Annual Report 2018

simest
•gruppo cdp•

Annual Report 2018

We would like to thank the following partner companies
for kindly allowing us to make use of their photographic materials:

· Aeromeccanica Stranich Spa
· Antonio Zamperla Spa
· Bacco Srl
· Favellato Srl
· Guida Impianti Spa
· Irritec Spa
· Metalmeccanica Tiberina Srl
· Park Hotel Srl
· Savio Firmino Srl
· Tesmec Spa
· Venchi Spa

ISO 9001 BUREAU VERITAS Certification

ACCREDIA L'ENTE DI ACCREDITAMENTO

OHSAS 18001 BUREAU VERITAS Certification

UKAS MANAGEMENT SYSTEMS 008

SIMEST Spa
Società italiana per le imprese all'estero
Corso Vittorio Emanuele II, 323 | 00186 Rome
T +39 06 68635 1 | F +39 06 68635 220
Certified e-mail: simest@legalmail.it

Share capital € 164,646,231.88 fully paid-up
Registered with the Rome Companies' Register,
Tax Code and VAT no. 04102891001
Registered at the CCIAA (Chamber of Commerce)
of Rome, Economic and Administrative Index (REA) no. 730445

Company subject to management
and coordination by SACE Spa

Contents

SIMEST: OUR ROLE AND MISSION	5
CORPORATE OFFICERS	6
REPORT ON OPERATIONS	**8**
1. RECLASSIFIED FINANCIAL AND OPERATING HIGHLIGHTS	10
2. ORGANISATIONAL STRUCTURE	11
3. 2019-2021 BUSINESS PLAN	16
4. MARKET CONTEXT	20
5. BUSINESS PERFORMANCE	23
5.1 Mobilised and managed funds	23
5.2 Internationalisation	26
5.2.1 Soft Loans: loans for internationalisation (Law 394/81 Fund and Sustainable Growth Fund)	26
5.2.2 Equity investments	28
5.3 Export credit support (Law 295/73 Fund)	33
5.4 Promotion and development activities	35
6. RISK MANAGEMENT	38
7. INTERNAL CONTROL SYSTEM	42
8. GOVERNANCE AND SUPPORT ACTIVITIES	43
8.1 Communications	43
8.2 Human resources and organisation	43
8.3 Legal disputes	44
8.4 Corporate governance	45
9. SUSTAINABILITY	49
9.1 Corporate Social Responsibility	49
10. BALANCE SHEET AND INCOME STATEMENT FIGURES	52
10.1 Reclassified Balance sheet	53
10.2 Reclassified Income statement	55
11. SIGNIFICANT EVENTS AFTER THE REPORTING DATE	57
12. BUSINESS OUTLOOK	57
13. ADDITIONAL INFORMATION PURSUANT TO ARTICLE 2428 OF THE ITALIAN CIVIL CODE	57
FINANCIAL STATEMENTS AT DECEMBER 31, 2018	**60**
FORM AND CONTENT OF THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018	62
Balance sheet	64
Income statement	65
Statement of changes in equity: current financial year	66
Statement of changes in equity: previous financial year	67
Statement of comprehensive income	68
Statement of cash flows	69
NOTES TO THE FINANCIAL STATEMENTS	70
Annex: equity investments at December 31, 2018	114
REPORT OF THE BOARD OF STATUTORY AUDITORS	**130**
INDEPENDENT AUDITORS' REPORT	**140**
APPROVAL OF THE FINANCIAL STATEMENTS AT DECEMBER 31, 2018	**146**

SIMEST
our role and mission

SIMEST is a joint-stock company of the Cassa depositi e prestiti Group and a subsidiary of SACE Spa. Other shareholders include banks and businesses in the private sector. The Company was established in 1991 to promote investments by Italian businesses abroad and to provide them with technical and financial support. Since 1999 the Company has managed public-sector financial instruments in support of the internationalisation of Italian businesses. Together with SACE, SIMEST forms the “Italian export and internationalisation hub” of the CDP Group, which offers the entire range of instruments to support Italian businesses interested in competing and expanding internationally. In particular, SIMEST supports businesses in their growth over the entire internationalisation lifecycle, from the initial assessment of new markets to the expansion through direct investments.

Areas of activity

Soft loans to support internationalisation and exports

SIMEST manages instruments designed to provide financial support to exports and other forms of internationalisation for Italian businesses. In particular, the Company:

- finances feasibility studies and technical assistance programmes connected with investments in non-EU countries;
- finances market penetration programmes for entering non-EU markets;
- finances the capitalisation of exporting SMEs;
- finances the participation in trade fairs, exhibitions and institutional missions in non-EU countries to promote the Italian brand;
- supports export credit of Italian businesses.

Equity investments

Working alongside Italian businesses, SIMEST can acquire up to 49% of the share capital of foreign businesses, both directly and through blending facilities with the Venture Capital Fund to support foreign investments in certain countries outside the European Union.
SIMEST may also acquire equity investments of up to 49% of the share capital in Italian businesses[1] or their subsidiaries in the European Union that develop productive investments and investments in innovation and research. SIMEST’s investment outside the EU also gives the Italian company access to interest subsidies to finance its equity investment.

[1] In sound and profitable companies; bailouts are excluded.

Corporate officers

Board of Directors

Salvatore Rebecchini
Chairman

Maurizio Marchesini
Vice Chairman

Alessandra Ricci
Chief Executive Officer

Simonetta Acri
Director

Antonella Baldino
Director

Ivana Greco
Director

Michele Tronconi
Director

Board of Statutory Auditors

Daniele Discepolo
Chairman

Laura Guazzoni
Statutory Auditor

Carlo Hassan
Statutory Auditor

Daniela Frusone
Alternate Auditor

Livio Domenico Trombone
Alternate Auditor

Magistrate delegated by the Court of Auditors
(Law 259/1958)

Pio Silvestri

Supervisory body

Antonio Bertani | Chairman
Mara De Paola | Internal standing member
Ugo Lecis | External standing member

Independent Auditors

PricewaterhouseCoopers Spa[2]

[2] Three-year engagement granted by the Shareholders' Meeting of April 20, 2018 until approval of the financial statements for the year ended December 31, 2020.

Report on operations


1. Reclassified financial and operating highlights

(millions of euro)

	2018	2017
RECLASSIFIED BALANCE SHEET		
Total assets	591	557
Receivables for equity investments	560	527
Liabilities for financing	249	221
Equity	328	321
RECLASSIFIED INCOME STATEMENT		
Gross income	39	35
Operating income	10	11
Net income for the year	1	4

Note: 2017 figures restated in accordance with IFRS 9

MOBILISED AND MANAGED FUNDS

(millions of euro)

Amounts for the year	**2018**	**2017**
Soft Loans	248	147
Equity Loan*	233	254
Total internationalisation	**481**	**401**
Export Credit	9,216	11,433
Total export	**9,216**	**11,433**
Total new amounts	**9,697**	**11,834**

Year-end balances	**2018**	**2017**
Soft Loans	343	264
Equity Loan**	740	705
Total year-end balance	**1,083**	**968**

KEY FINANCIAL INDICATORS

(units; percentages)

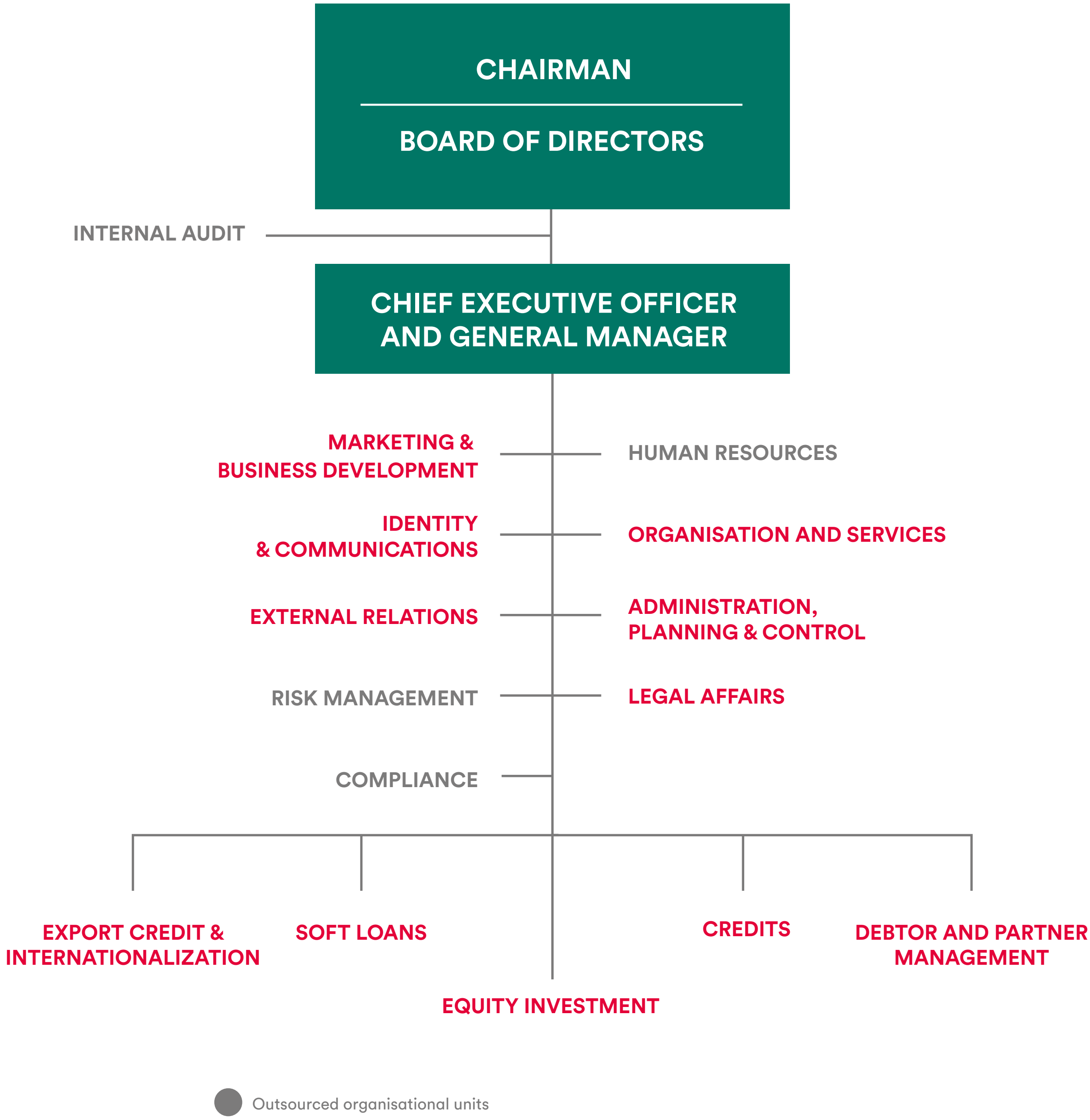
	2018	2017
PERFORMANCE RATIOS		
Cost/income ratio (%)	60	64
ROE (%)	0.4	1

Note: 2017 figures restated in accordance with IFRS 9

	2018	2017
OPERATING STRUCTURE		
Average headcount (including secondments)	153	149
CUSTOMERS	1,566	1,248
TARGET COUNTRIES	103	99

* The item includes: direct equity investments, equity investments of the Venture Capital Fund and interest subsidies for equity investments on Equity Loans.
** The item includes: direct equity investments and equity investments of the Venture Capital Fund.

2. Organisational structure



Note: Services outsourced to SACE Spa: Internal Audit, Risk Management, Human Resources, Procurement, Compliance and ICT.

Target countries of operations in 2018

AMERICA

Argentina
Brazil
Canada
Cuba
Dominican Republic
Mexico
Panama
United States of America

EUROPE

Albania
Austria
Bosnia Herzegovina
France
Georgia
Germany
Guernsey (Channel Islands)
Italy
Montenegro
Poland
Russia
Serbia
Spain
Switzerland
Turkey
Ukraine
United Kingdom

ASIA

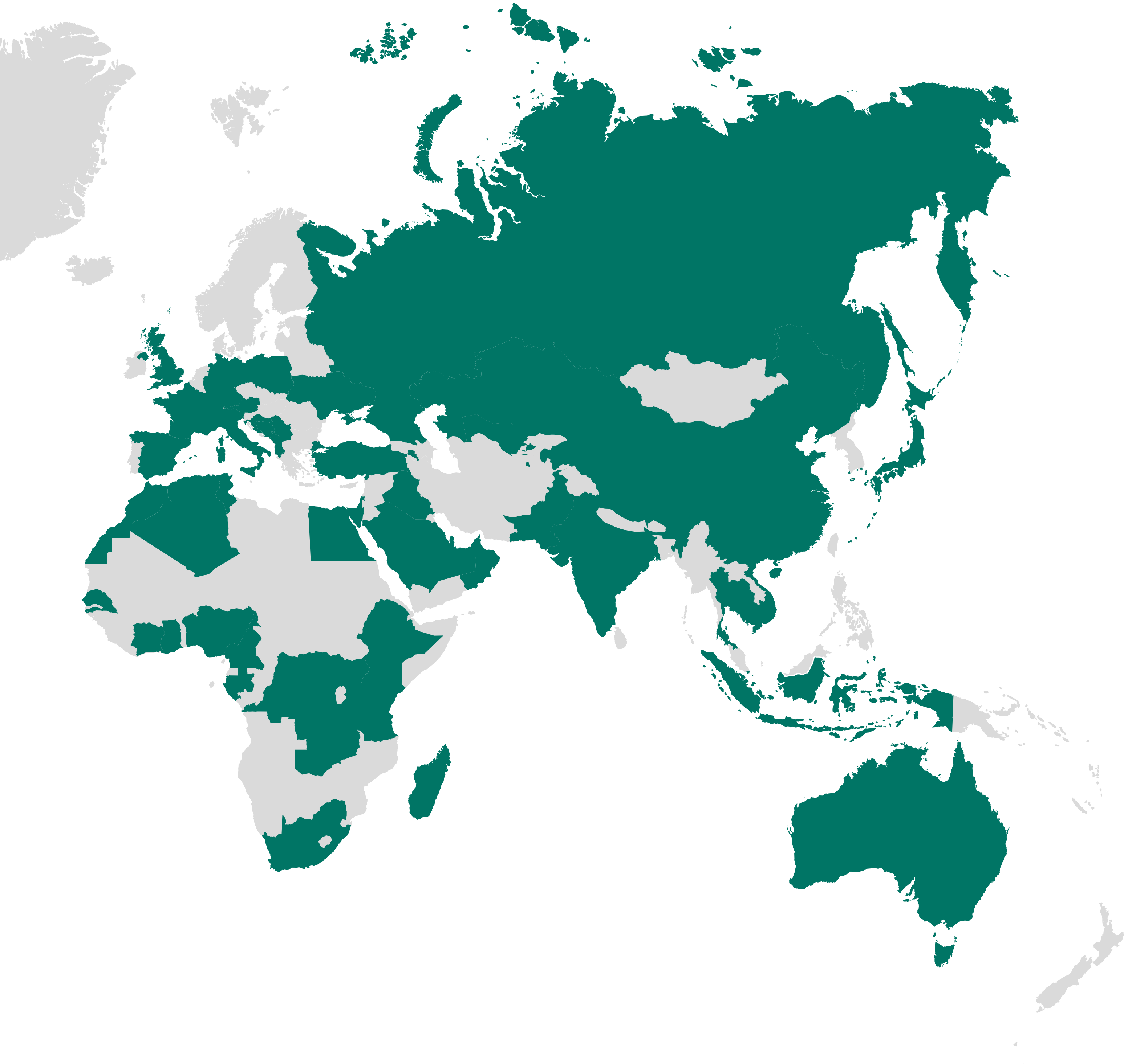
Bahrain
Cambodia
China
India
Indonesia
Iraq
Israel
Japan
Kazakhstan
Kuwait
Lebanon
Oman
Pakistan
Qatar
Saudi Arabia
Singapore
Thailand
United Arab Emirates
Uzbekistan
Vietnam

