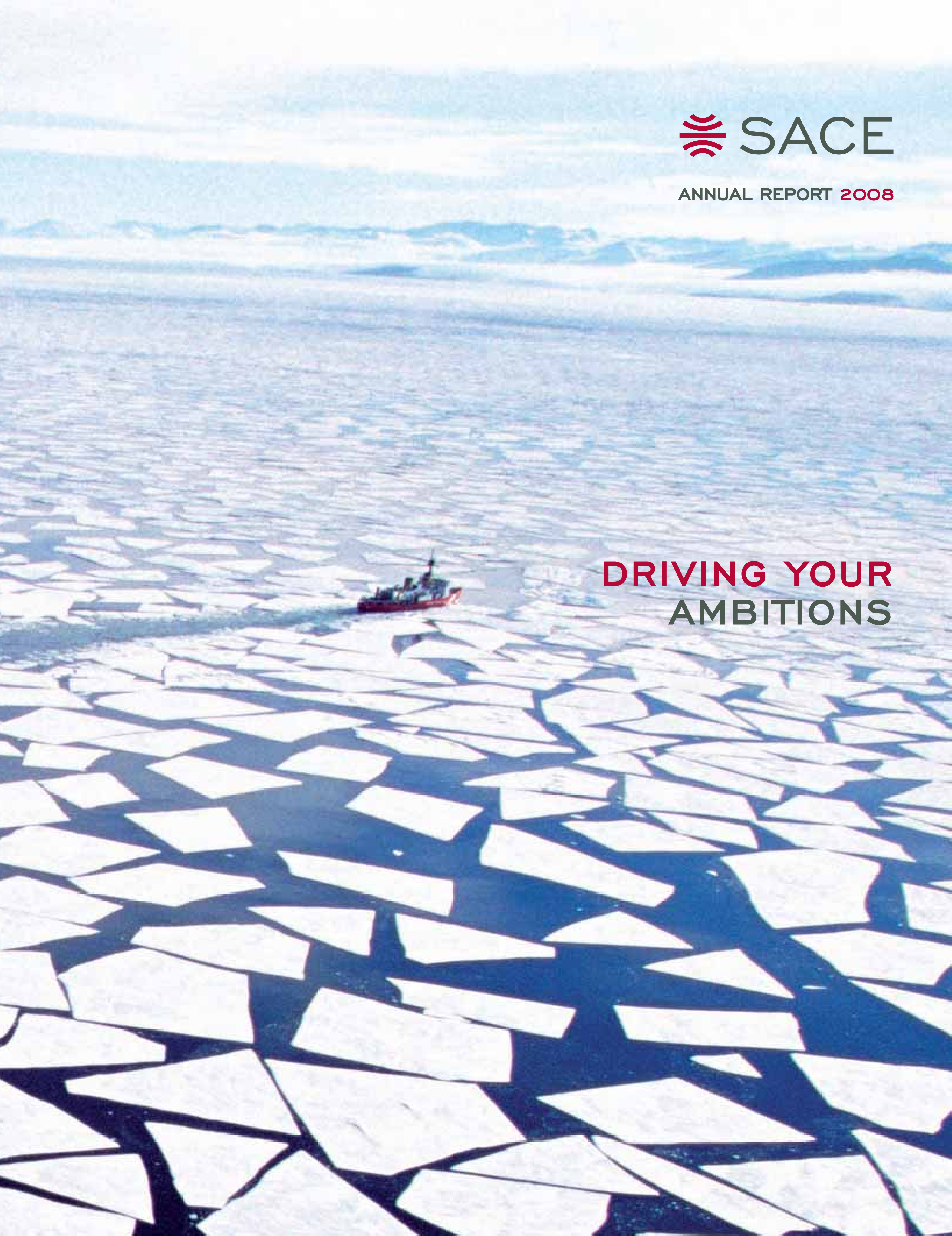


SACE

ANNUAL REPORT 2008

DRIVING YOUR AMBITIONS

Challenging the crisis means managing risk and recognising opportunities

With outstanding commitments for over €46 billion, SACE is a leading Italian credit management company that insures commercial and financial transactions in more than 150 countries worldwide. For over 30 years SACE has sustained the competitiveness of banks and businesses with a wide range of insurance and financial solutions, transforming risks into growth opportunities.

Highlights

€ millions

Insured business	27,554.2 +16.7%
Outstanding commitments	46,429.7 +25.3%
Gross written premiums	381.6 +22.4%
Profit after tax	348.9 -7.5%
Shareholder's equity	5,992.9 +3.8%
Rating (Moody's)	Aa2

| Milan | Turin | Venice-Mestre | Modena | Rome |

We support enterprises willing to go far

We offer insurance and financial solutions covering political and commercial risk in over 150 countries worldwide

OUR PRODUCTS AND SERVICES

We offer a range of products and services dedicated to banks and large, medium and small enterprises.

Export credit: we support exports, providing insurance cover for enterprises and banks.

Investment protection: we promote foreign investments, protecting them against political risk.

Financial guarantees: we facilitate access to credit by guaranteeing bank loans.

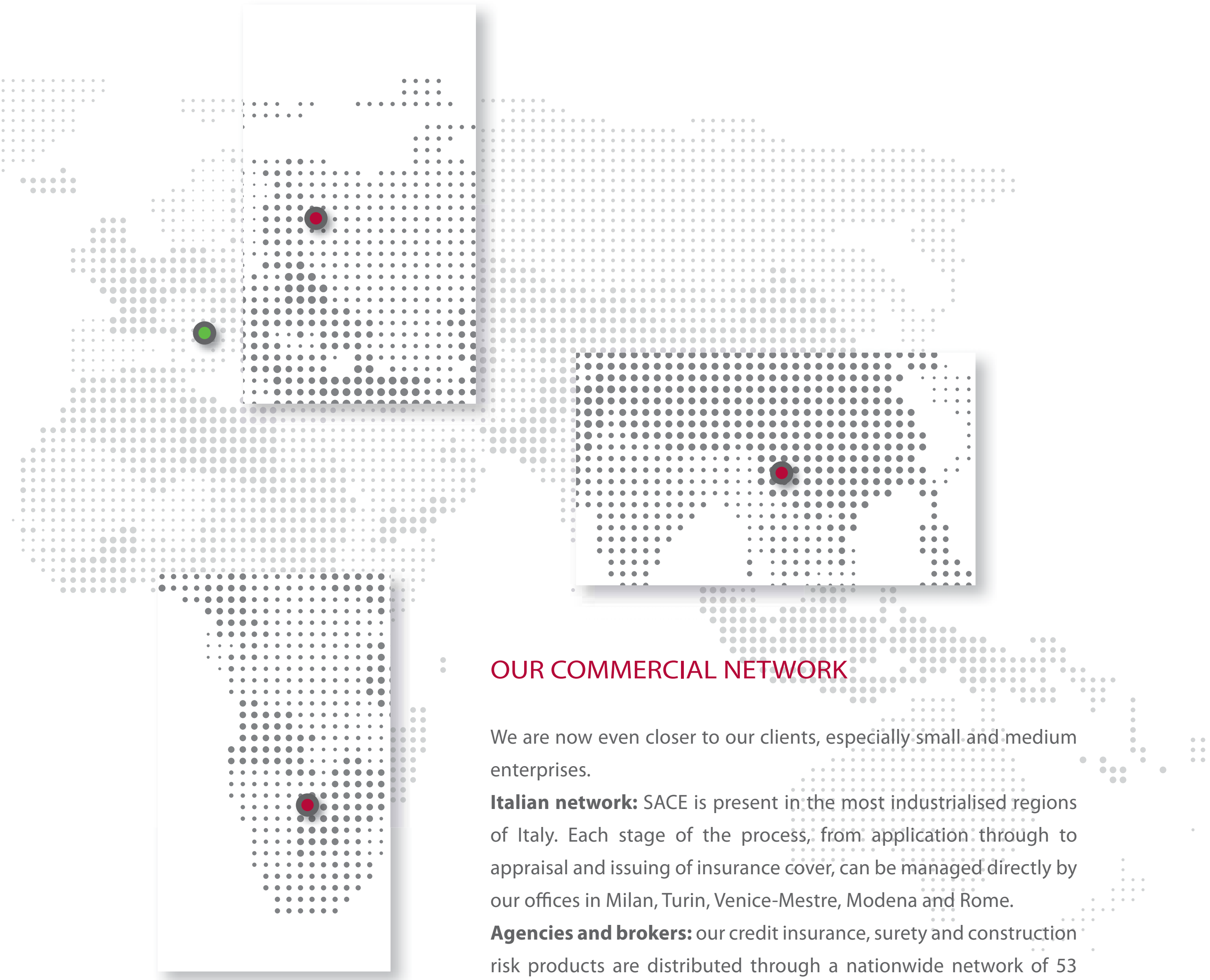
Project & Structured finance: we support major capital projects in Italy and abroad.

Credit insurance: we protect companies' business by insuring them against the risk of non-payment.

Surety: we boost companies' competitiveness and make their financial management more efficient.

Construction risk: we protect capital so that companies can meet their contractual or legal obligations.

| Moscow | Hong Kong | Sao Paulo | Johannesburg |



OUR COMMERCIAL NETWORK

We are now even closer to our clients, especially small and medium enterprises.

Italian network: SACE is present in the most industrialised regions of Italy. Each stage of the process, from application through to appraisal and issuing of insurance cover, can be managed directly by our offices in Milan, Turin, Venice-Mestre, Modena and Rome.

Agencies and brokers: our credit insurance, surety and construction risk products are distributed through a nationwide network of 53 agencies and 123 brokers.

Online channel: a wide range of services are available through our ExportPlus and SACEBTonline platforms, offering simplified procedures, lower costs and faster feedback.

Overseas offices: our offices in Sao Paulo, Moscow, Hong Kong and Johannesburg represent the world's emerging economies: Latin America, Eastern Europe, the Far East and Africa. Thanks to agreements with specialist operators we are also represented in the Balkans and Turkey.

South Sandwich Islands, Antarctica
Chinstrap penguins rest atop a blue iceberg near Candlemas Island

Maria Stenzel / National Geographic Image Collection

A new look for SACE: a restyled version of the original SACE logo represents and emphasises the global approach of our business.

CONTENTS

"Made in italy" will overcome the challenges ahead

Alessandro Castellano
CEO

2008 was a year of profound changes in the global economic and financial systems. At a time of great difficulty on the market, SACE recorded positive results and confirmed its role as a reliable partner for its customers.

Overall, SACE insured transactions for over €27 billion and increased its portfolio diversification with relation to outstanding risks. Gross written premiums increased by 22% to €382 million and net profit amounted €349 million.

Notwithstanding the sharp drop in international trade, exports continue to generate a significant share of Italy's gross revenues. For this very reason, export credit and the protection of investments abroad remain key elements of our corporate mission.

The expansion of our product range, including the financial guarantees, enabled us to sustain financial institutions and facilitate the access to credit for SMEs.

Credit insurance continues to be an effective tool for protecting against non-payment risk. During a year when our main competitors have cut back their insurance cover correlated to higher insolvencies, SACE increased its underwriting volume.

A new set of national laws have recently been introduced which will further enable us to assist companies in thawing their respective credit with public authorities.

We have also moved closer to our customers, transforming our Italian offices into branches, extending our international network – with the opening of new offices in Johannesburg and Sao Paulo – and introducing a new range of online products and services.

No one can predict the duration of the current crisis, nor the final implications on the world economy. However, thanks to the ability of Italian enterprises to capitalise on ideas, creativity and courageous actions, we remain confident that "made in Italy" will overcome the challenges ahead.

We will continue to offer our support, reviewing each client application with the utmost responsibility, as our success goes hand in hand with that of our policyholders. SACE has the financial resources, the technical know-how and the right product range to sustain the Italian economy in the face of the current global crisis.

We pledge to renew our commitment to all our stakeholders, driven by the professionalism and loyalty of our colleagues, who I wish to thank personally for enabling us to achieve our objectives in a particularly difficult year.

Arequipa, Peru
Terraced plots and dwellings adjoin on the outskirts of Arequipa

Bobby Haas / National Geographic Image Collection

THE MACROECONOMIC PICTURE

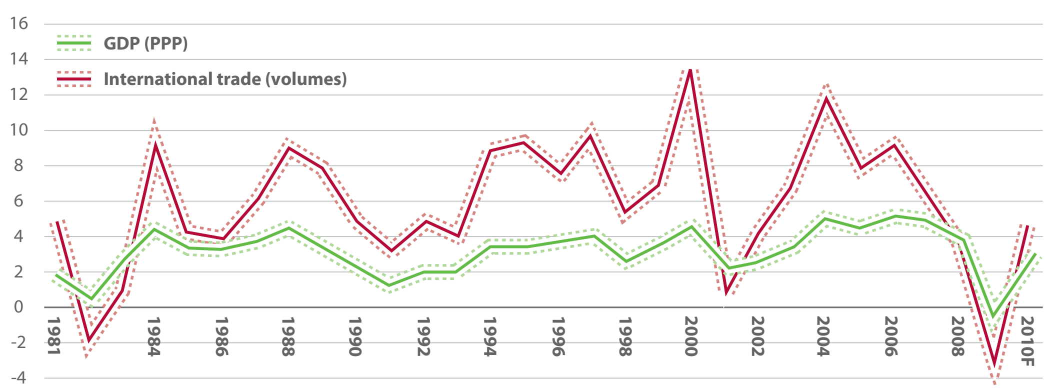
The world economy in 2008

There was a marked worsening of the international scenario and the effects of the financial crisis spread to the real economy

2008 was a year of sharp downturn in the world economy. Further intensification of the turmoil in financial markets led to a crisis that has also impacted industry. The growth trend of recent years stalled towards the end of the year and this led to a drastic downsizing of the economy. The International Monetary Fund (IMF) estimated that world GDP – in real terms and at Purchase Power

World growth and international trade

changes in GDP and international trade volumes (%)



Source: Oxford Economics

Parity – grew by an average of just over 3%. That is about two percentage points less than the rate for the 2006-2007 period.

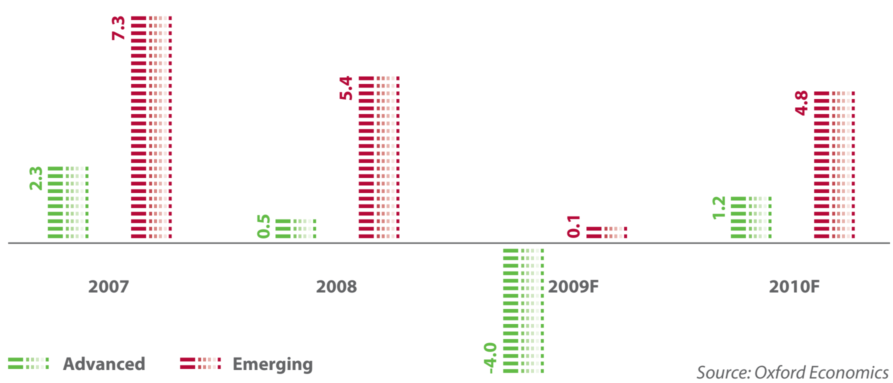
The recession hit the main advanced economies, including Italy, where GDP for 2008 fell by around 1% in real terms. Growth in the other G7 countries was positive, although economic performance slowed and expansion fell short of potential. Economic growth in the euro area was at its lowest level since the introduction of the single currency. The emerging countries were affected by the international downswing and were unable to offset the drop in demand by industrialised countries with an increase in domestic demand. The Chinese and Indian economies continued to grow steadily, but less rapidly than in the past. The Brazilian economy also saw a relatively high level of growth rate, whereas Eastern Europe and Russia were hit particularly hard by the credit crunch and the rapid flight of capital.

Lower demand by advanced countries meant fewer goods and services being sold in the global marketplace, which impacted negatively on international trade. Energy commodity prices and freight charges fell, after soaring to record levels in around mid-2008. The countries that rely most heavily on sales to foreign markets – such as Hong Kong, Singapore and Taiwan – suffered the consequences of this situation. The lack of liquidity in the markets led to a shortage of funds to finance import-export transactions. The trade finance sector was therefore also negatively affected by the crisis. Considering that credit is used for around 90% of all purchases of goods, increasing difficulties in the credit market meant some transactions had to be suspended or postponed, resulting in an increase in the relative costs for businesses.

The availability of fewer resources and increased risk aversion of investors were reflected in a slackening of inflows of private capital into the emerging economies, making countries with a balance of payment deficit more vulnerable. In 2008 net capital flows amounted to less than $500 billion, half as much as in 2007. In these economies, all capital inflow components were lower and net portfolio investment was negative at the end of the year. The emerging European markets witnessed the most significant decrease in foreign capital inflows.

Action taken by international institutions, such as the IMF, averted the risk of insolvency for countries

Advanced countries and emerging economies: changes in GDP in real terms (%)



Source: Oxford Economics

Gebel Adda, Egypt
Labourers carry sand from an archeological dig

Winfield Parks / National Geographic Image Collection

In Egypt with EDISON

Edison took part, through its subsidiary Edison International, in the international bid called by Egypt's state-owned oil corporation EGPC to operate the Abu Qir off-shore oil concession. By way of surety to guarantee honouring of the bid and signing of the contract, National Bank of Egypt counter-guaranteed a deposit letter of guarantee, to which SACE contributed by providing cover for $24.5 million. Edison is a leading company in the Italian energy sector.

with unsustainable foreign debt. However, the level of risk also rose in the main emerging markets, where governments were forced to inject liquidity into the banking system, drawing from international reserves accumulated in previous years.

