



Unaudited interim consolidated financial statements

(free translation)

Nine months ending September 30, 2022

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Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at September 30th, 2022 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, 2021 for balance sheet items, and for the 9 months ended September 30th, 2021 for income statement items.

The accounting principles and policies used for the interim financial statements as at September 30th, 2022 are the same as the ones used for the year ended December 31st, 2021. 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, 2021.

These condensed consolidated financial statements were reviewed by Coface Group’s Board of Directors on October 27th, 2022. They were also previously reviewed by the Audit Committee on October 26th, 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

Governance evolution

- **In the Board of Directors**

On May 17, 2022, during the Combined General Meeting, Laetitia Leonard – Reuter and Laurent Musy have been elected as independent directors for a term of four years. These appointments follow the expiration of the terms of office of Olivier Zarrouati and Eric Hémar, respectively.

Thus, at the close of the General Meeting, the Board of Directors is composed of 10 members, 5 women and 5 men, the majority (6) of whom are independent directors.

- **In the Executive Committee**

On May 2, 2022, Hugh Burke has been appointed as the CEO of Coface Asia-Pacific Region, effective on April 1, 2022. He joins the Group executive committee and reports to Xavier Durand, Coface CEO. He takes over from Bhupesh Gupta who has significantly contributed to transforming the company's culture during the past 6 years and has managed the operations in the region through the sanitary crisis with courage and accountability.

On September 8, 2022, Matthieu Garnier, Group Information Services Director, joined the Group Executive Committee and will continue to report to Thibault Surer, Group Strategy & Development Director. This decision is part of our strategy to develop information services, one of the major pillars of our Build to Lead plan.

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.

Coface Russia Insurance's earned premiums will amount to €9.2M at 30 September 2022 (vs. €12.5M in 2021, i.e. 1% of the Group total) and this subsidiary contributed €44.7M to the Group's total balance sheet at 30 September 2022 (i.e. 0.5% of the consolidated total balance sheet).

Losses related to this conflict have increased but remain limited at the Group level. The Group's exposure to risk in this region, overall less than 1% of its global exposure before the start of the conflict, has since been adjusted downwards and monitored regularly.

A deterioration of the loss ratio occurred in this area but it remains limited at group level. The impact if this crisis, whether direct or indirect, could result over time in a deterioration of the group loss ratio.

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.

AM Best affirms Coface's main operating subsidiaries rating at A (Excellent) with a stable outlook

On April 7, 2022, 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".

MSCI upgrades COFACE SA's rating from AA to AAA.

On July 14, 2022, COFACE SA's rating was upgraded to "AAA" by the extra-financial rating agency MSCI, which analyzes the environmental, social and governance (ESG) practices of thousands of companies worldwide.

This places COFACE SA in the top 4% of companies in its industry ("Property & Casualty Insurance" category).

Success of its debt management exercise

On September 21, 2022, COFACE SA announced the results of the tender offer to repurchase its guaranteed subordinated notes of an amount of €380,000,000 bearing a fixed interest rate of 4.125 per cent., due on 27 March 2024. The Company accepted the repurchase of a principal amount of EUR 153,400,000 Notes validly tendered at a fixed purchase price of 103,625 per cent.

COFACESA also announced the issuance on 22 September 2022 of €300,000,000 tier 2 notes bearing a fixed interest rate of 6.000 per cent., due on 22 September 2032.

Change in the scope of consolidation

At 30 September 2022, the entries into the scope of consolidation concern the entities Coface Services Greece, Coface Norden Services A/S, Coface Sverige Services AB, Coface Services Suisse, Coface Servicios Argentina S.A., Coface Baltics Services and a new branch Coface New Zealand.

The entity Coface Finance Israel has been merged with the entity Coface Holding Israel on March 20, 2022.

The consolidated entity Coface PKZ was absorbed by Compagnie Française d'Assurance pour le commerce extérieur on September 30, 2022 and became its branch.