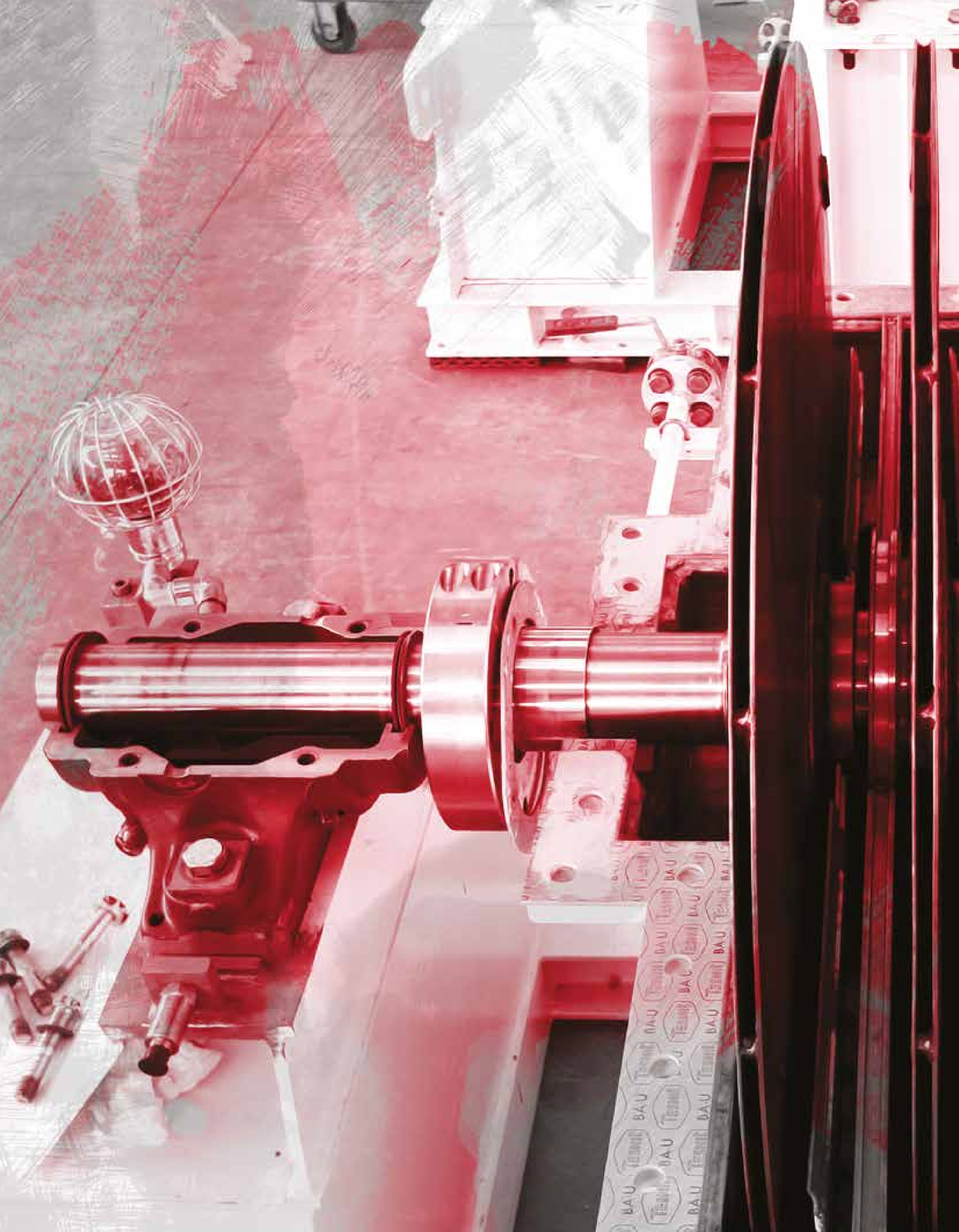
AFRICA

Algeria
Cameroon
Dem. Rep. of Congo
Egypt
Ethiopia
Gabon
Ghana
Ivory Coast
Kenya
Madagascar
Morocco
Nigeria
Rep. of South Africa
Senegal
Tanzania
Tunisia
Zambia

OCEANIA

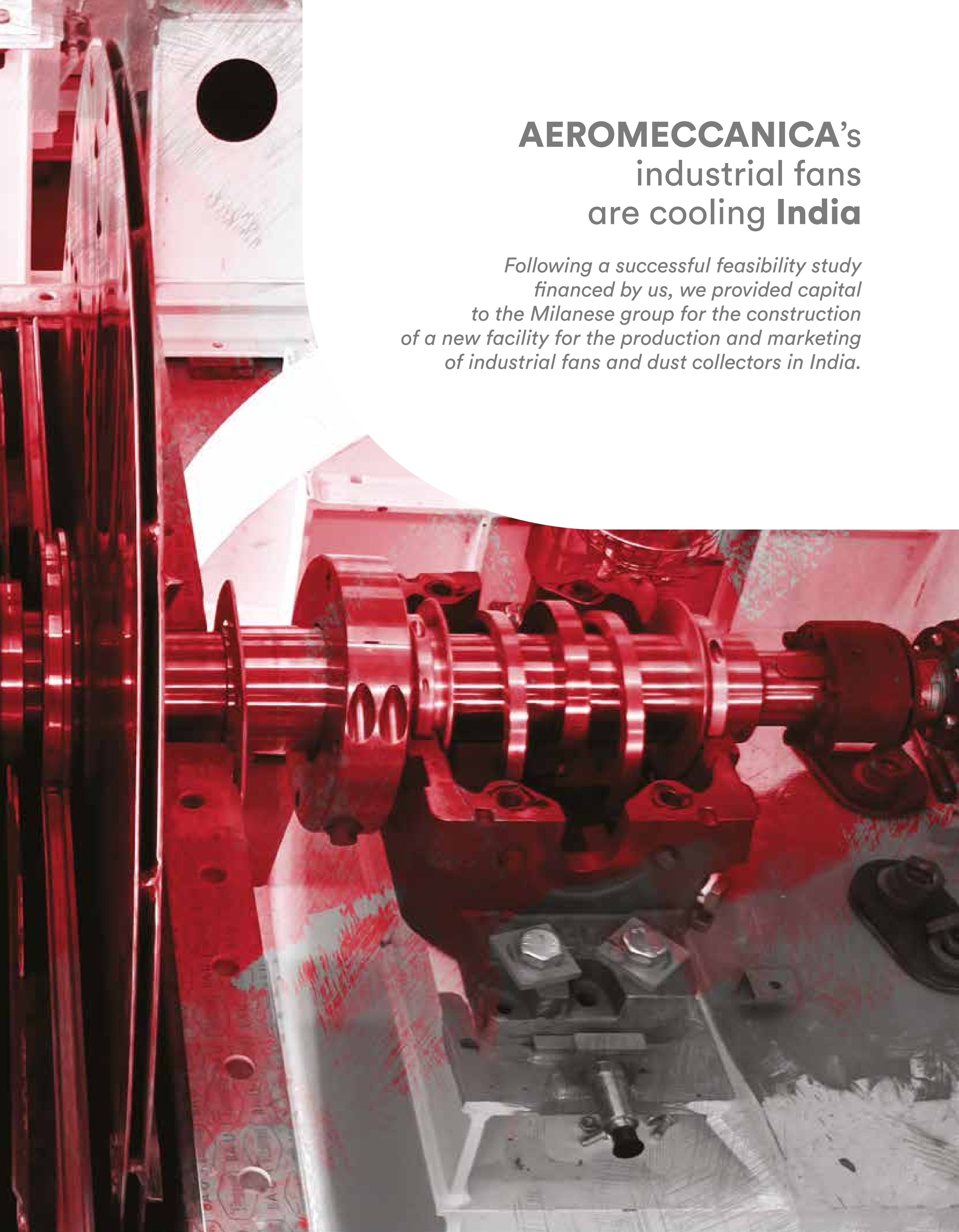
Australia





AEROMECCANICA's industrial fans are cooling **India**

Following a successful feasibility study financed by us, we provided capital to the Milanese group for the construction of a new facility for the production and marketing of industrial fans and dust collectors in India.



3. 2019-2021 Business Plan

2019-2021 Business Plan

In December 2018, the Board of Directors of Cassa depositi e prestiti approved the document "From Italy for Italy: CDP 2019-2021 Business Plan", which contains the CDP Group's strategic guidelines broken down into the following four areas of operation:

1. CDP Enterprises;
2. CDP Infrastructure, Public Sector and Local Development;
3. CDP Cooperation;
4. Large Strategic Equity Investments.

On December 21, 2018, the Board of Directors of SACE Spa formally adopted the 2019-2021 Group Business Plan with respect to guidelines and macro-objectives. The development trends and macro-drivers for the Italian export and internationalisation hub were also defined.
The measures envisaged in the 2019-2021 Business Plan are intended to support SMEs and Mid-Caps in the complex internationalisation and export processes. The planned actions are aimed at developing a targeted offer based on customer segments (medium/small and large enterprises), strengthening the digital offering for SMEs, introducing product/process innovations and consolidating Group synergies.
Commercial and promotional actions are also envisaged in order to reach the largest number of companies possible, including through the strengthening of the synergies with SACE's domestic network, and to disseminate the culture of internationalisation.
Despite the unfavourable global macroeconomic context[3] and the expected slowdown in the Italian economy and the main economies of the Eurozone, benchmark data show that foreign direct investment as a percentage of GDP is stable. Nevertheless, when compared to the other major European economies, Italy continues to record a much lower propensity to FDI:[4] in 2017 the ratio of outgoing FDI stock to GDP was 28%, compared to 55% in France, 43% in Germany and 42% in Spain. This gap represents growth potential for the country's economy, especially for long-term structured initiatives and a permanent presence on international markets. In this regard, the positive effects of the Italian export and internationalisation hub's actions, which emerged from the impact analysis carried out by Prometeia, are worth noting.[5] Indeed, the study shows that, in terms of investment and labour productivity, for the companies benefiting from the products, internationalisation allows for improved productivity. Moreover, with particular reference to SMEs, the study showed how the hub's actions can be considered a factor for mitigating risk and consequently for reducing the cost of debt.
As regards the objectives set out in the guidelines of the Business Plan, during 2018 specific actions were identified to update the product range, seeking to expand the number of beneficiary companies both through the definition of new forms of support and through the expansion of methods of action and the streamlining of processes for existing instruments. Over the period covered by the Plan, around 2 billion euro are expected to be allocated for internationalisation and around 24 billion euro to support exports (2018-2021 CAGR net mobilised and managed funds +5%).

[3] Source: Oxford Economics forecasts, October 2018.
[4] Source: OECD.
[5] Source: Prometeia, *Centre for Internationalisation*, March 2018.

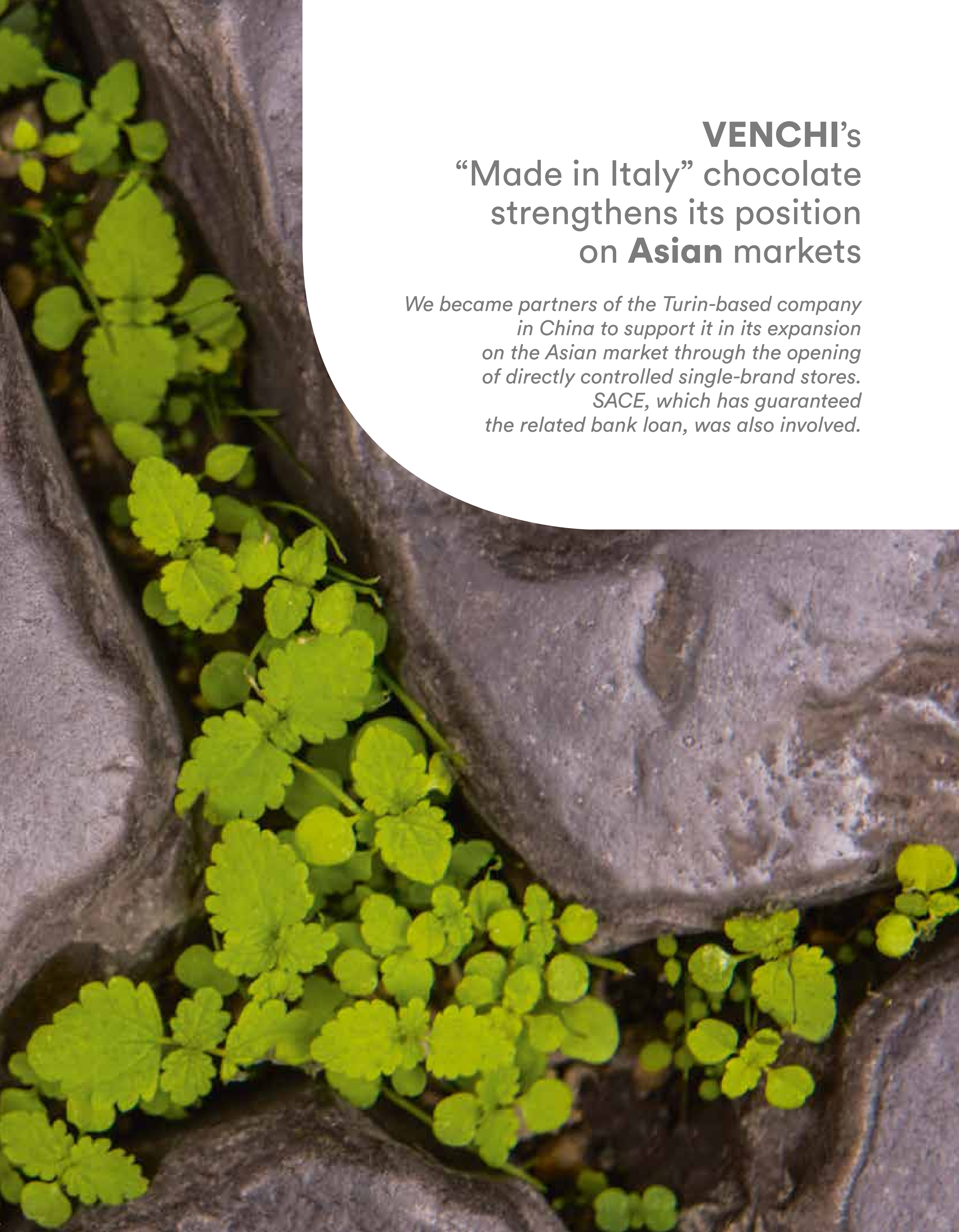
The Italian export and internationalisation hub

Among its various initiatives, the Cassa depositi e prestiti 2019-2021 Business Plan, approved by the Board of Directors in December 2018, envisaged the creation of a Group "one-stop desk", a single commercial interface representing a point of access for all companies.
In 2018, the hub's joint advertising campaign, launched at the end of 2017 and aimed at our target customers, was continued with extensive publicity through the main communication channels. The synergies also involved initiatives aimed at disseminating awareness of the products and services offered to Italian companies, and participation in international missions during which technical support was provided to the participating companies. The Italian export and internationalisation hub is unique in Europe and represents a competitive edge for Italian companies.


Venchi
Il Gianduiotto

VENCHI’s “Made in Italy” chocolate strengthens its position on **Asian** markets

We became partners of the Turin-based company in China to support it in its expansion on the Asian market through the opening of directly controlled single-brand stores. SACE, which has guaranteed the related bank loan, was also involved.



4. Market context

The international scenario

In 2018 the growth rate of the world economy in terms of change in GDP was 3.7%, substantially in line with the +3.8% of 2017, mainly due to the weak performance recorded in some major economies in the third quarter of the year. In advanced economies, GDP grew by 2.3% (+2.4% in 2017), while emerging and developing economies grew by 4.6%, compared to +4.7% in 2017. World trade slowed from +5.3% in 2017 to +4% in 2018.[6]

As for the main geographical areas, in 2018 the United States saw an increase in GDP of 2.9%, up from +2.2% in 2017, while the Eurozone saw a slowdown in growth to +1.8%, compared to +2.4% in 2017.

The sustained growth rate in emerging and developing economies, while remaining high, is the result of varying trends among the main countries in this category. The upturn in economic activity that began in 2017 continued in 2018, both in Russia, where GDP grew by 1.7% from +1.5% in 2017, and in Brazil (+1.3% compared to +1.1% in 2017). The economy slowed in China (+6.6% in 2018 compared to +6.9% in 2017), while in India the current expansionary trend is being confirmed, with GDP increasing by 7.3% in 2018 from +6.7% in 2017.

Global flows of foreign direct investment (FDI) dropped to 1,188 billion USD in 2018, down 19% from 1,470 billion USD recorded in 2017.[7] This was mainly attributable to the trend in FDI towards advanced economies, which fell by 40%, from 749 billion USD in 2017 to 451 billion USD in 2018 – the lowest level since 2004 – and was largely driven by the repatriation of profits made abroad by US multinationals following the tax reform introduced in the USA. While Europe as a whole has seen a 73% drop in FDI inflows, countries in the region that are the primary recipients of investment from the USA, such as Ireland and Switzerland, have been particularly hard hit. FDI to the United States fell by 18% in 2018 to 226 billion USD, however confirming the country as the world's top destination for foreign investment. On the other hand, flows to the remaining advanced economies grew by 17%, with particularly positive performances for Australia and Japan.

FDI flows to emerging economies increased by 3% to 694 billion USD, or 58% of the global total. In particular, investments in emerging Asian economies grew by 5% (with flows to China growing by 3% mainly in the manufacturing sector), while those in Latin America fell by 4%, primarily due to the slow pace of the region's economic recovery.

In Africa, FDI inflows increased by 6%, but were concentrated in a few economies, including Egypt and South Africa.

For the second consecutive year, in 2018, economies in transition recorded a negative change in inflows (-8% compared to 2017), attributable to the downward trend in FDI to some countries in the area that are traditionally the main recipients of foreign investment, among which Russia (-14%).

[6] See International Monetary Fund, *World Economic Outlook Update*, January 2019.
[7] See UNCTAD, *Global Investment Trends Monitor*, January 2019.

The global outlook for 2019

The outlook for 2019 is for a slowdown in world economic growth and reflects uncertainties linked to global economic and political factors.
The risks to the future of the international economy stem from the vulnerability of emerging markets, the slowdown in Chinese growth despite the fiscal stimulus introduced by the government, the slight deterioration in the growth prospects of the Eurozone and Japan, combined with the slowdown in the United States, where the expansionary effects generated by the tax reform are coming to an end. Factors that are adversely affecting growth projections also stem from the ongoing disputes over trade tariffs, primarily between the US and China, the process of ratifying the free trade agreement between the US, Mexico and Canada, and future economic relations between the UK and the EU. In general, some protectionist pressures remain which, if accommodated, would have negative effects on global investment, production efficiency and, therefore, worldwide potential growth.
The International Monetary Fund estimates[8] that global GDP will grow by 3.5% in 2019, 2.5% in the United States, 1.6% in the Eurozone, 6.2% in China and 7.5% in India; Brazil will also continue its gradual recovery where GDP is expected to increase by 2.5%, while the projected growth for Russia (+1.6%) is being hampered by uncertainties regarding oil prices. World trade is expected to grow by 4.0% in 2019, which is higher than global GDP growth.
As far as FDI is concerned, UNCTAD[9] points to a rebound in global investment flows in 2019, also in consideration of the positive effects stemming from the 29% increase in the value of greenfield investments announced in 2018, although mitigated not only by the weakness in the world economy but also by various factors both of a political nature, such as the ongoing trade tensions, and of a structural nature, such as the continuously decreasing returns on foreign investment.

