



Unaudited interim consolidated financial statements
(free translation)
Three months ending March 31, 2018

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Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at March 31, 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 3 months ended March 31, 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.

The accounting principles and policies used for the interim financial statements as at March 31, 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 Union¹. They are detailed in the 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 March 24, 2018.

¹ The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

Significant events

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.

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 555,564 shares during the first quarter of 2018 for a value of € 5.5 million. The maximum amount planned for in the buyback program is € 30 million.

Consolidated balance sheet

Asset

<i>(in thousands of euros)</i>	March 31, 2018	Jan. 1, 2018 (*)	Dec. 31, 2017
Intangible assets	216,489	217,230	217,230
Goodwill	154,693	155,082	155,082
Other intangible assets	61,796	62,148	62,148
Insurance business investments	2,863,763	2,876,380	2,876,380
Investment property	288	288	288
Held-to-maturity securities	1,874	1,852	1,852
Available-for-sale securities	2,746,268	2,743,385	2,743,385
Trading securities	6,819	30,111	30,111
Derivatives	23,448	9,383	9,383
Loans and receivables	85,066	91,361	91,361
Receivables arising from banking and other activities	2,424,993	2,522,803	2,523,549
Investments in associates	16,372	15,780	15,780
Reinsurers' share of insurance liabilities	421,901	405,178	405,178
Other assets	929,499	920,776	920,776
Buildings used in the business and other property, plant and equipment	56,589	54,679	54,679
Deferred acquisition costs	44,764	43,903	43,903
Deferred tax assets	62,287	79,516	79,516
Receivables arising from insurance and reinsurance operations	512,752	494,839	494,839
Trade receivables arising from other activities	47,944	47,640	47,640
Current tax receivables	37,022	60,286	60,286
Other receivables	168,141	139,913	139,913
Cash and cash equivalents	293,816	264,325	264,325
TOTAL ASSETS	7,166,833	7,222,472	7,223,218

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

Liability

<i>(in thousands of euros)</i>	March 31, 2018	Jan. 1, 2018 (*)	Dec. 31, 2017
Equity attributable to owners of the parent	1,817,722	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	595,428	518,163	518,361
Other comprehensive income	61,835	76,131	76,131
Consolidated net income for the year	35,543	83,213	83,213
Non-controlling interests	140	160	160
Total equity	1,817,862	1,802,583	1,802,781
Provisions for liabilities and charges	116,486	121,716	121,716
Financing liabilities	377,182	388,234	388,234
Liabilities relating to insurance contracts	1,707,476	1,681,780	1,682,258
Payables arising from banking sector activities	2,409,879	2,527,716	2,527,716
Amounts due to banking sector companies	520,274	568,711	568,711
Amounts due to customers of banking sector companies	323,805	322,064	322,064
Debt securities	1,565,800	1,636,941	1,636,941
Other liabilities	737,948	700,443	700,513
Deferred tax liabilities	94,535	113,525	113,595
Payables arising from insurance and reinsurance operations	229,656	204,730	204,730
Current taxes payable	72,927	76,996	76,996
Derivative instruments with a negative fair value	23,216	267	267
Other payables	317,614	304,925	304,925
TOTAL EQUITY AND LIABILITIES	7,166,833	7,222,472	7,223,218

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

Effects of the first application of IFRS 9 "Financial Instruments" on the balance sheet

Asset

<i>(in thousands of euros)</i>	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 (unaudited)

Liability

<i>(in thousands of euros)</i>	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 (unaudited)

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

<i>(in thousands of euros)</i>	March 31, 2018	March 31, 2017
<i>Gross written premiums</i>	334,400	341,563
<i>Premium refunds</i>	(23,353)	(19,504)
<i>Net change in unearned premium provisions</i>	(32,630)	(39,897)
Earned premiums	278,417	282,162
<i>Fee and commission income</i>	38,026	36,587
<i>Net income from banking activities</i>	17,026	18,477
<i>Income from other activities</i>	10,554	11,083
Other revenue	65,606	66,147
Revenue	344,023	348,309
Claims expenses	(110,444)	(163,153)
<i>Policy acquisition costs</i>	(60,469)	(63,603)
<i>Administrative costs</i>	(60,786)	(64,695)
<i>Other insurance activity expenses</i>	(21,575)	(22,912)
<i>Expenses from banking activities, excluding cost of risk</i>	(3,384)	(3,307)
<i>Expenses from other activities</i>	(17,582)	(10,665)
Operating expenses	(163,796)	(165,182)
Risk cost	(849)	(895)
UNDERWRITING INCOME BEFORE REINSURANCE	68,934	19,079
Income and expenses from ceded reinsurance	(16,543)	(4,579)
UNDERWRITING INCOME AFTER REINSURANCE	52,391	14,500
Investment income, net of management expenses (excluding finance costs)	8,284	5,630
CURRENT OPERATING INCOME	60,675	20,130
Other operating income and expenses	(2,317)	(975)
OPERATING INCOME	58,358	19,155
Finance costs	(4,415)	(4,398)
Share in net income of associates	592	341
Income tax expense	(19,046)	(7,675)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	35,489	7,423
Non-controlling interests	54	(109)
NET INCOME FOR THE YEAR	35,543	7,314

Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	March 31, 2018	March 31, 2017
Net income for the period	35,543	7,314
Non-controlling interests	(54)	109
Other comprehensive income		
Currency translation differences reclassifiable to income	(5,621)	5,805
<i>Reclassified to income</i>		
<i>Recognised in equity</i>	(5,621)	5,805
Fair value adjustments on available-for-sale financial assets	(8,717)	2,974
<i>Recognised in equity – reclassifiable to income – gross</i>	(1,789)	8,922
<i>Recognised in equity – reclassifiable to income – tax effect</i>	2,588	(2,631)
<i>Reclassified to income – gross</i>	(13,366)	(4,921)
<i>Reclassified to income – tax effect</i>	3,850	1,604
Fair value adjustments on employee benefit obligations	18	(94)
<i>Recognised in equity – not reclassifiable to income – gross</i>	26	(94)
<i>Recognised in equity – not reclassifiable to income – tax effect</i>	(8)	(0)
Other comprehensive income for the period, net of tax	(14,320)	8,685
Total comprehensive income for the period	21,169	16,108
- attributable to owners of the parent	21,247	15,976
- attributable to non-controlling interests	(78)	132

Statement of changes in equity

(in thousands of euros)	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						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											
Total transactions with owners			83,213	(0)	(0)	(0)	(0)	(83,213)	(0)		(0)
March 31, 2017 net income								35,543	35,543	(54)	35,489
Fair value adjustments on available-for-sale financial assets recognized in equity						799			799	(0)	799
Fair value adjustments on available-for-sale financial assets reclassified to income						(9,515)			(9,515)	(1)	(9,516)
Change in actuarial gains and losses (IAS 19R)								18	18		18
Currency translation differences					(5,598)				(5,598)	(23)	(5,621)
Treasury shares elimination				(5,514)					(5,514)		(5,514)
Free share plans expenses			(449)						(449)		(449)
Transactions with shareholders			15						15	56	71
Equity at March 31, 2018	314,496	810,420	605,608	(10,180)	(30,511)	115,907	(23,561)	35,543	1,817,722	138	1,817,860

Consolidated statement of cash flows

<i>(in thousands of euros)</i>	March 31, 2018	March 31, 2017
Net income for the period	35,543	7,314
Non-controlling interests	(54)	109
Income tax expense	19,046	7,675
+/- Share in net income of associates	(592)	(341)
Finance costs	4,415	4,398
Operating income (A)	58,358	19,155
+/- Depreciation, amortization and impairment losses	(819)	(991)
+/- Net additions to/reversals from technical provisions	24,455	26,962
+/- Unrealized foreign exchange income / loss	7,092	25,339
+/- Non-cash items	(8,235)	(10,920)
Total non-cash items (B)	22,493	40,390
Gross cash flows from operations (C) = (A) + (B)	80,851	59,545
Change in operating receivables and payables	(3,302)	21,327
Net taxes paid	5,229	(14,533)
Net cash related to operating activities (D)	1,927	6,794
Increase (decrease) in receivables arising from factoring operations	94,929	(142,420)
Increase (decrease) in payables arising from factoring operations	(69,400)	141,057
Increase (decrease) in factoring liabilities	(45,689)	33,127
Net cash generated from banking and factoring operations (E)	(20,160)	31,764
Net cash generated from operating activities (F) = (C+D+E)	62,618	98,102
Acquisitions of investments	(584,217)	(515,601)
Disposals of investments	580,832	369,794
Net cash used in movements in investments (G)	(3,385)	(145,807)
Acquisitions of consolidated subsidiaries, net of cash acquired		(6,500)
Disposals of consolidated companies, net of cash transferred		
Net cash used in changes in scope of consolidation (H)		(6,500)
Disposals of property, plant and equipment and intangible assets	(5,952)	(2,540)
Acquisitions of property, plant and equipment and intangible assets		
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	(5,952)	(2,540)
Net cash used in investing activities (J) = (G+H+I)	(9,337)	(154,847)
Proceeds from the issue of equity instruments		
Treasury share transactions	(5,514)	86
Dividends paid to owners of the parent		
Dividends paid to non-controlling interests		
Cash flows related to transactions with owners	(5,514)	86
Proceeds from the issue of debt instruments		
Cash used in the redemption of debt instruments		(754)
Interests paid	(16,048)	(16,036)
Cash flows related to the financing of Group operations	(16,048)	(16,790)
Net cash generated from (used in) financing activities (K)	(21,562)	(16,704)
Impact of changes in exchange rates on cash and cash equivalents (L)	(2,228)	1,657
Net increase in cash and cash equivalents (F+J+K+L)	29,491	(71,791)
Net cash generated from operating activities (F)	62,618	98,102
Net cash used in investing activities (J)	(9,337)	(154,847)
Net cash generated from (used in) financing activities (K)	(21,562)	(16,704)
Impact of changes in exchange rates on cash and cash equivalents (L)	(2,228)	1,657
Cash and cash equivalents at beginning of period	264,325	332,071
Cash and cash equivalents at end of period	293,816	260,280
Net change in cash and cash equivalents	29,491	(71,791)