Political risks also re-emerged in the wake of growing tension in the Middle-East, the dispute between Russia and Georgia and increased expropriation and nationalisation of companies in some oil-rich countries.

There was a general and perturbing worsening of operational risk, which could significantly affect attitudes towards foreign operators.

There may be a more evident tendency for governments to react to the crisis with protectionist measures, reflecting and adding to the difficulties of coordinating targeted counter-measures at international level.

In this context export credit insurance plays an increasingly crucial role. Conventional facilities can be used to support businesses in foreign markets, enabling them to grant extended terms of payment without assuming greater risks.

Support provided by the
International Monetary Fund

Countries	Value of loan (USD billions)	Tenor (months)
Belarus	2.5	15
El Salvador	0.8	15
Iceland	2.1	24
Latvia	2.4	27
Pakistan	7.6	23
Romania	17.5	24
Serbia	0.5	15
Ukraine	16.5	24
Hungary	15.7	17

Source: IMF

In Brazil with UNICREDIT and BNL

SACE guaranteed 25% of a $400 million loan, structured jointly by Unicredit and BNL acting as book runner and mandated lead arranger and underwritten by a syndicate of over 30 international banks, to the Brazilian bank Itaù BBA. The guarantee provided by SACE enabled the two Italian banks to increase the total amount of the loan, given the significant volume of business between Brazil and Italy mediated by Itaù BBA.

Italy's economic performance

The deterioration of the international picture was reflected in the Italian economy

Italy was not immune to the adverse effects of the negative economic cycle, and has been significantly weakened due to its structural fragility. Italian GDP contracted in the last three quarters of 2008.

A great many companies saw their accounts deteriorate as domestic demand declined and foreign sales plummeted.

All sectors of the manufacturing industry, including those covered by Italy's most global players, reported a weaker performance, with the exception of food and beverages, which are not cyclic.

Results for the capital goods sector were better, although these too started to worsen as customers reduced their investment plans.

There was a gradual slowdown in Italian exports in 2008, with a slight increase in value and reduction in export volumes at the end of the year.

The slowdown in growth was most pronounced in the EU-27 area (especially Spain and the UK), Eastern Asia, Sub-Saharan Africa and Latin America. Exports to North America suffered negative growth, falling by more than 5%.

However, the situation for Italian exports was not entirely negative. Some markets – such as those of the non-EU European countries – proved stronger and other markets even showed signs of an accelerated sales growth.

The latter was the case in North Africa where companies have been able to exploit a close network of commercial and other ties to meet increasing local demand.

In Asia with CARPENÈ MALVOLTI

SACE guaranteed a €1.2 million loan granted to Carpenè Malvolti, for investments to promote its brand abroad, particularly in Asia and Eastern Europe. Carpenè Malvolti is an SME based in Conegliano Veneto, Italy. It has always been dedicated to producing new wines and developing innovative techniques to make distillates and spumante wines.

The outlook for 2009

2009 will be a year of global recession; a slow and gradual recovery is expected in 2010

The global economy appeared extremely weak in the first months of 2009 and the outlook for the year is not particularly promising.

The turmoil that marked 2008 failed to subside in the first part of 2009, setting the economy on track for the worst recession since World War II. Rising unemployment driven by the economic downturn is also having other negative repercussions on economic growth. Contracting household consumption and investment by companies could trigger a downscaling of production, which would further depress international trade.

In such circumstances the fiscal measures introduced by governments, along with anti-cyclic monetary policies adopted by the central banks and support packages launched by the IMF and other international institutions such as the World Bank and WTO, are expected to improve access to trade finance.

The outlook for Italy continues to be bleak. The country is increasingly exposed to risks from global markets. There is a risk of certain weaker companies contaminating those with a more stable financial situation. The deterioration of the world economy will negatively impact exports.

SACE’s support may be decisive in allowing exporters to squeeze all they can from the lower world demand.

Siberia, Russia
A Nenets man works upon a wooden frame with an ax

Maria Stenzel / National Geographic Image Collection

In Russia with TECHINT

SACE guaranteed a $67 million loan granted to the leading Russian steel producer Magnitogorsk Metallurgical Kombinat (MMK). The amount covered will be used to finance the commercial agreement with Tenova, a company of Techint Group and world leader in the steelmaking and engineering sectors, for the supply of three walking beam furnaces for hot rolling. The transaction is part of MMK's broader investment plan whereby it aims to extend the group's production capacity, renew its production plants and move towards higher value-added products.

Mato Grosso State, Brazil
An aerial view of the Pantanal Region

Stephanie Maze / National Geographic Image Collection

Brazil has not been as affected by the global financial and economic crisis thanks to its recently-acquired stability. From a financial perspective, the country was substantially uncontaminated by "toxic assets", having implemented effective macroeconomic policies and a solid banking system. Brazil, having enjoyed a booming economy in recent years, achieved extremely fast growth, partly thanks to a series of excellent results in the hydrocarbons sector. By adopting a prudent approach during a period of expansion Brazil was able to improve its fiscal, economic and financial standing and gain credibility in international markets. This was borne out by it being awarded investment-grade status.

The crisis has definitely put the brakes on Brazil's economy, which is expected to slow in 2009. The global slowdown has led to a sharp fall in consumption, exports and investments. The effects of the crisis have been felt in various sectors, mainly those that export to advanced markets (especially to the US),

BRAZIL

INTEREST IN THIS COUNTRY REMAINS VERY HIGH

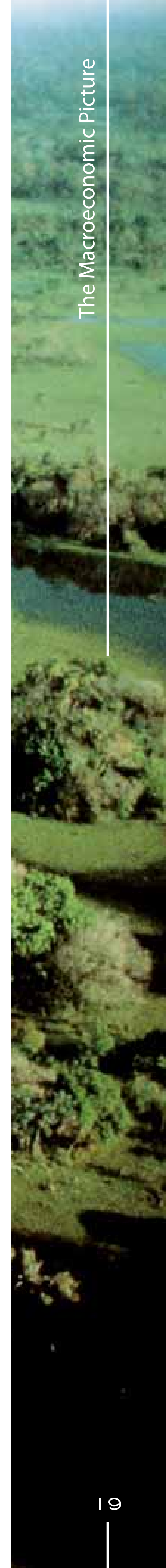
such as the agri-foodstuffs and automobile industries and among suppliers of the property market.

Recovery is expected towards the second half of 2010, as the government's counter-crisis measures, mainly directed towards stimulating consumption and public investment, start to take effect. Once the credit market recovers from the current contraction this should bring relief to a number of sectors that have been put to the test by the credit crunch.

Brazil remains one of the most attractive of the emerging markets in an otherwise gloomy world economy. The country has embarked on a complex set of projects to modernise its infrastructure, it has a rapidly expanding energy sector, driven in particular by the oil and gas industries, and the consumer goods sector will benefit from the government's stimulus package.

In Brazil with TIM

SACE issued a financial guarantee covering 80% of a $144 million loan granted to TIM Celular, the Brazilian subsidiary of the Telecom Italia Group and the country's third largest mobile phone operator in terms of customers. The transaction is part of a financing plan to purchase licences for third-generation radio frequency bands (UMTS technology) in Brazil.



Kgalagadi Transfrontier Park, South Africa
Adult male African lion, Panthera leo

Nicole Duplaix / National Geographic Image Collection

With the global economic and financial crisis and a flagging domestic economy, 2008 was a difficult year for South Africa.

Towards the end of the year the political climate worsened, eventually leading to the resignation of president Mbeki and the nomination of Motlanthe as caretaker president. This transitional period ended with the elections in April 2009, in which the ANC's official candidate, Jacob Zuma, won.

The combined effects of the difficult domestic and international situation caused GDP growth to slow to 3.4% in 2008, compared to an average of over 5% for the previous five years. Problems in connection with the high rate of inflation and shortage of energy supply in the first part of the year gave way to the negative repercussions of falling prices of raw materials and the effects of the drop in demand by advanced countries on South Africa's trade balance. Meanwhile, the uncertain political climate and a weak rand further undermined consumer confidence and increased the risk aversion of international investors.

SOUTH AFRICA

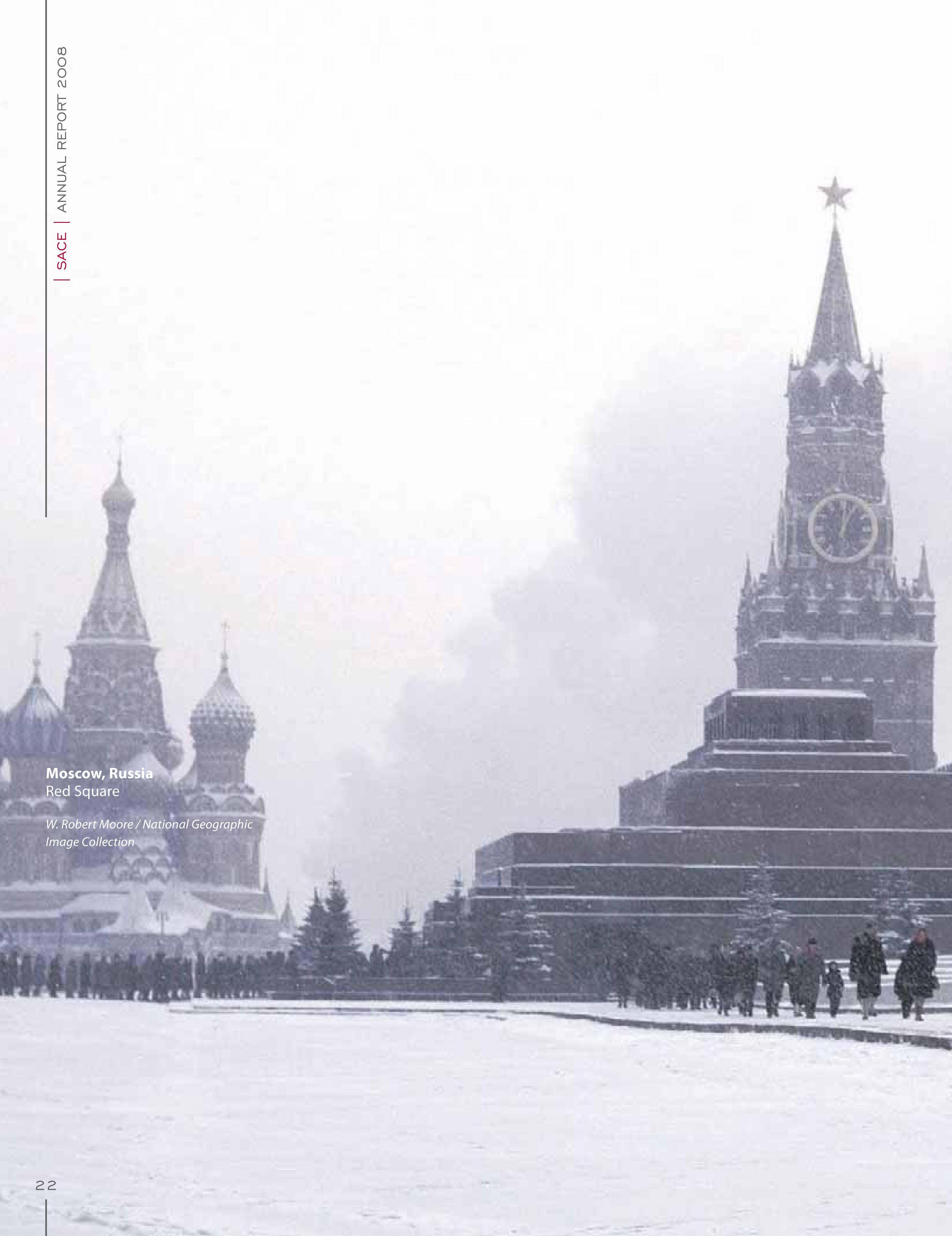
THE COUNTRY IS FIRMLY COMMITTED TO OVERCOMING THE CRISIS

The country has been affected by the international credit crunch; its banks have only limited exposure to "toxic assets" and the system is sound, well capitalised and profitable. South Africa is strongly committed to limiting the negative repercussions of the international crisis on its economy, which is expected to contract by 1.6% in 2009.

The government is set on implementing expansive policies which mainly focus on modernising the country's transport infrastructure and improving its domestic energy procurement strategies, following the crisis that hit that sector in 2008. The organisation of the 2010 World Cup will also stimulate the national economy, thanks to public investment and growth in the tourism and service sectors.

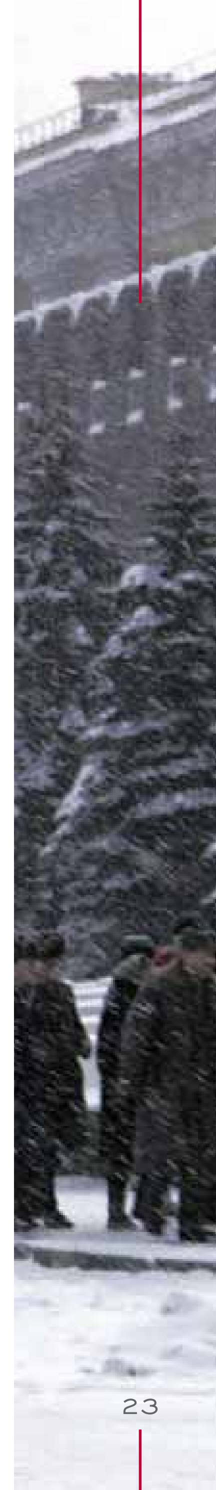
In South Africa with UNICREDIT GROUP

SACE guaranteed 80% of a €125 million loan granted by UniCredit MedioCredito Centrale to Standard Bank of South Africa, a major South African banking group that owns over 25% of the country's banking assets and is a strategic business partner for the Italian bank and for SACE in developing bilateral business relations.



Moscow, Russia
Red Square

W. Robert Moore / National Geographic Image Collection



The Russian economy was extremely dynamic up until mid-2008, mainly due to energy commodity prices in international markets and the inflow of foreign investments. In the second half of the year the country started to feel the effects of the crisis and the increase in political risk. The flight of capital from Russia quickened its pace for several reasons: growing government interference in the economy, the war in Georgia, the credit crunch and several investors having to sell their assets in Russia to cover losses in their portfolios. The latter two factors in particular had a negative impact on the rouble, which the central bank attempted to shore up by using a significant share of Russia's international reserves.

For Russia the first months of 2009 have been the worst since the crisis in 1998. The economy is stagnant, mainly due to negative trends in the industry. Industrial production unexpectedly contracted due to a fall in domestic demand for consumption and investments. The interbank market is practically frozen

RUSSIA

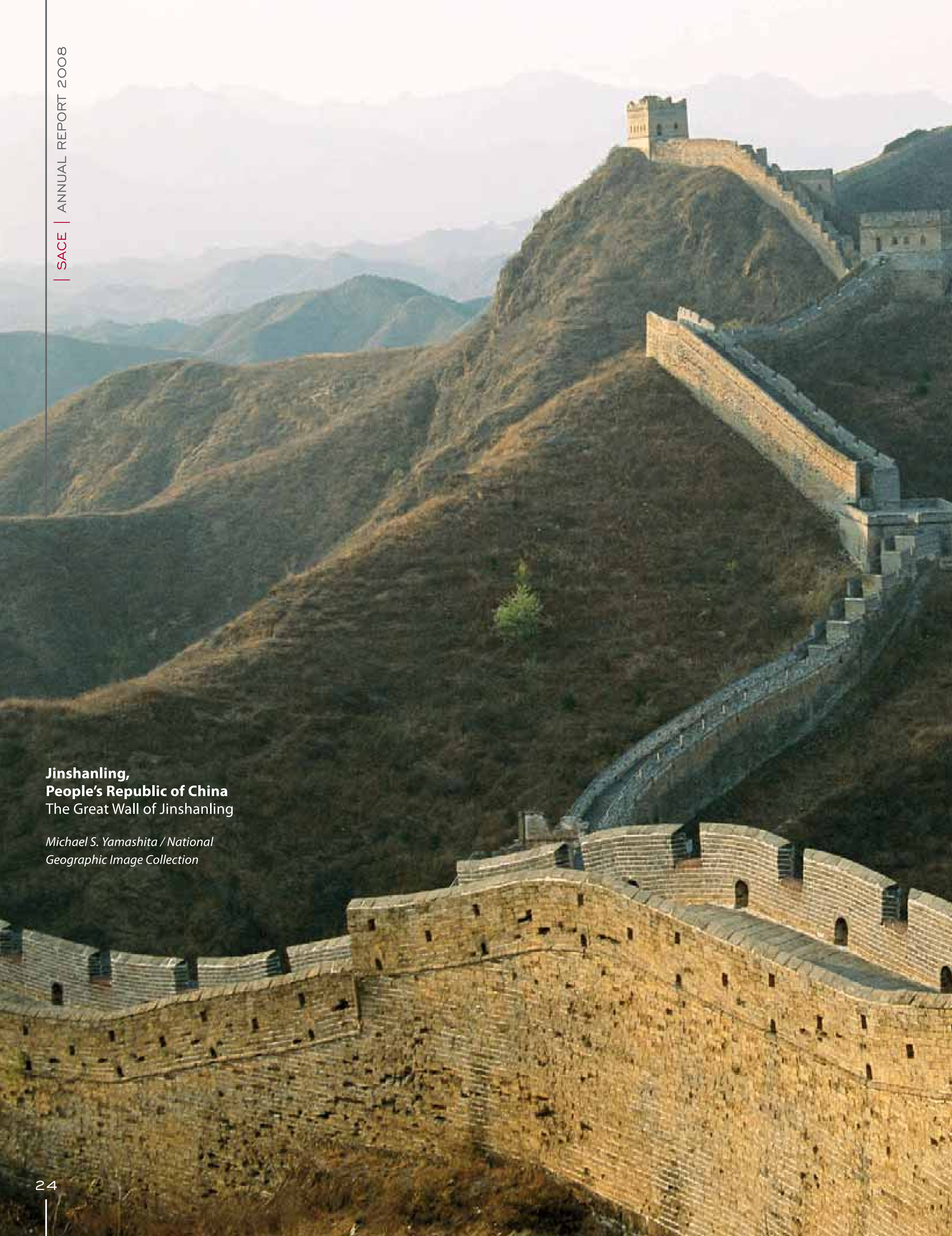
2009 WILL BE A DIFFICULT YEAR BUT THE COUNTRY OFFERS GOOD OPPORTUNITIES IN THE MEDIUM-LONG TERM

and since September the rouble has fallen by more than 50% against the dollar, providing a further barrier to credit access. Small and medium-sized banks are at risk, but not larger ones which receive state support and are also the vehicles through which more liquidity is injected into the economy.