The Italian economy

In 2018, GDP in Italy increased by an estimated 0.9%, compared to 1.6% in 2017.[10] The pace of economic expansion, which has been under way since 2015, has therefore slowed, and the fall in all domestic demand components, particularly investment and household spending, confirms the sluggish state of the economy.
The average annual inflation rate in 2018 was +1.2% – the same rate recorded in 2017 – about half of which is attributable to the trend in energy prices, net of which consumer prices rose by 0.7% in 2018.[11]
Employment rose to 58.8% of the labour force and the unemployment rate stood at 10.3%.[12] Industrial production rose by 0.8% on average in the 12 months of 2018 compared to the previous year.[13]
Exports of goods and services increased by 3.0% in value in 2018 with almost no change in volume over the same period in 2017, while imports increased by 5.4% in value and 0.4% in volume. The trade balance over the period is positive at 39.8 billion euro; excluding trade in energy, the surplus increases to 81.2 billion euro.[14]
Direct investment from abroad amounted to 18.2 billion euro in 2018 compared to 8.7 billion euro in 2017, while Italian investment abroad amounted to 28.2 billion euro (12 billion euro in the same period of the previous year).[15]

[8] See International Monetary Fund, cit.
[9] See UNCTAD, cit.
[10] See Bank of Italy, *Economic Bulletin, no. 1/2019*, January 2019.
[11] See ISTAT, *Consumer prices. Actual data (December 2018)*, January 16, 2019.
[12] See ISTAT, *Employed and unemployed (December 2018)*, January 31, 2019.
[13] See ISTAT, *Industrial production (December 2018)*, February 8, 2019.
[14] See ISTAT, *Foreign trade and import prices (December 2018)*, February 15, 2019.
[15] See Bank of Italy, *Balance of payments and financial position abroad*, February 19, 2019.

With regard to Italian companies holding equity investments in companies abroad, the interest in the opportunities offered by international markets remained strong. Between 2007 and 2017 the number of foreign companies owned by Italian companies increased by more than 44%, going from around 25,000 to almost 36,000. The main destination for Italian equity investments abroad is the European Union (more than 50% of the total), followed by North America and Europe outside the EU, where 10% of the foreign investees of Italian companies are located respectively.[16]
According to the International Monetary Fund,[17] Italian GDP will grow by 0.6% in 2019, below the levels forecast for the Eurozone as a whole (+1.6%) and, more specifically, slower than Spain (+2.2%), France (+1.5%) and Germany (+1.3%).
According to the Bank of Italy's[18] macroeconomic outlook for the three-year period 2019-2021, Italian GDP will increase by 0.6% in the current year, by 0.9% in 2020 and by 1% in 2021. Lower GDP growth in 2019 would be primarily due to a more pronounced than anticipated slowdown in economic activity, a reduction in corporate investment activity, and a slowdown in world trade, notwithstanding the positive effects of lower long-term interest rates. Therefore, downside risks remain for Italy's growth both internally and in relation to the global geopolitical context.

[16] See Reprint, ICE-Politecnico di Milano, database. Data for 2017 are preliminary.
[17] See International Monetary Fund, cit.
[18] See Bank of Italy, *Economic Bulletin, no. 1/2019*, January 2019.

5. Business performance

5.1 Mobilised and managed funds

Funds mobilised by SIMEST and resources managed through subsidised public funds in 2018 totalled 9,697 million euro. Among the various instruments for internationalisation, mobilised and managed funds amounted to 481 million euro (+20% compared to 2017), with a significant contribution coming from equity investments (Equity Loans) acquired, and loans for internationalisation (Soft Loans). In particular, it is worth mentioning the 152 million euro of equity investments acquired, of which 131 million euro of SIMEST Equity Loans and 21 million euro of Venture Capital Fund Equity Loans. At December 31, 2018, SIMEST supports 1,566 businesses in their internationalisation and export programmes in 103 countries.

Mobilised and managed funds (2018 flows)

(millions of euro)

Business lines	2018	2017	% change
Soft Loans	248	147	68%
SIMEST Equity Loans	131	107	23%
Venture Capital Fund Equity Loans	21	10	119%
Interest subsidies on Equity Loans*	81	138	-41%
TOTAL FUNDS FOR INTERNATIONALISATION	**481**	**401**	**20%**
Export credit support*	9,216	11,433	-19%
TOTAL EXPORT CREDIT SUPPORT	**9,216**	**11,433**	**-19%**
TOTAL MOBILISED AND MANAGED FUNDS	**9,697**	**11,834**	**-18%**

* Total underlying nominal value

The balances at the end of 2018 rose by 12% overall compared to 2017, with all the business lines contributing to the increase. This increase was driven, in particular, by the significant contribution of the Soft Loans portfolio (+30%) and the SIMEST Equity Loans (+6%).

ZAMPERLA brand rides and roller coasters are off to conquer **Asia**

By granting a loan, we have increased the level of support in China to one of the world's leading amusement park equipment and facilities operators who is also one of our longstanding partners.

Mobilised and managed funds (balance at the end of 2018)

(millions of euro)

Business lines	2018	2017	% change
LOANS FOR INTERNATIONALISATION	344	264	30%
SIMEST Equity Loans	606	572	6%
Venture Capital Fund Equity Loans	134	132	1%
TOTAL EQUITY INVESTMENTS	**740**	**705**	**5%**
TOTAL YEAR-END BALANCE	**1,084**	**968**	**12%**

5.2 Internationalisation

5.2.1 Soft Loans: loans for internationalisation (Law 394/81 Fund and Sustainable Growth Fund)

SIMEST manages a revolving fund (the "Law 394/81 Fund") to disburse subsidised financing (Soft Loans) on behalf of the Ministry of Economic Development to assist Italian businesses in their internationalisation efforts. In 2018, the Subsidies Committee (the interministerial decision-making body responsible for authorising uses of the Fund) approved 790 operations for a total of 248 million euro, compared with 482 operations (+64%) totalling 147 million euro (+68%) in 2017. The impact of the subsidies granted by SIMEST has led to an increase in the volumes of exports made by the beneficiary companies and an improvement in their financial results.[19]

SOFT LOANS

Approved volumes - by product (Law 394/81 Fund and Sustainable Growth Fund)

Product	Number of transactions	Millions of euro
Foreign market penetration programmes	162	119
Capitalisation of exporting SMEs	402	111
Feasibility studies and technical assistance programmes	70	9
SMEs' participation in trade fairs and/or exhibitions	156	9
GRAND TOTAL	**790**	**248**

* Excluding loans approved for the capitalisation of SMEs.

[19] The analysis carried out by the Politecnico di Milano on the export performance of the beneficiary companies in the three years following the disbursement of the incentive showed an increase of 33% in foreign market penetration and an increase of 7% in the capitalisation of SMEs compared with the sector averages. The study refers to the period 2006-2016. Source: POLIMI Politecnico di Milano, *Analysis of the impact of SIMEST subsidies*, January 2018.
As regards the use of the Fund's public resources and the impact they have had on the companies benefiting from the subsidised loans and on the Italian economy, a study carried out by Prometeia in 2017 showed that the beneficiary companies reported on average an increase in turnover of approximately 1.1 million euro, and a reduction in financial expense as a percentage of EBITDA from 14.6% to 8.2% when compared with a sample of companies that did not benefit from the same financing. Source: Prometeia, *Centre for Internationalisation*, March 2018.

Soft Loans to support internationalisation break down as follows: financing of foreign market penetration programmes, usually consisting in the creation of permanent commercial establishments in non-EU countries, amounted to 119 million euro recorded transactions; financing of the capitalisation of exporting SMEs amounted to 111 million euro; financing of feasibility studies and technical assistance programmes linked to Italian investments in non-EU countries totalled 9 million euro. Finally, funding for the participation of SMEs in trade fairs and exhibitions in non-EU markets amounted to 9 million euro. With regard to the size of the companies receiving these Soft Loans, SMEs represent 97% of beneficiaries (and 93% of volumes) and large and Mid-Cap[20] companies represent 3% (7% of volumes).
The volume of new loans granted increased compared to 2017 as a result of the reform implemented by SIMEST and approved by the Ministry of Economic Development, which came into force in October 2016. Among the elements that have made Soft Loans more attractive to companies are: the reduction in application processing times, the simplification of contracts and disbursement procedures, the use of communication campaigns on digital channels, the launch of customer support through a customer care service.

SOFT LOANS

Approved volumes - by Fund

Funds	Number of transactions	Millions of euro
Law 394/81 Fund	790	194
Sustainable Growth Fund*	513	54
GRAND TOTAL	**790**	**248**

* The Sustainable Growth Fund only applies to foreign market penetration and the capitalisation of exporting SMEs. Of the 790 transactions approved in 2018, 513 benefited from the Sustainable Growth Fund.

With reference to foreign market penetration programmes and capitalisation only, in 2016 the agreement charging SIMEST with the management of an 80 million euro tranche of the Sustainable Growth Fund was signed, supplementing the resources of the Law 394/81 Fund. The Sustainable Growth Fund finances initiatives to promote the entry of Italian companies in non-EU markets and enhance and protect the capital strength of small and medium-sized exporting companies. The subsidies available through the Fund are intended to finance programmes that have a significant impact on the competitiveness of Italy's production system, helping to reduce the amount of guarantees required with clear benefits as regards accessibility to instruments both in terms of volumes and costs, particularly for SMEs. In 2018, a total of about 54 million euro in resources were approved, of which 23.3 million euro for foreign market penetration programmes (distributed over 111 loans) and 30.4 million euro for capitalisations (distributed over 402 loans).

[20] Mid-Caps are companies with up to 3,000 employees.

SOFT LOANS

Approved loans - by country (Law 394/81 Fund and Sustainable Growth Fund)

Country	Non-EU market penetration programmes	Feasibility studies and technical assistance programmes	SMEs' participation in trade fairs and/or exhibitions
USA	21	1	3
China	17	0.2	1
Albania	16	1	0.1
United Arab Emirates	14	1	1
Russia	7	0.4	1
Turkey	8		
Switzerland	6	0.8	
Ivory Coast	4		
Brazil	2	0.1	0.2
Argentina	3		0.1
Other	23	3.4	2.3
GRAND TOTAL*	**119**	**9**	**9**

* Excluding loans approved for the capitalisation of SMEs.

Loans were granted for a total of 49 countries. Foreign market penetration programmes focused on the United States, China, Albania and the United Arab Emirates. Feasibility studies and technical assistance programmes also mainly involved the United States, Albania and the United Arab Emirates, while the participation of SMEs in trade fairs and exhibitions was mainly directed towards the United States, China, Russia and the United Arab Emirates. During the year, 745 loans were granted for a total of 241 million euro, with about 152 million euro disbursed.

5.2.2 Equity investments

SIMEST Equity Loans: direct equity investments

The companies in which SIMEST has approved the equity investment during the year require a financial commitment of approximately 143 million euro from SIMEST.
Overall, business volumes increased compared to 2017, with 38 transactions approved, confirming that Italian companies value SIMEST as a partner in their internationalisation initiatives. Foreign equity investments are concentrated in a number of geographical areas where Italian companies frequently choose to invest, including the United States (18% of commitments accepted, with 7 investments), China (8% with 4 investments), Germany (8.5% with 2 investments, both in the automotive sector), South Africa (9% with 4 investments) and Turkey (8% with 3 investments).
Also significant is the contribution of approvals relating to equity investments in Italy (4 investments for 39 million euro) to support internationalisation programmes involving investments in Italy or in several countries, particularly China, Indonesia, India, Argentina and Brazil.

SIMEST EQUITY LOANS

(millions of euro)

Approved equity investments - by country *New projects and capital increases*	**SIMEST commitment**
Italy	39
USA	26
Republic of South Africa	13
Germany	12
China	11
Turkey	11
Mexico	7
Brazil	5
Tunisia	3
Morocco	3
India	3
Ethiopia	3
Serbia	2
Other	6
GRAND TOTAL	**143**

SIMEST EQUITY LOANS

(millions of euro)

Approved equity investments - by industry *New projects and capital increases*	**SIMEST commitment**
Metalworking industry	35
Automotive	34
Chemical/Petrochemical	27
Mechanical industry	18
Aeronautics	7
Agri-food	7
Infrastructure and construction	5
Textiles/Clothing	2
Electrical industry	2
Renewables	2
Other	5
GRAND TOTAL	**143**

80% of the investments are concentrated in the key sectors of the national production system, including: metalworking, automotive, chemical/petrochemical and mechanical industry.

During the year, based on investments approved in 2018 or earlier, SIMEST acquired 131 million euro in equity investments, compared with 107 million euro in 2017, the largest volume since the Company was set up.

SIMEST EQUITY LOANS

(millions of euro)

Equity investments acquired - by country *New projects and capital increases*	**SIMEST commitment**
Italy	37
China	17
USA	13
Germany	12
Republic of South Africa	11
Turkey	7
Mexico	7
Madagascar	7
Russia	3
Tunisia	3
Morocco	3
Brazil	3
Other	8
GRAND TOTAL	**131**

SIMEST EQUITY LOANS

(millions of euro)

Equity investments acquired - by industry *New projects and capital increases*	**SIMEST commitment**
Metalworking industry	35
Automotive	33
Chemical/Petrochemical	19
Mechanical industry	19
Renewables	7
Electrical industry	6
Agri-food	4
Infrastructure and construction	4
Textiles/Clothing	2
Other	2
GRAND TOTAL	**131**

In 2018, in performance of agreements with the partner companies, 33 equity investments were sold for a total of 99 million euro after impairment. At year end, following portfolio transactions in 2018, SIMEST held equity investments in 245 companies in Italy and abroad for a total of 606 million euro (including the equity investment in FINEST), compared with 572 million euro at the end of 2017 (+6%).

Equity investments of the Venture Capital Fund

The Venture Capital Fund managed by SIMEST on behalf of Italy's Ministry of Economic Development is represented by a non-controlling interest – in addition to the direct equity investment by SIMEST and/or FINEST[21] – in the share capital of enterprises established by Italian companies abroad (outside the European Union, in geographical areas of strategic interest to these companies).
During 2018, a total of 19 equity investments were approved by the Steering and Reporting Committee (the interministerial decision-making body for the projects submitted through the Fund), which were entirely related to new investment projects (no capital increase in companies already owned was approved during the year), as well as 25 plan revisions for projects that had previously been approved.
More specifically, the approved equity investments result in a total commitment through the Venture Capital Fund of approximately 22 million euro.

VENTURE CAPITAL FUND EQUITY LOANS

(millions of euro)

Approved equity investments - by country *New projects and capital increases*	**Fund commitment**
China	5
Republic of South Africa	4
Mexico	3
Serbia	2
India	2
Brazil	2
Bosnia Herzegovina	1
Tunisia	1
Morocco	1
Turkey	1
Albania	0.5
GRAND TOTAL	**22**

The breakdown of the approved commitments by geographical area reveals – consistent with SIMEST's direct equity investments – a focus on those countries that Italian companies have traditionally targeted as part of their internationalisation strategies.
In 2018, equity investments acquired with resources from the Venture Capital Fund totalled about 21 million euro for a total of 24 transactions.
The breakdown of the Fund's new investments by geographical area reveals renewed interest in China and African countries. The largest number of investments were in these areas (5 in China totalling 5 million euro, and the same amount in Africa).
In 2018, in performance of agreements with the partner companies, 23 equity investments were sold for a total of 20 million euro. As a result of the transactions made during the year, the portfolio of equity investments held by SIMEST under the Venture Capital Fund amounted to approximately 134 million euro at the end of 2018 (approximately 132 million euro in 2017) and involved 180 foreign companies. The trend in acquisitions and the portfolio reflects the policy of the Steering and Reporting Committee concerning the maximum amount per individual equity investment.

[21] FINEST is an equity partner and financing shareholder in the internationalisation of companies in the North-East of Italy. It acquires non-controlling interests in the share capital of the foreign joint venture and provides foreign direct financing to the company. Pursuant to Law 19/1991, SIMEST holds a 3.9% equity investment in FINEST Spa of Pordenone, a member of the Friulia Group.

Start-Up Fund equity investments

In 2018, the Start-Up Fund, set up by Ministerial Decree no. 102 of March 4, 2011 and managed by SIMEST, continued to operate solely in relation to the management of equity investments in the portfolio. No new investment initiatives were approved during the year, and no new acquisitions or disposals of equity investments were carried out. As a result, the Start-Up Fund's portfolio of equity investments remained unchanged from the previous year and, at the end of 2018, was equal to about 0.8 million euro. At the end of 2018, Law no. 145 of December 30, 2018 (2019 Budget Law) ordered the 'closure' and transitional management of the Start-Up Fund.

Interest subsidies for equity investments (Law 295/73 Fund)

SIMEST manages interest subsidies to support internationalisation under the Law 295/73 Fund on behalf of the Ministry of Economic Development.
These subsidies are provided by SIMEST to Italian companies in support of loans granted for the acquisition of equity investments in foreign companies, in which SIMEST has an interest, in countries outside the European Union.
Under a specific agreement, SIMEST also carries out, on behalf of FINEST (the Friuli-Venezia Giulia Region's holding company), all activities related to the application processing and disbursement of subsidies under the Law 295/73 Fund for the operations carried out by FINEST in Central and Eastern European countries, in the Balkans and in Mediterranean countries.
In 2018, the Subsidies Committee approved 30 transactions for a total of 81 million euro (compared with 32, totalling 138 million euro in 2017). Of these, 26 transactions totalling 73.5 million euro involve equity investments by SIMEST in non-EU countries, and 4 transactions totalling 7.5 million euro involve equity investments by FINEST in Russia and Serbia. The principal target countries were the United States (28%), Russia (11%), Mexico, Serbia and Turkey.

INTEREST SUBSIDIES ON EQUITY LOANS

Deferred principal amount approved - by country

(millions of euro)

Country	Underlying nominal value
USA	23
Russia	9
Mexico	7
Serbia	7
Turkey	7
Brazil	6
Republic of South Africa	6
China	5
India	4
Morocco	4
Other	5
GRAND TOTAL	**81**

The main industries attracting investment were metalworking, mechanical, chemical/petrochemical sectors and non-financial services.

