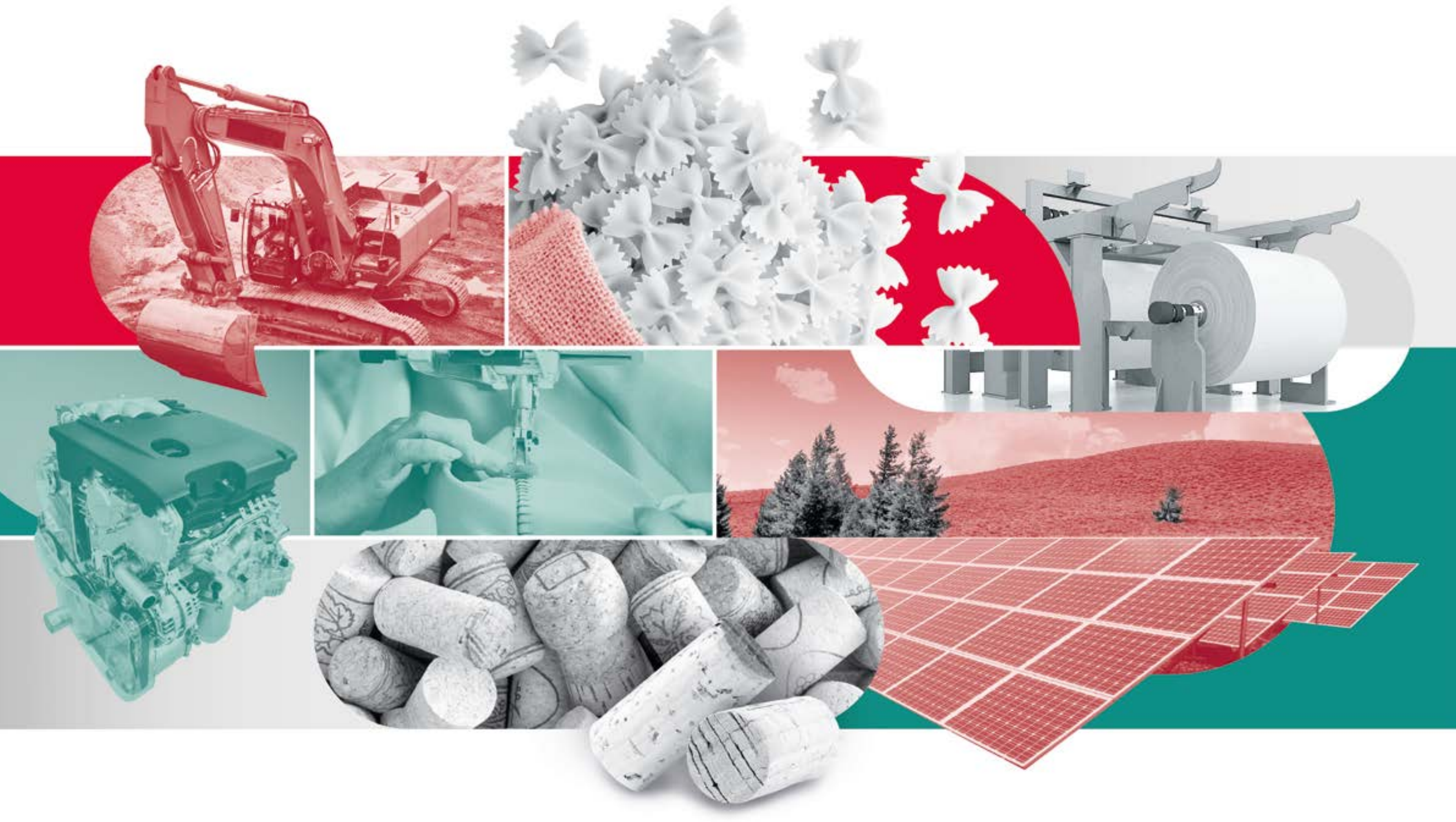
Balance SACE

2018

Financial and Consolidated statements



sace simest
gruppo cdp

Financial Statements

2018

Meeting of the Board of Directors of 19 March 2019

SACE S.p.A.
Registered Office and Head Office in Rome
Share capital (fully paid in) Euro 3,730,323,610
Tax No. and Rome Companies Register No.
05804521002 – R.E.A. 923591
Sole Shareholder Cassa Depositi e Prestiti S.p.A.

Company officers and boards

Board of Directors

Chairman

Beniamino QUINTIERI

Chief Executive Officer and General Manager

Alessandro Maria DECIO (*)

Directors

Maria ALLEGRINI
Antonella BALDINO
Paolo Carlo Renato DAL PINO (**)
Rodolfo ERRORE (****)
Alessandra FERONE (*****)
Giuseppe MARESCA (****)
Federico MEROLA

Board of Statutory Auditors

Chairman

Franco Luciano TUTINO

Standing Auditors

Roberta BATTISTIN
Giuliano SEGRE

Alternate Auditors

Antonia DI BELLA
Francesco DI CARLO

Standing Delegate of the Court of Auditors

Guido CARLINO

Independent Auditors (***)

PricewaterhouseCoopers S.p.A.

Company Boards appointed by the Shareholders' Meeting on 14 June 2016 and in office for three years
(*) Appointed CEO and General Manager by resolution of the Board of Directors on 14 June 2016
(**) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 28 September 2016
(***) Appointed for the period 2015 - 2023 by resolution of the Shareholders' Meeting on 23 April 2015
(****) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 14 September 2017
(*****) Appointed by co-option as a Member of the Board by resolution of the Board of Directors on 30 November 2017 and confirmed by the Shareholders' Meeting on 23 April 2018.

Contents

Directors' report

1. The economic scenario

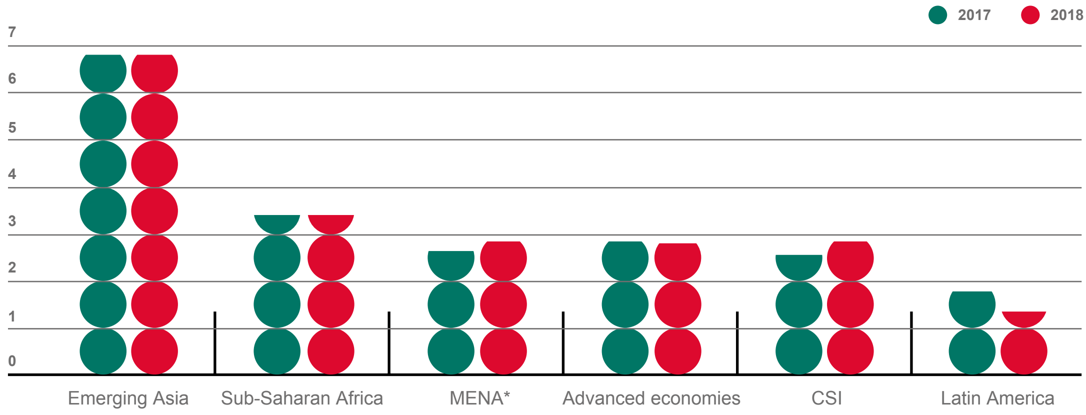
1.1. The world economy

In 2018, the global economy continued to grow, although at a slightly slower pace than in the previous year (+3.7% compared to +3.8% in 2017). The slowdown affected both advanced and emerging economies.

The United States showed an opposite trend compared to the other developed economies, gathering pace thanks to the expansionary tax policy supported by the Trump administration. Conversely, the Eurozone and the United Kingdom saw a general slowdown.

Despite the slight decrease in pace, China continued to grow at relatively high rates (+6.6%). India, increased its pace and, despite the negative effects of the rate hikes by the Fed (capital outflows and depreciation of the rupee), showed greater resilience than other hardly-hit emerging economies, such as Turkey and Argentina. In Ankara, the economy made some progress, especially with respect to the stabilisation of the exchange rate and inflation. However, the road to the economic recovery is still long and complex. The continuation of a conservative monetary policy, which generates new trust in the Central bank, and an adequate tax policy will play a fundamental role in the launch of a progressive recovery. In Argentina, up to now, the government in Buenos Aires fully met the IMF's targets in respect of the loans granted: the situation is now stable and the likelihood of a sovereign default has decreased. However, the unknown surrounding the October 2019 elections may cause new uncertainties. After the end of the recession, Russia's and Brazil's GDP continued to grow for two years in a row, although modestly. The economy in Moscow also benefited from positive temporary factors, such as the recovery of oil prices and the football World Cup. In 2018, the IMF revised downwards the growth estimates of Sub-Saharan African countries in the latest January forecasts, compared to those of October 2017, due to the slowdown seen by some regions. Despite the increase in commodity prices, the economic performance in the Middle East and North Africa remained modest and showed some heterogeneity: after the 2017 recession, Saudi Arabia's GDP picked up again, while, in Iran, the economy was hit by the US sanctions and decreased in 2018.

Change in GDP by geographical region (% change)



Source: IMF (January 2019)
*The figure related to the MENA region also includes Pakistan and Afghanistan.

1.2. The Italian economy and industrial sectors

GDP rose again in 2018, though at a slower pace (+0.8%[1]) and with a negative trend in the last two quarters. Indeed, after more than three years, the growth of the economy stopped in the third quarter as a result of a weak internal demand. Conversely, exports continued to grow thanks to international trade trends which, despite the signs of a slowdown, remain positive.

The industrial production index rose by 0.8%[2] between January and December 2018. Capital goods remain one of the best categories (+2.7%), followed by non-durable consumables (as in 2017). Conversely, intermediate and durable goods did not perform so well. Sector figures are driven by mechanical engineering, high quality manufacturing, pharmaceutical and electrical equipment sectors, while wood, rubber, plastic and petroleum products experienced an opposite trend.

Bank loans to non-financial companies rose by 1.1% in the past twelve months. However, the trend changed depending on the sector. Manufacturing and service companies grew, while the decrease in loans to construction companies continued. Furthermore, loans to smaller companies decreased in all sectors (-3.2%). Finally, the impact of non-performing loans on the total loans granted (9.4% according to the latest figures released by the Bank of Italy for the third quarter[3]) continued to decrease, also thanks to the plans for the sale of non-performing positions.

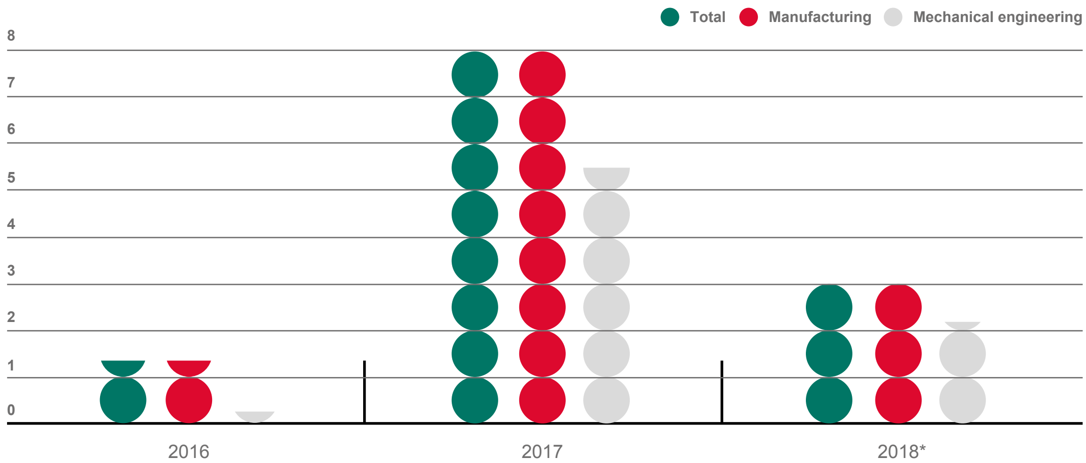
The number of bankruptcies[4] continued to decline in the first three quarters of 2018, down by -5.8% year-on-year (a total of 8,158, well above the 2009 level). Specifically, the reduction was noted in the industrial and trade sectors.

[1] Istat. Figure adjusted to reflect calendar effects.
[2] Figure adjusted to reflect calendar effects.
[3] Loans granted by major bank groups.
[4] Latest available figure. Source: Cribis.

1.3. Italian exports

International trade continued to grow also in 2018 (+4% the increase in volume[5]), although at a slower pace compared to 2017. Trade was affected by protectionist measures (less by the direct effects and more by the uncertainties among operators), and the slowdown of the global economy seen in the last few months of the year. Made in Italy exports performed similarly, still growing though less vigorously than the previous year (+3.5% in terms of value in the first eleven months of 2018, compared to +7.6% in 2017 - 12 months). In the same period, the trade surplus was approximately Euro 36 billion, down by approximately 15% on the same period of 2017. Exports to EU countries drove sales, while the performance in non-EU markets was more moderate. Among the latter countries, India, Switzerland and the United States stood out, with sales of Italian goods recording considerable increases. An analysis by sector shows that exports were driven by the pharmaceutical, electronic devices, means of transport (excluding vehicles) and refined petroleum products (affected by the oil price trend) sectors. Conversely, foreign sales of mechanical engineering (the main sector for the demand for insurance against the risk of non-payment in the medium/long term) rose by approximately 2%.

Italy's total exports, manufacturing and mechanical engineering (% change)



Source: Istat

* Growth rates are based on average year-on-year growth for the period from January to November (latest available figure November 2018).

[5] IMF, World Economic Outlook Update, January 2019. Figure relate to the trade in goods and services.

2. Main events of 2018 – The strategy

Given the uncertainties surrounding the evolution of the commercial policies following the new protectionist pressures and the geo-political risks, SACE promoted the internationalisation of businesses in many sectors, also thanks to the assurances about the risks concentrated with the Ministry of the Economy and Finances. New transactions rose by 16% on the previous year, exceeding Euro 20 billion. Working even more closely with companies, SACE has developed a new customer service model with a greater focus on commercial aspects of the sales network. The creation of a single Customer Care unit for the Export Hub has enabled simplified access and points of contact. During the year, a new office opened in Shanghai and SACE obtained authorisation to open a representative office in North Africa , to support the numerous Italian companies that do business in the region. The export-push strategy, designed to benefit suppliers and help Italian companies join the global value chain, which was launched in the second half of 2017, is now fully operational and an integral part of the Export Hub's product offering, with particularly positive feedback from exporters for match-making meetings. Furthermore, the product review process led to the launch of two new fully-digital products: "Export Up" and "Valutazione azienda" (company assessment). Finally, in accordance with the Business Plan, in order to promote the export culture among SMEs, the offer strategy was further expanded, with the inclusion of the "Education to Export platform, whose aim is to channel growth and development opportunities offering specialist content available both on- and offline.

In line with the Business Plan, which as per the guidelines of the shareholder Cassa Depositi e Prestiti S.p.A., provided for the construction of an "Export development and internationalisation hub", the commercial and support action for companies resulted in an increase in the resources used by the hub by over 10% compared to 2017, exceeding Euro 28 billion, thanks to the integration with the product offer of SIMEST S.p.A., SACE Fct S.p.A., SACE BT S.p.A. and SACE SRV S.r.l..

3. Report on operations

3.1. Share structure and share capital

The shares in Sace S.p.A. are fully held by Cassa Depositi e Prestiti S.p.A. At year end, the share capital amounts to Euro 3,730,323,610 and consists of 1,053,428 shares with a par value of Euro 3,541.1. SACE S.p.A. has no treasury shares or shares in the parent company, Cassa Depositi e Prestiti S.p.A..

3.2. Financial performance of the year

The main operating and financial data that contributed to determining the result for the year (highlights) and the main profit and loss items are set forth below.

HIGHLIGHTS

(in € millions)	2018	2017	change
Gross premiums	727.8	804.4	-10%
Claims	224.1	353.0	-37%
Technical provisions	3,950.1	3,461.9	14%
Investments (including other assets)	8,694.7	7,651.0	14%
Equity	4,714.5	4,671.7	1%
Gross profit	231.7	360.1	-36%
Net profit	186.1	274.9	-32%
Commitments approved	20,160.2	17,383.4	16%

PROFIT & LOSS ACCOUNT

(in € millions)	2018	2017
Gross premiums	727.8	804.4
Outward reinsurance premiums	(246.4)	(147.2)
Change in the provision for unearned premiums	(124.1)	(111.5)
Net premium income	357.2	545.8
Claims incurred	(224.1)	(353.0)
Change in recoveries	143.5	228.3
Change in the provision for claims outstanding	(65.8)	211.1
Claims incurred, net of recoveries	(146.4)	86.3
Change in other technical provisions, net of reinsurance	(5.2)	(5.2)
Change in the equalisation reserve	(57.8)	(42.7)
Investment return transferred from the non-technical account	38.9	0.0
Premium refunds and profit sharing	(14.9)	(18.3)
Operating expenses	(87.3)	(79.0)
Other technical income and charges	38.9	16.7
Balance on the technical account	**123.4**	**503.7**
Financial and other income	477.1	718.1
Investment management and financial charges	(330.2)	(863.1)
Investment return transferred to the technical account	(38.9)	0.0
Balance on the non-technical account	**108.0**	**(145.0)**
Income from ordinary operations	**231.4**	**358.7**
Extraordinary income	1.3	2.5
Extraordinary charges	(0.9)	(1.1)
Profit before taxes	**231.7**	**360.1**
Taxes	(45.7)	(85.2)
Net profit	**186.1**	**274.9**

In 2018, SACE S.p.A. posted a net profit of Euro 186.1 million, an decrease on the Euro 274.9 million reported in 2017.
The main components of the result are shown below:

- gross premiums, for a total of Euro 727.8 million, which decreased slightly on the previous year (-10%);
- the change in the provision for unearned premiums, which is negative and amounts to Euro 124.1 million;
- claims incurred amounting to Euro 224.1 million, down by 37% on 2017;
- the change in the provision for claims outstanding, which is negative and amounts to Euro 65.8 million;
- the change in recoveries related to the management of subrogation credit for Euro 143.5 million, which includes gains for recoveries of prior year claims (Euro 65.1 million), subrogation credits for claims for the year (Euro 94.8 million), impairment losses and gains on loans due to alignment with the estimated realisable value (Euro 7.7 million and Euro 3.4 million, respectively), losses on loans (Euro 11.1 million) and reinsurers' share of amounts recovered (Euro 1.1 million);
- operating expenses for the year, net of reinsurers' share of commissions for Euro 44.7 million, which amount to Euro 87.3 million, up on the previous year (+Euro 8.3 million). The increase relates to personnel expenses (Euro 3.7 million) and to the costs incurred during the year in connection with the project for the digitalisation of some products (Euro 2.1 million);
- the balance on the non-technical account is positive and is equal to Euro 108 million. It includes the positive effect of financial operations for Euro 81.5 million, which is analysed in the table below. The negative effect of exchange gains and losses (negative for Euro 12.9 million) reflects the exchange rate effect on technical provisions (negative for Euro 33.8 million, recognised in the technical account).

(in € millions)

Measurement of ETFs	17.0
Effect the non-current investment portfolio	61.3
Effect of the current investment portfolio	13.4
Effect of exchange gains and losses	(12.9)
Effect of equity investments	2.7
Total effect of financial operations	**81.5**

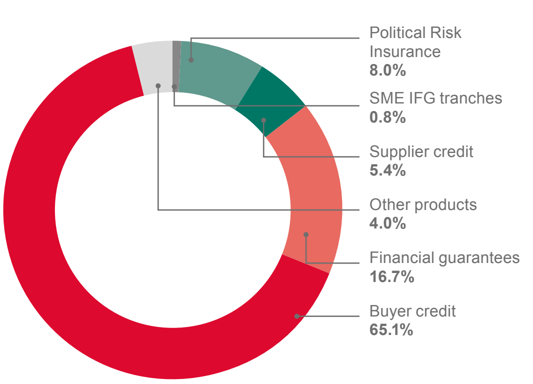
3.3. Volumes

Lending volumes (in terms of principal and interest) amount to Euro 19,423 million in 2018. Transactions mainly relate to buyer credit policies (65.1%), financial guarantees (16.7%) and supplier credit policies (5.4%).

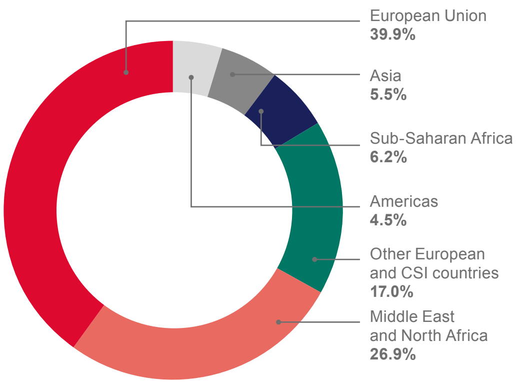
In terms of geographical areas, they were mainly directed towards the European Union (39.9%), the Middle East and North Africa (26.9%) and the other European and CIS countries (17%).

The industrial sectors that account for the highest volumes are the cruise industry (28.2%), the defence sector (19.3%) and the infrastructure and construction sector (16.0%).

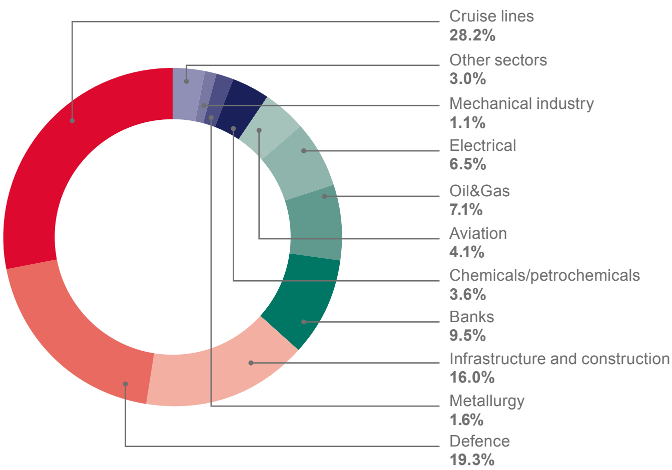
Volumes in 2018 by product



Volumes in 2018 by geo-economic region



Volumes in 2018 by industrial sector



3.4. Commitments approved

Commitments approved in 2018 (in terms of principal and interest, including changes recognised during the year) total Euro 20,160.2 million, of which Euro 17,926.0 million under the annual upper limit and Euro 2,234.3 million under the revolving limit. Commitments approved increased by 16% on 2017.

The main transactions equal to or worth more than Euro 100 million approved in 2018 are shown below.

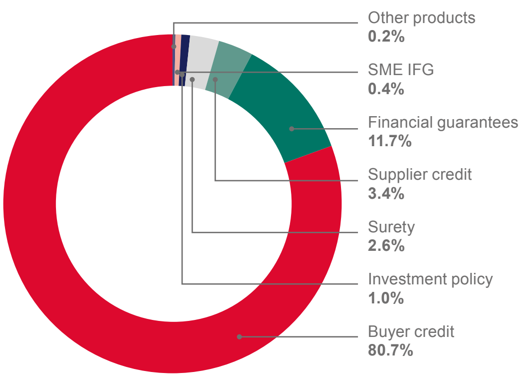
Country	Geographical region	Risk profile	Commitments approved (€ m)
Qatar	Middle East	SOVEREIN	2,560.76
Egypt	North Africa	SOVEREIN	1,408.03
Germany	European Union	BACKED CORPORATE	1,039.83
Germany	European Union	BACKED CORPORATE	1,039.81
Switzerland	Other European and CIS countries	BACKED CORPORATE	847.30
Switzerland	Other European and CIS countries	BACKED CORPORATE	844.39
Bahrain	Middle East	PROJECT FINANCE	771.76
Germany	European Union	STRUCTURED FINANCE	724.21
United States	America	BACKED CORPORATE	616.53
United Kingdom	European Union	CORPORATE	593.53
United States	America	PROJECT FINANCE	553.85
United States	America	BACKED CORPORATE	504.46
Serbia	Other European and CIS countries	POLITICAL	500.00
Spain	European Union	STRUCTURED FINANCE	397.74
Egypt	North Africa	POLITICAL	355.00
Egypt	North Africa	POLITICAL	350.00
Italy	European Union	STRUCTURED FINANCE	316.78
Qatar	Middle East	SOVEREIN	315.69
Brazil	America	CORPORATE	246.92
Mexico	America	CORPORATE	202.34
Italy	European Union	CORPORATE	200.00
United Kingdom	European Union	PROJECT FINANCE	180.43
Azerbaijan	Other European and CIS countries	PROJECT FINANCE	180.43
Italy	European Union	PROJECT FINANCE	180.43
Belgium	European Union	PROJECT FINANCE	171.41
Dubai (UAE)	Middle East	SOVEREIN	152.51
Spain	European Union	PROJECT FINANCE	144.34
Qatar	Middle East	SOVEREIN	137.21
Bosnia and Herzegovina	Other European and CIS countries	POLITICAL	130.00
Saudi Arabia	Middle East	PUBLIC NON SOVEREIGN	128.43
South Korea	Asia	BACKED CORPORATE	127.32
India	Asia	CORPORATE	126.12
Turkey	Other European and CIS countries	BACKED CORPORATE	125.73

Country	Geographical region	Risk profile	Commitments approved (€ m)
South Korea	Asia	BACKED CORPORATE	124.47
Qatar	Middle East	SOVEREIN	124.34
Sharjah (UAE)	Middle East	SOVEREIN	122.49
Sharjah (UAE)	Middle East	CORPORATE	121.99
India	Asia	CORPORATE	113.90
Brazil	America	CORPORATE	112.59
Bangladesh	Asia	BACKED CORPORATE	107.70
Bangladesh	Asia	BACKED CORPORATE	106.13
Albania	Other European and CIS countries	POLITICAL	104.00
TOTAL			**17,210.87**

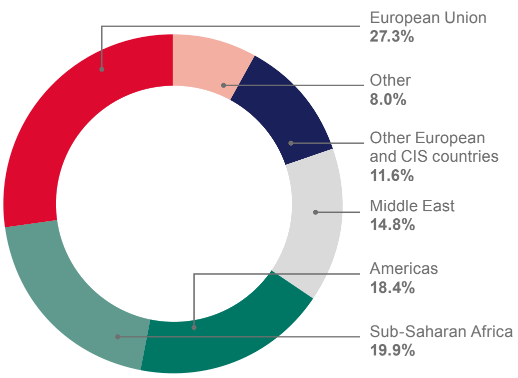
3.5. Premiums

In 2018, gross premiums amount to Euro 727.75 million and relate to direct business (Euro 699.60 million) and indirect business (reinsurance provided) (Euro 28.15 million). There was an 11% reduction compared to 2017. The products that contributed most to premiums were the buyer credit policy (80.7%), financial guarantees (11.7%) and the supplier credit (3.4%).

Gross premiums by product



Gross premiums by geographical region

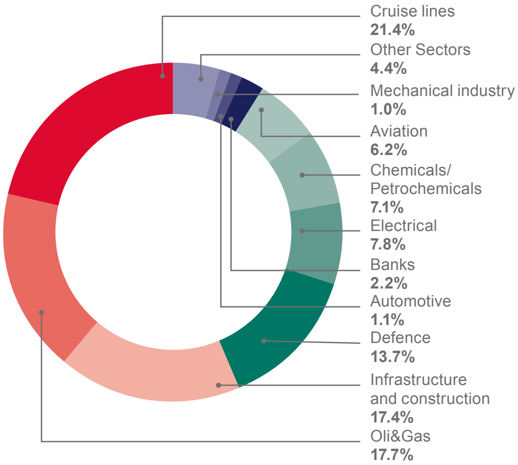


The geographical regions with the highest concentrations of premiums are: European Union (27.3%), Sub-Saharan Africa (19.9%) and the Americas (18.4%).

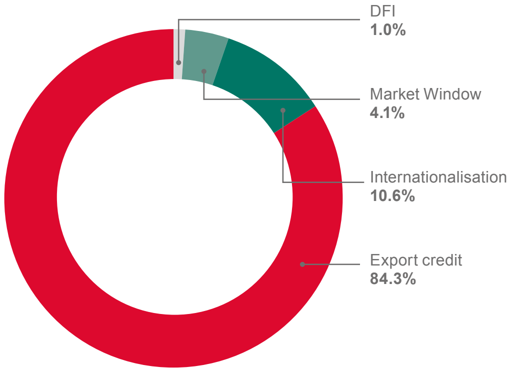
The industrial sectors that account for most of the new business premiums were the cruise industry (21.4%), the oil and gas sector (17.7%), and the infrastructure and construction sector (17.4%).

In terms of the composition of gross premiums by business operations, in 2018 export credit continued to account for the highest proportion (84.3%%) of business.

Gross premiums by industrial sector



Gross premiums by business operations



3.6. Claims

Claims paid during 2018 amount to Euro 238.5 million, down by 35% on the previous year, (net of the reinsurers' share, they amount to Euro 224.1 million). Approximately 57% of claims related to the Italy risk, which was almost entirely attributable to the construction sector. The residual 43% was absorbed by export credit operations in different regions (the most recurring countries being Brazil, Ukraine, Cuba and Russia, without specific concentrations).

3.7. Recoveries

In 2018, SACE collected Euro 143.3 million in political recoveries, slightly below those of the previous year (Euro 153.3 million).
These recoveries mainly relate to payments under bilateral agreements with Iraq (Euro 42.4 million), Argentina (Euro 41.5 million), Ecuador (Euro 28.9 million), Cuba (Euro 17.0 million) and Aruba (Euro 4.0 million).

During the year, commercial recoveries of Euro 64.5 million in 2018, fell significantly
(-71%) on 2017(when recoveries recorded exceptional levels following the sale of subrogation credits and/or restructuring agreements on claims of a significant amount).
Specifically: (i) recoveries from restructuring agreements with Iranian (Euro 24.7 million), Egyptian (Euro 13.3 million) and Russian (Euro 7.1 million) counterparties; (ii) recoveries from the transfer of receivables related to Indian counterparties (Euro 4.3 million) and (iii) isolated recoveries from Cuban banks (Euro 4.3 million).

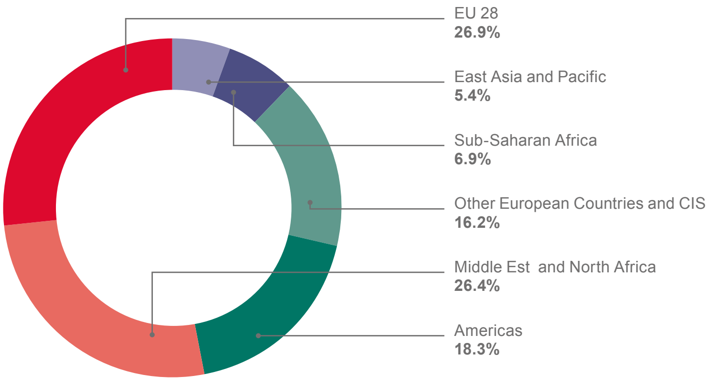
3.8. Risk portfolio

Total exposure, calculated as the sum of receivables and outstanding guarantees (principal and interest) amount to Euro 61.0 billion. During 2018, the commitments vis-à-vis the company's core business rose following the completion of major transactions. Gross commitments rose by 22.4% on the end of 2017. Accordingly, reinsurance also rose (+40.9% compared to 32.2% on 2017). The loans and receivables portfolio decreased by 3.8% on 2017, mainly as a consequence of sovereign credits which fell by 20.7% and account for 56.8% of the total portfolio. The commercial component, which accounts for 38.4% of the portfolio, increased by 42.2%, from Euro 143.4 million to Euro 203.9 million.

Portfolio	2018	2017	Change
Outstanding guarantees	60,479.9	49,929.4	21.1%
principal	*53,479.9*	*43,789.9*	*22.4%*
interest	*6,900.9*	*6,139.5*	*12.4%*
Receivables	531.5	552.3	-3.8%
Total exposure	**61,011.3**	**50,481.7**	**20.9%**

The analysis by geo-economic region shows that the highest exposure was once again towards EU countries (26.9% compared to 25.6% in 2017). The highest exposure by country is that of Qatar (15.9%), followed by the Middle East and North Africa, in terms of region, which account for 26.4% of the portfolio (up on 24.1% in 2017). The Americas account for 18.3% of the portfolio, down by 4.2% on 23.1% in 2017. The other geo-economic regions together account for 28.4% of the portfolio: the other European countries and the CIS (Commonwealth of Independent States) rose by 26.6% (with a portfolio impact slightly up from 15.4% in 2017 to 16.2% in 2018), Sub-Saharan Africa grew by 27.3% (with a portfolio impact up from 6.5% in 2017 to 6.9% in 2018) and, finally, East Asia and Oceania increased by 21.7% on the previous year (with a portfolio impact slightly up from 5.3% in 2017 to 5.4% in 2018).

Total exposure by geo-economic region (%)



The analysis by type of risk shows a sharp rise in political risk (> 100%) and an decrease in sovereign risk (+42.7%). Exposure to private risk – considering both credit risk and surety bonds - continued to be the highest, with an incidence of 70.3% on the total portfolio.

Type of risk	2018	2017	Change
Sovereign	13,254.4	9,287.7	+42.7%
Political	1,669.7	194.1	>100%
Private sector risk	37,641.3	33,389.6	+12.7%
Ancillary	1,013.6	918.5	+10.4%
Total	**53,579.0**	**43,789.9**	**+22.4%**

Within private risk, backed corporate risk rose by 63.8%, structured finance risk increased by 27.4%, the corporate risk – credit business is up by 7.3% and the project finance risk is down by 5%. All other risks are down: banking (-20.1%), corporate - surety business (-19.3%) and the aviation component of asset-based risks (-14.7%).

Type of risk	2018	2017	Change
Corporate – credit business	14,026.2	13,070.2	+7.3%
Banking	1,380.3	1,726.5	-20.1%
Aviation (Asset Based)	465.6	545.8	-14.7%
Backed corporate	8,326.0	5,082.7	+63.8%
Project Finance	8,593.6	8,187.4	+5.0%
Structured Finance	2,713.4	2,130.5	+27.4%
Corporate– surety business	2,136.1	2,646.4	-19.3%
Total	**37,641.3**	**33,389.6**	**+12.7%**

The level of concentration by sector continues to be high, with the largest five sectors accounting for 82.0% of the total private portfolio. The main sector continues to be the cruise industry, which accounts for 41.4% of the portfolio, with a 39.5% increase in exposure compared to 2017; the oil & gas sector remains in second place, accounting for 18.0% (down on 19.6% in 2017).

3.9. Technical provisions

Technical provisions are calculated in order to cover the best estimate for the Provision for unearned premiums using the CreditMetrics method (calculating the expected loss of the entire portfolio until its run off). The provision for claims outstanding is determined according to a prudent estimation on the basis of an objective analysis of each claim. A risk margin is also determined to cover non-hedgeable components of the portfolios.
The total value is calculated as the sum of:

- The provision for premium instalments, amounting to Euro 2,426.3 million, calculated as the portion of outstanding risk on the basis of the gross premiums written. The provision is calculated on a *pro rata temporis* basis.
- The provision for unexpired risks, equal to Euro 490.0 million;
- The provision for claims outstanding, amounting to Euro 372.6 million;
- The equalisation provision for credit insurance business, amounting to Euro 661.2 million.

3.10. Investments

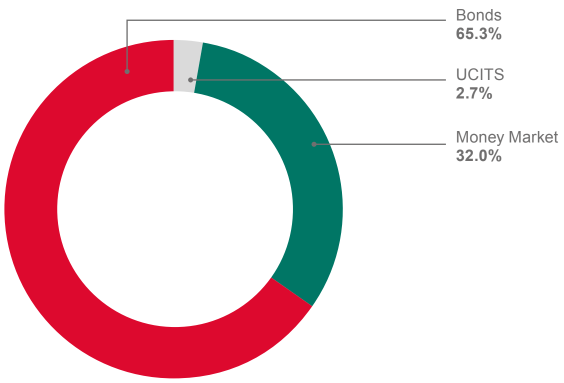
SACE's financial management activities are carried out according to guidelines provided by the Board of Directors and have two macro objectives:

- to preserve the value of company assets: in line with new legislation and changes in the financial context of reference, SACE S.p.A. pursues an integrated asset-liability management strategy that includes hedging transactions to partially offset negative variations in the loan and guarantee portfolio in case of a risk factors worsening;
- to help the company pursue its economic goals through targeted and effective investments.

This strategy, involving the use of highly liquid instruments with a limited risk profile, confirmed values in line with the established limits for each type of investment, mainly based on VaR and sensitivities techniques, and with the investment guidelines.

Total assets at the end of 2018 amount to Euro 7,088.0 million. The breakdown of these is as follows: 65.3% invested in bonds, other debt securities and shares, 2.7% in UCITS and 32.0% in money market instruments.

Breakdown of the portfolio by asset class



The non-current portfolio, equal to Euro 2,387.5 million, represents 33.7% of total assets and consists entirely of bonds, 94.7% of which are bonds issued by government and supranational institutions. They have a duration of 3.07 years. The average portfolio rating is BBB+, unchanged with respect to the end of the previous year.

47.6% of the investment portfolio, of Euro 4,700.5 million, consists of bonds and other debt securities and shares, 4.1% of UCITS made up of bonds and shares and 48.3% of money market instruments.

3.11. Relations with other Export Credit Agencies (ECAs) and international organisations

To date SACE has signed 26 reinsurance agreements with other Export Credit Agencies. In 2018, SACE signed a memorandum of understanding on cooperation with the Etihad Export Credit Insurance Company (EAU), The Lebanese Credit Insurer (Lebanon), the Council of Saudi Chambers of Commerce and Industry (Saudi Arabia) and Bank of China (Milan branch) and provided training services to the following institutions: Qatar Development Bank, Ukreximbank (Ukraine), Indonesia Eximbank, Croatian Bank for Reconstruction and Development – HBOR (Croatia), Latvian Development Financial Institution ALTUM (Latvia) and the Ministry of Defence of Qatar. During the year, it was also awarded the advisory contract to set up an ECA in Saudi Arabia. The investment will cover the structuring of the main export products, the internationalisation and the definition of risk management and reinsurance methodologies.

3.12. Risk management

Risk management is based on constant improvement of processes and technology and investments in human resources, and is integrated in decision-making processes (risk-adjusted performance). The steps of identifying, measuring and controlling risks are essential factors in joint evaluation of company assets and liabilities using the most effective asset liability management techniques.

The company implements its risk management in accordance with the fundamental principles of supervisory regulations[6].
There are two main types of risks:

- **Technical risk**: meaning **underwriting risk**.
  For the SACE guarantees portfolio, it is the risk of financial losses arising from unfavourable trends in actual compared to expected claims (premium risk) or differences between the cost of claims and reserved cost (reserve risk). Both risks are managed by adopting prudent pricing and provisioning strategies, which are defined according to market best practice, and through prudent underwriting policies, permanent monitoring and active portfolio management.

[6] IVASS Regulation no. 38 of 3 July 2018, European Solvency II Directive no. 2009/138.

- **Market risk**: this risk arises from the trading of financial instruments and includes the interest rate, the currency, the credit and the equity risks. SACE monitors and manages the market risk using asset-liability management techniques and keeps it within previously established limits by adopting guidelines. *asset allocation* e modelli quantitativi di misurazione del rischio (*Market VaR*).

The following risks are also identified and, where necessary, measured and mitigated by adopting appropriate management procedures:

- **Liquidity risk**: the risk of incurring losses resulting from the company’s reduced ability to meet financial obligations generated by its core business and financial liabilities. Insurance portfolios do not carry a significant liquidity risk since, in addition to the technical forms of underwriting which enable the settlement of the claim to be spread out over time, the investment policy is closely linked to the specific need for liquidity. Therefore, all the securities in the portfolios used to cover technical reserves are traded in regulated markets, many of which can be refinanced with central banks, and the short average life of the investments guarantees their rapid turnover.
- **Operational risk**: the risk of incurring losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. This definition includes, inter alia, losses resulting from fraud, human errors, business disruption, system unavailability, breach of contract and natural disasters.
- **Reputational risk**: the current and prospective risk to earnings and capital, of incurring sanctions or to the institutional role of SACE, arising from adverse perception of the company's image on the part of the customers, counterparties, shareholders, investors, regulators or other stakeholders. The prevention and monitoring of events that have a reputational impact on its business operations is a priority for SACE, which has set up a system of internal controls to mitigate this risk and adopted specific measures to prevent any reputational events in its business operations.
- **Risk of belonging to a group**: "contamination" risk, intended as the risk that, as a result of transactions between the company and other group entities, difficulties experienced by one entity within the group may have negative effects on the company; risk of conflict of interest.
- **Risk of non-compliance with regulations**: the risk of incurring legal or administrative fines, suffering losses or damage to reputation as a consequence of violation of compulsory requirements (laws, regulations) or self-regulatory measures (e.g., Articles of Association, codes of conduct). SACE S.p.A. has developed a process for managing the risk of non-compliance in order to ensure that internal processes and procedures are consistent with the objective of preventing any infringement of regulations, whether imposed by the authorities or the company itself.

The Risk Management function:

- proposes methods and develops models and procedures for the measurement and integrated control of the risks, monitors the correct allocation of economic capital, in line with the relevant company guidelines and applicable legislation;
- oversees the definition of the risk appetite framework and operational limits and monitors compliance with these throughout the year;
- defines, develops and periodically reviews procedures for measurement and control of the risk/return ratio and the creation of value by individual risk taking units;
- determines the current and future internal capital with regard to the relevant risks, ensuring the measurement and integrated control of overall risk exposure by defining the procedures for identifying, evaluating, monitoring and reporting risks, including scenario analysis and stress tests;
- monitors the levels of the technical provisions together with the other functions concerned;
- monitors transactions with the aim of optimising capital structure and the management of reserves and liquidity (ALM).

In 2018, SACE S.p.A. set up a specific unit within the risk management division with the aim of permanently monitoring the operational risk management methodological framework.

This unit assists the risk management division of the company, moving its operational risk management system to converging policies.

The operational risk management and monitoring process is governed by the “Identifying operational risks” group policy, which describes the methodological framework and the operational tools used to:

- gather and analyse internal loss data related to operational risk events (loss data collection process);
- perform the forward-looking assessment of the company’s exposure level to potential operating risks and analyse the adequacy of the existing controls (risk self-assessment tool);
- define actions to mitigate the exposure to operational risks by identifying and adopting corrective measures (remediation plan);
- assess the operational risk inherent in the launch of new products.

The adoption of the operational risk management framework strengthened risk controls and improved the overall effectiveness and efficiency of processes, reducing the variability of the profits for the year, acting on frequent low-impact operating losses and protecting assets from significant unexpected losses.

Risk governance is entrusted to the following bodies in addition to those specified in the company's articles of association:

- Board of Directors: has ultimate responsibility for defining the strategies for internal controls and the risk management system, making sure they are always complete, functional and effective.
- Risk and Control Committee: supports the Board of Directors on matters relating to risks and internal controls, provides advice and formulates proposals;
- Management Committee: examines and evaluates the strategies, objectives and operational guidelines of SACE S.p.A. and its subsidiaries; evaluates the various aspects of performance and defines the appropriate measures in order to improve profitability; investigates key issues regarding the management and operational guidance of SACE S.p.A. and its subsidiaries;
- Operations Committee: examines proposed transactions delegated by the Board of Directors (risk taking, changes, restructuring agreements, claims, commercial recoveries, agreements for commercial recoveries) and other relevant transactions, assessing their eligibility;
- Risk Committee: supports the Board of Directors and the Risk and Control Committee with the implementation of an effective system of risk management and control, while contributing to the definition of strategies and guidelines for risk management and transfer. Assesses and indicates policies for improving the overall quality of the portfolio in line with the guidelines for managing the overall risk position defined by Risk Management. Adhering to the guidelines for managing the overall risk position, it comments on policies for improving the overall quality of the portfolio, proposing actions on the technical and financial portfolios to rebalance the risk positions and measures for optimising capital, reserves and liquidity, based on conclusions drawn from the risk monitoring process, analysis of concentration levels and verification of compliance with operating limits;
- Investments Committee: periodically defines portfolio investment strategies to optimise the risk/return profile of financial activities and compliance with the guidelines established by the Board of Directors. Monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. Submits proposals for updating the guidelines on financial activities by the decision-making body.

3.13. Reinsurance

Reinsurance is an important tool for integrated risk management and control. To safeguard its portfolio and meet its strategic objectives, SACE S.p.A. has reinsurance protection in line with market standards and export credit best practices.
The main purposes of reinsurance are:
to create a more balanced portfolio;

- to improve the company's financial soundness;
- to share the risk with reliable insurance counterparties;
- to stabilise operating results;
- to increase underwriting capacity.

Reinsurance policies are selected based on the above criteria, specifically:

- quota share reinsurance: aimed mainly at enhancing underwriting capacity. This type of cover is also used when the structure of the reinsurance cover (especially the ceding commission) makes reinsurance economically viable;
- surplus share reinsurance: purchased to increase underwriting capacity towards debtors/countries/sectors in relation to which the company has already reached its full underwriting capacity;
- non-proportional reinsurance (excess of loss or stop loss): this type of cover is purchased to enhance SACE's guarantee portfolio in terms of capital relief or to stabilise the technical account.

