coface FOR TRADE

Unaudited interim consolidated financial statements

(free translation)

Nine months ending September 30, 2018

CONTENTS

Basis of preparation

These condensed interim IFRS financial statements of Coface Group as at September 30, 2018 include:

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

They are presented with comparative financial information at January 1, 2018 and December 31, 2017 for balance sheet items, and for the 9 months ended September 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 ot 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 September 30, 2018 are the same, except for the new standard IFRS 9. The accounting principles used for these financial statements regarding IFRS 9 are the same 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[1]. They are detailed in the note “Applicable Accounting Standards” of consolidated financial statements for the year ended December 31, 2017.

The application of IAS 29 - *Financial Reporting in Hyperinflationary Economies* is required for entities whose functional currency is the Argentine Peso as from 1 July 2018.
Coface Group has activities in Argentina. However, the Argentine entity's contribution to the total consolidated balance sheet and net income is insignificant at September 30, 2018.
Considering the issues faced by the market with the application of IAS 29 as well as the discussions between Argentina and the IMF (grant of additional financial assistance), this standard was not applied in the consolidated accounts as at 30 September 2018.

These condensed consolidated financial statements were reviewed by Coface Group’s Board of Directors on October 24, 2018. They were also previously reviewed by the Audit Committee on October 23, 2018.

[1] 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 year 2018 therefore continued to see the implementation of new developments.

Introducting 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.

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 3,094,916 shares during the first nine months of 2018 for a value of € 28,022,077. The maximum amount planned for in the buyback program is € 30 million.

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[2] for a €300M syndicated multicurrency loan (EUR, PLN) on June 8, 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.

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 Groupe BPCE.

Disposal of Cofacredit

Coface announced, end of June 2018, the disposal to Factofrance (Groupe Crédit Mutuel - CM11) of its 36% stake in 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 negative impact on its 2018 net income for (€2.2M).

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[2] *7 banking partners: Crédit Agricole CIB, HSBC, ING Bank Śląski and Natixis, acting as Mandated Lead Arrangers and Bookrunners, Banco Santander, Commerzbank and Société Générale CIB, acting as Mandated Lead Arrangers. Natixis is acting as Documentation Agent and Crédit Agricole CIB as Facility Agent.*

Coface appoints Carmina Abad-Sanchez to lead its Latin America region

On July 16 2018, Coface announced the appointment of Carmina Abad-Sanchez as the new CEO, Latin America Region. She joins the Executive committee and reports to Xavier Durand, Group CEO.

Carmina has more than 30 years of experience holding senior leadership positions in the insurance industry. Before joining Coface, she was Chairman of Swiss Re Group in Mexico and CEO of Swiss Re Corporate Solutions in Mexico.

Fitch affirms Coface AA- rating, with an outlook ‘stable’

Fitch Ratings affirmed, on August 29 2018, Coface AA- Insurer Financial Strength (IFS) rating. The outlook remains stable.
In Fitch’s press release, the rating agency highlights that this affirmation “reflects Coface’s very strong business profile in credit-insurance, very strong ‘capitalization and leverage’, and recovering profitability, after earnings were hit by adverse claims experience in 2016”.
As regards to the strategic plan Fit to Win launched in September 2016, “Fitch views positively Coface’s “Fit to Win” strategic plan, which is well on track”.

Agreement to acquire PKZ

On September 6, 2018 Coface announced it has signed a binding agreement with SID Bank, a Slovenian public bank, to acquire 100% of PKZ capital, a credit insurance subsidiary of SID Bank. Created by SID Bank in 2005, PKZ is the market leader in credit insurance in Slovenia, with a strong market share.

Consolidated balance sheet

Asset

(in thousands of euros)	Sept. 30, 2018	Jan. 1, 2018 (*)	Dec. 31, 2017
Intangible assets	**218,003**	**217,230**	**217,230**
Goodwill	154,998	155,082	155,082
Other intangible assets	63,005	62,148	62,148
Insurance business investments	**2,819,665**	**2,876,380**	**2,876,380**
Investment property	288	288	288
Held-to-maturity securities	1,827	1,852	1,852
Available-for-sale securities	2,714,053	2,743,385	2,743,385
Trading securities	22,802	30,111	30,111
Derivatives	7,031	9,383	9,383
Loans and receivables	73,664	91,361	91,361
Receivables arising from banking and other activities	**2,437,851**	**2,522,803**	**2,523,549**
Investments in associates	**(0)**	**15,780**	**15,780**
Reinsurers' share of insurance liabilities	**430,289**	**405,178**	**405,178**
Other assets	**948,246**	**920,776**	**920,776**
Buildings used in the business and other property, plant and equipment	52,580	54,679	54,679
Deferred acquisition costs	43,612	43,903	43,903
Deferred tax assets	48,636	79,516	79,516
Receivables arising from insurance and reinsurance operations	524,974	494,839	494,839
Trade receivables arising from other activities	49,480	47,640	47,640
Current tax receivables	40,950	60,286	60,286
Other receivables	188,014	139,913	139,913
Cash and cash equivalents	**440,995**	**264,325**	**264,325**
TOTAL ASSETS	**7,295,049**	**7,222,472**	**7,223,218**

