



Unaudited interim consolidated financial statements

(free translation)

Nine months ending September 30, 2019

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Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at September 30, 2019 include:

- the balance sheet;
- the income statement;
- the consolidated statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows.

They are presented with comparative financial information at January 1, 2019 and December 31, 2018 for balance sheet items and for the 9 months ended September 30, 2018 for income statement items.

The balance sheet at January 1, 2019 includes the effect of the first application of IFRS 16 "Leases".

The accounting principles and policies used for the interim financial statements as at September 30, 2019 are the same, except for the new standard IFRS 16, as the ones used for the year ended December 31, 2018. They are prepared in accordance with the International Financial Reporting Standards (IFRS) as published by IASB and adopted by the European Union¹. They are detailed in the note "Applicable Accounting Standards" of consolidated financial statements for the year ended December 31, 2018.

These condensed consolidated financial statements were reviewed by Coface Group's Board of Directors on 23 October 2019. They were also previously reviewed by the Audit Committee on 21 October 2019.

¹ The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm

Significant events

Acquisition of SID – PKZ (Slovenia)

On April 15 2019, Coface announced the acquisition of all SID - PKZ, the market leader in credit insurance in Slovenia. The business will operate under the new brand name Coface PKZ. Founded by SID Bank in 2005, SID - PKZ recorded €14.3m of gross written premium in 2018. The transaction will have a neutral impact on Coface's solvency ratio. A badwill* for €3m has been recognized in the income statement. The contribution of Coface PKZ (excluding the impact of badwill) in the group's net income as of 30 September 2019 is not significant.

*Badwill is based on preliminary estimates and could vary pending final analysis

Coface launches credit insurance offer in Greece

The country has undertaken reforms which pave the way for a promising credit insurance market. This opening of an entity in the country extends Coface's historically strong presence in the Mediterranean and Africa region, which represented 27% of the Group's revenues in 2018.

Coface South Africa new partnership

Following the strategic partnership signed on 16 November 2018, Coface South Africa, the South African subsidiary of Compagnie française d'assurance pour le commerce extérieur, opened its capital up to 2.5% to the South African investment fund - B-BBEE Investment Holding Company, Identity Capital Partners (Pty) Ltd.

The opening of Coface South Africa's capital could be increased by up to 25% over a 10-year horizon. In addition, Coface has a call option for the shares of these minority shareholders. The impact of this transaction on the financial statements for the year is not significant.

Takeover of the minority shareholders of its Brazilian subsidiary SBCE (Seguradora Brasileira C.E.)

Coface do Brazil, the South American subsidiary of Compagnie française d'assurance pour le commerce extérieur, has acquired the minority shareholders in its Brazilian subsidiary SBCE (Seguradora Brasileira C.E.). This acquisition of 24.2% of the capital was made from two local banks, each owning 12.1%. This operation is part of the Group's desire to rationalise its presence in Brazil. The purchase of minority interests without any change in the integration method has no impact on the net result.

Integration into the SBF120 index

The Index Steering Committee of Euronext has decided to include COFACE SA in the SBF120 index and this decision was effective on Monday 26 June 2019. The SBF 120 is one of the leading Paris stock market indices. It tracks the top 120 companies, in terms of market capitalization and liquidity.

This entry follows the increased market capitalization and share liquidity of Coface, which reflect the strengthening of its fundamentals since the launch of its Fit to Win strategic plan.

Fitch affirms Coface AA- rating, with an outlook 'stable'

Fitch Ratings affirmed, on July 10th 2019, Coface AA- Insurer Financial Strength (IFS) rating. The outlook remains stable. The AA- IFS ratings of Coface North America Insurance Company and Coface Re, two other major insurance operating entities of the Group, have also been affirmed with a stable outlook.

In Fitch's press release, the rating agency highlights that these affirmations "are primarily driven by Coface's very strong business profile, very strong 'capitalisation and leverage', and strong profitability". Fitch views Coface's financial performance and earnings "as strong, underpinned by underwriting profitability and effective risk management, across the cycle".

