



Unaudited interim
consolidated financial
statements
(free translation)
Three months ending March 31, 2022

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Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at March 31, 2022 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 December 31, 2021 for balance sheet items and for the 3 months ended March 31, 2021 for income statement items.

The accounting principles and policies used for the interim financial statements as at March 31, 2022 are the same as the ones used for the year ended December 31, 2021. They are prepared in accordance with the International Financial Reporting Standards (IFRS) as published by 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 31, 2021.

These condensed consolidated financial statements were reviewed by Coface Group’s Board of Directors on 28 April 2022. They were also previously reviewed by the Audit Committee on 27 April 2022.

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

Natixis announces the sale of its residual stake in Coface SA

On January 6, 2022, Natixis announced the sale of its remaining interest in COFACE SA. This sale represented approximately 10.04% of COFACE SA's share capital, or 15,078,095 shares. It was carried out by way of an ABB (accelerated book-building) at an average price of €11.55. Following this transaction, Natixis no longer held any shares in COFACE SA.

Anticipated impacts of the Ukraine crisis

The invasion of Ukraine by Russia on February 24, 2022 has triggered a war in Europe for the first time since the Second World War. This armed conflict and the numerous economic sanctions taken against Russia will certainly have serious economic and financial consequences for the whole world, while the previous crisis linked to the Covid was not yet over. The inflationary consequences are significant: the hope of seeing the prices of energy, minerals and agricultural products fall in the second half of 2022 is gone, or at least remote.

The decline in freight costs has also been postponed (due to air travel bans and soaring fuel costs). As a result, the standardization of production lines has also been postponed. In addition, the Central European countries have to bear the burden of hundreds of thousands of Ukrainian refugees. These same countries, as Russia's trade corridors and outlets, are suffering from the reduction in trade between the two belligerents and Europe. Finally, energy and food price inflation is a potential source of social unrest, which could lead to political upheaval, especially in developing countries, where government intervention to mitigate its impact on households is made difficult by weak budgetary capacity and high debt levels increased by the pandemic. Faced with high inflation in property prices, real estate and financial assets, as well as a sharp economic slowdown, central banks find themselves in an uncomfortable situation. The extent and duration of the damage caused to the world economy by the conflict are still difficult to determine, as we do not know the duration and evolution of the intensity of the war.

In this context, Coface has adjusted its assessments of Russian, Belarusian and Ukrainian risks and reduced its exposure to these countries. The Group continues to monitor closely the situation on a daily basis and is constantly adjusting its underwriting policy to ensure compliance with international sanctions.

To date, and subject to any changes in the situation, this serious crisis has greatly increased uncertainty and volatility due to its multi-sector and multi-geographical impact.

Coface is not directly exposed to the countries in conflict through its investment portfolio and the impact of this conflict on its business remains very limited.

Coface Russia Insurance's earned premiums will amount to €12.46 million in 2021 (1% of the Group total) and the value of this subsidiary's shares is less than €7 million based on the net book value in the Group's financial statements at 31 December 2021.

The Group's exposure to risk in this region, which was insignificant in its factoring business and overall less than 1% of its global exposure before the start of the conflict, has since been adjusted downwards and monitored regularly.

While the loss experience reported to date in this region has not shown any significant deterioration, the impact of this crisis, whether direct or indirect, could result in a deterioration of its loss ratio.

Consolidated balance sheet

Asset

<i>(in thousands of euros)</i>	March 31, 2022	Dec. 31, 2021
Intangible assets	236,048	229,951
Goodwill	155,780	155,529
Other intangible assets	80,269	74,423
Insurance business investments	3,175,567	3,219,430
Investment property	288	288
Held-to-maturity securities	1,855	1,833
Available-for-sale securities	3,078,833	3,115,154
Trading securities	11	15
Derivatives	11,900	10,458
Loans and receivables	82,680	91,683
Receivables arising from banking activities	2,969,056	2,690,125
Reinsurers' share of insurance liabilities	509,879	512,187
Other assets	1,161,506	1,024,871
Buildings used for operations purposes and other property, plant and equipment	103,872	105,809
Deferred acquisition costs	46,180	38,900
Deferred tax assets	46,023	58,345
Receivables arising from insurance and reinsurance operations	588,142	511,038
Trade receivables arising from service activities	63,967	59,489
Current tax receivables	83,878	75,682
Other receivables	229,443	175,609
Cash and cash equivalents	389,248	362,441
TOTAL ASSETS	8,441,343	8,039,005

