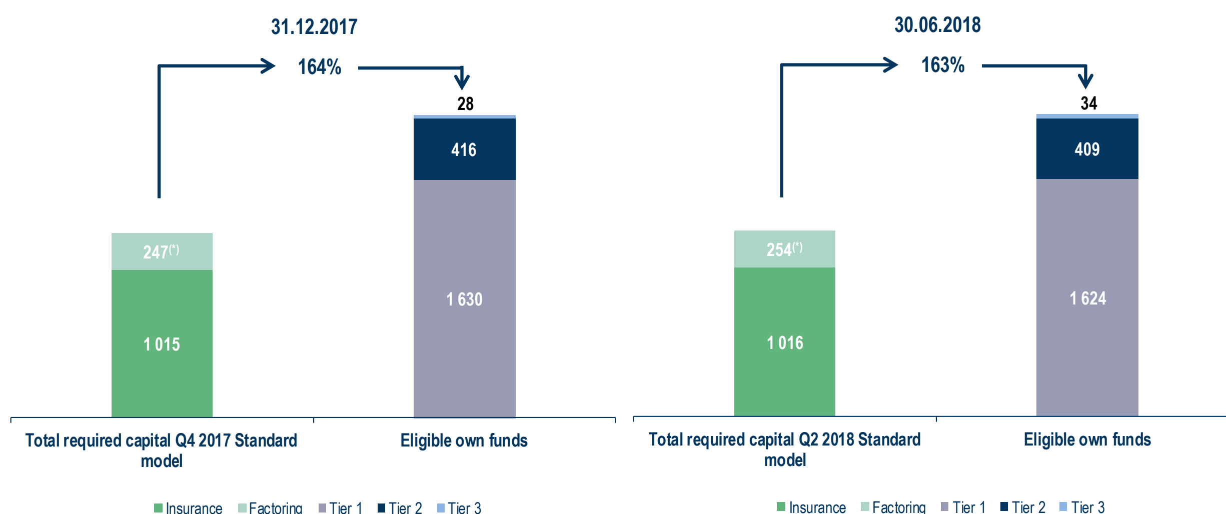
The Group also calculates the capital requirement for the factoring business. It is estimated by applying a 9.875% rate to the risk-weighted assets (or RWA). RWAs are calculated on the basis of the factoring exposure, by applying weighting as a function of the probability of default and the expected loss in case of default.

The amount of the capital requirement for the insurance business and the capital requirement for the factoring business is comparable with the available capital.

The Group has carried out an estimate[3] of its capital requirement and solvency ratio as at June 30, 2018. The estimated total capital requirement as at June 30, 2018 is €1,270 million (compared to €1,262 million[4] as at December 31, 2017), including €1,016 million corresponding to the insurance SCR (estimated using the Solvency II standard formula) and €254 million to the capital required by the financing companies.

Available capital as at June 30, 2018 is estimated at €2,067 million (compared to €2,074 million as at December 31, 2017). Available capital should be compared with the sum of the insurance SCR and the capital requirement for factoring.

As of June 30, 2018, the capital requirement solvency ratio (ratio between the Group's available capital and its capital requirement for insurance and factoring), is estimated at 163%[5] (compared with 164% at the end of 2017).



**Capital requirement by the financing companies using the Standard Formula*

[3] Capital requirements as at June 30, 2018 have been estimated using the Standard Formula, a simplified approach for certain modules and for treatment of the supposed renewed and rolling reinsurance.

[4] Includes €247 million estimation taking into account the anticipated transition to a Standard approach to credit risk under the CRD 4 regulation. Definitive 2017 capital requirement solvency ratio is 169%.

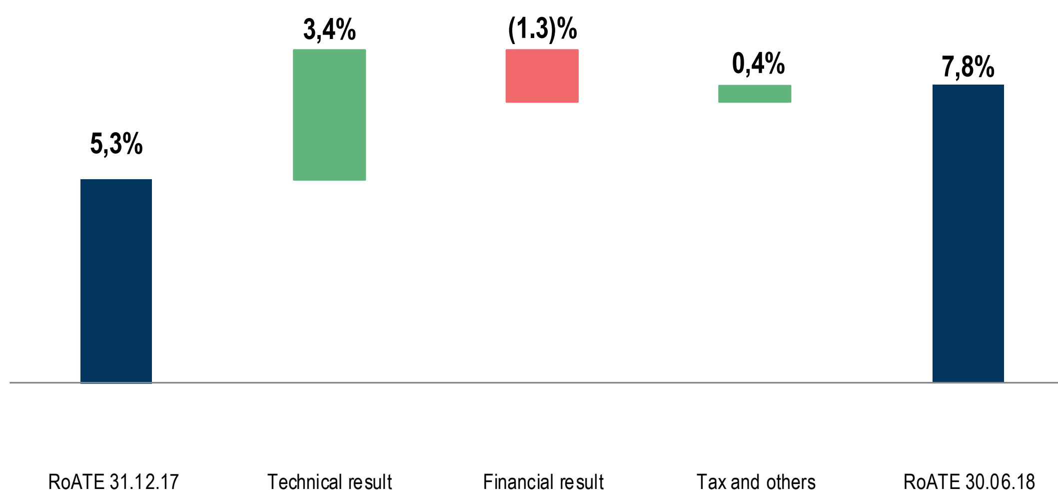
[5] This estimated solvency ratio constitutes a preliminary calculation based on Coface's interpretation of the Solvency II Regulation; the result of the final calculation may differ from the result of this preliminary calculation. The estimated Solvency ratio is not audited.

Return on equity

The return on equity ratio is used to measure the return on the Coface Group’s invested capital. Return on average tangible equity (or "**RoATE**") is the ratio between net income for the period and the average of accounting equity (attributable to equity holders of the parent) excluding intangible items (intangible asset values).

The table below presents the elements used to calculate the Coface Group's RoATE over the December 2017 to June 2018 period:

(in millions of euros)	**Jun. 30, 2018**	**Dec. 31, 2017**
Accounting equity (attributable to equity holders of the parent) including net income (attributable to equity holders of the parent – A	1,791	1,803
Intangible assets – B	219	217
Tangible equity – C (A – B) *As of 30 June 2018, tangible equity include the annualised net income – C (A-B+E)*	1,635	1,585
Average tangible equity – D ([C_n+C_{n-1}]/2)	1,610	1,562
Net income (attributable to equity holders of the parent) – E	63	83
RoATE – E/D *As of 30 June 2018 net income is annualized – E x 2/ D*	7,8%	5,3%



f) Risk Factors

As a result of its activities, the Group is exposed to five major types of risk (strategic risk, credit risk, financial risk, operational and non-compliance risk and reinsurance risk). The two main risks are credit risk and financial risk. Credit risk is the risk of losses arising from non-payment by a debtor of a receivable owed to one of the Group's policyholders. The financial risk is the risk of losses due to unfavourable variations in interest rates, exchange rates or the market value of securities or property investments. The Coface Group has put in place appropriate tools to control these risks in order to ensure they remain within reasonable limits.

Given that the Coface Group is a listed company, the main risk factors and uncertainties faced by the Group are described in detail in Chapter 5 "Main risk factors and their management inside the Group" of the Coface Group's Registration Document filed with the AMF on April 5, 2018 under number D.18-0267.

During the first half of 2018, in a continuation of the action to reduce the risks taken in 2016 in the various sensitive geographical zones and in economic sectors deemed to be at risk, the Group is managing risk according to plan.

g) Future risks and uncertainties

The factoring companies have applied IFRS 9, "Financial Instruments" since January 1, 2018. The Coface Group has not recorded a significant impact on the consolidated financial statements for the first half of 2018.

Application of the aforementioned standard to the insurance entities is deferred to 2021, i.e. at the same time as IFRS 17, "Insurance Contracts", on the recognition of insurance contracts. These two important standard projects could have a significant impact on the recognition of liabilities linked to insurance policies and the classification of financial assets.

h) Outlook

i. Economic environment

According to the Coface Group's forecasts, global growth should remain dynamic despite the protectionist environment (3.2% in 2018 and 2019, after 3.2% in 2017). Growth should be more dynamic in emerging countries (from 4.5% in 2017 to 4.6% in 2018 and 2019), and is expected to remain significantly higher than in leading countries (from 2.2% in 2017 and 2018 to 2.0% in 2019).

Growth in the United States should remain robust (2.7% in 2018 and 2.3% in 2019) and is an exception among advanced economies, in which Coface expects a slowdown in production.

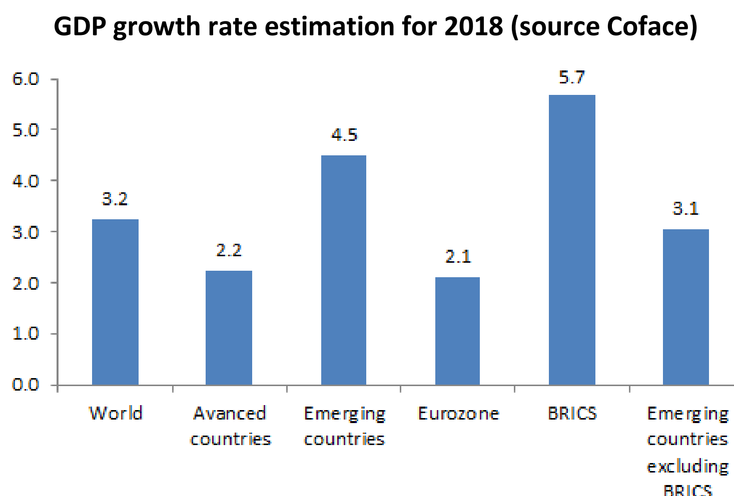
In the eurozone, 2.1% growth is expected in 2018 and 1.8% in 2019, compared with 2.4% in 2017. Coface forecasts 1.8% growth in the French economy in 2018 and 1.6% in 2019, and 2.1% growth in the German economy in 2018 and 1.8% in 2019.

Emerging countries should experience more sustained growth in 2018 and 2019. Growth in Asia is expected to remain dynamic (+6.1% in 2017 and +5.9% in 2018 and 2019). Business is expected to slow slightly in China (from 6.9% in 2017 to 6.5% in 2018 and 6.4% in 2019). This moderation seems likely due to more restrictive policies introduced by the authorities to reduce financial vulnerabilities and asset bubbles. India is expected to continue to grow despite the challenges it faces (from 6.7% in 2017 to 7.5% in 2018 and 7.8% in 2019).

The economic situation in Latin America should continue to improve, with growth expected to rise from -1.1% in 2017 to 1.4% in 2018 and 2.5% in 2019, thanks in particular to a sharp increase in growth in Brazil (from 1% in 2017 to 1.8% in 2018 and 2.8% in 2019), brought about by increased household consumption and exports, and improvements in the labour market. Central and Eastern Europe should continue to enjoy sustained business activity in 2018 (+3.9% after +4.5% in 2017). This growth is explained by the upturn in investment thanks to the continued high levels of confidence shown by private economic players. The labour market is set

to remain very favourable. The unemployment rate in this region has plummeted in recent years.

Growth is expected to increase in South Africa (1.8% in 2018 and 1.9% in 2019), although still well below average growth in emerging countries. Lastly, oil exporting countries in North Africa and the Middle East are likely to continue to benefit from the rise in hydrocarbon prices.



ii. Outlook for the Group

In an economic environment that remains favourable on the short term (global growth estimated at 3.2% in 2018) Coface remains more attentive than ever to rising risks. The political context remains uncertain and the questioning of free trade weighs on growth of world trade. In addition, political (Brexit, protest votes) or sector risks (distribution) remain.