INTEREST SUBSIDIES ON EQUITY LOANS *(millions of euro)*

Deferred principal amount approved - by industry

Industry	Underlying nominal value
Metalworking industry	27
Mechanical industry	12
Chemical/Petrochemical	9
Non-financial services	8
Renewables	7
Infrastructure and construction	6
Textiles/Clothing	4
Agri-food	4
Other	6
GRAND TOTAL	**81**

5.3 Export credit support (Law 295/73 Fund)

SIMEST manages a fund (Law 295/73 Fund) on behalf of the Ministry of Economic Development that is used to stabilise interest rates and distribute subsidies in support of export credit financing.
Interest rate stabilisation programmes, in the form of both buyer and supplier credit loans, are aimed at supporting the export of capital goods (plant, machinery, replacement parts, associated studies, works and other services) throughout the world.
In 2018, the Subsidies Committee approved 70 transactions for a total of 9,216 million euro[22] (compared with 108 transactions totalling 11,433 million euro in 2017).

EXPORT CREDIT *(millions of euro)*

Deferred principal amount approved - by product

Product	Number of transactions	Underlying nominal value
Buyer credit loans	17	8,950
Supplier credit loans	53	265
GRAND TOTAL	**70**	**9,216**

Of these transactions, 8,950 million euro, all of which were realised with SACE, involved buyer credit loans for contracts between Italian exporters and foreign customers in the shipbuilding (cruise ship segment), defence, oil & gas, infrastructure and construction, electrical, and aeronautics industries. The

[22] In terms of the support provided to Italian companies, the study conducted by the Politecnico di Milano on the impact of SIMEST export support instruments found that every euro committed by SIMEST generated an average of 25 euro of exports. The study refers to the period 2006-2016. Source: POLIMI, cit.

remaining 265 million euro, in the form of supplier credit loans, related to the financing of machinery and components supplies sold by Italian companies to foreign customers. The main target countries for these supplies were Qatar, Germany, Panama and Egypt.

EXPORT CREDIT

(millions of euro)

Deferred principal amount approved - by country

Country	Underlying nominal value
Qatar	2,639
Germany	1,801
Panama	1,528
Egypt	1,017
USA	925
United Kingdom	518
Ethiopia	340
Zambia	97
Indonesia	66
Republic of South Africa	50
Other	233
GRAND TOTAL	**9,216**

The industry breakdown of export credit volumes mainly concerned contracts in the cruise ship segment (51%), and the defence (30%) and oil & gas (11%) industries, with the remainder coming from the infrastructure and construction, mechanical and electrical industries.

EXPORT CREDIT

(millions of euro)

Deferred principal amount approved - by industry

Industry	Underlying nominal value
Cruise ship	4,745
Defence	2,736
Oil & gas	1,010
Infrastructure and construction	379
Mechanical industry	221
Electrical industry	66
Aeronautics	14
Other	44
GRAND TOTAL	**9,216**

5.4 Promotion and development activities

In 2018, a new internal service model was adopted for promotion and development activities based on three guidelines: (i) emphasis being placed on the equity investments instrument by SIMEST Product Specialists, (ii) strengthening of digital channels, control of third-party channels and communication campaigns for promoting internationalisation loans, and (iii) the Group's predominantly synergistic approach with regard to export credit instruments.
In continuity with 2017, the actions aimed at promoting and developing SIMEST's activities were carried out in synergy with the other Group companies.
As a result of the new reorganisation in April 2018, the Equity Relationship Management structure mainly played a supporting role in structuring financial solutions for Foreign Direct Investment (FDI) or for domestic development projects aimed at strengthening competitiveness and production outside Italy.
The domestic initiatives aimed at disseminating awareness of the products and services offered to Italian companies, and participation in international missions during which technical support was provided to the participating Italian companies were predominantly carried out through the External Relations Service, in synergy with the other SIMEST structures, and in coordination with SACE's Marketing and Institutional Relations structures.

Domestic activities

SIMEST has consolidated its promotion and support activities through the following key commercial actions:
- strengthening of synergies with the SACE domestic network offices on a national scale;
- strengthening and consolidating relationships with banks, consulting firms and private equity funds involved in supporting businesses in their internationalisation processes;
- monitoring of the smaller customer segments by intensifying digital marketing and lead generation initiatives and strengthening relations with third-party channels for promotion.

Equity investments are the result of both the strengthening and consolidation of relations with SIMEST's established partners and the acquisition of new ones. Two noteworthy examples are the transaction promoted by Venchi in Hong Kong (SIMEST investment of 4 million euro) for the development of its commercial network in the Chinese market, and the transaction promoted by the Tozzi Green Group in Madagascar (SIMEST investment of more than 6 million euro) for a mini-hydro power project.

IRRITEC irrigation systems arrive in **Mexico**

In the wake of the successful partnership that began in Brazil, we supported the Messina-based company in Mexico with an equity investment to help meet the growing local demand.

6. Risk management

In order to identify the risks to be managed, SIMEST, while not subject to prudential regulation, adheres to current banking regulations or the classification scheme adopted by the Basel Committee, which distinguishes between “pillar 1 risks” and “pillar 2 risks”.
This classification is contained in the Risk Regulation adopted by SIMEST to ensure that the Company, in coordination with the Parent Company SACE, is able to cover the risks it faces with its own resources. Thus, the Regulation contains the same risk management principles adopted by the Parent Company, while taking into account SIMEST’s specific nature and size.
The most significant risks to which SIMEST is exposed are as follows.

Credit risk: the risk of an unexpected deterioration in the economic-financial condition of a counterparty with whom the Company has a credit exposure. The Risk Regulation and the Investment Regulation have been supplemented by specific guidelines on investments and dedicated credit rating control functions, both *ex ante* and *ex post*, for each counterparty: the regulations govern the operation of the investment and monitoring process and the roles of the organisational units involved. The results of the assessment carried out by the various organisational units are summarised in the equity investment proposal, which is then examined by the Operations Committee. Then, if the proposal is considered sound and attractive – also in view of its financial/credit risk and of the proposed risk management and mitigating methods – the proposal is submitted to the Board of Directors for final approval. Next, the agreements with the partner are prepared and signed, in accordance with the guidelines and instructions provided by the Board. For monitoring purposes, logics, processes and operational tools for analysing and monitoring changes in the risk profile of investments have been implemented. The objective of the monitoring consists in promptly identifying any non-performing credit positions, so as to allow management to implement specific measures to protect its assets and, if necessary, to recover the amount due. The credit risk associated with the equity investments is mitigated through the direct commitments of the Italian partners to repurchase SIMEST’s equity investments, partially secured by corporate sureties, collateral and bank or insurance guarantees.
At December 31, 2018, direct commitments of Italian partners for the repurchase of the equity investments totalled approximately 461 million euro (436 million euro at December 31, 2017). Repurchase commitments secured by bank and/or insurance guarantees amounted to approximately 42 million euro (48 million euro at December 31, 2017), while those secured by collateral amounted to 42 million euro (31 million euro at December 31, 2017).

GUARANTEES

(%; millions of euro)

	2018		2017	
Direct commitments of Italian partners	84%	461	85%	436
Commitments secured by banks and insurance companies	8%	42	9%	48
Commitments secured by collateral	8%	42	6%	31
TOTAL AMOUNT DISBURSED		**545**		**514**

Market risk: the risk arising from market transactions in financial instruments, currency and commodities. Price risk and foreign exchange risk are mitigated by contractual clauses which as a rule guarantee that the investment will be recovered at the historic price paid in euro for acquisition of the equity investment.

Operational risk: the risk of loss resulting from inadequate or malfunctioning internal procedures, people and systems or from external events.

Liquidity risk: the risk that the Company will not be able to liquidate investments and other assets to settle its financial obligations at maturity without incurring losses. Liquidity risk and interest rate risk are monitored constantly through analysis of expected cash flows, especially for equity investments.

Concentration risk: the risk arising from exposures to individual counterparties, groups of connected counterparties, or counterparties belonging to the same economic sector or carrying out the same activity, or belonging to the same geographical area.

Reputational risk: the current or prospective risk of a fall in profits, penalties, loss of economic value or damage to SIMEST's institutional role, resulting from a negative perception of the Company's image by customers, counterparties, shareholders, investors, regulators or other stakeholders. SIMEST gives the highest priority to preventing and monitoring the occurrence of events of a reputational nature in relation to transactions that are part of its corporate purpose. To this end, it has structured internal controls to mitigate this risk and has adopted specific safeguards to prevent reputational events from occurring in its operations.

Compliance risk: the risk of incurring legal or administrative penalties, losses or reputational damage as a result of violations of external provisions (laws or regulations) or self-governance rules (e.g. articles of association, codes of conduct). SIMEST has adopted the CDP Group's "Risk Assessment and Control of Compliance Risk" Policy, while structuring a compliance risk management process aimed at ensuring that internal processes and procedures are consistent with the objective of preventing the violation of self-governance rules or external provisions.

Within the Risk Regulation the Company also implemented the process of assessing the correspondence between the capital resources available (represented by equity) and the economic capital necessary to cover existing risks, which is measured using the Internal Capital Adequacy Assessment Process (ICAAP) employed by the CDP Group. Results of the assessments have confirmed the full adequacy of capital resources both at present and over the period covered by the Business Plan.

Specific controls are also in place for the subsidised funds managed by SIMEST to monitor and mitigate the main risks to which the funds are exposed. More specifically, in 2018, for the Law 295/73 Fund, in order to ensure support for exports through a more efficient allocation of public resources while maintaining adequate control of major risks (foreign exchange and interest rate risk), even in situations of stress, a new methodology was implemented for quantifying the Fund's overall on-balance sheet financial needs with a view to efficiently managing public resources.

GUIDA IMPIANTI's machines explore the **Russian** market

We financed the Lombardy-based SME's participation in Metal-Expo in Russia. This SME is involved in the design, production and installation of sheet metal processing machines.

7. Internal control system

The internal control system consists of a set of rules, procedures, and organisational structures designed to ensure compliance with applicable regulations, in accordance with corporate strategies and the achievement of targets set by Company management.
First level controls (line controls) are conducted by operational and administrative structures. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly. Second level controls (risk management controls) are carried out by the Risk Management and Compliance Services, which are separate organisational units and aim to ensure that the risk management process is correctly implemented, that the operating limits assigned to the various structures are respected, and that the Company's operations comply with the applicable regulations. Lastly, third level controls are implemented by Internal Audit, which ensures the monitoring and periodic assessment of the effectiveness and efficiency of the risk management, control and governance system, with respect to the nature and intensity of the risks. Internal Audit submits an Audit Plan to the Board of the Directors, showing the audit activities planned in connection with the risks associated with activities pursued to meet company objectives. The results of the activities carried out by Internal Audit are presented to the Board of Directors and the Board of Statutory Auditors every six months. However, critical issues identified during examinations are immediately reported to the relevant Company structures so that they can implement corrective actions.

8. Governance and support activities

8.1 Communications

In 2018, the Identity & Communications team focused on raising awareness among all stakeholders in the Italian export and internationalisation hub of the CDP Group, which is made up of SACE and SIMEST, and on promoting products to existing customers and prospects, particularly SMEs, in line with SIMEST's mission.
The hub continued its advertising campaign, launched at the end of 2017 and based on the concept of the "impossible venture" that becomes possible thanks to the outstanding quality of Italian companies and the effective backing of SACE and SIMEST. The campaign was widely circulated over the main communication channels and the institutional brand awareness message, conveyed mainly in the press and on billboards, was complemented with product messages through online channels.

Simplification and digitisation have been the drivers of process and product innovation activities that have also led to the creation of the new portal sacesimest.it, which, starting in 2019, will become the sole gateway for Italian companies to the hub's entire digital offering for SMEs, including SIMEST's Soft Loans for internationalisation. The Identity & Communications team's contribution to the project was to improve the user experience in terms of graphics.
Digitisation, advertising campaigns and direct email marketing activities contributed to a sharp increase in the volume of financing provided to businesses. SIMEST also collaborated with SACE to create the new portal "Education to Export" launched in November 2018, which aims to encourage small and medium-sized enterprises to pursue a growth strategy based on international competition. On the media relations front, in addition to the national press, activities with the local press were also stepped up, with a view to achieving an ever-increasing level of coverage when transmitting information that is of interest to businesses.

As far as internal communication is concerned, the new SACE SIMEST intranet was created as part of the wider project to create one shared intranet for the entire CDP Group.

Finally, with regard to event organisation and management, SIMEST, which is a member of EDFI (European Development Financial Institutions), hosted the 2018 edition of the association's annual football tournament, which saw the participation of 350 athletes, belonging to 30 teams from the 14 participating groups, which included – in addition to SIMEST, CDP and SACE – the EIB, the EBRD and the KfW of Germany.

8.2 Human resources and organisation

Organisational structure and workforce

During the first half of 2018, a review of the Company's organisation was carried out for the purpose of further streamlining activities and segregating responsibilities, as well as increasing specialisation in the monitoring of risks.

More specifically, in the business area, in order to ensure greater control over subsidised loans and a greater focus on equity, while at the same time ensuring full segregation of the activities, the Equity Investment Area was created with specific expertise in the field of own account activities, and the Soft Loans Area was established for activities relating to subsidised loans.
A Credit Service, directly reporting to the Chief Executive Officer/General Manager, has also been introduced to assess the creditworthiness of the counterparty.
With a view to ensuring independent monitoring of the investment portfolio and the complete administrative management of the transactions from closing to repayment, the Debtor and Partner Management Area was created, which centralises the administrative management of the transactions, the administrative middle office, and the monitoring of the investment portfolio.
The Export Credit & Internationalisation Area was also created to highlight the fact that the organisation's functions not only include the financing of export credit for both buyers and suppliers, but also the granting of interest subsidies on equity investments.
Also, the Chief Executive Officer's staff functions include the Business Development & Marketing Service, whose purpose is to create new product lines to increase the range of products on offer to customers and to oversee commercial planning activities in relation to the product/customer portfolio.
Finally, the External Relations Service was created to focus on business origination with regard to subsidised loans for SMEs by managing relations with local institutions with the support of the export hub network.
With regard to the processes for adapting to the new European legislative provisions set out in Regulation (EU) 2016/679 (General Data Protection Regulation – GDPR), and for evaluating data and information to report suspicious transactions to the Financial Intelligence Unit (FIU) pursuant to the FIU Instructions, SIMEST has appointed both the Data Protection Officer and the Officer in charge of evaluating and reporting suspected money laundering and financing of terrorism pursuant to Article 10 of Legislative Decree 231/2007.
The Certification of the Occupational Health and Safety Management System was renewed in accordance with OHSAS 18001:2007 standards.
At December 31, 2018, the Company's workforce consisted of the following:

COMPANY WORKFORCE*	Workforce at 31/12/2018	Workforce at 31/12/2017
Senior management	14	13
Middle management	79	73
Non-managerial personnel	63	64
TOTAL	**156**	**150**

* Includes SIMEST personnel seconded to other companies (no. 6 resources) and personnel from other companies seconded to SIMEST (no. 14 resources).

8.3 Legal disputes

There were two legal disputes pending before the courts at December 31, 2018 concerning amounts claimed for professional fees totalling 287,000 euro. The first instance proceedings in one of the cases resulted in a decision ordering SIMEST to pay approximately 80,000 euro, which was appealed. A first instance ruling is expected in 2019 for the second case.
The other dispute started against the Company involves an order to pay the amount of 710,607 euro served in 2018, against which SIMEST has filed an objection. The amount claimed constitutes the alleged financial loss suffered by the claimant in connection with an investment contract.

8.4 Corporate governance

Organisational Model pursuant to Legislative Decree 231/2001

SIMEST adopted the "Organisation, Management and Control Model" pursuant to Legislative Decree 231/2001 (231 Model), which identifies the Company areas and operations that are most exposed to the risk of criminal activity as defined in the decree, along with the principles, rules and regulations for the control system introduced to supervise significant operating activities, which is subject to update.
The Supervisory Body is tasked with overseeing the operation of and compliance with the Model and with updating its content, and assisting the competent corporate bodies in the task of implementing the Model correctly and effectively. SIMEST's Supervisory Body consists of three members, an expert in criminal law, an expert in business economics and the Chief Audit Officer of CDP or another employee of the CDP Group designated by him with extensive experience in internal control systems.
On July 18, 2018, the Board of Directors approved the update of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 in light of: (i) the changes made to the Company's organisational structure (most recently on April 4, 2018) and to Company procedures; (ii) the introduction of the criminal offences Incitement to corruption between private individuals (art. 25 *ter*), Racism and xenophobia (art. 25 *terdecies*), and Unlawful brokering and exploitation of labour (art. 25 *quinquies*); (iii) the changes introduced with regard to the administrative liability of entities by Law no. 179 of November 30, 2017 ("whistleblowing law") aimed at protecting whistleblowers.
During 2018, the Supervisory Body was supported by Internal Audit to provide ongoing, independent monitoring of the proper functioning of corporate processes, as well as oversight of the internal control system as a whole.
On December 20, 2018, the Board of Directors confirmed the members of the Supervisory Body for the three-year period from 2019 to 2021.
The Supervisory Body met on five occasions during 2018.
In accordance with the "Regulation on Exercise of Management and Coordination Activities with regard to companies of the CDP Group" approved by CDP on March 23, 2016, SIMEST has been subject to management and coordination by SACE Spa since November 15, 2016.

Code of Ethics

In accordance with the provisions of the Regulation on Exercise of Management and Coordination Activities, at its meeting of June 21, 2017 the Board of Directors of SIMEST approved the Code of Ethics of Cassa depositi e prestiti Spa and of the companies subject to management and coordination ("Code of Ethics") issued on March 10, 2017 by CDP.
The Code of Ethics – which is an integral part of the 231/2001 Model – provides guidelines with regard to those with whom SIMEST has relations and requires that the principles, values and rules contained therein, in addition to applying to persons within SIMEST (corporate officers, senior managers, whether employees or non-employees, and persons reporting to senior managers), also apply to persons outside the Company and all those who, directly or indirectly, have relations of any kind with SIMEST.
SIMEST also promotes awareness of and compliance with the 231 Model and the Code of Ethics by way of specific contractual clauses that include specific measures to be taken in the event of violation of the established and shared values. An internal control system has been implemented that detects, measures, and monitors risks resulting from failure to follow the Code of Ethics. Both the Code of Ethics and the principles of SIMEST's Organisation, Management and Control Model pursuant to Legislative Decree 231/01 may be found on the Company's website.

