coface
FOR SAFER TRADE

Interim financial report, First-half 2014

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NOTE

Coface SA (hereinafter, the “Company”) is a *société anonyme* (joint-stock corporation), with a Board of Directors (conseil d’administration) incorporated under the laws of France, and is governed by the provisions of Volume II of the French Commercial Code (Code de Commerce). The Company is registered with the Nanterre Trade and Companies Register (Registre du Commerce et des Sociétés) under number 432 413 599. The Company’s registered office is at 1 Place Costes et Bellonte, 92270 Bois Colombes, France. Unless otherwise stated, references in this document to the “Group” or the “Coface Group” are references to the Company and its subsidiaries, branches and holdings.

At the date of June 30th, 2014, the Company’s share capital amounts to €784,206,535, divided into 156,841,307 shares, all of the same class, and all of which are fully paid up and subscribed.

Presentation of financial and other information

This report includes free English language translations of the audited consolidated financial statements of COFACE SA as of and for the year ended December 31st, 2013 and of the audited half-year condensed consolidated financial statements of COFACE SA as of and for the six months ended June 30th, 2013 and 2014. The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The audited half-year condensed consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34, the IFRS standard as adopted by the European Union applicable to interim financial statements. COFACE SA publishes its consolidated financial statements in euros. Sum of aggregates and totals may not match due to rounding.

COFACE SA presents certain figures on both, an actual historical basis and, in some instances, on a “constant scope of consolidation” or “constant exchange rate” basis. In this report, where figures are presented at a constant scope of consolidation, the previous year’s figures (N-1) are adjusted to reflect the entities that enter or leave the scope of consolidation during the most recent year (N). COFACE SA believes providing figures on a constant exchange rate and constant scope of consolidation basis is helpful in permitting investors to analyze and understand the effect of exchange rate fluctuations and changes in the scope of consolidation on its financial results. However, figures provided on this basis are not measurements of performance under IFRS and should not be considered in isolation from or as a substitute for the IFRS figures.

Forward-Looking Statements

This report includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “intends,” “may,” “will” or “should” or, in each case, their negative, or other variations or other comparable terminology. These forward-looking statements relate to all matters that are not historical facts and should not be interpreted as a guarantee of future performance. They appear in a number of places throughout this report and include statements regarding COFACE SA’s intentions, beliefs or current expectations concerning, among other things, COFACE SA’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Coface Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. In addition, even if COFACE SA’s financial condition, results of operations and cash flows, and the development of the industry in which it operates, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to the risks described under “Risk Factors” (see “Risk Factors” below).

Risk Factors

You are strongly encouraged to carefully consider the Risk Factors described in the prospectus relating to the Initial Public Offering (“IPO”) of the Company approved by the Autorité des marchés financiers (“AMF”) in June 13th, 2014 under the No. 14-293, consisting of: (i) a Registration Document registered under the No. I.14-029 dated of May 6th, 2014; (ii) a Securities Note registered under the No. 14-293 dated of June 13th, 2014; and, a summary of the prospectus (included in the Securities Note).

The Risk Factors of the said documents describe all risks which are likely to have a material adverse effect on the business, financial stability and/or operational outcomes of the Coface Group. Additional risks that are not known at the date of this report, or that the Coface Group currently considers immaterial based on the information available to it, may have a material adverse effect on the Coface Group, its business, financial condition, results of operations or growth prospects as well as on the market price of COFACE SA’s shares listed on Euronext Paris (**ISIN: FR0010667147**).

All this information is available on the websites of the Company (www.coface.com/Investors) and the AMF (www.amf-france.org)

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I. Half-year business review

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a. Economic environment in the first half of 2014

As each quarter, at the beginning of June 2014, economic research teams of Coface Group revised their global growth forecasts for 2014 and presented their first growth forecasts for 2015. Thus, Coface observes a confirmation of the recovery (albeit small) in Europe, but in parallel, the slowdown in the major emerging countries reduces their contribution to global activity.

According to Coface Group's forecasts revised in early June 2014, global growth should reach 3% this year, following 2.6% in 2013. The main rationales behind this acceleration are the recovery in the Eurozone (GDP growth at +1.1% this year, versus +1.0% previously expected) along with still favourable growth outlook in the U.S..

In the Eurozone, Germany is the frontrunner (GDP growth forecast revised up to 2.0% from 1.7%), followed by Spain (1.2% versus 0.7%). Elsewhere in Europe, the U.K. also benefits from a dynamic growth this year: Coface has revised up its forecast to 2.7% (versus 2.1%). In these three countries, investment and business confidence are improving significantly. These more favourable growth outlooks partly explain why three European country assessments – which measure the average risk of payment defaults by companies in a given country – have been revised up: Germany and Austria have been upgraded to A1 and the UK to A2. Besides, a positive outlook has been put on Spain's country assessment (currently in B).

In the U.S., growth (still expected at 2.7%) will remain supported by the steady improvement of the employment market. Business investment should drive activity in the second half of the year as well, following the temporary correction related to weather conditions in the first quarter. Growth should remain moderate in Japan (1.4% expected in 2014).

Despite the expected positive impact on emerging markets of the pickup in growth in advanced economies, Coface Group does not expect growth to accelerate there in 2014 and has revised down its growth forecast (-0.2 point to 4.2%). Lower growth prospects in the BRICS explain this: China's soft landing is favoured by supporting measures targeting SMEs which have backed growth in the second quarter. But it does not offset marked slowdown in Brazil (1.3% versus 1.7%), in South Africa (1.8% versus 2.5%) and in Russia (-0.5% versus +1% previously expected), where political uncertainties combined with structural issues and the currency risk are weighing on domestic demand.

But some other emerging markets benefit from more favourable growth prospects, on the back of higher European imports along with their expanding middle class. Against this backdrop, Coface Group has upgraded three African countries. Kenya's country assessment is now B, while Nigeria and Rwanda have been upgraded to C.

b. Significant events of the period

Initial public offering (IPO)

Since 2011, the Coface Group has refocused on its core business of credit insurance, and has undertaken a series of structural reorganizations that have restored the Group's operating profitability. In this context, on June 27, 2014 the Group entered a new stage of its development and with its successful stock market listing on compartment A of French regulated market Euronext Paris.

The IPO was well received by the markets, with strong demand from French and international institutional investors resulting in a diversified ownership structure that reflects the multinational dimension of Coface.

The favorable reception from the markets led Natixis, acting as stabilizing agent in the name and on behalf of the financial institutions that accompanied Coface throughout its IPO, to exercise the over-allotment option in full just four days after the initial listing.

Following the exercise of the full the Over-Allotment Option, the total number of Coface shares offered in connection with the initial public offering amounts to 91,987,426 shares, representing 58,65% of Coface SA capital and voting rights. Upon completion of this operation, Coface's market capitalization, owned as to 41.35% by Natixis, stood at 1,631 million of euros.

A concurrent employee offering was also launched in 19 countries, covering 80% of the Group's headcount. It was warmly welcomed by employees, as illustrated by the nearly 50% take-up rate.

Subordinated debt issuance

On March 27, 2014, Coface SA completed the issue of subordinated debt in the form of bonds for a nominal amount of 380 million of euros.

The issue allowed the Coface Group to optimize its capital structure, which had previously been characterized by an extremely low debt ratio (less than 1% at end-2013), and to strengthen its regulatory capital.

The leverage effect of debt thus amounted to about 19%. The ratio is obtained by dividing between subordinated debt by the sum of equity and subordinated debt.

It was welcomed by a diversified and international basis of investors and was 10-times oversubscribed, demonstrating the confidence in the profitable growth model put in place by Coface over the last three years based on bolstered operating and financial fundamentals.

Financial strength confirmed

In March 2014, rating agencies Fitch and Moody's confirmed the Group's Insurer Financial Strength (IFS) Ratings at AA- and A2 (outlook stable), respectively, taking into account both the subordinated note issue and the €227 million special dividend paid to Natixis during the period.

New commercial and marketing strategy

With the implementation of its new streamlined operating organization and solid financial structure, Coface is now focusing efforts on rolling out its commercial strategy aiming at generating profitable growth throughout the world.

This strategy is based on two major pillars: innovation and a multichannel distribution model.

During the first half of 2014, Coface's product offering was rounded out with the following innovative solutions:

- **Easyliner**, launched on March 27, 2014: a credit insurance offering designed for SMEs, **Easyliner** subscriptions are available online and have been developed as a portal that can also be customized as part of distribution partnerships with, for example, banks or general insurers;

- **CofaServe**, launched on April 30, 2014: a secure electronic data exchange solution allowing customers to manage their credit insurance contracts directly from their in-house IT systems;

- **PolicyMaster** and **CashMaster**, launched on May 27, 2014: two complementary tools designed to simplify customers' daily management of their credit insurance coverage. By analyzing the customer's accounting data with regard to the credit-limit coverage provided by Coface, **PolicyMaster** suggests actions aimed at optimizing customer risk management. Based on **PolicyMaster** credit management data, **CashMaster** generates secure certification of coverage to the customer's financial partners.

Over the same period, the Group also boosted its global footprint. In January 2014, Coface was granted a license to issue credit insurance policies in Colombia via its own sales force, rounding out the indirect distribution model launched several years ago in Colombia based on a partnership with a local insurer.

In early May, Coface opened a new trade representation office in the Philippines.

In the United States, Coface continued the development of its commercial network by strengthening the number of its distribution agents.

c. Events after the reporting period

Implementation of a liquidity agreement

With effect from July 7, 2014, Coface appointed Natixis to implement a liquidity agreement for Coface SA shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (*Association française des marchés financiers* – AMAFI) dated March 8, 2011 and approved by the AMF on March 21, 2011.

The Group allocated €5 million to the liquidity account for the purposes of the agreement, which is for a period of 12 months subject to tacit renewal.

The liquidity agreement is part of the share buyback program decided by the Board of Director's meeting of June 26, 2014.

Changes in the composition of the Board of Directors

The Company's Ordinary and Extraordinary General Meeting of June 2, 2014 appointed four new members of the Board of Directors, with effect from the July 1, 2014: Eric Hémar, Sharon Macbeath, Clara-Christina Streit, Olivier Zarrouati.

In addition, the following members of the Company's Board of Directors have resigned from their office, with effect from July 1, 2014: Bruno Deletré, Yvan de la Porte du Theil, Natixis (represented by Olivier Perquel), Nicolas Plantrou, Emmanuel Pouliquen.

The composition of the Company's Board of Directors is now as follows: Laurent Mignon (President), BPCE (represented by Marguerite Berard-Andrieu), Jean Arondel, Jean-Paul Dumortier, Pascal Marchetti, Nicole Notat, Laurence Parisot, Laurent Roubin, Eric Hémar, Sharon Macbeath, Clara-Christina Streit, Olivier Zarrouati.

d. Key figures of the Group

i. Revenue

The Coface Group’s consolidated revenue for the first six months of 2014 came out at €723.6 million, edging back 0.3% on a reported basis from €726.1 million in the same year-ago period. At constant exchange rate, the consolidated revenue of the Group rose 2.2%, attributable chiefly to the fluctuations in the value of the Argentine Peso, Brazilian Real, Japanese Yen and the Turkish lira, and 1.8% on a like-for-like basis (constant Group structure and exchange rates), taking into account the first-time consolidation of Coface RUS Insurance Company in September 2013.

On a like-for-like basis, all of the Coface Group’s activities (insurance and factoring) contributed to the growth performance in the first half of 2014.

The table below shows the changes in the Coface Group's consolidated revenue by business for first-half 2013 and 2014:

Consolidated revenue by actvity (in million of euros)	**First-half**		**Change**		
	2014	**2013**	**in €m**	**% (reported)**	**% (constant group structure and exchange rate basis)**
Insurance	689.7	693.3	(3.6)	(0.5)%	1.7%
Gross earned premiums	*564.8*	*569.2*	*(4.4)*	*(0.8)%*	*1.7%*
*Services**	*124.9*	*124.2*	*0.7*	*0.6%*	*1.6%*
Factoring	33.9	32.8	1.1	3.5%	3.4%
Consolidated revenue	**723.6**	**726.1**	**(2.5)**	**(0.3)%**	**1.8%**

**Sum of revenue from services related to credit insurance (“Fees and commission income” and “Remuneration of public procedures management services”) and services provided to customers without credit insurance (access to information on corporate solvency and marketing information (“Business information and other services”) and receivables recovery (“Receivables management”)).*

Insurance

Revenue for the insurance business (including surety bonds and “Single Risk” insurance products) moved down 0.5% as reported (up 1.7% like for like) from €693.3 million in first-half 2013 to €689.7 million for the six months ended June 30, 2014.

Gross earned premiums were up 1.7% on a like-for-like basis. Services related to credit insurance were up 2.1% like for like, outperforming growth in gross earned premiums.