In this context, Coface, strengthened by its investments in risk management, continues its rigorous underwriting policy and confirms its anticipation of a good year 2018. However, the second half of the year should see loss levels to revert to middle-of-cycle range.

This year, Coface continues to implement the *Fit to Win* strategic plan with the same determination. To this end, the Group is strengthening its leadership programme with training for 300 Top managers. Its in-depth transformation also involves internal reorganisation including the creation of a Business Technology unit, a Transformation Office and an Innovation department. By adopting this new organisation, Coface strengths its focus on technology and digital in order to improve its operational efficiency and enhance client service.

In terms of savings, the target of €30 million in 2018 will probably be slightly exceeded. In addition, Coface continues to reinvest these savings in the Group's in-depth transformation. Thus, Coface plans to invest €19 million this year in long-term value creation: initiatives to boost commercial momentum and improve service quality, as well as in the transformation of its digital infrastructure. Coface now anticipates a balanced accounting breakdown of these investments between recurring and exceptional expenses.

In parallel, Coface is continuing work on its partial internal model (Solvency II) and continues to monitor potential regulatory changes that could increase the capital requirement under the standard formula.

Finally, the objectives of delivering a net combined ratio of around 83% over the cycle and achieving a RoATE above 9% are maintained.

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II. Consolidated financial statements

II. Consolidated financial statements

Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at June 30, 2018 are established in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

The interim financial statements include:

- the balance sheet;
- the income statement;
- the consolidated statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;
- the notes to the financial statements.

They are presented with comparative financial information at January 1, 2018 and December 31, 2017 for balance sheet items, and for the six months ended June 30, 2017 for income statement items.

The balance sheet at January 1, 2018 includes the effect of the first application of IFRS 9 "Financial Instruments". The entities concerned by this new standard are entities in the factoring business, an activity operated by Coface in Germany and in Poland. Insurance entities, and entities whose activity is directly related to insurance, opted to postpone the application of IFRS 9 until January 1, 2021. This postponement is authorized by amendment of IFRS 4 “Insurance Contracts” in order to coincide the first application of both IFRS 9 and IFRS 17 “Insurance contract”.

The accounting principles and policies used for the interim financial statements as at June 30, 2018 are the same, except for the new standard IFRS 9, as the ones used for the year ended December 31, 2017. They are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union[6]. They are detailed in note “Applicable Accounting Standards” of the consolidated financial statements for the year ended December 31, 2017.

The condensed consolidated financial statements were reviewed by the Coface Group’s Board of Directors on July 25, 2018.

[6] The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/finance/ company-reporting/ifrs-financial-statements/index_fr.htm

Significant events

Coface is fully focused on executing its strategic plan, *Fit to Win*, launched at the end of 2016. The first half of 2018 therefore continued to see the implementation of new developments.

Introducing of a new tagline - Coface For Trade

During its Risk Country Seminar of 23 January 2018, an event bringing together its clients, brokers and partners, Coface has introduced its new tagline: Coface For Trade. This new wording is intended to be clearer and more engaging. It underlines the Group's commitment to trade and commerce, which is a powerful driver to create wealth and stability. It expresses the purpose of the Group, which is to help companies develop their business.

Election of François Riahi as Chairman of Coface's Board of Directors

The Board of Directors of COFACE SA had a meeting on June 15, 2018 and co-opted François Riahi, Chief Executive Officer of Natixis, as a board member and then elected him as Chairman of the Board of Directors. He replaces Laurent Mignon who leaves the Board of Directors of COFACE SA to devote himself to his new responsibilities within Group BPCE.

Own shares transactions

In accordance with the announcement made on February 12, 2018, and as a part of its capital management, Coface began on February 16, 2018, to buy-back its own shares in order to cancel them. Coface bought 1,698,395 shares during the first semester of 2018 for a value of € 16,502,098. The maximum amount planned for in the buyback program is € 30 million.

New organisation of the Group Operations department and creation of a Transformation Office

This new organisation is effective since May 2018. The purpose of this department is to respond to recent changes in the credit insurance market and meet one of Coface key strategic challenges: to improve operational efficiency in order to optimize client service. Resolutely client-oriented and focused on business needs, the new organisation strengthens the role of our business areas and fosters better project management.

It is structured into three pillars:

- a new Business Technology (BT) department resulting from the merger of IT department (DSI) and the Organisation department (DGO), led by Valérie Brami, who reports directly to Xavier Durand, CEO;
- the creation of a Transformation Office, which will be responsible in particular for project planning and Lean, led by Nicolas de Buttet, who reports directly to Thibault Surer, Strategy & Business Development Director; and,
- the creation of sponsors (at senior management level) and product owners, who will link projects to strategic objectives.

By adopting this new organisation, Coface changes its way of working and aims to facilitate and speed up decision-making processes affecting the life of the company; on the other hand, it encourages a collaborative approach between the Business Technology department, the Transformation Office and the teams.

Set up of a €300m syndicated loan agreement for Coface Poland Factoring

As part of the refinancing of its factoring activities, Coface Poland Factoring signed an agreement with a group of banking partners[7] for a €300m syndicated multicurrency loan (EUR, PLN) on 8 June 2018. This syndicated loan partly replaces existing bilateral credit lines. The loan is put in place for two years, with an option to extend its duration by one year, exercisable once, subject to the banks' agreement. This operation enables the Group to increase its financial flexibility and to extend the maturity of its refinancing debt, whilst benefiting from current favorable market conditions and strengthening its relationships with its leading banks, who thus confirm their commitment to Coface over the mid-term.

Disposal of Cofacrédit

Coface announced on end-June, 2018 that it has ceded to Factofrance (Groupe Crédit Mutuel – CM11) its 36% stake in the Cofacrédit's capital, a factoring company previously jointly owned by the two groups. This minority stake was not core to the development strategy in the factoring sector. The disposal is also in line with the second pillar of *Fit to Win* strategic plan, which aims to improve Coface's capital efficiency. The transaction had a slightly negative impact on net income for Q2-2018.

[7] 7 banking partners: Crédit Agricole CIB, HSBC, ING Bank Ślaski and Natixis, acting as Mandated Lead Arrangers and Bookrunners, Banco Santader, Commerzbank and Société Générale CIB, acting as Mandated Lead Arrangers. Natixis is acting as Documentation Agent and Crédit Agricole CIB as Facility Agent.

Consolidated balance sheet

Asset

(in thousands of euros)	Notes	June 30, 2018	Jan. 1, 2018 (*)	Dec. 31, 2017
Intangible assets		**219,744**	**217,230**	**217,230**
Goodwill	1	154,915	155,082	155,082
Other intangible assets	2	64,829	62,148	62,148
Insurance business investments	3	**2,852,579**	**2,876,380**	**2,876,380**
Investment property	3	288	288	288
Held-to-maturity securities	3	1,813	1,852	1,852
Available-for-sale securities	3	2,747,657	2,743,385	2,743,385
Trading securities	3	20,804	30,111	30,111
Derivatives	3	2,378	9,383	9,383
Loans and receivables	3	79,639	91,361	91,361
Receivables arising from banking and other activities	4	**2,620,574**	**2,522,803**	**2,523,549**
Investments in associates	5	**(0)**	**15,780**	**15,780**
Reinsurers' share of insurance liabilities	10	**428,694**	**405,178**	**405,178**
Other assets		**948,152**	**920,776**	**920,776**
Buildings used in the business and other property, plant and equipment		53,319	54,679	54,679
Deferred acquisition costs		42,416	43,903	43,903
Deferred tax assets		58,707	79,516	79,516
Receivables arising from insurance and reinsurance operations		515,454	494,839	494,839
Trade receivables arising from other activities		64,390	47,640	47,640
Current tax receivables		29,820	60,286	60,286
Other receivables		184,046	139,913	139,913
Cash and cash equivalents	6	**307,735**	**264,325**	**264,325**
TOTAL ASSETS		**7,377,478**	**7,222,472**	**7,223,218**

(*) Effects related to the first application of IFRS 9

Liability

(in thousands of euros)	Notes	June 30, 2018	Jan. 1, 2018 (*)	Dec. 31, 2017
Equity attributable to owners of the parent		**1,791,009**	**1,802,423**	**1,802,621**
Share capital	7	314,496	314,496	314,496
Additional paid-in capital		810,420	810,420	810,420
Retained earnings		531,458	518,163	518,361
Other comprehensive income		71,834	76,131	76,131
Consolidated net income for the year		62,801	83,213	83,213
Non-controlling interests		**147**	**160**	**160**
Total equity		**1,791,156**	**1,802,583**	**1,802,781**
Provisions for liabilities and charges	8	**103,529**	**121,716**	**121,716**
Financing liabilities	9	**380,644**	**388,234**	**388,234**
Liabilities relating to insurance contracts	10	**1,711,002**	**1,681,780**	**1,682,258**
Payables arising from banking sector activities	11	**2,625,849**	**2,527,716**	**2,527,716**
Amounts due to banking sector companies	11	675,862	568,711	568,711
Amounts due to customers of banking sector companies	11	387,436	322,064	322,064
Debt securities	11	1,562,551	1,636,941	1,636,941
Other liabilities		**765,298**	**700,443**	**700,513**
Deferred tax liabilities		91,080	113,525	113,595
Payables arising from insurance and reinsurance operations		258,798	204,730	204,730
Current taxes payable		41,286	76,996	76,996
Derivative instruments with a negative fair value		17,609	267	267
Other payables		356,525	304,925	304,925
TOTAL EQUITY AND LIABILITIES		**7,377,478**	**7,222,472**	**7,223,218**

(*) Effects related to the first application of IFRS 9

Effects of the first application of IFRS9 “Financial instruments” on the balance sheet

Asset

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018 (*)
Intangible assets	**217,230**		**217,230**
Goodwill	155,082		155,082
Other intangible assets	62,148		62,148
Insurance business investments	**2,876,380**		**2,876,380**
Investment property	288		288
Held-to-maturity securities	1,852		1,852
Available-for-sale securities	2,743,385		2,743,385
Trading securities	30,111		30,111
Derivatives	9,383		9,383
Loans and receivables	91,361		91,361
Receivables arising from banking and other activities	**2,523,549**	**(746)**	**2,522,803**
Investments in associates	**15,780**		**15,780**
Reinsurers' share of insurance liabilities	**405,178**		**405,178**
Other assets	**920,776**		**920,776**
Buildings used in the business and other property, plant and equipment	54,679		54,679
Deferred acquisition costs	43,903		43,903
Deferred tax assets	79,516		79,516
Receivables arising from insurance and reinsurance operations	494,839		494,839
Trade receivables arising from other activities	47,640		47,640
Current tax receivables	60,286		60,286
Other receivables	139,913		139,913
Cash and cash equivalents	**264,325**		**264,325**
TOTAL ASSETS	**7,223,218**	**(746)**	**7,222,472**

(*) Effects related to the first application of IFRS 9
The effect is related to factoring entities in Germany and in Poland. Insurance entities, and entities whose activity is directly related to insurance, opted to postpone the application of IFRS 9 until January 1, 2021.