SAVIO FIRMINO’s high-end furniture makes its way into **Asian** homes

With a loan earmarked for entering non-EU markets, we helped this Florentine company – known for the quality of its furniture – open a showroom in China.

Internal committees

With regard to the internal committees, in April 2018, in line with the changes in SIMEST's organisational structure, the "Committees" document was issued in which the corporate committees were established/updated, and the responsibilities, composition and operating procedures for each of them were outlined. In particular, the Management Committee, the Risk Committee and the Kick-Off Committee were established. In addition, the Operations Committee, formerly known as the Investment Committee, the Monitoring and Restructuring Committee, previously known as the Operations Monitoring Committee, and the Projects Committee, previously known as the Projects & Products Committee, have been updated. With the issue of the "Committees" document, the policies for the Investment Committee, Operations Monitoring Committee, and Projects & Products Committee were cancelled.

Related parties

With regard to relations with the majority shareholder, SACE Spa, and the companies of the CDP Group, and in accordance with Article 2428 of the Italian Civil Code, we hereby report that there is an agreement between SIMEST, CDP, and SACE – known as the "Export Bank Agreement" – which establishes that CDP is to provide financial support and SACE is to provide guarantees in operations to finance the internationalisation and export efforts of Italian businesses.
In relations with SACE Spa, remuneration was paid in 2018 to SIMEST senior managers who sit on the SIMEST Board of Directors, and payment was made for professional services received within the scope of an agreement relating to the assessment of environmental impact parameters for subsidised export credit transactions.
In addition, in April 2017, following the creation of the Italian export and internationalisation hub, and with a view to centralising functions and achieving operational synergies, outsourcing agreements were established with SACE Spa to manage the following services: Human Resources, ICT, Procurement, Compliance, Internal Audit, and Risk Management.
At the end of 2018, seven SACE Spa employees were seconded to SIMEST, and four SIMEST employees were seconded to SACE Spa.
Also of note is the lease payment made for the use of offices in Mestre and Bologna.
With regard to tax items, it should be noted that the IRES (corporate income tax) receivable from CDP relates to the Group's Fiscal Consolidation.
With regard to the other companies in the Group, in 2018 credit lines provided by Cassa depositi e prestiti, both individually and in a pool with other lenders, were drawn down.
Also, always with regard to relations with CDP, it should be noted that in 2018 remuneration was paid for the members of the SIMEST Board of Directors appointed from among CDP's senior managers, and a lease payment was made for the use of an office in Milan. At the end of 2018, seven CDP employees were seconded to SIMEST, and one SIMEST employee was seconded to CDP. Also, at the end of 2018, one SIMEST employee was seconded to Fintecna.
Finally, it should be noted that there is an agreement in place with SACE SRV (a subsidiary of SACE Spa) for infoprovider and commercial information services.
These related-party transactions have all been conducted at arm's length.

9. Sustainability

9.1 Corporate Social Responsibility

Again in 2018, SIMEST confirmed its commitment to supporting Company welfare and initiatives to assist non-profit associations.

Initiatives for employees

In 2018, personnel training activities continued with the organisation of language and technical courses aimed at promoting the growth and development of individual employees. SIMEST also renewed all employee insurance policies and made related services available on the dedicated portal.
Like last year, SIMEST employees had the opportunity to join the SACE CRAL (Employee Recreation Centre) and take advantage of leisure activities offered through special agreements and discounts. SIMEST supports this project by making a contribution for every employee.
As part of the YOPA (Your Opinion Produces Action) project, employees were given a Total Reward Statement, a personalised document disclosing and valuing the total amount of remuneration and all the items that make it up, including non-monetary items and the services made available by the Company. In addition, always regarding YOPA, SIMEST has joined the "I put myself in your shoes" initiative which allows employees to work alongside their Group colleagues for two days.
SIMEST organised the "Working Mothers' and Fathers' Day", an opportunity for the children of employees to meet and celebrate at the Company.
In June 2018, SIMEST also organised the annual EDFI CUP event in Rome, a friendly football tournament between European DFIs. The sports complex of the Italian National Olympic Committee (CONI) was the backdrop for the competition, which provided an intense and rewarding day for the nearly 350 athletes that made up the 33 men's and women's teams competing in the tournament. Tournament participants included KfW, DEG, AFD, Proparco, Finnfund, Norfund, EIB, EBRD, SIMEST, SACE and CDP.
Finally, during the fourth quarter of 2018, applications were reopened for smart working which provides employees with more flexibility and independence when it comes to choosing their workspaces, schedules and tools, while making them more accountable for their results.
In November 2018, the new employee satisfaction survey was conducted to assess job satisfaction, sense of belonging and work environment in the companies within the scope of SACE.

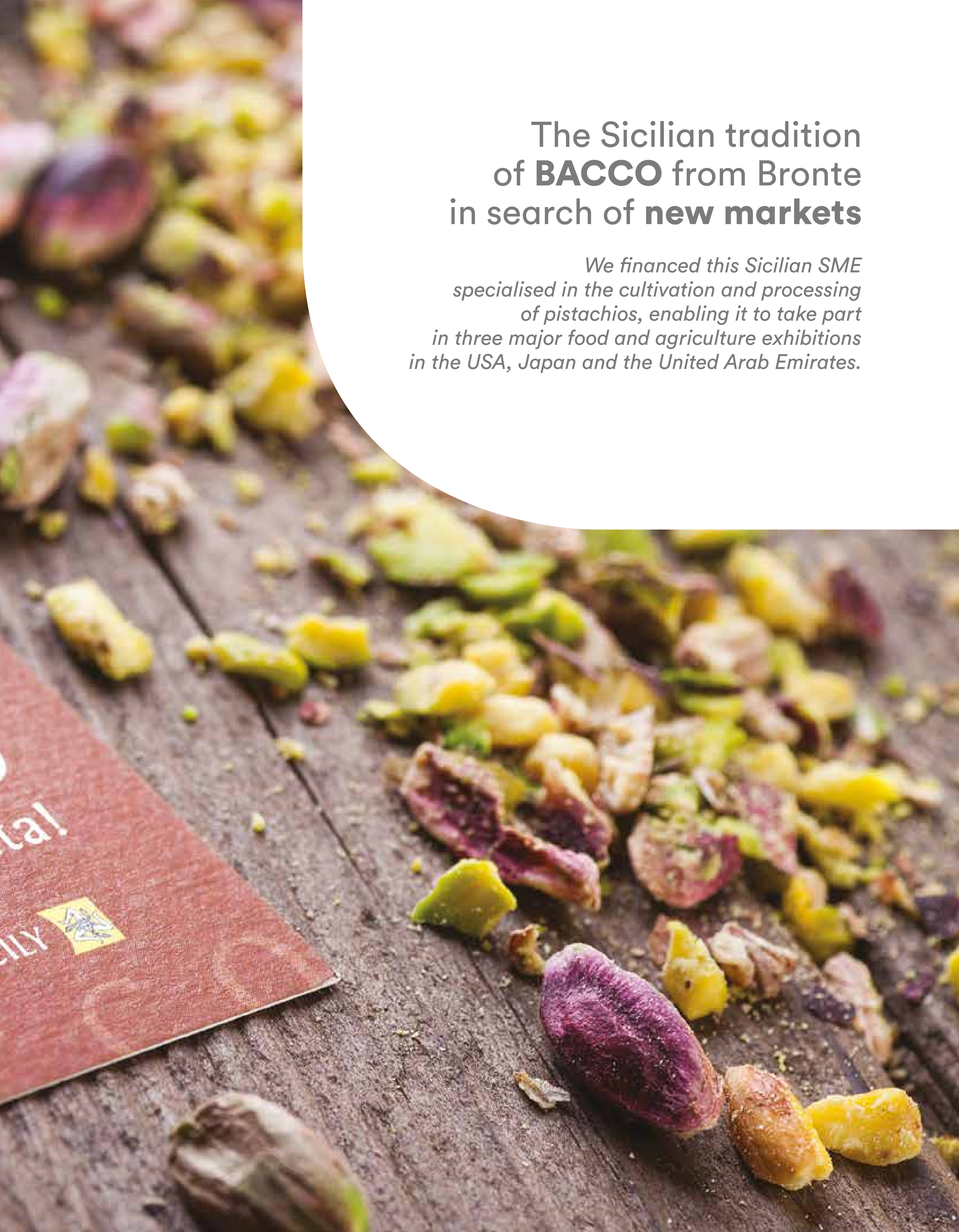
Initiatives for the community

Once again in 2018, SIMEST supported the non-profit organisations where some of its employees are active through donations made to Associazione Davide Ciavattini, healthcare, Associazione Luna di Formaggio, aid for abandoned animals, Centro Aiuti per l'Etiopia (Centre for Aid to Ethiopia), and social assistance.
SIMEST also participated in the Race for the Cure by supporting Komen Italia, an association engaged in the fight against breast cancer, and blood drives were organised in collaboration with SACE, Bambino Gesù Children's Hospital in Rome and AVIS.
In terms of cultural initiatives, SIMEST supported the Leonardo Committee for the ninth consecutive year, helping to reward rising talents who, in their studies and in their graduate theses, analysed "Made in Italy" success stories. SIMEST also took part in the award ceremony at the Chamber of Deputies for young graduates who have achieved the highest marks in subjects of interest to the Italy-USA Foundation.


BACCO
...è dolce la vi
MADE IN SIC

The Sicilian tradition of **BACCO** from Bronte in search of **new markets**

We financed this Sicilian SME specialised in the cultivation and processing of pistachios, enabling it to take part in three major food and agriculture exhibitions in the USA, Japan and the United Arab Emirates.



Managing environmental impact and safety

SIMEST actively protects the environment through efforts to increase energy efficiency and reduce consumption. Of particular note is the Company's success in steadily reducing paper use and energy consumption, including by replacing all printers with high-performance ones. We have also managed to reduce both direct and indirect emissions in order to further protect the environment. In terms of energy saving, SIMEST has expressed a desire to make use of renewable energy and intends to acquire bicycles in order to promote sustainable mobility.
Finally, in managing the Company's offices, SIMEST is committed to promoting a culture of safety in the workplace. With this in mind, a new snack bar was opened in July 2018 and work is under way to replace the furnishings, renovate the offices, replace the flooring and provide soundproofing.
SIMEST's old furniture will be given a new lease of life: some items were donated to the "Araba Fenice" municipal nursery school in Rome and others will be donated to the institutes that request them in the future.

10. Balance sheet and Income statement figures

An analysis of the financial statements at December 31, 2018 is provided below. In order to make the reading of the results for the period clearer, both the Balance sheet and the Income statement have been reclassified based on operational criteria.
Starting on January 1, 2018, the new IFRS 9 lays down new rules for classification, measurement, impairment and hedge accounting of financial instruments. IFRS 9 replaced IAS 39, which until December 31, 2017 established rules for the classification and measurement of financial instruments.
For SIMEST, the standard mainly concerned the management and measurement of receivables deriving from the equity investments held in the Company's portfolio. It is worth recalling that the relationships between SIMEST, its partner companies and its investees are considered financial assets ("linked transactions") whereby SIMEST is entitled to receive a contractually defined amount of money from the companies which is not less than the amount disbursed. These relationships, regardless of their legal form, are classified as loans and receivables.
Under IFRS 9, if the financial instrument does not pass the SPPI – Solely Payments of Principal and Interest – Test, it is measured at fair value through profit or loss (FVTPL). IFRS 9 also states that if the contractual cash flows involve characteristics other than the payment of principal and interest on the notional amount, the SPPI Test is deemed to have been passed if these additional characteristics only have a *de minimis* effect. In practice, if this effect can be considered "insignificant" at each reporting date and cumulatively over the life of the instrument, it has no impact on the classification of that financial instrument.
With regard to SIMEST, the agreements with the partners establish a floor on the exit price of the equity investment equal to the purchase price and a cap on the realisable capital gain. The threshold value for applying the *de minimis* concept was determined based on an in-depth analysis. Consequently, the portion of the portfolio relating to receivables for equity investments held by SIMEST, which falls within this threshold, was classified and measured at amortised cost. This is also more consistent with the characteristics of the instrument. On the other hand, the remaining part of the equity investment portfolio

which does not pass the SPPI Test is mandatorily measured at fair value through profit or loss.
The adoption of this standard also requires the Company to reclassify financial assets and liabilities into the new categories and, in general, to determine all the impacts deriving from the adoption of IFRS 9 on the financial statements at December 31, 2017, recording them in specific reserves in the opening equity at January 1, 2018, net of the related tax effects. The related impacts on equity are illustrated below:

- the fair value measurement of “Receivables for equity investments” resulted in the recognition of a positive IFRS 9 First-Time Adoption (IFRS 9 FTA) reserve of 9,454,490 euro in equity that was generated by (+) 3,549,089 euro representing the higher fair value compared to the carrying amount of the equity investments, (+) 7,830,442 euro in connection with the reversal of the amount accrued in previous years for the Collective impairment provision pursuant to IAS 39, (-) 1,661,327 euro resulting from the impairment of financial assets measured at amortised cost, and (-) 263,713 euro arising from the related tax effect;
- as a result, the total amount recognised in the positive IFRS 9 FTA reserve amounted to 9,454,490 euro and led to an increase in equity at December 31, 2017 of the same amount. It should be noted that 3,549,089 euro of this reserve, corresponding to unrealised fair value gains, is not available and cannot be distributed, while the remaining 5,905,401 euro, which is not attributable to the use of the fair value measurement criterion, is available and may be distributed.

Following the adoption of IFRS 9, as explained in the section “Transition to IFRS 9” in the Notes to the financial statements, the items in the Balance sheet and Income statement at December 31, 2017 were reclassified from the accounting categories with the names used in the 2017 financial statements to the new accounting categories.

10.1 Reclassified Balance sheet

At December 31, 2018, the assets in the reclassified Balance sheet were as follows (millions of euro):

(millions of euro)

ASSETS	**31/12/2018**	**31/12/2017**
Cash and cash equivalents	0.02	0.02
Financial assets measured at fair value through other comprehensive income	5.2	5.2
Receivables for equity investments	560.3	527.2
Other financial receivables	4.5	4.6
Property, plant and equipment	0.4	0.2
Intangible assets	0.6	0.7
Tax assets	1.8	3.2
a) current tax assets	*1.4*	*0.6*
b) deferred tax assets	*0.4*	*2.6*
Other assets	17.8	16.2
TOTAL ASSETS	**590.6**	**557.3**

At December 31, 2018, total assets amounted to 590.6 million euro (557.3 million euro at December 31, 2017), an increase of about 33 million euro from the previous year.
The increase in assets is mainly due to the increase in the total value of "Receivables for equity investments", which amounted to 560.3 million euro (527.3 million euro at December 31, 2017). This is the main asset item, accounting for about 95% of the total. As a result of application of the International Financial Reporting Standards, the allocation of these amounts to "Receivables for equity investments" takes account of the characteristics of SIMEST's operations in assisting Italian partners for a specified period of time where the partners' obligation to repurchase the stake at maturity qualifies the transaction, under those standards, as a receivable from the partners, even though they relate to subscribed equity investments.
The increase in the total value of this item of approximately 33 million euro was mainly due to the effect of adopting the new IFRS 9. This adoption of the new standard led to an increase in assets at January 1, 2018 of 9.7 million euro as a result of the equity investments being measured at fair value (+3.5 million euro), including the reversal of the collective impairment provision under IAS 39 (+7.8 million euro) and the impairment of equity investments measured at amortised cost (-1.7 million euro), as well as the trend in payments of equity investments (110.2 million euro), collections (76.9 million euro), net income from receivables for equity investments measured at fair value (-4.0 million euro) and impairment of equity investments measured at amortised cost for credit risk (-6.3 million euro).
"Financial assets measured at fair value through other comprehensive income" at December 31, 2018 amounted to 5.2 million euro, unchanged from December 31, 2017, and represent the equity investment in FINEST (which is not an associate).
"Other financial receivables", amounting to 4.5 million euro (4.6 million euro at December 31, 2017), refer to mortgage and personal loans granted to employees.
"Other assets", totalling 17.8 million euro (16.2 million euro at December 31, 2017), mainly include trade receivables in respect of the agreement to manage public funds in the amount of 16.7 million euro (15.5 million euro at December 31, 2017) and advances to suppliers and other assets in the amount of 1.1 million euro.
"Tax assets" totalled 1.8 million euro (3.2 million euro at December 31, 2017), of which 0.4 million euro for deferred tax assets recognised on income components that will become taxable in future tax periods, 0.5 million euro for current taxes related to the application for a refund of IRAP (regional tax on business activities) in accordance with Article 2 of Decree Law 201/2011, and 0.9 million euro for greater advance taxes paid.

