

## 4.3 FINANCIAL STATEMENTS

### 4.3.1 Balance sheet

#### Assets

| <i>(in thousands of euros)</i>          | Notes | Dec. 31, 2018    | Dec. 31, 2017    |
|---|-------|------------------|------------------|
| <b>Fixed assets</b>                     |       |                  |                  |
| Intangible assets                       | 4.1.1 | 569              | 1,706            |
| Financial assets                        |       | 13,736           | -                |
| Interests in related companies          | 4.1.2 | 1,502,744        | 1,502,744        |
| Loans to affiliates and subsidiaries    | 4.1.3 | 324,074          | 324,074          |
|   |       | <b>1,841,124</b> | <b>1,828,524</b> |
| <b>Current assets</b>                   |       |                  |                  |
| French government and other authorities |       | 2,037            | 6,039            |
| Current account Tax Consolidation       |       |                  |                  |
| Current account Coface Finanz           |       | 447,911          | 466,921          |
| Miscellaneous receivables               |       | 9,249            | 8,713            |
|   | 4.1.4 | <b>459,198</b>   | <b>481,673</b>   |
| Investment securities                   |       |                  |                  |
| Treasury shares                         | 4.1.5 | 7,567            | 4,517            |
| Cash at bank and in hand                | 4.1.6 | 349              | 901              |
| Prepaid expenses                        | 4.1.7 | 1,240            | 2,421            |
|   |       | <b>468,354</b>   | <b>489,512</b>   |
| Deferred charge                         | 4.1.8 | 1,651            | 1,981            |
| Loan reimbursement premiums             | 4.1.9 | 962              | 1,154            |
|   |       | <b>2,612</b>     | <b>3,135</b>     |
| <b>Active conversion gap</b>            |       | <b>324</b>       | <b>-</b>         |
| <b>TOTAL ASSETS</b>                     |       | <b>2,312,414</b> | <b>2,321,171</b> |

## Equity and liabilities

| <i>(in thousands of euros)</i>                | Notes       | Dec. 31, 2018    | Dec. 31, 2017    |
|---|-------------|------------------|------------------|
| <b>Equity</b>                                 |             |                  |                  |
| Capital                                       |             | 307,799          | 314,496          |
| Share capital premiums                        |             | 810,436          | 810,436          |
| Other reserves                                |             | 73,957           | 129,339          |
| Income for the year                           |             | 122,605          | 20,815           |
|   | 4.2.1-4.2.2 | <b>1,314,796</b> | <b>1,275,086</b> |
| <b>Provisions for liabilities and charges</b> |             |                  |                  |
| Provision for risks                           |             | 324              | -                |
| Provision for charges                         |             | 5,931            | 5,931            |
|   | 4.2.3       | <b>6,255</b>     | <b>5,931</b>     |
| <b>Debts</b>                                  |             |                  |                  |
| Bank borrowings and debts                     |             | 448,357          | 467,213          |
| Other bond issues                             |             | 391,756          | 391,756          |
| Sundry borrowings and debts                   |             | 147,566          | 175,559          |
| Trade notes and accounts payables             |             | 1,754            | 730              |
| Tax and social liabilities                    |             | 1,608            | 4,584            |
| Other payables                                |             | -                | 312              |
|   | 4.2.4       | <b>991,041</b>   | <b>1,040,155</b> |
| <b>Passive conversion gap</b>                 |             | <b>322</b>       | <b>-</b>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>           |             | <b>2,312,414</b> | <b>2,321,171</b> |

## 4.3.2 Income statement

| <i>(in thousands of euros)</i>                | Notes | 2018           | 2017           |
|---|-------|----------------|----------------|
| <b>Operating income (I)</b>                   |       | <b>359</b>     | <b>2,845</b>   |
| Recharged expenses and other income           |       | 359            | 2,845          |
| Reversals of provisions and expense transfers |       | -              | -              |
| <b>Operating expenses (II)</b>                |       | <b>5,706</b>   | <b>6,652</b>   |
| Other purchases and external expenses         |       | 3,783          | 2,599          |
| Income tax, taxes and similar payments        |       | 140            | 0              |
| Employee-related expenses                     |       | 66             | 43             |
| Other expenses                                |       | 250            | 2,542          |
| Depreciations and amortisations               |       | 1,467          | 1,467          |
| <b>Operating results (I - II)</b>             | 5.1   | <b>(5,347)</b> | <b>(3,807)</b> |
| <b>Financial income (III)</b>                 |       | <b>148,116</b> | <b>42,132</b>  |
| Equity securities income                      |       | 133,406        | 27,688         |
| Other financial income                        |       | 14,710         | 14,444         |
| Income from SICAV sales                       |       | -              | -              |
| <b>Financial expenses (IV)</b>                |       | <b>21,288</b>  | <b>20,020</b>  |
| Interest and similar expenses                 |       | 20,771         | 19,828         |
| Depreciations and amortisations               |       | 517            | 192            |
| <b>Financial result (III - IV)</b>            | 5.2   | <b>126,828</b> | <b>22,112</b>  |
| <b>Non-recurring income (V)</b>               |       | <b>9</b>       | <b>514</b>     |
| On capital transactions                       |       | -              | 350            |
| On management transactions                    |       | 9              | 163            |
| <b>Non-recurring expenses (VI)</b>            | 5.3   | <b>-</b>       | <b>-</b>       |
| On capital transactions                       |       | -              | -              |
| On management transactions                    |       | -              | -              |
| <b>Non-recurring income (V-VI)</b>            |       | <b>9</b>       | <b>514</b>     |
| <b>Income tax (income)</b>                    | 5.4   | <b>(1,116)</b> | <b>(1,997)</b> |
| <b>NET INCOME FOR THE YEAR</b>                |       | <b>122,605</b> | <b>20,815</b>  |