2009 will be a difficult year for Russia. However, it will continue to offer opportunities for medium and long-term investments. The oil and gas sector is in need of large investments to finance exploration and extraction. Strategic enterprises, such as those in the defence and aviation sectors, will continue to receive substantial state backing. Steel manufacturers that have successfully implemented vertical integration strategies and have thus become more efficient will be able to withstand periods of low market prices. The transport and infrastructure sectors will benefit from investment schemes relating to the Winter Olympic Games in Sochi.

In Russia with COECLERICI

SACE insured the Coeclerici Group for €25 million against political risk in connection with an investment in Russia to purchase a company with coal mining concessions in the Kemerovo region. Coeclerici has been importing coal from Russia since the 1970s and is the first western company to purchase a coal mine in that country.



Jinshanling,
People's Republic of China
The Great Wall of Jinshanling

Michael S. Yamashita / National Geographic Image Collection

CHINA
THE COUNTRY WILL LEAD WORLDWIDE ECONOMIC RECOVERY

Although the financial crisis did not initially cause too much harm to the Chinese economy, towards the end of 2008 it was affected by the sharp slowdown in global demand, the country's main growth stimulus in recent years. The Chinese economy, historically export-led, is now shifting towards the domestic demand-led growth model. The government has promoted measures to support national production. These include the reintroduction of import duties to safeguard its strong current account surpluses and the reduction of taxes on exports.

The government allocated $600 billion (13% of China's GDP) to the development of a fiscal package aimed at developing the country's physical and social infrastructures (roads and motorways, education, health, financial facilities, pension scheme) and sustaining domestic demand. Other steps have been taken to promote industrial production and supply diversification.

The worsening effects of the credit crunch, felt even more harshly due to the drop in remittances, is the weakest aspect for all Far East economies. China's financing structure began to stabilise when the central bank introduced a set of stimulus measures, including cuts in interest rates and injections of liquidity, to stem capital flight and reverse the trend of dwindling reserves.

Economic fundamentals have improved over the last decade and Asian countries are now overall better equipped to withstand the current crisis. Despite the slowdown in economic performance, China continues to enjoy positive growth at a time of global recession. China accounts for a significant proportion of world GDP and is in a position to lead worldwide economic recovery in the future.

The Hong Kong Special Administrative Region of China, on the other hand, has an economic structure that makes it more susceptible to external shocks. The region's economy fell into recession in 2008, with a sharp drop in exports, consumption and investments. This is, however, a cyclic slowdown that does not depend on structural aspects. The prospects for recovery are linked to the strategies implemented by the government in Beijing, Hong Kong's main economic partner.

In China with CMD

SACE issued a financial guarantee covering 70% of a €1.4 million loan granted to CMD Costruzioni Motori Diesel, an Italian SME specialised in precision engineering. The loan, which falls within the scope of the company's international expansion, will be used to set up a production facility in China to manage a multi-year contract for machining of OEM components for F5 engines.

South Africa
A very large vineyard area to the east of Cape Town

Michael Fay / National Geographic Image Collection

PRODUCTS & SERVICES

Exports offer development opportunities that companies cannot afford to avoid

Companies insured against the risk of insolvency of foreign customers can offer competitive terms of payment and are better equipped to face the challenges of the international market

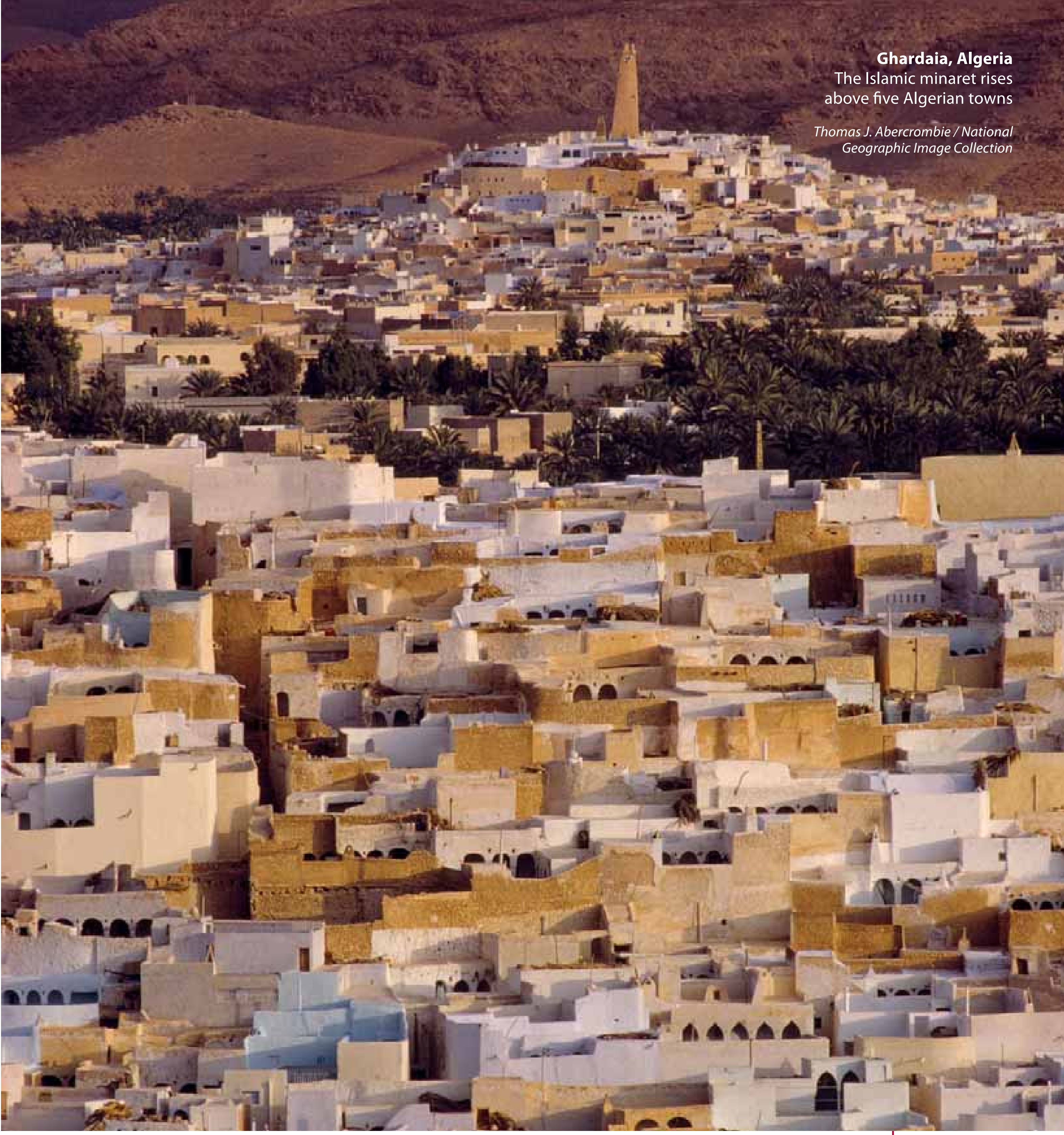
EXPORT CREDIT: FOR COMPANIES

SACE insures against the non-payment of medium and long-term loans due to political or commercial events, in connection with export contracts, supplies of services or implementation of projects or works abroad. With the cover provided by SACE, companies are assured of repayment and thus provided with greater cash flow stability.

The **Supplier Credit** policy insures single transactions with OECD countries with payment deferred for over 24 months and without any time limit for other countries. By transferring the benefits of the policy to the bank or other financial intermediary, the insured company can discount the underlying credit without recourse. Companies can also use the Supplier Credit policy to insure risks in connection with performance of contracts. These include the risk of cancellation, undue calling of guarantees, destruction, damage, requisition and confiscation of temporarily exported goods. The Supplier Credit policy is available for Italian companies (or their foreign subsidiaries or affiliates) that export goods, supply services or are engaged in research and projects abroad.

For transactions of up to €5 million with payment deferred for a maximum of 5 years, the risk of non-payment of credits can be insured directly online with the **Plus One** policy.

Designed to meet SMEs' needs, the **Basic** policy provides insurance cover for single transactions of up to €500 thousand with payment deferred for



Ghardaia, Algeria
The Islamic minaret rises above five Algerian towns

Thomas J. Abercrombie / National Geographic Image Collection

In Algeria with IMPRESA PIZZAROTTI & C.

With a total commitment for €65 million, SACE insured Impresa Pizzarotti & C., a leading Italian construction firm, against the risk of non-payment of credits in connection with a contract awarded by the Algerian Ministry of Transport through the public consortium Entreprise Metro d'Alger (EMA). The contract, with an initial value of €130 million, envisages the turnkey construction of the main section of the first tramline in Constantine, a city in north-east Algeria.

Rajasthan State, India
A woman wears her finery for a festival

John Scofield / National Geographic Image Collection

In India with FRESIA

SACE insured the supply of five aircraft towing trucks worth $1.9 million by Fresia to the National Aviation Company of India, which is 100% state-owned. Fresia has over 50 years of experience in research, development and production of a complete range of aircraft towing tractors and snow clearing equipment suitable for use in urban, mountain, motorway and airport environments. It serves the international market and its customers include some of the world's major airports.

a maximum of 36 months (and not less than 24 months for transactions with OECD markets). The Basic policy is also available online. There are no front-end fees and fewer administrative formalities during the life of the policy. This policy also envisages adjustments to the sale contract, within predefined limits.

The **Civil Works** policy insures construction and plant engineering firms involved in civil works or supplying turnkey projects against the risk of cancellation of the contract, non-payment due to political and/or commercial events occurring during the period of works, undue calling of guarantees, destruction, damage or confiscation of the exported goods. The insured amount is set by the enterprise on the basis of its independent assessment of project cash flow.

EXPORT CREDIT: FOR BANKS

SACE insures Italian and foreign banks that grant medium and long-term loans to finance purchases of goods or services sold by Italian enterprises or their foreign subsidiaries or affiliates, covering the risk of non-payment due to political and commercial events.

The **Buyer Credit** policy guarantees loans granted by banks to foreign borrowers to finance Italian exports or civil works executed abroad by Italian companies or their foreign subsidiaries. SACE covers the risk of the foreign borrower failing to repay the loan granted by the bank within the terms agreed upon.

SACE also guarantees loans to reimburse payments already made by the borrower or to refinance bridge loans. This instrument is used for transactions where the borrower is a government, bank or industry and may also guarantee limited and non-recourse structured or project finance transactions.

The **Documentary Credit Confirmation** policy insures Italian and foreign banks against the risk of non-reimbursement of documentary credits arising out of confirmations (whether open or silent confirmations or *'del credere'*) of letters of credit opened by a foreign bank established in a country other than that of the confirming bank, in relation to the supply of goods and services or civil works carried out by Italian concerns.

Banks can obtain cover for documentary credits in real-time through **Credoc Online**, by-passing the usual dossier opening stage and reducing the time and cost involved. Credoc Online is available for transactions with a repayment period of up to five years and a maximum amount of €5 million.

In Latin America with TECHNOGYM

In 2008 SACE insured various foreign supply contracts for Technogym, mainly to Latin America. Technogym is one of the world's leading fitness equipment manufacturers. Established in 1983, it has an international workforce numbering some 1,600 people. By virtue of its partnership with SACE, launched in 2004, Technogym is covered against the risk of non-payment and is thus able to offer its foreign customers more competitive terms of payment.

Foreign investments open up new horizons for the development of Italian industry

Protecting investments against political risk means safeguarding the company's future

INVESTMENT PROTECTION

SACE protects investments made by Italian enterprises and banks in markets where there are political problems or an uncertain legal framework.
The **Overseas Investment** policy protects Italian businesses investing abroad, either directly or through their subsidiaries, against political risk. This leaves them free to concentrate on the business risk and on developing their business.
The policy protects overseas investments against political risk when setting up an enterprise abroad or in case of acquisitions as part of joint venture schemes. For banks this cover has zero impact on their capital absorption and, by freeing up their credit lines, it leaves more room within their country limits.
The Overseas Investment policy allows enterprises to prevent, limit or offset capital losses abroad, and also losses or non-payment of amounts due to the policyholder in connection with the investment (such as dividends, profits, repayment of shareholders' loans), as a result of:

- war and civil unrest;
- currency restrictions;
- expropriation whether direct or indirect;
- cancellation of contracts with state-owned local counterparties.

For equity investments of less than €2.5 million, the Overseas Investment policy is also available online using the ExportPlus portal.

Prizren, Serbia
A hatmaker shapes a white-felt skullcap

James P. Blair / National Geographic Image Collection

In Serbia with INN FLEX

SACE insured Inn Flex against political risk in connection with its investment to finance the €4 million increase in share capital in the Serbian company Intercell. Inn Flex is an SME based in the Italian region of Friuli that manufactures paper and packaging. SACE also guaranteed a share of the loan granted to Inn Flex in connection with the share capital increase. The Serbian investment is part of Inn Flex's development strategy in the Balkans, where it aims to become the leading supplier of products to cement works.

Access to credit becomes even more vital in the current economic scenario

Financial guarantees allow banks to reduce the risk of non-payment of loans and enable enterprises to diversify their sources of access to credit

SACE guarantees loans by banks or bond issues in support of exports and international expansion undertaken by Italian enterprises or relating to transactions of strategic interest for the Italian economy.

FINANCIAL GUARANTEES TO COVER WORKING CAPITAL AND INVESTMENTS

The **Working Capital** guarantee covers non-payment of loans granted by banks to Italian enterprises or their foreign subsidiaries or associates for the preparation of supplies to be exported or used in the execution of civil works abroad. SACE issues the guarantee at market conditions for a maximum of 80% of the loan. The portion of loan that is guaranteed does not affect credit lines with the bank.

The **Investment** guarantee covers loans granted by banks to Italian enterprises or their foreign subsidiaries or associates to finance foreign investments. The guarantee is issued at market conditions for a maximum of 80% of the loan. It is dedicated to Italian enterprises and their foreign subsidiaries and associates that intend to carry out investments abroad (joint ventures, mergers and acquisitions, increases of capital in foreign enterprises or setting up of production facilities).

Financial guarantees to cover working capital and investments are also available for Italian and foreign concerns involved in projects to

Brazil
Aerial view over the Iguacu Falls, world's largest waterfalls and the largest tourist attraction in the Atlantic Forest ecosystem, Brazil and Argentina border

Mark Moffett / National Geographic Image Collection

In Brazil with PETROBRAS

SACE issued a guarantee for some €90 million to cover 50% of the loan granted to Petrobras, a Brazilian firm specialised in the extraction, processing and transportation of oil in Brazil and abroad. Part of the loan will be used to build one of the biggest semi-submerged platforms in the world. This will enable Petrobras, a strategic client for some of Italy's leading industrial groups, to achieve a 20% increase in its total crude oil production by 2010.

Hortobagy Plain, Hungary
A shepherd wears a coat known as a suba

Cary Wolinsky / National Geographic Image Collection

In Eastern Europe with KME

SACE issued a financial guarantee covering 70% of a €103 million loan granted to KME Group, the leading Italian manufacturer of semi-finished copper and copper alloy products. The loan will sustain KME's international expansion which envisages investments and acquisitions abroad, mainly in Eastern Europe. The transaction won the Trade Finance "Deal of the Year" award.

In South America with ATLANTIA

SACE issued a financial guarantee for €240 million covering fulfilment of part of Atlantia's payment obligations pursuant to the acquisition of motorway operators in Chile, Brazil and Portugal owned by the Spanish company Itinere. The transaction envisaged the launching of a public offer by the Citi Infrastructure Partners fund to purchase Itinere, and subsequent sale of these assets to Atlantia Group. Atlantia, the parent company of Autostrade per l'Italia, operates Europe's biggest motorway network (3,400 km) and the newly-acquired concessions in South America will strengthen its position in the international marketplace.

develop renewable energy sources and strategic infrastructure in Italy.

FINANCIAL GUARANTEE FOR SMEs

SACE offers financial guarantees targeted at SMEs which wish to expand their business abroad, through guaranteeing loans granted by approved banks to finance development projects related to their international growth.