(millions of euro)

LIABILITIES AND EQUITY	31/12/2018	31/12/2017
Loans payable measured at amortised cost	249.1	221.4
Other liabilities and tax liabilities	9.4	11.7
Staff severance pay	2.2	2.4
Provisions for risks and charges	2.1	1.3
Share capital	327.7	320.5
TOTAL LIABILITIES AND EQUITY	**590.6**	**557.3**

At December 31, 2018, "Loans payable measured at amortised cost" amounted to 249.1 million euro (221.4 million euro at December 31, 2017) and refer to the use of loans and credit lines granted by CDP and banks that are shareholders of SIMEST. The additional debt is used to support the net flows in funding and the related increase in the investment portfolio.
"Other liabilities and tax liabilities", totalling 9.4 million euro (11.7 million euro at December 31, 2017), mainly include trade payables and other items in the amount of 6.7 million euro (4.3 million euro at December 31,

2017), amounts due to employees and related social security contributions for 2.6 million euro (2.5 million euro at December 31, 2017), and other tax liabilities in the amount of 0.1 million euro.
“Staff severance pay”, amounting to 2.2 million euro (2.4 million euro at December 31, 2017), reflects the amounts due to employees under the specific legal and contractual provisions in force at December 31, 2018. These amounts are recognised in the financial statements in accordance with IAS 19.
“Provisions for risks and charges”, amounting to 2.1 million euro (1.3 million euro at December 31, 2017), represent provisions for likely liabilities, stated at current values, including future charges in respect of employees.
At December 31, 2018, “Equity” amounted to 327.7 million euro (320.5 euro million at December 31, 2017) and represents approximately 55% of total liabilities.

10.2 Reclassified Income statement

The economic performance of SIMEST was analysed using the Income statement layout reclassified on the basis of management criteria:

(millions of euro)

ITEMS	31/12/2018	31/12/2017
Income from equity investments	28.8	28.5
Interest expense and similar expense	(2.3)	(1.9)
Commission income	16.6	16.6
Net profit (loss) on assets mandatorily measured at fair value through profit or loss	(4.0)	(8.1)
Other financial income	-	-
GROSS INCOME	**39.1**	**35.2**
Net adjustments/recoveries for credit risk on assets measured at amortised cost	(6.3)	(2.3)
Administrative expenses and other expense and income	(22.7)	(21.9)
OPERATING INCOME	**10.1**	**10.7**
Net accruals to the provisions for risks and charges	(1.5)	
Net adjustments/recoveries on property plant and equipment and intangibles assets	(0.7)	(0.5)
INCOME (LOSS) BEFORE TAX	**7.9**	**9.4**
Income tax for the year	(6.7)	(5.8)
NET INCOME (LOSS) FOR THE YEAR	**1.2**	**3.6**

The Income statement shows that in 2018 SIMEST posted a net income of 1.2 million euro (3.6 million euro in 2017) after provisions for taxes (current and deferred) of 6.7 million euro. The decrease in net income from 2017 was primarily due to an increase in the provisions for risks and charges, a slight increase in administrative expenses and impairment of property, plant and equipment and intangibles assets, and higher income tax for the year. With regard to the fair value measurement of equity investments under

IFRS 9, the net loss for the year through profit or loss amounts to (-) 4.0 million euro, comprised of (+) 7.1 million euro from fair value gains on the equity investment portfolio, (+) 7.9 million euro from realised gains and reversals of impairment losses and (-) 19.0 million euro from fair value losses on equity investments. On the revenue side, "Income from equity investments" totalled 28.8 million euro (28.5 million euro in 2017) and includes fees, interest on deferred payments and default interest on equity investments. The average annual return on the equity investment portfolio was about 5.3% (5.3% in 2017). "Interest expense and similar expense" amounted to 2.3 million euro (1.9 million euro in 2017) and refers to interest expense on financial payables. The average annual cost of debt for 2018 came to around 1.1% (around 1.0% in 2017).

"Commission income" totalled 16.6 million euro (16.6 million euro in 2017) and mainly concerns fees received for management of the Venture Capital Fund, the Law 394/81 Fund, the Sustainable Growth Fund, and the Law 295/73 Fund.

"Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss" refers to the fair value measurement of some of the receivables for equity investments that did not pass the SPPI Test (under IFRS 9) and amounts to a negative 4.0 million euro.

"Gross income" for 2018 amounted to 39.1 million euro. "Net adjustments/recoveries for credit risk on assets measured at amortised cost" amounted to 6.3 million euro and refer to adjustments/recoveries made to the portion of receivables for equity investments which, in application of the *de minimis* concept, passed the SPPI Test.

"Administrative expenses" (22.7 million euro) were higher than in 2017 (21.9 million euro). "Operating income" for 2018 was therefore 10.1 million euro, a decrease compared to the 10.7 million euro recorded in 2017.

"Provisions for risks and charges" amounted to 1.5 million euro, reflecting accruals for employee redundancy costs (1.0 million euro) and for ongoing litigation (0.5 million euro).

"Net adjustments/recoveries on property, plant and equipment and intangible assets" – representing depreciation and amortisation of operating assets – came to 0.7 million euro (0.5 million euro in 2017).

As a result of the above, "Income before tax" came to 7.9 million euro (9.4 million euro in 2017).

11. Significant events after the reporting date

No significant events occurred after the reporting date.

12. Business outlook

With regard to the outlook for the Company's operating results and financial position, the net amount of mobilised and managed funds is expected to grow. The contribution coming from the export support activities is subject to the necessary public resources being allocated. As regards equity investments, an increase in the volume of new investments is expected in part due to the commercial synergies achieved with SACE Spa.

13. Additional information pursuant to Article 2428 of the Italian Civil Code

With regard to the additional information required under Article 2428 of the Italian Civil Code, the Company: (i) did not engage in research and development activities; (ii) does not hold, and did not acquire and/or dispose of during the financial year, treasury shares and/or the shares/quotas of parent companies, either directly or through trust companies or other intermediaries. The Company does not hold any derivative or structured financial instruments for managing financial risk.

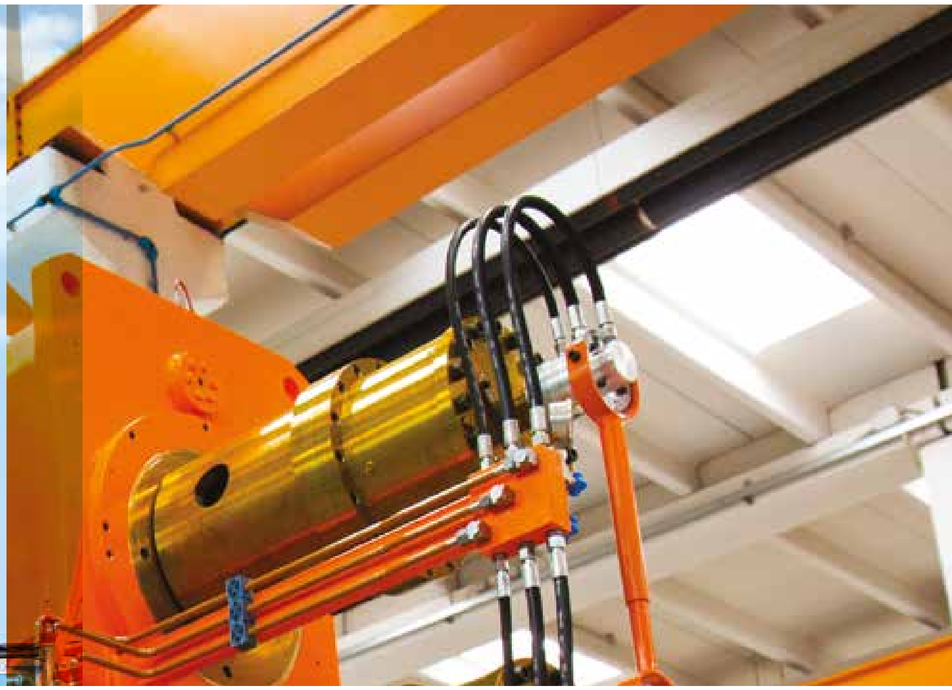

pantanella
Roma dal 1882


pantanella
Roma dal 1882
221 TORTIGLIONI
pantanella
Roma dal 1882
PASTA DI SEMOLA DI GRANO DURO
ITALIAN PASTA
DURUM WHEAT SEMOLINA PASTA
PATES ALIMENTAIRES
PASTA DE SEMOLA DE GRANO DURO
TEIGWAREN AUS HARTWEIZENGRIES
Conservare in Luogo Fresco e Asciutto
Store in a Cool Dry Place

FAVELLATO, the traditional pasta of Molise expanding its **horizons**

We granted a medium/long-term loan to this Isernia-based SME – known throughout the world through the Granaria and Pantanella brands – to strengthen its export capacity.

Financial statements at December 31, 2018

Form and content of the financial statements at December 31, 2018

The financial statements at December 31, 2018 have been prepared in accordance with applicable regulations and consist of:

- Balance sheet
- Income statement
- Statement of changes in equity
- Statement of comprehensive income
- Statement of cash flows
- Notes to the financial statements

Contents of the Notes to the financial statements:

INTRODUCTION

- Information about the Company
- General preparation principles
    - I. Declaration of compliance with the International Financial Reporting Standards
    - II. Basis of preparation
    - III. Other issues
    - IV. Use of estimates and assumptions

MAIN ACCOUNTING POLICIES

- Cash and cash equivalents
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at amortised cost
- Property, plant and equipment
- Intangible assets
- Financial liabilities held for trading
- Current and deferred taxes
- Staff severance pay
- Provisions for risks and charges
- Income from equity investments and interest expense
- Fees and commissions
- Costs

TRANSITION TO IFRS 9

INFORMATION ON THE BALANCE SHEET

INFORMATION ON THE INCOME STATEMENT

INFORMATION ON RISKS AND HEDGING POLICIES

TRANSACTIONS WITH RELATED PARTIES

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

PROPOSAL FOR ALLOCATION OF THE NET INCOME FOR THE YEAR

OTHER INFORMATION

- Financial highlights of the company performing management and coordination

Balance sheet

(euro)

ASSETS	Note	31/12/2018	31/12/2017
Cash and cash equivalents	A.1	20,579	20,732
Financial assets measured at fair value through other comprehensive income	A.2	5,164,569	5,164,569
Financial assets mandatorily measured at fair value through profit or loss:	A.3	345,218,311	395,214,583
- of which: Receivables for equity investments		*345,218,311*	*395,214,583*
Financial assets measured at amortised cost:	A.4	219,580,572	136,601,830
- of which: Receivables for equity investments		*215,082,114*	*132,024,762*
- of which: Other financial receivables		*4,498,458*	*4,577,068*
Property, plant and equipment	A.5	378,619	179,781
Intangible assets	A.6	563,424	703,217
Tax assets	A.7	1,835,329	3,201,408
a) current tax assets		*1,414,318*	*601,654*
b) deferred tax assets		*421,010*	*2,599,754*
Other assets	A.8	17,820,804	16,241,884
TOTAL ASSETS		**590,582,206**	**557,328,004**

(euro)

LIABILITIES AND EQUITY	Note	31/12/2018	31/12/2017
Loans payable measured at amortised cost	P.1	249,130,322	221,390,301
Other liabilities and tax liabilities	P.2	9,293,315	11,096,806
Staff severance pay	P.3	2,233,852	2,440,332
Tax liabilities	P.4	104,138	612,964
a) current tax liabilities		-	*577,111*
b) deferred tax liabilities		*104,138*	*35,853*
Provisions for risks and charges	P.5	2,106,471	1,323,918
b) other provisions		*2,106,471*	*1,323,918*
Share capital	P.6	164,646,232	164,646,232
Share premium reserve	P.7	1,735,551	1,735,551
Reserves	P.8	160,126,472	150,457,484
- of which FTA reserve		*63,526,684*	*63,526,684*
- of which IFRS 9 FTA reserve		*9,454,490*	-
Net income (loss) for the year (+/-)	P.9	1,205,854	3,624,416
TOTAL LIABILITIES AND EQUITY		**590,582,206**	**557,328,004**

Income statement

(euro)

ITEMS	Note	31/12/2018	31/12/2017
Income from equity investments	C.1	28,814,323	28,461,296
Interest expense and similar expense	C.2	(2,307,276)	(1,867,953)
Commission income	C.3	16,614,699	16,576,115
Net profit (loss) on assets mandatorily measured at fair value through profit or loss	C.4	(4,047,081)	(8,053,679)
Other financial income	C.5	31,236	36,122
GROSS INCOME		**39,105,902**	**35,151,901**
Net adjustments/recoveries for credit risk on assets measured at amortised cost	C.6	(6,303,218)	(2,316,855)
Administrative expenses:	C.7	(22,769,628)	(22,131,408)
a) staff costs		*(14,329,235)*	*(14,486,777)*
b) other administrative expenses		*(8,440,393)*	*(7,644,631)*
Other operating income (costs)	C.8	37,868	-
OPERATING INCOME		**10,070,923**	**10,703,638**
Net accruals to the provisions for risks and charges	C.9	(1,544,393)	(761,340)
Net adjustments/recoveries on property, plant and equipment	C.10	(85,721)	(61,790)
Net adjustments/recoveries on intangibles assets	C.11	(584,817)	(474,299)
INCOME (LOSS) BEFORE TAX		**7,855,992**	**9,406,209**
Income tax for the year	C.12	(6,650,138)	(5,781,794)
NET INCOME (LOSS) FOR THE YEAR		**1,205,854**	**3,624,416**

Statement of changes in equity: current financial year

(euro)

				Allocation of net income (loss) for previous year		Changes for the year								
							Equity transactions							
	Balance at 31/12/2017	Changes in opening balance	Balance at 01/01/2018	Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of treasury shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income for 2018	Equity at 31/12/2018
Share capital:														
a) ordinary shares	164,646,232		164,646,232											164,646,232
b) preference shares														
Share premium reserve	1,735,551		1,735,551											1,735,551
Reserves:														
a) income	145,527,008	9,454,490	154,981,498	182,677										155,164,174
b) other	5,164,569		5,164,569											5,164,569
Valuation reserves														
a) available for sale														
b) cash flow hedges														
c) other reserves	(234,093)		(234,093)										31,821	(202,272)
Equity instruments														
Treasury shares														
Net income (loss) for the year	3,624,416		3,624,416	(182,677)	(3,441,739)								1,205,854	1,205,854
Total equity	**320,463,683**		**329,918,173**	**-**	**(3,441,739)**								**1,237,675**	**327,714,109**

Statement of changes in equity: previous financial year

(euro)

	Balance at 31/12/2016	Changes in opening balance	Balance at 01/01/2017	Allocation of net income (loss) for previous year: Reserves	Allocation of net income (loss) for previous year: Dividends and other allocations	Changes for the year: Changes in reserves	Equity transactions: Issues of new shares	Equity transactions: Purchase of treasury shares	Equity transactions: Special dividend distribution	Equity transactions: Changes in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Comprehensive income for 2017	Equity at 31/12/2017
Share capital:														
a) ordinary shares	164,646,232		164,646,232											164,646,232
b) preference shares														
Share premium reserve	1,735,551		1,735,551											1,735,551
Reserves:														
a) income	141,169,384		141,169,384	4,357,625										145,527,008
b) other	5,164,569		5,164,569											5,164,569
Valuation reserves														
a) available for sale														
b) cash flow hedges														
c) other reserves	(388,866)		(388,866)										154,773	(234,093)
Equity instruments														
Treasury shares														
Net income (loss) for the year	11,323,427		11,323,427	(4,357,625)	(6,965,802)								3,624,416	3,624,416
Total equity	**323,650,297**		**323,650,297**	**-**	**(6,965,802)**								**3,779,189**	**320,463,683**

Statement of comprehensive income

(euro)

ITEMS	31/12/2018	31/12/2017
Net income (loss) for the year	**1,205,854**	**3,624,416**
Other comprehensive income after tax not transferred to income statement		
Cash flow hedges		
Non-current assets held for sale		
Defined benefit plans	31,821	154,773
Total other comprehensive income after tax	**31,821**	**154,773**
COMPREHENSIVE INCOME	**1,237,675**	**3,779,189**

Statement of cash flows

(euro)

	31/12/2018	31/12/2017
A. OPERATING ACTIVITIES		
1. Operations	**(567,050)**	**(2,102,158)**
- Net income for the year (+/-)	1,205,854	3,624,416
- Net profit (loss) on financial assets mandatorily measured at fair value through profit or loss (Revenues)/Costs	4,047,081	8,053,679
- Income and commissions not yet collected (-)	(22,260,469)	(23,100,416)
- Net adjustments/recoveries for credit risk on assets measured at amortised cost (+/-)	6,303,218	2,316,855
- Net adjustments/recoveries on property, plant and equipment and intangible assets (+/-)	670,538	536,089
- Net accruals to the provisions for risks and charges and other costs/revenues (+/-)	9,466,728	6,467,219
2. Cash generated by/used in financial assets	**(12,933,017)**	**(13,306,438)**
- Financial assets measured at fair value and amortised cost	(19,708,796)	(15,343,956)
of which: Receivables for equity investments	(19,787,406)	(15,494,217)
- Other current assets	6,775,779	2,037,518
3. Cash generated by/used in financial liabilities	**(10,068,785)**	**(2,357,747)**
- Other current liabilities	(10,068,785)	(2,357,747)
CASH GENERATED BY/USED IN OPERATING ACTIVITIES	**(23,568,852)**	**(17,766,343)**
B. INVESTING ACTIVITIES		
1. Cash generated by	**-**	**-**
- Sale of property, plant and equipment	-	-
- Sale of intangible assets	-	-
2. Cash used in	**(729,583)**	**(646,757)**
- Purchase of property, plant and equipment	(284,559)	(35,775)
- Purchase of intangible assets	(445,024)	(610,982)
CASH GENERATED BY/USED IN INVESTING ACTIVITIES	**(729,583)**	**(646,757)**
C. FINANCING ACTIVITIES		
- Issue/purchase of equity instruments (payment/repayment of share capital and reserves)	-	-
- Dividend distribution and other allocations	(3,441,739)	(6,965,802)
CASH GENERATED BY/USED IN FINANCING ACTIVITIES	**(3,441,739)**	**(6,965,802)**
CASH GENERATED/USED DURING THE YEAR	**(27,740,174)**	**(25,378,902)**
RECONCILIATION		
Opening cash and cash equivalents/(Financial payables)	(221,369,569)	(195,990,667)
Total cash generated/used during the year	(27,740,174)	(25,378,902)
CLOSING CASH AND CASH EQUIVALENTS/(FINANCIAL PAYABLES)	**(249,109,743)**	**(221,369,569)**

for the Board of Directors
the Chairman
Salvatore Rebecchini

Notes to the financial statements

Introduction

Information about the Company

For information about the Company please refer to the Report on operations.

