Balance SACE

Financial and consolidated statements 2019

sace
gruppo cdp

Financial and consolidated statements

2019

sace
gruppo cdp

Financial statements at 31 december 2019

Meeting of the Board of Directors of 19 March 2020

SACE S.p.A.
Registered Office and Head Office
in Piazza Poli 37/42, Rome, Italy
Share capital (fully paid in) Euro 3,730,323,610
Tax No. and Rome Companies Registration
No. 05804521002 – R.E.A. 923591
Sole Shareholder Cassa Depositi e Prestiti S.p.A.

Company officers and boards

Board of Directors

Chairman
- Rodolfo Errore

Chief Executive Officer and General Manager
- Pierfrancesco Latini (*)

Directors
- Ilaria Bertizzolo
- Roberto Cociancich
- Elena Comparato
- Filippo Giansante
- Mario Giro
- Federico Merola
- Monica Scipione

Board of Statutory auditors

Chairman
- Silvio Salini

Standing Auditors
- Gino Gandolfi
- Moira Paragone

Alternate Auditors
- Marco Brini
- Cinzia Marzoli

Standing Delegate of the Court of Auditors (**)

- Natale Maria Alfonso D'Amico

Independent Auditors (***)

- PricewaterhouseCoopers Spa

Company Boards appointed by the Shareholders' Meeting on 2 December 2019 and in office for three years.
The members of the company boards and supervisory bodies in office in 2019 up until 2 December of that year are: Beniamino Quintieri (Chairman of the Board of Directors) Alessandro Decio (Chief Executive Officer), Maria Allegrini (Director), Antonella Baldino (Director), Paolo Carlo Renato Dal Pino (Director), Rodolfo Errore (Director), Alessandra Ferone (Director), Giuseppe Maresca (Director), Federico Merola (Director), Franco Tutino (Chairman of the Board of Statutory Auditors), Roberta Battistin (Standing Auditor), Giuliano Segre (Standing Auditor), Antonia Di Bella (Alternate Auditor), Francesco Di Carlo (Alternate Auditor), Guido Carlino (Standing Delegate of the Court of Auditors – in office until 31 December 2019).

(*) Appointed CEO by resolution of the Board of Directors on 4 December 2019; Appointed General Manager by resolution of the Board of Directors on 25 February 2020.
(**) Appointed Standing Delegate responsible for controlling the management of financial operations of SACE S.p.A. as from 1 January 2020.
(***) Appointed for the period 2015-2023 by resolution of the Shareholders' Meeting on 23 April 2015. On 17 October 2019, the Shareholders' Meeting resolved: i) to terminate the audit contract with PricewaterhouseCoopers for the 2015 – 2023 financial years, with effect as from the date of approval of the 2019 financial statements by the Shareholders' Meeting, once the audit report on the 2019 financial statements has been issued; ii) to appoint Deloitte & Touche to audit the financial statements for the financial years 2020 – 2028.

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01

Directors' report

Directors' report

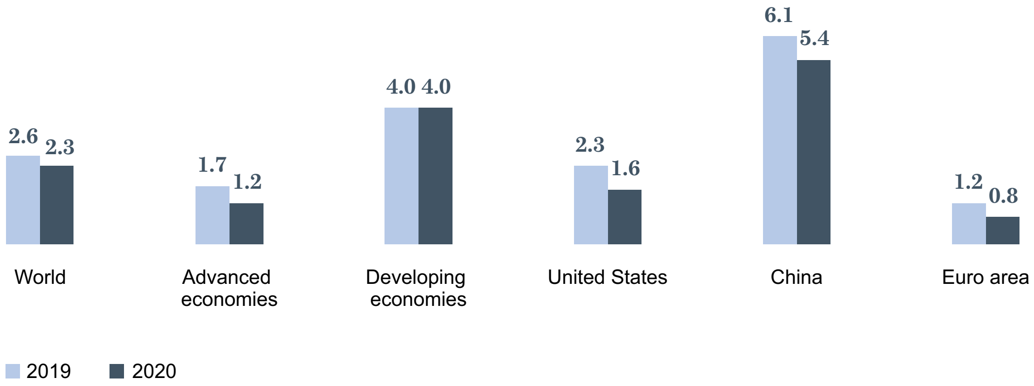
1. The economic scenario

1.1 The world economy

Global economic activity continued to expand in 2019, albeit at the slowest rate in ten years. According to recent estimates by Oxford Economics, global GDP growth stood at 2.6%, 0.6 percentage points lower than in 2018.[1] The slowdown was mainly due to weaker economic activity in the advanced economies (+1.7%) as a consequence of more subdued growth in the United States and persistent weakness in the euro area where Germany, the region's powerhouse, slowed significantly. Estimates also indicate lower GDP growth in the emerging economies (+4.0%). This reflects more "moderate" growth in China and India (compared to trends in previous years), weaker expansion in Brazil and Russia and difficulties encountered by a number of important players in this category including, among others, Saudi Arabia, Argentina, Iran, Mexico, Turkey and Venezuela. Overall, the emerging markets remained the driving force for global GDP growth, although the difference in growth compared to the advanced economies gradually narrowed and stabilised in the last quarter.

In response to the worsening macroeconomic picture, the main monetary authorities adopted an accommodative stance to avert the risk of recession. First, America's Federal Reserve reversed its policies with three consecutive reductions in its benchmark rate starting from July. Then the European Central Bank announced additional expansionary measures. The major emerging economies (e.g. Saudi Arabia, Brazil, Chile, India, Mexico, Russia, Thailand, Turkey) also adopted accommodative monetary policies and cut their policy interest rates, which helped to improve global financial conditions towards the end of 2019.

Real GDP, by geographical region (% change)



Source: Oxford Economics (February 2020)

1 Oxford Economics, *World Economic Prospects*, February 2020.

1.2 The Italian economy and industrial sectors

Against this backdrop, GDP increased by 0.2% in Italy in 2019.[2] The overall increase in economic activity, albeit only slight, was driven by household spending and business investment. On the other hand, the cooling of international trade had a negative impact on Italian exports of goods and services.

On average, the industrial production index decreased by 1.3% in 2019 compared with the previous year.[3] In terms of categories, there was a downturn in output of capital and intermediate goods and a slight increase in consumer goods. At sector level, the composite index was dragged down by textiles and clothing, means of transport and metallurgy. The rubber and plastic and mechanical engineering sectors also recorded a year-on-year contraction. The food, beverage and tobacco industry and the electronic equipment sector instead, increased their output. The construction industry posted an increase in production between January and November last year (+2.3% compared to the same period of 2018).[4]

Bank loans to non-financial companies decreased by 1.9% compared with the previous year. Lending contracted equally across the manufacturing, service and construction sectors. At the same time, gross non-performing loans to businesses continued to decrease and this contributed to reducing the proportion of non-performing loans to total loans granted, which fell to 4.8%.[5]

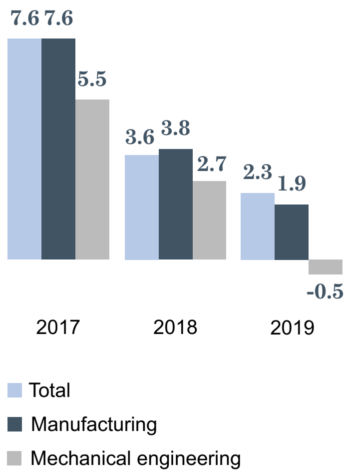
At a time in which economic activity exhibited substantial stagnation, the insolvency rate continued to decline, but more slowly than in the previous five years: in the first nine months of 2019, the number of bankruptcy proceedings fell again on an annual basis (-2.4%), but less notably than in 2018 and 2017 (-6.6% and -13.4%, respectively, over the same period).[6]

1.3 Italian exports

International trade in goods slowed significantly, increasing in volume by just 0.7% in 2019 (compared to +4.5% the previous year).[7] This reflected the worsening of global macroeconomic conditions and the increasing weight of several negative political and economic factors - some of which had already emerged in 2018: the escalation of protectionist trade policies in America, issues surrounding Brexit, the crises in some emerging market economies, the protests that swept through Hong Kong and a number of Latin American countries and ongoing difficulties in the Middle East. Trade tensions between the United States and China continued to fuel global economic uncertainty and have a negative impact on business transactions, either directly (with the introduction of new tariff and non-tariff barriers) or indirectly (with the announcement of possible new customs duties). The capital and intermediate goods sectors, which are deeply integrated in the global value chain, were hit the hardest and this was reflected in the slowdown in investments due to loss of business confidence.

In this context, Italian exports of goods increased, in terms of value, by 2.3% in 2019, more slowly than in the previous year (+3.6%). Despite this less dynamic growth, Italy was still able to increase its share of foreign markets. In the same period, the trade surplus reached almost Euro 53 billion, increasing by around 35% on the same period of 2018, driven by a fall in imports. The increase in Italian exports of goods was mainly driven by demand from non-European countries (+3.8%), while sales to EU countries rose more slowly (+1.1%). An analysis by sector shows that exports were driven by the country's traditional manufacturing sectors (food and beverages, clothing and leather goods), pharmaceuticals and, to a lesser extent, metal products. There was a decline in exports of motor vehicles (in line with the ongoing difficulties in this sector at global level), as well as of electrical appliances, refined petroleum and chemical products; there was a slight reduction in exports in the mechanical engineering sector.[8]

Italian exports of goods in terms of value, by selected sectors (% change)



Source: Istat (February 2020)

2 Istat, GDP preliminary estimate, January 2020. The annual estimate is based on seasonally-adjusted quarterly figures and considering calendar effects.
3 Istat. Industrial production, February 2020. Data adjusted for calendar effects.
4 Istat, Construction output, January 2020.
5 Banca d'Italia, *Banche e Moneta*, February 2020. The percentage change in loans has been adjusted to take into account securitised loans and other loans that have been transferred and are not reported in banks' financial statements.
6 Cerved, Bankruptcies, insolvency proceedings and business closures, December 2019.
7 Oxford Economics, *World Economic Prospects*, February 2020.
8 Istat, Foreign trade and import prices, February 2020.

2. Significant events in 2019 - the strategy

With the global economy in expansion, albeit at its slowest rate in ten years, SACE continued to support exports and internationalisation efforts, deploying a total of around Euro 12 billion. This was less than the Euro 19.4 billion of resources mobilised in 2018, due to the absence of major non-recurring transactions and also to the fact that several transactions were postponed until 2020. In line with the Business Plan, which was approved in February 2019, SACE developed tools to help businesses, especially SMEs, remain competitive in international markets. More specifically: (i) further enhancement of the business model, with the establishment of relationship managers for large corporations at the level of CDP Group and the creation of a dedicated team of export coaches for SMEs as part of SACE's sales network; (ii) continuation of the digitisation of the product offering for SMEs, also in view of the good results achieved in terms of the improved level of customer service and the increase in the number of transactions, with a 40% rise in the number of customers served by SACE; (iii) extension of the scope of activity of the Customer Care unit to include support for inbound and outbound investment. The export-push strategy, designed to improve the positioning of Italian companies in value chains worldwide, continues to be an integral part of the Export Hub's product offering. More than Euro 600 million of resources were mobilised under this strategy in 2019, which facilitates the organisation of business matching events. With the upgrading of the "Education to Export" platform, services were made available, free of charge, both on and offline, to more than 11,000 enterprises (mostly SMEs). In strengthening its commitment to work closely with customers, SACE obtained authorisation to open two new offices, in Ghana and Saudi Arabia, to support the numerous Italian companies that do business in the region.
In line with the Business Plan, SACE signed agreements with private reinsurers, with a view to diversifying reinsurance coverage and strengthening its risk assumption capacity to foster the growth of business.

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 amounted to Euro 3,730,323,610 and consisted 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 Net profit for the year

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

HIGHLIGHTS

(in € millions)	2019	2018	Change
Gross premiums	565.4	727.8	-22%
Claims	221.7	224.1	-1%
Technical provisions	4,158.9	3,950.1	5%
Net investments including other assets	7,758.8	7,622.3	2%
Shareholders' equity	4,763.2	4,714.5	1%
Gross profit	213.8	231.7	-8%
Net profit	141.6	186.1	-24%
Commitments approved	16,620.1	20,160.2	-18%

INCOME STATEMENT

(in € millions)	2019	2018
Gross premiums	565.4	727.8
Outward reinsurance premiums	-208.9	-246.4
Change in the provision for unearned premiums	30.9	-124.1
Net premium income	**387.4**	**357.2**
Claims incurred	-221.7	-224.1
Change in recoveries	106.9	143.5
Change in the provision for claims outstanding	-29.9	-65.8
Claims incurred, net of recoveries	**-144.7**	**-146.4**
Change in other technical provisions, net of reinsurance	-5.2	-5.2
Change in the equalisation provision	-42.8	-57.8
Investment return transferred from the non-technical account	34.3	38.9
Premium refunds and profit sharing	-0.8	-14.9
Operating expenses	-86.4	-87.3
Other technical income and charges	21.8	38.9
Balance on the technical account	**163.7**	**123.4**
Financial and other income	230.6	477.1
Investment management and financial charges	-147.1	-330.2
Investment return transferred to the technical account	-34.3	-38.9
Balance on the non-technical account	**49.1**	**108**
Income from ordinary operations	**212.8**	**231.4**
Extraordinary income	3.8	1.3
Extraordinary charges	-2.8	-0.9
Profit before taxes	**213.8**	**231.7**
Taxes	-72.2	-45.7
Net profit	**141.6**	**186.1**

In 2019, SACE S.p.A. posted a net profit of Euro 141.6 million, a decrease on the Euro 186.1 million reported in 2018.
The main components of the result are set forth below:
- gross premiums, for a total of Euro 565.4 million, decreased on the previous year (-22%);
- the change in the provision for unearned premiums was positive and amounted to Euro 30.9 million;
- claims incurred amounted to Euro 221.7 million, unchanged with respect to 2018 (-1%);
- the change in the provision for claims outstanding was negative and amounted to Euro 29.9 million, reflecting the increase in claims in the portfolio;
- the change in recoveries related to the value of subrogation credits, which was positive and equal to Euro 106.9 million, includes gains from recoveries on claims from previous years (Euro 49.2 million), subrogation credits for claims for the year (Euro 86.7 million), write-downs and losses on loans due to alignment with the estimated realisable value (Euro 14.1 million), reinsurers' share of amounts to be recovered and amounts recovered (Euro 13.9 million and Euro 1 million, respectively);
- operating expenses for the year, net of reinsurers' share of commissions for Euro 29.1 million, amounted to Euro 86.4 million, slightly less than in the previous year (Euro 87.3 million);

- the balance on the non-technical account was positive and equal to Euro 49.1 million. It includes the positive result of financial management activities (Euro 71.7 million) the breakdown of which is shown in the table below. The effect of exchange gains and losses (positive for Euro 15.5 million) reflects the exchange rate effect on technical provisions (negative for Euro 13.8 million, recognised in the technical account).

(in € millions)	
Effect of the non-current investment portfolio	57.5
Effect of the current investment portfolio	20.4
Effect of exchange gains and losses	15.5
Effect of equity investments	-21.7
Total effect of financial management activities	**71.7**

The effect of equity investments, which was negative for Euro 21.7 million, refers to the investments in the subsidiaries measured using the equity method.

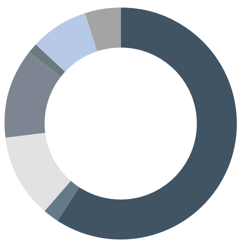
3.3. Volumes

Lending volumes (in terms of principal and interest) amounted to Euro 11,890 million in 2019 (Euro 19,423 million at 31 December 2018). Transactions mainly related to buyer credit policies (59.1%), financial guarantees (12.5%) and supplier credit policies (11.8%).

In terms of geographical areas, these volumes were mainly directed towards the Middle East and Northern Africa (28.1%), other European and CIS countries (20.4%) and EU countries (19.2%).

The industrial sectors that accounted for the highest volumes were the oil and gas sector (34.0%), the cruise liner sector (15.0%) and the chemicals and petrochemicals industry (13.0%).

Volumes in 2019 by product



59.1% Buyer credit

2.1% Letters of credit

11.8% Supplier credit

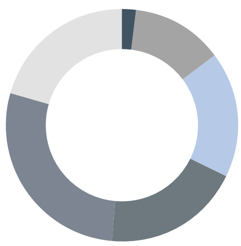
12.5% Financial guarantees

1.4% SME financial guarantees

8.1% Political Risk Insurance

5% Bonds

Volumes in 2019 by geo-economic region



2.0% Sub-Saharan Africa

12.9% Asia

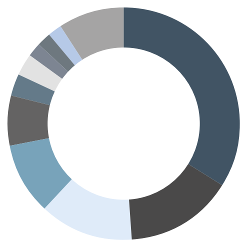
17.3% America

19.2% European Union

28.1% Middle East and North Africa

20.4% Other European and CIS countries

Volumes in 2019 by industrial sector



34% Oil&Gas

15.0% Cruise lines

13.0% Chemicals/ Petrochemicals

10.0% Banks

7.0% Infrastructure and construction

3.0% Electricity

3.0% Mechanical industry

2.0% Automobile

2.0% Non-financial services

2.0% Metallurgy

9.0% Other sectors

3.4 Commitments approved

Commitments approved in 2019 (in terms of principal and interest, including changes recognised during the period) totalled Euro 16,620.1 million, of which Euro 14,857.9 million under the annual upper limit and Euro 1,762.2 million under the revolving limit. Commitments approved decreased by 18% compared with 2018.
The breakdown of the main transactions worth at least Euro 100 million approved in 2019 is shown in the table below.

Country	Geographical region	Risk Profile	Amount Approved (€ m)
RUSSIA	OTHER EUROPEAN AND CIS COUNTRIES	*PROJECT FINANCE*	1,294.91
MOZAMBIQUE	SUB-SAHARAN AFRICA	*PROJECT FINANCE*	1,241.86
EGYPT	NORTH AFRICA	SOVEREIGN	956.27
UNITED KINGDOM	EUROPEAN UNION	CORPORATE	915.36
MALAYSIA	ASIA	*PROJECT FINANCE*	677.99
SWITZERLAND	OTHER EUROPEAN AND CIS COUNTRIES	BACKED CORPORATE	497.35
SWITZERLAND	OTHER EUROPEAN AND CIS COUNTRIES	BACKED CORPORATE	492.26
SWITZERLAND	OTHER EUROPEAN AND CIS COUNTRIES	BACKED CORPORATE	486.76
SWITZERLAND	OTHER EUROPEAN AND CIS COUNTRIES	BACKED CORPORATE	476.43
BERMUDA	AMERICA	BACKED CORPORATE	418.07
BERMUDA	AMERICA	BACKED CORPORATE	418.03
TURKEY	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	400.00
BERMUDA	AMERICA	BACKED CORPORATE	387.94
BERMUDA	AMERICA	BACKED CORPORATE	387.93
EGYPT	NORTH AFRICA	POLITICAL	355.00
MEXICO	AMERICA	CORPORATE	345.05
NIGERIA	SUB-SAHARAN AFRICA	BACKED CORPORATE	330.66
SERBIA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	305.00
RUSSIA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	300.00
MALAYSIA	ASIA	*PROJECT FINANCE*	214.75
RUSSIA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	200.00
BOSNIA-HERZEGOVINA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	190.00
JAPAN	ASIA	CORPORATE	178.45
RUSSIA	OTHER EUROPEAN AND CIS COUNTRIES	*PROJECT FINANCE*	174.53
TANZANIA	SUB-SAHARAN AFRICA	SOVEREIGN	164.98
ITALY	EUROPEAN UNION	CORPORATE	151.66
RUSSIA	OTHER EUROPEAN AND CIS COUNTRIES	CORPORATE	148.62
BRAZIL	AMERICA	CORPORATE	122.99
SWITZERLAND	OTHER EUROPEAN AND CIS COUNTRIES	CORPORATE	120.61
BOSNIA-HERZEGOVINA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	115.00
INDIA	ASIA	BANCA	104.64
INDIA	ASIA	CORPORATE	102.66
SERBIA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	100.00
Grand total			**12,775.76**

3.5 Premiums

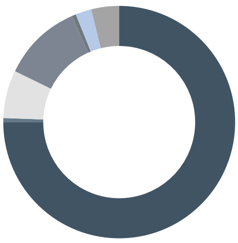
In 2019, gross premiums amounted to Euro 565.4 million and relate to direct business for Euro 561.8 million and to indirect business (reinsurance provided) for Euro 3.6 million. There was a 22% reduction compared to 2018. The products that contributed most to premiums were the buyer credit policy (75.4%), financial guarantees (11.2%) and the supplier credit policy (6.6%).

The geographical regions with the highest concentrations of premiums are: The Middle East and Northern Africa (47.6%), EU countries (16.3%) and other European and CIS countries (13.7%).

The industrial sectors that accounted for most of the new business premiums were the oil and gas sector (43.1%), chemicals and petrochemicals (14.2%) and the infrastructure and construction sector (7.9%).

In terms of the composition of gross premiums by business operations, in 2019 export credit continued to account for the highest proportion (82.6%) of business.

Gross premiums by product



75.4% Buyer credit

0.5% Letters of credit

6.6% Supplier credit

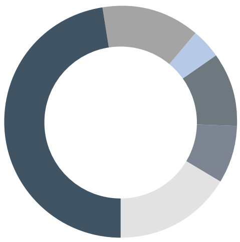
11.2% Financial guarantees

0.4% SME financial guarantees

2.2% Political Risk Insurance

4.0% Bonds

Gross premiums by geographical region



47.6% Middle East and North Africa

13.7% Other European and CIS countries

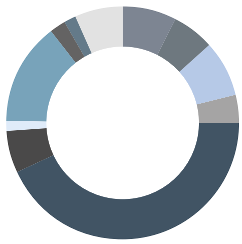
4.1% Sub-Saharan Africa

10.4% Asia

7.9% America

16.3% European Union

Gross premiums by industrial sector



43.1% Oil&Gas

6.0% Electricity

1.4% Automobile

14.2% Chemicals/Petrochemicals

2.2% Metallurgy

1.6% Mechanical industry

6.5% Other sectors

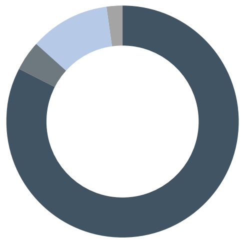
7.6% Cruise lines

5.8% Defence

7.9% Infrastructure and construction

3.7% Banks

Gross premiums by business operations



82.6% Export credit

2.2% DFI

11.0% Internationalisation

4.2% Market window

3.6 Claims

Claims paid in 2019 amounted to Euro 238.9 million, in line with the previous year (net of the re-insurers' share, claims amounted to Euro 221.7 million). Approximately 63.3% of claims related to the Italy risk, almost entirely attributable to the construction sector. The remaining 36.7% related to export credit business in various regions (mostly Russia, Saudi Arabia and Mexico, though without any specific concentrations).

3.7 Recoveries

In 2019, SACE collected Euro 102.1 million in political recoveries, 28.8% less than in the previous year (Euro 143.3 million).
These mainly relate to payments under bilateral agreements with Argentina (Euro 43.1 million), Iraq (Euro 42.8 million), Serbia (Euro 4.4 million), Cuba (Euro 3.3 million) and Egypt (Euro 2.1 million).
Trade recoveries amounted to Euro 62.6 million in 2019, slightly less than in 2018 (Euro 64.5 million). Other recoveries included (i) recoveries under restructuring agreements with Russian (Euro 7.5 million) and Egyptian counterparties (Euro 4.7 million); (ii) recoveries related to transactions with Italian counterparties (Euro 5.5 million) and (iii) isolated recoveries from German (Euro 3.1 million), Spanish (Euro 2.7 million), Russian (Euro 1.2 million) and Italian counterparties (Euro 1 million).

3.8 Risk portfolio

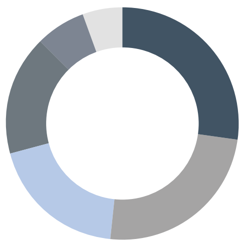
Total exposure, calculated as the sum of receivables and outstanding guarantees (principal and interest) amounted to Euro 65.0 billion. During 2019, export credit accounted for 73% of total outstanding guarantees. Recourse to reinsurance continued to increase (43.5% compared to 40.9% in 2018) following the activation of a quota share treaty in the private market. The loans and receivables portfolio decreased by 3.8% on 2018, mainly as a consequence of sovereign credits which fell by 18.4% and accounted for 52.3% of the total portfolio. The weight of the commercial component, which accounted for 47.7% of the portfolio, increased by 19.6%, from Euro 203.9 million to Euro 243.8 million.

Portfolio	2019	2018	Change
Outstanding guarantees	64,537.4	60,479.9	6.70%
principal	*57,140.0*	*53,579.0*	*6.60%*
interest	*7,397.4*	*6,900.9*	*7.20%*
Receivables	511.0	531.5	-3.80%
Total exposure	**65,048.5**	**61,011.3**	**6.60%**

The analysis by geo-economic region shows that the highest exposure was towards the Middle East and Northern Africa (27.4% in relation to 26.4% in 2018), followed by EU countries (24.5% in relation to 26.9% in 2018). The highest exposure by country was towards Qatar (14.8%), followed by the Americas, in terms of region, which accounted for 19.1%, compared to 18.3% in 2018. The other geo-economic regions together accounted for 29% of the portfolio: exposure towards East Asia and Oceania increased by 34.3% following the conclusion of some large-value operations.

The analysis by type of risk confirms the rise in political risk (+31.4%). Exposure to private sector risk - considering both credit risk and surety bonds - continued to be the highest, accounting for 71.3% of the total portfolio.

Total exposure by geo-economic region (%)



27.4%
Middle Est and North Africa

24.5%
EU 28

19.1%
Americas

16.7%
Other European Countries and CIS

6.7%
East Asia and Pacific

5.5%
Sub-Saharan Africa

Type of risk	2019	2018	Change
Sovereign	15,389.5	14,863.5	3.5%
Political	2,199.7	1,674.6	31.4%
Private sector risk	45,996.1	42,928.2	7.1%
Ancillary	952.1	1,013.6	-6.1%
Total	**64,537.4**	**60,479.9**	**6.7%**

Within private sector risk, there was a 23.5% increase in project finance risk and a 9.6% increase in backed corporate risk. There was a reduction in banking risk (-21.4%), the aviation component of asset-based risk (-19.9%) and structured finance risk (-12.7%).

Type of risk	2019	2018	Change
Corporate - credit business	15,897.8	15,397.9	3.2%
Banking	1,407.5	1,791.6	-21.4%
Aviation (Asset Based)	413.6	516.5	-19.9%
Backed corporate	10,352.3	9,441.9	9.6%
Project finance	12,940.9	10,476.9	23.5%
Structured finance	2,764.7	3,167.2	-12.7%
Corporate - surety business	2,219.2	2,136.1	3.9%
Total	**45,996.1**	**42,928.2**	**7.1%**

The level of concentration by sector remained high, with the largest five sectors accounting for 84.1% of the total private portfolio. The main sector continued to be the cruise liner industry, which accounted for 41.4% of the portfolio; this was followed by the oil and gas sector, accounting for 20.1% (slightly more than last year, when it accounted for 18.6%).

3.9 Technical provisions

Technical provisions are calculated in order to cover the best estimate for the Provision for unearned premiums component, 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 2,465.3 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 515.0 million;
- The provision for claims outstanding, amounting to Euro 474.6 million;
- The equalisation provision for credit insurance business, amounting to Euro 704.0 million.

10 Investments

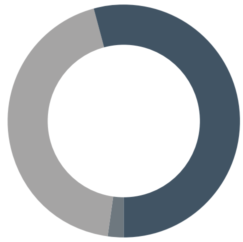
SACE S.p.A. conducts its financial management activities according to guidelines provided by the Board of Directors, pursuing two macro objectives:

- 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 any worsening of risk factors;
- to help the company pursue its economic goals through targeted and effective investments.

This strategy, which involves the use of highly liquid instruments with a limited risk profile, has confirmed values in line with the established limits for each type of investment, mainly based on VaR and sensitivity analysis techniques, and with the investment guidelines.
Total assets at the end of 2019 amounted to Euro 7,260.4 million. The breakdown of these is as follows: 54.3% invested in bonds, other debt securities and shares, 2.1% in UCITS and 43.6% in money market instruments.

The non-current portfolio, equal to Euro 2,812.6 million, represents 38.7% of total assets and consists entirely of bonds, 94.7% of which are bonds issued by government and supranational institutions. They have a modified duration of 3.30. The average portfolio rating is BBB+, unchanged with respect to the end of the previous year.
25.4% of the investment portfolio, of Euro 4,447.8 million, consists of bonds, other debt securities and shares, 3.4% of UCITS made up of bonds and 71.3% of money market instruments.

Breakdown of the portfolio by asset class



54.3%
Bonds

2.1%
UCITS

0.0%
Shares

43.6%
Money market

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

SACE has signed 26 reinsurance agreements with other ECAs. In 2019, SACE signed memorandums of understanding to support cooperation with Export Import Bank of China (CEXIM), Hong Kong Export Credit Insurance Corporation (HK ECIC), Export-Import Bank of the Republic of China (TEBC), Uzbekinvest National Export-Import Insurance Company and renewed cooperation agreements with China Export Credit & Insurance Corporation (SINOSURE) and Export Credit Guarantee Company of Egypt (ECGE). SACE also provided training services to the following organisations: Croatian Bank for Reconstruction and Development (HBOR), Export Credit Insurance Corporation of South Africa (ECIC), Export Insurance Company “KazakhExport” and Brazilian Guarantees and Fund Managements Agency (ABGF). In 2019 SACE also continued to provide advisory services for setting up the Saudi EXIM Bank.