The guarantee, issued at market conditions for up to 70% of the loan, is available for Italian companies with a turnover of up to €250 million investing abroad, either directly (joint ventures, mergers and acquisitions, partnerships) or indirectly, or involved in research and development and for investments to renew and upgrade plant and machinery, protect brands and patents, attend international trade fairs and for promotional activities. The financial guarantee for SMEs means firms need not use their credit lines, while enabling banks to cover the risk of non-payment of loans issued for the amount covered by SACE.

In 2008 SACE entered into such agreements with some leading Italian banks and lending institutions.

FINANCIAL GUARANTEE FOR FINANCIAL INSTITUTIONS

SACE insures loans granted to the foreign subsidiaries of Italian banks or to foreign financial institution as part of the process of international expansion by the Italian banking system.

As Italian banks are faced with the shortage of international liquidity and increased financial needs in order to back the activities of their foreign subsidiaries, the insurance cover provided by SACE can be a useful aid for consolidating the Italian banking system in foreign markets.

The guarantee covers up to a maximum of 80% of the loan and aims to strengthen commercial relations with foreign banks that finance imports from Italy or direct investments by Italian enterprises in countries where Italian banks are not directly present.

Financial institutions that have entered into agreements with SACE as part of its financial guarantee for SMEs business

Banca Friuladria	Banca Sella	ICCREA Banca
Banca Monte dei Paschi di Siena	Banco Popolare	Intesa Sanpaolo
Banca Monteparma	BCC Cambiano	UBI Banca
Banca Popolare dell'Emilia Romagna	Deutsche Bank	UniCredit Group
Banca Popolare di Sondrio	Eurofidi	Unionfidi

Manitoba, Canada
Polar Bear (Ursus maritimus)
male resting on ice
in the Churchill region

Matthias Breiter / National Geographic Image Collection

In Canada with OPAC MARE

SACE guaranteed a €1.3 million loan to Opac Mare, to finance the opening of a new manufacturing plant in Canada and renovation of its Italian production facility, as part of the company's international growth. Opac Mare, an SME based in Turin, Italy, is one of the world's leading manufacturers of yacht and superyacht accessories and components, a key sector of the Italian economy.

Project finance is a facility that is essential for innovation

SACE supports major international project finance transactions and investment projects in Italy in connection with strategic infrastructure and renewable energy

PROJECT & STRUCTURED FINANCE

SACE has long-standing experience in multi-sourced projects and structured finance involving other ECAs, commercial banks and international and local financial institutions. Since the mid-1990s SACE has built up a significant track record of transactions completed for capital projects in a range of sectors, such as oil and gas, petrochemicals, fertilisers, power, metallurgy and telecommunications.

SACE guarantees loans without recourse or with limited recourse to the promoters of investment projects, whose commitment is generally limited to their portion of the equity that is one of the sources of finance for the investment project and to other possible forms of support, e.g. completion guarantees, stand-by equity, subordinated debt, technical and operational assistance and marketing support. The scope of project finance is therefore limited to those projects that are self-sustainable, i.e. able to

In Qatar for Italian enterprises

As part of a project aimed at strengthening commercial relations with foreign entities of particular strategic interest for Italian industries, SACE guaranteed $300 million under the Ras Laffan C project in Qatar, which envisages the construction of a combined cycle power plant and a seawater desalination plant. The main sponsors of the project were Qatar Petroleum and Qatar Electricity & Water Company. In recent years these companies have generated business flows in excess of $10 billion with a number of Italian enterprises, including Nuovo Pignone, Technip Italy, Fisia, Enelpower and Saipem-Snamprogetti.

Gdansk, Poland
Hanseatic architecture in Gdansk

Priit Vesilind / National Geographic Image Collection

In Poland with TECHNIP ITALY

With a commitment of $425 million, SACE guaranteed the loan granted to Grupa Lotos, Poland's second biggest petrol company, for its refinery expansion project. The amount guaranteed by SACE will be used to finance part of the commercial contract with Technip Italy, a leading Italian engineering and construction firm in the oil and gas sector. The project will enable Grupa Lotos to increase its production capacity from 6 to 10 million tons per year and spur its product mix.

generate cash flow sufficient to repay the loan and provide adequate remuneration of the shareholders.

Project and structured finance transactions are dealt with by a dedicated team of professionals with skills from various industrial sectors, who are involved in the project from the early stages of structuring the financing in order to accelerate the due diligence and negotiation process by providing efficient and timely support to the various parties involved.

STRATEGIC INFRASTRUCTURE AND RENEWABLE ENERGY

Under the 2007 Finance Act, SACE has expanded its activities and is now also able to support project finance transactions in connection with projects implemented in Italy in sectors of strategic importance for the Italian economy, such as infrastructure and renewable energy sources, such as wind and photovoltaic solar power.

The cover provided by SACE enables enterprises to procure the necessary resources to develop projects in each stage of the renewable energy chain: from research and development to the production of raw materials and machinery and building of power production plants.

As regards infrastructure of strategic importance for Italy, SACE covers loans for the following activities:

- implementation of domestic infrastructure to promote the diversification of energy sources, e.g. gas and oil pipelines, regasification plants and power transmission lines;
- development of telecommunications networks and bridging of the digital divide in Italy;
- development of domestic transport infrastructure aimed at improving the efficiency and competitiveness of the national transport system (motorway and railway networks, ports and airports), especially those linked to trans-European transport networks and motorways leading to coastal regions.

For strategic infrastructure with TRM

SACE issued a €130 million financial guarantee covering 60% of the loan granted by BNP Paribas to TRM, a state-owned enterprise that designs, produces and manages waste recovery, processing and disposal plants in the province of Turin. The project, worth €500 million, envisages the construction of a waste incineration facility and power generation plant with a production capacity of 56.4 MW to supply electricity to areas in the south of the province of Turin.

Switzerland
The Glacier Express crosses a bridge

Taylor S. Kennedy / National Geographic Image Collection

For strategic infrastructure with CENTOSTAZIONI

SACE issued a financial guarantee in favour of BNL to cover 50% of the loan to Centostazioni, which is part of the Ferrovie dello Stato Group, to finance a series of projects to develop, improve and manage railway stations throughout the whole of Italy. These activities are part of a broader scheme to develop a new concept of railway station, that is more modern and functional, but which also involves restoration work to preserve some buildings of historical interest.

SACE for photovoltaic solar power

SACE issued a financial guarantee for €16 million of principal to cover a portion of the loan granted by Société Générale to implement a project to develop a photovoltaic power park in Apulia, Italy, promoted by Deutsche Bank through its London office. The park, situated in the municipal districts of Mesagne and Brindisi, will consist of eight photovoltaic power plants with a rated output of 1 MW each.

Copenaghen, Danimarca
Like giant pinwheels, turbines spin at the Middelgrunden Wind Park

Sarah Leen / National Geographic Image Collection

SACE for wind power

SACE issued a financial guarantee to cover 70% of the loan granted to Falck Renewables for the development of a 52 MW wind power plant in Minervino Murge, in the province of Bari, Italy. Falck Renewables is working with local partners on wind power projects in the UK, Italy, Spain, France, Poland, Turkey and India.

Non-payment can undermine a company's financial stability

Credit insurance helps companies manage their commercial credits and protects them against unsustainable risks

CREDIT INSURANCE

SACE insures companies against the risk of insolvency in connection with commercial transactions with payment deferred for up to 12 months and has developed a range of products and services to satisfy the requirements of small, medium and large enterprises.

The **Whole Turnover** policy is a flexible tool designed to satisfy the needs of Italian companies wishing to insure their entire turnover with Italian and foreign buyers, or uniform segments of that turnover, with payment deferred for a maximum of 12 months. The policy provides combined cover against both political and commercial risk or commercial risk alone. This policy provides inclusive cover and includes the principle of limited inclusivity for each risk category, within which the buyers may not be selected. SACE also provides solutions that have been specially designed for large industrial groups wishing to insure the turnover of all their group companies under special terms and conditions, in order to meet the needs of the individual company as well as those of the group.

The **Multiexport Online** policy is for companies that carry out repeated transactions with one or more foreign customers. It enables them to insure exports of goods and services with payment deferred for a maximum of 12 months, against commercial and/or political risk. This policy can be taken out simply by filling in an online application form.

Insured companies receive support in the process of assessment and management of commercial credits and can benefit from the availability of prior assessment of customers' solvency and credit recovery.


Hong Kong
Preparations for the Dragon Dance during Chinese New Year

Justin Guariglia / National Geographic Image Collection

In Hong Kong with Assicurazioni Generali

SACE BT entered the Asian market through an agreement with the Hong Kong branch of Assicurazioni Generali with a view to developing short-term credit insurance in Asia. Under the agreement, SACE BT will supply technical assistance to Assicurazioni Generali in connection with the structuring and sale of credit insurance products. After the initial phase of development in the Hong Kong market, the business will gradually be extended to other Far-Eastern countries.

GROWTH IN INTERNATIONAL MARKETS DEPENDS ON THE EFFICIENCY OF FINANCIAL MANAGEMENT

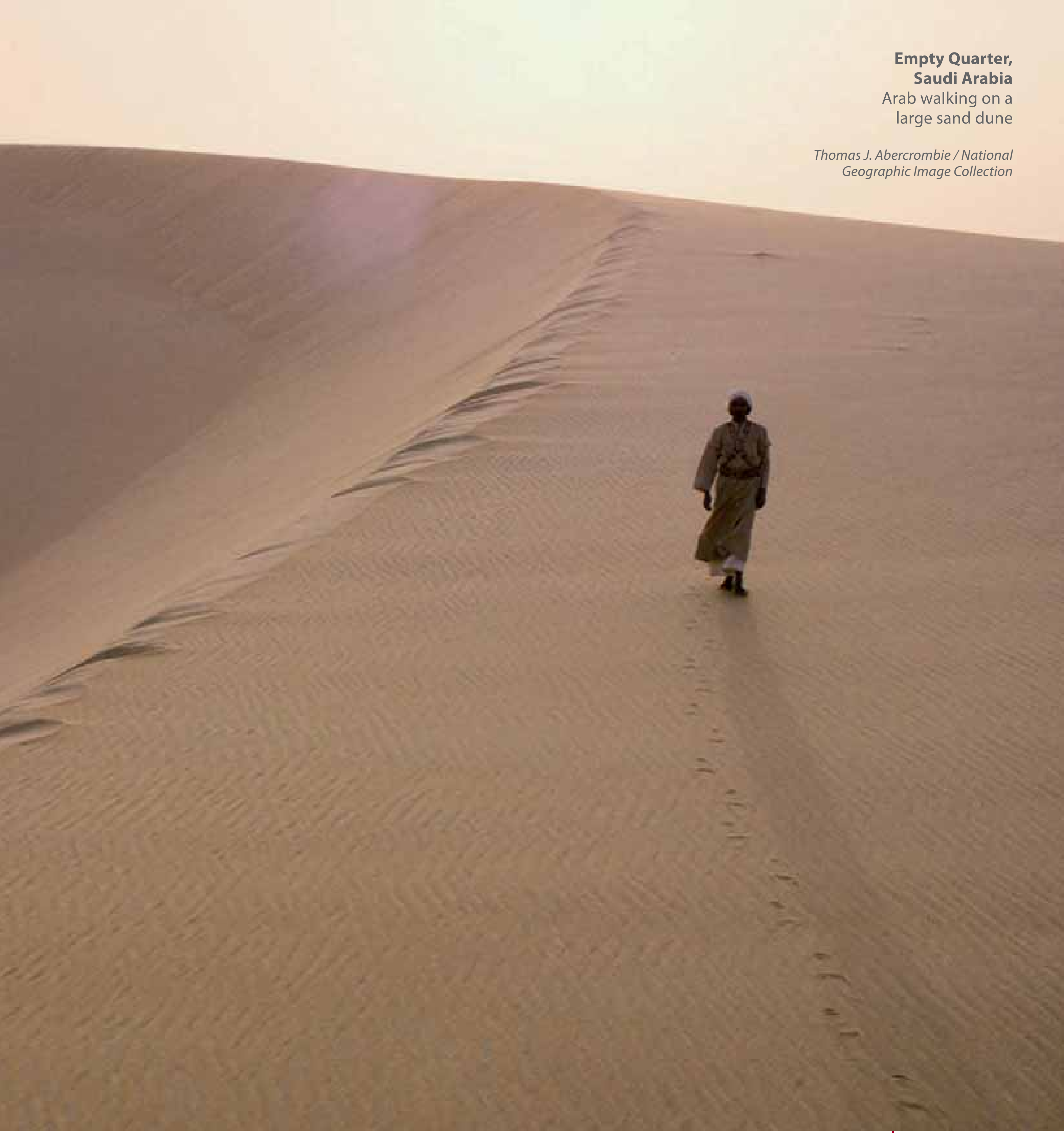
Surety and construction risk insurance enables enterprises to avoid freezing funds and ensure compliance with contractual or legal obligations

SURETY BONDS

Surety bonds are required by law for all obligations under contracts with the government and public authorities. They are also an increasingly common feature of contracts between private enterprises, as a means of safeguarding the company's assets. SACE offers an extensive range of guarantees covering contractual and legal obligations, for transactions in Italy and abroad. Surety bonds enable enterprises to avoid freezing their assets or using up their credit facilities, so that these can be used for the company's ordinary financial requirements.

Contract Bonds enable enterprises to bid for civil works, supply, service and maintenance contracts, by guaranteeing to the principal the winning contractor's undertaking to enter into the contract and perform all its obligations under the contract in Italy and abroad. The range of Contract Bonds includes:

- bid bonds, which guarantee the promise of the contractor to enter into the relative contract, in Italy or abroad;
- performance bonds, which guarantee the performance of all contractual obligations undertaken in Italy or abroad by the contractor upon signing the contract;
- advance payment bonds, which guarantee the recovery of advance sums paid by the principal, i.e. the use of funds to perform the contract abroad;



Empty Quarter, Saudi Arabia
Arab walking on a large sand dune

Thomas J. Abercrombie / National Geographic Image Collection

In Saudi Arabia with TSC

SACE insured 70% of the sureties issued by Banca Agricola Mantovana, as counter-guarantee for an advance payment bond and performance bond issued by Saudi British Bank in Saudi Arabia. The sureties guarantee the advance payment made by the Saudi principal and performance of contractual obligations by Technology & Service for Ceramic Industry (TSC) in connection with the contract for the supply of ceramic machining equipment, worth some €1.6 million.

Limpopo Province, South Africa
Women carrying bags of oranges pass oranges groves

Kip Ross / National Geographic Image Collection

In South Africa with CMC RAVENNA

SACE issued an advance payment bond in favour of Cooperativa Muratori & Cementisti (CMC), a leading construction company based in Ravenna, Italy, to guarantee the advance payment under an agreement with Eskom Holdings, South Africa's biggest power producer. The €600 million contract envisages the construction of an underground power plant and two tunnels that will convey the water to generate electricity. The transaction is part of a scheme approved by Eskom and the South African Government to boost investment in the electricity sector to tackle the country's energy crisis.

- retention money, which guarantees the quality and correct functioning of the works following delivery, in order to obtain advance payments on the basis of the progress of works under contracts abroad;
- guarantees to cover urbanisation charges, which guarantee fulfilment of obligations of performance (direct execution of works) or obligations to give.

Legal Bonds cover the fulfilment of obligations undertaken with the public authorities. These include:

- VAT refund payment bonds, necessary for enterprises that apply for tax receivables to be refunded in advance by the tax authorities;
- deferred tax payment bonds, which cover tax payments in connection with the foreign contract;
- guarantees for customs duties, including custom bonds, essential for enterprises that have frequent dealings with customs and those with bonded warehouses and storage facilities. They guarantee temporary imports, customs warehousing and periodic and/or deferred payments in case of continuous customs activities.

Guarantees covering the contractual or legal obligations of Italian enterprises or their subsidiaries in connection with the supply of goods and services and the supply of works abroad are issued directly by SACE or through accredited insurance companies (reinsurance) or foreign banks (counter-guarantees).

CONSTRUCTION RISK

SACE insures risks associated with the construction of plant and civil works. This enables construction companies to take part in tenders in compliance with current legislation, whether in Italy or abroad.

The **CAR** (Construction All risks) policy, for enterprises in the construction industry, insures the company against material and direct damage to the works during construction or to pre-existing structures, including damage caused involuntarily to third parties (death or injury). The policy also covers construction risks for works completed or in progress abroad, under Italian law or, pursuant to fronting agreements, in accordance with local law.

The **Decennial Liability** policy covers all direct material loss due to collapse, falling or serious structural defects in the building for ten years after the completion of the building work, including damage to third parties due to the structural defect. The policy is suitable for public and private works contracts.

The **EAR** (Erection All Risks) policy insures against all risks arising from the construction and installation of machinery, plant and steel structures. Cover also includes inspections, tests and post-delivery damage during the guarantee or maintenance periods.

Online services

Simplified procedures, lower costs and faster feedback

SACE offers enterprises and banks an increasingly wide range of online insurance and financial products and services. These have the advantage of simplified application and administrative procedures, lower costs and faster feedback than traditional channels.

Customers can now use the **ExportPlus** platform to apply online for the Basic, Plus One, Credoc Online and Overseas Investment policies and financial guarantees for SMEs.

