



SACE

ANNUAL REPORT 2010

**Driving your
ambitions**



A world without borders

Every good idea brings great opportunities, but also great risks. For more than 30 years we have helped you turn good ideas into concrete projects, taking risks that others are not willing to. This is what makes us different.

HIGHLIGHTS

€ millions

Gross written premiums **532.8** + 23.8%

Claims paid **181.5** + 12.0%

Profit after tax **409.8** -10.9%

Shareholders' equity **6,364** + 0.7%

Technical provisions **2,215** -4.4%

Outstanding commitments

SACE **32,203** +16.0%

SACE BT **36,950** +13.8%

SACE Fct **804**

Rating (Fitch) **AA-**



**Working together as a system
to sustain Italian exports
of excellence.**

The recovery of the world economy gained pace in 2010, confirming the new global balance that has taken shape in recent years.

Many markets that we previously referred to as “emerging” are now “advanced”, including Brazil, Russia, India and China, but also Turkey, Indonesia, Mexico and South Korea. Italian companies are finally starting to target these new destinations.

However, recent events in North Africa have highlighted the case for political risk insurance and there must be further reflection on what has happened. The events underline the need to concentrate on diversifying destination markets. They are also a reminder of the importance, when negotiating deals abroad, of defining, understanding and assessing all the various risks (economic and financial as well as political and social) associated with both the counterparty and the destination country.

While elements of uncertainty and the need for caution persist, the events in North Africa also present new opportunities. Countries very close to Italy are undergoing transformation that in many cases is accompanied by the advance of a new liberal democracy. This will pave the way for commercial and economic integration, both in the region and between countries on the northern and southern shores of the Mediterranean. In the medium-to-long term this will mean expansion, growth and the consolidation of production networks and markets with hundreds of thousands of consumers.

Characterised by risks and operational barriers that require careful assessment and the use of innovative strategies, the new emerging markets are geographically

further away and more expensive to reach. These countries will offer the best opportunities for companies looking to export or invest abroad. Success in these countries will depend on the company's ability to recognise and exploit new areas of production and distribution, outsource production processes, and establish partnerships, possibly with local partners.

With international offices in the main emerging countries (including two new offices in Istanbul and Bucharest) and economists specialised in analysing the risks and opportunities in each country, SACE provides the necessary information about markets in which to compete. This is of crucial importance in such rapidly changing times. SACE offers a range of insurance and financial products for businesses investing in or exporting to high-risk countries and seeking to complete projects in even the most complex environments.

Given the current global political and economic conditions, it is extremely difficult to achieve a balance between exploiting the recovery and channelling energy to the right business activities. Italian exporters must look to new markets while also strengthening their positions in traditional destination regions, such as the Mediterranean and the Balkans. This is no easy challenge and another reason why Italian companies need the appropriate financial instruments to boost their competitive edge, especially when the marginal advantages linked to traditionally higher quality standards are gradually being eroded.

That is why SACE is here. Year after year, we confirm our pledge to support Italian exporters.

Giovanni Castellaneta

Chairman



In 2010 SACE completed its transformation into a market-oriented, customer-driven company. In pursuing the belief that exports and investments abroad are two sides of the same coin, the new business model adopted in 2004 (when SACE moved from being a government entity to become a joint stock company) is focused on sustaining the growth and enhancing the competitiveness of Italian companies. On the one hand we have extended and diversified our products and services. Alongside traditional export credit and investment guarantees, we now also offer products to facilitate access to funding, credit insurance, surety and factoring services. On the other hand we have created a sales network capable of handling the needs of policyholders across the country, also taking into consideration the geographical distribution of Italy's SMEs and prospects for the development of business networks.

This has enabled us to serve an increasingly large number of companies: in 2010 we undertook 34,000 transactions with more than 20,000 customers. SACE's portfolio of insured transactions was more than €32 billion and that of its SACE BT subsidiary was €36 billion. Given the lack of standardised lending criteria, SACE Fct, the group's new factoring company established under the government's anti-crisis measures, satisfied the need for liquidity and the growing demand for factoring arrangements, especially to finance sales to the public sector. SACE Fct had turnover of €804 million and closed the year with a profit.

The economic crisis and dislocation of financial markets speeded up changes in the geo-economic set-up of the global economy, which triggered the return of political risk. This followed on from the credit risk that characterised the previous two years (first bank risk and then sovereign risk). Companies are consequently tending to diversify their export destinations and looking to countries with the stron-

gest growth potential. SACE can offer valuable support in this respect, drawing on its expertise in the various geographical areas.

This is borne out by our commitments, which show an increase in the risks insured in emerging markets in 2010. Russia, where exposure stood at over €4.7 billion, was the main export destination for insured companies, followed by Turkey. Non-EU countries as a whole, including the Community of Independent States, represented 25.5% of the portfolio, followed by the Middle East, where Saudi Arabia, Qatar, the United Arab Emirates and Oman accounted for the majority of commitments. Reflecting the increasingly dynamic performance of Italian enterprises in emerging markets, there was a significant acceleration in transactions in Latin America, especially in Brazil and Mexico. Expansion in China has been slower due to high market liquidity, but it has been vibrant throughout the rest of Asia, especially in India, South Korea, Malaysia and Vietnam.

As the economic outlook continues to be uncertain, in 2011 it will be important for Italian companies to continue to address new emerging markets and adopt farsighted policies. We are convinced that the measures adopted in 2010 will enable SACE to make an important contribution to the growth of Italian exports by mitigating risk exposure, facilitating business and, in exploiting its counter-cyclic nature, representing an alternative source of funding.

Our success is grounded in the professionalism of all our employees, SACE's greatest asset. I sincerely thank everyone at SACE, also on behalf of the board of directors, for their dedication throughout what has been a particularly difficult year. It is their commitment and ability to work as a team day after day that have enabled us to achieve our objectives for growth and innovation. They are the driving force behind our mission: to support Italian exports worldwide.

Alessandro Castellano

CEO





Anticipating change.

**Working with businesses to ensure
success in the markets of tomorrow.**

Our



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

- **WE STRENGTHEN EXPORTS**

We insure exporters against the risk of non-payment and guarantee loans to foreign companies to finance purchases of Italian goods or services

- **WE SUSTAIN INTERNATIONALISATION**

We guarantee loans to companies, particularly SMEs, to finance internationalisation projects and protect foreign investments against political risk

- **PROJECT FINANCE FOR SECTORS OF STRATEGIC IMPORTANCE FOR THE ITALIAN ECONOMY**

We guarantee loans to finance major international capital projects involving Italian enterprises and projects of strategic importance for the Italian economy in sectors such as infrastructure and renewable energy

- **WE SUPPORT COMPANIES IN BIDS AND CONTRACTS**

We offer guarantees to cover the contractual and legal obligations of companies participating in tenders and suppliers that win orders in Italy and abroad. We also provide construction risk insurance

- **WE INSURE COMPANIES' SALES**

We insure companies' sales with payment deferred for up to 12 months against the risk of insolvency of Italian and foreign customers

- **WE IMPROVE CASH FLOWS**

We offer recourse and non-recourse factoring with a specific range of services for suppliers to public sector customers

offer



RAOUL ASCARI - Chief Operating Officer

SERVICES TAILORED FOR SMES

Flexibility, speed, simplicity. Our online services guarantee simplified procedures, lower costs and faster feedback. For transactions abroad worth up to € 5 million, customers can use the ExportPlus portal to request a preliminary credit assessment online. This includes an assessment of the feasibility of the transaction and an indication of the relative insurance premium. The SACEBtonline platform is dedicated to insurance cover for sales to customers in Italy and abroad with payment deferred for up to 12 months.

A strategic



Simonetta Acri
 Director of Venice Branch,
 North-Eastern Italy, SACE



Gianluca Bravin
 Director of Rome Branch,
 Central and Southern Italy, SACE



Danilo Bruschi
 Director of Modena Branch,
 Central-Eastern Italy, SACE



Luigi Stefano Cuttica
 Director of Milan Branch,
 North-Western Italy, SACE



Maurizio d'Andria
 Director of Commercial
 Development, SACE



Cristina Pierobon
 Director of Marketing and
 Distribution, SACE BT



Antonio Romeo
 Commercial Director,
 SACE Fct

IN ITALY, EVER CLOSER TO SMES

SACE is closer than ever 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 insurance process from the application and evaluation to the actual issuance of insurance coverage. With a network of 52 agents and 132 brokers, we provide credit insurance, sureties and construction-risk insurance throughout the country.

presence



Michal Ron

Director of International Relations and Network, SACE

HEADS OF INTERNATIONAL OFFICES



Moscow

Svetlana Gromyko-Piradova and Dmitry Prozorov



Bucharest

Speranța Tîrsar



Istanbul

Marco Ferioli



Hong Kong

Marina Vettese



São Paulo

Flavio Bertolossi



Johannesburg

Michael Creighton

IN EMERGING MARKETS, TO SEIZE THE BEST OPPORTUNITIES

Outside of Italy SACE has a network of representative offices in markets with strong growth potential: Latin America, Asia, the Near East, Sub-Saharan Africa, Central and Eastern Europe and the Commonwealth of Independent States. Companies can rely on the support of professionals with an in-depth knowledge of the local market and a team of specialist economists who monitor and analyse the risks associated with the destination country.

New horizons

A black and white photograph of a long wooden pier extending from the foreground into a calm sea. The pier is lined with a rope railing supported by wooden posts. The horizon is visible in the distance under a grey, overcast sky. The overall mood is serene and contemplative.

THE MACROECONOMIC PICTURE



THE MACROECONOMIC SCENARIO

THE INTERNATIONAL PICTURE

The world economy's recovery gained pace in 2010 with overall growth standing at 5%. The emerging markets established themselves as key economic players, confirming the changing balance of the global economy.

The emerging markets generated the lion's share of economic growth and expanded at approximately 7%, four times higher than that of the "advanced" countries. In the euro-zone, worsening public finances led to the adoption of extraordinary measures, coordinated by the International Monetary Fund, to rescue the economies of Greece and Ireland. The situation also led to the creation of the European Financial Stability Facility, which aims to help the countries in greatest difficulty refinance their public debt.

Weak private demand, brought on by high unemployment and the impact of fiscal adjustments on household spending, slowed the recovery in investments.

While the consequences of post-crisis deleveraging continued to be felt, the value of loans made to non-financial corporations began growing again though the increase remained sluggish due to the jump in non-performing bank loans and the adoption of stricter selection criteria.

The advanced economies will recover slowly. In the main emerging economies the challenge will be to maintain growth at the high levels of recent years and adopt the appropriate political and financial measures to avoid the risk of overheating.

Threatened by inflation, also fuelled by strong economic growth and, above all, higher commodity prices, the majority of the emerging countries have begun to raise interest rates. This has produced a significant increase in foreign capital inflows. The weak dollar and an exchange rate system that is not entirely flexible resulted in currency appreciation, making exports less competitive.

In Europe with Stonefly

SACE guaranteed a €1.5 million loan granted to Stonefly, the footwear manufacturer from Italy's Veneto region. The loan will cover the costs of promotional activities, attendance at international trade fairs and internationalisation projects.

SACE for SMEs



A rocklike presence

In India with Barsanti Macchine

With a commitment of €1.3 million, SACE insured Barsanti Macchine for the supply of stone-processing machinery to an Indian firm. The Italian SME based in Massa Carrara has more than 100 years of experience in the construction of marble processing equipment. The transaction was managed online via the ExportPlus portal.

SACE for SMEs

THE ITALIAN CONTEXT

The Italian economy returned to growth in 2010 at a rate of 1.3% in real terms, driven by exports and investments. The latter were sustained by the introduction of tax incentives. A weak employment market (at the end of the year unemployment stood at 8.6%) continued to hold back consumer spending.

As demand grew faster abroad than in Italy, fixed investments by exporters were clearly important in sustaining growth.

Industry, with the exception of the construction sector, improved more briskly than services. Recovery is forecast to continue very gradually throughout 2011. After three consecutive years of decline, industrial production started to pick up again at a rate of 5.3%. The mechanical engineering, electrical equipment, metals, and chemicals sectors reported above-average performance with slower growth for consumer goods.

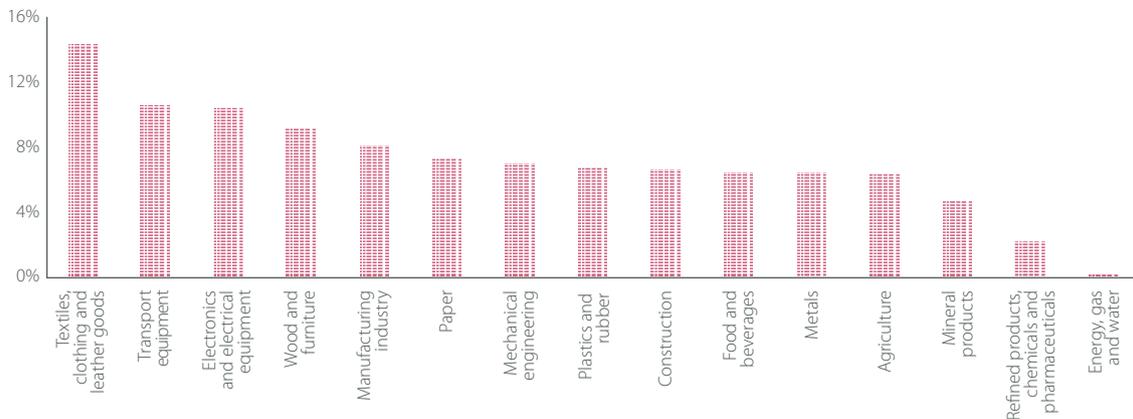
Renewed demand, especially from international markets, enabled exporters to use the inventories they had built up during the recession and then

increase production and capacity utilization rates which, nonetheless, have remained very low.

The return to growth did not have the expected repercussions on default rates; in 2010 these rose by 8% (+28% in 2009). Companies enjoyed greater liquidity and this led to fewer delayed payments, a phenomenon more apparent in Italy than in countries such as Spain and the UK.

The value of non-performing bank loans also rose, despite the improved economic outlook. Non-performing loans represented a significant share of all loans in various sectors, including fashion, means of transport equipment and electronics, where they accounted for 11% or more of the total. According to Banca d'Italia, the Italian central bank, a large proportion of companies temporarily defaulted on their value, which could lead to a further increase in the value of non-performing loans. Loans to non-financial companies increased again in the second half of the year but conditions continue to be somewhat restrictive in some sectors.

Share of non-performing bank loans in the various sectors of Italian industry (2010)



Source: SACE calculations on Banca d'Italia data

THE CHANGING FACE OF ITALIAN EXPORTS

After falling 20.9% in 2009, Italian exports of goods returned to growth in 2010 (15.2%).

According to SACE forecasts, growth will remain brisk over the next two years, though it will slow slightly (+8.1% in 2011 and +6.7% in 2012) and will not reach pre-crisis levels until the end of 2012.

In a year in which international trade volumes increased by 12%, Italian exports performed positively with the country's goods and services holding up well. Companies that implemented sound restructuring processes before 2008 were less exposed to demand and profit margins decline, overcoming the difficulties of traditional markets by repositioning their sales and investments into high growth ones. In 2010 the most dynamic markets for Italian exports were Asia (especially China), Mercosur countries and Turkey. Exports to Germany, the US and the UK also performed well. The share of Italian exports to developed countries will continue to diminish in the coming years, falling from 68% of the total in 2005 to 58% in

2014.

Growth rates will differ for the various industrial sectors. Intermediate goods are driving the current recovery (+15% in 2010) and will enjoy the fastest growth, albeit slowing down over the next two years (+8.8%). Growth in exports of capital goods will pick up more slowly, but will also be longer lasting. World demand will peak in 2012-2013, which will mark the complete recovery of investment activity in advanced markets. On average, Italian exports in this group of sectors will increase by 7.2% in 2010-2012. In particular, exports of mechanical engineering products will grow by 8.6%, with Italy maintaining its position as the world's fourth-biggest player with a 9% market share. Exports of agricultural products will grow more slowly, falling slightly short of previous rates. The same applies to consumer goods. Overall growth in exports of the more traditional Italian consumer goods (food, fashion and furniture) will be less dynamic but still better than average in the "advanced" emerging markets: here food and beverage exports will rise by 6.4% in 2010-2014, furniture by 7.3% and fashion by 6.7%.

Italian exports of goods (€ billions)



Source: Istat and SACE

China. Queen's Road in the evening, Hong Kong.
Mohamed Elmalt - *Project finance analyst, SACE*

The road to expansion

In China with Elica

SACE guaranteed a €25 million loan to Elica, a leading manufacturer and supplier of cooker hoods, to acquire China's Zhejiang Putian Electric and strengthened its presence in the Far East.