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[9].
There are two main types of risks:

- **Technical risk**: meaning **underwriting risk**.
  For the guarantees portfolio of SACE S.p.A., this 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.
- **Market risk**: this risk arises from the trading of financial instruments. It includes interest rate, foreign exchange, credit and equity risks. SACE S.p.A. monitors and manages market risk using asset-liability management techniques and keeps it within previously established limits by adopting guidelines on asset allocation and quantitative risk measurement models (Market VaR).

9 IVASS Regulation No. 38 of 3 July 2018, European Solvency II Directive No. 2009/138.

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 or future risk of a loss of earnings or capital, of incurring sanctions, or threat to the institutional role of SACE S.p.A., arising from a negative perception of the company's image on the part of customers, counterparties, shareholders, investors, regulators or other stakeholders. Preventing and monitoring events that could pose a risk to its business reputation is a priority for SACE S.p.A., 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, 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 companies themselves.

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 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 of reserves and liquidity (ALM).

SACE S.p.A. has also set up a specific unit within the risk management function with the aim of permanently monitoring the operational risk management methodological framework. This unit assists the company's risk management function, moving its operational risk management system to converging policies.

The operational risk management and monitoring process is governed by the group policy on "Identifying operational risks", 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);
- 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 has 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 the system of internal controls, provides advice and formulates proposals.
- Management Committee: examines and evaluates the strategies, objectives and operational planning 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.
- Risk Evaluation Committee: examines proposed operations delegated by the Board of Directors (risk taking, changes, restructuring agreements, claims, commercial recoveries, agreements for political 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. It 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 exposures, 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.
- Investment Committee: periodically defines company portfolio investment strategies to optimise the risk/yield profile of financial activities and compliance with the guidelines established by the Board of Directors. It monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. It 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 current 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 analysed and only accepted after evaluating the economic impact;
- 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 division of SACE S.p.A defines the sale plan in line with the reinsurance strategy approved by the Board of Directors. This division also manages reinsurance operations and monitors the related risks.

The increased use of reinsurance continued in 2019: the total amount ceded amounted to Euro 28 billion at 31 December 2019. Of this, around 82% was ceded to the Ministry of the Economy and Finance under the agreement between SACE and the Ministry approved by the Decree of the President of the Council of Ministers of 20 November 2014 filed with the Court of Auditors on 23 December 2014. A 16% share was ceded to major global reinsurers in the private reinsurance market. A very small proportion (3%) was ceded to other ECAs under existing bilateral agreements.

Important factors regarding reinsurance in 2019

2019 saw a general lowering of expectations in the reinsurance market in relation to the macroeconomic framework due to continued instability linked to protectionist measures, the growing complexity of sanctions programmes and the general slowing of growth indicators in important sectors and economies. These overall conditions, together with the high numbers of claims in the Credit and Surety businesses in 2019 reduced the capacity of the reinsurance market in these two areas. M&A transactions continued, involving leading market operators, resulting in an overhaul of strategies, business models, assumption guidelines and reinsurance capacity allocated.

In 2019, against total business written for around Euro 15 billion, premiums ceded to reinsurers amounted to approximately Euro 9 billion, of which: i) approximately Euro 5.6 billion to the Ministry of Economy and Finance ii) approximately Euro 2.6 billion to the reinsurance treaty and iii) approximately Euro 800 million to the facultative private market. The proportional reinsurance treaty represents a novel tool in the reinsurance strategy of SACE for 2019, and envisages the transfer of a quota share of the policies written by SACE during the year.

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 (+35%), and commitments (+16%) with respect to the previous year, but a decrease in premiums approved (-9%).
In 2019, SACE supported exporters through commitments approved for around Euro 170.8 million (Euro 147.6 million in 2018) against loans granted for Euro 341.8 million (approximately Euro 290 million in 2018).
78% of 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 a turnover of between Euro 50 and Euro 250 million.

Internationalisation guarantees: FY 2019	Total portfolio	of which SMEs
Loans guaranteed	€ 341.8 M	€ 202.3 M
Exposure approved (K + I)	€ 170.7 M	€ 98.6 M

The portfolio accumulated was not concentrated in any particular region of Italy: 27% of total commitments in the Centre-South, 22% in the Centre-North, 30% in the North-West and 21% in the North-East[10].

3.15 Human resources

At 31 December 2019 there were 576 employees on the payroll, an increase of 2% compared to the previous year. During the year, 60 resources were hired and 47 left the company.

Distribution of staff by grade	No.	Breakdown
Senior managers	37	6%
Managers	291	51%
Clerical staff	248	43%
Total	**576**	**100%**

Distribution of staff by age group	Breakdown	Change
Under 30	14%	8%
Between 31 and 40	31%	-6%
Between 41 and 50	30%	0%
Over 50	**26%**	**4%**

Distribution of staff by qualification	Breakdown	Change
Degree	80%	1%
Secondary school certificate/other	20%	-5%

In 2019, training activities focused on providing and building specialist technical skills, improving business knowledge, strengthening transversal competencies and language skills and continuously developing the managerial abilities needed to manage complexity and change, in addition to the courses required by law (Legislative Decrees 231/2001, 196/2003, 81/2008, Data Protection Law). A total of 14,339 hours of training were provided to employees of SACE S.p.A. in 2019.

10 The territorial division used is based on the same criteria applied 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.

The job rotation project also continued in 2019, as a means for enhancing professional skills within the company. The scheme allows employees to receive on-the-job training within different company departments. The Early Career Program was launched in 2019. The three-year onboarding scheme is a training and development plan designed to support the growth of young people.
Everyone at the company underwent an assessment of their performance in the previous year. These assessments considered technical skills, transversal competencies (suitability for the job) and each employee’s specific activities and objectives. They resulted in the production of structured feedback and a shared training plan.
As part of the policy to improve work-life balance, in 2019 SACE S.p.A. offered employees a flexible benefit plan allowing them to convert all or a portion of their production bonuses into benefits aimed at improving their own and their families’ well-being. The remote working scheme was also extended and 52% of employees are now able to work at times and from places other than the office.
Lastly, on 5 November 2019, SACE S.p.A. and trade union representatives signed an agreement to activate the “Solidarity Fund”, which will allow workers with less than five years to go until reaching the minimum retirement age to receive their pension (starting from 2020) in addition to an incentive on the basis of pre-established criteria. Participation in the scheme is voluntary.

3.16 Litigation

At 31 December 2019, SACE S.p.A. was party to 21 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 approximately Euro 3.25 million, and plaintiff in 7 lawsuits to recover claims paid for around Euro 170 million. SACE S.p.A. was plaintiff in a further 52 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. The company is also involved in two labour disputes.

3.17 Corporate Governance

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

The management of SACE S.p.A. 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 27 February 2018 by the Board of Directors of SACE S.p.A. 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 S.p.A. 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 the mission of SACE S.p.A. 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.p.A.'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 S.p.A. 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 S.p.A. recognises, accepts and shares and the set of responsibilities it assumes vis-à-vis parties within and outside the company.

System of internal controls and risk management

The system of internal controls and risk management 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 controls and risk management. 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 system of internal controls and risk management and for defining its organisational structure, functions and responsibilities.
- The Board of Auditors must evaluate the efficacy and efficiency of the system of internal controls 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 system of internal controls, suggest appropriate corrective measures and see that these are implemented.

The system of internal controls and risk management 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, the Internal audit function performs controls not envisaged by the plan. It also 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 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 supported VIDAS, a voluntary organisation that offers comprehensive healthcare and assistance free of charge to terminally ill patients, and LIMPE, a foundation that supports medical and scientific research into Parkinson's disease as well as awareness and fund-raising events. The company continued to support Komen Italia, an association engaged in the fight against breast cancer, by taking part in the Race for the Cure, the major event organised by Komen.
SACE also promoted blood donation days at the Rome and Milan offices in collaboration with the Bambino Gesù children's hospital and AVIS (the Italian association of voluntary blood donors).
SACE actively protects the environment, not only by adopting energy-efficiency and energy-saving measures and upgrading its waste recycling system within the company, but also by supporting the Zero Plastic campaign. All plastic items in offices at the company have been replaced with others made from environmentally sustainable materials. More than 1,000 reusable water bottles were distributed to all employees in Italy and abroad, saving over 89,000 plastic bottles. SACE purchased these environmentally sustainable water bottles from WAMI (a Benefit Corporation whose mission is to distribute drinking water to families who would not otherwise have access to it).

3.19 Subsidiaries and Parent Company

SACE S.p.A. operates under the direction and control of its shareholder, Cassa Depositi e Prestiti S.p.A. With reference to transactions with the parent Cassa Depositi e Prestiti S.p.A., in 2019, insurance guarantees were issued which generated premiums of Euro 127.9 million (Euro 92.6 million in 2018). SACE's financial investment portfolio contains two bonds for a total nominal amount of Euro 84 million issued by the parent Cassa Depositi e Prestiti S.p.A. and purchased by SACE S.p.A. before the change of the majority shareholder. Furthermore, at 31 December 2019, there were Euro 5,147.2 million as demand deposits at the parent company Cassa Depositi e Prestiti S.p.A., Euro 1,985.5 million as repo agreements and an asset swap transaction for a notional amount of Euro 974 million.
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 S.p.A. subsidiary;
- irregular deposits in favour of the SACE Fct S.p.A. subsidiary;
- staff secondments (fees amount to the reimbursement of costs sustained by the seconding company in the form of remuneration and the related costs).

A summary of the net results of the subsidiaries of the SACE SIMEST Hub is provided below:

- SACE Fct (wholly owned) reported a net loss of Euro 5.3 million that was mainly due to value re-adjustments for Euro 8.2 million on four items in the portfolio;
- SIMEST (in which SACE holds a 76.005% stake) ended the year with a net loss of Euro 27.1 million, attributable to value re-adjustments for credit risk on equity investments;
- SACE BT (wholly owned) ended the year with a net profit of Euro 4.3 million, reflecting a positive result for the surety business (technical result of Euro 6.9 million) and offsetting the credit business (technical result of Euro 0.4 million).

3.20 Other information

Since SACE S.p.A. has renewed its participation in the tax consolidation scheme of Cassa Depositi e Prestiti S.p.A. for the three-year period 2019-2021, 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(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 Outlook for 2020 and significant events after the reporting date

After the reporting date, in March 2020, the new Covid-19 coronavirus, which originated in China, spread to many countries around the world and on 11 March 2020, the World Health Organisation declared the situation to be a “pandemic”.

In Europe, at the time of writing this Report, Italy is one of the worst hit countries. This has put enormous pressure on the country’s public health system and led Government authorities to adopt a series of legislative measures (Decrees of the President of the Council of Ministers dated 4, 8 and 9 March 2020 and the “Cura Italia” Law Decree dated 17 March 2020), introducing unprecedented restrictions on the activities of public authorities, the economy in general and the daily life of Italians in addition to significant economic interventions to support families, workers and businesses.

If the pandemic is not brought under control soon, it could have an appreciable effect on the outlook for the global economy, influence the macroeconomic scenario and financial markets.

In that respect, the Directors of SACE S.p.A. are of the opinion that, owing to the ongoing health emergency and uncertainties regarding future developments in terms of the impact on productivity and Italy’s economic and social fabric, the business outlook for 2020 cannot - at present - be reliably assessed or quantified.

Should the current health emergency persist, it will likely lead to losses in profit margins in the short term. These cannot be reliably estimated as yet based on the information that is available.

In accordance with the applicable accounting standards, management has determined that this event does not require any adjustment to the financial statements at 31 December 2019, since the event and the consequences thereof occurred after the reporting date and do not indicate that the going concern assumption is no longer appropriate.

Apart from the above, there are no other significant events to report.

Rome, 19 March 2020

on behalf of the Board of Directors
Chief Executive Officer
Pierfrancesco Latini

02

Balance sheet and Income statement

Balance sheet and Income statement

Annex I

Company	**SACE S.p.A.**	
Subscribed capital	euro 3,730,323,610	Paid euro 3,730,323,610
Registered offices	ROME	
Financial statements	BALANCE SHEET **2019**	
	(Amounts in euros)	

Balance sheet non-life
Insurance business assets

					Current year
A.	SUBSCRIBED CAPITAL UNPAID				1
	of which called-up capital		2		
B.	INTANGIBLE ASSETS				
	1. Deferred acquisition commissions				
	a) Life business	3			
	b) Non-life business	4	5		
	2. Other acquisition costs		6		
	3. Start-up and expansion costs		7		
	4. Goodwill		8		
	5. Other multi-year costs		9 2,928,800		10 2,928,800
C.	INVESTMENTS				
I	- Land and buildings				
	1. Property used in company operations		11 59,913,953		
	2. Property rented to third parties		12 932,435		
	3. Other properties		13		
	4. Other properties rights		14		
	5. Construction in progress and advance		15	16 60,846,387	
II	- Investments in Group companies and other shareholdings				
	1. Shares and interests in:				
	a) controlling companies	17			
	b) subsidiary companies	18 401,555,708			
	c) affiliated companies	19			
	d) associated companies	20 8,699,470			
	e) other companies	21	22 410,255,178		
	2. Bond issued by:				
	a) controlling companies	23 83,762,186			
	b) subsidiary companies	24			
	c) affiliated companies	25			
	d) associated companies	26			
	e) other companies	27	28 83,762,186		
	3. Loans to:				
	a)controlling companies	29			
	b) subsidiary companies	30			
	c) affiliated companies	31			
	d) associated companies	32			
	e) other companies	33	34 0	35 494,017,364	
			to be carried forward		2,928,800

			Previous year
			181
	182		
183			
184	185		
	186		
	187		
	188		
	189 1,880,237		190 1,880,237
	191 60,522,236		
	192 987,554		
	193		
	194		
	195	196 61,509,790	
197			
198 424,480,105			
199			
200 8,361,018			
201	202 432,841,123		
203 83,459,400			
204			
205			
206			
207	208 83,459,400		
209			
210			
211			
212			
213	214	215 516,300,523	
	to be carried forward		1,880,237

Balance sheet non-life
Insurance business assets

								Current year
			carried forward					2,928,800
C. INVESTMENTS (continued)								
III - Other financial investments								
1. Shares and interests								
a) Listed shares	36	365,448						
b) Unlisted shares	37							
c) Interests	38		39	365,448				
2. Shares in common investment funds			40	150,594,302				
3. Bonds and other fixed-income securities								
a) listed	41	3,856,542,630						
b) unlisted	42							
c) convertible debentures	43		44	3,856,542,630				
4. Loans								
a) loans secured by mortgage	45	2,168,455						
b) loans on policies	46							
c) other loans	47		48	2,168,455				
5. Participation in investment pools			49					
6. Deposits with credit institutions			50					
7. Other financial investments			51	29,015	52	4,009,699,849		
IV - Deposits with ceding companies					53	53,040	54	4,564,616,641
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			
II - Investments relating to the administration of pension funds					56			
							57	
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provisions for unearned premiums			58	1,128,864,329				
2. Provisions for claims outstanding			59	100,825,899				
3. Provisions for profit-sharing and premium refunds			60					
4. Other technical provisions			61	26,123,327	62	1,255,813,555		
II - LIFE BUSINESS								
1. Provisions for policy liabilities			63					
2. Unearned premium provision for supplementary coverage			64					
3. Provision for sums to be paid			65					
4. Provisions for profit-sharing and premium refunds			66					
5. Other technical provisions			67					
6. Technical provisions where the investments risk is borne by the policyholders and relating to the administration of pension funds			68		69		70	1,255,813,555
			to be carried forward					5,823,358,996

			Previous year
	carried forward		1,880,237
216 168,445			
217			
218	219 168,445		
	220 193,300,333		
221 4,541,577,990			
222			
223	224 4,541,577,990		
225 2,431,696			
226			
227	228 2,431,696		
	229		
	230 327,946,821		
	231 2,786,964	232 5,068,212,248	
		233 75,744	234 5,646,098,305
		235	
		236	
			237
	238 1,016,238,175		
	239 28,716,536		
	240		
	241 31,347,993	242 1,076,302,704	
	243		
	244		
	245		
	246		
	247		
	248	249	250 1,076,302,704
	to be carried forward		6,724,281,247

Balance sheet non-life Insurance business assets

								Current year
carried forward								5,823,358,996
E. RECEIVABLES								
I - Reseivables arising out of direct insurance business:								
1. Policyholders								
a) for premiums current year	71	26,164,318						
b) for premiums previous years	72	4,790,985	73	30,955,303				
2. Insurance intermediaries			74					
3. Current accounts with Insurance companies			75					
4. Policyholders and third parties for recoveries			76	403,870,854	77	434,826,158		
II - Receivables arising out of reinsurance operations:								
1. Insurance and Reinsurance companies			78	16,505,726				
2. Reinsurance intermediaries			79		80	16,505,726		
III - Other debtors					81	278,683,593	82	730,015,476
F. OTHER ASSETS								
I - Tangible assets and stocks:								
1. Furniture, office machines and internal transport vehicles			83	1,415,950				
2. Vehicles listed in public registers			84					
3. Machinery and equipment			85	1,996				
4. Stocks and other goods			86	59,368	87	1,477,315		
II - Cash at bank and in hand:								
1. Bank and Postal accounts			88	5,154,706,613				
2. Cheques and cash on hand			89	3,791	90	5,154,710,404		
III - Own shares or equity interests					91			
IV - Other								
1. Deferred reinsurance items			92	33,320				
2. Miscellaneous assets			93	22,462,327	94	22,495,646	95	5,178,683,365
G. PREPAYMENTS AND ACCUIRRED INCOME								
1. Accrued interest					96	25,664,713		
2. Rents					97			
3. Other prepayments and accrued income					98	952,034	99	26,616,748
TOTAL ASSETS							100	11,758,674,585

			Previous year
	carried forward		6,724,281,247
251 34,040,959			
252 4,821,053	253 38,862,012		
	254		
	255		
	256 394,997,270	257 433,859,282	
	258 26,555,089		
	259	260 26,555,089	
		261 271,294,733	
			262 731,709,104
	263 1,513,352		
	264		
	265 3,680		
	266 62,785	267 1,579,818	
	268 3,013,924,226		
	269 4,987	270 3,013,929,214	
		271	
	272 108,256		
	273 33,023,623	274 33,131,879	
			275 3,048,640,910
		276 27,314,934	
		277	
		278 958,237	279 28,273,172
			280 10,532,904,433

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			
IV - Legal reserve			104	274,023,092		
V - Statutory reserves			105			
VI - Reserves for own shares and shares of the controlling company			106			
VII - Other reserves			107	401,498,705		
VIII - Net profit (loss) brought forward			108	172,441,123		
IX - Net profit (loss) for the year			109	141,581,727		
X - Negative Reserve for own portfolio shares			401		110	4,763,172,858
B. LINKED LIABILITIES					111	500,000,000
C. TECHNICAL PROVISIONS						
I - NON-LIFE BUSINESS						
1. Provisions for unearned premiums	112	2,980,302,434				
2. Provisions for claims outstanding	113	474,607,489				
3. Provisions for profit-sharing and premium refunds	114					
4. Other technical provisions	115					
5. Equalization provision	116	703,951,315	117	4,158,861,238		
II - LIFE BUSINESS						
1. Provisions for policy liabilities	118					
2. Unearned premium provision for supplementary coverage	119					
3. Provision for sums to be paid	120					
4. Provision for profit-sgaring and premium refunds	121					
5. Other technical provisions	122		123		124	4,158,861,238
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			
II - Provisions relating to the administration of pension funds			126		127	
to be carried forward						9,422,034,096

Previous year

	281 3,730,323,610	
	282 43,304,602	
	283	
	284 264,718,736	
	285	
	286	
	287 401,273,797	
	288 88,765,626	
	289 186,087,104	
	501	290 4,714,473,475
		291 500,000,000
292 2,916,320,285		
293 372,609,505		
294		
295		
296 661,167,891	297 3,950,097,681	
298		
299		
300		
301		
302	303	304 3,950,097,681
	305	
	306	307
to be carried forward		9,164,571,156

Balance sheet liabilities and Shareholders' equity

						Current year
carried forward						9,422,034,096
E. PROVISIONS FOR OTHER RISKS AND CHARGES						
1. Provisions for pensions and similar obligations			128			
2. Provisions for taxation			129	19,720,128		
3. Other provisions			130	88,107,636	131	107,827,764
F. DEPOSITS RECEIVED FROM REINSURERS					132	
G. CREDITORS AND OTHER LIABILITIES						
I - Creditors arising out of direct insurance operations:						
1. Insurance intermediaries	133					
2. Current accounts with Insurance companies	134					
3. Premium deposits and premiums due to policyholders	135	30,183,299				
4. Guarantee funds in favour of policyholders	136		137	30,183,299		
II - Creditors arising out of reinsurance operations:						
1. Insurance and Reinsurance companies	138	96,341,435				
2. Reinsurance intermediaries	139		140	96,341,435		
III - Debenture loans			141			
IV - Amounts owed to banks and credit institutions			142	64,252,912		
V - Loans guaranteed by mortgages			143			
VI - Miscellaneous loans and other financial liabilities			144	1,985,538,090		
VII - Provisions for employee termination indemnities			145	5,220,572		
VIII - Other creditors						
1. Premium taxes	146					
2. Other tax liabilities	147	1,365,562				
3. Social security	148	1,592,616				
4. Miscellaneous creditors	149	21,717,337	150	24,675,515		
IX - Other liabilities						
1. Deferred reinsurance items	151	51,679				
2. Commissions for premiums in course of collection	152					
3. Miscellaneous liabilities	153	4,196,756	154	4,248,435	155	2,210,460,258
to be carried forward						11,740,322,118

		Previous year
carried forward		9,164,571,156
	308	
	309 28,650,851	
	310 72,203,603	311 100,854,454
		312
313		
314		
315 31,600,727		
316	317 31,600,727	
318 64,434,705		
319	320 64,434,705	
	321	
	322 6,085,123	
	323	
	324 1,072,447,443	
	325 5,278,542	
326		
327 1,668,457		
328 1,557,147		
329 34,706,957	330 37,932,561	
331 68,694		
332		
333 31,952,153	334 32,020,847	335 1,249,799,949
to be carried forward		10,515,225,559

Balance sheet liabilities and Shareholders' equity

					Current year
	carried forward				11,740,322,118
H.	ACCRUALS AND DEFERRED INCOME				
	1. Accrued interest	156	17,198,630		
	2. Rents	157	301,099		
	3. Other prepayments and accrued income	158	852,738	159	18,352,467
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160	11,758,674,585

		Previous year
carried forward		10,515,225,559
	336 17,198,630	
	337	
	338 480,244	339 17,678,874
		340 10,532,904,433

Annex II

Company	**SACE S.p.A.**	
Subscribed capital	euro 3,730,323,610	Paid euro 3,730,323,610
Registered offices	ROME	
Financial statements	PROFIT & LOSS ACCOUNT **2019**	
	(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	565,449,334			
b) (-) Outward reinsurance premiums			2	208,920,808			
c) Change in the gross provision for unearned premiums			3	63,982,149			
d) Change in the provision for unearned premiums, reinsurers' share			4	-94,858,189	5		387,404,566
2. (+) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT					6		34,338,803
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE					7		2,511,465
4. CLAIMS INCURRED, NET OF RECOVERY AND REINSURANCE							
a) Claims paid							
aa) Gross amount	8	243,055,346					
bb) (-) reinsurers' share	9	21,401,350	10	221,653,996			
b) Change in recoveries, net of reinsurance							
aa) Gross amount	11	-121,776,195					
bb) (-) reinsurers' share	12	-14,905,804	13	-106,870,391			
c) Change in the provisions for outstanding claims							
aa) Gross amount	14	101,997,985					
bb) (-) reinsurers' share	15	72,109,363	16	29,888,622	17		144,672,227
5. CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE					18		5,224,665
6. PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE					19		819,798
7. OPERATING EXPENSES:							
a) Acquisition commissions			20				
b) Other acquisition costs			21	28,385,480			
c) Change in commissions and other acquisition costs to be amortised			22				
d) Collecting commissions			23	266,348			
e) Other administrative expenses			24	57,705,757			
f) (-) Reinsurance commissions and profit-sharing			25	29,087,420	26		57,270,165
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE					27		9,813,244
9. CHANGE IN THE EQUALISATION PROVISION					28		42,783,423
10. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS					29		163,671,312

					Previous year
		111	727,754,332		
		112	246,438,290		
		113	353,164,784		
		114	-229,053,116	115	357,204,375
				116	38,850,744
				117	3,757,928
118	242,828,745				
119	18,706,010	120	224,122,735		
121	-144,551,015				
122	-1,090,178	123	-143,460,837		
124	77,260,466				
125	11,498,175	126	65,762,291	127	146,424,190
				128	5,224,665
				129	14,895,254
		130			
		131	30,379,507		
		132			
		133	2,755,538		
		134	54,153,174		
		135	44,654,603	136	42,633,615
				137	9,514,379
				138	57,757,925
				139	123,363,018

Profit & loss account

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

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

Profit & loss account

							Current year
7.	PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE					65	
8.	OPERATING EXPENSES:						
	a) Acquisition commissions			66			
	b) Other acquisition costs			67			
	c) Change in commissions and other acquisition costs to be amortised			68			
	d) Collecting commissions			69			
	e) Other administrative expenses			70			
	f) (-) Reinsurance commissions and profit-sharing			71		72	
9.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES:						
	a) Investment management charges, including interest			73			
	b) Value adjustments on investments			74			
	c) Losses on the disposal of investments			75		76	
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	
11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE					78	
12.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT					79	
13.	BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS					80	
	III. NON TECHNICAL ACCOUNT						
1.	BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS					81	163,671,312
2.	BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS					82	
3.	NON-LIFE INVESTMENT INCOME:						
	a) From shares and interests			83			
	(of which: from Group companies)			84			
	b) From other investments:						
	aa) income from land and buildings	85	596.553				
	bb) income from other investments	86	102.233.428	87	102,829,981		
	(of which: from Group companies)			88	1,377,131		
	c) Value re-adjustments on investments			89	6,771,288		
	d)) Gains on the disposal of investments			90	65,907,649		
	(of which: from Group companies)			91		92	175,508,918

					Previous year	
					175	
			176			
			177			
			178			
			179			
			180			
			181		182	
			183			
			184			
			185		186	
					187	
					188	
					189	
					190	
					191	123,363,018
					192	
			193	1,126,448		
(of which: from Group companies)			194			
	195	594,703				
	196	105,443,584	197	106,038,287		
(of which: from Group companies)			198	939,381		
			199	6,717,286		
			200	280,900,787		
(of which: from Group companies)			201		202	394,782,808

Profit & loss account

					Current year
4.	(+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE LIFE TECHNICAL ACCOUNT			93	
5.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES NON-LIFE BUSINESS:				
	a) Investment management charges, including interest	94	12,564,092		
	b) Value adjustments on investments	95	31,291,060		
	c) Losses on the disposal of investments	96	35,033,563	97	78,888,716
6.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE BUSINESS TECHNICAL ACCOUNT			98	34,338,803
7.	OTHER INCOME			99	55,041,809
8.	OTHER CHARGES			100	68,226,384
9.	INCOME FROM ORDINARY OPERATIONS			101	212,768,135
10.	EXTRAORDINARY INCOME			102	3,821,693
11.	EXTRAORDINARY CHARGES			103	2,759,095
12.	EXTRAORDINARY PROFIT OR LOSS			104	1,062,598
13.	PROFIT BEFORE TAXES			105	213,830,733
14.	INCOME TAXES			106	72,249,006
15.	NET PROFIT (LOSS) FOR THE YEAR			107	141,581,727

		Previous year
		203
	204 5,997,765	
	205 11,109,914	
	206 267,003,119	207 284,110,797
		208 38,850,744
		209 82,278,648
		210 46,078,193
		211 231,384,739
		212 1,301,366
		213 944,849
		214 356,517
		215 231,741,256
		216 45,654,153
		217 186,087,104

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Moira Paragone

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.

03

Notes to the financial statements

Notes to the financial statements

Foreword

These financial statements, comprising the schedules of the balance sheet, the income statement, the cash flow statement, 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 No. 269/2003 ("Transformation of SACE into a joint stock company"), the pertinent 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 S.p.A. pursuant to articles 14 and 16 of Legislative Decree 39 of 27 January 2010.

These notes describe, analyse and, in some cases, supplement the figures in the financial statements 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 standards board). They include:

Part A - Valuation criteria
Part B - Information on the balance sheet and income statement
Part C - Other information

All amounts in the accounting schedules are expressed in euros. All amounts in these notes are stated in thousands of euros.
Pursuant to Legislative Decree 38 of 28/2/2005, the consolidated financial statements have been prepared in accordance with international accounting 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 accounting standards. These accounting standards and valuation criteria are also based on the general principles of prudence, the accruals-basis of accounting and the assumption of going concern in order to give a true and fair view of the assets, financial position and operating result of SACE S.p.A.

Section 1 - Valuation criteria

The valuation criteria used to prepare 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 the requirements established by IVASS (the Italian insurance supervisory authority).

Intangible assets

These items are stated at purchase cost increased by any additional charges; permanent impairments of value 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 decreasing the original value of the asset.

