SACE

ANNUAL REPORT 2009

Driving your ambitions

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 by protecting 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 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 companies can meet their contractual or legal obligations
- **Factoring**: we facilitate flow of payments between the government and suppliers

USA. Plateau between Utah and Arizona.
Giovanni Salinaro - *Risk underwriter, SACE BT*

HIGHLIGHTS

€ millions

Insured business
33,602
• 21.9%

Outstanding commitments
48,992
• 5.5%

Gross written premiums
430.5
• 12.8%

Profit after tax
459.9
• 31.8%

Shareholders' equity
6,318
• 5.4%

Rating (Moody's)
Aa2

Data for the year 2009 compared to 2008

A strategic presence

OUR SALES NETWORK

SACE is ever closer to the businesses it serves, especially small and medium enterprises. In Italy, we are present in the more industrialised and export-oriented regions. Our regional offices can manage the whole process of application, evaluation and issuance of insurance coverage. With a network of 49 agents and 119 brokers, we provide credit insurance, surities and construction risk insurance through the

country. Outside of Italy we are present in the main emerging markets (Latin America, emerging Europe, Commonwealth of Independent States, the Far East and Africa) through a network of offices that function as regional hubs. ExportPlus and SACEBTonline provide a growing range of services with simplified and accessible procedures that help reduce both times and cost.


SACE
30A
AJ9

Here begins the journey through the world of SACE in 2009. Accompanied by photos taken by our people, we will explore the activities, initiatives and results of a year of challenges and new horizons.

TRAVELOGUE

The crisis that shook the international markets has revolutionised the landscape of opportunities for Italian exporters. While the measures undertaken by the Italian government have allowed the country to manage the economic effects of the crisis from a position of relative strength, as 2010 dawned the world was faced with a general rise in risk levels compared to the pre-crisis period.

While Italy's more traditional export markets started to feel the consequences of the credit crunch, the emerging countries appeared more promising and capable of creating the demand that will foster the best opportunities for Italian exporters.

Countries such as Russia, Brazil, China, India, Vietnam and even Indonesia, Saudi Arabia and the Gulf countries, for example, represent an exponentially expanding pool of demand for Italian exports of excellence and can also offer increasingly good opportunities for work on major infrastructure projects.

It is clear that Italian companies must now focus on diversifying their target markets; it is no longer enough to simply hold on to existing shares of traditional markets closer to home (like the EU, emerging Europe and Russia). Companies must look further afield to new or relatively unexplored markets in Asia, Latin America and Africa.

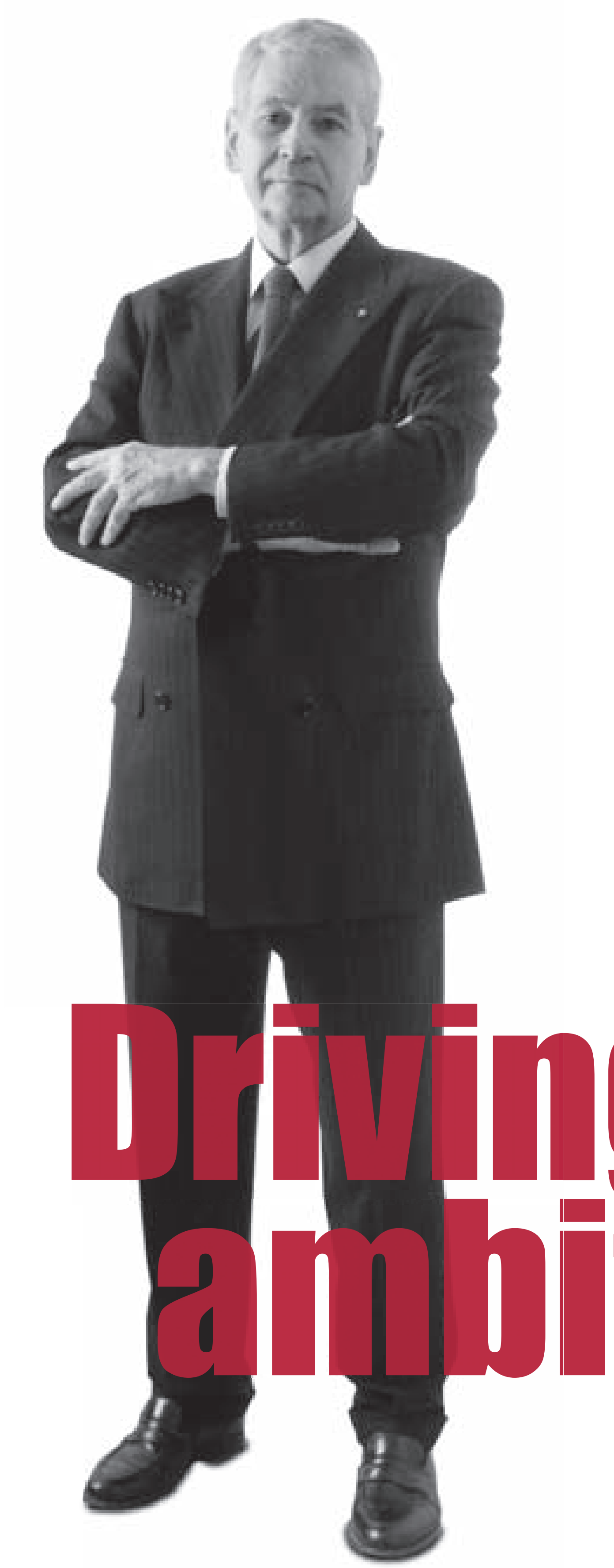
Flexibility will be key for companies that manage to conquer market share in new promising, but risky countries. Creating a culture of cooperation is now more important than ever for sustaining the growth of Italian enterprises abroad.

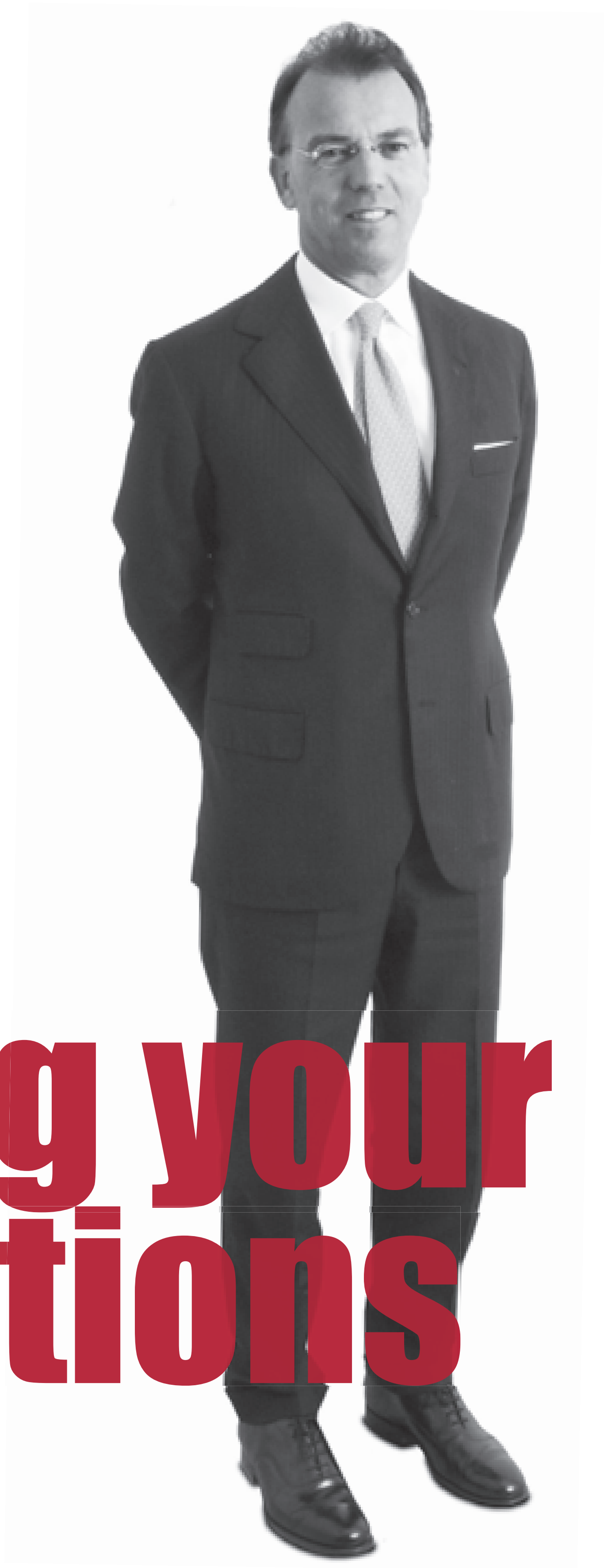
To help companies carry out their projects even in complex contexts, SACE is able to provide a sound knowledge of the markets and a continuously expanding international network (this year we will have new offices in Istanbul and Bucharest) as well as the insurance and financial instruments that businesses need in order to invest in or export to high-risk countries.

It is for these reasons that we monitor the evolution of country risk worldwide and are now able to support commercial activities and investments by Italian companies in 181 countries.

The new important functions given to SACE by the government have reinforced our commitment to helping Italian companies expand their export markets. From trade finance through Export Banca to factoring through our new company SACE Fct, SACE's mission is leading us along the path to becoming a global company, a group with an increasingly international reach that is Italian at heart.

Giovanni Castellaneta
Chairman





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In 2009, a critical year for both the global economy and Italy, SACE was called upon to confirm its role supporting companies and actively fostering the growth of the national economy by smoothing out cyclical downturns.

The recession severely impacted international trade with volumes falling 15%. As foreign and domestic demand collapsed, Italian companies experienced a sharp drop in turnover and the risk of non-payment and lack of liquidity once again became major issues. In this context, and contrary to the trend in the credit market, we insured transactions for €34 billion, 22% more than in 2008.

The significant increase in business insolvency rates led to a sharp rise in claims for the SACE group, especially in the domestic insurance business. Nonetheless, we were able to report consolidated net income of €460 million thanks to the upswing in premiums, an encouraging operating result, and business diversification. This was a positive result that sets the scene for us to continue to support companies by providing an increasingly broad range of insurance and financial products.

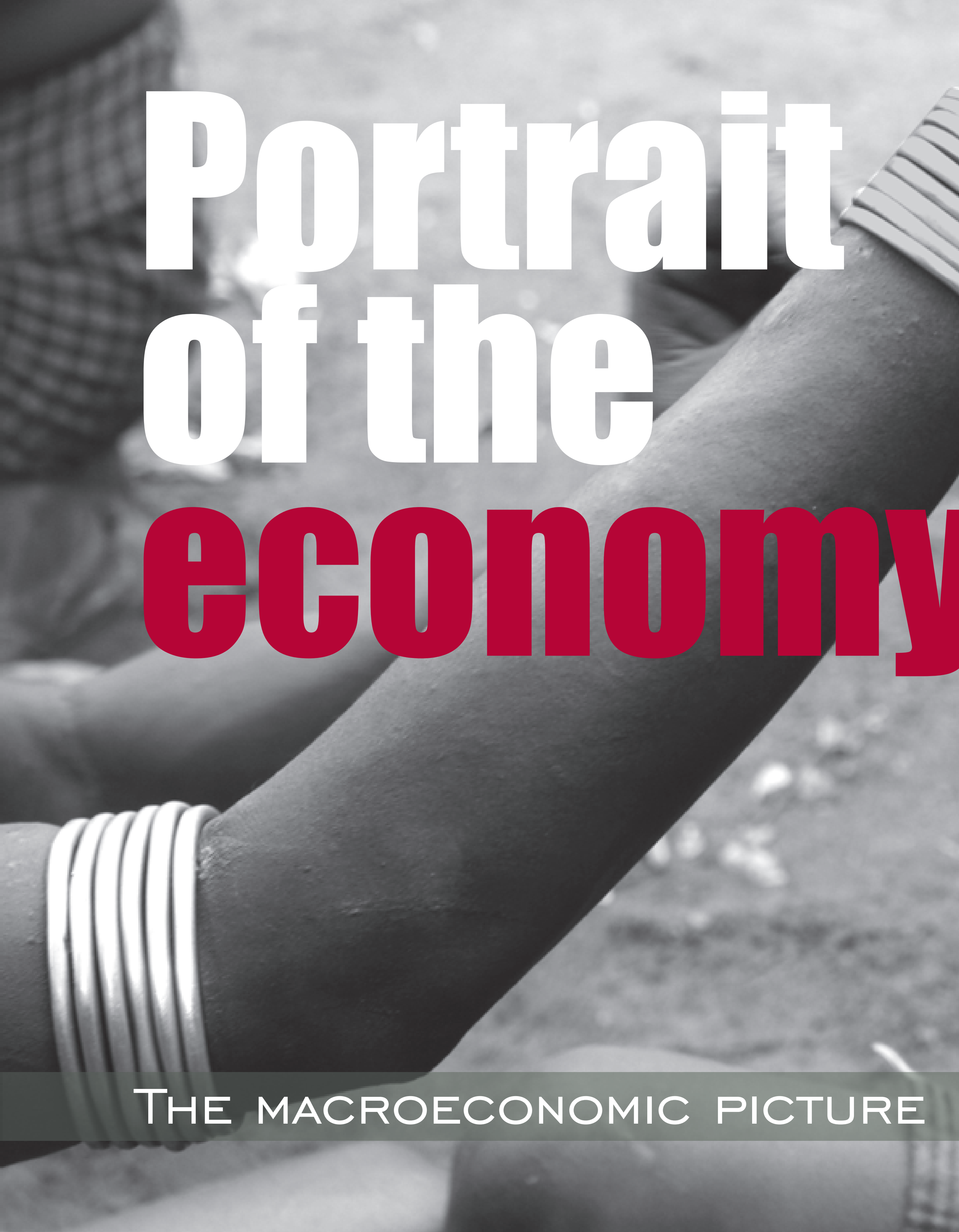
The anti-crisis measures adopted by the government enabled SACE to extend its scope of activity with a series of actions aimed at strengthening the capabilities of the banking system. In addition to renewing our commitment to make it easier for small and medium companies to get access to credit, we initiated the new Export Banca to finance international expansion and export operations of Italian companies as well as transactions of strategic importance for the Italian economy. We also introduced a number of initiatives aimed at unfreezing credits companies have with the public entities, whose delay in paying their debts generate liquidity problems for their suppliers. These initiatives got a push forward with the birth of SACE Fct, our factoring company that began operations in April 2010.

Short-term statistics for production, turnover and orders in the first months of 2010 are encouraging. However, the timing and sustainability of the recovery will depend on structural interventions by the government and the ability of companies to seize the opportunities offered by the most promising markets. As it becomes essential for Italian firms to seek new markets for their exports and investments, SACE will continue its policy of expanding its network of offices in the world's emerging markets.

With the close of 2009 came the end of an important three-year period in which SACE completed the repositioning of its business activities, gradually broadening their scope and developing a business model specifically focused on supporting the international expansion projects of Italian companies and, more generally, on enhancing Italy's competitiveness.

I sincerely thank the board of directors and the other corporate bodies and, in particular, all the people who work for the SACE group. It is their dedication day after day that has enabled us to achieve our objectives for growth and innovation and they are are the driving force behind our mission: to support Italian exports in the world.

Alessandro Castellano
CEO



Portrait of the economy

The macroeconomic picture

Ethiopia. A Hamer gets ready for the ceremony of "blowing bull".
Cristina Morelli - *Head of transportation, power, petrochemical & other industries*

Macroeconomic scenario

THE WORLD AT A GLANCE

In 2009, the global economy fell into recession as the financial crisis gradually spread from advanced countries to emerging economies and from financial markets to the real economy. World gross domestic product contracted by 1%.

Industrial countries experienced the sharpest decline, with GDP falling by 3.2%. The monetary and fiscal measures that were adopted have, at least in part, offset the decline in private demand. Increased public spending and injections of liquidity by central banks, which cut interest rates to almost zero, were key components of making up for slack private demand. There was an inevitable deterioration of public finances.

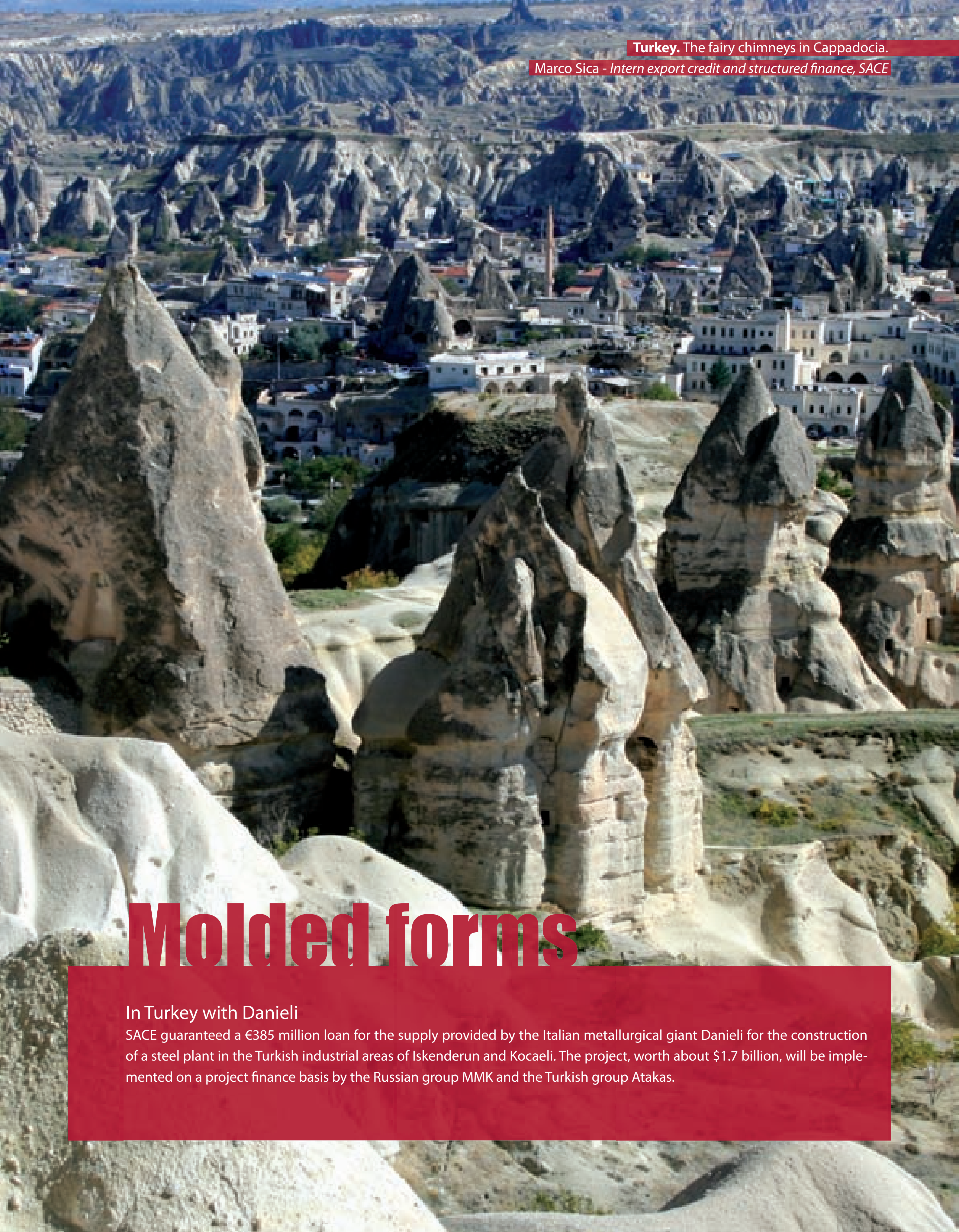
The emerging economies also experienced an abrupt slowdown, with growth falling to 2.1% in 2009 from 6.1% in 2008. The Chinese economy continued to grow at more than 8% thanks to the introduction of substantial tax incentives. Russia and Mexico were hit the hardest. The former because of problems in its banking system, the latter as a result of its dependence on the US economy.