The new online Preliminary Credit Assessment service provides an indication as to the insurability of a transaction against political and commercial risk and the creditworthiness of foreign buyers. It also provides an estimated quote for the premium. There are two types of assessment:

- Preliminary Credit Assessment – Banks, which offers insurance feasibility assessments where the borrower or guarantor is one of the 3000 banks monitored by SACE;
- Preliminary Credit Assessment – Corporate, which offers insurance feasibility assessments for foreign corporations so that exporters are able to agree deferred payments with greater confidence.

The **SACEBTonline** platform enables enterprises to open the dossier stage simply and quickly when applying for a Multiexport Online policy to be issued. It can also be used to manage all stages of the Whole Turnover policy – to display information, submit new applications, increase or cancel ceilings.

New Mexico, United States of America
Snow Geese (Chen caerulescens) fly in a flock along the Rio Grande

Ralph Lee Hopkins / National Geographic Image Collection

One billion dollars for the ATR Programme

SACE guaranteed the loans granted to international aviation firms to purchase over 150 aircraft manufactured by the Franco-Italian company ATR for a total insured amount of some $1 billion. ATR is a leading international manufacturer of 50 and 70-seater turboprops and is a joint venture between Alenia Aeronautica and EADS.

TRAINING AND ADVISORY SERVICES

Over 30 years of experience at the service of enterprises, financial institutions and universities

The SACE Training & Advisory structure offers training courses and advisory services, making its technical, financial and legal skills – acquired in over 30 years of activity – available to industry, banks and universities.

TRAINING

Training courses are developed with the support of the Economics Department, the company's economic analysis and research centre, and targeted at companies, banks, legal firms and accountants, industrial and commercial associations.
The main areas of training are analysis of international markets, assessment of credit risk in all its components, international legal and regulatory issues and the study of insurance and financial instruments to which enterprises may have recourse in their international. SACE also organises workshops for staff training and works with the main Italian universities in second-level master's degree courses.
Technical assistance is also available for emerging countries' ECAs.
In 2008 SACE Training & Advisory provided technical assistance to ECAs in Serbia (SMECA), Croatia (HBOR), Romania (Eximbank Romania) and Iran (Export Guarantee Fund of Iran).
It also organised international workshops and seminars at the Politecnico and Università Cattolica del Sacro Cuore in Milan and the Università Tor Vergata in Rome.

ADVISORY

SACE provides advisory services to Italian enterprises and their foreign subsidiaries to help them identify growth opportunities in the international markets, also supporting them in negotiations.
The Advisory service assists companies with their choice of investment and with commercial and financial transactions with foreign counterparties. SACE promotes the development of new undertakings and investment opportunities in emerging countries with high growth potential and at the same time a high level of risk, by offering enterprises the opportunity to use special programmes such as the Africa and Balkans Programmes.

SPECIAL PROGRAMMES

When issuing guarantees to low-income countries, SACE pays special attention to their delicate economic situation and indebtedness and acts in full compliance with the limits on sovereign debt imposed by the IMF and within the framework of sustainable lending negotiated within the OECD and other international forums.

Through its **Africa Programme** SACE has extended its operations in the Sub-Saharan region to enable enterprises and banks to invest safely in a growth area which is, nonetheless, subject to high risk. After decades of political and economic instability, in recent years Sub-Saharan Africa is witnessing a period of democratic consolidation, relative stability and economic growth. The aim of the Africa Programme is to adopt a more open attitude in order to keep pace with the social, political and economic progress made by individual countries, where they are able to take on foreign debt without causing excessive imbalances or macro-economic problems. Since the Programme was launched guarantees totalling €741 million have been issued in connection with transactions concerning the countries of Sub-Saharan Africa.
Through its **Balkans Programme** SACE has boosted its operations in a strategic area for Italian interests, in terms of both trade and direct investment. The aim of the programme is to further spur the participation of Italian enterprises and banks and their subsidiaries in the economic development of Balkan countries, by mitigating the risks arising from political instability and non-payment. The Programme includes a €300 million facility for transactions in the region.

In the world with MODIANO

SACE guaranteed a loan granted to Modiano Carte da gioco, an Italian SME specialised in the production of playing cards, products for use in schools and offices and gift items. The loan will be used to further Modiano's international growth, by financing investments in its sales network and supporting its participation at international trade fairs.

Outside Addis Ababa, Ethiopia
Cultivated fields

Bobby Haas / National Geographic Image Collection

STRATEGY & RESULTS

Management report

STRATEGY

Against the background of a deepening global financial crisis, the Board of Directors confirmed SACE's role in supporting the Italian economy, paying particular attention to the needs of small and medium-sized enterprises.

The guidelines governing business managed with State guarantee place the focus on the company's activities to support exports and investments abroad and to sustain the international growth of banks and businesses and transactions of strategic interest for Italy.

By gradually extending the scope of its business, SACE aims to offer a complete range of services to industries and banks while also ensuring greater profit stability and diversification of its risk portfolio.

SACE increased the number of its Italian offices, to offer companies (especially small and medium enterprises) faster and more efficient services. The offices in Milan, Modena and Venice-Mestre have been upgraded to branches with full legal and operational autonomy.

The foreign network was extended and new offices opened in Johannesburg and Sao Paulo, in addition to those in Moscow and Hong Kong.

For business undertaken without State guarantee (credit insurance, surety and construction risk), the industrial plan envisaged:

- completion of the offering of products and services, by entering markets contiguous to credit insurance, such as factoring;
- adoption of measures aimed at limiting claims and improving the technical balance;
- focussing on the domestic market and consolidation of the existing network of agencies and brokers.

A number of special activities were undertaken in 2008 aimed at streamlining the group's structure and organisation.

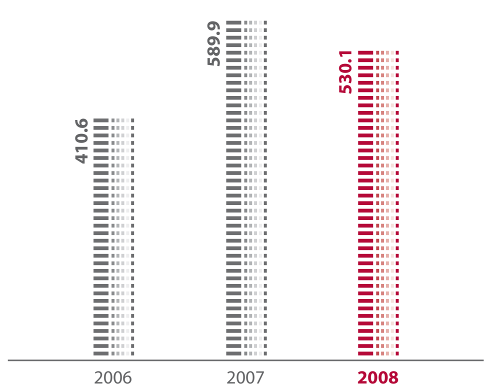
Following the acquisition of the minority stakes

in SACE Surety, the company was merged through incorporation into SACE BT. The merger, authorised by ISVAP in December 2008, will lead to the development of new operational and cost synergies and improved risk management, with the creation of integrated databases and scoring systems.
An agreement for the sale of the life business was signed at the end of 2008, as part of the strategy to focus on core businesses.
In a move to boost efficiency and enhance operational and administrative synergy, strategic guidance and support functions were centralised to the Parent Company.

RESULTS FOR THE YEAR

At a time marked by unfavourable international market conditions and as the full force of the economic and financial crisis began to be felt in the last quarter of 2008, SACE's core business operating results were more or less on a par with those for the previous year.
Profit for the year net of taxes, for €348.9 million (-7.5%), reflected the negative technical result

Profit before tax (€ millions)

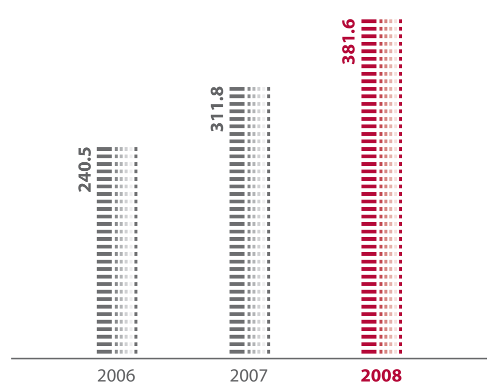


of the credit insurance business, which was impacted by the substantial rise in insolvencies. As a result of the increase in claims, in line with the negative trend in the sector, the subsidiary SACE BT posted a net loss of €29.5 million.

PREMIUMS

Consolidated gross written premiums amounted to €381.6 million, up 22.4% on the previous year. Direct business premiums were €376.1 million, while indirect business premiums (i.e., on reinsurance underwritten) were €5.5 million. Of gross premiums from direct business, 73.5% were written by the Parent Company and the remaining 26.5% refer to credit insurance, surety and other non-life businesses managed by the subsidiary SACE BT.
Export credit products generated 40.4% of direct business premiums, followed by financial

Gross written premiums (€ millions)

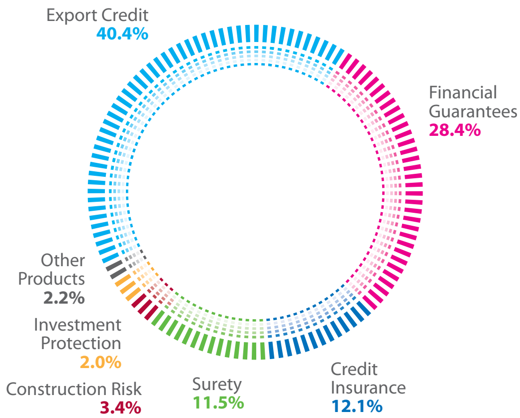


guarantees (28.4%), short-term credit insurance (12.1%) and surety (11.5%). Premiums in the construction risk (3.4%), investment protection (2.0%) and other non-life businesses (2.2%) represented a marginal proportion of the total.
Gross premiums written by the Parent Company

amounted to €283.4 million, up 25.8% compared to 2007. There was a significant increase in financial guarantee premiums, which amounted to €106.7 million, against the previous year's figure of €17.4 million.

The main industrial sectors that contributed to the generation of premiums by the Parent Company were metallurgy (30.8%), oil and gas (17.0%) and aviation and marine (8.2%).

Gross written premiums by business (2008)



Gross premiums accounted for by the subsidiary SACE BT amounted to €100.1 million, an increase of 15.7% on 2007, almost entirely due to direct business. The credit insurance business increased its premiums by 52.6%.

This reflected the upgrading of the distribution network and the greater demand for insurance by companies due to the economic crisis.

INSURANCE BUSINESS VOLUMES

In 2008 the Parent Company issued new guarantees for €8.3 billion.

These new commitments chiefly concerned the EU (45.6%), with a proportion that more than doubled compared to 2007, non-EU and CIS countries (18.9%) and the Middle East and North Africa (14.7%).

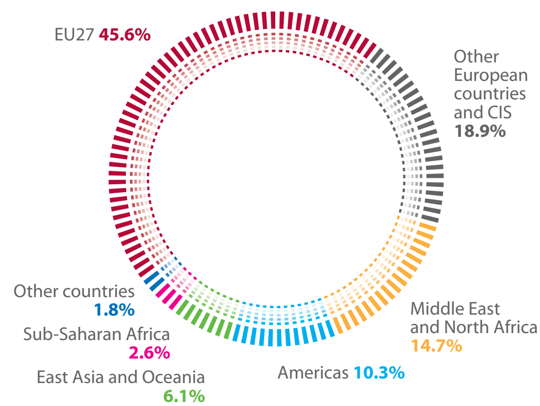
The industrial sectors most involved were infrastructure and construction (15.4%), oil and gas (13.2%), aviation and marine (10.8%) and metallurgy (9.3%).

Compared to the previous year there was a marked increase in commitments underwritten for financial guarantees.

These rose from 14.9% of the total in 2007 to 39.9% in 2008 due to the worsening financial crisis.

The Parent Company's surety business also reported a significant increase, accounting for 22.4% of the total, compared to 8.2% the previous year.

New guarantees approved by the Parent Company by geo-economic area (2008)



SACE BT underwrote credit insurance for €15.2 billion, a y/y increase of 56.9%. New commitments underwritten in the credit insurance business were mainly generated by

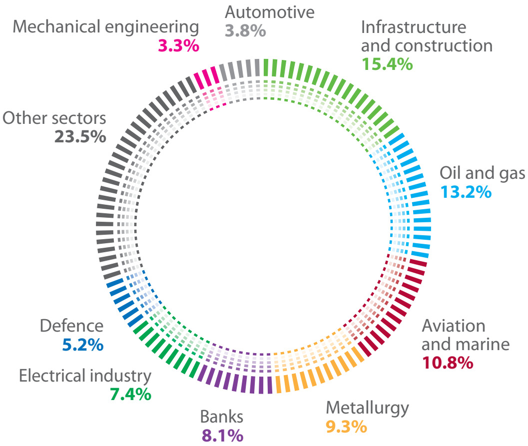
From left: Raoul Ascari (Chief Operating Officer), Roberto Taricco (Chief Financial Officer), Rodolfo Mancini (Head of Legal and General Affairs) and Tullio Ferrucci (Director General of SACE BT).

the Whole Turnover policy, which accounted for 92.1% of new business.

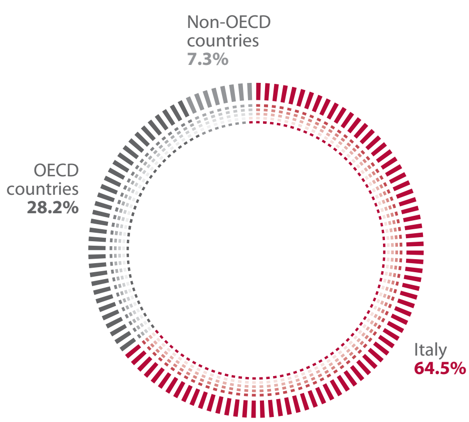
In the distribution of business by geographical area, note that 64.5% of business concerned Italy, followed by OECD countries (28.3%) and other countries (7.3%).

Commitments for €4.0 billion were underwritten by SACE BT in its surety business, rising 5.2% compared to 2007.

New guarantees approved by the Parent Company by sector (2008)



Business underwritten in 2008 by SACE BT by geo-economic area (2008)



CLAIMS

Claims paid during the year amounted to a total of €45.0 million, a reduction of 10.6% compared to 2007.

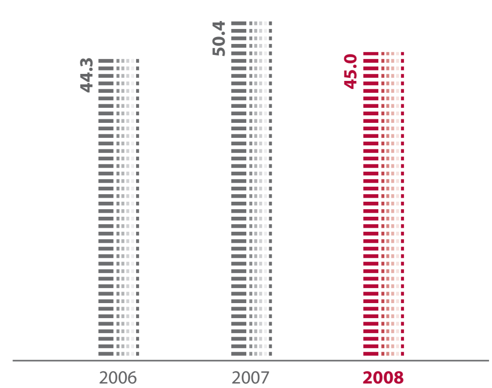
Claims paid in 2008 in connection with business supported by State guarantees amounted to €21.8 million, down on the previous year's figure of €37.5 million.

While this was in line with the result for 2006, when claims paid fell to their lowest level in twenty years, there was a significant increase in the number of defaults (+76%) in the second half of the year.

The claims reserve was increased in response to this phenomenon, doubling compared to the end of 2007.

The credit insurance business recorded a substantial rise in the number of claims, in line

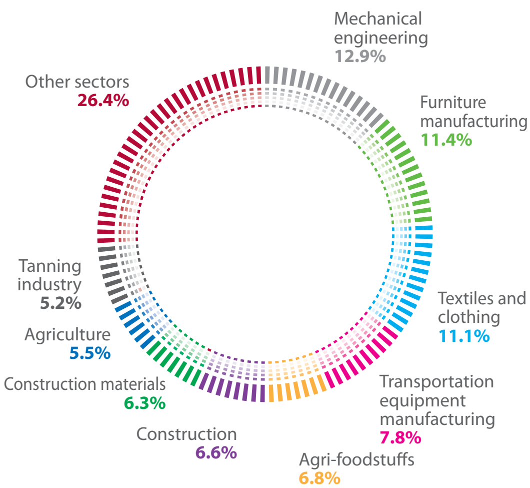
Claims paid (€ millions)



with trends in the sector and reflecting the gradual worsening of the international financial situation.

The sectors with the highest insolvency rates were mechanical engineering, furniture manufacturing and the textile industry.

Claims paid relating to the credit insurance business by sector (2008)



RECOVERIES

Commercial and political recoveries generated a positive effect on the consolidated Profit and Loss Account of €74.1 million.

SACE's total cash flow from political recoveries was €438.9 million, mainly from credit recoveries received from Poland (€195.4 million).

In 2008 a bilateral debt restructuring agreement was signed with Angola, providing for the repayment, by January 2010, of $124 million, partly paid in 2008.

SACE also entered into two important bilateral prepayment agreements with Gabon, which has already paid €74.4 million, and with Jordan, which repaid €41.6 million, settling the whole of its debt with SACE.

SACE's portion of total commercial recoveries was €2.1 million, slightly higher than the previous year.

The portfolio of commercial credits under workout has shrunk considerably over the last three years, owing to limited claims and restructuring agreements entered into with debtors.

Post-settlement recoveries by the subsidiary generated a positive result, net of reinsurance, amounting to €2.9 million.

Subsidiaries' management of credit insurance claims was very active in terms of recovery before claims payment, which made it possible to achieve a high number of claims closed without further action (30.3% of the total).

REINSURANCE

SACE's reinsurance policy, aimed at maintaining and improving the technical equilibrium, relies on the use of prime reinsurers on the international market with top ratings.

The technical characteristics of the Parent Company's medium and long-term credit insurance business tend to restrict the possibility of resorting to reinsurance which is, however, significant for credit insurance, surety and other non-life businesses.

SHAREHOLDER'S EQUITY AND TECHNICAL PROVISIONS

At 31 December 2008 shareholder's equity was €5,993 million, a rise of 3.8% compared to 2007. Technical provisions were €2,022 million (+3.5%).

