



Unaudited interim consolidated financial statements
(free translation)

Three months ending March 31, 2017

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Basis of preparation

These IFRS condensed interim financial statements of the Coface Group as at March 31, 2017 are established in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

The interim financial statements include:

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

They are presented with comparative financial information at December 31, 2016 for balance sheet items, and for the 3 months ended March 31, 2016 for income statement items.

The accounting principles and policies used for the interim financial statements as at March 31, 2017 are the same as the ones used for the year ended December 31, 2016. They are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union¹. They are detailed in the note 3 “Applicable Accounting Standards” of the consolidated financial statements for the year ended December 31, 2016.

The condensed consolidated financial statements were reviewed by the Coface Group’s Board of Directors on April 26, 2017.

¹The standards adopted by the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

Significant events

Coface Central Europe Holding : acquisition of minority interests

Coface now wholly owns its subsidiary Coface Central Europe Holding, having acquired 25% of the share capital held since 1990 by KSV1870, an Austrian debt collection and information company. The shares were acquired on March 27th, for an amount of 6.5 million euros.

Tax review in France

Compagnie française d'assurance pour le commerce extérieur received a notice of a tax review, dated January 10, 2017 issued by la Direction des verifications nationales et internationales. The review is covering fiscal years 2014 and 2015.

Consolidated balance sheet

(in thousands of euros)

ASSETS	March 31, 2017	Dec. 31, 2016
Intangible assets	214,995	215,708
Goodwill	156,468	156,214
Other intangible assets	58,527	59,494
Insurance business investments	2,898,846	2,751,091
Investment property	788	787
Held-to-maturity securities	2,806	2,740
Available-for-sale securities	2,762,218	2,593,953
Trading securities	26,407	69,696
Derivatives	13,078	2,975
Loans and receivables	93,549	80,940
Receivables arising from banking and other activities	2,635,356	2,481,525
Investments in associates	13,752	13,411
Reinsurers' share of insurance liabilities	376,446	341,347
Other assets	977,396	926,344
Buildings used in the business and other property, plant and equipment	57,483	57,484
Deferred acquisition costs	50,719	46,393
Deferred tax assets	85,255	71,973
Receivables arising from insurance and reinsurance operations	582,763	528,273
Trade receivables arising from other activities	15,804	14,849
Current tax receivables	63,127	69,126
Other receivables	122,245	138,246
Cash and cash equivalents	260,280	332,071
TOTAL ASSETS	7,377,071	7,061,497

(in thousands of euros)

EQUITY AND LIABILITIES	March 31, 2017	Dec. 31, 2016
Equity attributable to owners of the parent	1,770,398	1,755,177
Share capital	314,496	314,496
Additional paid-in capital	810,420	810,420
Retained earnings	539,988	501,734
Other comprehensive income	98,180	86,996
Consolidated net income for the year	7,314	41,531
Non-controlling interests	166	5,490
Total equity	1,770,564	1,760,667
Provisions for liabilities and charges	148,088	151,074
Financing liabilities	377,642	390,044
Liabilities relating to insurance contracts	1,734,672	1,678,249
Payables arising from banking sector activities	2,594,662	2,409,691
Amounts due to banking sector companies	496,058	452,144
Amounts due to customers of banking sector companies	449,902	366,363
Debt securities	1,648,702	1,591,184
Other liabilities	751,443	671,772
Deferred tax liabilities	117,589	104,500
Payables arising from insurance and reinsurance operations	243,739	191,911
Current taxes payable	98,364	110,847
Derivative instruments with a negative fair value	10,621	7,508
Other payables	281,130	257,006
TOTAL EQUITY AND LIABILITIES	7,377,071	7,061,497

Consolidated income statement

(in thousands of euros)