## 4.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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## NOTE 1. SIGNIFICANT EVENTS

### Changes in governance

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#### Appointments to the Board of Directors of Coface

During its meeting on June 15, 2018, the Board of Directors of COFACE SA co-opted François Riahi, Chief Executive Officer of

Natixis, as a Board member and then elected him Chairman of the Board of Directors. He replaces Laurent Mignon who leaves the Board of Directors of COFACE SA to devote himself to his new responsibilities within the BPCE group.

### Implementation of two share buy-back programmes

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In line with the second pillar of Fit to Win which aims to improve the capital efficiency of its business model, in 2018 Coface implemented two share buyback programmes for a total amount of €45 million. The description of these programmes is as follows:

- ◆ a first programme of €30 million, performed between February 15 and October 15, resulted of the purchase of 3,348,971 shares. The Board of Directors, in its meeting of October 24, 2018,

decided to cancel these shares; and correlatively, to reduce the share capital of the Company;

- ◆ a second programme for a targeted amount of €15 million was launched on October 25, 2018 and runs until February 10, 2019. As of December 31, 2018, Coface has purchased 1,708,735 shares for an amount of €13,736,490.72.

### Events since the close of the year

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No significant events have arisen since the close of the year.

## NOTE 2. ACCOUNTING PRINCIPLES, RULES AND POLICIES

### Accounting principles and policies

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The financial statements for the year ended have been prepared in accordance with generally accepted accounting principles and the French Chart of Accounts (Regulation ANC no. 2014-03 of the Accounting Regulation Committee, in accordance with the principles of prudence and business continuity).

#### Financial assets

Equity securities are reported in the balance sheet at cost. A depreciation is recorded when the realisable value (determined according to the restated equity, income, future outlook and value in use for the Company) is less than the acquisition value.

The value in use is determined using the 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.

#### Receivables and payables

Receivables and payables are valued at their face value. They are depreciated through a provision in an effort to account for potential collection difficulties.

#### Investment securities

Units in money-market funds (SICAV) are recorded according to the FIFO (first in, first out) method. Unrealised losses or gains resulting from an evaluation of the portfolio at the close of the financial year are reintegrated (or deducted) for calculating the tax income.

## Start-up costs

According to Article 432-1 of the French general accounting plan (PCG), the stock market listing costs incurred by the Company may be recorded as start-up costs.

These costs are amortised over five years, with the first and last year amortised *pro rata temporis* in accordance with the French general accounting plan instructions (Article 361-3).

## Issuing charges

According to the French general accounting plan (Article 361-2), the costs linked to the hybrid debt issued must be in principle distributed according to the characteristics of the loan. These costs were recorded in deferred charges and amortised on a straight-line basis for the term of the loan, *i.e.* 10 years.

## Consistency of methods

The financial statements for the year are comparable to those of the previous year (consistency of accounting methods and time period principle).

The balance sheet, income statement and notes are expressed in euros.

## NOTE 3. OTHER DISCLOSURES

### a) Consolidating entity

COFACE SA has been fully consolidated since 2007 by Natixis whose head office is located at

30, avenue Pierre-Mendès-France 75013 Paris.

### b) Tax consolidation group

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, Cogeris and Fimipar.

The tax consolidation agreements binding the parent company to its subsidiaries are all strictly identical and stipulate that:

- ◆ each company shall calculate its tax as if there were no tax consolidation, and the parent company alone shall be liable for the payment of corporate income tax;
- ◆ the parent company shall recognise tax savings in income and shall not reallocate them to subsidiaries unless the subsidiary leaves the Group.

The option is valid for five years starting from January 1, 2015.

### c) Staff and managers

COFACE SA has no staff on its payroll and has no pension commitment.

### d) Off-balance sheet commitments

- ◆ Commitments received: €700 million

This is a line of credit with Société Générale, unused as of December 31, 2018, for an amount of €700 million which replaced on July 28, 2017 the six credit lines of €600 million from Société Générale, Natixis, CACIB, BNP Paribas, HSBC and BRED.

As of January 1, 2016, COFACE SA received a share subscription commitment of up to €100 million from BNP Paribas Arbitrage, relating to the contingent capital, maturing on March 31, 2019.

- ◆ Commitments given: €1,184 million

On March 19, 2012, COFACE SA issued a joint surety bond in favour of Coface Finanz, a company held indirectly by COFACE SA, for the sums that will be due by Coface Factoring Poland as reimbursement for the loan granted to the latter, for a maximum amount that changed from €350 million to €500 million in April 2015 (due date January 2021).

This joint surety bond has not been exercised since 2012.