International trade experienced its sharpest contraction ever as volumes fell by 15%. The drop in demand by western consumers and investors had a profound impact on the value chain due to greater market integration and closer control of inventories. World trade began to show the first signs of recovery towards the end of 2009, but in December volumes were still 8% lower than pre-crisis levels. World exports were also affected by the shortage of trade finance at a time of heightened risk aversion and the difficulties faced by international banks. Private banks that had more liquidity and continued to operate in this segment started to charge a liquidity premium on loans that was added to the existing risk premium.

In this context, Export Credit Agencies (ECAs) had an increasingly important role in facilitating funding of exports, not only by providing insurance cover to limit the risks but also in some cases through direct financing. The G20 countries have agreed to provide about $250 billion over the next two years to support trade finance through export credit or multilateral agencies such as the International Finance Corporation, a member of the World Bank Group.

Many industrialised countries technically came out of recession in the second half of 2009. Short-term statistics for production, turnover and orders started to improve towards the end of the year and are more encouraging for early 2010. The global economy is recovering and the forecast for 2010 is a return to positive growth in world GDP, driven by the main emerging economies of Asia and Latin America.

Recovery in the advanced economies is linked to fiscal and monetary incentives; private demand remains weak and the risk of the premature removal of support measures is high. Public finances worsened in many countries and country risk is nowadays an issue for all the euro-zone, particularly after the explosion of the Greek crisis. It will be a long time before economic growth returns to pre-crisis levels.



Turkey. The fairy chimneys in Cappadocia.
Marco Sica - *Intern export credit and structured finance, SACE*

Molded forms

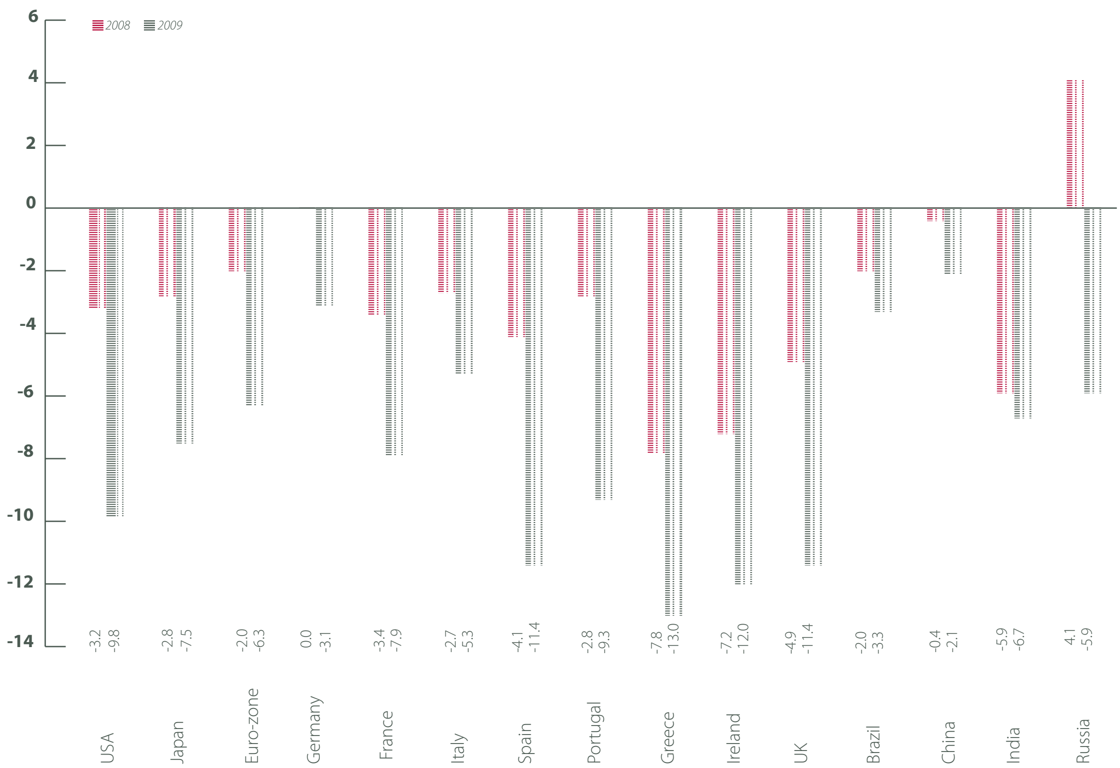
In Turkey with Danieli

SACE guaranteed a €385 million loan for the supply provided by the Italian metallurgical giant Danieli for the construction of a steel plant in the Turkish industrial areas of Iskenderun and Kocaeli. The project, worth about $1.7 billion, will be implemented on a project finance basis by the Russian group MMK and the Turkish group Atakas.

ITALIAN SCENARIO

The Italian economy shrunk in 2009 with GDP falling 5% in real terms. With sharply declining turnover figures reflecting the collapse of foreign and domestic demand, businesses were forced to rationalise costs and reduce production capacity to avoid the risk of stock build-ups. Delayed payments continued to be a major issue (about five days more than the European average) and insolvencies rose by 50% compared with 2008. The flow of credit to businesses fell and only started to regain momentum towards the end of the year. As banks imposed stricter lending criteria corporate demand for loans also fell.
Industrial production contracted by 17.5%. The crisis in the automotive, construction and household appliance industries led to a significant drop in the production of intermediate goods (such as metal and metal products, plastic and rubber products and building materials). This in turn affected the production of capital goods, which fell by almost one third in 2009. Consumer goods, the worst affected sector in 2008, performed better, especially food and beverages. The only sector to buck the negative trend was pharmaceuticals due to its lower sensitivity to economic cycles.
Italian exports suffered from the effects of the slump in international trade, which caused volumes to fall by more than 20% in 2009. The biggest downturn regarded exports to advanced countries, although Ital-

Deficit (as percentage of GDP)



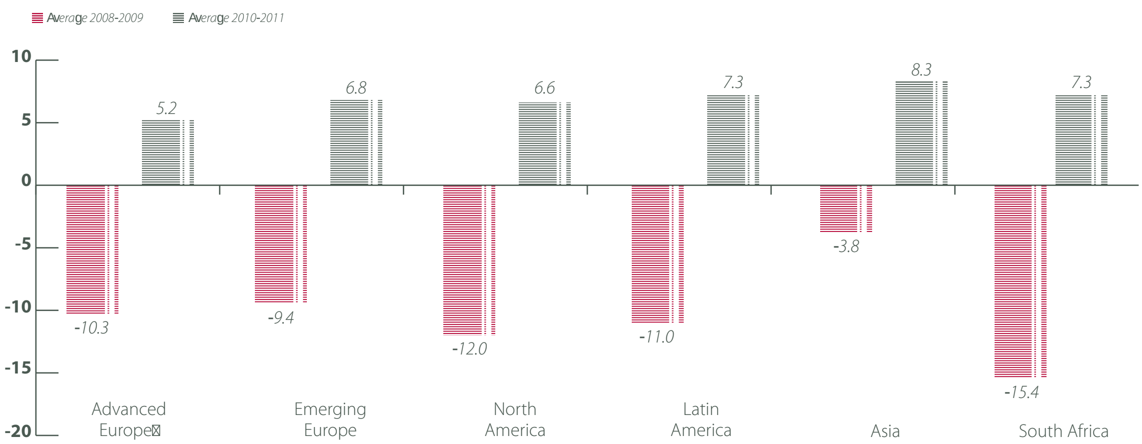
Source: Oxford Economics

ian exports to some emerging markets such as Russia and Mexico fell about 40% short of 2008 levels.

Exports should start to recover gradually and average growth (in value) is expected to stand at 5.4% for the two-year period 2010-2011. The first countries to return to economic buoyancy and growth will drive demand and opportunities for Italian exports. The emerging markets will represent the lion's share, especially countries in Asia (exports rising 8.3% in the next two years) and Latin America (+7.3%). In particular, Italian exports to China and India will increase by 10.5% and 9.5% respectively in the two-year period, and those to Brazil and Mexico by 7.4% and 7.5% respectively. As regards emerging Europe, which has been crucial in recent years for the diversification of Italian exports but has also been hit hardest by the crisis, recovery will be slower (+6.8%). This is especially the case for Russia, which continues to be one of the main markets for Italian exports, where recovery will be even more sluggish (+6% in the two-year period). The US will be the first of the advanced economies to recover, with Italian exports increasing 6.8% thanks to an acceleration starting in the second half of 2010. Growth will be slower in the Euro area (+5.2%) and the UK (+4.5%).

Italian exporters will have to defend their shares of traditional markets. Moreover, they will have to broaden their horizons by looking to markets such as Latin America and Asia. The exporters also must invest in diversifying their targets, seeking out opportunities in markets that perhaps require a different approach. Internationalisation and flexibility continue to be the basic factors for exporters looking to acquire shares of markets in areas that are promising, but not risk-free.

Exports of goods in terms of value: performance by geographical area (change %)



* Advanced Europe: EU15, Switzerland and Norway
Source: SACE

South Korea. Lotus lanterns in the Jogyesa Temple.
Mohamed Elmalt - *Project finance analyst, SACE*

Perfect geometry

In Singapore with Permasteelisa

SACE insured Permasteelisa against the risk of undue calling of performance bonds, worth a total of €9 million, issued in connection with four projects in Singapore. These include the new Mapletree Business City and Marina Bay Financial Centre. Permasteelisa is the worldwide leader in the engineering, manufacturing and installation of architectural cladding.

ASIA
THE ROARING TIGER

Despite the crisis, growth remains buoyant for Asia's main emerging markets, where GDP grew by an average of almost 6% in 2009 even in the midst of the global financial crisis. This impressive expansion followed four years of even higher average growth.

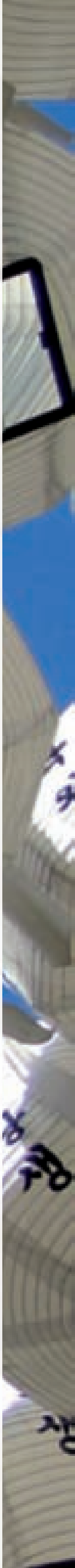
The reasons for such constant and vibrant growth over the years, albeit increasingly threatened by inflation, lie in attentive policies adopted in the last ten years aimed at strengthening the macroeconomic fundamentals to sustain domestic demand and reduce reliance on exports. Asia's greater adeptness in coping with crises and relative independence from western financial markets enabled even the most advanced countries in the region (South Korea, Hong Kong, Taiwan, Singapore) - which were also those hit hardest - to overcome the adverse effects of the crisis.

China and India were once again the region's driving forces. With considerable funds at its disposal, Beijing immediately took steps to counteract the crisis and adopted important measures to boost domestic demand. The Chinese economy continues to rely heavily on exports, which in 2009 exceeded the value of German exports making China the world's top exporter. Competitive prices and ample room for growth make China a key partner both locally and globally, as well as a focus of interest for foreign investors.

India is also enjoying sustained growth. The central bank's monetary policy had positive repercussions on the economy and the fiscal measures adopted by the government helped boost domestic demand and enabled the country to overcome the crisis despite the country's large public debt and the urgent need for major infrastructure projects.

Some new emerging markets can also offer excellent business opportunities for Italian exporters. Countries that were once more unstable and risky now appear to have acquired stability and are particularly attractive, especially in sectors such as oil & gas, textiles, agriculture and tourism. Vietnam, for instance, having attracted significant foreign investment in recent years, could represent a launching pad into Asia, even for small- and medium-sized businesses, provided the monetary policy adopted by the government in Hanoi can stabilise the country's financial situation.

Alongside Vietnam, Indonesia will probably be the other new Asian tiger. With a rapidly expanding domestic market and stimulus packages for investors, Indonesia has already started to show growth of around 5%. Greater political stability and the government's adoption of measures to foster economic recovery while combating inflation have been rewarded with an upgrade by the main rating agencies.



Brazil. Traditional boat in Maceiò.
Eva Martin - *Junior analyst claims and corporate recoveries, SACE*

Wind power

In Brazil with Pietro Carnaghi

SACE insured the supply of two vertical lathes to a Brazilian firm by Pietro Carnaghi, a company based in Lombardy with over 80 years of experience in the production of machine tools. The contract, worth €16 million, is connected with the construction of components for wind power plants.

LATIN AMERICA
PROSPECTS FOR NEW OPPORTUNITIES

The Latin American market has been one of the most resilient to the global crisis due to the dynamic performance of some countries in the region. After a decidedly difficult 2009, when economic growth stalled as exports contracted and consumer spending in high-income nations fell, Latin America presents an extremely varied potential for 2010. Some countries are characterised by high political risk (Venezuela, Ecuador, Bolivia) while others offer important new prospects.

While the eyes of the world are inevitably on Brazil, the region's driving force and the world's ninth largest economy with annual GDP growth currently standing at +4%, several other countries are also starting to offer interesting business opportunities for Italian companies, including medium and small enterprises.

Mexico, for instance, among the countries worst hit by the crisis due to its close ties with the US economy, is now emerging as one of the most dynamic economies in the region. Recently included as one of the most promising markets of the future, the IMF predicts that it could become the world's sixth largest economy by 2013. In Panama, a strategic logistics hub for the entire region, the canal expansion project is driving growth in the construction, mechanical engineering and service sectors. Chile has become an official member of the OECD this year. Here, alongside the traditional copper mining sector, agricultural mechanical engineering will also be a source of new opportunities; viticulture, for example, is an increasingly specialised industry in Chile. Investments in infrastructure and telecommunications will also be crucial following the earthquake that hit the country. Costa Rica is witnessing robust growth in its tourism and ecotourism sectors, which in turn is driving the construction, furnishing and service sectors. With more than 80% of its territory occupied by natural parks and a strong sense of environmental awareness, there is growing demand in Costa Rica for environmental protection systems and instrumentation to monitor the country's coasts and parks.

However, the continent's undisputed regional and global power is Brazil. With a population of about 200 million and a continuously expanding domestic market driven by middle-class consumers currently representing 46% of the population, Brazil offers the best opportunity in Latin America for Italian companies. The €190 billion in public funds earmarked for the development of infrastructure and the €75 billion for the 2016 Olympic Games and 2014 World Cup tournament will inevitably boost Brazil's growth potential. According to SACE forecasts, Italian exports to Brazil will grow by 7.4% in 2010-2011. Intermediate goods (mineral products, chemicals, metals and the rubber and plastics sector) will offer the best opportunities. Backed by the direct presence of Italian firms, exports in these sectors will grow by 3% in 2010 and 11% in 2011.

THE CIS REGION
RUSSIA, THE PERMANENT CENTRE OF GRAVITY

The economic performance of the Commonwealth of Independent States (CIS) continues to gravitate around the health of the Russian economy. Following a period of rapid and constant growth in recent years, the crisis hit the region, particularly its financial sector. Banks, especially medium and small private banks, were impacted by the freezing up of liquidity and high levels of exposure in sectors in difficulty such as the real estate and construction industry. Having attracted substantial foreign capital from speculative investment funds and hedge funds, this was abruptly withdrawn to cover losses elsewhere. Government intervention, including huge injections of liquidity, partially restored conditions enough for banks as well as medium and large companies to operate. The government intervention slowed the crisis and helped re-establish confidence in the country.

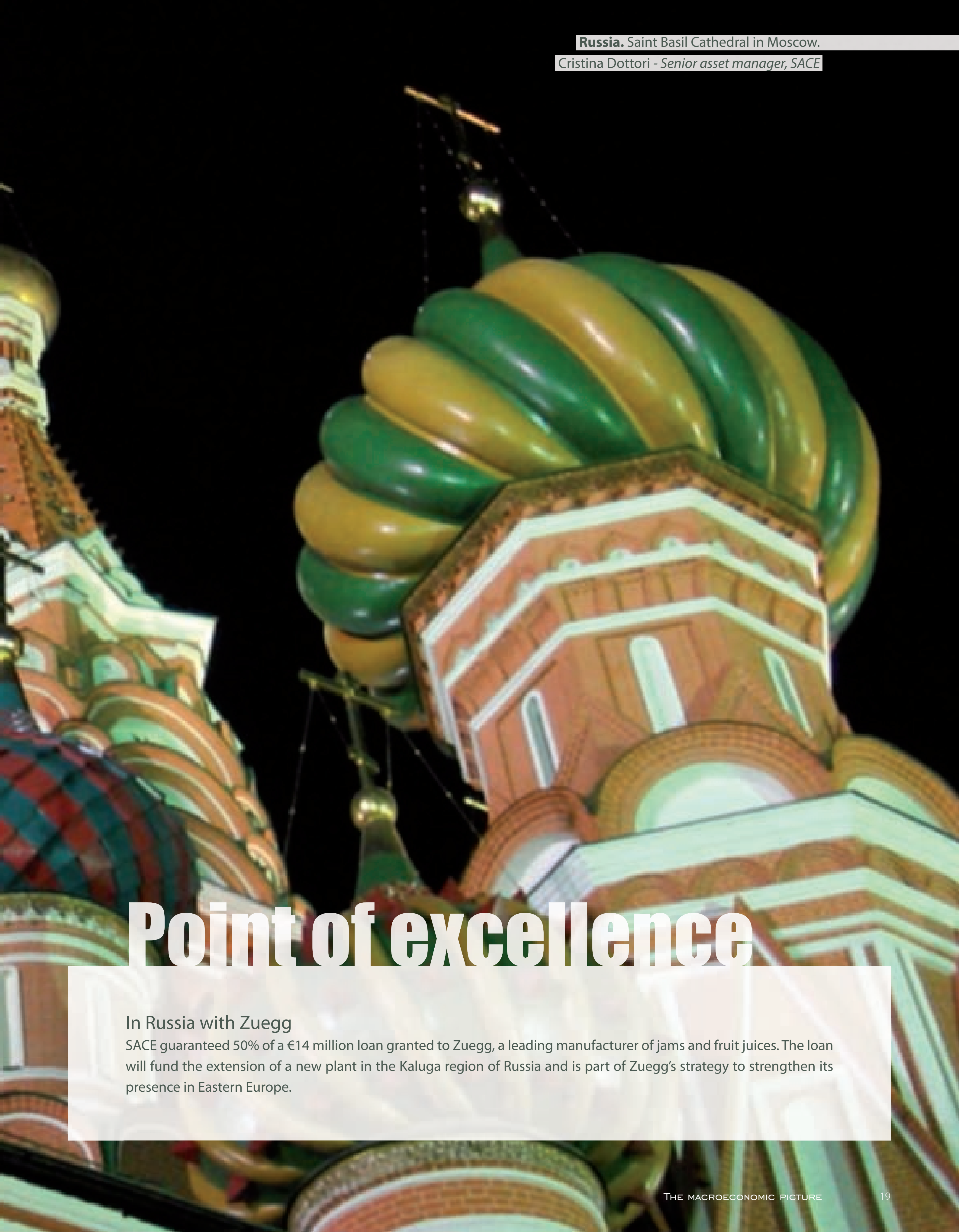
One weakness common to several countries in this region is the dependence of their economies on a single sector. This is the case of Russia, Kazakhstan, Azerbaijan and Turkmenistan for oil & gas, Belarus for petrochemicals and refining, Ukraine for steel production and Uzbekistan for cotton farming. In a year in which prices fell sharply, such dependence contributed to upsetting the balance of payments and causing significant budget deficits. Even traditionally robust sectors, such as steel production, lost market share to the emerging Asian economies.