Land and buildings

Buildings are recognised at purchase cost increased by accessory charges, upkeep expenses 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 stand in accordance with OIC 16. The land on which the premises held for use in the business stand 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

Equity investments are initially recognised at cost, increased by additional charges. As such investments are intended to be held for the longer term, they are considered financial fixed assets. Investments in subsidiaries and associated companies are measured using the equity method, in accordance with art. 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 "held for 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 recognised under accrued income.
Trading securities are recognised at the lower of weighted average cost and realisable value at market prices. The original carrying value 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

These items are recognised at their presumed 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 explanatory 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 the contract and, where applicable, the starting date of the risk. If there is a likelihood of future losses due to non-collection, premiums receivables are 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

These items are recognised at purchase cost, increased by any directly attributable additional charges; they are written down in the case of impairment losses and depreciation is calculated on a straight-line basis 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 expected costs, including settlement costs, 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 scheme 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

These 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 valuation 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 attributed to the year according to 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 recognised under "Other income" and "Other charges". Valuation gains and losses are recognised in the income statement. 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:

	31/12/19	31/12/18	31/12/17
US dollar	1.1234	1.1450	1.1993
GB pound	0.85080	0.89453	0.88723
Swiss franc	1.0854	1.1269	1.1702

Functional currency

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

Part B information on the balance sheet and income statement

BALANCE SHEET

(in € thousands)	31/12/19	31/12/18
Intangible assets	2,929	1,880
Investments	4,564,617	5,646,098
Reinsurers' share of technical provisions	1,255,814	1,076,303
Receivables	730,015	731,709
Other assets	5,178,683	3,048,641
Prepayments and accrued income	26,617	28,273
Balance Sheet - Assets	**11,758,675**	**10,532,904**
Shareholders' equity:		
- Share capital	3,730,324	3,730,324
- Share premium reserve	43,305	43,305
- Revaluation reserves		
- Legal reserve	274,023	264,719
- Other reserves	401,499	401,274
- Retained earnings (losses carried forward)	172,441	88,766
- Profit for the year	141,582	186,087
Subordinated liabilities	500,000	500,000
Technical provisions	4,158,861	3,950,098
Provisions for risks and charges	107,828	100,854
Creditors and other liabilities	2,210,460	1,249,800
Accrued expenses and deferred income	18,352	17,679
Balance sheet - Liabilities	**11,758,675**	**10,532,904**

INCOME STATEMENT

(in € thousands)	31/12/19	31/12/18
Non-life business technical account		
Gross premiums	565,449	727,754
Change in the provision for unearned premiums and outward reinsurance premiums	-178,045	-370,550
Net premium income	387,405	357,204
Change in other technical provisions	-5,225	-5,225
Allocated investment return transferred from the non-technical account	34,339	38,851
Change in the equalisation provision	-42,783	-57,758
Other technical income and charges	-7,302	-5,756
Claims incurred, net of recoveries	-144,672	-146,424
Premium refunds and profit sharing	-820	-14,895
Operating expenses	-57,270	-42,634
Balance on the non-life business technical account	**163,671**	**123,363**
Non-technical account		
Non-life investment income	175,509	394,783
Investment management and financial charges for non-life business	-78,889	-284,111
Allocated investment return transferred to the non-life technical account	-34,339	-38,851
Other income	55,042	82,279
Other expense	-68,226	-46,078
Balance on the non-technical account	**49,097**	**108,022**
Income from extraordinary operations	**1,063**	**357**
Income tax	-72,249	-45,654
Profit for the year	**141,582**	**186,087**

Balance Sheet - Assets

Section 1 - 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 multi-year costs

The breakdown is as follows:

Table 1 (in € thousands)

Description	31/12/19	31/12/18
Property rights	460	541
Brands and licences	46	53
Software	2,423	1,286
Total other multi-year costs	**2,929**	**1,880**

Software costs (Euro 2,423 thousand) mainly refer to costs for implementing the digital platform system for the SME product offering.

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

2.1 - Land and buildings

This item (Euro 60,846 thousand) represents:
a) the carrying amount of the building owned by the company (Euro 11,046 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 stands (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

Total investments recognised under this item amounted to Euro 494,017 thousand at 31 December 2019.

2.2.1 Shares and interests
The item includes:
- the investment in the SACE BT S.p.A. subsidiary, set up on 27 May 2004, the share capital of which, amounting to Euro 56,539 million, is fully subscribed by SACE S.p.A.;
- the investment in SACE Fct S.p.A., set up on 24 March 2009, the share capital of which, amounting to 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 100% stake, valued at Euro 199 thousand;
- the investment in ATI (African Trade Insurance Agency) comprised of 100 shares worth USD 11,104 thousand;
- the investment in Simest S.p.A., equal to 76.005%, amounting to Euro 228,406 thousand.

Investments are measured using the equity method. The application of this criterion resulted in a total write-up of Euro 4,764 thousand, recognised under “Income from investments”, related to SACE BT (Euro 4,304 thousand) and to ATI (Euro 460 thousand) and a total write-down of Euro 26,429 thousand, recognised under “Investment management and financial charges”, related to SACE Fct (Euro 5,351 thousand), SIMEST (Euro 20,673 thousand) and SACE do Brasil (Euro 406 thousand).
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 in Annex 7.

2.2.2 Debt securities issued by group companies
This item refers to debt securities issued by the parent Cassa Depositi e Prestiti S.p.A. for Euro 83,762 thousand.
Changes in this item are shown in Annex 5.

2.2.3 Loans to group companies
Changes in this item are shown in Annex 5.

2.3 - Other financial investments

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	31/12/19	31/12/18
Government securities issued by Austria	39,500	40,907
Government securities issued by Greece	13,459	12,499
Government securities issued by Italy	3,562,850	2,611,889
Other listed securities	240,734	1,876,283
Total	**3,856,543**	**4,541,578**

Other listed securities mainly refer to bonds issued by bank and supranational issuers.
Securities are deposited with banks. Information about the market value of securities is provided in Annex 8.

With reference to “Debt securities and other fixed-income securities” recognised under item "Other financial investments", issue and trading differences taken to the income statement amounted to:

Table 3 (in € thousands)

Description	Positive	Negative
Differences	5,537	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 – and deposits with credit institutions.
See Annex 10.

2.3.4 – Breakdown of significant loans secured by mortgages.

Loans include mortgages granted to employees, which amounted to Euro 2,432 thousand at the beginning of the year. Instalments for Euro 264 thousand were collected during the year. The balance for Euro 2,168 thousand refers to the remaining amount receivable in relation to the loans granted.

2.3.5 – Breakdown of deposits with credit institutions by duration

Table 4 (in € thousands)

Duration	31/12/19	31/12/18
Within 6 months		327,947
Total		**327,947**

2.3.6 – Breakdown of other financial investments according to type

Table 5 (in € thousands)

Description	31/12/19	31/12/18
Notes		2,758
Other investments	29	29
Other financial investments	**29**	**2,787**

2.3.7 – Breakdown of UCITS by country

Table 6 (in € thousands)

UCITS by country	31/12/19	31/12/18
France		69,999
Italy	150,594	123,301
Total	**150,594**	**193,300**

2.4 - Deposits with ceding companies

This item reflects the amount of guarantee deposits (Euro 53 thousand) with ceding companies regulated by current treaties. No write-downs were made on such deposits during the year.

Section 4 - Reinsurers' share of technical provisions

This item, equal to Euro 1,255,814 thousand, mainly refers to technical provisions 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	31/12/19	31/12/18
Provision for unearned premiums	1,128,865	1,016,238
Provision for outstanding claims	100,826	28,717
Other technical provisions	26,123	31,348
Total	**1,255,814**	**1,076,303**

Section 5 – Receivables

Table 8 (in € thousands)

Description	31/12/19	31/12/18
Receivables arising out of direct insurance business from policyholders	30,955	38,862
Policyholders and third parties for recoveries	403,871	394,997
Receivables arising out of reinsurance business	16,506	26,555
Other debtors	278,683	271,295
Total	**730,015**	**731,709**

The breakdown of this item is as follows.

5.1 – Receivables arising out of direct insurance operations – policyholders

This item comprises premiums to be collected on policies issued at the reporting date (Euro 30,955 thousand). No losses were recognised in the year on amounts receivable in connection with insurance operations for premiums.

The "Policyholders and third parties for recoveries" item (Euro 403,871 thousand) mainly consists of subrogation credits measured and recognised at their estimated realisable value, determined separately for each type of receivable and counterparty. It relates to subrogation credits for sovereign risk (Euro 164,391 thousand) and subrogation credits for commercial risk (Euro 239,478 thousand).
The change in receivables at 31 December 2019 compared to the previous year is primarily due to recoveries of claims for Euro 76,208 thousand. Closing rate adjustments for receivables in currencies other than the euro were positive for Euro 2,154 thousand.

"Receivables arising out of reinsurance business" (E.II) posted a balance of Euro 16,506 thousand. This item includes receivables from reinsurers for commissions in connection with outward reinsurance contracts (Euro 10,336 thousand), of which Euro 3,889 thousand referring to the reinsurance agreement with the Ministry of the Economy and Finance (MEF) and Euro 5,932 thousand to the treaty with reinsurers in the private market. The item also includes Euro 3,016 thousand for amounts due from the MEF for claims and reimbursements on premiums and Euro 2,163 thousand for receivables from reinsurance accepted.

5.2 – Breakdown of "Other debtors"

Table 9 (in € thousands)

Description	31/12/19	31/12/18
Other debtors country	22,654	25,542
Compensatory interest on claims to be recovered	82,333	109,319
Receivables from tax authorities	11,869	19,841
Deferred tax assets	75,799	98,869
Sundry receivables	86,028	17,724
Other debtors	**278,683**	**271,295**

"Other debtors country" (Euro 22,654 thousand) comprises 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 82,333 thousand) represents the total amount payable as at the reporting date by foreign countries by way of interest under existing restructuring agreements.

"Receivables from tax authorities" comprise receivables for Euro 10,746 thousand in connection with advance payments of IRAP (regional tax on production activities) in previous years (Euro 18,812 thousand) net of the charge for FY 2019 (Euro 8,066 thousand), and for Euro 1,123 thousand in connection with tax receivables for which reimbursement was claimed in previous years, increased by the interest accrued at 31 December 2019.

"Deferred tax assets" (Euro 75,799 thousand), details of which can be found in Table 31, refer to income statement 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 years to the income statement in 2019 due to achievement of a taxable income for the purposes of IRES (corporate income tax) and IRAP (regional tax on production activities). The breakdown is shown in section 21.7 of these notes.

The increase in "Sundry receivables" compared to the previous year mainly refers to margin trading on asset swap transactions and repo agreements entered into with the parent Cassa Depositi e Prestiti S.p.A.

Debtors country (sovereign and commercial risk) – breakdown by foreign currency

Table 10 (in € thousands)

Currency	31/12/19	31/12/18
USD	199,157	278,435
EUR	330,417	283,083
CHF	3,600	4,050
Other currencies	6	6

Section 6 - Other assets

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

Table 11 (in € thousands)

Description	2018	Increase	Decrease	2019
Furniture and machinery	1,513	412	509	1,416
Works of art	53			53
Plant and equipment used by the company	4	5	7	2
Inventory	10		4	6
Total	**1,580**	**417**	**520**	**1,477**

Cash and cash equivalents

Deposits with credit institutions amounted to Euro 5,154,707 thousand, of which Euro 1,824 thousand in foreign currency. At 31 December 2019 cash on hand amounted to Euro 4 thousand.

6.4 – Sundry assets. The breakdown of the balance of this item is as follows:

Table 12 (in € thousands)

Description	31/12/19	31/12/18
Capital gains on foreign exchange forward transactions		475
Gains on derivatives		377
Receivables from CDP for tax consolidation	20,879	32,151
Other assets	1,583	20
Total	**22,462**	**33,023**

Section 7 - Prepayments and accrued income

Table 13 (in € thousands)

Description	31/12/19	31/12/18
Accrued income for interest on government securities and bonds	24,549	25,710
Accrued income for interest on other financial investments	1,116	1,604
Total accrued income for interest	**25,665**	**27,314**
Other prepayments	952	958
Total prepayments	**952**	**958**

Interest on other financial investments (Euro 1,116 thousand) reflects interest on repo agreements. “Other prepayments” amounted to Euro 952 thousand and relate to portions of general expenses to be allocated to subsequent years.

7.3 – Indication of multi-year prepayments and accrued income and separate indication of those with a duration of more than five years.

Multi-year prepayments include Euro 81 thousand in connection with costs for service contracts. No prepayments have a duration of more than 5 years.

Balance Sheet Liabilities and Shareholders’ Equity

Section 8 - Shareholders’ Equity

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	Profit for the year	Total
Balances at 1 January 2018	**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**
Allocation of 2018 net profit:							
- Distribution of dividends						-90,000	-90,000
- Other allocations		83,675	9,305	3,107		-96,087	
Increase in share capital							
Other changes				-2,882			-2,882
Profit at 31 December 2019						141,582	141,582
Balances at 31.12.2019	**3,730,324**	**172,441**	**274,023**	**401,498**	**43,305**	**141,582**	**4,763,173**

The following table shows the individual items on the basis of their availability and possibility of distribution, in accordance with article 2427(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 31.12.2019	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	274,023,092	B		
Other reserves	97,476,701	A, B	97,476,701	
Other reserves	304,022,003	A, B,C	304,022,003	
Retained earnings	172,441,123	A, B, C	172,441,123	
Total			**573,939,827**	
not distributable[1]			97,476,701	
distributable			476,463,126	

Legend: A: for capital increase; B: to cover losses; C: for distribution to shareholders.
1 The non-distributable portion includes Euro 18,248 thousand related to the residual portion of the reserve for exchange rate gains, Euro 1,930 thousand related to the portion of the reserve for the revaluation of receivables, Euro 80,181 thousand for the revaluation of investments resulting from the application of the equity method and Euro (2,882) related to the measurement of cash flow hedges.

The share capital consists of 1,053,428 shares for a total nominal amount of Euro 3,730,323,610 thousand, 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, 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 (Annex 13)

10.1 – Changes in the non-life unearned premiums provision – and claims outstanding provision (Annex 13)

Table 16 (in € thousands)

Description	31/12/19	31/12/18
Provision for unearned premiums		
Provision for premium instalments	2,465,302	2,426,320
Provision for unexpired risks	515,000	490,000
Total	**2,980,302**	**2,916,320**
Provision for claims outstanding		
Provision for claims paid and direct expenses	452,767	353,727
Provision for settlement costs	7,879	5,997
Provision for late claims	13,961	12,886
Total	**474,607**	**372,610**

The provision for unearned premiums and the provision for claims outstanding refer to exposures in foreign currency for Euro 1,125,951 thousand and Euro 108,825 thousand, respectively. The provision for unearned premiums increased to reflect the trend in premiums for the year. The provision for claims outstanding rose due to the increase in the rate of claims for the year. It is deemed adequate to cover the potential cost of fully or partially unpaid claims as 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 31/12/19	IB 31/12/19	DB 31/12/18	IB 31/12/18
Provision for unearned premiums				
Provision for premium instalments	2,368,614	96,688	2,307,500	118,820
Provision for unexpired risks	515,000		490,000	
Total	**2,883,614**	**96,688**	**2,797,500**	**118,820**
Provision for claims outstanding				
Provision for claims paid and direct expenses	414,546	38,221	322,427	31,300
Provision for settlement costs	7,879		5,997	
Provision for late claims	13,961		12,886	
Total	**436,386**	**38,221**	**341,310**	**31,300**

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 703,951 thousand, increased with respect to the previous year by Euro 42,783 thousand. 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

Changes in this item are shown in Annex 15.
Provisions for risks and charges amounted to Euro 107,828 thousand. This amount comprises Euro 19,720 thousand for deferred tax liabilities and Euro 88,108 thousand for "Other provisions", the main components of which are listed below:

- Euro 1,145 thousand related to ongoing disputes at the reporting date;
- Euro 14,622 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 8,291 thousand for estimated potential liabilities with policyholders, due to the non-maturity of said amounts;
- Euro 26,123 thousand for the potential charges pursuant to the agreement with the MEF related to the amount calculated as ten percent of the 2014 equalisation reserve of SACE S.p.A. (art. 8.1.a);
- Euro 15,100 thousand attributable to the "Intersectoral solidarity fund to provide income support and to support employment and professional retraining of employees of insurance and service companies" established by INPS, pursuant to Ministerial Decree 78459 of 17 January 2014.

Section 13 - Creditors and other liabilities

Accounts payable arising out of direct insurance business.

Table 18 (in € thousands)

Description	31/12/19	31/12/18
Advances for premiums	29	141
Accounts payable to policyholders for premium refunds	11	11
Front-end expenses	208	216
Other payables arising out of direct insurance business	29,936	31,233
Accounts payable to policyholders	**30,183**	**31,601**

"Other payables arising out of direct insurance business", for Euro 29,936 thousand, mainly include payables for 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 2019 and adjustments to exposures in currencies other than the euro.

Table 19 (in € thousands)

Description	31/12/19	31/12/18
Accounts payable arising out of inward reinsurance business		27
Accounts payable arising out of outward reinsurance	96,341	64,407
Accounts payable arising out of reinsurance business	**96,341**	**64,434**

"Accounts payable arising out of outward reinsurance", for Euro 96,341 thousand, mainly consist of amounts payable for premiums ceded to reinsurers for Euro 81,752 thousand, related to reinsurance business with the MEF for Euro 28,523 thousand and with reinsurers in the private reinsurance market for Euro 52,399.

13.2 - Payables to banks and financial institutions

This item, for Euro 64,253 thousand (Euro 6,085 thousand at 31 December 2018), refers to asset swap transactions entered into with the parent Cassa Depositi e Prestiti S.p.A.

13.4 – Other loans and other financial liabilities

This item, for Euro 1,985,538 thousand (Euro 1,072,447 thousand at 31 December 2018), refers to repo agreements entered into with the parent Cassa Depositi e Prestiti S.p.A.

13.5 - Provision for severance pay

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

Table 20 (in € thousands)

Description	31/12/19	31/12/18
Other tax liabilities	1,366	1,668
Social security	1,593	1,557
Sundry creditors	21,717	34,707
Total	**24,676**	**37,932**

The decrease in this item compared to the previous year mainly reflects the lower margins on repo transactions.

13.6 – Breakdown of sundry creditors

This item (for a total of Euro 21,717 thousand) mainly comprises amounts due to suppliers for Euro 12,336 thousand against general administrative costs for the year and amounts due to employees for Euro 8,543 thousand.

13.7 – Deferred reinsurance items

The information received from the ceding companies on provisional technical income for 2019 was carried forward to the technical account for the following year as deferred reinsurance items.

13.8 – Sundry liabilities

This item, totalling Euro 4,197 thousand, comprises valuation losses on contracts used to hedge foreign currency assets.

Section 14 – Accrued expenses and deferred income

Table 21 (in € thousands)

Description	31/12/19	31/12/18
Accrued interest expense	17,199	17,199
Other accrued expenses and deferred income	1,153	480
Total accrued expenses and deferred income	**18,352**	**17,679**

14.1 – Breakdown of other accrued expenses and deferred income by type

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

14.3 – Indication of multi-year 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 2,253,570 thousand are due after the end of the following year and Euro 568,461 thousand after five years. The accounts payable under liability items F and G (Euro 35,779 thousand) are due within five years.

Section 17 – Guarantees, commitments and other memorandum accounts

Details of the memorandum accounts are shown in Annex 17.

17.1 – Breakdown of commitments

Commitments totalled Euro 1,623,813 thousand and relate to forward contracts for Euro 649,813 thousand and to asset swap transactions for Euro 974,000 thousand. The contracts traded were entered into with leading credit institutions with high ratings.
The effect of exchange rate transactions on foreign currency items that expired in the year produced a positive amount of Euro 31,758 thousand, and that of valuations of foreign currency items and existing derivatives at closing rates resulted in a negative amount of Euro 14,008 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 3,940,670 thousand and asset management companies, for Euro 150,594 thousand.

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

Income Statement

Section 18 - Information on the non-life technical account

18.1 - Gross premiums written

Gross premiums written for the year amounted to Euro 565,449 thousand.
In accordance with the applicable legislation (art 11(5) of Law 80/2005), the provision of internationalisation guarantees generated gross premiums for Euro 2,534 thousand and claims for Euro 4,648 thousand. Premiums ceded at 31 December 2019 amounted to Euro 208,921 thousand, of which Euro 147,359 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 provided in Annex 19.

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

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 34,339 thousand.

18.4 – Other technical income net of reinsurance

The item, equal to Euro 2,511 thousand, mainly concerns the technical income arising from the management of insurance contracts for Euro 1,506 thousand and from front-end expenses for the year for Euro 161 thousand.

18.5 – Claims incurred net of recoveries and reinsurance

Table 22 (in € thousands)	DB	IB	Total	DB	IB	Total
Description	**31/12/19**	**31/12/19**	**31/12/19**	**31/12/18**	**31/12/18**	**31/12/18**
Claims paid for the current year	-160,249	-28	-160,277	-164,224	-65	-164,289
Claims paid relating to previous years	-78,660		-78,660	-67,070	-7,121	-74,191
Costs of claims management	-4,118		-4,118	-4,349		-4,349
Reinsurers' share	21,401		21,401	18,706		18,706
Change in recoveries	105,234	1,636	106,870	140,464	2,997	143,461
Change in the provision for claims outstanding	-22,967	-6,921	-29,888	-35,288	-30,474	-65,762
Total net claims incurred	**-139,359**	**-5,313**	**-144,672**	**-111,761**	**-34,663**	**-146,424**

The “Change in recoveries” item (Euro 106,870 thousand) mainly refers to amounts recovered from foreign countries for Euro 49,216 thousand, principally from Iraq (Euro 16,289 thousand), Russia (Euro 6,664 thousand), Cuba (Euro 3,626 thousand) and Egypt (Euro 3,363 thousand).
The reinsurers’ share amounted to Euro 21,401 thousand, of which Euro 20,445 thousand refer to the reinsurance agreement with the MEF.

18.7 – Premium refunds and profit sharing, net of reinsurance

Premium refunds, reflecting premium refunds net of reinsurance, amounted to Euro 820 thousand (Euro 14,895 thousand at 31 December 2018).

Operating expenses

Details of this item are given in the table below:

Table 23 (in € thousands)		
Description	**31/12/19**	**31/12/18**
Collection and acquisition commissions	266	2,756
Other acquisition costs	28,385	30,380
Other administrative expenses	57,706	54,153
Commissions and profit sharing	-29,087	-44,655
Operating expenses	**57,270**	**42,634**

“Other acquisition costs” comprise reinsurance commissions and general expenses made up of personnel costs (Euro 16,264 thousand) and other general administrative expenses (Euro 12,121 thousand). “Other administrative expenses” comprise general expenses made up of personnel costs (Euro 37,742 thousand), other general administrative expenses (Euro 19,459 thousand), depreciation of capital goods (Euro 505 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 29,087 thousand), mainly comprise commissions in connection with the agreement signed with the MEF (Euro 21,407 thousand).

18.8 – Other technical charges net of reinsurance

This item, equal to Euro 9,813 thousand, refers mainly to technical cancellations of premiums due to termination of insurance contracts.

18.9 – Change in the equalisation provision

The change in the equalisation provision, equal to Euro 42,783 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

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

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

Table 24 (in € thousands)

Description	31/12/19	31/12/18
Income from shares and interests		1,126
Income from investments in land and buildings	597	595
Income from other investments	102,233	105,444
Reversals of impairment losses on investments	6,771	6,717
Gains on the disposal of investments	65,908	280,901
Total	**175,509**	**394,783**

"Income from other investments" (Euro 102,233 thousand) mainly includes interest on government securities and bonds (Euro 78,979 thousand), interest on time deposits (Euro 2,944 thousand), interest on repo transactions (Euro 7,086 thousand) interest on time deposits agreed with SACE Fct (Euro 1,377 thousand), income from mutual funds (Euro 539 thousand) and interest income on securities hedged by asset swap transactions (Euro 9,194 thousand). "Reversals of impairment losses on investments" (Euro 6,771 thousand) relate to the equity investments in SACE BT and ATI (Euro 4,764 thousand) and securities, equity funds and units of UCITS (Euro 2,007 thousand). "Gains on the disposal of investments" (Euro 65,908 thousand) comprise Euro 57,369 thousand related to forward transactions and Euro 8,539 thousand to gains on the sale of securities. The breakdown of each item is shown in Annex 21.

21.2 – Breakdown of investment management and financial charges for the non-life business (Annex 23)

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

Table 25 (in € thousands)

Description	31/12/19	31/12/18
Investment management charges and other charges	12,564	5,998
Value re-adjustments on investments	31,291	11,110
Losses on the disposal of investments	35,034	267,003
Total	**78,889**	**284,111**

“Investment management charges and other charges” mainly comprise investment management fees (Euro 460 thousand), interest charges on securities hedged by asset swap transactions (Euro 8,023 thousand), charges for repo agreements (Euro 1,298 thousand) and property management charges (Euro 1,068 thousand). “Value re-adjustments on investments” (Euro 31,291 thousand) refer to forward contracts (Euro 4,197 thousand), the write-down of the investments in SACE Fct, Simest and Sace do Brasil (Euro 26,430 thousand) and depreciation of real estate for Euro 664 thousand. “Losses on the disposal of investments” comprise Euro 28,912 thousand related to losses on forward transactions, Euro 5,745 thousand for losses on securities and Euro 377 thousand for derivative transactions. The breakdown of each item is shown in Annex 23.

21.3 – Breakdown of other income

Table 26 (in € thousands)

Description	31/12/19	31/12/18
Compensatory interest on premiums	1,342	1,459
Compensatory interest on receivables	12,879	23,225
Interest earned and other income	472	788
Interest earned on tax credits	16	16
Gains on other receivables	5,182	6,432
Profits on exchange rates	10,625	17,234
Utilisation of provisions and non-existent liabilities	15,092	5,536
Valuation gains on exchange rates	4,561	22,514
Revenues from services to subsidiaries	4,873	5,075
Total	**55,042**	**82,279**

“Compensatory interest on receivables” (Euro 12,879 thousand) represents the interest accrued in the year on subrogation credit. “Profits on exchange rates” (Euro 10,625 thousand) refer to exchange rate gains on foreign currency transactions. “Gains on other receivables” (Euro 5,182 thousand) relate to amounts acquired due to policyholders (Euro 4,303 thousand) and the collection of compensatory interest (Euro 879 thousand). “Valuation gains on exchange rates” (Euro 4,561 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

Table 27 (in € thousands)

Description	31/12/19	31/12/18
Amortisation and depreciation	902	401
Accruals to risk provisions	37,940	7,406
Realised exchange losses	7,394	7,317
Valuation exchange losses	2,322	11,097
Write-down of receivables - compensatory interest	202	234
Write-down of other receivables	25	120
Other interest expense and financial liabilities	19,441	19,503
Total	**68,226**	**46,078**

“Valuation exchange losses” (Euro 2,322 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 liabilities” (Euro 19,441 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

Table 28 (in € thousands)

Description	31/12/19	31/12/18
Gains on disposal of movable assets	1	
Sundry non-operating income	3,821	1,301
Total	**3,822**	**1,301**

"Sundry non-operating income" mainly relates to adjustments to general expenses and personnel costs not pertaining to the year (Euro 2,223 thousand) and adjustments to dividends on foreign securities (Euro 969 thousand).

21.6 – Breakdown of extraordinary charges

Table 29 (in € thousands)

Description	31/12/19	31/12/18
Losses on disposal of movable assets	7	11
Sundry non-operating expense	2,752	934
Total	**2,759**	**945**

"Sundry non-operating expense" mainly relates to adjustments to general expenses pertaining to previous years (Euro 1,564 thousand) and adjustments to withholdings on dividends on foreign securities (Euro 824 thousand).

21.7 – Breakdown of income taxes and deferred taxes

This item, totalling Euro 72,249 thousand, comprises the following:
a) Euro 8,066 thousand for IRAP for the year;
b) Euro 49,671 thousand for the charge calculated on the taxable income transferred to the parent as per the consolidated tax scheme;
c) Euro 14,512 thousand for the recognition of taxes paid in advance, determined as follows:

- Euro 22,926 thousand of deferred tax assets, derived from Euro 37,751 thousand corresponding to the transfer of prepaid IRES and IRAP allocated in previous years to the income statement, net of Euro 14,825 corresponding to the recognition of new prepaid taxes;
- Euro 8,413 thousand of deferred tax liabilities, derived from Euro 9,508 thousand corresponding to the transfer of deferred IRES allocated in previous years to the income statement, net of Euro 1,094 thousand corresponding to the recognition of new deferred taxes on temporary changes in the year, determined as illustrated in the table below.

The new prepaid taxes recognised in the year were calculated on the basis of the reasonable certainty of generating tax liable income in the future such as to enable their recovery. Further details are provided in the tables below.