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

Liability

(in thousands of euros)	Sept. 30, 2018	Jan. 1, 2018 (*)	Dec. 31, 2017
Equity attributable to owners of the parent	**1,804,562**	**1,802,423**	**1,802,621**
Share capital	314,496	314,496	314,496
Additional paid-in capital	810,420	810,420	810,420
Retained earnings	518,003	518,163	518,361
Other comprehensive income	63,398	76,131	76,131
Consolidated net income for the year	98,245	83,213	83,213
Non-controlling interests	**156**	**160**	**160**
Total equity	**1,804,718**	**1,802,583**	**1,802,781**
Provisions for liabilities and charges	**98,375**	**121,716**	**121,716**
Financing liabilities	**384,687**	**388,234**	**388,234**
Liabilities relating to insurance contracts	**1,742,418**	**1,681,780**	**1,682,258**
Payables arising from banking sector activities	**2,544,244**	**2,527,716**	**2,527,716**
Amounts due to banking sector companies	564,786	568,711	568,711
Amounts due to customers of banking sector companies	315,890	322,064	322,064
Debt securities	1,663,568	1,636,941	1,636,941
Other liabilities	**720,607**	**700,443**	**700,513**
Deferred tax liabilities	100,976	113,525	113,595
Payables arising from insurance and reinsurance operations	222,344	204,730	204,730
Current taxes payable	30,711	76,996	76,996
Derivative instruments with a negative fair value	856	267	267
Other payables	365,720	304,925	304,925
TOTAL EQUITY AND LIABILITIES	**7,295,049**	**7,222,472**	**7,223,218**

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

Effects of the first application of IFRS 9 "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	(198)	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)	Sept. 30, 2018	Sept. 30, 2017
Gross written premiums	*964,795*	*925,039*
Premium refunds	*(77,239)*	*(69,976)*
Net change in unearned premium provisions	*(34,679)*	*(17,882)*
Earned premiums	**852,877**	**837,181**
Fee and commission income	*102,049*	*98,972*
Net income from banking activities	*49,700*	*53,851*
Income from other activities	*31,047*	*31,183*
Other revenue	**182,796**	**184,006**
Revenue	**1,035,673**	**1,021,187**
Claims expenses	**(373,265)**	**(433,688)**
Policy acquisition costs	*(182,624)*	*(192,626)*
Administrative costs	*(198,108)*	*(190,403)*
Other insurance activity expenses	*(61,045)*	*(61,389)*
Expenses from banking activities, excluding cost of risk	*(9,811)*	*(10,079)*
Expenses from other activities	*(39,835)*	*(39,720)*
Operating expenses	**(491,423)**	**(494,217)**
Risk cost	**(1,462)**	**(3,555)**
UNDERWRITING INCOME BEFORE REINSURANCE	**169,523**	**89,727**
Income and expenses from ceded reinsurance	(46,750)	(33,976)
UNDERWRITING INCOME AFTER REINSURANCE	**122,773**	**55,751**
Investment income, net of management expenses (excluding finance costs)	42,479	44,724
CURRENT OPERATING INCOME	**165,252**	**100,475**
Other operating income and expenses	(1,814)	(2,283)
OPERATING INCOME	**163,438**	**98,192**
Finance costs	(13,499)	(13,400)
Share in net income of associates	592	1,436
Income tax expense	(52,227)	(31,315)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**98,304**	**54,913**
Non-controlling interests	(59)	72
NET INCOME FOR THE YEAR	**98,245**	**54,985**

Consolidated statement of comprehensive income

(in thousands of euros)	Sept. 30, 2018	Sept. 30, 2017
Net income for the period	**98,245**	**54,985**
Non-controlling interests	59	(72)
Other comprehensive income		
Currency translation differences reclassifiable to income	**(4,335)**	**(14,140)**
Reclassified to income		
Recognised in equity	(4,335)	(14,140)
Fair value adjustments on available-for-sale financial assets	**(9,446)**	**9,348**
Recognised in equity – reclassifiable to income – gross	(13,788)	22,527
Recognised in equity – reclassifiable to income – tax effect	3,748	(7,371)
Reclassified to income – gross	(4,489)	(8,701)
Reclassified to income – tax effect	5,083	2,893
Fair value adjustments on employee benefit obligations	**908**	**(131)**
Recognised in equity – not reclassifiable to income – gross	1,180	(131)
Recognised in equity – not reclassifiable to income – tax effect	(272)	(0)
Other comprehensive income for the period, net of tax	**(12,873)**	**(4,923)**
Total comprehensive income for the period	**85,431**	**49,990**
- attributable to owners of the parent	85,514	50,177
- attributable to non-controlling interests	(83)	(187)