The increase in gross earned premiums reflects the impact of the recovery plan launched in 2013. The production of new contracts reached €90 million (annualized value) at first-half of 2014 and increased by 14% during the period under review as compared to the first half of 2013 (€79 million). The contract retention ratio (annualized value of contracts effectively renewed during the period over the value of the contracts scheduled for renewal over the same period) was a record 92.3% in the first six months of 2014 compared to 87.9% in the same prior-year period. In addition, business generated by policyholders was up 1.7% for the period under review, compared to a 0.9% increase for the six months ended June 30, 2013 (on an annualized basis). The negative price effect of credit insurance policies was limited to 0.8% for the first half of 2014 compared to nil for the same prior-year period (on an annualized basis), in a continuous improvement of the loss.

Revenue from the Coface Group’s Services business moved up slightly by 0.6% (up 1.6% like for like), from €124.2 million in first-half 2013 to €124.9 million in the first six months of 2014, due to credit insurance-related services.

Factoring

Revenue generated by the Coface Group's factoring activities (now carried out exclusively in Germany and Poland) grew for the first time in two years, advancing 3.5% (up 3.4 % like for like) from €32.8 million in first-half 2013 to €33.9 million for the six months ended June 30, 2014.

Changes in Revenue by Region

The following table shows the changes in consolidated revenue by business (net of intra-group flows) within the Group's seven geographic regions for first-half 2013 and 2014:

Consolidated revenue by region of invoicing (in million of euros)	**First-half**		**Change**			
	2014	**2013**	**in €m**	**as a %**	**% (constant exchange rate basis)**	**% (constant group structure and exchange rate basis)**
Western Europe	238.5	246.0	(7.6)	(3.1)%	(3.5)%	(3.5)%
Northern Europe	182.1	179.4	2.6	1.5%	2.1%	0.6%
Mediterranean & Africa	110.6	108.7	2.0	1.8%	5.2%	5.2%
Central Europe	56.1	53.6	2.5	4.8%	5.2%	5.2%
North America	53.1	50.6	2.6	5.1%	11.4%	11.4%
Latin America	38.0	42.4	(4.4)	(10.4)%	8.1%	8.1%
Asia-Pacific	45.2	45.4	(0.2)	(0.5)%	6.3%	6.3%
Consolidated revenue	**723.6**	**726.1**	**(2.5)**	**(0.3)%**	**2.2%**	**1.8%**

All of the regions recorded a high customer's retention rate, confirming the enrichment strategy of the service offering.

The deployment of the new commercial organization, per distribution channels and per process, continues, especially in France and Germany, the two main contributors of the Western and Northern Europe regions, which revenue has respectively decreased of 3.5% and increased of 0.6% like for like.

Emerging countries show positive trends:

Revenue for the Mediterranean & Africa region was up 1.8% as reported (5.2% like for like), reflecting the robust trading environment in Italy and Turkey.

In Central Europe, revenue was up 4.8% on a reported basis (up 5.2% like for like), driven by a good performance over the second quarter of 2014.

Revenue for North America was up 5.1% as reported (up 11.4% like for like) during the period. This increase can be explained by a favorable base effect when comparing the first half-years 2013 and 2014 and the first effects of the extending policy of number of sales representatives in the United States.

The 10.4% decrease in reported revenue for Latin America was mostly due to unfavorable exchange rates, in particular the depreciation of the Brazilian Real (down 18% compared to first-half 2013) and the Argentine Peso (down 59% compared to first-half 2013). Excluding the negative exchange rate impact, revenue growth for Latin America came out at 8.1% like for like, powered by the production of new contracts and stable or improved contract retention rates.

In the Asia-Pacific region, the slight 0.5% decrease in reported revenue was mainly attributable to unfavorable exchange rates in the period under review (notably a 12% decrease in the Japanese yen and a 4.3% decrease in the Hong-Kong dollar) as compared to first-half 2013. Excluding the negative exchange rate impact, revenue growth for Asia-Pacific amounted to 6.3% like for like, and was driven by the reorganization of the Coface Group's commercial strategy throughout the year in the entire region.

ii. Underwriting Income

Underwriting Income before Reinsurance

Underwriting income before reinsurance rose by €35.1 million from €88.5 million in first-half 2013 to €123.6 million in the first six months of 2014, thanks to tight control over the loss ratio (down €34.6 million, or 5.7 percentage points) and the Group's general expenses (down €6.7 million). The combined ratio before reinsurance therefore came out at 76.9% in the first half of 2014 versus 82.3% in full-year 2013 (81.5% excluding the cost of relocating the Coface Group’s head office) and 83.9% in first-half 2013.

Loss experience

Loss experience	**First-half**		**Change**	
(in million of euros and %)	**2014**	**2013**	**in €m**	**as a %**
Claims expenses incl. claims handling costs	271.0	305.6	(34.6)	(11.3)%
Loss ratio before reinsurance incl. claims handling costs	48.0%	53.7%	-	(5.7) pts

Despite the ongoing global economic instability at the beginning of 2014, the loss ratio before reinsurance improved by 5.7 percentage points, down from 53.7% in first-half 2013 to 48.0% for the period under review, mainly due to the impacts of measures taken in countries with high loss ratios in 2013 (such as Italy, Turkey, Brazil and Argentina) and the maintained low level of loss experience in both Western Europe and Northern Europe.

This improvement was also driven by the increase in the liquidation surplus to 27.0 points (compared to 21.2 points at the end of June 2013) and a 0.2 percentage point increase in the ultimate loss ratio (before reinsurance and including claims management expenses) in the period under review to 72.7%.

The loss ratio in Western Europe continued to fall, coming out at 38.6% (down 16.9 percentage points) compared to the same prior-year period, especially in France where the positive impacts of measures taken in 2013 on certain sectors or debtors continued into 2014. The loss ratio also remained low in Belgium and the United Kingdom.

In Northern Europe, the loss ratio was limited to 52.0%, up just 0.2 percentage points compared to the same prior-year period.

The higher loss ratio in Central Europe compared to the same year-ago period is due to the high level of losses in Poland.

The improvement in the loss experience was particularly important in the Mediterranean & Africa region (down 21.4 percentage points), especially in Italy where measures taken in 2013 yielded positive results during the period.

In North America, the loss experience remained low in the first half of 2014 at 20.3%.

In Latin America, the high loss experience reported in the second half of 2013 (105.2% for full-year 2013) fell sharply following measures taken to review exposures incurred in 2013. As a result, the loss ratio before reinsurance came out at 61.2% for the first half of 2014, 30.8 percentage points lower than for first-half 2013.

Asia Pacific records a higher but controlled loss ratio at 48.6%. Actions to revise risk exposure are underway in order to follow the evolution, including in China.

Loss experience by region of invoicing (in %)	**First-half**		**Change (% points)**
	2014	**2013**	
Western Europe	38.6%	55.5%	(16.9)
Northern Europe	52.0%	51.8%	0.2
Central Europe	70.0%	56.8%	13.1
Mediterranean & Africa	57.3%	78.6%	(21.4)
North America	20.3%	6.9%	13.4
Latin America	61.2%	92.0%	(30.8)
Asia-Pacific	48.6%	11.9%	36.7
Loss ratio before reinsurance	**48.0%**	**53.7%**	**(5.7)**

General Expenses

Policy acquisition commissions were up 3.5% to €68.0 million for six months ended June 30, 2014 from €65.7 million in first-half 2013, in line with earned premiums growth, especially in the countries with high brokerage structure.

General internal expenses were down 3.2% on a reported basis (down 1.5% like for like) to €273.2 million for first half of 2014 from €282.2 million for the first half of 2013.

Excluding €7.9 million in non-recurring relocation costs in the first half of 2013, the internal expenses were up 1.4% like for like, from €274.3 million for the first half of 2013 to €273.2 million for the first half of 2014, which is below the +1.7% premium growth.

Payroll costs fell back 1.8% on a reported basis (down 0.4% like for like), despite inflationary effects in Latin America. IT costs were down by 1.1% as reported (down 0.8% like for like). Other expenses (indirect taxes on insurance policies, information purchases, rental expense, etc.) were down from €105.1 million in the first half of 2013 to €99.2 million in the six months ended June 30, 2014.

This control in general internal expenses have been realized thanks to continued effort in productivity while keeping on investing in emerging regions and commercial sales force.

In Western Europe, general expenses were down by 4.9% as reported (down 5.3% like for like) as a result of the operating process and costs streamlining plan launched in 2013, and the savings on rental expense following the relocation the Coface Group's head office (€7.9 million in non-recurring expenses were recognized in the first half of 2013).

General expenses in Northern Europe were up 2.6% on a reported basis (up 1.6% like for like), primarily due to the impact of the consolidation of Coface RUS Insurance Company since 2013.

In Central Europe, general expenses were down 2.7% compared to the first half of 2013 (down 2.2% like for like).

General expenses in the Mediterranean & Africa region were up 7.5% as reported (up 10.9% like for like), following the strengthening of the Enhanced Information function. This investment was realized in the light of the Region Risk action plan, which permitted to reduce the Region Loss Ratio from the 1st quarter.

In North America, general expenses were down 8.4% as reported (down 2.8% like for like).

General expense in Latin America were down 10.5% on a reported basis but were up 9.1% like for like. This increase, on a constant Group structure and exchange rate basis, includes notably the inflation cost on payroll.

In the Asia-Pacific region, general expenses contracted by 3.4%.

Underwriting Income after Reinsurance

Reinsurance costs rose 24.4% from €28.7 million in the first half of 2013 to €35.7 million in the first half of 2014, due to the improved loss ratio as compared to first-half 2013.

Underwriting income after reinsurance advanced €28.0 million, from €59.8 million in the first half of 2013 to €87.8 million in the six months ended June 30, 2014, chiefly reflecting the increase in underwriting income before reinsurance (up €35.1 million) which more than offset the €7.1 million increase in reinsurance costs.

iii. Investment Income, Net of Management Expenses (excluding Finance Costs)

Financial markets

The first half of 2014 was characterized by a modest increase in global GDP with increasingly vigorous growth recorded in the United States despite a lackluster first quarter due to adverse weather conditions.

Monetary policy remained loose in United States and in the eurozone. The US Federal Reserve reaffirmed its commitment to maintaining base rates at the current level for the forthcoming quarters and the ECB ramped up its liquidity programs to avert the deflationary pressures that began to build in the second quarter.

In the emerging economies, the crises in certain currencies early in the year amid a tense geopolitical context stabilized in the second quarter, although the situation remains precarious in the most vulnerable countries.

In a macroeconomic environment with abundant liquidity and monetary policy continuing to prop up the weak global recovery, all the main asset classes generated a positive return over the first six months of 2014.

Emerging market debt recovered strongly after the crunch of summer 2013 and the fresh crisis early in 2014, and rose by more than 8% in the first half of 2014. Eurozone sovereigns benefited from a sharp narrowing in spreads of “peripheral” economies, with French and German 10-year yields hitting historic lows in June 2014 at less than 1.65% and 1.25%, respectively. Risky assets were also buoyed by this positive context, with developed world equity markets climbing by over 5% and corporate bonds advancing by more than 4%.

Financial Result Investment income

The diversification of the investment portfolio that was initiated in 2013 continued into the first half of 2014 with an increase in exposure to European equities and a better balance between eurozone sovereigns and OECD corporates (chiefly Europe and the United States).

These additional investments were carried out amid favorable market conditions and with strict monitoring of the quality of issuers and the sensitivity of the issuances.

The following table shows the financial portfolio by main asset class:

Market value (in million of euros)	**June 30**	
	2014	**2013**
Listed equities	158	19
Unlistedequities	20	20
Bonds	1,679	992
Loans, deposits and UCITS money-market funds	489	1,146
Total investment portfolio	**2,346**	**2,177**
Property	1	1
Non-consolidated subsidiaries	117	102
Total	**2,464**	**2,280**

The overall value of the portfolio increased by €184 million under the combined effect of additional cash investments and a positive market effect on all asset classes.

The investment portfolio income delivered €22,3 million in first-half 2014 compared to €24 million in the same year-ago period (without the €26.7 million of exceptional realized gain linked to the investment centralization project) .

Investment income (in million of euros)	**First-half**	
	2014	**2013**
Equities	6.0	0.4
Fixed income	15.0	52.4
o/w realized gains	*0.6*	*26.7*
Investment property	0.0	(0.3)
Total investment portfolio	**21.0**	**52.5**
Non-consolidated subsidiaries	2.2	2.8
Net foreign exchange gains	2.5	0.4
Finance costs and investment expenses	(3.4)	(5.0)
Total	**22.3**	**50.7**
Total excluding non-recurring realized gains	**22.3**	**24.0**

The accounting rate of return[1] for the first-half 2014 stood at 1.0%, slightly lower than the rate of nearly 1,1% recorded for the first-half 2013. This decrease in accounting rate return is due to new investments of cash within the bonds portfolio at absolute low level in term of actuarial yield.

[1] The portfolio's accounting rate of return corresponds to the ratio between the accounting financial income and average outstanding investments. The average outstanding investments is calculated as follows: [outstanding investments (in market value) at December 31, 2013 + outstanding investments (in market value) at June 30, 2014] / 2.