Partial Internal Model submitted

On 25 July 2019, Coface submitted to the ACPR, the French Prudential Supervision and Resolution, its Partial Internal Model. If validated, this model will enable the improved alignment of regulatory capital requirements and Coface's portfolio.

Capital reduction by cancellation of treasury shares

The Board of Directors of COFACE SA, in its meeting of 24 April 2019, decided to cancel the 1,867,312 shares bought under the share buyback programme, as announced on 25 October 2018; and correlatively, to reduce the share capital of the company.

Therefore, the share capital of COFACE SA now stands at €304,063,898 divided into 152,031,949 shares with a nominal value of €2 each.

Consolidated balance sheet

Asset

<i>(in thousands of euros)</i>	Sept. 30, 2019	Jan. 1, 2019 (*)	Dec. 31, 2018
Intangible assets	221,124	220,675	220,675
Goodwill	156,152	155,058	155,058
Other intangible assets	64,972	65,617	65,617
Insurance business investments	3,027,896	2,833,613	2,833,613
Investment property	288	288	288
Held-to-maturity securities	1,822	1,848	1,848
Available-for-sale securities	2,921,233	2,742,533	2,742,533
Trading securities	(0)	9,527	9,527
Derivatives	6,001	2,354	2,354
Loans and receivables	98,552	77,063	77,063
Receivables arising from banking activities	2,400,069	2,509,047	2,509,047
Reinsurers' share of insurance liabilities	458,975	425,398	425,398
Other assets	1,027,459	1,013,283	927,888
Buildings used for operations purposes and other property, plant and equipment	124,294	134,367	48,972
Deferred acquisition costs	42,526	42,176	42,176
Deferred tax assets	48,538	52,809	52,809
Receivables arising from insurance and reinsurance operations	555,209	498,826	498,826
Trade receivables arising from service activities	45,845	48,553	48,553
Current tax receivables	51,474	57,267	57,267
Other receivables	159,573	179,285	179,285
Cash and cash equivalents	330,024	302,419	302,419
TOTAL ASSETS	7,465,547	7,304,435	7,219,040

(*) Effects related to the first application of IFRS 16

Liability

<i>(in thousands of euros)</i>	Sept. 30, 2019	Jan. 1, 2019 (*)	Dec. 31, 2018
Equity attributable to owners of the parent	1,888,723	1,806,452	1,806,249
Share capital	304,064	307,799	307,799
Additional paid-in capital	810,420	810,420	810,420
Retained earnings	512,427	509,128	508,925
Other comprehensive income	144,463	56,772	56,772
Consolidated net income of the year	117,349	122,333	122,333
Non-controlling interests	258	148	148
Total equity	1,888,981	1,806,600	1,806,397
Provisions for liabilities and charges	95,375	94,344	94,344
Financing liabilities	385,209	388,729	388,729
Lease liabilities	91,726	85,395	
Liabilities relating to insurance contracts	1,841,076	1,746,379	1,746,379
Payables arising from banking activities	2,430,054	2,544,716	2,544,716
Amounts due to banking sector companies	617,168	660,204	660,204
Amounts due to customers of banking sector companies	279,442	346,932	346,932
Debt securities	1,533,444	1,537,580	1,537,580
Other liabilities	733,126	638,272	638,475
Deferred tax liabilities	109,002	96,058	95,962
Payables arising from insurance and reinsurance operations	241,452	195,653	195,653
Current taxes payable	50,743	41,580	41,580
Derivatives	3,789	1,666	1,666
Other payables	328,140	303,315	303,614
TOTAL EQUITY AND LIABILITIES	7,465,547	7,304,435	7,219,040