ASIA

Nothing seems able to stop Asia's relentless economic expansion. The continent led the global recovery in 2010, growing at an average overall rate of 8%. The fifth consecutive year of growth was fuelled by a continuous inflow of foreign capital and sustained by economic policies that stimulated consumer spending and investments. There is a real risk of overheating. Rising inflation has led to the adoption of restrictive monetary policies, which inevitably attract further capital inflows and trigger currency appreciations. The risk of competitive devaluations and protectionist barriers cannot be excluded.

This is the backdrop as the world enters the Chinese Century. China is now the second-biggest economy after the United States, and at the same time many other Asian countries have also appeared on the international scene. These include not only mature economies such as Singapore, Taiwan, South Korea and Hong Kong, but also new emerging markets that are rapidly catching up with Western competitors. Given the need to renew and upgrade infrastructure throughout the region, all of these countries are potential markets for Italian exports of consumer goods, mechanical engineering, means of transport and power-generating equipment.

Despite political tension, Thailand performed better than expected and recorded a 7% increase in GDP in 2010 thanks to foreign demand and consumer spending.

Malaysia is successfully moving away from an export led system and reported growth of almost 7% in 2010.

Indonesia, Asia's new tiger economy, is the region's best performer. Political stability and stimulus packages introduced by the government, which also managed to curb inflation, led the main rating agencies to raise Indonesia's rating and the World Bank, to proclaim it Asia's most active reformer.

There are also good prospects in the Philippines, with brisk growth in the manufacturing and service sectors.

The fiscal policies adopted by India have stimulated internal demand, enabling the country to overcome the crisis and report double-digit GDP growth in 2010, despite its large public debt and high inflation.

Having attracted significant foreign investments in recent years, Vietnam is also set to become a launching pad into Asia for small and medium-sized businesses, provided its monetary policy can stabilise the country's finances.

Sri Lanka and Mongolia are worth monitoring as they embark on an important phase of economic development and reconstruction under the auspices of the IMF.

LATIN AMERICA

Having come through the financial crisis practically unscathed, Latin America offers extremely varied potential for 2011. Some countries are characterised by high risk profiles while others offer important new opportunities for companies of all sizes. By the end of 2010 Latin America GDP has grown by 6%. The positive investment climate, excellent growth prospects in many sectors and demographic expansion continue to attract foreign capital to the entire region, resulting in appreciation of the local currencies and reduced competitiveness.

While economic growth in Latin America is still far less dynamic than Asia's, many observers believe the continent will be a driving force in the near future and predict the dawn of a "Latin American decade". The economy is driven by diversified industrial activity in which the dynamism of SMEs, which represent 90% of all companies, is accompanied by the constant expansion of the *multilatinas*, global mining and resource processing giants. Petrobras and Vale in Brazil and Pemex in Mexico are just three of the large international companies capable of generating considerable opportunities for foreign enterprises, including exporters of Italian goods and services.

According to forecasts by SACE, Italian exports to the region will grow by 11% in 2011, following different trends in the various countries. The best performers will be Brazil and Mexico, where exports will grow by 14% and 9%, respectively. Peru will also offer excellent opportunities in sectors such as infrastructure, energy and mining. Panama and the Dominican Republic continued to enjoy positive growth even in the middle of the crisis. These are dynamic markets, especially for investments in infrastructure and related sectors. There will also be interesting opportunities for Italian exporters in some niche sectors such as pharmaceuticals in Brazil, agricultural machinery in Chile and electronic and electrotechnical equipment in Costa Rica.

The main challenges regard the lack of infrastructure (this is also the case in Brazil, although the country is rapidly overcoming this limit in view of the 2014 Football World Cup and 2016 Olympic Games), inefficiency of the legal systems and security issues in countries such as Mexico and Colombia. Political risks are currently an important issue, particularly in countries with radical governments such as Venezuela and Ecuador.



Brazil. "Melting pot" in São Paulo, Avenida Paulista.

Eva Martin - Junior analyst claims and recoveries, SACE



Contagious high spirits

In Peru with Sipa

With a commitment of €1.5 million, SACE insured the supply of two PET bottle blowing plants manufactured by Sipa to a customer in Peru. Sipa, based in Italy Veneto region, has 30 years of experience in the construction of machinery and production technologies for packaging and PET containers for the beverage, food and non-food industries.

THE CIS REGION

CIS countries enjoyed a year of recovery in 2010 with a rise in commodity prices fuelling a 4.2% increase in GDP.

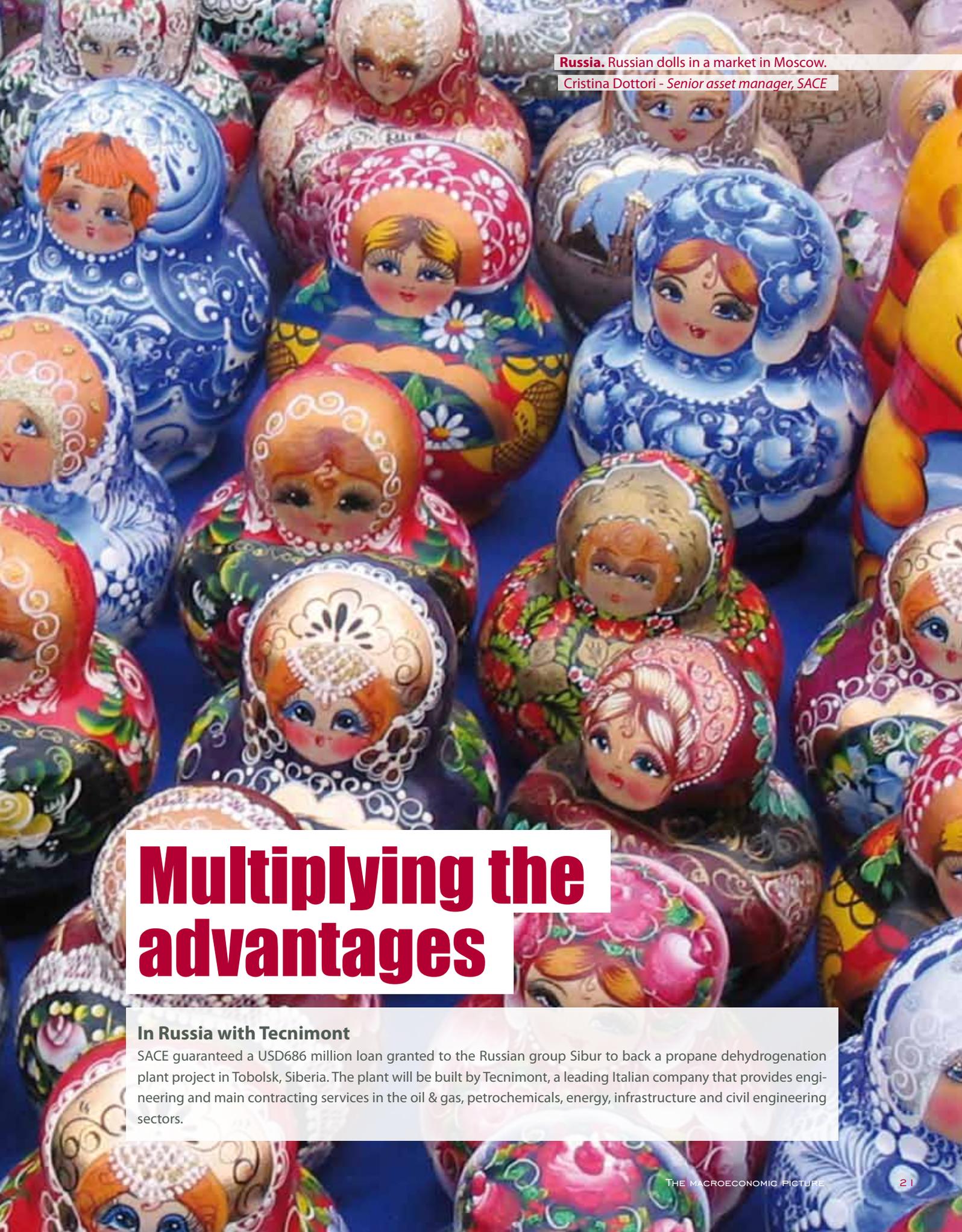
While still falling short of pre-crisis growth (approximately +9% in 2007) and despite weak domestic demand and the fragility of the banking system, growth continued and the prospects for 2011 look good. The stimulus packages and liquidity incentives launched by international organisations and governments produced significant results in practically every country in the region.

Once again Russia, the main beneficiary of rising in commodity prices, was the regional powerhouse. The country adopted efficient measures to handle the crisis, especially in the banking sector, and looks set to end 2011 with a 4.8% increase in GDP. The economy's 8% contraction in 2009 is a thing of the past.

The recovery of regional trade as well as remittances from the many people from other CIS countries who have moved to Russia to work are the main means through which the country's growth has benefitted its non-oil-exporting neighbours. In addition to Ukraine, which is struggling to recover, and Belarus, which has problems with its balance of payments, the countries that will benefit the most are those with small economies such as Armenia and Georgia, which will both grow more than 4% in 2011. Unable to rely on significant resources of their own, these countries have received IMF funding that has fostered economic stability and enabled them to adopt sustainable fiscal policies and partially regain the confidence of investors. It has been easier for countries such as Azerbaijan, Kazakhstan and Turkmenistan, which can rely on exporting raw materials to meet the growing demand coming from China and other emerging economies in Asia.

Despite all the positive signs, the CIS region has many critical aspects that could limit future economic growth. The sustainability of the economic recovery is mainly linked to oil prices and there are other latent social and political risks, which are more apparent in Central Asia. Widespread corruption and the presence of numerous one-party states are sources of malcontent and instability in Tajikistan, Uzbekistan, Kyrgyzstan and Azerbaijan.





Russia. Russian dolls in a market in Moscow.

Cristina Dottori - Senior asset manager, SACE

Multiplying the advantages

In Russia with Tecnimont

SACE guaranteed a USD686 million loan granted to the Russian group Sibur to back a propane dehydrogenation plant project in Tobolsk, Siberia. The plant will be built by Tecnimont, a leading Italian company that provides engineering and main contracting services in the oil & gas, petrochemicals, energy, infrastructure and civil engineering sectors.

New landing places

In Moldova with Tecnofood

SACE insured the Tecnofood Group for a total of €515 thousand to cover the supply to a Moldovan company of two wine-storage tanks. Tecnofood, based in Mantua, is specialised in the production of bottling and packaging products for the wine industry.

SACE for SMEs



EMERGING EUROPE

Sluggish domestic demand, commercial dependence on Europe's advanced countries and restrictive lending criteria: these are the main factors holding back growth in emerging Europe, from the Baltic to the Balkans. Having suffered a record contraction in 2009-2010, which varied in intensity from the strong recession in Latvia to difficulties in the Balkan countries and cuts in production in Central Europe, the region is recovering more slowly than elsewhere.

Hungary, Romania and Bulgaria are among the countries that have the closest ties with the EU-15 member states and have therefore borne the brunt of the crisis. In Hungary and Romania the main multilateral agencies, led by the IMF, launched significant support packages aimed at re-establishing the balance of payments equilibrium and the Vienna Initiative was set up to create a coordinated response to the crisis by investors (especially banks) and avoid an "uncoordinated withdrawal". However, these only partially mitigated the impact of the crisis.

The situation is particularly complex in the Balkans, where economic problems and the persistence of unresolved ethnic conflicts could upset the region's fragile stability. With the exception of Slovenia, which has joined the euro-zone, it is proving extremely difficult for all the Balkan states to emerge from the crisis.

Although it has joined NATO and applied for EU membership, Croatia's economy, like that of Montenegro, is still struggling. Kosovo continues to be an issue in Serbia, despite intense diplomatic efforts by the EU. In Bosnia poor governance and lack of coordination between the two distinct federal regions continue to hamper growth. In Albania deep hostility between political parties could hit economic growth in the medium term, undermining the good results achieved during the global crisis.

At the height of the economic crisis, and with high private indebtedness, the Baltic states suffered a double-digit drop in GDP. Recovery has now begun, enabling Estonia, the country with the soundest tax laws in the EU, to adopt the single currency in January.

Poland, which has an advanced economy and financial system, is expected to continue to enjoy growth and can look forward to 2011 with renewed optimism. The country will offer the best opportunities for Italian exporters, at least in sectors where Italian companies have traditionally excelled.

The background of the page is a close-up photograph of three large flowers floating on a body of water. The flowers are in various colors: one is bright orange, one is vibrant red, and one is pale pink/white. The water is dark blue and shows ripples around the flowers. The text is overlaid on the top left and bottom sections of the image.

Syria. Floating flowers in Damascus.

Carlo Magistrelli - Senior risk analyst, SACE

Accepting challenges

In Algeria with Tecnis

SACE issued counter-security for the €650 thousand bank performance bonds that enabled Tecnis, a firm based in Catania, to bid for the contract to build the reinforcements outside the port of Oran in Algeria. Tecnis provides construction, engineering and general contracting services.



THE MEDITERRANEAN

The rebellions that have swept across North Africa have inevitably affected the map of risks and opportunities throughout the Mediterranean basin.

Geographical proximity, abundance of energy resources and vibrant economic and demographic growth in the region have helped build strong trade relations between Italy and North African countries in recent years. However, with the unrest at the beginning of 2011 political risk has re-emerged as an important issue that negatively affects the economic and financial performance of countries in the region.

Though not immune to the social and political tensions, countries on the Middle-Eastern shores of the Mediterranean will continue to offer opportunities worth exploring, albeit subject to careful selection.

During the current economic cycle Turkey has emerged as a leading player in the region. With a stable political and economic system, the country is “Europe’s doorway to the East” and is not merely a key regional market, but also one of the world’s most important business frontiers.

Strengthened by the crisis – with an economy that grew by 8.2% in 2010 and is forecast to advance 4.6% in 2011 – Turkey can count on a lively and healthy system of entrepreneurial activity, consumer spending capable of sustaining growth and social stability, and a banking system that was reformed after the 2001 crisis helping it to remain practically immune to the financial crisis of the last two years.

This is a positive state of affairs for Turkey, but one that conceals risks that should not be underestimated in the long term. Economic recovery was fuelled by significant inflows of foreign capital. These short-term liquid investments could put pressure on foreign accounts and make the country vulnerable to external shocks. This vulnerability is accentuated by the volatility of the exchange rate.

Turkey is investing heavily in transport and construction, and also in expanding its industrial sector and upgrading its infrastructure for exporting oil from the East. The extensive plans to reform and modernise the country, which include attracting foreign capital to implement major infrastructure works and privatising key sectors of the economy, will encourage foreign companies to focus their attention on investment opportunities.

United Arab Emirates. The new mosque in Abu Dhabi, built using materials from Italy.

Mariano Di Biagio - Senior risk analyst, SACE

Diversifying for growth

In the United Arab Emirates with Danieli

SACE guaranteed a USD500 million loan to expand the Emirates Steel Industries' steelmaking plant in the Mussaffah industrial district of Abu Dhabi. As part of the project, the Friuli-based Danieli Group, one of the world's leading producers of steelmaking equipment, supplied a 1 Mtpy heavy section and beam rolling mill.



MIDDLE EAST

The future of the Middle East depends on its ability to diversify its industrial structure and reduce its dependence on oil and gas and increase exports to markets such as China, India and Turkey. Having built up considerable reserves over the years and implemented expansionary tax policies to foster investments, countries in the region weathered the global crisis well.

The majority of Middle Eastern countries grew in 2010 at above the world average and the economic outlook continues to be good, also thanks to higher oil prices. However, the forecast for growth may be revised downwards as the protests that have spread to the Gulf region, with episodes of violence in Oman, Kuwait, Bahrain and Yemen, impact the economy.

The troubles in the real estate sector in Bahrain, Kuwait and Dubai led to a rise in non-performing bank loans and the banking system, while remaining profitable, continues to carry some operational risks. Access to credit continues to pose a challenge, also due to restrictions imposed by Islamic financial regulations and the limited use of capital markets for funding.

Saudi Arabia, Abu Dhabi and Qatar will drive growth in the Middle East in the next few years. Saudi Arabia is experiencing strong growth in domestic demand and the real estate sector, mainly due to fast demographic growth. The country is investing heavily in energy-intensive sectors in order to diversify its industrial system and loosen its ties with Europe where demand has fallen and is no longer sufficient to guarantee long-term growth.

Abu Dhabi has launched the most intensive diversification strategy in the region, having made significant investments in steel-making, metallurgy and tourism as well as other sectors that are relatively new for the country, such as pharmaceuticals, biotechnology and renewable energy.