The portfolio's economic rate of return[2] amounted to 2.7% for the first-half 2014 compared to 0.5% for the first-half 2013. This more favorable growth results from the economic environment impact on the bonds portfolio, maintaining a decreasing trend in term of interest rates and a nearly 6% growth of equities markets during the six first month of the year.

iv. Operating income

(in million of euros)	First-half		Change		
	2014	**2013**	**in €m**	**% (reported)**	**% (constant group structure and exchange rate basis)**
Operating income including finance costs	98.9	108.0	(9.1)	(8.4)%	(6.8)%
Other operating income and expenses	(6.5)	(0.8)			
Current operating income including finance costs	**105.4**	**108.8**	**(3.5)**	**(3.2)%**	
Relocation costs		(7.9)			
Realized gains		27.3			
Interests costs	(4.0)				
Current operating income including finance costs and excl. restated items	**109.4**	**89.4**	**20.0**	**22.3%**	**24.0%**

In the first half of 2014, current operating income, including financing costs and excluding restated items, came out at €109.4 million, up €20.0 million or 22.3% compared to the same year-ago period (€89.4 million). The combined ratio after reinsurance posted a strong improvement during the period, declining by 6.8 percentage points from 84.6% in the first six months of 2013 to 77.8% in first-half 2014.

Other operating income and expenses were up by €5.7 million as a result of non-recurring expenses related to the Coface Group's stock market listing.

The first half of 2013 included €27.3 million in non-recurring financial income linked to the restructuring of the investment portfolio and gains realized on a portion of it. The first half of 2014 included €4.0 million in non-recurring financial expense incurred on the Group's hybrid debt issuance.

All regions contributed positively to current operating income, with Western Europe and Northern Europe posting particularly strong performances due to the sharp decline in the loss ratios over the second quarter and a tight rein on costs in Western Europe.

2 The portfolio economic rate of return corresponds to the ratio of (i) the aggregate of the accounting financial income for such period +/- an amount equal to the variation in reevaluation reserves (excluding equity in non-consolidated companies and excluding derivatives) between December 31, 2013 and June 30, 2014 to (ii) the average outstanding investment (such average outstanding calculating as described above).

v. Net attributable income for the period

The Coface Group's effective tax rate for the six months ended June 30, 2014, came out at 30.5%, i.e., 7.1 percentage points lower than in first-half 2013 (37.6%).

Net attributable income advanced 2.3% to €69.4 million in first-half 2014 versus €67.9 million in the same prior-year period, due to the decrease in the effective tax rate.

Restated from items related to the Group’s hybrid debt issuance, exceptional and non-recurring items (costs related to the Coface Group’s stock market listing in the first half of 2014, relocation of the Coface Group's head office and realized gains on the investment portfolio in first-half 2013), net attributable income surged 40.4% to €76.7 million in the period under review from €55.7 million one year earlier.

e. Balance sheet items

Equity

Shareholders’ equity attributable to owners of the parent totaled €1.659 billion at the end of June 2014, down by 7% compared with 1.780 billion at the end of 2013.

The €122 million difference proceeded mainly from the exceptional dividend paid to Natixis for €227 million by issue premium payment, the profit for the period of €69.4 million, the change in foreign currency translation reserve for €7.5 million and the change in unrealised gains on available for sale securities for €29.5 million.

Goodwill

Goodwill, amounting to €154 million at the end of June 2014, are flat compared with the financial year ended December 31, 2013 (-€0.2 million).

Indebtedness

The indebtedness of the Coface Group, excluding operating creditors, consisted of financing for the factoring business for € 1.814 billion at the end of June 2014, versus €1.756 billion at year end 2013 (+€58 million), following the factoring business resumption.

The Coface Group’s gross financial debt excluding the financing for the factoring business (securitization and commercial paper) amounted to €388.4 million at the end of June 2014, versus 15 M€ in the financial year ended December 31, 2013. The change for €373 million consisted essentially of the issuance of subordinated notes for an amount of €380 million in March 2014. The Group’s gross debt-to-equity ratio stood at 23% at the end of June 2014 compared with 1% in the financial year ended December 31, 2013.

f. Risk factors

The main risk factors to which the Group is exposed are described in detail in the paragraph 4 “Risk factors” of the Registration Document registered under the No. I.14-029 dated of May 6th, 2014. This description remains valid, since the Group hasn’t detected any significant risk factor or uncertainty, occurred during the first semester of 2014 or being liable to affect the Group by the end of the financial period.

g. Future risks and uncertainties

The main risks for the global economy are of two kinds. The first relates to changes in U.S. monetary policy (likely increase in interest rates by the Fed in the first quarter of 2015) and its possible bad anticipation that could cause volatility in the financial markets. The second type of risk is linked to geopolitical crises, for example in Iraq and Ukraine, and the potential impact of these pressures on oil prices, the economic confidence and thus the recovery of the global economy.

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II. Consolidated financial statements

II. Consolidated financial statements

a. Consolidated balance sheet

(in thousands of euros)

ASSETS	Notes	June 30, 2014	Dec. 31, 2013
Intangible assets		**237,379**	**240,441**
Goodwill	3	153,954	153,727
Other intangible assets	4	83,425	86,715
Insurance business investments	5	**2,462,985**	**2,208,633**
Investment property	5	924	1,271
Held-to-maturity securities	5	6,939	9,403
Available-for-sale securities	5	2,161,246	1,891,204
Trading securities	5	54,855	52,271
Derivatives	5	3,325	1,386
Loans and receivables	5	235,696	253,098
Receivables arising from banking and other activities	6	**2,121,613**	**2,120,516**
Investments in associates	7	**17,812**	**17,621**
Reinsurers' share of insurance liabilities		**351,497**	**347,221**
Other assets		**904,990**	**784,667**
Buildings used in the business and other property, plant and equipment		69,753	75,730
Deferred acquisition costs		44,660	39,547
Deferred tax assets		35,275	81,122
Receivables arising from insurance and reinsurance operations		494,759	420,557
Trade receivables arising from other activities		25,337	20,292
Current tax receivables		94,133	52,073
Other receivables		141,073	95,346
Cash and cash equivalents	8	**320,733**	**273,920**
TOTAL ASSETS		**6,417,009**	**5,993,019**

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	June 30, 2014	Dec. 31, 2013
Equity attributable to owners of the parent		**1,658,687**	**1,780,238**
Share capital	9	786,158	784,207
Additional paid-in capital		423,588	648,462
Retained earnings		315,809	193,371
Other comprehensive income		63,735	26,758
Consolidated net income for the period		69,397	127,439
Non-controlling interests		**8,329**	**13,089**
Total equity		**1,667,016**	**1,793,327**
Provisions for liabilities and charges	12	**109,438**	**112,056**
Financing liabilities		**388,426**	**15,133**
Financing liabilities due to banking sector companies	13	388,426	15,133
Liabilities relating to insurance contracts	10	**1,478,232**	**1,450,499**
Payables arising from banking sector activities	14	**2,094,086**	**2,109,297**
Amounts due to banking sector companies		512,339	406,759
Amounts due to customers of banking sector companies		279,744	353,751
Debt securities		1,302,003	1,348,787
Other liabilities		**679,811**	**512,708**
Deferred tax liabilities		151,062	138,091
Payables arising from insurance and reinsurance operations		182,274	125,547
Current tax payables		67,807	51,470
Derivative instruments with a negative fair value		1,913	2,527
Other payables		276,756	195,073
TOTAL EQUITY AND LIABILITIES		**6,417,009**	**5,993,019**

b. Consolidated income statement

(in thousands of euros)	Notes	First-half 2014	First-half 2013 *
Revenue	**15**	**723,620**	**726,119**
Gross written premiums		654,162	631,551
Policyholders' bonuses and rebates		(52,507)	(32,226)
Net change in unearned premium provisions		(36,873)	(30,163)
Earned premiums	**15**	**564,782**	**569,162**
Fees and commission income	**15**	**65,210**	**65,099**
Net income from banking activities	**15**	**33,912**	**32,777**
Cost of risk of banking activities		(2,044)	(1,539)
Revenue or income from other activities	**15**	**59,716**	**59,081**
Investment income, net of management expenses		*21,034*	*20,313*
Gains and losses on disposals of investments		*1,299*	*30,397*
Investment income, net of management expenses (excluding finance costs)	**18**	**22,333**	**50,710**
Total revenue and income from ordinary activities		**743,909**	**775,290**
Claims expenses	**11**	(270,966)	(305,637)
Expenses from banking activities, excluding cost of risk		(5,686)	(6,534)
Expenses from other activities		(27,997)	(25,219)
Income from ceded reinsurance		*102,960*	*132,248*
Expenses from ceded reinsurance		*(138,708)*	*(160,912)*
Income and expenses from ceded reinsurance	**17**	**(35,748)**	**(28,664)**
Policy acquisition costs	**16**	(129,948)	(120,946)
Administrative costs	**16**	(129,374)	(126,411)
Other current operating expenses	**16**	(34,009)	(51,335)
Total current income and expenses		**(633,728)**	**(664,746)**
CURRENT OPERATING INCOME		**110,181**	**110,544**
Other operating expenses	**19**	(8,232)	(1,181)
Other operating income	**19**	1,731	359
OPERATING INCOME		**103,680**	**109,721**
Finance costs		(4,819)	(1,718)
Share in net income of associates		947	924
Income tax expense		(30,151)	(40,579)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**69,657**	**68,349**
Non-controlling interests		(260)	(482)
NET INCOME FOR THE PERIOD		**69,397**	**67,867**
Earnings per share (€)	**21**	0.44	0.43
Diluted earnings per share (€)	**21**	0.44	0.43

* Cf. "Reconciliation of the published and restated financial statements for 2013" paragraph on chapter "III. Notes to the condensed interim consolidated financial statements"

c. Consolidated statement of comprehensive income

(in thousands of euros)

	Notes	First-half 2014	First-half 2013
Net income for the period		**69,397**	**67,867**
Non-controlling interests		260	482
Other comprehensive income			
Currency translation differences reclassifiable to income		**7,595**	**(8,033)**
Reclassified to income			
Recognized in equity		7,595	(8,033)
Fair value adjustments on available-for-sale financial assets	**5**	**29,032**	**(26,096)**
Reclassified to income – gross		(3,217)	(29,011)
Reclassified to income – tax effect		1,123	8,491
Recognized in equity – reclassifiable to income – gross		43,705	(11,064)
Recognized in equity – reclassifiable to income – tax effect		(12,578)	5,488
Fair value adjustments on employee benefit obligations		**(0)**	
Other comprehensive income for the period, net of tax		**36,627**	**(34,129)**
Total comprehensive income for the period		**106,284**	**34,220**
- attributable to owners of the parent		106,314	34,402
- attributable to non-controlling interests		**(30)**	**(183)**

d. Consolidated statement of changes in equity

(in thousands of euros)

	Notes	Share capital	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, 2012 restated for IAS 19R		**784,207**	**787,752**		**(4,491)**	**87,325**	**(16,288)**	**124,087**	**1,762,593**	**13,648**	**1,776,241**
Appropriation of 2012 net income			124,087					(124,087)			
Payment of 2012 dividends in 2013										(1,089)	(1,089)
Total transactions with owners			**124,087**					**(124,087)**		**(1,089)**	**(1,089)**
First-half 2013 net income								67,867	67,867	482	68,349
Fair value adjustments on available-for-sale financial assets recognized in equity	5					(5,156)			(5,156)	(420)	(5,576)
Fair value adjustments on available-for-sale financial assets reclassified to income	5					(20,458)			(20,458)	(61)	(20,521)
Change in actuarial gains and losses (IAS 19R)											
Currency translation differences					(8,115)	265			(7,850)	(183)	(8,033)
Other movements			**41**			**(45)**			**(4)**	**68**	**66**
Equity at June 30, 2013		**784,207**	**911,880**		**(12,606)**	**61,930**	**(16,288)**	**67,867**	**1,796,991**	**12,444**	**1,809,437**
Equity at December 31, 2013		**784,207**	**841,834**		**(33,962)**	**75,930**	**(15,211)**	**127,439**	**1,780,239**	**13,089**	**1,793,327**
Capital increase		1,951	2,109						4,060		4,060
2013 net income to be appropriated			127,439					(127,439)			
Special dividend paid to Natixis (issue premium)			(226,983)						(226,983)		(226,983)
Payment of 2013 dividends in 2014			(1,868)						(1,868)	(712)	(2,580)
Total transactions with owners		**1,951**	**(99,303)**					**(127,439)**	**(224,791)**	**(712)**	**(225,504)**
First-half 2014 net income								69,397	69,397	260	69,657
Fair value adjustments on available-for-sale financial assets recognized in equity	5					31,442			31,442	(316)	31,126
Fair value adjustments on available-for-sale financial assets reclassified to income	5					(2,094)			(2,094)	(0)	(2,094)
Change in actuarial gains and losses (IAS 19R)											
Currency translation differences					7,479				7,479	116	7,595
Treasury shares elimination				(2,936)					(2,936)		(2,936)
Other movements			(198)			190	(39)		(49)	(4,108)	(4,157)
Equity at June 30, 2014		**786,158**	**742,333**	**(2,936)**	**(26,483)**	**105,468**	**(15,250)**	**69,397**	**1,658,687**	**8,329**	**1,667,016**

