4.1 / CONSOLIDATED FINANCIAL STATEMENTS

4.1.1 CONSOLIDATED BALANCE SHEET

Assets

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Intangible assets		**217,230**	**215,708**
Goodwill	*1*	155,082	156,214
Other intangible assets	*2*	62,148	59,494
Insurance business investments	*3*	**2,876,380**	**2,751,091**
Investment property	*3*	288	787
Held-to-maturity securities	*3*	1,852	2,740
Available-for-sale securities	*3*	2,743,385	2,593,953
Trading securities	*3*	30,111	69,696
Derivatives	*3*	9,383	2,975
Loans and receivables	*3*	91,361	80,940
Receivables arising from banking and other activities	*4*	**2,523,549**	**2,481,525**
Investments in associates	*5*	**15,780**	**13,411**
Reinsurers' share of insurance liabilities	*16*	**405,178**	**341,347**
Other assets		**920,776**	**926,344**
Buildings used in the business and other property, plant and equipment	*6*	54,679	57,484
Deferred acquisition costs	*8*	43,903	46,393
Deferred tax assets	*18*	79,516	71,973
Receivables arising from insurance and reinsurance operations	*7*	494,839	528,273
Trade receivables arising from other activities	*8*	47,640	14,849
Current tax receivables	*8*	60,286	69,126
Other receivables	*8*	139,913	138,246
Cash and cash equivalents	*9*	**264,325**	**332,071**
TOTAL ASSETS		**7,223,218**	**7,061,497**

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Equity attributable to owners of the parent		**1,802,621**	**1,755,177**
Share capital	*10*	314,496	314,496
Additional paid-in capital		810,420	810,420
Retained earnings		518,361	501,734
Other comprehensive income		76,131	86,996
Consolidated net income for the year		83,213	41,531
Non-controlling interests		**160**	**5,490**
Total equity		**1,802,781**	**1,760,667**
Provisions for liabilities and charges	*13*	**121,716**	**151,074**
Financing liabilities	*15*	**388,234**	**390,044**
Liabilities relating to insurance contracts	*16*	**1,682,258**	**1,678,249**
Payables arising from banking sector activities	*17*	**2,527,716**	**2,409,691**
Amounts due to banking sector companies	*17*	568,711	452,144
Amounts due to customers of banking sector companies	*17*	322,064	366,363
Debt securities	*17*	1,636,941	1,591,184
Other liabilities		**700,513**	**671,772**
Deferred tax liabilities	*18*	113,595	104,500
Payables arising from insurance and reinsurance operations	*19*	204,730	191,911
Current taxes payable	*20*	76,996	110,847
Derivative instruments with a negative fair value	*20*	267	7,508
Other payables	*20*	304,925	257,006
TOTAL EQUITY AND LIABILITIES		**7,223,218**	**7,061,497**

4.1.2 CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Gross written premiums		*1,219,612*	*1,202,440*
Premium refunds		*(98,954)*	*(92,876)*
Net change in unearned premium provisions		*(10,961)*	*5,576*
Earned premiums	*21*	**1,109,697**	**1,115,140**
Fee and commission income		*128,914*	*128,795*
Net income from banking activities		*72,043*	*70,619*
ncome from other activities		*44,279*	*96,743*
Other revenue	*21*	**245,236**	**296,157**
Revenue		**1,354,933**	**1,411,297**
Claims expenses	*22*	**(570,863)**	**(705,655)**
Policy acquisition costs	*23*	*(262,607)*	*(255,289)*
Administrative costs	*23*	*(253,532)*	*(275,095)*
Other insurance activity expenses	*23*	*(70,816)*	*(83,004)*
Expenses from banking activities, excluding cost of risk	*23/24*	*(13,779)*	*(13,193)*
Expenses from other activities	*23*	*(53,130)*	*(44,379)*
Operating expenses	*23*	**(653,864)**	**(670,960)**
Risk cost	*24*	**(4,483)**	**(4,222)**
UNDERWRITING INCOME BEFORE REINSURANCE		**125,723**	**30,460**
Income and expenses from ceded reinsurance	*25*	(25,970)	(17,599)
UNDERWRITING INCOME AFTER REINSURANCE		**99,753**	**12,861**
Investment income, net of management expenses (excluding finance costs)	*26*	55,281	48,032
CURRENT OPERATING INCOME		**155,034**	**60,893**
Other operating income and expenses	*27*	(589)	53,496
OPERATING INCOME		**154,445**	**114,389**
Finance costs		(18,109)	(18,373)
Share in net income of associates	*28*	2,369	(5,838)
Income tax expense	*29*	(55,651)	(48,124)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS		**83,054**	**42,054**
Non-controlling interests		159	(523)
NET INCOME FOR THE YEAR		**83,213**	**41,531**
Earnings per share *(in €)*	*31*	0.53	0.26
Diluted earnings per share *(in €)*	*31*	0.53	0.26

The Group has changed the structure of the consolidated income statement to provide more consistency between the financial statements and the aggregates published and commented on in financial communications.

1 Reorganization of information on the **composition of turnover**

2 Elimination of subtotals that are not commented on in financial communications

3 Addition of **subtotals** facilitating **understanding of cost ratio calculation** (IAP)

4 And which are **commented in financial communications** (management report, presentations)

Previous layout

Reference	*(in thousands of euros)*	Dec. 31, 2016
ix = iv + viii	**Revenue**	**1,411,297**
i	Gross written premiums	1,202,440
ii	Premium rebates	(92,876)
iii	Net change in unearned premium provisions	5,576
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	**Fee and commission income**	**128,795**
vi	**Net income from banking activities**	**70,619**
xvii	Cost of risk	(4,222)
vii	**Revenue or income from other activities**	**96,743**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
ix + xvii + xxiii	**REVENUE (NET BANKING INCOME, AFTER COST OF RISK)**	**1,455,107**
x	Claims expenses	(705,655)
xiv	Expenses from banking activities, excluding cost of risk	(13,193)
xv	Expenses from other activities	(44,379)
xix'	*Income from ceded reinsurance*	*239,940*
xix''	*Expenses from ceded reinsurance*	*(257,539)*
xix = xix' + xix''	Income and expenses from after reinsurance cessions	(17,599)
xi	Policy acquisition costs	(255,289)
xii	Administrative costs	(275,095)
xiii	Other current operating expenses	(83,004)
x + xiv + xv + xix + xi + xii + xiii	**TOTAL CURRENT INCOME AND EXPENSES**	**(1,394,214)**
xxiv	**Current operating income**	**60,893**
xxv'	Other current operating expenses	(54,945)
xxv''	Other operating income	108,441
xxvi = xxiv + xxv	**Operating income**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
xxvi + xxvii + xxviii + xxix	**Net income from continuing operations**	**42,054**
	Net income from discontinued operations	0
xxx = xxvi + xxvii + xxviii + xxix	**Consolidated net income before non-controlling interests**	**42,054**
xxxi	Non-controlling interests	(523)
xxxii	**Net income for the year**	**41,531**

2

New layout

Reference	*(in thousands of euros)*	Dec. 31, 2016
i	*Gross written premiums*	*1,202,440*
ii	*Premium rebates*	*(92,876)*
iii	*Net change in unearned premium provisions*	*5,576*
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	*Fee and commission income*	128,795
vi	*Net income from banking activities*	70,619
vii	*Income from other activities*	96,743
viii = v + vi + vii	**Other income**	**296,157**
ix = iv + viii	**Revenue**	**1,411,297**
x	**Claims expenses**	**(705,655)**
xi	*Policy acquisition costs*	*(255,289)*
xii	*Administrative costs*	*(275,095)*
xiii	*Other expenses from insurance activities*	*(83,004)*
xiv	*Expenses from banking activities, excluding cost of risk*	*(13,193)*
xv	*Expenses from other activities*	*(44,379)*
xvi = xi + xii + xiii + xiv + xv	**Operating expenses**	**(670,960)**
xvii	**Cost of risk**	**(4,222)**
XVIII = IX + X + XVI + XVII	**UNDERWRITING INCOME BEFORE REINSURANCE**	**30,460**
xix = xix' + xix''	Income (loss) from ceded reinsurance	(17,599)
XX = XVIII + XIX	**UNDERWRITING INCOME AFTER REINSURANCE**	**12,861**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
XXIV	**CURRENT OPERATING INCOME**	**60,893**
xxv = xxv' + xxv''	Other operating income and expenses	53,496
XXVI = XXIV + XXV	**OPERATING INCOME**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
XXX = XXVI + XXVII + XXVIII + XXIX	**CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS**	**42,054**
xxxi	Non-controlling interests	(523)
XXXII	**NET INCOME FOR THE YEAR**	**41,531**
xxxiii	Earnings per share (in €)	0.26
xxxiv	Diluted earnings per share (in €)	0.26

1

3

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4.

Detailed description of the changes

References to the quoted lines, aggregates and subtotals are illustrated in Figures 1 and 2 below (for example, the turnover aggregate is referenced [ix]).

- The aggregate "Revenue" [ix] has been organized in order to add the two subtotals ("Earned premiums" [iv], "Other revenue" [viii]) and so that the subtotal presented corresponds to the sum of the lines located before it **1**; the lines "Fee and commission income", "Net income from banking activities" and "Income from other activities" are part of a new aggregate entitled "Other Revenue" [viii] **3**.
- The line "Risk cost" [xvii], which is not included in the calculation of turnover, is shifted lower in the income statement **1**.
- The line "Revenue or income from other activities" [vii] is renamed "Income from other activities" [vii] **1**.
- The aggregate "Investment income, net of management expenses (excluding finance costs)" [xxiii] and the two lines that are included in its calculation ("Investment income, net of management expenses" [xxi] and "Gains and losses on disposals of investments" [xxii]) are shifted lower in the income statement **4**.
- The subtotals entitled "Total revenue and income from ordinary activities" and "Total current income and expenses" not being commented on in the Group's financial communications are no longer displayed **2**.
- The aggregate "Income and expenses from ceded reinsurance" [xix] is shifted lower in the income statement **4**; the two lines in its calculation ("Income from ceded reinsurance" [xix'] and "Expenses from ceded reinsurance" [xix'']) are detailed in a note to the accounts and are no longer displayed in the income statement.
- The presentation of the expenses has been changed **3**:
  - the lines "Expenses from banking activities, excluding cost of risk" [xiv] and "Expenses from other activities" [xv] are shifted to the bottom;
  - the lines "Policy acquisition costs" [xi], "Administrative costs" [xii] and "Other current operating expenses" [xiii] are shifted to the top; the line "Other current operating expenses" [xiii] is renamed "Other insurance activity expenses" [xiii];
  - all the components included in the calculation of Cost Ratio form the new aggregate entitled "Operating expenses" [xvi].
- The subtotals "Underwriting income before reinsurance" [xviii] and "Underwriting income after reinsurance" [xx] commented on in the Group's financial communications are added to the income statement **4**.

The following figure shows Coface's income statement 2016 according to the new structure adopted from the year ended December 31, 2017.

Figure 1. New presentation of Coface's Income Statement

Reference	*(in thousands of euros)*	Dec. 31, 2016
i	*Gross written premiums*	*1,202,440*
ii	*Premium rebates*	*(92,876)*
iii	*Net change in unearned premium provisions*	*5,576*
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	*Fee and commission income*	128,795
vi	*Net income from banking activities*	70,619
vii	*Income from other activities*	96,743
viii = v + vi + vii	**Other income**	**296,157**
ix = iv + viii	**REVENUE**	**1,411,297**
x	**Claims expenses**	**(705,655)**
xi	*Policy acquisition costs*	*(255,289)*
xii	*Administrative costs*	*(275,095)*
xiii	*Other expenses from insurance activities*	*(83,004)*
xiv	*Expenses from banking activities, excluding cost of risk*	*(13,193)*
xv	*Expenses from other activities*	*(44,379)*
xvi = xi + xii + xiii + xiv + xv	**Operating expenses**	**(670,960)**
xvii	**Cost of risk**	**(4,222)**
XVIII = IX + X + XVI + XVII	**UNDERWRITING INCOME BEFORE REINSURANCE**	**30,460**
xix = xix' + xix''	Income (loss) from ceded reinsurance	(17,599)
XX = XVIII + XIX	**UNDERWRITING INCOME AFTER REINSURANCE**	**12,861**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
XXIV	**CURRENT OPERATING INCOME**	**60,893**
xxv = xxv' + xxv''	Other operating income and expenses	53,496
XXVI = XXIV + XXV	**OPERATING INCOME**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
XXX = XXVI + XXVII + XXVIII + XXIX	**CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS**	**42,054**
xxxi	Non-controlling interests	(523)
XXXII	**NET INCOME FOR THE YEAR**	**41,531**
xxxiii	Earnings per share (in €)	0.26
xxxiv	Diluted earnings per share (in €)	0.26

Note on the "Income and expenses from ceded reinsurance" [xix]: The lines "Income from ceded reinsurance" [xix'] and "Expenses from ceded reinsurance" [xix''], the sum of which forms the "Income and expenses from ceded reinsurance" [xix] and which are detailed in a note, are no longer displayed in the income statement.

Figure 2. Old presentation of Coface's Income Statement

Reference	*(in thousands of euros)*	Dec. 31, 2016
ix = iv + viii	**Revenue**	**1,411,297**
i	Gross written premiums	1,202,440
ii	Premium rebates	(92,876)
iii	Net change in unearned premium provisions	5,576
iv = i + ii + iii	**Gross earned premiums**	**1,115,140**
v	**Fee and commission income**	**128,795**
vi	**Net income from banking activities**	**70,619**
xvii	Cost of risk	(4,222)
vii	**Revenue or income from other activities**	**96,743**
xxi	*Investment income, net of management expenses*	*46,927*
xxii	*Gains and losses on disposals of investments*	*1,105*
xxiii = xxi + xxii	Investment income, net of management expenses (excluding finance costs)	48,032
ix + xvii + xxiii	**REVENUE (NET BANKING INCOME, AFTER COST OF RISK)**	**1,455,107**
x	Claims expenses	(705,655)
xiv	Expenses from banking activities, excluding cost of risk	(13,193)
xv	Expenses from other activities	(44,379)
xix'	*Income from ceded reinsurance*	*239,940*
xix''	*Expenses from ceded reinsurance*	*(257,539)*
xix = xix' + xix''	Income and expenses from after reinsurance cessions	(17,599)
xi	Policy acquisition costs	(255,289)
xii	Administrative costs	(275,095)
xiii	Other current operating expenses	(83,004)
x + xiv + xv + xix + xi + xii + xiii	**TOTAL CURRENT INCOME AND EXPENSES**	**(1,394,214)**
xxiv	**Current operating income**	**60,893**
xxv'	Other current operating expenses	(54,945)
xxv''	Other operating income	108,441
xxvi = xxiv + xxv	**Operating income**	**114,389**
xxvii	Finance costs	(18,373)
xxviii	Share in net income of associates	(5,838)
xxix	Income tax	(48,124)
xxvi + xxvii + xxviii + xxix	**Net income from continuing operations**	**42,054**
	Net income from discontinued operations	0
xxx = xxvi + xxvii + xxviii + xxix	**Consolidated net income before non-controlling interests**	**42,054**
xxxi	Non-controlling interests	(523)
xxxii	**Net income for the year**	**41,531**
xxxiii	Earnings per share (in €)	0.26
xxxiv	Diluted earnings per share (In €)	0.26

4.1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
Net income for the period		**83,213**	**41,531**
Non-controlling interests		(159)	523
Other comprehensive income			
Currency translation differences reclassifiable to income		**(19,233)**	**12,413**
Reclassified to income		*0*	*0*
Recognised in equity		*(19,233)*	*12,413*
Fair value adjustments on available-for-sale financial assets	*3; 12; 18*	**6,646**	**20,727**
Recognised in equity – reclassifiable to income – gross		*23,002*	*29,751*
Recognised in equity – reclassifiable to income – tax effect		*(7,840)*	*(9,602)*
Reclassified to income – gross		*(11,201)*	*1,906*
Reclassified to income – tax effect		*2,685*	*(1,328)*
Fair value adjustments on employee benefit obligations	*3; 12; 18*	**(797)**	**(5,378)**
Recognised in equity – not reclassifiable to income – gross		*1,024*	*(7,811)*
Recognised in equity – not reclassifiable to income – tax effect		*(1,821)*	*2,433*
Other comprehensive income for the period, net of tax		**(13,384)**	**27,762**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**69,670**	**69,816**
◆ attributable to owners of the parent		70,011	69,654
◆ attributable to non-controlling interests		(341)	162

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4.1.4 STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Notes	Share capital	Premiums	Consolidated reserves	Treasury shares
Equity at December 31, 2015		**786,241**	**347,371**	**444,874**	**(2,643)**
Reduction of the value of the shares		(471,745)	471,745		
2015 net income to be appropriated				126,239	
Payment of 2015 dividends in 2016			(8,696)	(66,616)	
Total transactions with owners		**(471,745)**	**463,049**	**59,623**	
December 31, 2016 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity					
Fair value adjustments on available-for-sale financial assets reclassified to income					
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					(327)
Free share plans expenses				207	
Transactions with shareholders					
Equity at December 31, 2016		**314,496**	**810,420**	**504,704**	**(2,970)**
2016 net income to be appropriated				41,531	
Payment of 2016 dividends in 2017				(20,398)	
Total transactions with owners		**0**	**0**	**21,133**	**0**
June 30, 2017 net income					
Fair value adjustments on available-for-sale financial assets recognized in equity	3; 12; 14; 18				
Fair value adjustments on available-for-sale financial assets reclassified to income	3; 12; 14;18				
Change in actuarial gains and losses (IAS 19R)					
Currency translation differences					
Treasury shares elimination					(1,696)
Free share plans expenses				695	
Transactions with shareholders				(3,505)	
EQUITY AT DECEMBER 31, 2017		**314,496**	**810,420**	**523,027**	**(4,666)**

Other comprehensive income						
Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves	Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
(18,002)	**94,278**	**(17,404)**	**126,239**	**1,760,954**	**6,073**	**1,767,027**
			(126,239)			
				(75,312)	(771)	(76,083)
			(126,239)	**(75,312)**	**(771)**	**(76,083)**
			41,531	41,531	523	42,054
	20,745			20,745	(596)	20,149
	578			578		578
		(5,378)		(5,378)		(5,378)
12,179				12,179	234	12,413
				(327)		(327)
				207		207
					27	27
(5,823)	**115,601**	**(22,782)**	**41,531**	**1,755,177**	**5,490**	**1,760,667**
			(41,531)			
				(20,398)		(20,398)
0	**0**	**0**	**(41,531)**	**(20,398)**	**0**	**(20,398)**
			83,213	83,213	(159)	83,054
	15,162			15,162	(1)	15,161
	(8,514)			(8,514)	(1)	(8,515)
		(797)		(797)		(797)
(19,052)				(19,052)	(181)	(19,233)
				(1,696)		(1,696)
				695		695
(38)	2,374			(1,169)	(4,988)	(6,157)
(24,913)	**124,623**	**(23,579)**	**83,213**	**1,802,621**	**160**	**1,802,781**

4.1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Net income for the period	**83,213**	**41,531**
Non-controlling interests	(159)	523
Income tax expense	55,651	48,124
+/- Share in net income of associates	(2,369)	5,838
Finance costs	18,109	18,373
Operating income (A)	**154,445**	**114,389**
+/- Depreciation, amortization and impairment losses	(11,742)	51,148
+/- Net additions to/reversals from technical provisions	26,362	140,474
+ Dividends received from associates		1,008
+/- Unrealized foreign exchange income/loss	(2,898)	8,340
+/- Non-cash items	615	37,896
Total non-cash items (B)	***12,336***	***238,866***
Gross cash flows from operations (C) = (A) + (B)	***166,780***	***353,255***
Change in operating receivables and payables	14,964	(60,418)
Net taxes paid	(47,699)	(89,060)
Net cash related to operating activities (D)	***(32,735)***	***(149,478)***
Increase (decrease) in receivables arising from factoring operations	(24,117)	(117,473)
Increase (decrease) in payables arising from factoring operations	1,458	(59,736)
Increase (decrease) in factoring liabilities	99,343	106,219
Net cash generated from banking and factoring operations (E)	***76,684***	***(70,990)***
Net cash generated from operating activities (F) = (C+D+E)	**210,730**	**132,787**
Acquisitions of investments	(1,531,312)	(1,608,009)
Disposals of investments	1,331,927	1,510,745
Net cash used in movements in investments (G)	***(199,385)***	***(97,264)***
Acquisitions of consolidated subsidiaries, net of cash acquired	(6,500)	
Disposals of consolidated companies, net of cash transferred		
Net cash used in changes in scope of consolidation (H)	***(6,500)***	
Disposals of property, plant and equipment and intangible assets	(18,085)	(8,210)
Acquisitions of property, plant and equipment and intangible assets	2,045	250
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	***(16,040)***	***(7,960)***
Net cash used in investing activities (J) = (G+H+I)	**(221,925)**	**(105,224)**

(in thousands of euros)	**Dec. 31, 2017**	Dec. 31, 2016
Proceeds from the issue of equity instruments		
Treasury share transactions	(1,696)	(327)
Dividends paid to owners of the parent	(20,398)	(75,312)
Dividends paid to non-controlling interests		(771)
Cash flows related to transactions with owners	***(22,114)***	***(76,410)***
Proceeds from the issue of debt instruments		
Cash used in the redemption of debt instruments	(2,290)	(2,882)
Interests paid	(17,583)	(17,911)
Cash flows related to the financing of Group operations	***(19,873)***	***(20,793)***
Net cash generated from (used in) financing activities (K)	**(41,987)**	**(97,203)**
Impact of changes in exchange rates on cash and cash equivalents (L)	**(14,564)**	**4,874**
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	**(67,746)**	**(64,766)**
Net cash generated from operating activities (F)	210,730	132,787
Net cash used in investing activities (J)	(221,925)	(105,224)
Net cash generated from (used in) financing activities (K)	(41,987)	(97,203)
Impact of changes in exchange rates on cash and cash equivalents (L)	(14,564)	4,874
Cash and cash equivalents at beginning of period	**332,071**	**396,837**
Cash and cash equivalents at end of period	**264,325**	**332,071**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(67,746)**	**(64,766)**

4.2 / NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

/ Basis of preparation

These IFRS consolidated financial statements of the COFACE Group as at December 31, 2017 are established in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB and as adopted by the European Union [(1)]. They are detailed in the note "Accounting principles" of the present consolidated financial statements as at December 31, 2017.