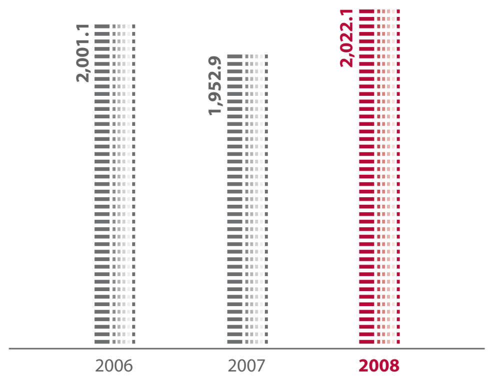
Moody's confirmed its Aa2 rating of the Parent Company's creditworthiness with a stable outlook, attesting to its financial solidity.

FINANCIAL INVESTMENTS

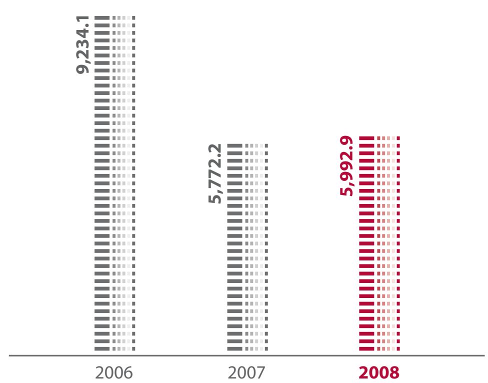
Consolidated financial investments amounted to €7,047.2 million, an increase of 6.6% over 2007.

Investments were characterised by high level liquidity in accordance with general strategic guidelines, which are designed to maintain capital in balance and optimise exposure in the guarantees portfolio. 83.1% of the investment portfolio comprised bonds, 15.4% monetary instruments and 1.5% equities.

Technical Provisions (€ millions)



Shareholder's Equity (€ millions)



Financial Investments (€ millions)

Type of instrument	2008	2007	Change
Bonds	5,857.4	4,884.8	19.9%
Monetary	1,086.4	1,700.5	-36.1%
Equities	103.4	28.4	>100%
Total	**7,047.2**	**6,613.7**	**6.6%**

CONSOLIDATED BALANCE SHEET

ASSETS - € thousands	**2008**	**2007**
Intangible assets	18,676	18,731
Tangible assets	80,325	80,550
Technical provisions - Reinsurers' portion	106,208	77,768
Investments	6,630,843	5,910,512
Receivables	995,472	1,273,751
Other asset Items	230,507	157,922
Cash and cash equivalents	530,618	750,136
Total assets	**8,592,649**	**8,269,371**

LIABILITIES - € thousands	**2008**	**2007**
Shareholder's equity	5,992,892	5,772,175
Provisions	107,572	107,620
Technical provisions	2,022,126	1,952,917
Financial liabilities	159,528	139,213
Payables	93,852	112,492
Other liability items	216,679	184,954
Total shareholder's equity and liabilities	**8,592,649**	**8,269,371**

CONSOLIDATED INCOME STATEMENT

€ thousands	**2008**	**2007**
Gross written premiums	*381,580*	*311,773*
Change in the premium provision	*(54,399)*	*15,449*
Premiums ceded to reinsurers for the year	*(27,192)*	*(48,208)*
Net premiums	299,989	279,014
Gains and losses from financial instruments at fair value	171,730	205,985
Gains from other financial instruments and investment property	232,997	291,611
Other revenue	111,234	51,005
Total revenue	**815,950**	**827,615**
Claims paid	*45,034*	*50,362*
Change in the life and non-life technical provision	*(112)*	*(35,702)*
Change in recoveries	*(179)*	*(16,348)*
Net charges relating to claims	44,743	(1,688)
Expense relating to equity investments in subsidiaries and associates	2,975	0
Charges arising from other financial instruments and investment property	13,155	20,099
Administrative expense	85,598	74,131
Other costs	139,386	145,219
Total costs and charges	**285,857**	**237,761**
Profit for the year before tax	**530,093**	**589,855**
Tax	181,164	212,542
Profit for the year after tax	**348,929**	**377,313**

Risk management

The Group has developed a balanced management system based on the identification, control and active management of risks

GROUP RISK MANAGEMENT GUIDELINES

The risk management process follows a procedure of identification, measurement and control, which are the fundamental aspects of a joint assessment of assets and liabilities, using advanced asset-liability management techniques.

Risk management has become a fully integrated part of the decision-making processes, with a view to improving risk adjusted performance. In order to assess its own capital adequacy in relation to its risk profile, the SACE Group adopts a system based on the Value at Risk (VaR) model which makes it possible to estimate the maximum potential loss of a given position and for the entire portfolio over a specific time frame with a calculated degree of probability. All internal risk management procedures are defined and tailored according to the specific nature of the Group's various business lines.

Risks are classified according to four types:

- **credit** risk, namely the risk of default and downgrading of the credit rating of debtors, issuers of insurance and financial products, reinsurers, intermediaries and other counterparties;
- **market** risk, meaning the risk of losses due to changes in interest rates, share prices, exchange rates and property prices;
- **liquidity** risk, which is the risk of being unable to meet obligations with policyholders and other creditors due to inability to liquidate assets without incurring losses;
- **operational** risk, meaning the risk of loss resulting from inadequate or failed human resources, information processes and systems, including those used for e-sales, or from external events, such as fraud or activities of outsourcers.

The SACE Group manages credit risk on the basis of a prudent risk assumption approach and active management of the risk portfolio monitored using quantitative VaR analysis.

Market risk is managed using asset-liability management techniques and kept within previously defined limits by adopting guidelines on asset allocation and market VaR.

The liquidity risk is not significant, as all the securities in the portfolios are traded in regulated markets and the short average life of the investments guarantees their rapid turnover.

In 2008 the Group adopted a system for identifying, measuring, monitoring and managing operational risks.

In accordance with current supervisory regulations (ISVAP Regulation No. 20), the SACE Group has developed an operational risk assessment procedure for the twofold purpose of identifying and locating the main operational risks within the organisational units and raising staff awareness of the importance of a culture of risk, especially with regard to the management of potentially damaging events for the company.

THE MANAGEMENT OF SACE RISKS

SACE uses the SAS® portfolio risk management platform to provide the distribution of losses and main risk measurements - Expected Loss, VaR and Expected Shortfall - for the guarantee and credit portfolio.

The system adopts a Credit Metrics approach to measure not only the risk of counterparty default but also of downgrading, thereby permitting fair value measurement of the portfolio despite its

Total exposure of SACE as at 31.12.2008
principal and interest (€ millions)

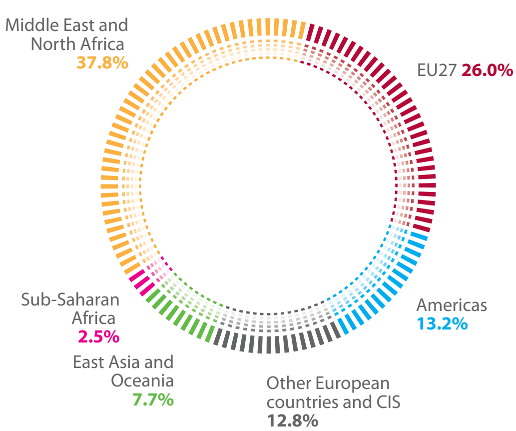
Portfolio	**2008**	**2007**	**Change**
Outstanding guarantees	26,545.2	22,086.5	+20.2%
principal	*21,937.6*	*18,631.6*	*+17.8%*
interest	*4,607.6*	*3,454.9*	*+33.4%*
Performing credits	758.9	1,014.6	-25.2%
Total exposure	**27,304.1**	**23,101.1**	**+18.2%**

strong illiquid nature. Calculation of VaR permits quantification of the capital and reserves of the Parent Company, which must be sufficient to cover all the risks relating to major exposures since these do not comply with the usual criteria of saleability and price of capital markets.

Risk management consists of the following steps:

- acceptance of the risk, when limits on exposure to individual countries and counterparties are set;
- reinsurance, which enables the risks relating to individual exposures to be mitigated by resorting to reinsurance with other export credit agencies or private-sector firms;
- risk management, by means of indirect hedges in the capital market or, for credit risks with a particularly liquid reference market, direct hedges.

SACE's total exposure by geo-economic area
as at 31.12.2008



Despite an increase in exposure in terms of volume, due entirely to growth in the guarantee portfolio, in 2008 there was an overall reduction in concentrations, in line with the strategy of diversifying outstanding commitments adopted over recent years.

Total exposure, calculated as the sum of performing credits and outstanding guarantees (principal and interest) amounted to €27.3 billion (+18.2% compared to 2007).

There was a reduction in performing credits. These amounted to €758.9 million, down 25.2% compared to 2007 due to repayments on time and prepayments by Gabon and Jordan.

In terms of concentration by geographical area, Middle-Eastern and North African countries accounted for 37.7% of exposure (compared to 39.9% in 2007).

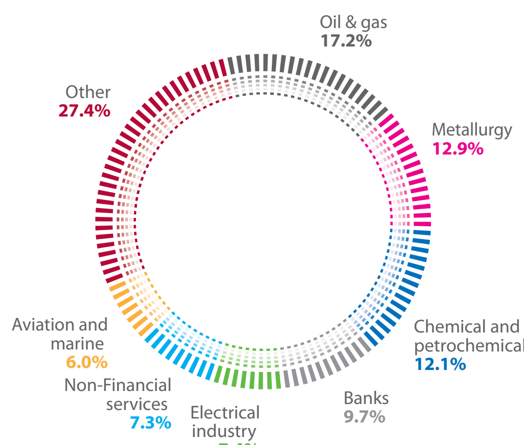
EU countries represented 26.0% of overall exposure (21.5% in 2007).

Of the latter, Italy was in first place in terms of concentration.

Exposure towards the Americas rose compared to the previous year, amounting to 13.2% of total exposure (compared to 7.1%), while exposure towards other European and CIS countries fell (12.8% compared to 21.4%).

The industrial sectors in which the Parent Company's exposure was highest continued to be oil and gas, which accounted for 17.2%

SACE's guarantee portfolio by industrial sector
as at 31.12.2008



SACE's guarantee portfolio as at 31.12.2008
principal (€ millions)

Type of risk	2008	2007	Change
Political	1,389.9	3,623.5	-61.6%
Sovereign	2,949.2	2,912.9	+1.2%
Private sector risk	13,914.0	9,830.2	+41.5%
Ancillary	3,684.5	2,265.0	+62.7%
Total	**21,937.6**	**18,631.6**	**+17.8%**

of the guarantee portfolio, followed by metallurgy (12.9%). Exposure in the chemicals and petrochemicals sector fell to 12.1% of the portfolio (compared to 17.2% the previous year) and also in the banking sector, from 12.3% in 2007 to 9.7%, reflecting the prudent underwriting policies adopted in the year.

The portfolio of outstanding guarantees (in principal) amounted to €21.9 billion, up 17.8% on 2007, mainly as a result of the increase in private sector risk (+41.5%) and ancillary risks (+62.7%), primarily due to sureties.

Guarantees associated with political risk fell by 61.6%. This was mainly due to a number of major foreign investments coming to maturity.

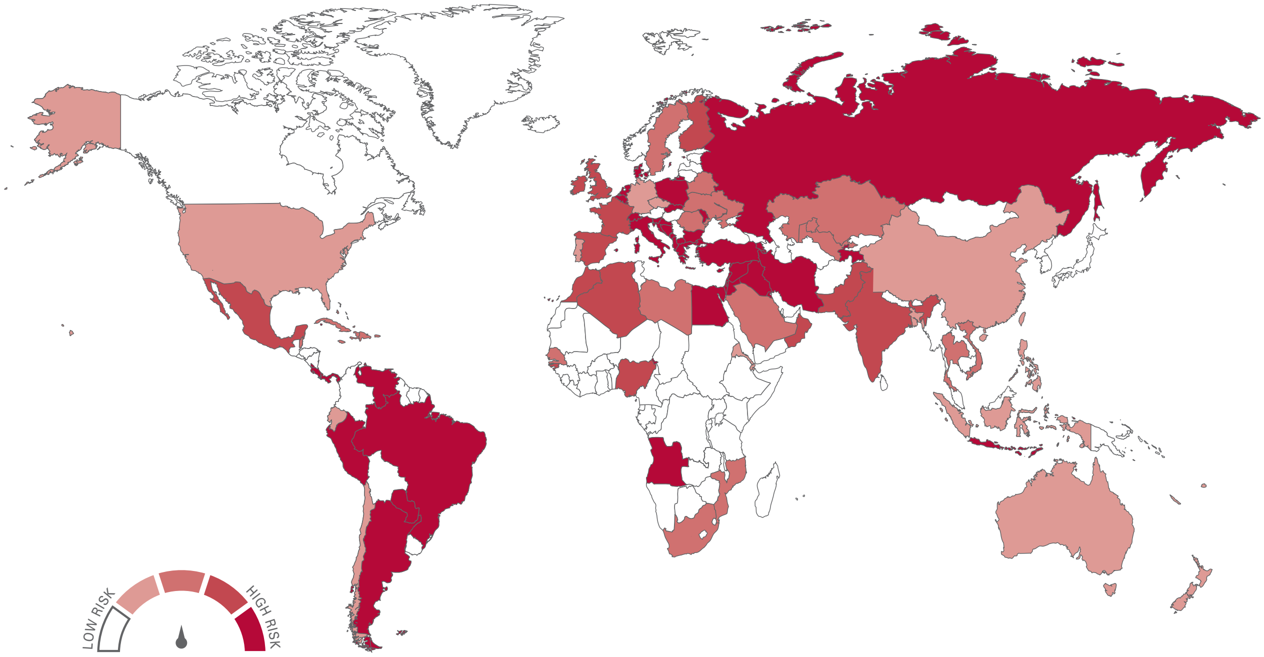
The reduction in bank exposure, as opposed to the private sector portfolio, and lower concentration in relation to the main counterparties (the value for the first five counterparties fell by 29% compared to 2007), reflect the prudent risk assumption approach and portfolio diversification.

In terms of VaR the geographical area with the highest level of risk was the EU, where exposure was also higher (especially Italy).

SACE's guarantee portfolio as at 31.12.2008
capital: breakdown of private sector risk by type

Type of risk	2005	2006	2007	2008
Corporate	44.4%	40.4%	43.0%	33.8%
Banking	7.5%	14.0%	12.3%	11.4%
Structured Finance	32.7%	23.7%	21.2%	24.3%
Project Finance	15.4%	21.9%	23.5%	30.5%

Value at Risk of SACE's guarantee portfolio by geographical area



RISK MANAGEMENT AT SACE BT

In pursuing a solid and appropriate risk management process, SACE BT has developed its own set of risk identification, measurement and control procedures.
These are based on the specific nature of the company's business and have been defined in accordance with ISVAP Regulation No. 20 of 26 March 2007, the European Solvency II Directive and SACE Group guidelines.
The company has identified the main categories of risk as those associated with the insurance business (technical risk) and financial management (market risk). The Risk Management Division has developed the appropriate VaR models to calculate the economic capital.
Operational risks are assessed on a yearly basis, with reference to the business units and company procedures.
With specific reference to insurance risks, the company has developed special procedures for the various portfolios. The internal T-CredRisk-1 procedure is used for the credit insurance business

Guarantee portfolio of SACE BT as at 31.12.2008 (€ millions)

Portfolio	2008	2007	Change
Credit Insurance	11,302.0	7,193.7	+57.1%
Surety Business	8,582.5	7,774.4	+10.4%
Total	**19,884.5**	**14,968.1**	**+32.9%**

portfolio. This is based on a VaR (CreditRisk+) model and quantifies the capital needed to cover any losses associated with actual claims exceeding expected claims due to deterioration of debtors' credit rating.

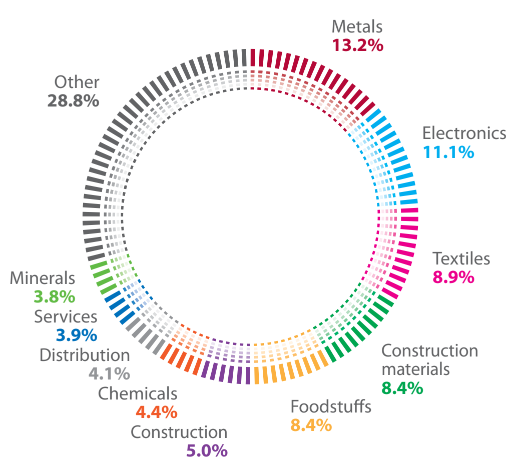
For the surety and other property damage insurance portfolios, the economic capital absorbed is calculated using an IDS Non Life procedure. Based on the chain-ladder method, this estimates the variability of future payments by the company up to the portfolio run-off phase and defines the distribution of the probability of loss and risk capital.

With regard to the two main business lines of SACE BT – credit insurance and surety – total exposure, gross of reinsurance, was €19.9 billion, an increase of 32.9% over 2007. Credit insurance business exposure stood at €11.3 billion, rising 57.1% compared to the previous year, while exposure in the surety business increased by 10.4%.