Some countries will come under close scrutiny throughout 2010. These include: Ukraine, one of the economies hit hardest by the global crisis due to significant political instability, the drop in steel prices and the fragility of its banking sector; Kazakhstan, where the government was forced to intervene to prevent the main banks from going bankrupt; and Belarus, which saw a sharp decline in demand for its exports and, more importantly, an increase in fuel prices imposed by Russia.

Turkmenistan, Uzbekistan and Azerbaijan have been almost immune to the international crisis. This is due to their economic and financial isolation since gaining independence, but also, and more importantly, to the renegotiation of the price of gas exported to Russia. The aim over the next few years is to diversify fuel export markets, which will open up considerable opportunities for investments by Italian companies involved in major development projects in the natural gas sector.

Russia. Saint Basil Cathedral in Moscow.

Cristina Dottori - *Senior asset manager, SACE*



Point of excellence

In Russia with Zuegg

SACE guaranteed 50% of a €14 million loan granted to Zuegg, a leading manufacturer of jams and fruit juices. The loan will fund the extension of a new plant in the Kaluga region of Russia and is part of Zuegg's strategy to strengthen its presence in Eastern Europe.

EMERGING EUROPE
AT A CROSSROADS

Recession and the crisis in the banking sector: these are the main factors underlying the difficulties currently being faced by the emerging European economies. The *annus horribilis* for the global economy left the region suffering an average GDP contraction of 5%, which reached double figures in the Balkan states. Many countries in the region applied for and obtained funding from the International Monetary Fund and the EU, which brought positive but belated results.

The greatest difficulties were felt in the banking sector, hit by the liquidity crisis and plagued by the deterioration of its loan portfolio. Other key areas of the economy that had previously driven growth in the region were also affected: the construction industry, for instance, which slumped when the speculative bubble burst, and the car industry, faced with a sharp drop in short-term demand.

A fundamental trait of emerging European countries, which represents both a limit and a possibility for recovery, is their close link with the advanced European economies. The recent crisis involving Greece and the euro-zone could indeed lead to a decline in investment, imports, remittances and funds from Western to Eastern Europe. In contrast, the recovery of the euro-zone, which is starting to give its first timid signs, could give a positive contribution to these markets.

There are some positive exceptions within this highly complex scenario. One such case is Poland, where the economy is growing thanks to the country's solid and diversified political and financial structure. Polish GDP grew by 1% in 2009 and Italian exports of goods and services to this country fell less than elsewhere. GDP growth was also positive in Albania, though lower than in recent years. This country confirmed its position as a "corner of paradise" in the Balkans, a region still faced with financial and political problems. Another country worth mentioning is Romania, where many Italian companies continue to outsource activities and services. This country was hit hard by the recession and is undergoing political transition and institutional reforms to bring it in line with European standards. However, it continues to be viewed as one of the most promising emerging markets for Italian SMEs, which will need to establish their presence in order to seize significant opportunities in the medium and long term.

THE BALKAN PROGRAMME

Launched by SACE in 2006, the Balkan Programme promotes trade and investment by Italian enterprises in the area. With the gradual expansion of its insurance capacity, SACE can now insure commercial transactions and investments in all the countries in the Balkan region. SACE serves Italian companies operating in the region with a dedicated desk and soon will have a new office in Bucharest that will serve as a hub for the entire region. SACE's current exposure in Eastern Europe and the Balkans amounts to €950 million. Of the total, 93% is concentrated in Bulgaria and Romania, the local strategic bridgehead.

Slovenia. Sunset in Ptuj.

Ludovica Giglio - *Head of strategy and corporate development, SACE*

Ancient links

In Croatia with Giobatta & Piero Garbellotto

With a commitment of €570 thousand, SACE insured the supply of wooden casks for storing and ageing wine produced by Giobatta & Piero Garbellotto to a leading Croatian food group. Founded in 1775 and based in Conegliano (Treviso), Giobatta & Piero Garbellotto is Italy's oldest cooperage company.

Turkey. Grand Bazaar in Istanbul.
Antonio Bartolo - *Senior manager at the legal department, SACE*

Evident resources

In Egypt with Siti B&T Group

SACE insured Siti B&T Group for the supply of machinery worth €320 thousand to an Egyptian ceramic tile manufacturer. Siti B&T Group is a mechatronics and robotics company and is a world leader in ceramic production systems.

THE MEDITERRANEAN
A SEA OF RESOURCES

Geographical proximity, an abundance of energy resources and increasingly vibrant economic and demographic growth are just some of the reasons why the whole of the Mediterranean basin is strongly attractive to Italian businesses. Processes to establish greater political stability in the region will be crucial in fostering the development of economic relations.

With overall growth of 3.3% in 2009 (expected to reach 4.4% in the next two years), North Africa is a fundamental partner for Italy, not only for the energy the region supplies and Italy's involvement in strategic infrastructure projects (in Algeria, Egypt and Libya), but also for cross-border trade and Italian manufacturing in the region (Tunisia, Morocco and Egypt). North Africa has increasingly differentiated and advanced economies in the service, tourism and manufacturing sectors.

Although Italian companies export less to the middle-eastern Mediterranean countries, which are more exposed to political tension, there are opportunities to be explored in this area. Examples include Jordan and Lebanon, which boast two of the region's most advanced financial systems, and Syria, where initiatives to promote economic development and improve international relations should contribute to the multiplication of opportunities for growth in the medium term. In addition to the sectors that have traditionally driven Italian exports (mechanical engineering and refined products) this region offers good prospects in the manufacturing sector, chemicals, infrastructure-related projects, especially in Lebanon, and the development of renewable energy technologies, particularly in Jordan.

Turkey is one of the most promising markets in the region. Having experienced a sharp contraction of GDP in 2009 (-6.5%) due to the international crisis and the slackening of the important steel, automotive and textile sectors, the Turkish economy could be on track for a record recovery. Growth is predicted to be 4% for the two-year period 2010-2011. Turkish consumer spending will play a fundamental role in the nation's economic recovery. The banking system, cleansed and reformed after the crisis in 2001, has proved practically immune to the financial crisis and was affected less violently by the credit crunch. Turkey is investing heavily in transport and construction as well as in expanding and upgrading its infrastructure for exporting oil from the East.

THE MIDDLE EAST
OPPORTUNITIES DESPITE INSTABILITY

Opportunities and challenges will characterise 2010 in the Middle East. The rise in crude oil prices will give new impetus to demand and to major infrastructure as well as oil & gas projects and will encourage governments to increase economic diversification.

Economic performance in 2009 reflected the vulnerability of the financial system, the slump in income from crude oil and increased activity by Islamic movements that threatened to undermine stability in certain areas. Governments responded to the contraction of GDP (which fell by approximately 5 percentage points) by adopting expansionary fiscal policies, using their reserves to buffer the slowdown in economic performance and the flight of capital. Among the countries least affected by the crisis were Bahrain, Oman and Qatar, which continued to enjoy economic growth, albeit more slowly than in the past (+4%).

This year governments in the Middle East will be faced with some important challenges, such as the privatisation of banks and state institutions and the need for urgent cuts in public spending to combat inflation. In a region where political stability is a crucial variable, the best opportunities will come from countries with the most solid political systems, such as Kuwait, Oman, Bahrain and especially Saudi Arabia, which continues to be the region's economic powerhouse. Despite the financial crisis, the banking system has remained profitable and well-capitalised in these markets, with low rates of outstanding debts as a result of prudent credit management practices.

The situation remains critical in Dubai. Although it is predicted that the emirate will come out of recession, there is considerable concern among financial operators over the persistently sluggish recovery of foreign investments. Several measures aimed at re-establishing corporate credibility and improving access to credit in Dubai are currently being examined. In addition to the reform of the regulatory framework (first and foremost the recent insolvency law), Dubai's quasi-sovereign companies are increasingly focused on improving corporate governance, restructuring their business management processes and raising the level of transparency of corporate finances. Abu Dhabi, which has 95% of the UAE's oil resources, will lead the recovery of the federation's economy (and thus offer the best opportunities for investment).

There is also good potential for growth in Iraq, linked to the development of the oil sector. Opportunities here inevitably depend on and how quickly a new government is established once elections are held as well as how the the total withdrawal of American troops, schelduled to take place by the end of 2011, is carried out.

Jordan. Jerash columns.
Cristina Dottori - *Senior asset manager, SACE*

New perspectives

In the United Arab Emirates with Fisia Italimpianti

SACE guaranteed a $301 million loan granted to the Dubai Electricity & Water Authority (DEWA) for the construction of a seawater desalination plant by Fisia Italimpianti, a member of the Impregilo Group operating in the plant engineering and environmental services sectors. The DEWA, a government-owned company, supplies electricity and water to the whole of the Emirate of Dubai.

Namibia. Himba girl.

Massimo Baldini - *Senior analyst, claims and corporate recoveries, SACE*

Strategic import

In Kenya with Marini

SACE insured Marini, a plant engineering company based in Ravenna, for a €760 thousand contract to supply road asphalting equipment to Kenya. The transaction was managed online via the ExportPlus portal.

AFRICA
THE NEW FACE OF A CONTINENT

Africa is emerging as a key player, not just South Africa, host of the 2010 World Cup, but also countries such as Mozambique, Kenya, Tanzania and Ghana.

Sub-Saharan Africa is slowly beginning to recover after its economy plummeted in 2009 (when GDP growth slowed to 1% compared with an average of 6% over the previous seven years). The region is starting to benefit from the rise in crude oil prices, renewed international demand and, in some cases, increased political stability and the adoption of prudent and adequate macroeconomic policies. The region, which is preparing to face the challenges of economic diversification and environmental sustainability, is predicted to see GDP growth of 4% in 2010.

International financial institutions such as the World Bank and the International Monetary Fund (which approved new loans to eight countries worth a total of around $4 billion in 2009) continue to play a major role in the future of Africa as do a number of nations attracted by the geostrategic centrality of the sub-Saharan region. One such country is China, which has further increased trade with and investments in the main African economies. Countries rich in energy resources, particularly Angola and Nigeria, will offer some interesting opportunities as will those that have shifted towards greater economic diversification. Mozambique is one of the best examples of the latter. This country enjoys political stability and has a highly diversified economy. Sectors with potential include the production of bio-fuels (palm oil) and the development of alternative energy sources (wind power), agriculture (sugar production), agri-foodstuffs and fishing. Mozambique is developing its tourism industry and giving impetus to public works contracts, as well as major projects in the mineral products and mining (carbon, aluminium), hydroelectric power, and oil & gas sectors.

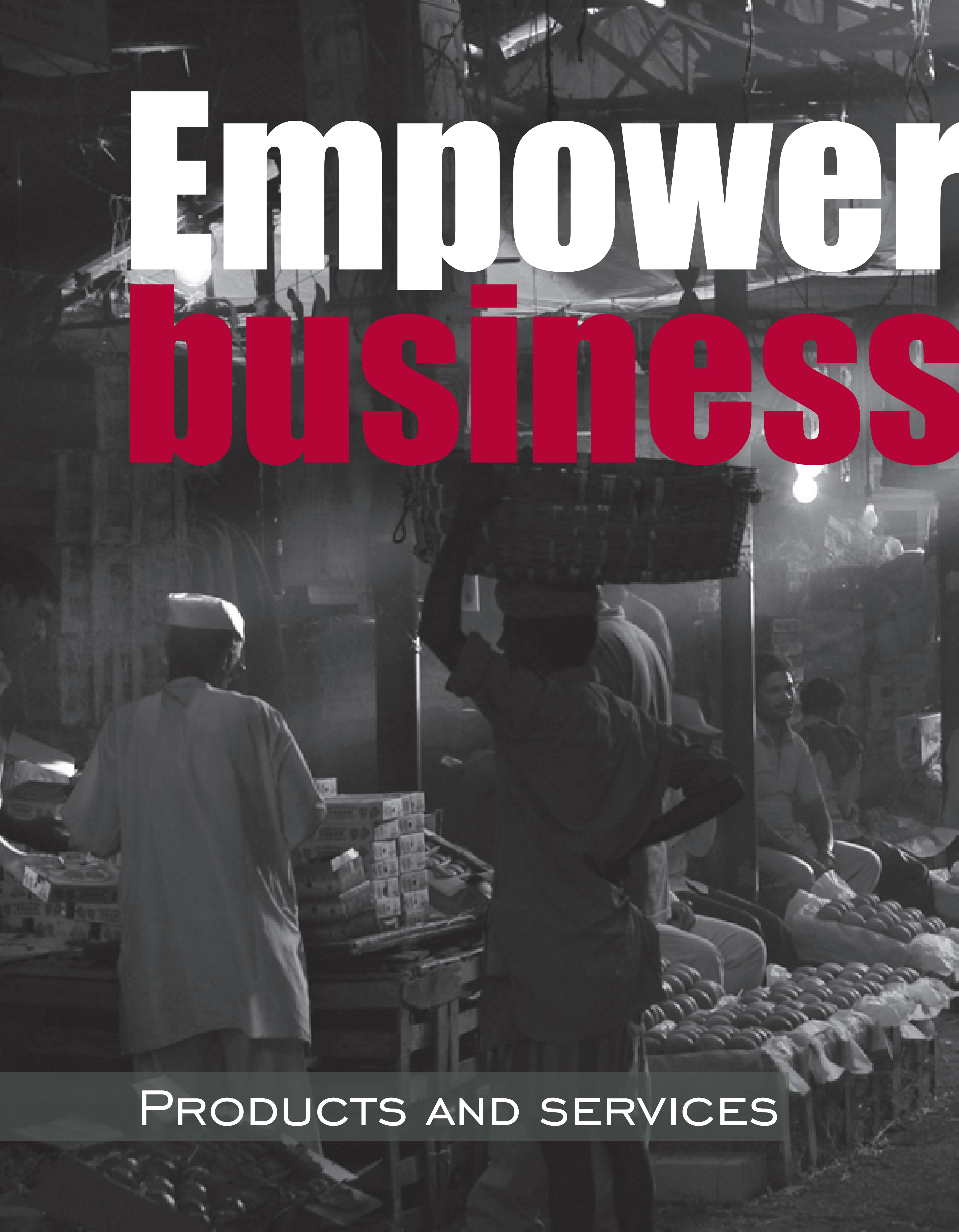
After a decidedly difficult 2009, South Africa, the regional champion, also looks set for solid growth in 2010 driven by renewed foreign demand for raw materials and intermediate goods. The contribution of increased capital expenditure by the public sector, with huge investments in infrastructure in the energy and transport sectors, is a crucial factor. These efforts are partly associated with South Africa's organisation of the 2010 World Cup, to be held in June and July, which should provide an additional stimulus for the economy by fostering consumer spending and tourism.

THE AFRICA PROGRAMME

Launched by SACE in 2006, the Africa Programme is intended to promote trade and investment by Italian enterprises in sub-Saharan Africa, an area with high growth potential although still characterised by a perceived high risk. With the gradual expansion of its insurance capacity, SACE is now able to insure commercial transactions and investment in 38 sub-Saharan countries. Italian companies are looked after through the Johannesburg office that acts as a hub for the region. Over the past four years, SACE has supported 60 operations in Africa totalling approximately €1 billion.

Empower business

Products and services



India. Market in Mumbai.

Vincenzo Pedicini - *Senior policy underwriter, SACE*

Export credit

FOR COMPANIES

SACE provides insurance to cover the risk of non-payment of loans (due to political or commercial events) in connection with export contracts, supplies of services or the implementation of projects or works abroad. With the cover provided by SACE, companies are assured of repayment and thus can count on cash flow stability.

The **Supplier Credit** policy insures single transactions within OECD countries with payment deferred for more than 24 months and without any time limit for other countries. The company can transfer the benefits of the policy to a bank or other financial intermediary to discount the underlying credit without recourse and thus increase liquidity. The Supplier Credit policy also covers the risk of cancellation, undue calling of guarantees, destruction, damage, requisition and confiscation of temporarily exported goods.

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

Designed to meet the needs of SMEs, the **Basic** policy provides insurance cover for single transactions of up to €500 thousand with payment deferred for a maximum of 36 months (not less than 24 months for transactions within OECD markets). This policy can also be acquired online cutting administrative formalities to a minimum and envisages, within fixed limits, automatic adjustments to changes in the sale contract.

The **Civil Works** policy – for construction and plant engineering firms involved in civil works or supplying turnkey projects abroad – provides cover 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 guaran-

In Saudi Arabia with Nordimpianti System

SACE insured the supply of a honeycomb panel production line to a Saudi company by Nordimpianti System, a company based in the Apulia region of Italy specialised in hydraulic and electric systems. The honeycomb floor panels will be installed at the new women's university in Eid Al-Adha close to the frontier with Yemen.

tees, destruction, damage or confiscation of the exported goods.

FOR BANKS

SACE insures Italian and foreign banks that grant loans to finance purchases of goods or services supplied by Italian enterprises or their foreign subsidiaries or affiliates. The insurance covers the risk of non-payment due to political and commercial events.

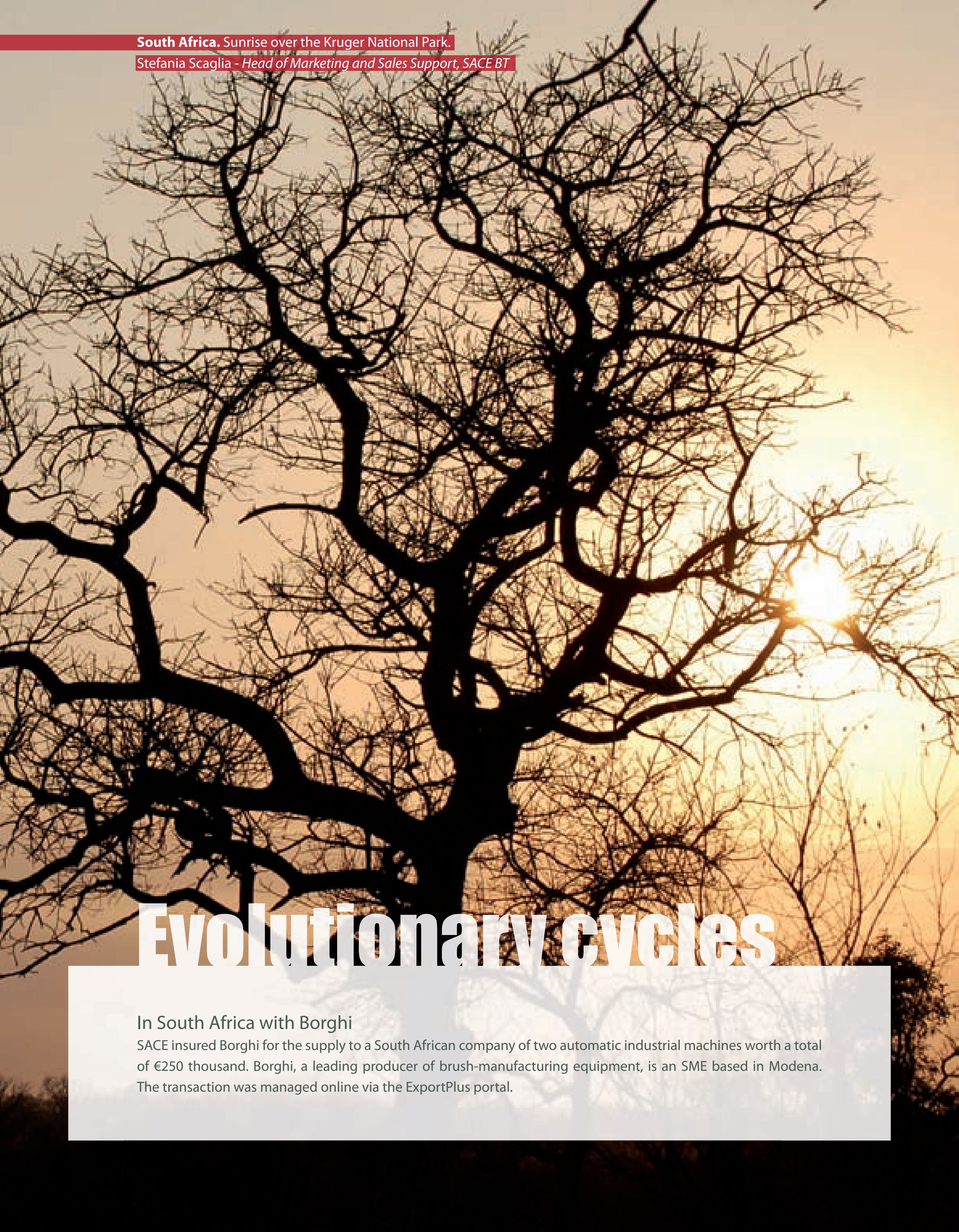
The **Buyer Credit** policy guarantees loans granted by banks to foreign borrowers to finance Italian exports or civil works executed abroad by Italian companies or their foreign subsidiaries. SACE covers the risk of the foreign borrower failing to repay the loan granted by the bank within the terms agreed upon. This instrument, used for transactions where the borrower is a government, bank or industry, 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.