In April 2015, COFACE SA issued a joint surety bond to hedge the commitments of Coface Finanz and Coface Factoring Poland for the bilateral credit lines taken out from eight banks and amounting to €684 million (€625 million as of December 31, 2016).

## NOTE 4. ANALYSES ON THE MAIN BALANCE SHEET ITEMS (IN EUROS)

### 4.1 Assets

#### 4.1.1 Intangible assets

| <i>(in thousands of euros)</i> | Gross 2018 | Amortisation | Net 2018 |
|--------------------------------|------------|--------------|----------|
| Set-up costs                   | 5,696      | 5,128        | 569      |

Set-up costs include IPO (initial public offering) costs amortised over five years.

#### 4.1.2 Interests in related companies and companies with capital ties

| Related companies<br><i>(in thousands of euros)</i>        | Dec. 31, 2017    | Acquisitions | Disposals | Dec. 31, 2018    |
|--|------------------|--------------|-----------|------------------|
| Compagnie française d'assurance pour le commerce extérieur | 1,337,719        |              |           | 1,337,719        |
| Coface Ré  | 165,025          |              |           | 165,025          |
| <b>TOTAL</b>   | <b>1,502,744</b> |              |           | <b>1,502,744</b> |

#### 4.1.3 Loans to affiliates and subsidiaries

| Related companies<br><i>(in thousands of euros)</i>        | Amount  | Interests | Total   |
|--|---------|-----------|---------|
| Compagnie française d'assurance pour le commerce extérieur | 314,000 | 10,074    | 324,074 |

On March 27, 2014, COFACE SA granted a subordinated intra-group loan to Compagnie française d'assurance pour le commerce extérieur in the amount of €314 million, maturing on March 26, 2024 (10 years) and bearing annual interest at 4.125%, payable at the anniversary date each year.

#### 4.1.4 Other receivables

| <i>(in thousands of euros)</i>          | Dec. 31, 2018  | Up to one year | 1-5 years    | Dec. 31, 2017  |
|---|----------------|----------------|--------------|----------------|
| French government and other authorities | 2,037          | 2,037          |              | 6,039          |
| Current account Coface Finanz EUR       | 418,384        | 418,384        |              | 466,921        |
| Current account Coface Finanz USD       | 29,527         | 29,527         |              |                |
| Miscellaneous receivables               | 9,249          | 5,192          | 4,057        | 8,713          |
| <i>Coface Factoring Poland</i>          | 207            | 207            |              | 189            |
| <i>Natixis liquidity agreement</i>      | 9              | 9              |              | 1,640          |
| <i>Kepler mandate share buy-back</i>    | 3,008          | 3,008          |              |                |
| <i>Other receivables</i>                | 6,024          | 1,967          | 4,057        | 6,884          |
| <b>OTHER RECEIVABLES</b>                | <b>459,198</b> | <b>455,141</b> | <b>4,057</b> | <b>481,673</b> |

The "Other receivables" item in miscellaneous receivables primarily consists of:

- ◆ expenses to be recharged in connection with the award of bonus shares for €5,930,564;
- ◆ costs of €3,008,491 related to the Kepler mandate share buy-back.

### 4.1.5 Treasury shares

| Number of shares held | Dec. 31, 2017  | Acquisitions     | Disposals        | Dec. 31, 2018    |
|-----------------------|----------------|------------------|------------------|------------------|
| Liquidity agreement   | 126,429        | 1,949,688        | 1,949,480        | 126,637          |
| Bonus share awards    | 384,107        | 380,761          | 0                | 764,868          |
| Buy-back plan         |                | 1,708,735        |                  | 1,708,735        |
|                       | <b>510,536</b> | <b>4,039,184</b> | <b>1,949,480</b> | <b>2,600,240</b> |

#### Liquidity agreement

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

The Group allocated €5 million to the liquidity account for the purposes of the agreement, which is for a period of 12 months and was renewed by tacit agreement in July 2015 and July 2016. (see Note 4.1.4).

The liquidity agreement is part of the share buyback programme decided by the Board of Directors' meeting of June 26, 2014. On July 2, 2018, COFACE SA announced that, following the long-term partnership that has become effective between Natixis and ODDO BHF, the liquidity agreement for its shares (ISIN code FR0010667147) originally granted to Natixis, has been transferred to ODDO BHF.

#### Bonus share award

Since its IPO in 2014, the Coface Group has granted bonus shares to certain corporate officers or employees of COFACE SA subsidiaries.

In 2018, the Board of Directors decided to allot 298,132 bonus shares. This award completes the 2016 and 2017 plans for 289,997 and 366,146 shares.

As a condition of and subject to acceptance by the General Meeting, COFACE SA will acquire the shares necessary for the allocation of these shares.

On May 16, 2018, at the General Meeting of Shareholders, the call option was once again granted to acquire, in addition to the 406,166 shares previously acquired, 358,702 new shares.

Under French standards, the acquisition of shares under a bonus share award constitutes an element of remuneration. The provision should be recognised in staff costs by crediting the line item Provisions for expenses and it should be spread out, when the presence of person in the Company is a condition upon delivery of the shares at the end of a future period that the Plan determines.