General preparation principles

I. Declaration of compliance with the International Financial Reporting Standards

The financial statements of SIMEST have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) endorsed by the European Commission as established by Regulation (EC) 1606/2002.
Starting from 2015, SIMEST has exercised the option provided for by Legislative Decree no. 38 of January 28, 2005 (IAS Decree), as amended by Decree Law 91/2014 ("Competitiveness Decree"), which extended the option to prepare financial statements in accordance with the international accounting standards (IAS/IFRS) to all companies, other than those that must prepare their financial statements in accordance with the IAS/IFRS or are permitted to prepare condensed financial statements pursuant to Article 2435 *bis* of the Italian Civil Code (Article 4, paragraph 6 of Legislative Decree 38/2005).

II. Basis of preparation

SIMEST's financial statements consist of the Balance sheet, the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flows, and these Notes to the financial statements. They are accompanied by the Board of Directors' Report on Operations.
The Notes to the financial statements provide all of the information required by law, as well as any supplemental information deemed necessary to give a true and fair view of the Company's financial performance and standing. With regard to disclosures on the going concern basis and in compliance with the requirements on the same issue contained in IAS 1 revised, the Company has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous financial years, the Company believes that it is appropriate to prepare its financial statements on a going concern basis.
The financial statements and accompanying Notes show the figures for the reporting period, as well as the comparative figures at December 31, 2017.
The financial statements use the euro as the reporting currency. The financial statements are expressed in euro, whereas the amounts shown in these Notes to the financial statements are expressed in thousands of euro, unless otherwise stated.

III. Other issues

IFRS in force and endorsed since 2018
As required by IAS 8 - Accounting policies, changes in accounting estimates and errors, details of the new international financial reporting standards, or amendments to standards already in force, whose

application became mandatory from January 1, 2018, are provided below:

- European Commission Regulation (EU) 2016/2067 of November 22, 2016, published in the *Official Journal* L. 323 of November 29, 2016, amending Regulation (EC) 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council as regards IFRS 9: the standard addresses the need to ensure a transition to a more forward-looking model for recognising expected losses on financial assets. In particular, the aim is to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis;
- Commission Regulation (EU) 2016/1905 of September 22, 2016, published in the *Official Journal* L. 295 of October 29, 2016, amending Regulation (EC) 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council as regards IFRS 15: the aim is to improve the financial reporting of revenue and, therefore, to improve the comparability of revenue in financial statements;
- Commission Regulation (EU) 2017/1988 of November 3, 2017, published in the *Official Journal* L. 291 of November 9, 2017, amending Commission Regulation (EC) 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council as regards IFRS 4: this amendment seeks to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new standard for insurance contracts IFRS 17 that will replace IFRS 4;
- Commission Regulation (EU) 2017/1987 of October 31, 2017, published in the *Official Journal* L. 291 of November 9, 2017, amending Regulation (EC) 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council as regards IFRS 15: these amendments aim to clarify some requirements of the new standard and provide additional transitional relief for companies that are implementing the new standard.

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from January 1, 2019)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of the financial statements at December 31, 2018 (unless, where permitted, it is chosen to adopt them in advance):

- Commission Regulation (EU) 2017/1986 of October 31, 2017, published in the *Official Journal* L. 291 of November 9, 2017, amending Regulation (EC) 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council as regards IFRS 16.

IFRS 16: Leases

On January 13, 2016, the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining Whether an Arrangement Contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the Balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose objects are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at the reporting date of December 31, 2018

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union as at the date of preparation of this annex:

- IFRS 14: Regulatory Deferral Accounts (issued on January 30, 2014);
- IFRS 17: Insurance Contracts (issued on May 18, 2017);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on September 11, 2014);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on October 12, 2017).

IV. Use of estimates and assumptions

Accounting estimates

The application of International Financial Reporting Standards in preparing the financial statements requires the Company to make accounting estimates for certain Balance sheet items that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, and the disclosures on contingent assets and liabilities at the reporting date, as well as the amounts reported for revenues and costs for the reporting period. Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on future results.

The estimates made at the reporting date relate mainly to financial assets connected with receivables for equity investments, in order to verify whether there is evidence indicating that the value of such assets may be impaired, in addition to estimates related to current and deferred taxes.

Fair value measurement

The fair value is the amount for which an asset (or liability) could be exchanged in a hypothetical transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

In the definition of fair value, a key assumption is that an entity is fully operational and does not have the urgent need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

There are three possible ways of determining the fair value of financial instruments:

- in the case of instruments quoted on active markets, prices on financial markets are used (Level 1);
- in the case of instruments not quoted on active markets, recourse is made, where possible, to valuation techniques that use observable market inputs other than quoted prices for the financial instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use unobservable market inputs that are therefore inevitably subjective to some degree (Level 3).

A market is considered active if prices are readily and regularly available on regulated markets, organised trading facilities, brokers, intermediaries, pricing services, and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date.

In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market inputs at different levels of complexity. For example, valuation techniques may involve, in addition to interpolations and extrapolations, the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured. SIMEST takes the following into consideration when selecting the Level 2 valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in the Company's systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments quoted on active markets.
In some cases, in determining the fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, statistical or "expert-based" estimates by those carrying out the valuation (Level 3).
Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

Main accounting policies

The following pages provide a description of the accounting policies adopted in preparing the financial statements of SIMEST at December 31, 2018.

Cash and cash equivalents

"Cash and cash equivalents" are measured at fair value. Cash refers to cash on hand and the balance on accounts held with banks returning market rates. The amount of the item is increased by the interest accrued on cash and cash equivalents, even if not yet settled.

Financial assets measured at fair value through profit or loss

This item includes all financial assets that are not classified in the portfolio of financial assets measured at fair value through other comprehensive income, or the portfolio of financial assets measured at amortised cost.
In particular, this item includes:

- financial assets held for trading, represented by debt and equity securities and the positive value of derivative contracts held for trading;
- financial assets mandatorily measured at fair value, represented by the financial assets which do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not provide solely for payments of principal and interest on the principal amount outstanding (i.e. those financial assets that do not pass the SPPI Test), or financial assets not held within a business model whose objective is to hold assets in order to collect contractual cash flows (the "Hold to Collect" business model), or whose objective is achieved by both collecting contractual cash flows and selling financial assets (the "Hold to Collect and Sell" business model);
- financial assets designated at fair value, i.e. those financial assets defined as such at the time of initial recognition and where the conditions are met. In such a case, at initial recognition an

entity has the option to irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, this will eliminate or significantly reduce a recognition inconsistency.

In SIMEST's financial statements, this amount includes receivables from partner companies resulting from investment transactions in investees which, under IFRS 9, do not pass the SPPI Test – Solely Payments of Principal and Interest on the Principal Amount Outstanding – and therefore must be measured at fair value.

In particular, the relationships between SIMEST, its partner companies and its investees are considered financial assets ("linked transactions") whereby SIMEST is entitled to receive a contractually defined amount of money from the companies which is not less than the amount disbursed, thereby substantiating the relationship with the partner within the context of the linked transaction. These relationships, regardless of their legal form, are classified as loans and receivables.

Financial assets measured at fair value through other comprehensive income

This item includes financial assets that meet both of the conditions listed below:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Hold to Collect and Sell" business model);
- 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 (i.e. those financial assets that pass the SPPI Test).

The item also includes equity instruments, not held for trading purposes, for which the option to be designated at fair value through other comprehensive income was exercised at the time of initial recognition.

Therefore, this item includes all financial assets (debt securities, equity securities and loans) classified in the portfolio measured at fair value through other comprehensive income.

Financial assets measured at amortised cost

This item includes debt securities and loans classified in the portfolio of assets measured at amortised cost.

Financial assets that meet both of the following conditions are therefore included:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows ("Hold to Collect" business model);
- 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 (i.e. those financial assets that pass the SPPI Test).

In SIMEST's financial statements, this amount includes receivables from partner companies resulting from investment transactions in investees which, having passed the SPPI Test, are measured at amortised cost.

The relationships between SIMEST, its partner companies and its investees are considered financial assets ("linked transactions") whereby SIMEST is entitled to receive a contractually defined amount of money from the companies which is not less than the amount disbursed, thereby substantiating the relationship with the partner within the context of the linked transaction. These relationships, regardless of their legal form, are classified as loans and receivables.

In particular, IFRS 9 states that if the contractual cash flows involve characteristics other than the payment of principal and interest on the notional amount, the SPPI Test is deemed to have been passed if these additional characteristics only have a *de minimis* effect, i.e. if this effect may be considered "insignificant" at each reporting date and cumulatively over the life of the instrument, it has no impact on the classification of that financial instrument.

With regard to SIMEST, the agreements with the partners establish a floor on the exit price of the equity investment equal to the purchase price and a cap on the realisable capital gain. The threshold value for applying the *de minimis* concept was determined based on an in-depth analysis. Consequently, a portion of the portfolio relating to receivables for equity investments held by SIMEST which falls within this threshold is classified and measured at amortised cost, which is more consistent with the characteristics of the instrument.

Property, plant and equipment

"Property, plant and equipment" refers to non-current assets which are consistently used in the course of the Company's business. Property, plant and equipment is recognised at purchase cost, including incidental expenses. The financial statements report the carrying value of property, plant and equipment net of depreciation, which is calculated using the rates that are deemed to reflect the remaining useful economic lives of each asset. Newly acquired assets are depreciated as from the period in which they enter service. Assets whose use or nature classifies them as capital equipment are depreciated on a straight-line basis over their remaining useful lives. Maintenance and repair costs that do not increase the utility and/or useful lives of assets are charged directly to profit or loss for the year.

Intangible assets

"Intangible assets" are governed by IAS 38. Intangible assets are recognised at purchase or development cost including incidental expenses and are amortised over their estimated useful lives, which, at the end of each financial year, is subject to impairment testing in order to verify the appropriateness of the estimates. An intangible asset is only recognised in the asset section of the Balance sheet under the following conditions:

- the Company can control the future economic benefits generated by the asset;
- future economic benefits from the asset are expected to flow to the entity;
- the cost of the asset can be measured reliably.

Intangible assets are therefore derecognised when sold or when future economic benefits are not expected. Costs incurred for the purchase and development of software by third parties are amortised on a straight-line basis over the residual useful life of the assets, which is no greater than three years.

Financial liabilities held for trading

These financial instruments are initially recognised at the date of signing or at the date of issue at a value equal to the cost corresponding to the fair value of the instrument. In particular, this category of liabilities includes the negative value of trading derivatives as well as the negative value of derivatives embedded in complex contracts but not closely related to them. All financial liabilities held for trading are measured at fair value with valuation differences being recognised through profit or loss. Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards of ownership to a third party.

Current and deferred taxes

Tax assets and liabilities are recognised in the Balance sheet respectively under the asset item "Tax assets" and the liability item "Tax liabilities". The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences. Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accrual basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates. Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation. The term deferred tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes. Deferred taxes are recognised: i) under tax assets, if they relate to deductible temporary differences, which means the differences between statutory and tax values that will give rise to deductible amounts in future financial years, to the extent that they are likely to be recovered; and ii) under tax liabilities, if they relate to taxable temporary differences representing liabilities because they are related to accounting entries that will become taxable in future tax periods. In particular, with regard to IRES, following the CDP Group's decision to participate in the National Fiscal Consolidation and in accordance with both the Regulations governing consolidation and prevailing tax theory and practice, the Company determined its "potential" liability, recognising as balancing entry a payable to the consolidating entity that, in accordance with the new scheme, is the only entity obliged to settle transactions with the tax authorities.

Staff severance pay

"Staff severance pay" covers the entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements. In accordance with IAS 19, the staff severance pay is a "Defined-benefit plan" and, therefore, at the reporting date the liability is represented by the present value of expected future payments due to employees for the benefits accrued in the current year, and the present value of future payments deriving from the amounts accrued in previous years.

Provisions for risks and charges

"Provisions for risks and charges" consist of the allowances set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or timing were uncertain at the reporting date. Therefore, a provision is made under provisions for risks and charges only when:
- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The provisions are used only to cover the costs for which they were originally recognised.

Income from equity investments and interest expense

"Income from equity investments and interest expense" is recognised in the Income statement on a *pro rata* basis over time for all instruments based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Fees and commissions

"Fees and commissions" is recognised in the Income statement on an accrual basis. The commissions considered within the amortised cost for the purpose of determining the effective interest rate are excluded and are included under interest.

Costs

"Costs" are recognised on an accrual basis.

Transition to IFRS 9

IFRS 9: Financial instruments

From January 1, 2018, the new standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission in 2016, has replaced IAS 39 and governs the classification and measurement of financial instruments.
IFRS 9 is structured in three different areas: *classification and measurement* of financial instruments, *impairment* and *hedge accounting*.
As regards the first area of *classification and measurement*, IFRS 9 envisages that the classification of financial assets is guided, on the one hand, by the business model under which the assets are held and, on the other, by the characteristics of the contractual cash flows of these financial assets. Under IFRS 9, these financial assets can be classified into three categories: "Financial assets measured at amortised cost", "Financial assets measured at fair value through other comprehensive income" (for debt instruments, the reserve is transferred to profit or loss if the instrument is sold) and, lastly, "Financial assets measured at fair value through profit or loss". Financial assets can be recognised in the first two categories and, therefore, be measured at amortised cost or at fair value through other comprehensive income, only if the relevant business model is, respectively, "Hold to Collect" or "Hold to Collect and Sell", and if it is demonstrated that they pass the SPPI Test i.e. "Solely Payments of Principal and Interest". Equity securities are always recognised in the third category and are measured at fair value through profit or loss, unless the entity chooses (irrevocably during initial recognition), as regards equities not held for trading, to present the changes in value through other comprehensive income, which will never be transferred to profit or loss, not even if the financial instruments are sold (Financial assets measured at fair value through other comprehensive income without "recycling").
With reference to impairment, as regards instruments measured at amortised cost or at fair value through other comprehensive income (other than equity instruments), a model based on "expected loss" is introduced, instead of the "incurred loss" specified in IAS 39, so that any losses may be recognised with greater promptness.
As regards the procedures for representing the effects of first-time adoption of the standard, SIMEST, based on the decisions of the CDP Group, exercised the option provided by paragraph 72.15 of IFRS 9 and paragraphs E1 and E2 of IFRS 1 "First-Time Adoption of International Financial Reporting Standards", which allows entities not to restate comparative figures. Therefore, the date of first-time adoption of the new standard is January 1, 2018.

Transition statements

With reference to IFRS 9, SIMEST has decided to apply to it retrospectively but without restating the comparative figures for the previous financial year as regards the end-of-period figures or for the previous period regarding the flow data.
Considering the requirements contained in the international financial reporting standards in terms of disclosure in such circumstances, and in particular in IFRS 7, as regards the adoption of IFRS 9, the following disclosure information has been prepared, represented by:

- the statements transferring the Balance sheet items at December 31, 2017 from the accounting categories with names used in the 2017 financial statements to the new accounting categories introduced following the new IFRS 9. This statement transfers the carrying values to the new items without making any changes in measurement and impairment, keeping the overall closing totals of assets, liabilities and equity items exactly the same;

- the measurement statements concerning the accounting categories transferred to take account of the impacts arising from the adoption of IFRS 9 (measurement and impairment) and of the related tax effects. This statement highlights the opening Balance sheet balances at January 1, 2018 and the subsequent effects on equity at the same date;
- the statement of reconciliation of equity at December 31, 2017 with the opening equity at January 1, 2018.

Statements transferring Balance sheet figures

The following statements transfer the Balance sheet items at December 31, 2017 from the accounting categories with names used in the 2017 financial statements to the new accounting categories introduced following the adoption of the new IFRS 9. These statements show the carrying values resulting from the published 2017 financial statements that have been transferred to the new items, taking account of the analyses conducted as part of the projects implemented by the Group, without making any changes in measurement and impairment due to the adoption of IFRS 9, keeping the overall closing totals of assets, liabilities and equity items exactly the same.