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

In Latvia with STG Group

SACE insured a €76 million loan to fund a contract awarded to the metallurgical company STG Group to modernise the only steelworks in the Baltic region. The project will enable the Latvian company to cut production costs by manufacturing the intermediate goods required for the production process in-house, and to meet the requirements of European environmental laws.



South Africa. Sunrise over the Kruger National Park.
Stefania Scaglia - *Head of Marketing and Sales Support, SACE BT*

Evolutionary cycles

In South Africa with Borghi

SACE insured Borghi for the supply to a South African company of two automatic industrial machines worth a total of €250 thousand. Borghi, a leading producer of brush-manufacturing equipment, is an SME based in Modena. The transaction was managed online via the ExportPlus portal.

Investment protection

SACE protects investments made by Italian enterprises and banks in markets with political problems or inadequate legal frameworks.

The **Investments** policy protects Italian businesses investing abroad, either directly or through their affiliates or subsidiaries, against political risk so that they can concentrate entirely on the business risk and on developing their business. The policy protects overseas investments against political risk when a new company is set up or in the case of acquisitions (also if done through a joint venture).

This policy also covers loans granted to foreign investee companies (shareholder loans). For banks this cover has zero impact on their capital absorption and, by freeing up their credit lines, leaves more room within their country limits. The Investments 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), due to:

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

For equity investments of less than €5 million, the Investments policy can also be acquired online.

In Russia with Pietro Barbaro

SACE insured a new investment in Russia by the Pietro Barbaro Group, an oil shipping company, to purchase three river transport vessels. The investment is part of a project launched in 2007 and already supported by SACE.

Access to credit

SACE guarantees loans by banks or bond issues in support of exports and internationalisation projects undertaken by Italian enterprises as well as 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 the company's 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).

Internationalisation guarantees

SACE's **Internationalisation guarantee for SMEs** supports the growth of Italian small and medium enterprises in international markets by guaranteeing loans granted by approved banks to finance development projects directly or indirectly related to the internationalisation process. The guarantee is issued at market conditions for up to 70% of the loan. It is available for Italian companies with yearly revenue of up to €250 million that invest abroad either directly (joint ventures, mergers and acquisitions, partnerships) or indirectly.

It can also be used by companies that meet the revenue requirement and are involved in research and development, want to renew and upgrade factories and machinery, protect brands and patents, attend international trade fairs, or invest in promotional activities.

The **Internationalisation Guarantee for Credit Port-**

Agreement with the European Investment Bank

Following an agreement with the European Investment Bank in 2009, SACE will guarantee up to €1.5 billion of new loans granted by EIB for internationalisation of Italian firms or strategic investments for the Italian economy (research and development, renewable energy, infrastructure).

China. The Great Wall.
Mohamed Elmalt - *Project finance analyst, SACE*

Convergent objectives

In China with Inox Tech

SACE guaranteed a €3 million loan granted to Inox Tech, a metalworking company based in Rovigo, to set up a joint venture in China for the production of steel pipes for the local market.

folios covers credit risks connected to multiple loan transactions which, due to their size and number, can be more effectively managed through a portfolio product. More specifically, SACE guarantees credit portfolios held by banks or financial intermediaries relating to loans to foreign buyers of Italian exports.

The **Internationalisation guarantee for Banks** guarantees loans granted to foreign subsidiaries of Italian banks or to foreign banks as part of the internationalisation process of Italian banks. As banks worldwide are faced with a shortage of international liquidity and Italian banks have growing financial requirements to back the activities of their foreign subsidiaries, the insurance provided by SACE can be a useful aid for consolidating the Italian banking system in foreign markets. The guarantee, for up to 80% of the loan, is intended 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.

Banks that have signed agreements with SACE in connection with Internationalisation guarantees for SMEs

Banca Hypo Alpe Adria	Banca Popolare di Milano	Credem
Banca Monte dei Paschi di Siena	Banca Popolare di Sondrio	Deutsche Bank
Banca Monte Parma	Banca Sella	Iccrea Banca
Banca Popolare dell'Emilia Romagna	BNL	Unibanca
Banca Popolare Friuladria	Cariparma	Unicredit Banca d'Impresa

In Europe with Lotto

SACE guaranteed a €1.5 million loan granted to Lotto Sport Italia for investments in advertising and sponsorships of tennis tournaments as well as football teams in England, Germany and France. With this transaction, the company aims to strengthen its presence in international markets in the technical and sportswear sector.

Vietnam. Roaring boats on the Mekong Delta.
Edoardo Li Castri - *Senior policy underwriter, SACE*

Strategic views

In Vietnam and Romania with Legnoluce

SACE guaranteed a €500 thousand loan granted to Legnoluce to increase its participation in international trade fairs and fund the activities of its subsidiaries in Vietnam and Romania. Legnoluce is an SME based in the Italian region of Friuli specialising in the production of wooden garden furniture.

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

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

Papua New Guinea. Natives with traditional masks.
Claudio Falciano - *Credit risk analyst, SACE*

The colours of energy

In Papua New Guinea with Italian enterprises

SACE guaranteed a $900 million funding granted for the realization of pipelines and extraction and liquefaction plants for the "PNG LNG" project: the biggest foreign investment ever made in Papua New Guinea. SACE's guarantee covers Italian suppliers, particularly Saipem, Nuovo Pignone and a wide range of allied SMEs.

Italy. Light effects at Eur in Rome.
Mariano Di Biagio - *Senior credit risk analyst, SACE*

Capturing light

SACE for photovoltaic solar power

SACE issued a €26.5 million guarantee to cover funding for the installation and running of the PV plant in Montalto di Castro (Viterbo) promoted by US company SunRay Renewable Energy. With a peak power of 24 megawatts from the installation of around 80 thousand solar panels, the plant will be capable of generating over 40 thousand megawatts per year.

STRATEGIC INFRASTRUCTURE AND RENEWABLE ENERGY SOURCES

SACE is able to support projects implemented in Italy in sectors of strategic importance for the Italian economy such as infrastructure and renewable energy (particularly 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.

Regarding infrastructure projects of strategic importance for Italy, SACE covers loans for the following activities:

- 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
- 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.

Credit insurance

SACE insures companies against the risk of insolvency in connection with commercial transactions with payment deferred for up to 12 months, and offers a range of products and services to satisfy the requirements of small, medium and large enterprises.
The **Whole Turnover** policy is designed for companies wishing to insure their entire turnover with Italian and foreign buyers, or uniform segments of that turnover, with deferred payments of up to 12 months. The policy provides combined cover against political and commercial risk, or commercial risk alone. It provides inclusive cover and includes the principle of limited inclusivity for each risk category. Solutions have also 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. Customers may request quotes simply by filling in an online application form. Insured companies receive support during the preventive assessment of customers' solvency and during credit recovery.

In Italy with Geospirit & Peuterey

SACE BT has insured the sales of Peuterey & Geospirit policy with the policy Multimarket Globale. Peuterey & Geospirit is a Tuscan company specialised in affordable luxury sportswear, operating mainly on the Italian and European markets (Germany, Spain and Benelux) and looking with increasing attention to emerging markets.

China. Macau Tower and Sai Van Bridge in Hong Kong.
Matteo Molinari - *Surety assistant, SACE BT*

Ensuring development

In Asia with Assicurazioni Generali

SACE BT operates in the Asian short-term credit insurance market, thanks to a partnership agreement with the Hong Kong branch of Assicurazioni Generali. Under the agreement, SACE BT supplies 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.

Surety and construction risk

Surety

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.

Contractual Guarantees enable companies to bid for civil works, supply, service and maintenance contracts by guaranteeing to the public authority that it will sign the relative contract and meet all its obligations under the contract in Italy and abroad. The range of contractual guarantees includes:

- bid bonds
- performance bonds
- advanced payment bonds
- retention money
- guarantees to cover urbanisation charges.

Guarantees of performance of legal obligations cover the fulfilment of obligations undertaken with the public authorities. These include:

- tax refund payment bonds
- guarantees for customs duties.

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 abroad through accredited insurance companies (re-insurance) or foreign banks (counter-guarantees).

Construction risk

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

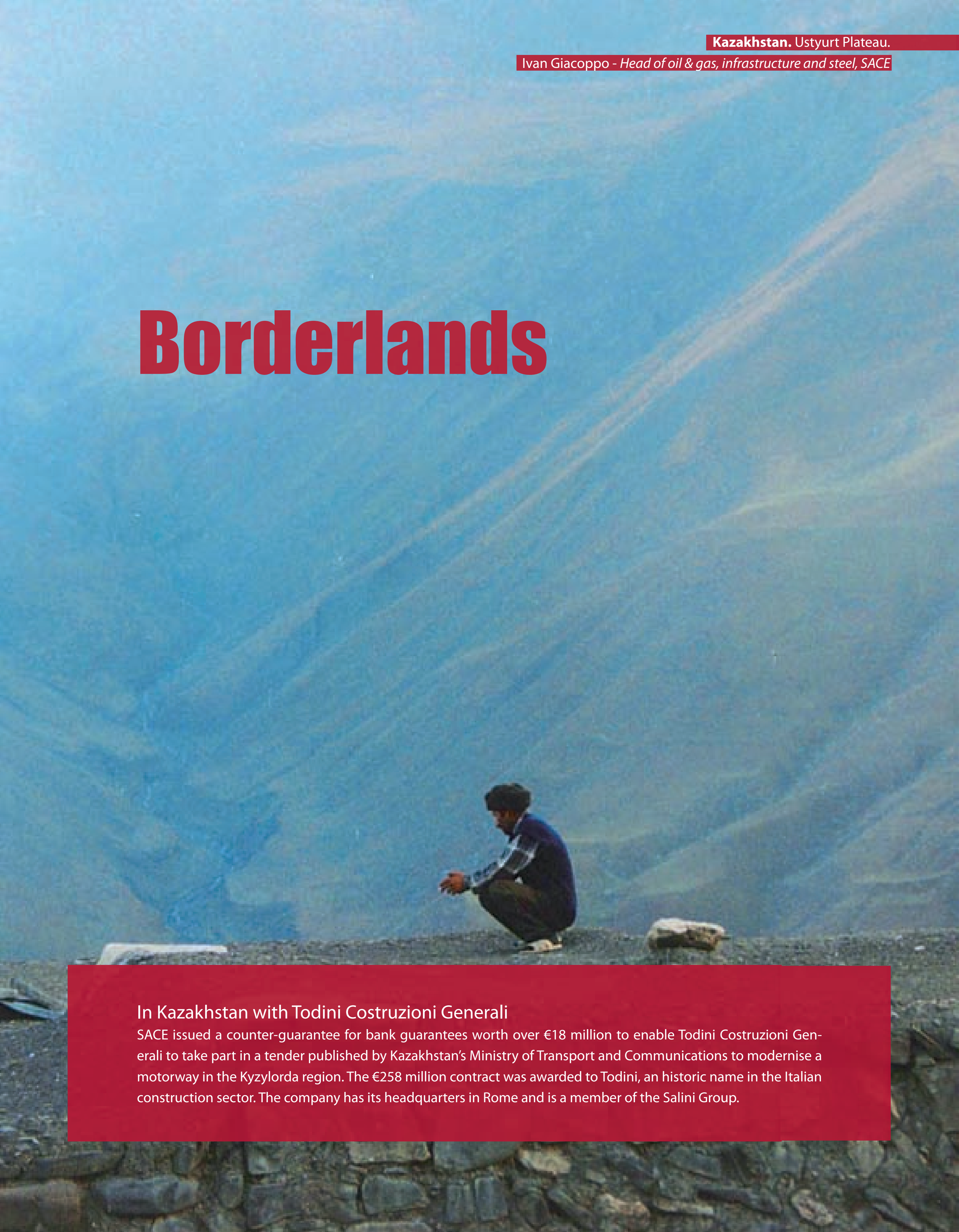
The **CAR** (all of the contractors' risks) policy insures the company against material and direct damage to the works during construction or to pre-existing structures, including damage caused involuntarily to third parties (death or injury). The policy also covers construction risks for works completed 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** (equipment 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.

Ivan Giacoppo - *Head of oil & gas, infrastructure and steel, SACE*

Borderlands



In Kazakhstan with Todini Costruzioni Generali

SACE issued a counter-guarantee for bank guarantees worth over €18 million to enable Todini Costruzioni Generali to take part in a tender published by Kazakhstan's Ministry of Transport and Communications to modernise a motorway in the Kyzylorda region. The €258 million contract was awarded to Todini, an historic name in the Italian construction sector. The company has its headquarters in Rome and is a member of the Salini Group.

Unfreezing of credit with the public sector

Delayed payments by public sector customers affect the supply chain in many ways and put a strain on the economy, especially when there is a shortage of liquidity and companies face significant structural problems in managing indebtedness. To facilitate credit discounting for companies that supply goods and services to the Italian public sector, SACE has launched a series of initiatives that include partnerships with the banking system and the establishment of a dedicated factoring company.

Agreements with banks

Under the anti-crisis measures, SACE signed an agreement with the Italian Banking Association (ABI) to facilitate discounting of receivables due from public sector customers on a no-recourse basis. This intervention by SACE will foster the absorption by the financial system of receivables due from the public sector and will hedge the insolvency risk of the final borrower. Under the agreement, suppliers will be able to benefit from new short-and medium-term loans (up to a maximum of 24 months) granted by approved banks and guaranteed by SACE for up to 50% of the loan.

Reverse factoring

Through its factoring company SACE Fct, SACE is now able to support suppliers awaiting payments from public sector entities.

SACE Fct primarily provides reverse factoring, which is a "guaranteed payment" system that, through a trilateral contractual arrangement between the public entity, the supplier and SACE Fct, ensures the payment of the invoices at the due date, provided the public entity has certified the receivables.

This product will thus help companies achieve more efficient credit management, considerable savings in terms of time and costs and greater certainty when planning cash flows.

SACE for suppliers to the public health system

SACE approved a financial guarantee worth €400 million to facilitate payments to suppliers of goods and services to the local health authority in Italy's Campania region. This intervention by SACE improved the credit capabilities of the banking system by raising the maximum limit available to over 2,000 suppliers to the local health authorities and hospitals in the Campania region to €1 billion.

Italy. Arches by night in Sulmona.
Massimiliano Cascianelli - *Senior credit risk analyst, SACE*

Virtuous paths

ONLINE SERVICES

SACE offers customers an increasingly wide range of online services and products. These have the advantage of simplified procedures, lower costs and faster feedback than traditional channels (some policies are issued immediately).

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

The online Preliminary Credit Assessment service provides an indication as to the insurability of transactions and the credit rating of foreign buyers. It also provides estimated quotes for premiums. Two kinds of service are available:

- Banks - **which offers immediate insurance feasibility assessments where the borrower or guarantor is one of the 3,000 banks monitored by SACE**
- Corporate - **which offers insurance feasibility assessments for foreign counterparties so that exporters are able to agree to 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).

Indonesia. Hindu ceremony at Danu Bunyan Lake.
Marco Battaglia - *Head of media & communications, SACE*

Light and sustainable

In Indonesia with Emmedue

SACE insured Emmedue, an SME based in the Marche region of Italy with over 30 years of experience in the production of modular polystyrene panels, to export a €2.1 million production line to an Indonesian firm that manufactures panels for the building industry. The transaction was managed online via the ExportPlus portal.

Perù. Traditional Andean textiles.

Ludovica Giglio - *Head of strategy and corporate development, SACE*

Coloured yarn

In Peru with Rite

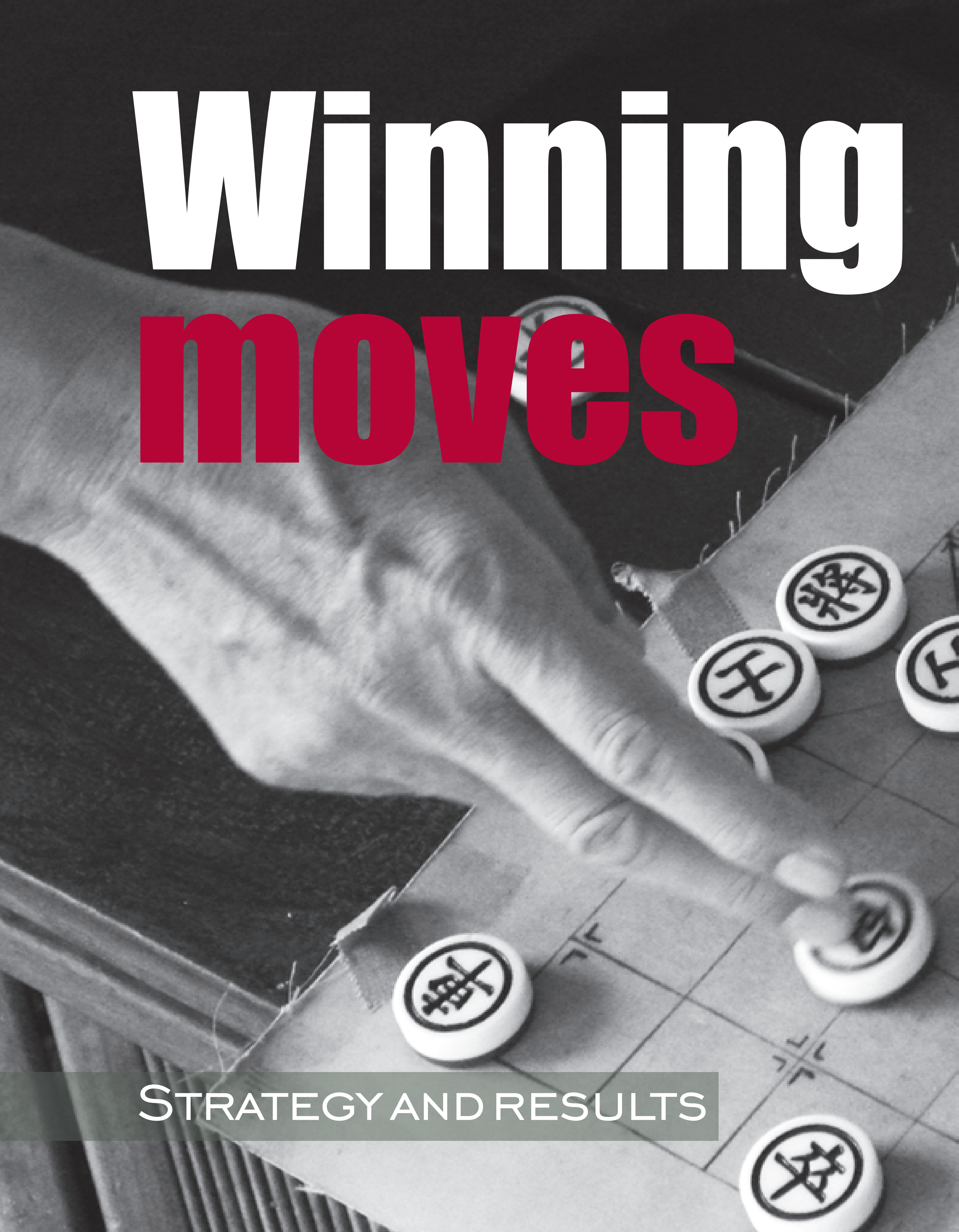
SACE insured Rite for a €150 thousand contract to supply two spoolers to a Peruvian company. Rite is a leading manufacturer of yarn-finishing systems based in Italy's Friuli region. The transaction was managed online via the ExportPlus portal.