They are presented with comparative financial information at December 31, 2016.

These IFRS consolidated financial statements for the year ended December 31, 2017 have been reviewed by the COFACE Group's Board of Directors on February 12, 2018.

/ Significant events

COFACE CENTRAL EUROPE HOLDING: MINORITY INTERESTS BUYOUT

Coface now holds the entire share capital of its subsidiary Coface Central Europe Holding, following the acquisition of 25% held since 1990 by KSV1870, the Austrian specialist in debt collection and corporate information. Shares were acquired on March 27, 2017 for an amount of €6.5 million.

TAX AUDIT IN FRANCE

Compagnie française d'assurance pour le commerce extérieur received an account verification notice on January 10, 2017, issued by the Direction des vérifications nationales et internationales. The audit covers the 2014 and 2015 fiscal years. The impact of the tax assessment amounts to €12 million recorded in the 2017 income statement. Moreover, income tax income for €2.6 million is recorded for refunds of the 3% taxes already paid.

SIGNING OF SOCIAL AGREEMENTS IN FRANCE AND GERMANY

In France, a new framework agreement was signed on May 17, 2017 with employee representative bodies. This agreement provides for the setting up, starting in January 2018, of a working time organization more in line with market practices and taking better account of the Group social and economic issues.

In Germany, the voluntary redundancy plan, which was presented last November to the employee representative bodies, was signed on May 10, 2017.

This plan resulted in an accrual constitution for restructuring recorded in the accounts closed at December 31, 2016.

ESTABLISHMENT OF A SYNDICATED LINE OF CREDIT

As part of the refinancing of its factoring business, on July 28, 2017 COFACE SA signed an agreement with a group of partner banks to set up a €700 million syndicated loan in euros. This credit replaces existing bilateral credit lines.

Coface relies on a panel of six relationship banks: Natixis, Société Générale, BNP Paribas, Crédit Agricole CIB, acting as mandated arrangers and bookkeepers, HSBC and BRED acting as mandated arrangers. Natixis acts as documentation agent and Société Générale as a facility agent. The credit is set up for a three year period with two extension options of one year each, on the initiative of the lenders.

This transaction enables the Group to improve its financial flexibility and extend its maturity refinancing, while taking advantage of favourable market conditions and strengthening relations with its leading banks, thereby confirming their medium-term commitment from Coface.

(1) The standards adopted by the European Union can be consulted on the website of the European Commission at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

SECURITISATION PROGRAM RENEWAL

As part of the refinancing of its factoring activities, the Group renewed in advance its entire securitisation program of €1,195 million for a five-year period. This renewal allows the Group to sustain a significant and competitive source of refinancing for another five years while strengthening relationships with its leading banking partners.

/ Scope of consolidation

CHANGE IN THE SCOPE OF CONSOLIDATION IN 2017

First-time consolidation

Coface now holds the entire share capital of its subsidiary Coface Central Europe Holding, following the acquisition of 25% held since 1990 by KSV1870, the Austrian specialist in debt collection and corporate information. For the Central Europe region, it concerns Coface Central Europe Holding, Coface Poland CMS and Coface Romania CMS entities, which are now fully consolidated.

Moreover, the Fonds Colombes 3 Quatter mutual fund (*fonds communs de placement* or FCP) owned by Coface Europe and Lausanne 3 *bis* owned by Coface Re were created during the 1st quarter 2017.

Exit from consolidation scope

The Fonds Colombes 5 mutual fund (*fonds communs de placement* or FCP) owned by Coface Europe were dissolved during the 3rd quarter 2017.

SPECIAL PURPOSE ENTITIES

SPEs used for the credit insurance business

Coface's credit enhancement operations consist of insuring, *via* a special purpose entity (SPE), receivables securitised by a third party through investors, for losses in excess of a predefined amount. In this type of operation, Coface has no role whatsoever in determining the SPE's activity or its operational management. The premium received on the insurance policy represents a small sum compared to all the benefits generated by the SPE, the bulk of which flow to the investors.

Coface does not sponsor securitisation arrangements. It plays the role of mere service provider to the special purpose entity by signing a contract with the SPE. In fact, Coface holds no power over the relevant activities of the SPEs involved in these arrangements (selection of receivables in the portfolio, receivables management, etc.). No credit insurance SPEs were consolidated within the financial statements at December 31, 2015.

SPEs used for financing operations

Since 2012, Coface has put in place an alternative refinancing solution to the liquidity line granted by Natixis for the Group's factoring business in Germany and Poland (SPEs used for financing operations).

Under this solution, every month, Coface Finanz – a Group factoring company – sells its factored receivables to a French SPV (special purpose vehicle), the FCT Vega securitisation fund. The sold receivables are covered by credit insurance provided by Coface Deutschland (formerly Coface Kreditversicherung AG).

The securitisation fund acquires the receivables at their nominal value less a discount (determined on the basis of the portfolio's past losses and refinancing costs). To obtain refinancing, the fund issues (i) senior units to the conduits (one conduit per bank) which in turn issue ABCP (asset-backed commercial paper) on the market, and (ii) subordinated units to Coface Factoring Poland. The COFACE Group holds control over the relevant activities of the FCT.

The FCT Vega securitisation fund is consolidated in the Group financial statements.

SPEs used for investing operations

The "Colombes" mutual funds were set up in 2013 to centralise the management of the COFACE Group's investments. The administrative management of these funds has been entrusted to Amundi, and Caceis has been selected as custodian and asset servicing provider.

The European branches of Compagnie française d'assurance pour le commerce extérieur, which do not have any specific local regulatory requirements, participate in the centralized management of their assets, set up by the Compagnie française d'assurance pour le commerce extérieur. They receive a share of the global income resulting from the application of an allocation key representing the risks subscribed by each branch and determined by the technical accruals.

Fonds Lausanne was created in 2015 in order to allow to Coface Re to subscribe to units in investment funds, the management is delegated to Amundi, the custodian is Caceis Switzerland and the asset servicing provider is Caceis.

The three criteria established by IFRS 10 for consolidation of the FCP Colombes and FCP Lausanne funds are met. Units in dedicated mutual funds (UCITS) have been included in the scope of consolidation and are fully consolidated. They are fully controlled by the Group.

All Coface entities are consolidated by the full integration method, except Cofacredit, which is consolidated by the equity method.

			Percentage			
Country	Entity	Consolidation method	Control Dec. 31, 2017	Interest Dec. 31, 2017	Control Dec. 31, 2016	Interest Dec. 31, 2016
Northern Europe						
Germany	Coface, Niederlassung in Deutschland (ex Coface Kreditversicherung) Isaac – Fulda – Allee 1 55124 Mainz	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Germany	Coface Finanz GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Debitorenmanagement GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating Holding GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Coface Rating GmbH Isaac – Fulda – Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Kisselberg Isaac-Fulda-Allee 1 55124 Mainz	Full	100.00%	100.00%	100.00%	100.00%
Germany	Fct Vega (Fonds de titrisation) 41 rue Délizy 93500 Pantin	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Services STADIONSTRAAT 20 4815 NG Breda	Full	100.00%	100.00%	100.00%	100.00%
Netherlands	Coface Nederland Claudius Prinsenlaan 126 4815 NG Breda	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Denmark	Coface Danmark 11C Jens Ravnsvej 7100 Vejle	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Sweden	Coface Sverige Kungsgatan 33 111 56 Stockholm	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Western Europe						
France	COFACE SA 1, place Costes et Bellonte 92270 Bois-Colombes	Parent company	100.00%	100.00%	100.00%	100.00%
France	Compagnie française d'assurance pour le commerce extérieur 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cofacredit Tour D2 – 17 *bis* place des reflets 92988 Paris-La Défense cedex	Equity method	36.00%	36.00%	36.00%	36.00%
France	Cofinpar 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Cogeri Place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation method	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017	Percentage Control Dec. 31, 2016	Percentage Interest Dec. 31, 2016
France	Fimipar 1, place Costes et Bellonte 92270 Bois-Colombes	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 2 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 ter 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 3 quater 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	-	-
France	Fonds Colombes 4 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 4 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 5 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
France	Fonds Colombes 6 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgium Services Holding 100 Boulevard du Souverain 1170 Bruxelles	Full	100.00%	100.00%	100.00%	100.00%
Belgium	Coface Belgique 100, Boulevard du Souverain B-1170 Bruxelles (Watermael-Boitsfort)	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Luxembourg	Coface Luxembourg 2, Route d'Arlon L-8399 Windhof (Koerich) Luxembourg	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Suisse Rue Belle-Fontaine 18 1003 Lausanne	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Switzerland	Coface Re Rue Belle-Fontaine 18 1003 Lausanne	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 2 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation method	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017	Percentage Control Dec. 31, 2016	Percentage Interest Dec. 31, 2016
Switzerland	Fonds Lausanne 2 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	100.00%	100.00%
Switzerland	Fonds Lausanne 3 bis 90, boulevard Pasteur 75015 Paris	Full	100.00%	100.00%	-	-
UK	Coface UK Holdings Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Services Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	Full	100.00%	100.00%	100.00%	100.00%
UK	Coface UK Egale 1, 80 St Albans Rd. Watford Hertfordshire. WD17 1RP	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ireland	Coface Ireland Unit 5, Adelphi House. Upper George's Street Dun Laoghaire – Co Dublin	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Central Europe						
Austria	Coface Austria Kreditversicherung Service GmbH Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	100.00%	100.00%
Austria	Coface Central Europe Holding AG Marxergasse 4c 1030 Vienna	Full	100.00%	100.00%	74.99%	74.99%
Austria	Compagnie francaise d´assurance pour le Commerce Exterieur SA Niederlassung Austria Marxergasse 4c 1030 Vienna	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hungary	Compagnie francaise d´assurance pour le commerce extérieur Hungarian Branch Office Váci út 45. H/7 1134 Budapest	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Poland	Coface Poland Credit Management Services Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	74.99%
Poland	Coface Poland Factoring Sp. z o.o. Al. Jerozolimskie 142 A, 02-305 Warszawa	Full	100.00%	100.00%	100.00%	100.00%
Poland	Compagnie francaise d'assurance pour le commerce exterieur Spółka Akcyjna Oddział w Polsce Al. Jerozolimskie 142 A, 02-305 Warszawa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

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Country	Entity	Consolidation method	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017	Percentage Control Dec. 31, 2016	Percentage Interest Dec. 31, 2016
Czech Republic	Compagnie francaise d'assurance pour le commerce exterieur organizační složka Česko I.P. Pavlova 5 120 00 Praha 2	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Romania	Coface Romania CMS Street Pipera number 42, Floor 6, Sector 2, 020112, Bucuresti	Full	100.00%	100.00%	100.00%	74.99%
Romania	Compagnie francaise d'assurance pour le commerce exterieur SA Bois – Colombes – Sucursala Bucuresti Street Pipera number 42, Floor 6, Sector 2, 020112, Bucuresti	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Slovakia	Compagnie francaise d´assurance pour le commerce extérieur, pobočka poisťovne z iného členského štátu Šoltésovej 14 811 08 Bratislava	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Lithuania	Compagnie Francaise d'Assurance pour le Commerce Exterieur Lietuvos filialas A. Tumeno str. 4 Vilnius	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latvia	Coface Latvia Insurance Berzaunes iela 11a LV-1039 Riga	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Bulgaria	Compagnie Francaise d'Assurance pour le Commerce Exterieur SA – Branch Bulgaria 42 Petar Parchevich Str. 1000 Sofia	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Russia	CJSC Coface Rus Insurance Company 23-1, 1st Tverskaya-Yamskaya str. 125047 Moscow	Full	100.00%	100.00%	100.00%	100.00%
Mediterranean & Africa						
Italy	Coface Italy (Branch) Via Giovanni Spadolini 4 20141 Milan	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Italy	Coface ITALIA Via Giovanni Spadolini 4 20141 Milan	Full	100.00%	100.00%	100.00%	100.00%
Israel	Coface ISRAEL 23 Bar Kochva st, Bnei Brak 5126002 PB 76	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Israel	Coface Holding Israel 11 Ben Gurion st, Bnei Brak 5126015 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
Israel	BDI – Coface (business data Israel) 11 Ben Gurion st, Bnei Brak 5126015 Bnei Brak	Full	100.00%	100.00%	100.00%	100.00%
South Africa	Coface South Africa 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation method	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017	Percentage Control Dec. 31, 2016	Percentage Interest Dec. 31, 2016
South Africa	Coface South Africa Services 3021 William Nicol Drive Block A 2021 Bryanston –Johannesburg	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Servicios España, SL Calle Aravaca, 22 28040 Madrid	Full	100.00%	100.00%	100.00%	100.00%
Spain	Coface Iberica C/Aravaca 22 28040 Madrid	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Portugal	Coface Portugal Av. José Malhoa, 16B – 7º Piso, Fracção B.1 Edifício Europa 1070 – 159 Lisboa	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Turkey	Coface Sigorta Buyukdere Caddesi, Yapi Kredi Plaza, B-Blok Kat:6 Levent 34330 Istanbul	Full	100.00%	100.00%	100.00%	100.00%
North America						
United States	Coface North America Holding Company 650 College road east, suite 2005, Princeton, NJ 08540 – USA	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America 650 College road east, suite 2005, Princeton, NJ 08540 – USA	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface Services North America 900 Chapel Street New Haven, CT 06510	Full	100.00%	100.00%	100.00%	100.00%
United States	Coface North America Insurance company 650 College road east, suite 2005, Princeton, NJ 08540 – USA	Full	100.00%	100.00%	100.00%	100.00%
Canada	Coface Canada 251 Consumer Road Suite 910 Toronto – On M2J 1R3	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Latin America						
Mexico	Coface Seguro De Credito Mexico SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon – 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%
Mexico	Coface Holding America Latina SA de CV Av. Insurgentes Sur #1685 Piso 15, Col. Guadalupe Inn, Delegación: Alvaro Obregon – 01020 Mexico City, México	Full	100.00%	100.00%	100.00%	100.00%
Brazil	Coface Do brasil Seguros de Credito SA 34, João Duran Alonso Square Brooklin Novo District Saõ Paulo 12 floor	Full	100.00%	100.00%	100.00%	100.00%

Country	Entity	Consolidation method	Percentage Control Dec. 31, 2017	Percentage Interest Dec. 31, 2017	Percentage Control Dec. 31, 2016	Percentage Interest Dec. 31, 2016
Brazil	Seguradora Brasileira De Credito Interno SA (SBCE) Pça. João Duran Alonso, 34 – 12º Andar Brooklin Novo – Sao Paulo, CEP: 04571-070	Full	75.82%	75.82%	75.82%	75.82%
Chile	Coface Chile Nueva Tajamar 555. Piso 17 Torre Costanera – Las Condes. Santiago	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Argentina	Coface Argentina Ricardo Rojas 401 – 7 Floor CP 1001 Buenos Aires – Argentina	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Ecuador	Coface Ecuador Irlanda E10-16 y República del Salvador Edificio Siglo XXI, PH	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Asia Pacific						
Australia	Coface Australia LEVEL 11, 1 MARKET STREET, SYDNEY NSW 2000, AUSTRALIA	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Hong-Kong	Coface Hong Kong 29th Floor, No. 169 Electric Road North Point, Hong Kong	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Japan	Coface Japon Atago Green Hills MORI Tower 38F, 2-5-1 Atago, Minato-ku – Tokyo 105-6238	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Singapore	Coface Singapour 16 Collyer Quay #15-00 Singapore 049318	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	
Taiwan	Coface Taiwan Room A5, 6F, No. 16, Section 4, Nanjing East Road, Taipei 10553	-	Branch of Compagnie française d'assurance pour le commerce extérieur		Branch of Compagnie française d'assurance pour le commerce extérieur	

/ Accounting principles

APPLICABLE ACCOUNTING STANDARDS

Standards adopted by the European Union as at December 31, 2017 but not yet in force at that date, and not applied by Coface in the financial statements at the end of December 2017

IFRS 9

The new IFRS 9, "Financial Instruments", was adopted by the European Commission on November 22, 2016 and will retroactively apply beginning on January 1, 2018. This replaced the corresponding requirements in IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 sets out new rules for classifying and measuring financial assets and liabilities, new impairment rules for credit risk on financial assets and the treatment of hedging transactions, with the exception of macro-hedging transactions, which are subject to a separate standard currently being examined by the IASB.

The following treatments will apply to fiscal years beginning on or after January 1, 2018, replacing the accounting standards currently used to recognize financial instruments. In application of the option allowed by IFRS 9, Coface does not plan to communicate comparative information for its financial statements.

/ Exemption

The amendment to IFRS 4 relating to the joint application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates was adopted on November 3, 2017 and is applicable on January 1, 2018. This European Regulation allows European financial conglomerates to opt to postpone application of IFRS 9 for their insurance sector until January 1, 2021 (date of application of the new IFRS 17 "Insurance Contracts standard") under conditions:

- not to transfer financial instruments between the insurance sector and the other sectors of the conglomerate (with the exception of instruments at fair value through profit or loss);
- to indicate the insurance entities that apply the IAS 39 standard;
- to provide additional specific information in the attached notes.

Coface, meeting the eligibility criteria of a financial conglomerate, plans to apply this provision for its insurance entities, which will therefore remain under IAS 39 until December 31, 2020. The entities concerned by this measure are all insurance entities and entities whose activity is directly related to insurance (service entities, consolidated funds).

/ Scope of application

Consequently, the entities concerned by the application of IFRS 9 are exclusively entities in the factoring business, an activity operated by Coface in Germany and in Poland.

/ Classification

On initial recognition, financial assets are classified at amortized cost, at fair value through equity or at fair value through profit or loss, and for debt instruments based on the entity's management of its financial instruments (management model or business model) and the characteristics of their contractual flows (SPPI solely payments of principal & interests).

/ Business model

The portfolio business model represents the way in which the entity manages its financial assets portfolio in order to generate cashflow. Judgment is necessary for the entity to assess the economic model implemented.