Liability

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018 (*)
Equity attributable to owners of the parent	**1,802,621**	**(198)**	**1,802,423**
Share capital	314,496		314,496
Additional paid-in capital	810,420		810,420
Retained earnings	518,361		518,163
Other comprehensive income	76,131		76,131
Consolidated net income for the year	83,213		83,213
Non-controlling interests	**160**		**160**
Total equity	**1,802,781**	**(198)**	**1,802,583**
Provisions for liabilities and charges	**121,716**		**121,716**
Financing liabilities	**388,234**		**388,234**
Liabilities relating to insurance contracts	**1,682,258**	**(478)**	**1,681,780**
Payables arising from banking sector activities	**2,527,716**		**2,527,716**
Amounts due to banking sector companies	568,711		568,711
Amounts due to customers of banking sector companies	322,064		322,064
Debt securities	1,636,941		1,636,941
Other liabilities	**700,513**	**(70)**	**700,443**
Deferred tax liabilities	113,595	(70)	113,525
Payables arising from insurance and reinsurance operations	204,730		204,730
Current taxes payable	76,996		76,996
Derivative instruments with a negative fair value	267		267
Other payables	304,925		304,925
TOTAL EQUITY AND LIABILITIES	**7,223,218**	**(746)**	**7,222,472**

(*) Effects related to the first application of IFRS 9
The effect is related to factoring entities in Germany and in Poland. Insurance entities, and entities whose activity is directly related to insurance, opted to postpone the application of IFRS 9 until January 1, 2021.

Coface relies on the internal ratings of debtors for the calculation of depreciation of factoring receivables according to the new standard IFRS 9. The depreciation methodology (expected loss or “ECL”) is based on the three main parameters: the probability of default “PD”, the loss given default “LGD” and the amount of exposure in case of default “EAD” (exposure at default). The depreciation is the product of the PD by the LGD and the EAD over the lifetime of the receivables.

Most of the factoring receivables are covered by credit insurance contracts subscribed by Coface entities. Therefore, the factoring receivables depreciation was already taken into account in the Group consolidated financial statement through insurance provisions.

The increase of factoring receivables depreciation under new standard IFRS 9 is thus partially offset by a reversal of technical provisions.

Consolidated income statement

(in thousands of euros)	Notes	June 30, 2018	June 30, 2017
Gross written premiums		*638,310*	*636,275*
Premium refunds		*(49,443)*	*(40,935)*
Net change in unearned premium provisions		*(28,162)*	*(29,758)*
Earned premiums	**12**	**560,705**	**565,582**
Fee and commission income		*68,941*	*68,560*
Net income from banking activities		*33,587*	*36,040*
Income from other activities		*21,730*	*21,555*
Other revenue	**12**	**124,258**	**126,155**
Revenue		**684,963**	**691,737**
Claims expenses	**13**	**(237,546)**	**(316,781)**
Policy acquisition costs	*14*	*(117,452)*	*(125,580)*
Administrative costs	*14*	*(126,694)*	*(132,000)*
Other insurance activity expenses	*14*	*(46,629)*	*(40,689)*
Expenses from banking activities, excluding cost of risk	*14*	*(5,897)*	*(6,535)*
Expenses from other activities	*14*	*(26,772)*	*(28,930)*
Operating expenses	**14**	**(323,444)**	**(333,734)**
Risk cost		**(1,744)**	**(2,454)**
UNDERWRITING INCOME BEFORE REINSURANCE		**122,229**	**38,768**
Income and expenses from ceded reinsurance	15	(33,946)	(17,234)
UNDERWRITING INCOME AFTER REINSURANCE		**88,283**	**21,534**
Investment income, net of management expenses (excluding finance costs)	16	12,915	25,858
CURRENT OPERATING INCOME		**101,198**	**47,392**
Other operating income and expenses	17	(817)	(937)
OPERATING INCOME		**100,381**	**46,455**
Finance costs		(9,401)	(8,931)
Share in net income of associates		592	1,075
Income tax expense		(28,807)	(18,396)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**62,765**	**20,203**
Non-controlling interests		36	(14)
NET INCOME FOR THE YEAR		**62,801**	**20,189**
Earnings per share (€)	19	0.40	0.13
Diluted earnings per share (€)	19	0.40	0.13

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	June 30, 2018	June 30, 2017
Net income for the period		**62,801**	**20,189**
Non-controlling interests		(36)	14
Other comprehensive income			
Currency translation differences reclassifiable to income		**(2,734)**	**(5,262)**
Reclassified to income			
Recognised in equity		(2,734)	(5,262)
Fair value adjustments on available-for-sale financial assets	3	**(1,794)**	**143**
Recognised in equity – reclassifiable to income – gross		(4,037)	9,754
Recognised in equity – reclassifiable to income – tax effect		5,252	(3,557)
Reclassified to income – gross		(4,053)	(8,932)
Reclassified to income – tax effect		1,044	2,878
Fair value adjustments on employee benefit obligations		**119**	**(130)**
Recognised in equity – not reclassifiable to income – gross		126	(130)
Recognised in equity – not reclassifiable to income – tax effect		(7)	(0)
Other comprehensive income for the period, net of tax		**(4,409)**	**(5,249)**
Total comprehensive income for the period		**58,356**	**14,954**
- attributable to owners of the parent		58,504	15,060
- attributable to non-controlling interests		(148)	(106)

Statement of changes in equity

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares	Other comprehensive income			Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
						Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves				
Equity at December 31, 2016		**314,496**	**810,420**	**504,704**	**(2,970)**	**(5,823)**	**115,601**	**(22,782)**	**41,531**	**1,755,177**	**5,490**	**1,760,667**
2016 net income to be appropriated				41,531					(41,531)			
Payment of 2016 dividends in 2017				(20,398)						(20,398)		(20,398)
Total transactions with owners				**21,133**					**(41,531)**	**(20,398)**	**(0)**	**(20,398)**
December 31, 2017 net income									83,213	83,213	(159)	83,054
Fair value adjustments on available-for-sale financial assets recognized in equity	3						15,162			15,162	(1)	15,161
Fair value adjustments on available-for-sale financial assets reclassified to income	3						(8,514)			(8,514)	(1)	(8,515)
Change in actuarial gains and losses (IAS 19R)								(797)		(797)		(797)
Currency translation differences						(19,052)				(19,052)	(181)	(19,233)
Treasury shares elimination					(1,696)					(1,696)		(1,696)
Free share plans expenses				695						695		695
Transactions with shareholders				(3,505)		(38)	2,374			(1,169)	(4,988)	(6,157)
Equity at December 31, 2017		**314,496**	**810,420**	**523,027**	**(4,666)**	**(24,913)**	**124,623**	**(23,579)**	**83,213**	**1,802,621**	**160**	**1,802,781**
Effect of the first application of the standard IFRS 9				**(198)**						**(198)**		**(198)**
2017 net income to be appropriated				83,213					(83,213)			
Payment of 2017 dividends in 2018				(52,895)						(52,895)	(6)	(52,901)
Total transactions with owners				**30,318**	**(0)**	**(0)**	**(0)**	**(0)**	**(83,213)**	**(52,895)**	**(6)**	**(52,901)**
June 30, 2018 net income									62 801	62,801	(36)	62,765
Fair value adjustments on available-for-sale financial assets recognized in equity	3						1,215			1,215	(0)	1,215
Fair value adjustments on available-for-sale financial assets reclassified to income	3						(3,009)			(3,009)	(0)	(3,009)
Change in actuarial gains and losses (IAS 19R)								119		119		119
Currency translation differences						(2,622)				(2,622)	(112)	(2,734)
Treasury shares elimination					(16,877)					(16,877)		(16,877)
Free share plans expenses				(164)						(164)		(164)
Transactions with shareholders				18						18	141	159
Equity at June 30, 2018		**314,496**	**810,420**	**553,001**	**(21,543)**	**(27,535)**	**122,829**	**(23,460)**	**62,801**	**1,791,009**	**147**	**1,791,156**

Consolidated statement of cash flows

(in thousands of euros)	Notes	June 30, 2018	June 30, 2017
Net income for the period	**19**	**62,801**	**20,189**
Non-controlling interests		(36)	14
Income tax expense		28,807	18,396
+/- Share in net income of associates	5	(592)	(1,075)
Finance costs		9,401	8,931
Operating income (A)		**100,381**	**46,455**
+/- Depreciation, amortization and impairment losses		(8,315)	1,901
+/- Net additions to/reversals from technical provisions		31,946	73,999
+ Dividends received from associates	5	(0)	(0)
+/- Unrealized foreign exchange income / loss		(7,460)	20,610
+/- Non-cash items		7,561	(14,467)
Total non-cash items (B)		***23,732***	***85,522***
Gross cash flows from operations (C) = (A) + (B)		***124,113***	***128,977***
Change in operating receivables and payables		(4,593)	16,544
Net taxes paid		(29,513)	(29,394)
Net cash related to operating activities (D)		***(34,106)***	***(12,850)***
Increase (decrease) in receivables arising from factoring operations		(115,851)	(67,586)
Increase (decrease) in payables arising from factoring operations		(9,017)	56,939
Increase (decrease) in factoring liabilities		124,664	31,948
Net cash generated from banking and factoring operations (E)	***4 - 11***	***(204)***	***21,301***
Net cash generated from operating activities (F) = (C+D+E)		**89,803**	**137,428**
Acquisitions of investments	3	(501,531)	(772,052)
Disposals of investments	3	540,481	657,837
Net cash used in movements in investments (G)		***38,950***	***(114,215)***
Acquisitions of consolidated subsidiaries, net of cash acquired			(6,500)
Disposals of consolidated companies, net of cash transferred		14 202	
Net cash used in changes in scope of consolidation (H)		***14,202***	***(6,500)***
Disposals of property, plant and equipment and intangible assets		(10,526)	(6,852)
Acquisitions of property, plant and equipment and intangible assets		370	1,214
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)		***(10,156)***	***(5,638)***
Net cash used in investing activities (J) = (G+H+I)		**42,996**	**(126,353)**
Proceeds from the issue of equity instruments			
Treasury share transactions		(16,877)	533
Dividends paid to owners of the parent		(52,895)	(20,396)
Dividends paid to non-controlling interests		(6)	
Cash flows related to transactions with owners		***(69,778)***	***(19,863)***
Proceeds from the issue of debt instruments			
Cash used in the redemption of debt instruments			(1,518)
Interests paid		(16,974)	(16,530)
Cash flows related to the financing of Group operations		***(16,974)***	***(18,048)***
Net cash generated from (used in) financing activities (K)		**(86,752)**	**(37,911)**
Impact of changes in exchange rates on cash and cash equivalents (L)		**(2,637)**	**(6,980)**
Net increase in cash and cash equivalents (F+J+K+L)		**43,410**	**(33,816)**
Net cash generated from operating activities (F)		89,803	137,428
Net cash used in investing activities (J)		42,996	(126,353)
Net cash generated from (used in) financing activities (K)		(86,752)	(37,911)
Impact of changes in exchange rates on cash and cash equivalents (L)		(2,637)	(6,980)
Cash and cash equivalents at beginning of period	**6**	**264,325**	**332,071**
Cash and cash equivalents at end of period	**6**	**307,735**	**298,255**
Net change in cash and cash equivalents		**43,410**	**(33,816)**

III. Notes to the condensed interim consolidated financial statements

III. Notes to the consolidated financial statement

All amounts are stated (in thousands of euros) in the following notes, unless specified otherwise.

