

## 4.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### For the year ended December 31, 2018

To the Annual General Shareholder's Meeting of COFACE S.A.

### Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of COFACE S.A. for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

### Basis for Opinion

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

#### Estimation of provisions for unknown claims

Identified Risk	Our response
<p>Provisions for unknown claims represent an estimate of the claims expense incurred during the year but not yet reported at the balance sheet date. They also include specific provisions recorded for claims that have not yet been proven but whose probability of occurrence is high and for which the compensation that would potentially be paid would be significant.</p> <p>At December 31, 2018, the amount of these provisions amounted to €707 million in the consolidated financial statements. As indicated in the section Accounting Principles and Principles - Contractual Benefit Expenses of the notes to the Consolidated Financial Statements, these provisions are determined on the one hand by the application of deterministic statistical methods on the basis of historical data and on the other hand, on the other hand, the use of assumptions using expert judgment to estimate the ultimate load (this ultimate load corresponds to the load borne until the complete disaster).</p> <p>Thus, as the provision for unknown claims includes accounting estimates with a high degree of uncertainty, we considered this aggregate as a key audit matter.</p>	<p>To cover the risk associated with estimating provisions for claims, we implemented the following approach:</p> <ul style="list-style-type: none"> <li>◆ We reviewed the internal control mechanism implemented to estimate provisions for claims and the expected ultimate cost of claims, and tested the design and operational effectiveness of the key controls implemented by Management;</li> <li>◆ We assessed the relevance of the method, used to determine the expected ultimate cost of claims;</li> <li>◆ We assessed any changes in claim payment processes and procedures that could affect the assumption of reproducibility of the past in the future and draw the consequences on the assumptions to be used for calculating the ultimate;</li> <li>◆ We tested the reliability of the underlying claims data used in the actuarial calculations;</li> <li>◆ We performed an independent recalculation of the credit insurance provisions on a portion of the portfolio and verified that the company's methods had been correctly applied;</li> <li>◆ We analyzed the retrospective review of technical provision by comparing provisions opening balance with actual claims.</li> </ul>

### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

### Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

### Measurement of Insurance business investments

Identified Risk	Our response
<p>Insurance business investments amounted to €2.834 million at December 31, 2018.</p> <p>As indicated in the section Accounting principles, rules and methods of the notes to the Consolidated financial statements, the insurance business investments are determined at the end of the financial year, based on their classification associated with the management intention selected for each line of security by the Group.</p> <p>A level of judgment is required to determine this measurement:</p> <ul style="list-style-type: none"> <li>◆ Impairment testing realised by the Management and</li> <li>◆ the valuation of unlisted securities, in particular non-consolidated equity investments and shares in SCI / SCPI. (Real Estate Investment trust)</li> </ul> <p>Given the amount involved and the judgment made by the Management to detect the impairment of the securities in the portfolio, we deemed this to be a key audit matter at December 31<sup>st</sup>, 2018.</p>	<p>To assess the measurement of the insurance business investment, our audit work consisted mainly in verifying that the valuation used by the Management were based on an appropriate valuation method and quantified elements used, according to the type of security:</p> <ul style="list-style-type: none"> <li>◆ We verified the stock prices used;</li> <li>◆ We obtained the business plans established by the Management and assessed the relevance and the justification of the assumptions made;</li> <li>◆ We verified the consistency of the main assumptions used with the economic environment;</li> <li>◆ We compared the consistency of the forecasts retained for the previous periods with the corresponding outcomes on a sample of securities;</li> <li>◆ We compared the underlying documentation to the impairment indices and we validated the numbers in the aforementioned document in relation to external sources.</li> </ul>

### Estimation of provisions for unwritten earned premiums

Identified Risk	Our response
<p>Unwritten earned premiums amounted to €115 million in the financial statements at December 31, 2018.</p> <p>As indicated in the section Accounting principles, rules and methods of the notes to the financial statements, unwritten earned premiums are determined based on an estimate of expected premiums for the period. The provision is the difference this estimate and the premiums recorded.</p> <p>This provision presents a significant risk of material misstatement given to the uncertainties inherent in certain items taken into account in making the estimates. The risk lies in particular in the factors used to determine the ultimate (i.e. once premiums have been written for their final amount) which relies on statistical methods.</p> <p>Thus, we consider this to be a key audit matter even though the change in the provision from one year to the next is very limited.</p>	<p>In order to assess whether the estimation of unwritten earned premiums amount was reasonable, we implemented the following audit approach:</p> <ul style="list-style-type: none"> <li>◆ We reviewed the internal control system relating to the premium estimation process and tested the operational effectiveness of the key controls implemented by Management;</li> <li>◆ We called on our actuarial experts to assess the relevance of the methodology applied and the key assumptions used to determine ultimate premiums;</li> <li>◆ We assessed any changes in the billing processes and procedures that could affect the assumption of reproducibility of the past in the future and draw the consequences on the assumptions to be used for calculating the ultimate;</li> <li>◆ We verified the consistency of the assumptions used to determine the forecasts;</li> <li>◆ We reconciled the bases of the calculation with data from the financial statements;</li> <li>◆ We compared the estimates of unwritten earned premiums recognized at the opening of the financial year with actual results to assess the relevance of the method implemented.</li> </ul>

### Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the management report of the Board of Directors.

We precise that it is not our role to report the matters related to the sincerity and the concordance with the consolidated financial statements of Solvency II information extracted from the report required under the article L.356-23 of the insurance code (*Code des assurances*).

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated declaration of extra-financial performance, required under Article L.225-102-1 of the French Commercial Code (*Code de commerce*), is included in the Group management report, it being specified that, in accordance with the provisions of Article L.823-10 of the code, we have not verified the

fair presentation and the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

### Report on Other Legal and Regulatory Requirements

#### Appointment of the Statutory Auditors

We were appointed as statutory auditors of COFACE S.A. by the sole shareholder, on February 28, 2008 for KPMG S.A. and by the annual general meeting, on May 3, 2007 for Deloitte & Associés. The previous auditors were Deloitte & Associés or another entity of the Deloitte network, whose original appointment details could not be determined.

As at December 31, 2018, KPMG was in the 11<sup>th</sup> year of total uninterrupted engagement and Deloitte & Associés was in the 12<sup>th</sup> year and 5<sup>th</sup> year since securities of the Company were admitted to trading on a regulated market.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ◆ Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ◆ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ◆ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- ◆ Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- ◆ Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

### Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on April 2, 2019

The Statutory Auditors

**French original signed by**

Deloitte & Associés

Jérôme Lemierre  
Partner

KPMG S.A.

Régis Tribout  
Partner