The business model determination must take into account all the information on how cash flows have been achieved in the past, as well as all other relevant information.

In addition, the business model determination must take place at a level that reflects the way in which financial asset groups are collectively managed in order to achieve the given economic objective. The economic model is thus not determined instrument by instrument, but at a higher aggregation level, by portfolio.

The standard retains three management models:

- a management model whose objective is to hold financial assets in order to collect the contractual cash flows ("collection model");
- a blended management model in which assets are managed with the objective of both collecting the contractual cash flows and disposing of the financial assets ("collection and sales model");
- a management model whose objective is to bank cash flows generated by the disposal of financial assets ("held for trading").

/ Basic character determination or "SPPI"

A financial asset is basic if the financial asset contractual terms give rise, on specified dates, to cash flows corresponding only to principal repayments and interest calculated on the principal outstanding.

The "principal" is defined as the financial asset fair value at the acquisition date. "Interest" is the time value counterpart of the money and the credit risk associated with the principal, but also other risks such as liquidity risk, administrative costs and trading margin.

To assess if the contractual cash flows are only principal and interest payments, the instrument contractual terms must be considered. This involves analysing any element that might call into question the exclusive representation of the money time value.

Debt instruments (loans, receivables or debt securities) may be measured at amortized cost, at fair value through equity or at fair value through profit or loss.

A debt instrument is measured at amortized cost if it satisfies the following two conditions:

- the asset is held in a management model whose target is the collection of contractual cash flows; and
- the financial asset contractual terms give rise, on specific dates, to cash flows corresponding only to principal repayments and interest calculated on the outstanding capital. In this case, the asset is said to be basic and these flows are deemed "SPPI".

A debt instrument is measured at fair value by OCI if it satisfies the following two conditions:

- the asset is held in a management model whose target is both the collection of contractual cash flows and the sale of financial assets; and
- the financial asset contractual terms give rise, on specific dates, to cash flows corresponding only to principal repayments and interest calculated on the outstanding capital. In this case, the asset is said to be basic and these flows are deemed "SPPI".

The debt instruments included in the two business models of collection or collection and sales that do not meet the "SPPI" criteria are measured at fair value through profit or loss.

Debt instruments included in a business model transaction are measured at fair value.

Embedded derivatives are not booked separately from host contracts any more when those contracts deal with financial assets.

Regarding financial liabilities, classification and evaluation rules under IAS 39 are identical under IFRS 9, apart from rules on financial assets that one entity evaluates at fair value through profits and losses (fair value option), for which revaluation differences related to its own credit risk variations are booked in gains and losses recorded directly in equity, without any later reclassification in fair value through profits and losses.

IAS 39 standard rules related to derecognition of financial assets and liabilities are strictly identical under IFRS 9 standard.

/ Impairment

General model

IFRS 9 initiates a unique forward-looking impairment model, based, not on the occurred credit losses, but on the expected credit losses (ECL) calculated on all debt portfolios recorded at amortized cost or at fair value by other comprehensive income (OCI recyclable), and also calculated on financing-lease receivables under IAS 17 and on assets backing contracts under IFRS 15. This unique impairment model is also applicable to the provisioning of financing-lease commitments outside the scope of application of the standard (for evaluation) and to the provisioning of financial guarantees commitments, apart those measured at fair value through profits and losses.

Within this new impairment model in IFRS 9, it is mandatory to record, on initiation, expected losses over one year (Stage 1), and then secondly, if the credit risk increases significantly since the initial recognition, expected losses at maturity (Stage 2). Thirdly, if the credit risk downgrades to the point that the debt payment is threatened, a provision should be booked for expected losses at maturity (Stage 3), in perfect line with IAS 39 requirements about individual-based impairment on bad debts.

Simplified approach

IFRS 9 proposes a simplified approach for impairment of trade receivables, contract assets and lease receivables, which consists of classifying assets in two categories instead of three and measuring the amount equal to lifetime expected credit losses (usually less than 12 months).

Category 1: unused.

Category 2: Receivables whose credit risk has increased significantly since initial recognition but for which there is no evidence of default at the reporting date:

- impairment is measured at the amount of lifetime expected losses of the receivables;
- the amount of expected losses is calculated on a collective basis (by portfolio).

Category 3: Doubtful receivables for which there is objective evidence of default at the reporting date:

- impairment is measured at the amount of lifetime expected losses of the receivables;
- the amount of expected losses is calculated on an individual basis (by receivable).

The entity shall apply the simplified impairment approach to all trade receivables which do not contain a significant financing component.

The entity may choose between the two methods (general or simplified) for receivables which contain a significant financing component and for lease receivables. When the entity applies the general impairment method for these receivables, it will be forced to modify its systems to assess the level of credit risk, as well as the amount of expected losses over the next 12 months or over the entire life cycle.

/ Hedge accounting

IFRS 9 introduces a modified hedge accounting model, which is more in line with risk management activities.

/ Implementation of the standard

For factoring entities, Coface has carried out the implementation of the standard within the framework of project organization which involves all the related business lines and support functions.

/ Classification of financial assets

The main activity of Coface's factoring entities is the purchase of receivables held by its customers, by assuming counterparty risk.

- Coface does not hold financial assets for trading purposes and financial assets are not managed at fair value (in the context of risk management or investment strategy).

- The predominant economic model is based on the collection of contractual cash flows. Sales (in frequency and value) are not necessary to achieve the commercial target.

On the basis of the work carried out on the Classification and Evaluation component, it appears that all the financial assets concerned (*i.e.* factoring receivables) which were previously recorded at the amortized cost under IAS 39 would continue to meet conditions for a depreciated cost accounting under IFRS 9.

/ Depreciation of assets

An analysis of Coface's factoring contracts of showed that the maximum payment period falls in the range 61-180 days. As a result, all receivables must expire within one year or less. Since the maximum repayment period is one year or less, the expected loss at 12 months (Category 1) is conceptually equal to the expected life loss (Category 2). On the basis of the contractual structure, a separate modelling of Category 1 and 2 degradation is not necessary. The classification in the general and simplified approach is useless because there is ultimately only one step for non-depreciated receivables.

/ Depreciation methodology

Coface will rely on the calculation of depreciation on the calculation models using the internal ratings of debtors ("DRA").

The methodology for calculating depreciation (expected loss or "ECL") will be based on the three main parameters: the probability of default "PD", the loss given default "LGD" and the amount of exposure in case of default "EAD" (exposure at default). The depreciation will be the product of the PD by the LGD and the EAD, over the lifetime of the receivables (Category 2).

The expectancy loss over the lifetime will be estimated on the basis of the current value of all cash shortfalls over the remaining life of the financial instrument. The expected loss at 12 months is a part of the expected loss over the lifetime associated with the probability of occurrence of default events within 12 months from the reporting date. As already explained, due to the short maturity of the purchased receivables, the estimate of the expected loss of credit only focuses on the expected losses at 12 months.

Specific adjustments will be made to take into account the current conditions and the prospective macroeconomic projections (forward looking).

/ Financial impact

Due to the factoring receivables structuring, most of which are covered by credit insurance contracts subscribed by Coface entities, the factoring receivables impairment is already taken into account in the Group's consolidated financial statements through insurance provisions calculated from actuarial methods and currently classified in IBNR (incurred but nor received) provisions.

At this point of assessment, it is therefore not anticipated that the first IFRS 9 application will have a significant impact, either on opening equity at January 1, 2018 or the income statement items for the 2018 financial year.

IFRS 15

The new standard IFRS 15 "Revenue from Contracts with Customers" adopted by the European Commission on September 22, 2016 and of mandatory application on or after January 1, 2018.

The amendment "IFRS 15 clarification" adopted by the European Commission on October 31, 2017 is also applicable in a mandatory manner from January 1, 2018.

IFRS 15 will replace the current accounting standards and interpretations related to revenues recognition and now imposes a single accounting model for all revenues from customers' contracts.

According to this standard, the accounting of the proceeds from the ordinary activities will now have to reflect the transfer of control of the goods and services promised to the customers for an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services.

IFRS 15 introduces new guidance to recognizing revenue in five steps:

- identification of contracts with customers;
- identification of separate performance obligations (or elements) to be counted separately from each other;
- determination of the price of the transaction as a whole;
- allocation of the transaction price to different performance obligations;
- accounting of products when performance obligations are met.

The standard IFRS 15 applies to all contracts with customers except for, in particular, leases within the scope of IAS 17 Leases, insurance contracts within the scope of IFRS 4 Insurance Contracts, financial instruments within the scope of IAS 39 Financial Instruments. If specific requirements regarding revenue or contract costs are provided by another standard, this one should be firstly applied.

In accordance with the option provided by IFRS 15, Coface does not plan to communicate comparative information in its financial statements.

IFRS 16

The standard IFRS 16 "Leases" adopted by the European Commission on October 31, 2017 will replace IAS 17 "Leasing contracts" and interpretations relating to the accounting of such contracts. It will be applicable on January 1, 2019 retrospectively following specific transitional arrangements.

According to IFRS 16, the definition of leasing contracts implies, on one hand, the identification of an asset and, on the other hand, the control by the taker of the right to use this asset.

From the lessor's point of view, the expected impact should be limited, the retained provisions remaining substantially unchanged from the present IAS 17 standard.

For the taker, the standard will impose the accounting on the balance sheet of all leases as a right of use on the leased assets, registered in the fixed assets and in the liabilities, the accounting of a financial debt for rents and other payments to be made during the rental period. Coface plans to use the exception provided by the standard by not modifying the accounting treatment of short-term leases (less than 12 months) or relating to low-value underlying assets (unit value €5,000 at most).

The right of use will be amortized linearly and the financial debt actuarially over the duration of the lease. The interest expenses on the financial debt and the amortization expenses of the right to use will be made separately to the income statement. Conversely, according to current IAS 17, the so-called simple or operational leases do not induce a registration on the balance sheet and only the related rents are recorded in the income statement.

The work to estimate the amount of user fees to be recorded on the balance sheet was carried out during the financial year 2017. At this stage, the effects of the implementation of IFRS 16 relate mainly to real estate assets leased for the needs of operating as offices. Coface expects the income statement impact not to be significant and the balance sheet impact on fixed assets and financial liabilities to be the same order as amounts presented in Note 37 “Operating lease contracts”.

CONSOLIDATION METHODS USED

In accordance with IAS 1 “Presentation of Financial Statements”, IFRS 10 and IFRS 3 on business combinations, certain interests that are not material in relation to the COFACE Group’s consolidated financial statements were excluded from the scope of consolidation. The consolidation methods applied are as follows:

- companies over which the COFACE Group exercises exclusive control are fully consolidated;
- companies over which the COFACE Group exercises significant influence are accounted for by the equity method.

All the entities of the COFACE Group scope are fully consolidated except Cofacrédit, which is consolidated at equity method.

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. The control of an entity must now be analysed through three aggregate criteria: the power on the relevant activities of the entity, exposure to the variable returns of the entity and the investor’s ability to affect the variable returns through its power over the entity. The analysis of special purpose entities (SPE’s) of the COFACE Group is presented in the Note 2 “Scope of consolidation”.

Inter-company transactions

Material inter-company transactions are eliminated on the balance sheet and on the income statement.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and it must be highly probable that the sale will take place within 12 months.

A sale is deemed to be highly probable if:

- management is committed to a plan to sell the asset (or disposal group);
- a non-binding offer has been submitted by at least one potential buyer;
- it is unlikely that significant changes will be made to the plan or that it will be withdrawn.

Once assets meet these criteria, they are classified under “Non-current assets held for sale” in the balance sheet at the subsequent reporting date, and cease to be depreciated/amortised as from the date of this classification. An impairment loss is recognised if their carrying amount exceeds their fair value less costs to sell. Liabilities related to assets held for sale are presented in a separate line on the liabilities side of the balance sheet.

If the disposal does not take place within 12 months of an asset being classified as “Non-current assets held for sale”, the asset ceases to be classified as held for sale, except in specific circumstances that are beyond Coface’s control.

A discontinued operation is a clearly identifiable component of an entity that either has been disposed of, or is classified as held for sale, and:

- the component represents a separate major line of business or geographical area of operations;
- without representing a separate major line of business or geographical area of business, the component is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the component is a subsidiary acquired exclusively with a view to resale.

The income from these operations is presented on a separate line of the income statement for the period during which the criteria are met and for all comparative periods presented. The amount recorded in this income statement line includes the net income from discontinued operations until they are sold, and the post -tax net income recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

YEAR-END AND ACCOUNTING PERIOD

All consolidated companies have a December 31 year-end and an accounting period of 12 months.

FOREIGN CURRENCY TRANSLATION

Translation of foreign currency transactions

In accordance with IAS 21, transactions carried out in foreign currencies (*i.e.,* currencies other than the functional currency) are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions. The Group's entities generally use the closing rate for the month preceding the transaction date, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates.

Translation of the financial statements of subsidiaries and foreign branches

Coface's consolidated financial statements are presented in euros.

The balance sheets of foreign subsidiaries whose functional currency is not the euro are translated into euros at the year-end exchange rate, except for capital and reserves, which are translated at the historical exchange rate. All resulting foreign currency translation differences are recognised in the consolidated statement of comprehensive income.

Income statement items are translated using the average exchange rate for the year, which is considered as approximating the transaction-date exchange rate provided there are no significant fluctuations in rates (see IAS 21.40). All exchange differences arising on translation of these items are also recognised in other comprehensive income.

GENERAL PRINCIPLES

The insurance business

An analysis of all of Coface's credit insurance policies shows that they fall within the scope of IFRS 4, which permits insurers to continue to use the recognition and measurement rules applicable under local GAAP when accounting for insurance contracts.

Coface has therefore used French GAAP for the recognition of its insurance contracts.

However, IFRS 4:

- prohibits the use of equalisation and natural disaster provisions;
- and requires insurers to carry out liability adequacy tests.

The services business

Companies engaged in the sale of business information and debt collection services fall within the scope of IAS 18 "Revenue".

In accordance with IAS 18, revenue is recognised when: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; and (iii) the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

The factoring business

Companies engaged in the factoring business are directly impacted by IAS 39 "Financial Instruments: Recognition and Measurement": a financial instrument is a contract that gives rise to a financial asset of one entity (contractual right to receive cash or another financial asset from another entity) and a financial liability or equity instrument of another entity (contractual obligation to deliver cash or another financial asset to another entity).

In application of IAS 39, Application Guidance 26, trade receivables are classified within the "Loans and receivables" category. After initial recognition at fair value, these receivables are measured at amortised cost using the effective interest method (EIM). The financing fee is recorded over the term of the factoring transactions, which is equivalent to it being included in the EIM in view of the short-term nature of the transactions concerned.

CLASSIFICATION OF INCOME AND EXPENSES FOR THE GROUP'S DIFFERENT BUSINESSES

Breakdown by function of insurance company expenses

The expenses of French and international insurance subsidiaries are initially accounted for by nature and are then analysed by function in income statement items using appropriate cost allocation keys. Investment management expenses are included under investment expenses. Claims handling expenses are included under claims expenses. Policy acquisition costs, administrative costs and other current operating expenses are shown separately in the income statement.

Factoring companies

Operating income and expenses of companies involved in the factoring business are reported as "Income from banking activities" and "Expenses from banking activities" respectively.

Other companies outside the insurance business and factoring business

Operating income and expenses of companies not involved in the insurance or factoring businesses are reported under "Income from other activities" and "Expenses from other activities", respectively.

REVENUE

Consolidated revenue includes:

- premiums, corresponding to the sums paid by the policyholders in return for the Group's commitment to cover the risks planned in their insurance policy: credit insurance (short term), single risk (medium term) and surety (medium term). The bond is not a credit insurance product because it represents a different risk nature (in terms of the underlying and the duration of the risk), but its remuneration takes the form of a premium; it responds to the definitions of insurance contracts given in IFRS 4;
- other revenues which include:
  - revenue from services related to credit insurance contracts ("fee and commission income"), corresponding to debtors' information services, credit limit monitoring, management and debt recovery. They are included in the calculation of the turnover of the credit insurance activity,
  - the compensation received by Compagnie française d'assurance pour le commerce extérieur from the French government for its management of public credit insurance procedures. The terms and procedures applicable to the compensation paid by the French government was set out in the "Financial Agreement" signed between the French government and Compagnie française d'assurance pour le commerce extérieur. This agreement was terminated on December 31, 2016,
  - revenue from services which consist of providing customer access to credit and marketing information and debt collection services to clients without credit insurance contracts,
  - net income from banking activities is revenues from factoring entities. They consist mainly of factoring fees (collected for the management of factored receivables) and net financing fees (financing margin, corresponding to the amount of financial interest received from factoring customers, less interest paid on refinancing of the factoring debt). Premiums paid by factoring companies to insurance companies (in respect of debtor and ceding risk) are deducted from net banking income.

Consolidated revenue is analysed 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) and by business line (credit insurance, bonding, factoring, and information & other services).

INSURANCE OPERATIONS

Earned premiums

/ Gross written premiums

Gross premiums correspond to written premiums, excluding tax and net of premium cancellations. They include an estimate of pipeline premiums and premiums to be cancelled after the reporting date.

The estimate of pipeline premiums includes premiums negotiated but not yet invoiced as well as premium adjustments corresponding to the difference between minimum and final premiums. It also includes a provision for future economic risks that may impact end-of-year premiums.

The estimate of final premiums relies on the use of statistical methods that draw on historical data and assumptions calling for Management's judgement.

Premiums invoiced are primarily based on policyholders' revenue or trade receivables balances, which vary according to changes in revenue. Premium income therefore depends directly on the volume of sales made in the countries where the Group is present, especially French exports and German domestic and export sales.

/ Premium refunds

Premium refunds include policyholders' bonuses and rebates, gains and no claims bonus, mechanisms designed to return a part of the premium to a policyholder according to contract profitability. They also include the penalties, taking the form of an additional premium invoiced to policyholders with the loss attributed to the policy.

The "premium refunds" item includes provisions established through an estimation of rebates to be paid.

/ Reserves for unearned premiums

Reserves for unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the provision corresponds to the fraction of written premiums relating to the period between the year-end and the next premium payment date.

/ Gross earned premiums

Gross earned premiums consist of gross premiums issued, net of premium refunds, and variation in reserves for unearned premiums.

Deferred acquisition costs

Policy acquisition costs, including commissions are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions.

The amount deferred corresponds to policy acquisition costs related to the period between the year-end and the next premium payment date. Deferred acquisition costs are included in the balance sheet under "Other assets".

Changes in deferred acquisition costs are included under "Policy acquisition costs" in the income statement.

Claims expenses

/ Paid claims

Paid claims correspond to insurance settlements net of recoveries, plus claims handling expenses.

/ Claims provisions

Claims provisions include provisions to cover the estimated total cost of reported claims not settled at the year-end. Claims provisions also include provisions for claims incurred but not yet reported, determined by reference to the final amount of paid claims.

The provisions also include a provision for collection costs and claims handling expenses.

Specific provisions are also recorded for major claims based on the probability of default and level of risk exposure, estimated on a case-by-case basis.

In the guarantee business, local methods are applied. Provisions are only recorded for claims of which the Company concerned has been notified by the year-end. However, an additional provision is recorded when the risk that the guarantee will be called on is higher due to the principal (guaranteed) becoming insolvent, even if no related bonds have been called on. This additional provision is calculated based on the probability of default and the level of risk exposure.

/ Subrogation and salvage

Subrogation and salvage represent estimated recoveries determined on the basis of the total amount expected to be recovered in respect of all open underwriting periods.

The subrogation and salvage includes a provision for debt collection costs.

In accordance with the applicable French Regulations, separate provisions are set aside for claims and recoveries.

REINSURANCE OPERATIONS

All of the Group's inward and ceded reinsurance operations involve transfers of risks.

Inward reinsurance

Inward reinsurance is accounted for on a contract-by-contract basis using data provided by the ceding insurers.

Technical provisions are determined based on amounts reported by ceding insurers, adjusted upwards by Coface where appropriate.

Commissions paid to ceding insurers are deferred and recognised in the income statement on the same basis as reserves for unearned premiums. Where these commissions vary depending on the level of losses accepted, they are estimated at each period-end.