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

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

Table 30 (in € thousands)

IRAP (regional tax on production)	Opening balance		Utilisation 2019		Change for the year		Closing balance	
Type of temporary differences	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**
Recognised in the income statement								
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	**48,294**	**3,294**	**-46,838**	**-3,195**			**1,456**	**99**

IRES (corporate income tax)	Opening balance		Utilisation 2019		Change for the year		Closing balance	
Type of temporary differences	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**	**Temporary differences**	**Taxes**
Recognised in the income statement								
Differences giving rise to deferred tax assets								
Reserve fund	4,739	1,137	-1,758	-422			2,981	716
Provision for claims outstanding	188,019	45,124	-35,708	-8,570	22,416	5,380	174,727	41,934
Write-down of receivables for premiums	262	63					262	63
Potential liabilities fund	60,212	14,451	-22,113	-5,307	37,940	9,106	76,039	18,249
Exchange rate valuation losses	87,736	21,058	-28,713	-6,891	815	196	59,838	14,362
Depreciation on revaluation of property	1,328	319					1,328	319
Valuation losses on listed shares	437	105	-197	-47			240	58
Write-downs of receivables for commercial risk	55,495	13,319	-55,495	-13,319				
Total	**391,809**	**95,575**	**-143,984**	**-34,556**	**61,171**	**14,681**	**315,415**	**75,700**
Differences giving rise to deferred tax liabilities								
Exchange rate valuation gains	119,380	28,651	-41,770	-10,025	4,558	1,094	82,168	19,720
Total	**119,380**	**28,651**	**-41,770**	**-10,025**	**4,558**	**1,094**	**82,168**	**19,720**
Differences excluded from the determination of deferred tax assets								
Subrogation credit write-downs – pol. risk	786						584	
Subrogation credit write-downs – com. risk	7,122						13,736	
Write-downs of other receivables - technical business	120						25	
Total deferred tax assets arising from temporary differences		**98,870**		**-37,751**		**14,681**		**75,800**
Total deferred tax liabilities arising from temporary differences		**28,651**		**-10,025**		**1,094**		**19,720**

Section 22 – Other information on the income statement

Details concerning relations with group companies are provided 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 31,758 thousand, while the effect of measuring the existing contracts and foreign currency entries at closing rates generated a negative balance of Euro 14,008 thousand, as shown in the table below.

Table 31 (in € thousands)

Description	31/12/19	31/12/18
REALISED		
Losses on forward contracts and trading	-28,911	-168,327
Gains on forward contacts and trading	57,369	172,906
Proceeds from derivatives		46,838
Charges on derivatives		-49,333
Net realised gains (losses) (A)	**28,458**	**2,084**
Exchange gains	10,696	45,002
Exchange losses	-7,396	-12,400
Net exchange gains (losses) (B)	**3,300**	**32,602**
Realised gains (losses) (A+B)	**31,758**	**34,686**
UNREALISED		
Unrealised losses on forward contracts and derivatives	-4,197	-3,394
Unrealised gains on forward contracts and derivatives		852
Net unrealised gains (losses) (C)	**-4,197**	**-2,542**
Exchange gains – technical provisions	5,126	9,659
Exchange losses – technical provisions	-18,963	-43,492
Exchange gains – receivables and payables	4,558	18,171
Exchange losses - receivables and payables	-1,701	-9,231
Exchange gains – cash and cash equivalents	3	4,343
Exchange losses - cash and cash equivalents	-621	-1,866
Exchange gains on the non-current security portfolio	1,788	11,295
Unrealised net gains (losses) (D)	**-9,810**	**-11,120**
Net unrealised exchange gains (losses) (C +D)	**-14,008**	**-13,662**

Part C – Other information

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

At 31 December 2019, the shareholders' equity of SACE S.p.A. amounted to Euro 4,763,173 thousand (Euro 4,714,473 thousand in 2018). The items of shareholders' equity at 31 December 2019 are as follows:

- share capital: Euro 3,730,324 thousand;
- share premium reserve: Euro 43,305 thousand;
- legal reserve: Euro 274,023 thousand;
- other reserves: Euro 401,498 thousand;
- retained earnings: Euro 172,441 thousand;
- net profit for the year: Euro 141,582 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[1].
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 Board of Directors, the latter, 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 from the date of appointment thereof:

(amounts in €)

Chairman of the Board of Directors	Annual fee for the term of office 2019-2021
Fixed component: fee for position held - art 2389 (1)	40,000
Fixed component: fee for powers assigned - art 2389 (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(1) and a fee in relation to the powers assigned thereto (pursuant to art. 2389(3).

(amounts in €)

Chief Executive Officer	Annual fee for the term of office 2019-2021
Fixed component: fee for position held - art. 2389 (1)	25,000
Fixed component: fee for powers assigned - art 2389 (3)	400,000
Short-term variable component (MBO) (annual tranche)	200,000

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(1); and (b) a fee for the powers assigned thereto pursuant to art. 2389(3).

Short-term variable component

In view of the powers assigned to the Chief Executive Officer, the remuneration includes a variable annual component (MBO – Management by Objectives), that will be paid upon attainment of the fixed qualitative and quantitative business objectives for each year of reference.

1 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").

3. Cash Flow Statement

(in € thousands)

CASH FLOW STATEMENT	FY 2019	FY 2018
Profit (loss) for the year before tax	**213,831**	**231,741**
Changes in non-cash items	**29,308**	**130,961**
Change in the provision for unearned premiums - non-life business	-115,529	-5,704
Change in the provision for claims outstanding and other technical provisions - non-life business	144,781	135,018
Change in the general provision	-23,057	-1,870
Non-cash income and expense from financial instruments, investment property and equity investments	24,520	4,393
Other changes	-1,407	-876
Change in receivables and payables generated by operations	**947,205**	**836,057**
Change in receivables and payables arising from direct insurance and reinsurance business	9,082	66
Change in other receivables and payables	938,123	835,991
Tax paid	**-72,249**	**-45,654**
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,118,095**	**1,153,105**
Net cash flows generated/used by investment property	663	663
Net cash flows generated/used by financial investments	1,056,275	-2,928,548
Net cash flows generated/used by plant, property and equipment and intangible assets	461	-549
TOTAL NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**1,057,399**	**-2,928,434**
Increase +/- Repayment of share capital		
Equity-related reserves	-2,882	6,659
Revaluation of property		
Distribution of dividends	-90,000	-150,000
Net cash flows generated/used by other financial liabilities	58,168	6,085
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	**-34,714**	**-137,256**
Effect of exchange differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**3,013,929**	**4,926,514**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	**2,140,781**	**-1,912,585**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**5,154,710**	**3,013,929**

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 2019 financial statements amounted to Euro 133 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 assets and financial position of Cassa Depositi e Prestiti S.p.A. at 31 December 2018, and of its operating result 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)

Assets		**31/12/18**
10.	Cash and cash equivalents	5
20.	Financial assets measured at fair value through profit or loss:	2,764,649
	a) financial assets held for trading	71,026
	b) financial assets designated as at fair value	
	c) other financial assets mandatorily measured at fair value	2,693,623
30.	Financial assets measured at fair value through other comprehensive income	11,463,817
40.	Financial assets measured at amortised cost:	323,523,878
	a) loans to banks	20,179,065
	b) loans to customers	303,344,813
50.	Hedging derivatives	679,154
60.	Fair value change in hedged financial assets (+/-)	131,581
70.	Equity investments	30,316,282
80.	Property, plant and equipment	322,661
90.	Intangible assets	20,946
	- of which: goodwill	
100.	Tax assets	480,439
	a) current	1,044
	b) deferred	479,395
110.	Non-current assets and disposal groups held for sale	
120.	Other assets	312,076
	Total assets	**370,015,488**

BALANCE SHEET

(in € thousands)

Liabilities and shareholders' equity		**31/12/18**
10.	Financial liabilities measured at amortised cost:	342,568,460
	a) due to banks	30,429,339
	b) due to customers	293,196,243
	c) securities issued	18,942,878
20.	Financial liabilities held for trading	70,981
30.	*Financial liabilities designated as at fair value*	500,024
40.	Hedging derivatives	656,433
50.	Fair value change in hedged financial liabilities (+/-)	26,033
60.	Tax liabilities:	394,012
	a) current	284,550
	b) deferred	109,462
70.	Liabilities associated with assets held for sale	
80.	Other liabilities	753,398
90.	Provision for employee severance indemnities	1,036
100.	Provisions for risks and charges:	250,773
	a) commitments and guarantees issued	120,442
	b) other provisions for risks and charges	130,332
110.	Valuation reserves	539,855
120.	Redeemable shares	
130.	Equity instruments	
140.	Reserves	15,341,580
150.	Share premium account	2,378,517
160.	Share capital	4,051,143
170.	Treasury shares (-)	-57,220
180.	Net profit (Loss) for the year (+/-)	2,540,463
	Total liabilities and shareholders' equity	**370,015,488**

INCOME STATEMENT

(in € thousands)

Items		31/12/18
10.	Interest and similar income	7,849,429
	- of which: interest income calculated using the effective interest method	8,074,652
20.	Interest and similar expense	-4,266,256
30.	**Interest margin**	**3,583,173**
40.	Commission income	396,385
50.	Commission expense	-1,537,340
60.	**Net commission income**	**-1,140,956**
70.	Dividends and similar income	1,362,387
80.	Net trading income	2,852
90.	Net hedging loss	-16,695
100.	Income (Loss) from the sale or repurchase of:	16,977
	a) financial assets measured at amortised cost	53,949
	b) financial assets measured at fair value through other comprehensive income	-36,952
	c) financial liabilities	-19
110.	Net income (loss) from financial assets and liabilities measured at fair value through other comprehensive income	-30,007
	a) financial assets and liabilities designated as at fair value	1,527
	b) other financial assets mandatorily measured at fair value	-31,535
120.	**Intermediation margin**	**3,777,732**
130.	Net value adjustments/recoveries for credit risk on:	-65,137
	a) financial assets measured at amortised cost	-64,114
	b) financial assets measured at fair value through other comprehensive income	-1,023
140.	Profit/loss from contractual modifications without derecognition	-2,199
150.	**Net financial income (expense)**	**3,710,396**
160.	Administrative expense:	-216,233
	a) personnel costs	-153,069
	b) other administrative expense	-63,164
170.	Net accruals to provisions for risks and charges	-42,286
	a) commitments and guarantees issued	-8,506
	b) other net accruals	-33,780
180.	Net value adjustments/recoveries on property, plant and equipment	-4,352
190.	Net value adjustments/recoveries on intangible assets	-3,198
200.	Other operating expense/income	6,303
210.	**Operating costs**	**-259,767**
220.	Gains (Losses) on equity investments	-172,033
230.	Net income (loss) from property, plant and equipment and intangible assets measured at fair value	
240.	Value adjustments on goodwill	
250.	Profit (Loss) on the sale of investments	-4
260.	**Profit (Loss) on current operations before taxes**	**3,278,592**
270.	Income taxes for the year	-738,129
280.	**Profit (Loss) on current operations after taxes**	**2,540,463**
290.	Profit (Loss) on discontinued operations after taxes	
300.	**Profit (Loss) for the year**	**2,540,463**

6. Proposed allocation of the net profit for the year

The shareholder is invited to approve the financial statements at 31 December 2019 and the allocation of the net profit for the year of Euro 141,581,727 as follows:

Euro 141,581,727	Net profit
Euro 7,079,086	to the “Legal reserve” as required by article 2430 of the Italian Civil Code
Euro 4,763,933	to “Other reserves” with respect to the revaluation of the carrying amount of the investments following the application of the equity method (art. 2426(1)(4) of the Italian Civil Code)
Euro 129,738,708	in accordance with the resolutions to be passed by the sole shareholder Cassa Depositi e Prestiti S.p.A.

Rome,19 March 2020

on behalf of the Board of Directors
Chief Executive Officer
Pierfrancesco Latini

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Moira Paragone

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.

04

Annexes
to the Notes

Annexes to the Notes
pursuant to Legislative Decree 173/97

No.	Description
1	Balance sheet - non-life business
3	Breakdown of operating profit (loss) between non-life and life business
4	Assets - Changes in intangible assets and in land and buildings
5	Assets - Changes in the year in investments in group companies and other investees: shares and interests, bonds and loans
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 of mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments
9	Assets - Changes in the year in other long-term financial investments: shares and interests, units of mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments
10	Assets - Changes in the year in loans and deposits with credit institutions
13	Liabilities - Changes in the year in components of the provision for unearned premiums and provision for outstanding claims of the non-life business
15	Liabilities - Changes in the year in provisions for risks and charges and for employee severance indemnities
16	Breakdown of assets and liabilities related to group companies and other 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
23	Capital and financial charges
25	Non-life insurance - Summary of technical accounts 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	
Business register	Rome Reg. No. 142046/99	
FY	ANNEXES TO THE NOTES TO THE FINANCIAL STATEMENTS **2019**	

(Amounts in thousands of euros)

Notes to the financial statements - Annex 1

Company **SACE S.p.A.** FY 2019

Balance sheet - non-life business assets

					Current year
A. SHARE CAPITAL PROCEEDS TO BE RECEIVED - SUBSCRIBED AND NOT PAID-UP					1
of which called-up		2			
B. INTANGIBLE ASSETS					
1. Deferred acquisition commissions		4			
2. Other acquisition costs		6			
3. Start-up and capital costs		7			
4. Goodwill		8			
5. Other multi-year costs		9	2,929		10 2,929
C. INVESTMENTS					
I - Land and buildings					
1. Property used in company operations		11	59,914		
2. Property used by third parties		12	932		
3. Other property		13			
4. Other property rights		14			
5. Assets under construction and advances		15		16 60,846	
II - Investments in group companies and other investees					
1. Shares and interests in:					
a) parents	17				
b) subsidiaries	18 401,556				
c) related companies	19				
d) associates	20 8,699				
e) other	21	22	410,255		
2. Bonds issued by:					
a) parents	23 83,762				
b) subsidiaries	24				
c) related companies	25				
d) associates	26				
e) other	27	28	83,762		
3. Loans to:					
a) parents	29				
b) subsidiaries	30				
c) related companies	31				
d) associates	32				
e) other	33	34	0	35 494,017	
		to be carried forward			2,929

			Previous year
			181
	182		
	184		
	186		
	187		
	188		
	189 1,880		190 1,880
	191 60,522		
	192 988		
	193		
	194		
	195	196 61,510	
197			
198 424,480			
199			
200 8,361			
201	202 432,841		
203 83,459			
204			
205			
206			
207	208 83,459		
209			
210			
211			
212			
213	214 0	215 516,301	
	to be carried forward		1,880

Balance sheet - non-life business assets

								Current year
carried forward								2,929
C. INVESTMENTS (contd.)								
III - Other financial investments								
1. Shares and interests								
a) Listed shares	36	365						
b) Unlisted shares	37							
c) Interests	38		39	365				
2. Units in mutual funds			40	150,594				
3. Bonds and other fixed-income securities								
a) listed	41	3,856,543						
b) unlisted	42							
c) convertible bonds	43		44	3,856,543				
4. Loans								
a) loans secured by collateral	45	2,168						
b) loans on policies	46							
c) other loans	47		48	2,168				
5. Participation in investment pools			49					
6. Deposits with credit institutions			50					
7. Other financial investments			51	29	52	4,009,700		
IV - Deposits with ceding companies					53	53	54	4,564,617
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provision for unearned premiums			58	1,128,864				
2. Provision for claims outstanding			59	100,826				
3. Provision for profit-sharing and premium refunds			60					
4. Other technical provisions			61	26,123			62	1,255,814
to be carried forward								5,823,359

							Previous year
		carried forward					1,880
216	168						
217							
218		219	168				
		220	193,300				
221	4,541,578						
222							
223		224	4,541,578				
225	2,432						
226							
227		228	2,432				
		229					
		230	327,947				
		231	2,787	232	5,068,212		
				233	76	234	5,646,098
		238	1,016,238				
		239	28,717				
		240					
		241	31,348			242	1,076,303
		to be carried forward					6,724,281

Balance sheet - non-life business assets

									Current year
	carried forward								5,823,359
E.	RECEIVABLES								
I	- Receivables arising out of direct insurance business:								
	1. Policyholders								
	a) for premiums for the year	71	26,164						
	b) for prior year premiums	72	4,791	73	30,955				
	2. Insurance intermediaries			74					
	3. Current accounts with insurance companies			75					
	4. Policyholders and third parties for recoveries			76	403,871	77	434,826		
II	- Receivables arising out of direct insurance business:								
	1. Insurance and reinsurance companies			78	16,506				
	2. Reinsurance intermediaries			79		80	16,506		
III	- Other receivables					81	278,684	82	730,015
F.	OTHER ASSETS								
I	- Tangible assets and inventories:								
	1. Furniture, office machinery and company vehicles			83	1,416				
	2. Moveable assets listed in public registers			84					
	3. Plant and equipment			85	2				
	4. Inventories and other goods			86	59	87	1,477		
II	- Cash and cash equivalents								
	1. Bank and postal accounts			88	5,154,707				
	2. Cheques and cash on hand			89	4	90	5,154,710		
III	- Own shares or quotas					91			
IV	- Other assets								
	1. Reinsurance suspense accounts			92	33				
	2. Sundry assets			93	22,462	94	22,496	95	5,178,683
	of which Liaison account with life business			901					
G.	PREPAYMENTS AND ACCRUED INCOME								
	1. Interest					96	25,665		
	2. Leases					97			
	3. Other prepayments and accrued income					98	952	99	26,617
	TOTAL ASSETS							100	11,758,675

							Previous year
			carried forward				6,724,281
251	34,041						
252	4,821	253	38,862				
		254					
		255					
		256	394,997	257	433,858		
		258	26,555				
		259		260	26,555		
				261	271,295		
						262	731,709
		263	1,513				
		264					
		265	4				
		266	63	267	1,580		
		268	3,013,924				
		269	5	270	3,013,929		
				271			
		272	108				
		273	33,024	274	33,132		
		903				275	3,048,641
				276	27,315		
				277			
				278	958	279	28,273
						280	10,532,904

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				
IV - Legal reserve			104	274,023			
V - Statutory reserves			105				
VI - Reserves for shares of the parent			106				
VII - Other reserves			107	401,499			
VIII - Retained earnings (losses carried forward)			108	172,441			
IX - Profit (loss) for the year			109	141,582			
X - Negative reserve for own shares			401			110	4,763,173
B. SUBORDINATED LIABILITIES						111	500,000
C. TECHNICAL PROVISIONS							
I NON-LIFE BUSINESS							
1. Provision for unearned premiums	112	2,980,302					
2. Provision for claims outstanding	113	474,607					
3. Provision for profit-sharing and premium refunds	114						
4. Other technical provisions	115						
5. Equalisation provision	116	703,951				117	4,158,861
		to be carried forward					9,422,034

Previous year

		281	3,730,324		
		282	43,305		
		283			
		284	264,719		
		285			
		286			
		287	401,274		
		288	88,766		
		289	186,087		
		501		290	4,714,473
				291	500,000
292	2,916,320				
293	372,610				
294					
295					
296	661,168			297	3,950,098
to be carried forward					9,164,571

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

Current year

	carried forward						9,422,034
E.	PROVISIONS FOR RISKS AND CHARGES						
	1. Provision for pensions and similar obligations			128			
	2. Provisions for taxation			129	19,720		
	3. Other provisions			130	88,108	131	107,828
F.	DEPOSITS RECEIVED FROM REINSURERS					132	
G.	CREDITORS AND OTHER LIABILITIES						
	I - Accounts payable, arising out of direct insurance business:						
	1. Insurance intermediaries	133					
	2. Current accounts with insurance companies	134					
	3. Premium deposits and premiums due to policyholders	135	30,183				
	4. Guarantee funds in favour of policyholders	136		137	30,183		
	II - Accounts payable, arising out of reinsurance business:						
	1. Insurance and reinsurance companies	138	96,341				
	2. Reinsurance intermediaries	139		140	96,341		
	III - Bonds			141			
	IV - Due to banks and financial institutions			142	64,253		
	V - Accounts payable secured by collateral			143			
	VI - Sundry loans and other financial liabilities			144	1,985,538		
	VII - Provision for severance indemnities			145	5,221		
	VIII - Other accounts payable						
	1. Premium taxes	146					
	2. Other tax liabilities	147	1,366				
	3. Social security	148	1,593				
	4. Sundry creditors	149	21,717	150	24,676		
	IX - Other liabilities						
	1. Reinsurance suspense accounts	151	52				
	2. Commissions for premiums being collected	152					
	3. Sundry liabilities	153	4,197	154	4,248	155	2,210,460
	of which Liaison account with life business	902					
	to be carried forward						11,740,322

		Previous year
carried forward		9,164,571
	308	
	309 28,651	
	310 72,204	311 100,854
		312
313		
314		
315 31,601		
316	317 31,601	
318 64,435		
319	320 64,435	
	321	
	322 6,085	
	323	
	324 1,072,447	
	325 5,279	
326		
327 1,668		
328 1,557		
329 34,707	330 37,933	
331 69		
332		
333 31,952	334 32,021	335 1,249,800
904		
to be carried forward		10,515,226

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

				Current year
carried forward				11,740,322
H. ACCRUED EXPENSES AND DEFERRED INCOME				
1. Interest	156	17,199		
2. Leases	157	301		
3. Other accrued expenses and deferred income	158	853	159	18,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160	11,758,675

		Previous year
carried forward		10,515,226
	336 17,199	
	337	
	338 480	339 17,679
		340 10,532,904

Notes to the financial statements - Annex 3

Company **SACE S.p.A.** FY 2019

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

			Non-life business		Life business		Total
Balance on the technical account		1	163,671	21		41	163,671
Investment income	+	2	175,509			42	175,509
Capital and financial charges	-	3	78,889			43	78,889
Allocated investment return transferred from the technical account of life business	+			24		44	
Allocated investment return transferred to the technical account of non-life business	-	5	34,339			45	34,339
Interim operating profit (loss)		6	225,953	26		46	225,953
Other income	+	7	55,042	27		47	55,042
Other expense	-	8	68,226	28		48	68,226
Extraordinary income	+	9	3,822	29		49	3,822
Extraordinary charges	-	10	2,759	30		50	2,759
Profit (loss) before taxes		11	213,831	31		51	213,831
Income taxes for the year	-	12	72,249	32		52	72,249
Net profit (loss) for the year		13	141,582	33		53	141,582

Notes to the financial statements - Annex 4

Company **SACE S.p.A.** FY 2019

Assets - Changes in intangible assets and in land and buildings

			Intangible assets B		Land and buildings C.I
Gross opening balance	+	1	14,350	31	71,913
Increases during the year	+	2	2,017	32	
for: purchases or additions		3	2,017	33	
reversals of impairment losses		4		34	
revaluations		5		35	
other changes		6		36	
Decreases during the year	-	7		37	
for: sales or decreases		8		38	
permanent write-downs		9		39	
other changes		10		40	
Gross closing balance (a)		11	16,367	41	71,913
Amortisation/depreciation:					
Opening balance	+	12	12,470	42	10,403
Increases during the year	+	13	263	43	664
for: amortisation/depreciation charge for the year		14	968	44	664
other changes		15		45	
Decreases during the year	-	16		46	
for: disposals		17		47	
other changes		18		48	
Amortisation/depreciation closing balance (b)		19	13,438	49	11,067
Carrying amount (a - b)		20	2,929	50	60,846
Current value		21		51	75,600
Total revaluations		22		52	
Total write-downs		23		53	

Notes to the financial statements - Annex 5

Company **SACE S.p.A.** FY 2019

Assets - Changes in investments in group companies and other investees: shares and interests, bonds and loans

			Shares and interests		Bonds		Loans
Opening balance	+	1	432,841	21	83,459	41	
Increases during the year:	+	2	5,164	22	303	42	
for: acquisitions, subscriptions or issues		3		23		43	
reversals of impairment losses		4	4,764	24		44	
revaluations		5					
other changes		6	400	26	303	46	
Decreases during the year:	-	7	27,750	27		47	
for: sales or repayments		8		28		48	
write-downs		9	26,430	29		49	
other changes		10	1,320	30		50	
Carrying amount		11	410,255	31	83,762	51	
Current value		12	410,255	32	86,556	52	
Total revaluations		13					
Total write-downs		14	26,430	34		54	

Item bonds includes:

Listed bonds	61	83,762
Unlisted bonds	62	
Carrying amount	63	83,762
of which convertible bonds	64	

Company **SACE S.p.A.**

FY 2019

Assets - Information about investees (*)

Number	Type	Listed unlisted	Business activity	Name and registered office	Currency	Share capital Amount	Share capital No. of shares/ quotas	Shareholders' equity (**)	Profit or loss for the last year (**)	Interest held (5) Direct	Interest held (5) Indirect	Interest held (5) Total
	(1)	(2)	(3)			(4)		(4)	(4)	%	%	%
1	b	NQ	1	Sace BT S.p.A	€	56,539	56,539	65,503	4,304	100		100
2	b	NQ	2	Sace Fct S.p.A	€	50,000	50,000	107,447	-5,317	100		100
3	d	NQ	1	ATI (African Trade Insurance Agency)	usd	236,200	2,362	262,272	11,927	4.23		4.23
4	b	NQ	1	SACE Do Brasil	R$	3,630	3,630	897	-1,718	100		100
5	b	NQ	2	SIMEST S.P.A.	€	164,646	316,627	300,515	-27,125	76.005		76.005

(*) Group companies and other companies in which a direct interest is held, including through trustees or nominees.
(**) Only for subsidiaries and associated companies

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

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

(3) Business activity
- 1 = Insurance company
- 2 = Financial company
- 3 = Bank
- 4 = Real estate company
- 5 = Trust company
- 6 = Mutual fund management or distribution company
- 7 = Consortium
- 8 = Industrial undertaking
- 9 = Other company or body

(4) Amounts in original currency

(5) Total investment held

Notes to the financial statements - Annex 7

Company **SACE S.p.A.** FY 2019

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

Number	Type			Increases during the year			Decreases during the year					Purchase cost	Current value
				For purchases		Other increases	For sales		Other decreases	Carrying amount (4)			
(1)	(2)	(3)	Name	Amount	Value		Amount	Value		Amount	Value		
1	b	D	SACE BT S.p.A			4,304			1,199	56,539	65,503	154,300	65,503
2	b	D	SACE Fct S.p.A						5,351	50,000	107,447	50,000	107,447
3	d	D	ATI (African Trade Insurance Agency)			460			122	10,000	8,699	6,886	8,699
4	b	D	SACE Do Brasil			400			406	3,630	199	11	199
5	b	D	SIMEST S.p.A.						20,673	316,627	228,406	232,500	228,406
			Total C.II.1								410,255	443,697	410,255
	a		Parents										
	b		Subsidiaries								401,556	436,811	401,556
	c		Related companies										
	d		Associated companies								8,699	6,886	8,699
	e		Other										
			Total D.I										
			Total D.II										

(1) Must match that indicated in Annex 6

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

(3) Indicate:
D for investments allocated to non-life business
V for investments allocated to life business
V1 for investments allocated to life business
V2 for investments allocated to life business
Even if only a portion, the investment should be identified with the same number

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

Notes to the financial statements - Annex 8

Company **SACE S.p.A.** FY 2019

Assets - Breakdown of financial investments according to use: shares and interests in companies, units of mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments

I - Non-life business	Long-term investment portfolio				Short-term investment portfolio				Total			
	Carrying amount		Current value		Carrying amount		Current value		Carrying amount		Current value	
1. Shares and interests:	1		21		41	365	61	365	81	365	101	365
a) listed shares	2		22		42	365	62	365	82	365	102	365
b) unlisted shares	3		23		43		63		83		103	
c) quotas	4		24		44		64		84		104	
2. Units in mutual funds	5		25		45	150,594	65	157,092	85	150,594	105	157,092
3. Bonds and other fixed-income securities	6	2,728,845	26	2,880,927	46	1,127,697	66	1,134,230	86	3,856,543	106	4,015,157
a1) listed government bonds	7	2,488,111	27	2,634,529	47	1,077,581	67	1,084,106	87	3,565,692	107	3,718,635
a2) other listed securities	8	240,735	28	246,397	48	50,116	68	50,125	88	290,851	108	296,522
b1) unlisted government bonds	9		29		49		69		89		109	
b2) other unlisted securities	10		30		50		70		90		110	
c) convertible bonds	11		31		51		71		91		111	
5. Participation in investment pools	12		32		52		72		92		112	
7. Other financial investments	13		33		53	29	73	29	93	29	113	29

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

Notes to the financial statements - Annex 9

Company **SACE S.p.A.** FY 2019

Assets - Changes in the year in other long-term financial investments: shares and interests, units of mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments

			Shares and interests		Units in mutual funds		Bonds and other fixed-income securities		Participation in investment pools		Other financial investments
Opening balance	+	1		21		41	2,304,010	81		101	2,787
Increases during the year:	+	2		22		42	724,558	82		102	
for: purchases		3		23		43	712,127	83		103	
reversals of impairment losses		4		24		44		84		104	
transfer from the short-term portfolio		5		25		45		85		105	
other changes		6		26		46	12,431	86		106	
Decreases during the year:	-	7		27		47	299,722	87		107	2,758
for: sales		8		28		48	299,722	88		108	2,758
write-downs		9		29		49		89		109	
transfer to the short-term portfolio		10		30		50		90		110	
other changes		11		31		51		91		111	
Carrying amount		12		32		52	2,728,845	92		112	29
Current value		13		33		53	2,880,927	93		113	29

Notes to the financial statements - Annex 10

Company **SACE S.p.A.** FY 2019

Assets - Changes in the year in loans and deposits with credit institutions

			Loans		Deposits with credit institutions
Opening balance	+	1	2,432	21	327,947
Increases during the year:	+	2		22	835,778
for: issues		3		23	835,778
reversals of impairment losses		4		24	
other changes		5		25	
Decreases during the year:	-	6	263	26	1,163,725
for: repayments		7	263	27	1,163,725
write-downs		8		28	
other changes		9		29	
Carrying amount		10	2,168	30	