The Reinsurance unit of SACE S.p.A. manages operations and monitors reinsurance risks, checking the consistency of the sale plan with the reinsurance strategy approved by the Board of Directors. The reinsurance portfolio increased considerably in 2018, with a total ceded amount of Euro 25 billion. Of this, the most significant portion was ceded to the Ministry of the Economy and Finance under the Agreement between SACE S.p.A. and the Ministry approved by Decree of the President of the Council of Ministers on 20 November 2014 and filed with the Court of Auditors on 23 December 2014, transferring risks to the Ministry that could otherwise result in high levels of concentration for SACE. Almost all of the remaining portion was ceded to the private reinsurance market, which comprises top international companies.

3.14. Internationalisation Financial Guarantees

As regards financial guarantees for internationalisation (Italian Law 80/2005, art. 11-quinquies), there was an increase in the number of outstanding guarantees (+10%), commitments (+19%) and premiums approved (+15%) with respect to the previous year.
In 2018 ,SACE supported exporters through commitments approved for approximately Euro 148 million (Euro 124 million in 2017) and loans granted for Euro 290 million (approximately Euro 227 million in 2017).
74% of the guarantees were issued to SMEs (in terms of number of transactions), which accounted for around 53% of total commitments approved, and the remainder to corporations with turnover of between Euro 50 and Euro 250 million.

Internationalisation guarantees: FY 2018	Total portfolio	of which SMEs
Loans guaranteed	Euro 290 million	Euro 134 million
Exposure approved (K + I)	Euro 148 million	Euro 79 million

The portfolio accumulated was concentrated in the regions of Central and Southern Italy (26% of total commitments) and in the Centre-North (21%), North-West (29%) and North-East (24%)[7].

[7] The territorial division used is based on the same criteria for the organisation of the company's regional offices.
The country is divided into four macro-areas:
- North-West: Lombardy, Piedmont, Liguria and Valle d'Aosta;
- North-East: Veneto, Trentino-Alto Adige and Friuli-Venezia Giulia;
Centre-North: Emilia-Romagna, Marche, Umbria;
- Centre-South: Tuscany, Lazio, Abruzzo, Campania, Puglia, Basilicata, Calabria, Molise, Sicily and Sardinia.

3.15. Human resources

At 31 December 2018 there were 563 employees on the payroll, an increase of 7% compared to the previous year. During the year, 83 resources were hired and 44 left the company.

Distribution of staff by grade	No.	Composition
Senior managers	37	7%
Managers	287	51%
Clerical staff	239	42%
Total	**563**	**100%**

Distribution of staff by age group	Composition	Change
Under 30	13%	+3%
Between 31 and 40	33%	-2%
Between 41 and 50	30%	-2%
Over 50	**25%**	**+2%**

Distribution of staff by qualification	Composition	Change
Degree	79%	+3%
Secondary school certificate/other	21%	-3%

The figures show that the level of education of staff has improved following continuous growth over the last few years. Training schemes continued to be offered to all employees. These included language and management courses, in addition to the courses required by law (Italian Legislative Decrees 231/2001, 196/2003, 81/2008). The company's training programme aims to strengthen the specific technical skills required by the various business areas, by developing the managerial abilities and leadership qualities needed to manage complexity and change, and supporting knowledge creation and sharing. High level training continued to be offered in line with 2017 and amounted to a total of 15,258 hours in 2018 (15,692 hours in 2017). In 2018, after a trial period which commenced in 2016, a programme to progressively extend the Smart Working scheme was launched. This represents a new flexible working option which builds a stronger performance culture and improves the work-life balance. The programme, which was adopted in 2018, involved 206 people for a total of 2809 working days.

3.16. Litigation

At 31 December 2018, SACE was party to 22 lawsuits, most of which relating to insurance commitments assumed prior to 1998. In particular, the company was defendant in 14 lawsuits, amounting to a reserved amount of some Euro 5.79 million, and plaintiff in 8 lawsuits to recover claims paid for around Euro 170 million. SACE was plaintiff in a further 59 proceedings to obtain recognition of its privilege pursuant to Italian Legislative Decree 123/1998 to payment before other creditors in insolvency proceedings, for claims paid (or being paid) against guarantees to support the internationalisation of business enterprises and five in labour disputes.

3.17. Corporate Governance

Organisation, management and control model pursuant to Legislative decree no. 231/01

The management of SACE is based on principles of compliance and transparency and the adoption of a framework of prevention and control that is described below. The most recent version of the Organisation, management and control model ("Model") was approved on 22 July 2015 by SACE's Board of Directors pursuant to and for the effects specified by Legislative decree no. 231/01 ("Decree"). The Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of internal controls. The Model comprises:

- a general part that illustrates the principles of the Decree, the analysis of the System of Internal Controls, the Supervisory Body, the disciplinary system, staff training and dissemination of the Model both within and outside the company
- a special part that identifies the areas of specific interest in relation to the business activities undertaken, for which a potential risk of committing a crime is theoretically possible. This part includes references to the System of Internal Controls with regard to the prevention of crimes.

The function of monitoring the suitability and application of the Model has been assigned to the Supervisory Body, a collective body appointed by the Board of Directors. It has three members, who must meet the following criteria: have proven experience, have in-depth knowledge of the company and its operations and be skilled in their respective professional fields. At the time of appointing the Supervisory Body, the Board also appoints one member as the Chair.
The Supervisory Body provides an annual report to the Board of Directors and the Board of Statutory Auditors. The Supervisory Body also meets the Supervisory Bodies of the other SACE group companies at least once a year. This meeting is an opportunity to jointly examine issues concerning the activities of said Bodies, to discuss the work undertaken during the previous year and that planned for the coming year and to agree upon any joint action to be taken within the scope of their activities.

Code of conduct

The Code of Conduct sets out the principles with which SACE and its subsidiaries are expected to comply in their relations with stakeholders. The Code of Conduct and the Model are two separate documents, although they are both an integral part of the prevention system that has been adopted. These guidelines reflect SACE's mission to make business ethics a concrete part of company life.
The Code recognises the legal relevance and mandatory effect of the principles and values that must guide the actions of SACE's stakeholders and is part of the Organisation, management and control model pursuant to Legislative decree no. 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company's internet and intranet site and sent by email to each employee.
The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis à-vis parties within and outside the company.

Internal control and risk management system

The internal control and risk management system is built around a set of rules, processes, procedures, functions, organisational structures and resources aimed at ensuring the correct functioning and good performance of the company and achievement of the following objectives: implementation of company strategies and policies; adequate control of current and future risks and containment of risk within the limits indicated in the reference framework for determining the company's risk appetite; the effectiveness and efficiency of company processes; the timeliness of company reporting systems; the reliability and integrity of company, accounting and management information and security of IT data and procedures;

the safeguarding of equity, asset value and protection from losses, including over the medium and long term; the compliance of transactions with the law and supervisory regulations, as well as internal regulations, policies and procedures.
All levels have specific responsibilities within the internal control and risk management system. In detail:
- the Board of Directors has ultimate responsibility for the system and for ensuring its completeness, functionality and efficacy at all times. The Board of Directors approves the company's organisational structure and the assignment of duties and responsibilities to the various operational units and is responsible for ensuring their continued adequacy. It also has responsibility for ensuring the adequacy of the risk management system to identify, evaluate and control risks, including future risks, when implementing the company's business strategies and policies and in view of the evolution of internal and external factors, in order to guarantee the safeguarding of the company's assets, including in the medium and long term. Lastly, it promotes a high level of business integrity, ethical conduct and a culture of internal control in order to raise awareness among everyone at the company about the importance and usefulness of such controls;
- Senior management is responsible for the application, maintenance and monitoring of the internal control and risk management system and for defining its organisational structure, functions and responsibilities;
- the Board of Auditors must evaluate the efficacy and efficiency of the internal control system, especially as regards the actions of the Internal Audit function by verifying its compliance with the requirements of autonomy, independence and functionality. It must also inform the Board of Directors of any anomalous situations or weaknesses in the internal control system, suggest appropriate corrective measures and see that these are implemented.

The internal control and risk management system is organised on three levels:
1. first level controls. the operational units and heads of each unit identify, evaluate, monitor, mitigate and report the risks associated with the company’s ordinary business activities, in accordance with the risk management process. They must see that operations are carried out properly and that established limits are respected in line with the risk objectives and the procedures of the risk management process;
2. second level controls. the Risk management function is responsible for ensuring: (i) correct implementation of the risk management process, (ii) that the various functions respect the established operating limits and (iii) compliance of business activities with the relevant rules and regulations;
3. third level controls. the Internal Audit function is responsible for monitoring and periodically evaluating the efficacy and efficiency of the risk management, control and governance system, in relation to the type and importance of the risk.

Internal audit

The Internal audit function performs independent and impartial assurance and consultancy activities on behalf of SACE and its subsidiaries, aimed at improving the efficacy and efficiency of the organisation. It helps the company to pursue its objectives by adopting a systematic approach that generates added value by evaluating and improving the governance, risk management and control processes and identifying sources of inefficiency in order to enhance corporate performance. The mandate of the Internal Audit function, approved by the Board of Directors, sets out its purposes, authority and responsibilities and defines the reporting lines to senior management for communicating the results of its activities and the annual plan. The plan is approved by the Board of Directors and establishes the audit work priorities, identified on the basis of the company’s strategic objectives and the assessment of current and future risks in view of trends in operating performance. The annual plan may also be reviewed and amended in response to significant changes that affect the company’s business, plans, systems, activities, risks or controls. Furthermore, where necessary, it performs controls not envisaged by the plan. The Internal audit function monitors the system of controls at all levels and works to promote a culture of control endorsed by the Board of Directors. The function carries out its activities in compliance with the regulatory framework, international standards for the professional practice of internal auditing and the Code of Ethics of the Institute of Internal Auditors.

The manager responsible for financial reporting

The Chief Financial Officer is responsible for preparing the corporate accounting documents of SACE S.p.A.. The provisions of art. 13 of the Articles of Association of SACE S.p.A. establishing the professional requirements and procedures for appointing and dismissing the manager responsible for preparing the corporate accounting documents are provided below.
Article 13 of the Articles of Association of SACE S.p.A. (paragraphs 10.1 - 10.8)
10.1. The Board of Directors may, with the compulsory consent of the Board of Auditors, appoint a manager responsible for preparing the corporate accounting documents, of which in art. 154-bis of the Consolidation Act for dispositions on financial matters (Legislative decree 58 dated 1998 and subsequent amendments), for a period of not less than the term of office of the Board and not more than six business years.
10.2. The manager responsible for preparing the corporate accounting documents must be in possession of the same probity requirements as the directors, and according to the DPCM, cannot hold any office in the management or control bodies, or managerial functions within Eni S.p.A. and its subsidiaries, nor have any direct or indirect relations of a professional or equity nature with such companies.
10.3. The manager responsible for preparing the corporate accounting documents must be chosen on the basis of criteria of professionalism and skills from among the directors who have acquired an overall experience of at least three years in the management of businesses or consultancy firms or professional firms.
10.4. The Board of Directors may dismiss the manager responsible for preparing the corporate accounting documents only for legitimate reasons and with the consent of the Board of Statutory Auditors.
10.5. The manager responsible for preparing the corporate accounting documents shall withdraw from office in the absence of the requirements necessary for taking office. Withdrawal will be declared by the Board of Directors within thirty days of becoming aware of the absence of requirements.
10.6. The manager responsible for preparing the corporate accounting documents will set adequate accounting and administrative procedures for drawing up the financial statements and the consolidated financial statements, if provided.
10.7. The Board of Directors will ensure that the manager responsible for preparing the corporate accounting documents is conferred with adequate powers and means for exercising the duties conferred and ensure the effective respect of the management and accounting procedures.
10.8. The Chief Executive Officer and the manager responsible for preparing the corporate accounting documents will certify the effective application of the procedures of which in paragraph 6 during the course of the business year to which the documents refer, in a suitable report attached to the business year financial statements and consolidated financial statements, if provided, and certify their correspondence to the findings in the accounts books and documents and their suitability in terms of providing a truthful and correct representation of the equity, economic and financial situation of the company and the group of companies in the scope of consolidation, in the case of the consolidated financial statements being provided.

3.18. Social and cultural commitments

SACE's corporate culture is aimed at creating value inside and outside the organisation, while supporting initiatives for the local community. It was at the forefront of the *#adottaunaclasse* initiative as part of the "Push to Open (P2O)" work orientation programme for students attending the last years of high school. Again with respect to education, it supported the "Rondine cittadella per la pace" programme which assigns scholarships in an international student residence welcoming students from conflict zones, the "Lavoro per la persona" scholarship scheme for young researchers on relational assets and *Feduf* with the 'Fuoriclasse della Scuola' scheme which rewards the best talents of high schools.
SACE also supported health research and prevention, by collaborating with Fondazione Veronesi in a project to educate young people, and by participating in a project with Komen Italia focused on schemes to prevent cancer affecting women from socially and economically deprived areas.
The company also developed its traditional presence in the "Race for the Cure", a solidarity run to raise funds for breast cancer research and contributed to a rehabilitation programme of "Lega del Filo d'Oro", to unlock the potential of deaf-blind and multi-sensory-impaired people.
It also promoted blood donation days at the Rome and Milan offices in collaboration with Ospedale Pediatrico Bambino Gesù and Avis (the Italian association of voluntary blood donors), respectively.
SACE also actively protects the environment, with energy-efficiency, energy-saving measures and by upgrading the waste recycling system within the company.

3.19. Subsidiaries and Parent Company

SACE is under the direction and coordination of its shareholder, Cassa Depositi e Prestiti S.p.A.. As part of its business operations, SACE S.p.A. has never engaged in any transactions with its subsidiaries that are atypical or outside its normal scope of business. All intra-group transactions are settled at arm's length and regarded the following:

- services rendered under specific agreements in that they do not constitute the company's core business;
- costs for rental of offices;
- reinsurance business with the SACE BT subsidiary;
- shareholders' loan agreement and irregular deposits in favour of the SACE Fct subsidiary.

With reference to transactions with the parent Cassa Depositi e Prestiti S.p.A. it is noted that, in 2018, insurance guarantees were issued which generated premiums of Euro 92.6 million (Euro 24.3 million in 2017), SACE's financial investment portfolio contains 2 bonds with a total nominal amount of Euro 84 million issued by the parent Cassa Depositi e Prestiti S.p.A. and purchased by SACE before the change of the majority shareholder. Furthermore, at 31 December 2018, there were Euro 2,948.8 million as demand deposits with the parent Cassa Depositi e Prestiti S.p.A., Euro 1,650 million related to the nominal amount of three bonds acquired in 2018, repo agreements of Euro 1,072 million and an asset swap transaction with a notional amount of Euro 25 million.

3.20. Other information

Since SACE participates in the tax consolidation scheme of Cassa Depositi e Prestiti S.p.A. for the three-year period 2016-2018, current IRES (corporate income tax) has been recognised as a tax consolidation charge to the parent.
In accordance with the “Non-financial statement” under Legislative decree no. 254/2016, the company availed of the exemption described in art. 6 paragraph 1 of the Decree, since the declaration has been prepared on a consolidated basis by the parent Cassa Depositi e Prestiti S.p.A.

3.21. Significant events after the reporting date

Nothing to report.

3.22. Outlook for 2019

2019 should be another positive year for the global economy, despite an expected 3.5% slowdown and several risks of a decline, including a more significant slowdown in the expectations of some global economies (China, Eurozone and the United States), the worsening of protectionist measures, new financial/currency tensions in some particularly fragile emerging countries triggered by the excessively restrictive monetary policy by the FED (which, however, is not expected) and a "messy" Brexit. International trade is expected to grow. In Italy, the expected slow increase in GDP reflects the general slowdown in the Eurozone and the less dynamic trend of international trade.

Rome, 19 March 2019

on behalf of the board of directors
Chief Executive Officer
Alessandro Maria Decio

Balance sheet and Profit and Loss Account

Annex 1

Company	**SACE S.p.A.**	
Subscribed capital	Euro 3,730,323,610	Paid Euro 3,730,323,610
Registered office	Rome	
	Financial statements Balance sheet	
FY	**2018**	
	(Amounts in euros)	

Balance sheet - non life
Insurance business assets

								Current year
A. SUBSCRIBED CAPITAL UNPAID							1	
of which called-up capital			2	0				
B. INTANGIBLE ASSETS								
1. Deferred acquisition commissions								
a) Life business	3	0						
b) Non-life business	4	0	5	0				
2. Other acquisition costs			6	0				
3. Start-up and expansion costs			7	0				
4. Goodwill			8	0				
5. Other multi-year costs			9	1,880,237			10	1,880,237
C. INVESTMENTS								
I - Land and buildings								
1. Property used in company operations			11	60,522,236				
2. Property rented to third parties			12	987,554				
3. Other properties			13	0				
4. Other properties rights			14	0				
5. Construction in progress and advance			15	0	16	61,509,790		
II - Investments in Group companies and other shareholdings								
1. Shares and interests in:								
a) controlling companies	17	0						
b) subsidiary companies	18	424,480,105						
c) affiliated companies	19	0						
d) associated companies	20	8,361,018						
e) other companies	21	0	22	432,841,123				
2. Bond issued by:								
a) controlling companies	23	83,459,400						
b) subsidiary companies	24	0						
c) affiliated companies	25	0						
d) associated companies	26	0						
e) other companies	27	0	28	83,459,400				
3. Loans to:								
a)controlling companies	29	0						
b) subsidiary companies	30	0						
c) affiliated companies	31	0						
d) associated companies	32	0						
e) other companies	33	0	34	0	35	516,300,523		
				to be carried forward				1,880,237

Previous year

			181
	182 0		
183 0			
184 0	185 0		
	186 0		
	187 0		
	188 0		
	189 616,230		190 616,230
	191 61,131,656		
	192 1,041,537		
	193 0		
	194 0		
	195 0	196 62,173,194	
197 0			
198 418,089,644			
199 0			
200 8,010,292			
201	202 426,099,936		
203 83,156,613			
204 0			
205 0			
206 0			
207 0	208 83,156,613		
209 0			
210 0			
211 0			
212 0			
213 0	214 0	215 509,256,549	
	to be carried forward		616,230

Balance sheet - non life
Insurance business assets

								Current year
carried forward								1,880,237
C. INVESTMENTS (continued)								
III - Other financial investments								
1. Shares and interests	36	168,445						
a) Listed shares	37	0						
b) Unlisted shares	38	0						
c) Interests			39	168,445				
2. Shares in common investment funds			40	193,300,333				
3. Bonds and other fixed-income securities								
a) listed	41	4,541,577,990						
b) unlisted	42	0						
c) convertible debentures	43	0	44	4,541,577,990				
4. Loans								
a) loans secured by mortgage	45	2,431,696						
b) loans on policies	46	0						
c) other loans	47	0	48	2,431,696				
5. Participation in investment pools			49	0				
6. Deposits with credit institutions			50	327,946,821				
7. Other financial investments			51	2,786,964	52	5,068,212,248		
IV - Deposits with ceding companies					53	75,744	54	5,646,098,305
D. INVESTMENTS FOR THE BENEFIT OF LIFE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS								
I - Investments relating to contracts linked to investment funds and market indexes					55	0		
II - Investments relating to the administration of pension funds					56	0	57	0
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I- NON-LIFE BUSINESS								
1. Provisions for unearned premiums			58	1,016,238,175				
2. Provisions for claims outstanding			59	28,716,536				
3. Provisions for profit-sharing and premium refunds			60	0				
4. Other technical provisions			61	31,347,993	62	1,076,302,704		
II - LIFE BUSINESS								
1. Provisions for policy liabilities			63	0				
2. Unearned premium provision for supplementary coverage			64	0				
3. Provision for sums to be paid			65	0				
4. Provisions for profit-sharing and premium refunds			66	0				
5. Other technical provisions			67	0				
6. Technical provisions where the investments risk is borne by the policyholders and relating to the administration of pension funds			68	0	69	0	70	1,076,302,704
to be carried forward								6,724,281,247

Previous year

			riporto				616,230
216	445,741						
217	0						
218	0	219	445,741				
		220	636,621,271				
221	1,485,746,538						
222	0						
223	0	224	1,485,746,538				
225	2,917,968						
226	0						
227	0	228	2,917,968				
		229	0				
		230	16,676,395				
		231	8,693,825	232	2,151,101,738		
				233	86,429	234	2,722,617,909
				235	0		
				236	0	237	0
		238	663,642,844				
		239	17,218,361				
		240	0				
		241	36,572,658	242	717,433,863		
		243	0				
		244	0				
		245	0				
		246	0				
		247	0				
		248	0	249	0	250	717,433,863
			to be carried forward				3,440,668,002

Balance sheet - non life
Insurance business assets

								Current year
				carried forward				6,724,281,247
E. RECEIVABLES								
I - Reseivables arising out of direct insurance business:								
1. Policyholders								
a) for premiums current year	71	34,040,959						
b) for premiums previous years	72	4,821,053	73	38,862,012				
2. Insurance intermediaries			74	0				
3. Current accounts with Insurance companies			75	0				
4. Policyholders and third parties for recoveries			76	394,997,270	77	433,859,282		
II - Receivables arising out of reinsurance operations:								
1. Insurance and Reinsurance companies			78	26,555,089				
2. Reinsurance intermediaries			79	0	80	26,555,089		
III - Other debtors					81	271,294,733	82	731,709,104
F. OTHER ASSETS								
I - Tangible assets and stocks:								
1. Furniture, office machines and internal transport vehicles			83	1,513,352				
2. Vehicles listed in public registers			84	0				
3. Machinery and equipment			85	3,680				
4. Stocks and other goods			86	62,785	87	1,579,818		
II - Cash at bank and in hand:								
1. Bank and Postal accounts			88	3,013,924,226				
2. Cheques and cash on hand			89	4,987	90	3,013,929,214		
III - Own shares or equity interests					91	0		
IV - Other								
1. Deferred reinsurance items			92	108,256				
2. Miscellaneous assets			93	33,023,623	94	33,131,879	95	3,048,640,910
G. PREPAYMENTS AND ACCUIRRED INCOME								
1. Accrued interest					96	27,314,934		
2. Rents					97	0		
3. Other prepayments and accrued income					98	958,237	99	28,273,172
TOTAL ASSETS							100	10,532,904,433

Previous year

	carried forward		3,440,668,002
251 48,856,719			
252 6,677,986	253 55,534,706		
	254 0		
	255 0		
	256 388,085,388	257 443,620,094	
	258 16,860,043		
	259	260 16,860,043	
		261 264,431,992	262 724,912,129
	263 1,350,527		
	264 0		
	265 3,851		
	266 64,532	267 1,418,911	
	268 4,926,506,564		
	269 7,384	270 4,926,513,948	
		271 0	
	272 118,544		
	273 340,610	274 459,154	275 4,928,392,012
		276 22,435,689	
		277 0	
		278 975,115	279 23,410,804
TOTAL ASSETS			280 9,117,382,947

Balance sheet liabilities and Shareholders' equity

Current year

A. SHAREHOLDERS' EQUITY							
I - Subscribed capital or equivalent fund			101	3,730,323,610			
II - Share premium reserve			102	43,304,602			
III - Revaluation reserve			103	0			
IV - Legal reserve			104	264,718,736			
V - Statutory reserves			105	0			
VI - Reserves for own shares and shares of the controlling company			106	0			
VII - Other reserves			107	401,273,797			
VIII - Net profit (loss) brought forward			108	88,765,626			
IX - Net profit (loss) for the year			109	186,087,104			
					110	4,714,473,475	
B. LINKED LIABILITIES					111	500,000,000	
C. LINKED LIABILITIES							
I - NON-LIFE BUSINESS							
1. Provisions for unearned premiums	112	2,916,320,285					
2. Provisions for claims outstanding	113	372,609,505					
3. Provisions for profit-sharing and premium refunds	114	0					
4. Other technical provisions	115	0					
5. Equalization provision	116	661,167,891	117	3,950,097,681			
II - LIFE BUSINESS							
1. Provisions for policy liabilities	118	0					
2. Unearned premium provision for supplementary coverage	119	0					
3. Provision for sums to be paid	120	0					
4. Provision for profit-sgaring and premium refunds	121	0					
5. Other technical provisions	122	0	123	0	124	3,950,097,681	
D. PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS							
I - Provisions relating to contracts linked to investment funds and market indexes			125	0			
II - Provisions relating to the administration of pension funds			126	0	127	0	
		to be carried forward				9,164,571,156	

Previous year

	281 3,730,323,610	
	282 43,304,602	
	283 0	
	284 250,975,430	
	285 0	
	286 0	
	287 283,493,018	
	288 88,765,626	
	289 274,866,133	
		290 4,671,728,419
		291 500,000,000
292 2,563,155,501		
293 295,349,038		
294 0		
295 0		
296 603,409,966	297 3,461,914,505	
298 0		
299 0		
300 0		
301 0		
302 0	303 0	304 3,461,914,505
	305 0	
	306 0	307 0
to be carried forward		8,633,642,924

Balance sheet liabilities and Shareholders' equity

			Current year
carried forward			9,164,571,156
E. PROVISIONS FOR OTHER RISKS AND CHARGES			
1. Provisions for pensions and similar obligations		128 0	
2. Provisions for taxation		129 28,650,851	
3. Other provisions		130 72,203,603	131 100,854,454
F. DEPOSITS RECEIVED FROM REINSURERS			132 0
G. DEPOSITS RECEIVED FROM REINSURERS			
I - Creditors arising out of direct insurance operations:			
1. Insurance intermediaries	133 0		
2. Current accounts with Insurance companies	134 0		
3. Premium deposits and premiums due to policyholders	135 31,600,727		
4. Guarantee funds in favour of policyholders	136 0	137 31,600,727	
II - Creditors arising out of reinsurance operations:			
1. Insurance and Reinsurance companies	138 64,434,705		
2. Reinsurance intermediaries	139 0	140 64,434,705	
III - Debenture loans		141 0	
IV - Amounts owed to banks and credit institutions		142 6,085,123	
V - Loans guaranteed by mortgages		143 0	
VI - Miscellaneous loans and other financial liabilities		144 1,072,447,443	
VII - Provisions for employee termination indemnities		145 5,278,542	
VIII - Other creditors			
1. Premium taxes	146 0		
2. Other tax liabilities	147 1,668,457		
3. Social security	148 1,557,147		
4. Miscellaneous creditors	149 34,706,957	150 37,932,561	
IX - Other liabilities			
1. Deferred reinsurance items	151 68,694		
2. Commissions for premiums in course of collection	152 0		
3. Miscellaneous liabilities	153 31,952,153	154 32,020,847	155 1,249,799,949
to be carried forward			10,515,225,559

Previous year

carried forward		8,633,642,924
	308 0	
	309 57,783,850	
	310 75,511,829	311 133,295,679
		312 0
313 0		
314 0		
315 29,425,907		
316 0	317 29,425,907	
318 110,859,694		
319 0	320 110,859,694	
	321 0	
	322 0	
	323 0	
	324 0	
	325 5,565,092	
326 0		
327 8,308,688		
328 1,460,887		
329 104,294,352	330 114,063,927	
331 151,691		
332 0		
333 73,160,964	334 73,312,655	335 333,227,274
to be carried forward		9,100,165,877

Balance sheet liabilities and Shareholders' equity

				Current year
carried forward				10,515,225,559
H. ACCRUALS AND DEFERRED INCOME				
1. Accrued interest	156	17,198,630		
2. Rents	157	0		
3. Other prepayments and accrued income	158	480,244	159	17,678,874
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160	10,532,904,433

Previous year

carried forward				9,100,165,877
	336	17,198,630		
	337	0		
	338	18,440	339	17,217,070
			340	9,117,382,947

Annex 2

Company	**SACE S.p.A.**	
Subscribed capital	Euro 3,730,323,610	Paid Euro 3,730,323,610
Registered office	Rome	
	Financial statements	
	Profit & Loss Account	
FY	**2018**	
	(Amounts in euros)	

Profit & loss account

							Current year
I.	**TECHNICAL ACCOUNT – NON-LIFE INSURANCE BUSINESS**						
1.	PREMIUMS EARNED, NET OF REINSURANCE						
	a) Gross premiums written			1	727,754,332		
	b) (-) Outward reinsurance premiums			2	246,438,290		
	c) Change in the gross provision for unearned premiums			3	353,164,784		
	d) Change in the provision for unearned premiums, reinsurers' share			4	(229,053,116)	5	357,204,375
2.	(+) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (Item III. 6)					6	38,850,744
3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE					7	3,757,928
4.	CLAIMS INCURRED, NET OF RECOVERY AND REINSURANCE						
	a) Claims paid						
	aa) Gross amount	8	242,828,745				
	bb) (-) reinsurers' share	9	18,706,010	10	224,122,735		
	b) Change in recoveries, net of reinsurance						
	aa) Gross amount	11	(144,551,015)				
	bb) (-) reinsurers' share	12	(1,090,178)	13	(143,460,837)		
	c) Change in the provisions for outstanding claims						
	aa) Gross amount	14	77,260,466				
	bb) (-) reinsurers' share	15	11,498,175	16	65,762,291	17	146,424,190
5.	CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE					18	5,224,665
6.	PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE					19	14,895,254
7.	OPERATING EXPENSES:						
	a) Acquisition commissions			20	0		
	b) Other acquisition costs			21	30,379,507		
	c) Change in commissions and other acquisition costs to be amortised			22	0		
	d) Collecting commissions			23	2,755,538		
	e) Other administrative expenses			24	54,153,174		
	f) (-) Reinsurance commissions and profit-sharing			25	44,654,603	26	42,633,615
8.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE					27	9,514,379
9.	CHANGE IN THE EQUALISATION PROVISION					28	57,757,925
10.	BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item III. 1)					29	123,363,018

Previous year

		111	804,397,730		
		112	147,176,184		
		113	186,308,861		
		114	(74,840,843)	115	545,753,528
				116	
				117	2,438,700
118	374,575,188				
119	21,533,637	120	353,041,551		
121	(232,382,531)				
122	(4,093,035)	123	(228,289,496)		
124	(216,664,576)				
125	(5,611,933)	126	(211,052,643)	127	(86,300,588)
				128	5,224,665
				129	18,308,867
		130	0		
		131	25,458,511		
		132	0		
		133	2,883,610		
		134	50,618,255		
		135	17,439,473	136	61,520,904
				137	3,131,303
				138	42,654,752
				139	503,652,325

Profit & loss account

							Current year
II.	**TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS**						
1.	PREMIUMS EARNED, NET OF REINSURANCE:						
	a) Gross premiums written			30	0		
	b) (-) Outward reinsurance premiums			31	0	32	0
2.	INVESTMENT INCOME:						
	a) From shares and interests			33	0		
	(of which: from Group companies and other shareholdings)			34	0		
	b) From other investments:						
	aa) income from land and buildings	35	0				
	bb) income from other investments	36	0	37	0		
	(of which: from Group companies)			38	0		
	c) Value re-adjustments on investments			39	0		
	d) Gains on the disposal of investments			40	0		
	(of which: from Group companies)			41	0	42	0
3.	INCOME AND UNREALIZED GAINS ON INVESTMENTS TO THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS					43	0
4.	OTHER TECHNICAL INCOME, NET OF REINSURANCE					44	0
5.	CLAIMS INCURRED, NET OF REINSURANCE:						
	a) Claims paid						
	aa) Gross amount	45	0				
	bb) (-) Reinsurers' share	46	0	47	0		
	b) Change in the provisions for claims to be paid						
	aa) Gross amount	48	0				
	bb) (-) Reinsurers' share	49	0	50	0	51	0
6.	CHANGE IN THE PROVISION FOR POLICY LIABILITIES AND IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE						
	a) Provisions for policy liabilities:						
	aa) Gross amount	52	0				
	bb) (-) Reinsurers' share	53	0	54	0		
	b) Unearned premium provision for supplementary coverage:						
	aa) Gross amount	55	0				
	bb) (-) Reinsurers' share	56	0	57	0		
	c) Other technical provisions						
	aa) Gross amount	58	0				
	bb) (-) Reinsurers' share	59	0	60	0		
	d) Provisions for policies where the investment risk is borne the policyholders and relating to the administration of pension funds						
	aa) Gross amount	61	0				
	bb) (-) Reinsurers' share	62	0	63	0	64	0

						Previous year
			140	0		
			141	0	142	0
			143	0		
(of which: from Group companies)			144	0		
	145	0				
	146	0	147	0		
(of which: from Group companies)			148	0		
			149	0		
			150	0		
(of which: from Group companies)			151	0	152	0
					153	0
					154	0
	155	0				
	156	0	157	0		
	158	0				
	159	0	160	0	161	0
	162	0				
	163	0	164	0		
	165	0				
	166	0	167	0		
	168	0				
	169	0	170	0		
	171	0				
	172	0	173	0	174	0

Profit & loss account

							Current year	
7.	PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE						65	0
8.	OPERATING EXPENSES:							
	a) Acquisition commissions				66	0		
	b) Other acquisition costs				67	0		
	c) Variazione delle provvigioni e delle altre spese di acquisizione amortised				68	0		
	d) Collecting commissions				69	0		
	e) Other administrative expenses				70	0		
	f) (-) Reinsurance commissions and profit-sharing				71	0	72	0
9.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES:							
	a) Investment management charges, including interest				73	0		
	b) Value adjustments on investments				74	0		
	c) Losses on the disposal of investments				75	0	76	0
10.	EXPENSES AND UNREALIZED LOSSES ON INVESTMENTS TO THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS						77	0
11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE						78	0
12.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (Item III. 4)						79	
13.	BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item III. 2)						80	0
III.	**NON TECHNICAL ACCOUNT**							
1.	BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item I.10)						81	123,363,018
2.	BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item II. 13)						82	0
3.	NON-LIFE INVESTMENT INCOME:							
	a) From shares and interests				83	1,126,448		
	(of which: from Group companies)				84	0		
	b) From other investments:							
	aa) income from land and buildings		85	594,703				
	bb) income from other investments		86	105,443,584	87	106,038,287		
	(of which: from Group companies)				88	939,381		
	c) Value re-adjustments on investments				89	6,717,286		
	d)) Gains on the disposal of investments				90	280,900,787		
	(of which: from Group companies)				91	0	92	394,782,808

						Previous year
					175	0
			176	0		
			177	0		
			178	0		
			179	0		
			180	0		
			181	0	182	0
			183	0		
			184	0		
			185	0	186	0
					187	0
					188	0
					189	0
					190	0
					191	503,652,325
					192	0
			193	0		
(of which: from Group companies)			194	0		
	195	605,444				
	196	73,760,302	197	74,365,746		
(of which: from Group companies)			198	2,077,760		
			199	8,203,576		
			200	578,113,065		
(of which: from Group companies)			201	0	202	660,682,387

Profit & loss account

						Current year
4.	(+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE LIFE TECHNICAL ACCOUNT (voce II. 12)			93	0
5.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES NON-LIFE BUSINESS:				
	a) Investment management charges, including interest	94	5,997,765		
	b) Value adjustments on investments	95	11,109,914		
	c) Losses on the disposal of investments	96	267,003,119	97	284,110,797
6.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE BUSINESS TECHNICAL ACCOUNT (Item I.2)			98	38,850,744
7.	OTHER INCOME			99	82,278,648
8.	OTHER CHARGES			100	46,078,193
9.	INCOME FROM ORDINARY OPERATIONS			101	231,384,739
10.	EXTRAORDINARY INCOME			102	1,301,366
11.	EXTRAORDINARY CHARGES			103	944,849
12.	EXTRAORDINARY PROFIT OR LOSS			104	356,517
13.	PROFIT BEFORE TAXES			105	231,741,256
14.	INCOME TAXES			106	45,654,153
15.	NET PROFIT (LOSS) FOR THE YEAR			107	186,087,104

Previous year

		203	0
204	2,917,308		
205	151,301,208		
206	523,696,903	207	677,915,419
		208	0
		209	57,440,584
		210	185,161,880
		211	358,697,997
		212	2,502,212
		213	1,096,095
		214	1,406,117
		215	360,104,115
		216	85,237,982
		217	274,866,133

I, the undersigned, declare that these financial statements comply with the truth and accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO
Roberta BATTISTIN
Giuliano SEGRE

Space reserved for the stamp pf the registry office
to be applied at the time of filling the accounts.

(*) For foreign companies, the document must be signed by the general representative for Italy.
(**) Indicate the position of the person who signs.

Notes to the financial statements

Foreword

These financial statements, comprising a balance sheet, a profit and loss account, a cash flow statement and the notes thereto and related annexes, and accompanied by the directors' report have been prepared in accordance with article 6(22) of Italian Legislative Decree 269/2003 (“Transformation of SACE into a joint stock company”) in accordance with the provisions of Legislative Decree 209 of 7 September 2005 and Legislative Decree 173 of 26 May 1997, to the extent of the provisions governing the annual and consolidated accounts of insurance companies. The provisions of ISVAP Regulation No. 22 issued on 4 April 2008 and IVASS Ruling No. 53 of 6 December 2016 have only been adopted insofar as applicable to SACE. These financial statements have been audited by PricewaterhouseCoopers pursuant to articles 14 and 16 of Legislative Decree 39 of 27 January 2010, as per the resolution of the Shareholders' Meeting of 23 April 2015 whereby this firm was appointed for the period 2015-2023.

These notes describe, analyse and, in some cases, supplement the financial statements figures and provide the information required by art. 2427 of the Italian Civil Code and are in line with the regulatory amendments introduced by Legislative Decree 139/15 and with the reporting standards issued by the OIC (the Italian Accounting Standard Setter). They include:

Part A - Valuation criteria
Part B - Information on the balance sheet and profit and loss account
Part C - Other information

The amounts in the financial statements are in euros. Those in these notes are stated in thousands of euros.
Furthermore, pursuant to Legislative Decree 38 of 28 February 2005, the consolidated financial statements have been prepared in accordance with international financial reporting standards (IAS/IFRS) and ISVAP Regulation No. 7/2007 insofar as applicable to SACE.

Part A - Valuation criteria and basis of presentation

The financial statements have been prepared in accordance with statutory requirements and specific criteria applicable to the insurance sector, interpreted on the basis of Italian reporting standards. These reporting standards and valuation criteria are also based on the general principles of prudence, the accruals-basis of accounting and going concern in order to give a true and fair view of the financial position, performance and cash flows of SACE S.p.A..

Section 1 - Valuation criteria

The valuation criteria adopted in preparing the financial statements are set out below. They reflect the regulatory amendments introduced by Legislative Decree 139/2015 and the reporting standards issued by the OIC in December 2016 as well as that set out by IVASS (the Institute for insurance supervision).

Intangible assets

They are stated at purchase cost increased by any additional charges. Impairment losses are tested on an annual basis taking into account conditions of use. Intangible assets are amortised over their estimated useful life. Amortisation, charged from the moment the assets become available for use, is stated as a decrease in the original value of the asset.

Land and buildings

Buildings are recognised at purchase cost increased by accessory charges, incremental costs and revaluations made in accordance with specific laws and decreased, where applicable, by impairment losses based on independent appraisals. Land and buildings are considered long-term assets as they are a permanent part of the assets of the company. The carrying amount of buildings is separated from that of the land on which they insist in accordance with OIC 16. The land on which the premises held for use in the business insist is not depreciated, since its life is indefinite. The carrying amount of the building is depreciated at a rate of 3%, considered representative of the useful life of the asset.

Equity investments

They are initially recognised at cost, increased by additional charges. As they are intended to be held for the longer term, they are considered financial fixed assets. Investments in subsidiaries and associates are subsequently measured using the equity method in accordance with article 2426.4 of the Italian Civil Code, with the corresponding portion of shareholders' equity calculated based on the companies' most recently approved financial statements.

Investments

SACE's investments are divided into two categories: "held to maturity" and "trading". Securities held to maturity are recognised at purchase cost, adjusted by the year's portion of the positive or negative trading differences and, where applicable, written down in the case of impairment. Interest and coupons matured on securities in the portfolio are recognised on an accruals basis and posted to accrued income. Trading securities are recognised at the lower of weighted average cost and realisable value at market prices. The original carrying amount is restored, entirely or in part, when the reasons for the write-downs no longer apply. Any transfers of securities from one category to the other are effected on the basis of the value of the security on that date, defined according to the criteria for the category of origin. Following transfer, the securities are recognised according to the criteria of the new category.

Receivables

They are recognised at their expected realisable value taking into account probable future losses for non-collection. Losses on receivables are recognised where supported by objective documentary evidence. Compensatory and arrears interest on receivables is recorded for the amount matured for each year. Any exceptions to the valuation criteria in the case of exceptional events, are explained in detail in the notes in accordance with article 2423-bis (2) of the Italian Civil Code.

Receivables for premiums for the year

Premiums receivable for the year are stated according to the date of maturity as specified in the policy, i.e. the date of signing of the contract and, where applicable, the starting date of the risk. If there is a likelihood of future losses due to non-collection, premiums receivable is written down to their estimated realisable value.

Reinsurers’ share of technical provisions

These are determined according to contractual reinsurance agreements, on the basis of the gross amounts of technical provisions.

Tangible fixed assets and inventory

They are recognised at purchase cost, increased by any directly attributable additional charges; they are written down in the case of impairment loss; depreciation is calculated over their estimated useful life. Depreciation is charged from the time the assets become available for use.

Technical provisions

Technical provisions are determined pursuant to art. 31 of Legislative Decree 173/97 and in accordance with the general principle that technical provisions must at all times be sufficient to cover any reasonably foreseeable liabilities arising out of insurance contracts. The amount of the provision for risks assumed in reinsurance is calculated on the basis of information provided by the ceding insurer. Technical provisions ceded to reinsurers are calculated by applying the reinsurance rates provided for under the relative reinsurance contracts to the gross amounts of technical provisions for direct business.

a) Provision for unearned premiums

The provision for premium instalments is determined according to the *pro-rata temporis* method, applied analytically to each policy on the basis of gross premiums. The provision for unearned premiums has also been aligned with the expected rate of claims not covered by the provision for premium instalments referring to insurance contracts signed by the reporting date (provision for unexpired risks). Overall, the provision for unearned premiums is deemed adequate to cover risks that may arise after the end of the year.

b) Provision for outstanding claims

The provision for outstanding claims is determined according to a prudent estimate of loss on the basis of an objective analysis of each claim. The amount of the provision is calculated on an ultimate cost basis. The calculation also takes into account all the costs, including settlement costs, that are expected to be incurred in order to avoid or limit the damage caused by the claim. In particular, for credit business, this includes the related salvage costs. For the credit and surety business, amounts that are certain to be collected, on the basis of objective factors supported by documentary evidence, are deducted from the provision. Furthermore, for credit business, the provision is always formed (regardless of any valuation) on the date of notification of claim by the policyholder and, in any case, on occurrence of any facts/actions according to which such events can be reasonably foreseen. As regards positions that are the subject of litigation, the characteristics of each single dispute and the state of inquiries are taken into consideration. In evaluating disputes and estimating amounts to be set aside, the interest and legal costs that SACE may have to pay are also taken into account. The reinsurers' share of the provision for outstanding claims is determined by adopting the same criteria used for direct insurance and the treaties in force at the time. The inward reinsurance provision for outstanding claims, posted on the basis of the exchange of information with the ceding insurers, is currently deemed to be adequate.

c) Equalisation provision

The equalisation provision includes amounts set aside, in accordance with the provisions of law, to offset fluctuations in the rate of claims in future years or to cover specific risks. The provision is set aside in years in which the balance on the technical account is positive and is used in years in which the technical result of credit business is negative.

Provision for pension funds and similar liabilities

The provision represents the entire liability accrued in respect of each employee's retirement pension.

Provisions for risks and charges

Provisions for risks and charges are intended to cover losses or liabilities, the existence of which is certain or probable but the amount and/or date of occurrence of which could not be determined at the end of the year. The provisions reflect the best possible estimate on the basis of available information.

Provision for taxes

The provision consists of sums set aside to cover any deferment of taxes.
Since SACE S.p.A. is included in the tax consolidation regime of Cassa Depositi e Prestiti S.p.A., current tax receivables and payables have been recognised as amounts due from/to the parent.

Provision for severance indemnities

The provision, net of advances paid, covers the company's liability towards its employees accrued at the end of the year. It is calculated for each individual employee on the basis of current legislation and employment contracts.
As a consequence of the reform of supplementary pension schemes, Law No. 296 of 27 December 2006:

- portions of severance pay accrued until 31 December 2006 continue to be held by the company;
- portions of severance pay payable as from 1 January 2007 must, at the employee's choice (expressed on the basis of explicit or tacit approval procedures) be either:
  - paid into supplementary pension schemes;
  - held by the company, which must transfer the portions of severance indemnities to the INPS Treasury Fund.

Accounts payable

These items are recognised at face value.

Prepayments and accrued income, accrued expenses and deferred income

They are recognised to reflect timing differences in the respective expense and revenue items.

Off-balance-sheet transactions and derivatives

Transactions on derivatives, entered into for hedging and efficient management purposes, are recognised by taking gains and losses to profit or loss. The contract value is determined by referring to the respective market data and to the values and commitments connected to them.
Derivative transactions carried out for micro fair value hedging purposes are measured considering the fair value changes of the hedged instrument related to the hedged risk component.