e. Consolidated statement of cash flows

(in thousands of euros)	First-half 2014	First-half 2013
Net income for the period	**69,397**	**67,867**
Income tax expense	30,151	40,579
Finance costs	4,819	1,718
Operating income before tax (A)	**104,367**	**110,164**
Non-controlling interests	260	482
+/- Depreciation, amortization and impairment losses	8,207	12,928
+/- Net additions to/reversals from technical provisions	30,792	56,381
+/- Share in net income of associates	(947)	(924)
+ Dividends received from associates	756	684
+/- Fair value adjustments on financial instruments recognized at fair value through income	(555)	(82)
+/- Non-cash items		
Total non-cash items (B)	***38,512***	***69,469***
Gross cash flows from operations (C) = (A) + (B)	***142,879***	***179,633***
Change in operating receivables and payables	(36,528)	45,462
Net taxes paid	(11,548)	(24,507)
Net cash related to operating activities (D)	***(48,076)***	***20,956***
Increase (decrease) in receivables arising from factoring operations	(1,164)	116,561
Increase (decrease) in payables arising from factoring operations	(120,791)	(101,248)
Increase (decrease) in factoring liabilities	143,465	3,947
Net cash generated from banking and factoring operations (E)	***21,510***	***19,260***
Net cash generated from operating activities (F) = (C+D+E)	**116,313**	**219,848**
Acquisitions of investments	(2,381,284)	(1,836,205)
Disposals of investments	2,171,223	1,703,964
Net cash used in movements in investments (G)	***(210,062)***	***(132,241)***
Acquisitions of consolidated subsidiaries, net of cash acquired		
Disposals of consolidated companies, net of cash transferred		
Net cash generated from changes in scope of consolidation (H)		
Acquisitions of property, plant and equipment and intangible assets	(4,343)	(13,222)
Disposals of property, plant and equipment and intangible assets	3,982	696
Net cash used in acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(361)***	***(12,527)***
Net cash used in investing activities (J) = (G+H+I)	**(210,423)**	**(144,767)**
Proceeds from the issue of equity instruments	4,060	
Treasury share transactions	(2,936)	
Relution (Coface SA repurchase Compagnie Française d'Assurance pour le Commerce Extérieur from Natixis)	(4,158)	
Special dividend paid to Natixis - issue premium payment	(226,983)	
Dividends paid to owners of the parent	(1,868)	
Dividends paid to non-controlling interests in consolidated companies	(712)	(1,089)
Cash flows related to transactions with owners	***(232,597)***	***(1,089)***
Proceeds from the issue of debt instruments	379,951	
Cash used in the redemption of debt instruments	(10,727)	(3,319)
Cash flows related to the financing of Group operations	***369,225***	***(3,319)***
Net cash generated from (used in) financing activities (K)	**136,628**	**(4,408)**
Impact of changes in exchange rates on cash and cash equivalents (L)	**4,295**	**(6,326)**

Net increase in cash and cash equivalents (F+J+K+L)	**46,813**	**64,347**

Net increase in cash and cash equivalents (F+J+K+L)	**46,813**	**64,347**
Net cash generated from operating activities (F)	116,313	219,848
Net cash used in investing activities (J)	(210,423)	(144,767)
Net cash generated from (used in) financing activities (K)	136,628	(4,408)
Impact of changes in exchange rates on cash and cash equivalents (L)	4,295	(6,326)

Cash and cash equivalents at beginning of period	273,920	257,010
Cash and cash equivalents at end of period	320,733	321,357
Net change in cash and cash equivalents	**46,813**	**64,347**

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III. Notes to the condensed interim consolidated financial statements

III. Notes to the condensed interim consolidated financial statements

Basis of preparation

These IFRS condensed interim consolidated financial statements of the Coface Group as at June 30, 2014 are established in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

These condensed interim financial statements comprise:

- a balance sheet;
- an income statement;
- a statement of comprehensive income;
- a statement of changes in equity;
- a statement of cash flows;
- and selected explanatory notes.

They are presented with comparative financial information at December 31, 2013 for balance sheet items, and for the six months ended June 30, 2013 for income statement items.

The explanatory notes do not contain all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

The condensed interim consolidated financial statements of the Coface Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.[1] The same accounting principles and policies have been used for the consolidated financial statements for the six months ended June 30, 2014 as for the year ended December 31, 2013 – as described in Note 1, "Basis of preparation" of the 2013 consolidated financial statements. These condensed interim consolidated financial statements were approved by the Board of Directors on July 25, 2014.

Reconciliation of the published and restated condensed interim financial statements for 2013

The consolidated financial statements for the first half of 2013 have been subject to presentational reclassification with no impact on income.

Policyholderds' bonuses and rebates, which were previously classified within claims expenses, are now included in earned premiums.

The **CVAE**, tax on added value payable by French companies which was previously classified within operating expenses, is now classified within income tax.

[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_en.htm

(in thousands of euros)

	Notes	First-half 2013 (reported)	Reclass policyholders' bonuses	Reclass CVAE tax	First-half 2013 (restated)
Revenue	**15**	**758,345**	**(32,226)**		**726,119**
Gross written premiums		631,551			631,551
Policyholders' bonuses and rebates			(32,226)		(32,226)
Net change in unearned premium provisions		(30,163)			(30,163)
Earned premiums	**15**	**601,388**	**(32,226)**		**569,162**
Fees and commission income	**15**	**65,099**			**65,099**
Net income from banking activities	**15**	**32,777**			**32,777**
Cost of risk of banking activities		(1,539)			(1,539)
Revenue or income from other activities	**15**	**59,081**			**59,081**
Investment income, net of management expenses		*20,313*			*20,313*
Gains and losses on disposals of investments		*30,397*			*30,397*
Investment income, net of management expenses (excluding finance costs)	18	50,710			50,710
Total revenue and income from ordinary activities		**807,516**	**(32,226)**		**775,290**
Claims expenses	11	(337,863)	32,226		(305,637)
Expenses from banking activities, excluding cost of risk		(6,534)			(6,534)
Expenses from other activities		(25,219)			(25,219)
Income from ceded reinsurance		*143,423*	*11,175*		*132,248*
Expenses from ceded reinsurance		*(172,087)*	*(11,175)*		*(160,912)*
Income and expenses from ceded reinsurance	**17**	**(28,664)**			**(28,664)**
Policy acquisition costs	16	(121,803)		857	(120,946)
Administrative costs	16	(127,082)		671	(126,411)
Other current operating expenses	16	(51,848)		513	(51,335)
Total current income and expenses		**(699,013)**	**32,226**	**2,041**	**(664,746)**
CURRENT OPERATING INCOME		**108,502**		**2,041**	**110,544**
Other operating expenses	19	(1,181)			(1,181)
Other operating income	19	359			359
OPERATING INCOME		**107,679**		**2,041**	**109,721**
Finance costs		(1,718)			(1,718)
Share in net income of associates		924			924
Income tax expense		(38,538)		(2,041)	(40,579)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**68,348**			**68,349**
Non-controlling interests		(482)			(482)
NET INCOME FOR THE PERIOD		**67,867**			**67,867**

Note 1. Significant events

Initial public offering (IPO)

Since 2011, the Coface Group has refocused on its core business, of credit insurance, and has undertaken a series of structural reorganizations that have restored the Group's operating profitability. In this context, on June 27, 2014 the Group entered a new stage of its development and with its successful stock market listing on comptament A of French regulated market Euronext Paris.

The IPO was well received by the markets, with strong demand from French and international institutional investors resulting in a diversified ownership structure that reflects the multinational dimension of Coface.

The favorable reception from the markets led Natixis, acting as stabilizing agent in the name and on behalf of the financial institutions that accompanied Coface throughout its IPO, to exercise the over-allotment option in full just four days after the initial listing.

Following the IPO, Coface's market capitalization stood at approximately €1,631 million.

The IPO consisted in a Retail Offering for 2,546,251 shares and an International Offering for 77,442,816 shares i.e. a total of 79,989,067 existing shares sold by Natixis, corresponding to 51% of the capital and voting rights. The gross proceeds of the Retail Offering and the International Offering represented a total of approximately €832 million based on the Offer Price of €10.40 per share, and could reach €957 million assuming the full exercise of the over-allotment option comprising a maximum 11,998,359 existing shares.

Coface SA shares were initially traded in the form of pledges of shares on Euronext Paris on June 27, 2014.

A concurrent employee offering was also launched for approximate gross proceeds of €13 million, in the form of 1,568,413 new shares at €8.32 per share i.e.,a 20% discount (rounded up to the nearest euro cent) on the offer Price at €10.40.

The employee offering, was made available in 19 countries and covered 80% of the Group's headcount, it was warmly welcomed by employees, as illustrated by the nearly 50% take-up rate.

Subordinated debt issuance

On March 27, 2014, Coface SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100 thousand), maturing on March 27, 2024 (10 years). These bonds bear annual interest at 4.125%.

The issue allowed the Coface Group to optimize its capital structure, which had previously been characterized by an extremely low debt ratio (less than 1% at end-2013), and to strengthen its regulatory capital.

It was welcomed by a diversified and international basis of investors and was 10 times oversubscribed, demonstrating the confidence in the profitable growth model put in place by Coface over the last three years based on bolstered operating and financial fundamentals.

The per-unit bond issue price was €99,493.80, and the amount received by Coface SA was €376.7 million, net of placement fees and directly-attributable transaction costs.

These bonds are irrevocably and unconditionally guaranteed on a subordinated basis by Compagnie Française d'Assurance pour le Commerce Extérieur, the Coface Group's main operating entity.

On March 25, 2014, a joint surety was issued by Compagnie Française d'Assurance pour le Commerce Extérieur for €380 million, in favor of the investors in Coface SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors. The annual interest rate applicable is 0.2% on the basis of the total amount (due by Coface SA).

This subordinated surety is recorded in off-balance sheet items. Since it is classified as an intragroup transaction, it is eliminated in consolidation and is not disclosed in the explanatory notes.

On March 27, 2014, Coface SA granted a subordinated intragroup loan to Compagnie Française d'Assurance pour le Commerce Extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

Exercise of the over-allotment option

On July 2, 2014, Naxitis, acting as stabilizing agent in the name and on behalf of the financial institutions that accompanied Coface throughout its IPO, exercised the over-allotment option in full covering 11,998,359 additional existing shares sold by Natixis at the offering price of €10.40 per share. Accordingly the total number of Coface shares offered in connection with the initial public offering was 91,987,426 shares representing 58.65% of the capital and voting rights. Following the exercise of the over-allotment option, Natixis held 41.35% of the share capital of Coface.

The calculation of the participation of Natixis in Coface was made taking into account the exercise of over-allotment. Indeed, the operation of the IPO and over-allotment were considered a single transaction.

Geographic expansion

In January, 2014, Coface was granted a license to issue credit insurance policiesin Colombia via its own sales force, rounding out the indirect distribution model launched several years ago in Colombia based on a partnership with a local insurer.

In early May, Coface opened a new trade representation office in the Philippines.

Exit from tax consolidation group

Coface left the Natixis tax consolidation group with effect from January 1, 2014. In accordance with the tax consolidation agreement, Natixis paid Coface an amount of €50 million with respect to deferred tax assets recognized on tax loss carryforwards.

Changes in the scope of consolidation

During the second quarter of 2014, Coface SA purchased the 0.26% outstanding interest in Compagnie Française pour le Commerce Extérieur that it did not already own, which was held by Natixis. Compagnie Française pour le Commerce Extérieur is now hold wholly-owned by Coface SA. At June 30, 2014, the impact on the consolidated financial statements is a €4 million change in non-controlling interests.

Cessation of the state activity in Brasil

SBCE, Brazilian insurance company managed on behalf of the Brazilian state and with the guarantee of the Brazilian state guarantees on non-insurable risks by the private market. The agreement binding the Brazilian state and SBCE has not been renewed on 30 June 2014.

Revenue generated by this activity was €5.6 million at December 31, 2013 and €2.6 million at 30 June 2014. As at June 30, a provision has been recognized in respect of the cessation of this activity as an other non-recurring operating expenses amounted to €1 million.

Since July 1, SBCE continues its activity export insurance for short-term trading.

Note 2. Accounting principles

The entry into force on January 1, 2014 of the following new standards and amendments to existing standards did not have a material impact on the condensed interim consolidated financial statements of the Coface Group for the six months ended June 30, 2014:

- Amendments to IAS 32, effective for annual periods beginning on or after January 1, 2014 and applicable retrospectively. These amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet.
- The new standards on consolidation: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosure of Interests in Other Entities, published by the IASB on May 12, 2011 and adopted by the European Commission on December 11, 2012.
- IFRS 10 supersedes IAS 27 – Consolidated and Separate Financial Statements in relation to consolidated financial statements as well as SIC-12 on special purpose entities. It establishes a single control model that applies to all entities, including structured entities. IFRS 11 supersedes IAS 31 – Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

  IFRS 12 combines and enhances the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

  Application of IFRS 12 will result in additional disclosures concerning Coface's interests in unconsolidated structured entities.