Consolidated balance sheet

Asset

<i>(in thousands of euros)</i>	September 30, 2022	December 31, 2021
Intangible assets	238,886	229,951
Goodwill	157,301	155,529
Other intangible assets	81,585	74,423
Insurance business investments	2,898,037	3,219,430
Investment property	1,350	288
Held-to-maturity securities	1,817	1,833
Available-for-sale securities	2,789,629	3,115,154
Trading securities	34	15
Derivatives	11,563	10,458
Loans and receivables	93,645	91,683
Receivables arising from banking activities	2,940,392	2,690,125
Reinsurers' share of insurance liabilities	528,818	512,187
Other assets	1,267,010	1,024,871
Buildings used for operations purposes and other property, plant and equipment	99,894	105,809
Deferred acquisition costs	50,169	38,900
Deferred tax assets	87,870	58,345
Receivables arising from insurance and reinsurance operations	709,199	511,038
Trade receivables arising from service activities	48,408	59,489
Current tax receivables	84,491	75,682
Other receivables	186,981	175,609
Cash and cash equivalents	717,892	362,441
TOTAL ASSETS	8,591,037	8,039,006

Liability

<i>(in thousands of euros)</i>	September 30, 2022	December 31, 2021
Equity attributable to owners of the parent	1,955,241	2,141,041
Share capital	300,360	300,360
Additional paid-in capital	723,501	810,420
Retained earnings	740,289	644,807
Other comprehensive income	(37,343)	161,638
Consolidated net income of the year	228,435	223,817
Non-controlling interests	1,903	309
Total equity	1,957,145	2,141,351
Provisions for liabilities and charges	73,139	85,748
Financing liabilities	527,226	390,553
Lease liabilities	78,312	81,930
Liabilities relating to insurance contracts	2,123,115	1,859,059
Payables arising from banking activities	2,969,984	2,698,525
Amounts due to banking sector companies	800,294	822,962
Amounts due to customers of banking sector companies	453,094	376,788
Debt securities	1,716,597	1,498,775
Other liabilities	862,117	781,841
Deferred tax liabilities	107,293	120,326
Payables arising from insurance and reinsurance operations	369,452	286,583
Current taxes payables	81,336	80,712
Derivatives	4,601	3,480
Other payables	299,436	290,739
TOTAL EQUITY AND LIABILITIES	8,591,037	8,039,006

Consolidated income statement

<i>(in thousands of euros)</i>	September 30, 2022	September 30, 2021
Gross written premiums	1,320,329	1,102,852
Premium refunds	(106,775)	(82,886)
Net change in unearned premium provisions	(61,413)	(50,515)
Earned premiums	1,152,141	969,451
Fee and commission income	118,448	106,128
Net income from banking activities	52,804	47,023
Income from services activities	39,721	35,791
Other revenue	210,973	188,943
Revenue	1,363,113	1,158,394
Claims expenses	(348,262)	(244,555)
Policy acquisition costs	(224,219)	(187,629)
Administrative costs	(228,068)	(204,742)
Other insurance activity expenses	(54,804)	(50,452)
Expenses from banking activities, excluding cost of risk	(9,690)	(9,508)
Expenses from services activities	(74,018)	(62,616)
Operating expenses	(590,799)	(514,946)
Risk cost	(179)	100
UNDERWRITING INCOME BEFORE REINSURANCE	423,874	398,992
Income and expenses from ceded reinsurance	(128,185)	(163,785)
UNDERWRITING INCOME AFTER REINSURANCE	295,689	235,207
Investment income, net of management expenses (excluding finance costs)	39,081	30,901
CURRENT OPERATING INCOME	334,771	266,108
Other operating income and expenses	(4,994)	(833)
OPERATING INCOME	329,776	265,275
Finance costs	(21,370)	(15,351)
Share in net income of associates		
Badwill	(0)	(0)
Income tax expense	(79,622)	(58,985)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	228,784	190,939
Non-controlling interests	(349)	(21)
NET INCOME FOR THE YEAR	228,435	190,918

Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	Notes	September 30, 2022	September 30, 2021
Net income of the period		228,435	190,918
Non-controlling interests		349	21
Other comprehensive income			
Currency translation differences reclassifiable to income		36,202	(1,156)
<i>Reclassified to income</i>		(0)	(0)
<i>Recognised in equity</i>		36,202	(1,156)
Fair value adjustments on available-for-sale financial assets		(240,545)	(28,788)
<i>Recognised in equity – reclassifiable to income – gross</i>		(304,372)	(15,247)
<i>Recognised in equity – reclassifiable to income – tax effect</i>		59,669	87
<i>Reclassified to income – gross</i>		3,506	(15,247)
<i>Reclassified to income – tax effect</i>		652	1,619
Fair value adjustments on employee benefit obligations		5,356	865
<i>Recognised in equity – not reclassifiable to income – gross</i>		7,582	1,177
<i>Recognised in equity – not reclassifiable to income – tax effect</i>		(2,226)	(312)
Other comprehensive income of the period, net of tax		(198,987)	(29,079)
Total comprehensive income of the period		29,797	161,860
- attributable to owners of the parent		29,454	161,839
- attributable to non-controlling interests		343	21