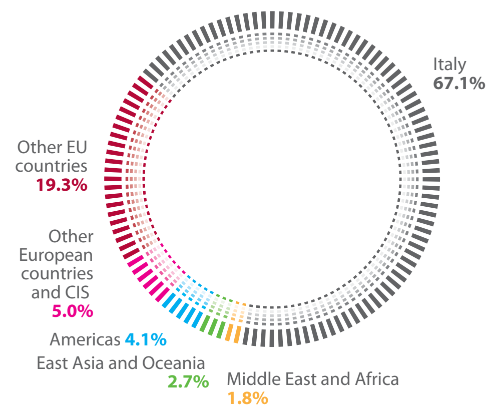
The credit insurance portfolio posted a significant increase in the number of buyers and a drop in average exposure per debtor. An analysis of the distribution by industry shows a reduction in the share of the sectors with the highest exposure, and thus a lower concentration of risk. The largest exposure was in the metals sector (13.2%), followed by electronics (11.1%), textiles (8.9%) and construction materials (8.4%). The first ten sectors in terms of exposure accounted for 71.1% of outstanding risks. The distribution of exposure by geographical macro-areas confirmed the strong concentration of exposure for EU countries (86.4%), with Italy alone representing 67.1%.

The surety business portfolio was mainly concentrated in Italy, with the country's northern regions accounting for over 60% of the portfolio. SACE BT's other business lines accounted for a smaller share of the total portfolio.

Guarantee portfolio of SACE BT as at 31.12.2008
by industrial sector (credit insurance)



Guarantee portfolio of SACE BT as at 31.12.2008
by geo-economic area (credit insurance)



Torres del Paine National Park, Chile
Twisting formations of ice within Grey Glacier

Bobby Haas / National Geographic Image Collection

CORPORATE SOCIAL RESPONSIBILITY

Sustainable growth is the company's key concern

Over the years SACE has developed a social responsibility model based on the pursuit of sustainable growth. Attention to social and environmental issues is an integral aspect of all corporate activities and relations with stakeholders: staff and union representatives, the shareholder, customers, national and international institutions, trade associations, suppliers, NGOs, other ECAs, business partners and the community in general.

SACE has begun a process of aligning its social responsibility system with the Sustainability Reporting Guidelines[1] as defined by the Global Reporting Initiative, in order to organise the information in a format used by many companies around the world.

SACE implements its sustainability policy along three main axes: economic, social and environmental sustainability.

Economic sustainability, meaning the ability to generate long-term growth of economic indicators and create maximum value added through the appropriate use of resources, is achieved by supporting the development of the Italian economy, creating value for the shareholder, valuing employees and using transparent procedures to choose suppliers.

Social sustainability, meaning the ability to generate social and cultural value for all the stakeholders, is pursued through requiring staff, suppliers and customers to adopt the values and principles set out in the Code of Conduct, positive interaction with the institutions and international organisations and supporting initiatives to promote culture and solidarity.

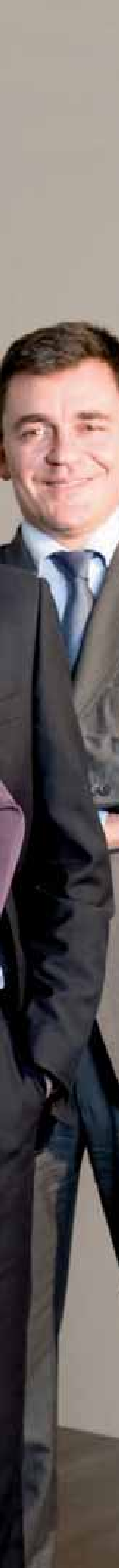
Environmental sustainability, meaning the duty to care for the environment, is guaranteed through careful analysis of the environmental impact of the main transactions guaranteed and the energy-saving plan.

[1] *Version G3, October 2006*

Queensland, Australia
A koala bear hugs a tree while her baby clings on to her back

Annie Keiser / National Geographic Image Collection

People at SACE
*From left:
Eva Tompetrini,
Marco Sanseverino,
Dedee Dosso,
Vieri Velardi
and Roberto Galiani*



Caring for people. *Our strength*

- We guarantee equal opportunities in an open and stimulating environment
- We reward merit, initiative and individual skills
- We believe that every one of us makes an essential contribution to the company and encourage new proposals
- We encourage professional growth through training and development
- We strive to ensure maximum safety at work and care for health and wellbeing

OUR VALUES

Focus on customers. *A constant commitment*

- We understand our customers' risks and offer tailored solutions to meet their needs
- We provide true, exact and exhaustive information

Pursuit of innovation. *Our future*

- We develop products for the markets of tomorrow
- We develop solutions in advance
- We build on our experience

Value creation. *A contribution to all*

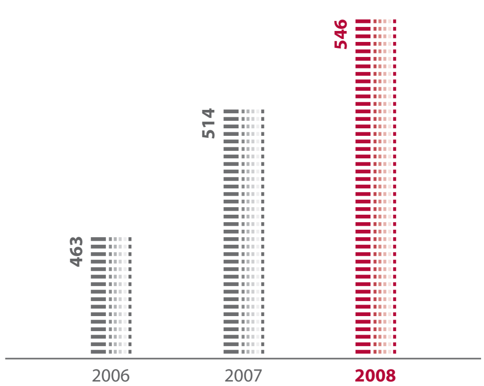
- We generate economic, social and cultural value for our stakeholders

Human resources

Promotion of talent and professional growth based on merit: SACE's commitment to its workforce

Human resources are central to the strategic vision of SACE. The company owes its success to the dedication and professionalism of the people who work, day by day, with passion and determination following a results-oriented approach.

Group Employees



SACE has built a competitive advantage thanks to the commitment of its people. Individual skills are supplemented and enhanced by teamwork which, by creating a sense of belonging, is a decisive factor for the attainment of company objectives.

SACE has undertaken to maximise the value of its workforce. It has developed a performance management system based on merit and equal opportunities and pays unflagging attention to health and safety at the workplace.

People at SACE

Ludovica Giglio has been with SACE for two years and is a member of the Strategies and Corporate Development team. She has a degree in Statistics and Actuarial Science. Before joining SACE she held various positions in management control, corporate organisation, IT and strategic marketing with Euler Hermes in Rome and Atradius in Amsterdam.

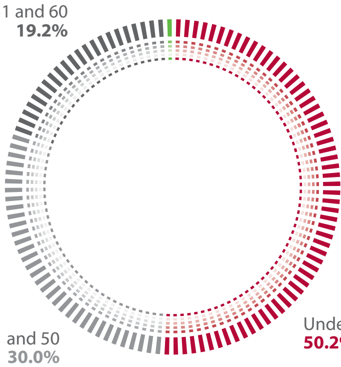
People at SACE

Hanieh Ferdowsi, aged 27, was born in Iran and grew up in Norway. She has a degree in International Relations and obtained an MA in European Studies from Westminster University. Hanieh started her career with SACE in the International Network team. She now works in the International Relations Department, taking part in negotiations and representing SACE before the EU and OECD.

BREAKDOWN

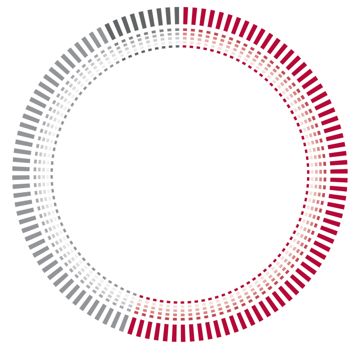
At 31 December 2008, the Group's employees totalled 546, an increase of 6.2% compared to the previous year. 66.5% of all staff were employed by the Parent Company and the remaining 33.5% by its subsidiary, SACE BT. In 2008 a total of 65 people were recruited and 33 left the Group.

Distribution of staff by age-group (2008)



The average age of staff is low and the level of education is high.
In 2008 the number of employees aged less than

Distribution of staff by qualification (2008)



40 rose by 11.4% compared to the previous year. This age group represents 50.2% of the total. The number of graduates increased by 14.2% compared to 2007, to 54.6%.
In terms of grades, 6.4% of staff are senior managers, 28.2% are managers, 7.3% are assistant managers, 56.8% are non-managerial staff and 1.3% are sales staff.
Women account for 54,6% of all employees and are well represented in the higher grades: 48.4% of managers are women and 34.3% of senior managers.

Employees by gender and grade (2008)

Grade	Employees	% of total	*Women*	*Men*
Senior managers	35	6.4%	*2.2%*	*4.2%*
Managers	154	28.2%	*13.7%*	*14.5%*
Assistant managers	40	7.3%	*3.5%*	*3.8%*
Non-managerial staff	310	56.8%	*35.0%*	*21.8%*
Sales staff	7	1.3%	*0.2%*	*1.1%*
Total	**546**	**100.0%**	***54.6%***	***45.4%***

SELECTION AND RECRUITMENT

SACE's policies of personnel selection and recruitment are designed to attract the best candidates available in the employment market and promote talent, both among people with professional experience and recent university graduates. The selection process is followed throughout the year. It includes preliminary and technical interviews to assess candidates' qualities, skills, abilities, talents and aptitudes according to the role to be performed.

Cooperation continued with Italy's leading universities, post-graduate schools and those awarding master's degrees. SACE also entered into partnerships with the European School of Economics and Université Paris-Sud 11, broadening the international profile of its workforce. In 2008 SACE offered internships, on average lasting six months, to 52 university graduates and 65 people were recruited on the basis of open-ended employment contracts.

New recruits follow training programmes designed to give them the necessary technical skills for their professional development. These consist of training on the job and managerial and functional training schemes.

TRAINING AND PROFESSIONAL DEVELOPMENT

Staff training is essential in order to develop new skills, encourage the use of new technology, foster the sharing of values and conduct, procedures and strategies, professional culture and objectives, and thus promote the growth of the company as a whole. All members of staff receive training aimed at developing competences, stimulating and guiding creativity and laying the foundations for building networks that can be used to share knowledge and skills.

The training and development programmes implemented in 2008 were guided by the general need to guarantee excellence in core competences, improve the specific technical skills required in the various areas of business, develop the managerial abilities and leadership qualities needed to manage complex situations and change, support knowledge creation and sharing. SACE Training & Advisory plays a central role in achieving these objectives, making its technical, financial and legal skills – acquired in over 30 years of activity – available to staff.

12,390 hours of instruction were provided in 2008, over 50% more than in 2007, with courses covering specialist technical subjects and offering language, IT and management training.

PERFORMANCE EVALUATION AND INCENTIVES

Motivating human resources is fundamental to the success of a company. With this in mind, SACE has developed a performance evaluation and incentives system based on merit and transparency. It also recognises the importance of focussing on the quality of life of its employees, doing its utmost to reconcile corporate objectives with individual needs.

All members of staff are given equal opportunities to use their skills and abilities in an open and stimulating environment. SACE encourages every initiative aimed at overcoming discriminating practices on the grounds of sex, ethnic origin, nationality, culture, religion, political ideas, age or disability. SACE is fully committed to providing

People at SACE

Giulio Dal Magro joined SACE five years ago and is currently in charge of the Renewable Energy Sources and Strategic Infrastructure Unit. He has a degree in Economics and also holds an MSc in Monetary Economics from the London School of Economics. Before joining SACE he worked for MedioCredito Centrale, TXU Energy Trading and ENI, where he was mainly concerned with gas, electricity and renewable energy sources.

People at SACE

Alessandra Ricci joined SACE four years ago and is deputy manager of the Export Credit and Structured Finance Division. She holds a degree in economics from the LUISS University in Rome. Before moving to SACE she spent ten years with MedioCredito Centrale, where she was mainly concerned with project finance in the energy, infrastructure and steel sector, acting as both advisor and arranger for international and domestic transactions.

a work environment based on the principles of equal opportunities, where differences are recognised and valued as a source of wealth.

SACE promotes a performance-oriented corporate culture and a system of management by objectives. The incentive system provides monetary rewards for the attainment of collective and individual objectives, both qualitative and quantitative. This makes it possible to:

- bring objectives and conduct in line with strategies;
- translate corporate objectives into individual objectives;
- support the development of a performance and skills-oriented corporate culture;
- foster a leadership style based on shared values.

HEALTH AND SAFETY

Employees' health and safety are guaranteed through scrupulous compliance with the law (Legislative Decree 626/94 and subsequent amendments and additions), daily verification of the systems in place to guarantee employees' safety at work and by taking the necessary steps to avert any potentially hazardous situations. In 2008 SACE proceeded with redevelopment activities to bring its offices in line with new safety requirements. This resulted in the creation of modern, efficient work areas and improved the quality of the work environment.

A number of measures were implemented with a view to promoting and developing a safety culture and furthering better health and safety conditions at work.

Employees' state of health is constantly monitored from recruitment throughout the period of employment, with regular health checks and tests. Health, accident and life insurance policies were renewed in 2008 and SACE confirmed the medical consultation service for employees. A series of preventive medicine initiatives were introduced: health screening and information and awareness-raising activities with specific reference to eyesight and posture, administration of the flu vaccine on a voluntary basis.

The Group also fosters the wellbeing of its employees by providing a fitness area at its headquarters in Rome.

In 2008 SACE was awarded the Health is Wealth prize, dedicated to companies that stand out for their culture of promoting the wellbeing of human resources. The prize was awarded to SACE by the European School of Economics foundation in recognition of its procedures to facilitate the insertion of new employees, its attention to the health and safety of staff and for establishing a corporate social responsibility function, reflecting the concept that employee wellbeing and corporate wellbeing are inseparable.

INTERNAL COMMUNICATION

The internal sharing of information and knowledge strengthens the sense of belonging and corporate team spirit. SACE promotes the circulation of information, opinions and ideas at all levels of the organisation. This is done through a range of internal communication tools and initiatives designed to ensure that information is made available clearly and immediately.

SACE AND THE ENVIRONMENT

Caring for and protecting the environment are important aspects of every single business initiative

ENVIRONMENTAL ASSESSMENT OF TRANSACTIONS

SACE renewed and strengthened its commitment to safeguard the environment, paying particular attention to the impact on the environment of the transactions it guarantees.

SACE recognises that proper assessment of these impacts is of fundamental importance for conducting its business along the lines of economic responsibility.

Ever since 2001 SACE has carried out environmental assessments of all its export credit transactions on the basis of the principles of the OECD Recommendation on "Common Approaches on Environment and Officially Supported Export Credits". SACE had an active role in the initial drafting and recent revision of this Recommendation. The Recommendation defines the guidelines for environmental assessment of transactions that receive public funding. It includes the classification criteria and tools for assessing potential environmental impact and specifies the need to comply with local laws and international standards and the obligations in respect of transparency in providing information concerning the environment.

Once they have been environmentally assessed, the transactions are classified as A, B or C, depending on their potential impact on the environment. In 2008 two policies were issued for transactions in category A, i.e. with a potentially serious environmental impact, and 31 in category B (potentially medium impact). The remainder were classified as category C transactions with negligible or no environmental impact.

SACE's environmental procedures and details on how to access the relative information are available on its website, which also includes quarterly figures on guaranteed transactions.

SACE does not limit its activities to the prior assessment of a transaction's environmental impact. Where deemed necessary, due to the complex nature of a specific project, the implementation and execution of the project are followed closely and actively monitored to ensure continuing compliance with international standards. By monitoring these activities, SACE is able to intervene promptly in the event of any divergence from the agreed standards and to promote and assist with the solution of the problem.

Given the continuously evolving nature of its business, SACE also considers the need to extend the principles of environmental protection already applied to export credits to other insurance products, thus going beyond its obligation under international requirements. In that respect, SACE also supports initiatives of particular importance for Italy, both strategically and in terms of employment, mainly in the energy network and infrastructure and transport or physical infrastructure sectors and in connection with major commercial or investment projects. SACE aims to promote a sustainable model, capable of combining economic growth with care for the environment, in which Italian enterprises can have a leading role.

ENERGY SAVING AND CARE FOR THE ENVIRONMENT

SACE has launched a series of energy-saving and environmental protection initiatives.

In 2008 the waste recycling system was implemented. Paper, glass, wood, batteries, electronic equipment, iron and plastic materials are all collected separately and sent for recycling. The use of recycled paper has cut carbon dioxide emissions by about 25 tonnes.

The energy-saving scheme also envisages specifications for maintenance work that provide for the use of technological solutions to reduce the use of electricity and air-conditioning.

SUSTAINABLE MOBILITY

In compliance with the requirements of the 1998 "Ronchi Decree", in 2008 SACE appointed a Mobility Manager whose task is to examine the company's mobility requirements and propose sustainable mobility measures to limit the company's impact on the territory, reduce the company's mobility costs and improve relations between the company and its employees.

A range of initiatives were launched during the year to provide information on mobility issues and staff were encouraged to use sustainable means of transport (public transport and bicycles).

SACE AND THE COMMUNITY

Looking beyond business to guarantee sustainable economic development

SUPPORT FOR THE DYNAMO CAMP PROJECT

In 2008 SACE supported the work of **Dynamo Camp**, a non-profit organisation that sponsors and runs summer camps around the world that cater especially for children who are seriously or chronically ill with cancer, both while they are having treatment and after being discharged from hospital.
Each year over ten thousand children in Italy suffer from serious or chronic illness. These children have to undergo prolonged and often invasive treatment and spend long periods of time in hospital. Besides having to cope with fear, tiredness and all the other side-effects of their treatment, the disease often limits their chances of socialising with other children of their own age and makes it difficult for them to be carefree and happy. Dynamo Camp gives these children the opportunity to have a holiday in a protected environment where absolute safety is always guaranteed through top-level medical assistance and constant supervision by qualified staff.
SACE provided funding for 30 summer camps in Italy for children suffering from leukaemia.