SACE TRAINING AND ADVISORY

SACE Training & Advisory (ST&A) 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. Top-class speakers including experts in the various fields of the global economy and managers and analysts from SACE provide technical training courses on: analysis of international markets, assessment of all aspects of credit risk, legal issues, international regulations, and insurance and financial instruments to which enterprises may have recourse in connection with their international expansion. ST&A hosts and organises workshops in collaboration with international associations such as the OECD, the Berne Union and the UN Environmental Program. It offers technical assistance to Export Credit Agencies in emerging countries, contributes to masters programs and post-graduate courses at top Italian universities and organises staff training workshops. The SACE e-learning project will come on stream this year: a series of video-seminars on the work and analyses performed by experts at SACE is available online at www.sace.it.

Winning moves

Strategy and results



China. Playing checkers in Hong Kong.
Stefano Bisogni - *Junior policy underwriter, SACE*

Management report

Strategy

At a time marked by a rapidly deteriorating real economy and a general worsening of risk levels, SACE achieved and exceeded its 2008-2010 industrial plan targets and confirmed its role in supporting the competitiveness of Italian businesses, both through its offer of traditional products and through its direct involvement in some of the anti-crisis measures adopted in Italy, as in other countries.

SACE's function of supporting the economy was reflected in the robust increase in transactions insured, mainly driven by the demand for export credit products, and the increase in claims paid in response to the rise in company insolvencies.

Under the measures introduced to foster economic recovery, SACE broadened its scope of activity to include guarantees on competitive loans granted to SMEs using funds made available by Cassa Depositi e Prestiti and agreements with banks to cover payments due by public sector customers.

With uncertainty surrounding the strength and timing of economic recovery, SACE confirmed the targets set in its 2010 industrial plan, placing particular emphasis on the lines of business dedicated to SMEs. The positive result for 2009 will allow SACE to continue to help Italian businesses become more competitive, with a range of products to support export operations, investments and international expansion even in particularly volatile markets.

At the beginning of 2010 SACE launched its factoring business for companies awaiting payment from their public sector customers. This service is available through SACE Fct, a Group company set up 2009 and registered as a financial intermediary. The Export Banca system also became operational: the aim of the scheme is to finance the international expansion and export operations of Italian companies and projects of strategic importance for the Italian economy.

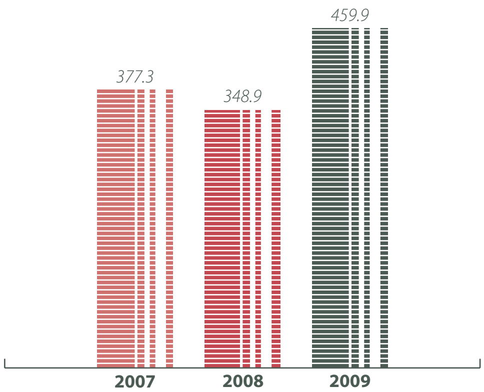
In addition to extending its scope of business, SACE also opened new offices. In Italy new offices were opened in Lucca, Monza and Bari, with a view to enhancing the business capabilities of the existing branches in Milan, Venice, Modena and Rome and the office in Turin. With offices already up and running in São Paulo, Moscow, Johannesburg and Hong Kong, in 2010 SACE plans to open new ones in Turkey (Istanbul) and Romania (Bucharest), upholding its traditional commitment to sustaining the emerging economies with strong growth potential.

The Group will continue to expand the credit insurance and surety business of the subsidiary SACE BT. This will be achieved by strengthening the sales network while maintaining a policy of careful risk control and cost management.

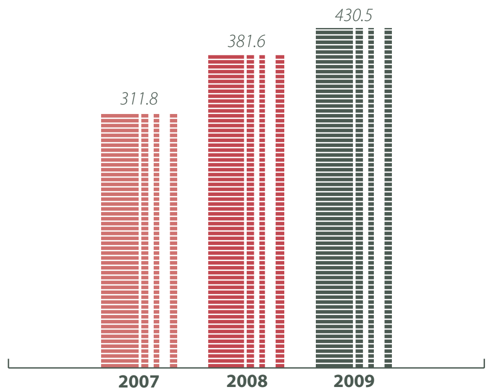
Results for the year

SACE reported consolidated net income in 2009 of €459.9 million, up 31.8% compared with the previous year's result of €348.9 million. Pre-tax profit was €639.1 million, an increase of 20.6%. This result was forged by a significant rise in gross premiums and a positive operating result.

Net profit (€ millions)



Gross written premiums (€ millions)



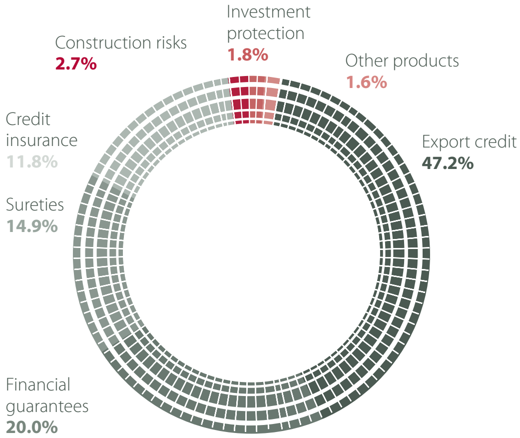
The subsidiary SACE BT closed the year with a loss of €34 million, 16.3% more than the previous year.

PREMIUMS

Consolidated gross premiums were €430.5 million in 2009, up 12.8% on the previous year. Of the total, direct business premiums accounted for €426.7 million and indirect business premiums (inward reinsurance) €3.8 million. Net premiums decreased 33.6% to €199.3 million mainly as a result of the significant increase in the change in technical reserves, which was negative for €188.2 million.

Export credit products generated 47.2% of direct business premiums (40.4% in 2008), for a total of €201.2 million, followed by financial guarantees (20%), surety (14.9%) and credit insurance (11.8%). Premiums for construction risk (2.7%), foreign investment protection (1.8%) and other businesses (1.6%) represented a smaller proportion of the total.

Gross written premiums by business (2009)



INSURANCE BUSINESS VOLUMES

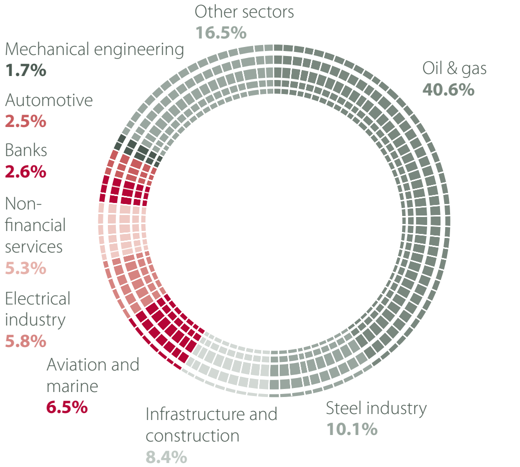
While exports contracted, SACE extended its support for Italian companies and insured transactions for approximately €33.6 billion, a 21.9% increase in volumes compared with 2008.

In 2009, the parent company issued new guarantees for €11.1 billion, 32.3% more than in 2008. New commitments were mainly directed towards the EU (37%), non-EU European countries and CIS countries (25.9%), and the Middle East and North Africa (17.5%). There was a marked increase in transactions insured in the emerging countries of Asia (+128%), Eastern Europe (+54%), the Middle East and North Africa (+34%).
Oil & gas continued to be the industrial sector representing the biggest proportion of business, accounting for 40.6% of the parent company's guarantees. This was followed by steel (10.1%), infrastructure and construction (8.4%) and aviation and marine (6.5%).

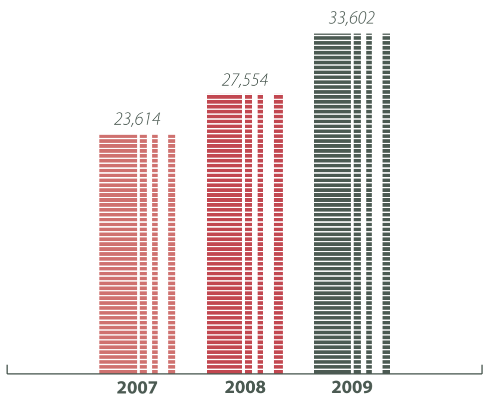
As other major credit insurance businesses reduced their volumes insured in 2009, SACE BT's insured commercial transactions increased 34.2% to €20.4 billion (€15.2 billion in 2008).

In the distribution of business by geographical area, 73.9% of business concerned Italy, followed by OECD countries (20.5%) and other countries (5.6%).

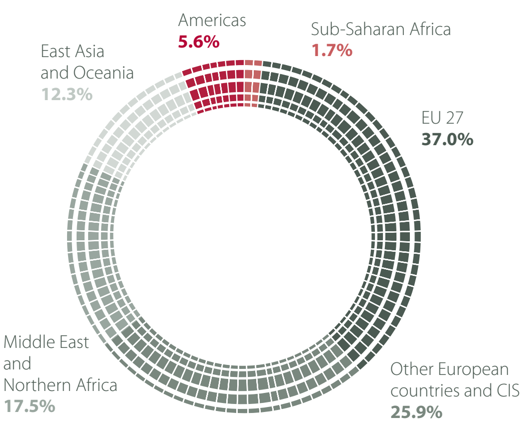
New guarantees approved by the Parent Company by sector (2009)



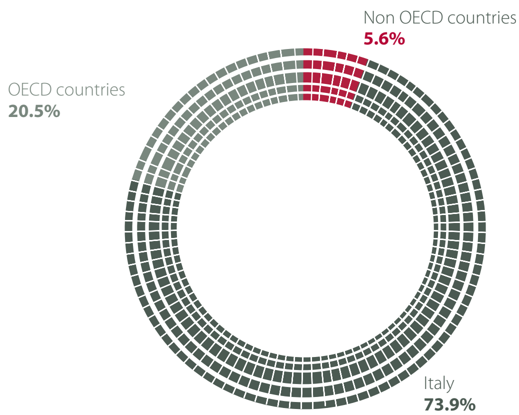
Insured transactions (€ millions)



New guarantees approved by the Parent Company by geo-economic area (2009)



Business insured by SACE BT by geo-economic area Credit insurance (2009)



CLAIMS

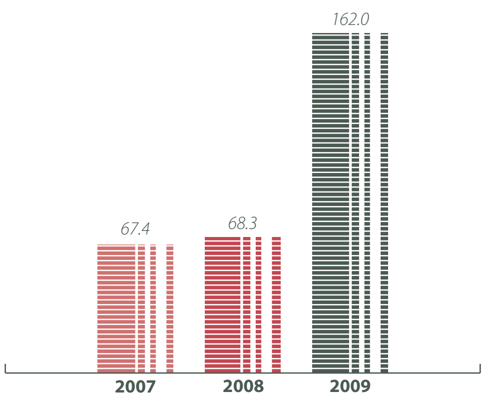
Claims paid during the year amounted to €162 million, an increase of 137% compared with the €68.3 million of 2008.

The parent company alone paid claims for €95.6 million, almost four times the amount paid in 2008 (€21.8 million).

This exceptional increase in claims was mainly due to the rise in insolvency rates, especially in the geographical areas and sectors hit hardest by the crisis. These included the banking sector and domestic market of CIS countries, and the textiles, ceramics and automotive sectors worldwide.

The SACE BT subsidiary paid claims for € 61.8 million an increase of 27.7% compared to 2008. In the credit insurance business the ongoing crisis and increase in the guarantee portfolio in 2008 led to a rise in defaults, despite some signs of improvement in terms of the rate and average cost of claims. The commodity sectors with the highest number of claims reported were textiles and clothing (13.3%), mechanical engineering (12.8%), construction materials (11.9%) and steel-making (11.7%).

Claims paid (€ millions)



There was a further increase in claims in the surety business in 2009, mainly with regard to guarantees for tax payments and reimbursements. The other property damage insurance business reported a marked improvement with a drop in the number of claims reported.

RECOVERIES

Commercial and political recoveries generated a positive effect on the consolidated profit and loss account of €97.9 million.

The parent company's total cash flow from political recoveries was €345 million. This result benefited from the advance repayment by Peru of €121 million. During the year, Croatia, Jamaica, Moldavia, Poland, Sharjah and Suriname completed repayment of their debts under the terms of the relative bilateral debt restructuring agreements.

The parent company's portion of total commercial recoveries was €12.5 million, a significant increase compared with €2.1 million in 2008.

Post-settlement recoveries by the subsidiary SACE BT generated a positive result, net of reinsurance, amounting to € 3.3 million.

REINSURANCE

SACE's reinsurance policy, which aims to maintain and improve the company's equilibrium, relies on the use of international reinsurers 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. In 2009 SACE signed new reinsurance agreements with export credit agencies in South Korea (KEIC) and Luxembourg (ODL).

With regard to short-term credit and surety insurance, the economic crisis limited the possibility of resorting to proportional reinsurance treaties and increased the cost of non-proportional cover.

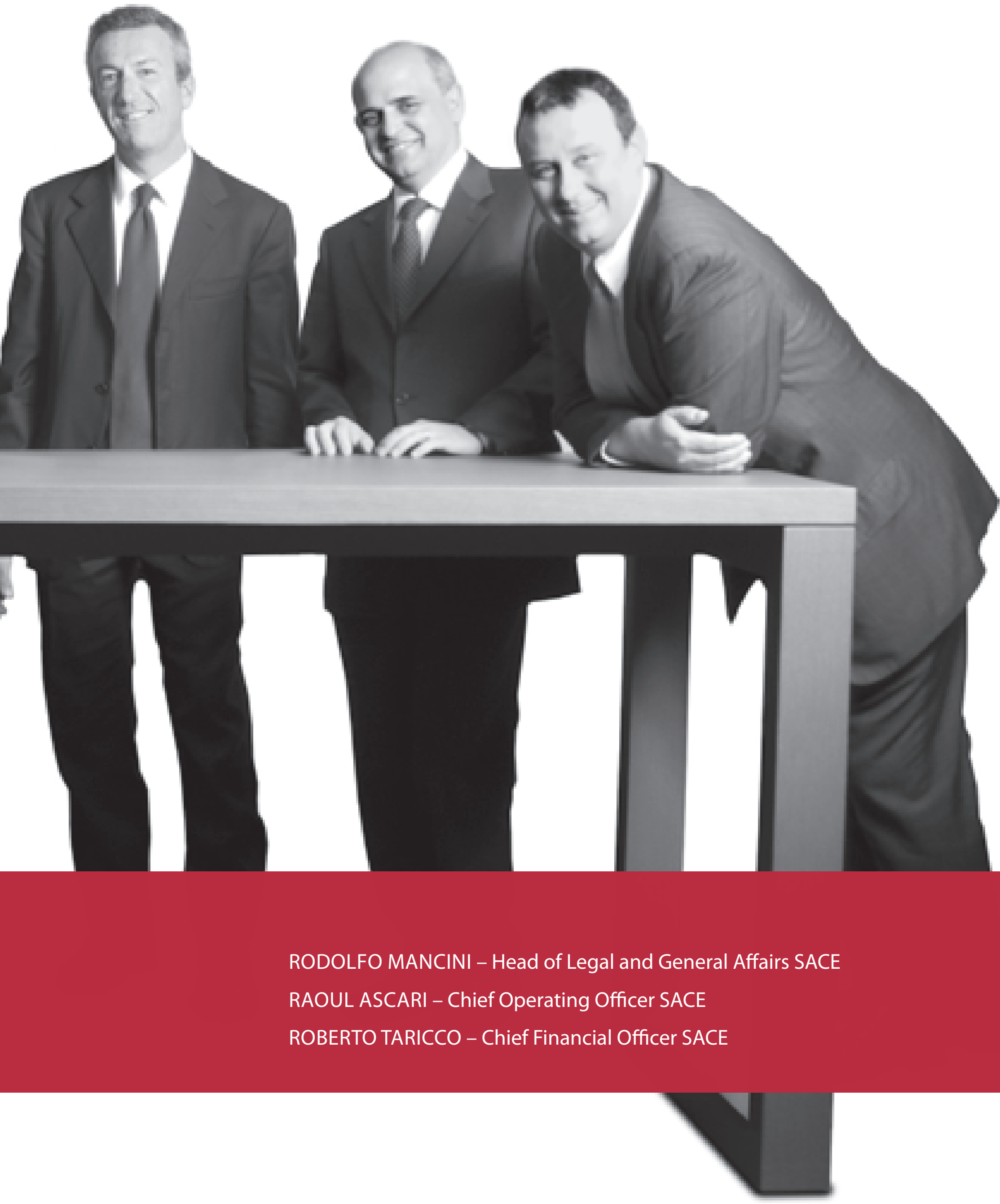
SHAREHOLDERS' EQUITY AND TECHNICAL RESERVES

Steering Committee (from left to right):
MARCO TRADITI – Head of Organization and IT SACE
FEDERICO MONGELLI – Director General SACE Fct
TULLIO FERRUCCI – Director General SACE BT

At 31 December 2009, shareholder's equity was € 6,318 million, 5.4% more than at the end of 2008. Technical reserves were € 2,317 million (+14.6%). Attesting to SACE's financial solidity, Moody's confirmed its Aa2 rating for the parent company with a stable outlook

FINANCIAL INVESTMENTS

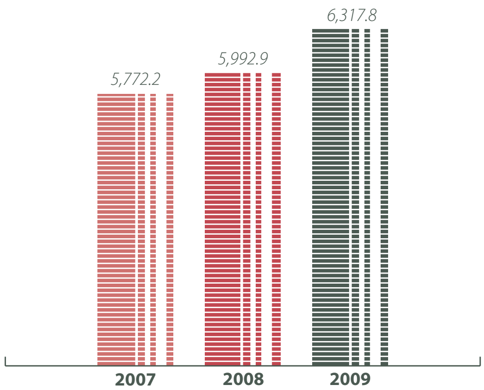
Consolidated financial investments increased 12% in



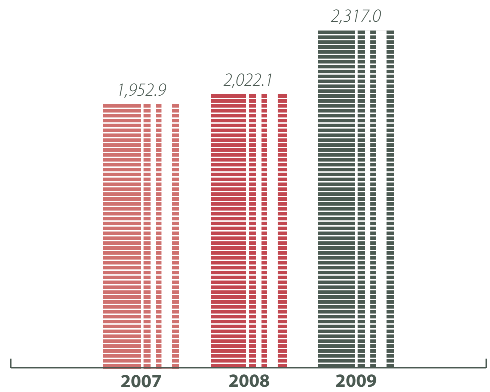
RODOLFO MANCINI – Head of Legal and General Affairs SACE
RAOUL ASCARI – Chief Operating Officer SACE
ROBERTO TARICCO – Chief Financial Officer SACE

2009 to € 7,892 million compared with €7,047 million in 2008. These investments were characterised by a high level of liquidity and a limited risk profile.
SACE continued to pursue a conservative financial investment policy in accordance with general strategic guidelines designed to improve the balance of capital and optimise exposure in the guarantees portfolio. 83.8% of the investment portfolio comprised bonds, 9.9% monetary instruments and 6.3% equities.