Ceded reinsurance

Ceded reinsurance is accounted for in accordance with the terms and conditions of the related treaties.

Reinsurers' share of technical provisions is determined on the basis of technical provisions recorded under liabilities.

Funds received from reinsurers are reported under liabilities.

Commissions received from reinsurers are calculated by reference to written premiums. They are deferred and recognised in the income statement on the same basis as ceded reserves for unearned premiums.

OTHER OPERATING INCOME AND EXPENSES

In accordance with Recommendation no. 2013-03 issued by the ANC (the French accounting standards setter), "Other operating income" and "Other operating expenses" should only be used to reflect a major event arising during the reporting period that could distort the understanding of the Company's performance. Accordingly, limited use is made of this caption for unusual, abnormal and infrequent income and expenses of a material amount which Coface has decided to present separately in the income statement so that readers can better understand its recurring operating performance and to make a meaningful comparison between accounting periods, in accordance with the relevance principle set out in the IFRS Conceptual Framework.

Other operating income and expenses are therefore limited, clearly identified, non-recurring items which are material to the performance of the Group as a whole.

GOODWILL

In accordance with the revised version of IFRS 3, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred;
- to which we add the amount of any non-controlling interest in the acquiree;
- and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;
- less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value).

In the case of a bargain purchase, the resulting gain is recognised in net income on the acquisition date.

If new information comes to light within the 12 months following the initial consolidation of a newly-acquired company and that new information affects the initial fair values attributed to the assets acquired and liabilities assumed at the acquisition date, the fair values are adjusted with a corresponding increase or decrease in the gross value of goodwill.

Goodwill is allocated, at the acquisition date, to the cash-generating unit (CGU) or group of CGUs that is expected to derive benefits from the acquisition. In accordance with paragraph 10 of IAS 36, goodwill is not amortised but is tested for impairment at least once a year or whenever events or circumstances indicate that impairment losses may occur. Impairment testing consists of comparing the carrying amount of the CGU or group of CGUs (including allocated goodwill) with its recoverable amount, which corresponds to the higher of value in use and fair value less costs to sell. Value in use is determined using the discounted cash flow method.

IMPAIRMENT TESTS ON GOODWILL AND INTANGIBLE ASSETS

In accordance with IAS 36, for the purpose of impairment testing the strategic entities included in the Group's scope of consolidation are allocated to groups of CGUs.

A group of CGUs is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets (other CGUs). Paragraph 80 of IAS 36 stipulates that goodwill acquired in a business combination must, from the acquisition date, be allocated to each of the acquirer's groups of CGUs that is expected to benefit from the synergies of the combination.

Coface has identified groups of CGUs, based on its internal organisation as used by management for making operating decisions.

The seven groups of CGUs are as follows:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia-Pacific.

Measuring groups of CGUs and performing goodwill impairment tests

Existing goodwill is allocated to a group of CGUs for the purpose of impairment testing. Goodwill is tested for impairment at least once a year or whenever there is an objective indication that it may be impaired.

Goodwill impairment tests are performed by testing the group of CGUs to which the goodwill has been allocated.

If the recoverable amount of the group of CGUs is less than its carrying amount, an impairment loss is recognised and allocated to reduce the carrying amount of the assets of the group of CGUs, in the following order:

- first, by reducing the carrying amount of any goodwill allocated to the group of CGUs (which may not be subsequently reversed); and
- then, the other assets of the group of CGUs pro rata to the carrying amount of each asset in the Group.

The recoverable amount represents the higher of value in use (determined using the discounted cash flow method) and fair value less costs to sell (determined using multiples data from comparable listed companies as well as comparable recent transactions).

Method used for measuring the value of Coface entities

/ Value in use: Discounted cash flow method

Cash flow projections were derived from the three-year business plans drawn up by the Group's operating entities as part of the budget process and approved by COFACE Group management.

These projections are based on the past performance of each entity and take into account assumptions relating to Coface's business line development. Coface draws up cash flow projections beyond the period covered in its business plans by extrapolating the cash flows over two additional years.

The assumptions used for growth rates, margins, cost ratios and claims ratios are based on the entity's maturity, business history, market prospects, and geographic region.

Under the discounted cash flow method, Coface applies a discount rate to insurance companies and a perpetuity growth rate to measure the value of its companies.

/ Fair value

Under this approach, Coface values its companies by applying multiples of (i) revenue (for services companies), revalued net assets (for insurance companies) or net banking income (for factoring companies), and (ii) net income. The benchmark multiples are based on stock market comparables or recent transactions in order to correctly reflect the market values of the assets concerned.

The multiples-based valuation of an entity is determined by calculating the average valuation obtained using net income multiples and that obtained using multiples of revenue (in the case of services companies), revalued net assets (insurance companies) or net banking income (factoring companies).

INTANGIBLE ASSETS: IT DEVELOPMENT COSTS

Coface capitalises IT development costs and amortises them over their estimated useful lives when it can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the current and future availability of adequate resources to complete the development; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Internally generated software is amortised over its useful life, which is capped at 15 years.

PROPERTY, PLANT AND EQUIPMENT: PROPERTY ASSETS

Property, plant and equipment are measured using the amortised cost model. Coface applies this model to measure its property, plant and equipment, including buildings used in the business. IFRS requires the breakdown of these buildings into components where the economic benefits provided by one or more components of a building reflect a pattern that differs from that of the building as a whole. These components are depreciated over their own useful life.

Coface has identified the following components of property assets:

Land	Not depreciated
Enclosed/covered structure	Depreciated over 30 years
Technical equipment	Depreciated over 15 years
Interior fixtures and fittings	Depreciated over 10 years

Properties acquired under finance leases are included in assets and an obligation in the same amount is recorded under liabilities.

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership.

An impairment loss is recognised if the carrying amount of a building exceeds its market value.

4.

FINANCIAL ASSETS

The Group classifies its financial assets into the following five categories: available-for-sale financial assets, financial assets held for trading, held-to-maturity investments, financial assets at fair value through income, and loans and receivables.

The date used by Coface for initially recognising a financial asset in its balance sheet corresponds to the asset's trade date.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are carried at fair value plus transaction costs that are directly attributable to the acquisition (hereafter referred to as the purchase price). The difference between the fair value of the securities at year-end and their purchase price (less actuarial amortisation for debt instruments) is recorded under "Available-for-sale financial assets" with a corresponding adjustment to revaluation reserves (no impact on net income). Investments in non-consolidated companies are included in this category.

Financial assets held for trading

Financial assets held for trading are recorded at the fair value of the securities at year-end. Changes in fair value of securities held for trading during the accounting period are taken to the income statement.

Held-to-maturity investments (HTM)

Held-to-maturity investments are carried at amortised cost. Premiums and discounts are included in the calculation of amortised cost and are recognised over the useful life of the financial asset using the yield-to-maturity method.

Financial assets at fair value through profit or loss

Financial assets at fair value through income are accounted for in the same way as securities held for trading.

Loans and receivables

The "Loans and receivables" category includes cash deposits held by ceding insurers lodged as collateral for underwriting commitments. The amounts recognised in relation to these deposits corresponds to the cash amount actually deposited.

Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market are also included in this caption. These assets are recognised at amortised cost using the effective interest method.

Loans and receivables also include short-term deposits whose maturity at the date of purchase or deposit is more than three months but less than 12 months.

Fair value

The fair value of listed securities is their market price at the measurement date. For unlisted securities fair value is determined using the discounted cash flow method.

Impairment test

Available-for-sale financial assets are tested for impairment at each period-end. When there is objective evidence that such an asset is impaired and a decline in the fair value of that asset has previously been recognised directly in equity, the cumulative loss is reclassified from equity to income through "Investment income, net of management expenses".

A multi-criteria analysis is used to assess whether there is any objective indication of impairment. An independent expert is used for these analyses, particularly in the case of debt instruments.

Impairment indicators include the following:

- for debt instruments: default on the payment of interest or principal, the existence of a mediation, alert or insolvency procedure, bankruptcy of a counterparty or any other indicator that reveals a significant decline in the counterparty's financial position (such as evidence of losses to completion based on stress tests or projections of recoverable amounts using the discounted cash flow method);
- for equity instruments (excluding investments in unlisted companies): indicators showing that the entity will be unable to recover all or part of its initial investment. In addition, an impairment test is systematically performed on securities that represent unrealised losses of over 30% or which have represented unrealised losses for a period of more than six consecutive months. This test consists of carrying out a qualitative analysis based on various factors such as an analysis of the equity instrument's market price over a given period, or information relating to the issuer's financial position. Where appropriate, an impairment loss is recognised based on the instrument's market price at the period-end. Independently of this analysis, an impairment loss is systematically recognised when an instrument represents an unrealised loss of over 50% at the period-end, or has represented an unrealised loss for more than 24 months;
- for investments in unlisted companies: an unrealised loss of over 20% over a period of more than 18 months, or the occurrence of significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer and indicate that the amount of the investment in the equity instrument will not be recovered.

If the fair value of an instrument classified as available-for-sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed, with the amount of the reversal recognised in:

- equity, for equity instruments;
- income, for debt instruments, in an amount corresponding to the previously-recognised impairment loss.

In accordance with IFRIC 10, impairment losses recognised on equity instruments in an interim reporting period are not reversed from income until the securities concerned are divested.

DERIVATIVES AND HEDGING TRANSACTIONS

A derivative is a financial instrument (IAS 39):

- whose value changes in response to the change in the interest rate or price of a product (known as the "underlying");
- that requires no or a very low initial net investment; and
- that is settled at a future date.

A derivative is a contract between two parties – a buyer and a seller – under which future cash flows between the parties are based on the changes in the value of the underlying asset.

In accordance with IAS 39, derivatives are measured at fair value through income, except in the case of effective hedges, for which gains and losses are recognised depending on the underlying hedging relationship.

Derivatives that qualify for hedge accounting are derivatives which, from their inception and throughout the hedging relationship, meet the criteria set out in IAS 39. These notably include a requirement for entities to formally document and designate the hedging relationship, including information demonstrating that the hedging relationship is effective, based on prospective and retrospective tests. A hedge is deemed to be effective when changes in the actual value of the hedge fall within a range of 80% and 125% of the change in value of the hedged item.

- For fair value hedges, gains or losses from remeasuring the hedging instrument at fair value are systematically recognised in income. These amounts are partially offset by symmetrical gains or losses on changes in the fair value of the hedged items, which are also recognised in income. The net impact on the income statement therefore solely corresponds to the ineffective portion of the hedge.
- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion of the gain or loss on the hedging instrument is recognised in income.

Coface's derivatives were used for hedging purposes, notably to hedge currency risks, interest rate risks and changes in fair value of equities in the portfolios of the "Colombes" funds. Coface does not carry out any hedging transactions within the meaning of IAS 39. The financial instruments that it does use are recognised at fair value through income.

FINANCING LIABILITIES

This item mainly includes the subordinated debt and liabilities relating to financing agreements (finance leases).

Borrowings are initially recognised at fair value after taking account of directly-attributable transaction costs.

They are subsequently measured at amortised cost using the effective interest method. Amortised cost corresponds to:

- the measurement of the financial liability on initial recognition; minus
- repayments of principal; plus or minus
- cumulative amortisation (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 amortised cost and are recognised over the life of the financial liability using the yield-to-maturity method. As and when they are amortised, premiums and discounts impact the amortised 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;
- transfer taxes and duties.

Transaction costs do not include:

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

PAYABLES ARISING FROM BANKING SECTOR ACTIVITIES

This item includes:

- amounts due to banking sector companies; the item corresponds to bank credit lines. The amounts represent the refinancing of the credit extended to factoring clients;
- amounts due to customers of banking sector companies, corresponding to payables arising from factoring operations. They include:
  - amounts credited to factoring clients' current accounts that have not been paid out in advance by the factor, and
  - factoring contract guarantee deposits;
- debt securities. This item includes subordinated borrowings and non-subordinated bond issues. These borrowings are classified as "Payables arising from banking sector activities" as they are used for financing the factoring business line.

All borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method.

RECEIVABLES ARISING FROM FACTORING OPERATIONS

Receivables arising from factoring operations represent total receivables not recovered at the reporting date. They are stated at nominal value, corresponding to the amount of factored invoices, including tax. When it appears probable that all or part of the amount receivable will not be collected, a provision is recorded by way of a charge to the income statement (under "Cost of risk"). The receivables shown in the balance sheet are stated net of provisions.

The net carrying amount of receivables arising from factoring operations is included in the consolidated balance sheet under "Receivables arising from banking and other activities".

CASH AND CASH EQUIVALENTS

Cash includes all bank accounts and demand deposits. Cash equivalents include units in money-market funds (SICAV) with maturities of less than three months.

PROVISIONS FOR LIABILITIES AND CHARGES

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded at the reporting date if a present obligation towards a third party resulting from a past event exists at that date and it is probable or certain, as of the date when the financial statements are drawn up, that an outflow of resources embodying economic benefits to that third party will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions are discounted when the effect of the time value of money is material.

The provisions for liabilities and charges include the provisions for fiscal risks, for litigations with third-parties and on the vacant premises. These provisions are reviewed at each closing.

The provision for vacant premises is calculated taking into account the future rents that the Company committed to pay until the end of the lease, from which are deducted the future income expected from potential subleases.

EMPLOYEE BENEFITS

In certain countries in which Coface operates, employees are awarded short-term benefits (such as paid leave), long-term benefits (including "long-service awards") and post-employment benefits, such as statutory retirement benefits.

Short-term benefits are recognised as a liability in the accounts of the Coface companies that grant such benefits.

Other benefits, including long-term and post-employment benefits are subject to different coverage and are classified as follows:

- defined contribution plans: consequently, the Company's legal or constructive obligation is limited to the amount that it agrees to pay to the fund, which will pay due amounts to the employees. These plans are generally state pension plans, which is the case in France;
- defined benefit plans, under which the employer has a legal or constructive obligation to provide agreed benefits to employees.

In accordance with IAS 19, Coface records a provision to cover its liability, regarding primarily:

- statutory retirement benefits and termination benefits;
- early retirement and supplementary pension payments;
- employer contributions to post-employment health insurance schemes;
- long-service awards.

Based on the regulations specific to the plan and country concerned, independent actuaries calculate:

- the actuarial value of future benefits, corresponding to the present value of all benefits to be paid. The measurement of this present value is essentially based on:
  - demographic assumptions,
  - future benefit levels (statutory retirement benefits, long service awards, etc.),
  - the probability that the specified event will occur,
  - an evaluation of each of the factors included in the calculation of the benefits, such as future salary increases,
  - the interest rate used to discount future benefits at the measurement date;
- the actuarial value of benefits related to service cost (including the impact of future salary increases), determined using the projected unit credit method which spreads the actuarial value of benefits evenly over the expected average remaining working lives of the employees participating in the plan.

STOCK OPTIONS

In accordance with IFRS 2 "Share-based Payment", which defines the recognition and measurement rules concerning stock options, the options are measured at the grant date. The Group uses the Black and Scholes option pricing model for measuring stock options. Changes in fair value subsequent to the grant date do not impact their initial measurement.

The fair value of options takes into account their expected life, which the Group considers as corresponding to their compulsory holding period for tax purposes. This value is recorded in personnel costs on a straight-line basis from the grant date and over the vesting period of the options, with a corresponding adjustment directly in equity.

In connection with its stock market listing, the COFACE Group awarded to certain beneficiaries (employees of COFACE SA subsidiaries) bonus shares (cf. Note 14).

In accordance with the IFRS 2 rules, only stock options granted under plans set up after November 7, 2002 and which had not vested at January 1, 2005 have been measured at fair value and recognised in personnel costs.

INCOME TAX

Income tax expense includes both current taxes and deferred taxes.

The tax expense is calculated on the basis of the latest known tax rules in force in each country where the results are taxable.

On January 1, 2015, COFACE SA opted for the tax integration regime by integrating French subsidiaries held directly or indirectly at more than 95% (Compagnie française d'assurance pour le commerce extérieur, Cofinpar, Cogeri and Fimipar).

Temporal differences between the values of assets and liabilities in the consolidated accounts, and those used to determine the taxable income, give rise to the recording of deferred taxes.

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.

Deferred tax assets are recorded only when it is probable that sufficient taxable profits against which the asset can be utilised will be available within a reasonable time frame.

RECEIVABLES AND PAYABLES DENOMINATED IN FOREIGN CURRENCIES

Receivables and payables denominated in foreign currencies are translated into euros at the year-end exchange rate.

Unrealised exchange gains and losses on receivables and payables denominated in foreign currencies are recorded in the consolidated income statement, except for those related to the technical provisions carried in the accounts of the subsidiaries of Compagnie française d'assurance pour le commerce extérieur and those concerning consolidated companies' long-term receivables and payables whose settlement is neither planned nor likely to occur in the foreseeable future.

Exchange differences concerning receivables and payables denominated in a foreign currency and relating to a consolidated company are treated as part of Coface's net investment in that company. In accordance with IAS 21, these exchange differences are recorded in other comprehensive income until the disposal of the net investment.

SEGMENT INFORMATION

Coface applies IFRS 8 for segment information reporting, which requires an entity's operating segments to be based on its internal organisation as used by management for the allocation of resources and the measurement of performance.

The segment information used by management corresponds to the following geographic regions:

- Northern Europe;
- Western Europe;
- Central Europe;
- Mediterranean & Africa;
- North America;
- Latin America;
- Asia Pacific.

No operating segments have been aggregated for the purposes of published segment information.

The Group's geographic industry sector segmentation is based on the country of invoicing.

RELATED PARTIES

A related party is a person or entity that is related to the entity preparing its financial statements (referred to in IAS 24 as "the reporting entity").

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
Goodwill impairment	*1*	Impairment is recognised when the recoverable amount of goodwill, defined as the higher of value in use and fair value, is below its carrying amount. The value in use of cash-generating units is calculated based on cost of capital, long-term growth rate and loss ratio assumptions.
Provision for earned premiums not yet written	*16*	This provision is calculated based on the estimated amount of premiums expected in the period less premiums recognised.
Provision for premium refunds	*16; 21*	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	*16; 22*	This provision is calculated based on the estimated amount potentially recovered on settled claims.
Claims reserves	*16; 22; 40*	It includes an estimate of the total cost of claims reported but not settled at year end.
IBNR provision	*16; 22; 40*	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.
Pension benefit obligations	*14*	Pension benefit obligations are measured in accordance with IAS 19 and annually reviewed by actuaries according to the Group's actuarial assumptions.

The policies managed by the COFACE Group's insurance subsidiaries meet the definition of insurance contracts set out in IFRS 4. In accordance with this standard, these contracts give rise to the recognition of technical provisions on the liabilities side of the balance sheet, which are measured based on local GAAP pending the publication of an IFRS that deals with insurance liabilities.

The recognition of technical provisions requires the Group to carry out estimates, which are primarily based on assumptions concerning changes in events and circumstances related to the insured and their debtors as well as to their economic, financial, social, regulatory and political environment. These assumptions may differ from actual events and circumstances, particularly if they simultaneously affect the Group's main portfolios. The use of assumptions requires a high degree of judgement on the part of the Group, which may affect the level of provisions recognised and therefore have a material adverse effect on the Group's financial position, results, and solvency margin.

For certain financial assets held by the Group there is no active market, there are no observable inputs, or the observable inputs available are not representative. In such cases the assets' fair value is measured using valuation techniques which include methods or models that are based on assumptions or assessments requiring a high degree of judgement. The Group cannot guarantee that the fair value estimates obtained using these valuation techniques represent the price at which a security will ultimately be sold, or at which it could be sold at a given moment. The valuations and estimates are revised when circumstances change or when new information becomes available. Using this information, and respecting the objective principles and methods described in the consolidated and combined financial statements, the Group's management bodies regularly analyse, assess and discuss the reasons for any decline in the estimated fair value of securities, the likelihood of their value recovering in the short term, and the amount of any ensuing impairment losses that should be recognised. It cannot be guaranteed that any impairment losses or additional provisions recognised will not have a material adverse effect on the Group's results, financial position and solvency margin.

All amounts are stated (in thousands of euros) in the following notes, unless specified otherwise.