Note 1. Goodwill

The change in goodwill amounted to a negative €167 thousand at June 30, 2018, due to the fluctuation of the exchange rate.

Note 2. Other intangible assets

The change in other intangible assets amounted to a positive €2,682 thousand at June 30, 2018. This change is mainly explained by an increase of the book value of €6,236 thousand offset by an increase of the provision for depreciation and amortisation of €3,554 thousand.

Note 3. Insurance business investments

3.1 – Analysis by category

At June 30th, 2018, the carrying amount of available-for-sale (AFS) securities amounted to €2,747,657 thousand, securities held for trading ("trading securities") came to €20,804 thousand and held-to-maturity (HTM) securities was €1,813 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income instruments.

The distribution of the bonds portfolio by rating at June 30th, 2018 was as follows:

- Bonds rated "AAA": 20%
- Bonds rated "AA" and "A": 39%
- Bonds rated "BBB": 32%
- Bonds rated "BB" and lower: 9%.

	June 30, 2018					December 31, 2017				
(in thousands of euros)	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses
AFS securities	2,612,160	135,497	**2,747,657**	2,747,657		2,599,727	143,658	**2,743,385**	2,743,385	
Equities and other variable-income securities	213,167	120,863	334,029	334,029		211,479	111,806	323,285	323,285	
Bonds and government securities	2,190,205	5,915	2,196,120	2,196,120		2,175,164	26,090	2,201,254	2,201,254	
o/w direct investments in securities	*1,747,382*	*6,156*	*1,753,537*	*1,753,537*		*1,757,587*	*25,326*	*1,782,913*	*1,782,913*	
o/w investments in UCITS	*442,823*	*(240)*	*442,583*	*442,583*		*417,577*	*764*	*418,341*	*418,341*	
Shares in non-trading property companies	208,788	8,719	217,507	217,507		213,084	5,762	218,846	218,846	
HTM securities										
Bonds	1,813		**1,813**	1,813		1,852		**1,852**	2,564	712
Fair value through income – trading securities										
Money market funds (UCITS)	20,804		**20,804**	20,804		30,111		**30,111**	30,111	
Derivatives (positive fair value)		2,378	**2,378**	2,378			9,383	**9,383**	9,383	
(derivatives negative fair value for information)		*(17,609)*	*(17,609)*	*(17,609)*			*(267)*	*(267)*	*(267)*	
Loans and receivables	79,639		**79,639**	79,639		91,362		**91,361**	91,361	
Investment property	695	(407)	**288**	288		695	(408)	**288**	288	
TOTAL	**2,715,112**	**137,467**	**2,852,579**	**2,852,579**		**2,723,747**	**152,633**	**2,876,380**	**2,877,092**	**712**

(in thousands of euros)	Gross June 30, 2018	Impairment	Net June 30, 2018	Net Dec. 31, 2017
AFS securities	**2,778,295**	**(30,638)**	**2,747,657**	**2,743,385**
Equities and other variable-income securities	364,659	(30,630)	334,029	323,285
Bonds and government securities	2,196,120		2,196,120	2,201,254
o/w direct investments in securities	*1,753,537*		*1,753,537*	*1,782,913*
o/w investments in UCITS	*442,583*		*442,583*	*418,341*
Shares in non-trading property companies	217,515	(8)	217,507	218,846
HTM securities				
Bond	**1,813**		**1,813**	**1,852**
Fair value through income – trading securities				
Money market funds (UCITS)	**20,804**		**20,804**	**30,111**
Derivatives (positive fair value)	**2,378**		**2,378**	**9,383**
(for information, derivatives with a negative fair value)	*(17,609)*		*(17,609)*	*(267)*
Loans and receivables	**79,639**		**79,639**	**91,361**
Investment property	**288**		**288**	**288**
TOTAL	**2,883,217**	**(30,638)**	**2,852,579**	**2,876,380**

Impairments

(in thousands of euros)	Dec. 31, 2017	Additions	Reversals	Exchange rate effects and other	June 30, 2018
AFS securities	**30,175**	**461**	**(4)**	**6**	**30,638**
Equities and other variable-income securities	30,167	461	(4)	6	30,630
Bonds and government securities	(0)	(0)	(0)	(0)	(0)
Shares in non-trading property companies	8				8
TOTAL	**30,175**	**461**	**(4)**	**6**	**30,638**

Reversals are related to the disposal of AFS securities.

Change in investments by category

(in thousands of euros)	Dec. 31, 2017						June 30, 2018
	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Carrying amount
AFS securities	**2,743,385**	**511,837**	**(498,863)**	**(7,779)**	**(457)**	**(466)**	**2,747,657**
Equities and other variable-income securities	323,285	22,585	(20,514)	8,482	(457)	648	334,029
Bonds and government securities	2,201,254	477,443	(463,386)	(19,219)		27	2,196,120
Shares in non-trading property companies	218,846	11,809	(14,963)	2,957		(1,141)	217,507
HTM securities							
Bonds	1,852	6	(45)			1	1,813
Fair value through income – trading securities	30,111	20,804	(30,111)				20,804
Loans, receivables and other financial investments	101,031	14,273	(14,199)	(14,828)		(3,974)	82,305
TOTAL	**2,876,380**	**546,920**	**(543,218)**	**(22,607)**	**(457)**	**(4,438)**	**2,852,579**

Derivatives

The structural use of derivatives is strictly limited to hedging. The notional amounts of the hedges therefore do not exceed the amounts of the underlying assets in the portfolio.

During 2018, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks via swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio.

Investments in equities were subject to systematic partial hedging through purchases of put options. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

Regarding the bond portfolio, some of our exposure to European sovereign debt is hedged through future rates. Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

None of these transactions qualified for hedge accounting under IFRS as they were mainly currency transactions and partial market hedges.

Derivatives also include, from the first quarter of 2016, the fair value of the contingent capital instrument. This fair value corresponds to the fees due. This asset is shown in level 3.

The criteria triggering the exercise of the contingent capital line have not changed since the inception.

3.2 – Financial instruments recognised at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorises into three levels the inputs used to measure fair value. These levels are as follows:

Level 1: Quoted prices in active markets for an identical financial instrument.

Securities classified as level 1 represent 85% of the Group's portfolio. They correspond to:

- equities, bonds and government securities listed on organised markets, as well as units in dedicated mutual funds whose net asset value is calculated and published on a very regular basis and is readily available (AFS securities);
- government bonds and bonds indexed to variable interest rates (HTM securities);
- French units in money-market funds, SICAV (trading securities).

Level 2: Use of inputs, other than quoted prices for an identical instrument that are directly or indirectly observable in the market (inputs corroborated by the market such as yield curves, swap rates, multiples method, etc.).

Securities classified as level 2 represent 3% of the Group's portfolio. This level is used for the following instruments:

- unlisted equities;
- loans and receivables due from banks or clients and whose fair value is determined using the historical cost method.

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data.

Securities classified as level 3 represent 12% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Value in use is the present value of future cash flows that may result from an asset or cash-generating unit. The valuation, using on the discounted cash flow method, is based on the three-year projected budget prepared by the subsidiaries and validated by management with two further years based on standardized management ratios (loss ratios and target cost ratios). Beyond the fifth year, the terminal value is valued on a basis of infinite capitalization of the fifth year's cash flow.

Breakdown of financial instrument fair value measurements as at June 30th, 2018 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,747,657**	**2,747,657**	**2,391,765**	**23**	**355,868**
Equities and other variable-income securities	334,029	334,029	195,645	23	138,361
Bonds and government securities	2,196,120	2,196,120	2,196,120		
Shares in non-trading property companies	217,507	217,507			217,507
HTM securities					
Bonds	1,813	1,813	1,813		
Fair value through income – trading securities					
Money market funds (UCITS)	20,804	20,804	20,804		
Derivatives	2,378	2,378	1,769		609
Loans and receivables	79,639	79,639		79,639	
Investment property	288	288			288
TOTAL	**2,852,579**	**2,852,579**	**2,416,151**	**79,663**	**356,766**

Movements in Level 3 securities as at June 30th, 2018

(in thousands of euros)	At Dec. 31, 2017	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	At June 30, 2018
		In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		
AFS securities	**347,367**	**(461)**	**12,669**	**11,810**	**(14,994)**	**(523)**	**355,868**
Equities and other variable-income	128,521	(461)	9,712	0	(31)	618	138,361
Shares in non-trading property companies	218,846		2,957	11,809	(14,963)	(1,141)	217,508
Derivatives	**609**						**609**
Investment property	**287**				**1**		**288**
TOTAL	**348,264**	**(461)**	**12,669**	**11,810**	**(14,993)**	**(523)**	**356,766**

Breakdown of financial instrument fair value measurements as at December 31st, 2017 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,743,385**	**2,743,385**	**2,395,995**	**23**	**347,367**
Equities and other variable-income securities	323,285	323,285	194,741	23	128,521
Bonds and government securities	2,201,254	2,201,254	2,201,254		
Shares in non-trading property companies	218,846	218,846			218,846
HTM securities					
Bonds	1,852	2,564	2,564		
Fair value through income – trading securities					
Money market funds (UCITS)	30,111	30,111	30,111		
Derivatives	9,383	9,383	3,770	5,004	609
Loans and receivables	91,361	91,361		91,361	
Investment property	288	288			288
TOTAL	**2,876,380**	**2,877,092**	**2,432,440**	**96,388**	**348,264**

Movements in Level 3 securities as at December 31st, 2017

(in thousands of euros)		Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	
	At Dec. 31, 2016	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		At Dec 31, 2017
AFS securities	**269,595**	**(2,273)**	**1,635**	**84,897**	**(237)**	**(6,250)**	**347,367**
Equities and other variable-income securities	132,456	(2,273)	(2,460)	3,212	(237)	(2,177)	128,521
Shares in non-trading property companies	137,139		4,095	81,685		(4,073)	218,846
Derivatives	**1,122**			**(513)**			**609**
Investment property	**787**				**(499)**		**288**
TOTAL	**271,504**	**(2,273)**	**1,635**	**84,384**	**(736)**	**(6,250)**	**348,264**

Note 4. Receivables arising from banking and other activities

Breakdown by nature

(in thousands of euros)	June 30, 2018	Jan. 01, 2018 (*)	Dec. 31, 2017
Receivables arising from banking and other activities	2,620,574	2,522,803	2,523,549
Non-performing receivables arising from banking and other activities	50,663	57,247	56,501
Allowances for receivables arising from banking and other activities	(50,663)	(57,247)	(56,501)
TOTAL	**2,620,574**	**2,522,803**	**2,523,549**

(*) Effects of the first application of IFRS9

Effects of the first application of IFRS9 “Financial instruments”

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 01, 2018 (*)
Receivables arising from banking and other activities	2,523,549	(746)	2,522,803
Non-performing receivables arising from banking and other activities	56,501	746	57,247
Allowances for receivables arising from banking and other activities	(56,501)	(746)	(57,247)
TOTAL	**2,523,549**	**(746)**	**2,522,803**

(*) Effects of the first application of IFRS9

Receivables arising from banking and other activities represent receivables acquired within the scope of factoring agreements.

They are recognised at cost within assets in the balance sheet and they are classified as level 2. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

Where applicable, the Group recognises a valuation allowance against receivables to take account of any potential difficulties in their future recovery, it being specified that the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions.