Gross premiums written

Gross premiums written are recognised by date of maturity. They are measured net only of technical cancellations.

Personnel costs and general administrative expenses

As applicable legislation requires that these costs be classified according to both "type" and "destination":
1. personnel costs are allocated according to an analytical calculation based on the percentage weight of the costs for each resource within the specific structure;
2. general administrative expenses incurred for a specific reason are attributed directly;
3. other general expenses that are not specifically attributable are allocated on the basis of the percentages calculated using the method used to distribute personnel costs.

Items in foreign currency

Accounts payable and receivable are measured at the spot closing rate, while costs and revenues in foreign currency are recognised at the exchange rate prevailing at the time of the transaction. Exchange rate differences arising from such adjustments are posted to other income and other charges. Valuation gains and losses are recognised in profit and loss. With the approval of the financial statements and allocation of the profit for the year, and once the legal reserve has been set aside, the positive net balance (net profit) is posted to a specific equity reserve. This amount cannot be distributed until the asset or liability that generated it has been realised.

Criteria for determining the allocated investment return transferred from the non-technical account

The allocated investment return transferred from the non-technical account is determined according to the provisions of art. 55 of Legislative Decree 173/97 and ISVAP regulation No. 22/2008, applying the ratio between the half-sum of technical provisions and the half-sum of technical provisions + opening and closing shareholders' equity to the net income on investments.

Extraordinary income and charges

This item includes only the results of events that have far-reaching effects on corporate structure, disposals of long-term investments and non-operating income and expenses.

Income tax

The liability for income taxes is determined as the best estimate of the taxable income, calculated in accordance with the requirements of current legislation. Reference accounting principles on deferred and prepaid taxes have also been taken into account. Therefore, prepaid taxes and tax relief on losses carried forward are recognised when there is reasonable certainty of future recovery, and deferred tax liabilities are not recorded if there is little likelihood of the related charge occurring.

Exchange rates

The main currencies were translated into euros using the following exchange rates:

	12/31/2018	12/31/2017	12/31/2016
US dollar	1.1450	1.1993	1.0541
GB pound	0.89453	0.88723	0.85618
Swiss franc	1.1269	1.1702	1.0739

Functional currency

All amounts in the accounts are expressed in euro. All amounts in the notes are expressed in thousands of euro.

Part B - Information on the balance sheet and the profit and loss account

BALANCE SHEET

(in € thousands)	12/31/2018	12/31/2017
Intangible assets	1,880	616
Investments	5,646,098	2,722,618
Reinsurers' share of technical provisions	1,076,303	717,434
Receivables	731,709	724,912
Other assets	3,048,641	4,928,392
Prepayments and accrued income	28,273	23,411
Balance Sheet - Assets	**10,532,904**	**9,117,383**
Shareholders' equity:		
- Share capital	3,730,324	3,730,324
- Share premium reserve	43,305	43,305
- Revaluation reserves		
- Legal reserve	264,719	250,975
- Other reserves	401,274	283,493
- Retained earnings	88,766	88,766
- Profit for the year	186,087	274,866
Subordinated liabilities	500,000	500,000
Technical provisions	3,950,098	3,461,915
Provisions for risks and charges	100,854	133,296
Creditors and other liabilities	1,249,800	333,226
Accrued expenses and deferred income	17,679	17,217
Balance sheet - Liabilities	**10,532,904**	**9,117,383**

PROFIT & LOSS ACCOUNT

(in € thousands)	12/31/2018	12/31/2017
Non-life business technical account		
Gross premiums	*727,754*	*804,398*
Change in the provision for unearned premiums and outward reinsurance premiums	*(370,550)*	*(258,644)*
Net premium income	357,204	545,754
Change in other technical provisions	(5,225)	(5,225)
Allocated investment return transferred from the non-technical account	38,851	
Change in the equalisation reserve	(57,758)	(42,655)
Other technical income and charges	(5,756)	(693)
Claims incurred, net of recoveries	(146,424)	86,301
Premium refunds and profit sharing	(14,895)	(18,309)
Operating expenses	(42,634)	(61,521)
Balance on the non-life business technical account	**123,363**	**503,652**
Non-technical account		
Non-life investment income	394,783	660,682
Investment management and financial charges for non-life business	(284,111)	(677,915)
Allocated investment return transferred to the non-life technical account	(38,851)	
Other income	82,279	57,441
Other expense	(46,078)	(185,162)
Balance on the non-technical account	**108,022**	**(144,954)**
Income from extraordinary operations	**357**	**1,406**
Income tax	(45,654)	(85,238)
Profit for the year	**186,087**	**274,866**

Balance Sheet - Assets

Section 1 - Item B - Intangible assets (Annex 4)

1.1 – Changes in the year

Details of changes in intangible assets are shown in annex 4.

1.4 – Breakdown of other long-term costs (Item B.5)

The breakdown is as follows:

Table 1 *(in € thousands)*

Description	31 December 2018	31 December 2017
Property rights	541	383
Brands and licences	53	54
Software	1,286	179
Total other long-term costs (Item B.5)	**1,880**	**616**

Software costs (Euro 1,286 thousand) mainly refer to costs for implementing and developing IT systems. During the year, costs relating to intellectual property rights were capitalised for Euro 423 thousand. They mainly related to software licences.

Section 2 - Item C - Investments (Annexes 4, 5, 6, 7, 8, 9, 10)

2.1 - Land and buildings - Item C.I

This item (Euro 61,510 thousand) represents:

a. the carrying amount of the building owned by the company (Euro 11,710 thousand), located in Piazza Poli 37/42, Rome, used in part for business purposes and in part leased to the subsidiaries;
b. the carrying amount of the land on which the building insists (Euro 49,800 thousand).

2.1.1 – Changes during the year in land and buildings are shown in Annex 4.

2.2 - Investments in group companies and other companies in which significant interest is held - Item C.II

Total investments recognised under this item amount to Euro 516,300 thousand at 31 December 2018.

2.2.1 Shares and interests (Item C.II.1)
The item includes:

- the investment in the subsidiary SACE BT S.p.A., set up on 27 May 2004, whose share capital of Euro 56,539 thousand, is fully subscribed by SACE S.p.A.;
- the investment in SACE Fct S.p.A., set up on 24 March 2009, whose share capital of Euro 50,000 thousand, is fully subscribed by SACE S.p.A.;
- the investment in SACE Do Brasil, set up on 14 May 2012 with a 99.96% investment, amounting to Euro 204 thousand;
- the investment in ATI (African Trade Insurance Agency) comprised of 100 shares worth USD 10,720 thousand;
- the investment in Simest S.p.A. (76.005%), amounting to Euro 249,079 thousand;

Investments are measured using the equity method. The application of this criterion resulted in a total write-up of Euro 3,107 thousand, recognised under "Income from investments", related to SACE Fct (Euro 499 thousand) SACE BT (Euro 1,317 thousand), SIMEST (Euro 941 thousand), ATI (Euro 351 thousand) and a total impairment loss of Euro 416 thousand, recognised under "Financial income and charges", related to SACE do Brasil.
Further details are provided in Annexes 6 and 7

2.2.1.a) The changes in shares and interests are shown in Annex 5.

2.2.1.b) Information on investees is shown in Annex 6.

2.2.1.c) The breakdown of changes is shown Annex 7.

2.2.2 Debt securities issued by group companies (Item C.II.2).
This item refers to debt securities issued by the parent Cassa Depositi e Prestiti S.p.A. for Euro 83,459 thousand.
Changes in this item are shown in Annex 5.

2.2.3 Loans to group companies (Item C.II.3).
Changes in this item are shown in Annex 5.

2.3 - Other financial investments - Item C.III

2.3.1 – Breakdown of financial investments according to use.
The breakdown of investments according to whether they are long-term or short-term, their carrying amount and current value are shown in Annex 8. There were no transfers from one category to another during the year. Investments and assignment of these to the related class according to use comply with the financial management guidelines approved by the Board of Directors.

Table 2 *(in € thousands)*

List of government bonds and securities with issuer	31 December 2018	31 December 2017
Government bonds issued by Austria	40,907	38,240
Government bonds issued by Greece	12,499	11,595
Government bonds issued by Ireland	0	99,957
Government bonds issued by Italy	2,611,889	1,285,736
Other listed securities	1,876,283	50,219
Total	**4,541,578**	**1,485,747**

"Other listed securities" mainly refer to bonds issued by bank and supranational issuers.
Securities are deposited with banks. Details on the fair value measurement of securities are shown in Annex 9.

With reference to “Debt securities and other fixed-income securities under item CIII”, issue and trading differences taken to profit or loss amount to:

Table 3 *(in € thousands)*

Description	Positive	Negative
Issue differences	513	71
Trading differences	5,953	0

2.3.2 – Changes in the year in long-term assets included under the items indicated in point 2.3.1.
See Annex 9.

2.3.3 – Changes in loans – Item C.III.4 and deposits with credit institutions – Item C.III.6.
See Annex 10.

2.3.4 – Breakdown of significant loans secured by mortgages – Item C.III.4.a.
“Loans” include mortgages granted to employees, which amounted to Euro 2,918 thousand at the beginning of the year. Instalments for Euro 486 thousand were collected during the year. The balance for Euro 2,432 thousand refers to the loans granted.

2.3.5 – Breakdown of deposits with credit institutions by duration – Item C.III.6

Table 4 *(in € thousands)*

Duration	31 December 2018	31 December 2017
Within 6 months	327,947	16,676
Total	**327,947**	**16,676**

2.3.6 – Breakdown of other financial investments according to type – Item C.III.7

Table 5 *(in € thousands)*

Description	31 December 2018	31 December 2017
Notes	2,758	8,665
Other investments	29	29
Other financial investments	**2,787**	**8,694**

2.3.7 – Breakdown of units in UCITs by country – Caption C.III.2

Table 6 *(in € thousands)*

UCITs by country	31 December 2018	31 December 2017
France	69,999	242,784
Italy	123,301	106,643
Luxembourg		87,730
Sweden		8,782
USA		190,682
Total	**193,300**	**636,621**

2.4 - Deposits with ceding companies – Item C.IV

This item reflects the amount of guarantee deposits (Euro 76 thousand) with ceding companies regulated by current treaties. No write-downs were made on such deposits during the year.

Section 4 - Item D bis - Reinsurers' share of technical provisions

This item, equal to Euro 1,076,303, mainly includes amounts allocated to reserves that were recognised following the agreement between SACE S.p.A. and the Ministry of the Economy and Finance on 19 November 2014.

Table 7 *(in € thousands)*

Description	31 December 2018	31 December 2017
Provision for unearned premiums	1,016,238	663,643
Provision for outstanding claims	28,717	17,218
Other technical provisions	31,348	36,573
Total	**1,076,303**	**717,434**

Section 5 - Item E - Receivables

Table 8 *(in € thousands)*

Description	31 December 2018	31 December 2017
Receivables arising out of direct insurance business from policyholders (Item E.1)	38,862	55,535
Policyholders and third parties for recoveries	394,997	388,085
Debtors arising out of reinsurance operations (Item E.II)	26,555	16,860
Other debtors (item E.III)	271,295	264,432
Total	**731,709**	**724,912**

The breakdown of this item is as follows:

5.1 – Receivables arising out of direct insurance operations – policyholders (item E.I).

This item comprises premiums to be collected on policies issued at the reporting date (Euro 38,862 thousand). No losses were recognised in the year on amounts receivable in connection with insurance operations for premiums.

"Policyholders and third parties for recoveries" item (Euro 394,997 thousand) mainly consist of subrogation credits measured and recognised at their estimated realisable value, determined separately for each type of credit and counterparty. It relates to subrogation credits for sovereign risk (Euro 194,812 thousand) and subrogation credits for commercial risk (Euro 200,185 thousand).

The change in receivables at 31 December 2018 compared to the previous year is primarily due to recoveries of claims for Euro 77,753 thousand. Closing rate adjustments for receivables in currencies other than the euro were positive for Euro 7,542 thousand.
With reference to the OPTIMUM transaction, the following should be noted:

- in 2005, securitisation of the OPTIMUM debt was terminated in advance: SACE re-acquired, against payment, the amounts originally transferred to the SPV in excess of the latter's financial requirements;
- given the homogenous nature of such receivables compared with other receivables already recognised by SACE in its 2005 financial statements, in accordance with art. 2423(4) of the Italian Civil Code, the company decided to depart from the valuation criterion envisaged under article 2426(1) point 9) of the Italian Civil Code. This resulted in the revaluation of the carrying amount of the specific receivables acquired for Euro 104,235 thousand. Said revaluation was offset by a specific shareholders' equity reserve the distribution of which is subject to effective recovery of the receivables;
- in 2018, such receivables were recovered for Euro 3,766 thousand, generating gains of Euro 928 thousand considering competely distributable the shareholders equity.

"Receivables arising out of reinsurance business" (Item E.II) amount to Euro 26,555 thousand and mainly include receivables from reinsurers for commissions in connection with outward reinsurance contracts (MEF)(Euro 6,339 thousand). The item also includes Euro 8,834 thousand for amounts due from the MEF for claims and reimbursements on premiums.

5.2 – Breakdown of "Other debtors" (Item E.III)

Table 9 *(in € thousands)*

Description	**31 December 2018**	**31 December 2017**
Other debtors country	25,542	28,303
Compensatory interest on claims to be recovered	109,319	135,326
Receivables from tax authorities	19,841	1,041
Deferred tax assets	98,869	94,133
Sundry receivables	17,724	5,629
Other debtors (item EIII)	**271,295**	**264,432**

"Other debtors country" (Euro 25,542 thousand) comprise receivables from policyholders in relation to their exposure. The aforesaid receivables are similar, as far as their related terms and conditions of repayment are concerned, to the receivables payable by foreign countries due directly to SACE. "Compensatory interest on claims to be recovered" (Euro 109,319 thousand) represents the total amount payable at the reporting date by foreign countries by way of interest under existing restructuring agreements.

"Receivables from tax authorities" include tax credits for which reimbursement has been claimed, increased by the interest accrued at 31 December 2018. The increase with respect to the previous year is due to the IRAP (regional tax on production activities) receivable for the year for Euro 18,812 thousand, generated by the advances made in 2018 (Euro 27,302), net of the charge recognised in profit or loss (Euro 8,499 thousand).

Deferred tax assets (Euro 98,869 thousand), details of which can be found in table No. 31, refer to profit and loss account items that contribute to the calculation of the taxable income for years other than that in which they are recognised. This item is stated net of the transfer of the deferred tax assets recognised in previous tax years to profit and loss in 2018 due to achievement of a taxable income for IRES and IRAP purposes. The breakdown is shown in section 21.7 of these notes.

Debtors country – breakdown by foreign currency

Table 10 *(in thousands)*

Currency	31 December 2018	31 December 2017
USD	278,435	353,996
EUR	283,083	253,067
CHF	4,050	4,725
Other currencies	6	7

Section 6 - Item F - Other assets

6.1 – Changes in long-term assets included in category F.I.

Table 11 *(in € thousands)*

Description	2017	Increase	Decrease	2018
Furniture and machinery	1,351	647	485	1,513
Works of art	53			53
Plant and equipment	4	2	2	4
Inventory	11		1	10
Total	**1,419**	**649**	**488**	**1,580**

Cash and cash equivalents

Deposits with credit institutions amount to Euro 3,013,924 thousand, of which Euro 3,379 thousand is in foreign currency. At 31 December 2018, cash on hand amounts to Euro 5 thousand.

6.4 – Sundry assets. This item may be analysed as follows:

Table 12 *(in € thousands)*

Description	31 December 2018	31 December 2017
Capital gains on foreign exchange forward transactions	475	341
Gains on derivatives	377	
Receivables from CDP for tax consolidation	32,151	
Other assets	20	
Total	**33,023**	**341**

Section 7 - Prepayments and accrued income - Item G

Table 13 *(in € thousands)*

Description	31 December 2018	31 December 2017
Accrued income for interest on government securities and bonds	25,710	22,358
Accrued income for interest on other financial investments	1,604	77
Total accrued income for interest	**27,314**	**22,435**
Other prepayments	958	975
Total prepayments	**958**	**975**

Interest on other financial investments (Euro 1,604 thousand) reflects interest on time deposit transactions and interest on interest on repo transactions. Other prepayments amount to Euro 958 thousand and relate to portions of general expenses to be allocated to subsequent years.

7.3 – Indication of long-term prepayments and accrued income and separate indication of those with a duration of more than five years.
Long-term prepayments include Euro 64 thousand related to costs for services.

Balance Sheet - Liabilities and Shareholders' Equity

Section 8 - Shareholders' equity - Item A

Details of changes in these items are shown in the table below:

Table 14 *(in € thousands)*

Description	Share capital	Retained earnings	Legal reserve	Other reserves	Share premium reserve	Net profit for the year	Total
Balances at 1 January 2017	**3,730,324**		**235,799**	**233,906**	**43,305**	**303,528**	**4,546,862**
Allocation of 2016 net profit:							
- Distribution of dividends						(150,000)	(150,000)
- Other allocations		88,766	15,176	49,586		(153,528)	
Increase in share capital							
Other changes							
Profit for 2017						274,866	274,866
Balances at 31.12.2017	**3,730,324**	**88,766**	**250,975**	**283,492**	**43,305**	**274,866**	**4,671,728**
Allocation of 2017 net profit:							
- Distribution of dividends						(150,000)	(150,000)
- Other allocations			13,743	111,123		(124,866)	
Increase in share capital							
Other changes				6,658			6,658
Profit for 2018						186,087	186,087
Balances at 31.12.2018	**3,730,324**	**88,766**	**264,718**	**401,273**	**43,305**	**186,087**	**4,714,473**

The following table shows the individual items on the basis of their availability and possibility of distribution, in accordance with article 2427, point 7-*bis* of the Italian Civil Code.

Table 15 *(amounts in €)*

Description	Amount	Possibility of utilisation	Available portion	Summary of utilisation in the previous 3 years
Capital at 12.31.2018	**3,730,323,610**			
Equity-related reserves:				
Revaluation reserves		A, B,C		
Share premium reserve	43,304,602	A,B,C when the legal reserve reaches 1/5 of share capital		
Income-related reserves:				
Legal reserve	264,718,736	B		
Other reserves	108,980,680	A, B	108,980,680	
Other reserves	292,293,118	A, B,C	292,293,118	
Retained earnings	88,765,626	A, B, C	88,765,626	
Total			**490,039,423**	
not distributable[1]			108,980,680	
distributable			381,058,743	

Legend: A: for capital increase; B: to cover losses; C: for distribution to shareholders

[1] the non-distributable portion includes Euro 28,396 thousand related to the residual portion of the reserve for exchange rate gains, Euro 2,191 thousand related to the portion of the reserve for the revaluation of receivables and Euro 78,394 thousand for the revaluation of investments resulting from the application of the equity method.

Share capital consists of 1,053,428 shares for a total nominal amount of Euro 3,730,323,610 held by Cassa Depositi e Prestiti S.p.A.. The nominal amount of each share is Euro 3,541.13.

Section 9 - Subordinated liabilities

On 30 January 2015 SACE successfully placed an issue of perpetual subordinated bonds for a total of Euro 500 million. The bonds, aimed at institutional investors, will pay an annual coupon of 3,875% for the first ten years and indexed to the ten-year swap rate plus 318.6 basis points for subsequent years. The bonds can be recalled by the issuer after 10 years and following each coupon payment date. They are listed on the Luxembourg Stock Exchange.

Section 10 - Technical provisions - Item C.I. (Annex 13)

10.1 - Changes in the non-life unearned premiums provision - Item C.I.1 - and claims outstanding provision - Item C.I.2 of non-life business (Annex 13)

Table 16 *(in € thousands)*

Description	31 December 2018	31 December 2017
Provision for unearned premiums		
Provision for premium instalments	2,426,320	2,113,155
Provision for unexpired risks	490,000	450,000
Total	**2,916,320**	**2,563,155**
Provision for claims outstanding		
Provision for claims paid and direct expenses	353,727	276,392
Provision for settlement costs	5,997	4,659
Provision for late claims	12,886	14,298
Total	**372,610**	**295,349**

The provision for unearned premiums and the provision for claims outstanding refer to exposure in foreign currency for Euro 935,005 thousand and Euro 95,016 thousand. The provision for unearned premiums increased as a result of the positive trend in premiums for the year. The provision for claims outstanding rose due to the greater claims for the year. It is deemed adequate to cover the potential cost of fully or partially unpaid claims at the end of the year.

The balances for direct business and inward reinsurance are shown in the table below:

Table 17 *(in € thousands)*

Description	DB 12/31/2018	IB 12/31/2018	DB 12/31/2017	IB 12/31/2017
Provision for unearned premiums				
Provision for premium instalments	2,307,500	118,820	2,007,785	105,370
Provision for unexpired risks	490,000		450,000	
Total	**2,797,500**	**118,820**	**2,457,785**	**105,370**
Provision for claims outstanding				
Provision for claims paid and direct expenses	322,427	31,300	275,567	825
Provision for settlement costs	5,997		4,659	
Provision for late claims	12,886		14,298	
Total	**341,310**	**31,300**	**294,524**	**825**

The provision for unexpired risks, calculated using the CreditMetrics method (which calculates the expected loss of the entire portfolio until it is run off), relates to business trends and covers the portion of risk that falls in periods after the end of the year. As established by ISVAP Regulation No. 16, SACE opted to calculate the provision empirically rather than analytically. In detail, starting from the estimated expected loss of the entire portfolio, the main components taken into consideration in order to determine the provision for unexpired risks include:
- observed and expected trends in the portfolio of outstanding guarantees with specific focus on the risk profile, concentration by counterparty and industrial sector;
- the total exposure in foreign currency and observed and expected trends in exchange rates;
- the duration of the portfolio run-off and observed trends.

The assets guarantee coverage of the technical provisions at the reporting date.
The provision for outstanding claims includes the total of the sums which, according to a prudent evaluation based on objective elements, are necessary to settle claims (i) incurred in the year or in previous years regardless of when they were reported, and not yet settled (ii) the related settlement expenses, regardless of their origin and (iii) the provision for claims incurred but not yet reported on the valuation date. As envisaged by Regulation No. 16 for the credit business, SACE opted to deduct the estimate of amounts to be recovered from the amounts taken to reserves, based on previous trends in post-settlement recoveries.
The provision for claims incurred but not reported includes the total of the sums which, according to a prudent estimate, are necessary to settle claims incurred in the current year or in previous years, but which had not been reported at the valuation date and the related settlement expenses. To obtain an estimate of the IBNR claims provision, the number of IBNR claims (according to past records of claims reported late for each quarter) and the average cost of such claims (based on the average cost of claims reported late and the average cost of claims reported during the year) were estimated separately. In line with the method used to calculate the provision for claims reported, an average portfolio RR and an average portfolio underwriting rate were applied to the IBNR claims provision thus obtained as the product of the number of IBNR claims and the average cost. No particularly large or exceptional late claims were reported, taking into account the type of risks in this business line.

10.3 - Equalisation provision

The equalisation provision, of Euro 661,168 thousand, increased with respect to the previous year (Euro 57,758 thousand) owing to the positive balance on the technical account. The provision is calculated in accordance with the provisions of art. 37 of Legislative Decree 209/2005 (and art. 80 of Legislative Decree 173/1997).

Section 12 - Provisions for risks and charges - Item E

Changes in this item are shown in Annex 15.
Provisions for risks and charges amount to Euro 100,854 thousand. These comprise deferred tax liabilities (Euro 28,651 thousand) and other provisions (Euro 72,203 thousand), the main components of which are listed below:
- Euro 2,837 thousand related to ongoing disputes at the reporting date;
- Euro 22,100 thousand for agreements currently being defined with policyholders;
- Euro 97 thousand accrued for amounts to be assigned to policyholders by way of shares due;
- Euro 8,420 thousand for estimated potential liabilities with policyholders, due to the non-maturity of said amounts;
- Euro 31,348 thousand for the potential charges pursuant to the agreement with the MEF related to the amount calculated as 10% of the 2014 equalisation reserve of SACE S.p.A. (art. 8.1.a).

Section 13 - Creditors and other liabilities - Item G

Accounts payable arising out of direct insurance business (Item G.I.).

Table 18 *(in € thousands)*

Description	31 December 2018	31 December 2017
Advances for premiums	141	280
Accounts payable to policyholders for premium refunds	11	11
Front-end expenses	216	299
Other payables arising out of direct insurance business	31,233	28,836
Accounts payable to policyholders - item G.I.3.	**31,601**	**29,426**

The other payables arising out of direct insurance business item, for Euro 31,233 thousand, mainly includes amounts due to policyholders for deductibles on amounts recovered. The change compared to the previous year reflects recoveries of amounts due to policyholders recognised in 2018 and adjustments to exposure in currencies other than the euro.

Table 19 *(in € thousands)*

Description	31 December 2018	31 December 2017
Accounts payable arising out of inward reinsurance business	27	0
Accounts payable arising out of outward reinsurance	64,407	110,860
Accounts payable arising out of reinsurance business - Item G.II.1.	**64,434**	**110,860**

Accounts payable arising out of outward reinsurance, for Euro 64,407 thousand, mainly consist of amounts payable for premiums ceded to reinsurers for Euro 62,835 thousand, principally related to reinsurance business with the Ministry of the Economy and Finance (Euro 54,878 thousand).

13.5 - Provision for severance pay (Item G.VII)

Changes in this item, shown in Annex 15, include the accrual for the year, net of payments to the pension funds pursuant to the reform of supplementary pension schemes.

Other accounts payable - Item G.VIII

Table 20 *(in € thousands)*

Description	31 December 2018	31 December 2017
Other tax liabilities	1,668	8,309
Social security	1,557	1,461
Sundry creditors	34,707	104,294
Total	**37,932**	**114,064**

The change in this item compared to the previous year is mainly due to the lower IRAP for the year and the lower tax consolidation charges payable to the parent Cassa Depositi e Prestiti S.p.A. following the advances made in 2018.

13.6 - Breakdown of sundry creditors - Item G.VIII.4

Sundry creditors (for a total of Euro 34,707 thousand) mainly comprise amounts due to suppliers (Euro 14,123 thousand) against general administrative costs for the year, personnel costs (Euro 10,191 thousand) and premiums payable on options purchased (Euro 9,710 thousand).

13.7 - Deferred reinsurance items - Item G.IX.1

The information received from the ceding companies on provisional technical income for 2018 was carried forward to the technical account for the following year as deferred reinsurance items. Pursuant to art. 42 of Legislative Decree 173/97, the recognised claims for outstanding provisions includes Euro 69 thousand related to agreements with reinsured companies.

13.8 - Sundry liabilities - Item G.IX.3

This item, totalling Euro 31,952 thousand, comprises, inter alia, fair value losses on contracts used to hedge foreign currency assets (Euro 3,394 thousand) and recoveries with transfer agreements signed in 2019 (Euro 28,504 thousand).

Section 14 - Accrued expenses and deferred income - Item H

Table 21 *(in € thousands)*

Description	31 December 2018	31 December 2017
Accrued interest expense	17,199	17,199
Other accrued expenses and deferred income	480	18
Total accrued expenses and deferred income	**17,679**	**17,217**

14.1 - Breakdown of other accrued expenses and deferred income by type (Item H.3).

“Accrued interest expense” of Euro 17,199 thousand relates to the subordinated bond issue (see Section 9).

14.3 - Indication of long-term accrued expenses and deferred income and separate indication of those with a duration of more than five years.

There is no deferred income with a duration of more than one year.

Section 15 - Assets and liabilities relating to companies in which a significant interest is held

Details of assets and liabilities relating to group companies are given in annex 16.

Section 16 - Receivables and accounts payable

16.1 – Receivables and accounts payable are due as follows:

Of the receivables under asset items C and E, Euro 1,863,704 thousand is due after one year and Euro 730,040 thousand after five years. The accounts payable under liability items F and G (Euro 41,401 thousand) are due within five years.

Section 17 - Guarantees, commitments and other memorandum accounts - Items I, II, III and IV

Details of the memorandum accounts are shown in Annex 17.

17.1 - Breakdown of commitments

They total Euro 1,797,006 thousand and relate to forward contracts (Euro 1,772,006 thousand) and asset swaps (Euro 25,000 thousand). The contracts traded were entered into with leading credit institutions with high ratings.
Open positions at the reporting date, classified according to purpose, type and expiry date, are as follows:

Table 22 *(in € thousands)*

Contract type	Expiry date	EUR	USD
forward contracts	01/02/19	68,448	-
forward contracts	01/03/19	-	1,799
forward contracts	01/04/19	-	92,000
forward contracts	01/08/19	-	834
forward contracts	01/09/19	-	8,907
forward contracts	01/10/19	-	8,861
forward contracts	01/11/19	379,252	-
forward contracts	01/15/19	-	4,904
forward contracts	01/16/19	-	3,632
forward contracts	01/17/19	-	5,927
forward contracts	01/18/19	261,528	659,992
forward contracts	01/22/19	-	112,605
forward contracts	01/31/19	-	125,071
forward contracts	02/04/19	-	755
forward contracts	02/06/19	-	689
forward contracts	02/12/19	-	8,774
forward contracts	02/14/19	-	757
forward contracts	02/19/19	-	310
forward contracts	02/25/19	-	1,807
forward contracts	02/27/19	-	782
forward contracts	03/05/19	150,225	-
forward contracts	03/11/19	-	1,974
forward contracts	03/13/19	-	757
forward contracts	03/18/19	-	234
forward contracts	04/08/19	-	304
forward contracts	04/10/19	-	477

The effect of exchange rate transactions on foreign currency items that expired in the year produced a positive amount of Euro 34,688 thousand, and that of valuations of foreign currency items and existing derivatives at closing rates resulted in a negative amount of Euro 13,662 thousand.

These components are analysed in detail in section 22 of these notes.

17.1 The breakdown of guarantees given and received and of commitments is shown in Annex 17.

17.4 Breakdown of securities deposited with third parties according to the entity with which they are deposited and indication of those related to group companies.
Securities, including those related to group companies, are deposited with banks, for Euro 4,695,205 thousand and asset management companies, for Euro 123,302 thousand.

17.6 The schedule of commitments for transactions on derivatives is shown in Annex 18.

Profit & Loss Account

Section 18 - Information on the non-life technical account

18.1 - Gross premiums written

Gross premiums written for the year amount to Euro 727,754 thousand.
In accordance with the applicable legislation (art 11(5) of Law 80/2005), 6 resources were engaged in the provision of internationalisation guarantees which generated gross premiums for Euro 3,054 thousand. Premiums ceded at 31 December 2018 amount to Euro 246,438 thousand, of which Euro 217,915 thousand refer to the reinsurance agreement with the MEF.

18.2 - The breakdown of premiums for direct business, inward reinsurance, Italian portfolio and foreign portfolio is shown in Annex 19.

18.3 - Details of the reasons for transferring the allocated investment return from the non-technical account and description of the calculation criteria used - Item I.2

Pursuant to art. 55 of Legislative Decree 173/97 and in view of the positive balance of financial revenue, the amount to be transferred to the technical account is equal to Euro 38,851 thousand.

18.4 - Other technical income net of reinsurance - Item I.3

The item equal to Euro 3,757 thousand mainly concerns the technical income arising from the management of insurance contracts for Euro 2,942 thousand and from front-end expenses for the year for Euro 204 thousand.

18.5 - Claims incurred net of recoveries and reinsurance

Table 23 *(in € thousands)*

Description	DB 12/31/18	IB 12/31/18	Total 12/31/18	DB 12/31/17	IB 12/31/17	Total 12/31/17
Claims paid for the current year	(164,224)	(65)	(164,289)	(262,327)	(119)	(262,446)
Claims paid relating to previous years	(67,070)	(7,121)	(74,191)	(100,931)	(6,497)	(107,428)
Costs of claims management	(4,349)	0	(4,349)	(4,701)	0	(4,701)
Reinsurers' share	18,706	0	18,706	21,534	0	21,534
Change in recoveries	140,464	2,997	143,461	227,363	926	228,289
Change in the provision for claims outstanding	(35,288)	(30,474)	(65,762)	207,352	3,701	211,053
Total net claims incurred	**(111,761)**	**(34,663)**	**(146,424)**	**88,290**	**(1,989)**	**86,301**

The change in recoveries (Euro 143,461 thousand) mainly refers to amounts recovered from foreign countries for Euro 65,088 thousand, principally from Iraq (Euro 16,160 thousand), Iran (Euro 15,909 thousand), Cuba (Euro 10,792 thousand) and Ecuador (Euro 4,351 thousand).
The reinsurers' share amounts to Euro 18,706 thousand, of which Euro 18,006 thousand relates to the reinsurance agreement with the MEF.

18.7 - Premium refunds and profit sharing, net of reinsurance - Item I.6

Premium refunds, reflecting premium refunds net of reinsurance, amount to Euro 14,895 thousand (Euro 18,309 thousand at 31 December 2017).

Operating expenses - Item I.7

Details of this item are given in the table below:

Table 24 *(in € thousands)*

Description	31 December 2018	31 December 2017
Collection and acquisition commissions	2,756	2,884
Other acquisition costs	30,380	25,458
Other administrative expenses	54,153	50,618
Commissions and profit sharing (I.7.F)	(44,655)	(17,439)
Operating expenses	**42,634**	**61,521**

"Other acquisition costs" comprise reinsurance commissions and general expenses made up of personnel costs (Euro 16,028 thousand) and other general administrative expenses (Euro 14,352 thousand). "Other administrative expenses" comprise general expenses made up of personnel costs (Euro 36,270 thousand), other general administrative expenses (Euro 17,408 thousand), depreciation of capital goods (Euro 475 thousand). Personnel costs, a description of the relative items, the average number of employees during the year, the number of directors and statutory auditors and related fees are shown in Annex 32.
"Commissions and profit-sharing" received from reinsurers (Euro 44,655 thousand), mainly comprise commissions in connection with the agreement signed with the MEF (Euro 45,749 thousand).

18.8 - Other technical charges net of reinsurance - Item I.8

This item, equal to Euro 9,514 thousand, mainly relates to technical cancellations of premiums due to termination of insurance contracts.

18.9 - Change in the equalisation provision - Item I.9

The change in the equalisation provision, equal to Euro 57,758 thousand, was determined in accordance with current legislation.

Section 20 - Analysis of technical items by business and result of the non-technical account

A summary of the technical account by business is shown in Annex 25.

Section 21 - Information on the non-technical account (III)

21.1 – Breakdown of investment income for the non-life business – Item III.3 (Annex 21)

A summary of investment income is given in the following table:

Table 25 *(in € thousands)*

Description	2018	2017
Income from shares and interests	1,126	0
Income from investments in land and buildings	595	605
Income from other investments	105,444	73,760
Reversal of impairment losses on investments	6,717	8,204
Gains on the disposal of investments	280,901	578,113
Total	**394,783**	**660,682**

"Income from other investments" (Euro 105,444 thousand) mainly includes interest on government securities and bonds (Euro 95,313 thousand), interest on time deposits (Euro 4,012 thousand), interest on repo transactions (Euro 2,146 thousand), interest on General Electric notes (Euro 346 thousand), interest on time deposits agreed with SACE Fct. (Euro 939 thousand), income from mutual funds (Euro 2,632 thousand) and interest income on mortgages (Euro 55 thousand). "Reversal of impairment losses on investments" (Euro 6,717 thousand) relates to forward currency sales for Euro 852 thousand (see also section 22 of these notes), the investments in SACE Fct, SACE BT, ATI and Simest for Euro 3,107 thousand and notes for Euro 2,758 thousand. "Gains on the disposal of investments "(Euro 280,901 thousand) comprise Euro 172,906 thousand related to forward transactions, Euro 61,156 thousand for gains on the sale of securities and Euro 46,838 thousand related to derivative transactions. The breakdown of each item is shown in Annex 21.

21.2 - Breakdown of investment management and financial charges for the non-life business - Item III.5 (Annex 23)

Investment management and financial charges are summarised in the following table:

Table 26 *(in € thousands)*

Description	2018	2017
Investment management charges and other charges	5,998	2,917
Impairment losses on investments	11,110	151,301
Losses on the disposal of investments	267,003	523,697
Total	**284,111**	**677,915**

"Investment management charges and other charges" mainly comprise investment management fees (Euro 3,448 thousand) and property management charges (Euro 967 thousand). "Impairment losses on investments" (Euro 11,110 thousand) relates to forward contracts (Euro 3,394 thousand), losses on securities, bonds and shares (Euro 6,637 thousand), the impairment loss on the investment in Sace do Brasil (Euro 416 thousand) and depreciation of real estate for Euro 663 thousand. "Losses on the disposal of investments" comprise Euro 168,327 thousand related to losses on forward transactions, Euro 49,442 thousand for losses on securities and Euro 49,234 thousand for derivative transactions. The breakdown of each item is shown in Annex 23.

21.3 - Breakdown of other income - Item III.7

Table 27 *(in € thousands)*

Description	2018	2017
Compensatory interest on premiums	1,459	1,149
Compensatory interest on receivables	23,225	13,704
Interest earned and other income	788	3,269
Interest earned on tax credits	16	16
Gains on other receivables	6,432	5,736
Profits on exchange rates	17,234	2,462
Utilisation of provisions and non-existent liabilities	5,536	7,229
Unrealised exchange gains	22,514	19,521
Revenues from services to subsidiaries	5,075	4,355
Total	**82,279**	**57,441**

"Compensatory interest on receivables" (Euro 23,225 thousand) represents the interest accrued during the year on subrogation credit. "Unrealised exchange gains" (Euro 17,234 thousand) relate to exchange rate gains on foreign currency transactions. "Gains on other receivables" (Euro 6,432 thousand) relate to the amounts acquired due to policyholders (Euro 5,139 thousand), the recovery of former OPTIMUM receivables (Euro 928 thousand) and the collection of compensatory interest (Euro 365 thousand). Unrealised exchange gains (Euro 22,514 thousand) include the result of the measurement of foreign currency items at closing rates (for further details, see section 22 of these notes).

21.4 - Breakdown of other charges - Item III.8

Table 28 *(in € thousands)*

Description	2018	2017
Amortisation and depreciation	401	263
Accruals to risk provisions	7,406	6,597
Realised exchange losses	7,317	98,400
Unrealised exchange losses	11,097	59,801
Write-downs of receivables - compensatory interest	234	343
Write-down of other receivables	120	337
Other interest expense and financial charges	19,503	19,421
Total	**46,078**	**185,162**

"Unrealised exchange losses"(Euro 11,097 thousand) include the result of the measurement of foreign currency items at closing rates (for further details, see section 22 of these notes). "Other interest expense and financial charges" (Euro 19,503 thousand) relate to interest accrued on the bond issue (Euro 19,375 thousand).

Personnel costs are shown in Annex 32.

21.5 – Breakdown of extraordinary income – Item III.10

Table 29 *(in € thousands)*

Description	2018	2017
Sundry non-operating income	1,301	2,502
Total	**1,301**	**2,502**

Sundry non-operating income mainly relates to adjustments on general costs not pertaining to the year (Euro 937 thousand).

21.6 - Breakdown of extraordinary charges - Item III.11

Table 30 *(in € thousands)*

Description	**2018**	**2017**
Losses on disposal of movable assets	11	2
Sundry non-operating expense	934	1,094
Total	**945**	**1,096**

Sundry non-operating expense includes general costs pertaining to previous years (Euro 787 thousand).

21.7 - Breakdown of income taxes and deferred taxes - Item III.14

This item, totalling Euro 45,654 thousand, comprises the following:

a) Euro 8,499 thousand for IRAP for the year;
b) Euro 71,023 thousand for the charge calculated on the taxable income transferred to the parent as per the tax consolidation regime;
c) Euro 4,363 thousand for the recognition of deferred taxes on temporary changes during the year determined as illustrated in the table below. For the current year, deferred IRES for Euro 30,042 thousand was calculated given the reasonable certainty of achieving future taxable income as to enable its recovery;
d) Euro 25,307 thousand corresponding to transfer of deferred IRES and IRAP accrued in previous years to profit or loss;
e) Euro 33,496 thousand corresponding to transfer of deferred IRAP accrued in previous years to profit or loss.

Current taxes were calculated at the current rate of 24% for IRES and 6.82% for IRAP.

Details of changes in deferred tax assets and liabilities are given in the following tables.

Table 31 *(in € thousands)*

IRAP (regional tax on production)	Opening balance		Utilisation 2018		Change for the year		Closing balance	
Temporary differences	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**
Recognised in profit or loss								
Differences giving rise to deferred tax assets								
Depreciation on revaluation of property	1,194	81					1,194	81
Write-down of receivables for premiums	262	18					262	18
Other write-downs					46,838	3,195	46,838	3,195
Change in tax rates								
Total	**1,456**	**99**			**46,838**	**3,195**	**48,294**	**3,294**

IRES (corporate income tax)	Opening balance		Utilisation 2018		Change for the year		Closing balance	
Temporary differences	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**
Recognised in profit or loss								
Differences giving rise to deferred tax assets								
Reserve fund	6,496	1,559	(1,758)	(422)			4,739	1,137
Provision for claims outstanding	169,923	40,782	(21,361)	(5,127)	39,457	9,470	188,019	45,124
Write-down of receivables for premiums	262	63					262	63
Potential liabilities fund	64,401	15,456	(11,595)	(2,783)	7,406	1,777	60,212	14,451
Unrealised exchange rate losses	149,239	35,817	(70,734)	(16,975)	9,231	2,215	87,736	21,058
Depreciation on revaluation of property	1,328	319					1,328	319
Losses on listed shares	160	38			277	66	437	105
Write-downs of receivables for commercial risk					55,495	13,319	55,495	13,319
Total	**391,809**	**94,034**	**(105,448)**	**(25,307)**	**111,866**	**26,848**	**398,227**	**95,575**
Differences giving rise to deferred tax assets								
Unrealised exchange gains	240,767	57,784	(139,567)	(33,496)	18,180	4,363	119,380	28,651
Total	**240,767**	**57,784**	**(139,567)**	**(33,496)**	**18,180**	**4,363**	**119,380**	**28,651**
Differences excluded from the calculation of deferred tax assets								
Subrogation credit write-downs – pol. risk	3,902						786	
Subrogation credit write-downs – com. risk	11,348						7,122	
Write downs of other receivables - technical business	337						120	
Total deferred tax assets arising from temporary differences		**94,133**		**(25,307)**		**30,043**		**98,869**
Total deferred tax liabilities arising from temporary differences		**57,784**		**(40,365)**		**4,676**		**57,784**

Section 22 - Other information on the profit and loss account

Details concerning relations with group companies are shown in Annex 30. Information concerning the distribution of direct business premiums written by geographical region (Italy, EU, non-EU countries) is provided in annex 31.
The breakdown of personnel costs for the Italian and foreign portfolios is shown in Annex 32
The effect of exchange rate transactions on foreign currency positions that expired during the year generated a positive balance of Euro 34,688 thousand, while the effect of measuring the existing contracts and foreign currency entries at closing rates generated a negative balance of Euro 13,662 thousand, as shown in the table below.

Table 32 *(in € thousands)*

Description	**31 December 2018**	**31 December 2017**
REALISED		
Losses on forward contracts and trading	(168,327)	(505,588)
Gains on forward contacts and trading	172,906	424,190
Proceeds from derivatives	46,838	126,117
Charges on derivatives	(49,333)	(18,109)
Net realised gains (A)	**2,085**	**26,610**
Exchange gains	45,002	8,764
Exchange losses	(12,400)	(98,400)
Net exchange gains (losses) (B)	**32,602**	**(89,636)**
Realised gains (losses) (A+B)	**34,688**	**(63,026)**
UNREALISED		
Losses on forward contracts and derivatives	(3,394)	(43,097)
Gains on forward contracts and derivatives	852	340
Net unrealised losses (C)	**(2,542)**	**(42,757)**
Exchange gains – valuation of technical provisions	9,659	113,885
Exchange losses – valuation of technical provisions	(43,492)	(23,981)
Exchange gains – valuation of receivables and payables	18,171	19,484
Exchange losses - valuation of receivables and payables	(9,231)	(56,024)
Exchange gains – valuation of cash and cash equivalents	4,343	37
Exchange losses - valuation of cash and cash equivalents	(1,866)	(3,777)
Exchange gains on the non-current security portfolio	11,295	
Unrealised net gains (losses) (D)	**(11,120)**	**49,624**
Unrealised exchange gains (losses) (C +D)	**(13,662)**	**6,867**

Part C – Other information

1. Assets under Items A.I and A.X of the balance sheet

At 31 December 2018, the shareholders' equity of SACE S.p.A. amounts to Euro 4,714,473 thousand (Euro 4,671,728 thousand in 2017). The items of shareholders' equity at 31 December 2018 are as follows:

- share capital: Euro 3,730,324 thousand;
- share premium reserve: Euro 43,305 thousand;
- legal reserve: Euro 264,719 thousand;
- other reserves: Euro 401,273 thousand;
- retained earnings: Euro 88,765 thousand;
- net profit for the year: Euro 186,087 thousand.