Thus, this charge will be recognised in the accounts using the acquisition price spread over the vesting period, namely three years. As COFACE SA did not acquire sufficient shares, it must also take into consideration the number of missing shares multiplied by the share price on the last day of the financial year to calculate the amount of this charge. At the end of 2018, the stock of "Provision for charges" amounted to €5,930,563.57.

At December 31, 2018, the Group's own shares held in treasury had a gross and net value of €21,303,254, broken down as follows:

- ◆ liquidity agreement: €1,142,337;
- ◆ bonus share award: €6,424,426;
- ◆ buy-back plan: €13,736,491.

### 4.1.6 Cash at bank and in hand

| (en milliers d'euros) | 31/12/18 | 31/12/17 |
|-----------------------|----------|----------|
| Natixis               | 349      | 901      |

A USD account was opened with Natixis to facilitate USD transactions which have increased over the year

### 4.1.7 Prepaid expenses

| (in thousands of euros)                 | Dec. 31, 2018 | Dec. 31, 2017 |
|---|---------------|---------------|
| Natixis: liquidity agreement            | 24            | 24            |
| Expenses related to the syndicated loan | 721           | 1,316         |
| Fees related to the strategy            | 391           | 1,020         |
| Moody's: issuer rating and programme    | 104           | 62            |
|   | <b>1,240</b>  | <b>2,421</b>  |



### 4.1.8 Deferred charges

| <i>(in thousands of euros)</i>       | Gross 2018 | Amortisation | Net 2018 |
|--------------------------------------|------------|--------------|----------|
| Expenses linked to subordinated debt | 3,301      | 1,651        | 1,651    |

Deferred charges include costs linked to the issuance of the subordinated debt amortised over a period of 10 years.

### 4.1.9 Loan reimbursement premiums

| <i>(in thousands of euros)</i>      | Gross 2018 | Amortisation | Net 2018 |
|-------------------------------------|------------|--------------|----------|
| Premium linked to subordinated debt | 1,924      | 962          | 962      |

The premium linked to the subordinated debt is amortised over 10 years.

## 4.2 Liabilities

### 4.2.1 Changes in equity

| <i>(in euros)</i>                       | Dec. 31, 2017        | Appropriation of earnings | Transactions for the year | Distribution        | Income for the year | Dec. 31, 2018        |
|---|----------------------|---------------------------|---------------------------|---------------------|---------------------|----------------------|
| <b>Share capital (nominal value €2)</b> | <b>314,496,464</b>   |                           | <b>(6,697,942)</b>        |                     |                     | <b>307,798,522</b>   |
| Number of shares                        | 157,248,232          |                           |                           |                     |                     | 153,899,261          |
| <b>Share premium</b>                    | <b>810,435,517</b>   |                           |                           |                     |                     | <b>810,435,517</b>   |
| <b>Legal reserve</b>                    | <b>31,449,646</b>    |                           |                           |                     |                     | <b>31,449,646</b>    |
| <b>Other reserves</b>                   | <b>42,905,863</b>    |                           | <b>(23,302,055)</b>       |                     |                     | <b>19,603,808</b>    |
| <b>Retained earnings</b>                | <b>54,983,310</b>    | <b>20,815,235</b>         |                           | <b>(52,895,438)</b> |                     | <b>22,903,107</b>    |
| <b>Income for the year</b>              | <b>20,815,235</b>    | <b>(20,815,235)</b>       |                           |                     | <b>122,604,984</b>  | <b>122,604,984</b>   |
| <b>TOTAL</b>                            | <b>1,275,086,035</b> | <b>0</b>                  | <b>(29,999,997)</b>       | <b>(52,895,438)</b> | <b>122,604,984</b>  | <b>1,314,795,585</b> |

COFACE SA's total equity amounted to €1,314,795,585.

Share premiums include share premiums, issue premiums (of which €471,744,696 are unavailable premiums) and share issue warrants for €15,725.

In accordance with the decision of the Ordinary Shareholders' Meeting of May 16, 2018, the 2017 result has been allocated as retained earnings. A dividend of €0.34 per share (excluding treasury shares) was paid on May 28, 2018 representing a total amount of €52,895,438.

The Board of Directors decided on October 24, 2018 to cancel 3,348,971 shares under the buy-back plan started on February 2018. This cancellation resulted in a €23,302,055 reduction in other reserves, corresponding to the difference between the nominal value of the shares and the average repurchase value of the shares.

## 4.2.2 Composition of capital

|                                 | Dec. 31, 2018 |                    | Dec. 31, 2017 |                    |
|---------------------------------|---------------|--------------------|---------------|--------------------|
| <b>Shareholders</b>             |               |                    |               |                    |
| Financial market and other      | 55.9%         | 86,062,884         | 58.2%         | 91,507,278         |
| Natixis                         | 42.1%         | 64,853,881         | 41.2%         | 64,853,881         |
| Group Employee funds            | 0.2%          | 382,256            | 0.2%          | 376,537            |
| Treasury shares                 | 1.7%          | 2,600,240          | 0.3%          | 510,536            |
| <b>NUMBER OF SHARES</b>         |               | <b>153,899,261</b> |               | <b>157,248,232</b> |
| <i>Nominal value (in euros)</i> |               | 2                  |               | 2                  |