  As a result of these new standards, the IASB also published revised versions of IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures, which were adopted by the European Commission on December 11, 2012 and are effective for annual periods beginning on or after January 1, 2014.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 published by the IASB on June 28, 2012 and adopted by the European Commission on April 4, 2013. Application of these amended standards is mandatory for annual periods beginning on or after January 1, 2014. The amendments to IFRS 10 clarify the standard's transition guidance and limit the requirement to provide adjusted comparative information to only the immediately preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

Accounting principles applied to interim periods

Accounting treatment of debt

Debt is initially recognized at fair value after taking account of directly-attributable transaction costs.

It is subsequently measured at amortized cost using the effective interest method. Amortized cost corresponds to:

- the measurement of the financial liability on initial recognition; minus
- repayments of principal; plus or minus
- cumulative amortization (calculated using the effective interest rate) and any discounts or premiums between the initial amount and the maturity amount.

Premiums and discounts are not included in the initial cost of the financial liability. However, they are included in the calculation of amortized cost and are recognized over the life of the financial liability using the yield-to-maturity method. As and when they are amortized, premiums and discounts impact the amortized cost of the financial liability.

Accounting treatment of debt issuance costs

Transaction costs directly attributable to the issuance of financial liabilities are included in the initial fair value of the liability. Transaction costs are defined as incremental costs directly attributable to the issuance of the financial liability, i.e., that would not have been incurred if the Group had not acquired, issued or disposed of the financial instrument.

Transaction costs include:

- fees and commissions paid to agents, advisers, brokers and other intermediaries;
- levies by regulatory agencies and securities exchanges;
- and transfer taxes and duties.

Transaction costs do not include:

- debt premiums or discounts;
- financing costs;
- internal administrative or holding costs.

As at June 30, 2014, the debt presented on the line « Subordinated bond debt » of the balance sheet, amounted to €379,082 thousand, (ie. note 13) is composed of:

- nominal value amounted to €380,000 thousand

- reduced by the debt issuance costs for €3,013 thousand,
- reduced by the debt premiums for €1,924 thousand,
- increased by interests accrued of €4,018 thousand.

The impact on income as at June 30, 2014 mainly includes the interests related to the period for €4,018 thousand.

Income tax

The method used to calculate the tax expense for the six months ended June 30, 2014 is the same as that used for the year ended December 31, 2013.

The tax expense is calculated on the basis of the latest known tax rate in force in each country.

Income tax expense includes both current taxes and, where justified by the tax position of the companies concerned, deferred taxes resulting from temporary differences and consolidation adjustments.

Deferred taxes are recorded by the liability method for temporary differences between the carrying amount of assets and liabilities at each period-end and their tax base.

Deferred tax assets and liabilities are calculated for all temporary differences, based on the tax rate that will be in force when the differences are expected to reverse, if this is known, or, failing that, at the tax rate in force at the period-end.

For reasons of prudence, Coface only recognizes a net deferred tax asset when it is probable that sufficient taxable profits against which the asset can be utilized will be available within a reasonable timeframe, even though tax losses can be carried forward for very long periods (e.g., 20 years in the United States) or indefinitely in France and the United Kingdom.

Coface therefore draws up tax business plans on a rolling basis, beginning from the last tax reporting date and extrapolated based on growth assumptions used in the medium-term business plans drawn up by its various business lines.

Where appropriate, adjustments are made to these tax plans in order to reflect specific tax regimes.

At December 31, 2013, deferred tax assets on the carryforward of unused tax losses in the Coface SA scope of consolidation amounted to €51.7 million, corresponding to tax losses of the subsidiary Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA).

Following the departure of Coface from the Natixis tax consolidation group, Natixis will pay an indemnity to Coface to offset the loss of tax losses. At the same time, the deferred tax assets related to the tax loss carryforwards were released in an amount of €50.5 million in the income statement through deferred tax expense. The compensation was recognized in the income statement in current tax for €50.4 million with an offsetting entry to tax receivables. The payment of the indemnity will be effective in the second half of 2014.

Estimates

The main balance sheet items for which Management is required to make estimates are presented in the table below:

Estimates	Notes	Type of information required
Fair value of investment property	5	The fair value of investment property is based on market prices, adjusted where appropriate to take account of the nature, location or any other characteristics specific to the property.
Provision for earned premiums not yet written	10	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognized.
Provision for policyholders' bonuses and rebates	10	This provision is calculated based on the estimated amount of rebates and bonuses payable to policyholders in accordance with the terms and conditions of the policies written.
Provision for subrogation and salvage	11	This provision is calculated based on the estimated amount potentially recoverable on paid claims.
Claims provision	11	The claims provision covers the estimated cost of all reported claims not settled at the period-end.
IBNR provision	11	The IBNR provision is calculated on a statistical basis using an estimate of the final amount of claims that will be settled after the risk has been extinguished and after any action taken to recover amounts paid out.

Note 3. Goodwill

At June 30, 2014, the change in goodwill amounted to €267 thousand. Accordingly, this note does not present any material changes.

Note 4. Other intangible assets

At June 30, 2014, the change in other intangible assets amounted to a negative €3,290 thousand. Accordingly, this note does not present any material changes.

Note 5. Investments

5.1 – Analysis by category

At June 30, 2014, the carrying amount of held-to maturity (HTM) securities was €6,939 thousand; available-for-sale (AFS) securities totaled €2,161,246 thousand; and securities held for trading (“trading securities”) came to €54,855 thousand.

At December 31, 2013, the carrying amount of held-to maturity (HTM) securities was €9,403 thousand; available-for-sale (AFS) securities totaled €1,891,204 thousand; and securities held for trading (“trading securities”) came to €52,271 thousand.

As an insurance group, Coface's investment allocation is heavily weighted towards fixed-income products.

At June 30, 2014, 11% of the Group’s total bond portfolio was rated “AAA”, 40% “AA” and “A”, 31% “BBB” and 18% below “BB”. The portion of the bond portfolio rated below “BB” exclusively comprises securities with maturities of less than three years.

At June 30, 2014, bonds represented 68% of the total investment portfolio.

	June 30, 2014					Dec. 31, 2013				
(in thousands of euros)	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses	Amortized cost	Revaluation	Net value	Fair value	Unrealized gains and losses
AFS securities	**2,039,715**	**121,531**	**2,161,246**	**2,161,246**		**1,810,511**	**80,693**	**1,891,204**	**1,891,204**	
Equities and other variable-income securities	192,655	102,859	**295,514**	295,514		109,981	92,486	**202,467**	202,467	
Bonds and government securities	1,847,059	18,671	**1,865,730**	1,865,730		1,700,529	(11,793)	**1,688,736**	1,688,736	
o/w direct investments in securities	*1,649,652*	*21,426*	***1,671,078***	*1,671,078*		*1,338,281*	*(4,448)*	***1,333,833***	*1,333,833*	
o/w investments in UCITS	*197,408*	*(2,755)*	***194,653***	*194,653*		*362,248*	*(7,345)*	***354,903***	*354,903*	
Shares in non-trading property companies	1		**1**	1		1		**1**	1	
HTM securities										
Bonds	6,939		**6,939**	7,728	789	9,403		**9,403**	10,170	767
Fair value through income – trading securities										
Money market funds (UCITS)	54,508	347	**54,855**	54,855		52,271		**52,271**	52,271	
Derivatives (positive fair value)		3,325	**3,325**	3,325			1,386	**1,386**	1,386	
Loans and receivables	235,696		**235,696**	235,696		253,098		**253,098**	253,098	
Investment property	708	216	**924**	924		1,055	216	**1,271**	1,271	
Total	**2,337,566**	**125,419**	**2,462,985**	**2,463,774**	**789**	**2,126,338**	**82,294**	**2,208,633**	**2,209,400**	**767**

(in thousands of euros)	Gross June 30, 2014	Impairment	IFRS June 30, 2014	IFRS Dec. 31, 2013
AFS securities	**2,191,489**	**(30,243)**	**2,161,246**	**1,891,204**
Equities and other variable-income securities	325,750	(30,235)	295,514	202,467
Bonds and government securities	1,865,730		1,865,730	1,688,736
o/w direct investments in securities	*1,671,078*		*1,671,078*	*1,333,833*
o/w investments in UCITS	*194,653*		*194,653*	*354,903*
Shares in non-trading property companies	9	(8)	1	1
HTM securities				
Bond	6,939		6,939	9,403
Fair value through income – trading securities				
Money market funds (UCITS)	54,855		54,855	52,271
Derivatives (positive fair value)	3,325		3,325	1,386
(for information, derivatives with a negative fair value)	*(1,913)*		*(1,913)*	
Loans and receivables	235,696		235,696	253,098
Investment property	924		924	1,271
Total investments	**2,493,228**	**(30,243)**	**2,462,985**	**2,208,633**

(in thousands of euros)	Dec. 31, 2013	Additions	Reversals	Exchange rate effects and other	June 30, 2014
AFS securities	**30,661**	**838**	**(1,226)**	**(30)**	**30,243**
Equities and other variable-income securities	30,653	838	(1,226)	(30)	30,235
Shares in non-trading property companies	8				8
Total impairment	**30,661**	**838**	**(1,226)**	**(30)**	**30,243**

At June 30, 2014, Coface Chile reversed an impairment loss in respect of Coface Factoring Chile further to its liquidation. Since this was the matching entry to the liquidation loss, it had no impact on income.

Change in investments by category

(in thousands of euros)	Dec. 31, 2013 Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	June 30, 2014 Carrying amount
AFS securities	**1,891,204**	**1,452,136**	**(1,224,964)**	**40,488**	**388**	**1,994**	**2,161,246**
Equities and other variable-income securities	202,467	259,784	(172,509)	10,019	388	(4,634)	295,514
Bonds and government securities	1,688,736	1,192,351	(1,052,455)	30,470		6,628	1,865,730
Shares in non-trading property companies	1						1
HTM securities							
Bonds	9,403	11	(2,475)				6,939
Fair value through income – trading securities	52,271	716,007	(713,215)	179		(387)	54,855
Loans, receivables and other financial investments	255,755	212,517	(231,794)	376		3,092	239,945
Total investments	**2,208,633**	**2,380,670**	**(2,172,449)**	**41,043**	**388**	**4,699**	**2,462,985**

At June 30, 2014, material changes were observed for the following items:

- Equities and other variable-income securities amounted to €295,514 thousand at June 30, 2014, versus €202,467 thousand at December 31, 2013. The €93,047 thousand change in this item chiefly reflects the acquisition of additional equities by the "Colombes" mutual funds, as well as a strong performance by equities in first-half 2014. The "Colombes" mutual funds were set up in 2013, and consolidated as from that date, to centralize the management of the Group's investments.
- Bonds and government securities amounted to €1,865,730 thousand at June 30, 2014, versus €1,688,736 thousand at December 31, 2013. The €176,994 thousand increase in this item is mainly attributable to various transactions and the remeasurement of the “Colombes” mutual funds.
- Held-to maturity (HTM) securities amounted to €6,939 thousand at June 30, 2014, versus €9,403 thousand at December 31, 2013. The €2,475 thousand decrease correspond to the maturity of the bound.
- Loans, receivables and other investments amounted to €294,800 thousand at June 30, 2014, versus €308,026 thousand at December 31, 2013. This item mainly comprises trading securities, certificates of deposit and term deposits.

5.2 – Financial instruments recognized at fair value

The fair values of financial instruments recorded in the balance sheet are measured according to a hierarchy that categorizes into three levels the inputs used to measure fair value. These levels are as follows:

Level 1: Quoted prices in active markets for an identical financial instrument.

Securities classified as level 1 represent 80% of the Group’s portfolio. They correspond to:

- equities, bonds and government securities listed on organized markets, as well as units in mutual funds whose net asset value is calculated and published on a very regular basis and is readily available (AFS securities);
- government bonds and bonds indexed to variable interest rates (HTM securities);
- French UCIT money-market funds (trading securities).

Level 2: Use of inputs, other than quoted prices for an identical instrument, that are directly or indirectly observable in the market (inputs corroborated by the market such as yield curves, swap rates, multiples method, etc.).

This level is used for the following instruments:

- unlisted equities;
- loans and receivables due from banks or clients and whose fair value is determined using the historical cost method.

Level 3: Valuation techniques based on unobservable inputs such as projections or internal data. This level corresponds to unlisted equities, investment securities and mutual fund units (UCITS), as well as investment property.