2. Fees of directors with executive powers

The policies governing the fees of the Chairman of the Board of Directors and the Chief Executive Officer are set out below, in accordance with current legal requirements[8].
Having regard to the functions/powers assigned, respectively, to the Chairman of the Board of Directors and Chief Executive Officer under the Articles of Association and by the Meeting of the Board of Directors held on 14 June 2016, at the Meeting held on 23 June 2016, the Board of Directors, taking into account the instructions of the Shareholder, approved the following remuneration components to be paid to the Chairman of the Board of Directors and Chief Executive Officer:

Chairman of the Board of Directors *(amounts in €)*

Fixed component: fee for position held - art. 2389, paragraph 1	40,000
Fixed component: fee for powers assigned - art. 2389, paragraph 3	200,000

The fixed component of the remuneration of the Chairman of the Board of Directors consists of a fee for the position held (pursuant to art. 2389, paragraph 1) and a fee in relation to the powers assigned thereto (pursuant to art. 2389, paragraph 3).

Chief Executive Officer (CEO) *(amounts in €)*

Fixed component: fee for position held - art. 2389, paragraph 1	25,000
Fixed component: fee for powers assigned - art. 2389, paragraph 3	190,000
Long-term variable component (so-called LTIP) (annual tranche)	24,700

The fixed component is related to the strategic position held within the company and consists of: a) a fee for the position held pursuant to art. 2389, paragraph 1(b) and a fee for the powers assigned thereto pursuant to art. 2389, paragraph 3.
Long-term variable component
In view of the powers assigned thereto, the Chief Executive Officer's remuneration includes a three-year component (Retention Bonus - formerly LTIP, Long Term Incentive Plan), that will only be paid upon attainment, in each year of the three-year period, of the fixed qualitative and quantitative business objectives for each year of reference.

[8] Specifically, in accordance with the shareholder's policies, these respect the requirements established by the Directive of the Ministry of the Economy and Finance dated 24 June 2013 (which recommends, among other things, that directors should "adopt remuneration policies in line with international best practices, but which are also consistent with the company's performance and are in any case based on the principles of transparency and moderation, in the light of overall economic conditions in the country, and so as to establish a connection between the overall remuneration of directors with executive powers and the median salary across the company").
In accordance with the aforesaid requirements, the total annual fees of Alessandro Decio, in his capacity as Chief Executive Officer, inclusive of the remuneration for his position as General Manager and of the respective short and long-term variable components, amounts to Euro 799,000.

3. Cash flow statement

(in € thousands)	FY 2018	FY 2017
Profit for the year before tax	**231,741**	**360,104**
Changes in non-cash items	**130,961**	**52,738**
Change in the provision for unearned premiums - non-life business	(5,704)	83,753
Change in the provision for claims outstanding and other technical provisions - non-life business	135,018	(174,010)
Change in the general provision	(1,870)	632
Non-cash income and expense from financial instruments, investment property and equity investments	4,393	143,098
Other changes	(876)	(735)
Change in receivables and payables generated by operations	**836,057**	**315,982**
Change in receivables and payables arising from direct insurance and reinsurance business	66	106,573
Change in other receivables and payables	835,991	209,409
Tax paid	**(45,654)**	**(85,238)**
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,153,105**	**643,586**
Net cash flows generated/used by investment property	663	663
Net cash flows generated/used by investment property	(2,928,548)	1,941,334
Net cash flows generated/used by plant, property and equipment and intangible assets	(549)	557
TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES	**(2,928,434)**	**1,942,554**
Increase +/- Repayment of share capital	-	-
Equity-related reserves	6,659	-
Revaluation of property	-	-
Distribution of dividends	(150,000)	(150,000)
Net cash flows generated/used by other financial liabilities	6,085	-
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	**(137,256)**	**(150,000)**
Effect of exchange differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**4,926,514**	**2,490,374**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	(1,912,585)	2,436,140
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**3,013,929**	**4,926,514**

4. Independent auditors' fees

Pursuant to Legislative Decree 39 of 27 January 2010, the fees due to PricewaterhouseCoopers S.p.A. for the audit of the 2018 financial statements amount to Euro 131 thousand.

5. Name and registered office of the Parent company

SACE S.p.A. is wholly owned by Cassa Depositi e Prestiti S.p.A., which has its registered office at Via Goito 4 in Rome and performs management and coordination activities pursuant to article 2497 of the Italian Civil Code. In compliance with the reporting requirement set out in art. 2497-bis of the Italian Civil Code, the main figures from the most recently approved financial statements of the Parent company are provided below. For an adequate and complete understanding of the financial position of Cassa Depositi e Prestiti at 31 December 2017, and of its financial performance for the year then ended, please refer to the financial statements that, together with the Independent auditors' report, are available in the forms and methods specified by law.

BALANCE SHEET *(in € thousands)*		**31 December 2017**
	Assets	
10.	Cash and cash equivalents	7
20.	Financial assets held for trading	93,568
40.	Available-for-sale financial assets	11,682,664
50.	Held-to-maturity investments	29,236,673
60.	Receivables from banks	38,599,569
	- of which segregated assets	-
70.	Trade receivables	255,280,626
80.	Hedging derivatives	842,596
90.	Impairment losses/reversal of financial assets covered by macro-hedges (+/-)	(41,503)
100.	Equity investments	30,411,138
110.	Property, plant and equipment	305,538
120.	Intangible assets	11,883
130.	Tax assets	630,739
	a) current	331,378
	b) deferred	299,361
	- pursuant to Law no. 214/2011	-
150.	Other assets	211,771
	Total assets	**367,265,268**

BALANCE SHEET *(in € thousands)*		31 December 2017
	Liabilities and shareholders' equity	
10.	Due to banks	16,626,998
20.	Trade payables	306,499,360
30.	Outstanding securities	17,364,495
40.	Financial liabilities held for trading	126,256
50.	Financial liabilities at fair value	501,551
60.	Hedging derivatives	588,083
70.	Impairment losses/reversal of financial liabilities covered by macro-hedges (+/-)	32,400
80.	Tax liabilities	213,993
	a) current	56,735
	b) deferred	157,257
100.	Other liabilities	834,676
110.	Provision for employee severance indemnities	1,019
120.	Provisions for risks and charges	41,364
	b) other provisions	41,364
130.	Fair value reserves	950,929
160.	Reserves	14,908,258
170.	Share premium reserve	2,378,517
180.	Share capital	4,051,143
190.	Treasury shares (-)	(57,220)
200.	Profit for the year(+/-)	2,203,445
	Total liabilities and shareholders' equity	**367,265,268**

PROFIT AND LOSS ACCOUNT *(in € thousands)*		31 December 2017
	Items	
10.	Interest and similar income	7,463,425
20.	Interest and similar expense	(4,498,739)
30.	**Net interest income**	**2,964,686**
40.	Commission income	108,116
50.	Commission expense	(1,579,500)
60.	**Net commissions**	**(1,471,383)**
70.	Dividends and similar income	1,354,721
80.	Net gains/losses of trading activities	(8,825)
90.	Net gains/losses of hedging activities	13,171
100.	Profit (loss) on the sale or repurchase of:	42,657
	a) receivables	20,969
	b) available-for-sale financial assets	21,622
	c) held-to-maturity investments	66
110.	Net gains (losses) on financial assets and liabilities at fair value	(1,530)
120.	**Total income**	**2,893,496**
130.	Net impairment losses/reversals of impairment losses on:	(109,347)
	a) receivables	(5,716)
	b) available-for-sale financial assets	(183,776)
	d) other financial transactions	80,146
140.	**Net financial income (expense)**	**2,784,150**
150.	Administrative expense:	(144,970)
	a) personnel costs	(85,136)
	b) other administrative expense	(59,834)
160.	Net accruals to provisions for risks and charges	83
170.	Net impairment losses/reversals of impairment losses on property, plant and equipment	(4,375)
180.	Net impairment losses/reversals of impairment losses on intangible assets	(2,527)
190.	Other operating income/expense	5,208
200.	**Operating costs**	**(146,581)**
210.	Gains (losses) on equity investments	28,631
240.	Gains (losses) on the sale of investments	(5)
250.	**Gains (losses) on current operations before taxes**	**2,666,195**
260.	Income taxes	(462,750)
270.	Gains (losses) on current operations after taxes	2,203,445
290.	**Profit for the year**	**2,203,445**

6. Proposed allocation of the net profit for the year

The shareholder is invited to approve the financial statements at 31 December 2018 and the allocation of the net profit for the year of Euro 186,087,104 as follows:

Euro 186,087,104	Net profit
Euro 9,304,355	to the "Legal reserve" as required by article 2430 of the Italian Civil Code
Euro 3,107,252	to "Other reserves" with respect to the revaluation of the carrying amount of the investments following application of the equity method (article 2426.1.4 of the Italian Civil Code)
Euro 173,675,497	in accordance with the resolutions to be passed by the sole shareholder Cassa Depositi e Prestiti S.p.A.

Rome, 19 March 2019

on behalf of the board of directors
Chief Executive Officer
Alessandro Maria Decio

I, the undersigned, declare that these financial statements comply with the truth and accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO
Roberta BATTISTIN
Giuliano SEGRE

Space reserved for the stamp pf the registry office
to be applied at the time of filling the accounts.

(*) For foreign companies, the document must be signed by the general representative for Italy.
(**) Indicate the position of the person who signs.

Annexes
to the Notes
PURSUANT TO LEGISLATIVE DECREE NO. 173/97

No.	DESCRIPTIONS
1	Balance sheet - non-life business
3	Breakdown of the operating profit (loss) between non-life and life business
4	Assets - Changes in intangible assets (Item B) and land and buildings (Item C.I)
5	Assets - Changes during the year in investments in group companies and other investees: shares and interests (Item C.II.1), bonds (Item C.II.2) and loans (Item C.II.3)
6	Assets - Information about investees
7	Assets - Breakdown of changes in investments in group companies and other investees: shares and interests
8	Assets - Breakdown of financial investments according to use: shares and interests in companies, units in mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments
9	Assets - Changes during the year in other long-term financial investments: shares and interests, units in mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments
10	Assets - Changes during the year in loans and deposits with credit institutions (Items C.III.4, 6)
13	Liabilities - Changes during the year in components of the reserve for unearned premiums (Item C.I.1) and the reserve for claims outstanding (Item C.I.2) of the non-life business
15	Liabilities - Change in provisions for risks and charges (Item E) and for employee severance indemnities (Item G.VII)
16	Breakdown of assets and liabilities related to group companies and investees
17	Breakdown of classes I, II, III and IV of guarantees, commitments and other memorandum accounts
18	Breakdown of liabilities for derivative transactions
19	Summary information about the non-life technical account
21	Investment income (Items II.2 and III.3)
23	Financial income and charges (Items II.9 and III.5)
25	Non-life - Summary of technical account by line of business - Italian portfolio
26	Summary of technical accounts for all lines of business - Italian portfolio
29	Summary of technical accounts for non-life and life business - Foreign portfolio
30	Transactions with group companies and other investees
31	Summary of premiums written for direct business
32	Personnel costs, Directors' and Statutory Auditors' fees

The annexes to these financial statements are those required under Legislative Decree 173/1997. Annexes with no entries or concerning the life business are not included.

Company	**SACE S.p.A.**	
Subscribed capital	Euro 3,730,323,610	Paid Euro 3,730,323,610
Registered offices	Rome - Piazza Poli, 37/42	
Company register	Rome No. 142046/99	
	Annexes to the notes to the Financial Statements	
FY	**2018**	
	(amounts in thousands of euros)	

Annex 1

Balance sheet - non-life business
assets

							Current year	
A. SHARE CAPITAL PROCEEDS TO BE RECEIVED - SUBSCRIBED AND NOT PAID-UP							1	0
of which: called-up			2	0				
B. INTANGIBLE ASSETS								
1. Deferred acquisition commissions			4	0				
2. Other acquisition costs			6	0				
3. Start-up and capital costs			7	0				
4. Goodwill			8	0				
5. Other long-term costs			9	1,880			10	1,880
C. INVESTMENTS								
I - Land and buildings								
1. Property used in company operations			11	60,522				
2. Property rented to third parties			12	988				
3. Other property			13	0				
4. Other property rights			14	0				
5. Assets under construction and payments on account			15	0	16	61,510		
II - Investments in group companies and other investees								
1. Shares and interests in:								
a) parents	17	0						
b) subsidiaries	18	424,480						
c) related companies	19	0						
d) associates	20	8,361						
e) other	21		22	432,841				
2. Bonds issued by:								
a) parents	23	83,459						
b) subsidiaries	24	0						
c) related companies	25	0						
d) associates	26	0						
e) other	27	0	28	83,459				
3. Loans to:								
a) parents	29	0						
b) subsidiaries	30	0						
c) related companies	31	0						
d) associates	32	0						
e) other	33	0	34	0	35	516,301		
to be carried forward								1,880

Prior year

			181 0
	182 0		
	184 0		
	186 0		
	187 0		
	188 0		
	189 616		190 616
	191 61,132		
	192 1,042		
	193 0		
	194 0		
	195 0	196 62,173	
197 0			
198 418,090			
199 0			
200 8,010			
201	202 426,100		
203 83,157			
204 0			
205 0			
206 0			
207 0	208 83,157		
209 0			
210 0			
211 0			
212 0			
213 0	214 0	215 509,257	
	to be carried forward		616

Balance sheet - non-life business assets

								Current year
carried forward								1,880
C. INVESTMENTS (follows)								
III - Other financial investments								
1. Shares and interests								
a) Listed shares	36	168						
b) Unlisted shares	37	0						
c) Quotas	38	0	39	168				
2. Units in mutual funds			40	193,300				
3. Bonds and other fixed-income securities								
a) listed	41	4,541,578						
b) unlisted	42	0						
c) convertible bonds	43	0	44	4,541,578				
4. Loans								
a) loans secured by collateral	45	2,432						
b) loans on policies	46	0						
c) other loans	47	0	48	2,432				
5. Participation in investment pools			49	0				
6. Deposits with credit institutions			50	327,947				
7. Other financial investments			51	2,787	52	5,068,212		
IV - Deposits with ceding companies					53	76	54	5,646,098
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provision for unearned premiums			58	1,016,238				
2. Provision for claims outstanding			59	28,717				
3. Provision for profit-sharing and premium refunds			60	0				
4. Other technical provisions			61	31,348			62	1,076,303
to be carried forward								6,724,281

Prior year

	carried forward		616
216 446			
217 0			
218 0	219 446		
	220 636,621		
221 1,485,747			
222 0			
223 0	224 1,485,747		
225 2,918			
226 0			
227 0	228 2,918		
	229 0		
	230 16,676		
	231 8,694	232 2,151,102	
		233 86	234 2,722,618
	238 663,643		
	239 17,218		
	240 0		
	241 36,573		242 717,434
	to be carried forward		3,440,668

Balance sheet - non-life business assets

											Current year
		carried forward									6,724,281
E.		RECEIVABLES									
	I	- Receivables arising out of direct insurance business:									
		1. Policyholders									
		a) for premiums for the year	71	34,041							
		b) for prior year premiums	72	4,821	73	38,862					
		2. Insurance intermediaries			74	0					
		3. Current account with insurance companies			75	0					
		4. Policyholders and third parties for recoveries			76	394,997	77	433,859			
	II	- Receivables arising out of reinsurance business:									
		1. Insurance and reinsurance companies			78	26,555					
		2. Reinsurance intermediaries			79	0	80	26,555			
	III	- Other receivables					81	271,295		82	731,709
F.		OTHER ASSETS									
	I	- Tangible assets and inventories:									
		1. Furniture, office machines and internal transport vehicles			83	1,513					
		2. Moveable property listed in public registers			84	0					
		3. Plant and equipment			85	4					
		4. Inventories and other goods			86	63	87	1,580			
	II	Cash and cash equivalents									
		1. Cash at bank and in hand			88	3,013,924					
		2. Cheques and cash on hand			89	5	90	3,013,929			
	III	- Own shares or quotas					91	0			
	IV	- Other assets									
		1. Reinsurance suspense accounts			92	108					
		2. Sundry assets			93	33,024	94	33,132		95	3,048,641
		of which liaison account with life business			901	0					
G.		PREPAYMENTS AND ACCRUED INCOME									
		1. Interest					96	27,315			
		2. Leases					97	0			
		3. Other prepayments and accrued income					98	958		99	28,273
		TOTAL ASSETS								100	10,532,904

			Prior year
	carried forward		3,440,668
251 48,857			
252 6,678	253 55,535		
	254 0		
	255 0		
	256 388,085	257 443,619	
	258 16,860		
	259 0	260 16,860	
		261 264,432	262 724,912
	263 1,351		
	264 0		
	265 4		
	266 65	267 1,419	
	268 4,926,507		
	269 7	270 4,926,514	
		271 0	
	272 119		
	273 341	274 459	275 4,928,392
	903 0		
		276 22,436	
		277 0	
		278 975	279 23,411
			280 9,117,383

Balance sheet - non-life business liabilities and shareholders' equity

								Current year
A.	SHAREHOLDERS' EQUITY							
	I - Subscribed capital or equivalent fund			101	3,730,324			
	II - Share premium reserve			102	43,305			
	III - Revaluation reserves			103	0			
	IV - Legal reserve			104	264,719			
	V - Statutory reserves			105	0			
	VI - Reserves for shares of the parent			106	0			
	VII - Other reserves			107	401,274			
	VIII - Retained earnings (losses carried forward)			108	88,766			
	IX - Profit for the year			109	186,087			
	X - Reserve for own shares			401	0		110	4,714,473
B.	SUBORDINATED LIABILITIES						111	500,000
C.	TECHNICAL PROVISIONS							
	I - NON-LIFE BUSINESS							
	1. Provision for unearned premiums	112	2,916,320					
	2. Provision for claims outstanding	113	372,610					
	3. Provision for profit-sharing and premium refunds	114	0					
	4. Other technical provisions	115	0					
	5. Equalisation provision	116	661,168				117	3,950,098
			to be carried forward					9,164,571

Prior year

	281 3,730,324	
	282 43,305	
	283 0	
	284 250,975	
	285 0	
	286 0	
	287 283,493	
	288 88,766	
	289 274,866	
	501 0	290 4,671,728
		291 500,000
292 2,563,156		
293 295,349		
294 0		
295 0		
296 603,410		297 3,461,915
to be carried forward		8,633,643

Balance sheet - non-life business liabilities and shareholders' equity

								Current year
	carried forward							9,164,571
E.	PROVISIONS FOR RISKS AND CHARGES							
	1. Provision for pensions and similar obligations			128	0			
	2. Provisions for taxation			129	28,651			
	3. Other provisions			130	72,204		131	100,854
F.	DEPOSITS RECEIVED FROM REINSURERS						132	0
G.	CREDITORS AND OTHER LIABILITIES							
	I - Creditors arising out of direct insurance business:							
	1. Insurance intermediaries	133	0					
	2. Current account with insurance companies	134	0					
	3. Premium deposits and premiums due to policyholders	135	31,601					
	4. Guarantee funds in favour of policyholders	136	0	137	31,601			
	II - Creditors arising out of reinsurance business:							
	1. Insurance and reinsurance companies	138	64,435					
	2. Reinsurance intermediaries	139	0	140	64,435			
	III - Bonds			141	0			
	IV - Due to banks and credit institutions			142	6,085			
	V - Accounts payable secured by collateral			143	0			
	VI - Sundry loans and other financial liabilities			144	1,072,447			
	VII - Provision for employee severance indemnities			145	5,279			
	VIII - Other creditors							
	1. Premium taxes	146	0					
	2. Other tax liabilities	147	1,668					
	3. Social security	148	1,557					
	4. Sundry creditors	149	34,707	150	37,933			
	IX - Other liabilities							
	1. Reinsurance suspense accounts	151	69					
	2. Commissions for premiums being collected	152	0					
	3. Sundry liabilities	153	31,952	154	32,021		155	1,249,800
	of which liaison account with life business	902	0					
	to be carried forward							10,515,226

		Prior year
carried forward		8,633,643
	308 0	
	309 57,784	
	310 75,512	311 133,296
		312 0
313 0		
314 0		
315 29,426		
316 0	317 29,426	
318 110,860		
319 0	320 110,860	
	321 0	
	322 0	
	323 0	
	324 0	
	325 5,565	
326 0		
327 8,309		
328 1,461		
329 104,294	330 114,064	
331 152		
332 0		
333 73,161	334 73,313	335 333,227
904 0		
to be carried forward		9,100,166

Balance sheet - non-life business liabilities and shareholders’ equity

					Current year
carried forward					10,515,226
H. ACCRUED EXPENSES AND DEFERRED INCOME					
1. Interest	156	17,199			
2. Leases	157	0			
3. Other accrued expenses and deferred income	158	480		159	17,679
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY				160	10,532,904

		Prior year
carried forward		9,100,166
	336 17,199	
	337 0	
	338 18	339 17,217
		340 9,117,383

Breakdown of the operating profit (loss) between non-life and life business

Annex 3

			Non-life business		Life business		Total
Balance on the technical account		1	**123,363**			41	**123,363**
Investment income	+	2	394,783	21		42	394,783
Financial charges	-	3	284,111			43	284,111
Allocated investment return transferred from the technical account of life busines	+			24		44	
Allocated investment return transferred To the technical account of non-life busines	-	5	38,851			45	38,851
Operating profit (loss)		6	**195,184**	26		46	**195,184**
Other income	+	7	82,279	27		47	82,279
Other expense	-	8	46,078	28		48	46,078
Extraordinary income	+	9	1,301	29		49	1,301
Extraordinary charges	-	10	945	30		50	945
Profit (loss) before taxes		11	**231,741**	31		51	**231,741**
Income taxes	-	12	45,654	32		52	45,654
Net profit (loss) for the year		13	**186,087**	33		53	**186,087**

Assets - Changes in intangible assets (Item B) and land and buildings (Item C.I)

Annex 4

			Intangible assets B		Land and buildings C.I
Gross opening balance	+	1	12,685	31	71,913
Increases of the year	+	2	1,665	32	
for: purchases or additions		3	1,665	33	
reversals of impairment losses		4		34	
revaluations		5		35	
other changes		6		36	
Decreases of the year	-	7		37	
for: sales or decreases		8		38	
impairment losses		9		39	
other changes		10		40	
Gross closing balance (a)		**11**	**14,350**	**41**	**71,913**
Amortisation/depreciation:					
Opening balance	+	12	12,069	42	9,740
Increases of the year	+	13	263	43	663
for: amortisation/depreciation charge of the year		14	401	44	663
other changes		15		45	
Decreases of the year	-	16		46	
for: disposals		17		47	
other changes		18		48	
Amortisation/depreciation closing balance (b) (*)		**19**	**12,470**	**49**	**10,403**
Carrying amount (a - b)		**20**	**1,880**	**50**	**61,510**
Current value		21		51	63,500
Total reversals of impairment losses		22		52	
Total impairment losses		23		53	

Assets - Breakdown of changes in investments in group companies and other investees: shares and interests (Item C.II.1), bonds (Item C.II.2) and loans (Item C.II.3)

Annex 5

			Shares and interests C.II.1		Bonds C.II.2		Loans C.II.3
Opening balance	+	1	426,100	21	83,157	41	
Increases of the year:	+	2	10,293	22	303	42	
For: purchases, subscriptions or issues		3		23		43	
reversals of impairment losses		4	3,107	24		44	
revaluations		5					
other changes		6	7,186	26	303	46	
Decreases of the year:	-	7	3,552	27		47	
for: sales or repayments		8		28		48	
impairment losses		9	408	29		49	
other changes		10	3,144	30		50	
Carrying amount		**11**	**432,841**	**31**	**83,460**	**51**	
Current value		12	432,841	32	87,879	52	
Total reversals of impairment losses		13					
Total impairment losses		14	408	34		54	

Item C.II.2 includes:

Listed bonds	61	83,460
Unlisted bonds	62	
Carrying amount	**63**	**83,460**
of which: convertible bonds	64	

Assets - Information about investees (*)

Annex 6

No. Order	Type (1)	Listed or unlisted (2)	Business object(3)	Name and registered office	Currency	Share capital: Amount (4)	Share capital: No. .of shares/ quotas	Shareholders' equity (**) (4)	Profit or loss for the most recent year (**) (4)	% of investment (5): Direct %	% of investment (5): Indirect %	% of investment (5): Total %
1	b	NQ	1	Sace BT S.p.A.	EUR	56,539	56,539	62,398	1,317	100		100
2	b	NQ	2	Sace Fct S.p.A.	EUR	50,000	50,000	112,798	500	100		100
3	d	NQ	1	ATI (African Trade Insurance Agency)	USD	225,900	2,259	242,164	9,910	4.43		4.43
4	b	NQ	1	SACE Do Brasil	R$	8,833	8,833	909	(1,556)	99.96		99.96
5	b	NQ	2	Simest S.p.A.	EUR	164,646	316,627	327,714	1,206	76.005		76.005

(*) Group companies and other companies in which a direct interest is held also through trustees or nominees must be listed.
(**) To be filled in only for subsidearies and associates.

(1) Type
- a = Parents
- b = Subsidiaries
- c = Related companies
- d = Associates
- e = Other

(2) Q for securities traded in regulated markets and NQ for the others

(3) Business object
- 1 = Insurance companies
- 2 = Financial Liabilities
- 3 = Credit institutions
- 4 = Real estate company
- 5 = Fiduciary company
- 6 = Mutual fund management or distribution company
- 7 = Consortium
- 8 = Industrial company
- 9 = Other company or body

(4) Amounts in original currency

(5) Total investment %

Assets - Breakdown of changes in investments in group companies and other investees: shares and interests

Annex 7

				Increases of the year			Decreases of the year			Carrying amount (4)		Cost purchase	Amount cost
				For purchases			For sales						
No. Order (1)	Type (2)	(3)	Name	Quantity	Amount	Other increases	Quantity	Amount	Other decreases	Quantity	Current		
1	b	D	Sace BT S.p.A.			1,317				56,539	62,398	154,300	62,398
2	b	D	Sace Fct S.p.A.			499			528	50,000	112,798	50,000	112,798
3	d	D	ATI (African Trade Insurance Agency)			351				10,000	8,361	6,886	8,361
4	b	D	SACE Do Brasil						408	8,833	204	11	204
5	b	D	Simest S.p.A.			8,127			2,616	316,627	249,079	232,500	249,079
			Total C.II.1								432,841	443,697	432,841
	a		Parents										
	b		Subsidiaries								424,480	436,811	424,480
	c		Related companies										
	d		Associates								8,361	6,886	8,361
	e		Other										
			Total D.I										
			Total D.II										

(1) Must match that in Annex 6

(2) Type
- a = Parents
- b = Subsidiaries
- c = Related companies
- d = Associates
- e = Other

(3) State:
- D for investments assigned to non-life business (Item C.II.1)
- V for investments assigned to life business (Item C.II.1)
- V1 for investments assigned to life business (Item D.I)
- V2 for investments assigned to life business (Item D.2)

The same number must be assigned to the investment even if split

(4) (*) if measured using the equity method (only for types b and d)

Annex 8

Assets - Breakdown of financial investments according to use: shares and interests in companies, units in mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments (items C.III.1, 2, 3, 5, 7)

I - Non-life business	Long-term investment portfolio				Short-term investment portfolio				Total			
	Carrying amount		Current amount		Carrying amount		Current amount		Carrying amount		Current amount	
1. Shares and interests:	1	0	21	0	41	168	61	168	81	168	101	168
a) listed shares	2	0	22	0	42	168	62	168	82	168	102	168
b) unlisted shares	3	0	23	0	43	0	63	0	83	0	103	0
c) quotas	4	0	24	0	44	0	64	0	84	0	104	0
2. Units in mutual funds	5	0	25	0	45	193,300	65	193,300	85	193,300	105	193,300
3. Bonds and other fixed-income securities	6	2,304,010	26	2,377,938	46	2,237,568	66	2,238,737	86	4,541,578	106	4,616,675
a1) listed government bonds	7	2,077,711	27	2,150,222	47	587,583	67	588,705	87	2,665,294	107	2,738,927
a2) other listed securities	8	226,298	28	227,716	48	1,649,985	68	1,650,032	88	1,876,284	108	1,877,748
b1) unlisted government bonds	9	0	29	0	49	0	69	0	89	0	109	0
b2) other unlisted securities.	10	0	30	0	50	0	70	0	90	0	110	0
c) convertible bonds.	11	0	31	0	51	0	71	0	91	0	111	0
5. Participation in investment pools	12	0	32	0	52	0	72	0	92	0	112	0
7. Other financial investments	13	0	33	0	53	2,787	73	2,787	93	2,787	113	2,787

II- Life business	Long-term investment portfolio				Short-term investment portfolio				Total			
	Carrying amount		Current amount		Carrying amount		Current amount		Carrying amount		Current amount	
1. Shares and interests:	121	0	141	0	161	0	181	0	201	0	221	0
a) listed shares	122	0	142	0	162	0	182	0	202	0	222	0
b) unlisted shares	123	0	143	0	163	0	183	0	203	0	223	0
c) quotas	124	0	144	0	164	0	184	0	204	0	224	0
2. Units in mutual funds	125	0	145	0	165	0	185	0	205	0	225	0
3. Bonds and other fixed-income securities	126	0	146	0	166	0	186	0	206	0	226	0
a1) listed government bonds	127	0	147	0	167	0	187	0	207	0	227	0
a2) other listed securities	128	0	148	0	168	0	188	0	208	0	228	0
b1) unlisted government bonds	129	0	149	0	169	0	189	0	209	0	229	0
b2) other unlisted securities.	130	0	150	0	170	0	190	0	210	0	230	0
c) convertible bonds.	131	0	151	0	171	0	191	0	211	0	231	0
5. Participation in investment pools	132	0	152	0	172	0	192	0	212	0	232	0
7. Other financial investments	133	0	153	0	173	0	193	0	213	0	233	0

Annex 9

Assets - Changes during the year in other long-term financial investments: shares and interests, units in mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments (items C.III.1, 2, 3, 5, 7)

			Shares and interests C.III.1		Units in mutual funds fixed-income C.III.2		Bonds and other securities C.III.3		Participation in investment pools C.III.5		Sundry financial investments C.III.7
Opening balance	+	1	0	21	0	41	1,485,642	81	0	101	8,694
Increases of the year:	+	2	0	22	0	42	918,325	82	0	102	2,758
for: purchases		3	0	23	0	43	899,156	83	0	103	0
reversals of impairment losses		4	0	24	0	44	0	84	0	104	2,758
transfer from short-term portfolio		5	0	25	0	45	0	85	0	105	0
other changes		6	0	26	0	46	19,169	86	0	106	0
Decreases of the year:	-	7	0	27	0	47	99,957	87	0	107	8,665
for: sales		8	0	28	0	48	99,957	88	0	108	0
impairment losses		9	0	29	0	49	0	89	0	109	0
transfer to short-term portfolio		10	0	30	0	50	0	90	0	110	0
other changes		11	0	31	0	51	0	91	0	111	8,665
Carrying amount		**12**	**0**	**32**	**0**	**52**	**2,304,010**	**92**	**0**	**112**	**2,787**
Current value		13	0	33	0	53	2,377,938	93	0	113	2,787

Assets - Changes during the year in loans and deposits with credit institutions (Items C.III.4, 6)

Annex 10

			Loans C.III.4		Deposits with credit institutions C.III.6
Opening balance	+	1	2,918	21	16,676
Increases of the year:	+	2		22	2,622,207
for: issues		3		23	2,622,207
reversals of impairment losses		4		24	
other changes		5		25	
Decreases of the year:	-	6	486	26	2,310,937
for: repayments		7	486	27	2,309,376
impairment losses		8		28	
other changes		9		29	1,561
Carrying amount		**10**	**2,432**	**30**	**327,947**

Liabilities - Changes during the year in components of the reserve for unearned premiums (Item C.I.1) and the reserve for claims outstanding (Item C.I.2) of the non-life business

Annex 13

Type		FY		Prior year		Change
Provision for unearned premiums:						
Provision for premium instalments	1	2,426,320	11	2,113,156	21	313,164
Provision for unexpired risks	2	490,000	12	450,000	22	40,000
Carrying amount	3	**2,916,320**	13	**2,563,156**	23	**353,164**
Provision for claims outstanding:						
Provision for claims paid and direct expenses	4	353,727	14	276,392	24	77,335
Provision for settlement costs	5	5,997	15	4,659	25	1,338
Provision for claims incurred and not notified	6	12,886	16	14,298	26	(1,412)
Carrying amount	7	**372,610**	17	**295,349**	27	**77,261**

Liabilities - Change in provisions for risks and charges (Item E) and for employee severance indemnities (Item G.VII)

Annex 15

			Provisions for pensions and similar obligations provision		Provisions for taxation		Other provisions		Severance pay
Opening balance	+	1		11	57,784	21	75,512	31	5,565
Accruals for the year	+	2		12	4,363	22	7,406	32	467
Other increases	+	3		13		23	806	33	55
Utilisation for the year	-	4		14	33,480	24	11,520	34	711
Other decreases	-	5		15	16	25		35	98
Carrying amount		**6**		**16**	**28,651**	**26**	**72,204**	**36**	**5,278**

Breakdown of assets and liabilities related to group companies and investees

Annex 16

I: Assets

		Parents		Subsidiaries		Related companies		Associates		Other		Total
Shares and interests	1		2	424,480	3		4	8,361	5		6	432,841
Bonds	7	83,459	8		9		10		11		12	83,459
Loans	13		14		15		16		17		18	
Participation in investment pools	19		20		21		22		23		24	
Deposits with credit institutions	25		26		27		28		29		30	
Other financial investments	31		32	96,070	33		34		35		36	96,070
Deposits with ceding companies	37		38	62	39		40		41		42	62
Investments related to contracts linked to investment funds and market indexes	43		44		45		46		47		48	
Investments related to the administration of pension funds	49		50		51		52		53		54	
Receivables arising out of direct insurance	55		56		57		58		59		60	
Receivables arising out of reinsurance operations	61		62		63		64		65		66	
Other receivables	67	635	68	5,089	69		70		71		72	5,725
Bank and postal accounts	73		74		75		76		77		78	
Sundry assets	79		80		81		82		83		84	
Total	85	**84,095**	86	**525,701**	87		88	**8,361**	89		90	**618,157**
of which: subordinated assets	91		92		93		94		95		96	

Breakdown of assets and liabilities related to group companies and investees

II: Liabilities

		Parents		Subsidiaries		Related companies		Associates		Other		Total
Subordinated liabilities	97		98		99		100		101		102	
Deposits received from reinsurers	103		104		105		106		107		108	
Accounts payable arising out of direct insurance	109		110		111		112		113		114	
Accounts payable arising out of reinsurance operations	115		116	36	117		118		119		120	
Due to banks and credit institutions	121		122		123		124		125		126	36
Accounts payable secured by collateral	127		128		129		130		131		132	
Sundry loans and other financial liabilities	133		134		135		136		137		138	
Sundry creditors	139	1.459	140	1.924	141		142		143		144	1.924
Sundry liabilities	145		146		147		148		149		150	
Total	151	**1.459**	152	**1.960**	153		154		155		156	**1.960**

Breakdown of classes I, II, III and IV of guarantees, commitments and other memorandum accounts

Annex 17

			FY		Prior year
I.	Guarantees given:				
a)	sureties and endorsements given in the interest of parents, subsidiaries and related companies	1		31	
b)	sureties and endorsements given in the interest of associates and other investees	2		32	
c)	sureties and endorsements given in the interest of third parties	3		33	
d)	other personal guarantees given in the interest of parents, subsidiaries and related companies	4		34	
e)	other personal guarantees given in the interest of associates and other investees	5		35	
f)	other personal guarantees given in the interest of third parties	6		36	
g)	collateral for obligations of parents, subsidiaries and related companies	7		37	
h)	collateral for obligations of associates and other investees	8		38	
i)	collateral for obligations of third parties	9		39	
l)	guarantees given for obligations of the company	10		40	
m)	assets deposited for Inward reinsurance	11		41	
Total		**12**		**42**	
II.	Guarantees received:				
a)	from group companies, associates and other investees	13		43	
b)	from third parties	14	1,755	44	1,678
Total		**15**	**1,755**	**45**	**1,678**
III.	Guarantees issued by third parties in the interest of the company:				
a)	from group companies, associates and other investees	16		46	
b)	from third parties	17		47	
Total		**18**		**48**	
IV.	Commitments:				
a)	commitments for purchases with obligation of resale	19		49	
b)	commitments for sales with obligation of repurchase	20		50	
c)	other commitments	21	1,797,006	51	3,462,190
Total		**22**	**1,797,006**	**52**	**3,462,190**
V.	Assets related to pension funds managed in the name and on behalf of third parties	23		53	
VI.	Securities deposited with third parties	24	4,949,722	54	2,428,595
Total		**25**	**4,949,722**	**55**	**2,428,595**

Breakdown of liabilities for derivative transactions

Annex 18

Derivatives		**FY**				**Prior year**			
		Purchase		**Sale**		**Purchase**		**Sale**	
		(1)	**(2)**	**(1)**	**(2)**	**(1)**	**(2)**	**(1)**	**(2)**
Futures:	on shares	1	101	21 -	121 -	41	141	61	161
	on bonds	2	102	22 -	122 -	42	142	62	162
	on currencies	3	103	23	123	43	143	63	163
	on rates	4	104	24	124	44	144	64	164
	other	5	105	25	125	45	145	65	165
Options:	on shares	6	106	26 -	126	46	146	66	166
	on bonds	7	107	27	127	47	147	67	167
	on currencies	8	108	28 -	128 -	48	148	68 1,158,224	168 14
	on rates	9	109	29	129	49	149	69	169
	other	10	110	30	130	50	150	70	170
Swaps:	on currencies	11	111	31	131	51	151	71	171
	on rates	12	112	32 25,000	132 377	52	152	72	172
	other	13	113	33	133	53	153	73	173
Other transactions			114	34	134	54	154	74	174
Total		**15 -**	**115 -**	**35 25,000**	**135 377**	**55 -**	**155 -**	**75 1,158,224**	**175 14**

Notes:

- Only derivative transactions existing at the reporting date that involve commitments for the company must be stated.
  If the contract does not match exactly the figures described or in the case in which it is characterised by elements of several types, it must be stated in the closest contractual category.
  Offsetting of items is not permitted except in relation to purchase/sale transactions related to the same type of contract (same content, expiry, underlying assets, etc.)
- The value to be assigned to derivative contracts that involve or may involve the exchange of capital at term is their settlement price; in all other cases, the nominal amount of the reference capital must be indicated.
- Contracts that envisage the swapping of two currencies must be indicated once only, referring, by convention, to the currency to be purchased. Contracts that envisage interest rate and currency swaps must be indicated only under contracts on currency.
  Interest swap derivatives are classified conventionally as “purchases” or “sales” according to whether they involve the purchase or sale of the fixed rate or sale of the fixed rate for the insurance company.

(1) For derivative contracts that involve or may involve the exchange of capital at term their settlement price must be indicated; in all other cases, the nominal amount of the reference capital must be indicated.

(2) Indicate the fair value of derivative contracts.

Summary information about the non-life technical account

Annex 19

		Gross premiums written		Gross premiums for the year		Gross charge for claims		Management costs		Reinsurance balance
Direct business:										
Personal accident and health (classes 1 and 2)	1		2		3		4		5	
TPL land vehicles (class 10)	6		7		8		9		10	
TPL land vehicles (class 3)	11		12		13		14		15	
Marine, aviation and transport (classes 4, 5, 6, 7, 11 and 12)	16		17		18		19		20	
Fire and other property damage (classes 8 and 9)	21		22		23		24		25	
Non-motor TPL (class 13)	26		27		28		29		30	
Credit and surety (classes 14 and 15)	31	699,600	32	359,886	33	140,874	34	84,533	35	(67,386)
Sundry pecuniary losses (class 16)	36		37		38		39		40	
Legal fees (class 17)	41		42		43		44		45	
Assistance (class 18)	46		47		48		49		50	
Total direct business	**51**	**699,600**	**52**	**359,886**	**53**	**140,874**	**54**	**84,533**	**55**	**(67,386)**
Reinsurance business	56	27,066	57	14,136	58	33,325	59	2,649	60	
Total Italian portfolio	**61**	**726,666**	**62**	**374,022**	**63**	**174,199**	**64**	**87,182**	**65**	**(67,386)**
Foreign portfolio	66	1,088	67	568	68	1,339	69	106	70	
Grand total	**71**	**727,754**	**72**	**374,590**	**73**	**175,538**	**74**	**87,289**	**75**	**(67,386)**

Investment income (Items II.2 and III.3)

Annex 21

		Non-life business		Life business		Total
Income from shares and interests:						
Dividends and other income from shares and interests of group companies and investees	1		41		81	
Dividends and other income from shares and interests in other companies	2	1,126	42		82	1,126
Total	3	**1,126**	43		83	**1,126**
Income from investments in land and buildings	4	**595**	44		84	**595**
Income from other investments:						
Income from bonds of group companies and investees	5	2,955	45		85	2,955
Interest on loans to group companies and investees	6	939	46		86	939
Income from units in mutual funds	7		47		87	
Income from bonds and other fixed-income securities	8	92,359	48		88	92,359
Interest on loans	9	55	49		89	55
Income from shares in investment pools	10	2,632	50		90	2,632
Interests on deposits with credit institutions	11	4,012	51		91	4,012
Income from other financial investments	12	2,492	52		92	2,492
Interest on deposits with ceding companies	13		53		93	
Total	14	**105,444**	54		94	**105,444**
Value re-adjustments on investments in:						
Land and buildings	15		55		95	
Shares and interests of group companies and investees	16	3,107	56		96	3,107
Bonds issued by group companies and investees	17		57		97	
Other shares and interests	18		58		98	
Other bonds	19		59		99	
Other financial investments	20	3,610	60		100	3,610
Total	21	**6,717**	61		101	**6,717**
Income from the disposal of investments:						
Gains on disposal of land and buildings	22		62		102	
Gains on shares and interests in group companies and investees	23		63		103	
Income from bonds issued by group companies and investees	24		64		104	
Gains on other shares and interests	25	38,259	65		105	38,259
Gains on other bonds	26	22,894	66		106	22,894
Gains on other financial investments	27	219,747	67		107	219,747
Total	28	280,901	68		108	280,901
GRAND TOTAL	29	**394,783**	69		109	**394,783**

Financial income and charges (Items II.9 and III.5)

Annex 23

		Non-life business		Life business		Total
Investment management charges and other charges						
Charges related to shares and interests	1	0	31	0	61	0
Charges related to investments in land and buildings	2	967	32	0	62	967
Charges related to bonds	3	71	33	0	63	71
Charges related to units in mutual funds	4	0	34	0	64	0
Charges related to participation in investment pools	5	0	35	0	65	0
Charges related to sundry financial investments	6	4,959	36	0	66	4,959
Interest on deposits received from reinsurers	7	0	37	0	67	0
Total	**8**	**5,998**	**38**	**0**	**68**	**5,998**
Value re-adjustments on investments in:						
Land and buildings	9	0	39	0	69	0
Shares and interests of group companies and investees	10	416	40	0	70	416
Bonds issued by group companies and investees	11	0	41	0	71	0
Other shares and interests	12	6,279	42	0	72	6,279
Other bonds	13	357	43	0	73	357
Other financial investments	14	4,058	44	0	74	4,058
Total	**15**	**11,110**	**45**	**0**	**75**	**11,110**
Losses on the disposal of investments						
Losses on the sale of land and buildings	16	0	46	0	76	0
Losses on other shares and interests	17	27,109	47	0	77	27,109
Losses on bonds	18	22,334	48	0	78	22,334
Losses on other financial investments	19	217,561	49	0	79	217,561
Total	**20**	**267,003**	**50**	**0**	**80**	**267,003**
GRAND TOTAL		**284,111**	**51**	**0**	**81**	**284,111**

Non-life - Summary of technical account by line of business - Italian portfolio

			Accounting class 01 Accident (name)		Accounting class 02 Health (name)		Accounting class 03 Hulls land vehicles (name)		Accounting class 04 Hulls railway rolling stock (name)		Accounting class 05 Hulls aircraft (name)		Accounting class 06 Hulls marine, lake, river craft (name)
Direct business gross of reinsurance													
Premiums written	+	1	0	1	0	1	0	1	0	1	0	1	0
Change in the provisions for unearned premiums (+ or -)	-	2	0	2	0	2	0	2	0	2	0	2	0
Charges related to claims	-	3	0	3	0	3	0	3	0	3	0	3	0
Change in sundry technical provisions (+ or -) (1)	-	4	0	4	0	4	0	4	0	4	0	4	0
Balance of other technical items (+ or -)	+	5	0	5	0	5	0	5	0	5	0	5	0
Operating expenses	-	6	0	6	0	6	0	6	0	6	0	6	0
Technical balance direct business (+ or -)	**A**	7	0	7	0	7	0	7	0	7	0	7	0
Result of outward reinsurance (+ or -)	**B**	8	0	8	0	8	0	8	0	8	0	8	0
Net result of inward reinsurance (+ or -)	**C**	9	0	9	0	9	0	9	0	9	0	9	0
Change in the equalisation provision (+ or -)	D	10	0	10	0	10	0	10	0	10	0	10	0
Allocated investment return transferred from the non-technical account	E	11	0	11	0	11	0	11	0	11	0	11	0
Result of the technical account (+ or -)	**(A + B + C - D + E)**	12	0	12	0	12	0	12	0	12	0	12	0

			Accounting class 07 Goods transported (name)		Accounting class 08 Fire and natural forces (name)		Accounting class 09 Other property damage (name)		Accounting class 10 Motor TPL (name)		Accounting class 11 TPL aircraft (name)		Accounting class 12 TPL marine (name)
Direct business gross of reinsurance													
Premiums written	+	1	0	1	0	1	0	1	0	1	0	1	0
Change in the provisions for unearned premiums (+ or -)	-	2	0	2	0	2	0	2	0	2	0	2	0
Charges related to claims	-	3	0	3	0	3	0	3	0	3	0	3	0
Change in sundry technical provisions (+ or -) (1)	-	4	0	4	0	4	0	4	0	4	0	4	0
Balance of other technical items (+ or -)	+	5	0	5	0	5	0	5	0	5	0	5	0
Operating expenses	-	6	0	6	0	6	0	6	0	6	0	6	0
Technical balance direct business (+ or -)	**A**	7	0	7	0	7	0	7	0	7	0	7	0
Result of outward reinsurance (+ or -)	**B**	8	0	8	0	8	0	8	0	8	0	8	0
Net result of inward reinsurance (+ or -)	**C**	9	0	9	0	9	0	9	0	9	0	9	0
Change in the equalisation provision (+ or -)	D	10	0	10	0	10	0	10	0	10	0	10	0
Allocated investment return transferred from the non-technical account	E	11	0	11	0	11	0	11	0	11	0	11	0
Result of the technical account (+ or -)	**(A + B + C - D + E)**	12	0	12	0	12	0	12	0	12	0	12	0

			Accounting class 13 Non-motor TPL (name)		Accounting class 14 Credit (name)		Accounting class 15 Suretyship (name)		Accounting class 16 Sundry pecuniary losses (name)		Accounting class 17 Legal fees (name)		Accounting class 18 Assistance (name)
Direct business gross of reinsurance													
Premiums written	+	1	0	1	(681,625)	1	(17,975)	1	0	1	0	1	0
Change in the provisions for unearned premiums (+ or -)	-	2	0	2	330,986	2	8,728	2	0	2	0	2	0
Charges related to claims	-	3	0	3	137,254	3	3,619	3	0	3	0	3	0
Change in sundry technical provisions (+ or -) (1)	-	4	0	4	0	4	0	4	0	4	0	4	0
Balance of other technical items (+ or -)	+	5	0	5	30,841	5	813	5	0	5	0	5	0
Operating expenses	-	6	0	6	82,361	6	2,172	6	0	6	0	6	0
Technical balance direct business (+ or -)	**A**	7	0	7	(100,183)	7	(2,642)	7	0	7	0	7	0
Result of outward reinsurance (+ or -)	**B**	8	0	8	(62,162	8	0	8	0	8	0	8	0
Net result of inward reinsurance (+ or -)	**C**	9	0	9	21,277	9	561	9	0	9	0	9	0
Change in the equalisation provision (+ or -)	D	10	0	10	54,100	10	1,427	10	0	10	0	10	0
Allocated investment return transferred from the non-technical account	E	11	0	11	(36,390)	11	(960)	11	0	11	0	11	0
Result of the technical account (+ or -)	**(A + B + C - D + E)**	12	0	12	(123,357)	12	(1,614)	12	0	12	0	12	0

Summary of technical accounts for all lines of business - Italian portfolio

Annex 26

			Risks of direct insurance				Risks of Indirect insurance				Risks preserved
			Direct risks 1		Risks ceded 2		Risks assumed 3		Risks retroceded 4		Total 5=1-2+3-4
Premiums written	+	1	(699.600)	11	246.438	21	(27.066)	31	0	41	(480.228)
Change in the provisions for unearned premiums (+ or -)	-	2	339.715	12	(229.053)	22	12.931	32	0	42	123.592
Charges related to claims	-	3	140.874	13	(29.114)	23	33.325	33	0	43	145.085
Change in sundry technical provisions (+ or -)[1]	-	4	0	14	5.225	24	0	34	0	44	5.225
Balance of other technical items (+ or -)	+	5	31.655	15	(11.003)	25	0	35	0	45	20.652
Operating expenses	-	6	84.533	16	(44.655)	26	2.649	36	0	46	42.527
Technical balance (+ o -)		**7**	**(102.824)**	**17**	**(62.162)**	**27**	**21.838**	**37**	**0**	**47**	**(143.148)**
Change in the equalisation provision (+ or -)	-	8	55.526							48	55.526
Allocated investment return transferred from the non-technical account	+	9	(37.350)			29				49	(37.350
Result of the technical account (+ or -)		**10**	**(84.648)**	**20**	**(62.162)**	**30**	**21.838**	**40**	**0**	**50**	**(124.971)**

[1] In addition to the change in “Other technical provisions”, this item includes the change in the “Provision for premium refunds and profit sharing”.