(*) Effects related to the first application of IFRS 16

Effects of the first application of IFRS 16 "Leases" on the balance sheet

Asset

<i>(in thousands of euros)</i>	Dec. 31, 2018	Effect of the first application of the standard IFRS 16	Jan. 1, 2019 (*)
Intangible assets	220,675		220,675
Goodwill	155,058		155,058
Other intangible assets	65,617		65,617
Insurance business investments	2,833,613		2,833,613
Investment property	288		288
Held-to-maturity securities	1,848		1,848
Available-for-sale securities	2,742,533		2,742,533
Trading securities	9,527		9,527
Derivatives	2,354		2,354
Loans and receivables	77,063		77,063
Receivables arising from banking activities	2,509,047		2,509,047
Reinsurers' share of insurance liabilities	425,398		425,398
Other assets	927,888	85,395	1,013,283
Buildings used in the business and other property, plant and equipment	48,972	85,395	134,367
Deferred acquisition costs	42,176		42,176
Deferred tax assets	52,809		52,809
Receivables arising from insurance and reinsurance operations	498,826		498,826
Trade receivables arising from other activities	48,553		48,553
Current tax receivables	57,267		57,267
Other receivables	179,285		179,285
Cash and cash equivalents	302,419		302,419
TOTAL ASSETS	7,219,040	85,395	7,304,435

(*) Effects related to the first application of IFRS 16

Liability

<i>(in thousands of euros)</i>	Dec. 31, 2018	Effect of the first application of the standard IFRS 16	Jan. 1, 2019 (*)
Equity attributable to owners of the parent	1,806,249	203	1,806,452
Share capital	307,799		307,799
Additional paid-in capital	810,420		810,420
Retained earnings	508,925	203	509,128
Other comprehensive income	56,772		56,772
Consolidated net income for the year	122,333		122,333
Non-controlling interests	148		148
Total equity	1,806,397	203	1,806,600
Provisions for liabilities and charges	94,344		94,344
Financing liabilities	388,729		388,729
Financial liabilities		85,395	85,395
Liabilities relating to insurance contracts	1,746,379		1,746,379
Payables arising from banking sector activities	2,544,716		2,544,716
Amounts due to banking sector companies	660,204		660,204
Amounts due to customers of banking sector companies	346,932		346,932
Debt securities	1,537,580		1,537,580
Other liabilities	638,475	(203)	638,272
Deferred tax liabilities	95,962	96	96,058
Payables arising from insurance and reinsurance operations	195,653		195,653
Current taxes payable	41,580		41,580
Derivatives	1,666		1,666
Other payables	303,614	(298)	303,315
TOTAL EQUITY AND LIABILITIES	7,219,040	85,395	7,304,435

(*) Effects related to the first application of IFRS 16

Consolidated income statement

<i>(in thousands of euros)</i>	Sept. 30, 2019	Sept. 30, 2018
<i>Gross written premiums</i>	1,007,924	964,795
<i>Premium refunds</i>	(69,584)	(77,239)
<i>Net change in unearned premium provisions</i>	(20,445)	(34,679)
Earned premiums	917,895	852,877
<i>Fee and commission income</i>	107,133	102,049
<i>Net income from banking activities</i>	48,463	49,700
<i>Income from services activities</i>	29,956	31,047
Other revenue	185,552	182,796
Revenue	1,103,447	1,035,673
Claims expenses	(390,774)	(373,265)
<i>Policy acquisition costs</i>	(184,556)	(182,624)
<i>Administrative costs</i>	(198,630)	(198,108)
<i>Other insurance activity expenses</i>	(50,691)	(61,045)
<i>Expenses from banking activities, excluding cost of risk</i>	(10,193)	(9,811)
<i>Expenses from services activities</i>	(55,990)	(39,835)
Operating expenses	(500,060)	(491,423)
Risk cost	(2,078)	(1,462)
UNDERWRITING INCOME BEFORE REINSURANCE	210,535	169,523
Income and expenses from ceded reinsurance	(64,803)	(46,750)
UNDERWRITING INCOME AFTER REINSURANCE	145,732	122,773
Investment income, net of management expenses (excluding finance costs)	28,388	42,479
CURRENT OPERATING INCOME	174,120	165,252
Other operating income and expenses	109	(1,814)
OPERATING INCOME	174,229	163,438
Finance costs	(15,808)	(13,499)
Share in net income of associates		592
Badwill	2,968	
Income tax expense	(44,054)	(52,227)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	117,335	98,304
Non-controlling interests	14	(59)
NET INCOME FOR THE YEAR	117,349	98,245

Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	Sept. 30, 2019	Sept. 30, 2018
Net income of the period	117,349	98,245
Non-controlling interests	(14)	59
Other comprehensive income		
Currency translation differences reclassifiable to income	23,051	(4,335)
<i>Reclassified to income</i>		
<i>Recognised in equity</i>	23,051	(4,335)
Fair value adjustments on available-for-sale financial assets	67,083	(9,446)
<i>Recognised in equity – reclassifiable to income – gross</i>	94,713	(13,788)
<i>Recognised in equity – reclassifiable to income – tax effect</i>	(21,948)	3,748
<i>Reclassified to income – gross</i>	(7,412)	(4,489)
<i>Reclassified to income – tax effect</i>	1,730	5,083
Fair value adjustments on employee benefit obligations	(2,525)	908
<i>Recognised in equity – not reclassifiable to income – gross</i>	(3,495)	1,180
<i>Recognised in equity – not reclassifiable to income – tax effect</i>	970	(272)
Other comprehensive income of the period, net of tax	87,609	(12,873)
Total comprehensive income of the period	204,944	85,431
- attributable to owners of the parent	204,941	85,514
- attributable to non-controlling interests	3	(83)

Statement of changes in equity

(in thousands of euros)	Share capital	Premiums	Consolidated reserves	Treasury shares	Other comprehensive income			Net income for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
					Foreign currency translation reserve	Reclassifiable revaluation reserves	Non-reclassifiable revaluation reserves				
Equity at December 31, 2017	314,496	810,420	523,027	(4,666)	(24,913)	124,623	(23,579)	83,213	1,802,621	160	1,802,781
Effect of the first application of the standard IFRS 9			(198)						(198)		(198)
2017 net income to be appropriated			83,213					(83,213)			
Payment of 2017 dividends in 2018			(52,895)						(52,895)	(6)	(52,901)
Total transactions with owners	(0)	(0)	30,318	(0)	(0)	(0)	(0)	(83,213)	(52,895)	(6)	(52,901)
December 31, 2018 net income								122,333	122,333	353	122,686
Fair value adjustments on available-for-sale financial assets recognized						(18,668)			(18,668)	(3)	(18,671)
Fair value adjustments on available-for-sale financial assets reclassified to income						686			686	(0)	686
Change in actuarial gains and losses (IAS 19R)							1,395		1,395		1,395
Currency translation differences					(2,767)				(2,767)	(103)	(2,870)
Cancellation of COFACE SA shares	(6,697)		(23,303)	30,000							
Treasury shares elimination	0			(46,786)					(46,786)		(46,786)
Free share plans expenses			515						515		515
Transactions with shareholders			18		(5)				13	(253)	(240)
Equity at December 31, 2018	307,799	810,420	530,377	(21,452)	(27,685)	106,641	(22,184)	122,333	1,806,249	148	1,806,397
Effect of the first application of the standard IFRS 16			202						202		202
2018 net income to be appropriated			122,333					(122,333)			
Payment of 2018 dividends in 2019			(119,424)						(119,424)	(6)	(119,430)
Total transactions with owners	(0)	(0)	2,909	(0)	(0)	(0)	(0)	(122,333)	(119,424)	(6)	(119,430)
September 30, 2019 net income								117,349	117,349	(14)	117,335
Fair value adjustments on available-for-sale financial assets recognized in equity						72,759			72,759	6	72,765
Fair value adjustments on available-for-sale financial assets reclassified to income						(5,682)			(5,682)	(0)	(5,682)
Change in actuarial gains and losses (IAS 19R)							(2,525)		(2,525)		(2,525)
Currency translation differences					23,040				23,040	11	23,051
Treasury shares elimination				(4,738)					(4,738)		(4,738)
Free share plans expenses			1,250						1,250		1,250
Transactions with shareholders			144		99				243	113	356
Equity at September 30, 2019	304,064	810,420	523,617	(11,190)	(4,546)	173,718	(24,709)	117,349	1,888,723	258	1,888,981

