



Unaudited interim consolidated financial statements
(free translation)
Nine months ending September 30, 2021

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Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at September 30th, 2021 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 December 31st, 2020 for balance sheet items, and for the 9 months ended September 30th, 2020 for income statement items.

The accounting principles and policies used for the interim financial statements as at September 30th, 2021 are the same as the ones used for the year ended December 31st, 2020. They are prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and adopted by the European Union¹. They are detailed in the note “Applicable Accounting Standards” of consolidated financial statements for the year ended December 31st, 2020.

Finally, quarterly financial statements take into account all the measures established by governments (mainly Europeans) to maintain the availability of credit insurance to a large number of firms. These measures are reinsurance contracts and are described in the Significant events section

These condensed consolidated financial statements were reviewed by Coface Group’s Board of Directors on October 26th, 2020. They were also previously reviewed by the Audit Committee on October 26th, 2021.

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

Governance evolution In the Board of Directors

On February 10, 2021, Natixis and Arch Capital announced that the sale of a 29.5% stake in Coface capital had received all the necessary approvals for its closing. In line with the announcements made in February 2020, all the directors representing Natixis have resigned. The Board then co-opted four directors presented by Arch as well as Bernardo Sanchez Incera, who was then appointed Chairman of the Board. As of today, Coface's Board of Directors has therefore 10 members, 4 women and 6 men, the majority (6) of whom are independent directors.

On July 28, 2021, the Board of Directors of COFACE SA co-opted David Gansberg, Chief Executive Officer, Global Mortgage Group at Arch, as a non-independent director at the Board of Directors taking the place of Benoît Lapointe de Vaudreuil who leaves the Board to focus on his other professional responsibilities.

In the Executive Committee

On March 24, 2021, Declan Daly has been appointed Chief Operating Officer of the Coface Group, effective as of April 1, 2021. He will continue to report directly to Xavier Durand, CEO, and will join the Group's Executive Committee. In this newly created role, Declan will be responsible for furthering and accelerating Coface's transformation terms of service quality and operational efficiency across the Group.

On September 1, 2021, several appointments were made to strengthen Coface's leadership team:

- Antonio Marchitelli, CEO of Coface Western Europe Region, was appointed as CEO, Global Specialties, effective January 2022. In this newly created role, Antonio will drive Coface's growth strategy in three key specialty product lines, i.e. Single Risk, Bonding and Debt Collection. He will design and roll out a global roadmap to accelerate growth and build Coface's operational capability to develop these product lines.

- Carine Pichon, chief financial and risks officer, will replace Antonio as CEO of Coface Western Europe Region. Carine has been running finance and risks globally since 2011. Her appointment recognizes her long-standing contribution to Coface's transformation and in particular to the Fit to Win and Build to Lead strategic plans as well as Coface's IPO.

- Phalla Gervais will replace Carine in her role of CFO, in charge of finance and risks as of September 6. Carine and Phalla will work together to ensure a smooth transition. Phalla was CFO and Deputy CEO of Aviva France. She has a long track record of finance transformation,

- Lastly, after several months as acting in this role Jaroslaw Jaworski has been confirmed in the role of CEO of Coface Central and Eastern Europe Region, effective on September 1. Jaroslaw was previously Poland Country manager since 2012. He successfully positioned Coface as a leading player in this important market.

Antonio, Carine, Phalla and Jaroslaw report to Xavier Durand and will be part of the executive committee.

On September 10, 2021, Marcele Lemos was appointed as the new CEO, Latin America Region, effective on Monday, September 13th. She joined the Executive committee and report to Xavier Durand, Group CEO. She takes over from Carmina Abad Sanchez who has decided to leave the Coface Group for an early retirement.

Rating agencies recognise Coface's good performance

On February 10, 2021, the rating agency Moody's has confirmed the financial strength rating (Insurance Financial Strength – IFS) for Coface at A2. The agency has also raised the outlook for Coface, which is now stable.

On March 18, 2021, the rating agency AM Best affirmed the A (Excellent) Insurer Financial Strength – IFS rating of Compagnie française d'assurance pour le commerce extérieur (la Compagnie), Coface North America Insurance Company (CNAIC) and Coface Re. The outlook for these ratings remain "stable".

On April 20, 2021, the rating agency Fitch affirmed Coface AA- Insurer Financial Strength (IFS) rating. The agency also removed the Rating Watch Negative. The outlook is now stable.