Summary of technical accounts for non-life and life business - Foreign portfolio

Annex 29

Section I: Non-life business

				Total lines of business
Direct business gross of reinsurance				
Premiums written		-	1	
Change in the provisions for unearned premiums (+ or -)		-	2	
Charges related to claims		-	3	
Change in sundry technical provisions (+ or -)[(1)]			4	
Balance of other technical items (+ or -)		-	5	
Operating expenses			6	
Technical balance direct business (+ or -)	**A**		7	
Result of outward reinsurance (+ or -)	**B**		8	
Net result of inward reinsurance (+ or -)	**C**		9	878
Change in the equalisation provision (+ or -)	**D**		10	2,232
Allocated investment return transferred from the non-technical account	**E**		11	(1,501)
Balance on the technical account	**(A + B + C - D + E)**		**12**	**1,608**

Section II: Life business

				Total lines of business
Direct business gross of reinsurance				
Premiums written		+	1	
Charges related to claims		-	2	
Change in mathematical provisions and sundry technical provisions (+ or -)[(2)]		-	3	
Balance of other technical items (+ or -)		+	4	
Operating expenses		-	5	
Income from investments net of the allocated investment return transferred to the non-technical account[(3)]			6	
Result of direct business gross of reinsurance (+ or -)	**A**		7	
Result of outward reinsurance (+ or -)	**B**		8	
Net result of inward reinsurance (+ or -)	**C**		9	
Result of the technical account (+ or -)	**(A+ B+ C)**		**10**	

(1) In addition to the change in "Other technical provisions", this item includes the change in the "Provision for premium refunds and profit sharing".
(2) "Sundry technical provisions" include "other technical provisions" and "technical provisions if the investment risk is borne by the policyholders and provisions relating to the administration of pension funds".
(3) Sum of the items relating to the foreign portfolio included under Items II.2, II.3, II.9, II.10 and II.12 of the profit and loss account.

Transactions with group companies and other investees

Annex 30

I: Income		Parents		Subsidiaries		Related companies		Associates		Other		Total
Investment income												
Income from land and buildings	1		2	595	3		4		5		6	595
Dividends and other income from shares and interests	7		8		9		10		11		12	
Income from bonds	13		14		15		16		17		18	
Interest on loans	19		20		21		22		23		24	
Income from other financial investments	25		26	939	27		28		29		30	939
Interest on deposits with ceding companies	31		32		33		34		35		36	
Total	37	**0**	38	**1,534**	39	**0**	40	**0**	41	**0**	42	**1,534**
Unrealised income and gains on investments for the benefit of policyholders who bear the investment risk	43	**0**	44	**0**	45	**0**	46	**0**	47	**0**	48	**0**
Other income												
Interest on receivables	49	0	50	0	51	0	52	0	53	0	54	0
Refunds of administrative expenses and charges	55	0	56	0	57	0	58	0	59	0	60	0
Other income and refunds	61	0	62	5,078	63	0	64	0	65	0	66	5,078
Total	67	**0**	68	**5,078**	69	**0**	70	**0**	71	**0**	72	**5,078**
Income from the disposal of investments (*)	73	**0**	74	**0**	75	**0**	76	**0**	77	**0**	78	**0**
Extraordinary income	79	**2**	80	**0**	81	**0**	82	**0**	83	**0**	84	**2**
GRAND TOTAL	85	**2**	86	**6,612**	87	**0**	88	**0**	89	**0**	90	**6,615**

II: Charges		Parents		Subsidiaries		Related companies		Associates		Other		Total
Investment management charges and other charges:												
Investment charges	91		92		93		94		95		96	
Interest on subordinated liabilities	97		98		99		100		101		102	
Interest on deposits from reinsurers	103		104		105		106		107		108	
Interest on debts from insurance business	109		110		111		112		113		114	
Interest on debts from reinsurance business	115		116		117		118		119		120	
Interessi su debiti verso banche e istituti finanziari	121		122		123		124		125		126	
Interest on amounts due to banks and credit institutions	127		128		129		130		131		132	
Interest on mortgages	133		134		135		136		137		138	
Interest on other debts	139		140		141		142		143		144	
Losses on receivables	145		146		147		148		149		150	
Administrative and third party charges	151		152		153		154		155		156	
Total	157		158		159		160		161		162	
Unrealised charges and losses on investments for the benefit of policyholders who bear the investment risk and relating to the administration of pension funds	163		164		165		166		167		168	
Losses on the disposal of investments(*)	169		170		171		172		173		174	
Extraordinary charges	175	157	176	92	177		178		179		180	249
GRAND TOTAL	181	**157**	182	**92**	183		184		185		186	**249**

(*) With reference to the counterparty in the operation.

Summary of premiums written for direct business

Annex 31

		Non-life business				Life business				Total		
		Establishment		F.P.S.		Establishment		F.P.S.		Establishment		F.P.S.
Premiums written:												
Italy	1	699,600	5	0	11	0	15	0	21	699,600	25	0
in other countries of the European Union	2	0	6	0	12	0	16	0	22	0	26	0
in non-EU Countries	3	0	7	0	13	0	17	0	23	0	27	0
Total	**4**	**699,600**	**8**	**0**	**14**	**0**	**18**	**0**	**24**	**699,600**	**28**	**0**

Personnel costs, Directors' and Statutory Auditors' fees

Annex 32

I: Personnel costs		Non-life business		Life business		Total
Spese per prestazioni di lavoro subordinato:						
Italian portfolio	1	34,160	31	0	61	34,160
- Wages and salaries	2	9,123	32	0	62	9,123
- Social security contributions						
- Accrual to the provision for termination indemnities and similar obligations	3	2,794	33	0	63	2,794
- Sundry personnel costs	4	10,637	34	0	64	10,637
Total	5	**56,714**	35	**0**	65	**56,714**
Foreign portfolio:						
- Wages and salaries	6	1,386	36	0	66	1,386
- Social security contributions	7	370	37	0	67	370
- Sundry personnel costs	8	432	38	0	68	432
Total	9	**2,188**	39	**0**	69	**2,188**
Grand total	10	**58,902**	40	**0**	70	**58,902**
Costs of self-employed personnel:						
Italian portfolio	11	7,185	41	0	71	7,185
Foreign portfolio	12	292	42	0	72	292
Total	13	**7,477**	43	**0**	73	**7,477**
Total personnel costs	14	**66,379**	44	**0**	74	**66,379**

II: Description of the items		Non-life business		Life business		Total
Investment management charges	15	1,413	45	0	75	1,413
Charges related to claims	16	3,187	46	0	76	3,187
Other acquisition costs	17	20,195	47	0	77	20,195
Other administrative expenses	18	41,584	48	0	78	41,584
Administrative costs and expenses on behalf of third parties	19	0	49	0	79	0
	20	0	50	0	80	0
Total	21	**66,379**	51	**0**	81	**66,379**

III: Average number of personnel during the year		Number
Managers	91	36
White collars	92	508
Blue collars	93	0
Other	94	0
Total	95	**544**

IV: Directors and Statutory Auditors		Number		Fees
Directors	96	9	98	673
Statutory auditors	97	3	99	80

I, the undersigned, declare that these financial statements comply with the truth and accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

Space reserved for the stamp pf the registry office
to be applied at the time of filling the accounts.

(*) For foreign companies, the document must be signed by the general representative for Italy.

(**) Indicate the position of the person who signs.

Certification of the financial statements pursuant to article 13, para. 10.8 of the corporate bylaws of SACE S.p.A.

We the undersigned, Alessandro Maria Decio, in my capacity as CEO and Michele De Capitani, in my capacity as executive officer responsible for preparing the corporate accounts of Sace S.p.A., hereby certify:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures used to prepare the financial statements for the year ended at 31 December 2018.

The adequacy of the administrative and accounting procedures used to prepare the financial statements for the year ended at 31 December 2018 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We hereby also certify that:

- the financial statements at 31 December 2018:
  - correspond to the results of company records and accounting entries;
  - were drawn up according to article 6 para 22 of Legislative Decree 269/2003, the applicable provisions of Legislative Decree 209 of 7 September 2005, Legislative Decree 173 of 26 May 1997 (with regard to the provisions governing the annual and consolidated accounts of insurance companies) and that to the best of our knowledge they give a true and fair view of the state of affairs, the financial standing and the operating result of the company.
- the report on operations includes a fair review of the operating performance and result and the situation of the company, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 19 March 2019

CEO
Alessandro Maria Decio

Executive Officer
Michele de Capitani

Report of the Independent Boards

Report of the Board of Statutory Auditors

SACE S.p.A. - Financial Statements at 31 December 2018

Dear Shareholder,
This report has been prepared by the Board of Statutory Auditors of SACE S.p.A. ("SACE" or the "company") pursuant to art. 2429.2 of the Italian Civil Code. It has been approved by said Board and filed with the company's registered office in accordance with the provisions set out in art. 2429.3 of the Italian Civil Code.
As part of the performance of our duties, also during the year ended 31 December 2018, we acted in accordance with the Code of conduct for statutory auditors recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).
During the year, in view of the fact that the statutory audit is the responsibility of the independent auditors appointed for that purpose, we acted in a supervisory capacity in accordance with art. 2403 of the Italian Civil Code, working in conjunction with the Internal Audit and Compliance functions and with the involvement of the heads of the departments responsible for the matters investigated.
Following the resolutions adopted, on 19 March 2019, the Board of Directors of SACE provided us with the draft financial statements at 31 December 2018, together with the schedules and detailed annexes and their report, in accordance with the requirements of company law and legislation governing the specific area of business of SACE.
We were appointed by the resolution of the Shareholders' Meeting held on 14 June 2016 for three years and, therefore, until the Shareholders' Meeting called to approve the 2018 financial statements.
We held 16 (sixteen) meetings in 2018, as recorded in our register of meetings and resolutions. During the year, we also participated in all of the Board Meetings and meetings of the Risk and Control Committee and received information about operations and the most significant transactions from the Board of Directors, management and the other supervisory bodies, and satisfied ourselves that the operations approved and implemented comply with the law, the company by-laws and resolutions, are in line with correct management practices and are consistent with the structure and size of the company and its assets.
Relations with the company and its directors, employees and consultants are based on mutual collaboration and respect of individual roles. Board resolutions were supported by adequate analyses and reasons.
We fostered and gathered a sufficient flow of information on general operations, receiving information, clarifications and explanations from the Chief Executive Officer and from those responsible for specific functions, in accordance with art. 2381 of the Italian Civil Code.
The operating performance is consistent with the business plans defined by the Board of Directors and the latter periodically provided information about any differences, preparing adequate reports.

The main issues covered by the competent heads and analysed by us are as follows:
- audit activities, conducted on the basis of a specific plan approved by the Board of Directors, which were the subject of six-monthly reports;
- annual planning of the work of the Compliance function and regular reviews of the findings of assessments conducted and the respective corrective measures;
- the work of the Risk management function, also following the review of the Risk Appetite Framework, approved by the Board Meeting on 21 December 2018, and the critical positions being monitored;
- the activities of the Supervisory Body pursuant to Legislative decree no. 231/2001 which, based on the annual plan submitted to the Board for approval, were discussed during the Board Meeting of 19 March 2019;
- the work of PricewaterhouseCoopers S.p.A., the independent auditors appointed for the statutory audit for the period from 2015 to 2023. Specifically, we exchanged information with the independent auditors in order to help us perform our respective duties and planned specific informative meetings also in 2018;
- the review - before the department managers/heads and/or based on the specific documentation prepared by the latter - of the organisational, functional and trend aspects of the Business, Risks, Administration and Finance, Legal and Corporate Affairs, Organisation of Systems and Services departments and the performance of SACE’s subsidiaries.

During the year, we were also periodically updated about the progress of the single tender procedure for the appointment of the Group’s single independent auditor for the 2020-2028 nine-year period. This procedure was carried out and managed by the ultimate parent in accordance with the mandate, with representative powers, which SACE assigned to CDP, also on behalf of the subsidiaries. In this respect, since on 19 March this year CDP’s shareholders appointed Deloitte S.p.A. as the new independent auditors for the 2020-2028 period, the preliminary activities for the appointment of the new Group’s single independent auditors are currently underway, including for the statutory audit of SACE’s financial statements.
Also in 2018, we did not note any unusual transactions with respect to the company’s core business. The company’s core business did not change during the year and is consistent with the business purpose.
SACE is under the direction and coordination of Cassa Depositi e Prestiti, which is the sole shareholder and is also vested with governance powers. In exercising such powers, also in 2018, the ultimate parent issued specific guidelines and policies, which have been transposed and implemented by the company. These include, inter alia, the definition of the roles and responsibilities of the ultimate parent company and the other group companies and govern the methods of interaction, detailing the issues and activities in each area for which the subsidiaries require binding or non-binding opinions.
Taking into account the direction and coordination activities of the ultimate parent Cassa Depositi e Prestiti S.p.A., we monitored the adequacy of the company’s organisational, administrative and accounting structure, also by gathering information from the respective department managers, examining the work of the independent auditors and holding meetings with the Boards of Statutory Auditors of the following subsidiaries: SIMEST S.p.A., SACE BT S.p.A., SACE SRV S.r.l. and SACE Fct S.p.A.. This showed the organisational, administrative and accounting structure to be in line with the company’s needs and to be backed by efficient corporate procedures.
We worked in collaboration with the Head of the Internal Audit department, which also gave rise to detailed analyses and flows of information concerning the implementation of the corrective measures adopted, including with specific reference to the management of fund 295/73 by the subsidiary SIMEST and the outcome of the Banca d’Italia’s inspection involving the subsidiary SACE Fct.
The information received from the Supervisory Body on the adequacy of the organisational, management and control model, pursuant to Legislative decree no. 231/2001, did not highlight any inefficiencies in the procedures adopted by the company. Furthermore, no critical issues emerged with respect to the organisational model, such to be disclosed in this report.
Functions within the Board of Directors are well distributed and in line with the mandates conferred.

On today's date, the independent auditors PricewaterhouseCoopers S.p.A. issued their report on the financial statements at 31 December 2018 in accordance with the rules on statutory audits implemented in Italy with Legislative decree no. 135/2016. Specifically, the independent auditors: i) issued their report stating that the separate financial statements give a true and fair view of the company's financial position, performance and cash flows as at and for the year ended 31 December 2018 in accordance with the Italian legislation governing their preparation; ii) expressed their opinion on the consistency of the Report on operations with SACE's separate financial statements at 31 December 2018 and that this Report has been drawn up in accordance with statutory requirements; iii) with reference to the statement pursuant to art. 14.2(e) of Legislative decree no. 39/2010, made on the basis of their knowledge and understanding of the company and the context in which it operates, obtained in the course of their audit, they had nothing to report.
On today's date, the independent auditors also provided us with their report pursuant to art. 11 of Regulation (EU) no. 537/2014, according to which they did not identify any significant matters involving actual or alleged non-compliance with laws and regulations or the articles of association to be brought to our attention. The independent auditors also provided us the annual confirmation of their independence pursuant to art. 6 of Regulation (EU) no. 537/2014 and of their compliance with all ethical and independence requirements. Furthermore, no situations such to compromise the company's independence were identified.
We supervised the general layout of the financial statements, their overall compliance with the law in terms of the basis of preparation and structure and also checked compliance with the law concerning the preparation of the report on operations.
We did not receive or file any petitions or complaints pursuant to art. 2408 and 2409 of the Italian Civil Code. During the performance of our supervisory activities, as described above, no significant facts emerged such to be disclosed in this report. Moreover, no measure was necessary in respect of any omission by the Board of Directors pursuant to art. 2406 of the Italian Civil Code.
We did not note any atypical and/or unusual transactions, including transactions with related or intragroup parties, that were not carried out under normal market conditions.
We are not aware of any mandates assigned to persons linked through any continuous working relationship to the independent auditors, nor do we have access to the information required in order to detect the existence of such relationships.

Based on the above, we are in favour of the approval of the separate financial statements as prepared by the Board of Directors and their proposed allocation of the net profit for the year € 186,087,104 as follows:

- € 9,304,355, equal to 5% of the net profit for the year, to the legal reserve, in accordance with art. 2430 of the Italian Civil Code;
- € 3,107,252 to “Other reserves”;
- € 173,675,497 in accordance with the resolutions to be passed by the sole shareholder Cassa Depositi e Prestiti S.p.A..

Rome, 3 April 2019

THE BOARD OF STATUTORY AUDITORS
Franco Luciano Tutino (Chairman)
Roberta Battistin (Standing Auditor)
Giuliano Segre (Standing Auditor)

pwc

Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the Shareholder of
SACE SpA

Report on the Audit of the Financial Statements as of 31 December 2018

Opinion

We have audited the financial statements of SACE SpA (the Company), which comprise the balance sheet as of 31 December 2018, the profit and loss account and cash flow statement for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of the provision for unexpired risks	
Notes to the financial statements for the year ended 31 December 2018: *Part A – Valuation criteria and basis of presentation – Technical provisions* *Part B – Information on the balance sheet and profit and loss account - Section 10 – Technical provisions – item C.I.* The technical provisions of SACE SpA included Euro 490 million related to the provision for unexpired risks, equal to 4.6 per cent of "total liabilities and shareholders' equity". The provision for unexpired risks supplements the provision for premium instalments to cover the portion of risk falling in the periods after the year-end, in the event the expected cost of assumed risks exceeds the accrual to the provision for premium instalments. The determination of the provision for unexpired risks depends on the estimate of the expected loss until the run-off of the existing portfolio at the reporting date, which loss is determined according to statistical models. The analysis of this item is a key audit matter on account of the complexity of the model and the relative degree of subjectivity, in particular, in respect of the estimated insolvency likelihood, correlation coefficients and the recovery rates.	We performed the following main activities in order to address this matter: • identification and review of the internal controls, which were considered more significant, put in place by management to support the correct determination of the provision for unexpired risks; • discussions with the relevant corporate functions regarding the trend of risk indicators which affect the changes in the expected loss; • performance of procedure aimed at verifying the agreement of the management and accounting information; • involvement of PwC network actuaries in order to verify the reasonableness of the methods and assumptions behind the model used to determine the provision for unexpired risks.
Valuation of receivables from Policyholders and third parties for recoveries	
Notes to the financial statements for the year ended 31 December 2018: *Part A – Valuation criteria and basis of*	We performed the following main activities in order to address this matter:

pwc

presentation – Receivables *Part B – Information on the balance sheet and profit and loss account - Section 5 "Item E - Receivables"* Receivables from policyholders and third parties for recoveries, including "other debtors country" and "compensatory interest on claims to be recovered", amounted to Euro 530 million, equal to 5 per cent of total assets. By paying claims, as a result of the subrogation, the Company becomes a creditor to the defaulting parties, which are, in the case of sovereign risk policies, generally represented by foreign counties, whereas in the case of commercial risk policies, are corporate counterparties. The Company adjusts the value of receivables to the presumed realisable value taking into account the particular nature of the underlying operations, the geo-political situation of the debtor country, the assessment by external third parties and the existence of a restructuring agreement, if any. In the evaluation of receivables, estimates are a key element which is marked by a high degree of subjectivity, with particular reference to the calculation of the recoverable amount and related timing.	• discussions with the relevant corporate functions regarding the development of the economic and geo-political situation of the main debtors; • acquisition and critical analysis of the internal and external documentation supporting the write-downs or write-backs recorded; • performance of procedure aimed at verifying the agreement of the management and accounting information; • performance of comparative analysis procedures with reference to significant discrepancies compared to the previous year and insights into the findings with the corporate functions involved; • for a sample of counterparties, verification of the regularity of payments and the respect of the restructuring agreements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 April 2015, the shareholders of SACE SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n° 39/10

Management of SACE SpA is responsible for preparing a report on operations of SACE SpA as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations with the financial statements of SACE SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of SACE SpA as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As illustrated in the report on operations, management of SACE SpA has opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 1, of Legislative Decree n° 254 of 30 December 2016.

Rome, 3 April 2019

PricewaterhouseCoopers SpA

Signed by

Alberto Buscaglia
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Consolidated financial statements

2018

Meeting of the Board of Directors of 19 March 2019

SACE S.p.A.
Registered Office and Head Office in Rome
Share capital (fully paid in) Euro 3,730,323,610
Tax no. and Rome Companies Registration no.
05804521002 – R.E.A. no. 923591
Sole Shareholder Cassa Depositi e Prestiti S.p.A.

Company officers and boards

Board of Directors

Chairman	Beniamino QUINTIERI
Chief Executive Officer and General Manager	Alessandro Maria DECIO (*)
Directors	Maria ALLEGRINI Antonella BALDINO Paolo Carlo Renato DAL PINO (**) Rodolfo ERRORE (****) Alessandra FERONE (*****) Giuseppe MARESCA (****) Federico MEROLA

Board of statutory auditors

Chairman	Franco Luciano TUTINO
Standing Auditors	Roberta BATTISTIN Giuliano SEGRE
Alternate Auditors	Antonia DI BELLA Francesco DI CARLO
Standing Delegate of the Court of Auditors	Guido CARLINO
Independent Auditors (***)	PricewaterhouseCoopers S.p.A.

Company Boards appointed by the Shareholders' Meeting on 14 June 2016 and in office for three years
(*) Appointed CEO and General Manager by resolution of the Board of Directors on 14 June 2016.
(**) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 28 September 2016.
(***) Appointed for the period 2015 - 2023 by resolution of the Shareholders' Meeting on 23 April 2015.
(****) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 14 September 2017.
(*****) Appointed by co-option as a Member of the Board by resolution of the Board of Directors on 30 November 2017.
and confirmed by the Shareholders' Meeting on 23 April 2018.

Contents

Directors' report

1. The economic scenario

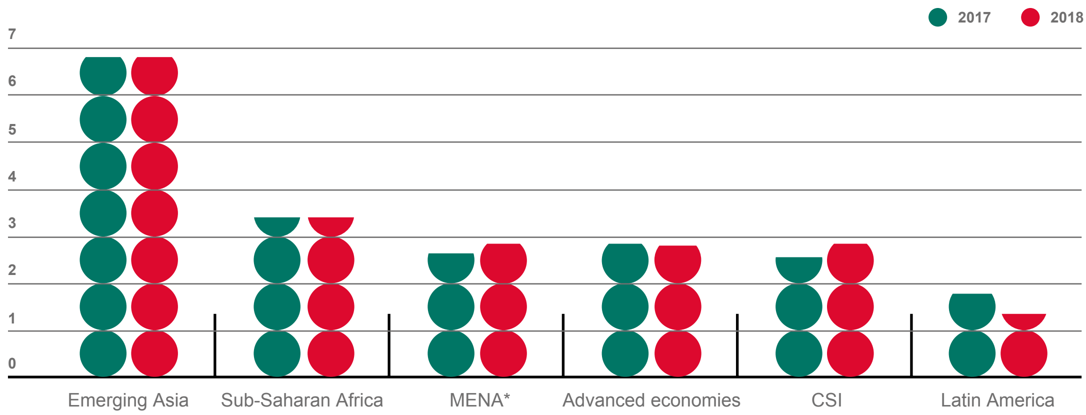
The world economy

In 2018, the global economy slightly decelerated with effects on both advanced and emerging economies. However, growth kept its robust pace (+3.7%).

Once again, emerging economies recorded the higher growth rate, although the performance was rather diverse in each country. Asia, China and India continued their steady growth with rates close to 7%. However, in both economies, there were some signs of weakness: in Beijing, the economy decelerated compared to the previous year and the debt issue (especially private debt) is still not resolved. In India, the government in New Delhi had to combat some of the negative effects triggered by the Fed interest rate hikes, including the outflow of capital and the depreciation of the currency. However, the country relied on more solid fundamentals than the other severely-hit emerging economies, such as Turkey and Argentina. Among the other main players of the global economy, Russia's and Brazil's GDP rose, though moderately, for the second year in a row. Furthermore, the government in Moscow benefited from positive temporary factors, such as the football World Cup and the recovery of oil prices. The latter factor also contributed to several economies of the Middle East and North Africa, where growth remained moderate. In Saudi Arabia, GDP is positive again after the 2017 recession. Conversely, the United States' sanctions had an impact on the Iranian economy which ended 2018 with a negative sign. Sub-Saharan African countries grew by almost 3% on average. However, among the main economies of the area, Nigeria and South Africa grew at lower rates.

With respect to advanced economies, the United States gathered pace thanks to the expansionary tax policy supported by the Trump administration. Conversely, the United Kingdom slowed down due to the uncertainties surrounding the Brexit. The latter also negatively impacted the performance of the Eurozone countries which, in the last few months of the year, were also hit by the fall in foreign demand and the difficulties faced by the automotive sector.

Change in GDP by geographical region (% change)



Source: IMF (January 2019)
*The figure related to the MENA region also includes Pakistan and Afghanistan.

The global debt stock rose also in 2018 and amounted to USD 244 thousand billion last September (318.2% of the world's GDP, up by 2.5% on the end of 2017).

In 2018, global Foreign Direct Investment (FDI) flows decreased by 19% on 2017, to USD 1,188 billion[1]. This figure is mainly due to FDI trends in advanced economies which fell by 40%, for a total of USD 451 billion. The decrease, the lowest since 2004, is mainly due to the repatriation of profits earned by US multinationals following the tax reform in the USA. In Europe, as a whole, the reduction in FDI inflows was greater than in the United States (which, however, remain the first destination for investments from abroad globally, with a total of USD 226 billion). FDI flows to emerging economies rose by 3%, equal to 58% of the world's total. Specifically, investments in emerging Asia rose by 5%, while those in Latin America dropped by 4%. The decrease is mainly due to the sluggishness of the region's economic recovery. In Africa, FDI inflows increased by 6%, focusing, however, on just a few economies, such as Egypt and South Africa. For the second year in a row, in 2018, the economies in transition experienced a downward trend in inflows (-8% on 2017), which is mainly attributable to the FDI's negative trend recorded in some countries of the area, which are generally the main recipients of foreign investments, including Russia.

The Italian economy, industrial sectors and foreign direct investments

According to ISTAT (Italy's National Statistical Institute), in 2018, Italy's real GDP rose by approximately 0.8% as a result of the slowdown which characterised the last two quarters of the year which also marked the beginning of technical recession. Industrial production grew by 0.8% during the year. With respect to the main industrial categories, intermediate goods closed with negative results (-0.5%), together with durable consumer goods. Sector figures are extremely positive for the mechanical engineering (+3.1%), high quality manufacturing, pharmaceutical and electrical equipment sectors. Conversely, wood, rubber, plastic and petroleum products experienced an opposite trend.

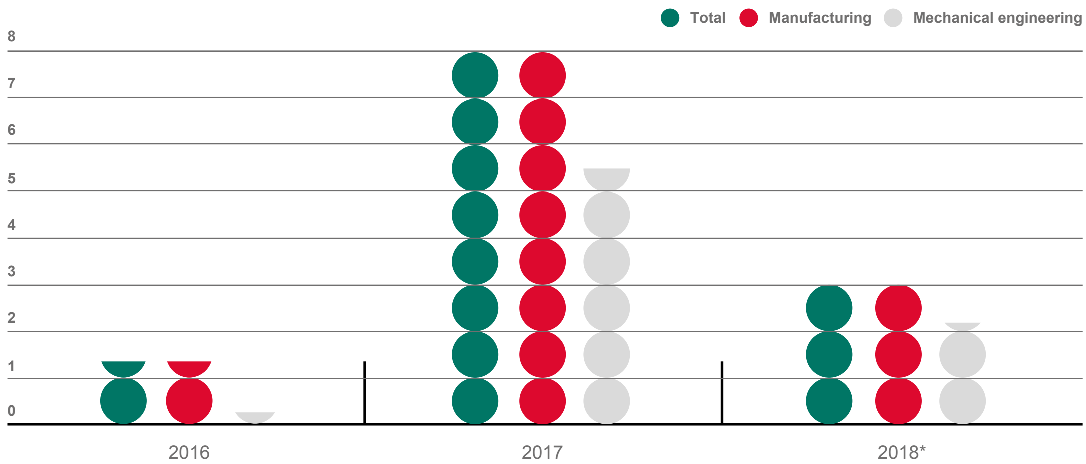
[1] UNCTAD, Global Investment Trends Monitor, January 2019.

In the twelve months from December 2017 to November 2018, FDI amounted to Euro 15.8 billion, while the flows from Italy to other countries amounted to Euro 17.6 billion. Between 2007 and 2017 (latest available figures), the number of foreign companies in which Italian companies hold an investment rose by over 44%, from approximately 25,000 to nearly 36,000. The European Union is the main destination area of Italy's investments (more than 50% of the total), followed by North America and non-EU countries, which account for 10% of Italy's foreign investees, respectively.

Italian exports

International trade continued to grow also in 2018 (+4% the increase in volume[2]), although at a slower pace compared to the previous year. Trade was affected by protectionist measures (above all due to the uncertainties among operators), and the slowdown of the global economy. Made in Italy exports performed similarly, still growing though less vigorously (+3.5% in terms of value in the first eleven months of 2018, compared to +7.6% in 2017 - 12 months). Between January and November, the trade surplus was approximately Euro 36 billion, down by approximately 15% on the same period of 2017. Exports to EU countries drove sales, while the performance in non-EU markets was more moderate, except for India, Switzerland and the United States. An analysis by sector shows that exports were driven by the pharmaceutical, electronic devices, means of transport (excluding vehicles) and refined petroleum products (affected by the oil price trend) sectors. Conversely, foreign sales of mechanical engineering (the main sector for the demand for insurance against the risk of non-payment in the medium/long term) rose by approximately 2%.

Italy's total exports, manufacturing and mechanical engineering (% change)



Source: Istat

* Growth rates are based on average year-on-year growth for the period from January to November (latest available figure November 2018).

[2] IMF, World Economic Outlook Update, January 2019. Figure relate to the trade in goods and services.

Loans to businesses, bankruptcies and construction companies

Bank loans to non-financial companies rose by over 1% in the past twelve months. However, the trend changed depending on the sector. Manufacturing and service companies benefited from the expansion, while the decrease in loans to construction companies continued. Furthermore, loans to smaller companies decreased in all sectors (-3.2%). Finally, the impact of non-performing loans on the total loans granted (9.4% according to the latest figures released by the Bank of Italy for the third quarter), continued to decrease, also thanks to the plans for the sale of non-performing positions.

Business demography figures confirm the strengthening of Italy's economy during the year. Indeed, the difference between companies' registrations and winding-up shows a positive balance of almost 32 thousand units. Southern Italy continues to show positive signs, with just the islands accounting for almost 60% of the balance. With respect to sectors, the accommodation and catering sectors, the professional, scientific and technical activities and business services continued to record the highest balance between registrations and winding-up, while that of the construction and manufacturing sectors remains negative, in addition to trade sector in the red.

The number of bankruptcies continued to decline between January and September 2018 (-5.8% year-on-year), although at a slower pace. All macro-sectors recorded a drop which, however, was greater for the industry. Most bankruptcies took place in Lombardy and Lazio[3].

In the second half of the year, the construction sector, already very fragile, was hit by the fall in demand and, consequently, recorded a slowdown in production, both in Italy and in Europe. Specifically, ISTAT's index shows a 1.1% increase year-on-year between January and November 2018 compared to the same period of 2017, +1.4% in the first eight months. Positive signs were expected after the disappointing results of the past few years. However, a significant gap remains compared to pre-crisis levels.

Credit recovery and payments

In the last quarter of 2018, payment times slightly deteriorated, with a tiny decrease in punctual payers (recorded throughout the year compared to the maximum for the third quarter of 2017) and an increase in late payers with payments more than 30 days past due[4]. Between October and December, micro-businesses, in particular, complied with the agreed payment times ("by due date"), but were also among those which exceeded the most the "over 30 days" bracket. In the last quarter of the year, the worst payers were in Southern Italy and in the islands (mainly Sicily and Calabria), while the best payers were in the north east of Italy (specifically, Trentino-Alto Adige).

[3] Cribis, Italy's bankruptcies, November 2018.
[4] Cribis, 2019 Study on payments, January 2019.

2. The strategy

Given the uncertainties surrounding the possible evolution of the commercial policies following the new protectionist pressures and the geo-political risks, SACE promoted the internationalisation of businesses in many sectors, also thanks to the assurances about the risks concentrated with the Ministry of the Economy and Finances. New transactions rose by 16% on the previous year, exceeding Euro 20 billion. Working even more closely with companies, SACE has developed a new customer service model with a greater focus on commercial aspects of the sales network. The creation of a single Customer Care unit for the Export Hub has enabled simplified access and points of contact. During the year, a new office opened in Shanghai and SACE obtained authorisation to open a representative office in North Africa to support the numerous Italian companies that do business in the region. The export-push strategy, designed to benefit suppliers and help Italian companies join the global value chain, which was launched in the second half of 2017, is now fully operational and an integral part of the Export Hub's product offering, with particularly positive feedback from exporters for match-making meetings. Furthermore, the product review process led to the launch of two new fully-digital products: "Export Up" and "Valutazione azienda" (company assessment). Finally, in accordance with the Business Plan, in order to promote the export culture among SMEs, the offer strategy was further expanded, with the inclusion of the Education to Export platform, whose aim is to channel growth and development opportunities offering specialist content available both on- and offline.

In line with the Business Plan, which as per the guidelines of the shareholder Cassa Depositi e Prestiti S.p.A., provided for the construction of an "Export development and internationalisation hub", the commercial and support action for companies resulted in an increase in the resources used by the hub by over 10% compared to 2017, exceeding Euro 28 billion, thanks to the integration with the product offer of SIMEST S.p.A., SACE Fct S.p.A., SACE BT S.p.A. and SACE SRV S.r.l.

3.Financial performance of the year

The main highlights of the 2018 financial performance are set forth below.

(in € thousands)	Total 12-31-2018	Total 12-31-17
Gross premiums	815,536	873,434
Change in technical provisions	(459,932)	56,675
Outward reinsurance premiums for the year	(46,892)	(96,043)
Net premium income	308,713	834,066
Net claims incurred	(183,275)	56,059
Operating expenses	(99,136)	(112,681)
Commissions and other acquisition expenses	(1,285)	(24,486)
Investment management expenses	(5,423)	(3,158)
Other administrative expenses	(92,427)	(85,037)
Technical operating income	**26,303**	**777,445**
Non-technical operating income (expense)	**130,092**	**(145,776)**
Profit before taxes	**156,395**	**631,669**
Taxes	(27,591)	(175,670)
Profit for the year	**128,804**	**455,999**

The profit for year amounts to Euro 128.8 million. This is a considerable decrease on the previous year mainly due to increase in the accruals to the provision for unearned premiums (in line with the portfolio increase), the accruals to the Provision for claims (following the rise in claims in some sectors) and as a consequence of the decrease in commercial risk recoveries recorded in 2018 compared to 2017. Specifically:

- gross premiums", of Euro 815.5 million, decreased slightly (-7%) on the previous year (Euro 873.4 million);
- "net claims incurred" were negative and amounted to Euro 183.3 million (positive for Euro 56.1 million in 2017); this item reflects claims paid for Euro 247.9 million (Euro 376.7 million in 2017), the negative change in the provision for outstanding claims for Euro 76.5 million (positive for Euro 210.3 million in 2017) and the positive change in recoveries for Euro 141.1 million (Euro 222.5 million at 31 December 2017);
- operating expenses (net of reinsurance commissions of Euro 54.7 million) amount to Euro 117.3 million (Euro 115.6 million at 31 December 2017). Expenses relate to collection commissions (Euro 18.1 million), personnel costs (Euro 87.6 million) and costs for goods and services (Euro 11.6 million).
- The non-technical account was positive and amounted to Euro 130.1 million (negative for Euro 145.8 million at 31 December 2017). It mainly includes net financial income, of Euro 116.2 million (negative for Euro 194.2 million in 2017).

4. Insurance business

Premiums

In 2018, gross premiums amounted to Euro 815.5 million, of which Euro 782 million from direct business and Euro 33.3 million from indirect business (inward reinsurance). There was a 7% decrease on the previous year.

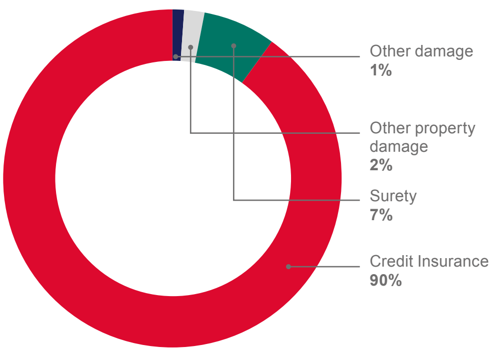
Breakdown of premiums (in € thousands)

Business	12/31/2018	12/31/2017	Change compared to 2017
Non-life (direct business)	782,198	841,762	-7%
Credit insurance	707,704	749,158	-6%
Surety	52,099	73,851	-29%
Other property damage	17,227	15,804	9%
Non-motor TPL	1,162	949	22%
Fire	3,793	1,985	91%
Accident	12	15	-20%
Health	201		
Total Direct Business	782,198	841,762	-7%
Total Indirect Business	33,338	31,672	5%
Total	**815,536**	**873,434**	**-7%**

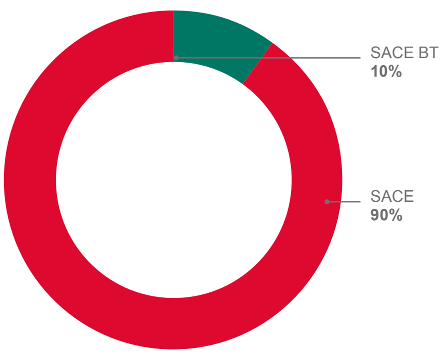
With respect to the ratio of the individual classes of business to gross premiums from direct business, 90% of the premiums relates to credit insurance, 7% to surety bond insurance, 2% from other property damage and 1% from other damage.

Of the gross premiums from direct business, 90% relates to SACE S.p.A., while the remaining 10% refers to SACE BT S.p.A.

Gross premiums by business (direct business)



Gross premiums by group company (direct business)



Claims and recoveries

In 2018, SACE S.p.A. paid claims of Euro 238.5 million (down by 35% on the previous year). Approximately 57% of claims related to the Italy risk, which was almost entirely attributable to the construction sector. The residual 43% was absorbed by export credit operations in different areas (the most recurring countries being Brazil, Ukraine, Cuba and Russia, without specifying concentrations).

With respect to recoveries, SACE S.p.A. collected Euro 143.3 million in political recoveries, slightly down on the balance for the previous year (Euro 153.3 million). These recoveries mainly relate to payments under bilateral agreements with Iraq (Euro 42.4 million), Argentina (Euro 41.5 million), Ecuador (Euro 28.9 million), Cuba (Euro 17.0 million) and Aruba (Euro 4.0 million).

During the year, commercial recoveries of Euro 64.5 million dropped significantly (-71%) on 2017, when recoveries recorded exceptional levels following the sale of subrogation credits and/or restructuring agreements on claims of a significant amount. Specifically: (i) recoveries from restructuring agreements with Iranian (Euro 24.7 million), Egyptian (Euro 13.3 million) and Russian (Euro 7.1 million) counterparties; (ii) recoveries from the transfer of receivables related to Indian counterparties (Euro 4.3 million) and (iii) isolated recoveries from Cuban banks (Euro 4.3 million).

SACE BT S.p.A.'s claims incurred amount to Euro 23.8 million (Euro 23.7 million in 2017). In 2018, collected recoveries amounted to Euro 3.6 million and mainly related to surety business positions.

5.Risk management

5.1 Risk management policies

Risk management is based on constant improvements to processes and technology and investments in human resources, and is integrated in decision-making processes (risk-adjusted performance). The steps of identifying, measuring and controlling risks are essential factors in joint evaluation of company assets and liabilities using the most effective asset liability management techniques.

The company implements its risk management in accordance with the fundamental principles of the applicable regulations, although it is not subject to supervisory regulations[5]. Risk management follows a set of procedures based on a three-pillar approach:

- Pillar I introduces a minimum capital requirement for the risks that insurance/financial institutions typically face (technical risk, counterparty risk, market risk and operational risk);
- Pillar II requires SACE S.p.A. and its subsidiaries to 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.