Breakdown of financial instrument fair value measurements as at June 30, 2014 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservabl e inputs
AFS securities	**2,161,246**	**2,161,246**	**1,919,999**	**118,382**	**122,865**
Equities and other variable-income securities	**295,514**	295,514	157,980	14,671	122,864
Bonds and government securities	**1,865,730**	1,865,730	1,762,019	103,711	
Shares in non-trading property companies	**1**	1			1
HTM securities					
Bonds	**6,939**	7,728	7,728		
Fair value through income – trading securities					
Money market funds (UCITS)	**54,855**	54,855	54,855		
Derivatives	**3,325**	3,325		3,325	
Loans and receivables	**235,696**	235,696		235,696	
Investment property	**924**	924			924
TOTAL	**2,462,985**	**2,463,774**	**1,982,582**	**357,403**	**123,789**

Movements in Level 3 securities as at June 30, 2014

(in thousands of euros)	Level 3	Gains and losses recognized in the period		Transactions for the period		Changes in scope of consolidation	Exchange rate effects	Level 3
	At Dec. 31, 2013	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions			At June 30, 2014
AFS securities	**107,825**	**1,141**	**9,017**	**4,478**			**404**	**122,865**
Equities and other variable-income securities	107,824	1,141	9,017	4,478			404	122,864
Shares in non-trading property companies	1							1
Investment property	**1,271**	**(347)**						**924**
TOTAL	**109,096**	**794**	**9,017**	**4,478**			**404**	**123,789**

Breakdown of financial instrument fair value measurements as at December 31, 2013 by level in the fair value hierarchy

(in thousands of euros)	Carrying amount	Fair value	Level 1 Fair value determined based on quoted prices in active markets	Level 2 Fair value determined based on valuation techniques that use observable inputs	Level 3 Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**1,891,204**	**1,891,204**	**1,637,022**	**146,357**	**107,825**
Equities and other variable-income securities	202,467	202,467	79,972	14,671	107,824
Bonds and government securities	1,688,736	1,688,736	1,557,050	131,686	
Shares in non-trading property companies	1	1			1
HTM securities					
Bonds	9,403	10,170	10,170		
Fair value through income – trading securities					
Money market funds (UCITS)	52,271	52,271	52,271		
Derivatives	1,386	1,386		1,386	
Loans and receivables	253,098	253,098		253,098	
Investment property	1,271	1,271			1,271
TOTAL	**2,208,633**	**2,209,400**	**1,699,462**	**400,842**	**109,096**

Movements in Level 3 securities as at December 31, 2013

	Level 3	Gains and losses recognized in the period		Transactions for the period		Reclassifications for the period	Changes in scope of consolidation	Exchange rate effects	Level 3
	At Dec. 31, 2012	In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions	To level 3			At Dec. 31, 2013
AFS securities	**117,991**	**5,341**	**13,679**	**5,299**	**(30,734)**	**371**	**(3,872)**	**(250)**	**107,825**
Equities and other variable-income securities	117,984	5,341	13,679	5,299	(30,728)	371	(3,872)	(250)	107,824
Shares in non-trading property companies	7				-6				1
Investment property	**1,456**				**(185)**				**1,271**
TOTAL	**119,447**	**5,341**	**13,679**	**5,299**	**(30,919)**	**371**	**(3,872)**	**(250)**	**109,096**

Note 6. Receivables arising from banking and other activities

(in thousands of euros)	June 30, 2014	Dec. 31, 2013
Receivables arising from banking and other activities	2,101,644	2,094,074
Non-performing receivables arising from banking and other activities	40,063	46,163
Allowances for receivables arising from banking and other activities	(20,094)	(19,721)
Total receivables arising from banking and other activities	**2,121,613**	**2,120,516**

Receivables arising from banking and other activities represent receivables acquired within the scope of factoring agreements.

They are recognized at cost within assets. Factoring receivables include both receivables whose future recovery is guaranteed by Coface and receivables for which the risk of future recovery is borne by the customer.

Where applicable, the Group recognizes a valuation allowance against receivables to take account of any potential difficulties in their future recovery, it being specified that the receivables are also covered by a credit insurance agreement. Accordingly, the related risks are covered by claims provisions.

Note 7. Investments in associates

At June 30, 2014, the change in investments in associates amounted to €191 thousand. Accordingly, this note does not present any material changes.

Note 8. Cash and cash equivalents

(in thousands of euros)	June 30, 2014	Dec. 31, 2013
Cash at bank and in hand	306,972	260,866
Cash equivalents	13,761	13,054
Total	**320,733**	**273,920**

Cash and cash equivalents totaled €320,733 thousand at June 30, 2014 compared with €273,920 thousand at December 31, 2013, representing a period-on-period increase of €46,813 thousand.

Note 9. Share capital

Ordinary shares	Number of shares	Par value	Share capital (in €)
At January 1, 2014	156,841,307	5	784,206,535
Capital increase	390,368	5	1,951,840
At June 30, 2014	**157,231,675**	**5**	**786,158,375**
Treasury shares	(390,368)	5	(1,951,840)
At June 30, 2014 (excluding treasury shares)	**156,841,307**	**5**	**784,206,535**

Shareholders	Number of shares - at Jan. 1, 2014	% at opening	Number of shares - at June 30, 2014	% at closing
Natixis	156,841,307	100%	64,853,869	41.35%
Public	(0)	0%	91,987,438	58.65%
Total	**156,841,307**	**100%**	**156,841,307**	**100%**

As at June, 30 2014, treasury shares correspond to acquired employee shares but not attributed yet, to be launched in July.

Note 10. Liabilities relating to insurance contracts

(in thousands of euros)	June 30, 2014	Dec. 31, 2013
Provisions for unearned premiums	305,450	267,023
Claims provisions	1,097,808	1,120,922
Provisions for policyholders' bonuses and rebates	74,974	62,554
Liabilities relating to insurance contracts	**1,478,232**	**1,450,499**
Provisions for unearned premiums	(67,898)	(41,674)
Claims provisions	(265,191)	(289,294)
Provisions for policyholders' bonuses and rebates	(18,408)	(16,254)
Reinsurers' share of technical insurance liabilities	**(351,497)**	**(347,221)**
Net technical provisions	**1,126,735**	**1,103,278**

Note 11. Claims expenses

(in thousands of euros)	First-half 2014	First-half 2013
Paid claims, net of recoveries	(285,666)	(251,121)
Claims handling expenses	(12,867)	(13,357)
Change in claims provisions, net of recoveries	27,567	(41,160)
Total	**(270,966)**	**(305,637)**

Claims expenses by period of occurrence

(in thousands of euros)	First-half 2014			First-half 2013		
	Gross	Outward reinsurance and retrocessions	Net	Gross	Outward reinsurance and retrocessions	Net
Claims expenses – current period	(408,879)	84,420	(324,459)	(417,563)	101,963	(315,601)
Claims expenses – prior periods	137,913	(30,377)	107,536	111,926	(25,697)	86,229
Claims expenses	**(270,966)**	**54,042**	**(216,924)**	**(305,637)**	**76,265**	**(229,372)**

Note 12. Provisions for liabilities and charges

(in thousands of euros)	June 30, 2014	Dec. 31, 2013
Provisions for disputes	8,399	7,056
Provisions for pension and other post-employment benefit obligations	86,428	86,130
Other provisions for liabilities and charges	14,611	18,870
TOTAL	**109,438**	**112,056**

Other provisions for liabilities and charges chiefly include provisions for risks relating to investments in the amount of €13,423 thousand at June 30, 2014, versus €14,347 thousand at December 31, 2013, corresponding to the Group's share in the negative net financial position.

Note 13. Debt

(in thousands of euros)	June 30, 2014	Dec. 31, 2013
Subordinated bond debt	379,082	
Obligations under finance leases	9,278	10,565
Bank overdrafts and other borrowings	66	4,568
TOTAL	**388,426**	**15,133**

Coface SA has issued subordinated debt in the form of bonds for a nominal amount of €380 million (3,800 bonds with a nominal unit value of €100 thousand each), maturing on March 27, 2024 (10 years). These bonds bear annual interest at 4.125%, payable at the anniversary date each year.

The per-unit bond issue price was €99,493.80, and the amount received by Coface SA was €376.7 million, net of placement fees and directly-attributable transaction costs.

Note 14. Payables arising from banking sector activities

(in thousands of euros)	June 30, 2014	Dec. 31, 2013
Amounts due to banking sector companies	512,339	406,759
Amounts due to customers of banking sector companies	279,744	353,751
Debt securities	1,302,003	1,348,787
TOTAL	**2,094,086**	**2,109,297**

The lines "Amounts due to banking sector companies" and "Amounts due to customers of banking sector companies" correspond to sources of refinancing for the Group's factoring entities – Coface Finanz (Germany) and Coface Factoring Poland.

Note 15. Consolidated revenue

(in thousands of euros)

a) By business line	First-half 2014	First-half 2013
Premiums – direct business	622,064	599,374
Premiums – inward reinsurance	32,098	32,176
Policyholders' rebates	(52,507)	(32,226)
Provisions for unearned premiums	(36,873)	(30,163)
Earned premiums net of cancellations c)	**564,782**	**569,162**
Fees and commission income	**65,210**	**65,099**
Net income from banking activities d)	**33,912**	**32,777**
Other insurance-related services	4,878	4,444
Remuneration of public procedures management services	32,757	32,891
Business information and other services	12,787	12,115
Receivables management	9,294	9,631
Revenue or income from other activities	**59,716**	**59,081**
Consolidated revenue	**723,620**	**726,119**

(in thousands of euros)

b) By country of invoicing	First-half 2014	First-half 2013
Northern Europe	182,050	179,426
Western Europe	238,488	246,046
Central Europe	56,128	53,582
Mediterranean & Africa	110,634	108,660
North America	53,137	50,575
Latin America	37,987	42,410
Asia-Pacific	45,196	45,422
Consolidated revenue	**723,620**	**726,119**

(in thousands of euros)

c) Insurance revenue by type of insurance	First-half 2014	First-half 2013
Credit insurance	524,645	522,038
Guarantees	26,243	29,238
Single risk	13,894	17,886
Total insurance revenue	**564,782**	**569,162**

(in thousands of euros) d) Net income from banking activities	First-half 2014	First-half 2013
Financing fees	(7,346)	(6,020)
Factoring fees	42,149	39,522
Other	(891)	(725)
Total net income from banking activities	**33,912**	**32,777**

Note 16. General expenses by function

(in thousands of euros)	First-half 2014	First-half 2013
Commissions	(68,010)	(65,721)
Other acquisition costs	(61,938)	(55,225)
Total acquisition costs	**(129,948)**	**(120,946)**
Administrative costs	**(129,374)**	**(126,411)**
Other current operating expenses	**(34,009)**	**(51,335)**
Investment management expenses	**(1,363)**	**(4,143)**
o/w insurance investment management expenses	*(1,363)*	*(2,935)*
Claims handling expenses	**(12,867)**	**(13,357)**
o/w insurance claims handling expenses	*(12,867)*	*(13,357)*
TOTAL	**(307,560)**	**(316,192)**
o/w statutory and optional employee profit-sharing	*(4,629)*	*(2,783)*

Total administrative costs for the Coface Group including general insurance expenses (by function), expenses from other activities and expenses from banking activities came out at €341,243 thousand in the six months ended June 30, 2014 versus €347,945 thousand in the six months ended June 30, 2013.

In the income statement, claims handling expenses are included in "Claims expenses" and investment management expenses are shown in "Investment income, net of management expenses (excluding finance costs)".

Note 17. Reinsurance result

(in thousands of euros)	First-half 2014	First-half 2013
Ceded claims	78,406	70,443
Change in claims provisions, net of recoveries	(24,363)	5,822
Commissions paid by reinsurers	48,917	55,983
Income from ceded reinsurance	**102,960**	**132,248**
Ceded premiums	(142,696)	(171,268)
Change in unearned premium provisions	3,988	10,356
Expenses from ceded reinsurance	**(138,708)**	**(160,912)**
Reinsurance result	**(35,748)**	**(28,664)**

Note 18. Investment income by category

(in thousands of euros)	First-half 2014	First-half 2013
Investment income	19,939	24,893
Change in financial instruments at fair value though income	555	82
Net gains on disposals	1,299	30,397
Additions to/(reversals from) impairment	(497)	(59)
Net foreign exchange gains	4,408	391
*o/w hedged by currency derivatives on "Colombes" mutual funds**	*1,927*	*(227)*
Investment management expenses	(3,371)	(4,994)
Total investment income, net of management expenses (excluding finance costs)	**22,333**	**50,710**

** The counterpart is booked through change in fair value of financial instruments accounted for at fair value by income for €(1, 927) thousand.*

As at June, 30, 2013, as part of the operation of centralized investments, a large part of the investments were sold to be reinvested in the funds doves, generating a capital gain of € 27 million.

Note 19. Other operating income and expenses

(in thousands of euros)	First-half 2014	First-half 2013
Costs directly attributable to the stock market listing	(6,926)	
Fees directly attributable to the stock market listing	*(5,515)*	
Matching contribution for employees having acquired shares in the company	*(1,411)*	
Retructuring costs	(1,021)	
Other operating expenses	(286)	(1,181)
Total other operating expenses	**(8,232)**	**(1,181)**
Restructuring income	1,534	
Other operating income	197	359
Total other operating income	**1,731**	**359**
Net	**(6,501)**	**(822)**

In the six months ended June 30, 2014, a non-recurring expense of €6,926 thousand was recognized in other operating expenses in respect of fees in connection with the stock market listing (communications agency, lawyers, Statutory Auditors, consultants, etc.), expenses and fees paid to Natixis Interépargne and the matching contribution for employees having acquired shares in the company.