SUPPORT FOR THE SAVE THE CHILDREN PROJECT

In 2008 SACE continued to support a **Save the Children** project dedicated to improving sanitary conditions in the Wolu Soma community in the Woliso district of Ethiopia, by giving people

Ituri Forest, Congo
Mbuti Pygmy boys applying body paint during manhood initiation rites

Randy Olson / National Geographic Image Collection

Galapagos Islands, Ecuador
Tomato harvesting

Steve Winter / National Geographic Image Collection access to clean water for household and sanitary use. Access to clean water reduces the incidence of disease and makes life easier for the women, who otherwise spend much of their time hauling drinking water. More than two thousand inhabitants of this district will benefit from the project, including over a thousand children. The 2 km clean water pipeline built within the framework of the project has given almost half of the local population access to clean water. The project is expected to be complete by early 2009.

SUSTAINABLE LENDING

As part of its Social Responsibility programme, SACE pays particular attention to financing for the economic development of low-income countries and the risks inherent in unsustainable levels of indebtedness. This has required SACE to define specific principles for the granting of insurance guarantees that combine prudent risk management criteria with the practices common to international financial institutions and official lenders.

Notwithstanding the significant improvement in the economic and financial situation of many low-income countries over recent years, there is still the risk that new and imprudent non-concessional debt policies may plunge these countries into debt distress once again. The concept of sustainable lending was introduced to address this problem. It deals with the need to define and pursue lending activities that take into account the real debt-carrying capacity of the contracting parties, in line with the economic and financial support programmes promoted by international financial institutions.

Therefore a financing programme is deemed sustainable if it is able to:

- generate beneficial economic and social returns;
- avoid unproductive spending projects that are not in line with the programmes approved under each country's poverty reduction strategy paper;
- maintain the sustainability of the debt;
- promote good governance and transparency.

As established by the OECD[1], SACE carries out due diligence, based upon the general corporate prudential principles for risk management applied to all counterparts (creditworthiness, net asset worth, economic and financial quality of the project to be financed, international financial institutions' valuation), along with specific criteria applicable to transactions with low-income counterpart countries.

[1]The OECD recently published the "Principles and Guidelines to Promote Lending Practices in the Provision of Official Export Credits to Low-Income Countries".

SACE AND ART

Promoting art to learn about cultural differences and overcome territorial boundaries

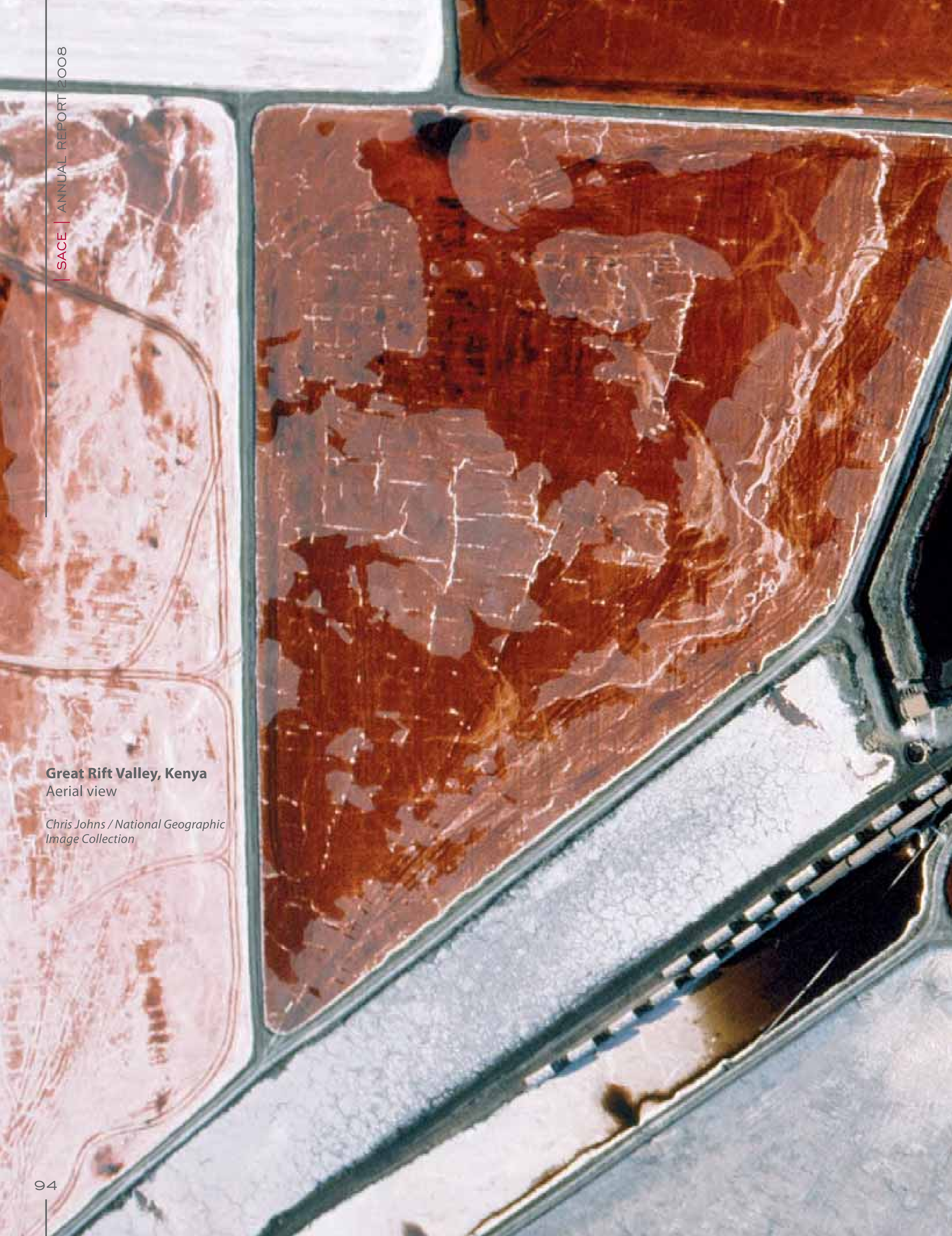
SACE promotes initiatives designed to promote and support culture, in the firm belief that the international growth should not be based purely on economic aspects, but must also involve cultural and social life, to enable solid and continuous exchanges and relations between countries and cultures.

The SACE and Art project promotes contemporary art in the world, supporting exhibitions and the publication of art books. In addition to the five art books published on the occasion of the foreign exhibition by as many contemporary artists (Jannis Kunellis, Enrico Castellani, Marco Gastini, Nunzio and Bizhan Bassiri), SACE sponsored the publication by Electa Mondadori, Italy's leading publisher in the visual arts sector, of a monograph on Zhang Xiaogang, one of China's leading contemporary artists. Zhang Xiaogang's works deal mainly with subjects such as memory, the past and human suffering. Through his canvases, landscapes, faces, closed spaces from the past are brought back to life in the present, as if to bear witness to the fact that memories are continuously being revised.

Drawing inspiration from Van Gogh and Millet, Zhang Xiaogang has developed a style with a high level of internationality, in which he creates a synthesis of Western and Eastern approaches. The artist uses some typically Western techniques (flat surface, charcoal, oils) to develop the theme of family portraits, a series of reflections on the family group and metaphors relating to China's social and cultural situation with which he is familiar.

Zhang Xiaogang
Amnesia and memory – Boy

Oil on canvas, 2006



Great Rift Valley, Kenya
Aerial view

Chris Johns / National Geographic Image Collection

CORPORATE GOVERNANCE

Corporate governance

SACE has adopted a set of rules to guarantee equitable and responsible corporate governance

COMPANY STRUCTURE

SACE is a joint stock company wholly owned by the Italian Ministry of the Economy and Finance. SACE owns 100% of the share capital of SACE BT, a joint stock company subject to control by the regulatory authority ISVAP that operates in the credit, surety and other damage to property sectors. SACE BT is the sole shareholder of SACE Servizi, a company set up to provide services in connection with the acquisition and management of commercial information.

Relations between the Parent Company and the companies it owns, directly or indirectly, are governed by a set of principles and general rules aimed at fostering a common business objective, a team spirit and a uniform code of conduct. These rules maintain on the one hand the managerial independence of the subsidiaries, which retain business and managerial discretion and, on the other, the directing and coordinating role of SACE, to ensure that the whole Group is managed on the basis of a sound and prudent approach.

THE CODE OF CONDUCT AND THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL

The management of SACE is based on principles of compliance and transparency. These are applied *inter alia* by adopting a framework of prevention and control consisting of the Code of Conduct and the Organisational, Management and Control Model.

The **Code of Conduct** sets out the principles underlying relations between SACE and its stakeholders. These guidelines reflect the company's mission to make business ethics a concrete part of company life. The Code defines the principles and values that must guide the actions of directors, auditors, reporting accountants, managers, staff, professionals and third parties which have relations with SACE.

The **Organisational**, **Management and Control Model** implements the provisions of Legislative Decree 231/2001 on corporate liability. This document identifies the processes and activities where there is a possibility that the offences envisaged by the above law and the relative internal control system could be committed. The Organisational, Management and Control Model has the following aims:

- to make it possible for SACE to be held harmless against corporate liability should an offence be committed;
- to improve the corporate governance system;
- to provide a structured and complete system of prevention and control aimed at reducing the risk of offences being committed in connection with the business of the company, paying particular attention to reducing any illegal conduct;
- to underline that the company does not tolerate illegal conduct of any kind or contrary to the company's ethics;
- to deal with any conduct that violates the Model by enforcing disciplinary sanctions and/or contractual remedies.

The Supervisory Body is charged with overseeing the application, appropriateness and implementation of the Model and must act within its authority to investigate any violations of the Code of Conduct.

INTERNAL AUDIT AND COMPLIANCE

SACE has implemented a series of actions, rules, procedures and organisational structures designed to identify, measure and control the risks inherent in its business. These comply with the basic principles of ISVAP Regulation No. 20 of 26 March 2008, "Regulations concerning internal audits, risk management, compliance and outsourcing of insurance companies' activities", and are in line with market best practice. All internal auditing and compliance procedures are based on the use of methods that comply with these principles.

SACE's Internal Auditing Division monitors and evaluates the efficacy and efficiency of the company's internal auditing system and the need for any changes to be made. It also supports and advises the various departments and contributes to improving the company's risk management policies and procedures and auditing methods.

The Compliance Division is concerned with protecting the company against the risk of judicial or administrative sanctions, loss of assets or damage to its reputation as the result of any breach of the law or violation of the rules and regulations issued by the authorities or self-regulatory measures.

The Compliance Division is also responsible for continuously monitoring any developments in national and European legislation affecting the company. It analyses their impact on the various processes and procedures and suggests the appropriate action in order to ensure their correct implementation. It also cooperates with the competent departments to define the relative application procedures and promote moral and ethical principles.

CORPORATE BODIES & COMMITTEES

SACE operates through a traditional model of administration and control, which is put into effect by the Board of Directors and the Board of Statutory Auditors.

The **Board of Directors** (Board) is made up of seven members and is vested with the widest powers in the management and administration of the company, with the exception of those assigned by the law or by the company's by-laws.

The Board is charged with managing the company and carrying out all the necessary actions in order to pursue the corporate purpose. The Board assesses the adequacy of the organisational, administrative and accounting structures of the company, oversees its actual performance and reviews its strategic, industrial and financial plans. The Board plays a fundamental role in respect of the internal auditing system, for which it has ultimate responsibility, making sure that the most significant corporate risks are identified, measured and controlled.

The **Executive Committee** is made up of four Board members. Its duties include approving individual insurance, reinsurance and guarantee transactions

The **Board of Statutory Auditors** oversees compliance with the law and with the by-laws, the principles of proper management, adequacy of the organisational, administrative and accounting structures and their concrete workings.

The **Chairman** of the Board of Directors is the company's legal representative.

The **Chief Executive Officer** oversees the management of the company and is its legal representative. He is authorised to sign on behalf of the company, acting within the scope of the powers granted. The CEO is also responsible for maintaining and monitoring the internal audit and risk management systems, in accordance with the instructions of the Board.

The **Remuneration Committee**, which consists of three non-executive directors in office for two years, examines and puts proposals to the Board concerning the fixed and variable remuneration components of the CEO, which are linked to the company's economic results and achievement of specific objectives defined by the Board.

The **Advisory Committee** consists of a maximum of seven members with proven experience in the company's field of business, proposed by the Chairman and appointed by the Board. It issues non-binding opinions on issues submitted by the Board and may formulate proposals.

OFFICE HOLDERS[1] AND SUPERVISORY BODIES

Board of Directors

Vice Chairman	Massimo Carraro*
Chief Executive Officer[2]	Alessandro Castellano*
Directors	
	Giorgio Giovagnoli
	Giandomenico Magliano*
	Fabrizio Pagani[3]
	Giorgio Tellini

** Members of the Executive Committee*

Board of Statutory Auditors

Chairman	Marcello Cosconati
Standing Auditors	
	Cecilia Maria Angioletti
	Ruggero Campi
Alternate Auditors	
	Gianfranco Tanzi
	Carlo Pontesilli

Delegate to the State Auditors[4]

Raffaele De Dominicis

External Auditors[5]

PricewaterhouseCoopers

COMMITTEES

Remuneration Committee

Giorgio Tellini
Giorgio Giovagnoli
Fabrizio Pagani[3]

Advisory Committee

Chairman	Robert Wescott
Members	
	Pietro Modiano
	Caio Kock Weser
	Gianfelice Rocca
	Hiroshi Watanabe

1 - Corporate bodies appointed by the Meeting on 28 May 2007 and in office for three years.
2 - Appointed by the resolution of the Board of Directors on 29 May 2007.
3 - Resigned on 1 January 2009.
4 - SACE is subject to the control of the Court of Accounts (State Auditor) pursuant to Law 259/1958.
5 - Appointed for the three-year period 2007-2009 by the Shareholder's Meeting of 28 May 2007.

Glossary

Ancillary risks: risks unrelated to the credit, such as production, guarantee or destruction risk.

Approved guarantee: in relation to the Parent Company, an insurance policy approved by the competent bodies.

Bank risk: the risk inherent in a transaction supported by a bank guarantee.

Claim: an amount to be paid by the insurer to compensate for the loss sustained by the policyholder following a claim event.

Country limit: the limit (cumulative and/or by product/risk) on the risk the insurer is willing to underwrite on an individual country.

Credit insurance: cover for credit with a term of less than 24 months, as prescribed by OECD export credit rules and subject to ISVAP regulations.

Debtor: the entity that assumes the obligation to pay the policyholder under an agreement.

ECA: an export credit agency.

Export credit: cover for credit with a term exceeding 24 months, backed by an Italian State guarantee, as prescribed by OECD rules.

Gross written premium: total amount due to the insurer in respect of an outstanding guarantee for the whole period of cover.

Guarantor: a third party that in the insurance policy assumes the obligation to satisfy the credit in the interest of the policyholder, should the debtor default.

Insured business (in the year)**:** sum of guarantees approved by the Parent Company and business volumes insured by the subsidiaries (credit insurance and surety), during the year under consideration.

Inward reinsurance: transaction whereby an insurer (the reinsurer) assumes part of the risk of another insurance company (the reinsured).

Loss ratio: ratio of cost of claims to gross premiums earned.

Marketable risks: according to OECD rules, political and commercial risk relating to credits with a term of less than 24 months towards debtors established in EU member countries and other OECD area first-category countries.

New guarantees: guarantees approved by the competent bodies of the Parent Company during the year under consideration.

Non-marketable risks: according to OECD rules, political and commercial risk relating to credits with a term exceeding 24 months or towards debtors not established in EU member countries and other OECD area first-category countries.

Outstanding commitment: total amount of principal insured under the Parent Company's outstanding guarantees and credit limits approved by the subsidiaries, as at the date specified.

Outstanding guarantee: in relation to the Parent Company, an insurance policy approved by the competent bodies, for which the first premium instalment has been received.

Outward reinsurance: transaction whereby an insurer (the reinsured) cedes part of its insured risk to another insurance company (the reinsurer).

Performing credit: an amount previously paid out under a claim in respect of which the debtor repays on time and in full.

Premium provision: technical reserve that consists of the amount of gross premiums written not referring to the current year (provision for premium instalments), but to risks pertaining to the following year and additional provisions to cover any additional unexpired risks (provision for unexpired risks).

Private or corporate risk: a risk on a bank or corporate counterparty.

Provision for claims outstanding: technical reserve consisting of the total of the sums which – under a prudent valuation carried out on the basis of objective elements – are necessary to settle claims incurred in the year or in previous years and not yet settled, as well as claim settlement expenses.

Recovery: a sum previously paid out under a claim which has been wholly or partially collected following recovery steps taken in respect of the debtor/guarantor.

Sovereign risk: risk arising on transactions supported by a sovereign guarantee (i.e. issued by the Ministry of the Economy and Finance or other entity able to commit the responsibility of the State).

Technical provisions: sums which insurers are required to set aside and recognise in their accounts to meet possible claims by policyholders.

Total exposure: total outstanding commitments of principal and interest (net of reinsurance and hedging) and performing credits.

Value at Risk: the maximum potential loss in a set time horizon at a certain confidence level (usually 95%-99%) which the value of a portfolio could incur.

Publishing project and coordination
SACE

Creative concept and realisation
Imagine

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National Geographic Image Collection
StudioFranceschin

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Marchesi Grafiche Editoriali

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FSC-certified eco-friendly paper

SELECTED SECONDARY FIBERS

Produced using FSC Mixed Sources paper
with COC-000010 certification

SACE'S FINANCIAL STATEMENTS
ARE AVAILABLE ON THE WEBSITE
WWW.SACE.IT/FINANCIALS

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