NOTES TO THE CONSOLIDATED BALANCE SHEET

NOTE 1 / Goodwill

In accordance with IAS 36, goodwill is not amortised but is systematically tested for impairment at the year-end or whenever there is an impairment indicator.

Breakdown of goodwill by region:

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Northern Europe	112,603	112,603
Western Europe	5,068	5,068
Central Europe	8,417	8,397
Mediterranean & Africa	22,183	22,371
North America	5,795	6,598
Latin America	1,016	1,177
TOTAL	**155,082**	**156,214**

The change in goodwill amounted to €1,132 thousand due to the fluctuation of the exchange rate.

IMPAIRMENT TESTING METHODS

Goodwill and other non-financial assets were tested for impairment losses at December 31, 2017. Coface performed the tests by comparing the value in use of the groups of CGUs to which goodwill was allocated with their carrying amounts.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or a CGU. This value is determined using the discounted cash flow method, based on the three-year business plan drawn up by the subsidiaries and validated by Management. The cash flows are extrapolated for an additional two years using normalised loss ratios and target cost ratios. Beyond this five-year period, the terminal value is calculated by projecting to infinity the cash flows for the last year.

The main assumptions used to determine the value in use of the groups of CGUs were a long-term growth rate of 1.5% for all entities and the weighted average cost of capital.

The assumptions used for goodwill impairment testing were as follows by group of CGUs at December 31, 2017:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	586.2	520.2	171.9	184.8	41.8	56.7

The assumptions used in 2016 were as follows:

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Cost of capital	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Perpetual growth rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Contribution to consolidated net assets	490.9	658.0	171.8	160.6	45.9	49.4

SENSITIVITY OF IMPAIRMENT TESTS

Sensitivity analyses were performed for the impairment tests, based on the following sensitivity factors:

- long-term growth rate sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point decrease in the perpetual growth rate applied. The analysis showed that such a 0.5-point decrease would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2017;
- cost of capital sensitivity: the impairment tests were tested for sensitivity based on a 0.5-point increase in the cost of capital applied. The analysis showed that such a 0.5-point increase would not have an impact on the outcome of the impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2017;
- loss ratio and the cost ratio sensitivity for the last two years of the business plan (2021 and 2022): additional impairment tests were performed based on a 2-point increase in the loss ratio and a 1-point increase in the cost ratio. The sensitivity analysis showed that such increases in the assumptions used would not have an impact on the outcome of the original impairment tests or therefore on the Group's consolidated financial statements for the year ended December 31, 2017.

For the Group's main goodwill items, the sensitivity of enterprise values to the assumptions used is shown in the following table:

OUTCOME OF IMPAIRMENT TESTS

(in millions of euros)	Northern Europe	Western Europe	Central Europe	Mediterranean and Africa	North America	Latin America
Contribution to consolidated net assets	586.2	520.2	171.9	184.8	41.8	56.7
Value in use of CGU	721.3	671.2	354.0	443.3	54.6	116.9
Sensitivity Long-term growth rate -0.5 point	704.9	639.4	341.8	424.9	50.4	111.2
Sensitivity WACC +0.5 point	699.3	644.1	339.6	421.1	49.5	110.8
Sensitivity Loss Ratio 2022 +1 point	716.0	635.7	350.1	433.9	50.1	113.2
Sensitivity Loss Ratio 2022 +2 points	710.8	591.6	346.3	424.4	45.7	109.5
Sensitivity Cost Ratio 2022 +1 point	710.8	624.7	346.8	425.5	49.0	113.1
Sensitivity Cost Ratio 2022 +2 points	700.4	578.2	339.7	407.7	43.4	109.2

NOTE 2 / Other intangible assets

(in thousands of euros)	Dec. 31, 2017 Net value	Dec. 31, 2016 Net value
Development costs and software	59,463	56,336
Purchased goodwill	2,291	2,738
Other intangible assets	394	420
TOTAL	**62,148**	**59,494**

	Dec. 31, 2017		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	187,177	(127,714)	59,463
Purchased goodwill	7,832	(5,541)	2,291
Other intangible assets	2,722	(2,328)	394
TOTAL	**197,731**	**(135,583)**	**62,148**

	Dec. 31, 2016		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Development costs and software	183,821	(127,485)	56,336
Purchased goodwill	8,608	(5,870)	2,738
Other	2,676	(2,256)	420
TOTAL	**195,105**	**(135,611)**	**59,494**

The Group mainly makes investments in hardware and IT licenses.

These investments amounted to €15.5 million in financial year 2017 compared to €6.3 million in financial year 2016.

CHANGE IN THE GROSS AMOUNT OF INTANGIBLE ASSETS

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Development costs and software	183,821	15,350	(11,055)	(938)	187,178
Purchased goodwill	8,608	0	0	(777)	7,831
Other intangible assets	2,676	117	0	(71)	2,722
TOTAL	**195,105**	**15,467**	**(11,055)**	**(1,786)**	**197,731**

(in thousands of euros)	Dec. 31, 2015	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2016
Development costs and software	184,790	6,255	(8,383)	1,159	183,821
Purchased goodwill	8,367	0	0	241	8,608
Other intangible assets	3,191	44	(177)	(382)	2,676
TOTAL	**196,348**	**6,299**	**(8,560)**	**1,018**	**195,105**

CHANGE IN ACCUMULATED AMORTISATION AND IMPAIRMENT OF INTANGIBLE ASSETS

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2017
Accumulated amortisation – development costs and software	(124,148)	(10,622)	9,047	769	(124,954)
Accumulated impairment – development costs and software	(3,337)	0	576	0	(2,761)
Total amortisation and impairment – development costs and software	**(127,485)**	**(10,622)**	**9,623**	**769**	**(127,715)**
Accumulated amortisation – purchased goodwill	(5,870)	(308)	0	637	(5,541)
Accumulated impairment – purchased goodwill	0	0	0	0	0
Total amortisation and impairment – purchased goodwill	**(5,870)**	**(308)**	**0**	**637**	**(5,541)**
Accumulated amortisation – other intangible assets	(2,236)	(131)	0	59	(2,308)
Accumulated impairment – other intangible assets	(20)	0	0	1	(19)
Total amortisation and impairment – other intangible assets	**(2,256)**	**(131)**	**0**	**60**	**(2,327)**
TOTAL	**(135,611)**	**(11,061)**	**9,623**	**1,466**	**(135,583)**

NOTE 3 / Insurance business investments

3.1 Analysis by category

At December 31, 2017, the carrying amount of available-for-sale (AFS) securities amounted to €2,743,385 thousand, securities held for trading ("trading securities") came to €30,111 thousand and held-to-maturity (HTM) securities was €1,852 thousand.

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

The distribution of the bonds portfolio by rating at December 31, 2017 was as follows:

- bonds rated "AAA": 19%;
- bonds rated "AA" and "A": 37%;
- bonds rated "BBB": 33%;
- bonds rated "BB" and lower: 11%.

	Dec. 31, 2017					Dec. 31, 2016				
(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	**2,599,727**	**143,658**	**2,743,385**	**2,743,385**		**2,459,575**	**134,378**	**2,593,953**	**2,593,953**	
Equities and other variable-income securities	211,479	111,806	323,285	323,285		140,734	106,714	247,448	247,448	
Bonds and government securities	2,175,164	26,090	2,201,254	2,201,254		2,183,369	25,997	2,209,366	2,209,366	
o/w direct investments in securities	*1,757,587*	*25,326*	*1,782,913*	*1,782,913*		*1,768,986*	*24,414*	*1,793,400*	*1,793,400*	
o/w investments in UCITS	*417,577*	*764*	*418,341*	*418,341*		*414,383*	*1,583*	*415,966*	*415,966*	
Shares in non-trading property companies	213,084	5,762	218,846	218,846		135,472	1,667	137,139	137,139	
HTM securities										
Bonds	1,852		1,852	2,564	712	2,740		2,740	3,460	720
Fair value through income – trading securities										
Money market funds (UCITS)	30,111	0	30,111	30,111		69,696		69,696	69,696	
Derivatives (positive fair value)		**9,383**	**9,383**	**9,383**			**2,975**	**2,975**	**2,975**	
(derivatives negative fair value for information)		*(267)*	*(267)*	*(267)*			*(7,508)*	*(7,508)*	*(7,508)*	
Loans and receivables	**91,362**		**91,361**	**91,361**		**80,940**		**80,940**	**80,940**	
Investment property	**695**	**(408)**	**288**	**288**		**716**	**71**	**787**	**787**	
TOTAL	**2,723,747**	**152,633**	**2,876,380**	**2,877,092**	**712**	**2,613,667**	**137,424**	**2,751,091**	**2,751,811**	**720**

(in thousands of euros)	Gross Dec. 31, 2017	Impairment	Net Dec. 31, 2017	Net Dec. 31, 2016
AFS securities	**2,773,560**	**(30,175)**	**2,743,385**	**2,593,953**
Equities and other variable-income securities	353,452	(30,167)	323,285	247,448
Bonds and government securities	2,201,254		2,201,254	2,209,366
o/w direct investments in securities	*1,782,913*		*1,782,913*	*1,793,400*
o/w investments in UCITS	*418,341*		*418,341*	*415,966*
Shares in non-trading property companies	218,854	(8)	218,846	137,139
HTM securities				
Bond	1,852		1,852	2,740
Fair value through income – trading securities				
Money market funds (UCITS)	30,111		30,111	69,696
Derivatives (positive fair value)	**9,383**		**9,383**	**2,975**
(for information, derivatives with a negative fair value)	*(267)*		*(267)*	*(7,508)*
Loans and receivables	**91,361**		**91,361**	**80,940**
Investment property	**288**		**288**	**787**
TOTAL	**2,906,555**	**(30,175)**	**2,876,380**	**2,751,091**

IMPAIRMENTS

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate effects and other	Dec. 31, 2017
AFS securities	**30,510**	**2,273**	**(2,586)**	**(22)**	**30,175**
Equities and other variable-income securities	29,411	2,273	(1,495)	(22)	30,167
Bonds and government securities	1,091	0	(1,091)	0	0
Shares in non-trading property companies	8				8
TOTAL	**30,510**	**2,273**	**(2,586)**	**(22)**	**30,175**

Reversals are related to the disposal of AFS securities.

CHANGE IN INVESTMENTS BY CATEGORY

	Dec. 31, 2017						
(in thousands of euros)	Carrying amount	Increases	Decreases	Revaluation	Impairment	Other movements	Carrying amount
AFS securities	**2,593,953**	**1,482,729**	**(1,279,397)**	**11,789**	**313**	**(66,001)**	**2,743,385**
Equities and other variable-income securities	247,448	165,973	(94,095)	7,120	(778)	(2,383)	323,285
Bonds and government securities	2,209,366	1,235,072	(1,185,303)	573	1,091	(59,545)	2,201,254
Shares in non-trading property companies	137,139	81,685	0	4,095		(4,073)	218,846
HTM securities							
Bonds	2,740	119	(1,007)	0		0	1,852
Fair value through income – trading securities	**69,696**	**0**	**(39,585)**	**0**		**0**	**30,111**
Loans, receivables and other financial investments	**84,702**	**25,195**	**(7,293)**	**1,061**		**(2,634)**	**101,031**
TOTAL	**2,751,091**	**1,508,043**	**(1,327,282)**	**12,850**	**313**	**(68,635)**	**2,876,380**

4.

DERIVATIVES

The structural use of derivatives is strictly limited to hedging. The notional amounts of the hedges therefore do not exceed the amounts of the underlying assets in the portfolio.

During 2017, the majority of the derivative transactions carried out by the Group concerned the systematic hedging of currency risks *via* swaps or currency futures for primarily USD-denominated bonds held in the investment portfolio that covers all of Coface's European entities (whose currency risks are systematically hedged).

Investments in equities were subject to systematic partial hedging through purchases of put options. The hedging strategy applied by the Group is aimed at protecting the portfolio against a sharp drop in the equities market in the eurozone.

Regarding the bond portfolio, some of our exposure to European sovereign debt is hedged through future rates. Some one-off interest rate hedging transactions were also set up on negotiable debt securities.

None of these transactions qualified for hedge accounting under IFRS as they were mainly currency transactions and partial market hedges.

Derivatives also includes, from the first quarter of 2016, the fair value of the contingent capital instrument. This fair value corresponds to the fees due. This asset is shown in level 3.

The criteria triggering the exercise of the contingent capital line have not changed since the inception.

3.2 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 85% of the Group's portfolio. They correspond to:

- equities, bonds and government securities listed on organized markets, as well as units in dedicated 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 units money-market funds, SICAV (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.).

Securities classified as level 2 represent 3% of the Group's portfolio. 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.

Securities classified as level 3 represent 12% of the Group's portfolio. This level corresponds to unlisted equities, investment securities and units in dedicated mutual funds, as well as investment property.

Value in use is the present value of future cash flows that may result from an asset or cash-generating unit. The valuation, based on the discounted cash flow method, is based on the three-year projected budget prepared by the subsidiaries and validated by management with two years built on the basis of standardized management ratios (loss ratios and target cost ratios). Beyond the fifth year, the terminal value is evaluated on a basis of infinite capitalization of the last year cash flow.

BREAKDOWN OF FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENTS AS AT DECEMBER 31, 2017 BY LEVEL IN THE FAIR VALUE HIERARCHY

			Level 1	Level 2	Level 3
(in thousands of euros)	Carrying amount	Fair value	Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,743,385**	**2,743,385**	**2,395,995**	**23**	**347,367**
Equities and other variable-income securities	323,285	323,285	194,741	23	128,521
Bonds and government securities	2,201,254	2,201,254	2,201,254	0	
Shares in non-trading property companies	218,846	218,846			218,846
HTM securities					
Bonds	1,852	2,564	2,564		
Fair value through income – trading securities					
Money market funds (UCITS)	30,111	30,111	30,111		
Derivatives	**9,383**	**9,383**	**3,770**	**5,004**	**609**
Loans and receivables	**91,361**	**91,361**		**91,361**	
Investment property	**288**	**288**			**288**
TOTAL	**2,876,380**	**2,877,092**	**2,432,440**	**96,388**	**348,264**

MOVEMENTS IN LEVEL 3 SECURITIES AS AT DECEMBER 31, 2017

(in thousands of euros)	Dec. 31, 2016	Gains and losses recognized in the period		Transactions for the period		Exchange rate effects	Dec. 31, 2017
		In income	Directly in equity	Purchases/ Issues	Sales/ Redemptions		
AFS securities	**269,595**	**(2,273)**	**1,635**	**84,897**	**(237)**	**(6,250)**	**347,367**
Equities and other variable-income securities	132,456	(2,273)	(2,460)	3,212	(237)	(2,177)	128,521
Shares in non-trading property companies	137,139		4,095	81,685	0	(4,073)	218,846
Derivatives	**1,122**			**(513)**			**609**
Investment property	**787**				**(499)**		**288**
TOTAL	**271,504**	**(2,273)**	**1,635**	**84,384**	**(736)**	**(6,250)**	**348,264**

BREAKDOWN OF FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENTS AS AT DECEMBER 31, 2016 BY LEVEL IN THE FAIR VALUE HIERARCHY

(in thousands of euros)	Carrying amount	Fair value	Level 1	Level 2	Level 3
			Fair value determined based on quoted prices in active markets	Fair value determined based on valuation techniques that use observable inputs	Fair value determined based on valuation techniques that use unobservable inputs
AFS securities	**2,593,953**	**2,593,953**	**2,324,334**	**23**	**269,595**
Equities and other variable-income securities	247,448	247,448	114,969	23	132,456
Bonds and government securities	2,209,366	2,209,366	2,209,366		
Shares in non-trading property companies	137,139	137,139			137,139
HTM securities					
Bonds	2,740	3,460	3,460		
Fair value through income – trading securities					
Money market funds (UCITS)	69,696	69,696	69,696		
Derivatives	**2,975**	**2,975**	**993**	**860**	**1,122**
Loans and receivables	**80,940**	**80,940**		**80,940**	
Investment property	**787**	**787**			**787**
TOTAL	**2,751,091**	**2,751,811**	**2,398,483**	**81,823**	**271,504**

MOVEMENTS IN LEVEL 3 SECURITIES AS AT DECEMBER 31, 2016

(in thousands of euros)	At Dec. 31, 2015	Gains and losses recognized in the period: In income	Gains and losses recognized in the period: Directly in equity	Transactions for the period: Purchases/ Issues	Transactions for the period: Sales/ Redemptions	Exchange rate effects	At Dec. 31, 2016
AFS securities	**240,219**	**445**	**5,178**	**46,411**	**(17,058)**	**(5,600)**	**269,595**
Equities and other variable-income securities	129,297	445	3,427	2,850		(3,563)	132,456
Shares in non-trading property companies	110,922		1,751	43,561	(17,058)	(2,037)	137,139
Derivatives				**1,122**			**1,122**
Investment property	**800**	**(13)**					**787**
TOTAL	**241,019**	**432**	**5,178**	**47,533**	**(17,058)**	**(5,600)**	**271,504**

NOTE 4 / Receivables arising from banking and other activities

BREAKDOWN BY NATURE

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Receivables arising from banking and other activities	2,523,549	2,412,543
Non-performing receivables arising from banking and other activities	56,501	86,579
Allowances for receivables arising from banking and other activities	(56,501)	(17,597)
TOTAL	**2,523,549**	**2,481,525**

BREAKDOWN BY AGE

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

They are recognised at cost within assets in the balance sheet and they are classified as level 2. 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 recognises 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.

(in thousands of euros)	Dec. 31, 2017					
		Due				
	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	Total
Receivables arising from banking and other activities	1,862,396	661,153				2,523,549
Non-performing receivables arising from banking and other activities			6,972	22,407	27,122	56,501
Allowances for receivables arising from banking and other activities			(6,972)	(22,407)	(27,122)	(56,501)
Total receivables arising from banking and other activities	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**
Claims reserve as hedge for factoring receivables						
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,862,396**	**661,153**	**0**	**0**	**0**	**2,523,549**

(in thousands of euros)	Dec. 31, 2016					
		Due				
	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	Total
Receivables arising from banking and other activities	1,895,174	517,369				2,412,543
Non-performing receivables arising from banking and other activities			10,285	64,474	11,820	86,579
Allowances for receivables arising from banking and other activities			(2,674)	(3,165)	(11,758)	(17,597)
Total receivables arising from banking and other activities	**1,895,174**	**517,369**	**7,611**	**61,309**	**62**	**2,481,525**
Claims reserve as hedge for factoring receivables			(7,611)	(61,309)	(62)	(68,982)
TOTAL RECEIVABLES ARISING FROM BANKING AND OTHER ACTIVITIES AFTER CLAIMS RESERVES	**1,895,174**	**517,369**	**0**	**0**	**0**	**2,412,543**

NOTE 5 / Investments in associates

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Investments in associates at January 1	13,411	20,258
Dividends paid	0	(1,009)
Share in net income of associates	2,369	(5,838)
TOTAL INVESTMENTS IN ASSOCIATES	**15,780**	**13,411**

Investment in associates are related to Cofacredit, entity owned at 36% and accounted by the equity method. Investments in associates increased by €2,369 thousand during the year 2017.

NOTE 6 / Tangible assets

(in thousands of euros)	Dec. 31, 2017 Net value	Dec. 31, 2016 Net value
Buildings used in the business	35,344	38,528
Other property, plant and equipment	19,335	18,956
TOTAL	**54,679**	**57,484**

	Dec. 31, 2017		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Buildings used in the business	107,795	(72,451)	35,344
Other property, plant and equipment	55,832	(36,497)	19,335
TOTAL	**163,627**	**(108,948)**	**54,679**

	Dec. 31, 2016		
(in thousands of euros)	Gross amount	Amortisation and impairment	Net value
Buildings used in the business	109,016	(70,488)	38,528
Other property, plant and equipment	57,434	(38,478)	18,956
TOTAL	**166,450**	**(108,966)**	**57,484**

CHANGE IN THE GROSS AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2017
Land used in the business	14,010	0	0	0	14,010
Buildings used in the business	95,006	7	(1,228)	0	93,785
Total buildings used in the business	**109,016**	**7**	**(1,228)**	**0**	**107,795**
Operating guarantees and deposits	5,247	122	(25)	(87)	5,257
Other property, plant and equipment	52,187	4,071	(5,085)	(598)	50,575
Total other property, plant and equipment	**57,434**	**4,192**	**(5,110)**	**(684)**	**55,832**
TOTAL	**166,450**	**4,199**	**(6,338)**	**(684)**	**163,627**

(in thousands of euros)	Dec. 31, 2015	Increases	Decreases	Exchange rate and other effects	Dec. 31, 2016
Land used in the business	14,010	0	0	0	14,010
Buildings used in the business	94,978	28	0	0	95,006
Total buildings used in the business	**108,988**	**28**	**0**	**0**	**109,016**
Operating guarantees and deposits	5,202	19	(31)	57	5,247
Other property, plant and equipment	54,175	1,864	(3,758)	(94)	52,187
Total other property, plant and equipment	**59,377**	**1,883**	**(3,789)**	**(37)**	**57,434**
TOTAL	**168,365**	**1,911**	**(3,789)**	**(37)**	**166,450**

The Group mainly makes investments in tangible assets relating to the arrangement or layout of operated office buildings.