Qatar, which has been enjoying sustained growth for several years, will have the most dynamic economy in 2011. The country has a rapidly growing real estate sector and will host the Football World Cup in 2022, which will lead to more than USD 70 billion in infrastructure investments.

Dubai and Bahrain are two countries in the region that are “under special surveillance”. The former is still suffering from the effects of the crisis in the property sector that peaked with Dubai World’s debt default in December 2009, while the latter, a strategic country and the region’s main financial hub, has the highest public debt burden in the Gulf region and a worsening political risk profile.

Unleashing new energy

In Tanzania with Mazzoni LB

With a commitment of €1.4 million, SACE insured Mazzoni LB for the supply of a soap processing plant to a company in Tanzania. Established in 1946 and based in Busto Arsizio, Mazzoni LB is a leading engineering and manufacturing company specialised in soap and glycerine processing plants. The transaction was managed online via the ExportPlus portal.

 SACE for SMEs



SUB-SAHARAN AFRICA

Change is afoot in Sub-Saharan Africa. The last ten years have been characterised by widespread and practically uninterrupted growth and, having absorbed the impact of the global recession, 2011 is expected to herald the beginning of a new and sustainable phase of development.

While reducing poverty continues to be a central issue, greater political stability has created fertile ground for change. Many countries have adopted new liberalisation policies, developing the private sector and international trade. This has enabled them to have their foreign debts cancelled, with positive repercussions on the economy. The growing middle class, which added up to 32 million in 2009 and will rise to 107 million in 2030, generates demand for stability and good governance. The middle class is a source of professionally qualified people capable of fostering competitive economic growth and represents a pool of consumers for newly-established local enterprises. The expansion of mobile telephony has brought about a “technological revolution” that has helped to make credit more accessible to people living in rural communities and thus, in part, overcome the need for major investments in infrastructure.

Terms such as “emerging frontier markets” and new “lions” are once again being used with reference to economies destined to emerge in the long term. These include countries that export energy and mineral resources (Angola, Botswana, Cameroon, Namibia, Nigeria, the Republic of Congo, and Zambia) as well as importing countries that have invested in diversification (including those with coastal outlets – Kenya, Tanzania, Mozambique and Senegal – and those that are landlocked such as Ethiopia and Rwanda). As oil production comes on line in Ghana and Uganda this will guarantee significant revenues to sustain social and economic development in these countries.

Africa is gradually undergoing a process of regionalisation, gaining independence from the historical “hub” of South Africa. With the establishment of the East African Community, Kenya is preparing to become an important launching pad for the eastern part of the continent.

However, there is no room for complacency. There is still a group of countries where progress is slow or the situation is fragile (among the most important of these are the Democratic Republic of Congo and Ivory Coast). Some countries also rely on imports of food and are thus vulnerable to fluctuations in international prices. Corruption and political instability are the main risk factors in the area. Africa is still a fragile continent, racked by internal tensions and latent conflicts that frequently explode suddenly and violently and risk spreading to neighbouring countries. Under such conditions maintaining economic and social stability is difficult but still possible.



Guided Explorati

PRODUCTS AND SERVICES

Indonesia. Bike sharing in the Dutch quarter of Jakarta.

Mariano Di Biagio - Senior risk analyst, SACE



ons

WE STRENGTHEN EXPORTS

Emerging markets offer the best opportunities for Italian export growth. Many of these markets are far away and unfamiliar and the success of Italian enterprises will increasingly depend on the availability of competitive payment terms and the ability to recognise and manage the political and commercial risks. SACE offers extensive knowledge of risk analysis and a sound understanding of international markets together with a wide range of insurance and financial products and services. With the support of SACE, Italian exporters are able to offer their foreign customers more extended terms of payment (with insurance against the risk of non-payment) or loans at more competitive rates.

UNDERSTANDING THE RISKS

Before entering into a sale contract with a foreign customer it is important to define, understand and assess the various risks associated with both the counterparty and the destination country. In many cases the risks involved could undermine the financial solidity of the foreign company. During the

contract negotiation process, customers can request a **Preliminary Credit Assessment** . This service is available online through the ExportPlus portal. It includes an assessment of the customer's creditworthiness and the feasibility of the transaction, with an indication of the relative insurance premium. The credit assessment is based on a detailed analysis by experts at SACE with specialist knowledge of the macroeconomic context and the specific sector, and on the financial solidity of the counterparty.

PROTECTING EXPORTS

SACE protects Italian companies that sell goods or services abroad against the risk of non-payment. 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 **Civil Works** policy covers the specific needs of construction and plant

In Serbia and Bulgaria with Arneg

With a commitment of €600 thousand, SACE insured Arneg's supply to a Serbian company specialised in the production of refrigerated counters and cabinets to refurbish three supermarkets in Serbia and Bulgaria. Padua-based Arneg, established in 1963, is specialised in refrigeration systems for the retail sector.

engineering firms involved in civil works or supplying turnkey projects abroad. The Supplier Credit and Civil Works policies also cover exporters against the risk of non-payment as a result of undue cancellation of the contract or calling of guarantees, destruction, damage, requisition or confiscation of temporarily exported goods. For transactions of up to €5 million, SACE also offers two basic versions of the Supplier Credit policy, **Plus One** [↗] and **Basic** [↗]. These are available online via the ExportPlus portal and have the advantage of simplified procedures and faster feedback. The **Documentary Credit Confirmation** policy insures Italian and foreign banks against the risk of non-reimbursement of documentary credits arising out of confirmations made through letters of credit. For transactions with a repayment period of up to five years and a maximum amount of €5 million, banks can obtain cover for documentary credits in real-time through **Credoc Online** [↗], thus reducing the time and cost involved.

FUNDING EXPORTS

The competitiveness of Italian exports is increasingly linked to the credit terms available to foreign buyers rather than simply on the quality and price of the actual products or services.

With its **Buyer Credit** policy, SACE guarantees loans granted to foreign borrowers to purchase goods or services supplied by Italian companies or their subsidiaries, thus strengthening the capabilities of the banking system. SACE covers the risk of the foreign borrower failing to repay the loan granted by the bank within the terms agreed upon.

This versatile policy is used to guarantee both corporate finance transactions and limited and non-recourse structured or project finance transactions.

Export Banca

Export Banca is the scheme developed by SACE, Cassa depositi e prestiti (CDP) and the Italian Banking Association (ABI) to provide funding for exports, internationalisation and projects of strategic importance for the Italian economy. Export Banca will provide funding to banks at competitive rates, with guaranteed benefits for the final beneficiary.



Brazil. Mosaic of colonial-style windows in Ouro Preto.
Carlo Magistrelli - Senior risk analyst, SACE

Interwoven interests

In Brazil for Italian enterprises

SACE guaranteed a USD500 million credit facility in favour of Petroleo Brasileiro S.A. (Petrobras), leading Brazilian oil company, to finance the supply of goods and services by Italian companies and their Brazilian subsidiaries.

WE SUSTAIN INTERNATIONALISATION

Helping small, medium and large Italian enterprises strengthen their presence in international markets will become ever more crucial for their growth. SACE offers a range of products and services that satisfy the many different requirements of companies and banks undertaking internationalisation projects. These products and services range from supplying credit to having easier access to credit and to protecting investments abroad.

FINANCING INTERNATIONAL DEVELOPMENT

SACE guarantees loans by banks or bond issues in support of internationalisation projects undertaken by Italian enterprises.

The **Internationalisation guarantee for SMEs** covers loans granted by approved banks to finance

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, or 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 **Working Capital** guarantee covers non-payment of loans granted to Italian enterprises or their foreign associates for the preparation of supplies to be exported or used in the execution of civil works abroad.

The **Investment** guarantee covers loans granted to Italian enterprises or their associates to finance foreign investments: joint ventures, mergers and

Banks that have signed agreements with SACE for granting credit lines to Italian SMEs

Banca Agrileasing	Banca Popolare di Vicenza	Gruppo BPER
Banca Monte dei Paschi di Siena	Banca Sella	Gruppo Cariparma e FriulAdria
Banca Nazionale del Lavoro	Banco Popolare	Hypo Alpe Adria Bank
Banca Popolare di Milano	Credem	Mediocredito Trentino-Alto Adige
Banca Popolare di Sondrio	Deutsche Bank	UniCredit Corporate & Investment Banking

In the world with L'Isolante K-Flex

SACE guaranteed a €7.6 million credit lines granted to L'Isolante K-Flex, one of the world's largest producers of elastomeric insulation, to finance its international expansion projects.

acquisitions, increases of capital in foreign enterprises or setting up of production facilities.

SACE issues the Working Capital and Investment guarantees at market conditions for a maximum of 80% of the loan. The portion of the loan that is guaranteed does not affect the company's credit lines with the banks.

PROTECTING FOREIGN INVESTMENTS

SACE protects investments made by Italian enterprises and banks in foreign markets with high growth potential but where there are also political problems. The **Investments** policy protects Italian companies and banks 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 (equity) when a new

company is set up or in the case of acquisitions (also if done through a joint venture). It also covers loans granted to foreign investee companies (shareholder loans). For banks this cover has zero impact on their capital absorption and leaves more room within their country limits. The Investments policy allows companies or banks to prevent, limit or offset capital losses abroad as well as losses or non-payment of amounts due to the policyholder in connection with the investment (e.g. dividends, profits, repayment of shareholder 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 **Online PRI**  policy can be acquired through the ExportPlus portal.

Partnership with EIB

Through an agreement with the European Investment Bank (EIB) SACE guarantees loans to support internationalisation projects and investments of strategic importance for the Italian economy. The EIB was set up in 1958 by the European Union to make medium- and long-term loans for projects considered important for Europe. In 2010 SACE guaranteed EIB loans to Italian enterprises worth €394 million.

Ancient research

SACE for Trevi's investments in research

SACE guaranteed a €50 million loan granted by the European Investment Bank to the Trevi Group, a world leader in underground engineering and drilling technology. The loan is for a research project and will enable Trevi, which is based in the Emilia Romagna region of Italy, to maintain its excellent standards in the development of technologically advanced and environmentally compatible solutions.

SACE FOR PROJECT FINANCE

SACE has long-standing experience in multi-sourced projects, structured finance and asset-based transactions. These products often also involve other ECAs, commercial banks and international and local financial institutions. Since the mid-1990s, SACE has built up a significant track record of transactions for foreign capital projects in the oil & gas, metallurgy, petrochemicals, power, infrastructure, aviation and marine sectors. More recently it has broadened its scope of activity to include the Italian market, where it supports transactions of strategic importance for the Italian economy, such as infrastructure and renewable energy. The portfolio of transactions guaranteed by SACE in this sector of business amounts to more than €6.5 billion.

SACE guarantees loans without recourse or with limited recourse to the promoters of 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 limited to projects that are self-sustainable, i.e. projects that are able to generate cash flow sufficient to repay the loan and provide adequate remuneration for the shareholders.

Project finance, structured finance and asset based transactions are dealt with by a team of professionals with skills in various industrial sectors. This means they are involved in the project from the initial stages of structuring the finance. It also accelerates the due diligence and negotiation process by providing efficient and timely support to the various parties involved.

In the Baltic Sea with Saipem

SACE guaranteed a €1 billion loan granted to Nord Stream, a consortium of leading companies in the oil & gas sector, including Gazprom and GDF-Suez, for the construction of the submarine gas pipeline linking Russia and Germany via the Baltic Sea. The pipeline was engineered and laid by the Italian firm Saipem, one of the largest contractors in this sector.

In India with ATR

SACE guaranteed a USD44 million loan to cover the purchase of six ATR 72-500 aircraft by Jet Airways, an Indian airline company established in 1993 that operates domestic and international flights. ATR is a leading international manufacturer of 50 and 70-seater turboprops and is a joint venture between Alenia Aeronautica and EADS.





Russia. Moscow underground station.

Antonio Bartolo - Senior manager at the legal department, SACE

Plans for development

SACE FOR INFRASTRUCTURE AND RENEWABLE ENERGY

SACE has a dedicated team through which it supports 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). Since extending its scope of this activity three years ago SACE has issued guarantees for €1.2 billion in this sector.

The cover provided by SACE was used to structure project financing transactions for renewable energy power generation plants in Italy with a total output of more than 400 MW. Some 50 MW of the total were covered by innovative bond financing (project bond).

Regarding infrastructure projects of strategic importance for Italy, the bulk of activities regarded the motorway sector. In 2010 SACE issued guarantees for €700 million for investments to upgrade several sections of the national road network.

SACE is examining the feasibility of additional guarantees in the transport sector (railway networks, ports and airports), the energy sector (oil & gas pipelines, regasification plants and power transmission lines) and telecommunications (mainly investments aimed at bridging the digital divide).

In Italy to widen the A14 motorway

SACE guaranteed the €1 billion loan granted by Cassa depositi e prestiti (CDP) to Autostrade per l'Italia to finance the project to build the third lane and new junctions along a 155-km stretch between Rimini North and Porto S. Elpidio of the A14 Bologna to Taranto motorway

In Italy for new Sunray solar power plants

SACE guaranteed the loan to finance the construction of two solar power plants by Sunray Renewable Energy, a member of the SunPower Group that operates in all areas of the solar energy sector. The plants, in Italy's Lazio region, will have a total output of 51 MW. The deal was Italy's first project bond and the world's first publically rated and listed solar project bond.

Available energy

WE SUPPORT COMPANIES IN BIDS AND CONTRACTS

The SACE group supports companies bidding for contracts in Italy and abroad. Guarantees covering the contractual or legal obligations of Italian contractors are issued directly by SACE or through accredited financial intermediaries.

WINNING CONTRACTS AND WORK ORDERS

It is increasingly common for companies taking part in tenders or undertaking civil works and supplying services to have to provide surety bonds to guarantee compliance with the terms of the contract.

The SACE Group offers an extensive range of guarantees **covering contractual obligations** for transactions in Italy and abroad. These include:

- bid bonds, to guarantee bids for contracts and signing of contract documents if awarded
- performance bonds, to guarantee performance of all contractual obligations undertaken by the contractor upon signing the contract
- advance payment bonds, to guarantee the refund of advance payments made in the event of default by

the contractor

- maintenance bonds, to guarantee the proper functioning of the product/system supplied
- money retention *bonds*, to guarantee the refund of retention money paid in advance on the basis of the progress of works if the contractor fails to fulfil contract obligations.

SACE also issues counter-security for financial intermediaries that give such guarantees. For transactions with a repayment period of up to five years and a maximum amount of €1 million, banks can use the **Bank Guarantees Online** policy to cover up to 70% of the total amount of the guarantee. This policy uses a simplified application procedure and ensures faster feedback.

The SACE BT subsidiary also issues the following for the Italian market:

- guarantees to cover urbanisation charges, to guarantee fulfilment of obligations of performance (direct execution of urbanisation works) or obligations to give (deferred payment of building licence fees, primary/secondary urbanisation costs and construction

In India and China with Milltex

SACE issued a counter-guarantee of over €700 thousand as security for bank performance bonds for contracts for the supply of industrial paper cutting machines by Milltex to Century Pulp and Paper in India and Shouguang Bohui Paper Industry in China. Milltex is an SME based in Parma. Established in 1981, it is specialised in the production of automatic paper processing machinery.

SACE for SMEs



Guaranteeing trade

In Denmark with Ansaldo STS

SACE issued a €70 million performance bond that enabled Ansaldo STS to bid for the contract to supply and install the railway signalling system for Copenhagen's underground railway. Ansaldo STS is the leading Italian supplier of high-technology for both surface and underground rail transport systems.

- costs, in case of payment in instalments)
- guarantees to protect the buyers of new buildings, to ensure repayment of amounts paid by the buyer in advance at various stages of the work.

The Group also offers **guarantees of performance of legal obligations**, which cover the fulfilment of obligations undertaken with the public authorities. These include:

- tax refund payment bonds
- guarantees for customs duties
- green certificate bonds, for advance payment of gains from the future sale of green certificates.

CONSTRUCTION RISK INSURANCE

Through its SACE BT product company, the Group 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 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 in approved foreign countries, under Italian law or, pursuant to fronting agreements, in accordance with local law.

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

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

For certain selected risks, SACE BT also operates in the non-motor business, providing property insurance for civil engineering works (Global Buildings policy) and third party liability in the construction industry.

In Italy with Fri-EI Green Power

SACE issued counter-security for the €15 million bank performance bond that enabled Fri-EI Green Power Group to purchase green certificates from Gestore dei Servizi Energetici (GSE) for the biomass plant in Acerra before power generation actually started. This is Italy's largest pre-generation sale of green certificates to date.