Note 5. Investments in associates

The decrease in investment in associates in the reporting year 2018 is related to the sale, at the end of June 2018, of Cofacredit participation, which was held at 36%.

Note 6. Cash and cash equivalents

(in thousands of euros)	June 30, 2018	Dec. 31, 2017
Cash at bank and in hand	283,558	236,813
Cash equivalents	24,177	27,512
Total	**307,735**	**264,325**

Note 7. Share capital

Ordinary shares	Number of shares	Nominal value	Share capital (in €)
At December 31, 2017	157,248,232	2	314,496,464
At June 30, 2018	**157,248,232**	**2**	**314,496,464**
Treasury shares deducted	(2,181,103)	2	(4,362,206)
At June 30, 2018 (excluding treasury shares)	**155,067,129**	**2**	**310,134,258**

Shareholders	June 30, 2018		Dec. 31, 2017	
	Number of shares	%	Number of shares	%
Natixis	64,853,881	41.82%	64,853,881	41.38%
Public	90,213,248	58.18%	91,883,815	58.62%
Total excluding treasury shares	**155,067,129**	**100.00%**	**156,737,696**	**100.00%**

The parent company of the Coface Group is Natixis, which in turn is owned by BPCE, the central body of Banques Populaires and Caisses d'Épargne.

Natixis holds, at the end of June 2018, 41.82% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

Note 8. Provisions for liabilities and charges

(in thousands of euros)	June 30, 2018	Dec. 31, 2017
Provisions for disputes	5,423	5,652
Provisions for pension and other post-employment benefit obligations	65,147	66,141
Other provisions for liabilities and charges	32,959	49,923
Total	**103,529**	**121,716**

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations and provisions for restructuring displayed in "Other provisions for liabilities and charges".

The change in the first half of 2018 is mainly due to the decrease of provisions for restructuring, including a reversal of €5.4 million related to *Fit to Win* strategic plan and a reversal of €11.5 million on vacant premises.

The lease re-negociation on premises occupied by Coface in Bois-Colombes redefined the financial conditions and the organization of the occupied areas. Consequently, the provision for vacant permises was largely reversed during the first half of 2018; it amounts to only €0.8 million as of June 30, 2018.

The provisions related to *Fit to Win* strategic plan amount to €12.3 million as of June 30, 2018.

Note 9. Financing liabilities

(in thousands of euros)	June 30, 2018	Dec. 31, 2017
Due within one year		
- Interest	3,917	11,756
- Amortization of expenses	(513)	(502)
Total	**3,404**	**11,254**
Due between one and five years		
- Amortization of expenses	(2,286)	(1,642)
Total	**(2,286)**	**(1,642)**
Due beyond five years		
- Amortization of expenses	(474)	(1,378)
- Subordinated debt	380,000	380,000
Total	**379,526**	**378,622**
TOTAL	**380,644**	**388,234**

On March 27th, 2014, COFACE SA issued a subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27th, 2024, with an annual interest rate of 4.125%.

The per-unit bond issue price was €99,493.80, and the net amount received by COFACE SA was €376.7 million, net of placement fees and directly-attributable transaction costs.

These securities are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie française d'assurance pour le commerce extérieur, the Coface Group's main operating entity.

On March 25th, 2014, a joint guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors.

As at June 30th, 2018, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounted to €380,664 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €3,273 thousand;
- increased by accrued interest of €3,917 thousand.

The impact on consolidated income statement income as at June 30th, 2018 mainly includes the interest related to the period for €8,085 thousand.

Note 10. Liabilities relating to insurance contracts

(in thousands of euros)	June 30, 2018	Jan. 1, 2018 (*)	Dec. 31, 2017
Provisions for unearned premiums	296,066	271,227	271,227
Claims reserves	1,261,018	1,265,123	1,265,601
Provisions for premium refunds	153,917	145,430	145,430
Liabilities relating to insurance contracts	**1,711,002**	**1,681,780**	**1,682,258**
Provisions for unearned premiums	(77,171)	(61,584)	(61,584)
Claims reserves	(313,173)	(309,120)	(309,120)
Provisions for premium refunds	(38,350)	(34,474)	(34,474)
Reinsurers' share of technical insurance liabilities	**(428,694)**	**(405,178)**	**(405,178)**
Net technical provisions	**1,282,308**	**1,276,602**	**1,277,080**

(*) Effects of the first application of IFRS 9

Effects of the first application of IFRS9 "Financial instruments" on the balance sheet

(in thousands of euros)	Dec. 31, 2017	Effect of the first application of the standard IFRS 9	Jan. 1, 2018 (*)
Provisions for unearned premiums	271,227		271,227
Claims reserves	1,265,601	(478)	1,265,123
Provisions for premium refunds	145,430		145,430
Liabilities relating to insurance contracts	**1,682,258**	**(478)**	**1,681,780**
Provisions for unearned premiums	(61,584)		(61,584)
Claims reserves	(309,120)		(309,120)
Provisions for premium refunds	(34,474)		(34,474)
Reinsurers' share of technical insurance liabilities	**(405,178)**	**0**	**(405,178)**
Net technical provisions	**1,277,080**	**(478)**	**1,276,602**

Note 11. Payables arising from banking sector activities

(in thousands of euros)	June 30, 2018	Dec. 31, 2017
Amounts due to banking sector companies	675,862	568,711
Amounts due to customers of banking sector companies	387,436	322,064
Debt securities	1,562,551	1,636,941
Total	**2,625,849**	**2,527,716**

The lines "Amounts due to banking sector companies" and "Debt securities" correspond to sources of refinancing for the Group's factoring entities – Coface Finanz (Germany) and Coface Factoring Poland.

Note 12. Revenue

Breakdown of consolidated revenue

(in thousands of euros)	June 30, 2018	June 30, 2017
Premiums – direct business	594,724	594,571
Premiums – inward reinsurance	43,586	41,704
Gross written premiums	**638,310**	**636,275**
Premium refunds	**(49,443)**	**(40,935)**
Change of provisions for unearned premiums	**(28,162)**	**(29,758)**
Earned premiums	**560,705**	**565,582**
Fees and commission income	**68,941**	**68,560**
Net income from banking activities	**33,587**	**36,040**
Other insurance-related services	1,394	1,965
Business information and other services	14,634	13,363
Receivables management	5,702	6,227
Income from other activities	**21,730**	**21,555**
Revenue or income from other activities	**124,258**	**126,155**
CONSOLIDATED REVENUE	**684,963**	**691,737**

Consolidated revenue by country of invoicing

(in thousands of euros)	June 30, 2018	June 30, 2017
Northern Europe	152,162	154,949
Western Europe	143,174	142,460
Central Europe	67,101	62,792
Mediterranean & Africa	184,568	174,511
North America	58,136	63,254
Latin America	33,847	42,477
Asia-Pacific	45,974	51,294
CONSOLIDATED REVENUE	**684,963**	**691,737**

Consolidated revenue by activity

(in thousands of euros)	June 30, 2018	June 30, 2017
Earned premiums - Credit	523,011	524,690
Earned premiums - Single risk	14,344	14,312
Earned premiums - Credit insurance	**53,735**	**539,002**
Fees and commission income	**68,941**	**68,560**
Other insurance-related services	**1,394**	**1,965**
Revenue of credit insurance activity	**607,690**	**609,527**
Earned premiums - Guarantees	**23,350**	**26,580**
Financing fees	17,509	19,057
Factoring fees	16,060	17,523
Other	18	(540)
Net income from banking activities (factoring)	**33,587**	**36,040**
Business information and other services	14,634	13,363
Receivables management	5,702	6,227
Revenue of business information and other services activity	**20,336**	**19,590**
CONSOLIDATED REVENUE	**684,963**	**691,737**

Note 13. Claim expenses

(in thousands of euros)	June 30, 2018	June 30, 2017
Paid claims, net of recoveries	(218,849)	(250,077)
Claims handling expenses	(14,696)	(13,130)
Change in claims reserves	(4,001)	(53,574)
Total	**(237,546)**	**(316,781)**

Claims expenses by period of occurrence

	June 30, 2018			June 30, 2017		
(in thousands of euros)	Gross	Outward	Net	Gross	Outward	Net
Claims expenses – current year	(398,830)	98,250	(300,580)	(396,821)	94,130	(302,691)
Claims expenses – prior years	161,284	(32,982)	128,303	80,040	(19,464)	60,576
Total	**(237,546)**	**65,267**	**(172,278)**	**(316,781)**	**74,666**	**(242,115)**

Note 14. Overheads by function

(in thousands of euros)	**June 30, 2018**	June 30, 2017
Acquisition costs	(117,452)	(125,580)
Administrative costs	(126,694)	(132,000)
Other operating expenses	(46,629)	(40,689)
Expenses from banking activities, excluding cost of risk	(5,897)	(6,535)
Expenses from other activities	(26,772)	(28,930)
Operating expenses	**(323,444)**	**(333,734)**
Investment management expenses	**(1,967)**	**(1,406)**
Claims handling expenses	**(14,696)**	**(13,130)**
Total	**(340,107)**	**(348,270)**
of which employee profit-sharing	(1,536)	(2,050)

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. This stood at €340,107 thousand as at June 30, 2018 versus €348,270 thousand as at June 30, 2017.

In the income statement, claims handling expenses are included in "Claims expenses" and investment management expenses are shown in "Investment income, net of management expenses (excluding finance costs)".

Note 15. Income and expenses from ceded reinsurance

(in thousands of euros)	**June 30, 2018**	June 30, 2017
Ceded claims	60,832	54,874
Change in claims provisions net of recoveries	4,435	19,791
Commissions paid by reinsurers	62,764	58,174
Income from ceded reinsurance	**128,031**	**132,839**
Ceded premiums	(177,586)	(173,456)
Change in unearned premiums provisions	15,609	23,383
Expenses from ceded reinsurance	**(161,977)**	**(150,073)**
Total	**(33,946)**	**(17,234)**

Note 16. Investment income, net of management expenses (excluding finance costs)

Investment income by class

(in thousands of euros)	June 30, 2018	June 30, 2017
Equities	4,045	4,725
Fixed income	16,320	21,992
Investment properties	4,726	2,617
Sub-total	**25,091**	**29,334**
Associated and non consolidated companies	302	2,614
Exchange rate - change profit/loss	(10,335)	(3,885)
Financial and investment charges	(2,143)	(2,206)
Total	**12,915**	**25,858**

Note 17. Other operating income and expenses

(in thousands of euros)	June 30, 2018	June 30, 2017
Fit to Win restructuring charges	(3,508)	(810)
Loss on Cofacredit disposal	(2,170)	
Other operating expenses	(541)	(505)
Total other operating expenses	**(6,219)**	**(1,315)**
Negociation of Bois-Colombes lease	5,313	
Other operating income	89	378
Total other operating income	**5,402**	**378**
Total	**(817)**	**(937)**

Other operating income and expenses amounted to - €0.8 million as of June 30, 2018.

Other operating income is related to the lease renegotiation of Bois-Colombes premises for €5.3 million. This amount mainly include a reversal of provisions for vacant premises, a reversal of the residual rent-free period, offset by the compensation paid.

Other operating expenses include:

- expenses related to the *Fit to Win* strategic plan implementation for €3.5 million;
- the loss on Cofacredit disposal for €2.2 million.

Note 18. Breakdown of net income by segment

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located.