Capital reduction by cancellation of treasury shares

The Board of Directors of COFACE SA, in its meeting of 3 March 2021, decided to cancel the 1,852,157 shares bought under the share buyback programme, as announced on 27 October 2020; and correlatively, to reduce the share capital of the company.

Therefore, the share capital of COFACE SA now stands at €300,359,594 divided into 150,179,792 shares with a nominal value of €2 each.

Expiry of the main government schemes

In 2020, many governments were quick to recognize the crucial role of credit insurance in maintaining business-to-business credit, the primary source of financing for many companies. In order to guarantee the availability of credit insurance in a period when the risk is not necessarily insurable, many states set up guarantee mechanisms of varying form and scope. As of 31 December 2020, Coface had signed 13 government agreements representing 64% of its exposure.

As initially planned, the vast majority of these government schemes (excluding top-up) have expired on 30 June 2021 leading to run-off on these policies. Indeed, governments and credit insurance players, including Coface, agree with the analysis that an extension is not necessary based on the current market situation. However, the various players will continue to work closely together after June 30 2021 in order to be able to act quickly, within the context of EU legislation, in the event that the economic situation deteriorates significantly.

Entry into the scope of consolidation

During the first semester 2021, three entities held for several years are entered into the scope of consolidation. These entities are Coface Poland insurance service, Coface Romania insurance service and Coface Finance Israel.

Renewal of its syndicated loan agreement

As part of the refinancing of its factoring activities, COFACE SA signed on 4 August 2021 with a group of banking partner the early renewal of its €700 million syndicated euro loan. It is part of the Build to Lead plan, which aims to leverage Coface assets in specialty businesses and therefore continues to support the development of factoring.

This transaction was initially concluded in 2017 to replace existing bilateral credit lines. Coface is supported by a panel of seven banking partners: BNP Paribas, Crédit Agricole CIB, Natixis, Société Générale, acting as Mandated Lead Arrangers and Bookrunners, BRED, HSBC and La Banque Postale acting as Mandated Lead Arrangers. Société Générale is acting as Documentation and Facility Agent.

The loan is renewed for a period of three years with two one-year extension options at the lenders' discretion. This transaction enables the Group to improve its financial flexibility and extend the maturity of its refinancing, while taking advantage of favourable market conditions and strengthening relations with its senior banks, which thus confirm their medium-term commitment to Coface.

Consolidated balance sheet

Asset

<i>(in thousands of euros)</i>	Sep 30, 2021	Dec. 31, 2020
Intangible assets	229,741	230,852
Goodwill	154,945	154,245
Other intangible assets	74,796	76,607
Insurance business investments	3,108,774	2,982,945
Investment property	288	288
Held-to-maturity securities	1,810	1,872
Available-for-sale securities	3,017,399	2,896,314
Trading securities	122	67
Derivatives	6,730	7,237
Loans and receivables	82,425	77,167
Receivables arising from banking activities	2,495,034	2,326,941
Reinsurers' share of insurance liabilities	656,279	603,453
Other assets	973,885	1,007,645
Buildings used for operations purposes and other property, plant and equipment	106,446	112,765
Deferred acquisition costs	40,953	35,494
Deferred tax assets	58,806	49,250
Receivables arising from insurance and reinsurance operations	506,904	516,561
Trade receivables arising from service activities	57,558	62,390
Current tax receivables	48,822	49,853
Other receivables	154,396	181,332
Cash and cash equivalents	320,599	400,969
TOTAL ASSETS	7,784,312	7,552,804

Liability

<i>(in thousands of euros)</i>	Sep 30, 2021	Dec. 31, 2020
Equity attributable to owners of the parent	2,063,234	1,998,308
Share capital	300,360	304,064
Additional paid-in capital	810,420	810,420
Retained earnings	645,808	656,118
Other comprehensive income	115,729	144,807
Consolidated net income of the year	190,918	82,900
Non-controlling interests	284	267
Total equity	2,063,518	1,998,575
Provisions for liabilities and charges	87,089	96,307
Financing liabilities	386,258	389,810
Lease liabilities	83,900	88,124
Liabilities relating to insurance contracts	1,878,672	1,804,092
Payables arising from banking activities	2,499,417	2,318,392
Amounts due to banking sector companies	783,037	535,447
Amounts due to customers of banking sector companies	332,999	357,384
Debt securities	1,383,381	1,425,562
Other liabilities	785,460	857,504
Deferred tax liabilities	109,096	110,507
Payables arising from insurance and reinsurance operations	319,668	414,133
Current taxes payables	83,046	70,621
Derivatives	2,232	26
Other payables	271,417	262,219
TOTAL EQUITY AND LIABILITIES	7,784,312	7,552,804