These investments amounted to €4.2 million in the 2017 financial year compared to €1.9 million in the 2016 financial year.

CHANGE IN ACCUMULATED DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

4.

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2017
Accumulated depreciation – Building used in the business	(70,488)	(2,231)	268	0	(72,451)
Accumulated impairment – Buildings used in the business	0	0	0	0	0
Buildings used in the business	**(70,488)**	**(2,231)**	**268**	**0**	**(72,451)**
Accumulated depreciation other property, plant & equipment	(36,031)	(3,563)	4,802	394	(34,398)
Accumulated impairment other property, plant & equipment	(2,447)	(19)	333	34	(2,099)
Other property, plant and equipment	**(38,478)**	**(3,582)**	**5,135**	**428**	**(36,497)**
TOTAL	**(108,966)**	**(5,813)**	**5,403**	**428**	**(108,948)**

(in thousands of euros)	Dec. 31, 2015	Additions	Reversals	Exchange rate and other effects	Dec. 31, 2016
Accumulated depreciation – Building used in the business	(68,232)	(2,256)	0	0	(70,488)
Accumulated impairment – Buildings used in the business	0	0	0	0	0
Buildings used in the business	**(68,232)**	**(2,256)**	**0**	**0**	**(70,488)**
Accumulated depreciation other property, plant & equipment	(34,858)	(3,496)	2,209	114	(36,031)
Accumulated impairment other property, plant & equipment	(168)	(2,233)	(1)	(45)	(2,447)
Other property, plant and equipment	**(35,026)**	**(5,729)**	**2,208**	**69**	**(38,478)**
TOTAL	**(103,258)**	**(7,985)**	**2,208**	**69**	**(108,966)**

MARKET VALUE OF BUILDINGS USED IN THE BUSINESS

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Carrying amount	35,344	38,528
Market value	60,794	60,383
UNREALISED GAIN	**25,450**	**21,855**

The buildings held by the COFACE Group do not represent any unrealised losses; no impairment is therefore recorded at December 31, 2017.

NOTE 7 / Receivables arising from insurance and reinsurance operations

BREAKDOWN BY NATURE

	Dec. 31, 2017			Dec. 31, 2016		
(in thousands of euros)	Gross	Provision	Net	Gross	Provision	Net
Receivables from policyholders and agents	303,603	(33,601)	270,003	323,460	(31,114)	292,346
Earned premiums not written	119,998		119,998	127,962		127,962
Receivables arising from reisurance operations, net	105,129	(289)	104,840	111,133	(3,168)	107,965
TOTAL	**528,730**	**(33,890)**	**494,840**	**562,555**	**(34,282)**	**528,273**

BREAKDOWN BY AGE

	Dec. 31, 2017					
		Due				
(in thousands of euros)	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	Total
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**360,819**	**78,253**	**37,193**	**13,635**	**4,939**	**494,839**

	Dec. 31, 2016					
		Due				
(in thousands of euros)	Not due	-3 months	3 months to 1 year	1 to 5 years	+5 years	Total
TOTAL RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE OPERATIONS	**385,919**	**68,846**	**55,268**	**12,035**	**6,205**	**528,273**

The insurance business operates on a reverse production cycle: premiums are earned before claims are paid out. Furthermore, Coface primarily bills its clients on a monthly or quarterly basis, which allows it to recognise its receivables with a short-term maturity of less than or equal to three months.

Consequently, the risk of liquidity linked to insurance receivables is considered to be marginal.

NOTE 8 / Other assets

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Deferred acquisition costs	43,903	46,393
Trade receivables arising from other activities	47,640	14,849
Current tax receivables	60,286	69,126
Other receivables	139,913	138,246
TOTAL	**291,742**	**268,614**

"Other receivables" mainly includes:

- receivables in factoring entities towards credit-insurance entities for €58 million;
- loans granted to non-consolidated Coface entities for €27 million.

NOTE 9 / Cash and cash equivalents

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Cash at bank and in hand	236,813	289,434
Cash equivalents	27,512	42,637
TOTAL	**264,325**	**332,071**

Operational cash optimization continued during FY 2017, leading to a decrease of the cash amounts and an increase in long term investments. Cash and cash equivalents are all available; no amount is placed on escrow type accounts.

NOTE 10 / Share capital

Ordinary shares	Number of shares	Per value	Share capital *(in €)*
At December 31, 2016	157,248,232	2	314,496,464
Nominal value decrease	-	-	-
At December 31, 2017	**157,248,232**	**2**	**314,496,464**
Treasury shares deducted	(510,536)*	2	(1,021,072)
AT DECEMBER 31, 2017 (EXCLUDING TREASURY SHARES)	**156,737,696**	**2**	**313,475,392**

* *The amount declared to the AMF differed by 12,293 shares acquired December 28 and 29, 2017 and delivered January 2018.*

Shareholders	Dec. 31, 2017 Number of shares	%	Dec. 31, 2016 Number of shares	%
Natixis	64,853,881	41.38%	64,853,881	41.33%
Public	91,883,815	58.62%	92,050,341	58.67%
TOTAL EXCLUDING TREASURY SHARES	**156,737,696**	**100%**	**156,904,222**	**100%**

The parent company of the COFACE Group is Natixis, which in turn is owned by BPCE, the central body of Banques Populaires and Caisses d'Epargne.

Natixis holds, at the end of December 2017, 41.38% of the COFACE Group's shares excluding treasury shares, and 41.24% including treasury shares.

NOTE 11 / Share-based payments

ONGOING FREE SHARE PLANS

In connection with its stock market listing, the COFACE Group awarded free shares to certain beneficiaries (corporate officers and employees of COFACE SA subsidiaries).

Plan	Allocation date	Number of shares granted	Acquisition period	Acquisition date	Availability date	Fair value of the share at the allocation date	Net expense for the year *(in €k)*
Allotment of exceptional free shares	June 26, 2014	43,269	2 years	July 01, 2016	July 01, 2018	10.4	
Long-term Incentive Plan 2014	June 26, 2014	78,842	3 years	July 01, 2017	July 01, 2019	10.4	(558)
Long-term Incentive Plan 2015	Feb. 17, 2015	106,800	3 years	Feb. 18, 2018	Feb. 18, 2020	11.8	346
Long-term Incentive Plan 2016	Nov. 03, 2016	302,196	3 years	Nov. 04, 2019	Nov. 04, 2019	5.5	563
Long-term Incentive Plan 2017	Feb. 08, 2017	400,546	3 years	Feb. 09, 2020	Feb. 09, 2020	6.2	632

CHANGE IN THE NUMBER OF FREE SHARES

Plan	Number of free shares at Dec. 31, 2016	Number of new free share grants in 2017	Number of free shares cancelled in 2017	Number of free shares acquired in 2017	Number of shares to be acquired at Dec. 31, 2017
Allotment of exceptional free shares					0
Long-term Incentive Plan 2014	78,842		(78,842)		0
Long-term Incentive Plan 2015	106,800				106,800
Long-term Incentive Plan 2016	302,196				302,196
Long-term Incentive Plan 2017		400,546			400,546

The total number of shares allocated to the Long-term Incentive Plan 2017 amounts to 405,318 shares; only 400,546 shares were affected nominatively to beneficiaries including 366,146 shares and 34,400 performance units.

Performance units are awarded instead of free shares as soon as implementation of the free shares allocation appears complex or irrelevant in terms of the number of beneficiaries. These units are indexed on the share price and subject to the same conditions of presence and performance as the free shares but are valued and paid in cash at the end of the vesting period.

The vesting of free shares under the Long-term Incentive Plan is contingent on a presence requirement and achieving of objectives.

MEASUREMENT OF FREE SHARES

In accordance with IFRS 2 relating to "Share-based payments", the award of free shares to employees results in the recognition of an expense corresponding to the fair value of shares granted on the award date adjusted for unpaid dividends during the rights vesting period and transfer restrictions during the holding period, as well as the probability of the materialisation of the performance conditions.

The plans were measured on the assumptions below:

- discount rate corresponding to a risk-free rate on the plans' duration;
- income distribution rate set at 60%;
- the lock-in value, which is calculated in consideration of a risk-free interest rate and a two-year borrowing rate.

Based on these assumptions, a total of €983 thousand was expensed under the implemented plans at December 31, 2017.

NOTE 12 / Revaluation reserves

(in thousands of euros)	Investment instruments	Reserves – gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2017	**139,686**	**(33,105)**	**(13,763)**	**92,818**	**2,415**	**95,233**
Fair value adjustments on available-for-sale financial assets reclassified to income	(11,199)		2,684	(8,515)	(1)	(8,516)
Fair value adjustments on available-for-sale financial assets recognised in equity	23,128		(7,913)	15,215	(157)	15,058
Change in reserves – gains and losses not reclassificable to income (IAS 19R)		968	(1,821)	(853)	0	(853)
Transactions with shareholders	2,373		5	2,378	(2,378)	0
AT DECEMBER 31, 2017	**153,988**	**(32,137)**	**(20,808)**	**101,043**	**(121)**	**100,922**

(in thousands of euros)	Investment instruments	Reserves – gains and losses not reclassifiable to income (IAS 19R)	Income tax	Revaluation reserves attributable to owners of the parent	Non-controlling interests	Revaluation reserves
At January 1, 2016	**107,435**	**(25,294)**	**(5,267)**	**76,874**	**3,009**	**79,883**
Fair value adjustments on available-for-sale financial assets reclassified to income	1,906		(1,328)	578		578
Fair value adjustments on available-for-sale financial assets recognised in equity	30,345		(9,601)	20,744		20,150
Change in reserves – gains and losses not reclassificable to income (IAS 19R)		(7,811)	2,433	(5,378)	(594)	(5,378)
Transactions with shareholders						
AT DECEMBER 31, 2016	**139,686**	**(33,105)**	**(13,763)**	**92,818**	**2,415**	**95,233**

NOTE 13 / Provisions for liabilities and charges

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Provisions for disputes	5,652	9,683
Provisions for pension and other post-employment benefit obligations	66,141	71,798
Other provisions for liabilities and charges	49,923	69,593
TOTAL	**121,716**	**151,074**

(in thousands of euros)	Dec. 31, 2016	Additions	Reversals (utilised)	Reversals (surplus)	Reclassi-fications	Changes in OCI	Exchange rate effects	Dec. 31, 2017
Provisions for employee	7,005	246	(1,347)	(714)	(2,080)	0	(16)	3,094
Provisions for other disputes	2,678	353	0	0	(72)	0	(401)	2,558
Provisions for disputes	**9,683**	**599**	**(1,347)**	**(714)**	**(2,152)**	**0**	**(417)**	**5,652**
Provisions for pension	**71,798**	**3,160**	**(6,466)**	**(1,032)**	**(4)**	**(1,026)**	**(289)**	**66,141**
Provisions for liabilities	15,786	1,480	0	(3,057)	0	0	(58)	14,151
Provisions for restructuring	42,906	6,967	(10,589)	(8,446)	1	0	(1)	30,838
Provisions for taxes (excl. income taxes)	4,932	5,215	(8,414)	0	336	0	(24)	2,045
Other provisions for liabilities	5,969	1,517	(5,699)	(806)	1,905	0	3	2,889
Other provisions for liabilities and charges	**69,593**	**15,179**	**(24,702)**	**(12,309)**	**2,242**	**0**	**(80)**	**49,923**
TOTAL	**151,074**	**18,938**	**(32,515)**	**(14,055)**	**86**	**(1,026)**	**(786)**	**121,716**

(in thousands of euros)	Dec. 31, 2015	Additions	Reversals (utilised)	Reversals (surplus)	Reclassi-fications	Changes in OCI	Exchange rate effects	Dec. 31, 2016
Provisions for tax disputes	3,525			(177)	(3,346)		(2)	
Provisions for employee	5,683	4,059	(2,334)	(423)			20	7,005
Provisions for other disputes	1,758	728	(200)	(11)	(1)		404	2,678
Provisions for disputes	**10,966**	**4,787**	**(2,534)**	**(611)**	**(3,347)**		**422**	**9,683**
Provisions for pension	**84,855**	**9,220**	**(4,736)**	**(25,414)**	**1**	**7,815**	**57**	**71,798**
Provisions for liabilities	13,999	1,596		(164)			357	15,788
Provisions for restructuring	888	42,277	(220)	(42)			3	42,906
Provisions for taxes (excl. income taxes)		1,600			3,346		(15)	4,931
Other provisions for liabilities	3,527	2,580			(125)		(14)	5,968
Other provisions for liabilities and charges	**18,413**	**48,053**	**(220)**	**(206)**	**3,221**		**332**	**69,593**
TOTAL	**114,234**	**62,060**	**(7,490)**	**(26,231)**	**(125)**	**7,815**	**811**	**151,074**

Provisions for liabilities and charges mainly include provisions for pensions and other post-employment benefit obligations and provisions for restructuring.

The provisions for restructuring amount to €30.8 million at December 31, 2017. They are related to the implementation of the Fit to Win strategic plan for €18 million and a provision for vacant premises €12.3 million.

IMPLEMENTATION OF FIT TO WIN STRATEGIC PLAN

French entities contribute to the provisions for restructuring Fit to Win for €7.6 million. They are mainly composed of pre-retirement provisions for €5.8 million according to the plan showed to the employees' representative bodies on December 13, 2016 concerning 64 posts.

The 2016 assumptions have been reviewed with additional items linked to the implementation of the plan; leading to a reduction of the average cost per employee and the provision as well.

German entities have updated the 2016's restructuring provisions, which had been presented to employee representative bodies on November 30, 2016. At December 31, 2017, these provisions amount to €8.2 million affecting 45 posts. The calculation of the provision is based on an average salary according to the industry standard. It takes into account the staff seniority and other additional costs (cost of portage, cost of reinsertion and assessment of bonuses that can be negotiated individually).

The decrease in the provisions on the year 2017 is due to a reversal used to offset the cost of departures, and to a reversal of provisions which became irrelevant for €8 million. This reversal comes from two effects. On one hand, the number of posts affected by the plan has been reduced, and on the other hand, some departures did not have any additional costs.

PROVISIONS FOR VACANT PREMISES

Provisions for restructuring also include a provision on vacant premises and redevelopment of premises. This provision was initially constituted on the financial year 2016 following the transfer of State export guarantees to BPI France and the redevelopment of Bois-Colombes site. It was updated in 2017 and now amounts to €12.3 million.

The valuation of this provision is based on an assumption of vacant premises renting as from June 2018. This provision represents about one-third of the total surface earned with the site's redevelopment. The conditions selected are based on a market price and a rent-free period.

NOTE 14 / Employee benefits

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Present value of benefit obligation at January 1	***73,863***	***86,784***
Current service cost*	2,191	(18,665)
Interest cost	(1,107)	1,408
Actuarial (gains)/losses	(1,167)	9,219
Benefits paid	(5,600)	(4,949)
Other	23	67
Present value of benefit obligation at December 31	**68,203**	**73,864**
Change in plan assets		
Fair value of plan assets at January 1	***2,065***	***1,929***
Revaluation adjustments – Return on plan assets	(117)	135
Employee contributions	0	110
Employer contributions	158	140
Benefits paid	(225)	(249)
Other	181	0
Fair value of plan assets at December 31	**2,062**	**2,065**
Reconciliation		
Present value of benefit obligation at December 31	***68,203***	***73,864***
Fair value of plan assets	2,062	2,065
(Liability)/Asset recognised in the balance sheet at December 31	**(66,141)**	**(71,799)**
Income statement		
Current service cost	1,901	6,532
Benefits paid including amounts paid in respect of settlements	289	0
Interest cost	1,079	1,408
Interest income	(10)	(38)
Revaluation adjustments on other long-term benefits	(255)	1,306
Other	155	13
(Income)/Expenses recorded in the income statement	**3,160**	**9,221**
Changes recognised directly in equity not reclassifiable to income		
Revaluation adjustments arising in the year	(1,026)	7,815
Revaluation adjustments recognised in equity not reclassifiable to income	**(1,026)**	**7,815**

	Dec. 31, 2017					
(in thousands of euros)	France	Germany	Austria	Italy	Other	Total
Present value of benefit obligation at January 1	***18,329***	***29,099***	***19,757***	***3,666***	***3,011***	***73,863***
Current service cost	729	1,343	(249)	124	244	2,191
Interest cost	(274)	(842)	119	(110)	0	(1,107)
Actuarial (gains)/losses	(570)	(613)	331	(315)	0	(1,167)
Benefits paid	(1,146)	(2,645)	(1,656)	(153)	0	(5,600)
Other	3	(13)	(143)	0	175	23
Present value of benefit obligation at December 31	**17,071**	**26,329**	**18,159**	**3,212**	**3,431**	**68,203**
Change in plan assets						
Fair value of plan assets at January 1	***0***	***1,339***	***907***	***0***	***(181)***	***2,065***
Revaluation adjustments – Return on plan assets	0	(75)	(42)	0	0	(117)
Employer contributions	0	15	143	0	0	158
Benefits paid	0	(57)	(168)	0	0	(225)
Other	0	0	0	0	181	181
Fair value of plan assets at December 31	**0**	**1,221**	**841**	**0**	**0**	**2,062**
Reconciliation						
Present value of benefit obligation at December 31	***17,071***	***26,329***	***18,159***	***3,212***	***3,431***	***68,203***
Fair value of plan assets	0	1,221	841	0	0	2,062
(Liability)/Asset recognised in the balance sheet at December 31	**(17,071)**	**(25,108)**	**(17,318)**	**(3,212)**	**(3,431)**	**(66,141)**
Income statement						
Current service cost	656	1,119	47	79	0	1,901
Benefits paid including amounts paid in respect of settlements	0	0	289	0	0	289
Interest cost	165	183	45	155	531	1,079
Interest income	0	(10)	0	0	0	(10)
Revaluation adjustments on other long-term benefits	0	(255)	0	0	0	(255)
Other	0	0	0	155	0	155
(Income)/Expenses recorded in the income statement	**821**	**1,037**	**381**	**389**	**531**	**3,160**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	(570)	(613)	331	(315)	141	(1,026)
Revaluation adjustments recognised in equity not reclassifiable to income	**(570)**	**(613)**	**331**	**(315)**	**141**	**(1,026)**

4.