## 4.2.3 Provisions for liabilities and charges

| <i>(in thousands of euros)</i>  | Dec. 31, 2017 | Additions | Reversals | Dec. 31, 2018 |
|---------------------------------|---------------|-----------|-----------|---------------|
| Provision for FX losses         | 0             | 324       |           | 324           |
| Provision for bonus share award | 5,931         | 782       | 782       | 5,931         |

## 4.2.4 Debts

| <i>(in thousands of euros)</i>  | Up to one year | 1-5 years | Beyond 5 years | Dec. 31, 2018  | Dec. 31, 2017    |
|---|----------------|-----------|----------------|----------------|------------------|
| <b>Bank borrowings and debts</b>  | <b>448,357</b> | 0         | 0              | <b>448,357</b> | <b>467,213</b>   |
| Commercial paper: discounted fixed rate                                       | 448,568        | 0         | 0              | 448,568        | 467,546          |
| CP accrued interests  | (210)          | 0         | 0              | (210)          | (333)            |
| <b>Other bond issues</b>  | <b>11,756</b>  | <b>0</b>  | <b>380,000</b> | <b>391,756</b> | <b>391,756</b>   |
| Subordinated bonds  | 0              | 0         | 380,000        | 380,000        | 380,000          |
| Accrued interests   | 11,756         | 0         | 0              | 11,756         | 11,756           |
| <b>Sundry borrowings and debts</b>  | <b>(2,434)</b> | <b>0</b>  | <b>150,000</b> | <b>147,566</b> | <b>175,559</b>   |
| Coface (Compagnie française d'assurance pour le commerce extérieur) borrowing | 0              | 0         | 150,000        | 150,000        | 150,000          |
| Accrued interests on Coface borrowing   | 201            | 0         | 0              | 201            | 201              |
| Cash advance Coface and accrued interest                                      | (2,635)        | 0         | 0              | (2,635)        | 25,358           |
| <b>Trade notes and accounts payables</b>                                      | <b>1,754</b>   | <b>0</b>  | <b>0</b>       | <b>1,754</b>   | <b>730</b>       |
| <b>Tax and social liabilities</b>   | <b>1,608</b>   | <b>0</b>  | <b>0</b>       | <b>1,608</b>   | <b>4,584</b>     |
| <b>Other debts</b>  | <b>0</b>       | <b>0</b>  | <b>0</b>       | <b>0</b>       | <b>312</b>       |
| <b>TOTAL DEBTS</b>  | <b>461,041</b> | <b>0</b>  | <b>530,000</b> | <b>991,041</b> | <b>1,040,155</b> |

After approval by Banque de France on November 6, 2012, on November 13, 2012, COFACE SA issued commercial papers for €250 million (with a maturity of one to three months). This programme, intended to refinance the factoring portfolio in Germany, was rated F1 and P2 by the Fitch and Moody's rating agencies.

The amount raised was fully loaned to Coface Finanz through a cash agreement and all fees incurred were recharged.

In July 2017, this programme, managed by Société Générale and through the intermediary of six banks, totalled €600 million under commercial paper and €100 million under an emergency credit line through six banks. During 2018, commercial paper was issued in USD. At end 2018, the EUR and USD portions were 419 million and 29 million respectively, equivalent to EUR 448 million in total.

Since February 2016, the issuance rates on commercial paper are negative.

On March 27, 2014, COFACE SA completed the issue of subordinated debt in the form of bonds for a nominal amount of €380 million (corresponding to 3,800 bonds with a nominal unit value of €100,000), maturing on March 27, 2024 (10 years), with an annual interest rate of 4.125%.

Moody's and Fitch reaffirmed the Group's Insurer Financial Strength Ratings (IFS) of A2 and AA- respectively (outlook "stable" in both cases), on June 8 and August 29, 2018.

In December 2014, COFACE SA borrowed €110 million at a rate of 2.30% over a period of ten years from Compagnie française

d'assurance pour le commerce extérieur for the acquisition of Coface Ré, followed in June 2015 by a second tranche of €40 million for sending additional funds to Coface Ré (see Note 4.1.2).

The "Trade notes and accounts payable" item mainly consists expenses payable for Non-utilised Commission on Credit Lines for €875,000, for Statutory Auditors' fees for €661,000, and directors' fees of €250,000.

Tax and social liabilities comprise current accounts for entities under tax consolidation (Compagnie française d'assurance pour le commerce extérieur, Cogeri and Fimipar and Cofinpar).