Notes to the financial statements - Annex 13

Company **SACE S.p.A.** FY 2019

Liabilities - Changes in the year in components of the provision for unearned premiums and provision for outstanding claims of the non-life business

Type		FY		Previous year		Change
Provision for unearned premiums:						
Provision for premium instalments	1	2,465,302	11	2,426,320	21	38,982
Provision for unexpired risks	2	515,000	12	490,000	22	25,000
Carrying amount	3	2,980,302	13	2,916,320	23	63,982
Provision for claims outstanding:						
Provision for claims paid and direct expenses	4	452,767	14	353,727	24	99,040
Provision for settlement costs	5	7,879	15	5,997	25	1,882
Provision for claims incurred and not reported	6	13,961	16	12,886	26	1,075
Carrying amount	7	474,607	17	372,610	27	101,997

Notes to the financial statements - Annex 15

Company **SACE S.p.A.** FY 2019

Liabilities - Changes in the year in provisions for risks and charges and for employee severance indemnities

				Provisions for taxation		Other provisions		Provisions for employee
Opening balance	+	1	11	28,651	21	72,204	31	5,279
Accruals for the year	+	2	12		22	37,939	32	539
Other increases	+	3	13		23	287	33	42
Utilisations for the year	-	4	14	8,414	24	6,035	34	548
Other decreases	-	5	15	517	25	16,287	35	91
Carrying amount		6	16	19,720	26	88,107	36	5,221

Notes to the financial statements - Annex 16

Company **SACE S.p.A.** FY 2019

Breakdown of assets and liabilities related to group companies and other investees

I: Assets

	Parents	Subsidiaries	Related companies	Associated companies	Other	Total
Shares and interests	1	2 401,556	3	4 8,699	5	6 410,255
Bonds	7 83,762	8	9	10	11	12 83,762
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	33	34	35	36
Deposits with ceding companies	37	38 51	39	40	41	42 51
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	61	62	63	64	65	66
Other receivables	67 726	68 5,588	69	70	71	72 6,314
Bank and postal accounts	73	74	75	76	77	78
Sundry assets	79	80	81	82	83	84
Total	85 **84,488**	86 **407,195**	87	88 **8,699**	89	90 **500,383**
of which subordinated assets	91	92	93	94	95	96

II: Liabilities

	Parents	Subsidiaries	Related companies	Associated companies	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	115	116 16	117	118	119	120 16
Due to banks and financial institutions	121	122	123	124	125	126
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 1,546	140 3,163	141	142	143	144 4,709
Sundry liabilities	145	146	147	148	149	150
Total	151 **1,546**	152 **3,179**	153	154	155	156 **4,725**

Notes to the financial statements - Annex 17

Company **SACE S.p.A.** FY 2019

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

			FY		Previous year
I.	Guarantees given:				
a)	sureties and endorsements given in the interests of parents, subsidiaries and related companies	1		31	
b)	sureties and endorsements given in the interests of associates and other investees	2		32	
c)	sureties and endorsements given in the interests of third parties	3		33	
d)	other personal guarantees given in the interests of parents, subsidiaries and related companies	4		34	
e)	other personal guarantees given in the interests of associates and other investees	5		35	
f)	other personal guarantees given in the interests 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	1,787	44	1,755
Total		15	**1,787**	45	**1,755**
III.	Guarantees issued by third parties in the interests of the company:				
a)	by group companies, associates and other investees	16		46	
b)	by 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	1,623,813	51	1,797,006
Total		22	**1,623,813**	52	**1,797,006**
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	4,277,082	54	4,949,722
Total		25	**4,277,082**	55	**4,949,722**

Notes to the financial statements - Annex 18

Company **SACE S.p.A.** FY 2019

Breakdown of liabilities for derivative transactions

		Current year				Previous year			
		Purchase		Sale		Purchase		Sale	
Derivatives		(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	168
	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	32 974,000	132 -63,102	52	152	72 25,000	172 377
	other	13	113	33	133	53	153	73	173
Other transactions		14	114	34 649,813	134 -4,197	54	154	74 1,772,006	174 2,920
Total		15	115	35 **1,623,813**	135 **-67,299**	55	155	75 **1,797,006**	175 **3,297**

NB:
- Include only derivative transactions existing at the reporting date which imply a commitment for the company.
  Where the derivative does not exactly match one of the above items or relates to more than one item, it should be included in the most similar one.
  Offsetting is not allowed except for purchase/sale transactions relating to the same derivative category (same content, maturity, underlying asset, etc.)
- Derivatives which involve or may involve capital forward exchanges should be stated at their regulated price; all other derivatives should be stated at their nominal value.
- Derivatives involving two currency swaps should be stated only once, referring to the currency to be purchased. Derivatives involving both interest rate and currency swaps should only be included in currency swaps.
  Derivatives relating to interest rate swaps are classified as "purchases" or "sales" depending on whether or not they imply the fixed-rate purchase or sale.

(1) Derivatives which involve or may involve capital forward exchanges should be stated at their regulated price; all other derivatives should be stated at their nominal value.
(2) Indicate the fair value of the derivatives.

Notes to the financial statements - Annex 19

Company **SACE S.p.A.** FY 2019

Summary information about the non-life technical account

	Gross premiums written	Gross premiums for the year	Gross charge for claims	Management costs	Reinsurance balance
Direct business:					
Accident and health (classes 1 and 2)	1	2	3	4	5
TPL land vehicles (class 10)	6	7	8	9	10
Hulls land vehicles (class 3)	11	12	13	14	15
Marine, aviation and transport	16	17	18	19	20
(classes 4, 5, 6, 7, 11 and 12)	21	22	23	24	25
Fire and other property damage (classes 8 and 9)	26	27	28	29	30
Non-motor TPL (class 13)	31 561,770	32 475,655	33 217,963	34 86,091	35 6,195
Credit and surety (classes 14 and 15)	36	37	38	39	40
Sundry pecuniary losses (class 16)	41	42	43	44	45
Legal fees (class 17)	46	47	48	49	50
Assistance (class 18)					
Total direct business	51 561,770	52 475,655	53 217,963	54 86,091	55 6,195
Reinsurance business	56 3,655	57 25,645	58 5,279	59 265	60
Total Italian portfolio	61 565,425	62 501,300	63 223,242	64 86,356	65 6,195
Foreign portfolio	66 24	67 166	68 34	69 2	70
Grand total	71 565,449	72 501,466	73 223,277	74 86,357	75 6,195

Notes to the financial statements - Annex 21

Company **SACE S.p.A.** FY 2019

Investment income

		Non-life business		Life business		Total
Income from shares and interests:						
Dividends and other income from shares and interests in group companies and investees	1		41		81	
Dividends and other income from shares and interests in other companies	2		42		82	
Total	3		43		83	
Income from investments in land and buildings	4	597	44		84	597
Income from other investments:						
Income from bonds of group companies and investees	5	2,954	45		85	2,954
Interest on loans to group companies and investees	6	1,377	46		86	1,377
Income from units in mutual funds	7		47		87	
Income from bonds and other fixed-income securities	8	78,091	48		88	78,091
Interest on loans	9	46	49		89	46
Income from shares in investment pools	10	539	50		90	539
Interest on deposits with credit institutions	11	2,944	51		91	2,944
Income from other financial investments	12	16,280	52		92	16,280
Interest on deposits with ceding companies	13		53		93	
Total	14	102,233	54		94	102,233
Value re-adjustments on investments in:						
Land and buildings	15		55		95	
Shares and interests in group companies and investees	16	4,764	56		96	4,764
Bonds issued by group companies and investees	17		57		97	
Other shares and interests	18	1,990	58		98	1,990
Other bonds	19	18	59		99	18
Other financial investments	20		60		100	
Total	21	6,771	61		101	6,771
Profit on the disposal of investments:						
Gains on the 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	202	65		105	202
Gains on other bonds	26	8,337	66		106	8,337
Gains on other financial investments	27	57,369	67		107	57,369
Total	28	65,908	68		108	65,908
GRAND TOTAL	29	175,509	69		109	175,509

Notes to the financial statements - Annex 23

Company **SACE S.p.A.** FY 2019

Capital and financial charges

		Non-life business		Life business		Total
Investment management charges and other charges						
Charges relating to shares and interests	1		31		61	
Charges relating to investments in land and buildings	2	1,068	32		62	1,068
Charges relating to bonds	3		33		63	
Charges relating to units in mutual funds	4		34		64	
Charges relating to participation in investment pools	5		35		65	
Charges relating to sundry financial investments	6	11,496	36		66	11,496
Interest on deposits received from reinsurers	7		37		67	
Total	8	12,564	38		68	12,564
Value re-adjustments on investments in:						
Land and buildings	9		39		69	
Shares and interests in group companies and investees	10	26,430	40		70	26,430
Bonds issued by group companies and investees	11		41		71	
Other shares and interests	12		42		72	
Other bonds	13	1	43		73	1
Other financial investments	14	4,861	44		74	4,861
Total	15	31,291	45		75	31,291
Losses on the disposal of investments						
Losses on the sale of land and buildings	16		46		76	
Losses on shares and interests	17	4,111	47		77	4,111
Losses on bonds	18	1,634	48		78	1,634
Losses on other financial investments	19	29,289	49		79	29,289
Total	20	35,034	50		80	35,034
GRAND TOTAL	21	78,889	51		81	78,889

Company **SACE S.p.A.**

Non-life insurance - Summary of technical accounts by line of business - Italian portfolio

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

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

			Class 13 Non-motor TPL (name)	Class 14 Credit (name)	Class 15 Suretyship (name)	Class 16 Pecuniary losses (name)	Class 17 Legal fees (name)	Class 18 Assistance (name)
Direct business gross of reinsurance								
Premiums written		+	1	1 -542,273	1 -19,497	1	1	1
Change in the provision for unearned premiums (+ or -)		-	2	2 83,126	2 2,989	2	2	2
Charges related to claims		-	3	3 210,399	3 7,565	3	3	3
Change in sundry technical provisions (+ or -) (1)		-	4	4	4	4	4	4
Balance of other technical items (+ or -)		+	5	5 8,009	5 288	5	5	5
Operating expenses		-	6	6 83,103	6 2,988	6	6	6
Direct business technical balance (+ or -)	A		7	7 -157,636	7 -5,668	7	7	7
Result of outward reinsurance (+ or -)	B		8	8 11,420	8	8	8	8
Inward reinsurance net result (+ or -)	C		9	9 -19,404	9 -698	9	9	9
Change in the equalisation provision (+ or -)	D		10	10 41,032	10 1,475	10	10	10
Allocated investment return transferred from the non-technical account	E		11	11 -32,933	11 -1,184	11	11	11
Balance on the technical account (+ or -)	(A + B + C - D + E)		12	12 -157,521	12 -6,074	12	12	12

Notes to the financial statements - Annex 26

Company **SACE S.p.A.** FY 2019

Summary of technical accounts for all lines of business Italian portfolio

		Direct insurance risk				Indirect insurance risk				Risks retained	
		Direct insurance 1		Risks ceded 2		Inward reinsurance 3		Risks retroceded 4		Total 5 = 1 - 2 + 3 - 4	
Premiums written	+	1	-561,770	11	208,921	21	-3,655	31		41	-356,505
Change in the provision for unearned premiums (+ or -)	-	2	86,115	12	-94,858	22	-21,990	32		42	-30,733
Net charges related to claims	-	3	217,963	13	-78,605	23	5,279	33		43	144,638
Change in sundry technical provisions (+ or -) (1)	-	4		14	5,225	24		34		44	5,225
Balance of other technical items (+ or -)	+	5	8,297	15	-175	25		35		45	8,122
Operating expenses	-	6	86,091	16	-29,087	26	265	36		46	57,268
Technical balance (+ or -)		7	-163,304	17	11,420	27	-20,101	37		47	-171,986
Change in the equalisation provision (+ or -)	-	8	42,508							48	42,508
Allocated investment return transferred from the non-technical account	+	9	-34,117			29				49	-34,117
Balance on the technical account (+ or -)		10	-154,914	20	11,420	30	-20,101	40		50	-163,595

(1) In addition to the change in “Other technical provisions”, this item includes the change in the “Provision for profit-sharing and premium refunds”

Notes to the financial statements - Annex 29

Company **SACE S.p.A.** FY 2019

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

Section I: Non-life business

				Total lines of business
Direct business gross of reinsurance				
Premiums written			1	
Change in the provision 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	
Direct business technical balance (+ or -)	**A**		7	
Result of outward reinsurance (+ or -)	**B**		8	
Inward reinsurance net result (+ or -)	**C**		9	-130
Change in the equalisation provision (+ or -)	**D**		10	276
Allocated investment return transferred from the non-technical account	**E**		11	-221
Balance on the technical account (+ or -)	**(A + B + C - D + E)**		12	**-76**

Section II: Life business

				Total lines of business
Direct business gross of reinsurance				
Premiums written		+	1	
Charges related to claims		-	2	
Change in 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	
Inward reinsurance net result (+ or -)	**C**		9	
Balance on 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 profit-sharing and premium refunds”.
(2) “Sundry technical provisions” include, among others, “Other technical provisions” and “Technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration”.
(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 income statement.

Notes to the financial statements - Annex 30

Company **SACE S.p.A.** FY 2019

Transactions with group companies and other investees

I: Income	**Parents**	**Subsidiaries**	**Related companies**	**Associated companies**	**Other**	**Total**
Investment income						
Income from land and buildings	1	2 508	3	4	5	6 508
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 1,377	27	28	29	30 1,377
Interest on deposits with ceding companies	31	32	33	34	35	36
Total	37	38 **1,885**	39	40	41	42 **1,885**
Unrealised gains and losses on investments for the benefit of policyholders who bear the risk and relating to the administration of pension funds	43	44	45	46	47	48
Other income						
Interest on receivables	49	50	51	52	53	54
Recoveries of administrative expenses and charges	55	56	57	58	59	60
Other income and recoveries	61	62 3,982	63	64	65	66 3,982
Total	67	68 3,982	69	70	71	72 3,982
Profit on the disposal of investments (*)	73	74	75	76	77	78
Extraordinary income	79	80 23	81	82	83	84 23
GRAND TOTAL	85	86 **5,890**	87	88	89	90 **5,890**

II: Charges	**Parents**	**Subsidiaries**	**Related companies**	**Associated companies**	**Other**	**Total**
Investment management charges and interest expense:						
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 accounts payable arising out of direct insurance business	109	110	111	112	113	114
Interest on accounts payable arising out of reinsurance business	115	116	117	118	119	120
Interest on accounts payable to banks and financial institutions	121	122	123	124	125	126
Interest on accounts payable secured by collateral	127	128	129	130	131	132
Interest on other accounts payable	133	134	135	136	137	138
Losses on receivables	139	140	141	142	143	144
Administrative and third-party charges	145	146	147	148	149	150
Other charges	151	152	153	154	155	156
Total	157	158	159	160	161	162
Unrealised gains and losses on investments for the benefit of policyholders who bear the 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 26	176	177	178	179	180 26
GRAND TOTAL	181 26	182	183	184	185	186 26

(*) With reference to the counterparty.

Notes to the financial statements - Annex 31

Company **SACE S.p.A.** FY 2019

Summary of premiums written for direct business

	Non-life business		Life business		Total	
	Establishment	F.P.S.	Establishment	F.P.S.	Establishment	F.P.S.
Premiums written:						
Italy	1 561,770	5	11	15	21 561,770	25
other EU countries	2	6	12	16	22	26
non-EU countries	3	7	13	17	23	27
Total	4 **561,770**		14	18	24 **561,770**	28

Notes to the financial statements - Annex 32

Company **SACE S.p.A.** FY 2019

Personnel costs, directors' and statutory auditors' fees

I: Personnel costs		Non-life business		Life business		Total
Expenses for employees:						
Italian portfolio:						
- Wages and salaries	1	36,911	31		61	36,911
- Social security contributions	2	9,778	32		62	9,778
- Accruals to the provision for employee severance indemnities and similar obligations	3	2,835	33		63	2,835
- Sundry personnel costs	4	9,111	34		64	9,111
Total	5	58,635	35		65	58,635
Foreign portfolio:						
- Wages and salaries	6	223	36		66	223
- Social security contributions	7	59	37		67	59
- Sundry personnel costs	8	55	38		68	55
Total	9	337	39		69	337
Grand total	10	58,972	40		70	58,972
Consultants' fees:						
Italian portfolio	11	6,269	41		71	6,269
Foreign portfolio	12	38	42		72	38
Total	13	6,306	43		73	6,306
Total personnel costs	14	65,279	44		74	65,279

II: Description of items		Non-life business		Life business		Total
Investment management charges	15	1,715	45		75	1,715
Charges related to claims	16	3,271	46		76	3,271
Other acquisition costs	17	18,497	47		77	18,497
Other administrative expenses	18	41,796	48		78	41,796
Administrative and third-party charges	19		49		79	
	20		50		80	
Total	21	65,279	51		81	65,279

III: Average number of workers during the year		Number
Managers	91	326
White collar	92	244
Blue collar	93	
Other	94	
Total	95	570

IV: Directors and statutory auditors		Number		Fees
Directors	96	9	98	648
Statutory auditors	97	3	99	53

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Moira Paragone

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

We the undersigned, Pierfrancesco Latini, in my capacity as CEO and Nicoletta Cassano, 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 2019.

The adequacy of the administrative and accounting procedures used to prepare the financial statements for the year ended at 31 December 2019 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 2019:
  - 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, 3 April 2020

Pierfrancesco Latini	Nicoletta Cassano
CEO	**Executive Officer**

05

Report of the independent boards

Report of the independent boards

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 2019

Opinion

We have audited the financial statements of SACE SpA (the Company), which comprise the balance sheet as of 31 December 2019, the income statement 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 2019, 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 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 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

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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 2019:* *Part A – Valuation criteria and basis of presentation – Technical provisions* *Part B – Information on the balance sheet and income statement - Section 10 – Technical provisions – Item C.I.* The technical provisions of SACE SpA included Euro 515 million related to the provision for unexpired risks, equal to 4.4 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 procedures 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.

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Valuation of receivables from policyholders and third parties for recoveries

Notes to the financial statements for the year ended 31 December 2019:
Part A – Valuation criteria and basis of presentation – Receivables
Part B – Information on the balance sheet and income statement - 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 509 million, equal to 4.3 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 countries, 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 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 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.
On 22 May 2019 we communicated to the Company, as requested, the availability of early termination of the contract with effect from the approval date of the financial statements as of 31 December 2019. Furthermore, a specific communication has been sent to Consob.

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.

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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 2019, 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 2019 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 2019 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 2020

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.

SACE S.p.A. – Financial statements at 31 December 2019

Report of the Board of Statutory Auditors

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 us 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, 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).
We were appointed as members of the Board of Statutory Auditors by the resolution of the Shareholders' Meeting held on 2 December 2019. We, like the members of the Board of Directors, were appointed for three years and thus until the Shareholders' Meeting that will be called to approve the 2021 financial statements. On 17 January 2020, during our first meeting, we met the Chairman of the Board of Statutory Auditors in office for the three-year period from 2016 to 2018, who informed us about the work undertaken during that period and, in particular, in 2019.
In view of the fact that the statutory audit is the responsibility of the independent auditors appointed for that purpose, the Board of Statutory Auditors 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 2020 the Board of Directors of SACE provided us with the draft financial statements for the year ended at 31 December 2019, 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 have been informed that the Statutory Auditors in office held 9 (nine) meetings in 2019. They participated in all of the Board Meetings and meetings of the Control and Risk Committee and received information about operations and the most significant transactions from the Board of Directors, management and the other supervisory bodies, and were satisfied that all the operations approved and implemented complied with the law, the articles of association and resolutions, and were in line with correct management practices and 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.
The Board of Statutory Auditors 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 result is consistent with the business plans defined by the Board of Directors and the latter provided information about any differences, preparing adequate reports.
The main issues covered by the competent heads and analysed by the Board of Statutory Auditors in 2019 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 regarding the review of the Risk Appetite Framework, approved by the Board Meeting on 30 January 2020, and the methods used to measure the financial assets recognised in the financial statements of the SIMEST subsidiary following the introduction of IFRS 9 starting from the 2018 financial statements;
- 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 2020;
- the work of PricewaterhouseCoopers S.p.A., the independent auditors. In detail, the Board of Statutory Auditors exchanged information with the independent auditors in order to help them perform their respective duties and planned specific informative meetings;
- the review - before the department managers/heads and/or based on the specific documentation prepared by the latter - of organisational and functional aspects and performance of the Legal and Corporate Affairs, Risks, Planning, Administration and Finance, Organisation departments and of the performance of SACE's subsidiaries. For this purpose, on 20 February 2019 we met the Boards of Statutory auditors of the subsidiaries SIMEST S.p.A., SACE Fct S.p.A., SACE BT S.p.A. and SACE SRV S.r.l.

In 2019 we were informed that the Statutory Auditors previously in office had taken part in preparatory activities in view of the appointment of the single independent auditors for the Group as a whole, and that, on 28 May 2019, they had issued their "*Opinion on the consensual termination of the assignment regarding the independent statutory audit of the financial statements and on the proposal to appoint the new independent auditors for the period from 2020 - 2028*". We thus acknowledge that on 17 October 2019, the Shareholders' Meeting resolved: i) to terminate the audit contract with PricewaterhouseCoopers S.p.A. for the 2015 – 2023 financial years, with effect as from the date of approval of the financial statements at 31 December 2019 by the Shareholders' Meeting, once the audit report on the 2019 financial statements has been issued; ii) to appoint Deloitte & Touche S.p.A. to audit the financial statements of SACE S.p.A. for the financial years 2020 – 2028, in accordance with Legislative Decree No. 39 of 27 January 2010.
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.
During the year, the Board of Statutory Auditors in office monitored the adequacy of the company's organisational, administrative and accounting structure. We acknowledge that, based on the corresponding reports, the organisational, administrative and accounting structure appears to be in line with the company's needs and is backed by efficient corporate procedures.
The work undertaken in collaboration with the Head of the Internal Audit department also gave rise to detailed analyses and flows of information concerning the implementation of the corrective measures adopted.
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 3 April 2020, the independent auditors PricewaterhouseCoopers S.p.A. issued their report on the financial statements at 31 December 2019, 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 2019, 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 2019 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 3 April 2020, 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 worthy of mention 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.
Based on the above, we have no reservations regarding the approval of the financial statements as prepared by the Board of Directors or their proposed allocation of the net profit for the year (Euro 141,581,727), as follows:

- Euro 7,079,086, equal to 5% of the net profit for the year, to the legal reserve, in accordance with art. 2430 of the Italian Civil Code;
- Euro 4,763,933 to “Other reserves”;
- Euro 129,738,708, in accordance with the resolutions to be passed by the sole shareholder Cassa Depositi e Prestiti S.p.A.

Rome, 8 April 2020

THE BOARD OF STATUTORY AUDITORS
Silvio Salini (Chairman)
Moira Paragone (Standing Auditor)
Gino Gandolfi (Standing Auditor)

Consolidated financial statements at 31 december 2019

Meeting of the Board of Directors of 19 March 2020

SACE S.p.A.
Registered Office and Head Office
in Piazza Poli 37/42, Rome, Italy
Share capital (fully paid in) Euro 3,730,323,610
Tax No. and Rome Companies Registration
No. 05804521002 – R.E.A. 923591
Sole Shareholder Cassa Depositi e Prestiti S.p.A.

Company officers and boards

Board of Directors

Chairman
- Rodolfo Errore

Chief Executive Officer and General Manager
- Pierfrancesco Latini (*)

Directors
- Ilaria Bertizzolo
- Roberto Cociancich
- Elena Comparato
- Filippo Giansante
- Mario Giro
- Federico Merola
- Monica Scipione

Board of Statutory auditors

Chairman
- Silvio Salini

Standing Auditors
- Gino Gandolfi
- Moira Paragone

Alternate Auditors
- Marco Brini
- Cinzia Marzoli

Standing Delegate of the Court of Auditors (**)

- Natale Maria Alfonso D'Amico

Independent Auditors (***)

- PricewaterhouseCoopers Spa

Company Boards appointed by the Shareholders' Meeting on 2 December 2019 and in office for three years.
The members of the company boards and supervisory bodies in office in 2019 up until 2 December of that year are: Beniamino Quintieri (Chairman of the Board of Directors) Alessandro Decio (Chief Executive Officer), Maria Allegrini (Director), Antonella Baldino (Director), Paolo Carlo Renato Dal Pino (Director), Rodolfo Errore (Director), Alessandra Ferone (Director), Giuseppe Maresca (Director), Federico Merola (Director), Franco Tutino (Chairman of the Board of Statutory Auditors), Roberta Battistin (Standing Auditor), Giuliano Segre (Standing Auditor), Antonia Di Bella (Alternate Auditor), Francesco Di Carlo (Alternate Auditor), Guido Carlino (Standing Delegate of the Court of Auditors – in office until 31 December 2019).

(*) Appointed CEO by resolution of the Board of Directors on 4 December 2019; Appointed General Manager by resolution of the Board of Directors on 25 February 2020.
(**) Appointed Standing Delegate responsible for controlling the management of financial operations of SACE S.p.A. as from 1 January 2020.
(***) Appointed for the period 2015-2023 by resolution of the Shareholders' Meeting on 23 April 2015. On 17 October 2019, the Shareholders' Meeting resolved: i) to terminate the audit contract with PricewaterhouseCoopers for the 2015 – 2023 financial years, with effect as from the date of approval of the 2019 financial statements by the Shareholders' Meeting, once the audit report on the 2019 financial statements has been issued; ii) to appoint Deloitte & Touche to audit the financial statements for the financial years 2020 – 2028.

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01
Directors' report

Directors' report

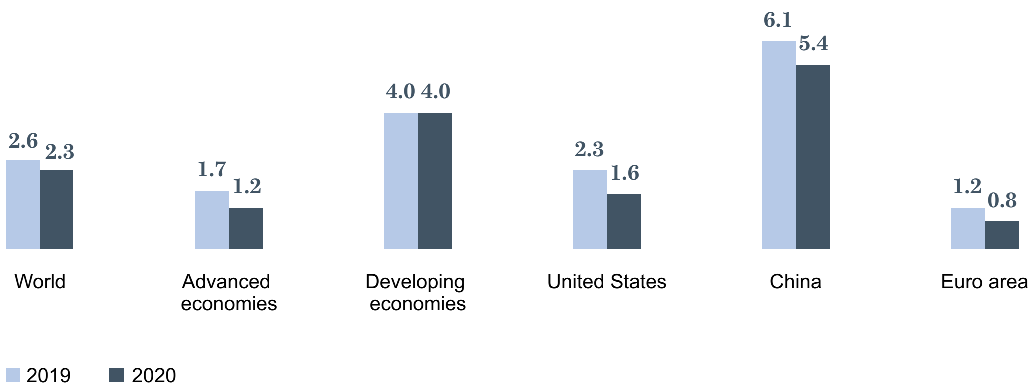
1. The economic scenario

The world economy

Global economic activity continued to expand in 2019, albeit at the slowest rate in ten years. According to recent estimates by Oxford Economics, global GDP growth stood at 2.6%, 0.6 percentage points lower than in 2018.[1] The slowdown was mainly due to weaker economic activity in the advanced economies (+1.7%) as a consequence of more subdued growth in the United States and persistent weakness in the euro area where Germany, the region's powerhouse, slowed significantly. Estimates also indicate lower GDP growth in the emerging economies (+4.0%). This reflects more "moderate" growth in China and India (compared to trends in previous years), weaker expansion in Brazil and Russia and difficulties encountered by a number of important players in this category including, among others, Saudi Arabia, Argentina, Iran, Mexico, Turkey and Venezuela. Overall, the emerging markets remained the driving force for global GDP growth, although the difference in growth compared to the advanced economies gradually narrowed and stabilised in the last quarter.

In response to the worsening macroeconomic picture, the main monetary authorities adopted an accommodative stance to avert the risk of recession. First, America's Federal Reserve reversed its policies with three consecutive reductions in its benchmark rate starting from July. Then the European Central Bank announced additional expansionary measures. The major emerging economies (e.g. Saudi Arabia, Brazil, Chile, India, Mexico, Russia, Thailand, Turkey) also adopted accommodative monetary policies and cut their policy interest rates, which helped to improve global financial conditions towards the end of 2019.

Real GDP, by geographical region (% change)



Source: Oxford Economics (February 2020)

1 Oxford Economics, *World Economic Prospects*, February 2020.

Global debt reached USD 252 trillion in the third quarter of 2019 (+3.6% compared to the end of 2018), equal to 322.4% of global GDP.[2]

Global foreign direct investment (FDI) remained more or less flat in 2019, at USD 1.39 trillion, declining by 1% compared to the previous year.[3]
This was against a backdrop of negative FDI flows to developed economies, which decreased by 6% to USD 643 billion. In detail, FDI to European countries fell by 4%, to USD 274 billion; while flows to the United States remained stable at USD 251 billion. Flows to developing economies remained unchanged at USD 695 billion: FDI increased by 3% to Africa and 16% to Latin America (and by as much as 26% to Brazil); on the other hand, flows to Asia declined by 6% (though flows to China remained unchanged). After two consecutive years of decline, flows to transition economies rose by 65%, to USD 57 billion, on the back of expectations for faster economic growth in the region in 2020.