WE INSURE COMPANIES' SALES

Credit insurance allows companies to reduce or transfer their customers' business insolvency risks into development opportunities. Business concerns can cover all or a portion of their unpaid receivables, obtaining support during the acceptance and management of deferred payment terms, preventive assessment and continuous monitoring of customers' solvency, payment of claims and credit recovery.

SACE BT insures companies against the risk of insolvency in connection with commercial transactions in Italy and all OECD markets, 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. 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 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.

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.

In the world with Fiamm

SACE BT insured the foreign sales of FIAMM for some €160 million, under a Whole Turnover policy providing support to the monitoring and management of commercial risks in short-term transactions with foreign customers. FIAMM, based in Vicenza, has 3,000 employees and is present in 60 countries. The company manufactures and markets car starters and industrial batteries and is the world's leading supplier of horns.

WE IMPROVE CASH FLOWS

Through its factoring company SACE Fct, the SACE group offers short-term financing of companies' trade receivables to help boost their efficiency.

In addition to traditional recourse and non-recourse factoring, SACE Fct offers a specific range of services for discounting receivables due from public sector customers.

Delayed payments by public sector customers can put a great strain on suppliers, especially when these are small and medium-sized companies.

With **recourse factoring** SACE Fct provides credit management services and makes prepayments to the client. Receivables may be due from one or more debtors. The service usually regards trade receivables with payment periods of up to 180 days. SACE Fct collects the receivables and may exercise the right of recourse

against the client in the event of non-payment by the debtor.

Non-recourse factoring includes all the usual factoring services: credit management, assumption of the risk of default by the debtor and prepayment. In the event the debtor becomes insolvent, SACE Fct undertakes to pay the factored amount to the client, normally within 210 days after the invoice payment date.

With **maturity factoring**, in addition to all the conventional factoring services, SACE Fct undertakes to pay the nominal value of each invoice on or within a few days after the payment term. Payment may reduce or extinguish any advances drawn on the invoiced amount, and no more interest will be charged to the client from that date.

In Italy with companies supplying the public sector

SACE Fct started operations in April 2010. In its first nine months of business it managed factoring arrangements between suppliers and 900 municipal councils, 179 local health units, 57 provincial councils, 18 regional councils, and 1,296 central government bodies. It also signed several agreements with public bodies and trade associations at both the local and national levels. One in particular, with Confindustria, the Italian Employers' Federation, and Nomura, will enable SACE Fct to promote and offer its factoring services to Confindustria members.



Italy. View of Rio dei Tolentini in Venice at night.

Vincenzo Pedicini - *Head of surety, SACE*

Trade routes

In Italy with Enel

SACE Fct signed a factoring arrangement with Enel to purchase and manage the company's accounts receivable from public sector customers for up to €350 million. Enel is Italy's largest power company and Europe's second-biggest listed utility by installed capacity. It operates in 40 countries.

SACE TRAINING & ADVISORY

With more than 30 years of experience in the sector, SACE Training & Advisory provides training courses, tutoring and technical assistance to give industry, banks and universities the knowledge they need to work in Italy and worldwide.

The school works in partnership with top Italian universities. It offers technical assistance to export credit agencies in emerging countries and regularly organises workshops in collaboration with international associations such as the OECD and the Berne Union.

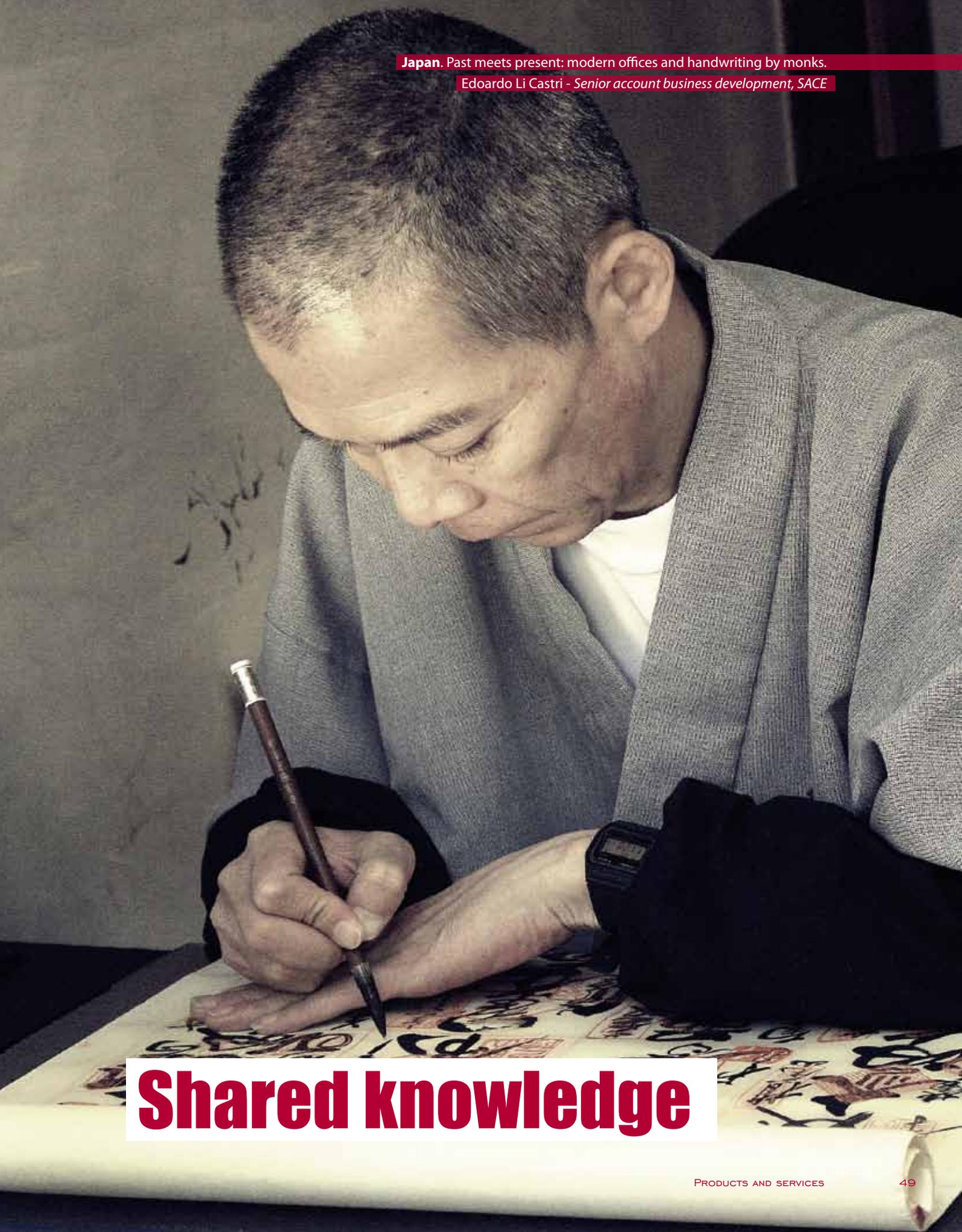
The training courses are designed to develop skills in the analysis of Italian and international markets and risk assessment (counterparty creditworthiness, country risk and potential environmental impact of transactions). They also focus on Italian and international regulations and SACE's insurance and financial products. Most of our staff for the courses are top-level managers from every sector who are assisted by first-rate speakers from the business/economics world and universities.

Training at a click

In 2010 SACE Training & Advisory launched the SACE **e-learning**  online training portal. This offers four training programmes, all totally free of charge and available to everyone, with video seminars that provide quick, convenient insight into the world of SACE: the Group's insurance and financial products and services, the methods used to analyse and assess country and counterparty risk, risk management, repayment and credit recovery procedures.

Japan. Past meets present: modern offices and handwriting by monks.

Edoardo Li Castri - Senior account business development, SACE

A man with short grey hair, wearing a grey jacket over a white shirt, is focused on writing calligraphy on a scroll. He is holding a traditional brush in his right hand and has his left hand resting on the scroll. The scroll is unrolled, showing black ink characters on a light background. The background is a plain, light-colored wall.

Shared knowledge





**Serving more
than 20,000
companies
worldwide**

Driving your



€ 0.5 mln
Guarantee

Opening of showroom
and attendance at
international trade fairs

2010 Italy



€ 0.6 mln
Guarantee

Plastic cap production line

2010 United Kingdom



www.claypaky.it

€ 0.7 mln
Guarantee

Optical light projectors

2010 Mexico

EMMETI

€ 0.7 mln
Guarantee

Automatic bottle conveying
and palletising line

2010 Tanzania



€ 0.7 mln
Guarantee

Business expansion
and consolidation of
foreign structures

2010 Italy



€ 0.9 mln
Guarantee

Telescopic handlers
and accessories

2010 Brazil



€ 0.9 mln
Guarantee

Cardboard pile
conveyor system

2010 Ecuador



€ 1 mln
Guarantee

Business and production
development

2010 Italy



€ 1 mln
Guarantee

Metering conductor

2010 South Korea



€ 1.2 mln
Guarantee

Valves for the oil sector

2010 Indonesia



€ 1.3 mln
Guarantee

Increased production
capacity

2010 Spain and Mexico



€ 1.4 mln
Guarantee

Internationalisation
and investments in R&D

2010 China



€ 1.5 mln
Guarantee

Croissant production line

2010 Russia



€ 1.5 mln
Guarantee

Acquisitions abroad

2010 Turkey and France



€ 1.6 mln
Guarantee

Concrete mixing plant

2010 Australia and Malaysia



€ 1.7 mln
Guarantee

Extension of subsidiary's
sales structure

2010 United States

ambitions



€ 1.8 mln

Confirmation of Documentary Letters of Credit
Drying machinery

2010 Belarus



€ 1.8 mln

Guarantee

Cashew nut processing plant

2010 India



€ 1.9 mln

Guarantee

Furniture and fittings for shopping malls

2010 Kenya



€ 1.9 mln

Guarantee

Investments in advertising and real estate

2010 Italy



€ 2 mln

Surety Bond

Ash extraction system for thermo-electric power plants

2010 Brazil



€ 2.2 mln

Guarantee

Tissue paper production plant

2010 Romania



€ 2.2 mln

Guarantee

Brand promotion and protection

2010 Italy



€ 2.2 mln

Guarantee

Expansion of the sales network and launch in new markets

2010 Americas and Africa



USD 2.6 mln

Guarantee

Drilling plant

2010 Colombia



€ 2.8 mln

Guarantee

Stone processing machinery

2010 Saudi Arabia



€ 2.8 mln

Guarantee

Expansion of business and investments in R&D

2010 Italy



€ 3 mln

Guarantee

Consolidation and strengthening of the 'Meltin' Pot' brand abroad

2010 Italy



€ 3 mln

Confirmation of Documentary Letters of Credit

Wine and spumante production plant

2010 Azerbaijan



€ 3.1 mln

Guarantee

Technology for the production of refrigerator compressors

2010 Russia



€ 3.4 mln

Surety Bond

Conveyor system for bobbins of synthetic yarn

2010 Brazil



€ 3.5 mln

Guarantee

Expansion of production and sales as well as investments in advertising

2010 Italy

€ 0.05 mln
Guarantee

Surgical lights

2010 Thailand

€ 0.08 mln
Surety Bond

Irrigation system

2010 United Arab Emirates

€ 0.1 mln
Guarantee

Steriliser autoclaves

2010 Russia

€ 0.1 mln
Guarantee

Leather processing
machinery

2010 Brazil

€ 0.1 mln
Guarantee

Footwear machinery

2010 Albania

€ 0.1 mln
Guarantee

Warehousing equipment
for the ceramics sector

2010 South Africa

€ 0.1 mln
Guarantee

Footwear machinery

2010 India

€ 0.1 mln
Guarantee

Packaging machinery

2010 Jordan

€ 0.1 mln
Guarantee

Manufacturing machinery
and equipment for textiles

2010 Brazil

USD 0.2 mln
Guarantee

Fitness and wellness
machines

2010 Argentina

€ 0.2 mln
Guarantee

Marble quarrying
equipment

2010 Turkey

€ 0.2 mln
Guarantee

Machinery for the brush
and broom industry

2010 Chile

€ 0.2 mln
Guarantee

Rotary press

2010 Brazil

€ 0.2 mln
Guarantee

Refuse shredder

2010 Egypt

€ 0.3 mln
Guarantee

Wood processing
machinery

2010 Chile

€ 0.3 mln
Guarantee

Quality control
machinery

2010 Chile

€ 0.3 mln
Guarantee

Spinach processing
and freezing machinery

2010 Argentina

€ 0.3 mln
Guarantee

Marble processing
machinery

2010 Indonesia

€ 0.4 mln
Guarantee

Concrete mixing plant

2010 Algeria

€ 0.4 mln
Guarantee

Corrugated cardboard
production line

2010 Colombia

€ 0.4 mln
Guarantee

Supply of moulds
for the automotive sector

2010 Slovakia

€ 0.5 mln
Guarantee

Development
of new transmitters

2010 Italy

€ 0.5 mln
Guarantee

Injection moulding machine

2010 Argentina

€ 0.5 mln
Guarantee

Supply of combine
harvesters

2010 Romania



€ 3.5 mln
Surety Bond
Shipyard

2010 Malta



€ 3.8 mln
Guarantee
Milling machine
and accessories

2010 Argentina



€ 4.2 mln
Confirmation of Documentary
Letters of Credit
Tissue paper production plant

2010 Belarus



€ 4.2 mln
Guarantee
New vehicles for
international markets

2010 Italy



€ 4.2 mln
Guarantee
Machinery and equipment
for the steel industry

2010 Turkey



€ 4.5 mln
Confirmation of Documentary
Letters of Credit
Hot galvanising plant

2010 Belarus



€ 5 mln
Guarantee
Tomato processing plant

2010 Italy



€ 5 mln
Guarantee
Durum wheat mill

2010 Russia



€ 5.5 mln
Guarantee & Surety Bond
Road engineering
and construction

2010 Albania



€ 6.2 mln
Confirmation of Documentary
Letters of Credit
Industrial precasting
production plants

2010 Belarus



€ 7.5 mln
Guarantee
Tissue paper production
machinery

2010 Bahrain



€ 10 mln
Guarantee
Triple play telecommunications
devices

2010 Algeria



RMB 130 mln
Guarantee
Nanjing industrial park

2010 China



€ 18.4 mln
Guarantee
Medium structural mill

2010 India



€ 23.8 mln
Guarantee
Automatic bottle
warehousing system

2010 Sweden



€ 27.6 mln
Project & Structured Finance
Geopower Sardinia
wind power plant

2010 Italy



€ 30 mln
Factoring
Indirect agreement
with suppliers and credit
discounting

2010 Italy



USD 45 mln
Project & Structured Finance
ATR 72-500 for Vietnam Airline
Leasing Company

2010 Vietnam



€ 56.5 mln
Surety Bond
Turbines and compressors
for platforms

2010 Brazil



€ 89 mln
Guarantee
Purchase of RO-RO PAX
Ferry Cruise Olympia

2010 Italy



€ 90 mln
Guarantee
Universal Mill project
with Daniell equipment

2010 Russia



€ 100 mln
Factoring non-recourse
factoring IAS
IAS compliant trade
receivables securitisation

2010 Italy



USD 410 mln
Guarantee
Plant and supplies by Saipem
and Nuovo Pignone

2010 Mexico



€ 856 mln
Political Risk Insurance
Loan to subsidiaries

2010 Eastern Europe



The challenge of growth

STRATEGY AND RESULTS

Japan. Past, present and future: a reconstruction of the Gundam robot.

Edoardo Li Castri - Senior account business development, SACE



engines

MANAGEMENT REPORT

STRATEGY

Despite profound changes in the global economy and financial markets, in 2010 the SACE Group achieved and exceeded its industrial plan targets and confirmed its role in supporting the Italian economy, responding to the growing demand by Italian companies for insurance and financial instruments.

During the year the board of directors approved the 2011-2013 industrial plan, which defines the group's strategic guidelines for the next three years.

As the global economy struggles to recover, the liquidity crisis persists and insolvency rates remain high, the industrial plan is focused on consolidating current activities and expanding the customer base, which currently consists of over 20,000 insured companies, including many small- and medium-sized enterprises. The plan confirms SACE's support for exports of goods and services, internationalisation and projects of strategic importance for the Italian economy, also through agreements with Cassa Depositi e Prestiti, the Italian Banking Association (ABI) - within the framework of the Export Banca scheme - and leading international institutions such as the European Investment Bank.

The needs of SMEs are central to the current business model and have guided SACE to give companies easier access to credit by developing a nationwide sales network and expanding its range of products to include new lines of business.

In Italy SACE opened new offices in Lucca, Monza and Bari. These will be followed in 2011 by two more in Verona and Florence. The network of regional offices

can manage the whole process of application, evaluation and issuance of insurance coverage.