Statement of changes in equity

(in thousands of euros)	Share capital	Premiums	Consolidated reserves	Treasury shares	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Reclassifiable revaluation reserves	Other comprehensive income: Non-reclassifiable revaluation reserves	Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
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	**(0)**	**(0)**	**21,133**	**(0)**	**(0)**	**(0)**	**(0)**	**(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						15,162			15,162	(1)	15,161
Fair value adjustments on available-for-sale financial assets reclassified to income						(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	**(0)**	**(0)**	**30,318**	**(0)**	**(0)**	**(0)**	**(0)**	**(83,213)**	**(52,895)**	**(6)**	**(52,901)**
September 30, 2018 net income								98,245	98,245	59	98,304
Fair value adjustments on available-for-sale financial assets recognized in equity						(10,037)			(10,037)	(3)	(10,040)
Fair value adjustments on available-for-sale financial assets reclassified to income						594			594	(0)	594
Change in actuarial gains and losses (IAS 19R)							908		908		908
Currency translation differences					(4,196)				(4,196)	(139)	(4,335)
Treasury shares elimination				(30,712)					(30,712)		(30,712)
Free share plans expenses			211						211		211
Transactions with shareholders			23			(2)			21	85	106
Equity at September 30, 2018	**314,496**	**810,420**	**553,381**	**(35,378)**	**(29,109)**	**115,178**	**(22,671)**	**98,245**	**1,804,562**	**156**	**1,804,718**

Consolidated statement of cash flows

(in thousands of euros)	Sept. 30, 2018	Sept. 30, 2017
Net income for the period	**98,245**	**54,985**
Non-controlling interests	59	(72)
Income tax expense	52,227	31,315
+/- Share in net income of associates	(592)	(1,436)
Finance costs	13,499	13,400
Operating income (A)	**163,438**	**98,192**
+/- Depreciation, amortization and impairment losses	(9,490)	(2,972)
+/- Net additions to/reversals from technical provisions	62,305	59,108
+/- Unrealized foreign exchange income / loss	(14,018)	17,799
+/- Non-cash items	15	(47,413)
Total non-cash items (B)	***38,812***	***26,522***
Gross cash flows from operations (C) = (A) + (B)	***202,250***	***124,714***
Change in operating receivables and payables	(40,031)	40,275
Net taxes paid	(49,348)	(32,653)
Net cash related to operating activities (D)	***(89,379)***	***7,622***
Increase (decrease) in receivables arising from factoring operations	75,208	(159,994)
Increase (decrease) in payables arising from factoring operations	20,455	(32,498)
Increase (decrease) in factoring liabilities	5,549	208,046
Net cash generated from banking and factoring operations (E)	***101,212***	***15,554***
Net cash generated from operating activities (F) = (C+D+E)	**214,083**	**147,890**
Acquisitions of investments	(707,653)	(1,237,252)
Disposals of investments	778,763	1,140,840
Net cash used in movements in investments (G)	***71,110***	***(96,412)***
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	(11,721)	(12,427)
Acquisitions of property, plant and equipment and intangible assets	212	1,072
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(11,509)***	***(11,355)***
Net cash used in investing activities (J) = (G+H+I)	**73,803**	**(114,267)**
Proceeds from the issue of equity instruments		
Treasury share transactions	(30,712)	291
Dividends paid to owners of the parent	(52,895)	(20,398)
Dividends paid to non-controlling interests	(6)	
Cash flows related to transactions with owners	***(83,613)***	***(20,107)***
Proceeds from the issue of debt instruments		
Cash used in the redemption of debt instruments		(2,268)
Interests paid	(17,023)	(16,961)
Cash flows related to the financing of Group operations	***(17,023)***	***(19,229)***
Net cash generated from (used in) financing activities (K)	**(100,636)**	**(39,336)**
Impact of changes in exchange rates on cash and cash equivalents (L)	**(10,580)**	**(15,474)**
Net increase in cash and cash equivalents (F+J+K+L)	**176,670**	**(21,187)**
Net cash generated from operating activities (F)	214,083	147,890
Net cash used in investing activities (J)	73,803	(114,267)
Net cash generated from (used in) financing activities (K)	(100,636)	(39,336)
Impact of changes in exchange rates on cash and cash equivalents (L)	(10,580)	(15,474)
Cash and cash equivalents at beginning of period	**264,325**	**332,071**
Cash and cash equivalents at end of period	**440,995**	**310,884**
Net change in cash and cash equivalents	**176,670**	**(21,187)**