The Italian economy, industrial sectors and foreign direct investments

Against this backdrop, GDP increased by 0.2% in Italy in 2019.[4] The overall increase in economic activity, albeit only slight, was driven by household spending and business investment. On the other hand, the cooling of international trade had a negative impact on Italian exports of goods and services.

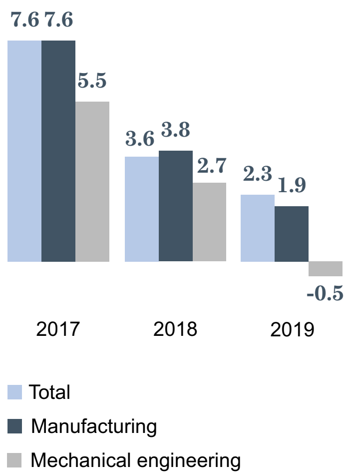
On average, the industrial production index decreased by 1.3% in 2019 compared with the previous year.[5] In terms of categories, there was a downturn in output of capital and intermediate goods and a slight increase in consumer goods. At sector level, the composite index was dragged down by textiles and clothing, means of transport and metallurgy. The rubber and plastic and mechanical engineering sectors also recorded a year-on-year contraction. The food, beverage and tobacco industry and the electronic equipment sector instead, increased their output.

In the first nine months of 2019, FDI amounted to Euro 14 billion, while the flows from Italy to other countries amounted to Euro 17.4 billion.[6]

Italian exports

International trade in goods slowed significantly, increasing in volume by just 0.7% in 2019 (compared to +4.5% the previous year).[7] This reflected the worsening of global macroeconomic conditions and the increasing weight of several negative political and economic factors - some of which had already emerged in 2018: the escalation of protectionist trade policies in America, issues surrounding Brexit, the crises in some emerging market economies, the protests that swept through Hong Kong and a number of Latin American countries and ongoing difficulties in the Middle East. Trade tensions between the United States and China continued to fuel global economic uncertainty and have a negative impact on business transactions, either directly (with the introduction of new tariff and non-tariff barriers) or indirectly (with the announcement of possible new customs duties). The capital and intermediate goods sectors, which are deeply integrated in the global value chain, were hit the hardest and this was reflected in the slowdown in investments due to loss of business confidence.

Italian exports of goods in terms of value, by selected sectors (% change)



Source: Istat (February 2020)

2 IIF, *Quarterly Global Debt Monitor*, January 2020.
3 Unctad, *Global Investment Trends Monitor*, January 2020.
4 Istat, GDP preliminary estimate, January 2020. The annual estimate is based on seasonally-adjusted quarterly figures and considering calendar effects.
5 Istat. Industrial production, February 2020. Data adjusted for calendar effects.
6 OECD.
7 Oxford Economics, *World Economic Prospects*, February 2020.

In this context, Italian exports of goods increased, in terms of value, by 2.3% in 2019, more slowly than in the previous year (+3.6%). Despite this less dynamic growth, Italy was still able to increase its share of foreign markets. In the same period, the trade surplus reached almost Euro 53 billion, increasing by around 35% on the same period of 2018, driven by a fall in imports. The increase in Italian exports of goods was mainly driven by demand from non-EU countries (+3.8%), while sales to EU countries rose more slowly (+1.1%). An analysis by sector shows that exports were driven by the country's traditional manufacturing sectors (food and beverages, clothing and leather goods), pharmaceuticals and, to a lesser extent, metal products. There was a decline in exports of motor vehicles (in line with the ongoing difficulties in this sector at global level), as well as of electrical appliances, refined petroleum and chemical products; there was a slight reduction in exports in the mechanical engineering sector.[8]

Loans, businesses, bankruptcies and the construction sector

Bank loans to non-financial companies decreased by 1.9% compared with the previous year. Lending contracted across the manufacturing, service and construction sectors. At the same time, gross non-performing loans to businesses continued to decrease and this contributed to reducing the proportion of non-performing loans to total loans granted, which fell to 4.8%.[9]

In terms of business demography, in 2019 the number of newly-established enterprises exceeded the number of business closures by almost 27 thousand. Southern Italy continued to show positive signs, accounting for almost 55% of the balance. At sector level, the positive trend continued for tourist services related to the provision of accommodation and catering, professional activities and business services; the real estate and construction sectors, spurred by low interest rates, also recorded a positive balance. On the other hand, the manufacturing and trade sectors continued to show a negative balance, as a consequence of uncertainties surrounding the international situation that penalise the sectors which are most exposed to market competition.

At a time in which economic activity exhibited substantial stagnation, the insolvency rate continued to decline, but more slowly than in the previous five years: in the first nine months of 2019, the number of bankruptcy proceedings fell again on an annual basis (-2.4%), but less notably than in 2018 and 2017 (-6.6% and -13.4%, respectively, over the same period).[10]

Although suffering a setback in November (-4%), production in the Italian construction industry increased by 2.3% in the first eleven months of 2019 with respect to the same period of the previous year.[11] Investment rose across all sectors - both residential and non-residential - although the estimated overall 2.3% year-on-year increase was still well below the levels reported prior to the financial crisis. Investment in the construction industry is expected to rise again in 2020, albeit at a slightly slower rate (+1.7%).[12]

8 Istat, Foreign trade and import prices, February 2020.
9 Banca d'Italia, Banche e Moneta, February 2020. The percentage change in loans has been adjusted to take into account securitised loans and other loans that have been transferred and are not reported in banks' financial statements.
10 Cerved, Bankruptcies, insolvency proceedings and business closures, December 2019.
11 Istat, Construction output, January 2020. The trend is calculated using calendar-adjusted data.
12 Ance, Construction industry observatory, January 2020.

Credit recovery and payments

Payment times improved somewhat between October and December 2019 in relation to the same period of the previous year: there was a slight decrease in punctual payments and an increase in late payments less than 30 days past due; there was, however, a considerable decrease in late payments more than 30 days past due (-8.2%). Micro-businesses, in particular, complied with the agreed payment times, but were also among those which exceeded the most the "over 30 days" bracket. The worst payers were in Southern Italy and the Islands (mainly Calabria and Sicily). The North East of Italy (especially Emilia-Romagna) was once again the region with the most payments made on time within 30 days.[13]

2. The strategy

With the global economy in expansion, albeit at its slowest rate in ten years, the Export Hub's coordinated commercial efforts to support businesses resulted in transactions worth around Euro 21.2 billion in 2019 to the benefit of more than 11,600 customers, 10% more than in 2018. In line with the Business Plan, which was approved in February 2019, the Hub implemented three main strategic guidelines, namely: 1) providing risk cover for transactions of strategic importance for the country through the introduction of private reinsurance treaties; 2) sustaining the international competitiveness of Italian firms, especially small and medium-sized companies (mid-caps and SMEs), serving 10,985 customers. More specifically, this was achieved by (i) further enhancing the business model by establishing Group-level relationship managers for large corporations and creating a dedicated team of export coaches for mid-caps and SMEs, (ii) continuing with the digitisation process, which involved a complete review of the customer journey in terms of the Hub's product offering, i.e. (a) "Company assessment" by SACE BT, (b) "Export up" (assessment of specific transactions and purchase of the necessary insurance cover), (c) "Subsidised loans" by SIMEST and (d) "Digital Factoring" have all been included in the new integrated SACE SIMEST website, under the new Group brand, (iii) extending the single customer care unit to include inbound and outbound support; 3) improving the business model to make it more integrated and efficient in order to optimise work flows.

With the upgrading of the "Education to Export" platform and program, more than 11,000 operators wishing to strengthen their expertise and skills in the field of exports can now have free access to services available both on and offline.

Lastly, authorisation has been obtained to open two new offices abroad, in Ghana and Saudi Arabia, which brings the total number of representative offices to 14. These act as hubs in markets that offer the greatest potential for Italian exports, working in close contact with Italian firms in the region and their local counterparts.

13 Cribis, 4Q 2019 Study on payments, February 2020.

3. Consolidated financial results

The main highlights of the 2019 financial performance are set forth below.

(in € thousands)	Total 31-12-19	Total 31-12-18
Gross premiums	653,299	815,536
Change in technical provisions	-230,863	-459,932
Outward reinsurance premiums for the year	-70,407)	-46,892
Net premium income	352,030	308,713
Net claims incurred	-180,386	-183,275
Operating expenses	-114,264	-99,136
Commissions and other acquisition expenses	-10,421	-1,285
Investment management charges	-3,653	-5,423
Other administrative expenses	-100,190	-92,427
Technical operating income	**57,380**	**26,303**
Non-technical operating income	**105,172**	**130,092**
Profit before taxes	**162,552**	**156,395**
Taxes	-59,363	-27,591
Consolidated net profit for the year	**103,189**	**128,804**
of which Group interest	109,698	128,515
of which minority interest	-6,509	289

Group interest in the net profit for the year amounted to Euro 103.2 million, down on the same period of the previous year (Euro 128.8 million), mainly due to the reduced contribution of the non-technical account and an increase in the tax burden. Specifically:

- "Gross premiums", of Euro 653.3 million, decreased (-20%) on the previous year (Euro 815.5 million);
- "Net claims incurred" were negative and amounted to Euro 180.4 million (negative for Euro 183.3 million at 31 December 2018); this item reflects claims paid for Euro 250.6 million (Euro 247.9 million at 31 December 2018), the negative change in the provision for outstanding claims for Euro 35.4 million (negative for Euro 76.5 million at 31 December 2018) and the change in recoveries for Euro 105.6 million (positive for Euro 141.1 million at 31 December 2018);
- Operating expenses increased over the previous year due to the decrease in reinsurers' share of commissions for the year (Euro 38.3 million at 31 December 2019, Euro 54.7 million at 31 December 2018). Other operating expenses (personnel costs and costs of goods and services were in line with the previous year);
- The non-technical account was positive and amounted to Euro 105.2 million (positive for Euro 130.1 million at 31 December 2018). It mainly includes net financial income, of Euro 116.9 million (positive for Euro 116.2 million at 31 December 2018);
- The increase in taxes compared with the previous year stems from the increase in the effect of permanent differences in the year and from the fact that prepaid taxes on temporary changes in previous years had been recognised in 2018;
- It should also be noted that the subsidiaries reported weaker results than in the previous year: SACE FCT (wholly owned) reported a net loss of Euro 5.3 million mainly due to value re-adjustments on certain items in the portfolio; SIMEST (in which SACE holds a 76.005% stake) ended the year with a net loss of Euro 27.1 million, attributable to impairment losses for credit risk on equity investments; SACE BT (wholly owned) ended the year with a net profit of Euro 0.07 million.

4. Insurance business

Premiums

In 2019, gross premiums amounted to Euro 653.3 million, of which Euro 643.6 million from direct business and Euro 9.7 million from indirect business (inward reinsurance). There was a 20% decrease on the previous year.

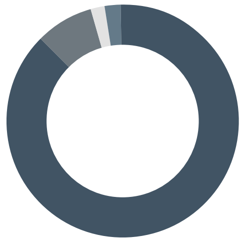
Breakdown of premiums (in € thousands)

Business	31/12/19	31/12/18	Change compared to 2018
Non-life (direct business)	643,578	782,198	-18%
Credit insurance	566,961	707,704	-20%
Surety	52,368	52,098	1%
Other property damage	12,993	17,227	-25%
Non-motor TPL	1,466	1,162	26%
Fire	8,789	3,793	132%
Accident	11	12	-2%
Hulls marine, river, lake craft	987	201	>100%
Total Direct Business	643,578	782,198	-18%
Total Indirect Business	9,720	33,337	-71%
Total	**653,299**	**815,536**	**-20%**

With respect to the ratio of the individual classes of business to gross premiums from direct business, 88% of premiums stemmed from credit insurance, 8% from surety bond insurance, 2% from other property damage and 2% from other damage.

Of gross premiums from direct business, 86% related to SACE S.p.A. and the remaining 14% to SACE BT S.p.A.

Breakdown of premiums by business (direct business)



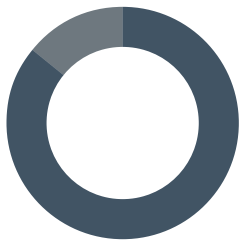
88% Credit insurance

8% Surety

2% Other property damage

2% Other damage

Breakdown of premiums by group company (direct business)



86% SACE S.p.A.

14% SACE BT

Claims and recoveries

In 2019, SACE S.p.A. paid claims for Euro 238.9 million (in line with the Euro 238.5 million of the previous year). Approximately 63.3% of claims related to Italy risk, almost entirely in the construction sector. The remaining 36.7% related to export credit business in various regions (mostly Russia, Saudi Arabia and Mexico, though without any specific concentrations).

In 2019, SACE collected Euro 102.1 million in political recoveries, 28.8% less than in the previous year (Euro 143.3 million).
These mainly relate to payments under bilateral agreements with Argentina (Euro 43.1 million), Iraq (Euro 42.8 million), Serbia (Euro 4.4 million), Cuba (Euro 3.3 million) and Egypt (Euro 2.1 million).
Trade recoveries amounted to Euro 62.6 million in 2019, slightly less than in 2018 (Euro 64.5 million).
Other recoveries included (i) recoveries under restructuring agreements with Russian (Euro 7.5 million) and Egyptian counterparties (Euro 4.7 million); (ii) recoveries related to transactions with Italian counterparties for Euro 5.5 million and (iii) isolated recoveries from German (Euro 3.1 million), Spanish (Euro 2.7 million), Russian (Euro 1.2 million) and Italian counterparties (Euro 1 million).

Claims paid by the SACE BT S.p.A. subsidiary amounted to Euro 29 million (Euro 23.8 million at 31 December 2018) and recoveries collected in 2019 amounted to Euro 3 million.

5. Risk management

5.1 Risk management policies

Risk management is based on constant improvements to processes, human resources and technology, 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[14]. 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 (premium risk) or differences between the cost of claims and reserved cost (reserve 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 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 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. 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) procuring 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.

14 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.

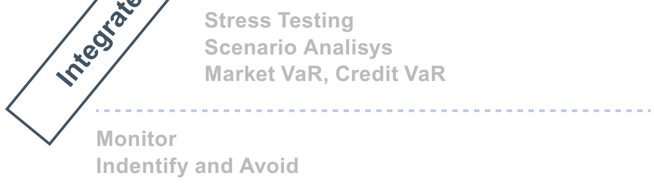
- **Concentration risk**: this is the risk from exposure to counterparties, groups of related counterparties and counterparties in the same business sector or which carry out the same activity or belong to the same geographic area.

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 and adequacy 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).

SACE S.p.A. has also set up a specific unit within the risk management function with the aim of permanently monitoring the operational risk management methodological framework.
This unit assists the risk management functions 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 group policy on "Identifying operational risks", 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 has 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[15]:** assists the Board of Directors with risk issues and internal controls and provides consulting support and proposals.
- **Management Committee[16]**: 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.
- **Risk Evaluation Committee**[17]: 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.

15 Only in Sace S.p.A.
16 Furthermore, in Simest S.p.A., it provides *i.* the guidelines to define commercial policies; *ii.* validates the development of new products; i*ii.* supervises and monitors strategic or major initiatives, specifically those across the group.
17 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.

- **Risks Committee:** assists the Board of Directors and the Control and Risks 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. It considers the action to be taken to ensure the adequacy of the system of internal controls, identifying possible critical situations that could affect the system, and proposes improvements. It examines the findings of integrated risk assessments conducted jointly by second and third level control functions.
- **Investment Committee**[18]: periodically defines company portfolio investment strategies to optimise the risk/yield 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.
- **Claims Committee**: analyses the performance of Large Claims and sets out the operating guidelines for SACE BT 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. The use of such cover is analysed and only accepted after evaluating the economic impact;
- 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 division of SACE S.p.A defines the sale plan in line with the reinsurance strategy approved by the Board of Directors. This division also manages reinsurance operations and monitors the related risks.

The increased use of reinsurance continued in 2019: the total amount ceded amounted to Euro 28 billion at 31 December 2019. Of this, around 82% was ceded to the Ministry of the Economy and Finance under the agreement between SACE and the Ministry approved by the Decree of the President of the Council of Ministers of 20 November 2014 filed with the Court of Auditors on 23 December 2014. A 16% share was ceded to major global reinsurers in the private reinsurance market. A very small proportion (3%) was ceded to other ECAs under existing bilateral agreements.

18 Only in Sace S.p.A.

Important factors regarding reinsurance in 2019

2019 saw a general lowering of expectations in the reinsurance market in relation to the macroeconomic framework due to continued instability linked to protectionist measures, the growing complexity of sanctions programmes and the general slowing of growth indicators in important sectors and economies. These overall conditions, together with the high numbers of claims in the Credit and Surety businesses in 2019 reduced the capacity of the reinsurance market in these two areas. M&A transactions continued, involving leading market operators, resulting in an overhaul of strategies, business models, assumption guidelines and reinsurance capacity allocated.

In 2019, against total business written for around Euro 15 billion, premiums ceded to reinsurers amounted to approximately Euro 9 billion, of which: i) approximately Euro 5.6 billion to the Ministry of Economy and Finance ii) approximately Euro 2.6 billion to the reinsurance treaty and iii) approximately Euro 800 million to the facultative private market. The proportional reinsurance treaty represents a novel tool in the reinsurance strategy of SACE for 2019, and envisages the transfer of a quota share of the policies written by SACE during the year.

5.4 Loans and receivables 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 65.1 billion, an increase of 6.6% compared to 2018. Therefore, the growth trend recorded in 2018 and 2017 continued, mainly driven by the guarantee portfolio which accounts for 99.1% of total exposure. The loans and receivables portfolio decreased by 3.5% on 2018, mainly as a consequence of sovereign credits which fell by 15.4% and account for 57.8% of the total portfolio. The commercial component, which accounts for 42.2% of the portfolio, increased by 19.6%, from Euro 203.9 million to Euro 243.8 million.
At 31 December 2019, SACE BT S.p.A.'s total exposure amounts to Euro 67.2 billion, up by +29.3% on 2018.
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 1.7 billion, a 10.5% increase compared with the previous year.
At 31 December 2019, SIMEST S.p.A. had 235 subscribed transactions for a total credit exposure (principal) of approximately Euro 547 million, up by +0.4% on 2018 (Euro 545 million).

Portfolio (in € millions)	2019	2018	Change
SACE	**65,114.6**	**61,077.9**	**6.6%**
Outstanding guarantees	64,537.4	60,479.9	6.7%
- principal	*57,140.0*	*53,579.0*	*6.6%*
- interest	*7,397.4*	*6,900.9*	*7.2%*
Receivables	577.2	598.0	-3.5%
SACE BT	**67,153.3**	**51,936.6**	**29.3%**
Short-term receivables	10,520.0	9,702.7	8.4%
Surety Italy	6,157.2	6,299.1	-2.3%
Other property damage	50,476.1	35,934.8	40.5%
SACE Fct	**1,680.0**	**1,520.7**	**10.5%**
Outstanding receivables	1,680.0	1,520.7	10.5%
SIMEST	**547.0**	**545.0**	**0.4%**
Direct commitments of Italian partners	472.0	461.0	2.4%
Commitments backed by banks and insurance companies	31.0	42.0	-26.2%
Commitments backed by collateral	44.0	42.0	4.8%

SACE

The analysis by geo-economic region shows that the highest exposure was towards countries in the Middle East and Northern Africa (27.5% compared to 26.5% in 2018). The highest exposure by country is that of Qatar (14.8%), followed by EU countries, in terms of region, which account for 24.4% of the portfolio (down on the 26.9% in 2018). The Americas account for 19.1% of the portfolio, up by 11.3% on 2018, when this region accounted for 18.3%. The other geo-economic regions together account for 28.9% of the portfolio: the other European countries and the CIS (Commonwealth of Independent States) rose by 10.5% (with a portfolio impact slightly up from 16.1% in 2018 to 16.7% in 2019), Sub-Saharan Africa decreased by 14.5% (with a portfolio impact falling from 6.8% in 2018 to 5.5% in 2019) and, finally, East Asia and Oceania increased by 34.2% on the previous year (with a portfolio impact rising from 5.3% in 2018 to 6.7% in 2019).

Receivables in US dollars decreased on the previous year, from 46.4% to 35.9%. 37.8% of SACE S.p.A.'s guarantee portfolio is expressed in US dollars (2018: 33.7%). The US dollar appreciated against the Euro from 1.145 on 31 December 2018 to 1.1234 on 31 December 2019.
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 remains high, with the largest five sectors accounting for 84.1% of the total private portfolio. Once again, the cruise line industry shows the highest concentration (41.4%). The Oil&Gas sector has the second-highest exposure, increasing by 16.2% and accounting for 20.1% of the private portfolio (2018: 18.6%). The Chemicals and petrochemicals industry ranks third, up by 34.5% (accounting for 9.2% of the portfolio (2018: 7.3%)). The Infrastructure and construction sector follows, down by 16.0% (accounting for 7.8% of the portfolio (2018: 9.9%)). The Electricity sector rose by 7.6%, while the Bank sector decreased by 21.4%.

SACE: total exposure by geo-economic region

24.4% EU 28

27.5% Middle Est and North Africa

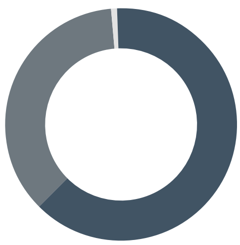
19.1% Americas

16.7% Other European Countries and CIS

5.5% Sub-Saharan Africa

6.7% East Asia and Pacific

SACE: loans and receivables portfolio by original currency

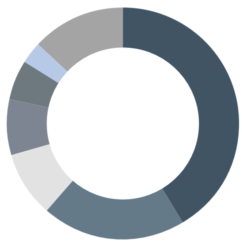


63.2% EUR

35.9% USD

0.8% CHF

SACE: guarantee portfolio by industrial sector



41.4% Cruise lines

20.1% Oil&Gas

9.2% Chemicals/ Petrochemicals

7.8% Infrastructure and construction

5.6% Electrical

3.1% Banks

12.8% Other sectors

SACE BT

Loans and receivables portfolio

The credit insurance business had 118,892 exposures in place at 31 December 2019 (+3.3% on 2018), for a total of Euro 10.5 billion. Exposure is mainly concentrated in EU countries (84.4%), with Italy alone accounting for 64.8%.

Wholesale trade, agriculture and retail trade are the biggest industrial sectors of the portfolio, with exposure of 24.6%, 12.0% and 8.3% respectively.

Surety portfolio

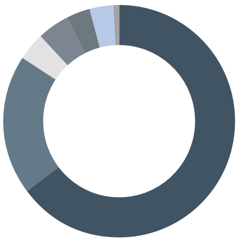
The exposure of the Surety bond portfolio (insured capital) amounts to Euro 6.1 billion (-3.2% on 2018). Guarantees related to contracts account for 68.9% of the total exposure, followed by guarantees on tax payments and reimbursements (20.9%).

The portfolio comprises approximately 37,075 contracts and is concentrated in Northern Italy (66.5%).

Construction/Other property damage portfolio

The nominal exposure (risk limits and insured capital) of the Construction/Other property damage portfolio amounts to Euro 50.5 billion (+40.5% on 2018).
There are 8,554 policies in place (+7.1% on 2018). CAR/EAR policies account for 24.7% of the nominal exposure, decennial liability policies for 18.4% and Non-life business policies for 56.9%.

SACE BT: nominal credit exposure by geo-economic region



64.8% Italy

19.5% Other EU countries

3.9% East Asia and Oceania

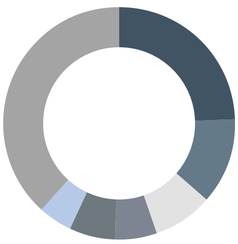
4.4% Americas

3.4% Other European countries and CIS

3.2% Middle East and Northern Africa

0.7% Sub-Saharan Africa

SACE BT: nominal credit exposure by industrial sector



24.6% Wholesale trade

12.0% Agriculture

8.3% Retail trade

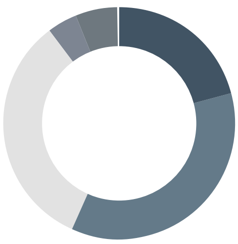
5.8% Metal products

6.5% Metallurgy

4.6% Extractive, refined products, energy, water

38.3% Other

SACE BT: nominal surety bond exposure by type of policy



20.9% Tax payments and refunds

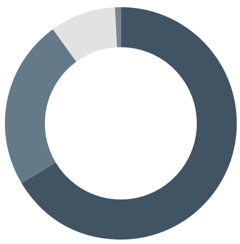
36.1% Contracts

32.9% Equivalent to contracts

4.3% Customs duties

5.9% Other

SACE BT: nominal surety bond exposure by geographical region



66.5% Northern Italy

23.6% Central Italy

9.1% Southern Italy

0.8% Abroad

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

24.7% Construction - CAR/EAR

18.4% Construction-decennial liability

56.9% Non-life business

SACE Fct

At 31 December 2019, the outstanding receivables of SACE Fct S.p.A. amounted to Euro 1,680 million, a 10.5% increase compared with the previous year. In 2019, factoring transactions generated turnover of Euro 4,041 million (down by 4.3% on 2018). As mentioned earlier, outstanding receivables mainly related to non-recourse operations, which account for 89.4% of the total portfolio.

Outstanding receivables by type of transaction (in € millions)	Amount	%
Without recourse	1,502.5	89.4%
With recourse	177.5	10.6%
Total	**1,680.0**	**100.0%**

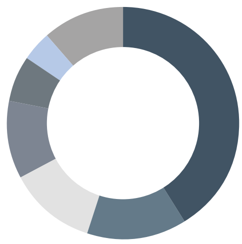
Outstanding receivables are analysed below by assignor, debtor, geographical region and sector.
The breakdown of outstanding receivables by the assignor's sector shows a significant concentration in the manufacturing sector (41.3%), followed by energy products (13.9%) and construction and public works (12.2%). Compared to the previous year, the concentration of outstanding receivables in the manufacturing sector increased (24.8% at 31 December 2018) whereas that of the construction and public works sector decreased (31.0% at 31 December 2018).

The geographical breakdown of assignors shows the greatest concentration of those to be resident in North-West Italy (43%), although this concentration decreased compared to the end of the previous year, when it stood at 59.5%. The concentration of assignors resident in Central Italy increased to 32.6% at 31 December 2019 (from 17.8% at 31 December 2018).

According to the breakdown of outstanding receivables by debtors' sector, the majority of counterparties are in the private sector, which accounts for 81.2% of the total; public administration debtors account for 18.8%, decreasing from 24.0% at the end of the previous year.

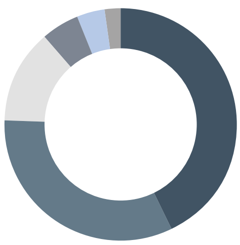
The graph below shows the breakdown of outstanding receivables by debtors' geographical region. Foreign debtors increased to 42.7% of the total (from 39.7% at December 2018) and those resident in the Islands increased to 5.2% at 31 December 2019 (from 1.5% at the end of the previous year). The concentration of debtors resident in North-East Italy decreased to 15.9% (compared to 24.6% at 31 December 2018).

SACE Fct: outstanding receivables by assignors' sector



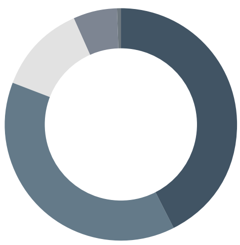
41.3% Manufacturing
13.9% Energy products
12.2% Construction and public works
10.7% Financial and insurance undertakings
6.6% Commercial services
4.0% Other market services
11.3% Other

SACE Fct: outstanding receivables by assignors' geographical region



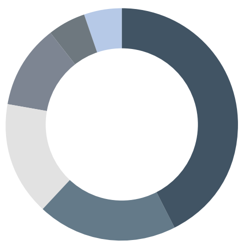
43.0% North-West Italy
32.6% Central Italy
13.2% North-East Italy
5.1% Southern Italy
4.0% Insular Italy
2.1% Foreign assignors

SACE Fct: outstanding receivables by debtors' sector



42.7% Foreign debtors
38.2% Companies
12.6% Other public bodies
6.2% Central government
0.3% Other

SACE Fct: outstanding receivables by debtors' geographical region



42.7% Foreign debtors
19.4% North-West Italy
15.9% North-East Italy
11.5% Central Italy
5.3% Southern Italy
5.2% Insular Italy

SIMEST

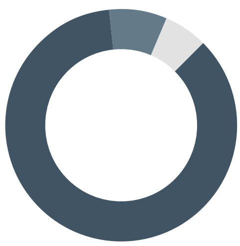
At 31 December 2019, SIMEST S.p.A. had 235 subscribed transactions in its portfolio for a total credit exposure (principal) of approximately Euro 547 million. The overall portfolio increased by around Euro 2 million compared to 31 December 2018.
At 31 December 2019, direct commitments of Italian partners for the forward purchase of equity investments amount to some Euro 472 million (Euro 461 million at 31 December 2018). Commitments backed by bank and/or insurance guarantees total approximately Euro 31 million (Euro 42 million at 31 December 2018), and those backed by collateral Euro 44 million (Euro 42 million at 31 December 2018).

The automobile, mechanical and metallurgy industries are the three biggest industrial sectors of the portfolio, accounting for 22.1%, 15.2% and 14%, respectively.

The geographical breakdown of the portfolio shows that the first 10 countries where SIMEST S.p.A. operates through target companies cover around 78% of the total, with 29 other countries accounting for the remaining 22%.

Italy accounts for the biggest portion, with 29% of the portfolio, followed by the USA with 15% and Brazil with 12%. Overall, the first three countries in terms of exposure cover almost 56% of the portfolio.

