

Press Release

2016 Draft Financial Statements Approved

€ 22 BILLION MOBILIZED IN 2016 (+ 30%)

IN SUPPORT OF EXPORTS AND INTERNATIONALIZATION

Strong growth as well as financial-economic sustainability: Strong profitability (ROE of 6.7%) and growing capital solidity (solvency capital ratio up to 154%). Net profit at € 304 million and consolidated net profit at € 482 million

Rome, 21 March 2017 – The Board of Directors of SACE (CDP Group), chaired by **Beniamino Quintieri**, has approved the draft company and consolidated group financial statements for the year ended 31 December 2016.

In a global context characterized by volatility, uncertainty and rising risks, SACE significantly increased its support to the export and internationalization programs of Italian companies by mobilizing resources of **€ 22.4 billion** – the highest level in its history - 30% more than in 2015.

“Such relevant results, reached in a highly complex context, demonstrate SACE capacity to combine a growing commitment to assist companies with a strong balance sheet and good profitability levels,” declared **SACE CEO Alessandro Decio**. “The 2106 results exceed in all respects the objectives of the Business Plan, due to the contribution of all the operating companies, the synergies with parent company CDP, as well as the unique expertise and enthusiasm offered to the companies by our colleagues. We are all very proud of these growing results, in support of Italian exports worldwide, which has recently recorded a particularly encouraging performance”.

Business lines performance

The year registered a good performance for all the business lines, increasingly focused on the foreign markets.

Initiatives in **support of exports** —loans issued to foreign purchasers of Italian products and services and insurance against default risk —generated around half the total resources mobilized (€ 11.6 billion), with a 42% increase over 25. This growth was particularly strong in high-potential markets, especially the United States, in



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SACE, 100% controlled by Cassa depositi e prestiti (the Italian National Promotion Institution), offers export credit, credit insurance, foreign investment protection, financial guarantees, bonding and factoring services. With € 87 billion in insured transactions in 198 countries, SACE supports the competitiveness of companies in Italy and abroad, ensuring more stable cash flows and transforming companies' default risks into development opportunities. Holding a 76% of SIMEST, SACE is the Italian Export and Internationalization Hub: the national single point of reference to access all insurance and financial products of the CDP Group supporting the international growth and competitiveness of Italian companies.

emerging areas such as Russia, Brazil, Mexico, Turkey, United Arab Emirates and Saudi Arabia, and in frontier markets like Kenya and Cameroon.

The activities to **support internationalization** mobilized € 2.2 billion, in line with the previous year. Of that amount, 53% refers to guarantees on loans issued to Italian companies for international development, 32% for bonds on international tenders and contracts, and the remaining 17% in low-interest loans and equity investments.

The **factoring** activity performed well, enabling Italian firms to transform € 217 billion in credits into cash, plus € 1.8 billion mobilized in synergy with the other group companies. Foreign transactions increased, generating 56% of total revenues, compared to 35% the previous year. The incidence of private debtors also increased (from 58% to 83%) with respect to government entities, which dropped to 17%.

There was also an increase in **short-term credit insurance and bonds**, with € 5.9 billion mobilized (+ 25%) principally in favor of small and midsize companies.

The **foreign credit recovery service** was also launched during the year, a field in which SACE's experience is virtually unparalleled in Italy, thanks to 40 years of activity in the emerging markets, ten offices abroad, and a network of local correspondents worldwide.

Resources mobilized by the Export and Internationalization Hub in 2016 (€ billions)			
Business line	2015	2016	% Chg
Export	8.1	11.6	+ 42%
Internationalization	2.3	2.2	+ 21%
Factoring	2.5	2.7	+ 9%
Credit insurance and bonding (SACE BT)	4.2	5.9	+ 41%
Total	17.2	22.4	+ 30%

The total portfolio of insured transactions reached € 86 billion, 6% more than at 31 December 2015.



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The objectives of the Export and Internationalization Hub Business Plan were exceeded in 2016

The objectives outlined in the Business Plan for the Export and Internationalization Hub - created last September with the transfer of 76% by SIMEST to SACE - were exceeded in 2016.

By 2020 the Plan will mobilize € 111 billion in resources to support the international development of Italian companies, 50% more than in the previous five-year period. This growth will be made possible by the integration and optimization of the hub's insurance-financial product range and by the development of more efficient access channels (strengthening of the commercial network and digitalization of the products best suited to SMEs).

The financial solidity of SACE is confirmed

Premiums. SACE support to exports and internationalization, regarding primarily medium/long-term transactions in countries with a medium-high risk profile, generated gross premiums of € 534.2 million, a 10% increase over previous year. The geographical areas where the premiums were concentrated were North Africa (31.6%), the emerging European countries and the CIS (19.6%), and the European Union (16.1%). The industries most active in generating the premiums were electrical (33.6%), chemical/petrochemical (18.9%), and infrastructure and construction (17.6%).

Claims. Claims of € 344.1 million were liquidated (+ 33%), referring primarily to insured transactions with counterparties in Germany (23%), Iran (19%), Russia (16%) and Ukraine (11%). The sectors most involved were Metallurgy (54%) and Shipbuilding (23%).

Recoveries. During the year, € 731.4 million in credits were recovered from sovereign counterparties, over 70% of them from Iran (€ 526.5 million) through an agreement reached in January 2016 with the Iranian Finance Ministry and the Central Bank of Iran; the remaining 30% from countries like Iraq, Egypt, Argentina, Ecuador, and Cuba, while € 23.1 million were recovered from private counterparties.

Equity situation. The **equity** of SACE equals € 4.5 billion (+ 6%), while the **technical reserves total** € 3.5 billion (+ 12%). The financial solidity of SACE was confirmed by Fitch with the assignment of an **A- rating**. **The solvency capital ratio reached 154%, 135% better than the previous year.**



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The operating companies turned in a positive performance

All the activities administered by the operating companies contributed to the reaching of the Business Plan objectives, with a sharp increase in resources mobilized and an overall improvement in profitability.

SIMEST. The activity in support of internationalization (low-interest loans and equity investments) and to export credit (grants to interest account) administered by SIMEST registered a net interest margin of € 45.4 million (-4.6%), an operating result of € 17.4 million, and net profit of € 11.3 million, € 4,2 million more than in 2015.

SACE FCT. The factoring activity of SACE FCT registered a net interest margin of € 25 million (+ 5%) and net profit of € 4.8 million.

SACE BT. The credit insurance, bonding and construction risk activities of SACE BT generated € 80.3 million in gross premiums (+ 4%), with a technical result of € 8.6 million (+ 27%). The loss ratio of 39% benefited from the highly positive technical performance of the credit area, which in the years of crisis had generated significant losses for all companies in the sector. Net earnings were € 2.9 million.

SACE SRV. The commercial information and credit recovery activities of SACE SRV generated revenues of € 9.3 million. The company enriched the product range of the hub with the foreign credit recovery service, providing companies with SACE's cumulative experience in over 190 countries.

Profitability better than Business Plan objectives

Net profit totaled € 303.5 million, down 25% from 2015 because of the lower result of the financial operation (in line with market performance) and a further increase in technical reserves (+ 12%). **ROE** was 6.7%.

Consolidated net profit, computed in accordance with IFRS-IAS principles, was € 481.9 million (+ 56%).



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