

## 4.7 / STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended December 31, 2017

To the Shareholders of COFACE SA,

### / Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the COFACE SA annual financial statements for the year ended December 31, 2017, as appended to this report.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with generally accepted accounting practices in France («French GAAP»).

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

### / Basis for opinion

#### Audit standards

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

Our responsibilities under these standards are described in the section "Responsibilities of the statutory auditors regarding the audit of the annual financial statements" of this report.

#### Valuation of investment securities

Risque identified	Our response
<p>Investment securities presented in the annual financial statements of COFACE SA at December 31, 2017 amounted to €1,502.7 million.</p> <p>As indicated in Note 2 to the annual financial statements, these investment securities were recognised at acquisition cost and subsequently impaired when their value in use was lower than their carrying amount. The impairment recognised was therefore equal to the difference between those two figures at the balance sheet date.</p> <p>Realisable value is estimated by Management based on the analysis of several indicators, including revalued equity, projected earnings from shareholdings, their future outlook and their value in use for COFACE SA.</p> <p>This value in use is calculated based on discounted cash flow projections from the provisional three-year business plans prepared by the operating entities, extrapolated over two additional years and approved by Management. These forecasts are based on each entity's past performance and on financial assumptions based on the entity's maturity, its business history, and the prospects for the market and country in which it operates.</p> <p>Estimating this value therefore requires the COFACE SA Management to exercise its judgement in choosing which factors to consider, especially the prospective profitability of the entities whose shares are held by COFACE SA.</p> <p>The potential impact on the financial statements relates to the existence of a provision for impairment losses on investment securities that are not recognised at the balance sheet date.</p> <p>Due to the materiality of investment securities on the company's balance sheet and the fact that the valuation of these investments is based on assumptions and reflects an estimate involving the Management's judgement, we have identified this matter as a key audit issue.</p>	<p>Our audit approach primarily consisted in verifying that the Management's estimate of the realisable values was based on an appropriate justification of the valuation method, assumptions and quantitative elements used:</p> <ul style="list-style-type: none"> <li>◆ we obtained and analysed the business plans of the entities whose shares are held by COFACE SA and discussed the projections with the company's Management;</li> <li>◆ we checked for consistency between the main assumptions used and the economic environment;</li> <li>◆ we compared the consistency of the forecasts made during previous years with the corresponding actual figures;</li> <li>◆ we assessed the need for establishing a provision for impairment and, as applicable, verified the calculation of that impairment.</li> </ul>

#### Independence

We conducted our audit in accordance with the independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report. In particular we have not provided any services prohibited under Article 5(1) of EU Regulation 537/2014 or by the statutory auditors' professional code of ethics.

### / Justification of our assessments - Key audit issues

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) regarding the justification of our assessments, we bring to your attention the key audit issues related to the risk of material misstatements which, in our professional judgement, were the most significant for the audit of the annual financial statements for the year and our responses to those risks.

These assessments were performed as part of the audit of the annual financial statements taken as a whole and led to our opinion as expressed above. We express no opinion on the individual elements contained in these annual financial statements.

## **/ Verification of the management report and other documents provided to shareholders**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

### **Disclosures provided in the management report and in the other documents provided to shareholders on the financial position and annual financial statements**

We have no matters to report concerning the fair presentation and consistency with the annual financial statements of the information provided in the board of directors' management report or in the other documents provided to the shareholders with respect to the financial position and the annual financial statements.

### **Report on corporate governance**

We confirm that the disclosures required under Articles 225-37-3 and L.225-37-4 of the French Commercial Code have been included in the Board of Directors' report.

For the amounts and disclosures provided pursuant to the provisions of Article L.225-37-3 of the French Commercial Code regarding the compensation and benefits paid to company officers and the commitments made to them, we have verified that these are consistent with the information contained in the financial statements or with the data used to prepare said financial statements and, as applicable, with the information obtained by your company from the companies that control it or are controlled by it. Based on the audit conducted, we hereby certify that the disclosures made are accurate and presented fairly.

For information relating to items that your company considered likely to have an impact in the event of a public tender or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have verified their consistency with the documents from which they originated and which were provided to us. Based on our audit, we have no matters to report concerning these disclosures.

### **Other information**

As required by law, we have obtained assurance that disclosures about the identity of holders of shares or voting rights were provided to you in the management report.

## **/ Disclosures resulting from other legal and regulatory requirements**

### **Appointment of the statutory auditors**

We were appointed Statutory Auditors of COFACE SA by decision of the sole partner dated February 28, 2008 in the case of KPMG and by the general shareholders' meeting of May 3, 2007 in the case of 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, 2017, KPMG was in its 10th consecutive year as Statutory Auditors and Deloitte & Associés in its 11th year (at least). Four of those years are since the company's shares were admitted for trading on a regulated market.

## **/ Responsibilities of management and individuals**

charged with corporate governance in respect of the annual financial statements

It is management's responsibility to prepare the annual financial statements giving a true and fair view in accordance with French GAAP and to implement the internal control procedures it deems necessary to ensure that the annual financial statements it has prepared are free of material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for including information related to the going concern in these financial statements, where applicable, and applying going concern accounting policy, unless the company is expected to be wound up or cease operating.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of the internal control and risk management systems and, where applicable, the internal audit, as these apply to the procedures for preparing and processing the accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

## **/ Statutory auditors' responsibilities regarding the audit of the annual financial statements**

### **Audit objectives and approach**

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted accounting practices will consistently identify any material misstatements. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions that users of the financial statements make based thereon.

As specified in Article L.823-10-2 of the French Commercial Code, our role in certifying the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit conducted in accordance with auditing standards applicable in France, the statutory auditors exercise professional judgement throughout the audit. They also:

- ◆ identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, define and implement audit procedures to deal with those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not identifying 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 circumvention of internal control;
- ◆ obtain an understanding of internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control;

- ◆ assess the appropriateness of accounting methods used and the reasonableness of accounting estimates made by management, as well as related disclosures provided in the annual financial statements;
- ◆ assess the appropriateness of management's use of the going concern accounting policy and, depending on the audit evidence obtained, whether a material uncertainty exists related to events or circumstances that could jeopardize the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of their report. However, future events or conditions may cause the company to cease to continue as a going concern. If they conclude that a material uncertainty exists, they will draw attention in their report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, they will either issue a qualified opinion or refuse to certify the statements;
- ◆ evaluate the overall presentation of the annual financial statements and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Report to the Audit Committee**

We provide a report to the audit committee which includes information about the scope and timing of our audit and our audit findings. If applicable, we also bring to its attention material weaknesses in internal control that we identified as pertaining to the procedures for preparing and processing accounting and financial information.

The information contained in our report to the Audit Committee includes the risks of material misstatement that we consider to have been the most important to the audit of the 2017 annual financial statements and which therefore constitute the audit's key issues. We are required to describe these in this report.

We also provide the audit committee with the statement provided for by Article 6 of EU Regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France as set forth in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where applicable, we discuss with the audit committee any risks to our independence and the safeguards applied.

Neuilly-sur-Seine and Paris-La Défense, April 4, 2018

The Statutory Auditors,

Deloitte & Associés

Jérôme Lemierre  
*Partner*

KPMG Audit

*Department of KPMG S.A.*

Régis Tribout  
*Partner*