	March 31, 2017	March 31, 2016
Revenue	348,309	365,026
Gross written premiums	341,563	352,104
Premium refunds	(19,504)	(23,438)
Net change in unearned premium provisions	(39,897)	(40,126)
Earned premiums	282,162	288,540
Fee and commission income	36,587	36,324
Net income from banking activities	18,477	17,356
Cost of risk	(895)	(951)
Revenue or income from other activities	11,083	22,806
<i>Investment income, net of management expenses</i>	<i>1,858</i>	<i>13,603</i>
<i>Gains and losses on disposals of investments</i>	<i>3,772</i>	<i>(2,837)</i>
Investment income, net of management expenses (excluding finance costs)	5,630	10,766
Total revenue and income from ordinary activities	353,044	374,841
Claims expenses	(163,153)	(155,738)
Expenses from banking activities, excluding cost of risk	(3,307)	(3,512)
Expenses from other activities	(10,665)	(14,118)
<i>Income from ceded reinsurance</i>	<i>69,692</i>	<i>57,400</i>
<i>Expenses from ceded reinsurance</i>	<i>(74,271)</i>	<i>(68,849)</i>
Income and expenses from ceded reinsurance	(4,579)	(11,449)
Policy acquisition costs	(63,603)	(62,727)
Administrative costs	(64,695)	(65,764)
Other current operating expenses	(22,912)	(24,269)
Total current income and expenses	(332,914)	(337,577)
CURRENT OPERATING INCOME	20,130	37,264
Other operating expenses	(1,964)	(1,520)
Other operating income	989	517
OPERATING INCOME	19,155	36,261
Finance costs	(4,398)	(4,933)
Share in net income of associates	341	391
Income tax expense	(7,675)	(9,414)
CONSOLIDATED NET INCOME BEFORE NON-CONTROLLING INTERESTS	7,423	22,305
Non-controlling interests	(109)	1
NET INCOME FOR THE YEAR	7,314	22,306

Consolidated statement of comprehensive income

(in thousands of euros)	March 31, 2017	March 31, 2016
Net income for the period	7,314	22,306
Non-controlling interests	109	(1)
Other comprehensive income		
Currency translation differences reclassifiable to income	5,805	(2,960)
<i>Reclassified to income</i>		
<i>Recognised in equity</i>	5,805	(2,960)
Fair value adjustments on available-for-sale financial assets	2,974	12,148
<i>Reclassified to income – gross</i>	(4,921)	2,617
<i>Reclassified to income – tax effect</i>	1,604	(908)
<i>Recognised in equity – reclassifiable to income – gross</i>	8,922	14,970
<i>Recognised in equity – reclassifiable to income – tax effect</i>	(2,631)	(4,531)
Fair value adjustments on employee benefit obligations	(94)	15
<i>Recognised in equity – not reclassifiable to income – gross</i>	(94)	15
<i>Recognised in equity – not reclassifiable to income – tax effect</i>		
Other comprehensive income for the period, net of tax	8,685	9,203
Total comprehensive income for the period	16,108	31,508
- attributable to owners of the parent	15,976	31,435
- attributable to non-controlling interests	132	73

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, 2015	786,241	347,371	444,874	(2,643)	(18,002)	94,278	(17,404)	126,239	1,760,954	6,073	1,767,027
Reduction of the value of the shares	(471,745)	471,745									
2015 net income to be appropriated			126,239					(126,239)			
Payment of 2015 dividends in 2016		(8,696)	(66,616)						(75,312)	(771)	(76,083)
Total transactions with owners	(471,745)	463,049	59,623					(126,239)	(75,312)	(771)	(76,083)
December 31, 2016 net income								41,531	41,531	523	42,054
Fair value adjustments on available-for-sale financial assets recognized in equity						20,745			20,745	(596)	20,149
Fair value adjustments on available-for-sale financial assets reclassified to income						578			578		578
Change in actuarial gains and losses (IAS 19R)									(5,378)		(5,378)
Currency translation differences					12,179				12,179	234	12,413
Treasury shares elimination				(327)					(327)		(327)
Free share plans expenses			207						207		207
Transactions with shareholders										27	27
Equity at December 31, 2016	314,496	810,420	504,704	(2,970)	(5,823)	115,601	(22,782)	41,531	1,755,177	5,490	1,760,667
2016 net income to be appropriated			41,531					(41,531)			
Payment of 2016 dividends in 2017											
Total transactions with owners			41,531	(0)	(0)	(0)	(0)	(41,531)	(0)		(0)
March 31, 2017 net income								7,314	7,314	109	7,423
Fair value adjustments on available-for-sale financial assets recognized in equity						6,290			6,290		6,290
Fair value adjustments on available-for-sale financial assets reclassified to income						(3,318)			(3,318)		(3,318)
Change in actuarial gains and losses (IAS 19R)									(94)		(94)
Currency translation differences					5,924				5,924	22	5,946
Treasury shares elimination				86					86		86
Free share plans expenses			183						183		183
Transactions with shareholders			(3,546)			(22)	2,404		(1,164)	(5,455)	(6,619)
Equity at March 31, 2017	314,496	810,420	542,872	(2,884)	79	120,977	(22,876)	7,314	1,770,398	166	1,770,564