SACE also expanded its international network with a view to enhancing its business capabilities in emerging markets with strong growth potential. With branches already up and running in São Paulo, Moscow, Johannesburg and Hong Kong, SACE opened new offices in Istanbul and Bucharest, the former a hub for the Middle-Eastern Mediterranean region, the latter for Central and Eastern Europe. In 2011 SACE plans to open new offices in Mumbai (India) and Nairobi (Kenya).

SACE BT, the company that operates in the credit insurance, surety and construction risk insurance sector, showed a considerable year-on-year improvement in performance as premium income held up and the company adopted a series of effective risk management policies. In view of this positive trend, SACE BT expects to break even in 2011.

SACE Fct, the group's factoring company, started operations in April 2010 to complete the Group's offering of insurance and financial services. Initially focused on factoring arrangements between suppliers and public sector customers, SACE Fct has already signed numerous agreements with public sector bodies and achieved good operating and financial results in its first year of business. There is expected to be a gradual increase in business in 2011. The company will consolidate its organisational structure and finalise the project for inclusion in the Single Register of Financial Intermediaries held by Banca d'Italia.



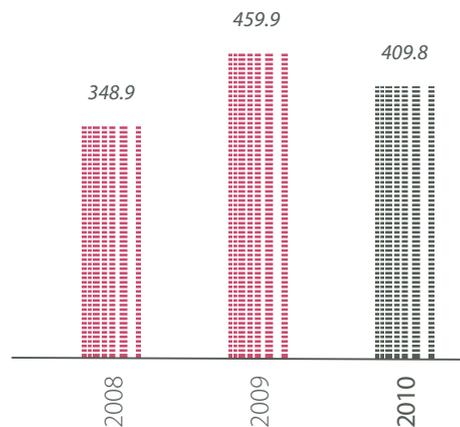
ROBERTO TARICCO - Chief Financial Officer

RESULTS FOR THE YEAR

SACE reported consolidated net income in 2010 of €409.8 million, down 10.9% compared with the previous year's result of €459.9 million. The results for 2010 were characterised by a reduced contribution of financial and investment management and the absence of the extraordinary items that were present in previous years. Pre-tax profit fell 4.2% to €612.5 million.

The SACE BT subsidiary closed the year with a loss of €4.7 million, an appreciable improvement on 2009 when it recorded a loss of €34 million. The SACE Fct subsidiary reported a €144,000 profit in 2010, its first year of business.

Net income (€ millions)



REVENUE

The insurance business generated almost all of the Group's revenues.

Consolidated gross premiums rose by 23.8% in 2010 to €532.8 million. Of the total, direct business premiums accounted for €527.6 million and indirect business premiums (inward reinsurance) €5.2 million.

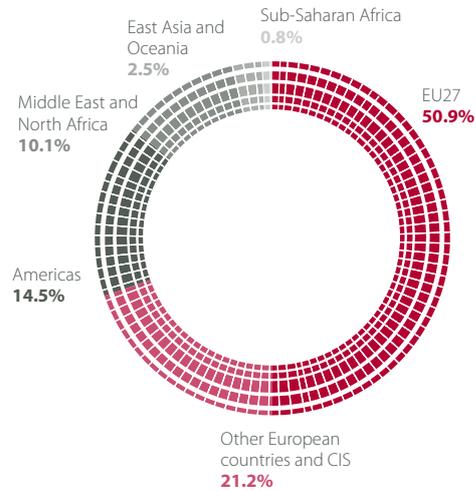
Direct business premiums were mainly generated by export credit (53.3%) and internationalisation products (23.6%) managed by the parent company, followed by credit insurance (9.2%) and surety (5.7%) managed by the SACE BT subsidiary.

In its first nine months of business, SACE Fct posted an intermediation margin of €3.3 million.

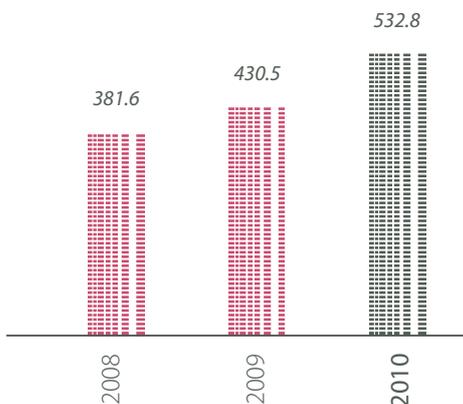
INSURANCE BUSINESS VOLUMES

The parent company issued new guarantees in 2010 for €10.4 billion, 5.7% less than the previous year's extraordinary result. New commitments were mainly directed towards the EU (50.9%), non-EU and CIS countries (21.2%) and the Americas (14.5%). Infrastructure and construction was the

New guarantees approved by the parent company by geo-economic area (2010)

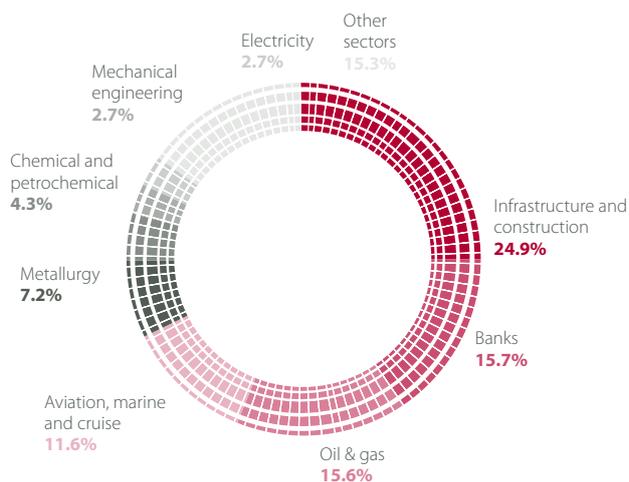


Gross written premiums (€ millions)

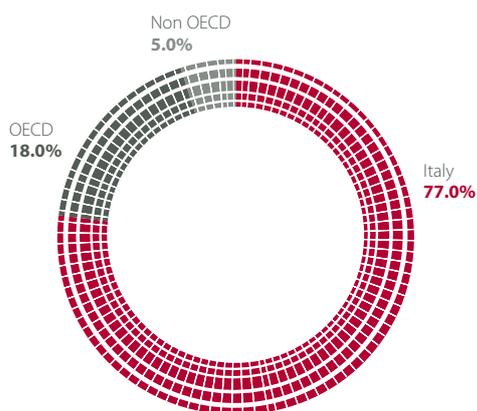


industrial sector that represented the biggest proportion of business, accounting for 24.9% of new guarantees. This was followed by banking (15.7%), oil & gas (15.6%) and aviation, marine and cruise (11.6%). In the credit insurance business SACE BT insured transactions for €20.7 billion, an increase of 1.4% on the previous year. Of the total, 77% of business concerned Italy, 18% OECD countries and 5% other countries. Metallurgy was the industrial sector representing the

New guarantees approved by the parent company by sector (2010)



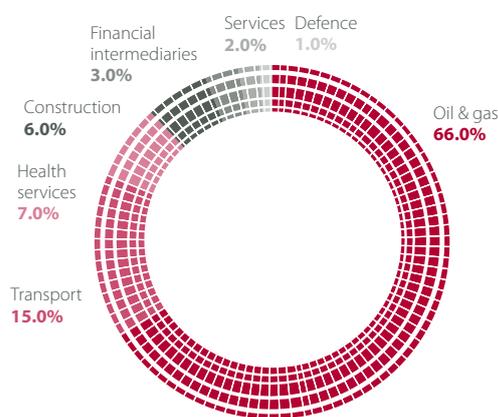
Business insured by SACE BT by geo-economic area – Credit insurance (2010)



biggest proportion of business, accounting for 12.4% of guarantees. This was followed by mechanical engineering (10.1%), food products (9.6%), and textiles and clothing (8.5%). In the surety business SACE BT insured transactions for €2.2 billion, an increase of 6.3%.

In 2010 SACE Fct posted a turnover of €885 million. Of the total, €854 million concerned non-recourse factoring and €31 million recourse factoring. The main sectors were oil & gas (66%), transport (15%), health services (7%), and construction (6%).

Revenue of SACE Fct by industrial sector of the supplier (2010)



CLAIMS

Claims paid during the year amounted to €181.5 million, an increase of 12% compared to the €162 million of 2009.

The parent company alone paid claims for €107.3 million, slightly more than the amount paid in 2009 (€95.6 million). While the effects of the global crisis were still being felt in all sectors, the ceramics, textiles and automotive sectors continued to be hit hardest. Around 65% of the amounts paid concerned claims that occurred in 2009 relating to the banking sector in CIS countries.

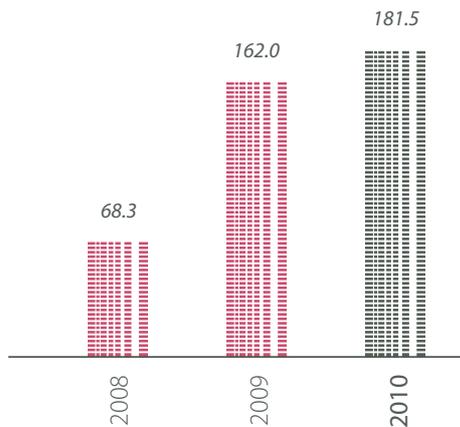
The SACE BT subsidiary paid claims for €74.3 million, an increase of 20.2% compared with 2009. In the credit insurance business there was a decrease in defaults. The sectors with the highest number of claims reported were textiles and clothing (11.6%), mechanical engineering (10.6%), construction materials (9.2%) and the food industry (9.2%). The number of claims in the surety business fell by 22%, while those reported in the other property damage insurance

year SACE signed debt restructuring agreements with Equatorial Guinea and the Seychelles. Angola, Belarus and Lebanon completed repayment of their debts under the terms of the relative agreements.

The parent company's portion of total commercial recoveries was €65.6 million, a significant increase compared with the €12.5 million of 2009.

Post-settlement recoveries by the SACE BT subsidiary generated a positive result, net of reinsurance, amounting to €5.7 million.

Claims paid (€ millions)



business rose by 40%.

RECOVERIES

Commercial and political recoveries generated €204.8 million for the consolidated accounts. The parent company's total cash flow from political recoveries was €100 million, with two countries, Egypt and Angola, accounting for 46% of the total. During the

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.

In 2010 SACE signed a reinsurance agreement with the African Trade Insurance Agency, bringing the total number of reinsurance agreements with other export credit agencies to 22. SACE also signed two cooperation agreements with Indonesia Eximbank and Inter-American Development Bank (IDB).

With the renewal of its reinsurance agreements for 2010, SACE BT offered the market a single set of conditions for the credit and surety businesses, rendering its coverage consistent with the organisational structure. Improved performance of the credit business also enabled SACE to place all agreements on the market.

SHAREHOLDERS' EQUITY AND TECHNICAL RESERVES

At 31 December 2010 shareholders' equity was €6,364 billion, practically unchanged with respect to the previous year. Technical provisions were €2.22 billion (-4%).

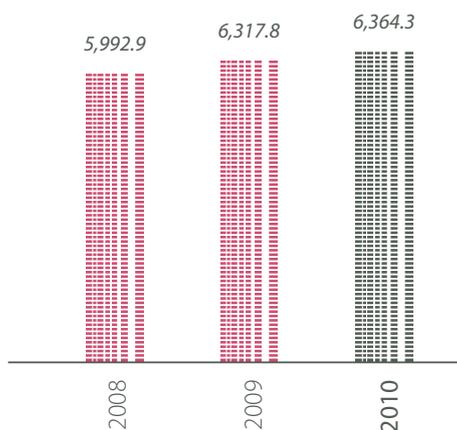
The parent company has been assigned an AA- credit rating with a stable outlook by Fitch.

FINANCIAL INVESTMENTS

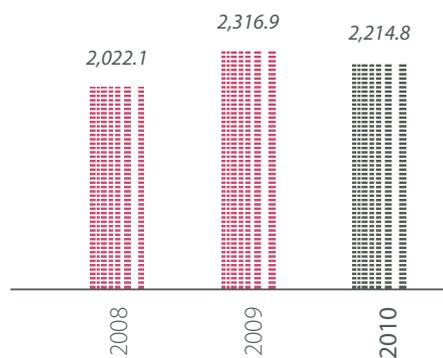
Consolidated financial investments decreased by 9% in 2010 to €7.2 billion. These investments were characterised by a high level of liquidity and a limited risk profile.

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. Some 92.6% of the investment portfolio comprised bonds, 2.3% monetary instruments and 5.1% equities.

Shareholders' equity (€ millions)



Technical provisions (€ millions)



Financial investments (€ millions)

Type of instrument	2010	2009	Change
Bonds	6,649.5	6,615.8	0.5%
Monetary	366.9	497.2	-26.2%
Equities	166.3	779.1	-78.6%
Total	7,182.8	7,892.1	-9.0%

CONSOLIDATED BALANCE SHEET

ASSETS - € thousands	2010	2009
Intangible assets	16,502	16,672
Tangible assets	79,273	80,118
Technical provisions – Reinsurers' portion	99,717	95,371
Investments	7,915,266	7,320,767
Receivables	841,939	809,222
Other asset items	285,519	234,684
Cash and cash equivalents	84,368	685,721
Total assets	9,322,584	9,242,555
LIABILITIES - € thousands	2010	2009
Shareholders' equity	6,364,342	6,317,830
Provisions	76,060	83,340
Technical provisions	2,214,794	2,316,892
Financial liabilities	188,441	113,519
Payables	193,447	151,754
Other liability items	285,500	259,220
Total shareholders' equity and liabilities	9,322,584	9,242,555

CONSOLIDATED INCOME STATEMENT

€ thousands	2010	2009
Gross written premiums	532,843	430,510
Change in the premium provision	93,580	(188,218)
Premiums ceded to reinsurers for the year	(35,466)	(42,999)
Net premiums	590,957	199,293
Gains and losses from financial instruments at fair value	(205,703)	511,081
Gains from other financial instruments and investment property	196,670	200,502
Other revenue	399,378	239,859
Total revenue	981,302	1,150,735
Claims paid	51,189	268,442
Change in the life and non-life technical provision	(13,488)	(34,996)
Net charges relating to claims	37,701	233,446
Expenses relating to equity investments in subsidiaries and associates	359	-
Charges arising from other financial instruments and investment property	1,085	3,556
Administrative expenses	97,140	101,206
Other costs	231,830	173,380
Total costs and charges	368,815	511,588
Profit for the year before tax	612,487	639,141
Tax	202,663	179,209
Profit for the year after tax	409,824	459,938

Solid structures

RISK MANAGEMENT

THE GROUP'S RISK MANAGEMENT GUIDELINES

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

Risk management has become a fully integrated part of the decision-making processes, with a view to improving risk-adjusted performance. These processes have been defined on the basis of the specific nature of the group's various lines of business and in accordance with the relevant supervisory regulations. The latter are based on a three-pillar approach:

- Pillar I: introduces a minimum capital requirement for the risks that financial institutions typically face (credit risk, counterparty risk, market risk and operational risk)
- Pillar II: requires that intermediaries adopt a strategy to review and evaluate their capital adequacy
- Pillar III: introduces disclosure requirements concerning capital adequacy, risk exposure and general characteristics of risk management and control procedures.

Risks are classified according to four types:

- **Technical risk - underwriting risk**, the risk of loss or adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions, and **credit risk**, the risk of default or the downgrading of counterparties' credit ratings. Both risks are managed by adopting prudent pricing and provisioning strategies, which are defined according

to market best practice and through permanent monitoring and active portfolio management

- **Market risk** - the risk of losses due to adverse changes in market prices of financial instruments, currencies and commodities. Market risk is managed using asset-liability management techniques and kept within previously defined limits by adopting guidelines on asset allocation and market VaR models
- **Operational risk** - the risk of losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. SACE and SACE BT conduct periodic self-assessments of potential operational risk factors and use a loss data collection process to measure their operating losses. These records represent the input of the process for measuring and controlling operational risks in accordance with the current supervisory regulations. These processes will also be implemented by SACE Fct with a view to developing a more efficient and complete risk management system
- **Liquidity risk** - the risk of being unable to meet financial obligations due to the inability to liquidate investments and other assets. For SACE and SACE BT 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 Fct is in the process of defining a specific liquidity risk management procedure to meet prudential regulatory requirements.