To this end, every year SACE defines the Risk Appetite Framework ("RAF") which groups the metrics, processes and systems supporting the correct management of the risk level and type that the company is willing to assume in line with its strategic objectives.

The most significant risks to which SACE S.p.A. and its subsidiaries are exposed are described below:

- **Technical risk**: which includes the **underwriting risk** and the **credit risk**. The first regards the policy portfolio and is the risk of incurring financial losses arising from unfavourable trends in actual compared to expected claims (tariff risk) or differences between the cost of claims and reserved cost (technical provision risk); the second relates to the risk of defaulting and credit rating migration of the counterparty. Both risks are managed by adopting prudent pricing, and provisioning provisions, which are defined according to market best practice, and through prudent underwriting policies, permanent monitoring and active portfolio management.
- **Market risk**: this category includes the risks generated by market operations involving financial

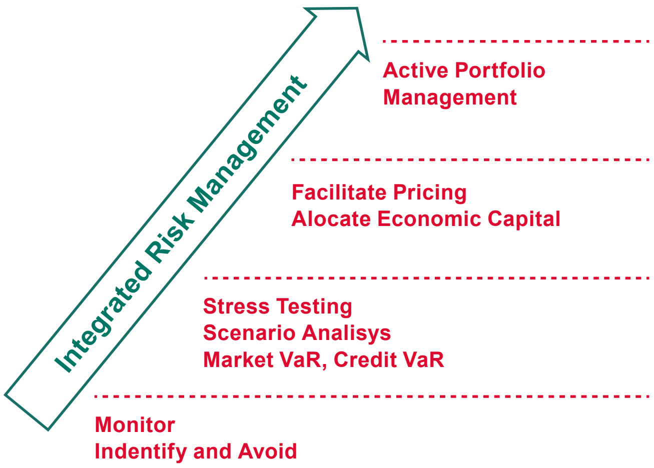
[5] For SACE FCT S.p.A. Circular no. 288 of 3 April 2015 – "Supervisory instructions for financial intermediaries" issued by Banca d'Italia, for SACE BT S.p.A. and SACE S.p.A. IVASS Regulation no. 38 of 3 July 2018, European Solvency II Directive no. 2009/138.

instruments. It includes the interest rate, the currency, the credit and the equity risks. SACE monitors and manages market risk using asset-liability management techniques and keeps it within previously defined limits by adopting guidelines on asset allocation and quantitative risk measurement models.
- **Operational risk**: the risk of incurring losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. This definition includes, inter alia, losses resulting from fraud, human errors, business disruption, system unavailability, breach of contract and natural disasters.
- **Liquidity risk**: the risk of incurring losses resulting from the company's reduced ability to meet financial obligations generated by its core business and financial liabilities. Insurance portfolios do not carry a significant liquidity risk since, in addition to the technical forms of underwriting which enable the settlement of the claim to be spread out over time, the investment policy is based heavily on the specific liquidity needs of investments. Therefore, all the securities in the portfolios used to cover technical reserves are traded in regulated markets, many of which can be refinanced with central banks, and the short average life of the investments guarantees their rapid turnover. The liquidity risk instead appears to be relevant for SACE Fct S.p.A. and SIMEST and this is essentially a funding liquidity risk; more specifically it relates to the difficulty in i) efficiently facing current and future cash outflows, ii) procure funds on the market without suffering capital losses or costs that are higher than expected, iii) fulfilling its own operative business commitments due to the closure of current loans. For both companies, a Liquidity Risk Policy has been implemented to ensure a balance between commitments and funding.
- **Concentration risk**: this is the risk from exposure to counterparties, groups of related counterparties and counterparties in the same business sector or which carry out the same activity or belong to the same geographic area.

The following risks are also identified and, where necessary, measured and mitigated by adopting appropriate management procedures:
- **Reputation risk**: the current and forward-looking impact of sanctions on earnings and capital or on the institutional role of SACE, arising from a negative perception of the image of Group companies by customers, counterparties, shareholders, investors, regulators or other stakeholders. The prevention and monitoring of events that could pose a risk to its business reputation is a priority for SACE, which has set up a system of internal controls to mitigate this risk and adopted specific measures to prevent the occurrence of such events in its business operations.
- **Risk of belonging to a group: "contamination" risk**, intended as the risk that, as a result of transactions between the company and other group entities or difficulties experienced by one entity within the group may have negative effects on the company; risk of conflict of interest.
- **Risk of non-compliance with regulations**: the risk of incurring legal or administrative fines, suffering losses or damage to reputation as a consequence of violation of compulsory requirements (laws, regulations) or self-regulatory measures (e.g., Articles of Association, codes of conduct). SACE S.p.A. and its subsidiaries have developed a process for managing the risk of non-compliance in order to ensure that internal processes and procedures are consistent with the objective of preventing any infringement of regulations, whether imposed by the authorities or the companies themselves.

5.2 The role of risk management

The risk management division ensures full coverage of risk control and management within Sace, using an organisational structure which complies with the specific nature and the regulatory provisions of the individual subsidiaries. It also defines the methods and tools to be used to identify, measure and control risks and verifies the appropriateness and adequacy of these with respect to the risk profile, as a whole.



Specifically, the risk management division:
- proposes methods and develops models and procedures for the measurement and integrated control of the risks, monitors the correct allocation of economic capital, in line with the relevant company guidelines and applicable legislation;
- oversees the definition of the risk appetite framework and operational limits and monitors compliance with these throughout the year;
- defines, develops and periodically reviews procedures for measurement and control of the risk/return ratio and the creation of value by individual risk-taking units;
- determines the current and future internal capital with regard to the relevant risks, ensuring the measurement and integrated control of overall risk exposure by defining the procedures for identifying, evaluating, monitoring and reporting risks, including scenario analyses and stress tests;
- monitors the levels of the technical provisions together with the other functions concerned;
- monitors transactions with the aim of optimising capital structure and the management provisions and liquidity (ALM).

In 2018, SACE S.p.A. set up a specific unit within the risk management division with the aim of permanently monitoring the operational risk management methodological framework.
This unit assists the risk management divisions of the individual companies, moving their individual operational risk management systems to converging policies, while contributing to a single group policy.

The operational risk management and monitoring process is governed by the "Identifying operational risks" group policy, which describes the methodological framework and the operational tools used to:

- gather and analyse internal loss data related to operational risk events (loss data collection process);
- perform the forward-looking assessment of the company's exposure level to potential operating risks and analyse the adequacy of the existing controls (risk self-assessment tool);
- define actions to mitigate the exposure to operational risks by identifying and adopting corrective measures (remediation plan);
- assess the operational risk inherent in the launch of new products.

The adoption of the operational risk management framework strengthened risk controls and improved the overall effectiveness and efficiency of processes, reducing the variability of the profits for the year, acting on frequent low-impact operating losses and protecting assets from significant unexpected losses.

Risk governance is entrusted to the following bodies in addition to those specified in the company's bylaws:

- **Board of Directors**: has ultimate responsibility for defining the strategies for internal controls and the risk management system, making sure they are always complete, functional and effective.
- **Risk and Control Committee**[6]: assists the Board of Directors with risk issues and internal controls and provides consulting support and proposals.
- **Management Committee**[7]: examines and evaluates the strategies, objectives and operational planning guidelines, assesses the performance of operations and identifies the measures necessary to achieve better profitability results and investigates key issues regarding management and operational guidance.
- **Operations Committee**[8]: examines proposed operations delegated by the Board of Directors (risk taking, changes, restructuring agreements, claims, commercial recoveries, agreements for commercial recoveries) and other relevant transactions, assessing their eligibility.
- **Risks Committee**: assists the Board of Directors and the Risk and Control Committee with the implementation of an effective risk management and control system, while contributing to the definition of strategies and guidelines for risk management and transfer.
- **Investments Committee**[9]: periodically defines company portfolio investment strategies to optimise the risk/yield profile of financial activities and the compliance of the guidelines established by the Board of Directors. Monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. Submits proposals for updating the guidelines on financial activities by the decision-making body.
- **Claims Committee**: analyses the performance of Large Claims and sets out the operating guidelines for SACE BT S.p.A.

[6] Only in Sace S.p.A.

[7] Furthermore, in Simest S.p.A., it provides i. the guidelines to define commercial policies; ii. validates the development of new products; iii. supervises and monitors strategic or major initiatives, specifically those across the group.

[8] Referred to as the Commitments Committee for SACE BT S.p.A. which i. sets the risk ceilings / individual transactions / terms and conditions of policies and changes in accordance with the established limits; ii. approves claims in accordance with the established limits; Credit Committee for SACE Fct S.p.A. which approves factoring transactions in accordance with the established limits; and Operations Committee for Simest S.p.A. which assesses i. investment transactions and changes to be submitted to the Board of Directors; ii. any guarantees given.

[9] Only in Sace S.p.A.

5.3 Reinsurance

Reinsurance is an important tool for integrated risk management and control. In this respect, SACE S.p.A. and SACE BT S.p.A. protect their portfolio and reach their strategic objectives through reinsurance policies in line with market standards and export credit best practices.

The main purposes of reinsurance are to:
- improve portfolio balance;
- enhance the company's financial soundness;
- share the risk with reliable insurance counterparties;
- stabilise operating results;
- increase underwriting capacity.

Reinsurance policies are selected based on the above criteria, specifically:
- Quota share reinsurance: aimed mainly at enhancing underwriting capacity. These policies are also used when the ceding structure, specifically the ceding commission, is such to make ceding cost effective;
- Surplus share reinsurance: purchased to increase underwriting capacity towards debtors/countries/ sectors in relation to which the company has already reached its full underwriting capacity;
- Non-proportional reinsurance (excess of loss or stop loss): this type of cover is purchased to enhance SACE's guarantee portfolio in terms of capital relief or to stabilise the technical account.

The Reinsurance unit of SACE S.p.A. manages operations and monitors reinsurance risks, checking the consistency of the sale plan with the reinsurance strategy approved by the Board of Directors. The reinsurance portfolio increased considerably in 2018, with a total ceded amount of Euro 25 billion. The majority were ceded to the Ministry of the Economy and Finance pursuant to the agreement between SACE and the Ministry approved by the Decree of the President of the Council of Ministers on 20 November 2014, filed with the Court of Auditors on 23 December 2014, whereby said Ministry will reinsure risks for which SACE S.p.A. has high concentrations. Almost all of the remaining portion was ceded to the private reinsurance market, which comprises top international companies.

5.4 Loans and receivablesand and guarantee portfolio

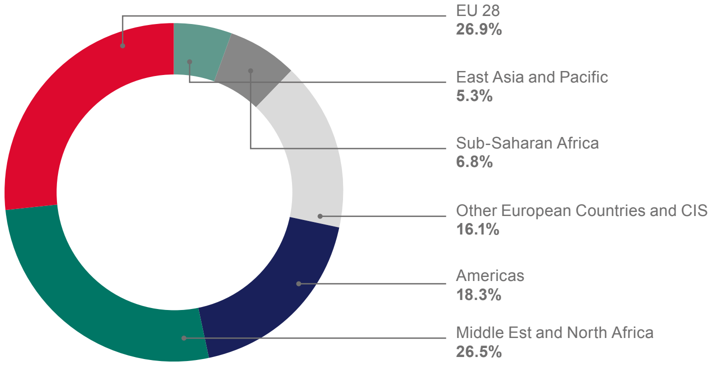
SACE S.p.A.'s total exposure, calculated as the sum of loans and receivables and outstanding guarantees (principal and interest) amounts to Euro 61.1 billion, an increase of 20.8% compared to 2017. Therefore, the growth trend recorded in 2017 and 2016 continued, mainly driven by the guarantee portfolio which accounts for 99.0% of total exposure. The loans and receivables portfolio decreased by 5.4% on 2017, mainly as a consequence of sovereign credits which fell by 20.0% and account for 61.6% of the total portfolio. The commercial component, which accounts for 34.1% of the portfolio, increased by 42.2%, from Euro 143.4 million to Euro 203.9 million.
At 31 December 2018, SACE BT S.p.A.'s total exposure amounts to Euro 51.9 billion, up by 25.8% on 2017. The outstanding receivables of SACE Fct S.p.A., i.e., the total amount of loans acquired net of receivables collected and credit notes, amount to Euro 1,520.7 million, a 20.9% decrease compared with the previous year.
At 31 December 2018, SIMEST S.p.A. had 245 subscribed investments for a total credit exposure (principal) of approximately Euro 545.0 million, up by 6% on 2017 (Euro 514.0 million).

Portfolio (in € millions)	2018	2017	Var.
SACE	**61,077.9**	**50,561.6**	**20.8%**
Outstanding guarantees	60,479.9	49,929.5	21.1%
- principal	*53,579.0*	*43,789.9*	*22.4%*
- interest	*6,900.9*	*6,139.5*	*12.4%*
Receivables	598.0	632.2	-5.4%
SACE BT	**51,936.6**	**41,283.7**	**25.8%**
Short-term receivables	9,702.7	9,695.7	0.1%
Surety Italy	6,299.1	6,234.7	1.0%
Other property damage	35,934.8	25,353.3	41.7%
SACE Fct	**1,520.7**	**1,921.3**	**-20.9%**
Outstanding receivables	1,520.7	1,921.3	-20.9%
SIMEST	**545.0**	**514.0**	**6.0%**
Direct commitments of Italian partners	461.0	436.0	5.7%
Commitments backed by banks and insurance companies	42.0	48.0	-12.5%
Commitments backed by collateral	42.0	31.0	35.5%

SACE

The analysis by geo-economic region shows that the highest exposure was once again towards EU countries (26.9% compared to 25.6% in 2017). The highest exposure by country is that of Qatar (15.9%), followed by the Middle East and North Africa, in terms of region, which account for 26.5% of the portfolio (up on 24.1% in 2017). The Americas account for 18.3% of the portfolio, down by 4.2% on 23.1% in 2017. The other geo-economic regions together account for 28.3% of the portfolio: the other European countries and the CIS (Commonwealth of Independent States) rose by 26.6% (with a portfolio impact slightly up from 15.4% in 2017 to 16.1% in 2018), Sub-Saharan Africa grew by 27.3% (with a portfolio impact slightly up from 6.5% in 2017 to 6.8% in 2018) and, finally, East Asia and Oceania increased by 21.8% on the previous year (with a portfolio impact of 5.3%, unchanged compared to 2017).

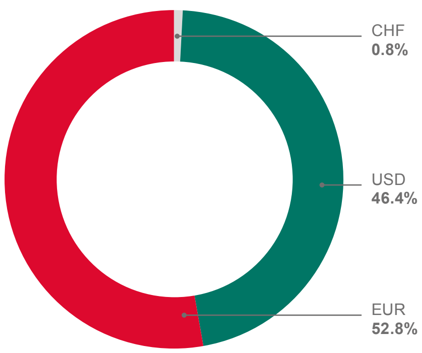
SACE: total exposure by geo-economic region



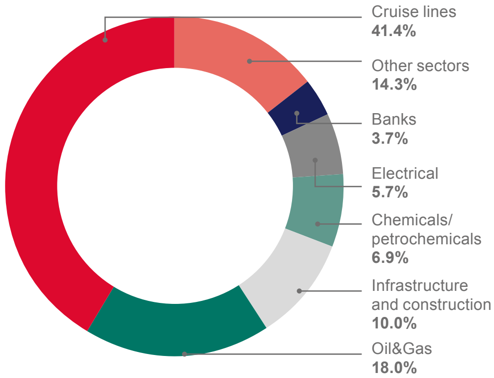
Receivables in US dollars decreased on the previous year, from 53.3% to 46.4%. 34.0% of SACE S.p.A.'s guarantee portfolio is expressed in US dollars (2017: 38.9%). The US dollar appreciated against the Euro from 1.1993 on 31 December 2017 to 1.145 on 31 December 2018.
The currency risk on the loans and receivables and guarantee portfolio is mitigated partly though the natural hedge provided by management of the provision for unearned premiums, and partly via the asset-liability management techniques adopted by the group.

The level of concentration by sector continued to be high, with the largest five sectors accounting for 82.0% of the total private portfolio. Once again, the cruise line industry shows the highest exposure (41.4%), up on 39.5% in 2017, when it accounted for 33.5% of the private portfolio. The Oil&Gas sector has the second-highest exposure, up by 3.7% and accounting for 19.6% of the private portfolio (2017: 18.0%). The Infrastructure and construction sector ranks third, down by 4.7% (accounting for 10.0% of the portfolio (2017: 11,8%)). The Chemicals and petrochemicals industry follows, up by 11.3% (accounting for 6.9% of the portfolio (2017: 7%)). The Electricity sector rose by 10.9%, while the Bank sector decreased by 20.1%.

SACE: loans and receivables portfolio by original currency



SACE: guarantee portfolio by industrial sector

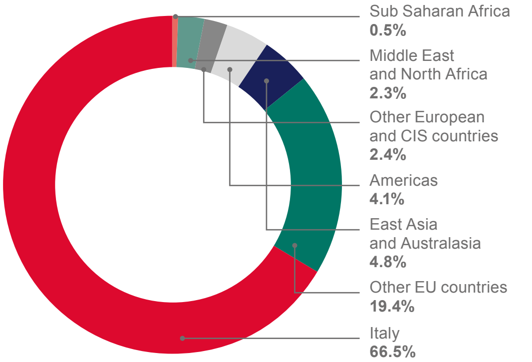


SACE BT

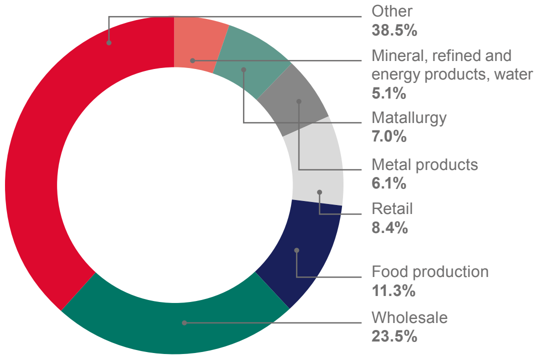
Loans and receivables portfolio
The credit insurance business has 115,120 exposures in place at 31 December 2018 (+1.2% on 2017), for a total of Euro 9.7 billion. Exposure was mainly concentrated in EU countries (85.9%), with Italy alone accounting for 66.5%.

Wholesale trade, agriculture and retail trade are the biggest industrial sectors of the portfolio, with exposure of 23.5%, 11.3% and 8.4% respectively.

SACE BT: nominal credit exposure by geo-economic region



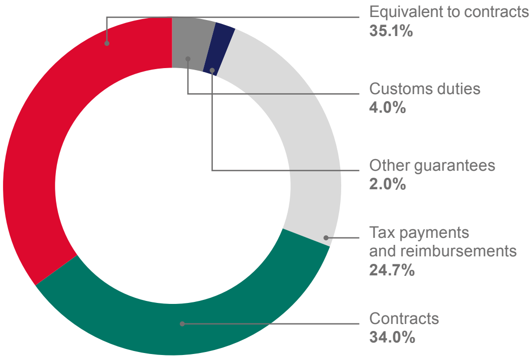
SACE BT: nominal credit exposure by industrial sector



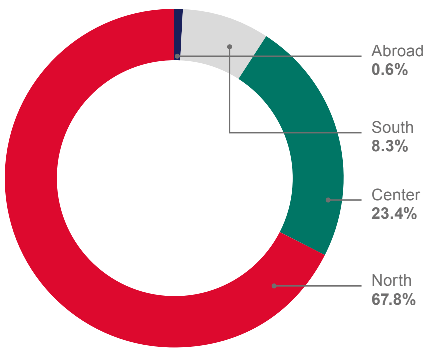
Surety portfolio
The exposure of the Surety bond portfolio (insured capital) amounts Euro 6.3 billion (+1.0% on 2017). Guarantees related to contracts account for 69.1% of the total exposure, followed by guarantees on tax payments and reimbursements (24.7%).

The portfolio comprises approximately 33,639 contracts and is concentrated in Northern Italy (67.8%).

SACE BT: nominal surety bond exposure by type of policy

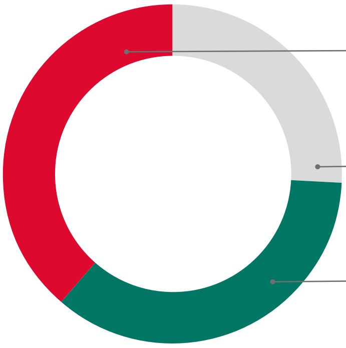


SACE BT: nominal surety bond exposure by geographical area



Construction/Other property damage portfolio
The nominal exposure (risk limits and insured capital) of the Construction/Other property damage portfolio amounts to Euro 35.9 billion (+41.7% on 2017).
There are 7,983 policies in place (+2.4% on 2017). CAR/EAR policies account for 35.5% of the nominal exposure, decennial liability policies for 25.8% and Non-life business policies for 38.7%.

SACE BT: nominal exposure by type of policy (construction business)



SACE Fct

At 31 December 2018, the outstanding receivables of SACE Fct S.p.A. amount to Euro 1,521 million, a 20.9% decrease compared with the previous year. In 2018, factoring transactions generated turnover of Euro 4,221 million (down by 8.6%% on 2017). As mentioned earlier, outstanding receivables mainly related to non-recourse operations, which account for 95.3% of the total portfolio.

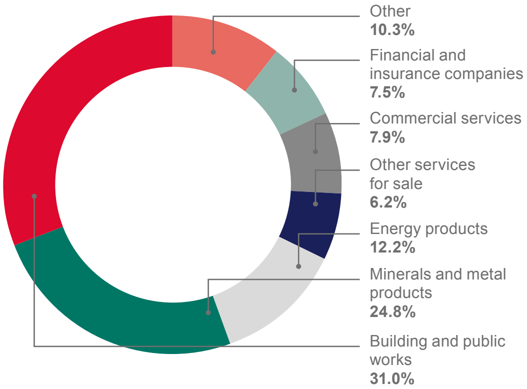
Outstanding receivables by type of transaction (in € millions)	Amount	%
Without recourse	1,449.9	95,3%
With recourse	70.8	4.7%
Total	**1,520.7**	**100.0%**

Outstanding receivables are analysed below by assignor, debtor, geographical region and sector.

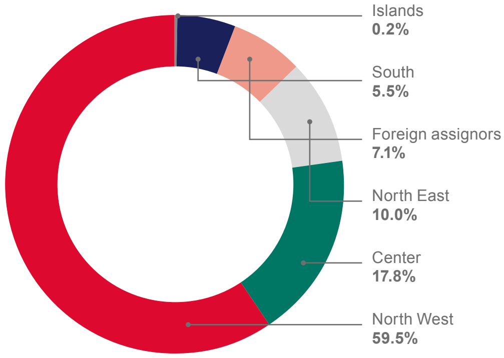
The breakdown of outstanding receivables by the assignor's sector shows a significant concentration in the construction and public works sector (31.0%), followed by minerals and metal products (24.8%) and energy products (12.2%). Compared to the previous year, the concentration of outstanding receivables in the minerals and metals sector further increased (18.6% at 31 December 2017, 15.0% at 31 December 2016) whereas that of the construction and public works sector decreased (35.0% at 31 December 2017, 40.3% at 31 December 2016).

The geographical breakdown of assignors shows an increase in the concentration of those resident in North-West Italy (from 48.8%% in 2017 to 59.5%% in 2018), while the concentration in Central Italy decreased to 17.8%% compared to 27.5%% at 31 December 2017.

SACE Fct: outstanding receivables by assignors' sector



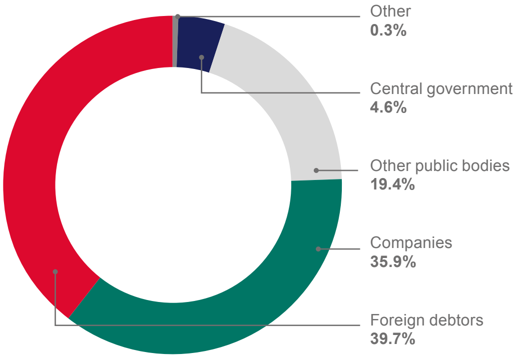
SACE Fct: outstanding receivables by assignors' geographical region



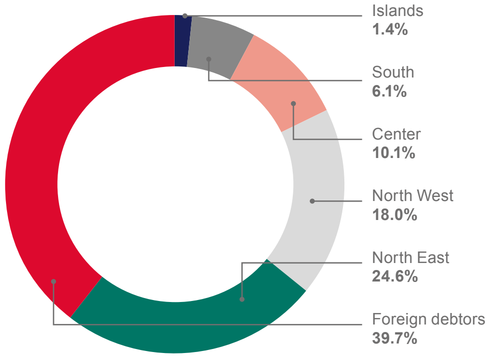
According to the breakdown of outstanding receivables by debtors' sector, the majority of counterparties are in the private sector, which accounts for 76.0% of the total, up on 2017 (69.4%); public administration debtors are unchanged at 24.0%.

The graph below shows the breakdown of outstanding receivables by debtors' geographical region. Compared to the previous year, the Centre decreased considerably from 18.9% at 31 December 2017 to 10.1% at 31 December 2018. Furthermore, the concentration in North-East Italy increased (24.6% at 31 December 2018 compared to 20.5% at 31 December 2017).

SACE Fct: outstanding receivables by debtors' sector



SACE Fct: outstanding receivables by debtors' geographical region

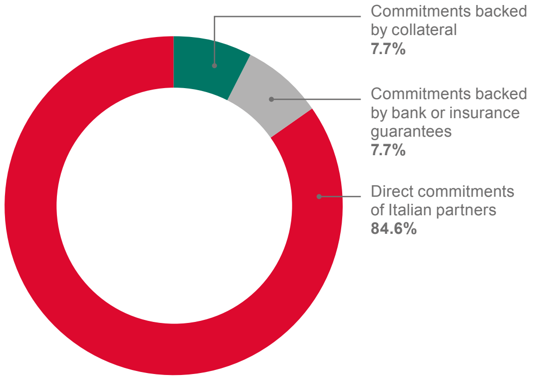


SIMEST

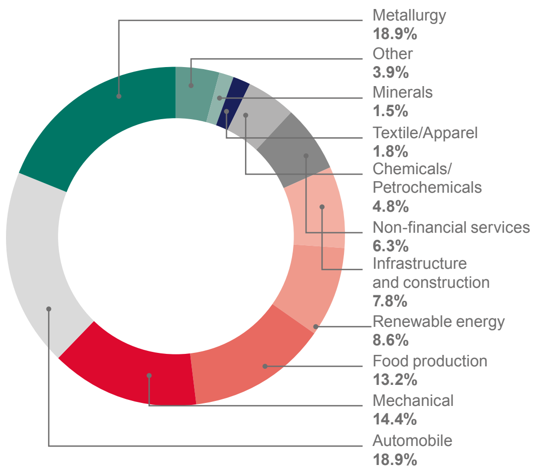
At 31 December 2018, SIMEST S.p.A. had 245 subscribed investments in its portfolio for a total credit exposure (principal) of approximately Euro 545 million. The overall portfolio increased by around Euro 31 million compared to 31 December 2017.
At 31 December 2018, direct commitments of Italian partners for the forward purchase of equity investments amount to some Euro 461 million (Euro 436 million at 31 December 2017). Commitments backed by bank and/or insurance guarantees total approximately Euro 42 million (Euro 48 million at 31 December 2017), and those backed by collateral Euro 42 million (Euro 31 million at 31 December 2017).

The metallurgy, automobile and mechanical industries are the three biggest industrial sectors of the portfolio, accounting for 18.9% and 14.4%, respectively.

SIMEST: portfolio by type of guarantee



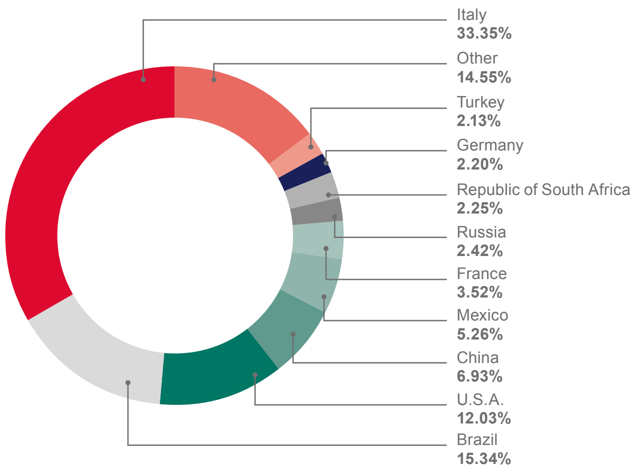
SIMEST: portfolio by industrial sector



The geographical breakdown of the portfolio shows that the first 10 countries where SIMEST S.p.A. operates through target companies cover around 85% of the total, with 29 other countries accounting for the remaining 15%.

Italy accounts for the biggest portion, with 33% of the portfolio, followed by Brazil with 15% and the USA with 12%. Overall, the first three countries in terms of exposure cover almost 61% of the portfolio.

SIMEST: portfolio by country



5.5 Financial portfolio

Financial management aims to achieve two main objectives:

- to preserve the value of company assets: in line with new legislation and the financial context of reference, the company pursues an integrated asset-liability management strategy that includes hedging transactions to offset negative variations in the guarantee and credit portfolio in case of worsening of risk factors;
- to contribute to the achievement of the company's economic goals.

This activity confirmed values in line with the limits defined for each company and each type of investment.

Asset class (in € millions)	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortised cost	Total	%
Bonds	3,013		1,761	4,774	64.8%
UCITS	193			193	2.6%
Shares	6	5		12	0.2%
Money Market			2,388	2,388	32.4%
Total	**3,213**	**5**	**4,149**	**7,367**	**100%**

64.8 % of the portfolio is comprised of bonds and other debt securities, 32.4% of money market instruments, 2.6% of UCITS mainly made up of bonds or shares and the remaining 0.2 of shares.
With regard to the credit risk of the securities portfolio, SACE S.p.A. and its subsidiaries pursue a prudent investment policy, setting operating limits based on the types of financial instruments that may be used, on concentration by type and on the creditworthiness of the issuer.

SACE: breakdown of securities portfolio by rating

Rating classes	%
AAA	4.2%
AA	1.5%
A	0.1%
BBB	93.8%
Other	0.4%
Total	**100%**

6. Human resources

At 31 December 2018, there were 969 employees on the payroll, an increase of 6% compared to the previous year (912 at 31 December 2017). During the year, 128 resources were hired and 71 left the company.

Distribution of staff by grade

	SACE	SACE BT	SACE SRV	SACE FCT	SACE do Brasil	SIMEST	Total	Breakdown
Senior managers	37	8	1	6		7	59	6%
Managers	287	56	7	26	1	75	452	47%
Clerical staff	239	85	27	46	1	60	458	47%
Total	**563**	**149**	**35**	**78**	**2**	**142**	**969**	**100%**

Distribution of staff by age group	Breakdown
Under 30	11%
Between 31 and 40	31%
Between 41 and 50	30%
Over 50	28%

Distribution of staff by qualification	Breakdown
Degree	77%
Secondary school certificate/other	22%

In 2018, staff training programmes consisted in providing and improving skills based on company needs and continuously updating the managerial abilities and leadership qualities needed to manage complexity and change, with specific focus on mandatory, managerial and technical training. Language and management training schemes continued to be offered to all employees in addition to the courses required by law (Legislative decrees nos. 231/2001, 196/2003, 81/2008) and specialist technical training courses. The group provided a total of 23,655 hours of training in 2018 (compared to 20,909 hours in 2017).

7. Litigation

At 31 December 2018, SACE was party to 22 lawsuits, most of which relating to insurance commitments assumed prior to 1998. The company is also plaintiff in 59 lawsuits to obtain recognition of its privilege pursuant to Legislative decree no. 123/98 and in five labour disputes.

As regards the subsidiaries, SIMEST S.p.A. is party to two judicial proceedings, SACE BT S.p.A. is party to 181 disputes concerning insurance operations and eight general disputes, and SACE Fct is party to 44 disputes to resolve credit recovery issues.

8. Distribution network and marketing activity

In 2018, SACE group consolidated the distribution model and completed the integration process with respect to the service model within the CDP group. The commercial activities of the Export hub focused on the provision of tailor-made services, especially for SMEs, increasing the presence in Italy and abroad in order to be increasingly more focused on meeting the needs of export companies. Following the launch of the digitalisation process, in the medium term, customers will benefit from a significant improvement in service levels and a considerable reduction in response time. Furthermore, during the year, the product range was extended, focusing, in particular, on those that had the best positive impact on Italy's excellence chains. Thanks to the group's promotional campaigns, successful business matching meetings enabled foreign buyers to find in the Hub a reliable partner and sign trade agreements in order to enhance the Made in Italy globally.

9. Corporate Governance

Organisation, management and control model pursuant to Legislative decree no. 231/01

The management of SACE is based on principles of compliance and transparency and the adoption of a framework of prevention and control that is described below. The most recent version of the Organisation, management and control model ("Model") was approved on 22 July 2015 by SACE's Board of Directors pursuant to and for the effects specified by Legislative decree no. 231/01 ("Decree"). The Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of internal controls. The Model comprises:

- a general part that illustrates the principles of the Decree, the analysis of the System of Internal Controls, the Supervisory Body, the disciplinary system, staff training and dissemination of the Model both within and outside the company;
- a special part that identifies the areas of specific interest in relation to the business activities undertaken, for which a potential risk of committing a crime is theoretically possible. This part includes references to the System of Internal Controls with regard to the prevention of crimes.

The function of monitoring the suitability and application of the Model has been assigned to the Supervisory Body, a collective body appointed by the Board of Directors. It has three members, who must meet the following criteria: have proven experience, have in-depth knowledge of the company and its operations and be skilled in their respective professional fields. At the time of appointing the Supervisory Body, the Board also appoints one member as the Chair.
The Supervisory Body provides an annual report to the Board of Directors and the Board of Statutory Auditors. The Supervisory Body also meets the Supervisory Bodies of the other SACE group companies at least once a year. This meeting is an opportunity to jointly examine issues concerning the activities of said Bodies, to discuss the work undertaken during the previous year and that planned for the coming year and to agree upon any joint action to be taken within the scope of their activities.

Code of conduct

The Code of Conduct sets out the principles with which SACE and its subsidiaries are expected to comply in their relations with stakeholders. The Code of Conduct and the Model are two separate documents, although they are both an integral part of the prevention system that has been adopted.
Its adoption reflects SACE’s mission to make business ethics a concrete part of company life.
The Code recognises the legal relevance and mandatory effect of the principles and values that must guide the actions of SACE’s stakeholders and is part of the Organisation, management and control model pursuant to Legislative decree no. 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company’s internet and intranet site and sent by email to each employee.
The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis à-vis parties within and outside the company.

Internal control and risk management system

The internal control and risk management system is built around a set of rules, processes, procedures, functions, organisational structures and resources aimed at ensuring the correct functioning and good performance of the company and achievement of the following objectives: implementation of company strategies and policies; adequate control of current and future risks and containment of risk within the limits indicated in the reference framework for determining the company’s risk appetite; the effectiveness and efficiency of company processes; the timeliness of company reporting systems; the reliability and integrity of company, accounting and management information and security of IT data and procedures; the safeguarding of equity, asset value and protection from losses, including over the medium and long term; the compliance of transactions with the law and supervisory regulations, as well as internal regulations, policies and procedures.
All levels have specific responsibilities within the system of internal control and risk management. In detail:

- Ultimate responsibility for the system lies with the Board of Directors, which must ensure its completeness, functionality and efficacy at all times. The Board of Directors approves the company’s organisational structure and the assignment of duties and responsibilities to the various operational units and is responsible for ensuring their continued adequacy. It also has responsibility for ensuring the adequacy of the risk management system to identify, evaluate and control risks, including future risks, when implementing the company’s business strategies and policies and in view of the evolution of internal and external factors, in order to guarantee the safeguarding of the company’s assets, including in the medium and long term. Lastly, it promotes a high level of business integrity, ethical conduct and a culture of internal control in order to raise awareness among everyone at the company about the importance and usefulness of such controls.
- Senior management is responsible for the application, maintenance and monitoring of the internal control and risk management system and for defining its organisational structure, functions and responsibilities.
- The Board of Auditors must evaluate the efficacy and efficiency of the internal control system, especially as regards the actions of the Internal Auditing function by verifying its compliance with the

requirements of autonomy, independence and functionality. It must also inform the Board of Directors of any anomalous situations or weaknesses in the internal control system, suggest appropriate corrective measures and see that these are implemented.

The internal control and risk management system is organised on three levels:
1. first level controls. the operational units and heads of each unit identify, evaluate, monitor, mitigate and report the risks associated with the company's ordinary business activities, in accordance with the risk management process. They must see that operations are carried out properly and that established limits are respected in line with the risk objectives and the procedures of the risk management process;
2. second level controls. the Risk management function is responsible for ensuring: (i) correct implementation of the risk management process, (ii) that the various functions respect the established operating limits and (iii) compliance of business activities with the relevant rules and regulations;
3. third level controls. the Internal Audit function is responsible for monitoring and periodically evaluating the efficacy and efficiency of the risk management, control and governance system, in relation to the type and importance of the risk.

Internal Auditing

The Internal audit function performs independent and impartial assurance and consultancy activities on behalf of SACE and its subsidiaries, aimed at improving the efficacy and efficiency of the organisation. It helps the company to pursue its objectives by adopting a systematic approach that generates added value by evaluating and improving the governance, risk management and control processes and identifying sources of inefficiency in order to enhance corporate performance. The mandate of the Internal audit function, approved by the Board of Directors, sets out its purposes, authority and responsibilities and defines the reporting lines to senior management for communicating the results of its activities and the annual plan. The plan is approved by the Board of Directors and establishes the audit work priorities, identified on the basis of the company's strategic objectives and the assessment of current and future risks in view of trends in operating performance. The annual plan may also be reviewed and amended in response to significant changes that affect the company's business, plans, systems, activities, risks or controls. Furthermore, where necessary, it performs controls not envisaged by the plan. The Internal audit function monitors the system of controls at all levels and works to promote a culture of control endorsed by the Board of Directors. It carries out its activities in compliance with the regulatory framework, international standards for the professional practice of internal auditing and the Code of Ethics of the Institute of Internal Auditors (IIA).

The manager responsible for financial reporting

The Chief Financial Officer is responsible for preparing the corporate accounting documents of SACE. The provisions of art. 13 of the Articles of Association of SACE establishing the professional requirements and procedures for appointing and dismissing the manager responsible for preparing the corporate accounting documents are provided below.
Article 13 of the Articles of Association of SACE (paragraphs 10.1 - 10.8)

10.1. The Board of Directors may, with the compulsory consent of the Board of Auditors, appoint a manager responsible for preparing the corporate accounting documents, of which in art. 154-bis of the Consolidation Act for dispositions on financial matters (Legislative decree 58 dated 1998 and subsequent amendments), for a period of not less than the term of office of the Board and not more than six business years.

10.2. The manager responsible for preparing the corporate accounting documents must be in possession of the same probity requirements as the directors, and according to the DPCM, cannot hold any office in the management or control bodies, or managerial functions within Eni S.p.A. and its subsidiaries, nor have any direct or indirect relations of a professional or equity nature with such companies.

10.3. The manager responsible for preparing the corporate accounting documents must be chosen on *the basis of criteria of professionalism and skills from among the directors who have acquired an overall experience of at least three years in the management of businesses or consultancy firms or professional firms.*

10.4. The Board of Directors may dismiss the manager responsible for preparing the corporate accounting documents only for legitimate reasons and with the consent of the Board of Statutory Auditors.

10.5. The manager responsible for preparing the corporate accounting documents shall withdraw from office in the absence of the requirements necessary for taking office. Withdrawal will be declared by the Board of Directors within thirty days of becoming aware of the absence of requirements.

10.6. The manager responsible for preparing the corporate accounting documents will set adequate accounting and administrative procedures for drawing up the financial statements and the consolidated financial statements, if provided.

10.7. The Board of Directors will ensure that the manager responsible for preparing the corporate accounting documents is conferred with adequate powers and means for exercising the duties conferred and ensure the effective respect of the management and accounting procedures.

10.8. The Chief Executive Officer and the manager responsible for preparing the corporate accounting documents will certify the effective application of the procedures of which in paragraph 6 during the course of the business year to which the documents refer, in a suitable report attached to the business year financial statements and consolidated financial statements, if provided, and certify their correspondence to the findings in the accounts books and documents and their suitability in terms of providing a truthful and correct representation of the equity, economic and financial situation of the company and the group of companies in the scope of consolidation, in the case of the consolidated financial statements being provided.

10. Shareholding structure and share capital

SACE S.p.A. does not own treasury shares or shares of the parent Cassa Depositi e Prestiti and its subsidiaries do not hold any shares in the parent either directly or through trust companies or nominees. In accordance with the “Non-financial statement” under Legislative decree no. 254/2016, the company availed of the exemption described in art. 6 paragraph 1 of the Decree, since the declaration has been prepared on a consolidated basis by the parent Cassa Depositi e Prestiti S.p.A.

11. Business outlook for 2019

2019 should be another positive year for the global economy, despite an expected 3.5% slowdown and several risks of a decline, including a more significant slowdown in the expectations of some global economies (China, Eurozone and the United States), the worsening of protectionist measures, new financial/currency tensions in some fragile emerging countries (such as Argentina and Turkey) and a “messy” Brexit. International trade should perform positively (+4%) and global FDI are expected to increase. The risk factors listed above will have an effect on Italy’s GDP.