Consolidated income statement

<i>(in thousands of euros)</i>	Sep 30, 2021	Sep 30, 2020
<i>Gross written premiums</i>	1,102,852	976,106
<i>Premium refunds</i>	(82,886)	(59,011)
<i>Net change in unearned premium provisions</i>	(50,515)	(19,915)
Earned premiums	969,451	897,180
<i>Fee and commission income</i>	106,128	110,438
<i>Net income from banking activities</i>	47,023	42,680
<i>Income from services activities</i>	35,791	32,143
Other revenue	188,943	185,261
Revenue	1,158,394	1,082,440
Claims expenses	(244,555)	(516,555)
<i>Policy acquisition costs</i>	(187,629)	(174,498)
<i>Administrative costs</i>	(204,742)	(195,962)
<i>Other insurance activity expenses</i>	(50,452)	(41,215)
<i>Expenses from banking activities, excluding cost of risk</i>	(9,508)	(9,779)
<i>Expenses from services activities</i>	(62,616)	(60,346)
Operating expenses	(514,946)	(481,800)
Risk cost	100	(70)
UNDERWRITING INCOME BEFORE REINSURANCE	398,992	84,015
Income and expenses from ceded reinsurance	(163,785)	(9,437)
UNDERWRITING INCOME AFTER REINSURANCE	235,207	74,578
Investment income, net of management expenses (excluding finance costs)	30,901	23,477
CURRENT OPERATING INCOME	266,108	98,054
Other operating income and expenses	(833)	(2,393)
OPERATING INCOME	265,275	95,661
Finance costs	(15,351)	(17,270)
Share in net income of associates		
Badwill	(0)	8,870
Income tax expense	(58,985)	(34,828)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	190,939	52,433
Non-controlling interests	(21)	1
NET INCOME FOR THE YEAR	190,918	52,434

Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	Notes	September. 30, 2021	September. 30, 2020
Net income of the period		190,918	52,433
Non-controlling interests		21	(1)
Other comprehensive income			
Currency translation differences reclassifiable to income		(1,156)	(23,788)
<i>Reclassified to income</i>		(0)	
<i>Recognised in equity</i>		(1,156)	(23,788)
Fair value adjustments on available-for-sale financial assets		(28,788)	(6,805)
<i>Recognised in equity – reclassifiable to income – gross</i>		(15,247)	(17,079)
<i>Recognised in equity – reclassifiable to income – tax effect</i>		87	3,309
<i>Reclassified to income – gross</i>		(15,247)	7,432
<i>Reclassified to income – tax effect</i>		1,619	(467)
Fair value adjustments on employee benefit obligations		865	2,936
<i>Recognised in equity – not reclassifiable to income – gross</i>		1,177	4,027
<i>Recognised in equity – not reclassifiable to income – tax effect</i>		(312)	(1,091)
Other comprehensive income of the period, net of tax		(29,079)	(27,657)
Total comprehensive income of the period		161,860	24,775
- attributable to owners of the parent		161,839	24,799
- attributable to non-controlling interests		21	(24)