SIMEST: portfolio by type of guarantee

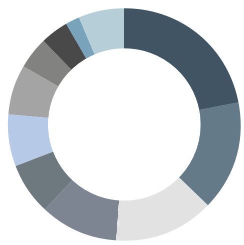


86%
Direct commitments of Italian partners

8%
Commitments backed by collateral

6%
Commitments backed by bank or insurance guarantees

SIMEST: portfolio by industrial sector



22.1% Automobile

15.2% Mechanical

14.0% Metallurgy

10.8% Food production

7.2% Renewable energy

7.1% Chemicals/ Petrochemicals

7.1% Infrastructure and construction

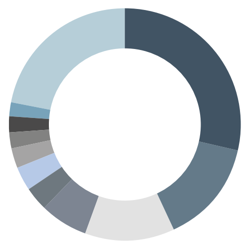
4.3% Non-financial services

3.8% Electricity

2.0% Other industries

6.3% Other

SIMEST: portfolio by country



28.67% Italy

14.65% U.S.A.

12.45% Brazil

6.51% China

3.51% France

3.33% Mexico

2.56% Spain

2.34% Rep. of South Africa

2.19% Germany

1.99% Turkey

21.81% Other

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.

Assets Class (in € millions)	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortised cost	Total	%
Bonds	1,870		2,197	4,067	53.9%
UCITS	157			157	2.0%
Shares		5		5	0.1%
Money Market			3,317	3,317	44.0%
Total	**2,027**	**5**	**5,514**	**7,546**	**100%**

53.9 % of the portfolio is comprised of bonds and other debt securities, 44% of money market instruments, 2% of UCITS mainly made up of bonds or shares and the remaining 0.1% 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.

Breakdown of securities portfolio by rating

Rating classes	%
AAA	4.90%
AA	2.13%
A	0.61%
BBB	92.10%
Other	0.26%
Total	**100%**

6. Human resources

At 31 December 2019, there were 984 employees on the payroll, an increase of 2% compared to the previous year (969 at 31 December 2018). During the year, 93 resources were hired and 78 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		5	57	6%
Managers	291	64	8	29	1	75	468	47%
Clerical staff	248	83	30	39	1	58	459	47%
Total	**576**	**155**	**39**	**74**	**2**	**138**	**984**	**100%**

Distribution of staff by age group	Breakdown
Under 30	14%
Between 31 and 40	31%
Between 41 and 50	29%
Over 50	26%

Distribution of staff by qualification	Breakdown
Degree	80%
Secondary school certificate/other	20%

As part of the policy to improve work-life balance, in 2019 SACE SIMEST offered employees a flexible benefit plan allowing them to convert all or a portion of their production bonuses into benefits aimed at improving their own and their families' well-being: around 40% of employees subscribed to the plan. SACE SIMEST also extended the use of remote working, thus allowing the majority of employees to work at times and from places other than the office. 65% of employees took part in the scheme.

In 2019, SACE SIMEST provided a total of 21,875 hours of training for employees. Activities focused on providing and building specialist technical skills, improving business knowledge, strengthening transversal competencies and language skills and continuously developing the managerial abilities needed to manage complexity and change, in addition to the courses required by law (Legislative Decrees 231/2001, 196/2003, 81/2008 (Privacy law)).
The Early Career Program was launched in 2019. The three-year onboarding scheme is a training and development plan designed to support the growth of young people.

Everyone at the hub took part in the performance assessment process. Assessments, referring to performance in the previous year, considered technical skills, transversal competencies (suitability for the job), each participant's activities and objectives. They envisaged the use of structured feedback and sharing of a training plan. The job rotation project also continued in 2019, as a means for enhancing professional skills within the company. The scheme allows employees to receive on-the-job training within different company departments.

Lastly, on 5 November 2019, SACE S.p.A. and trade union representatives signed an agreement to activate the "Solidarity Fund", which will allow workers with less than five years to go until reaching the minimum retirement age to receive their pension (starting from 2020) in addition to an incentive on the basis of pre-established criteria. Participation in the scheme is voluntary.

7. Litigation

At 31 December 2019, SACE S.p.A. was party to 21 lawsuits, most of which relating to insurance commitments assumed prior to 1998, and two labour disputes. SACE S.p.A. was plaintiff in a further 52 proceedings to obtain recognition of its privilege pursuant to Italian Legislative Decree No. 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.

As regards the subsidiaries, *(i)* SIMEST S.p.A. is defendant in two lawsuits, *(ii)* SACE BT S.p.A. is party to 160 disputes concerning insurance operations, two general disputes and is plaintiff in three lawsuits, (*iii*) SACE SRV S.r.l. is defendant in one lawsuit and, lastly, (*iv*) SACE Fct S.p.A. is plaintiff in 68 lawsuits to resolve credit recovery issues and defendant in two lawsuits.

8. Distribution network and marketing activity

In 2019, SACE group further enhanced the distribution model and completed the process of integration of the service model within the CDP group. In that respect, the new service model for strategic and large corporations has been improved, with the creation of a single commercial management unit within CDP; SACE will continue to execute export credit transactions, especially as regards the management of relations with the buyer, and internationalisation initiatives working in line with the relationship manager. A preliminary pilot project has also been launched to open regional offices in Italy from which the distribution networks of SACE and CDP will be able to work together - in terms of coverage and business model, focused on the mid-cap segment, and from a purely logistical perspective. The offices involved in the project, which were officially opened in 2019, are those in Verona, Genoa and Naples. The commercial activities of the Export and Internationalisation Hub again focused on the provision of tailor-made services, especially for SMEs, working to increase its presence in Italy and abroad in order to be ever more focused on meeting the needs of export companies. The portfolio of services and facilities for Italian SMEs has been enriched with the Education to Export programme. This ecosystem of content and tools is designed to help entrepreneurs attract and retain business. It consists of an online platform with customer journeys to suit each company's state of readiness and a suite of dedicated events held throughout Italy, with selected partners from the Italian economic system. The aim is to provide a carefully blended training solution that is free of charge and can be used as and how required. SACE also continued to establish strategic partnerships with leading technology companies - so-called Fintech partnerships – to provide a broader set of services to complement its core offering for customers and boost their internationalisation efforts. One such partnership is that between SACE and Ebury, an Anglo-Spanish FinTech company specialised in protection against foreign exchange risk through an advanced digital platform. The digitisation process, which started a couple of years ago, has enabled customers to benefit from a significant improvement in service levels and a further reduction in response times. The product range was extended again during the year, focusing in particular on enriching the offering available through the digital channel, an accessible tool that even less structured companies find easy to use. Thanks to the group's promotional campaigns, successful business matching events enabled foreign buyers to find in the Hub a reliable partner for signing trade agreements in order to further boost Italian exports worldwide.

9. Corporate governance

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 27 February 2018 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.

System of internal controls and risk management

The system of internal controls and risk management 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 controls 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 system of internal controls and risk management and for defining its organisational structure, functions and responsibilities.
- The Board of Auditors must evaluate the efficacy and efficiency of the system of internal controls 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 system of internal controls, suggest appropriate corrective measures and see that these are implemented.

The system of internal controls and risk management is organised on three levels:

- 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.
- 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;
- 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, the Internal audit function performs controls not envisaged by the plan. It also 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 (IIA).

The manager responsible for financial reporting

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 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 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 S.p.A. 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 2020

After the reporting date, in March 2020, the new Covid-19 coronavirus, which originated in China, spread to many countries around the world and on 11 March 2020, the World Health Organisation declared the situation to be a "pandemic". In Europe, at the time of writing this Report, Italy is one of the worst hit countries. This has put enormous pressure on the country's public health system and led Government authorities to adopt a series of legislative measures (Decrees of the President of the Council of Ministers dated 4, 8 and 9 March 2020 and the "Cura Italia" Law Decree dated 17 March 2020), introducing unprecedented restrictions on the activities of public authorities, the economy in general and the daily life of Italians in addition to significant economic interventions to support families, workers and businesses.

If the pandemic is not brought under control soon, it could have an appreciable effect on the outlook for the global economy, influence the macroeconomic scenario and financial markets.

Should the current health emergency persist, it will likely lead to losses in profit margins in the short term. These cannot be reliably estimated as yet based on the information that is available.

In accordance with IAS 10, management has determined that this event does not require any adjustment to the financial statements at 31 December 2019, since the event and the consequences thereof occurred after the reporting date and do not indicate that the going concern assumption is no longer appropriate.

Apart from the above, there are no other significant events to report.

Rome, 19 March 2020

on behalf of the Board of Directors
Chief Executive Officer
Pierfrancesco Latini

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Consolidated financial statements

Consolidated financial statements

Balance sheet – assets

	(in € thousands)	Total 31/12/19	Total 31/12/18
1	**INTANGIBLE ASSETS**	**12,693**	**11,422**
1.1	Goodwill	92	92
1.2	Other intangible assets	12,601	11,330
2	**PROPERTY, PLANT AND EQUIPMENT**	**76,612**	**52,544**
2.1	Real property	70,798	50,275
2.2	Other property, plant and equipment	5,815	2,269
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**1,404,350**	**1,135,780**
4	**INVESTMENTS**	**6,334,457**	**7,154,753**
4.1	Investment property	12,402	12,457
4.2	Equity investments in subsidiaries, associates and joint ventures	8,700	8,361
4.3	Financial assets at amortised cost	3,969,714	3,515,568
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	2,338,476	3,613,201
4.5.1	Financial assets held for trading	1,407,340	2,590,964
4.5.2	Financial assets designated at fair value		
4.5.3	Other financial assets for which fair value measurement is mandatory	931,137	1,022,237
5	**SUNDRY RECEIVABLES**	**781,342**	**759,371**
5.1	Receivables arising out of direct insurance business	618,171	644,127
5.2	Receivables arising out of reinsurance business	19,212	30,178
5.3	Other receivables	143,959	85,066
6	**OTHER ASSETS**	**241,769**	**225,203**
6.1	Non-current assets or of a disposal group available for sale		
6.2	Deferred acquisition costs		
6.3	Deferred tax assets	201,686	174,447
6.4	Current tax assets	12,549	21,069
6.5	Other assets	27,533	29,687
7	**CASH AND CASH EQUIVALENTS**	**5,302,651**	**3,133,456**
	TOTAL ASSETS	**14,153,873**	**12,472,530**

Balance sheet – liabilities and equity

(in € thousands)		Total 31/12/19	Total 31/12/18
1	**EQUITY**	**5,597,231**	**5,586,994**
1.1	**Group interest**	**5,525,121**	**5,508,357**
1.1.1	Share capital	3,730,324	3,730,324
1.1.2	Other equity instruments		
1.1.3	Capital reserves	43,305	43,305
1.1.4	Retained earnings and other equity reserves	1,644,101	1,605,588
1.1.5	(Treasury shares)		
1.1.6	Reserves for net exchange differences		
1.1.7	Gains or losses on financial assets at fair value through other comprehensive income		
1.1.8	Other gains or losses taken directly to equity	-2,307	625
1.1.9	Group interest in the profit (loss) for the year	109,698	128,515
1.2	**Minority interests**	**72,109**	**78,636**
1.2.1	Capital and reserves	78,684	78,395
1.2.2	Gains or losses taken directly to equity	-66	-48
1.2.3	Minority interest in the profit (loss) for the year	-6,509	289
2	**PROVISIONS**	**95,656**	**79,208**
3	**TECHNICAL PROVISIONS**	**3,589,684**	**3,244,452**
4	**FINANCIAL LIABILITIES**	**4,370,286**	**3,109,474**
4.1	Financial liabilities at fair value through profit or loss	69,246	38,037
4.1.1	Financial liabilities held for trading	69,246	9,479
4.1.2	Financial liabilities designated at fair value		28,558
4.2	Financial liabilities at amortised cost	4,301,039	3,071,437
5	**ACCOUNTS PAYABLE**	**193,306**	**168,621**
5.1	Accounts payable arising out of direct insurance business	35,993	36,192
5.2	Accounts payable arising out of reinsurance business	109,851	75,812
5.3	Other accounts payable	47,462	56,617
6	**OTHER LIABILITIES**	**307,711**	**283,781**
6.1	Liabilities of a disposal group HFS		
6.2	Deferred tax liabilities	291,130	264,596
6.3	Current tax liabilities	3,514	4,023
6.4	Other liabilities	13,067	15,162
	TOTAL EQUITY AND LIABILITIES	**14,153,873**	**12,472,530**

Income statement

(in € thousands)		Total 31/12/19	Total 31/12/18
1.1	Net premiums	**352,030**	**308,713**
1.1.1	*Gross premiums for the year*	422,437	355,605
1.1.2	*Outward reinsurance premiums for the year*	-70,407	-46,892
1.2	Commission income	**24,466**	**29,184**
1.3	Income and expense on financial instruments at fair value through profit or loss	**23,478**	**-2,689**
1.3 bis	Reclassification using the overlay approach		
1.4	Income from equity investments in subsidiaries, associates and joint ventures		
1.5	Income from other financial instruments and investment property	**159,875**	**173,908**
1.5.1	*Interest income*	156,442	172,073
1.5.2	*Other income*	1,295	130
1.5.3	*Realised gains*	2,138	1,682
1.5.4	*Valuation gains*		23
1.6	Other revenue	51,270	52,024
1	**TOTAL REVENUES AND INCOME**	**611,120**	**561,140**
2.1	Net claims incurred	**180,386**	**183,275**
2.1.1	*Amounts paid and changes in technical provisions*	229,574	215,476
2.1.2	*Reinsurers' share*	-49,188	-32,201
2.2	Commission expense	**1,653**	**3,218**
2.3	Expense related to equity investments in subsidiaries, associates and joint ventures		
2.4	Expense related to other financial instruments and investment property	**64,823**	**51,770**
2.4.1	*Interest expense*	34,051	23,701
2.4.2	*Other expense*	352	519
2.4.3	*Realised losses*	108	2,363
2.4.4	*Valuation losses*	30,312	25,187
2.5	Operating expenses	**114,264**	**99,136**
2.5.1	*Commissions and other acquisition expenses*	10,421	1,285
2.5.2	*Investment management charges*	3,653	5,423
2.5.3	*Other administrative expenses*	100,190	92,427
2.6	Other expenses	**87,443**	**67,346**
2	**TOTAL COSTS AND EXPENSES**	**448,567**	**404,745**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**162,552**	**156,395**
3	Taxes	59,363	27,591
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	**103,189**	**128,804**
4	**PROFIT (LOSS) ON DISCONTINUED OPERATIONS**		
	CONSOLIDATED PROFIT (LOSS)	**103,189**	**128,804**
	of which Group interest	**109,698**	**128,515**
	of which minority interest	**-6,509**	**289**

Statement of comprehensive income

(in € thousands)	Total 31/12/19	Total 31/12/18
CONSOLIDATED PROFIT (LOSS)	**103,189**	**128,804**
Other income components after tax without reclassification to profit or loss		
Change in equity of subsidiaries		
Change in intangible assets revaluation reserve		
Change in 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	-25	190
Gains or losses on equity investments designated as at fair value through other comprehensive income		
Change in own creditworthiness on financial liabilities designated as at fair value		
Other		
Other income components after tax with reclassification to profit or loss		
Change in the reserve for net exchange differences	-25	**-66**
Gains or losses on financial assets (other than equity investments) at fair value through other comprehensive income		
Gains or losses on cash flow hedges	-2,882	
Gains or losses on hedges of net investments in foreign entities		
Change in equity of subsidiaries		
Income and charges relating to non-current assets or to a disposal group held for sale		
Reclassification using the overlay approach		
Other		
TOTAL OF OTHER COMPREHENSIVE INCOME COMPONENTS		
TOTAL CONSOLIDATED OTHER COMPREHENSIVE INCOME	**100,257**	**128,929**
of which Group interest	**100,257**	**128,929**
of which minority interest		

Statement of changes in equity

(in € thousands)		Balance at 31/12/17	Change in closing balances (IFRS 9)	Allocations	Adjustments for reclassification in profit and loss	Transfers	Balance at 31/12/18	Allocations	Adjustments for reclassification in profit and loss	Transfers	31/12/19
Group interest in equity	Share capital	3,730,324					3,730,324				3,730,324
	Other equity instruments										
	Capital reserves	43,305					43,305				43,305
	Retained earnings and other equity reserves	1,260,839	39,619	305,130			1,605,588	38,513			1,644,101
	(Treasury shares)										
	Net profit (loss) for the year	455,129		128,515		-455,129	128,515	109,698		-128,515	109,698
	Other comprehensive income items	501		124			625	-2,932			-2,307
	Total	**5,490,098**	**39,619**	**433,769**		**-455,129**	**5,508,357**	**145,278**		**-128,515**	**5,525,121**
Minority interest in equity	Minority interest in capital and reserves	76,026	2,269	52			78,347	271			78,618
	Net profit (loss) for the year	870		289		-870	289	-6,509		-289	-6,509
	Other comprehensive income items										
	Total minority interest	**76,896**	**2,269**	**342**		**-870**	**78,636**	**- 6,238**		**-289**	**72,109**
Total		**5,566,994**	**41,888**	**434,111**		**-456,869**	**5,586,993**	**139,040**		**-128,804**	**5,597,231**

Statement of cash flows

(in € thousands)	31/12/19	31/12/18
Profit (loss) for the year before tax	**162,552**	**156,395**
Changes in non-cash items	**100,417**	**109,675**
Change in the provision for unearned premiums - non-life business	41,955	109,661
Change in the provision for claims outstanding and other technical provisions - non-life business	34,707	76,532
Change in the provision for policy liabilities and other technical provisions - life business		
Change in deferred acquisition costs		
Change in the general provision	16,448	-2,360
Non-cash income and expense from financial instruments, investment property and equity investments		
Other changes	7,306	-74,158
Change in receivables and payables generated by operations	**2,772**	**-163,930**
Change in receivables and payables arising from direct insurance and reinsurance business	70,762	-9,866
Change in other receivables and payables	-67,991	-154,064
Tax paid	**-59,363**	**-27,591**
Net cash flow generated/absorbed by investment and financial activities	**1,305,934**	**-1,827,361**
Liabilities from financial contracts		
Other financial instruments at fair value through profit or loss	1,305,934	-1,827,361
TOTAL NET CASH FLOW ARISING FROM OPERATIONS	**1,512,312**	**-1,752,811**
Net cash flow generated/absorbed by investment property	55	19,223
Net cash flow generated/absorbed by subsidiaries, associates and joint ventures	-338	-351
Net cash flow generated/absorbed by financial assets at amortised cost	-454,145	-751,898
Net cash flow generated/absorbed by financial assets at fair value through other comprehensive income		
Net cash flow generated/absorbed by plant, property and equipment and intangible assets	-25,339	5,353
Other net cash flows generated/absorbed by investments		
TOTAL NET CASH FLOW ARISING FROM INVESTMENT OPERATIONS	**-479,768**	**-727,674**
Net cash flow generated/absorbed by capital instruments attributable to the group	-2,950	39,752
Net cash flow generated/absorbed by own shares		
Distribution of dividends attributable to the group	-90,000	-150,000
Net cash flow generated/absorbed by capital and reserves attributable to minorities		1,444
Net cash flow generated/absorbed by subordinated liabilities and participating financial instruments		
Net cash flow generated/absorbed by financial assets at amortised cost	1,229,602	737,377
TOTAL NET CASH FLOW ARISING FROM FINANCING OPERATIONS	**1,136,652**	**628,572**
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**3,133,456**	**4,985,369**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	2,169,194	-1,851,913
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**5,302,651**	**3,133,456**

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Notes to the consolidated financial statements

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 2019) 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.

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).

New accounting standards – IFRS 16

Starting from 1 January 2019, the new IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission with Regulation 1986/2017, has replaced IAS 17 “Leases” governing lease treatment and disclosure, and establishes the rules for the accounting of lease contracts.

The most significant aspect of IFRS 16 is the introduction of a single lessee accounting model, based on the right-of-use model, thereby eliminating the difference between operating and finance leases[1], covered by IAS 17: lessees must therefore apply a single accounting model for all leases, recognising the lease-related asset and liability.
A right-of-use asset is thus recognised under assets, while a lease liability is accounted for under liabilities. The method of recognition under profit or loss has also changed: in accordance with IFRS 16, the depreciation of the right-of-use asset and the interest expense on the lease liabilities are recognised in profit or loss, replacing the lease payments previously included under administrative expenses.

Following the introduction of the new standard, a lease is a contract that conveys to the final lessee the right to use an identified asset for a given period of time in exchange for consideration. The right to control the use of the asset is essential and must be assessed for each contract.

Upon lease commencement, it is necessary to determine whether a contract is, or contains, a lease. This assessment must be reperformed if the terms and conditions of the contract change.

The following categories are governed by the standard:
- real estate;
- automotive;
- other assets.

1 This difference remains when analysing the lessor’s leases.

Upon first-time adoption and for subsequent years, SACE Group applied some of the practical expedients and recognition exemptions envisaged by paragraph C10 *et seq*. In detail:

- leases with a total or residual lease term of 12 months or less (short term);
- leases where the underlying asset is equal to or below Euro 5,000 at the purchase date (low value);
- the initial direct costs from the measurement of the right-of-use asset to the date of first-time adoption;

Furthermore, SACE Group applied the new standard using the modified retrospective approach, in accordance with paragraphs C5 b and C8 b (ii). Under this approach, the cumulative effect of the application of the standard from the date of first-time adoption is recognised without restating comparative information. Consequently, on 1 January 2019, there was no impact on the net equity book value.

The changes to the equity items affected by the application of IFRS 16 from 31 December 2018 to 1 January 2019 are as follows:

(in € thousands)		31/12/18	FTA impact IFRS 16 at 01/01/2019	01/01/2019
	ASSETS			
2,1	Real property	50,275	27,208	77,483
2,2	Other property, plant and equipment	2,269	746	3,015
6,5	Other assets	29,687	-1	29,686
	LIABILITIES			
4,2	Financial liabilities at amortised cost	3,071,437	27,953	3,099,390

To provide a better representation of the differences between the scope of IAS 17 and the new standard, the table below shows the reconciliation between the two scopes (as required by paragraph C12 of IFRS 16), detailing in particular:

- the commitments arising from operating leases disclosed in accordance with IAS 17 at 31 December 2018;
- the effect of the discounting of the operating leases using the incremental borrowing rate at the date of initial application;
- the lease liabilities recognised in the balance sheet at the date of initial application.

(in € thousands)	
RECONCILIATION OF LEASE LIABILITIES	
Commitments for non-discounted operating leases applying IAS 17 at 31.12.2018 (+)	**24,513**
Exceptions to recognition pursuant to IFRS 16 (-)	**-332**
- short-term leases (-)	-324
- leases of low value (-)	-8
Other changes (i.e., non-deductible VAT) to be specified:	**-837**
- short-term leases (-)	-4
- leases of low value (-)	
- non-deductible VAT	
- contracts applying IFRS 16	-832
- recognition of Prepayments (at 31/12/2018) (-)	-1
Lease Liabilities for non-discounted operating leases applying IFRS 16 at 01/01/2019	**30,610**
Discounting effect on operating leases (-)	-2,657
Lease Liabilities for discounted operating leases applying IFRS 16 at 01/01/2019	**27,953**
Lease Liabilities for financial leases applying IAS 17 at 01/01/2019 (+)	
Total Lease Liabilities applying IFRS 16 at 01/01/2019	**27,953**

Lease liabilities have been discounted at the rate of 1 January 2019 referring to the expiry dates of the individual contracts.

With regard to property, plant and equipment, the categories of rights of use relating to financial leases are shown below. Specifically, the rights of use acquired through leases relating to real estate contracts are shown under sub-caption “b) Buildings”; those relating to contracts for cars and other contracts are shown under sub-caption “f) Other”.

(in € thousands)	
Rights of use acquired through lease at 01.01.2019	
Property, plant and equipment used in operations:	**27,953**
a) land	
b) buildings	**27,208**
c) furniture	
d) furniture of artistic value	
e) electronic equipment	
f) other	**745**
Investment property:	
a) land	
b) buildings	
Lease Liabilities for discounted operating leases applying IFRS 16 at 01/01/2019	**27,953**

The FTA accounting impact generated by the application of IFRS 16 was calculated for 104 contracts in place as at 1 January 2019, of which 35 related to property leases.

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.

Name	Country of head office	Method (1)	Business (2)	% direct investment	% total interest (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	100%	100%	100%	100%
SIMEST	Italy	G.	11	76.005%	76.005%	76.005%	76.005%
FONDO SVILUPPO EXPORT	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 percentage of voting rights available at the general meeting, only disclosed if different from the direct or indirect percentage of ownership.

Breakdown of non-consolidated equity investments

Name	Country of head office	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	4.23%	4.23%	4.23%	8,699

(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 percentage of voting rights available at the general meeting, only disclosed if different from the direct or indirect percentage of ownership.

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 intangible 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) Real 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 property, plant and equipment
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.

Group interest in equity

This section includes equity instruments forming the equity attributable to the Group, 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 recorded directly in as a counter entry in shareholders' 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 2020:

Amendments to IFRS 9 – Financial instruments, IAS 39 – Financial instruments: recognition and measurement, and IFRS 7 – Financial instruments: disclosures, adopted with Regulation (EU) 2020/34 of 15 January 2020.
The document reforms interest rate benchmarks to take account of the consequences of the reform for financial disclosures following the publication of the Financial Stability Board report "Reforming Major Interest Rate Benchmarks".

Amendments, adopted by Regulation (EU) 2019/2075 of 29 November 2019, to the following standards and interpretations:
- IAS 1 – Presentation of financial statements, IAS 8 – Accounting policies, changes in accounting estimates and errors, IAS 34 – Interim financial reporting, IAS 37 – Provisions, contingent liabilities and contingent assets, IAS 38 – Intangible assets;
- IFRS 2 – Share-based payment, IFRS 3 – Business combinations, IFRS 6 - Exploration for and evaluation of mineral resources;
- Interpretations IFRIC 12 – Service concession arrangements, IFRIC 19 - Extinguishing financial liabilities with equity instruments, IFRIC 20 - Stripping costs in the production phase of a surface mine, IFRIC 22 - Foreign currency transactions and advance consideration;
- Interpretation SIC 32 - Intangible assets - Web site costs.

Furthermore, at the approval date of these consolidated financial statements, IFRS 17 - Insurance contracts has been published by the IASB but not yet endorsed by the EU.

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

Please also note the following.

On 23 January 2020, the IASB published Amendments to IAS 1 – Presentation of financial statements, to clarify the requirements for classifying payables and other liabilities as current or non-current. The amendments will be effective from 1 January 2022, but may be applied earlier.

In March 2020, technical staff at the IASB proposed deferring the effective date of IFRS 17, as well as the application of IFRS 9, for qualifying entities, to 1 January 2023. The Company has, however, applied IFRS 9 since the 2018 financial statements.

Exchange rates

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

	31 December 2019	31 December 2018	31 December 2017
US dollar	1.1234	1.145	1.1993
GB pound	0.8508	0.89453	0.88723
Swiss franc	1.0854	1.1269	1.1702

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.