## NOTE 5. ANALYSES OF MAIN BALANCE SHEET ITEMS (IN EUROS)

### 5.1 Operating income

| <i>(in thousands of euros)</i>                        | <b>Dec. 31, 2018</b> | <b>Dec. 31, 2017</b> |
|---|----------------------|----------------------|
| <b>Operating income</b>                               | <b>359</b>           | <b>2,845</b>         |
| Commercial paper structuring costs                    | 359                  | 488                  |
| Other income  | 0                    | 2,357                |
| <b>Operating expenses</b>                             | <b>(5,706)</b>       | <b>(6,652)</b>       |
| <b>Other purchases and external expenses</b>          | <b>(3,783)</b>       | <b>(2,599)</b>       |
| Statutory Auditors' fees                              | (987)                | (639)                |
| Other fees  | (861)                | (496)                |
| Financial Information                                 | (49)                 | (60)                 |
| Rebilling Group payroll costs and related expenses    | 0                    | 155                  |
| Legal advertising costs                               | (10)                 | (5)                  |
| Bank fees   | 1                    | 0                    |
| Fees and Commissions on services                      | (1,799)              | (1,475)              |
| Expenses related to the issuance of subordinated debt | (2)                  | (2)                  |
| Reception fees  | 0                    | (11)                 |
| Royalty fee   | (75)                 | (67)                 |
| <b>Income tax, taxes and similar payments</b>         | <b>(140)</b>         | <b>0</b>             |
| <b>Employee-related expenses</b>                      | <b>(66)</b>          | <b>(43)</b>          |
| Social charges on directors' fees                     | (66)                 | (43)                 |
| <b>Other expenses</b>                                 | <b>(250)</b>         | <b>(2,542)</b>       |
| Directors' fees                                       | (250)                | (217)                |
| Expenses linked to the bonus share award              | 0                    | (2,325)              |
| <b>Depreciations and amortisations</b>                | <b>(1,467)</b>       | <b>(1,467)</b>       |
| Amortisation of set-up costs                          | (1,137)              | (1,137)              |
| Amortisation of costs linked to subordinated debt     | (330)                | (330)                |
| <b>OPERATING INCOME</b>                               | <b>(5,347)</b>       | <b>(3,807)</b>       |

The entry "Commercial paper structuring costs" corresponds to the recharging of the costs of managing this commercial paper.

The entry "Statutory Auditors' fees" of €986,900 includes €958 thousand in statutory audit fees and €29 thousand for other audits underway.

The entry "Other fees" mainly includes legal fees, services from rating agencies and fees relating to the management of commercial paper.

The entry "Fees and Commissions on services" of €1,798,909 corresponds to expenses relating to contingent equity and strategic projects.

## 5.2 Financial income

| <i>(in thousands of euros)</i>                           | <b>Dec. 31, 2018</b> | <b>Dec. 31, 2017</b> |
|--|----------------------|----------------------|
| <b>Financial income</b>                                  | <b>148,116</b>       | <b>42,132</b>        |
| <b>Equity securities income</b>                          | <b>133,406</b>       | <b>27,688</b>        |
| Dividend   | 133,406              | 27,688               |
| <b>Other financial income</b>                            | <b>14,710</b>        | <b>14,444</b>        |
| Interests linked to the CP programme and syndicated loan | 99                   | (74)                 |
| Income on guarantees                                     | 1,658                | 1,566                |
| Loan interests   | 12,953               | 12,953               |
| <b>Financial expenses</b>                                | <b>(21,288)</b>      | <b>(20,020)</b>      |
| <b>Interest and similar expenses</b>                     | <b>(20,771)</b>      | <b>(19,828)</b>      |
| Fees and commissions linked to the CP programme          | (869)                | 81                   |
| Interests on bond loan                                   | (15,675)             | (15,675)             |
| Interests on borrowings                                  | (3450)               | (3450)               |
| Interests on cash advance                                | (15)                 | (24)                 |
| Perte de change  | (2)                  | 0                    |
| Guarantees expenses                                      | (760)                | (760)                |
| <b>Depreciations and amortisations</b>                   | <b>(517)</b>         | <b>(192)</b>         |
| Reimbursement premium amortisation                       | (517)                | (192)                |
| <b>FINANCIAL INCOME</b>                                  | <b>126,828</b>       | <b>22,112</b>        |

Financial income primarily consists of the €133.4 million dividend received from Compagnie française d'assurance pour le commerce extérieur and €13 million in interest on the €314 million loan granted to Compagnie française d'assurance pour le commerce extérieur.

Financial expenses primarily consist of €380 million in interest on the bond loan and the €150 million loan taken out at the end of 2014 from Compagnie française d'assurance pour le commerce extérieur.

## 5.3 Non-recurring result

| <i>(in thousands of euros)</i> | <b>Dec. 31, 2018</b> | <b>Dec. 31, 2017</b> |
|--------------------------------|----------------------|----------------------|
| <b>NON-RECURRING INCOME</b>    | <b>9</b>             | <b>514</b>           |
| Gains on treasury share sales  | 0                    | 350                  |
| Default interest               | 9                    | 163                  |
| <b>NON-RECURRING EXPENSES</b>  | <b>0</b>             | <b>0</b>             |
| Sundry                         | 0                    | 0                    |
|                                | <b>9</b>             | <b>514</b>           |

Non-recurring income consists in default interest on the reimbursement of the 3% tax on dividends paid in 2016 and 2017.