	Dec. 31, 2016					
(in thousands of euros)	France	Germany	Austria	Italy	Other	Total
Present value of benefit obligation at January 1	***38,208***	***25,111***	***18,458***	***2,436***	***2,570***	***86,783***
Current service cost	(22,379)	2,017	264	1,011	422	(18,665)
Interest cost	570	459	339	41	0	1,408
Actuarial (gains)/losses	3,475	3,617	1,757	349	20	9,219
Benefits paid	(1,543)	(2,103)	(1,065)	(171)	(66)	(4,949)
Other	(2)	(1)	4	0	65	66
Present value of benefit obligation at December 31	18,329	29,099	19,757	3,666	3,011	73,863
Change in plan assets						
Fair value of plan assets at January 1	**0**	**1,201**	**909**	**0**	**(181)**	**1,929**
Revaluation adjustments – Return on plan assets	***0***	***128***	***7***	***0***	***0***	***135***
Employer contributions	0	139	1	0	0	140
Benefits paid	0	(145)	(103)	0	0	(249)
Other	0	0	0	0	0	0
Fair value of plan assets at December 31	**0**	**1,339**	**907**	**0**	**(181)**	**2,065**
Reconciliation						
Present value of benefit obligation at December 31	***18,329***	***29,099***	***19,757***	***3,666***	***3,011***	***73,862***
Fair value of plan assets	0	1,339	907	0	(181)	2,065
(Liability)/Asset recognised in the balance sheet at December	**(18,329)**	**(27,761)**	**(18,850)**	**(3,666)**	**(3,192)**	**(71,798)**
Income statement						
Current service cost	2,818	2,017	264	1,011	422	6,532
Interest cost	570	459	339	41	0	1,408
Interest income	0	(20)	(18)	0	0	(38)
Revaluation adjustments on other long-term benefits	(37)	1,263	(12)	91	0	1,306
Other	0	0	5	0	8	13
(Income)/Expenses recorded in the income statement	**3,351**	**3,718**	**578**	**1,143**	**430**	**9,220**
Changes recognised directly in equity not reclassifiable to income						
Revaluation adjustments arising in the year	3,511	2,247	1,780	258	19	7,815
Revaluation adjustments recognised in equity not reclassifiable to income	**3,511**	**2,247**	**1,780**	**258**	**19**	**7,815**

ACTUARIAL ASSUMPTIONS

The discount rate applied to the Group's employee benefit obligations is based on the Bloomberg Corporate AA curve for French entities and on a basket of international AA-rated corporate bonds for foreign entities.

	Dec. 31, 2017			
	France	Germany	Austria	Italy
Inflation rate	1.60%	1.60%	1.90%	1.60%
Discount rate				
Supplementary retirement and other plans	*0.10%*	*1.75%*	*1.75%*	*N/A*
Statutory retirement benefits	*1.10%*	*N/A*	*1.75%*	*1.75%*
Long-service awards	*0.75%*	*1.75%*	*1.75%*	*1.75%*
Other benefits	*1.60%*	*1.75%*	*N/A*	*1.75%*
Rate of salary increases (including inflation)	1.90%	2.40%	3.00%	1.60%
Rate of increase in medical costs (including inflation)	4.10%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*0.37*	*5.02*	*7.70*
Statutory retirement benefits	*15.80*	*N/A*	*9.92*	*12.40*
Long-service awards	*15.82*	*15.69*	*18.65*	*9.20*
Other benefits	*0.00*	*2.28*	*N/A*	*N/A*
Term (years)				
Supplementary retirement and other plans	*14.87*	*12.52*	*16.14*	*17.25*
Statutory retirement benefits	*11.92*	*0.00*	*9.06*	*10.10*
Long-service awards	*8.18*	*10.41*	*9.86*	*10.72*
Other benefits	*N/A*	*1.39*	*N/A*	*N/A*

	Dec. 31, 2016			
	France	Allemagne	Autriche	Italie
Inflation rate	1.60%	1.90%	1.90%	1.90%
Discount rate				
Supplementary retirement and other plans	*0.10%*	*0.85%*	*0.85%*	*0.85%*
Statutory retirement benefits	*0.75%*	*N/A*	*0.85%*	*0.85%*
Long-service awards	*0.45%*	*0.85%*	*0.85%*	*N/A*
Other benefits	*1.55%*	*0.85%*	*N/A*	*0.85%*
Rate of salary increases (including inflation)	1.90%	2.40%	3.00%	1.90%
Rate of increase in medical costs (including inflation)	4.10%	N/A	N/A	4.40%
Average remaining working life until retirement				
Supplementary retirement and other plans	*0.00*	*7.28*	*7.11*	*11.37*
Statutory retirement benefits	*15.68*	*N/A*	*8.42*	*13.37*
Long-service awards	*15.68*	*18.52*	*14.61*	*14.70*
Other benefits	*1.00*	*3.72*	*N/A*	*N/A*
Term (years)				
Supplementary retirement and other plans	*14.16*	*11.49*	*12.57*	*18.19*
Statutory retirement benefits	*10.40*	*N/A*	*8.31*	*9.98*
Long-service awards	*7.95*	*11.65*	*8.01*	*11.04*
Other benefits	*N/A*	*1.94*	*N/A*	*N/A*

SENSITIVITY TESTS ON THE DEFINED BENEFIT OBLIGATION

	Dec. 31, 2017			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% change in the discount rate	(12.28)%	(9.87)%	(9.11)%	(1.34)%
-1% change in the discount rate	15.43%	11.74%	10.69%	1.38%
1% change in the inflation rate	7.93%	9.20%	1.22%	1.12%
-1% change in the inflation rate	(6.60)%	(7.86)%	(1.40)%	(1.11)%
1% change in rate of increase in medical costs	15.93%	0.00%	0.00%	0.00%
-1% change in rate of increase in medical costs	(13.12)%	0.00%	0.00%	0.00%
1% change in rate of salary increase (including inflation)	10.86%	10.98%	2.30%	1.12%
-1% change in rate of salary increase (including inflation)	(9.05)%	(9.42)%	(2.34)%	(1.11)%

	Dec. 31, 2016			
	Post-employment defined benefit obligations		Other long-term benefits	
	Supplementary retirement and other plans	Statutory retirement benefits	Long-service awards	Other benefits
1% change in the discount rate	(12.27)%	(9.56)%	(9.49)%	(1.52)%
-1% change in the discount rate	15.20%	11.32%	11.17%	1.57%
1% change in the inflation rate	1.30%	11.04%	11.53%	1.01%
-1% change in the inflation rate	(1.17)%	(9.49)%	(10.31)%	(1.00)%
1% change in rate of increase in medical costs	8.78%	8.52%	0.00%	1.01%
-1% change in rate of increase in medical costs	(7.22)%	(7.31)%	0.00%	(1.00)%
1% change in rate of salary increase (including inflation)	16.74%	0.00%	0.00%	0.00%
-1% change in rate of salary increase (including inflation)	(13.82)%	0.00%	0.00%	0.00%

NOTE 15 / Financing liabilities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Due within one year		
◆ Finance leases		2,291
◆ Subordinated debt (interest and amortization of expenses)	11,254	-
Total	**11,254**	**2,291**
Due between one and five years		
◆ Subordinated debt (amortization of expenses)	(1,642)	-
Total	**(1,642)**	**-**
Due beyond five years		
◆ Subordinated debt	378,622	387,753
Total	**378,622**	**387,753**
TOTAL	**388,234**	**390,044**

On March 27, 2014, COFACE SA issued a 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 €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

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

These securities 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 guarantee was issued by Compagnie française d'assurance pour le commerce extérieur for €380 million, in favour of the investors in COFACE SA's subordinated bonds, applicable until the extinction of all liabilities in respect of said investors.

As at December 31, 2017, the debt presented on the line "Subordinated borrowings" of the balance sheet, amounting to €388,234 thousand, is composed of:

- nominal amount of bonds: €380,000 thousand;
- reduced by the debt issuance costs and the issue premium for €3,522 thousand;
- increased by accrued interest of €11,756 thousand.

The impact on consolidated income statement income as at December 31, 2017 mainly includes the interest related to the period for €16,156 thousand.

NOTE 16 / Liabilities relating to insurance contracts

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Provisions for unearned premiums	271,227	275,860
Claims reserves	1,265,601	1,275,230
Provisions for premium refunds	145,430	127,159
Liabilities relating to insurance contracts	**1,682,258**	**1,678,249**
Provisions for unearned premiums	(61,584)	(47,986)
Claims reserves	(309,120)	(266,756)
Provisions for premium refunds	(34,474)	(26,605)
Reinsurers' share of technical insurance liabilities	**(405,178)**	**(341,347)**
NET TECHNICAL PROVISIONS	**1,277,080**	**1,336,902**

Provisions for claims include provisions to cover claims incurred but not reported and shortfalls in estimated provisions for claims reported. These amounted to €781 million at December 31, 2017.

NOTE 17 / Payables arising from banking sector activities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Amounts due to banking sector companies	568,711	452,144
Amounts due to customers of banking sector companies	322,064	366,363
Debt securities	1,636,941	1,591,184
TOTAL	**2,527,716**	**2,409,691**

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

NOTE 18 / Deferred tax

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Deferred tax assets	(79,516)	(71,973)
Deferred tax liabilities	113,595	104,500
NET DEFERRED TAX – LIABILITIES	**34,079**	**32,527**
Temporary differences	(26,984)	(23,510)
Provisions for pensions and other employment benefit obligations	(10,751)	(14,452)
Tax loss carry forwards	(7,752)	(9,348)
Cancellation of the claims equalization provision	79,566	79,837
NET DEFERRED TAX – LIABILITIES	**34,079**	**32,527**

Deferred tax assets and liabilities must be assessed at the rate applicable on the date on which the asset will be realized or the liabilities will be settled.

In France, the finance law for 2017 predicted a decline in the current common law rate from 33.33% to 25% progressively between 2019 and 2022. This future rate change has been taken into account in the valuation of deferred taxes of the French entities of the COFACE Group.

Each entity is compensating deferred tax assets and liabilities whenever it is legally authorized to compensate due tax assets and liabilities.

CHANGES IN DEFERRED TAX BALANCES BY REGION

Deferred taxes with positive signs are deferred tax liabilities. On the other hand, those with negative signs are deferred tax assets.

(in thousands of euros)	Dec. 31, 2016	Change through income	Revaluation adjustment on AFS investments	Change in currency impact	Other movements	Dec. 31, 2017
Northern Europe	68,120	(12,684)	(80)	0	192	55,548
Western Europe	(9,456)	14,269	4,100	(191)	1,840	10,562
Central Europe	164	(374)	(48)	(45)	(83)	(386)
Mediterranean & Africa	(10,802)	(4,427)	0	88	211	(14,930)
North America	(2,880)	2,550	(205)	317	(3)	(221)
Latin America	(3,842)	124	1,413	835	(1,771)	(3,241)
Asia-Pacific	(8,777)	(5,205)	(22)	751	0	(13,253)
TOTAL	**32,527**	**(5,747)**	**5,158**	**1,755**	**386**	**34,079**

(in thousands of euros)	Dec. 31, 2015	Change through income	Revaluation adjustment on AFS investments	Change in currency impact	Other movements	Dec. 31, 2016
Northern Europe	114,897	(46,115)	44		(706)	68,120
Western Europe	(16,193)	(1,925)	9,824	48	(1,210)	(9,456)
Central Europe	(480)	1,002	(29)	115	(445)	164
Mediterranean & Africa	(5,587)	(5,120)		(23)	(72)	(10,802)
North America	902	(3,625)	(116)	(40)		(2,880)
Latin America	803	(4,432)	1,209	(1,422)		(3,842)
Asia-Pacific	(7,614)	(674)		(489)		(8,777)
TOTAL	**86,728**	**(60,889)**	**10,932**	**(1,811)**	**(2,433)**	**32,527**

The "Other movements" column mainly includes deferred taxes on changes in retirement benefits recognised as equity not reclassifiable to income.

DEFERRED TAXES RELATED TO LOSS CARRY

The breakdown by region of deferred taxes assets linked to tax deficits is as follows

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Northern Europe	0	907
Western Europe	173	1,174
Central Europe	953	676
Mediterranean & Africa	580	581
North Africa	244	4,117
Latin America	0	1,193
Asia-Pacific	5,802	700
NET DEFERRED TAX – LIABILITIES	**7,752**	**9,348**

The recognition of deferred tax assets on loss carry is subject to a case-by-case recoverability analysis, taking into account the forecasts of the results of each entity. Deferred tax assets on losses are recognized at the level of entity's income tax results estimated for the period from 2017 to 2022, *i.e.* a recoverability horizon of five years.

This recognition results from a business tax plan prepared by each entity on the basis of the business plan approved by the management.

NOTE 19 / Payables arising from insurance and reinsurance

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Guarantee deposits received from policyholders and other	4,520	3,461
Amounts due to policyholders and agents	120,908	112,786
Payables arising from insurance and inward reinsurance operations	**125,428**	**116,247**
Amounts due to reinsurers	75,279	71,350
Deposits received from reinsurers	4,023	4,314
Payable arising from ceded reinsurance operations	**79,302**	**75,664**
TOTAL	**204,730**	**191,911**

NOTE 20 / Other liabilities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Current tax payables	**76,996**	**110,847**
Derivatives and related liabilities	**267**	**7,508**
Accrued personnel costs	51,545	47,538
Sundry payables	226,704	171,023
Deferred income	8,338	7,908
Other accruals	18,338	30,537
Other payables	**304,925**	**257,006**
TOTAL	**382,188**	**375,361**

NOTES TO THE CONSOLIDATED PROFIT AND LOSSES

NOTE 21 / Revenue

CONSOLIDATED REVENUE COMPOSITION

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Premiums – direct business	*1,137,778*	*1,120,765*
Premiums – inward reinsurance	*81,834*	*81,675*
Gross written premiums	1,219,612	1,202,440
Premium refunds	(98,954)	(92,876)
Change of provisions for unearned premiums	(10,961)	5,576
Earned premiums	**1,109,697**	**1,115,140**
Fees and commission income	**128,914**	**128,795**
Net income from banking activities	**72,043**	**70,619**
Other insurance-related services	*4,382*	*5,882*
Remuneration of public procedures management services	*574*	*53,361*
Business information and other services	*27,436*	*25,170*
Receivables management	*11,886*	*12,330*
Income from other activities	**44,279**	**96,743**
Revenue or income from other activities	**245,236**	**296,157**
CONSOLIDATED REVENUE	**1,354,933**	**1,411,297**

CONSOLIDATED REVENUE BY COUNTRY OF INVOICING

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Northern Europe	303,872	307,320
Western Europe	280,785	327,176
Central Europe	127,708	121,259
Mediterranean & Africa	348,021	331,864
North America	121,894	136,119
Latin America	75,715	77,743
Asia-Pacific	96,938	109,816
CONSOLIDATED REVENUE	**1,354,933**	**1,411,297**

CONSOLIDATED REVENUE BY ACTIVITY

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Earned premiums – Credit	*1,029,499*	*1,039,916*
Earned premiums – Single Risk	*27,190*	*24,451*
Earned premiums – Credit insurance	**1,056,689**	**1,064,367**
Fees and commission income	**128,914**	**128,795**
Other insurance-related services	**4,382**	**5,882**
Remuneration of public procedures management services	**574**	**53,361**
Revenue of credit insurance activity	**1,190,559**	**1,252,405**
Earned premiums – Guarantees	**53,008**	**50,773**
Financing fees	39,472	35,545
Factoring fees	33,884	35,557
Other	(1,314)	(483)
Net income from banking activities (factoring)	**72,043**	**70,619**
Business information and other services	27,436	25,170
Receivables management	11,886	12,330
Revenue of business information and other services activity	**39,322**	**37,500**
CONSOLIDATED REVENUE	**1,354,933**	**1,411,297**

NOTE 22 / Claim expenses

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Paid claims, net of recoveries	(502,446)	(535,995)
Claims handling expenses	(26,607)	(25,139)
Change in claims reserves	(41,810)	(144,521)
TOTAL	**(570,863)**	**(705,655)**

CLAIMS EXPENSES BY PERIOD OF OCCURRENCE

	Dec. 31, 2017			Dec. 31, 2016		
(in thousands of euros)	Gross	Outward	Net	Gross	Outward	Net
Claims expenses – current year	(797,900)	196,781	(601,119)	(782,164)	167,717	(614,447)
Claims expenses – prior years	227,037	(40,980)	186,057	76,509	(23,514)	52,995
TOTAL	**(570,863)**	**155,801**	**(415,062)**	**(705,655)**	**144,203**	**(561,452)**

NOTE 23 / Overheads by function

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Acquisition costs	(262,607)	(255,289)
Administrative costs	(253,532)	(275,095)
Other operating expenses	(70,816)	(83,004)
Expenses from banking activities, excluding cost of risk	(13,779)	(13,193)
Expenses from other activities	(53,130)	(44,379)
Operating expenses	**(653,864)**	**(670,960)**
Investment management expenses	**(2,141)**	**(2,659)**
Claims handling expenses	**(26,607)**	**(25,139)**
TOTAL	**(682,612)**	**(698,758)**
of which employee profit-sharing	*(4,662)*	*(5,118)*

Total overheads includes general insurance expenses (by function), expenses from other activities and expenses from banking activities. This stood at €682,612 thousand as at December 31, 2017 *versus* €698,758 thousand as at December 31, 2016.

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 24 / Expenses from banking activities

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Charges to allowances for receivables	(3,490)	(15,129)
Reversal of allowances for receivables	38	10,965
Losses on receivables not covered by allowances	(1,031)	(58)
Cost of risk	**(4,483)**	**(4,222)**
Operating expenses	**(13,779)**	**(13,193)**
TOTAL EXPENSES FROM BANKING ACTIVITIES	**(18,262)**	**(17,415)**

"Cost of risk" corresponds to the risk-related expense on credit insurance operations conducted by factoring companies, which includes net additions to provisions, receivables written off during the year, and recoveries of amortised receivables.

NOTE 25 / Income and expenses from ceded reinsurance

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Ceded claims	112,655	124,553
Change in claims provisions net of recoveries	43,153	19,649
Commissions paid by reinsurers	119,767	95,738
Income from ceded reinsurance	**275,575**	**239,940**
Ceded premiums	(315,203)	(249,702)
Change in unearned premiums provisions	13,658	(7,837)
Expenses from ceded reinsurance	**(301,545)**	**(257,539)**
TOTAL	**(25,970)**	**(17,599)**

NOTE 26 / Investment income, net of management expenses (excluding finance costs)

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Investment income	43,621	43,780
Change in financial instruments at fair value though income	1,541	(7,850)
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*64*	*(7,032)*
Netgains on disposals	4,059	1,105
o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds	*(68)*	*(63)*
Additions to/(reversals from) impairment	1,620	(2,294)
Net foreign exchange gains	8,041	16,472
*o/w hedged by currency derivatives on "Colombes" and "Lausanne" mutual funds**	*(5,267)*	*2,584*
Investment management expenses	(3,601)	(3,180)
TOTAL	**55,281**	**48,032**

* *The Colombes and Lausanne funds foreign exchange result covered by derivatives amounts to -€5,267 thousand; they break down into €1,790 thousand in realized profit and -€7,057 thousand in unrealized losses.*

INVESTMENT INCOME BY CLASS

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Equities	6,688	1,610
Fixed income	36,821	37,462
Investment properties	6,337	4,424
Sub-total	**49,846**	**43,496**
Associated and non consolidated companies	4,515	1,447
Exchange rate – change profit/loss	4,521	6,270
Financial and investment charges	(3,601)	(3,180)
TOTAL	**55,281**	**48,032**

NOTE 27 / Other operating income and expenses

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
State export guarantees management transfer		(13,693)
Fit to Win restructuring charges	(6,650)	(38,626)
Provision for the compensation of American agents	(1,783)	(1,678)
Other operating expenses	(614)	(948)
Total other operating expenses	**(9,047)**	**(54,945)**
Gain on State export guarantees management transfer		77,200
Transfer of liabilities related to State export guarantees management		11,450
Reversal of provisions on strategic plan Fit to Win	8,446	
Gain linked to alignment of social benefits with market standards		19,209
Other operating income	10	582
Total other operating income	**8,456**	**108,441**
TOTAL	**(591)**	**53,496**

Other operating income and expenses concern mainly restructuration fees related to the strategic plan Fit to Win:

- other operating income include reversal of provisions which became irrelevant for €8.4 million in German entities. This reversal comes from two effects. On one hand, the number of posts affected by the plan has been reduced, and on the other hand, some departures did not have any additional costs;
- other operating expenses include an increase of the provision on vacant premises and redevelopment of premises in France for €3.6 million and also cost in several entities in France and international.

Other operating expenses also include compensation of American agents for €1.8 million.

NOTE 28 / Share in net income of associates

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Cofacredit	2,369	(5,838)
TOTAL	**2,369**	**(5,838)**

Coface's share in net income of Cofacredit is €2,369 thousand of revenue.