Liability

<i>(in thousands of euros)</i>	March 31, 2022	Dec. 31, 2021
Equity attributable to owners of the parent	2,135,481	2,141,041
Share capital	300,360	300,360
Additional paid-in capital	810,420	810,420
Retained earnings	868,504	644,807
Other comprehensive income	89,956	161,638
Consolidated net income of the year	66,243	223,817
Non-controlling interests	324	309
Total equity	2,135,805	2,141,351
Provisions for liabilities and charges	81,974	85,748
Financing liabilities	378,943	390,553
Lease liabilities	80,760	81,930
Liabilities relating to insurance contracts	1,958,164	1,859,059
Payables arising from banking activities	2,954,697	2,698,525
Amounts due to banking sector companies	867,711	822,962
Amounts due to customers of banking sector companies	392,570	376,788
Debt securities	1,694,416	1,498,775
Other liabilities	851,000	781,841
Deferred tax liabilities	98,037	120,326
Payables arising from insurance and reinsurance operations	331,470	286,583
Current taxes payables	83,923	80,712
Derivatives	6,489	3,480
Other payables	331,081	290,739
TOTAL EQUITY AND LIABILITIES	8,441,343	8,039,005

Consolidated income statement

<i>(in thousands of euros)</i>	March 31, 2022	March 31, 2021
<i>Gross written premiums</i>	450,844	377,480
<i>Premium refunds</i>	(31,265)	(22,774)
<i>Net change in unearned premium provisions</i>	(58,232)	(42,656)
Earned premiums	361,347	312,050
<i>Fee and commission income</i>	39,988	38,665
<i>Net income from banking activities</i>	16,422	15,135
<i>Income from services activities</i>	13,040	12,087
Other revenue	69,450	65,887
Revenue	430,798	377,937
Claims expenses	(104,347)	(92,022)
<i>Policy acquisition costs</i>	(70,732)	(61,293)
<i>Administrative costs</i>	(71,563)	(63,236)
<i>Other insurance activity expenses</i>	(15,272)	(15,847)
<i>Expenses from banking activities, excluding cost of risk</i>	(6,145)	(3,237)
<i>Expenses from services activities</i>	(21,432)	(21,009)
Operating expenses	(185,144)	(164,623)
Risk cost	221	60
UNDERWRITING INCOME BEFORE REINSURANCE	141,528	121,352
Income and expenses from ceded reinsurance	(56,666)	(47,056)
UNDERWRITING INCOME AFTER REINSURANCE	84,862	74,295
Investment income, net of management expenses (excluding finance costs)	12,345	5,731
CURRENT OPERATING INCOME	97,207	80,026
Other operating income and expenses	(1,151)	(382)
OPERATING INCOME	96,056	79,644
Finance costs	(5,052)	(4,845)
Share in net income of associates		
Badwill	(0)	(0)
Income tax expense	(24,755)	56,364
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	66,250	56,364
Non-controlling interests	(7)	9
NET INCOME FOR THE YEAR	66,243	56,374

Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	Notes	March. 31, 2022	March. 31, 2021
Net income of the period		66,242	56,373
Non-controlling interests		7	(9)
Other comprehensive income			
Currency translation differences reclassifiable to income		6,232	17,139
<i>Reclassified to income</i>		(0)	(0)
<i>Recognised in equity</i>		6,232	17,139
Fair value adjustments on available-for-sale financial assets		(77,662)	(6,235)
<i>Recognised in equity – reclassifiable to income – gross</i>		(103,444)	(5,946)
<i>Recognised in equity – reclassifiable to income – tax effect</i>		22,440	1,051
<i>Reclassified to income – gross</i>		3,078	(1,308)
<i>Reclassified to income – tax effect</i>		264	(32)
Fair value adjustments on employee benefit obligations		(246)	
<i>Recognised in equity – not reclassifiable to income – gross</i>		20	
<i>Recognised in equity – not reclassifiable to income – tax effect</i>		(266)	(0)
Other comprehensive income of the period, net of tax		(71,676)	10,904
Total comprehensive income of the period		(5,427)	67,268
- attributable to owners of the parent		(5,441)	67,273
- attributable to non-controlling interests		14	(5)