## 5.4 Income tax

| <i>(in thousands of euros)</i>   | <b>Dec. 31, 2018</b> | <b>Dec. 31, 2017</b> |
|--|----------------------|----------------------|
| <b>Accounting income before CT</b>   | <b>121,489</b>       | <b>18,819</b>        |
| Deductions:  | (133,730)            | (30,176)             |
| ◆ Dividend Compagnie française d'assurance pour le commerce extérieur (mother/daughter regime) | (130,406)            | (27,688)             |
| ◆ Bonus share awards to be rebilled  | 0                    | (2,325)              |
| Default interest   | 0                    | (163)                |
| ◆ Unrealised capital gain Dec. 31, 2015 from units in money-market funds (SICAV)               | (324)                | 0                    |
| Reintegrations:  | 1,981                | 2,602                |
| ◆ Share of costs 1% on Group dividend  | 1,334                | 277                  |
| ◆ Bonus share award expenses   | 0                    | 2,325                |
| ◆ Provision for exchange rate losses   | 324                  | 0                    |
| ◆ Foreign currency translation reserve (liabilities)   | 322                  | 0                    |
| <b>Taxable income</b>  | <b>(10,260)</b>      | <b>(8,756)</b>       |
| Corporate tax (rates 33 1/3%)  | 0                    | 0                    |
| 3% tax on dividends paid to external (outside the tax consolidation group)                     | 0                    | 1,999                |
| <b>Corporate tax before tax consolidation</b>  | <b>0</b>             | <b>1,999</b>         |
| Net expense from consolidated companies  | 1,116                | (2)                  |
| <b>Corporate income tax (income)</b>   | <b>1,116</b>         | <b>1,997</b>         |

The application of the tax consolidation agreement resulted in a consolidation gain of €1,115,937 for financial year 2018, compared to a loss of €1,894 in 2017.

COFACE SA's tax loss carry-forward prior to the tax consolidation was €2,788,100 for 2014.

## 5.5 Statutory Auditors' FEES

This information is available in the COFACE Group consolidated financial statements as of December 31, 2018, in Note 35.

## NOTE 6. INFORMATION REGARDING RELATED COMPANIES

The table below presents all items regarding related companies:

| <i>(in thousands of euros)</i>                  | <b>Dec. 31, 2018</b> | <b>Dec. 31, 2017</b> |
|---|----------------------|----------------------|
| <b>Balance Sheet - Assets</b>                   | <b>2,277,412</b>     | <b>2,296,494</b>     |
| Interests in related companies                  | 1,502,744            | 1,502,744            |
| Loans to affiliates and subsidiaries            | 324,074              | 324,074              |
| Current account Tax Consolidation               | 401                  | 0                    |
| Current account Coface Finanz                   | 447,911              | 466,921              |
| Miscellaneous receivables                       | 207                  | 189                  |
| Cash at bank and in hand                        | 1,724                | 901                  |
| Cash at bank and in hand                        | 351                  | 901                  |
| Prepaid expenses                                | 0                    | 24                   |
| <b>Balance Sheet - Equity &amp; Liabilities</b> | <b>152,374</b>       | <b>175,586</b>       |
| Sundry borrowings and debts                     | 150,481              | 175,559              |
| Trade notes and accounts payables               | 0                    | 27                   |
| Other payables                                  | 1,893                | 0                    |
| <b>Income statement</b>                         | <b>142,498</b>       | <b>80,334</b>        |
| Operating income                                | 0                    | 520                  |
| Operating expenses                              | (157)                | (38)                 |
| Financial income                                | 148,475              | 42,132               |
| Financial expenses                              | (5,820)              | (4,373)              |

## NOTE 7. SUBSIDIARIES AND INTERESTS

| As of Dec. 31, 2018   |                            |                                |                       |                          |               |   |             |
|---|----------------------------|--------------------------------|-----------------------|--------------------------|---------------|---|-------------|
| Currency  | Share capital              | Reserves and retained earnings | Share of capital held | Value of securities held |               | Outstanding loans and advances granted by the Company |             |
|   |                            |                                |                       | Gross                    | Net           |   |             |
|   | <i>In foreign currency</i> |                                | <i>% (reported)</i>   | <i>(in €)</i>            |               |   |             |
| <b>Compagnie française d'assurance pour le commerce extérieur</b><br>1, place Costes-et-Bellonte<br>92270 Bois-Colombes | EUR                        | 137,052,417                    | 907,152,393           | 99.995%                  | 1,337,719,300 | 1,337,719,300   | 150,480,702 |
| <b>Coface Ré SA</b><br>Rue Bellefontaine 18<br>1003 Lausanne -<br>SWITZERLAND   | CHF                        | 10,000,000                     | 244,801,454           | 100%                     | 165,025,157   | 165,025,157   | 0           |

| Year 2018   |               |                      |   |                             |
|---|---------------|----------------------|---|-----------------------------|
|   | Turnover      | Net earnings or loss | Dividends received or recognised by the Company | Exchange rate Dec. 31, 2018 |
|   | <i>(in €)</i> |                      |   |                             |
| <b>Compagnie française d'assurance pour le commerce extérieur</b><br>1, place Costes-et-Bellonte<br>92270 Bois-Colombes | 1,078,261,625 | 62,776,981           | 133,405,987                                     |                             |
| <b>Coface Ré SA</b><br>Rue Bellefontaine 18<br>1003 Lausanne -<br>SWITZERLAND   | 524,991,570   | 31,918,125           | -   | 1.1269                      |