Geographic segmentation by billing location does not necessarily match the debtor’s location.

Reinsurance income, which is calculated and recognised for the whole Group at the level of Compagnie française d’assurance pour le commerce extérieur and Coface Re, has been reallocated at the level of each region.

Income taxes by segment have been calculated based on this monitoring framework.

Analysis of June 30, 2018 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean & Africa	North America	Latin America	Asia - Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**150,051**	**138,939**	**68,442**	**184,995**	**61,277**	**33,903**	**47,398**	**473,319**	**15,981**		**(489,342)**	**684,963**
o/w Earned Premium	*99,824*	*119,948*	*52,869*	*154,858*	*54,992*	*32,576*	*45,640*	*473,319*			*(473,321)*	***560,705***
o/w Factoring	*28,788*	*(408)*	*5,207*									***33,587***
o/w Other insurance-related services	*21,440*	*19,400*	*10,366*	*30,137*	*6,285*	*1,327*	*1,758*		*15,981*		*(16,023)*	***90,671***
Claims-related expenses (including claims handling costs)	(54,063)	(41,565)	(27,627)	(83,445)	(6,705)	(18,344)	(942)	(176,537)		(2,329)	174,011	**(237,546)**
Cost of risk	(1,680)		(63)									**(1,744)**
Commissions	(11,370)	(17,096)	(4,490)	(20,211)	(10,681)	(3,932)	(10,560)	(185,236)			185,604	**(77,972)**
Other internal general expenses	(58,758)	(52,459)	(22,867)	(55,027)	(16,279)	(12,182)	(17,714)		(15,899)	(12,920)	18,634	**(245,471)**
UNDERWRITING INCOME BEFORE REINSURANCE*	**24,179**	**27,819**	**13,395**	**26,312**	**27,611**	**(555)**	**18,183**	**111,547**	**82**	**(15,248)**	**(111,096)**	**122,232**
Income/(loss) on ceded reinsurance	(2,071)	(16,412)	(770)	(1,361)	(3,837)	(1,451)	(5,334)	(114,257)			111,547	**(33,946)**
Other operating income and expenses	0	844	(22)	(259)	(1,279)	(103)					1	**(817)**
Net financial income excluding finance costs	1,506	(2,961)	1,943	4,476	1,299	6,626	1,873		(129)	(555)	(1,163)	**12,914**
Finance costs	(99)	599	(8)	(80)	(664)	(1,261)	(422)		(93)	(8,085)	711	**(9,402)**
OPERATING INCOME including finance costs	**23,516**	**9,889**	**14,538**	**29,089**	**23,129**	**3,256**	**14,301**	**(2,711)**	**(140)**	**(23,888)**	**0**	**90,979**
Share in net income of associates		592										**592**
NET INCOME BEFORE TAX	**23,516**	**10,481**	**14,538**	**29,089**	**23,129**	**3,256**	**14,301**	**(2,711)**	**(140)**	**(23,888)**	**0**	**91,571**
Income tax expense	(7,445)	(4,650)	(5,042)	(6,542)	(4,917)	(1,058)	(4,558)	933	48	8,225	(3,801)	**(28,807)**
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**16,071**	**5,831**	**9,496**	**22,547**	**18,212**	**2,199**	**9,743**	**(1,776)**	**(92)**	**(15,663)**	**(3,801)**	**62,765**
Non-controlling interests	0	(2)	(0)	(1)	(1)	39	1		0			**36**
NET INCOME FOR THE PERIOD	**16,071**	**5,829**	**9,496**	**22,547**	**18,212**	**2,237**	**9,743**	**(1,777)**	**(92)**	**(15,663)**	**(3,801)**	**62,801**

** Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyse the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs, and other current operating expenses, and expenses from other activities.*

Analysis of June 30, 2017 net income by segment

(in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**152,480**	**145,206**	**64,402**	**175,717**	**63,254**	**42,477**	**51,294**	**495,744**	**14,036**		**(512,873)**	**691,737**
o/w Earned Premium	*98,503*	*123,452*	*49,224*	*146,485*	*56,726*	*40,911*	*50,282*	*495,744*			*(495,744)*	***565,582***
o/w Factoring	*31,408*		*4,632*									***36,040***
o/w Other insurance-related services	*22,569*	*21,754*	*10,546*	*29,232*	*6,528*	*1,567*	*1,012*		*14,036*		*(17,130)*	***90,115***
Claims-related expenses (including claims handling costs)	(57,758)	(56,596)	(25,476)	(75,851)	(32,651)	(20,846)	(46,078)	(293,917)		(1,404)	293,798	**(316,781)**
Cost of risk	(2,454)											**(2,454)**
Commissions	(10,703)	(18,211)	(3,574)	(18,616)	(14,568)	(5,340)	(9,990)	(131,428)			134,183	**(78,248)**
Other internal general expenses	(60,232)	(55,479)	(21,187)	(57,487)	(16,887)	(12,399)	(17,857)		(14,046)	(14,975)	15,061	**(255,487)**
UNDERWRITING INCOME BEFORE REINSURANCE*	**21,333**	**14,920**	**14,165**	**23,763**	**(852)**	**3,892**	**(22,631)**	**70,398**	**(9)**	**(16,379)**	**(69,833)**	**38,769**
Income/(loss) on ceded reinsurance	(3,133)	(8,645)	(524)	(797)	(2,298)	(1,692)	1,786	(72,329)			70,398	**(17,234)**
Other operating income and expenses	108	(165)	4	(664)		(219)						**(937)**
Net financial income excluding finance costs	5,060	12,712	240	3,154	1,086	3,448	1,307		(468)	(369)	(312)	**25,858**
Finance costs	(164)	374	(9)	(149)	(506)	(140)	(317)		(46)	(8,076)	101	**(8,931)**
OPERATING INCOME including finance costs	**23,204**	**19,196**	**13,876**	**25,307**	**(2,569)**	**5,289**	**(19,856)**	**(1,931)**	**(523)**	**(24,824)**	**355**	**37,525**
Share in net income of associates		1,075										**1,075**
NET INCOME BEFORE TAX	**23,204**	**20,271**	**13,876**	**25,307**	**(2,569)**	**5,289**	**(19,856)**	**(1,931)**	**(523)**	**(24,822)**	**355**	**38,602**
Income tax expense	(7,417)	(14,035)	(2,465)	(2,025)	(1,299)	(2,736)	372	665	180	8,546	1,818	**(18,396)**
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**15,787**	**6,233**	**11,411**	**23,282**	**(3,868)**	**2,553**	**(19,484)**	**(1,266)**	**(343)**	**(16,276)**	**2,173**	**20,203**
Non-controlling interests	(1)	(0)	(0)	(1)	0	(13)	2		0			**(14)**
NET INCOME FOR THE PERIOD	**15,786**	**6,233**	**11,411**	**23,281**	**(3,868)**	**2,540**	**(19,483)**	**(1,266)**	**(343)**	**(16,276)**	**2,173**	**20,189**

** Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyse the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs, and other current operating expenses, and expenses from other activities.*

Note 19. Earnings per share

	June 30, 2018		
	Average number of shares	**Net income for the period** (in thousand of euros)	**Earnings per share** (in euros)
Basic earnings per share	155,902,413	62,801	0.40
Dilutive instruments	0		
Diluted earnings per share	**155,902,413**	**62,801**	**0.40**

	June 30, 2017		
	Average number of shares	**Net income for the period** (in thousand of euros)	**Earnings per share** (in euros)
Basic earnings per share	156,948,947	20,189	0.13
Dilutive instruments	0		
Diluted earnings per share	**156,948,947**	**20,189**	**0.13**

Note 20. Related parties

At the end of June 2018, Natixis holds 41.82% of the Coface Group's shares excluding treasury shares, and 41.24% including treasury shares.

	Number of shares	%
Natixis	64,853,881	41.82%
Public	90,213,248	58.18%
Total	**155,067,129**	**100.00%**

Relations between the Group's consolidated entities and related parties

The Coface Group's main transactions with related parties concern Natixis and its subsidiaries.

The main related-party transactions are as follows:

- financing of a portion of the factoring activity by Natixis SA;
- financial investments with the BPCE and Natixis groups;
- Coface's credit insurance coverage made available to entities related to Coface;
- recovery of insurance receivables carried out by entities related to Coface on behalf of Coface;
- rebilling of general and administrative expenses, including overheads, personnel expenses, etc.

These transactions are broken down below:

Current operating income	June 30, 2018		
(in thousands of euros)	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(1,706)		
Claims expenses	0	0	
Expenses from other activities			(20)
Policy acquisition costs	0	1	
Administrative costs	(34)	1	
Other current operating income and expenses	0	1	
Operating income/(loss)	**(1,739)**	**3**	**(20)**

Related-party receivables and payables	June 30, 2018			
(in thousands of euros)	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	5,772			
Other assets				
Cash and cash equivalents		7,193		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		123,210		
Other liabilities				48

The €123,210 thousand in financing liabilities due to banking sector companies, at the end of June 2018, corresponds to borrowings taken out with Natixis to finance the factoring business.

Current operating income	June 30, 2017		
(in thousands of euros)	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(1,247)		
Claims expenses		1	
Expenses from other activities		(1)	(11)
Policy acquisition costs	4	10	
Administrative costs	(22)	4	
Other current operating income and expenses	2	5	
Operating income/(loss)	**(1,263)**	**19**	**(11)**

Related-party receivables and payables	Dec. 31, 2017			
(in thousands of euros)	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	5,855	39,966		
Other assets			6	14
Cash and cash equivalents		11,819		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		149,544		
Other liabilities				58

Note 21. Off-balance sheet commitments

(in thousands of euros)	June 30, 2018		
	TOTAL	Related to financing	Related to activity
Commitments given	**1,193,795**	**1,161,103**	**32,692**
Endorsements and letters of credit	1,161,103	1,161,103	
Property guarantees	7,500		7,500
Financial commitments in respect of equity	25,192		25,192
Commitments received	**1,316,813**	**993,593**	**323,220**
Endorsements and letters of credit	60,512		60,512
Guarantees	160,208		160,208
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	293,593	293,593	
Contingent capital	100,000		100 000
Financial commitments in respect of equity	2,500		2,500
Guarantees received	**327,117**		**327,117**
Securities lodged as collateral by reinsurers	327,117		327,117
Financial market transactions	**177,711**		**177,711**

The endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favor of COFACE SA subordinated notes' investors (10 year maturity)
- a joint guarantee of €726,103 thousand euros given to banks financing the factoring business.

The securities lodged as collateral by reinsurers are concerning Coface Ré for €262,473 thousand and Compagnie française pour le commerce extérieur for €64,644 thousand.

(in thousands of euros)	Dec 31, 2017		
	TOTAL	Related to financing	Related to activity
Commitments given	**1,085,684**	**1,047,117**	**38,567**
Endorsements and letters of credit	1,047,117	1,047,117	
Property guarantees	7,500		7,500
Financial commitments in respect of equity	31,067		31,067
Commitments received	**1,366,164**	**962,506**	**403,658**
Endorsements and letters of credit	138,598		138,598
Guarantees	162,194		162,194
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	262,506	262,506	
Contingent capital	100,000		100 000
Financial commitments in respect of equity	2,866		2,866
Guarantees received	**318,779**		**318,779**
Securities lodged as collateral by reinsurers	318,779		318,779
Financial market transactions	**95,501**		**95,501**

Note 22. Events after the reporting period

Information in hyperinflationary economies

Inflation has been high in Argentina for several months, and has increased significantly in May 2018, exceeding 100% on a cumulative basis over the last 3 years.