The Brazilian insurance company SBCE was managing, on behalf of, and with the guarantee of, the Brazilian State, coverage on risks that are uninsurable by the private market. This agreement which entered into by the government of Brazil and SBCE was not renewed as at June 30, 2014.

The turnover generated by this activity reached €5,577 thousand as at December 31, 2013 and €2,644 thousand as at June 30, 2014.

As at June 30, 2014, a provision related to the termination of this activity was booked on the line "Restructuring costs" for €1,021 thousand. Since July 1, SBCE continues its export credit risk insurance for short-term operations.

Note 20. Breakdown of net income by segment

Segment reporting is representative of the data monitored for management purposes, and is presented by geographic segment.

Premiums, claims and commissions are monitored by country of invoicing. In the case of direct business, the country of invoicing is that in which the issuer of the invoice is located and for inward reinsurance, the country of invoicing is that in which the ceding insurer is located.

Reinsurance result – which is calculated and recognized for the whole Group at the level of Compagnie Française d'Assurance pour le Commerce Extérieur (formerly Coface SA) – has been reallocated at the level of each region.

Income taxes by segment have been calculated based on this monitoring framework.

Analysis of first-half 2014 net income by segment

First-half 2014 (in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**177,166**	**240,563**	**59,794**	**111,185**	**53,142**	**37,987**	**45,195**	**123,639**	**14,499**		**(139,551)**	**723,620**
o/w Insurance	*123,047*	*183,495*	*41,692*	*91,624*	*46,564*	*33,906*	*44,452*	*123,639*			*(123,636)*	*564,782*
o/w Factoring	*30,773*		*4,651*								*(1,512)*	*33,912*
o/w Other insurance-related services	*23,346*	*57,068*	*13,451*	*19,561*	*6,579*	*4,081*	*743*	*(0)*	*14,499*		*(14,402)*	*124,926*
Policyholder bonuses (for information)	*(16,650)*	*(16,172)*	*(5,350)*	*(5,118)*	*(2,881)*	*(4,176)*	*(3,370)*	*(7,706)*			*8,916*	*(52,507)*
Claims-related expenses (including claims handling costs)	(63,934)	(70,862)	(29,169)	(52,469)	(9,444)	(20,750)	(21,619)	(71,318)		(1,758)	70,358	(270,966)
Cost of risk	(1,795)		(249)				0					(2,044)
Commissions	(10,028)	(22,359)	(2,179)	(10,586)	(10,669)	(4,358)	(9,480)	(32,416)			34,066	(68,010)
Other internal general expenses	(70,911)	(83,539)	(17,859)	(36,238)	(12,010)	(11,233)	(12,540)		(14,272)	(15,872)	15,470	(259,004)
UNDERWRITING INCOME BEFORE REINSURANCE*	**30,498**	**63,803**	**10,337**	**11,891**	**21,019**	**1,646**	**1,556**	**19,905**	**227**	**(17,630)**	**(19,656)**	**123,596**
Income/(loss) on ceded reinsurance	(8,149)	(15,672)	139	(416)	(5,254)	(4,142)	(1,942)	(20,213)			19,902	(35,748)
Other operating income and expenses	(313)	(6,207)	(152)	1,323	(51)	(1,067)	(34)				0	(6,501)
Net financial income excluding finance costs	5,852	16,864	2,274	1,406	1,240	3,927	941		97	(384)	(9,885)	22,333
Finance costs	(283)	(13,563)	(14)	(173)	(279)	(76)	(6)		(64)		9,639	(4,819)
OPERATING INCOME including finance costs	**27,605**	**45,225**	**12,584**	**14,032**	**16,675**	**287**	**515**	**(308)**	**260**	**(18,014)**	**0**	**98,861**
Share in net income of associates		947										947
NET INCOME BEFORE TAX	**27,605**	**46,172**	**12,584**	**14,032**	**16,675**	**287**	**515**	**(308)**	**260**	**(18,014)**	**0**	**99,808**
Income tax expense	(7,864)	(15,300)	(3,810)	(6,713)	(5,452)	1,947	(235)	106	(156)	6,202	1,122	(30,151)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**19,740**	**30,872**	**8,774**	**7,320**	**11,223**	**2,234**	**280**	**(202)**	**104**	**(11,812)**	**1,122**	**69,657**
Non-controlling interests	(1)	(1)	(511)	(1)	(1)	255	(0)		(0)			(260)
NET INCOME FOR THE PERIOD	**19,739**	**30,871**	**8,263**	**7,319**	**11,222**	**2,489**	**280**	**(202)**	**104**	**(11,812)**	**1,122**	**69,397**

* Underwriting income before reinsurance is a key financial indicator used by the Coface Group to analyze the performance of its businesses. Underwriting income before reinsurance corresponds to the sum of revenue, claims expenses, expenses from banking activities, cost of risk, policy acquisition costs, administrative costs, and other current operating expenses, and expenses from other activities.

Analysis of first-half 2013 net income by segment

First-half 2013 (in thousands of euros)	Northern Europe	Western Europe	Central Europe	Mediter-ranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
REVENUE	**177,122**	**248,364**	**56,302**	**110,905**	**50,546**	**41,705**	**45,327**	**64,121**	**14,717**		**(82,989)**	**726,119**
o/w Insurance	*123,293*	*189,348*	*39,879*	*89,958*	*44,681*	*37,228*	*44,726*	*64,121*			*(64,071)*	*569,162*
o/w Factoring	*28,820*		*4,656*								*(699)*	*32,777*
o/w Other insurance-related services	*25,008*	*59,016*	*11,767*	*20,947*	*5,865*	*4,477*	*600*	*(0)*	*14,717*		*(18,218)*	*124,180*
Policyholder bonuses (for information)	*(13,761)*	*(8,741)*	*(4,312)*	*6*	*(1,201)*	*(1,356)*	*(4,116)*	*(1,368)*			*2,622*	*(32,226)*
Claims-related expenses (including claims handling costs)	(63,841)	(105,116)	(22,671)	(70,722)	(3,085)	(34,237)	(5,318)	(39,240)			38,592	(305,637)
Cost of risk	(1,523)		(16)									(1,539)
Commissions	(10,802)	(19,963)	(1,784)	(9,119)	(12,940)	(3,621)	(9,568)	(12,505)			14,581	(65,721)
Other internal general expenses	(68,122)	(91,434)	(18,809)	(34,439)	(11,810)	(13,803)	(13,249)		(14,498)	(16,869)	18,308	(264,725)
UNDERWRITING INCOME BEFORE REINSURANCE*	**32,834**	**31,850**	**13,024**	**(3,375)**	**22,711**	**(9,957)**	**17,192**	**12,375**	**219**	**(16,869)**	**(11,508)**	**88,497**
Income/(loss) on ceded reinsurance	(8,676)	(11,019)	1,024	3,432	(8,107)	1,944	(8,849)	(10,768)			12,355	(28,664)
Other operating income and expenses		(599)	(173)	(50)		(1)						(822)
Net financial income excluding finance costs	10,061	18,099	9,815	9,231	754	3,111	2,109		78		(2,548)	50,710
Finance costs	(353)	(1,533)	(135)	(883)	(390)	(29)	(8)		(87)		1,701	(1,718)
OPERATING INCOME including finance costs	**33,867**	**36,798**	**23,555**	**8,354**	**14,969**	**(4,932)**	**10,444**	**1,607**	**210**	**(16,869)**		**108,004**
Share in net income of associates		924										924
NET INCOME BEFORE TAX	**33,867**	**37,722**	**23,555**	**8,354**	**14,969**	**(4,932)**	**10,444**	**1,607**	**210**	**(16,869)**		**108,928**
Income tax expense	(19,216)	(14,828)	(4,900)	(2,496)	(4,846)	234	386	(553)	(91)	5,808	(76)	(40,579)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	**14,651**	**22,894**	**18,655**	**5,859**	**10,122**	**(4,697)**	**10,829**	**1,054**	**119**	**(11,061)**	**(76)**	**68,349**
Non-controlling interests	(33)	(33)	(252)	(5)	(19)	(99)	(40)		(0)			(482)
NET INCOME FOR THE PERIOD	**14,618**	**22,861**	**18,403**	**5,854**	**10,103**	**(4,796)**	**10,789**	**1,054**	**119**	**(11,061)**	**(76)**	**67,867**

Note 21. Earnings per share

First-half 2014				
		Average number of shares	Net income (in thousands of euros)	Earnings per share (€)
Consolidated scope	Basic earnings per share	156,841,307	69,397	0.44
	Dilutive instruments			
	Diluted earnings per share	**156,841,307**	**69,397**	**0.44**

First-half 2013				
		Average number of shares	Net income (in thousands of euros)	Earnings per share (€)
Consolidated scope	Basic earnings per share	156,841,307	67,867	0.43
	Dilutive instruments			
	Diluted earnings per share	**156,841,307**	**67,867**	**0.43**

Note 22. Off-balance sheet commitments

(in thousands of euros)

Off-balance sheet commitments	June 30, 2014	Dec. 31, 2013
Commitments given	**38,481**	**38,600**
Endorsements and letters of credit	28,950	29,000
Property guarantees	7,500	7,500
Financial commitments in respect of equity interests		210
of which, consolidated companies		
Obligations under finance leases	2,031	1,890
Commitments received	**621,336**	**626,780**
Endorsements and letters of credit	110,709	116,828
Guarantees		
Credit lines	500,000	500,000
Financial commitments in respect of equity interests	10,627	9,952
of which, consolidated companies		
Reciprocal commitments		
Forward purchases and sales of foreign currencies		
Guarantees received	**349,388**	**349,488**
Securities lodged as collateral by reinsurers	349,388	349,488
Financial market transactions	**430,021**	**237,133**

Credit lines correspond to liquidity lines related to commercial paper issues in the amount of €500,000 thousand.

Note 23. Related parties

Natixis holds 41.35% of the share capital of the Coface Group

	Number of shares	%
Natixis	64,853,869	41.35%
Public	91,987,438	58.65%
Total	**156,841,307**	**100.00%**

RELATIONS WITH CONSOLIDATED ENTITIES

The Coface Group's main transactions with related parties concern Natixis and its subsidiaries.

The main related-party transactions are as follows:

- financing of a portion of the factoring activity by Natixis SA;
- financial investments with the BPCE and Natixis groups;
- tax payables and receivables within the Natixis tax consolidation group;
- Coface's credit insurance coverage made available to entities related to Coface;
- recovery of insurance receivables carried out by entities related to Coface on behalf of Coface;
- rebilling of general and administrative expenses, including overheads, personnel expenses, etc.

These transactions are broken down below:

Current operating income	**First-half 2014**				
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Coface Collections North America
Total revenue and income from ordinary activities	**(2,222)**		**(12)**	**1**	
Revenue (net banking income, after cost of risk)	(2,356)				
Revenue or income from other activities			2		
Earned premiums			(13)		
Fees and commission income			1		
Investment income/(loss), net of management expenses	134		(2)	1	
Total current income and expenses	**(839)**	**(1)**	**(230)**	**95**	**32**
Claims expenses	(55)		(13)	6	
Expenses from other activities			(35)		(12)
Policy acquisition costs	(460)		(98)	53	
Administrative costs	(201)	(1)	(58)	22	44
Other current operating income and expenses	(123)		(26)	14	
Current operating income/(loss)	**(3,061)**	**(1)**	**(242)**	**96**	**32**

Related-party receivables and payables	**June 30, 2014**					
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Coface Collections North America
Financial investments	**23,519**	**12,846**				
Other assets		**47,611**	**86**	**432**	**1,343**	**80**
Receivables arising from insurance and reinsurance operations			**2**	**3**		
Current tax receivables		47,611				
Other receivables			84	429	1,343	80
Cash and cash equivalents		(27,716)				
Financing liabilities due to banking sector companies		**34**				
Debt securities		34				
Liabilities relating to insurance contracts						67
Payables arising from banking sector activities		**348,644**				
Amounts due to banking sector companies		314,693				
Amounts due to customers of banking sector companies						
Debts evidenced by certificates		33,951				
Other liabilities		**2,536**	**5**	**1,863**		**0**
Current taxes		1,880				
Other payables		656	5	1,863		0

Financial investments at June 30, 2014 correspond solely to investments issued by Natixis and BPCE. Investments managed by Natixis and BPCE amounting to €52,817 thousand are not disclosed in this table.

Deferred tax assets amounting to €50, 933 thousand with respect to Natixis at December 31, 2013 were reversed during the period due to departure of Coface from the Natixis tax consolidation group. The compensation paid by Natixis in respect of tax loss carryforwards was recognized in current tax receivables in an amount of €50,424 thousand.