## 4.5 FIVE-YEAR SUMMARY OF COMPANY RESULTS

| Details (in euros)  | 2014           | 2015                      | 2016                      | 2017                      | 2018                       |
|---|----------------|---------------------------|---------------------------|---------------------------|----------------------------|
| <b>I - Year-end Capital</b>   |                |                           |                           |                           |                            |
| a) Share capital  | 786,241,160    | 786,241,160               | 314,496,464               | 314,496,464               | 307,798,522                |
| b) Number of issued shares  | 157,248,232    | 157,248,232               | 157,248,232               | 157,248,232               | 153,899,261                |
| c) Number of bonds convertible into shares                                | -              | -                         | -                         | -                         | -                          |
| <b>II - Operations and income for the year</b>                            |                |                           |                           |                           |                            |
| a) Revenue excluding tax  | 2,642,322      | 992,028                   | 2,269,291                 | 2,844,892                 | 358,946                    |
| b) Income before tax, depreciation, amortisation and provisions           | (1,677,741)    | 72,977,514 <sup>(2)</sup> | 77,558,666                | 20,478,344                | 123,473,002                |
| c) Income tax   |                | (1,730,821)               | 517,871 <sup>(3)</sup>    | (1,996,620)               | (1,115,937)                |
| d) Income after tax, depreciation, amortisation and provisions            | (2,779,036)    | 73,048,606                | 75,381,066                | 20,815,235                | 122,604,984                |
| e) Distributed profits  | <sup>(1)</sup> | 66,617,140 <sup>(2)</sup> | 20,397,756 <sup>(4)</sup> | 53,290,817 <sup>(5)</sup> | 122,332,846 <sup>(6)</sup> |
| <i>of which interim dividends</i>   |                |                           |                           |                           |                            |
| <b>III - Earnings per share</b>   |                |                           |                           |                           |                            |
| a) Income after tax, but before depreciation, amortisation and provisions | (0.01)         | 0.48                      | 0.49                      | 0.14                      | 0.81                       |
| b) Income after tax, depreciation, amortisation and provisions            | (0.02)         | 0.46                      | 0.48                      | 0.13                      | 0.80                       |
| c) Dividend paid to each share  | 0.00           | 0.42                      | 0.13                      | 0.34                      | 0.79                       |
| <b>IV - Personnel</b>   |                |                           |                           |                           |                            |
| a) Average number of employees in the year                                | -              | -                         | -                         | -                         | -                          |
| b) Payroll amount   | -              | -                         | -                         | -                         | -                          |
| c) Amount of sums paid in employee benefits                               | -              | -                         | -                         | -                         | -                          |

(1) For 2014, an extraordinary dividend of €0.48 per share taken from the share premium, i.e., €75,460,456, (excluding treasury shares) was distributed as voted by the Annual Shareholders' Meeting of May 18, 2015.

(2) For 2015, an dividend of €0.48 per share taken from the share premium, i.e., €75,312,210 (excluding treasury shares), corresponding to the distributable profit of €66,617,140 increased by the €8,695,070 withholding on the issue premium, was distributed as voted by the Annual Shareholders' Meeting of May 19, 2016.

(3) In 2016, the tax income comes from the income from tax-consolidated companies.

(4) For 2016, a distribution of €0.13 per share, i.e., €20,397,756 (excluding treasury shares), was distributed as voted by the Annual Shareholders' Meeting of May 17, 2017.

(5) In 2017, a motion was put to the vote at the Annual Shareholders' Meeting of May 16, 2018 regarding the distribution of €0.34 per share, amounting to a total of €53,290,817 (excluding treasury shares).

(6) For 2018, a distribution of €0.79 per share (€122,332,846) will be submitted to the Shareholders' Meeting of May 16, 2019.



## 4.6 OTHER DISCLOSURES

Pursuant to Article D.441-4 of the French Commercial Code, the table below sets out the payment terms of COFACE SA's suppliers showing bills received and not paid at the end of the financial year for which payment is in arrears:

|  | Suppliers payment terms |               |               |                 | Total<br>(1 day or more) |
|--|-------------------------|---------------|---------------|-----------------|--------------------------|
|  | 1 to 30 days            | 31 to 60 days | 61 to 90 days | 91 days or more |                          |
| <b>(A) Late payment tranches</b>   |                         |               |               |                 |                          |
| Number of bills affected   | 1                       | 1             | 0             | 13              |                          |
| <i>(in thousands of euros)</i>   |                         |               |               |                 |                          |
| Total amount of bills affected including VAT   | 2.5                     | 1.7           | 0,0           | 98,0            | 102,2                    |
| <b>Percentage of total amount of purchases during the financial year</b>   | <b>0.01%</b>            | <b>0.01%</b>  | <b>0.00%</b>  | <b>0.53%</b>    | <b>0.55%</b>             |
| <b>(B) Bills excluded from (A) relating to disputed or unrecognised liabilities and receivables</b>                                    |                         |               |               |                 |                          |
| No bills excluded from these tables relating to disputed or unrecognised liabilities and receivables.                                  |                         |               |               |                 |                          |
| <b>(C) Reference payment terms used (contractual or legal term - Article L.441-6 or Article L.443-1 of the French Commercial Code)</b> |                         |               |               |                 |                          |

At the closing date of COFACE SA's financial year, no bills issued remain unpaid.