Shareholders' equity (€ millions)



Technical provisions (€ millions)



Financial investments (€ milions)

Type of instrument	2009	2008	Change
Bonds	6,615.8	5,857.4	12.9%
Monetary	779.1	1,086.4	-28.3%
Equities	497.2	103.4	>100%
Total	**7,892.1**	**7,047.2**	**12.0%**

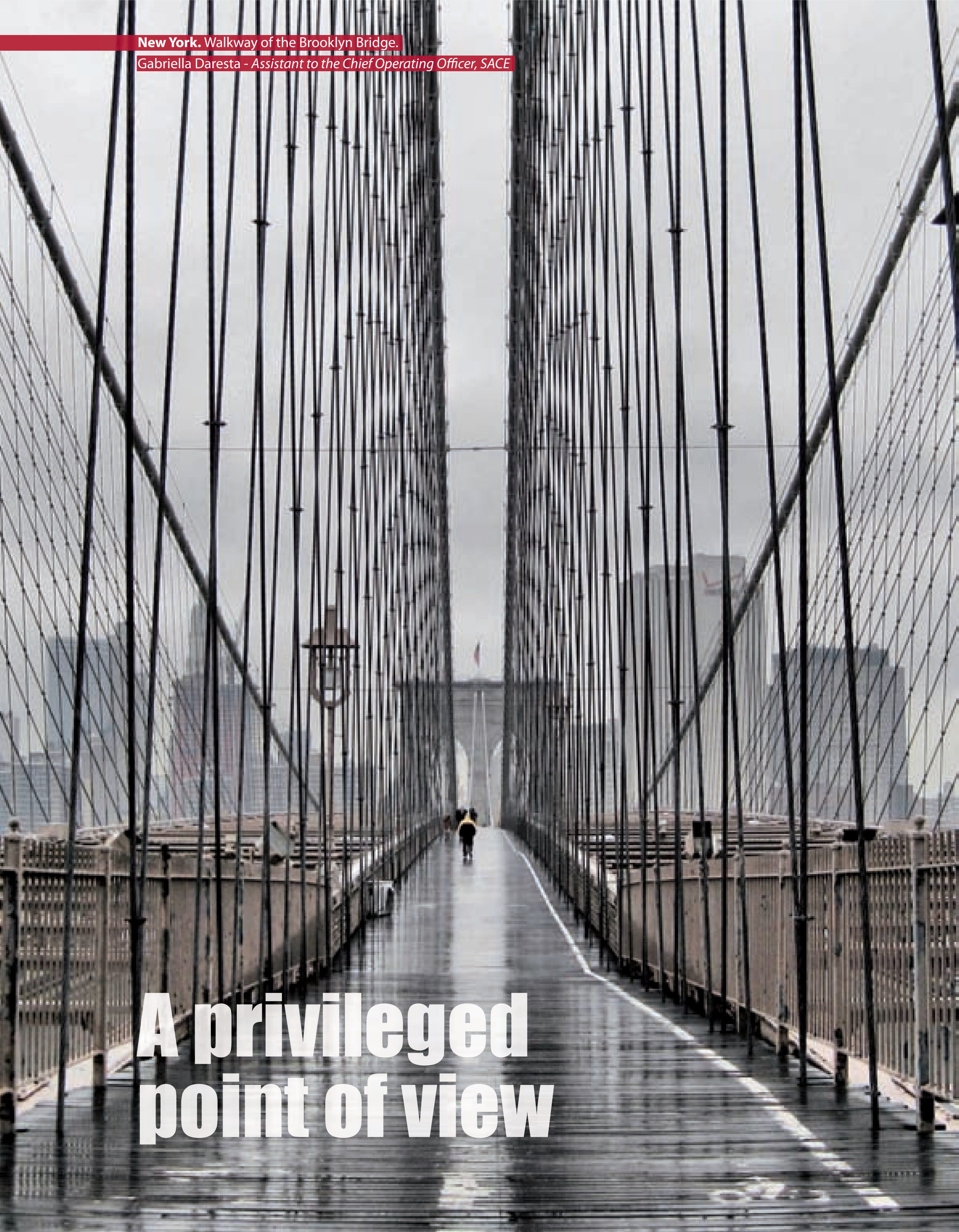
CONSOLIDATED BALANCE SHEET

ASSETS - € thousands	2009	2008
Intangible assets	16,672	18,676
Tangible assets	80,118	80,325
Technical provisions - Reinsurers' portion	95,371	106,208
Investments	7,320,767	6,630,843
Receivables	809,222	995,472
Other asset items	234,684	230,507
Cash and cash equivalents	685,721	530,618
Total assets	**9,242,555**	**8,592,649**

LIABILITIES - € thousands	2009	2008
Shareholders' equity	6,317,830	5,992,892
Provisions	83,340	107,572
Technical provisions	2,316,892	2,022,126
Financial liabilities	113,519	159,528
Payables	151,754	93,852
Other liability items	259,220	216,679
Total shareholders' equity and liabilities	**9,242,555**	**8,592,649**

CONSOLIDATED INCOME STATEMENT

€ thousands	2009	2008
Gross written premiums	*4[illegible]*	*381,580*
Change in the premium provision	*([illegible]88,2[illegible]8)*	*(54,398)*
Premiums ceded to reinsurers for the year	*(42,999)*	*(27,193)*
Net premiums	199,293	299,989
Gains and losses from financial instruments at fair value	511,081	171,730
Gains from other financial instruments and investment property	200,502	232,997
Other revenue	239,859	113,250
Total revenue	**1,150,735**	**817,966**
Claims paid	*268,442*	*80,189*
Change in the life and non-life technical provision	*([illegible]4,996)*	*(5,446)*
Net charges relating to claims	233,466	44,743
Expenses relating to equity investments in subsidiaries and associates	-	2,975
Charges arising from other financial instruments and investment property	3,556	13,155
Administrative expenses	101,206	87,614
Other costs	173,380	139,386
Total costs and charges	**511,588**	**287,873**
Profit for the year before tax	**639,147**	**530,093**
Tax	179,209	181,164
Profit for the year after tax	**459,938**	**348,929**



New York. Walkway of the Brooklyn Bridge.
Gabriella Daresta - *Assistant to the Chief Operating Officer, SACE*

A privileged point of view

Risk management

Risk management guidelines

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

Risk management has become a fully integrated part of decision-making processes, with a view to improving risk-adjusted performance. These processes have been defined in accordance with the basic principles of ISVAP Regulation No. 20 of 26 March 2008, the European Solvency II Directive and SACE group guidelines.

In order to assess its own capital adequacy in relation to its risk profile, SACE adopts a system based on the value at risk (VaR) model that makes it possible to estimate with a calculated degree of probability the maximum potential loss for different levels of aggregation over a specific time frame.

All internal risk management procedures are defined and tailored according to the specific nature of the group's business lines. Risks are classified according to four types:

- **credit risk** – the risk of default or the downgrading of the credit rating of debtors, issuers of insurance and financial products, reinsurers, intermediaries and other counterparties
- **market risk** – the risk of losses due to unfavourable changes in interest rates, share prices, exchange rates and property prices
- **liquidity risk** – the risk of being unable to meet obligations with policyholders and other creditors due to the inability to liquidate assets without incurring losses
- **operating risk** – the risk of losses 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 used to cover technical reserves are traded in regulated markets and the short average life of the investments guarantees their rapid turnover. SACE conducts periodic self-assessments of potential operating risk factors and uses a loss data collection process to measure and record its actual operating losses. These data represent the input of the process for measuring and controlling operating risks in accordance with current supervisory regulations (ISVAP Regulation No. 20).

The role of risk management

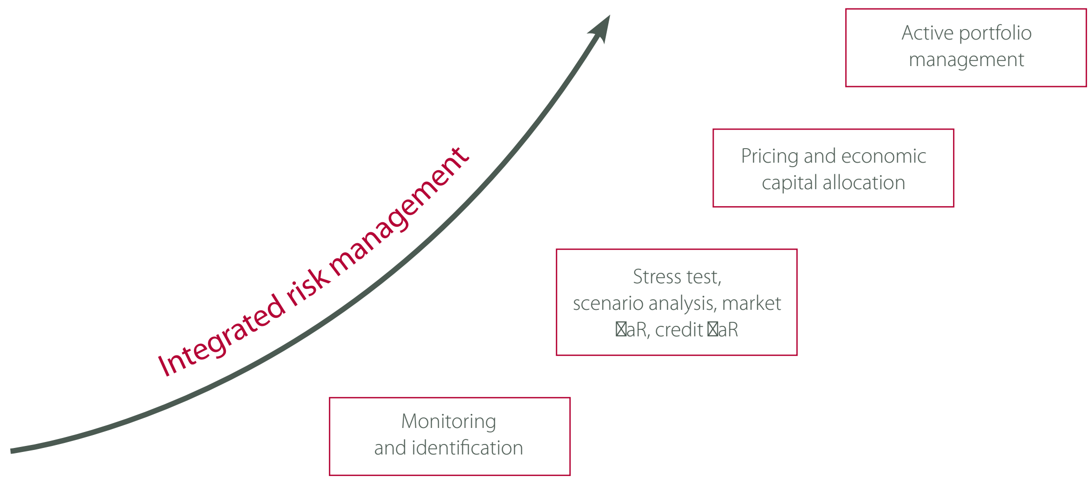
As part of an integrated process, the risk management division formulates and implements risk management activities for the entire group, contributing to strategic decisions and the company's financial and organisational stability. It defines the methods and instruments to be used to identify, measure and control risks and verifies the appropriateness and adequacy of these with respect to the risk profile of each company within the group.

In particular, the risk management division:

- proposes methods, develops models and risk measurement and monitoring systems for each company, and makes recommendations regarding the relative provisions, using methods such as VaR and portfolio scoring, in accordance with the applicable supervisory regulations
- implements the appropriate procedures for measurement and integrated control of the risk/return ratio and the creation of value and monitors correct allocation of economic capital, in line with the relative company guidelines
- assists with defining the operational autonomy of company offices, reporting any breaches of the limits to the board of directors, top management and the offices concerned
- ensures the measurement and integrated control of overall risk exposure by defining the procedures for identifying, assessing, monitoring and reporting risks, including scenario analysis and stress tests
- supports the corporate offices involved in calculating provisions
- issues periodic reports on changes in the risks assumed and the presence of any anomalous situations and exceeding of limits, and submits these to the board of directors, top management and office supervisors
- monitors activities aimed at optimising capital structure, managing reserves and liquidity (ALM)
- cooperates with other internal and external control functions and bodies, to which it sends periodic reports.

Risk management consists of the following steps:

- acceptance of the risk – limits on exposure to individual countries and counterparties are set
- mitigation of the risk – done by resorting to reinsurance with other export credit agencies or private-sector firms and direct and indirect hedges in capital markets.



SACE's RISK PORTFOLIO

Total exposure of the parent company continued its upward trend, mainly due to growth in the guarantee portfolio. Calculated as the sum of performing credits and outstanding guarantees (principal and interest), total exposure amounted to €28.3 billion (+3.6%). The credit recovery business performed well, achieving a 32.5% reduction in the portfolio of sovereign performing credits, while the rise in claims in the corporate sector resulted in a 23.2% increase in trade receivables (which, however, only account for 3% of the credit portfolio).

In terms of concentration by geo-economic area, EU countries continued to account for the highest exposure (28.4% compared with 26% in 2008), with Italy in first place. Exposure in the Middle East and North Africa fell by 11% compared with 2008, but increased in East Asia and Oceania (10.6% compared with 7.7%). Exposure in non-EU European countries and CIS countries remained stable at 22.4%.

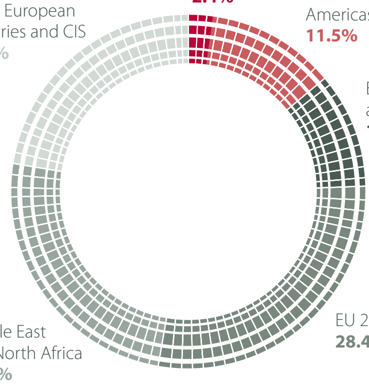
The portfolio of outstanding guarantees in principal and interest increased by 4.6% compared with the end of 2008. This was due to the consolidation and stipulation of major transactions that had been prepared during the year relating to traditional export credit activities, and to the upgrading of products which made it possible to penetrate new markets and countries where SACE has traditionally not done business.

In terms of exposure by industrial sector, concentration remained high in five sectors that account for 65.6% of the total private sector portfolio.

The industrial sector in which exposure was highest continued to be oil & gas, which accounted for 24.3% of the guarantee portfolio, followed by metallurgy (14.5%). Exposure in the chemicals and petrochemicals sector fell to 9.9% of the portfolio (compared with 12.1% the previous year). Banking sector exposure fell to 7.9% in 2009 from 9.7% in 2008. A significant increase was recorded in the infrastructure and construction sector, which rose to 7.5% from 3.7% of the guarantee portfolio due to surety bond transactions.

The increase in the portfolio of outstanding guarantees was mainly driven by the growth in private sector risk (+7%), which accounted for 64.8% of guarantees

SACE's total exposure by geo-economic area as at 31-12-2009



SACE's total exposure as at 31-12-2009 - principal and interest (€ millions)

Portfolio	2009	2008	Change
Outstanding guarantees	27,762.2	26,545.2	4.6%
principal	*22,992.4*	*21,937.6*	*4.8%*
interest	*4,769.8*	*4,607.6*	*3.5%*
Performing credits	519.4	758.9	-31.6%
Total exposure	**28,281.6**	**27,304.1**	**3.6%**

SACE's guarantee portfolio as at 31-12-2009 - principal (€ millions)

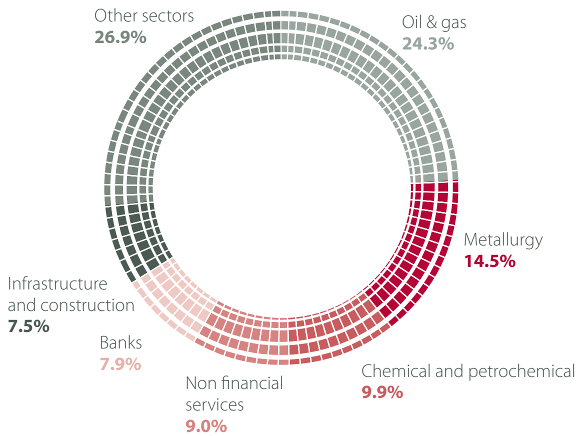
Type of risk	2009	2008	Change
Sovereign	2,571.2	2,949.2	-12.8%
Political	1,446.4	1,389.9	4.1%
Private sector risk	14,890.6	13,914.0	7.0%
Ancillary	4,084.2	3,684.5	10.8%
Total	**22,992.3**	**21,937.6**	**4.8%**

in principal, ancillary risks (+10.8%) and political risks (+4.1%). There was a reduction in total sovereign risk guarantees (-12.8%), which amounted to €2.6 billion. This was due to scheduled repayments that were respected by debtors.

In the private sector portfolio, there was a reduction in exposure to banks (-18.6%) and structured finance (-23.6%), offset by an increase in project finance (+10.8%) due to the stipulation of a number of major long-term projects during the year.

In terms of VaR, there was a general though slight increase in the level of risk reflecting the concentration of the portfolio and credit rating of the counterparties involved. The industrial sector and geo-economic area with the highest levels of risk were metallurgy and the EU27 area.

SACE's guarantee portfolio by industrial sector as at 31-12-2009



THE CREDIT AND SURETY RISK PORTFOLIO

The risk portfolio in connection with the credit insurance and surety business of the subsidiary SACE BT continued its upward trend. Total exposure not excluding reinsurance was €21.2 billion, an increase of 6.8% over 2008.

SACE's guarantee portfolio as at 31-12-2009 - capital: breakdown of private sector risk by type

Type of risk	2009	2008	Change
Corporate	45.8%	44.5%	3.0%
Backed corporate	14.4%	13.5%	6.7%
Banking	7.9%	9.7%	-18.6%
Project finance	22.9%	20.7%	10.8%
Structured finance	9.0%	11.7%	-23.2%

Exposure in other non-life lines of business managed by SACE BT (other property damage, TPL, fire, health and accident) was marginal and work is in progress to improve the relative risk management procedures.

CREDIT INSURANCE

Total exposure in the credit insurance business amounted to €13.5 billion, up 19.7%. The credit insurance business posted a significant increase in the number of buyers and a drop in average exposure per debtor.

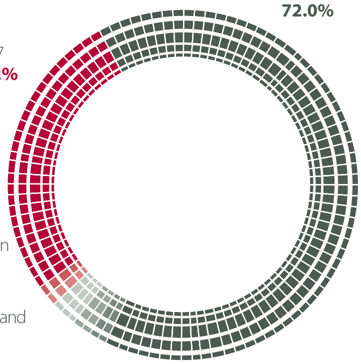
An analysis of the distribution by industry shows a reduction in the share of sectors with the highest exposure. The largest exposure was in the metals sector (11.2%), followed by food (10.3%), electronics (10.2%), textiles (8.8%) and construction materials (6.5%).

The distribution of exposure by geographical macro-areas confirmed the marked concentration in EU countries (90.2%), with Italy alone accounting for 72.0%.

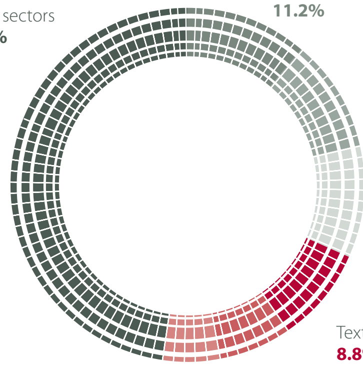
SURETY BUSINESS

Exposure in the surety business amounted to €7.7 billion, down 10.3% compared with 2008. The main products were guarantees for contracts (60.6%) and for tax payments and reimbursements (33.7%).