Rome, 19 March 2019

on behalf of the board of directors
Chief Executive Officer
Alessandro Maria DECIO

Consolidated financial statements

Statement of financial position - assets

(in € thousands)		Total 12-31-2018	Total 12-31-17
1	**INTANGIBLE ASSETS**	**11,422**	**16,450**
1.1	Goodwill	92	7,655
1.2	Other	11,330	8,795
2	**PROPERTY, PLANT AND EQUIPMENT**	**52,544**	**52,869**
2.1	Property	50,275	50,884
2.2	Other assets	2,269	1,984
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**1,135,780**	**777,523**
4	**INVESTMENTS**	**7,154,753**	**4,629,488**
4.1	Investment property	12,457	31,680
4.2	Equity investments in subsidiaries, associates and joint ventures	8,361	8,010
4.3	Financial assets at amortised cost	3,515,568	2,763,670
4.4	Financial assets at fair value through other comprehensive income	5,165	5,165
4.5	Financial assets at fair value through profit or loss	3,613,201	1,820,963
4.5.1	Financial assets held for trading	2,590,964	777,023
4.5.2	Financial assets designated at fair value	-	675
4.5.3	Other financial assets for which fair value measurement is mandatory	1,022,237	1,043,265
5	**SUNDRY RECEIVABLES**	**759,371**	**752,044**
5.1	Receivables arising out of direct insurance business	644,127	692,286
5.2	Receivables arising out of reinsurance business	30,178	18,795
5.3	Other receivables	85,066	40,963
6	**OTHER ASSETS**	**225,203**	**163,325**
6.1	Non-current assets or of a disposal group available for sale	-	-
6.2	Deferred acquisition costs	-	-
6.3	Deferred tax assets	174,447	128,838
6.4	Current tax assets	21,069	1,850
6.5	Other assets	29,687	32,637
7	**CASH AND CASH EQUIVALENTS**	**3,133,456**	**4,985,369**
	TOTAL ASSETS	**12,472,530**	**11,377,067**

Statement of financial position - liabilities and equity

(in € thousands)		Total 12-31-2018	Total 12-31-17
1	**EQUITY**	**5,586,994**	**5,566,994**
1.1	**attributable to the owners of the parent**	**5,508,357**	**5,490,098**
1.1.1	Share capital	3,730,324	3,730,324
1.1.2	Other equity instruments	-	-
1.1.3	Reserves	43,305	43,305
1.1.4	Retained earnings and other equity reserves	1,605,588	1,260,839
1.1.5	(Treasury shares)	-	-
1.1.6	Reserves for net exchange differences	-	-
1.1.7	Gains (losses) on financial assets at fair value through other comprehensive income	-	-
1.1.8	Other gains taken directly to equity	625	501
1.1.9	Share of the profit for the year attributable to the owners of the parent	128,515	455,129
1.2	**attributable to non-controlling interests**	**78,636**	**76,896**
1.2.1	Share capital and reserves	78,395	76,082
1.2.2	Gains (losses) taken directly to equity	(48)	(56)
1.2.3	Share of the profit for the year attributable to non-controlling interests	289	870
2	**PROVISIONS**	**79,208**	**81,568**
3	**TECHNICAL PROVISIONS**	**3,244,452**	**2,700,001**
4	**FINANCIAL LIABILITIES**	**3,109,474**	**2,407,221**
4.1	Financial liabilities at fair value through profit or loss	38,037	73,160
4.1.1	Financial liabilities held for trading	9,479	43,097
4.1.2	Financial liabilities designated at fair value	28,558	30,063
4.2	Financial liabilities at amortised cost	3,071,437	2,334,061
5	**ACCOUNTS PAYABLES**	**168,621**	**317,056**
5.1	Accounts payable arising out of direct insurance business	36,192	35,677
5.2	Accounts payable arising out of reinsurance business	75,812	122,968
5.3	Other accounts payable	56,617	158,411
6	**OTHER LIABILITIES**	**283,781**	**304,227**
6.1	Liabilities of a disposal group held for sale	-	-
6.2	Deferred tax liabilities	264,596	266,511
6.3	Current tax liabilities	4,023	11,438
6.4	Other liabilities	15,162	26,278
	TOTAL EQUITY AND LIABILITIES	**12,472,530**	**11,377,067**

Income statement

(in € thousands)		Total 12-31-2018	Total 12-31-17
1.1	Net premiums	**308,713**	**834,066**
1.1.1	*Gross premiums for the year*	355,605	930,109
1.1.2	*Outward reinsurance premiums for the year*	(46,892)	(96,043)
1.2	Commission income	**29,184**	**28,763**
1.3	Losses on financial instruments at fair value through profit or loss	**(2,689)**	**(108,129)**
1.3 bis	Reclassification using the overlay approach	-	-
1.4	Gains from equity investments in subsidiaries, associates and joint ventures	-	-
1.5	Gains from other financial instruments and investment property	**173,908**	**153,210**
1.5.1	*Interest income*	172,073	149,495
1.5.2	*Other income*	130	910
1.5.3	*Realised gains*	1,682	892
1.5.4	*Unrealised gains*	23	1,913
1.6	Other revenue	52,024	24,397
1	**TOTAL REVENUE AND INCOME**	**561,140**	**932,307**
2.1	Net claims incurred	**183,275**	**(56,059)**
2.1.1	*Amounts paid and changes in technical provisions*	215,476	(18,742)
2.1.2	*Reinsurers' share*	(32,201)	(37,317)
2.2	Commission expense	**3,218**	**1,421**
2.3	Expense related to equity investments in subsidiaries, associates and joint ventures	-	-
2.4	Expense related to other financial instruments and investment property	**51,770**	**53,479**
2.4.1	*Interest expense*	23,701	26,554
2.4.2	*Other expense*	519	510
2.4.3	*Realised losses*	2,363	111
2.4.4	*Unrealised losses*	25,187	26,304
2.5	Operating expenses	**99,136**	**112,681**
2.5.1	*Commissions and other acquisition expenses*	1,285	24,486
2.5.2	*Investment management expenses*	5,423	3,158
2.5.3	*Other administrative expenses*	92,427	85,037
2.6	Other expenses	**67,346**	**189,117**
2	**TOTAL COSTS AND EXPENSES**	**404,745**	**300,638**
	PROFIT FOR THE YEAR BEFORE TAXES	**156,395**	**631,669**
3	Taxes	27,591	175,670
	PROFIT FOR THE YEAR NET OF TAXES	**128,804**	**455,999**
4	**PROFIT ON DISCONTINUED OPERATIONS**	-	-
	PROFIT FOR THE YEAR	**128,804**	**455,999**
	attributable to the owners of the parent	**128,515**	**455,129**
	attributable to non-controlling interests	**289**	**870**

Statement of comprehensive income - net amounts

(in € thousands)	Total 12-31-2018	Total 12-31-17
PROFIT FOR THE YEAR	**128,804**	**455,129**
Other comprehensive income after tax without reclassification to profit or loss		
Actuarial gains and losses and adjustments relating to defined benefit plans	190	448
Gains or losses on equity investments designated at fair value through other comprehensive income		
Change in own creditworthiness on financial liabilities designated at fair value		
Other		
Other comprehensive income after tax with reclassification to profit or loss		
Change in the reserve for net exchange differences	(66)	(108)
Other		
OTHER COMPREHENSIVE INCOME		
TOTAL COMPREHENSIVE INCOME	**128,929**	**455,470**
attributable to the owners of the parent	**128,929**	**455,470**
attributable to non-controlling interests		

Statement of changes in equity

(in € thousands)		"Balance at 12-31-2016"	Allocations	Transfers	"Balance at 12-31-2017"	"Balance at 12-31-2017"	Allocations	"Adjustments for reclassification in profit and loss"	Transfers	Balance at 12-31-2018
Equity attributable to the owners of the parent	Share capital	3,730,324			3,730,324					3,730,324
	Other equity instruments									
	Reserves	43,305			43,305					43,305
	Retained earnings and other equity reserves	929,707	331,133		1,260,839	39,619	305,130			1,605 ,588
	(Treasury shares)									
	Profit for the year	481,128	455,129	(481,128)	455,129		128,515		(455,129)	128,515
	Other comprehensive income	161	340		501		124			625
	Total	**5,184,625**	**786,603**	**(481,128)**	**5,490,098**	**39,619**	**433,769**		**(455,129)**	**5,508,357**
Equity attributable to non-controlling interests	Share capital and reserves	76,893	(867)		76,026	2,269	52			78,347
	Profit for the year	767	870	(767)	870		289		(870)	289
	Other comprehensive income									
	Total non-controlling interests	**77,660**	**2**	**(767)**	**76,896**	**2,269**	**342**			**78,636**
Total		**5,262,285**	**786,605**	**(481,894)**	**5,566,994**	**41,888**	**434,111**		**(455,999)**	**5,586,994**

Statement of cash flows

(in € thousands)	12/31/2018	12/31/2017
Profit for the year before tax	**156,395**	**631,669**
Changes in non-cash items	**109,675**	**(320,175)**
Change in the provision for unearned premiums - non-life business	109,661	(168,071)
Change in the provision for claims outstanding and other technical provisions - non-life business	76,532	(210,263)
Change in the provision for policy liabilities and other technical provisions - life business		
Change in deferred acquisition costs		
Change in the general provision	(2,360)	(9,052)
Non-cash income and expense from financial instruments, investment property and equity investments		
Other changes	(74,158)	67,211
Change in receivables and payables generated by operating activities	**(163,930)**	**277,262**
Change in receivables and payables arising from direct insurance and reinsurance business	(9,866)	186,468
Change in other receivables and payables	(154,064)	90,794
Tax paid	**(27,591)**	**(175,670)**
Net cash flow generated/used by investing and financing activities	**(1,827,361)**	**89,716**
Liabilities from financial contracts		
Other financial instruments at fair value through profit or loss	(1,827,361)	89,716
TOTAL NET CASH FLOW GENERATED BY/USED IN OPERATING ACTIVITIES	**(1,752,811)**	**502,803**
Net cash flow generated/used by investment property	19,223	(19,132)
Net cash flow used by subsidiaries, associates and joint ventures	(351)	(56)
Net cash flow generated/used by financial assets at amortised cost	(751,898)	1,367,203
Net cash flow generated by financial assets at fair value through other comprehensive income		
Net cash flow generated by plant, property and equipment and intangible assets	5,353	19,422
Other net cash flows generated by investments		
TOTAL NET CASH FLOW GENERATED BY/USED IN INVESTING ACTIVITIES	**(727,674)**	**1,367,437**
Net cash flow generated by equity instruments attributable to the owners of the parent	39,752	340
Net cash flow generated by treasury shares		
Distribution of dividends attributable to the owners of the parent	(150,000)	(150,000)
Net cash flow generated by capital and reserves attributable to non-controlling interests	1,444	(1,634)
Net cash flow generated by subordinated liabilities and participating financial instruments		
Net cash flow generated by financial assets at amortised cost	737,377	579,849
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	**628,572**	**428,555**
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**4,985,369**	**2,686,572**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	(1,851,913)	2,298,797
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**3,133,456**	**4,985,369**

Notes to the consolidated Financial Statements

General information

The SACE group is comprised of SACE S.p.A. and its subsidiaries, SACE BT S.p.A., SACE Fct S.p.A., SACE SRV S.r.l., SACE Do Brasil and SIMEST S.p.A. SACE S.p.A. is active in the non-life business, in particular in non-marketable credit risk coverage, the subsidiary SACE BT S.p.A. in sureties and short-term credit risk coverage, while the subsidiary SACE Fct S.p.A. operates in the factoring market and SIMEST S.p.A. provides funding for internationalisation, export credit support and equity investments. Through the São Paolo office in Brazil, established under Brazilian law (SACE do Brasil), SACE has expanded its business in a geographical area of strategic importance for the Italian economy, consolidating its current customer portfolio and promoting agreements with important local financial institutions.
SACE's registered office is in Piazza Poli 37/42, Rome. The reporting date of the consolidated financial statements (31 December 2018) coincides with that of the financial statements of the subsidiaries. The consolidated financial statements are presented in euros, the functional and the reporting currency of SACE S.p.A. and its subsidiaries. The amounts reported in the notes are in thousands of euros.
The consolidated financial statements have been audited by PricewaterhouseCoopers S.p.A.

Applicable legislation

Legislative decree no. 38 of 28 February 2005 prescribes that, starting from FY 2005, companies within the scope of application of Legislative decree no. 173 of 26 May 1997 are required to prepare their consolidated financial statements according to the international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by EC Regulation no. 1606/2002 (hereafter IAS/IFRS). Pursuant to the aforesaid Decree, the powers attributed to ISVAP (IVASS from 1 January 2013) by Legislative decree no. 173/1997 and subsequent Legislative decree no. 209/2005 must be exercised thereby in compliance with IAS/IFRS.
According to the options exercised by the Italian legislator, insurance sector companies:

a. must draw up their consolidated financial statements in accordance with IAS/IFRS starting from FY 2005;
b. must continue to draw up their separate financial statements in accordance with Legislative decree no. 173/97;
c. must draw up their separate financial statements according to IAS starting from FY 2006 if they issue financial instruments admitted to trading on regulated markets of any member state of the European Union and do not prepare the consolidated financial statements.

Based on the above, the consolidated financial statements of SACE S.p.A. have been prepared in accordance with the provisions of IAS/IFRS, ISVAP Regulation no. 7/2007, as amended by Ruling no. 74 of 8 May 2018, regarding the formats to be used, and applicable IVASS rulings, regulations and circulars.

Accounting standards used and statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in the technical formats required under ISVAP Regulation no. 7/2007, as amended by Ruling no. 74 of 8 May 2018. The term international accounting standards refers here to all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and those previously issued by the Standing Interpretations Committee ("SIC"), as well as the technical formats required under ISVAP Regulation no. 7/2007, as subsequently amended.

Financial statements

The consolidated financial statements and related annexes are presented in accordance with the requirements of ISVAP Regulation no. 7/2007, as amended by Ruling no. 74 of 8 May 2018.

Basis of consolidation

Subsidiaries are companies controlled by SACE. Under IFRS 10, the group controls an investment entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is assumed and until such control ceases to exist. All the subsidiaries are included in the scope of consolidation.

Changes in accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to (EC) regulation no. 1606/2002 in force on the same date.

They have also been prepared in accordance with IVASS Ruling no. 74 of 8 May 2018, which amended and supplemented the provisions of IVASS Regulation no. 7/2007 with regard to the application of IFRS 9 (Financial Instruments) which replaces IAS 39 starting from annual periods beginning on or after 1 January 2018.
The changes introduced with respect to IAS 39 concern, in particular, the classification and measurement of financial assets and the impairment model.
The new standard requires the classification of financial assets and liabilities in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)
  - Financial assets held for trading
  - Financial assets at fair value
  - Other financial assets for which fair value measurement is mandatory
- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss

Financial assets at amortised cost

This category applies to the financial assets covered by IFRS 7, paragraph 8(f), other than receivables recognised under sundry receivables, that meet the following two conditions (IFRS 9, paragraph 4.1.2):

a. the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows;
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

This item includes the financial assets referred to in IFRS 7, paragraph 8(h) and, specifically:

- financial assets that meet the following two conditions (IFRS 9, paragraph 4.1.2A):
  a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
  b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- equity investments, considering the clarifications set out in IFRS 9 BC5.21, which the entity irrevocably elected to measure at fair value through other comprehensive income at initial recognition in accordance with IFRS 9, paragraph 5.7.5.

Financial assets at fair value through profit or loss

This item includes the financial assets referred to in IFRS 7, paragraph 8(a) not classified as financial assets measured at amortised cost or at fair value through other comprehensive income (IFRS 9, paragraph 4.1.4), specifically:

- financial assets held for trading;
- financial assets designated at fair value and, in particular, financial assets irrevocably designated at fair value at initial recognition to eliminate or significantly reduce an accounting mismatch (IFRS 9, paragraph 4.1.5) and financial assets whose credit risk is managed using a credit derivative that is measured at fair value through profit or loss where the eligibility criteria set out in IFRS 9, paragraph 6.7.1 are met;
- other financial assets for which fair value measurement is mandatory including, in particular, financial assets other than those which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and assets not held for trading but managed in accordance with other business models (IFRS 9, paragraph B4.1.5).

Financial liabilities at fair value through profit or loss

This item comprises financial liabilities measured at fair value through profit or loss as defined by IFRS 7, paragraph 8(e) and, in detail:

- financial liabilities held for trading;
- financial liabilities at fair value and, in particular, financial liabilities irrevocably designated on initial recognition at fair value to eliminate or significantly reduce a measurement or recognition inconsistency, i.e., an accounting mismatch (IFRS 9, paragraph 4.2.2(a)) or a group of financial liabilities or a group of financial assets and financial liabilities managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy (IFRS 9, paragraph 4.2.2(b)).

Financial liabilities at amortised cost

This item includes the financial liabilities defined and governed by IFRS 9, paragraph 4.2.1, as established by IFRS 7, paragraph 8(g).
In detail, it comprises investment contracts (as defined in IFRS 4, paragraph IG 2) that do not fall within

the scope of IFRS 4, issued by insurance companies other than index or unit-linked contracts, deposits received from reinsurers, any financial components of insurance contracts and lease receivables recognised by a lessor.

The new impairment model

With respect to **impairment**, instruments measured at amortised cost and at fair value through equity, are subject to a model based on expected losses instead of the incurred loss model, envisaged by IAS 39. Under IFRS 9, companies shall recognise 12-month ECL since the initial recognition of the financial instrument (stage 1). Conversely, the time horizon to calculate the expected credit loss is the entire residual life of the asset under assessment, when the credit quality of the financial instrument has deteriorated significantly since the date of initial recognition (stage 2) or is impaired (stage 3).

Effects of first-time adoption (FTA) of IFRS 9

This section contains information on the reconciliation of the balances at 1 January 2018 following the adoption of the new measurement and classification criteria established by IFRS 9[10].
SACE Group has elected not to restate comparative information for the previous year in respect of end-of-year amounts and for the preceding period in respect of cash flow data.
The first-time adoption of the new standard led to the adjustment of the opening balance of retained earnings. The effects of adoption of IFRS 9 as from 1 January 2018 on the statement of financial position are shown in the statement of changes in equity for the year.
For explanatory purposes only, comparative data have been reconciled to the new accounting items required by Ruling no. 74/2018 without changing the carrying amount.
The reconciliation between the consolidated financial statements at 31 December 2017 (IAS 39) and those required by Ruling no. 74/2018 transposing the adoption of the disclosure requirements introduced by IFRS 9 is provided below.

IFRS 9 / IAS 39		4.3 Financial assets at amortised cost	4.4 Financial assets at fair value through other comprehensive income	4.5 Financial assets at fair value through profit or loss			Total
				4.5.1 Financial assets held for trading	4.5.2 Financial assets designated at fair value	4.5.3 Other financial assets for which fair value measurement is mandatory	
4.3	Held-to-maturity investments	935,237				648,051	**1,583,288**
4.4	Loans and receivables	1,825,826			675	395,214	**2,221,715**
4.5	AFS financial assets		5,165				**5,165**
4.6	Financial assets at fair value through profit or loss	2,607		777,023			**779,630**
Total		**2,763,670**	**5,165**	**777,023**	**675**	**1,043,265**	

[10] The financial statements at 31 December 2018 show the reconciliation of the accounting balances at 1 January 2018 in order to reflect a new interpretation of the criteria set out in IFRS 9 applicable to the credit portfolio of the subsidiary Simest S.p.A.

IFRS 9 / IAS 39		2. Provisions	4.1 Financial liabilities at fair value through profit or loss: 4.1.1 Financial liabilities held for trading	4.1 Financial liabilities at fair value through profit or loss: 4.5.2 Financial liabilities designated at fair value	4.2 Financial liabilities at amortised cost	6.4 Other liabilities	Total
2	Provisions	80,746					**80,746**
4.1	Financial liabilities at fair value through profit or loss		43,097	30,063			**73,160**
4.2	Other financial liabilities				2,334,061		**2,334,061**
6.4	Other liabilities					27,100	**27,100**
	Reclassification from 6.4 Other liabilities to 2 Provisions	822				(822)	
	Total	**81,568**	**43,097**	**30,063**	**2,334,061**	**26,278**	

A reconciliation of equity at 31 December 2017 and at 1 January 2018 is also provided.

(in € thousands)	12/31/2017 (IAS 39)	FTA IFRS 9	01/01/2018 (IFRS9)
ASSETS			
4.3 Financial assets at amortised cost	2,637,890	(3,313)	2,634,577
4.5.3 Financial assets for which fair value measurement is mandatory	1,169,045	53,346	1,222,391
6.3 Deferred tax assets	128,838	883	129,721
7. Cash and cash equivalents	4,985,369	(66)	4,985,303
LIABILITIES			
4.1.2 Financial liabilities designated at fair value	(264,835)		(264,835)
6.2 Deferred tax liabilities	(266,511)	(11,231)	(277,742)
2. Provisions	(81,568)	822	(80,746)
6.2 Other liabilities	(26,278)	(822)	(27,100)
1.1.4 Retained earnings and other equity reserves	(1,260,839)	(39,619)	(1,300,458)
1.2.1 Share capital and reserves	(76,082)	(2,269)	(78,351)

Scope of consolidation

The scope of consolidation includes SACE S.p.A. and all its direct and indirect subsidiaries: SACE BT S.p.A., SACE Fct S.p.A., SACE SRV S.r.l., SACE do Brasil and SIMEST S.p.A.
For the purposes of a better presentation, Fondo Sviluppo Export, included in SACE S.p.A.'s assets, has been consolidated on a line-by-line basis. Indeed, SACE is the only subscriber to the Fund.

Scope of consolidation

Name	Country	Method (1)	Business (2)	% direct investment	% total investment (3)	% voting rights at ordinary Shareholders' Meetings (4)	% of consolidation
SACE BT	Italy	G	1	100%	100%	100%	100%
SACE FCT	Italy	G	11	100%	100%	100%	100%
SACE SRV	Italy	G	11	0%	100%	100%	100%
SACE Do Brasil	Brazil	G	11	99.96%	100%	100%	100%
SIMEST S.p.A.	Italy	G	11	76.005%	76.005%	76.005%	76.005%
EXPORT DEVELOPMENT FUND	Italy	G	11	100%	100%	N.A.	100%

(1) Method of consolidation: Line-by-line=G, Proportionate=P, Line-by-line by unitary division=U
(2) 1= Italian ins; 2 = EU ins; 3 = third-party country ins; 4 = insurance holdings; 4.1 = mixed financial holding companies; 5 = EU reins; 6 = third-party country reins; 7 = banks; 8 = asset management companies; 9 = other holdings; 10 = real estate companies; 11 = other
(3) The product of the percentages of ownership relating to all companies, along the equity investment chain, between the company preparing the consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the single results must be added.
(4) Total voting percentage at ordinary shareholders' meetings, if different from the direct or indirect percentage of investment.

Non-consolidated equity investments

Name	Country	Business (1)	Type (2)	% direct investment	% total investment (3)	% voting rights at ordinary Shareholders' Meetings (4)	Carrying amount
African Trade Insurance Agency	Kenya	3	b	4.43%	4.43%	4.43%	8,361

(1) 1=Italian ins.; 2=EU ins.; 3=third-party country ins.; 4=insurance holding; 5=EU reins.; 6=third-party country reins.; 7=banks; 8=asset management company; 9=other holdings; 10=real estate companies; 11=other
(2) a=subsidiaries (IAS 27); b=associates (IAS 28); c=joint ventures (IAS 31); companies classified as held for sale in accordance with IFRS 5 must be marked with an asterisk (*) and the key must be included at the foot of the table.
(3) The product of the percentages of ownership relating to all companies, along the equity investment chain, between the company preparing the consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the single results must be added.
(4) Total voting percentage at ordinary shareholders' meetings, if different from the direct or indirect percentage of investment.

Transactions eliminated on consolidation

In preparing the consolidated financial statements, all balances and significant transactions between the companies and also realised gains and losses on intercompany transactions have been eliminated.

Principles of consolidation

The carrying amount of investments has been eliminated against equity with recognition of goodwill if deemed recoverable.

Use of estimates

In preparing the consolidated financial statements, the directors are required to make estimates and evaluations which influence the carrying amounts of assets, liabilities, costs and revenues, and the presentation of contingent assets and liabilities. The directors verify their estimates and evaluations from time to time on the basis of past experience and other factors deemed reasonable in the circumstances. Recourse to estimates and evaluations is a significant factor in determining the following financial statements items.

Measurement criteria

Intangible assets

a) Goodwill
With respect to business combinations, the assets, liabilities and acquired and identifiable contingent liabilities are recognised at their fair value on the date of acquisition. The residual positive difference between the purchase price and the group's interest in the fair value of such assets and liabilities is classified as goodwill and recognised as an intangible asset; the negative difference is recognised through profit or loss at the time of acquisition. Goodwill is not amortised but is tested for impairment annually in accordance with IAS 36. Subsequent to initial recognition, it is recognised at cost, net of accumulated impairment losses.

b) Other assets
This item comprises the assets defined and regulated by IAS 38. Only identifiable intangible assets controlled by group companies are recognised when it is probable that use of the assets will generate future economic benefits and when the cost of the asset is determined or can be reliably measured. This item mainly reflects the costs of software purchased from third parties or developed internally. This item does not include amounts relating to deferred acquisition costs or intangible assets governed by other international accounting standards. These assets are recognised at cost. For assets with a finite useful life, the cost is amortised at constant rates according to their relative useful life. Assets with an indefinite useful life are not amortised but, in accordance with IAS 36 – Impairment of assets (in the manner described in the paragraph referring to impairment losses and reversal of impairment losses on non-financial assets), an impairment test is carried out at each reporting date or in the case of evidence of permanent impairment. The loss, equal to the difference between the carrying amount of the asset and its recoverable amount, is recognised through profit and loss. Depreciation rates are consistent with plans for the technical-financial use of each single category of assets.
Intangible assets are derecognised when sold or when no future economic benefits are expected from the asset.

Property, plant and equipment

a) Property
This item comprises property used in group operations as specified and governed by IAS 16. These assets are distinguished between Land and Buildings and are recognised at cost which, in addition to the purchase price, includes any accessory charges directly attributable to the purchase and bringing into use of the asset.

Subsequently, the cost of the buildings is depreciated on a straight-line basis over their useful life. Land, whether purchased separately or as part of the value of buildings, is not depreciated, as of indefinite life. If the value of land is incorporated in the value of the building, the land is unbundled only if the company has full use of the building in all its parts. An impairment test is carried out whenever there is evidence of a potential loss of value. The total of any such impairments, equal to the difference between the carrying amount of the asset and its recoverable amount (equal to the lower of fair value less costs to sell, and the related value in use of the asset, meaning the present value of future cash flows deriving from the asset), is recognised through profit or loss. Property is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

b) Other assets
This item comprises furniture, fittings, plant and equipment, office machinery and assets listed in the public registers. These items are stated at cost and subsequently recognised net of depreciation and any impairment losses. Depreciation rates are consistent with plans for the technical-financial use of each single category of assets.

Other property, plant and equipment are derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Reinsurers' share of technical provisions

This item includes amounts corresponding to risks ceded to reinsurers under contracts regulated by IFRS 4. Reinsurers' shares of technical provisions are determined on the basis of agreements or treaties entered into between the parties, according to the same criteria described for technical provisions, except in the case of a different assessment of the recoverability of the receivable.

Investments

Investment property

This item comprises the property as specified and governed by IAS 40. Such investments comprise land, buildings and individual residential units not included among property used in group operations or available as part of the core business for purchase and sale. Investment property is recognised at cost which includes any directly attributable accessory charges or those necessary to bring the asset to working conditions. Investment property is depreciated in accordance with IAS 40. Property is stated net of accumulated depreciation and any impairment losses. Extraordinary maintenance costs that result in future economic benefits are capitalised on the value of the property, while ordinary maintenance costs are recognised through profit or loss as incurred. These assets are depreciated on a straight-line basis over their estimated useful life, except for the portion relating to the land belonging to the building or purchased separately, which is assumed to have an indefinite useful life and is therefore not depreciated. If a permanent impairment emerges during periodic testing or after specific events, the corresponding impairment loss is recognised. Investment property is derecognised on disposal or in the case of events such as to eliminate the expected economic benefits of use.

Equity investments in subsidiaries, associates and joint ventures

All subsidiaries have been consolidated on a line-by-line basis. This item comprises equity investments measured using the equity method and relating to associated companies or companies subject to joint control. In periods following the initial recognition at purchase cost, the change in the carrying amount of the equity investments attributable to the profit or loss of investees is taken to profit or loss.

Sundry receivables

Receivables arising out of direct insurance business

This item includes premiums receivable from policyholders still to be collected. Initial recognition is at fair value and subsequently at amortised cost. Short-term receivables are not discounted since the effects would not be significant. Medium/long-term receivables are discounted. Impairment losses on these receivables are recognised on the basis of past collection experience, in respect of each business line.

Receivables arising out of reinsurance business

The item includes accounts receivable from reinsurers. Initial recognition is at fair value and subsequently at amortised cost. Recognition does not entail discounting since these are short-term receivables and the effects would not be significant. On each subsequent reporting date, they are recognised at their estimated realisable value.

Other receivables

This item includes other trade receivables as defined by IAS 32 and governed by IFRS 9, not relating to taxes and not included in the two preceding categories. Initial recognition is at fair value and subsequently at amortised cost net of any impairment losses. They are measured analytically and, if impaired, are written down individually.

Other assets

Deferred tax assets and liabilities

These items include, respectively, tax assets deriving from deductible temporary differences and tax liabilities deriving from taxable temporary differences, as defined and governed by IAS 12. They are recognised based on national legislation, given that all the companies included in the scope of consolidation have tax domicile in Italy.

All deferred tax liabilities on taxable temporary differences are recognised. Tax assets on deductible temporary differences are recognised if it is probable that sufficient taxable income will be generated in the future to permit use of these. Deferred tax assets and liabilities are recognised on the basis of the tax rate in force in the period in which the asset or liability is realised or settled. Deferred taxes are recognised with a balancing entry in profit or loss.

.

Current tax assets and liabilities

These items include, respectively, current tax assets and liabilities as defined and governed by IAS 12. Income tax is recognised on the basis of Italian tax law. Tax charges (income) are the total of current and deferred tax included in the determination of the profit or loss for the year. Current taxes are recognised with a balancing entry in profit or loss.

Other assets

This is a residual item comprising assets not included in the above items. It mainly includes transitory reinsurance accounts and deferred commissions payable on contracts to which IFRS 4 does not apply.

Cash and cash equivalents

This item reflects cash, current accounts with banks and demand deposits. These assets are recognised at face value. Cash and cash equivalents in foreign currency are recognised at the exchange rate prevailing at the end of the year.

Equity attributable to the owners of the parent

This section includes equity instruments forming the equity attributable to the owners of the parent, as required by the Italian Civil Code and insurance sector legislation, taking into account the necessary consolidation adjustments. Specific information on each component of equity follows.

Share capital

The item includes those elements that, according to the legal form of the parent, form its capital. Share capital (subscribed and paid up) is stated at face value.

Retained earnings and other equity reserves

The item includes:

a. the reserve comprising gains (losses) arising from first-time adoption of IAS/IFRS as per IFRS 1;
b. the reserve for gains (losses) due to fundamental calculation errors and changes in accounting policies or estimates used, as per IAS 8;
c. reserves arising from reclassification of certain supplemental reserves and all equalisation reserves recognised under the standards previously in force (IFRS 4);
d. other reserves required by the Italian Civil Code and previous insurance legislation;
e. consolidation reserves.

Reserves for net exchange differences

This item includes exchange differences taken to equity as per IAS 21, arising on transactions in foreign currency.

Other gains (losses) taken directly to equity

This item reflects the net balance of the changes recognised directly against equity. In this specific case, this item includes the actuarial gains and losses deriving from the measurement of the termination indemnities pursuant to IAS 19.

Provisions

The item includes the liabilities defined and governed by IAS 37 (Provisions, contingent liabilities and contingent assets).
Provisions for risks and charges are made when the following three conditions are met:

a. an effective obligation (legal or implicit) exists;
b. it is probable that resources will be used to meet the obligation and settle it;
c. the amount of the obligation can be reliably estimated.
The amount of the provision is equal to the forecast obligation discounted at current market rates. The obligation is not discounted if this would not be significant. Continuation of the conditions that require the provision is regularly reviewed. If the liability is deemed possible but not probable, no provision is recognised, but it is disclosed in the notes.

Technical provisions

IFRS 4 permits recognition of technical provisions on the basis of generally accepted local accounting standards. A review of all the non-life contracts showed that all the contracts qualify as insurance contracts. The technical provisions also include any provisions made necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions in that these are not permitted under IFRS. These provisions are recognised according to the accounting standards adopted prior to IFRS as all the outstanding non-life policies fall within the scope of IFRS 4 (insurance contacts).
Specifically, this item includes:

- the provision for unearned premiums, which comprises two items: the provision for premium instalments determined pro rata temporis, as required by art. 45 of Legislative decree no. 173 of 26 May 1997 and the provision for unexpired risks comprising amounts to be allocated to cover claims payments and expenses that exceed the provision for premium instalments on outstanding contracts and not subject to claim at the year end, while meeting the requirements of IFRS 4 for the liability adequacy test.
- the provision for claims outstanding which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. Claims provisions are determined on the basis of an analytical estimate of the ultimate cost of covering charges relating to the compensation paid, direct costs and payment for each individual claim.

Liability adequacy test

According to IAS/IFRS, the provision for unexpired risks complies with the requirements for the adequacy of insurance liabilities.

Accounts payable

This category comprises trade payables.

Accounts payable arising out of direct insurance business

They are recognised at cost.

Accounts payable arising out of indirect insurance business

They are recognised at cost.

Other accounts payable

The item reflects the liability towards employees for termination benefits.
It is calculated analytically for each employee in accordance with the law and current collective bargaining agreements. Due to the reform of supplementary pension schemes under Laws 252/2005 and 296/2006 and bearing in mind the OIC guidelines, it was decided to: a) recognise the obligation for benefits accrued at 31 December 2006 in accordance with the rules of defined benefit plans; this means that the company must measure the obligation for benefits accrued by employees using actuarial techniques and must determine the total amount of actuarial gains and losses to be recognised through profit or loss with a balancing entry in equity; b) recognise the obligation for benefits accruing from 1 January 2007, to be allocated to supplementary pension schemes or to the treasury fund set up at INPS, according to the contributions due each year.

Other liabilities

This category comprises trade payables.

Current and deferred tax liabilities

Reference should be made to the assets section.

Other liabilities

The item comprises:
a. transitory reinsurance accounts;
b. any accrued liabilities that could not be allocated to specific items.

Items of the INCOME STATEMENT

Costs and revenues are recognised under the general accruals principle. The value according to which the various components of revenue are recognised is identified, for each item, according to the criteria set out below.

Net premiums

This item includes premiums for the year relating to contracts classifiable as insurance contracts under IFRS 4 and investment contracts with discretionary participation feature, considered similar to insurance contracts by IFRS 4.
All contracts under which one party, the insurer, accepts significant insurance risk, agreeing to compensate another party, the policyholder or another beneficiary, if a specified uncertain future event adversely affects the policyholder or another beneficiary are considered to be insurance contracts.
All contracts distributed by the group qualify as insurance contracts according to IFRS 4. The premiums are recognised net of reinsurance transfers.

Net income from financial instruments at fair value through profit or loss

This item comprises realised gains and losses and changes in the carrying amount of assets and liabilities at fair value through profit or loss.

Income and expense on investments in subsidiaries, associates and joint ventures

These items include income and expense on investments measured using the equity method and recognised in the corresponding item under assets.

Income and expense from other financial instruments and investment property

These items include income and expense on investment property and financial instruments not at fair value through profit or loss.
Specifically, they comprise:
a. interest income and expense (recognised on financial instruments using the effective interest method);

b. other income and expense (including, by way of example, revenue from the use of third-party assets, investment property and dividends and investment property management charges, such as service charges and maintenance and repair costs not capitalised);
c. realised gains and losses (including those resulting from the derecognition of a financial asset/liability or investment property)
d. valuation gains and losses (including positive and negative changes resulting from write-backs and value re-adjustments and from measurement subsequent to initial recognition of investment property at fair value and of financial assets and liabilities).

Other revenue and Other costs

These items comprise, respectively:
a. revenue from services other than insurance services and lease of property, plant and equipment and intangible assets or other assets belonging to the company, as required by IFRS 15;
b. other net technical income and charges linked to insurance contracts;
c. additional provisions made during the year;
d. exchange differences to be charged to profit or loss according to IAS 21;
e. realised gains and reversals of impairment losses on property, plant and equipment and intangible assets and realised losses, impairment losses and depreciation not otherwise allocated to other cost items, and amortisation of intangible assets;
f. capital gains and losses relating to non-current assets and disposal groups held for sale, other than those relating to discontinued operations.

Net claims incurred

This item includes – before settlement expenses and net of amounts ceded to reinsurers – amounts paid, net of recoveries, changes in the claims provisions, in the recovery provision, in the provision for amounts payable, in the provision for policy liabilities, in other technical provisions relating to insurance contracts and financial instruments governed by IFRS 4. It also includes direct and indirect claim settlement expenses.

Operating expenses

The item includes:
a. commissions and other acquisition costs on contracts classified as insurance or investment contracts under IFRS 4; these costs are recognised net of reinsurance;
b. investment management expenses including general expenses and payroll expenses relating to the management of financial instruments, investment property and equity investments as well as custodian and administrative costs;
c. other administrative expenses, including general expenses and payroll expenses not allocated to costs of claims, insurance contract acquisition costs or investment management expenses.

Current taxes

This item includes income taxes calculated according to Italian tax laws (as the companies included in consolidation have their tax domicile in Italy), included in profit or loss.

Deferred taxes

This item refers to income tax payable in future years relating to taxable temporary differences. Deferred taxes are charged to profit or loss except for those relating to gains and losses recognised directly in equity in respect of which taxes are treated in the same way. Deferred taxes are calculated using the tax rates prevailing in each fiscal year in which the tax will become payable.

Items in foreign currency

Transactions in foreign currency are recognised initially in the functional currency, adopting the exchange rate prevailing on the date of the transaction.
On each annual or interim reporting date, foreign currency items are measured as follows
a. cash balances are translated at closing rate;
b. non-cash balances measured at historical cost are translated using the transaction-date exchange rate;
c. non-cash items at fair value are translated using closing rates.
Exchange differences arising from cash settlement or conversion of cash items at rates other than the initial conversion rate, are recognised in profit and loss for the period in which they arise. When a gain or loss relating to a non-cash item is recognised in equity, the related exchange difference is also recognised in equity.

Risk management

SACE regularly assesses its exposure to the currency, interest rate and credit risks and manages them by means of asset liability management techniques, in accordance with its risk management policies.

SACE uses financial instruments designated as hedges mainly for the management of:
- currency risk on financial instruments denominated in foreign currency;
- interest risk on fixed rate receivables and payables;
- credit risk.

The instruments used for this purpose are mainly forward contracts. The counterparties to these contracts are prime international banks with high ratings. Information regarding the fair value of outstanding derivatives at the reporting date is included in the Annex.

Forthcoming accounting standards and interpretations

The following apply as from 1 January 2018:

IFRS 9 - Financial instruments, endorsed with Regulation (EU) no. 2067/2016. This new standard, which replaces IAS 39, introduces requirements for the classification and measurement of financial assets and an impairment model which ensures timely recognition of expected credit losses. For detailed information about the main changes introduced by IFRS 9, reference should be made to the section on “Changes in accounting policies”.
IFRS 15 - Revenue from contracts with customers endorsed with Regulation (EU) no. 1905/2016. The new standard replaces IAS 18 - Revenue, IAS 11 - Construction contracts and IFRIC 13 - Customer loyalty programmes, and substantially amends the definitions, criteria and methodologies to measure and recognise revenue.

Amendments to IFRS 15 - Revenue from contracts with customers - Clarifications of IFRS 15, endorsed

with Regulation (EU) no. 1987/2017. The amendments provide some clarifications about revenue.
Amendments to IFRS 4 - Joint application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts, endorsed with Regulation (EU) no. 1988/2017. The amendments provide guidelines about managing the time lag between the date of application of IFRS 9 and the expected application date (currently 1 January 2021) of IFRS 17.
Annual improvements to IFRS 2014-2016, endorsed with Regulation (EU) no. 182/2018 as part of the annual project to improve and revise IFRS.
Amendments to IFRS 2- Share based payment transactions, endorsed with Regulation (EU) no. 289/2018.
Amendments to IAS 40 - Investment property, endorsed with Regulation (EU) no. 400/2018. The amendments clarify when an entity can transfer a property from/to investment property.

Except for IFRS 9, the above new standards had no effects on the consolidated financial statements of SACE S.p.A.

The following apply as from 1 January 2019:

IFRS 16 - Leases, endorsed with Regulation (EU) no. 1986/2017. The new standard governs the treatment of leases and will replace the current provisions of IAS 17 - Leases as well as interpretations IFRIC 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating leases - incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease. The new standard introduces a criteria based on the right of use which will unify the current treatment of operating leases with that currently applied to finance leases.

Amendments to IFRS 9 – Financial instruments - Prepayment features with negative compensation, endorsed with Regulation (EU) no. 498/2018.

IFRIC 22 - Foreign currency transactions and advance consideration, endorsed with Regulation (EU) no. 519/2018.

IFRIC 23 - Uncertainty over income tax treatments, endorsed with Regulation (EU) no. 1595/2018.

Finally, at the approval date of these consolidated financial statements, the IASB published the following standards, amendments and interpretations not yet endorsed by the EU:
IFRS 17 - Insurance contracts;
Amendments to IAS 28: Long-term interests in associates and joint ventures;
Annual improvements to IFRS 2015-2017 cycle;
Amendments to IAS 19: Plan amendment, curtailment or settlement;
Amendments to the conceptual framework;
Amendments to IFRS 3: Business Combinations;
Amendments to IAS 1 and IAS 8: Definition of material.

The possible impact of these forthcoming standards, amendments and interpretations on the group's financial reporting is currently being analysed and assessed.

Exchange rates

The main currencies were translated into euros using the following exchange rates:

	31 December 2018	31 December 2017	31 December 2016
US dollar	1.14500	1.1993	1.0541
GB pound	0.89453	0.88723	0.85618
Swiss franc	1.12690	1.1702	1.0739

Segment reporting

Pursuant to the provisions of IVASS Regulation no. 7/2007, it noted that the SACE Group operates in the following segments:

- non-life insurance business,
- other businesses.

Statement of financial position by business segment *(in € thousands)*		Non-life business		Life business		Other businesses		Intersegment eliminations		Total	
		12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
1	INTANGIBLE ASSETS	7,617	13,706			3,805	2,744			11,422	16,450
2	PROPERTY, PLANT AND EQUIPMENT	52,058	52,566			486	303			52,544	52,869
3	REINSURERS' SHARE OF TECHNICAL PROVISIONS	1,135,780	777,523							1,135,780	777,523
4	INVESTMENTS	5,304,809	2,429,309			1,850,048	2,200,250	(104)	(71)	7,154,753	4,629,488
4.1	Investment property	12,457	31,680							12,457	31,680
4.2	Equity investments in subsidiaries, associates and joint ventures	8,361	8,010							8,361	8,010
4.3	Financial assets at amortised cost	2,015,903	963,870			1,499,665	1,799,871		(71)	3,515,568	2,763,670
4.4	Financial assets at fair value through other comprehensive income					5,165	5,165			5,165	5,165
4.5	Financial assets at fair value through profit or loss	3,268,087	1,425,749			345,218	395,214	(104)		3,613,201	1,820,963
5	SUNDRY RECEIVABLES	758,498	751,775			5,607	3,564	(4,733)	(3,295)	759,371	752,044
6	OTHER ASSETS	192,585	124,457			32,798	39,205	(180)	(338)	225,203	163,324
6.1	Deferred acquisition costs										
6.2	Other assets	192,585	124,457			32,798	39,205	(180)	(338)	225,203	163,324
7	CASH AND CASH EQUIVALENTS	3,037,992	4,952,162			95,464	33,207			3,133,456	4,985,369
	TOTAL ASSETS	10,489,339	9,101,498			1,988,208	2,279,273	(5,017)	(3,704)	12,472,530	11,377,067
1	EQUITY									5,586,994	5,566,993
2	PROVISIONS	72,659	74,939			4,422	3,419	2,127	3,210	79,208	81,568
3	TECHNICAL PROVISIONS	3,244,452	2,700,001							3,244,452	2,700,001
4	FINANCIAL LIABILITIES	1,701,637	645,956			1,503,969	1,761,265	(96,132)		3,109,474	2,407,221
4.1	Financial liabilities at fair value through profit or loss	38,037	73,160							38,037	73,160
4.2	Financial liabilities at amortised cost	1,663,600	572,796			1,503,969	1,761,265	(96,132)		3,071,437	2,334,061
5	ACCOUNTS PAYABLE	157,711	275,324			15,624	45,094	(4,714)	(3,363)	168,621	317,055
6	OTHER LIABILITIES	267,157	275,035			16,926	29,471	(301)	(278)	283,781	304,228
	TOTAL EQUITY AND LIABILITIES									12,472,530	11,377,067

Income statement by business segment *(in € thousands)*		**Non-life business**		**Life business**		**Other businesses**		**Intersegment eliminations**		**Total**	
		12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
1.1	Net premiums	308,713	834,066							308,713	834,066
1.1.1	Gross premiums for the year	355,605	930,109							355,605	930,109
1.1.2	Outward reinsurance premiums for the year	(46,892)	(96,043)							(46,892)	(96,043)
1.2	Commission income		1			29,184	28,762			29,184	28,763
1.3	Gains (losses) on financial instruments at fair value through profit or loss	1,358	(108,129)			(4,047)				(2,689)	(108,129)
1.3 bis	Reclassification using the overlay approach										
1.4	Gains from equity investments in subsidiaries, associates and joint ventures										
1.5	Income from other financial instruments and investment property	115,780	93,247			58,128	59,963			173,908	153,210
1.6	Other revenue	37,820	12,267			12,078	10,085	2,126	2,045	52,024	24,397
1	**TOTAL REVENUES AND INCOME**	**463,671**	**831,452**			**95,343**	**98,810**	**2,126**	**2,045**	**561,140**	**932,307**
2.1	Net claims incurred	(182,659)	55,230					(616)	829	(183,275)	56,059
2.1.1	Amounts paid and changes in technical provisions	(214,860)	17,913					(616)	829	(215,476)	18,742
2.1.2	Reinsurers' share	32,201	37,317							32,201	37,317
2.2	Commission expense	1,836	3,890			(5,054)	(5,311)			(3,218)	(1,421)
2.3	Expense related to equity investments in subsidiaries, associates and joint ventures										
2.4	Expense related to other financial instruments and investment property	(24,221)	(20,996)			(27,549)	(32,483)			(51,770)	(53,479)
2.5	Operating expenses	(63,768)	(78,753)			(36,752)	(35,006)	1,384	1,077	(99,136)	(112,682)
2.6	Other expenses	(51,083)	(178,124)			(16,051)	(11,216)	(212)	225	(67,346)	(189,115)
2	**TOTAL COSTS AND EXPENSES**	**(319,895)**	**(218,753)**			**(85,406)**	**(84,016)**	**556**	**2,131**	**(404,745)**	**(300,638)**
	PROFIT FOR THE YEAR BEFORE TAXES	**143,776**	**612,699**			**9,937**	**14,794**	**2,682**	**4,176**	**156,395**	**631,669**

Notes to the statement of financial position

(in € thousands)

1. Intangible assets (Item 1)

Table 1 *(in € thousands)*

Intangible assets	Net amount 12/31/2018	Net Amount 12/31/2017
Goodwill	92	7,655
Other	11,330	8,795
Total	**11,422**	**16,450**

Goodwill (Euro 92 thousand) relates to SACE SRV S.r.l. (formerly SACE Servizi), which was set up in the second half of 2007. The decrease on the previous year-end balance is due to the elimination of goodwill which arose on SACE BT's acquisition of the investment in SACE Surety, related to the market value of the owned building (via A. de Togni, Milan) in excess of the carrying amount. This building was sold in 2018.

Other mainly include the costs related to the group's information system. The amortisation periods reflect the useful life of capitalised costs.

Further details on the measurement of Intangible Assets are provided in Annex 1 "Breakdown of Property, Plant and Equipment and Intangible Assets".