The following risks are also identified and, where necessary, measured and mitigated by implementing

appropriate control processes:

- **Reputation risk** - the risk of damage to the company's image and of conflict with policyholders due to the inadequacy of products or services or lack of customer satisfaction with the sales network. This risk is notably mitigated by the existing internal control, compliance and risk management functions in addition to specific procedures directed towards regulating all group operations
- **Strategic risk** - the current and prospective impact on earnings or capital arising from ineffective changes in activities or inappropriate business plans, improper implementation of decisions or failure to respond to changes in the competitive environment.

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 as well as the company's financial and organisational stability. It also defines the methods and instruments to be used 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 systems for measurement and monitoring of risk and internal capital, and makes recommendations regarding the relative provisions, using methods such as VaR and

portfolio scoring, in accordance with the applicable supervisory regulations

- Implements the procedures for measurement and integrated control of the risk/return ratio and the creation of value by individual risk taking units and monitors correct allocation of economic capital, in line with the related 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
- Coordinates activities to ensure compliance with capital adequacy regulations.

SACE'S RISK PORTFOLIO

Total exposure of the parent company SACE, calculated as the sum of performing credits and outstanding guarantees (principal and interest), amounted to €32.8 billion at the end of 2010, 15.9% more than at the end of the previous year. The credit portfolio, which increased by 10%, was €571.3 million and accounted for 1.7% of the total.

Exposure in EU countries continued its upward trend (particularly in Italy) and accounted for 32.5% of the total compared with 28.4% in 2009. It also continued to rise in non-EU European and CIS member states (25.5% compared with 22.4%). Exposure in the Middle East and North Africa fell and accounted for 19.1% of the total. Exposure also dropped in East Asia and Oceania (9.5%), but remained stable in America (11.4%) and Sub-Saharan Africa (2%).

The portfolio of outstanding guarantees completed as capital became more consolidated in 2010 with

the share of the biggest country rising from 17.9% to 23.1%, while that of the first five countries climbed from 51% to 53%. The concentration of sovereign risk and ancillary risk guarantees in this portfolio fell, respectively, by 17% and 18%. Private sector risk rose by 22% and political risk by 61%, the latter due to investments abroad.

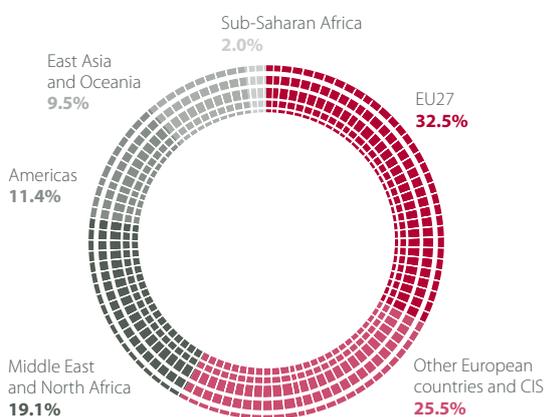
In terms of private sector risk, there was a significant increase in corporate counterparty risk, in both the surety and credit insurance businesses (+43.5% and +31%, respectively) and in the banking sector (+35.2%). In terms of exposure by industrial sector, concentration remained high in five sectors that account for 69% of the portfolio. The sector in which exposure was highest continued to be oil & gas, which accounted for 22% of the portfolio. This was followed by infrastructure and construction (16.7%), metallurgy (14.3%) and banking (8.7%).

In terms of VaR, there was a general reduction in the

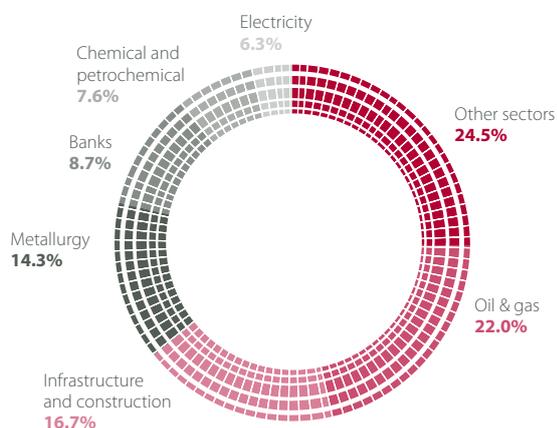
SACE's total exposure (€ millions)

Portfolio	2010	2009	Change
Outstanding guarantees	32,202.6	27,762.1	16.0%
<i>principal</i>	27,249.5	22,992.4	18.5%
<i>interest</i>	4,953.2	4,769.7	3.8%
Performing credits	571.3	519.4	10.0%
Total exposure	32,774.0	28,281.5	15.9%

SACE's total exposure by geo-economic area as at 31-12-2010



SACE's guarantee portfolio by industrial sector as at 31-12-2010



level of risk although there continued to be high concentration in the portfolio. The industrial sector and

geo-economic area with the highest levels of relative risk continued to be metallurgy and the EU 27 area.

SACE's guarantee portfolio by type of risk (€ millions)

Type of risk	2010	2009	Change
Private sector	22,013.5	18,027.8	22.1%
Sovereign	2,348.3	2,842.9	-17.4%
Political	2,335.1	1,450.0	61.0%
Ancillary	552.5	671.7	-17.8%
Total	27,249.5	22,992.4	18.5%

SACE's guarantee portfolio: breakdown of private sector risk by type (€ millions)

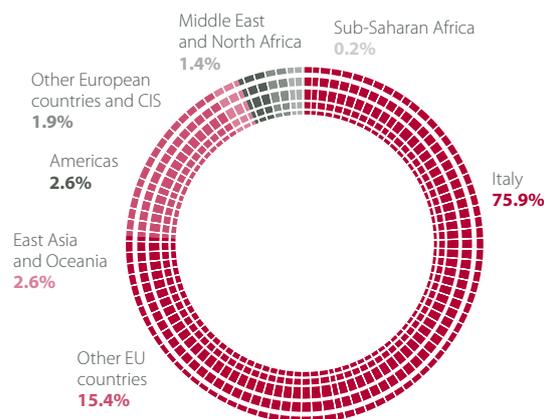
Type of risk	2010	2009	Change
Corporate - credit business	6,856.9	5,228.8	31.1%
Project finance	4,553.5	4,135.2	10.1%
Corporate - surety business	4,347.5	3,029.4	43.5%
Backed corporate	2,390.2	2,219.2	7.7%
Banking	1,919.2	1,419.9	35.2%
Structured finance	1,515.4	1,615.3	-6.2%
Aviation (asset based)	430.9	379.9	13.4%
Total	22,013.5	18,027.8	22.1%

THE RISK PORTFOLIO OF SACE BT

Total exposure of the risk portfolio of SACE BT amounted to €36.9 billion in 2010, an increase of 13.8% over the previous year.

Exposure¹ in the **credit insurance business** amounted to €13.8 billion, up 2.3%. This line of business posted an increase in the number of buyers (+8.3%) and a drop in average exposure per debtor (-5.5%). Exposure was mainly concentrated in EU countries (91.3%), with Italy alone accounting for

Exposure of SACE BT by geo-economic area as at 31-12-2010 (credit insurance)



Total exposure of SACE BT by line of business (€ millions)

Portfolio	2010	2009	Change
Credit insurance	13,847.0	13,532.0	2.3%
Surety business	7,371.5	7,697.8	-4.2%
Other property damage	15,731.9	11,254.0	39.8%
Total	36,950.4	32,483.8	13.8%

¹ - Limits net of compulsory excess

76%. The manufacturing industry accounted for 44.6% of risk exposure, followed by the wholesale and retail trade sector (31%) and the construction industry (6.2%).

Exposure in the **surety business** amounted to €7.4 billion, down 4.2% compared with 2009. The main products were guarantees for contracts (67.3%) and for tax payments and reimbursements (28.2%). In terms of distribution by geographical area, northern Italy accounted for 63.8% of the portfolio, followed by the central regions (23.9%) and the south (11.9%).

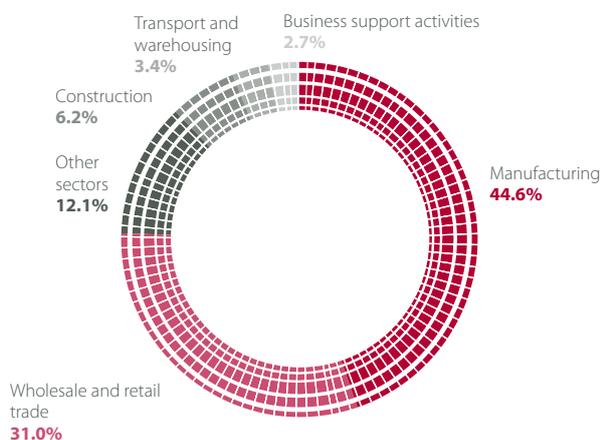
Exposure in the **other property damage** business amounted to €15.7 billion, up 39.8% on the previous year. Decennial liability policies accounted for 58.8% of the risks in the portfolio. The remainder 41.2% derived from CAR and EAR policies.

THE RISK PORTFOLIO OF SACE FCT

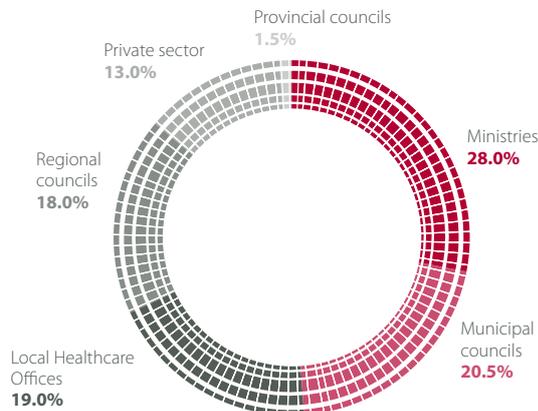
SACE Fct's portfolio of outstanding credits in its factoring business amounted to €804 million, of which €766 million related to non-recourse transactions.

In terms of the distribution of outstanding credits by geographical area of debtors, the highest concentration was in the central and southern regions of Italy and concerned the discounting of receivables due from central government customers such as ministries. Receivables due from private sector customers accounted for 13% of the portfolio and those from the public sector for the remaining 87%. Among these, ministries accounted for 28%, municipal councils for 21%, local healthcare offices for 19% and regional councils for 18%.

Exposure of SACE BT by industrial sector as at 31-12-2010 (credit insurance)



The portfolio of outstanding credits of SACE Fct by type of debtor as at 31-12-2010



A black and white photograph of a rural landscape. In the foreground, the rear wheel of a bicycle is visible on the right side. The background shows a field of tall grass and some simple buildings with corrugated metal roofs. A semi-transparent grey rectangular box is positioned at the bottom of the image, containing the text 'CORPORATE SOCIAL RESPONSIBILITY'.

Forms of development

CORPORATE SOCIAL
RESPONSIBILITY

Tanzania. Children playing in Iringa: timeless games.

Antonio Romeo - Commercial Director, SACE Fct



ment

SUSTAINABILITY TO CREATE SHARED VALUE

For SACE “sustainability” means paying attention to the direct and indirect effects of the company’s activities on the surrounding environment and its stakeholders by pursuing a win-win business model to create value for all. Maintaining a watchful eye on the effects of the company’s actions, fostering relations with stakeholders and incorporating social and environmental concerns into its business philosophy are the cornerstones of SACE’s corporate social responsibility policy. SACE develops and monitors its sustainability performance through a dedicated team of people, adopting the principles of the national and international best practice models and the Sustainability Reporting

Guidelines of the Global Reporting Initiative to organise activities and reporting in accordance with generally recognised standards.

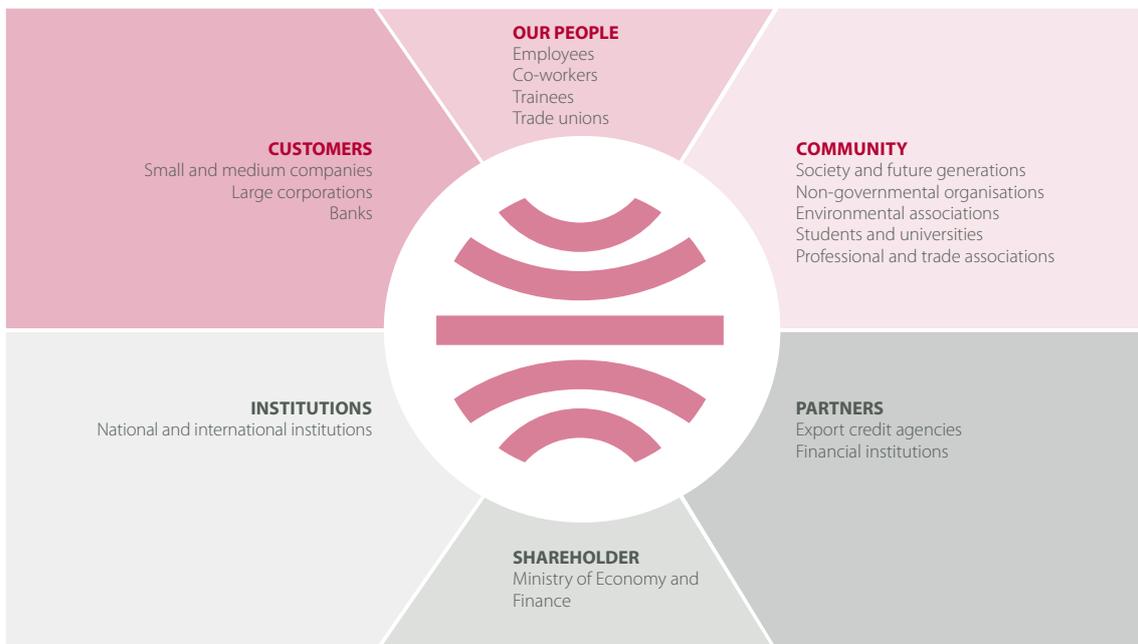
ECONOMIC SUSTAINABILITY

Sustaining Italian exports and the internationalisation of Italian enterprises means contributing to the growth of the Italian economy as a whole, creating jobs and value for shareholders, companies and society in general.

ENVIRONMENTAL SUSTAINABILITY

SACE examines and monitors the impact of its

Our stakeholders



activities, dedicating particular attention to the need to care for and protect the environment. All guaranteed transactions therefore undergo stringent environmental assessment procedures. The group has implemented energy efficiency and energy saving measures at its offices.

SOCIAL SUSTAINABILITY

SACE has drawn up and adopted a code of conduct that places people and the pursuit of moral integrity both within and outside the company at the centre of its mission. SACE also supports a number of social and cultural initiatives.



**Ivan
Giacoppo**

Ivan joined SACE in 2004 and is head of export credit and structured finance for oil & gas, infrastructure and steel. With a degree in economics and an MA in banking and finance, he has a solid background in project and structured finance gained working for Mediocredito Centrale and Banca di Roma.

SACE acknowledges and promotes the OECD Guidelines for Corporate Social Responsibility

SACE is convinced of the importance of a business strategy that includes Corporate Social Responsibility in order to foster the competitiveness and growth of the Italian economy; for this reason it supports the national point of contact (NPC) of the Ministry for Economic Development in promoting the OECD Guidelines among its stakeholders. The OECD guidelines provide voluntary recommendations and standards on matters such as transparency, relations with employees, protection of the environment and consumer interests, competition, combating corruption, technological innovation and corporate tax liabilities.

By working in partnership with the National Contact Point – a body envisaged by the OECD to disseminate the guidelines in each country adhering to the “Declaration on International Investment and Multinational Enterprises” – SACE promotes confidence among economic operators, creates favourable conditions for international investments, and advances the sustainable competitiveness of Italian enterprises.

Kenya. Birds in flight in Malindi.

Carlo Magistrelli - *Senior risk analyst, SACE*

A large flock of birds, likely terns, is captured in flight over a beach and ocean. The birds are densely packed in the sky, with their wings creating a complex pattern of white and grey against the blue sky. The beach is visible in the foreground, and the ocean extends to the horizon. The overall scene is vibrant and dynamic.

**Our world extends
beyond the
office walls**

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

WE COME TO WORK NOT SIMPLY TO UNDERWRITE POLICIES. WE WORK TO ACHIEVE RESULTS, ASSUMING RISKS OTHERS ARE UNWILLING TO TAKE. THIS IS WHAT MAKES US DIFFERENT.

OUR PEOPLE

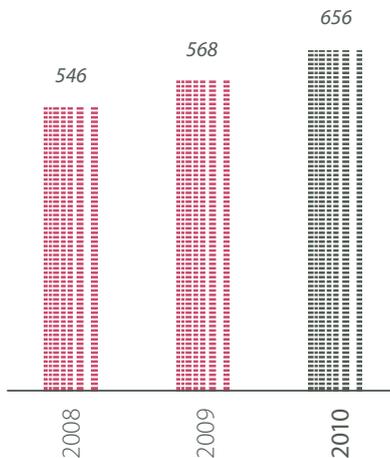
SACE's main asset is its people. The company maximises the value of its workforce through use of a rigorous selection criteria, training schemes, performance management, incentive schemes, compliance with health and safety standards, staff involvement, and by paying attention to people's needs and expectations.