Statement of changes in equity

<i>(in thousands of euros)</i>	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, 2019		304 064	810 420	523 628	-11 190	-8 425	184 659	-25 413	146 729	1 924 472	269	1 924 741
2019 net income to be appropriated				146,729					(146,729)			
Payment of 2019 dividends in 2020												
Total transactions with owners		0	0	146 729	0	0	0	0	-146 729	0	0	0
December 31, 2020 net income									82 900	82 900	4	82 904
Fair value adjustments on available-for-sale financial assets recognized in equity							17 261			17 261	1	17 262
Fair value adjustments on available-for-sale financial assets reclassified to income statement							562			562	0	562
Change in actuarial gains and losses (IAS 19R)								1 298		1 298		1 298
Currency translation differences							-25 135			-25 135	-15	-25 150
Cancellation of COFACE SA shares												
Treasury shares elimination					-4 632					-4 632		-4 632
Free share plans expenses				1 698						1 698		1 698
Transactions with shareholders and others				-126						-116	8	-108
Equity at December 31, 2020		304 064	810 420	671 939	-15 822	-33 560	202 482	-24 115	82 900	1 998 308	267	1 998 575
2020 net income to be appropriated				82,900					(82,900)			
Payment of 2020 dividends in 2021				(81,976)						(81,976)	4	(81,980)
Total transactions with owners		(0)	(0)	924	(0)	(0)	(0)	(0)	(82,900)	(81,976)	(4)	(81,980)
September 30, 2021 net income									190,918	190,918	21	190,939
Fair value adjustments on available-for-sale financial assets recognized in equity							(15,160)			(15,160)	(0)	(15,160)
Fair value adjustments on available-for-sale financial assets reclassified to income statement							(13,627)			(13,627)	(1)	(13,628)
Change in actuarial gains and losses (IAS 19R)								865		865		865
Currency translation differences							(1,157)			(1,157)	1	(1,156)
Cancellation of COFACE SA shares		(3,704)		(11,298)						(15,002)		(15,002)
Treasury shares elimination					52					52		52
Free share plans expenses				14						14		14
Transactions with shareholders and others				(1)						(1)	(0)	(1)
Equity at September 30, 2021		300,360	810,420	661,578	(15,770)	(34,717)	173,695	(23,250)	190,918	2,063,234	284	2,063,518

Consolidated statement of cash flows

<i>(in thousands of euros)</i>	September 30, 2021	September 30, 2020
Net income for the period	190,918	52,434
Non-controlling interests	21	(1)
Income tax expense	58,985	34,828
Finance costs	15,351	17,270
Operating income (A)	265,275	104,531
+/- Depreciation, amortization and impairment losses	26,812	20,980
+/- Net additions to / reversals from technical provisions	2,720	(5,855)
+/- Unrealized foreign exchange income / loss	10,244	9,324
+/- Non-cash items	(5,900)	20,516
Total non-cash items (B)	26,597	44,965
Gross cash flows from operations (C) = (A) + (B)	299,152	149,496
Change in operating receivables and payables	(53,154)	126,883
Net taxes paid	(54,259)	(26,939)
Net cash related to operating activities (D)	(107,412)	99,944
Increase (decrease) in receivables arising from factoring operations	(174,224)	167,243
Increase (decrease) in payables arising from factoring operations	(66,566)	(203,959)
Increase (decrease) in factoring liabilities	253,731	17,715
Net cash generated from banking and factoring operations (E)	12,941	(19,000)
Net cash generated from operating activities (F) = (C+D+E)	204,681	230,440
Acquisitions of investments	(1,147,604)	(482,906)
Disposals of investments	1,014,811	482,699
Net cash used in movements in investments (G)	(132,793)	(207)
Acquisitions of consolidated subsidiaries, net of cash acquired	830	(4,232)
Disposals of consolidated companies, net of cash transferred		(0)
Net cash used in changes in scope of consolidation (H)	830	(4,232)
Acquisitions of property, plant and equipment and intangible assets	(11,036)	(20,050)
Disposals of property, plant and equipment and intangible assets	599	2,308
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	(10,437)	(17,742)
Net cash used in investing activities (J) = (G+H+I)	(142,400)	(22,181)
Proceeds from the issue of equity instruments		(0)
Treasury share transactions	(14,955)	(4,632)
Dividends paid to owners of the parent	(81,976)	(0)
Dividends paid to non-controlling interests	(4)	(1)
Cash flows related to transactions with owners	(96,935)	(4,633)
Proceeds from the issue of debt instruments	1	0
Cash used in the redemption of debt instruments	(0)	(0)
Lease liabilities variations	(12,879)	(8,998)
Interests paid	(18,844)	(20,824)
Cash flows related to the financing of Group operations	(31,722)	(29,822)
Net cash generated from (used in) financing activities (K)	-128 657	(34,455)
Impact of changes in exchange rates on cash and cash equivalents (L)	-13 993	(21,902)
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	-80 370	151,902
Net cash generated from operating activities (F)	204,681	230,440
Net cash used in investing activities (J)	(142,400)	(22,181)
Net cash generated from (used in) financing activities (K)	(128,657)	(34,455)
Impact of changes in exchange rates on cash and cash equivalents (L)	(13,993)	(21,902)
Cash and cash equivalents at beginning of period	400,969	320,777
Cash and cash equivalents at end of period	320,599	472,678
NET CHANGE IN CASH AND CASH EQUIVALENTS	(80,370)	151,901

Events after the reporting period

No significant event after the end of the period is to be reported.