2. Property, plant and equipment (Item 2)

Changes in the original carrying amounts and accumulated depreciation for the year are set forth below:

Table 2 *(in € thousands)*

Property	Amount
Opening balance	50,884
Increases	
Decreases	(2)
Depreciation	(607)
Closing balance	**50,275**

No title or ownership restrictions exist on property, plant and equipment and no assets have been pledged to guarantee liabilities. Further details on the measurement of Property are set forth in the annex “Breakdown of property, plant and equipment and intangible assets”.

Table 3 *(in € thousands)*

Other assets	Amount
Opening balance	1,984
Increases	1,008
Decreases	(13)
Depreciation	(710)
Closing balance	**2,269**

The increases essentially relate to the purchase of hardware for the group’s information system and furniture and fittings.

3. Reinsurers’ share of technical provisions (Item 3)

This item, of Euro 1,135,780 thousand (Euro 777,523 thousand at 31 December 2017) includes reinsurers’ commitments arising on reinsurance contracts regulated by IFRS 4. Further details are provided in the annex 2 “Breakdown of reinsurers’ share of technical provisions”.

4. Investments (Item 4)

The detail is as follows:

Table 4 *(in € thousands)*	31 December 2018	31 December 2017
4.1. Investment property	12,457	31,680
4.2 Equity investments in subsidiaries, associates and joint ventures	8,361	8,010
4.3 Financial assets at amortised cost	3,515,568	2,763,670
4.4 Financial assets at fair value through other comprehensive income	5,165	5,165
4.5 Financial assets at fair value through profit or loss	3,613,201	1,820,963
4.5.1 Financial assets held for trading	*2,590,964*	*777,023*
4.5.2 Financial assets designated at fair value	*0*	*675*
4.5.3 Other financial assets for which fair value measurement is mandatory	*1,022,237*	*1,043,265*
Total	**7,154,753**	**4,629,488**

4.1 Investment property

Investment property (Item 4.1) refers to property leased to third parties by the subsidiary SACE BT S.p.A. Overall, the market value of each asset exceeds the carrying amount. The expert appraisals are in line with the provisions of Title III of ISVAP Regulation no. 22. Further details are provided in Annex 1 “Breakdown of Property, Plant and Equipment and Intangible Assets”.

4.2 Equity investments in subsidiaries, associates and joint ventures

This item comprises the investment in ATI (African Trade Insurance Agency), equal to 100 shares worth USD 10.7 million.

4.3 Financial assets at amortised cost

Table 5 *(in € thousands)*

Breakdown	**31 December 2018**	**31 December 2017**
Government bonds	1,600,509	935,232
Other listed securities	176,810	0
Other unlisted securities	3	5
Other	1,738,246	1,828,433
Total	**3,515,568**	**2,763,670**

This item includes financial assets that meet both of the following conditions:
- the objective of the entity’s business model is to hold the financial asset to collect the contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Further details are provided in Annex 3 “Breakdown of Financial Assets”.

4.4 Financial assets at fair value through other comprehensive income

This item, of Euro 5,165 at 31 December 2018, relates to SIMEST S.p.A.’s investment in FINEST S.p.A.

Further details are provided in Annex 3 “Breakdown of Financial Assets”.

4.5 Financial assets at fair value through profit or loss

This item includes the financial assets covered by IFRS 7, paragraph 8(a) not classified as financial assets at amortised cost or at fair value through other comprehensive income (IFRS 9, paragraph 4.1.4).

Further details are provided in Annex 3 “Breakdown of Financial Assets”.

4.5.1 Financial assets held for trading

Table 6 *(in € thousands)*

Financial assets held for trading	31 December 2018	31 December 2017
Government bonds	671,492	82,218
Listed bonds	1,673,372	23,478
Unlisted bonds	168,788	134,503
Listed shares	6,441	6,207
Units of UCITS	69,999	530,277
Forward contracts	852	340
Other	20	0
Total	**2,590,964**	**777,023**

4.5.3 Other financial assets for which fair value measurement is mandatory

This item comprises financial assets other than those which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and assets not held for trading but managed in accordance with other business models (IFRS 9.B4.1.5).

Table 7 *(in € thousands)*

Breakdown	31 December 2018	31 December 2017
Government bonds	534,530	514,273
Bonds	142,489	133,778
Other	345,218	395,214
Total	**1,022,237**	**1,043,265**

The information required by IFRS 13.93 letter b) about fair value hierarchies in accordance with IFRS 13.92 is provided in Annex 9 “Breakdown of Financial Assets and Liabilities by Level”. Level 1 includes financial instruments listed in regulated markets, level 2 comprises unlisted securities and derivatives which are valued on the basis of directly observable inputs, level 3 securities and financial instruments measured using valuation techniques based to a large extent on unobservable inputs.

Annex 9.1 “Breakdown of level 3 financial assets and liabilities measured at fair value on a recurring basis” provides the information required by IFRS 13.93 letters e) and f) about the reconciliation between opening and closing balances and the breakdown of changes of the year in assets and liabilities measured at fair value on a recurring basis, classified under level 3.

5. Sundry receivables (Item 5)

Table 8 *(in € thousands)*

Breakdown	31 December 2018	31 December 2017
5.1 Receivables arising out of direct insurance business	644,127	692,286
5.2 Receivables arising out of reinsurance business	30,178	18,795
5.3 Other receivables	85,066	40,963
Total	**759,371**	**752,044**

Receivables arising out of direct insurance business

This item, of Euro 644,127 thousand, mainly relates to subrogation receivables from sovereign debtors for Euro 368,567 thousand (Euro 460,479 thousand at 31 December 2017) and from foreign trade debtors for Euro 202,311 thousand (Euro 142,804 thousand at 31 December 2017).

Receivables arising out of reinsurance business

This item relates to current account debit and credit balances for premiums, claims, commissions, deposits and related interest from counterparties with which reinsurance business is transacted.
It comprises the transactions pursuant to the Agreement with the Ministry of the Economy and Finance (Euro 15,180 thousand).

Other receivables

Other receivables are detailed below.

Table 9 *(in € thousands)*

Breakdown	31 December 2018	31 December 2017
Receivables from tax authorities	6,144	4,471
Receivables for invoices to be issued	118	691
Receivables from CDP for tax consolidation	32,152	0
Receivables for margins on financial transactions	8,965	0
Sundry receivables	37,687	35,801
Total	**85,066**	**40,963**

Sundry receivables mainly comprise receivables from policyholders in relation to their exposure (Euro 25,542 thousand). As far as their terms and conditions of repayment, they are similar to the receivables from foreign countries due directly to SACE.

6. Other assets (Item 6)

Table 10 *(in € thousands)*

Breakdown	31 December 2018	31 December 2017
6.1 Non-current assets or of a disposal group available-for-sale	0	0
6.2. Deferred acquisition costs	0	0
6.3. Deferred tax assets	174,447	128,838
6.4. Current tax assets	21,069	1,850
6.5 Other assets	29,687	32,637
Total	**225,203**	**163,325**

Current tax assets include the receivables related to companies included in the tax consolidation scheme. Deferred tax assets comprise those amounts recognised in the financial statements of companies included in the scope of consolidation and taxes related to IFRS adjustments to the consolidated financial statements as required and governed by IAS 12. For a breakdown of deferred tax assets and liabilities, reference should be made to the notes to the “Income Statement - Taxes”.

Net deferred taxes, of Euro 174,447 thousand, relate to the taxes calculated on technical provisions (Euro 82,318 thousand), taxes calculated on financial assets at amortised cost and financial assets measured at fair value (Euro 28,403 thousand), taxes calculated on the provisions for risks and charges (Euro 15,456 thousand) and deferred tax assets calculated on unrealised exchange differences on receivables and payables (Euro 35,817).

7. Cash and cash equivalents (Item 7)

Table 11 *(in € thousands)*

Breakdown	31 December 2018	31 December 2017
Bank and Post Office demand deposits	3,133,441	4,985,353
Cash in hand	15	16
Total	**3,133,456**	**4,985,369**

In 2018, cash and cash equivalents decreased compared to the balance at 31 December 2017, as a consequence of the increase in investments in government securities and bonds.

8. Equity

At 31 December 2018, equity totals Euro 5,586,994 thousand. The breakdown is as follows:

Table 12 *(in € thousands)*

Breakdown	31 December 2018	31 December 2017
Equity	**5,586,994**	**5,566,994**
attributable to the owners of the parent	**5,508,357**	**5,490,098**
Share capital	3,730,324	3,730,324
Reserves	43,305	43,305
Retained earnings and other equity reserves	1,605,588	1,260,839
Other gains taken directly to equity	625	501
Share of the profit for the year attributable to the owners of the parent	128,515	455,129
attributable to non-controlling interests	**78,636**	**76,896**
Share capital	78,395	76,082
Gains taken directly to equity	(48)	(56)
attributable to non-controlling interests	289	870

The share capital consists of 1,053,428 ordinary shares and is fully paid in. Retained earnings and other equity reserves include gains and losses arising on first-time adoption of IFRS (IFRS 1) and also equalisation provisions as per IFRS 4.14(a) and the reserves required by the Italian Civil Code and special legislation prior to the adoption of IFRS (reserves arising on waivers of accounting standards and also reserves arising on exchange gains and losses).
Retained earnings and other equity reserves also include the IFRS 9 FTA reserve, details of which are provided in the note “Effects of first-time adoption (FTA) of IFRS 9”.

9. Provisions

A breakdown of the provisions to cover the legal or constructive obligations to which SACE is exposed in exercising its business is given below:

Table 13 *(in € thousands)*

Description	31 December 2018	31 December 2017
Provision for credit - financial commitments and guarantees issued	721	821
Provisions for amounts due to policyholders	8,517	8,326
Provision for legal disputes	4,573	4,946
Provision for payments to agents	1,813	1,625
Other provisions	63,584	65,850
Total	**79,208**	**81,568**

The Provision for credit risk - financial commitments and guarantees issued relates to commitments to grant funds to Sace Fct S.p.A. for formal non-recourse financing.

Other provisions include Euro 31,348 thousand related to potential charges pursuant to the Agreement with the Ministry of the Economy and Finance to the extent of the amount calculated as ten percent of SACE S.p.A.’s equalisation provision for 2014 (art. 8.1.a).

Table 14 *(in € thousands)*

Description	Amount
Opening balance	81,568
Provisions	11,277
Utilisations	13,637
Closing balance	**79,208**

10. Technical provisions

Technical provisions include reinsurance commitments gross of commitments ceded. This item is detailed below.

Table 15 *(in € thousands)*

Description	31 December 2018	31 December 2017
Provision for unearned premiums - non-life business	2,770,760	2,309,096
Provision for claims outstanding - non-life business	472,844	389,749
Other provisions	848	1,156
Total	**3,244,452**	**2,700,001**

Further details are provided in annex 4 “Breakdown of technical provisions”.

11. Financial liabilities (Item 4)

The breakdown is as follows:

Table 16 *(in € thousands)*

Description	31 December 2018	31 December 2017
4.1 Financial liabilities at fair value through profit or loss:	38,037	73,160
4.1.1 Financial liabilities held for trading	*9,479*	*43,097*
4.1.2 Financial liabilities designated at fair value	*28,558*	*30,063*
4.2 Financial liabilities at amortised cost	3,071,437	2,334,061
Total	**3,109,474**	**2,407,221**

Financial liabilities held for trading include the financial instruments in portfolio.
Financial liabilities designated at fair value, of Euro 28,504 thousand, relate to recoveries on subrogation credits.

Financial liabilities at amortised cost include:
- Euro 1,072 million related to repo agreements between SACE S.p.A. and the parent Cassa Depositi e Prestiti S.p.A.;
- Euro 860.0 million related to the loan to SACE FCT S.p.A. by the parent Cassa Depositi e Prestiti S.p.A.;
- Euro 500 million related to the subordinated loan, listed on the Luxembourg Stock Exchange, issued by the parent SACE S.p.A.;
- Euro 251.7 million related to bank loans taken out by SACE Fct S.p.A. not repaid at 31 December 2018;
- Euro 249.1 million related to the current account overdraft and the use of credit lines to support the cash flows of the investments in Simest S.p.A.

12. Accounts payable

Table 17 *(in € thousands)*

Description	31 December 2018	31 December 2017
5.1 Accounts payable arising out of direct insurance business	36,192	35,677
5.2 Accounts payable arising out of reinsurance business	75,812	122,968
5.3 Other accounts payable	56,617	158,411
Total	**168,621**	**317,056**

Accounts payable arising out of direct insurance business mainly include the amounts due to policyholders for deductibles on amounts recovered, equal to Euro 30,074 thousand.
Accounts payable arising out of reinsurance business include Euro 54,878 thousand related to amounts payable for premiums ceded under the Agreement with the Ministry of the Economy and Finance.

Other accounts payable include:

Table 18 *(in € thousands)*

Description	31 December 2018	31 December 2017
Amounts due to suppliers	15,581	15,695
Provision for termination benefits	7,483	8,235
Amounts due to CDP for tax consolidation	0	81,248
Margins to CDP for repo agreements	9,710	0
Sundry creditors	23,843	53,233
Total	**56,617**	**158,411**

Sundry creditors mainly comprise the payments received from creditors in connection with factoring activities (Euro 4,405 thousand) and personnel costs (Euro 12,205 thousand).

13. Other liabilities

This item is detailed as follows:

Table 19 *(in € thousands)*

Description	31 December 2018	31 December 2017
6.1 Liabilities of a disposal group held for sale		
6.2 Deferred tax liabilities	264,596	266,511
6.3 Current tax liabilities	4,023	11,438
6.4 Other liabilities	15,162	26,278
Total	**283,781**	**304,227**

Net deferred taxes, of Euro 264,596 thousand, relate to the taxes calculated on the elimination of the equalisation provision for IFRS purposes (Euro 85,759 thousand), the taxes calculated on the adjustment of technical provisions (Euro 102,050 thousand) and the taxes calculated on financial assets measured at amortised cost and financial assets measured at fair value (Euro 36,753 thousand). Furthermore, the total balance comprises Euro 28,651 thousand related to deferred tax liabilities calculated on unrealised exchange differences on receivables and securities.

Notes to the income statement

14. Net premiums

This item includes the premiums earned relating to insurance contracts under IFRS 4.2, net of amounts ceded to reinsurers. Gross premiums written amount to Euro 815,536 thousand. Information about premium income by business for 2018 is provided in the Directors' Report.
Further details are provided in Annex 6 "Breakdown of Insurance Technical Items".

15. Gains (losses) on financial instruments at fair value through profit or loss

This item comprises realised gains and losses and increases and decreases in the carrying amount of financial assets and liabilities at fair value through profit or loss. Specifically, it reflects the carrying amount of financial instruments used to hedge exchange rates (see also Other revenue for the component related to exchange rate adjustments to the receivables portfolio). Further details are provided in Annex 7 "Financial and Investment Income and Expense".

16. Income from other financial instruments and investment property

This item includes income on investment property and financial instruments not measured at fair value through profit or loss. In particular, it comprises the following:

Interest income

This item includes interest income recognised using the effective interest method (IFRS 9).

Other income

This item includes income from lease of investment property.

17. Other revenue

This item mainly includes exchange differences to be recognised in profit or loss as set forth in IAS 21 of Euro 39,748 thousand (Euro 21,983 thousand in 2017).

18. Net claims incurred

This item includes the amount of claims paid for Euro 247,906 thousand (Euro 376,739 thousand in 2017), gross of settlement costs and amounts ceded to reinsurers. Information about claims in 2018 by class of business is provided in the Directors' Report. Further details are provided in Annex 6 "Breakdown of Insurance Technical Items".

19. Expense related to other financial instruments and investment property

This item reflects charges on investment property and financial instruments not measured at fair value through profit or loss. The breakdown is as follows:

Interest expense

This item includes interest expense recognised using the effective interest method (related to outstanding loans).

Other expense

This item includes, amongst others, investment property costs, specifically, property management charges and maintenance and repair costs not capitalised.

20. Operating expenses

Commissions and other acquisition expenses

This item includes acquisition costs, net of amounts ceded to reinsurers, related to insurance contracts.

Investment management expenses

This item includes general and personnel expenses related to the management of financial instruments, investment property and equity investments.

Other administrative expenses

This item includes general and personnel expenses not allocated to claims expenses, acquisition costs in respect of insurance contracts or investment management expenses.

21. Other expenses

This item, of Euro 67,346, comprises:
- other net technical charges related to insurance contracts (Euro 9,417 thousand);
- impairment losses and provisions accrued during the year (Euro 11,515 thousand);
- exchange differences recognised in profit or loss, as set forth in IAS 21 (Euro 18,413 thousand);
- impairment of goodwill related to Sace BT S.p.A.'s investment in SACE Surety (Euro 7,541 thousand);
- realised losses, depreciation and amortisation (Euro 3,278 thousand).

22. Taxes

The breakdown is as follows:

Table 20 *(in € thousands)*

Income tax through profit or loss	**2018**	**2017**
Current taxes	-	-
Expense (Income) for current taxes	85,477	137,524
Adjustments to prior year current taxes	4	(385)
	-	-
Deferred taxes	-	-
Expense (Income) due to recognition and elimination of temporary differences	(58,729)	38,531
Expense (Income) due to changes in tax rates or new taxes	-	-
Expense (Income) arising from tax losses	-	-
Expense (Income) arising from impairment losses or gains on deferred tax assets	838	-
Total income tax	**27,590**	**175,670**

The reconciliation between the tax charge and the theoretical tax charge, calculated using the theoretical tax rates ruling in Italy, is as follows:

Table 21 *(in € thousands)*

Reconciliation between average effective and theoretical tax rates - breakdown

Rates as percentages	**2018**	**2017**
Ordinary rate applicable	30.82%	34.32%
Effect of increases/decreases	(13.18%)	(5.55%)
Tax rate on profit before taxes	**17.64%**	**28.77%**

Overall, deferred tax assets, net of deferred tax liabilities, can be analysed as follows:

Table 22 *(in € thousands)*

Deferred tax assets and liabilities related to:	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Intangible assets						
Unrealised gains	7,544	2,095			7,544	2,095
Equalisation and catastrophe provisions			85,759	67,958	(85,759)	(67,958)
Employee benefits	21	16	339	266	(318)	(250)
Assets at fair value			138,803	127,027	(138,803)	(127,027)
Other items	166,882	126,727	39,695	71,260	127,187	55,467
Taxable losses						
Total gross deferred taxes	174,447	128,838	264,596	266,511	(90,149)	(137,673)
Tax offsetting						
Total net tax (assets)/liabilities	**174,447**	**128,838**	**264,596**	**266,511**	**(90,149)**	**(137,673)**

Other information

Intragroup and related party transactions

As part of its business operations, SACE S.p.A. has never engaged in any transactions with its subsidiaries that are atypical or outside its normal scope of business. All intragroup transactions are settled at arm's length and regarded the following:
- services rendered under specific agreements in that they do not constitute the group's core business;
- costs for rental of offices;
- reinsurance business with the subsidiary SACE BT S.p.A.;
- irregular deposits in favour of the subsidiary SACE Fct S.p.A.

With reference to transactions with the parent Cassa Depositi e Prestiti S.p.A. it is noted that, in 2018, insurance guarantees were issued which generated premiums of approximately Euro 92.6 million (Euro 24.3 million in 2017), SACE's financial investment portfolio contains two bonds with a total nominal value of Euro 84 million issued by the parent Cassa Depositi e Prestiti and acquired by SACE before the change of the controlling shareholder and three bonds with a total nominal value of Euro 1,650 million acquired by SACE in 2018. Furthermore, at 31 December 2018, there were Euro 3,181 million as deposits with the parent Cassa Depositi e Prestiti, Euro 1,072 million as repo agreements and an asset swap transaction of approximately Euro 25 million.

Fees paid to senior managers with strategic responsibility.

The fees paid in 2018 amount to Euro 3,444 thousand.

Other information

Since SACE participates in the tax consolidation scheme of Cassa Depositi e Prestiti S.p.A. for the three-year period 2016-2018, current IRES (corporate income tax) has been recognised as a tax consolidation charge to the parent.

Independent auditors' fees

In accordance with Legislative decree no. 39 of 27 January 2010, the fees paid to PricewaterhouseCoopers S.p.A. for the 2018 audit of the consolidated financial statements and BDO Italia S.p.A. (to the extent of the subsidiary SACE BT S.p.A.) are shown in the table below.

Table 23 *(in € thousands)*

Description	Amount
Audit of SACE S.p.A.	131
Audit of subsidiaries	318
Total	**450**

Events after the end of the year

Nothing to report.

Annexes
to the notes

(ISVAP Regulation no. 7/2007 and subsequent additions)

Annex 1. Breakdown of property, plant and equipment and intangible assets

(in € thousands)	At cost	Restated or at fair value	Total carrying amount
Investment property	12,457		12,457
Other property	50,275		50,275
Other assets	2,269		2,269
Other	11,330		11,330

Annex 2. Breakdown of reinsurers' share of technical provisions

	Direct business		Indirect business		Total carrying amount	
(in € thousands)	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Non-life provisions	**1,133,529**	**776,251**	**2,251**	**1,272**	**1,135,780**	**777,523**
Provision for unearned premiums	1,038,033	686,412	1,261	880	1,039,294	687,292
Provision for claims outstanding	64,042	53,129	990	392	65,032	53,521
Other reserves	31,454	36,711	-	-	31,454	36,711
Life provisions	**-**	**-**	**-**	**-**	**-**	**-**
Provision for sums to be paid	-	-	-	-	-	-
Mathematical provisions	-	-	-	-	-	-
Technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Total reinsurers' share of technical provisions	**1,133,529**	**776,251**	**2,251**	**1,272**	**1,135,780**	**777,523**

Annex 3. Breakdown of financial assets

	Financial assets at amortised cost		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss						Total carrying amount	
					Financial assets held for trading		Financial assets at fair value		Other financial assets for which fair value measurement is mandatory			
(in € thousands)	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Equity instruments	-	-	5,165	5,165	6,441	6,207	-	-	-	-	11,606	11,372
- of which listed	-	-	-	-	*6,441*	*6,207*	-	-	-	-	*6,441*	*6,207*
Debt securities	1,777,319	935,237	-	-	2,513,652	240,200	-	-	677,019	648,051	4,967,990	1,823,488
- of which listed	*1,777,319*	*935,232*	-	-	*2,343,260*	*105,696*	-	-	*677,019*	*648,051*	*4,797,599*	*1,688,979*
Units of UCITS	-	-	-	-	69,999	530,276	-	-	-	-	69,999	530,276
Loans and receivables with insured banks	463	27	-	-	-	-	-	-	-	-	463	27
Interbank loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-
Deposits with ceding companies	224	196	-	-	-	-	-	-	-	-	224	196
Financial asset components of insurance policies	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	1,737,562	1,828,210	-	-	-	-	-	675	345,218	395,214	2,082,780	2,224,099
Non-hedging derivatives	-	-	-	-	495	340	-	-	-	-	495	340
Hedging derivatives	-	-	-	-	377	-	-	-	-	-	377	-
Other financial investments	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,515,568**	**2,763,670**	**5,165**	**5,165**	**2,590,964**	**777,023**	**-**	**675**	**1,022,237**	**1,043,265**	**7,133,934**	**4,589,798**

Annex 4. Breakdown of technical provisions

(in € thousands)	Direct business		Indirect business		Total carrying amount	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Non-life provisions	**3,089,736**	**2,591,077**	**154,715**	**108,924**	**3,244,452**	**2,700,001**
Provision for unearned premiums	2,649,389	2,202,004	121,370	107,092	2,770,760	2,309,096
Provision for claims outstanding	439,499	387,917	33,345	1,832	472,844	389,749
Other provisions	848	1,156	0	0	848	1,156
of which provisions made following liability adequacy tests	0	0	0	0	0	0
Life provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provision for sums to be paid	0	0	0	0	0	0
Mathematical provisions	0	0	0	0	0	0
Technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0
of which provisions made following liability adequacy tests	0	0	0	0	0	0
of which deferred liabilities towards policyholders	0	0	0	0	0	0
Total technical provisions	**3,089,736**	**2,591,077**	**154,715**	**108,924**	**3,244,452**	**2,700,001**

Annex 5. Breakdown of financial liabilities

(in € thousands)	Financial liabilities at fair value through profit or loss							
	Financial liabilities held for trading		Financial liabilities designated at fair value		Financial liabilities at amortised cost		Total carrying amount	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Participating financial instruments	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	14,330	14,312	14,330	14,312
Liabilities from financial contracts arising from:	-	-	-	-	-	-	-	-
- policies where the investment risk is borne by policyholders	-	-	-	-	-	-	-	-
- pension fund administration	-	-	-	-	-	-	-	-
- other policies	-	-	-	-	-	-	-	-
Deposits received from reinsurers	-	-	-	-	14,103	15,036	14,103	15,036
Financial liability components of insurance policies	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	517,199	517,199	517,199	517,199
Due to banks	-	-	-	-	427,701	563,458	427,701	563,458
Interbank liabilities	-	-	-	-	-	-	-	-
Other loans obtained	-	-	-	-	1,003,098	1,205,884	1,003,098	1,205,884
Non-hedging derivatives	3,394	43,097	-	-	-	-	3,394	43,097
Hedging derivatives	6,085	-	-	-	-	-	6,085	-
Other financial liabilities	-	-	28,558	30,063	1,095,006	18,173	1,123,564	48,236
Total	**9,479**	**43,097**	**28,558**	**30,063**	**3,071,437**	**2,334,062**	**3,109,474**	**2,407,222**

Annex 6. Breakdown of technical insurance items

(in € thousands)		12/31/2018			12/31/2017		
Non-life business		**Gross amount**	**Reinsurers' share**	**Net amount**	**Gross amount**	**Reinsurers' share**	**Net amount**
NET PREMIUMS		**355,605**	**(46,892)**	**308,713**	**930,108**	**(96,042)**	**834,066**
a	Premiums written	815,537	(275,351)	540,186	873,433	(170,839)	702,593
b	Change in the provision for unearned premiums	(459,932)	228,459	(231,473)	56,676	74,797	131,473
NET CLAIMS INCURRED		**226,762**	**(43,486)**	**183,275**	**(24,408)**	**(31,652)**	**(56,060)**
a	Amounts paid	281,647	(33,740)	247,906	418,723	(41,984)	376,739
b	Change in the provision for claims outstanding	83,096	(11,512)	71,584	(224,740)	9,109	(215,631)
c	Change in recoveries	(142,899)	1,734	(141,165)	(223,786)	1,249	(222,537)
d	Change in other technical provisions	4,918	32	4,950	5,395	(26)	5,369
Life business							
NET PREMIUMS		**0**	**0**	**0**	**0**	**0**	**0**
NET CLAIMS INCURRED		**0**	**0**	**0**	**0**	**0**	**0**
a	Claims paid	0	0	0	0	0	0
b	Change in the provision for claims outstanding	0	0	0	0	0	0
c	Change in mathematical provisions	0	0	0	0	0	0
d	Change in technical provisions where the investment risk is borne by the policyholders and relating to pension funds administration	0	0	0	0	0	0
e	Change in other technical provisions	0	0	0	0	0	0

Annex 7. Financial and investment income and expense

(in € thousands)		Interest	Other income	Other expense	Realised gains	Realised losses	Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total income and expanse	
								Fair value gains	Impairment gains	Fair value losses	Impairment losses		12/31/2018	12/31/2017
Investment income (expense)		**172,583**	**14,891**	**(21,576)**	**291,599**	**(275,063)**	**182,434**	**4,097**	**2,759**	**(52,275)**	**0**	**(45,419)**	**137,015**	**13,405**
a	On investment property	0	(1,410)	(519)	0	0	(1,929)	0	0	0	0	0	(1,929)	319
b	Related to equity investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0	351	0	0	0	351	351	18,271
c	On financial assets at amortised cost	118,913	11,295	0	1,682	(2,363)	129,527	0	0	(25,188)	0	(25,188)	104,338	83,824
d	On financial assets at fair value through other comprehensive income	0	17	0	0	0	17	23	0	0	0	23	40	0
e	On financial assets held for trading	20,226	2,493	(876)	282,005	(272,700)	31,148	2,207	2,759	(13,612)	0	(8,646)	22,502	(106,299)
f	On financial assets designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0
g	On other financial assets for which fair value measurement is mandatory	33,444	2,496	(20,181)	7,912	0	23,671	1,516	0	(13,475)	0	(11,959)	11,712	17,290
Other receivables - income (expense)		**3,544**	**0**	**0**	**0**	**0**	**3,544**	**0**	**0**	**0**	**0**	**0**	**3,544**	**64**
Cash and cash equivalents - income (expense)		**443**	**0**	**0**	**0**	**0**	**443**	**0**	**0**	**0**	**0**	**0**	**443**	**4,776**
Financial liabilities - income (expense)		**(2,862)**	**0**	**0**	**0**	**0**	**(2,862)**	**0**	**0**	**0**	**0**	**0**	**(2,862)**	**(7,222)**
a	On financial assets held for trading	2,146	0	0	0	0	2,146	0	0	0	0	0	2,146	0
b	On financial liabilities designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0
c	On financial liabilities at amortised cost	(5,008)	0	0	0	0	(5,008)	0	0	0	0	0	(5,008)	(7,222)
Payables		**(18,693)**	**0**	**0**	**0**	**0**	**(18,693)**	**0**	**0**	**0**	**0**	**0**	**(18,693)**	**(19,421)**
Total		**155,016**	**14,891**	**(21,576)**	**291,599**	**(275,063)**	**164,867**	**4,097**	**2,759**	**(52,275)**	**0**	**(45,419)**	**119,447**	**(8,398)**

Annex 8. Breakdown of insurance business costs

(in € thousands)	Non-life business		Life business	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Gross commissions and other acquisition expense	**57,002**	**48,259**		
a Acquisition commissions	15,395	13,317		
b Other acquisition costs	38,852	32,060		
c Change in deferred acquisition costs				
d Collection commissions	2,756	2,882		
Reinsurance commissions and profit-sharing	(54,713)	(23,012)		
Investment management expenses	5,424	3,160		
Other administrative expenses	56,055	50,347		
Total	**63,768**	**78,753**		

Annex 9. Assets and liabilities measured at fair value on a recurring and non-recurring basis: breakdown by fair value level

(in € thousands)		Level 1		Level 2		Level 3		Total	
		12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets and liabilities measured at fair value on a recurring basis									
Financial assets at fair value through other comprehensive income						5,165	5,165	5,165	5,165
Financial assets at fair value through profit or loss	Financial assets held for trading	2,421,304	641,881	100,207	92,283	69,453	42,859	2,590,964	777,023
	Financial assets designated at fair value						675		675
	Other financial assets for which fair value measurement is mandatory	677,019	648,051			345,218	395,214	1,022,237	1,043,265
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets measured at fair value on a recurring basis		**3,098,323**	**1,289,932**	**100,207**	**92,283**	**419,836**	**443,913**	**3,618,366**	**1,826,128**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading			9,479	43,097			9,479	43,097
	Financial liabilities designated at fair value					28,558	30,063	28,558	30,063
Total liabilities measured at fair value on a recurring basis				**9,479**	**43,097**	**28,558**	**30,063**	**38,037**	**73,160**
Assets and liabilities measured at fair value on a non-recurring basis									
Non-current assets or of a disposal group available for sale									
Liabilities of a disposal group held for sale									

Annex 9.1. Breakdown of level 3 financial assets and liabilities measured at fair value on a recurring basis

(in € thousands)	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss			Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
		Financial assets held for trading	Financial assets designated at fair value	Other financial assets for which fair value measurement is mandatory				Financial liabilities held for trading	Financial liabilities designated at fair value
Opening balance	**5,165**	**42,859**		**395,214**					**30,063**
Purchases/Issues		37,388		12,947					
Sales/Repurchases									
Repayments				(69,211)					
Profit or loss recognised in profit or loss				(4,047)					
- of which fair value gains/losses				(4,047)					
Gain or loss recognised in other comprehensive income									
Transfers to level 3									
Transfers to other levels		(10,163)							
Other changes		(631)		10,315					(1,505)
Closing balance	**5,165**	**69,453**		**345,218**					**28,558**

Annex 10. Assets and liabilities not measured at fair value: breakdown by fair value level

(in € thousands)	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets										
Financial assets at amortised cost	3,515,568	2,763,670	1,812,905	1,052,351	29,301	115	1,735,266	1,828,323	3,577,472	2,880,789
Equity investments in subsidiaries, associates and joint ventures	8,361	8,010			8,361	8,010			8,361	8,010
Investment property	12,457	31,680			12,457	31,680			12,457	31,680
Property, plant and equipment	52,544	52,869			52,544	52,754		115	52,544	52,869
Total assets	**3,588,931**	**2,856,229**	**1,812,905**	**1,052,351**	**102,664**	**92,559**	**1,735,266**	**1,828,438**	**3,650,835**	**2,973,348**
Liabilities										
Financial liabilities at amortised cost	**3,071,437**	**2,334,061**	**476,636**	**542,847**	**14,121**		**2,525,805**	**1,611,226**	**3,016,562**	**2,154,073**

Annex 11 Breakdown of other comprehensive income

(in € thousands)	Allocations		Adjustments for reclassification in profit and loss		Other changes		Total changes		Taxes		Balance	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Other income components without reclassification in profit and loss	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**190**	**448**
Reserve arising from changes in the equity of subsidiaries												
Intangible assets revaluation reserve												
Tangible assets revaluation reserve												
Income and charges relating to non-current assets or to a disposal group held for sale												
Actuarial gains and losses and adjustments relating to defined benefit plans											190	448
Gains (losses) on equity investments designated at fair value through other comprehensive income												
Reserve arising from change in own creditworthiness on financial liabilities at fair value												
Other												
Other income components with reclassification in profit and loss	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(66)**	**(108)**
Reserves for net exchange differences											(66)	(108)
Gains or losses on cash flow hedges												
Gains or losses on hedges of net investments in foreign entities												
Reserve arising from changes in shareholders' equity of subsidiaries												
Income and charges related to non-current assets or to a disposal group held for sale												
Reclassification using the overlay approach												
Other												
Total other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**124**	**340**

I, the undersigned, declare that these consolidated financial statements are true and consistent with the accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

Reserved for the stamp of the registry office

to be applied at the time of filing the financial statements.

(*) For foreign companies, the document must be signed by the general representative for Italy.
(**) Indicate the position of the person who signs.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
pursuant to article 13, para. 10.8 of the corporate bylaws of SACE S.p.A.

We the undersigned, Alessandro Maria Decio, in my capacity as CEO and Michele De Capitani, in my capacity as executive officer responsible for preparing the corporate accounts of Sace S.p.A., hereby certify:

- the adequacy in relation to the characteristics of the company and
- the effective application
  of the administrative and accounting procedures used to prepare the consolidated financial statements for the year ended at 31 December 2018.

The adequacy of the administrative and accounting procedures used to prepare the consolidated financial statements for the year ended at 31 December 2018 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We hereby also certify that:
- the consolidated financial statements at 31 December 2018:
  - correspond to the results of company records and accounting entries;
  - were drawn up according to the International Financial Reporting Standards adopted by the European Union pursuant to Regulation (EC) 1606/2002, the provisions of Legislative Decree 38/2005, the Italian Civil Code, Legislative Decree 209 of 7 September 2005 and the applicable ISVAP regulations and circulars and that to the best of our knowledge they give a true and fair view of the state of affairs, the financial standing and the operating result of the company and the group of companies included in the scope of consolidation.
- the report on operations includes a fair review of the operating performance and result and the situation of the company and all the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 19 March 2019

CEO
Alessandro Maria Decio

Executive Officer
Michele De Capitani

Report of the Independent Boards

Report of the Board of Statutory Auditors

SACE S.p.A. - Consolidated Financial Statements at 31 December 2018

Dear Shareholder,
As stated in the Notes, the scope of consolidation of SACE S.p.A. includes:
- SACE S.p.A., which directs and coordinates its direct subsidiaries;
- SIMEST S.p.A., with a 76.005% interest;
- SACE Fct S.p.A., wholly owned;
- SACE BT S.p.A., wholly owned;
- SACE SRV S.r.l., wholly owned through SACE BT S.p.A.;
- SACE do Brasil Representações Ltda, with a 99.96% direct stake and a 0.04% indirect stake through SACE SRV S.r.l.;
- Fondo Sviluppo Export – Investment fund in which SACE is the only unit holder.

SACE S.p.A. does not hold any treasury shares or shares of the ultimate parent Cassa Depositi e Prestiti S.p.A..
The consolidated financial statements of SACE S.p.A. at 31 December 2018 have been prepared pursuant to Legislative decree no. 38 of 28 February 2005 in accordance with the IAS/IFRS issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union and in the technical formats required under IVASS Regulation no. 7/2007, as amended by Ruling no. 74 of 8 May 2018.
The measurement criteria and the basis of consolidation are described in the notes to the consolidated financial statements.
Together with the consolidated financial statements, the Directors of SACE S.p.A. provided us with the reporting package at 31 December 2018, drawn up for the purposes of preparing the consolidated financial statements of the ultimate parent Cassa Depositi e Prestiti S.p.A., on the basis of the instructions issued by Banca d'Italia and the Shareholder.

The consolidated financial statements were audited by the independent auditors PricewaterhouseCoopers S.p.A.. We therefore performed no direct controls on the financial statements included in the scope of consolidation as this was the responsibility of each individual competent body. We acknowledge that the reports issued by the latter concerning the part for which they are responsible, do not reveal any irregularities, findings, issues on which attention is drawn in the report of the independent auditors or reservations.

Furthermore, within the framework of the duties assigned to us by law, we checked the following:
- compliance with measurement criteria, basis of consolidation and other legal requirements, especially those concerning the formation of the scope of consolidation, the reference date of the figures and the consolidation rules;
- the adequacy of the detailed information provided in the report on operations and in the notes to the financial statements and consistency with the information provided in the consolidated financial statements.

On today's date, the independent auditors PricewaterhouseCoopers S.p.A. issued their report on the financial statements at 31 December 2018 in accordance with the rules on statutory audits implemented in Italy with Legislative decree no. 135/2016. Specifically, the independent auditors: i) issued their report stating that the consolidated financial statements give a true and fair view of the Group's financial position, performance and cash flows as at and for the year ended 31 December 2018 in accordance with the IFRS endorsed by the European Union; ii) expressed their opinion on the consistency of the Report on operations with the consolidated financial statements of the SACE Group at 31 December 2018 and that this Report has been drawn up in accordance with statutory requirements; iii) with reference to the statement pursuant to art. 14.2(e) of Legislative decree no. 39/2010, made on the basis of their knowledge and understanding of the company and the context in which it operates, obtained in the course of their audit, they had nothing to report.

For all our other findings and comments on the consolidated financial statements at 31 December 2018, reference should be made to the Report on operations of SACE S.p.A., which underlines the key aspects of the financial statements of the company, whose operations continued to have significant repercussions on the consolidated financial statements throughout 2018.

In our opinion and based on that stated above, the consolidated financial statements of the SACE Group at 31 December 2018 – which show a profit for the year of € 128,804 thousand, including a profit for the year attributable to the owners of the parent of € 128,515 thousand, total assets for € 12,472,530 thousand, total liabilities for € 6,885,536 thousand and consolidated equity for € 5,586,994 thousand and equity attributable to the owners of the parent for € 5,508,357 thousand – which result from financial statements with no exceptions, issues on which attention is drawn in the report of the independent auditors, findings or reservations, give a true and fair view of the SACE Group's financial position, results and cash flows as at and for the year ended 31 December 2018, in accordance with the aforesaid laws governing consolidated financial statements.

Rome, 3 April 2019

THE BOARD OF STATUTORY AUDITORS
Franco Luciano Tutino (Chairman)
Roberta Battistin (Standing Auditor)
Giuliano Segre (Standing Auditor)

SACE SpA

Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

Consolidated Financial Statements as of 31 December 2018

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the Shareholder of
SACE SpA

Report on the Audit of the Consolidated Financial Statements as of 31 December 2018

Opinion

We have audited the consolidated financial statements of SACE Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, statement of comprehensive income, statement of changes in equity, consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of SACE SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of the provision for unearned premiums	
Notes to the consolidated financial statements for the year ended 31 December 2018: Measurement criteria – Technical provisions Notes to the statement of financial position - Section 10 – Technical provisions Technical provisions of the consolidated financial statements of SACE SpA include Euro 2,771 million related to the provision for unearned premiums, equal to 22 per cent of "total liabilities and shareholders'equity". The component named "provision for premium instalments" of the provision for unearned premiums of the consolidated financial statements is calculated on a *pro rata temporis* basis, a method analytically applied to each policy, by accruing to the provision the portion of the gross premium accounted for but pertaining to future financial periods. The component "provision for unexpired risks" supplements the provision for premium instalments to cover the portion of risk falling in the periods after the year-end, in the event the expected cost of assumed risks exceeds the accrual to the provision for premium. The determination of the provision for unearned premiums depends on the estimates of the expected loss until the run-off of the existing portfolio at the reporting date, which loss is determined according to statistical models. The analysis of this item is a key audit matter on account of the complexity of the model and the relative degree of subjectivity, in particular, in respect of the estimated insolvency likelihood, correlation coefficients and the recovery rates.	We performed the following main activities in order to address this matter: • identification and review of the internal controls, which were considered more significant, put in place by management to support the correct determination of the provision; • discussions with the relevant corporate functions regarding the trend of risk indicators which affect the changes in the expected loss; • performance of procedure aimed at verifying the agreement of the management and accounting information; • involvement of PwC network actuaries in order to verify the reasonableness of the methods and assumptions behind the model used to determine the component "reserve for unexpired risks".

pwc

Valuation of receivables from Policyholders and third parties for recoveries

Notes to the consolidated financial statements for the year ended 31 December 2018:
Measurement criteria – Sundry Receivables
Notes to the statement of financial position - Section 5 "Sundry receivables" (Item 5)

Sundry receivables include Euro 571 million, equal to 4.6 per cent of total assets, in relation to receivables from policyholders and third parties for recoveries.

By paying claims, as a result of the subrogation, the Company becomes a creditor to the defaulting parties, which are, in the case of sovereign risk policies, generally represented by foreign counties, whereas in the case of commercial risk policies, are corporate counterparties. The Company adjusts the value of receivables to the presumed realisable value taking into account the particular nature of the underlying operations, the geo-political situation of the debtor country, the assessment by external third parties and the existence of a restructuring agreement, if any.

In the evaluation of receivables estimates are a key element which is marked by a high degree of subjectivity, with particular reference to the calculation of the recoverable amount and related timing.

We performed the following main activities in order to address this matter:

- discussions with the relevant corporate functions regarding the development of the economic and geo-political situation of the main debtors;
- acquisition and critical analysis of the internal and external documentation supporting the write-downs or write-backs recorded;
- performance of procedure aimed at verifying the agreement of the management and accounting information;
- performance of comparative analysis procedures with reference to significant discrepancies compared to the previous year and insights into the findings with the corporate functions involved;
- for a sample of counterparties, verification of the regularity of payments and the respect of the restructuring agreement.

Evaluation of receivables for factoring contracts

Notes to the consolidated financial statements for the year ended 31 December 2018:
Financial assets at amortised cost
Notes to the statement of financial position - Section 4 – Investments (Item 4) – par. 4.3 Financial assets at amortised cost

We performed the following main activities in order to address this matter:

- understanding and evaluating of the corporate procedures and processes related to the monitoring and evaluation

The item "Financial assets at amortised cost" of the consolidated financial statements of SACE SpA includes receivables deriving from factoring transactions for an amount of Euro 1,280 million, equal to 10 per cent of total assets. The impairment of receivables for factoring contracts is analytically calculated in respect of the non-performing loan positions which are individually significant, while all other positions (both non-performing and performing) are grouped into homogenous categories. The impairment calculation is a key audit matter since it inherently relies on elements for estimate in the determination of the recoverable amount and related timing and it requires a high degree of professional judgement. For impairments on an analytical basis, estimates are used to determine if there was a loss event and to estimate the related impact on the expected cash flows and on the connected recovery costs of each single position. The adjustments on a collective basis are calculated using estimate models based on internal and market parameters that management considers as representative of the expected impairment of the portfolio.	of loans and receivables and checks on the operating efficacy of the related relevant controls; • analysis of the new impairment model on a collective basis, made in compliance with new IFRS 9 requirements, and verification, on a sample basis, of the reasonableness of the measures being estimated under the model; • performance of procedures aimed at verifying the agreement of the management and accounting information; • performance of comparative analysis procedures with reference to significant discrepancies compared to the previous year and insights into the findings with the corporate functions involved; • for positions valued on an analytical basis, sample testing on the evaluation and classification in the financial statements according to the categories provided for by the applicable regulatory and financial reporting framework.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate SACE SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014

On 23 April 2015, the shareholders of SACE SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.
We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n° 39/10

Management of SACE SpA is responsible for preparing a report on operations of the SACE Group as of 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the SACE Group as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of SACE SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As illustrated in the report on operations, management of SACE SpA has opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 1, of Legislative Decree n° 254 of 30 December 2016.

Rome, 3 April 2019

PricewaterhouseCoopers SpA

Signed by

Alberto Buscaglia
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

www.sacesimest.it
800.269.264