Balance Sheet by business sector

		Non-life business		Life business		Other businesses		Trans-sectoral cancellations and adjustments		Total	
(in € thousands)		31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
1	**INTANGIBLE ASSETS**	9,097	7,617			3,596	3,805			12,693	11,422
2	**PROPERTY, PLANT AND EQUIPMENT**	66,688	52,058			9,924	486			76,612	52,544
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	1,404,350	1,135,780							1,404,350	1,135,780
4	**INVESTMENTS**	4,316,302	5,304,809			2,018,155	1,850,048		-104	6,334,457	7,154,753
4.1	Investment property	12,402	12,457							12,402	12,457
4.2	Equity investments in subsidiaries, associates and joint ventures	8,700	8,361							8,700	8,361
4.3	Financial assets at amortised cost	2,214,633	2,015,903			1,755,081	1,499,665			3,969,714	3,515,568
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	2,080,567	3,268,087			257,909	345,218		-104	2,338,476	3,613,201
5	**SUNDRY RECEIVABLES**	779,113	758,498			8,388	5,607	-6,158	-4,733	781,342	759,371
6	**OTHER ASSETS**	214,842	192,585			27,225	32,798	-298	-180	241,769	225,203
6.1	Deferred acquisition costs										
6.2	Other assets	214,842	192,585			27,225	32,798	-298	-180	241,769	225,203
7	**CASH AND CASH EQUIVALENTS**	5,224,653	3,037,992			77,997	95,464			5,302,651	3,133,456
	TOTAL ASSETS	12,015,045	10,489,339			2,145,285	1,988,208	-6,457	-5,017	14,153,873	12,472,530
1	**EQUITY**									5,597,231	5,586,994
2	**PROVISIONS**	62,530	72,659			5,235	4,422	27,891	2,127	95,656	79,208
3	**TECHNICAL PROVISIONS**	3,589,684	3,244,452							3,589,684	3,244,452
4	**FINANCIAL LIABILITIES**	2,678,720	1,701,637			1,691,689	1,503,969	-123	-96,132	4,370,286	3,109,474
4.1	Financial liabilities at fair value through profit or loss	69,246	38,037							69,246	38,037
4.2	Financial liabilities at amortised cost	2,609,474	1,663,600			1,691,689	1,503,969	-123	-96,132	4,301,039	3,071,437
5	**ACCOUNTS PAYABLE**	180,454	157,711			18,911	15,624	-6,059	-4,714	193,306	168,621
6	**OTHER LIABILITIES**	293,255	267,157			14,502	16,926	-46	-301	307,711	283,781
	TOTAL EQUITY AND LIABILITIES									14,153,873	12,472,530

Income statement by business sector

		Non-life business		Life business		Other businesses		Trans-sectoral cancellations and adjustments		Total	
(in € thousands)		31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
1.1	Net premiums	352,030	308,713							352,030	308,713
1.1.1	Gross premiums for the year	422,437	355,605							422,437	355,605
1.1.2	Outward reinsurance premiums for the year	-70,407	-46,892							-70,407	-46,892
1.2	Commission income					24,466	29,184			24,466	29,184
1.3	Income and expense on financial instruments at fair value through profit or loss	49,410	1,358			-25,932	-4,047			23,478	-2,689
1.3 bis	Reclassification using the overlay approach										
1.4	Income from equity investments in subsidiaries, associates and joint ventures										
1.5	Income from other financial instruments and investment property	110,945	115,780			48,930	58,128			159,875	173,908
1.6	Other revenue	35,676	37,820			13,589	12,078	2,005	2,126	51,270	52,024
1	**TOTAL REVENUES AND INCOME**	**548,062**	**463,671**			**61,053**	**95,343**	**2,005**	**2,126**	**611,120**	**561,140**
2.1	Net claims incurred	-179,704	-182,659					-682	-616	-180,386	-183,275
2.1.1	Amounts paid and changes in technical provisions	-228,892	-214,860					-682	-616	-229,574	-215,476
2.1.2	Reinsurers' share	49,188	32,201							49,188	32,201
2.2	Commission expense	2,693	1,836			-4,346	-5,054			-1,653	-3,218
2.3	Expense on equity investments in subsidiaries, associates and joint ventures										
2.4	Expense related to other financial instruments and investment property	-30,963	-24,221			-33,860	-27,549			-64,823	-51,770
2.5	Operating expenses	-79,085	-63,768			-36,374	-36,752	1,195	1,384	-114,264	-99,136
2.6	Other expenses	-69,668	-51,083			-17,561	-16,051	-214	-212	-87,443	-67,346
2	**TOTAL COSTS AND EXPENSES**	**-356,727**	**-319,895**			**-92,141**	**-85,406**	**299**	**556**	**-448,567**	**-404,745**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**191,335**	**143,776**			**-31,088**	**9,937**	**2,304**	**2,682**	**162,552**	**156,395**

Notes to the consolidated balance sheet

1. Intangible assets

Table 1 (in € thousands)

	Net amount at 31/12/19	Net amount at 31/12/18
Goodwill	92	92
Other intangible assets	12,601	11,330
Total	**12,693**	**11,422**

Goodwill (Euro 92 thousand) relates to SACE SRV S.r.l. (formerly SACE Servizi) established in the second half of 2007.

Other intangible assets mainly include costs for the company's information system. 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

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

Table 2 (in € thousands)

Real property	Amount
Opening balance	50,275
Increase for right of use asset IFRS 16	24,022
Increases	73
Decreases	1
Depreciation	3,571
Closing balance	**70,798**

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

Table 3 (in € thousands)

Other property, plant and equipment	Amount
Opening balance	2,269
Increase for right of use asset IFRS 16	4,505
Increases	1,031
Decreases	10
Depreciation	1,980
Closing balance	**5,815**

3. Reinsurers' share of technical provisions

This item, of Euro 1,404,350 thousand (Euro 1,135,780 thousand at 31 December 2018) includes reinsurers' commitments arising on reinsurance contracts regulated by IFRS 4. Further details are provided in Annex 2 "Breakdown of reinsurers' share of technical provisions".

4. Investments

The detail is as follows:

Table 4 (in € thousands)	31/12/19	31/12/18
4.1. Investment property	12,402	12,457
4.2 Equity investments in subsidiaries, associates and joint ventures	8,700	8,361
4.3 Financial assets at amortised cost	3,969,714	3,515,568
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:	2,338,476	3,613,201
4.5.1 Financial assets held for trading	*1,407,340*	*2,590,964*
4.5.2 Financial assets designated at fair value		
4.5.3 Other financial assets for which fair value measurement is mandatory	*931,137*	*1,022,237*
Total	**6,334,457**	**7,154,753**

4.1 Investment property

Investment property 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 11,1 million.

4.3 Financial assets at amortised cost

Table 5 (in € thousands)

Breakdown	31/12/19	31/12/18
Government bonds	2,021,427	1,600,509
Other listed securities	190,539	176,810
Other unlisted securities	1	3
Equity investment loans	295,562	215,082
Other	1,462,185	1,523,164
Total	**3,969,714**	**3,515,568**

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 2019, relates to the investment by SIMEST S.p.A. 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)

Breakdown	31/12/19	31/12/18
Government bonds	1,155,815	671,492
Listed bonds	50,268	1,673,372
Unlisted bonds	199,308	168,788
Listed shares	365	6,441
Units of UCITS		69,999
Forward contracts		852
Other	1,584	20
Total	**1,407,340**	**2,590,964**

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	31/12/19	31/12/18
Government bonds	532,283	534,530
Bonds	140,945	142,489
Equity investment loans	257,909	345,218
Total	**931,137**	**1,022,237**

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

Table 8 (in € thousands)

Breakdown	31/12/19	31/12/18
5.1 Receivables arising out of direct insurance business	618,171	644,127
5.2 Receivables arising out of reinsurance business	19,212	30,178
5.3 Other receivables	143,959	85,066
Total	**781,342**	**759,371**

Receivables arising out of direct insurance business

This item, of Euro 618,171 thousand, mainly relates to subrogation receivables from sovereign debtors for Euro 310,683 thousand (Euro 368,567 thousand at 31 December 2018) and from foreign trade debtors for Euro 241,660 thousand (Euro 202,311 thousand at 31 December 2018).

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 6,879 thousand).

Other receivables

Other receivables are detailed below.

Table 9 (in € thousands)

Breakdown	31/12/19	31/12/18
Receivables from tax authorities	9,206	6,144
Receivables for invoices to be issued	502	118
Receivables from CDP for tax consolidation	23,270	32,152
Receivables for margins on financial transactions	76,980	8,965
Sundry receivables	34,001	37,687
Total	**143,959**	**85,066**

Sundry receivables mainly comprise receivables from policyholders in relation to their exposure (Euro 22,654 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

Table 10 (in € thousands)

Breakdown	31/12/19	31/12/18
6.3. Deferred tax assets	201,686	174,447
6.4. Current tax assets	12,549	21,069
6.5 Other assets	27,534	29,687
Total	**241,769**	**225,203**

Current tax assets include receivables due from 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 201,686 thousand, relate to the taxes calculated on technical provisions (Euro 125,012 thousand), taxes calculated on financial assets at amortised cost and financial assets measured at fair value (Euro 18,743 thousand), taxes calculated on the provisions for risks and charges (Euro 18,249 thousand) and deferred tax assets calculated on unrealised exchange differences on receivables and payables (Euro 14,361).

7. Cash and cash equivalents

Table 11 (in € thousands)

Breakdown	31/12/19	31/12/18
Bank and Post Office demand deposits	5,302,640	3,133,441
Cash in hand	11	15
Total	**5,302,651**	**3,133,456**

Cash and cash equivalents increased in 2019, compared to the previous year, with a corresponding decrease in net investments.

8. Equity

At 31 December 2019, equity totals Euro 5,597,231 thousand. The breakdown is as follows:

Table 12 (in € thousands)

Breakdown	31/12/19	31/12/18
Equity	**5,597,231**	**5,586,994**
Group interest	**5,525,121**	**5,508,357**
Share capital	3,730,324	3,730,324
Capital reserves	43,305	43,305
Retained earnings and other equity reserves	1,644,101	1,605,588
Other gains or losses taken directly to equity	-2,307	625
Group interest in the profit (loss) for the year	109,698	128,515
minority interests	**72,109**	**78,636**
Share capital	78,684	78,395
Losses taken directly to equity	-66	-48
Minority interest in the profit (loss) for the year	-6,509	289

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).

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	31/12/19	31/12/18
Provision for credit risk - financial commitments and guarantees issued	597	721
Provisions for amounts due to policyholders	8,388	8,517
Provision for legal disputes	3,172	4,573
Provision for payments to agents	2,029	1,813
Other provisions	81,470	63,584
Total	**95,656**	**79,208**

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 26,123 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 10% of SACE S.p.A.'s equalisation provision for 2014. (art. 8.1.a) and Euro 15,100 thousand attributable to the "Intersectoral solidarity fund to provide income support and to support employment and professional retraining of employees of insurance and service companies" established by INPS, pursuant to Ministerial Decree no. 78459 of 17 January 2014.

Table 14 (in € thousands)

Description	Amount
Opening balance	79,208
Provisions	43,624
Utilisations	27,176
Closing balance	**95,656**

10. Technical provisions

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

Table 15 (in € thousands)

Description	31/12/19	31/12/18
Provision for unearned premiums - non-life business	3,002,732	2,770,760
Provision for claims outstanding - non-life business	586,034	472,844
Other provisions	918	848
Total	**3,589,684**	**3,244,452**

Further details are provided in Annex 4 "Breakdown of technical provisions".

11. Financial liabilities

The breakdown is as follows:

Table 16 (in € thousands)

Description	31/12/19	31/12/18
4.1 Financial liabilities at fair value through profit or loss:	69,247	38,037
4.1.1 Financial liabilities held for trading	*69,247*	*9,479*
4.1.2 Financial liabilities designated at fair value		*28,558*
4.2 Financial liabilities at amortised cost	4,301,039	3,071,437
Total	**4,370,286**	**3,109,474**

Financial liabilities held for trading include the financial instruments in portfolio.

Financial liabilities at amortised cost include:
- Euro 1,985.5 million related to repo agreements between SACE S.p.A. and the parent Cassa Depositi e Prestiti S.p.A.;
- Euro 938.3 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 429.8 million related to bank loans taken out by SACE Fct S.p.A. not repaid at 31 December 2019;
- Euro 264.5 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.
- Euro 24.7 million related to financial liabilities arising from lease contracts within the scope of application of IFRS16

12. Accounts payable

Table 17 (in € thousands)

Description	31/12/19	31/12/18
5.1 Accounts payable arising out of direct insurance business	35,993	36,192
5.2 Accounts payable arising out of reinsurance business	109,851	75,812
5.3 Other accounts payable	47,462	56,617
Total	**193,306**	**168,621**

Accounts payable arising out of direct insurance business mainly include the amounts due to policyholders for deductibles on amounts recovered, equal to Euro 29,894 thousand.
Accounts payable arising out of reinsurance business include Euro 28,523 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	31/12/19	31/12/18
Amounts due to suppliers	15,053	15,581
Provision for termination benefits	7,312	7,483
Margins to CDP for repo agreements		9,710
Sundry payables	25,097	23,843
Total	**47,462**	**56,617**

Sundry payables mainly comprise the payments received from creditors in connection with factoring activities (Euro 6,313 thousand) and personnel costs (Euro 8,543 thousand).

13. Other liabilities

This heading is detailed as follows:

Table 19 (in € thousands)

Description	31/12/19	31/12/18
6.1 Liabilities of a disposal group held for sale		
6.2 Deferred tax liabilities	291,130	264,596
6.3 Current tax liabilities	3,514	4,023
6.4 Other liabilities	13,067	15,162
Total	**307,711**	**283,781**

Net deferred taxes, of Euro 291,130 thousand, relate to the taxes calculated on the elimination of the equalisation provision for IFRS purposes (Euro 98,945 thousand), the taxes calculated on the adjustment of technical provisions (Euro 124,822 thousand) and the taxes calculated on financial assets measured at amortised cost and financial assets measured at fair value (Euro 39,711 thousand). Furthermore, the total balance comprises Euro 19,718 thousand related to deferred tax liabilities calculated on unrealised exchange differences on receivables and payables.

Notes to the consolidated 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 653,299 thousand. Information about premium income by business for 2019 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 heading mainly includes exchange differences to be recognised in profit or loss as set forth in IAS 21 of Euro 15,186 thousand (Euro 39,748 thousand at 31 December 2018).

18. Net claims incurred

This heading includes the amount of claims paid (gross of settlement costs and amounts ceded to reinsurers) for Euro 250,552 thousand (Euro 247,906 thousand at 31 December 2018). Information about claims in 2019 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 heading reflects charges on investment property and financial instruments not measured at fair value through profit or loss. The detail 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 heading, of Euro 87,443, comprises:
- other net technical charges related to insurance contracts (Euro 3,567 thousand);
- impairment losses and provisions accrued during the year (Euro 44,274 thousand);
- exchange differences recognised in profit or loss, as set forth in IAS 21 (Euro 9,716 thousand);
- realised losses, depreciation and amortisation (Euro 4,143 thousand).

22. Taxes

The breakdown is as follows:

Table 20 (in € thousands)

Income tax

Through profit or loss	2019	2018
Current taxes		
Expense (Income) for current taxes	51,851	76,978
Adjustments to prior year current taxes	8,122	8,503
Deferred taxes		
Expense (Income) due to recognition and elimination of temporary differences	45	-58,729
Expense (Income) due to changes in tax rates or new taxes		
Expense (Income) arising from tax losses		
Expense (Income) arising from impairment losses or reversals of impairment losses on deferred tax assets	-655	838
Total income tax	**59,363**	**27,590**

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	2019	2018
Ordinary rate applicable	30.82%	34.32%
Effect of increases/decreases	5.70%	-5.55%
Tax rate on profit before taxes	**36.52%**	**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	Assets		Liabilities		Net	
related to:	2019	2018	2019	2018	2019	2018
Intangible assets						
Unrealised revaluation	9,360	7,544			9,360	7,544
Equalisation and catastrophe reserves			98,945	85,759	-98,945	-85,759
Employee benefits		21	389	339	-389	-318
Assets at FV			163,566	138,803	-163,566	-138,803
Other items	192,326	166,882	28,230	39,695	164,096	127,187
Taxable losses						
Total gross deferred taxes	201,686	174,447	291,130	264,596	-89,444	-90,149
Tax offsetting						
Total net tax (assets)/liabilities	**201,686**	**174,447**	**291,130**	**264,596**	**-89,444**	**-90,149**

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.
- staff secondments (fees amount to the reimbursement of costs sustained by the seconding company in the form of remuneration and the related costs).

With reference to transactions with the parent Cassa Depositi e Prestiti S.p.A., in 2019, insurance guarantees were issued which generated premiums of Euro 127.9 million (Euro 92.6 million in 2018), SACE's financial investment portfolio contains two bonds for a total nominal amount of Euro 84 million issued by the parent Cassa Depositi e Prestiti S.p.A. and purchased by SACE S.p.A. before the change of the majority shareholder. Furthermore, at 31 December 2019, there were Euro 5,147.2 million as demand deposits at the parent company Cassa Depositi e Prestiti S.p.A., Euro 1,985.5 million as repo agreements and an asset swap transaction for a notional amount of Euro 974 million.

Fees paid to senior managers with strategic responsibility

The fees paid in 2019 amount to Euro 2,783 thousand.

Other information

Since SACE S.p.A. has renewed its participation in the tax consolidation scheme of Cassa Depositi e Prestiti S.p.A. for the three-year period 2019-2021, 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 2019 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.	133
Audit of subsidiaries	307
Total	**440**

Events after the end of the year

Nothing to report.

04

Annexes
to the Notes

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)

Description	At cost	Restated or at fair value	Total carrying amount
Investment property	12,402		12,402
Other property	70,798		70,798
Other property, plant and equipment	5,815		5,815
Other intangible assets	12,601		12,601

Annex 2. Breakdown of reinsurers' share of technical provisions

	Direct business		Indirect business		Total carrying amount	
(in € thousands)	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Non-life provisions	**1,400,552**	**1,133,529**	**3,797**	**2,251**	**1,404,350**	**1,135,780**
Provision for unearned premiums	1,227,400	1,038,033	1,911	1,261	1,229,311	1,039,294
Provision for claims outstanding	146,912	64,042	1,886	990	148,798	65,032
Other provisions	26,240	31,454			26,240	31,454
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 provisions						
Total of reinsurers' share of technical provisions	**1,400,552**	**1,133,529**	**3,797**	**2,251**	**1,404,350**	**1,135,780**

Annex 3. Breakdown of financial assets

					Financial assets at fair value through profit or loss							
	Financial assets at amortised cost		Financial assets at fair value through other comprehensive income		Financial assets held for trading		Financial assets at fair value		Other financial assets for which fair value measurement is mandatory		Total carrying amount	
(in € thousands)	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**
Equity instruments			5,165	5,165	365	6,441					5,530	11,606
- of which listed					*365*	*6,441*					*365*	*6,441*
Debt securities	2,211,967	1,777,319			1,405,391	2,513,652			673,228	677,019	4,290,585	4,967,990
- of which listed	*2,211,965*	*1,777,319*			*1,206,083*	*2,343,260*			*673,228*	*677,019*	*4,091,275*	*4,797,598*
Units of UCITS						69,999						69,999
Loans and receivables with insured banks	539	463									539	463
Interbank loans and receivables												
Deposits with ceding companies	469	224									469	224
Financial asset components of insurance policies												
Other loans and receivables	1,756,739	1,737,562							257,909	345,218	2,014,648	2,082,780
Non-hedging derivatives					1,584	495					1,584	495
Hedging derivatives						377						377
Other financial investments												
Total	**3,969,714**	**3,515,568**	**5,165**	**5,165**	**1,407,340**	**2,590,964**			**931,137**	**1,022,237**	**6,313,355**	**7,133,934**

Annex 4. Breakdown of technical provisions

	Direct business		Indirect business		Total carrying amount	
(in € thousands)	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**
Non-life provisions	**3,447,339**	**3,089,736**	**142,345**	**154,715**	**3,589,684**	**3,244,452**
Provision for unearned premiums	2,902,355	2,649,389	100,377	121,370	3,002,731	2,770,760
Provision for claims outstanding	544,066	439,499	41,968	33,345	586,034	472,844
Other provisions	918	848			918	848
of which provisions made following liability adequacy tests						
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 provisions						
of which provisions made following liability adequacy tests						
of which deferred liabilities towards policyholders						
Total technical provisions	**3,447,339**	**3,089,736**	**142,345**	**154,715**	**3,589,684**	**3,244,452**

Annex 5. Breakdown of financial liabilities

	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	
(in € thousands)	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**
Participating financial instruments								
Subordinated liabilities					14,351	14,330	14,351	14,330
Liabilities from financial contracts issued by insurance companies arising from:								
- financial contracts where the investment risk is borne by policyholders								
- pension fund administration								
- other contracts								
Deposits received from reinsurers					13,553	14,103	13,553	14,103
Financial liability components of insurance policies								
Debt securities issued					517,199	517,199	517,199	517,199
Due to banks					618,155	427,701	618,155	427,701
Interbank liabilities								
Other loans obtained					1,117,857	1,003,098	1,117,857	1,003,098
Non-hedging derivatives	4,197	3,394					4,197	3,394
Hedging derivatives	65,049	6,085					65,049	6,085
Other financial liabilities				28,558	2,019,925	1,095,006	2,019,925	1,123,564
Total	**69,246**	**9,479**		**28,558**	**4,301,039**	**3,071,437**	**4,370,286**	**3,109,474**

Annex 6. Breakdown of technical insurance items

(in € thousands)		31/12/19			31/12/18		
Non-life business		**Gross amount**	**Reinsurers' share**	**Net amount**	**Gross amount**	**Reinsurers' share**	**Net amount**
NET PREMIUMS		**422,436**	**-70,407**	**352,030**	**355,605**	**-46,892**	**308,713**
a	Premiums written	653,299	-242,656	410,643	815,537	-275,351	540,186
b	Change in the provision for unearned premiums	-230,863	172,250	-58,613	-459,932	228,459	-231,473
NET CLAIMS INCURRED		**229,574**	**-49,188**	**180,386**	**215,476**	**-32,201**	**183,275**
a	Amounts paid	287,168	-36,616	250,552	281,647	-33,740	247,906
b	Change in the provision for outstanding claims	42,606	-13,183	29,423	71,811	-227	71,584
c	Change in recoveries	-106,338	731	-105,607	-142,899	1,734	-141,165
d	Change in other technical provisions	6,138	-121	6,017	4,918	32	4,950
Life business							
NET PREMIUMS							
NET CLAIMS INCURRED							
a	Claims paid						
b	Change in the provision for claims to be paid						
c	Change in mathematical provisions						
d	Change in technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds						
e	Change in other technical provisions						

Annex 7. Financial and investment income and expense

(in € thousands)	Interest	Other income	Other expense	Realised gains	Realised losses	Total realised gains and losses	Valuation gains: Valuation gains	Valuation gains: Reversals of write-downs	Valuation losses: Valuation losses	Valuation losses: Impairment of value	Total unrealised gains and losses	Total income and expanse: 31/12/19	Total income and expanse: 31/12/18
Investment income (expense)	**155,979**	**3,623**	**-8,558**	**77,624**	**-37,758**	**190,911**	**21,874**		**-69,810**	**-82**	**-48,018**	**142,893**	**137,015**
a On investment property		299	-353			-54						-54	-1,929
b Related to equity investments in subsidiaries, associates and joint ventures							460				460	460	351
c On financial assets at amortised cost	107,937	2,103		9,365	-108	119,297	437		-30,667	-82	-30,312	88,986	104,338
d On financial assets at fair value through other comprehensive income													40
e On financial assets held for trading	18,637	539	-1,348	66,375	-37,650	46,553	13,908		-4,257		9,650	56,203	22,502
f On financial assets designated as at fair value													
g On other financial assets for which fair value measurement is mandatory	29,405	681	-6,857	1,885		25,114	7,069		-34,886		-27,817	-2,703	11,712
Sundry receivables - income (expense)	**2,413**					**2,413**						**2,413**	**3,544**
Cash and cash equivalents - income (expense)	**190**					**190**						**190**	**443**
Financial liabilities - income (expense)	**801**					**801**						**801**	**-2,862**
a On financial assets held for trading	7,086					7,086						7,086	2,146
b On financial liabilities designated as at fair value													
c On financial liabilities at amortised cost	-6,285					-6,285						-6,285	-5,008
Payables	**-27,767**					**-27,767**						**-27,767**	**-18,693**
Total	**131,616**	**3,623**	**-8,558**	**77,624**	**-37,758**	**166,548**	**21,874**		**-69,810**	**-82**	**-48,018**	**118,530**	**119,447**

Annex 8. Breakdown of insurance business costs

(in € thousands)		Non-life business 31/12/19	Non-life business 31/12/18	Life business 31/12/19	Life business 31/12/18
Gross commissions and other acquisition costs		**49,532**	**57,002**		
a	Acquisition commissions	16,549	15,395		
b	Other acquisition costs	32,717	38,852		
c	Change in deferred acquisition costs				
d	Collection commissions	266	2,756		
Reinsurance commissions and profit-sharing		-38,315	-54,713		
Investment management charges		3,653	5,424		
Other administrative expenses		64,216	56,055		
Total		**79,085**	**63,768**		

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

		Level 1		Level 2		Level 3		Total	
(in € thousands)		**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**
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	1,206,448	2,421,304	84,031	100,207	116,861	69,453	1,407,340	2,590,964
	Financial assets designated at fair value								
	Other financial assets for which fair value measurement is mandatory	589,465	677,019	83,762		257,909	345,218	931,137	1,022,237
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets measured at fair value on a recurring basis		**1,795,913**	**3,098,323**	**167,793**	**100,207**	**379,935**	**419,836**	**2,343,641**	**3,618,366**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading			69,246	9,479			69,246	9,479
	Financial liabilities designated at fair value						28,558		28,558
Total liabilities measured at fair value on a recurring basis				**69,246**	**9,479**		**28,558**	**69,246**	**38,037**
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 as 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**	**69,453**		**345,218**					
Purchases/Issues		47,360		3,000					
Sales/Repurchases									
Repayments		-1,847		-64,650					
Profit or loss recognised in profit or loss				-25,659					
- of which for value gains/losses				-25,659					
Gain or loss recognised in other comprehensive income									
Transfers to level 3									
Transfers to other levels									
Other changes		1,895							
Closing balance	**5,165**	**116,861**		**257,909**					

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

	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
(in € thousands)	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Assets										
Financial assets at amortised cost	3,969,714	3,515,568	2,316,715	1,812,905	2	29,301	2,197	1,735,266	2,318,914	3,577,472
Equity investments in subsidiaries, associates and joint ventures	8,700	8,361			8,700	8,361			8,700	8,361
Investment property	12,402	12,457			12,402	12,457			12,402	12,457
Property, plant and equipment	76,612	52,544			76,612	52,544			76,612	52,544
Total assets	**4,067,428**	**3,588,931**	**2,316,715**	**1,812,905**	**97,716**	**102,664**	**2,197**	**1,735,266**	**2,416,628**	**3,650,835**
Liabilities										
Financial liabilities at amortised cost	**4,301,039**	**3,071,437**	**541,139**	**476,636**	**33,650**	**14,121**	**3,750,191**	**2,525,805**	**4,324,980**	**3,016,562**

Annex 11. Breakdown of other comprehensive income

	Allocations		Adjustments for reclassification in profit and loss		Other changes		Total changes		Taxes		Balance	
(in € thousands)	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**	**31/12/19**	**31/12/18**
Other income components without reclassification in profit and loss											**-25**	**190**
Reserve arising from changes in shareholders' 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											-25	190
Gains or losses on equity investments designated as 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											**-2,908**	**-66**
Reserves for net exchange differences											-25	-66
Gains or losses on cash flow hedges											-2,882	
Gains or losses on hedges of net investments in foreign entities												
Reserve arising from changes in shareholders' equity of subsidiaries												
Income and charges relating to non-current assets or to a disposal group held for sale												
Reclassification using the overlay approach												
Other												
Total other comprehensive income											**-2,932**	**124**

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Moira Paragone

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, Pierfrancesco Latini, in my capacity as CEO and Nicoletta Cassano, 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 2019.

The adequacy of the administrative and accounting procedures used to prepare the consolidated financial statements for the year ended at 31 December 2019 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 2019:
  - 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, 3 April 2020

Pierfrancesco Latini
CEO

Nicoletta Cassano
Executive Officer

05

Report of the independent boards

Report of the independent boards

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 2019

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 2019, 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 2019, 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

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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 2019: Measurement criteria – Technical provisions Notes to the consolidated statement of financial position - Section 10 – Technical provisions Technical provisions of the consolidated financial statements of SACE SpA include Euro 3,003 million related to the provision for unearned premiums, equal to 21 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 procedures 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 unearned premiums.

Valuation of receivables from policyholders and third parties for recoveries

Notes to the consolidated financial statements for the year ended 31 December 2019: Measurement criteria – Sundry Receivables Notes to the consolidated statement of financial position - Section 5 "Sundry receivables" (Item 5)

Sundry receivables include Euro 552 million, equal to 3.9 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 countries, 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 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 a sample of counterparties, verification of the regularity of payments and the respect of the restructuring agreement.

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Evaluation of receivables for factoring contracts

Notes to the consolidated financial statements for the year ended 31 December 2019:
Financial assets at amortised cost
Notes to the consolidated statement of financial position - Section 4 – Investments (Item 4) – par. 4.3 Financial assets at amortised cost

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 1,455 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.

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 of loans and receivables and checks on the operating efficacy of the related relevant controls;
- analysis of the impairment model on a collective basis, made in compliance with 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.

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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.
On 22 May 2019 we communicated to the Company, as requested, the availability of early termination of the contract with effect from the approval date of the Company's and the consolidated financial statements as of 31 December 2019.

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 2019, 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 2019 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 2019 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 2020

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

SACE S.p.A. – Consolidated financial statements at 31 December 2019

Report of the Board of Statutory Auditors

Dear Shareholder,
As stated in the Notes, the scope of consolidation of SACE S.p.A., as at 31 December 2019, 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 99.99972% direct stake and a 0.00028% 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 2019 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 2019, 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 also 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. On 25 March 2020 we held a meeting with the Board of Statutory Auditors of the subsidiary SIMEST, during which we exchanged information.
We acknowledge that the reports issued by each individual competent body concerning the part for which they are responsible, do not reveal any irregularities, findings, issues 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 3 April of this year, the independent auditors PricewaterhouseCoopers S.p.A. issued their report on the consolidated financial statements at 31 December 2019 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 2019 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 2019 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 2019, reference should be made to the Report on operations of SACE S.p.A., which underlines the key aspects of the financial statements of that company, whose operations continued to have significant repercussions on the consolidated financial statements throughout 2019. In our opinion and based on that stated above, the consolidated financial statements of the SACE Group for the year ended at 31 December 2019 – recording a net profit of Euro 103,189,120, including Group interest in the profit for the year of Euro 109,697,764, total assets for Euro 14,153,873,234, total liabilities for Euro 8,556,642,691 and consolidated shareholders' equity for Euro 5,597,230,543, including Group interest in shareholders' equity for Euro 5,525,121,187 – which are the result of financial statements that generated no exceptions, recommendations, criticisms or reservations, give a true and fair view of the assets and financial position of the SACE Group as at 31 December 2019 and of its operating result and cash flows for the year ended as at that date, in accordance with the aforesaid laws governing consolidated financial statements.

Rome, 8 April 2020

THE BOARD OF STATUTORY AUDITORS
Silvio Salini (Chairman)
Moira Paragone (Standing Auditor)
Gino Gandolfi (Standing Auditor)

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