The Coface Group has activities in Argentina. However, the Argentine entity's contribution to the total consolidated balance sheet and net income is insignificant a December 31, 2017 and at June 30, 2018.

In accordance with recommendations from financial institutions, although Argentina has been considered a hyperinflationary country since June 2018, IAS29 Financial Reporting in Hyperinflationary Economies will only be applied from the second half of 2018.

Note 23. IFRS 16 “Leases”

The standard IFRS 16 “Leases” adopted by the European Commission on October 31, 2017 will replace IAS 17 “Leasing contracts” and interpretations relating to the accounting of such contracts. It will be applicable on January 1, 2019.

Coface Group finalized the preliminary assessment of the impact on its consolidated financial statements, but has not yet completed the detailed assessment. The impact of the adoption of IFRS 16 on its financial statements during the period of first application will depend on future economic conditions, in particular the Group's borrowing rate at January 1, 2019, the composition of its portfolio of lease contracts, its most recent assessment of the potential exercise of lease renewal options and its choices regarding the application of simplification measures and accounting exemptions.

Coface Group expects the impact on equity to be insignificant; the most significant impact identified is related to the recognition of new assets and liabilities for office operating leases.

In addition, the nature of the expenses related to these leases will change, as IFRS 16 replaces the recognition on a straight-line basis of operating lease expense with amortization expense for the "right of use" assets and an interest expense for lease liabilities related to lease contracts.

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IV. Statutory auditors’ review report on the half-yearly consolidated financial statements

IV. Statutory auditors’ review report on the half-yearly consolidated financial statements (under preparation)

This is a free translation into English of the statutory auditors’ review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group’s half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the period from January 1 to June 30, 2018

To the Shareholders,

In compliance with the assignment entrusted to us by Your General Meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of COFACE S.A., for the period from January 1 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note “Base de preparation” to the half-yearly consolidated financial statements regarding the adoption of IFRS 9 “Financial Instruments” on 1 January 2018.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements, being specified that it is not our responsibility to express an opinion on the fairness and consistency with the condensed half-yearly consolidated financial statements’ prudential information, in particular the coverage ratio of the SCR.

The Statutory Auditors

Paris La Défense, on July **[X]**, 2018

KPMG S.A.	Deloitte & Associés
Régis Tribout *Partner*	Jérôme Lemierre *Partner*

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V. Statement of the person responsible for the financial statements

V. Statement of the person responsible for the financial statements

I hereby declare, after having taken every reasonable measure for such purpose, that the information contained in this interim financial report for the first half 2017, to my knowledge, is true to fact and that no material aspects of such information have been omitted.

I certify that, to the best of my knowledge, the interim condensed consolidated financial statements of the period under review have been prepared in accordance with applicable accounting standards and give a true and fair view of assets, financial position and income of the Group and the companies comprised in the consolidation scope, and that the interim activity report, in paragraph I. of this document, includes a fair review of the important events occurring during the first half of the financial year and their impact on the financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the year.

The limited review report for the interim consolidated financial statements for the six-month period ended June 30, 2018 is reproduced above, in paragraph IV.

Bois Colombes, on July 25, 2018

Xavier DURAND

Chief Executive Officer of COFACE SA

VI. Key indicators

VI. Key Indicators

A. KEY PERFORMANCE INDICATORS

1. Financial indicators

For details on the definitions of these indicators, please refer to chapter 3, section 3.7.1 of the 2017 Registration Document filed with the AMF on April 5, 2018 under number D.18-0267.

2. Operating indicators

For details on the definitions of these indicators, please refer to chapter 3, section 3.7.2 of the 2017 Registration Document filed with the AMF on April 5, 2018 under number D.18-0267.

B. ALTERNATIVE PERFORMANCE MEASURES (APM)

This section deals with indicators that are not defined by accounting standards and are used by the company in its financial communication, also available on section 3.7.4 of the 2017 Registration Document filed with the AMF on April 5, 2018 under number D.18-0267.

This section thas been developed in accordance to the *AMF Position – IAP DOC 2015-12*.

The indicators below represent the company's APM

a) APM linked to revenue and its items:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
Turnover with restated items				
(1) 2 types of revenue restatements: i- Calculation of the percentage of revenue growth in like-for-like (i.e. constant scope and FX): - Year Y recalculated at the exchange rate for year Y-1 - Year Y-1 at the scope of year Y	i- Historic method for calculating like-for-like percentages for Coface Transfer of the State Export Guarantees management is being recognised in this category (as from 2017)	i- (Revenue Y – FX Impact Y-1) / (Revenue Y-1 + Impact scope N) - 1	i. **+2.1%** = (685.0 - (-21.3) / (691.7 + 0.0) - 1	i. **N/A** 691.7 = 691.7 +/- 0.0
ii- Removal or addition of revenue in value (€) considered as non-recurring. The term "non-recurring" refers to impacts on revenue which do not occur every year.	ii- Item considered as non-recurring, which means that it will not occur again in the current year (Year Y).	ii- Revenue Y +/- Restatements / Additions of non-recurring items Y	ii. 685.0 +/- 0.0	ii. 691.7 +/- 0.0
Fee and commission income/Earned premiums (current – like-for like)				
Weight of fee and commission income compared to earned premiums in like-for like (i.e. constant scope and FX): - Year Y at the exchange rate for year Y-1 - Year Y-1 at the scope of year Y Fee and commission income corresponds to revenue billed for ancillary services.	Indicator used to monitor changes in fees and commission income compared to the main Revenue item on a like-for-like basis (ie. constant scope and FX).	Fee and commission income/Earned premiums Like-for-Like (no scope impact ; ex. FX)	**Current:** **12.5%** = 70.3 / 560.7 **Ex. FX:** **12.3%** = 71.4 / 580.4	**Current:** **12.5%** = 70.5 / 565.6
Internal general expenses excluding non-recurring items				
(2) Restatement or Addition of items considered as non-recurring to internal overheads. The term "non-recurring" refers to the impacts on expenses which do not occur every year.	Indicator used to compare the change in internal overheads, excluding non-recurring items.	Current internal overheads +/- Restatements / Addition of non-recurring items	**262.1** = 262.1 +/- 0.0	**264.0** = 270.0 – (6.0 Italy tax one-off)

b) APM linked to operating income:

Definition	Justification	Reconciliation with the financial statements	Comparaison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
Restated operating income excluding non-recurring items (including financial costs and excluding other operating income and expenses)				
Restatement or Addition of items considered as non-recurring, to the operating income: these include non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or general expenses (see definition above) (2))	Indicator used to compare the change in operating income, excluding non-recurring items.	Current operating income +/- Restatements / Addition of non-recurring items	**91.8** = 100.4 + (-9.4) - (-0.8)	**38.5** = 46.5 + (-8.9) - (-0.9)

c) *APM linked to net income:*

Definition	Justification	Reconciliation with the financial statements	Comparaison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
Net income excluding non-recurring items				
Restatement or Addition of items considered as non-recurring, to net income: These include non-recurring income and expenses likely to impact either revenue (see definition above, (1)) or expenses (see definition above) (2)) This aggregate is also restated to account for "current operating income and expenses" classified after operating income in the management income statement (3).	Indicator used to compare the change in net income, excluding non-recurring items.	Net income +/- Restatements / Additions of non-recurring items	**62.8** +/- 0.0	**20.2** +/- 0.0

d) APM in connection with combined ratio:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
Gross loss ratio (or loss ratio before reinsurance) and gross loss ratio including claims management fees refer to the very same indicator				
Please, refer to part VII of the present document and Chapter 3, paragraph 3.7.3 of the 2017 registration document				
Net loss ratio (or loss ratio after reinsurance)				
Please, refer to part VII of the present document and Chapter 3, paragraph 3.7.3 of the 2017 registration document				
Gross/Net cost ratio (or cost ratio before/after reinsurance)				
Please, refer to part VII of the present document and Chapter 3, paragraph 3.7.3 of the 2017 registration document				
Ratio combiné brut / net de réassurance				
Please, refer to part VII of the present document and Chapter 3, paragraph 3.7.3 of the 2017 registration document				
Net combined ratio excluding restated and non-recurring items [A]				
Restatement or Addition of items considered as non-recurring to the combined ratio after reinsurance. This includes non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or overheads (see definition above) (2))	Indicator used to compare the change in combined ratios after reinsurance, excluding non-recurring items.	Combined ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**[A]=[B]+[C]** **77.0%** = 43.2% + 33.8%	**[A]=[B]+[C]** **92.3%** = 58.3% + 34.0%
Net loss ratio excluding non-recurring items [B]				
Restatement or Addition of items considered as non-recurring to loss ratio after reinsurance.	Indicator used to compare the change in loss ratios after reinsurance, excluding non-recurring items.	Loss ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**43.2%** = 43.2% +/- 0.0pts	**58.3%** = 58.3% +/- 0.0pts

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
Net cost ratio excluding restated and non-recurring items [C]				
Restatement or Addition of items considered as non-recurring, to cost ratio after reinsurance. These include non-recurring income and expenses with an impact on either revenue (see definition above, (1)) or overheads (see definition above) (2))	Indicator used to compare the change in cost ratios after reinsurance, excluding non-recurring items.	Cost ratio after reinsurance +/- Restatements/ Addition of non-recurring items	**33.8%** = 33.8% +/- 0.0pts	**34.0%** = 35.5% - (1.4pts Italy tax one-off impact: 6.0 / (565.6-150.1))
Current underwriting year gross loss ratio - loss ratio before reinsurance and excluding claims handling expenses for the current underwriting year [D]				
Ultimate claims expense (after recourse) over earned premiums (after premium rebates) for the current underwriting year. The insurance attachment year (insurance period) is exclusively the current year Y.	Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	= Claims attached to the current year/ Gross earned premiums for the current year See ultimate loss ratios development triangles	**71.8%** See ultimate loss ratios development triangles	**71.9%** See ultimate loss ratios development triangles
Prior underwriting years gross loss ratio - loss ratio before reinsurance and excluding claims handling expenses for the prior underwriting years [E]				
Corresponds to the Gains/Losses for underwriting years (insurance periods) prior to the current year Y, which is not included. A Gain or Loss corresponds respectively to an excess or deficit in claims provisions compared to the loss ratio actually recognised.	Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	[E] = [F-D]	**-32.1%** = 39.7% - 71.8%	**-18.2%** = 53.7% - 71.9%