Consolidated statement of cash flows

<i>(in thousands of euros)</i>	Sept. 30, 2019	Sept. 30, 2018
Net income for the period	117,349	98,245
Non-controlling interests	(14)	59
Income tax expense	44,054	52,227
+/- Share in net income of associates		(592)
Finance costs	15,808	13,499
Operating income (A)	177,197	163,438
+/- Depreciation, amortization and impairment losses	28,384	(9,490)
+/- Net additions to / reversals from technical provisions	45,505	62,305
+/- Unrealized foreign exchange income / loss	(2,350)	(14,018)
+/- Non-cash items	(20,700)	15
Total non-cash items (B)	50,839	38,812
Gross cash flows from operations (C) = (A) + (B)	228,036	202,250
Change in operating receivables and payables	47,934	(40,031)
Net taxes paid	(28,144)	(49,348)
Net cash related to operating activities (D)	19,790	(89,379)
Increase (decrease) in receivables arising from factoring operations	101,882	75,208
Increase (decrease) in payables arising from factoring operations	(71,627)	20,455
Increase (decrease) in factoring liabilities	(36,130)	5,549
Net cash generated from banking and factoring operations (E)	(5,875)	101,212
Net cash generated from operating activities (F) = (C+D+E)	241,951	214,083
Acquisitions of investments	(726,932)	(707,653)
Disposals of investments	669,857	778,763
Net cash used in movements in investments (G)	(57,075)	71,110
Acquisitions of consolidated subsidiaries, net of cash acquired	(11,186)	
Disposals of consolidated companies, net of cash transferred		14,202
Net cash used in changes in scope of consolidation (H)	(11,186)	14,202
Acquisitions of property, plant and equipment and intangible assets	(23,412)	(11,721)
Disposals of property, plant and equipment and intangible assets	13,524	212
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	(9,888)	(11,509)
Net cash used in investing activities (J) = (G+H+I)	(78,149)	73,803
Proceeds from the issue of equity instruments		
Treasury share transactions	(4,738)	(30,712)
Dividends paid to owners of the parent	(119,424)	(52,895)
Dividends paid to non-controlling interests	(6)	(6)
Cash flows related to transactions with owners	(130,433)	(83,613)
Proceeds from the issue of debt instruments	(0)	
Cash used in the redemption of debt instruments	(0)	
Lease liabilities variations	6,054	
Interests paid	(19,328)	(17,023)
Cash flows related to the financing of Group operations	(13,275)	(17,023)
Net cash generated from (used in) financing activities (K)	(143,707)	(100,636)
Impact of changes in exchange rates on cash and cash equivalents (L)	7,511	(10,580)
NET INCREASE IN CASH AND CASH EQUIVALENTS (F+J+K+L)	27,606	176,670
Net cash generated from operating activities (F)	241,951	214,083
Net cash used in investing activities (J)	(78,149)	73,803
Net cash generated from (used in) financing activities (K)	(143,707)	(100,636)
Impact of changes in exchange rates on cash and cash equivalents (L)	7,511	(10,580)
Cash and cash equivalents at beginning of period	302,419	264,325
Cash and cash equivalents at end of period	330,024	440,995
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,606	176,670

Brexit

The UK's exit from European Union under Brexit will lead to a loss of the European passport (Free or LPS).

The Coface Group has started discussions with its customers in order to adapt the insurance policies affected by this matter.

Events after the reporting period

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