The €314,693 thousand in amounts due to banking sector companies corresponds to borrowings taken out with Natixis to finance the factoring business (see Note 14).

Current operating income	First-half 2013							
(in thousands of euros)	Natixis group (excl. discontinued operations)	Natixis Factor	Ellisphere	Kompass International	Coface Services Belgium	Kompass Belgique	Ignios	Coface Collections North America
Total revenue and income from ordinary activities	**(4,329)**	**8**	**64**	**17**	**28**		**3**	**3**
Revenue (net banking income, after cost of risk)	(4,298)							
Revenue or income from other activities			105		28		1	5
Earned premiums			41					
Fees and commission income		6	4					
Investment income/(loss), net of management expenses	(31)	2	(86)	17			2	(2)
Total current income and expenses	**(977)**	**10**	**(3,711)**	**528**	**(57)**		**(119)**	**15**
Claims expenses	(59)	3	(556)	32	1		4	(3)
Expenses from other activities			(50)				(53)	
Policy acquisition costs	(414)	21	(1,162)	228	4		28	(22)
Administrative costs	(253)	(26)	(1,202)	130	(64)		13	54
Other current operating income and expenses	(251)	12	(741)	138	2		(111)	(14)
Current operating income/(loss)	**(5,306)**	**18**	**(3,647)**	**545**	**(29)**		**(116)**	**18**

Related-party receivables and payables	Dec. 31, 2013								
(in thousands of euros)	BPCE group	Natixis group (excl. discontinued operations)	Natixis Factor (formerly Factorem)	Ellisphere (formerly Coface Services)	Coface Finans Danemark	Kompass International	Coface Services Belgium	Ignios	Coface Collections North America
Financial investments	**23,317**	**214,207**							
Other assets		**55,643**	**87**	**1,236**		**1,657**	**101**	**52**	**24**
Receivables arising from insurance and reinsurance operations			2	16					
Current tax receivables		4,710							
Deferred tax assets		50,933							
Other receivables			85	1,220		1,657	101	52	24
Cash and cash equivalents		**(11,859)**							
Financing liabilities due to banking sector companies		**27,555**							**0**
Liabilities relating to insurance contracts									**67**
Payables arising from banking sector activities		**261,304**							
Amounts due to banking sector companies		261,304							
Amounts due to customers of banking sector companies		(0)							
Other liabilities		**2,314**	**45**	**2,282**	**(0)**		**14**		**0**
Current taxes		2,211							
Other payables		103	45	2,282	(0)		14		0

Financial investments at December 31, 2013 represent investments issued and managed by Natixis and BPCE. Financial investments managed by Natixis and BPCE amounted to €50,366 thousand.

Note 24. Events after the reporting period

With effect from July 7, 2014, Coface appointed Natixis to implement a liquidity agreement for Coface SA shares traded on Euronext Paris, in accordance with the Charter of Ethics of the French financial markets association (Association française des marches financiers – AMAFI) dated March 8, 2011 and approved by the AMF on March 21, 2011.

The Group allocated €5 million to the liquidity account for purposes of the agreement, which is for a period of 12 months subject to tacit renewal. The liquidity agreement is part of the share buyback program authorized by the Board of Director's meeting of June 26, 2014.

IV. Statutory auditors' review report on the half-yearly consolidated financial statements

IV. Statutory auditors' review report on the half-yearly consolidated financial statements

For the six-month period ended 30 June 2014

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Ladies and Gentlemen,

Following our appointment as statutory auditors by your Shareholders' Meeting and in accordance with article L.451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying half-yearly consolidated financial statements of Coface S.A. for the six-month period ended 30 June 2014,
- the verification of information contained in the half-yearly management report.

These half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2014 and of the results of its operations for the period then ended, in accordance with IFRS as adopted by the European Union.

II. Specific verification

We have also verified information given in the half-yearly management report on the half-yearly consolidated financial statements that were subject to our review. We have no matters to report as to its fair presentation and consistency with the half-yearly consolidated financial statements.

Paris La Défense, on the 28 July 2014

KPMG Audit
Department of KPMG S.A.

Francine Morelli
Partner

Neuilly-sur-Seine, on the 28 July 2014

Deloitte & Associés

Damien Leurent
Partner

V. Statement of the person responsible for the financial statements

V. Statement of the person responsible for the financial statements

"I certify that, to the best of my knowledge, the condensed interim consolidated financial statements of the period under review have been prepared in accordance with applicable accounting standards and give a true and fair view of assets, financial position and income of the consolidated scope of the Group, and that the interim business review, in paragraph I. of this document, includes a fair review of the important events occurring during the first half of the financial year and their impact on the financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the year.

The limited review report for the half-year consolidated financial statements for the six-month period ended June 30, 2014 is reproduced above, in paragraph IV."

On July 29, 2014

Jean-Marc PILLU
Group Chief Executive Officer of Coface SA

Name and function of the person responsible for the financial information

Nicolas ANDRIOPOULOS
Head of Group Reinsurance and Financial Communication
COFACE SA
1 Place Costes et Bellonte
92270 Bois-Colombes
France
Tel.: +33 (0)1 49 02 20 00

VI. Appendix: Calculation of financial ratios

VI. Appendix: Calculation of financial ratios

In the course of its activities, and in addition to the financial information published in accordance with IFRS, the Coface Group tracks certain key operating ratios that provide an understanding of the Coface Group's performance and profitability of its products (loss ratio, cost ratio and combined ratio).

Loss Ratio

This ratio allows the Coface Group to measure the underwriting profitability of insurance contracts during the financial year. By analyzing this ratio, it is also possible to price policies effectively by taking into account the amount of claims made by policyholders.

Loss Ratio before Reinsurance

The loss ratio before reinsurance is the ratio of claim expenses (as defined below) to gross earned premiums (the sum of the gross premiums issued and unearned premium provisions), net of premium rebates. Premium rebates are reimbursements made to policyholders of part of the premiums paid by them when claims under their insurance policies do not exceed a certain threshold (low claims bonus) or when there are no claims (no-claims bonus).

Loss Ratio after Reinsurance

The loss ratio after reinsurance corresponds to the ratio of claims expenses (net of claims ceded to reinsurers under reinsurance treaties entered into by the Coface Group) to the gross earned premiums (net of premiums ceded to reinsurers).

Cost Ratio

Cost Ratio before Reinsurance

The cost ratio before reinsurance is the ratio of general expenses (as defined below) to gross earned premiums (as described above).

The cost ratio before reinsurance is used by the Coface Group to measure all the costs related to the acquisition and management of its portfolio of contracts in a given financial year. The Coface Group's credit insurance business is supported by services activities such as corporate information and receivables recovery. These services are inherent to the traditional credit insurance activity (related services) and the related expenses are included in the general expenses of the Coface Group. The general expenses are also increased by complementary businesses such as factoring (in Germany and Poland) and management of public procedures on behalf of the French and Brazilian States. However, in order for the cost ratio calculated by the Coface Group to be comparable to the cost ratio calculated by other main market players, revenue generated by the additional businesses (non-insurance) described above is deducted from general expenses.

Cost Ratio after Reinsurance

The cost ratio after reinsurance is the ratio of general expenses (after deduction of reinsurance premiums paid by reinsurers) to gross earned premiums (net of premiums ceded to reinsurers).

General Expenses

General expenses accounted for in the cost ratio are the sum of:

- policy acquisition costs (consisting of the external costs of acquisition of contracts, corresponding to commissions paid to intermediaries which introduce business (brokers or other intermediaries) and internal contract acquisition costs corresponding to the cost of maintaining distribution networks and the costs relating to drafting services in charge of writing contracts);

- administrative costs (including Coface Group operating costs, payroll costs, IT costs, etc. excluding profit-sharing and incentive schemes);

- other current operating expenses (expenses that cannot be allocated to any of the purposes defined by the accounting plan, notably, including in particular management expenses);

- expenses from banking activities (general operating expense, such as payroll costs, IT costs, etc., relating to factoring activities); and

- expenses from other activities (general expenses related exclusively to information and recovery for customers without credit insurance)

- minus revenue related to:

- fees and commission income (ancillary fees charged under insurance contracts for the provision of credit insurance related services, such as information on debtors, fees for monitoring credit limits of customers of policyholders and receivables management and recovery);

- other insurance-related services (ancillary services, such as administrative fees for managing claims and reinvoiced receivables recovery fees);

- business information and other services (fees charged for access to information on corporate solvency and marketing information) provided to customers without credit insurance;

- receivables management (fees charged for receivables recovery services) provided to customers without credit insurance;

- the net income from banking activities relating to the factoring activities, and

- commissions received for public procedures management services.

Combined Ratio

The combined ratio measures the overall profitability of the Coface Group's activities and its technical margin.

The combined ratio is the sum of the loss ratio and the cost ratio. It is tracked by the Coface Group both before and after reinsurance (claims expenses net of those ceded to reinsurers under reinsurance treaties entered into by the Coface Group and general expenses, less reinsurance commissions paid by the reinsurers over total gross earned premiums net of premiums ceded to reinsurers).

Calculation of ratios as at June 30:

(in thousands of euros)	First-half			Full year	
	Note	2014	2013	Note	2013
Earned premiums excluding policyholders' bonuses and rebates	15	617 289	601 388	24	1 204 107
Policyholders' bonuses and rebates	15	-52 507	-32 226	24	-75 564
Earned premiums	**15**	**564 782**	**569 162**	**24**	**1 128 543**
Fee and commission income	15	70 088	69 543	24	133 120
of which Fees and commission income	*15*	*65 210*	*65 099*	*24*	*123 410*
of which Other insurance-related services	*15*	*4 878*	*4 444*	*24*	*9 710*
Remuneration of public procedures	15	32 757	32 891	24	65 577
Services	15	22 081	21 746	24	43 879
of which Business information and other services	*15*	*12 787*	*12 115*	*24*	*25 194*
of which Receivables management	*15*	*9 294*	*9 631*	*24*	*18 685*
Net income from banking activities (Factoring)	15	33 912	32 777	24	69 210
Consolidated revenue	**15**	**723 620**	**726 119**	**24**	**1 440 330**
Claims expenses	**11**	**-270 966**	**-305 637**	**25**	**-576 263**
Income from ceded reinsurance	**17**	**102 960**	**132 248**	**28**	**249 652**
of which Ceded claims	*17*	*54 042*	*76 265*	*28*	*138 644**
of which Commissions paid by reinsurers	*17*	*48 918*	*55 983*	*28*	*111 009**
Expenses from ceded reinsurance	**17**	**-138 708**	**-160 912**	**28**	**-315 855**
of which Ceded premiums	*17*	*-146 060*	*-172 087*	*28*	*-340 184*
of which Ceded policyholders' bonuses and rebates	*17*	*7 352*	*11 175*	*28*	*24 329*
Policy acquisition costs	16	-129 948	-120 946	27	-256 867
Administrative costs	16	-129 374	-126 411	27	-263 891
Other current operating expenses	16	-34 009	-51 335	27	-83 112
Investment management expenses	16	-1 363	-4 143	27	-5 025
of which Insurance	*16*	*-1 363*	*-2 935*	*27*	*-2 848*
Claims handling expenses	16	-12 867	-13 357	27	-29 787
Expenses from banking activities, excluding cost of risk		-5 686	-6 534	26	-11 884
Expenses from other activities		-27 997	-25 219		-51 967
Overheads including expenses from other activities		**-341 243**	**-347 945**		**-702 534**
of which employee profit-sharing	*16*	*-4 629*	*-2 783*	*27*	*-5 819*
of which relocation costs	*16*		*-7 896*	*27*	*-8 345*

*Reallocation of ceded claims into reinsurance commissions at end of 2013

Ratios relating to credit insurance and surety bonds gross earned premiums net of cancellation	First-half			First quarter		Full year
	2014	**2013 ***	**2013 ****	**2014**	**2013**	**2013***
Loss ratio before Reinsurance	48,0%	53,7%	53,7%	47,4%	52,1%	51,1%
Loss ratio after Reinsurance	50,9%	56,2%	56,2%	52,3%	55,1%	53,8%
Cost ratio before Reinsurance	29,0%	28,8%	30,2%	27,2%	28,1%	30,5%
Cost ratio after Reinsurance	26,9%	26,5%	28,4%	25,0%	26,3%	28,7%
Combined ratio before Reinsurance	76,9%	82,5%	83,9%	74,6%	80,2%	81,5%
Combined ratio after Reinsurance	77,8%	82,6%	84,6%	77,3%	81,5%	82,5%

* Excluding the cost of relocation of the Coface Group's headquarters
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COFACE SA
1, place Costes et Bellonte
92270 Bois-Colombes
France

Mailing address:
CS 20003 - 92276 Bois-Colombes Cedex - France

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www.coface.com

Group Communication Department
Monica Coull / Maria Krellenstein

communication@coface.com
Group Financial Department / investors relations
Nicolas Andriopoulos / Cécile Combeau
investors@coface.com

coface