Guarantee portfolio of SACE BT as at 31-12-2009 by geo-economic area (credit insurance)



Guarantee portfolio of SACE BT as at 31-12-2009 by industrial sector (credit insurance)

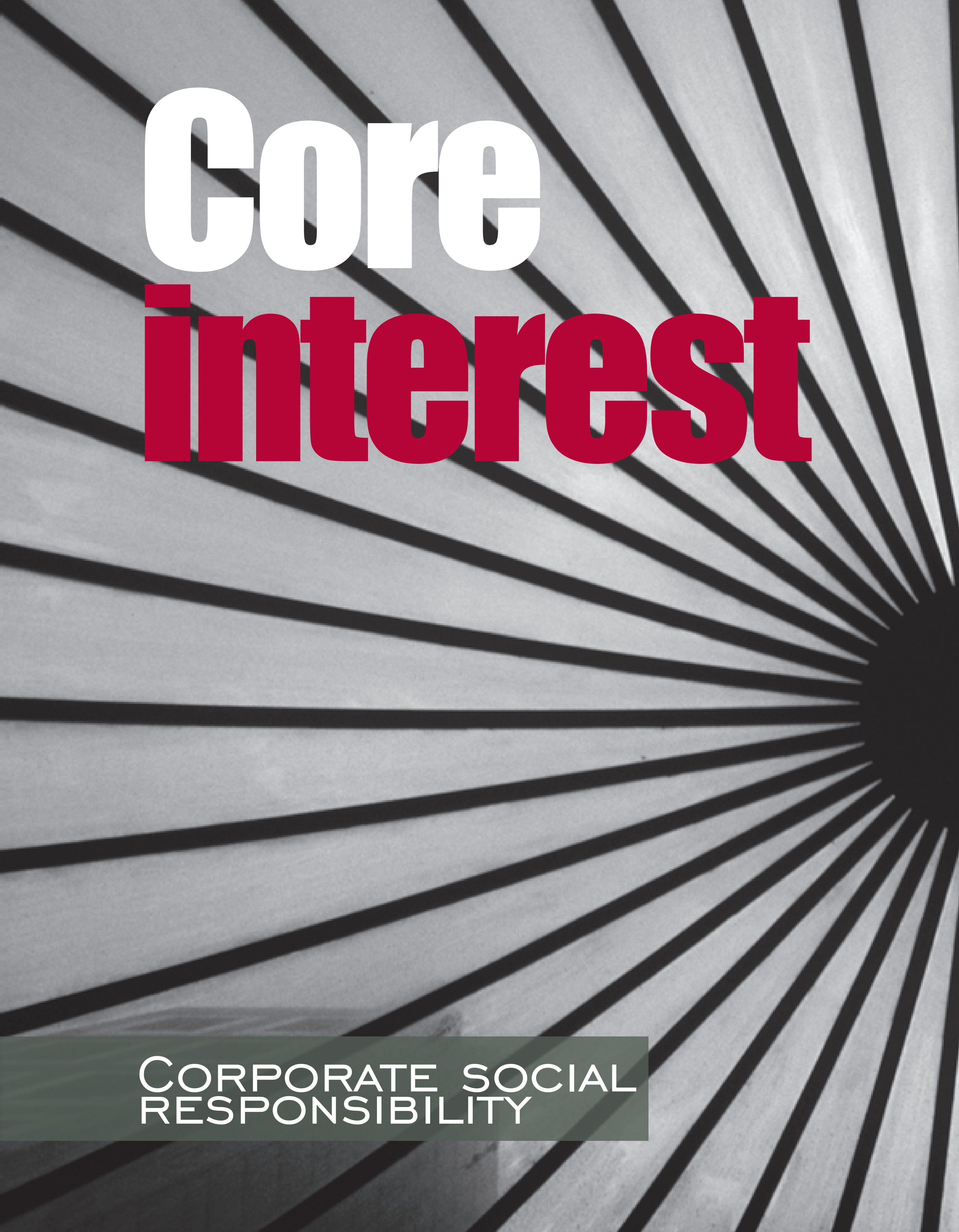


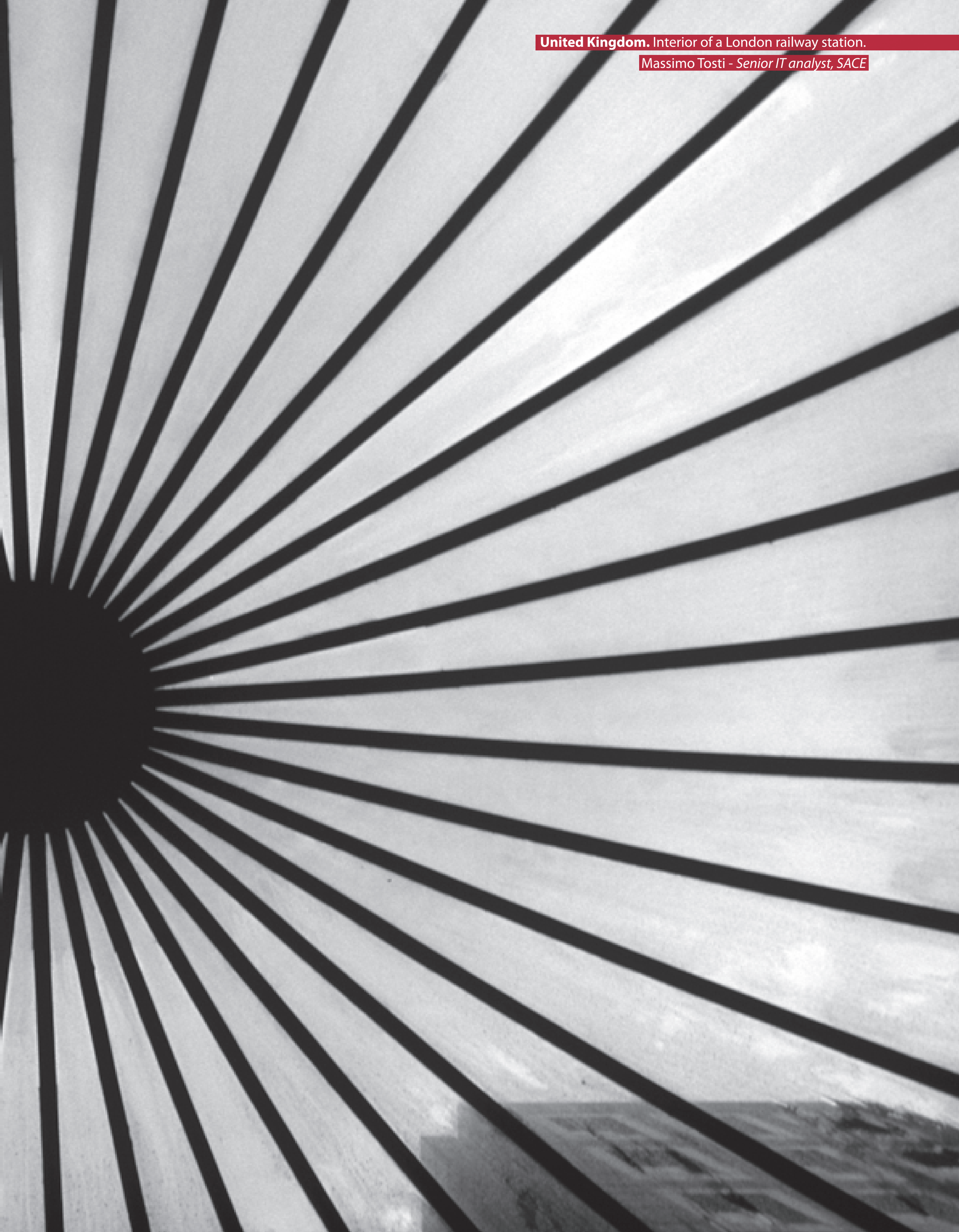
Guarantee portfolio of SACE BT as at 31-12-2009 (€ millions)

Business	2009	2008	Change
Credit insurance	13,532.0	11,302.0	19.0%
Surety	7,697.8	8,582.5	-10.3%
Total	**21,229.8**	**19,884.5**	**6.8%**

Core interest

Corporate social responsibility





United Kingdom. Interior of a London railway station.

Massimo Tosti - *Senior IT analyst, SACE*

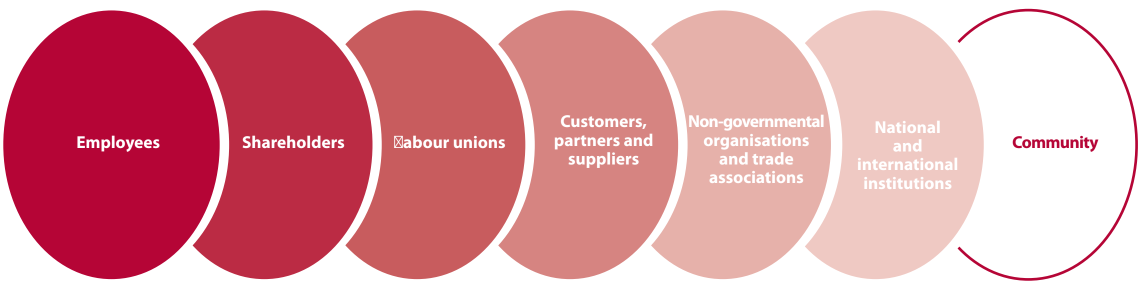
Creating value for our stakeholders

Over the years SACE has developed a carefully structured and well-balanced growth model. This has involved paying attention to the interests of all those affected by the company's actions and every aspect of business, from respecting and valuing employees and improving the working environment, to the publication of a code of conduct and caring for and protecting the environment.
SACE has set up a Corporate Social Responsibility department to monitor and ensure the economic, social and environmental sustainability of its activities. The department, which takes its inspiration from the Sustainability Reporting Guidelines of the Global Reporting Initiative and national and international best practice models, allows SACE to meet generally recognised and measurable standards.
By integrating social and environmental concerns into its business operations and interacting with all those with an interest in the company, SACE is able to measure its performance while communicating and sharing best practice with all its stakeholders.

Economic sustainability

Activities to sustain Italian enterprises, the creation of value for shareholders and the company's contribution to the Italian economy as a whole reflect the desire of SACE to act as a point of reference and contribute to the growth of economic indicators and support international trade.
A crucial aspect of economic sustainability is sustainable lending. Following the guidelines of international financial institutions, such as the OECD, SACE has defined specific criteria to grant insurance guarantees, taking into account the real debt-carrying capacity of the contracting party, a relevant issue for low-income or highly indebted countries.

Our *stakeholders*



environmental sustainability

SACE reiterated its environmental commitment by extending its analyses of the environmental impact of guaranteed transactions and implementing energy-efficiency and energy-saving measures at its offices.

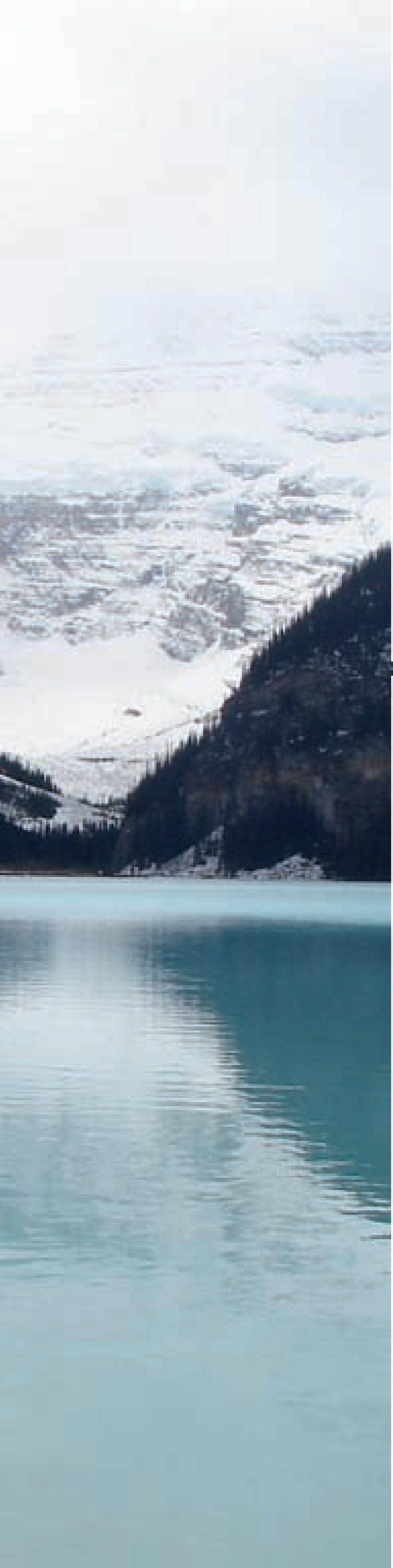
social sustainability

SACE's commitment to social sustainability is reflected in the way it treats its people, interacts with and listens to employees, its interest in the community, its support of cultural initiatives and social causes, and its promotion of ethical conduct within and outside the company. Employees, external collaborators, suppliers and customers are expected to act with integrity in accordance with the values and principles set out in the SACE code of conduct.

Lisbi VALDEZ

Lisbi has been working for three years for SACE where she currently holds the position of head of buyer credit and project financing in the portfolio management division. She graduated in economics and has an MBA from Rutgers Business School in global finance. Prior to joining SACE she gathered ten years of experience with ABB Equity Ventures in the United States first and then in Italy.

Canada. Lake Louise.
Massimiliano Cascianelli - *Senior credit risk analyst, SACE*



We come to work not simply to underwrite policies.

We work to achieve results, undertaking risks that others are not ready to subscribe. This is what makes us different.

OUR VALUES

PEOPLE. OUR STRENGTH

- We guarantee equal opportunities in an open and stimulating environment
- We reward merit, initiative and individual skills
- We consider every single contribution essential and encourage new ideas
- We support professional growth
- We promote health and safety at work

CUSTOMERS. A CONSTANT COMMITMENT

- We understand our customers' risks
- We provide accurate and exhaustive information

PURSUIT OF INNOVATION. OUR FUTURE

- We work out solutions in advance
- We develop products for the markets of tomorrow

VALUE CREATION. FOR EVERYONE

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

Our people

Human resources are central to SACE's strategy. The capabilities, expertise and passion of the entire SACE team constitute the intangible assets that are the cornerstone of company life.

SACE has developed a specific management, involvement and incentives system based on merit and equal opportunities that ensures health and safety at the workplace.

At 31 December 2009 the group had 598 employees, an increase of 9% compared with the previous year. Two-thirds of the staff were employed by the parent company SACE SpA and the remainder by its subsidiaries SACE BT, SACE Servizi and SACE Fct.

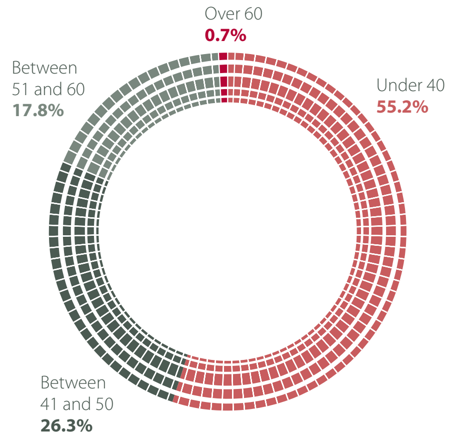
In 2009, 94 people were hired and 42 left the group.

A large proportion of SACE's staff is young and has a high level of education. The average age of employees is 43 and 50% are less than 40 years old.

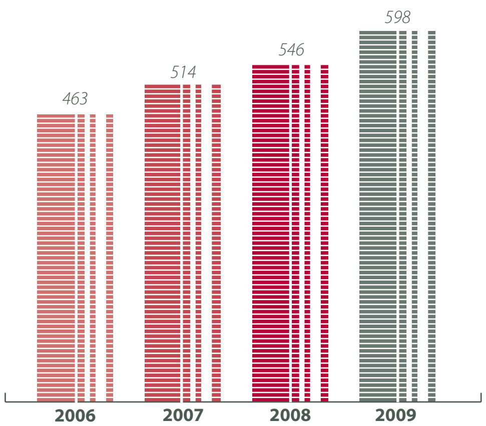
Women account for more than half of the workforce, 57%, and are well represented in the higher grades (34% of managers are women).

78% of employees work at the headquarters in Rome. The remaining 22% are spread across branches in Italy and abroad.

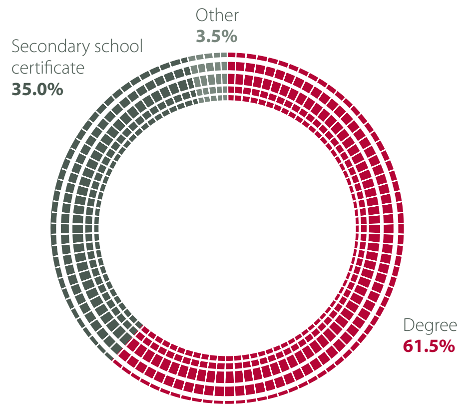
Distribution of staff by age-group



Employees



Distribution of staff by qualification



selection and recruitment

SACE implements a careful selection process to choose the best university graduates and professionally qualified people on the market according to the company's requirements and the positions to be filled and offers opportunities for professional development within the group.

A brilliant academic background, expertise in economics and finance and an excellent command of foreign languages - in the case of English certified by the Test of English for International Communication (TOEIC) - are some of the qualities that SACE looks for. It needs people with a proactive approach who are flexible and internationally oriented and also capable of keeping pace with a constantly developing and evolving company that supports Italian enterprises.

SACE also cooperates with Italy's top universities, post-graduate schools and master programs in Italy and abroad.

These partnerships are an opportunity for SACE to meet students at leading universities, exchange knowledge and demonstrate its openness towards deserving young people.

New recruits are integrated into the organisation gradually. This enables them to acquire the necessary technical, personal and managerial skills they will need to deal with practical problems and professional challenges with increasing responsibility.

In 2009, SACE offered 52 internships that on average lasted ten months. Of these, 24 led to employment contracts with group companies.

Vincenzo PEDICINI

Vincenzo has been working for SACE for five years and is currently senior underwriter in the financial institutions and surety unit. He has a degree in engineering and an MBA from the LUISS University in Rome. Before joining SACE, Vincenzo worked for three years for Marconi Communications Plc in London and spent two years with Vodafone Italia as a telecommunications network engineer.

Sophie ROUILLEAULT

Sophie joined SACE in January 2009 as a Junior underwriter in the renewable energy sources and strategic infrastructure unit. She graduated in France in Electronic Engineering and holds a masters in business and finance from the Ecole Supérieure de Commerce de Paris (ESCP-EAP). Before coming to SACE she worked for two years in the area of credit factoring and project finance for Société Générale.

SACE has taken part in recent editions of the most important Italian recruitment fairs where it is able to meet potential candidates in person and publicise the group and its activities.

training

SACE promotes talent by offering training courses designed to provide or enhance professional, technical, specialist, managerial, language, IT and behavioural competences.

In 2009, 13,000 hours of instruction were provided comprising classroom and on-line courses. This was 5% more than in 2008.

SACE Training & Advisory plays an important role in personnel technical training.

The training programs foster excellence, career development and individual and team growth by giving employees the skills they need to manage complexity and change in the various areas of their work and the company's business.

development and perfomance management

SACE believes that giving employees the opportunity to measure and quantify their progress in a fair and transparent environment is an excellent motivational tool that can contribute to the success of the group and guarantee the well-being of its staff.