At 31 December 2010 the group had 656 employees, an increase of 9.7% compared with the previous year. 65% of the staff was employed by the parent company SACE and the remainder by its subsidiaries SACE BT, SACE Fct and SACE Servizi. 76% of employees works at the Rome headquarters while the rest is spread across offices in Italy and abroad.

A large proportion of SACE's staff is young (55% are under 40 years old) and has a high level of education (64% have a degree).

In 2010, 87 people were hired and 29 left the group. SACE offered 40 internships and hired 32 people at the end of their traineeship.

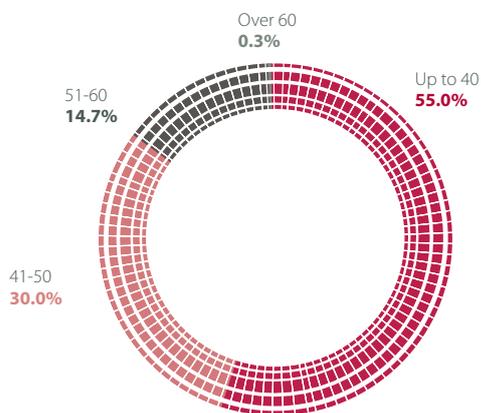
Number of employees



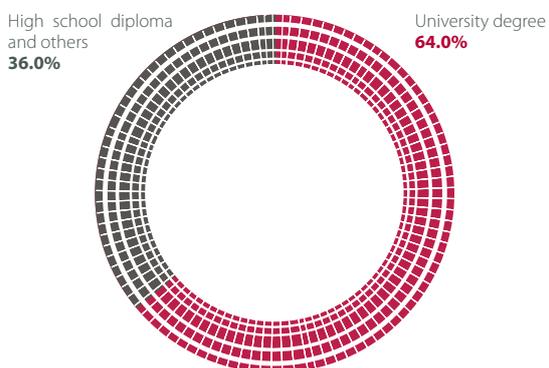
Carolina Lonetti

Carolina joined SACE in 2004 and is senior underwriter in the export credit and structured finance unit of the oil & gas, infrastructure and steel division. She has several years of experience in the structuring of transactions to support the internationalisation of Italian companies and furthered her career by taking a secondment with Citigroup. After obtaining a degree in political science, Carolina studied for a period in the United States and then obtained a PhD in finance.

Distribution of staff by age as at 31-12-2010



Distribution of staff by qualification as at 31-12-2010



Benedetta Premuda

Benedetta joined SACE in 2009 as a trainee after obtaining a first-class honours degree in finance and economics. She is currently junior underwriter at the Venice branch office as a member of the team specialised in banks and large corporations in the Triveneto region of Italy.

EQUALITY IN DIVERSITY

SACE respects and builds on all forms of diversity (ethnic, gender, cultural, generational, physical), recognising these as a stimulus for growth and wealth creation. The company promotes a corporate strategy based on the principle of "equality in diversity" and is committed to preventing and overcoming all forms of discrimination and guaranteeing equal opportunities, bearing in mind specific needs.

Women account for 54% of the workforce and 38% of managers. The presence of 33 non-Italian employees and the international mindset of its people reflect the company's global scope.

Furthermore, SACE is committed to removing all



Giammarco Boccia

Giammarco joined SACE in 2005 and is currently head of the corporate team within the new markets division. He has contributed to the development of the internationalisation guarantee sector and the promotion of agreements with banks to grant loans to SMEs. Before joining SACE he worked for consulting firm Arthur Andersen and Banca Nazionale del Lavoro in the equity capital markets division in London and the M&A division in Italy.

physical and architectural barriers to enable full employment for the differently abled and those in protected groups, who are recruited in accordance with the legislation in force.

SELECTION AND RECRUITMENT

SACE's selection criteria are designed to find people with an excellent professional track record and recent university graduates with a brilliant academic background, expertise in economics and finance and an international approach to work.

The various companies within the group offer opportunities for people who are flexible as well as willing to accept exciting new challenges and travel in Italy and abroad.

Command of foreign languages is an essential requisite. This must be certified by internationally recognised tests (in the case of English by the TOEIC, Test of English

Great Place to Work

Five years after the first survey on internal organizational climate, in 2010 SACE applied to Great Place to Work Institute for a 360° evaluation of its work environment. The survey explored five factors identified as crucial to the quality of the company's climate (credibility, fairness, respect, pride and camaraderie), measuring the degree of professional satisfaction and the quality of the relationships between colleagues and between individual employees and management.

In comparison with 2005, the results show an evident improvement of the business climate on all the dimensions considered. By clearly identifying strengths and areas for improvement, it will allow SACE to optimize its human resources management and organizational strategies, with a precise goal: to become an "excellent place to work".

for International Communication).

SACE cooperates with top Italian and international universities, postgraduate schools and master's programmes. These partnerships give the company an opportunity to meet students at leading universities, exchange knowledge and demonstrate its openness towards deserving young people.

New recruits are integrated into the organisation gradually. They receive on-the-job training and attend special courses to develop their technical and managerial skills. SACE takes part in the most important Italian recruitment fairs, which provide a showcase for the group and its activities and an occasion to meet potential candidates in person.

TRAINING

SACE offers training courses that are designed to develop high-level professional skills and share values, strategies, objectives, business procedures and management culture.

The aim of these training schemes is to foster professional growth by building excellent core skills.

Much attention is paid to developing foreign language skills: SACE offers a variety of course formats, including total immersion language courses abroad.



Fabio Scravaglieri

Fabio has been with SACE BT since 2005 and is currently senior business developer. He previously worked for a number of specialist credit insurance brokers and leading business information firms where he dealt with scoring systems for corporate clients and multinational programmes.

In 2010, 13,700 hours of instruction were provided comprising classroom and online courses. This was 5% more than in 2009 and amounted to an average of 21 hours of training per employee.

SACE Training & Advisory plays a fundamental role in personnel training and organises workshops and courses on technical, financial and legal issues.

PERFORMANCE MANAGEMENT AND DEVELOPMENT

SACE recognises the importance of giving all employees the opportunity to quantify and measure their progress, put themselves to the test, grow professionally, develop their talents and use their abilities in an



Filippo Delia

Filippo joined SACE in 2009 and is junior account manager and underwriter at the Rome area office for the Italian regions of Abruzzo, Campania, Sardinia and Sicily. He has a degree in the economics of financial markets and intermediaries. He specialised in quantitative finance and studied for part of his degree at the HEC Management School at the University of Liège under the Erasmus programme.

Mattia Maione

Mattia joined SACE in 2009 and is junior account manager and underwriter at the Rome area office for the Italian regions of Lazio and Sicily. He holds a first-class honours degree in management engineering from the La Sapienza University in Rome and a master's in finance. He gained experience as an intern at a consulting firm in Budapest.

interesting and stimulating environment.

The group acknowledges the achievements and contributions of individuals to the attainment of corporate goals and rewards these through stimulating career paths, job rotation and temporary assignments abroad at international offices, other export credit agencies, associated companies and international organisations.

HEALTH AND SAFETY

SACE promotes the well-being of its employees. It invests in their health and is careful to enforce all health and safety laws and monitor any potential sources of risk.

During the year SACE embarked on the procedure to achieve BS OHSAS 18.001:2007 certification in order to guarantee even higher standards of employee health and safety. This will involve specific training for staff on health and safety legislation,



Francesca Bontempi

Francesca has been working for SACE BT since 2008. She is responsible for gathering and managing commercial information and for non-core services for the group's various lines of business. After graduating in business and economics from the Roma Tre University she worked as an intern at Euler Hermes SIAC.

Work-life balance

SACE promotes the use of management tools that accommodate the needs of both employees and the company to achieve a flexible work-life balance.

SACE has launched a number of initiatives with this aim:

- The "Happy manager: helping hand" scheme got underway in 2010. Under this scheme SACE offers a number of everyday services (ranging from the handling of administrative formalities and advice on tax matters to laundry and tailoring services) to save employees time and make such tasks easier to manage
- Under the "Working-from-home" scheme staff can work from home a few days each week, using a PC with continuous phone and e-mail communication with the relative department
- The aim of the "Mobility management" scheme is to understand and solve issues concerning ways employees travel to work
- The "Kids in the office" and "Young people in the office" schemes are open days for employees' children. The latter, for those attending university, are an opportunity for students to obtain practical advice and career information.

the setting up of emergency aid and fire-prevention teams and the establishment of suitable facilities at the various offices.

SACE monitors employees' health through regular medical check-ups, insurance coverage (health, accident and life insurance policies) and offers all members of staff the possibility of receiving the annual flu vaccination.

The "SACE... keeping fit" campaign is another important initiative, designed to raise awareness among employees of the importance of a healthy, balanced diet based on local produce.

There is a fitness area for employees at the Rome headquarters, reflecting the concept that a healthy lifestyle is an integral part of the company's philosophy.

Alessandro Trotto

Alessandro joined SACE in 2004 as an underwriter. He is currently head of trade finance and new markets within the portfolio management division. After graduating in business and economics, Alessandro worked for consulting firms and then for a foreign bank where he gained experience in structured finance, syndication and the energy sector.

Eleonora Vitaliani

Eleonora has been with SACE for more than 30 years. She is head of the portfolio management division, which manages and monitors the entire portfolio of approved transactions. Eleonora has a degree in law and an extensive business background with specialist experience in the development of online channels and products for SMEs.

Cristina Morelli

Cristina is currently deputy head of the portfolio management division and has been with SACE since 1998. With a solid background in the structuring, analysis and negotiation of structured and asset-based financial transactions, she took part in the start-up of the Hong Kong office. Cristina has a degree in political science and a master's in international law and economics.

Lisbi Valdez

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



**Alessandro
Trotto**

**Eleonora
Vitaliani**

**Cristina
Morelli**

**Lisbi
Valdez**

California, USA. Picture of a reproduction of a tropical forest at an amusement park.

Emanuele Corradino - Policy assistant, SACE BT

Lifeblood

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL ASSESSMENT

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, specifies the need to comply with local laws and international standards, and lists the obligations necessary to respect 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 2011, bringing its expertise in the field. During the year SACE took part in four meetings organised by the OECD to foster an ongoing dialogue with the other export credit agencies to enable them to share their experiences and discuss new proposals.

After being assessed, the transactions are classified as A, B or C depending on their potential impact on the environment. In 2010 SACE issued eight policies for

transactions in category A, i.e. with a potential serious environmental impact, and nine in category B (potentially medium environmental impact). The remainder were classified as category C transactions with negligible or no environmental impact.

SACE’s environmental procedures and access to the relative information are available on the corporate website, which also has information on environmental impact studies for transactions under assessment as well as information (every four months) on insured transactions.

SACE does not limit its activities to prior assessment. Where deemed necessary, it follows the implementation and execution of complex projects 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. This allows SACE to help find solutions to problems and work towards their implementation.

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.

Number of transactions approved by SACE that have some environmental impact (Cat. A and B)

Category	2010	2009	2008
A	8	2	2
B	9	15	11

ENERGY EFFICIENCY AND RECYCLING

As part of its environment policy, SACE has adopted a range of measures to encourage waste collection and recycling, reduce energy consumption and cut carbon dioxide emissions. Each initiative is accompanied by awareness-raising and information campaigns. SACE collects paper, glass, wood, batteries, plastic, electronic equipment and iron, all of which are sent for recycling.

The company donates the proceeds from recycling materials (such as plastic bottle caps and broken mobile phones) to Medecins Sans Frontieres and the Rome division of the Association of Italian Heart Transplant Patients.

SACE has achieved energy savings and reduced pollution by installing proximity switches, using solar power and adopting other technological solutions. It has cut carbon dioxide emissions by about 25 tonnes by using recycled paper.

MOBILITY MANAGEMENT

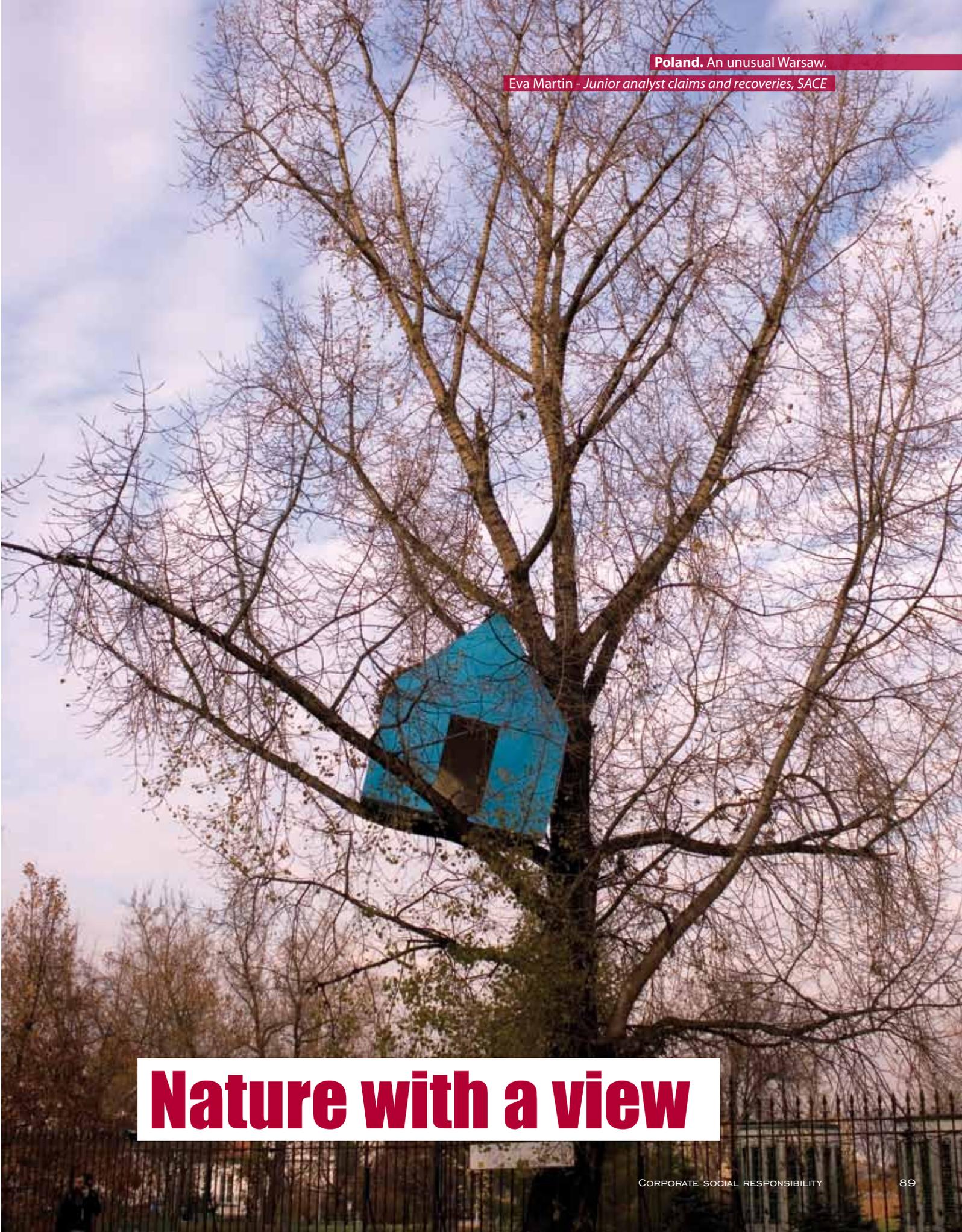
The aim of the mobility management scheme is to limit the company's environmental impact and cut employees' travelling times and the company's mobility costs.

As part of the scheme, SACE pays a contribution towards the cost of season tickets for local public transport. It has also installed a screen in the office that displays information updated in real-time so that staff can track waiting times at nearby bus stops. It has created "Info mobility", an area dedicated to city traffic information, and took part in the first edition of the National Cycling Day, organised by the Ministry of the Environment.



**Mei Zang
Li**

Mei Zang has a degree in international finance and economics from the Università Cattolica del Sacro Cuore and joined the operations division of SACE Fct in Milan in 2010. She previously worked for Ifitalia International Factors Italia.