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, 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)
December 31, 2021 net income									223,817	223,817	57	223,874
Fair value adjustments on available-for-sale financial assets recognized in equity							17,106			17,106	1	17,107
Fair value adjustments on available-for-sale financial assets reclassified to income statement							(7,363)			(7,363)	(0)	(7,363)
Change in actuarial gains and losses (IAS 19R)								1,622		1,622		1,622
Currency translation differences						4,958				4,958	(2)	4,956
Cancellation of COFACE SA shares		(3,704)		(11,298)						(15,002)		(15,002)
Treasury shares elimination					103					103		103
Free share plans expenses				465						465		465
Transactions with shareholders and others				(1,504)			508			(996)	(10)	(1,006)
Equity at December 31, 2021		300,360	810,420	660,526	(15,719)	(28,602)	212,733	(22,493)	223,817	2,141,042	309	2,141,351
2021 net income to be appropriated				223,817					(223,817)			
Payment of 2021 dividends in 2022				(0)						(0)	(0)	(0)
Total transactions with owners		(0)	(0)	223,817	(0)	(0)	(0)	(0)	(223,817)	(0)	(0)	(0)
March 31, 2021 net income									66,242	66,242	7	66,249
Fair value adjustments on available-for-sale financial assets recognized in equity							(80,994)			(80,994)	(10)	(81,004)
Fair value adjustments on available-for-sale financial assets reclassified to income statement							3,342			3,342	(0)	3,342
Change in actuarial gains and losses (IAS 19R)								(246)		(246)		(246)
Currency translation differences						6,215				6,215	17	6,232
Cancellation of COFACE SA shares												
Treasury shares elimination					(558)					(558)		(558)
Free share plans expenses				440						440		440
Transactions with shareholders and others				(2)			(0)			(2)	1	(1)
Equity at March 31, 2021		300,360	810,420	884,781	(16,277)	(22,387)	135,081	(22,739)	66,242	2,135,481	324	2,135,805

Consolidated statement of cash flows

<i>(in thousands of euros)</i>	March 31, 2022	March 31, 2021
Net income for the period	66,243	56,374
Non-controlling interests	7	(9)
Income tax expense	24,755	18,435
Finance costs	5,052	4,845
Operating income (A)	96,056	79,644
+/- Depreciation, amortization and impairment losses	5,872	9,004
+/- Net additions to / reversals from technical provisions	98,490	(10,169)
+/- Unrealized foreign exchange income / loss	(5,926)	(3,626)
+/- Non-cash items	(52,731)	(264)
Total non-cash items (B)	45,705	(5,056)
Gross cash flows from operations (C) = (A) + (B)	141,761	74,589
Change in operating receivables and payables	(6,931)	58,050
Net taxes paid	(18,143)	(3,738)
Net cash related to operating activities (D)	(25,075)	54,312
Increase (decrease) in receivables arising from factoring operations	(284,777)	(39,281)
Increase (decrease) in payables arising from factoring operations	211,423	(73,794)
Increase (decrease) in factoring liabilities	50,484	135,831
Net cash generated from banking and factoring operations (E)	(22,871)	22,756
Net cash generated from operating activities (F) = (C+D+E)	93,816	151,657
Acquisitions of investments	(790,132)	(542,059)
Disposals of investments	754,829	499,882
Net cash used in movements in investments (G)	(35,303)	(42,178)
Acquisitions of consolidated subsidiaries, net of cash acquired	(0)	(0)
Disposals of consolidated companies, net of cash transferred	(0)	(0)
Net cash used in changes in scope of consolidation (H)	(0)	(0)
Acquisitions of property, plant and equipment and intangible assets	(10,668)	(1,346)
Disposals of property, plant and equipment and intangible assets	252	(18)
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	(10,416)	(1,364)
Net cash used in investing activities (J) = (G+H+I)	(45,719)	(43,541)
Proceeds from the issue of equity instruments	(0)	(0)
Treasury share transactions	(558)	(15,250)
Dividends paid to owners of the parent	(0)	0
Dividends paid to non-controlling interests	(0)	(0)
Cash flows related to transactions with owners	(557)	(15,251)
Proceeds from the issue of debt instruments	(0)	(0)
Cash used in the redemption of debt instruments	(0)	(0)
Lease liabilities variations	(4,021)	(4,464)
Interests paid	(16,661)	(17,581)
Cash flows related to the financing of Group operations	(20,683)	(22,045)
Net cash generated from (used in) financing activities (K)	(21,240)	(37,296)
Impact of changes in exchange rates on cash and cash equivalents (L)	(50)	(804)
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	26,807	70,015
Net cash generated from operating activities (F)	93,816	151,657
Net cash used in investing activities (J)	(45,719)	(43,541)
Net cash generated from (used in) financing activities (K)	(21,240)	(37,296)
Impact of changes in exchange rates on cash and cash equivalents (L)	(50)	(804)
Cash and cash equivalents at beginning of period	362,441	400,969
Cash and cash equivalents at end of period	389,248	470,984
NET CHANGE IN CASH AND CASH EQUIVALENTS	26,807	70,015

Events after the reporting period

Coface New Zealand: new branch opens

On April 4, 2022, Coface announced the opening of an office in New Zealand after the approval from the Reserve Bank of New Zealand. This is in line with its ambitions to grow in new high-potential markets.

According to the World Bank, the value of New Zealand's exports reached \$50.5 billion in 2020. This market therefore offers significant potential to develop the credit insurance solutions and adjacent specialty services.