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, 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		(86,868)	(137,161)						(224,029)	14	(224,043)
Total transactions with owners	(0)	(86,868)	86,656	(0)	(0)	(0)	(0)	(223,817)	(224,029)	(14)	(224,043)
September 30, 2022 net income								228,435	228,435	349	228,784
Fair value adjustments on available-for-sale financial assets recognized in equity						(244,664)			(244,664)	(38)	(244,702)
Fair value adjustments on available-for-sale financial assets reclassified to income statement						4,156			4,156	1	4,157
Change in actuarial gains and losses (IAS 19R)							5,356		5,356		5,356
Currency translation differences					36,170				36,170	31	36,201
Cancellation of COFACE SA shares			(0)								
Treasury shares elimination				(2,647)					(2,647)		(2,647)
Free share plans expenses			1,646						1,646		1,646
Transactions with shareholders and others		(51)	9,827						9,776		11,042
Equity at September 30, 2022	300,360	723,501	758,655	(18,366)	7,568	(27,775)	(17,137)	228,435	1,955,241	1,903	1,957,145

Consolidated statement of cash flows

<i>(in thousands of euros)</i>	September 30, 2022	September 30, 2021
Net income for the period	228,435	190,918
Non-controlling interests	349	21
Income tax expense	79,622	58,985
Finance costs	21,370	15,351
Operating income (A)	329,776	265,275
+/- Depreciation, amortization and impairment losses	25,612	26,812
+/- Net additions to / reversals from technical provisions	184,275	2,720
+/- Unrealized foreign exchange income / loss	54,021	10,244
+/- Non-cash items	(17,206)	(5,900)
Total non-cash items (B)	246,487	26,597
Gross cash flows from operations (C) = (A) + (B)	576,264	299,152
Change in operating receivables and payables	(51,006)	(53,154)
Net taxes paid	(62,975)	(54,259)
Net cash related to operating activities (D)	(113,981)	(107,412)
Increase (decrease) in receivables arising from factoring operations	(272,819)	(174,224)
Increase (decrease) in payables arising from factoring operations	294,128	(66,566)
Increase (decrease) in factoring liabilities	1,027	253,731
Net cash generated from banking and factoring operations (E)	22,335	12,941
Net cash generated from operating activities (F) = (C+D+E)	484,618	204,681
Acquisitions of investments	(2,071,071)	(1,147,604)
Disposals of investments	2,158,777	1,014,811
Net cash used in movements in investments (G)	87,706	(132,793)
Acquisitions of consolidated subsidiaries, net of cash acquired	5,381	830
Disposals of consolidated companies, net of cash transferred		(0)
Net cash used in changes in scope of consolidation (H)	5,381	830
Acquisitions of property, plant and equipment and intangible assets	(24,815)	(11,036)
Disposals of property, plant and equipment and intangible assets	1,942	599
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	(22,873)	(10,437)
Net cash used in investing activities (J) = (G+H+I)	70,214	(142,400)
Proceeds from the issue of equity instruments		(0)
Treasury share transactions	(2,647)	(14,955)
Dividends paid to owners of the parent	(224,029)	(81,976)
Dividends paid to non-controlling interests	(15)	(4)
Cash flows related to transactions with owners	(226,690)	(96,935)
Proceeds from the issue of debt instruments	297,012	1
Cash used in the redemption of debt instruments	(162,164)	(0)
Lease liabilities variations	(12,433)	(12,879)
Interests paid	(31,297)	(18,844)
Cash flows related to the financing of Group operations	91,119	(31,722)
Net cash generated from (used in) financing activities (K)	(135,572)	(128,657)
Impact of changes in exchange rates on cash and cash equivalents (L)	(63,808)	(13,993)
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	355,451	(80,370)
Net cash generated from operating activities (F)	484,618	204,681
Net cash used in investing activities (J)	70,214	(142,400)
Net cash generated from (used in) financing activities (K)	(135,572)	(128,657)
Impact of changes in exchange rates on cash and cash equivalents (L)	(63,808)	(13,993)
Cash and cash equivalents at beginning of period	362,441	400,969
Cash and cash equivalents at end of period	717,892	320,599
NET CHANGE IN CASH AND CASH EQUIVALENTS	355,451	(80,370)

Events after the reporting period

Moody's affirms Coface's ratings, changes outlook to positive

The rating agency Moody's, on 11th October 2022, has confirmed the financial strength rating (Insurance Financial Strength Rating – IFSR) for Coface at A2. The agency has also changed the outlook for Coface to positive from stable.