Nature with a view



Enthralling magic

Voices from the camp

“When you come home after spending some time at Dynamo Camp you find yourself wondering whether you did more “giving” or more “receiving”. “Giving” because you feel tired, both emotionally and physically, “receiving” because the smiling faces you saw and experienced at the Camp are permanently etched in your mind. You ask yourself why the world can’t be like Dynamo: a place with no barriers, where you have the desire to help others and make them feel good. Volunteers at Dynamo Camp become an active part of magical experience that stays with you even when you return to your normal life”. This is how people from SACE describe their experience as volunteers on the recreational and training schemes at Dynamo Camp.

SOCIAL COMMITMENT

SACE AND DYNAMO CAMP

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 psychological repercussions.

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 suffering from cancer or other serious chronic conditions. The children come to the camp both while having treatment and after being discharged from hospital.

Dynamo Camp is one of the first venture philanthropy organisations in Italy. It offers increasingly large numbers of these children the opportunity to enjoy a care-free holiday in a traditional summer camp that organises activities they can all take part in including shows, art labs, music, pony-trekking, pool games and nature excursions. The camps offer a protected environment

where absolute safety is always guaranteed through top-level medical assistance and constant supervision by qualified medical and recreational staff.

Last year SACE's donation funded holidays for 33 children.

OTHER SOCIAL INITIATIVES

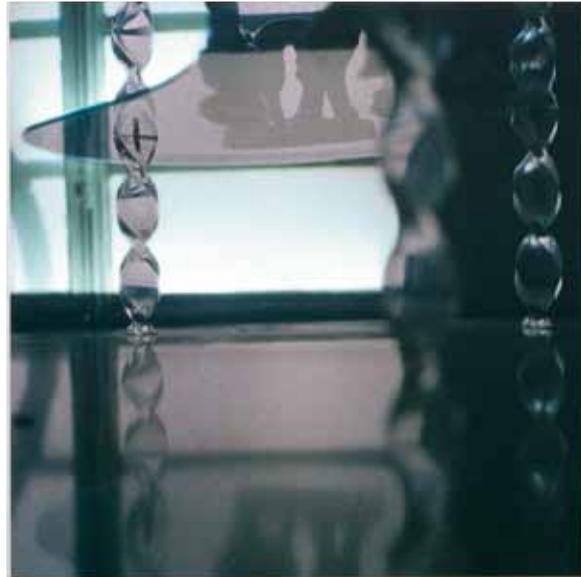
Establishing itself as a company that is open to society means integrating its people into the community to sustain the growth of moral and ethical values.

SACE supported the Race for the Cure, a charity event in which employees and their families took part to raise funds for cancer research.

In 2010 SACE launched the campaign called "Culture: a necessity, not a luxury" and donated company PCs and books collected by employees to a school.

SACE once again organised blood donation days in collaboration with the SACE blood donor group and the Bambino Gesù children's hospital in Rome.





Dancing lights

SACE believes in the value of art as a common human heritage and a universal language for cultural and social exchange between peoples. The SACE and Art project, launched in 2004, supports contemporary art and promotes artists from Italy and emerging countries. Each year SACE sponsors the publication of an original monograph on their works.

In 2010 SACE, in partnership with Mondadori Electra, published the catalogue of Elisa Sighicelli, one of today's most important and interesting artists, best known for her original light box technique.

Her earliest works focused on details of furniture (chairs, beds, armchairs). She then moved on to interior environments and then landscapes (one series is dedicated to Iceland) and urban architecture. Her latest creations capture reflections of artificial light that cut through the darkness of city nights, often against the background of new Asian megalopolises.



Elisa Sighicelli

Elisa Sighicelli was born in 1968 in Turin, Italy, where she lives and works. She obtained a BA in sculpture from Kingston University and an MA in fine arts from the Slade School of Art. Her work has been exhibited at the Gagosian Gallery in London, Los Angeles and New York, The Venice Biennale, the GAM in Turin, the Fondation Salomon in Annecy, the Centro Galego de Arte Contemporánea in Santiago de Compostela, the MCA in Sydney and the Herzliya Museum in Tel Aviv.

SACE and art



Light box

Elisa Sighicelli's light boxes are photographs mounted on Plexiglas structures. Certain areas of the structures are masked while others are back-lit to manipulate light and shadow. The artist describes her work in these terms: "My work is about the scrutiny of ordinary things, which I attempt to make intensely ordinary, intensely present. I would like to confer on them an enigmatic appearance, between familiarity and estrangement, so that disarmingly simple images at times become mirrors capable of making the viewer confront his own memories and most intimate narratives."





Lines of Equilibri

CORPORATE GOVERNANCE

Italy. The art of nature.

Eva Martin - Junior analyst claims and recoveries, SACE



um

CORPORATE GOVERNANCE

COMPANY STRUCTURE

SACE is a joint stock company wholly owned by the Italian Ministry of the Economy and Finance. SACE owns 100% of the share capital of:

- SACE BT, a joint stock company subject to control by the regulatory authority ISVAP that operates in the credit, surety and other damage to property sectors
- SACE 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.

To ensure that the whole group is managed on the basis of a sound and prudent approach, SACE is responsible for direction and coordination while the subsidiaries retain 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 pursuant to Italian legislative decree 231/2001 governing the administrative liability of legal entities, companies and associations including those without legal status. The **code of conduct** sets out the values and principles with which directors, auditors, reporting accountants, managers, staff, co-workers and third parties who have relations with SACE are all expected to comply.

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 SACE
- 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



RODOLFO MANCINI - Head of Legal and General Affairs

enforcement of the appropriate sanctions, including termination of the relative contracts.

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

SACE has an internal auditing division, which 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, operational and administrative data

- efficacy and efficiency of company procedures
- safeguarding of the company's assets
- compliance of transactions with laws, supervisory regulations and internal procedures.

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

The compliance division evaluates the adequacy of the company's organisation and procedures to protect it 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 self-regulatory measures. It evaluates and monitors reputational risk, meaning the risk arising from a negative perception of the company on the part of stakeholders or conflict with clients due to the inadequacy of products or services.

Compliance monitors developments in national



MARCO TRADITI - Head of Organization and IT

and European legislation that affect 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 AND COMMITTEES

SACE operates through a traditional model of administration and control.

The **Board of Directors** (Board) is made up of five members and is vested with the widest powers in the administration of the company, in accordance with the law and company by-laws.

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 SACE, 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 **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 SACE'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 legal representative and is authorised to sign on behalf of the company within the scope of the powers granted.

OFFICE HOLDERS AND SUPERVISORY BODIES

Board of Directors¹

<i>Chairman</i>	Giovanni Castellaneta
<i>Chief Executive Officer²</i>	Alessandro Castellano
<i>Directors</i>	Ludovico Maria Gilberti Carlo Monticelli Gianmaria Sparma

Board of Statutory Auditors²

<i>Chairman</i>	Marcello Cosconati
<i>Standing Auditors</i>	Guido Marchese Leonardo Quagliata
<i>Alternate Auditor</i>	Carlo Pontesilli

Standing delegate of the Court of Auditors³

Antonio Frittella

External Auditors⁴

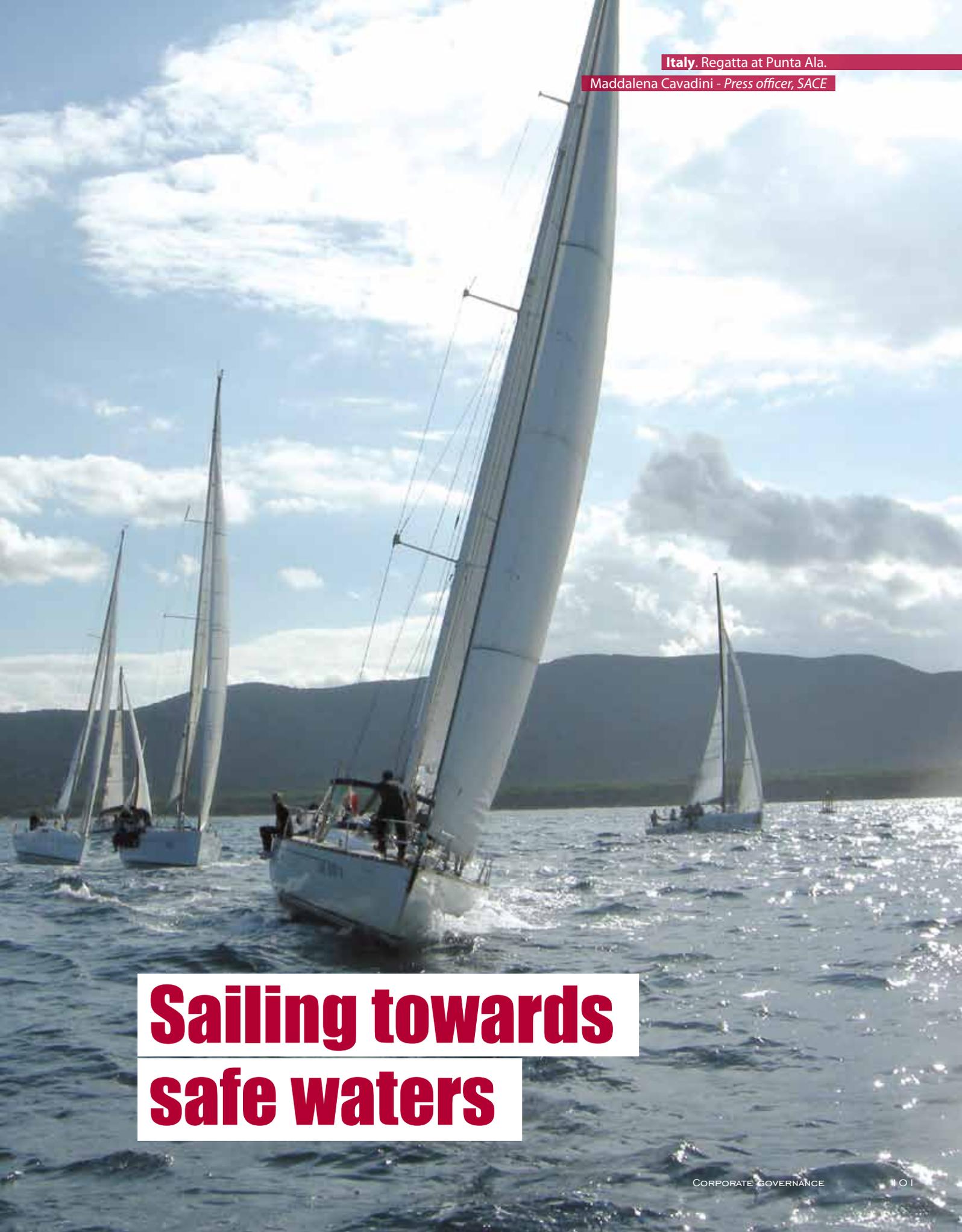
PricewaterhouseCoopers

1 - Appointed by the meeting on 24 June 2010 and in office for three years

2 - Appointed chief executive officer by resolution of the board of directors on 6 July 2010

3 - In office since 1st January 2010

4 - Appointed for the three-year period 2010-2012 by the shareholder's meeting on 15 June 2010

A photograph of a regatta at Punta Ala, Italy. Several sailboats with white sails are racing on a blue sea. The sky is filled with white and grey clouds. In the background, there are dark, silhouetted hills. The water is choppy with whitecaps. The sailboats are white with dark hulls. The overall scene is dynamic and captures the energy of a sailing competition.

Sailing towards safe waters

GLOSSARY

Ancillary risks: risks in addition to the credit risk, such as production risk, the risk of undue calling of bonds and risk of destruction.

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.

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.

Factoring: a contract whereby a supplier (assignor) sells its trade receivables to a financial enterprise (factor) which becomes the owner of the receivables and can provide credit management and lending services to the assignor and assumes the risk of default by the debtor (non-recourse factoring).

Gross written premium: total amount due by a policyholder to the insurer over the course of the period covered.

Guarantor: a third party in the insurance policy that assumes the obligation to pay the policyholder if the debtor defaults.

Insured business (of the parent company): guarantees approved during the year under consideration.

Insured business (of SACE BT): guarantees approved in the credit and surety business 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 risks 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.

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

Outstanding commitment (of the parent company):

total amount of principal insured under outstanding guarantees as at the date specified.

Outstanding commitment (of SACE BT): for the credit insurance business, total amount of credit limits net of deductible amounts; for the surety business, sum of the capital insured; for the other damage to property business, total of capital insured and policy limits.

Outstanding commitment (of SACE Fct): credit factor, meaning the sum of the credits outstanding 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 which the debtor repays on time and in full.

Private or corporate risk: a risk linked to a bank or corporate counterparty.

Provisions for claims outstanding: fund that represents the total – under a prudent valuation carried out on the basis of objective elements – necessary to settle claims incurred in the year or in previous years and have

not yet settled, as well as claim settlement expenses.

Provision for unearned premiums: fund that represents the portion of premiums written that is not to be allocated to the year (part-premium provision), in that it refers to risks that will be insured the following year, plus the additional amount set aside to provide for all further claims and expenses in connection with unexpired risks (provision for unexpired risks).

Recovery: a sum paid out under a claim that has been wholly or partially collected following recovery steps taken with regard to the debtor/guarantor.

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

Technical provisions: sums that 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.

Turnover (of SACE Fct): total amount of receivables sold to the factoring company during the year under consideration.

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

Square Comunicazione

Photographs

SACE Group staff

Jason Armstrong

Studio Franceschin

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

SACE

www.sace.it

info@sace.it

Customer Care

+39 06 6736000

Rome

Piazza Poli, 37/42 • 00187 Rome

Tel +39 06 67361 • Fax +39 06 6736225

CONTACTS

IN ITALY

Bari

c/o Confindustria Bari e BAT

Via Amendola, 172/5 • 70126 Bari

Tel +39 080 5467763 • Fax +39 080 5467764

Lucca

Via Dante Alighieri, 167 • 55100 Lucca

Tel +39 0583 40071 • Fax +39 0583 400790

Milan

Via A. De Togni, 2 • 20123 Milan

Tel +39 02 4344991 • Fax +39 02 434499749

Modena

Via Elsa Morante, 71 • 41123 Modena

Tel +39 059 891240 • Fax +39 059 820832

Monza

c/o Unione Industriale Monza e Brianza

Via Damiano Chiesa, 3 • 20052 Monza

Tel +39 039 3638247 • Fax +39 039 3638208

Rome

Piazza Poli, 37/42 • 00187 Rome

Tel +39 06 6736309 • Fax +39 06 6736770

Turin

c/o ICE - Via Bogino, 13 • 10123 Turin

Tel +39 011 836128 • Fax +39 011 836425

Venice

Viale Ancona, 26 • 30172 Venice

Tel +39 041 2905111 • Fax +39 041 2905103

Verona

c/o Confindustria Verona

Piazza Cittadella, 12 • 37122 Verona

Tel +39 045 8099460 • Fax +39 045 8041656

IN THE WORLD

Brazil, São Paulo

Al. Min. Rocha Azevedo, 456 • cjto 101

Edifício Jau • Cerqueira César

01410-000 São Paulo

Tel +55 11 31712138 • Fax +55 11 32664051

China, Hong Kong

c/o ICE • 40/F, Suite 4001

Central Plaza 18, Harbour Road Wanchai

Hong Kong

Tel +852 36202323 • Fax +852 36210227

Romania, Bucharest

c/o ICE

Str. A.D. Xenopol 15, Sector 1

010472 Bucharest

Tel +40 21 2114240 • Fax +40 21 2100613

Russia, Moscow

c/o ICE

Krasnopresnenskaja Naberejnaja, 12

123610 Moscow

Tel +7 495 2582155 • Fax +7 495 2582156

South Africa, Johannesburg

Two Commerce Square

39, Rivonia Road

Sandhurst

2196 Sandton, Johannesburg

Tel +27 11 2680623 • Fax +27 11 2680617

Turkey, Istanbul

c/o Consulate General of Italy in Istanbul

Tom Tom Kaptan Sokak, 5

34433 Beyoglu • Istanbul

Tel +90 212 2458431 • Fax +90 212 2458432

SACE BT

customerservice@sacebt.it

www.sacebt.it

Rome

Piazza Poli, 42 • 00187 Rome

Tel +39 06 6976971 • Fax +39 06 697697700

Milan

Via A. De Togni, 2 • 20123 Milan

Tel +39 02 480411 • Fax +39 02 48041292

Modena

Via Elsa Morante, 71 • 41123 Modena

Tel +39 059 891240 • Fax +39 059 820832

SACE Fct

info@sacefct.it

www.sacefct.it

Milan

Via A. De Togni, 2 • 20123 Milan

Tel +39 02 4344991 • Fax+39 02 434499739

Rome

Piazza Poli, 37 /42 • 00187 Rome

Tel +39 06 67361 • Fax +39 06 6736761

Spain. Vapour trails in the sky.

Eva Martin - Junior analyst claims and recoveries, SACE



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