Consolidated statement of cash flows

(in thousands of euros)	March 31, 2017	March 31, 2016
Net income for the period	7,314	22,306
Non-controlling interests	109	(1)
Income tax expense	7,675	9,414
+/- Share in net income of associates	(341)	(391)
Finance costs	4,398	4,932
Operating income (A)	19,155	36,260
+/- Depreciation, amortization and impairment losses	(991)	6,032
+/- Net additions to/reversals from technical provisions	26,962	19,977
+ Dividends received from associates	(0)	(0)
+/- Unrealized foreign exchange income / loss	25,339	(14,603)
+/- Non-cash items	(10,920)	12,563
Total non-cash items (B)	40,390	23,969
Gross cash flows from operations (C) = (A) + (B)	59,545	60,229
Change in operating receivables and payables	21,327	(1,760)
Net taxes paid	(14,533)	(38,525)
Net cash related to operating activities (D)	6,794	(40,285)
Increase (decrease) in receivables arising from factoring operations	(142,420)	39,497
Increase (decrease) in payables arising from factoring operations	141,057	(12,285)
Increase (decrease) in factoring liabilities	33,127	(49,533)
Net cash generated from banking and factoring operations (E)	31,764	(22,321)
Net cash generated from operating activities (F) = (C+D+E)	98,103	(2,377)
Acquisitions of investments	(515,601)	(281,185)
Disposals of investments	369,794	300,198
Net cash used in movements in investments (G)	(145,807)	19,013
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	(2,540)	(1,498)
Acquisitions of property, plant and equipment and intangible assets	(0)	97
Net cash generated from (used in) acquisitions and disposals of property, plant and equipment and intangible assets (I)	(2,540)	(1,401)
Net cash used in investing activities (J) = (G+H+I)	(154,847)	17,612
Proceeds from the issue of equity instruments		
Treasury share transactions	86	(1,318)
Dividends paid to owners of the parent		
Dividends paid to non-controlling interests		
Cash flows related to transactions with owners	86	(1,318)
Proceeds from the issue of debt instruments		
Cash used in the redemption of debt instruments	(754)	(714)
Interests paid	(16,036)	(16,574)
Cash flows related to the financing of Group operations	(16,790)	(17,288)
Net cash generated from (used in) financing activities (K)	(16,704)	(18,606)
Impact of changes in exchange rates on cash and cash equivalents (L)	1,657	22,588
Net increase in cash and cash equivalents (F+J+K+L)	(71,791)	19,217
Net cash generated from operating activities (F)	98,103	(2,377)
Net cash used in investing activities (J)	(154,847)	17,612
Net cash generated from (used in) financing activities (K)	(16,704)	(18,606)
Impact of changes in exchange rates on cash and cash equivalents (L)	1,657	22,588
Cash and cash equivalents at beginning of period	332,071	396,837
Cash and cash equivalents at end of period	260,280	416,054
Net change in cash and cash equivalents	(71,791)	19,217