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
All underwriting years gross loss ratio – loss ratio before reinsurance and excluding claims handling expenses for all underwriting years [F]				
Corresponds to the accounting loss ratio relating to all underwriting years (Current year Y and its prior years). Indicator used to calculate the loss ratio before reinsurance, excluding claims handling expense.	Key indicator in loss monitoring	-(Claims / Earned premiums) (see P&L)	**39.7%** = - (-222.8 / 560.7)	**53.7%** = - (-303.7 / 565.7)

e) APM in connection with equity:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
RoATE – Return on average tangible equity				
Net income (attributable to the equity owner of the parent – group share) for the year over average tangible equity (average equity restated for intangible assets).	The return on equity ratio is used to measure the return on the Group's invested capital.	Net income group share Y /[(Equity attributable to equity holders of the parent Y-1, restated for intangible assets + Equity attributable to equity holders of the parent Y, restated for intangible assets)/2] For intermediary periods (Q1, H1 and 9M results), the net income is annualized ie. For Q1: Net income x 4 For H1: Net income x 2 For 9M : Net income / 3 x 4	**7.8%** = (62.8x2) / [(1,634 + 1,585) /2] The annualized net income (x2) is taken into account for both the ratio's numerator and denominator	**2.6%** = (20x2) / [(1,556 + 1,540 /2] The annualized net income (x2) is taken into account for both the ratio's numerator and denominator
RoATE excluding exceptional and non-recurring items				
RoATE (refer to the definition above) recalculated based on the net income excluding non-recurring items and the average tangible equity excluding non-recurring items.	The return on equity ratio excluding non-recurring items is used to track changes on the Group's invested capital between two reporting periods	Net income group share Y excluding non-recurring items /[(Equity attributable to equity holders of the parent Y-1 excluding non-recurring items, restated for intangible assets + /[(Equity attributable to equity holders of the parent Y excluding non-recurring items, restated for intangible assets)/2] For intermediary periods (Q1, H1 and 9M results), the net income is annualized ie. For Q1: Net income x 4; For H1: Net income x 2 For 9M : Net income / 3 x 4	Not applicable	Not applicable

f) *APM linked to the investment portfolio*:

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
Accounting rate of return of financial assets				
Investment income before income from investments in companies, foreign exchange gains or losses and financial expenses compared to the balance sheet total of financial assets excluding investments in companies	Indicator used to monitor the accounting performance of the financial assets portfolio	Investment portfolio income / ((market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1)/2)	**0.9%** = 25.1 / (((2,877 - 116) + (2,853 - 126)) / 2)	**1.1%** = 29.3 / (((2,752 -121) + (2,822 -119)) / 2)
Accounting rate of return of financial assets excluding income from disposals				
Investment income before income from investments in companies, foreign exchange gains or losses and financial expenses excluding capital gains or losses on disposals compared to the balance sheet total of financial assets excluding investments in companies	Indicator used to monitor the recurring accounting performance of the financial assets portfolio	Investment portfolio income excluding capital gains or losses / ((market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1)/2)	**0,8%** = (25.1 – 3.8) / (((2,877 - 116) + (2,853 - 126)) / 2)	**0.8%** = (29.3 – 8.6) / (((2,752 - 121) + (2,822 - 119)) / 2)
Economic rate of return of financial assets				
Economic performance of the asset portfolio. Thus the change in revaluation reserves for the period over the balance sheet total of financial assets is added to the accounting return.	Indicator used to monitor the economic performance of the financial assets portfolio	((Accounting rate of return of financial assets + (revaluation reserves of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y – revaluation reserves of financial assets (stocks excluding investments in companies,	**0,2%** = (25.1 + (137.5 – 100.9 – 2.4) - (152.6 – 9.4 – 90.8)) / (((2,877 - 116) + (2,853 - 126)) / 2)	**1.2%** = (29.3 + ((155.0 – 19.4 – 90.7) - (137.4 – 3.0 – 93.4))) /

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
		real estate, fixed-income instruments) year Y-1) / ((market value of financial assets ((stocks excluding investments in companies, real estate, fixed-income instruments) year Y + market value of financial assets (stocks excluding investments in companies, real estate, fixed-income instruments) year Y-1) / 2		(((2,752 - 121) + (2,822 -119)) /2)
Investment portfolio income				
Income from the investment portfolio (stocks excluding share in companies, fixed-income instruments and real estate)	Used to monitor income from the investment portfolio only	Income from stocks excluding investments in companies + fixed-income instruments + real estate income	**25.1** = 4.0 + 16.3 + 4.7	**29.3** = 4.7 + 22.0 + 2,6
Others				
Foreign exchange (FX) income and investments in companies	Used to monitor income from investments in companies and FX gains and losses that are not an integral part of the investment portfolio	Income from FX + income from derivatives + income from investments in companies (dividends, allowances to provisions, capital gains or losses etc.).	**-10** = -15.9 + 0.3 + 5.5	**-1.3** = -2.2 – 1.7 + 2.6

g) API linked to reinsurance:

Définition	Justification	Réconciliation avec les comptes	Comparaison N/N-1	
			H1-2018	**H1-2017**
Ceded premiums / Gross earned premiums (or premium cession rate)				
Weight of ceded premiums compared to earned premiums. Ceded premiums correspond to the share of earned premiums that Coface cede to its reinsurers under reinsurance treaties signed with them. Earned premiums correspond to the sum of written premiums and provisions on earned premiums not written.	Indicator used to monitor the drivers of the change in reinsurance result	(Ceded premiums (o/w change in premium reserves) / Earned premiums)	**28,9%** = -(-162.0 / 560.7)	**26.5%** = - (-150.1 / 565.6)

Definition	Justification	Reconciliation with the financial statements	Comparison Y/Y-1	
			H1-2018 in €m	**H1-2017 in €m**
Ceded claims / total claims (or claims cession rate)				
Weight of ceded claims compared to total claims. Ceded claims correspond to the share of claims that Coface transfers to reinsurers under reinsurance treaties signed with them.	Indicator used to monitor the drivers of the change in reinsurance result	- Ceded claims (o/w change in claims reserves after recourse) / total claims incl. claims handling costs	**29,3%** = -65.3 / 222.8	**24.6%** = -74.7 / -303.7
Underwriting income before reinsurance				
Please, refer to Chapter 3 of the 2017 registration document.				
Underwriting income after reinsurance				
Please, refer to Chapter 3 of the 2017 registration document.				

VII. Appendix: Calculation of financial ratios

VII. Appendix : Calculation of financial ratios

Loss Ratio

This ratio allows the Coface Group to measure the underwriting profitability of insurance contracts during the financial year. By analysing this ratio, it is also possible to price policies effectively by taking into account the amount of claims made by policyholders.

Loss Ratio before Reinsurance

The loss ratio before reinsurance is the ratio of claim expenses (as defined below) to gross earned premiums (the sum of the gross written premiums and unearned premium provisions), net of premium rebates. Premium rebates are reimbursements made to policyholders of part of the premiums paid by them when claims under their insurance policies do not exceed a certain threshold (low claims bonus) or when there are no claims (no-claims bonus).

Loss Ratio after Reinsurance

The loss ratio after reinsurance corresponds to the ratio of claims expenses (net of claims expenses ceded to reinsurers under reinsurance treaties entered into by the Coface Group) to the gross earned premiums (net of premiums ceded to reinsurers).

Cost Ratio

Cost Ratio before Reinsurance

The cost ratio before reinsurance is the ratio of overheads (as defined below) to gross earned premiums (as described above).

The cost ratio before reinsurance is used by the Coface Group to measure all the costs related to the acquisition and management of its portfolio of contracts in a given financial year. The Coface Group's credit insurance business is supported by services activities such as corporate information and recovery of receivables. These services are inherent to the traditional credit insurance activity (related services) and the related expenses are included in the overheads of the Coface Group. The overheads are also increased by complementary activities such as factoring (in Germany and Poland). However, in order for the cost ratio calculated by the Coface Group to be comparable to the cost ratio calculated by other main market players, revenue generated by the additional businesses (non-insurance) described above is deducted from overheads.

Cost Ratio after Reinsurance

The cost ratio after reinsurance is the ratio of general expenses (after deduction of reinsurance premiums paid by reinsurers) to gross earned premiums (net of premiums ceded to reinsurers).

Overheads

Overheads accounted for in the cost ratio are the sum of:

- policy acquisition costs (consisting of the external costs of acquisition of contracts, corresponding to commissions paid to business contributor intermediaries (brokers or other intermediaries) and internal contract acquisition costs corresponding to the cost of maintaining distribution networks and the costs relating to drafting services in charge of writing contracts);
- administrative costs (including Coface Group operating costs, payroll costs, IT costs, etc. excluding profit-sharing and incentive schemes);
- other current operating expenses (expenses that cannot be allocated to any of the purposes defined by the accounting plan, in particular including management expenses);
- expenses from banking activities (general operating expenses, such as payroll costs, IT costs, etc., relating to the factoring business); and
- expenses from other activities (overheads related exclusively to information and recovery for customers without credit insurance) minus revenue related to:
    - fees and commission income (ancillary fees charged under insurance contracts for the provision of credit insurance related services, such as debtor information, fees for monitoring credit limits of customers of policyholders and receivables management and recovery of receivables),
    - other related benefits and services (ancillary services, such as administrative fees for managing claims and reinvoiced receivables recovery fees),
    - information and other services (fees charged for access to information on corporate solvency and marketing information) provided to customers without credit insurance,
    - receivables management (fees charged for receivables recovery services) provided to customers without credit insurance,
    - the net banking income relating to the factoring activities.

Combined Ratio

The combined ratio measures the overall profitability of the Coface Group's activities and its technical margin.

The combined ratio is the sum of the loss ratio and the cost ratio. It is tracked by the Coface Group both before and after reinsurance (claims expenses net of those ceded to reinsurers under reinsurance treaties entered into by the Coface Group and overheads, less reinsurance commissions paid by the reinsurers over total gross earned premiums net of premiums ceded to reinsurers).

Calculation of ratios

In the course of its business, and in addition to the financial information published in accordance with IFRS, the Coface Group tracks certain key operating ratios that provide an understanding of its performance and profitability of its products (loss ratio, cost ratio and combined ratio).

In €k	H1-2017	H1-2018
Earned Premiums		
Gross earned premiums [A]	**565,582**	**560,705**
Ceded premiums	(150,072)	(161,976)
Net earned premiums [D]	**415,510**	**398,729**
Claims expenses		
Claims expenses [B]	**(316,781)**	**(237,546)**
Ceded claims	**54,874**	**60,831**
Change in claims provisions	19,791	4,435
Net claims expenses [E]	**(242,116)**	**(172,280)**
Technical expenses		
Operating expenses	**(333,735)**	(323,443)
Employee profit sharing sharing and incentive plans	2,050	1,536
Other revenue	126,155	124,257
Operating expenses, net of revenues from other services before reinsurance [C]	**(205,530)**	**(197,650)**
Commissions received from reinsurers	58,174	62,764
Operating expenses, net of revenues from other services after reinsurance [F]	**(147,356)**	**(134,887)**

$$\boldsymbol{combined\ ratio\ before\ reinsurance} = loss\ ratio\ before\ reinsurance\frac{[\boldsymbol{B}]}{[\boldsymbol{A}]} + cost\ ratio\ before\ reinsurance\frac{[\boldsymbol{C}]}{[\boldsymbol{A}]}$$

$$\boldsymbol{combined\ ratio\ after\ reinsurance} = \boldsymbol{loss\ ratio\ after\ reinsurance}\frac{[\boldsymbol{E}]}{[\boldsymbol{D}]} + \boldsymbol{cost\ ratio\ before\ reinsurance}\frac{[\boldsymbol{F}]}{[\boldsymbol{D}]}$$

Ratios	H1-2017	H1-2018
Loss ratio before reinsurance	56.0%	42.4%
Loss ratio after reinsurance	**58.3%**	**43.2%**
Cost ratio before reinsurance	36.3%	35.3%
Cost ratio after reinsurance	**35.5%**	**33.8%**
Combined ratio before reinsurance	92.3%	77.6%
Combined ratio after reinsurance	**93.7%**	**77.0%**

End of the document