NOTE 29 / Income tax expense

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Income tax	(63,022)	(109,123)
Deferred tax	7,371	60,999
TOTAL	**(55,651)**	**(48,124)**

TAX PROOF

(in thousands of euros)	Dec. 31, 2017		Dec. 31, 2016	
Net income for the year	**83,213**		**41,531**	
Non-controlling interests	159		(523)	
Income tax expense for the year	(55,651)		(48,124)	
Share of net income of associates	2,369		(5,838)	
Pre-tax income for the year and before share in net income of associates	**136,336**		**96,016**	
Tax rate		34.43%		34.43%
Theoretical tax	(46,940)		(33,058)	
Tax expense presented in the consolidation income statement	(55,651)	40.82%	(48,124)	50.12%
Difference	**8,711**	**6.39%**	**15,066**	**15.69%**
Impact of differences between Group tax rates and local tax rates	18,137	13.30%	8,663	9.02%
Specific local taxes	(2,589)	(1.90)%	(3,167)	(3.30)%
o/w French corporate value added tax (CVAE)	*(873)*	*(0.64)%*	*(2,132)*	*(2.22)%*
Tax losses for which no deferred tax assets have been recognised	(14,397)	(10.56)%	(14,065)	(14.65)%
Utilisation of previously unrecognised tax loss carryforwards	2,943	2.16%	681	0.71%
Dividends paid in France non deductible for tax purposes (5%)	(301)	(0.22)%	(466)	(0.49)%
Tax on dividends paid by COFACE SA (3%)	2,162	1.59%	(1,999)	(2.08)%
Tax audit in France	(12,382)	(9.08)%		
Liability method impact	566	0.42%		
Other differences	(2,850)	(2.09)%	(4,713)	(4.91)%

The effective income tax rate decreased from 50.1% at December 31, 2016 to 40.8% at December 31, 2017.

The negative impact of the tax assessment is offset by the increase in the net income from entities located in countries with a lower tax rate than the French rate.

OTHER INFORMATION

NOTE 30 / Breakdown of net income by 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.

Geographic segmentation by billing location does not necessarily match the debtor's location.

Reinsurance income, which is calculated and recognised for the whole Group at the level of Compagnie française d'assurance pour le commerce extérieur and Coface Re, has been reallocated at the level of each region.

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

ANALYSIS OF DECEMBER 31, 2017 NET INCOME BY SEGMENT

(in thousands of euros)	Northern Europe	Western Europe	Central Europe
Revenue	**300,171**	**281,683**	**131,063**
o/w Earned premium	*195,611*	*243,592*	*100,493*
o/w Factoring	*62,011*		*10,032*
o/w Other insurance-related services	*42,549*	*38,091*	*20,538*
Claims-related expenses (including claims handling costs)	(111,964)	(131,528)	(49,815)
Cost of risk	(4,516)		33
Commissions	(21,254)	(36,732)	(7,848)
Other internal general expenses	(118,739)	(90,020)	(45,880)
Underwriting income before reinsurance*	**43,698**	**23,402**	**27,553**
Income/(loss) on ceded reinsurance	(2,654)	12,665	(1,215)
Other operating income and expenses	8,000	(5,583)	50
Net financial income excluding finance costs	6,105	23,519	4,316
Finance costs	(263)	1,244	(17)
Operating income including finance costs	**54,886**	**55,248**	**30,687**
Share in net income of associates		2,369	
Net income before tax	**54,886**	**57,617**	**30,687**
Income tax expense	(17,168)	(45,585)	(5,867)
Consolidated net income before Non-controlling interests	**37,718**	**12,031**	**24,820**
Non-controlling interests	(1)	1	(1)
NET INCOME FOR THE PERIOD	**37,716**	**12,032**	**24,819**

* *Underwriting income before reinsurance is a key financial indicator used by the COFACE Group to analyse 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.*

Mediterranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
349,840	**121,894**	**75,715**	**96,938**	**983,541**	**28,066**		**(1,013,978)**	**1,354,933**
294,817	*108,741*	*72,554*	*93,888*	*983,541*			*(983,540)*	*1,109,697*
								72,043
55,023	*13,153*	*3,161*	*3,050*		*28,066*		*(30,438)*	*173,193*
(142,586)	(53,310)	(26,040)	(50,496)	(494,583)		(2,941)	492,400	(570,863)
								(4,483)
(37,805)	(26,177)	(9,846)	(19,828)	(325,210)			327,042	(157,658)
(114,653)	(34,678)	(26,788)	(34,913)		(27,446)	(35,337)	32,248	(496,207)
54,795	**7,729**	**13,041**	**(8,298)**	**163,748**	**620**	**(38,278)**	**(162,288)**	**125,723**
(18,337)	792	(6,719)	(8,046)	(166,203)			163,747	(25,970)
(1,054)	(1,783)	(219)						(589)
10,319	1,652	7,023	4,892		(588)	(893)	(1,064)	55,281
(550)	(1,007)	(1,044)	(602)		(142)	(16,156)	428	(18,109)
45,173	**7,383**	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**136,337**
								2,369
45,173	**7,383**	**12,081**	**(12,054)**	**(2,455)**	**(110)**	**(55,327)**	**825**	**138,706**
(5,846)	(3,073)	(7,119)	4,387	845	38	19,049	4,689	(55,651)
39,327	**4,310**	**4,962**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,054**
(2)	0	162	0	0	0	0	0	159
39,325	**4,310**	**5,125**	**(7,667)**	**(1,610)**	**(72)**	**(36,278)**	**5,513**	**83,213**

ANALYSIS OF DECEMBER 31, 2016 NET INCOME BY SEGMENT

(in thousands of euros)	Northern Europe	Western Europe	Central Europe
Revenue	**303,075**	**330,682**	**124,228**
o/w Earned premium	*196,940*	*235,849*	*95,820*
o/w Factoring	*61,619*		*9,000*
o/w Other insurance-related services	*44,516*	*94,833*	*19,408*
Claims-related expenses (including claims handling costs)	(115,260)	(90,754)	(48,175)
Cost of risk	(4,040)		(183)
Commissions	(20,970)	(34,469)	(6,198)
Other internal general expenses	(118,426)	(134,123)	(40,212)
Underwriting income before reinsurance*	**44,379**	**71,337**	**29,459**
Income/(loss) on ceded reinsurance	5,479	(33,052)	(2,860)
Other operating income and expenses	(20,208)	78,069	(1,718)
Net financial income excluding finance costs	7,859	17,275	5,071
Finance costs	(458)	555	(175)
Operating income including finance costs	**37,051**	**134,184**	**29,778**
Share in net income of associates		(5,838)	
Net income before tax	**37,051**	**128,345**	**29,778**
Income tax expense	(12,212)	(47,740)	(5,848)
Consolidated net income before Non-controlling interests	**24,839**	**80,605**	**23,930**
Non-controlling interests		(3)	(474)
NET INCOME FOR THE PERIOD	**24,838**	**80,602**	**23,456**

* *Underwriting income before reinsurance is a key financial indicator used by the COFACE Group to analyse 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.*

Mediterranean & Africa	North America	Latin America	Asia-Pacific	Group reinsurance	Cogeri	Holding company costs	Inter-zone	Group total
334,044	**136,119**	**77,743**	**109,801**	**955,662**	**27,421**		**(987,479)**	**1,411,297**
282,146	*122,911*	*74,812*	*106,647*	*955,662*			*(955,647)*	*1,115,140*
								70,619
51,899	*13,207*	*2,931*	*3,154*		*27,421*		*(31,832)*	*225,538*
(140,409)	(104,473)	(45,067)	(156,576)	(660,657)		(3,404)	659,122	(705,655)
								(4,222)
(34,350)	(30,423)	(8,573)	(22,755)	(263,984)			268,318	(153,404)
(97,951)	(30,553)	(21,506)	(31,964)		(27,654)	(45,359)	30,192	(517,557)
61,333	**(29,331)**	**2,597**	**(101,495)**	**31,020**	**(232)**	**(48,763)**	**(29,847)**	**30,459**
(2,924)	718	(3,109)	17,512	(30,368)			31,005	(17,599)
(302)	(1,678)	(668)						53,496
8,997	737	7,670	2,451		157	(1,043)	(1,141)	48,032
(407)	(1,029)	(337)	(207)		(162)	(16,136)	(17)	(18,373)
66,697	**(30,583)**	**6,154**	**(81,739)**	**653**	**(237)**	**(65,942)**		**96,014**
								(5,838)
66,697	**(30,583)**	**6,154**	**(81,739)**	**653**	**(237)**	**(65,942)**		**90,178**
(20,985)	10,086	725	3,803	(225)	82	22,703	1,488	(48,124)
45,712	**(20,497)**	**6,878**	**(77,935)**	**428**	**(155)**	**(43,237)**	**1,488**	**42,054**
(2)	1	(47)	4					(523)
45,710	**(20,497)**	**6,831**	**(77,933)**	**428**	**(155)**	**(43,237)**	**1,488**	**41,531**

NOTE 31 / Earnings per share

	Dec. 31, 2017		
	Average number of shares	**Net income for the period** *(in €k)*	**Earnings per share** *(in €)*
Basic earnings per share	156,820,959	83,213	0.53
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**156,820,959**	**83,213**	**0.53**

	Dec. 31, 2016		
	Average number of shares	Net income for the period *(in €k)*	Earnings per share *(in €)*
Basic earnings per share	156,927,932	41,531	0.26
Dilutive instruments	0		
DILUTED EARNINGS PER SHARE	**156,927,932**	**41,531**	**0.26**

Coface implemented with BNP Paribas Arbitrage on February 9, 2016 a contingent capital line of €100 million for a period of three years (that can be reduced to two years at the discretion of Coface), available in one tranche and that can be exercised should certain extreme events occur (significant increase in the loss or deterioration of the solvency ratio) [(1)]. In the event of one of the extreme events planned for in the documentation occurring, Coface would benefit from a capital increase for a maximum amount of €100 million. The amount of the capital increase which could be carried out in accordance with the terms described herein shall not in any case exceed 10% of the share capital over the 12 months preceding the day on which the price of the share issuance is determined.

The potential dilutive effect of the contingent equity line arranged with BNP Paribas depends on the probability of occurrence of the extreme trigger events described above and on Coface's share price at the time of their occurrence.

By way of illustration, the following table summarises the potential dilutive impact of the operation under different scenarios for a shareholder who holds 1% of the share capital prior to the operation (calculated on the basis of the number of shares comprised in the share capital as at December 31, 2017)

			Percentage interest of the shareholder	
Share issuance price	Scenario	Number of new shares issued	Non-diluted basis	Diluted basis [(1)]
Average of the volume weighted average share price over 3 days preceding exercise of the warrants of €8.9188 (issuance price = €8.2945) [(2)]	No trigger	0	1.000%	1.000%
	Trigger event	12,056,164	1.000%	0.929%

(1) Based on the dilution of share capital as of December 31, 2015 which would result from the exercise of all existing stock options, exercisable or not and final acquisition of all the outstanding shares granted free of charge.
(2) In the event of a share issuance on the day of the warrants issuance.

(1) See the press release date February 9, 2016 "COFACE SA implements contingent equity line of up to €100 million".

NOTE 32 / Group's headcount

(in full time equivalent)	Dec. 31, 2017	Dec. 31, 2016
Northern Europe	632	686
Western Europe	945	1,160
Central Europe	480	468
Mediterranean & Africa	596	607
North America	124	113
Latin America	216	217
Asia-Pacific	134	127
TOTAL	**3,127**	**3,378**

At December 31, 2017, the number of employees of fully consolidated companies was 3,127 full-time equivalents *versus* 3,378 at December 31, 2016, down -7% (-251 FTEs) year-on-year.

This decrease in staff is mainly due to the transfer of the State export guarantees.

NOTE 33 / Related parties

At the end of December 2017, Natixis holds 41.38% of the COFACE Group's shares excluding treasury shares, and 41.24% including treasury shares.

	Number of shares	%
Natixis	64,853,881	41.38%
Public	91,883,815	58.62%
TOTAL	**156,737,696**	**100.00%**

RELATIONS BETWEEN THE GROUP'S CONSOLIDATED ENTITIES AND RELATED PARTIES

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;
- 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 *(in thousands of euros)*	Dec. 31, 2017		
	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(2,427)	0	0
Claims expenses	1	7	0
Expenses from other activities	(8)	(1)	(18)
Policy acquisition costs	1	10	0
Administrative costs	(60)	79	0
Other current operating income and expenses	1	(1)	0
OPERATING INCOME/(LOSS)	**(2,492)**	**94**	**(18)**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2017			
	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	**5,855**	**39,966**	**0**	**0**
Other assets	**0**	**0**	**6**	**14**
Cash and cash equivalents	**0**	**11,819**	**0**	**0**
Liabilities relating to insurance contracts	**0**	**0**	**0**	**0**
Amounts due to banking sector companies	0	149,544	0	0
Other liabilities	**0**	**0**	**0**	**58**

The €149,544 thousand in financing liabilities due to banking sector companies, at the end of December 2017, corresponds to borrowings taken out with Natixis to finance the factoring business.

Current operating income *(in thousands of euros)*	Dec. 31, 2016		
	Natixis SA	Natixis Factor	Ellisphere
Revenue (net banking income, after cost of risk)	(2,220)	0	0
Claims expenses	0	3	0
Expenses from other activities	0	0	(175)
Policy acquisition costs	1	25	0
Administrative costs	(24)	13	0
Other current operating income and expenses	0	9	0
OPERATING INCOME/(LOSS)	**(2,243)**	**50**	**(175)**

Related-party receivables and payables *(in thousands of euros)*	Dec. 31, 2016			
	BPCE group	Natixis SA	Natixis Factor	Ellisphere
Financial investments	**11,667**	**70,056**		
Other assets			**56**	
Cash and cash equivalents		**1,102**		
Liabilities relating to insurance contracts				
Amounts due to banking sector companies		127,014		
Other liabilities		**60**		**45**

NOTE 34 / Key management compensation

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Short-term benefits	3,188	3,249
(gross salaries and wages, incentives, benefits in kind and annual bonus)		
Other long-term benefits	870	738
Statutory termination benefits	-	1,979
Share-based payment	-	266
TOTAL	**4,058**	**6,232**

The Group Management Committee is composed of seven members on December 31, 2017 and of the Coface CEO.

The line "Other long-term benefits" corresponds to the free performance shares' allocation (value at allocation date).

A total of €216.7 thousand was paid out in directors' fees to the members of the Board of Directors, the Audit Committee, and the Compensation Committee in 2017.

NOTE 35 / Breakdown of audit fees

	KPMG				Deloitte				Total			
(in thousands of euros)	2017	%	2016	%	2017	%	2016	%	2017	%	2016	%
Statutory and IFRS Audit												
COFACE SA	(266)	20%	(228)	16%	(309)	15%	(204)	12%	(575)	17%	(432)	14%
Subsidiaries	(950)	72%	(957)	68%	(1,737)	83%	(1,459)	86%	(2,687)	79%	(2,416)	78%
Sub-total	**(1,216)**	**92%**	**(1,185)**	**85%**	**(2,046)**	**98%**	**(1,663)**	**98%**	**(3,262)**	**96%**	**(2,848)**	**92%**
Other fees than Statutory and IFRS Audit												
COFACE SA	(42)	3%	0	0%	(22)	1%	0	0%	(64)	2%	0	0%
Subsidiaries	(63)	5%	(216)	15%	(21)	1%	(30)	2%	(84)	2%	(246)	8%
Sub-total	**(105)**	**8%**	**(216)**	**15%**	**(43)**	**2%**	**(30)**	**2%**	**(148)**	**4%**	**(246)**	**8%**
TOTAL	**(1,321)**	**100%**	**(1,401)**	**100%**	**(2,089)**	**100%**	**(1,693)**	**100%**	**(3,410)**	**100%**	**(3,094)**	**100%**

NOTE 36 / Off-balance sheet commitments

(in thousands of euros)	Dec. 31, 2017		
	Total	Related to financing	Related to activity
Commitments given	**1,085,684**	**1,047,117**	**38,567**
Endorsements and letters of credit	1,047,117	1,047,117	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	31,067		31,067
Commitments received	**1,366,164**	**962,506**	**403,658**
Endorsements and letters of credit	138,598		138,598
Guarantees	162,194		162,194
Credit lines linked to commercial paper	700,000	700,000	
Credit lines linked to factoring	262,506	262,506	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,866		2,866
Guarantees received	**318,779**		**318,779**
Securities lodged as collateral by reinsurers	318,779		318,779
Financial market transactions	**95,501**		**95,501**

The endorsements and letters of credit correspond mainly to:

- a joint guarantee of €380,000 thousand in favour of the investors in COFACE SA subordinated notes(10 year maturity);
- a joint guarantee of €667,116 thousand given to banks financing the factoring business.

The securities lodged as collateral by reinsurers concern Coface Re for €254,135 thousand and Compagnie française pour le commerce extérieur for €64,644 thousand.

(in thousands of euros)	Dec. 31, 2016		
	Total	Related to financing	Related to activity
Commitments given	**955,126**	**944,303**	**10,823**
Endorsements and letters of credit	944,303	944,303	
Property guarantees	7,500		7,500
Financial commitments in respect of equity interests	3,323		3,323
Commitments received	**1,270,697**	**886,936**	**383,761**
Endorsements and letters of credit	136,964		136,964
Guarantees	143,997		143,997
Credit lines linked to commercial paper	600,000	600,000	
Credit lines linked to factoring	286,936	286,936	
Contingent capital	100,000		100,000
Financial commitments in respect of equity interests	2,800		2,800
Guarantees received	**302,893**		**302,893**
Securities lodged as collateral by reinsurers	302,893		302,893
Financial market transactions	**58,533**		**58,533**

NOTE 37 / Operating leases

Leases commitments given consist of non-cancellable lease agreements. They are broken down as follows:

(in thousands of euros)	Dec. 31, 2017	Dec. 31, 2016
Less than 1 year	24,832	23,557
Between 1 and 5 years	69,943	75,724
More than 5 years	7,456	408
TOTAL	**102,231**	**99,689**

NOTE 38 / Relationship between parent company and subsidiaries

The main operational subsidiary of the COFACE Group is the Compagnie française d'assurance pour le commerce extérieur This subsidiary, which is wholly owned by the Company, is a public limited company *(société anonyme)* under French law, with share capital of €137,052,417.05, registered with the Nanterre Trade and Companies Registry under number 552 069 791.

The main flows between COFACE SA, the listed parent company, and Compagnie française d'assurance pour le commerce extérieur are as follows:

- Financing:
  - COFACE SA and Compagnie française d'assurance pour le commerce extérieur have granted each other one ten-year loan;
  - in net terms, COFACE SA finances Compagnie française d'assurance pour le commerce extérieur;
  - Compagnie française d'assurance pour le commerce extérieur stands as surety for the bond issue floated by COFACE SA;
  - a two-way cash flow agreement exists between COFACE SA and Compagnie française d'assurance pour le commerce extérieur;
  - COFACE SA delegates to Compagnie française d'assurance pour le commerce extérieur management of its commercial paper programme and of its cash management.
- Dividends:
  - Compagnie française d'assurance pour le commerce extérieur pays dividends to COFACE SA.
- Tax consolidation:
  - Compagnie française d'assurance pour le commerce extérieur forms part of the tax consolidation group headed by COFACE SA.

The table below summarises the interim balance of Compagnie française d'assurance pour le commerce extérieur and its principal financial flows:

(in thousands of euros)	Listed company	Compagnie française pour le commerce extérieur (including branches)	Other entities	Eliminations	Total
Revenue	2,092	1,423,425	958,231	(1,028,815)	1,354,933
Total current income and expenses	12,186	56,198	126,305	(39,656)	155,033
Net income	(8,314)	(9,898)	101,425		83,213
Fixed assets	1,831,121	5,020,477	1,086,257	(4,789,566)	3,148,289
Indebtedness outside the Group	388,234	0	0		388,234
Cash and cash equivalent	901	143,781	119,643		264,325
Net cash generated from operting activities	23,355	12,540	174,835		210,730
Dividends paid to the quoted company	0	27,688	0		27,688

NOTE 39 / Events after the reporting period

There is no subsequent event post-closing date.

NOTE 40 / Risk management

The sections integrating the Group's financial statements related to risk management are presented in Chapter 5, Section 5.1 "Risk Management and Internal Control" and Section 5.2 "Risk Factors".