SACE acknowledges merit and rewards performance and the contributions of individuals to the attainment of corporate goals. SACE maximises the value of its workforce, investing in the growth and professional advancement of employees through training

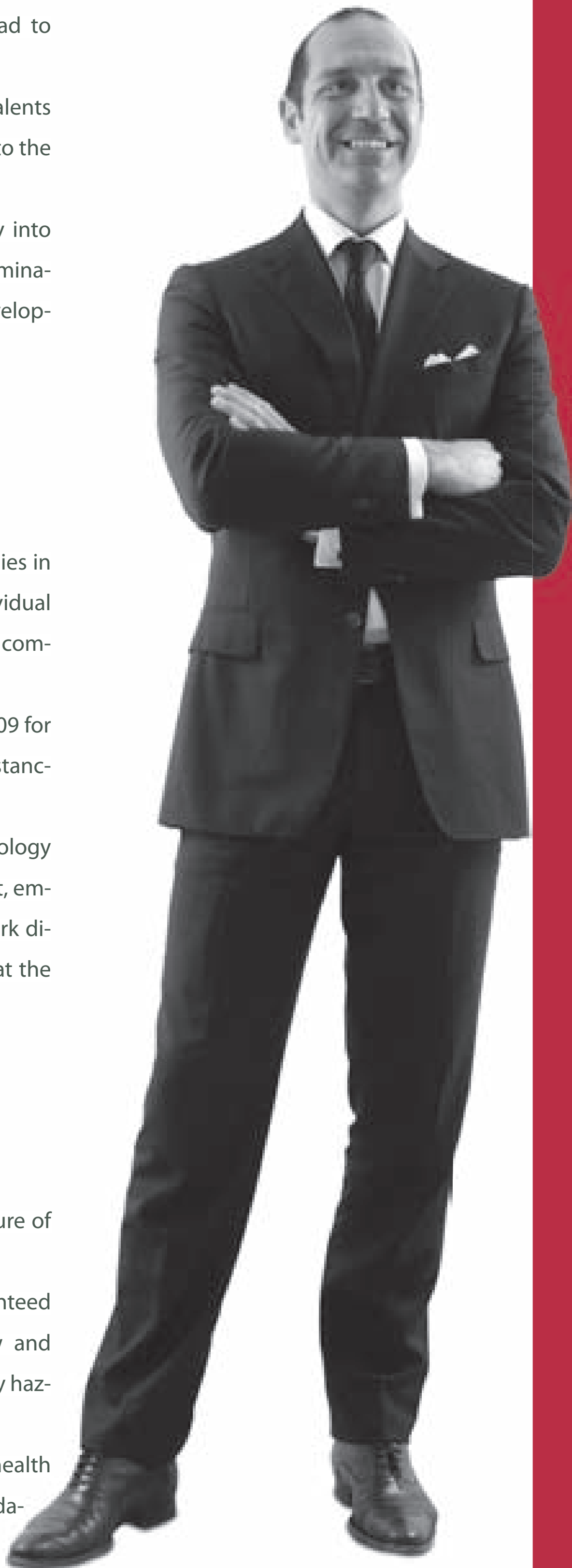
programs, job rotation and assignments abroad to other export credit agencies.
All have equal opportunities to develop their talents and use their specific capabilities to contribute to the various aspects of company life.
SACE puts the principle of equality in diversity into practice by striving to prevent all forms of discrimination, recognising diversity as a stimulus for development, growth and wealth creation.

telework

SACE is experimenting with different technologies in an attempt to accommodate its employees' individual needs and family responsibilities as well as the company's objectives and requirements.
A working-from-home scheme was set up in 2009 for periods of times dictated by the specific circumstances of the particular cases.
Thanks to the support of the computer technology made available by the company's IT department, employees taking part in the telework scheme work directly and mainly from home, with some days at the office.

health and safety

SACE prides itself on fostering a corporate culture of employee well-being.
Employees' health and safety at work are guaranteed through scrupulous compliance with the law and monitoring of safety systems and any potentially hazardous situations.
SACE pursues its commitment to improving health and safety conditions at the workplace as a fundamental aspect of its HR strategy. This includes



Marco
FERIOLI
Marco has been working for SACE since 2005. He has followed the business start-up and development of the Milan office, first as a senior account manager and then as a senior policy underwriter. Since June 2010 he has been in Istanbul as the new head of SACE's international office in Turkey. After graduating in business finance from the University Bocconi of Milan, he worked for the Pirelli Group and Snamprogetti, gathering experience in export and project finance, credit management and financial planning.

specific training courses for all members of staff on issues concerning the applicable health and safety laws.

Various schemes, activities and initiatives have been implemented to foster employees' health and safety. These include: constant monitoring of employees' health through medical checkups from when an employee begins work throughout the period of employment; availability of a medical consultation service (provided by the medical centre at the Rome headquarters) for all employees; renewal of health, accident and life insurance policies for employees; possibility for all members of staff to receive the annual flu vaccination. SACE adopted a pandemic plan to disseminate information and advice to prevent and contrast the H1N1 virus.

There is a fitness area for employees at the headquarters in Rome, reflecting the concept that employee well-being and corporate well-being are inseparable.

EMPLOYEE INVOLVEMENT

SACE is convinced that not only the group, but indeed the entire economy, can benefit from the creation of synergy between the motivation and integration of human resources.

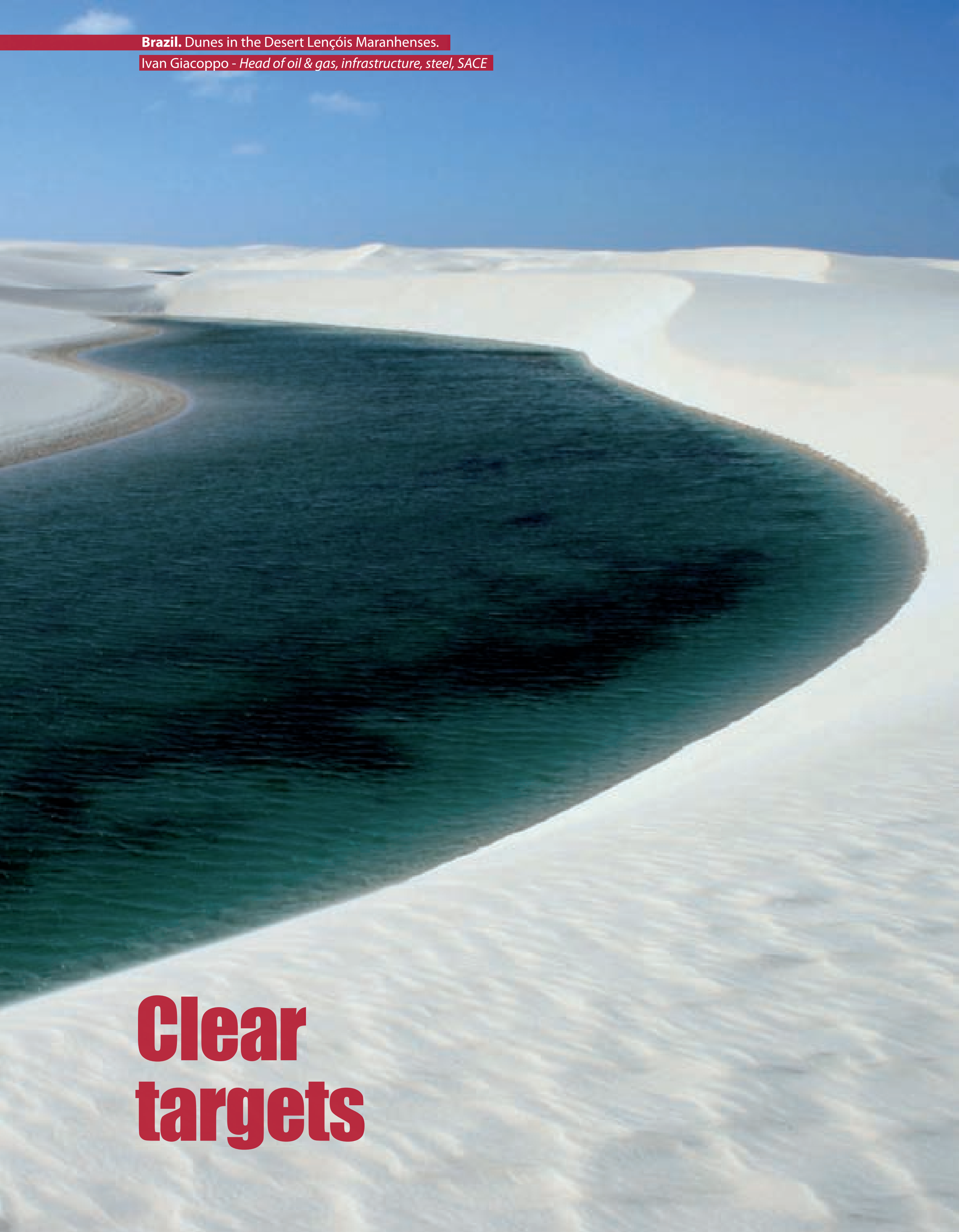
SACE strives to maximise the dissemination of ideas and knowledge within the company, to guarantee the transparency of information and to encourage interaction among all members of staff. The tools it uses for this purpose are intranet, company newsletters and various initiatives and events designed to foster a sense of belonging and sharing of experiences. In 2009, SACE opened its doors to employees' children for the second year running.

Carlo
MAGISTRELLI

Carlo joined SACE in 2004 and currently works as a senior credit risk analyst. He has a degree in business and economics and holds a masters in business management.
Carlo previously worked for Euler Hermes Siac and then Euler Hermes Crédito (Spain).

Francesca
TRANCHINA

Francesca has been working with SACE for eight years and currently is a senior manager at the export credit and structured finance division. She has a degree in economics and completed part of her studies at the Universidad Autónoma de Madrid in Spain. Francesca worked two years in London in project finance in the energy sector for the international engineering group Stirling Ltd and also worked for the Italian petroleum company API.



Brazil. Dunes in the Desert Lençóis Maranhenses.

Ivan Giacoppo - *Head of oil & gas, infrastructure, steel, SACE*

Clear targets

Sustainable development and care for the environment

Environmental assessment

SACE is convinced that carefully assessing the environmental impact of the transactions it insures is of fundamental importance for conducting its business along the lines of economic responsibility.

Since 2001 SACE has carried out environmental assessments of all its export credit transactions with repayments of 24 months or longer on the basis of the OECD recommendation on "Common Approaches on Environment and Officially Supported Export Credits".

The OECD 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.

The recommendation is periodically revised. SACE is actively involved in the third review procedure, which began recently and will be completed by the end of 2010, bringing its expertise in the field.

After being assessed, the transactions are classified as A, B or C depending on their potential impact on the environment. In 2009 SACE issued two policies for transactions in category A, i.e. with a potential serious environmental impact, and 15 in category B (potential 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 the corporate website, including information on insured transactions and environmental impact studies on transactions under assessment.

SACE does not limit its activities to prior assessment. Where deemed necessary, due to the complex nature of a specific project, the implementation and execution of the project are followed closely to ensure continuing compliance with international standards. By actively monitoring these activities, SACE is able to intervene promptly in the event of any divergence from the agreed standards, giving impetus to and assisting with finding solutions to problems.

Given the continuously evolving nature of its business, SACE also extends the principles of environmental protection already applied to export credits to other insurance products, thus going beyond its obligation under international requirements.

Energy saving and recycling

As part of its environment policy SACE has adopted a wide range of measures to encourage recycling and reduce energy consumption. In 2009, SACE expanded its recycling system, which now includes paper, glass, batteries, plastic, electronic equipment and iron.

SACE has signed agreements with the Rome division of the Association of Italian Heart Transplant Patients and Medecins Sans Frontieres, to which it donates the proceeds from recycling materials such as plastic bottle caps and broken mobile phones.
SACE has cut carbon dioxide emissions by about 25 tonnes by using recycled paper.
The installation of proximity switches, the use of PV technology to satisfy a portion of its electric power requirements and the adoption of various technological solutions have enabled SACE to achieve significant reductions in electricity and air conditioning consumption.
Each environmental initiative is accompanied by awareness-raising and information campaigns aimed at fostering employees' involvement and encouraging them to care for the environment.

MOBILITY MANAGEMENT

SACE has implemented a mobility management scheme that aims to: limit the environmental impact of employees travelling to and from work; recognise and solve the relative problems; improve relations between the company and its employees; and cut the company's mobility costs.
As part of its sustainable mobility plan, SACE pays a contribution towards the cost of season tickets for local public transport. The company has also installed a screen displaying information updated in real-time so that staff can track bus waiting times at the local bus-stops. For this ambitious scheme SACE was awarded the national "mobility manager" prize by Euromobility in the company category.

Jenia
GORBACHEVA

Born in Russia, Jenia came to Italy 12 years ago and specialised to become an assistant manager. She graduated in economics in Tomsk, Russia, and is currently studying for a second degree in statistics at La Sapienza University in Rome. Jenia joined SACE BT in 2009. Working as legal department assistant, her duties currently include organisational support as well as credit recovery analysis and reporting.

Edoardo
LI CASTRI

Edoardo joined SACE in 2005 and is currently senior policy underwriter at the Milan office. He previously worked on the development of financial guarantees before being appointed product manager for SME internationalisation guarantees. Edoardo has a degree in economics and holds an MBA from the Bocconi Business School in Milan. He worked for Ina-Assitalia before moving to SACE.

SACE's social commitment

Support for Dynamo Camp

Since 2008 SACE has supported the work of Dynamo Camp, a non-profit organisation that runs free recreational therapy summer camps catering especially to children who are seriously or chronically ill. The children come to the camp both while having treatment and after being discharged from hospital.

Every year more than 10,000 children in Italy suffer from serious or chronic illnesses and have to undergo prolonged and often invasive treatment. This means they spend long periods of time in hospital with all the inevitable physical and sometimes even more severe psychological repercussions. Dynamo Camp offers increasingly large numbers of these children the opportunity to enjoy a carefree holiday in a traditional summer camp that organises activities they can all take part in including shows, art labs, music, photography, pony-trekking and excursions. The camps offer a protected environment where absolute safety is always guaranteed through top-level medical assistance and constant supervision by qualified medical staff.

SACE's donation will fund 30 summer camps in Italy for children suffering from leukaemia.

SACE held two team-building events at the Dynamo Camp in 2009 with training programs that consisted of "tangible" activities to benefit the young guests. These included improvements to some recreational infrastructure and the creation of a new trail in the WWF oasis where the camp is situated.

Other social initiatives

SACE promotes important social causes aimed at fostering the integration of its employees with the surrounding environment. SACE supported the Race for the Cure (a charity event that raises funds for cancer research) and organised a blood donor group and blood donation days in collaboration with the Bambino Gesù children's hospital in Rome.

Drawings of joy

Moment of leisure for children on holiday at Dynamo Camp Limestre.

"There is always Cinema (XVIII)", 2008 – Brass and nickel film.
Subodh Gupta

The language of art

SACE AND ART

SACE believes in the value of art as a humanity's heritage and as a universal language for cultural and social exchange between peoples. That's why SACE has promoted the project SACE and Art, which supports contemporary art, promoting contemporary artists from Italy and major emerging countries. Each year SACE sponsors the publication of an original monograph on their pieces of art.

In 2009, SACE, in partnership with Mondadori Electa, published the catalogue of Indian artist Subodh Gupta, a leading figure in contemporary art. The book was presented at the contemporary art fairs ArtParis in Paris and Arte Fiera in Bologna in collaboration with the Galleria Continua.

Eclectic, extravagant and versatile, Gupta's work encompasses painting, sculpture and video, drawing from his training as a theatrical actor. The objects he uses in his works appear as emblems, icons that with extraordinary simplicity codify the complex social and economic reality and culture of contemporary India. His monumental sculptures and installations, made by assembling hundreds of shiny stainless-steel tools, reflect the clash between old and modern cultures as well as between tradition and change.

Subodh Gupta was born in 1964 in the extremely poor state of Bihar. He currently lives in New Dehli. His move from the countryside to the city symbolises present-day India where cosmopolitanism has rapidly eroded the rural dimension of the villages, the cities are growing into megalopolis and the restless middle classes, whose numbers are quickly growing, are eager to open their doors to a global culture.

Catalogues of the SACE collection

Since 2004, SACE and Art has supported Bizhan Bassiri, Jannis Kounellis, Enrico Castellani, Marco Gastini, Nunzio, Luciano Fabro and Zhang Xiaogang.

The impo
of rules

Corporate governance

Kenya. Boys playing soccer on the beach.
Marco Sica - *Intern export credit and structured finance, SACE*

Corporate governance

COMPANY STRUCTURE

SACE is a joint stock company wholly owned by the Italian Ministry of 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 Fct, a joint stock factoring company incorporated in 2009 that is a general financial intermediary registered under Italian law

SACE BT is, in turn, 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 ensure that the whole group is managed on the basis of a sound and prudent approach, with SACE responsible for direction and coordination and the subsidiaries retaining business and managerial discretion.

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 principles of ethical economics must be applied to all business activities and not merely regarded as an abstract statement. Convinced of this, SACE has adopted a **code of conduct** setting out the values and principles underlying relations between the company and its stakeholders. Directors, auditors, reporting accountants, managers, staff, co-workers and third parties who have relations with SACE are all expected to comply with the code of conduct.

The **organisational, management and control model** implements the provisions of Italian Legislative Decree 231/2001 on corporate liability. It 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 free SACE of liability should an offence be committed by company employees or people acting on behalf of the company
- to improve the corporate governance system
- to underline that SACE does not tolerate any form of illegal conduct, which is contrary to the company's ethics
- to provide a structured and complete system of prevention and control aimed at preventing offences in connection with the business of the company and particularly at reducing the risk of illegal conduct

- to raise awareness among all those who do business for and on behalf of SACE in "areas of business at risk", and to inform them that infringement of the rules set out in the model may constitute a criminal or administrative offence for them as well as the company
- to inform all those who act in any way on behalf of or in the interest of SACE that any violation of the rules set out in the document will result in the enforcement of the appropriate sanctions, including termination of the relative contracts
- to deal with any conduct that violates the rules set out in the model by enforcing disciplinary sanctions and/or contractual remedies.

The supervisory body is charged with overseeing the application and appropriateness of the model and must act within its authority to investigate any violations of the code of conduct.

INTERNAL AUDITING AND COMPLIANCE

The internal auditing division assists with the assessment of the company's governance, control and risk management procedures and helps to improve them. It evaluates risk exposure and the adequacy and efficiency of internal controls regarding governance, business operations and the company's information systems in terms of:

- reliability and integrity of accounting, financial and operational data
- efficacy and efficiency of transactions
- protection of assets
- compliance with laws, rules and contractual obligations

These activities are based on methods that comply with international internal auditing standards and market best practice.

Compliance aims to protect the company against the risk of judicial or administrative sanctions, loss of assets or damage to its reputation as a result of any breach of laws, rules or regulations issued by the authorities or self-regulatory measures.

It continuously monitors 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 cooperates with the competent departments to define the relative application procedures and promotes moral integrity and ethical principles.

CORPORATE BODIES & COMMITTEES

SACE operates through a traditional model of administration and control.

The **board of directors** (board) is made up of seven members and is vested with the widest powers in the administration of the company.

The board is charged with managing the company and carrying out all the necessary actions needed to pursue the corporate mission. 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. It plays a fundamental role in 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 by-laws. It also makes sure the principles of proper management are followed and ensures the adequacy of the organisational, administrative and accounting structures and their functioning.

The **chairman** of the board of directors is the company's legal representative.

The **chief executive** officer oversees the management of the company and acts in accordance with the general instructions imparted by the board. He is the company's legal representative and is authorised to sign on behalf of the company within the scope of the powers granted.

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

Chairman	Giovanni Castellaneta*[2]
Vice-Chairman	Massimo Carraro*
Chief Executive Officer	Alessandro Castellano*
Directors	Gianluigi Baccolini[3]
	Giorgio Giovagnoli
	Giandomenico Magliano*
	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

Standing delegate of the Court of Auditors[4]	Raffaele De Dominicis[5]
	Antonio Frittella[6]
External Auditors[7]	PricewaterhouseCoopers

Advisory Committee

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

1 - Corporate bodies appointed by the Meeting on 28 May 2007 and in office for three years.
2 - In office since [illegible] September 2009.
3 - In office since 4 June 2009.
4 - SACE is subject to the control of the Court of Accounts (State Auditor) pursuant to Law 259/1958.
5 - In office until [illegible] December 2009.
6 - In office since [illegible] January 2010.
7 - Appointed for the three-year period 2007-2009 by the Shareholders' 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.

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

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%) that the value of a portfolio could incur.

Project and coordination

SACE

Creative concept and realisation

Tribeka Comunicazione

Photographs

SACE staff

Deborah Alterisio

Corbis

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SACE’S FINANCIAL STATEMENTS

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