BALANCE SHEET

(euro)

ASSETS	Cash and cash equivalents	Financial assets held for trading	Financial assets available for sale	Receivables for equity investments	Other financial receivables	Property, plant and equipment	Intangible assets	Tax assets	Other assets	Total assets at 31/12/2017
Cash and cash equivalents	20,732									20,732
Financial assets measured at fair value through other comprehensive income			5,164,569							5,164,569
Financial assets mandatorily measured at fair value through profit or loss:		2,607,500		392,607,083						395,214,583
- of which: Receivables for equity investments		*2,607,500*		*392,607,083*						*395,214,583*
Financial assets measured at amortised cost:				132,024,762	4,577,068					136,601,830
- of which: Receivables for equity investments				*132,024,762*						*132,024,762*
- of which: Other financial receivables					*4,577,068*					*4,577,068*
Property, plant and equipment						179,781				179,781
Intangible assets							703,217			703,217
Tax assets								3,201,408		3,201,408
a) current tax assets								*601,654*		*601,654*
b) deferred tax assets								*2,599,754*		*2,599,754*
Other assets									16,241,884	16,241,884
TOTAL ASSETS	**20,732**	**2,607,500**	**5,164,569**	**524,631,845**	**4,577,068**	**179,781**	**703,217**	**3,201,408**	**16,241,884**	**557,328,004**

BALANCE SHEET

(euro)

LIABILITIES AND EQUITY	Loans payable	Other liabilities	Staff severance pay	Tax liabilities	Provisions for risks and charges	Share capital	Share premium reserve	Reserves	Net income (loss) for the year (+/-)	Liabilities and Equity at 31/12/2017
Loans payable measured at amortised cost	221,390,301									221,390,301
Other liabilities		11,096,806								11,096,806
Staff severance pay			2,440,332							2,440,332
Tax liabilities				612,964						612,964
a) current tax liabilities				*577,111*						*577,111*
b) deferred tax liabilities				*35,853*						*35,853*
Provisions for risks and charges					1,323,918					1,323,918
b) other provisions					*1,323,918*					*1,323,918*
Share capital						164,646,232				164,646,232
Share premium reserve							1,735,551			1,735,551
Reserves								150,457,484		150,457,484
- of which FTA reserve								*63,526,684*		*63,526,684*
- of which IFRS 9 FTA reserve										-
Net income (loss) for the year (+/-)									3,624,416	3,624,416
TOTAL LIABILITIES AND EQUITY	**221,390,301**	**11,096,806**	**2,440,332**	**1,225,928**	**2,647,836**	**164,646,232**	**1,735,551**	**213,984,168**	**3,624,416**	**557,328,004**

INCOME STATEMENT

(euro)

ITEMS	Income from equity investments	Interest expense and similar expense	Commission income	Net gain (loss) on assets and liabilities held for trading	Other financial income	Adjustments/ recoveries on receivables	Administrative expenses	Other operating income (costs)	Net accruals to the provisions for risks and charges	Net adjustments/ recoveries on property, plant and equipment	Net adjustments/ recoveries on intangibles assets	Income tax for the year	Income Statement at 31/12/2017
Income from equity investments	28,461,296												28,461,296
Interest expense and similar expense		(1,867,953)											(1,867,953)
Commission income			16,576,115										16,576,115
Net profit (loss) on assets mandatorily measured at fair value through profit or loss				2,112,681		(10,166,360)							(8,053,679)
Other financial income					36,122								36,122
Adjustments/recoveries on receivables for credit risk on assets measured at amortised cost						(2,316,855)							(2,316,855)
Administrative expenses:							(22,131,408)						(22,131,408)
a) staff costs							*(14,486,777)*						*(14,486,777)*
b) other administrative expenses							*(7,644,631)*						*(7,644,631)*
Other operating income (costs)								-					-
Net accruals to the provisions for risks and charges									(761,340)				(761,340)
Net adjustments/ recoveries on property, plant and equipment										(61,790)			(61,790)
Net adjustments/ recoveries on intangibles assets											(474,299)		(474,299)
Income tax for the year												(5,781,794)	(5,781,794)
NET INCOME (LOSS) FOR THE YEAR	**28,461,296**	**(1,867,953)**	**16,576,115**	**2,112,681**	**36,122**	**(12,483,215)**	**(22,131,408)**	**-**	**(761,340)**	**(61,790)**	**(474,299)**	**(5,781,794)**	**3,624,415**

Measurement and impairment statements of Balance sheet figures – opening balances at January 1, 2018

The statements below, called "measurement statements", highlight the impacts resulting from the application of the measurement and impairment rules under IFRS 9. In particular, taking the transferred balances shown in the previous statements as the starting point, the gross effects as a result of the adoption of the standards were calculated, along with the related tax effects.

BALANCE SHEET

(euro)

		IFRS 9			
ASSETS	**Total assets at 31/12/2017**	**Classification and measurement**	**Impairment**	**Taxes**	**Total assets at 01/01/2018**
Cash and cash equivalents	20,732				20,732
Financial assets measured at fair value through other comprehensive income	5,164,569				5,164,569
Financial assets mandatorily measured at fair value through profit or loss:	395,214,583	10,315,241	-		405,529,824
- of which: Receivables for equity investments	*395,214,583*	*10,315,241*			*405,529,824*
Financial assets measured at amortised cost:	136,601,830	-	(597,038)		136,004,792
- of which: Receivables for equity investments	*132,024,762*	-	*(597,038)*		*131,427,724*
- of which: Other financial receivables	*4,577,068*				*4,577,068*
Property, plant and equipment	179,781				179,781
Intangible assets	703,217				703,217
Tax assets	3,201,408			91,996	3,293,404
a) current tax assets	*601,654*			*91,996*	*693,650*
b) deferred tax assets	*2,599,754*				*2,599,754*
Other assets	16,241,884				16,241,884
TOTAL ASSETS	**557,328,004**	**10,315,241**	**(597,038)**	**91,996**	**567,138,203**

BALANCE SHEET

(euro)

LIABILITIES AND EQUITY	Total Liabilities and Equity at 31/12/2017	IFRS 9 Classification and measurement	IFRS 9 Impairment	IFRS 9 Taxes	Total Liabilities and Equity at 01/01/2018
Loans payable measured at amortised cost	221,390,301				221,390,301
Other liabilities	11,096,806				11,096,806
Staff severance pay	2,440,332				2,440,332
Tax liabilities	612,964			355,709	968,673
a) current tax liabilities	*577,111*			*197,144*	*774,255*
b) deferred tax liabilities	*35,853*			*158,565*	*194,418*
Provisions for risks and charges	1,323,918				1,323,918
b) other provisions	*1,323,918*				*1,323,918*
Share capital	164,646,232				164,646,232
Share premium reserve	1,735,551				1,735,551
Reserves	150,457,484	10,315,241	(597,038)	(263,713)	159,911,974
- of which FTA reserve	*63,526,684*				*63,526,684*
- of which IFRS 9 FTA reserve	-	*10,315,241*	*(597,038)*	*(263,713)*	*9,454,490*
Net income (loss) for the year (+/-)	3,624,416				3,624,416
TOTAL LIABILITIES AND EQUITY	**557,328,004**	**10,315,241**	**(597,038)**	**91,996**	**567,138,203**

STATEMENT OF RECONCILIATION OF EQUITY FOLLOWING THE ADOPTION OF IFRS 9

(euro)

	At 31/12/2017	Equity investment portfolio measured at fair value	Reversal of collective impairment provision	Reclassification of equity investment impairment provision to amortised cost	Tax effect	Opening balance at 01/01/2018
Share capital:						
a) ordinary shares	*164,646,232*	-	-		-	*164,646,232*
b) preference shares						
Share premium reserve	1,735,551					1,735,551
Reserves:						
- Legal reserve	22,354,194					22,354,194
- Extraordinary reserve	59,646,130					59,646,130
- Reserve pursuant to Art. 88(4) of Pres. Decree 917/86	5,164,569					5,164,569
- First-Time Adoption reserve for transition to IAS	63,526,684					63,526,684
- IFRS 9 First-Time Adoption reserve		3,549,089	7,830,442	(1,661,327)	(263,713)	9,454,490
Valuation reserves:						
- Actuarial reserve for employee benefits	(234,093)					(234,093)
- OCI reserve for measurement of financial liabilities						-
Net income (loss) for the year	3,624,416					3,624,416
TOTAL EQUITY	**320,463,683**	**3,549,089**	**7,830,442**	**(1,661,327)**	**(263,713)**	**329,918,173**

Information on the Balance sheet

(thousands of euro)

ASSETS

A.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents: breakdown

ITEMS	31/12/2018	31/12/2017
Banks	13	15
Cash	8	6
TOTAL	**21**	**21**

This item represents bank deposits at December 31, 2018, which include interest income credited by banks and cash on hand at the same date, in euro and in foreign currencies.

A.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income

ITEMS	31/12/2018	31/12/2017
Financial assets measured at fair value through other comprehensive income	5,165	5,165
TOTAL	**5,165**	**5,165**

This item refers to the equity investment that SIMEST holds in FINEST Spa (which is not an associate).

Financial assets measured at fair value through other comprehensive income: breakdown by type

ITEMS	31/12/2018 Level 1	31/12/2018 Level 2	31/12/2018 Level 3	31/12/2017 Level 1	31/12/2017 Level 2	31/12/2017 Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities			**5,165**			**5,165**
2.1 At fair value						
2.2 At cost			5,165			5,165
3. Units in collective investment undertakings						
4. Loans						**-**
TOTAL	**-**	**-**	**5,165**	**-**	**-**	**5,165**

Changes for the year

OPENING BALANCE AT 31/12/2017	**5,165**
Increases	
-	
Decreases	
-	-
CLOSING BALANCE AT 31/12/2018	**5,165**

A.3 FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This item refers to receivables from partner companies resulting from investment transactions in investees which, under IFRS 9, do not pass the SPPI Test – Solely Payments of Principal and Interest on the Principal Amount Outstanding – and therefore must be measured at fair value.
In particular, the relationships between SIMEST, its partner companies and its investees are considered financial assets ("linked transactions") whereby SIMEST is entitled to receive a contractually defined amount of money from the companies which is not less than the amount disbursed, thereby substantiating the relationship with the partner within the context of the linked transaction. These relationships, regardless of their legal form, are classified as loans and receivables.

Financial assets mandatorily measured at fair value through profit or loss: breakdown by debtor/issuer

ITEMS	31/12/2018	31/12/2017
1. Equity securities	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**-**	**-**
a) Central banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units in collective investment undertakings	**-**	**-**
4. Loans	**345,218**	**395,214**
a) Central banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial companies	-	
of which: insurance companies	-	-
e) Non financial companies	345,218	395,214
f) Households	-	-
TOTAL	**345,218**	**395,214**

Financial assets mandatorily measured at fair value through profit or loss: breakdown by type

	31/12/2018			31/12/2017		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in collective investment undertakings	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**345,218**	**-**	**-**	**395,214**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	**-**	**-**	**345,218**	**-**	**-**	**395,214**

ITEMS	31/12/2018 Performing	Purchased Credit-impaired	Other	Total
Loans to:				
a) Governments				
b) Other government agencies				
c) Other	319,418		25,800	345,218
TOTAL	**319,418**		**25,800**	**345,218**

Financial assets mandatorily measured at fair value through profit or loss: breakdown by maturity

ITEMS	Past due	up to 3 months	up to 12 months	up to 5 years	more than 5 years	Total
Financial assets mandatorily measured at fair value	22,083	4,515	64,325	181,216	73,079	345,218
TOTAL						**345,218**

A.4 FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets measured at amortised cost, of which Receivables for equity investments: breakdown by debtor/issuer

	31/12/2018			31/12/2017		
ITEMS	**Stage 1 and 2**	**Stage 3**	**Of which: purchased or originated credit-impaired financial assets**	**Stage 1 and 2**	**Stage 3**	**Of which: purchased or originated credit-impaired financial assets**
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Public entities	-	-	-	-	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**202,810**	**12,272**	**-**	**124,088**	**9,001**	**-**
a) Public entities	-	-	-	-	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial-companies	202,810	12,272	-	124,088	9,001	-
d) Households	-	-	-	-	-	-
TOTAL	**202,810**	**12,272**	**-**	**124,088**	**9,001**	**-**

This item refers to receivables from partner companies resulting from investment transactions in investees which, having passed the SPPI Test, are measured at amortised cost.

Financial assets measured at amortised cost: gross value and accumulated impairment

	Gross value				Accumulated impairment			
ITEMS	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	**Accumulated partial write-offs**
Debt securities	-	-	-	-	-	-	-	-
Loans	192,406	-	12,219	23,927	1,583	251	11,636	-
TOTAL	**192,406**	**-**	**12,219**	**23,927**	**1,583**	**251**	**11,636**	**X**

Other financial receivables: breakdown

The item refers to mortgage and personal loans granted to employees.

ITEMS	31/12/2018	31/12/2017
Mortgage loans to employees	4,220	4,230
Personal loans to employees	278	347
TOTAL	**4,498**	**4,577**

The following table provides a breakdown by maturity:

ITEMS	up to 3 months	up to 12 months	up to 5 years	more than 5 years	Total
Receivables for mortgage loans to employees	81	240	1,173	2,726	4,220
Receivables for personal loans to employees	53	77	148	-	278
TOTAL					**4,498**

A.5 PROPERTY, PLANT AND EQUIPMENT

Operating property, plant and equipment: breakdown of assets measured at cost

ITEMS	31/12/2018	31/12/2017
1. Owned	**379**	**180**
a) Land		
b) Buildings		
c) Furniture	252	79
d) Electronic plant	127	101
e) Other		
2. Acquired under finance leases	**-**	**-**
a) Land		
b) Buildings		
c) Furniture		
d) Electronic plant		
e) Other		
TOTAL	**379**	**180**

Operating property, plant and equipment: changes for the year

	Furniture	Electronic plant	Total
A. Opening gross balance	**1,342**	**2,062**	**3,404**
A.1 Total net impairment	(1,263)	(1,961)	(3,224)
A.2 Opening net balance	79	101	180
B. Increases	**204**	**81**	**285**
B.1 Purchases	204	81	285
C. Decreases	**(31)**	**(55)**	**(86)**
C.1 Sales	-	-	-
C.2 Depreciation	(31)	(55)	(86)
D. Closing net balance	**252**	**127**	**379**
D.1 Total net impairment	(1,294)	(2,016)	(3,310)
D.2 CLOSING GROSS BALANCE	**1,546**	**2,143**	**3,689**

Depreciation is calculated on a straight-line basis at a rate determined in relation to the use of the assets and their residual useful lives.
Purchases during the year mainly regarded IT system hardware, furniture and furnishings.

A.6 INTANGIBLE ASSETS

Intangible assets: breakdown

ITEMS	31/12/2018	31/12/2017
Software licences	433	588
Office renovation costs	130	115
TOTAL	**563**	**703**

The item includes the costs for updating IT procedures used to manage Company operations.
Software and the costs incurred in respect of the development plan are amortised on a straight-line basis over three years.

Intangible assets: changes for the year

A. OPENING BALANCE	**13,647**
A.1 Total net impairment	(12,944)
A.2 Opening net balance	703
B. Increases	**445**
B.1 Purchases	445
of which: business combinations	
C. Decreases	**(585)**
C.1 Sales	
of which: business combinations	
C.2 Value adjustments	(585)
- Amortisation	(585)
- Impairment:	-
+ Equity	
+ Income statement	
D. CLOSING NET BALANCE	**563**
D.1 Total net value adjustments	(13,529)
E. CLOSING GROSS BALANCE	**14,092**

A.7 TAX ASSETS

Deferred tax assets: breakdown

ITEMS	31/12/2018	31/12/2017
Deferred tax assets recognised in the Income statement	**421**	**2,600**
- Provisions for risks and charges	421	2,018
- Impairment of loans	-	582
Deferred tax assets recognised in Equity		
TOTAL	**421**	**2,600**

Changes in deferred tax assets

ITEMS	31/12/2018
Opening balance	**2,600**
1. Increases	**421**
1.1 Deferred tax assets recognised during the year	421
1.2 New taxes or increases in tax rates	
1.3 Other increases	
1.4 Business combinations	
2. Decreases	**(2,600)**
2.1 Deferred tax assets derecognised during the year	(2,600)
a) Reversals	(1,516)
b) Impairment due to uncollectability	(1,084)
c) Due to change in accounting policies	
d) Other	
2.2 Reduction in tax rates	
2.3 Other decreases	
2.4 Business combinations	
CLOSING BALANCE	**421**

A.8 OTHER ASSETS

Other assets: breakdown

ITEMS	31/12/2018	31/12/2017
Trade receivables and advances to public entities	17,635	16,130
Advances to suppliers	38	21
Advances to personnel	-	-
Other trade receivables	9	1
Other tax receivables	54	8
Accrued income and prepaid expenses	85	82
TOTAL	**17,821**	**16,242**

The item “Trade receivables and advances to public entities” includes receivables for the commissions under the agreement to manage the Law 295/73 Fund, the Law 394/81 Fund, the Sustainable Growth Fund, the Venture Capital Fund and the Start-Up Fund.

LIABILITIES

P.1 LOANS PAYABLE MEASURED AT AMORTISED COST

Loans payable measured at amortised cost: breakdown

ITEMS	31/12/2018	31/12/2017
Due to banks	131,032	135,281
Due to Cassa depositi e prestiti	118,098	86,109
TOTAL	**249,130**	**221,390**

The item refers to the current account overdraft facility provided by the banking system and the use of credit lines to support the cash flows of equity investments.

Loans payable measured at amortised cost: breakdown by maturity

ITEMS	31/12/2018	31/12/2017
Loans repayable on demand	24,641	12,866
Term loans and loans repayable with notice	224,489	208,524
TOTAL	**249,130**	**221,390**

The item “Loans repayable on demand” refers to the current account overdraft facility, outstanding at the end of the year, provided by the banking system. The carrying value is equal to the nominal value and includes accrued fees.
The item “Term loans and loans repayable with notice” refers to the payable outstanding at the end of the year in respect of the use of credit lines. It also includes the individual credit lines from Cassa depositi e prestiti as well as credit lines pooled with other lenders.

P.2 OTHER LIABILITIES

Other liabilities: breakdown

ITEMS	31/12/2018	31/12/2017
Amounts due to employees	1,923	1,880
Trade payables and other items	6,313	4,301
Tax payables	349	338
Due to social security institutions	708	621
IRES tax liability to the Ultimate Parent Company Cassa depositi e prestiti Spa from Fiscal Consolidation	-	3,957
TOTAL	**9,293**	**11,097**

P.3 STAFF SEVERANCE PAY

Staff severance pay: changes for the year

	31/12/2018	31/12/2017
A. Opening balance	**2,440**	**3,122**
B. Increases	**28**	**24**
B1. Accrual for the year	28	24
B2. Other increases	-	-
C. Decreases	**234**	**706**
C1. Severance payments	202	551
C2. Other decreases	32	155
D. CLOSING BALANCE	**2,234**	**2,440**

Post-employment benefits are divided into:
- defined-contribution plans, in which the company pays fixed contributions into a separate entity (a fund). In this case, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee;
- defined-benefit plans, in which the company undertakes to provide agreed benefits to current and former employees, thereby essentially assuming the actuarial and investment risks associated with the plan.

Accounting treatment of defined-contribution plans

The plan's costs are recognised in the Income statement under staff costs without taking into account the present value of the obligation. Starting January 1, 2007 (the date the supplementary pension reforms introduced by Legislative Decree 252 of December 5, 2005 came into force), for companies with more than 50 employees, the portion of staff severance paid into pension funds and the INPS Treasury Fund falls under the definition of "defined-contribution plan" without requiring any actuarial valuation. Conversely, the existing portion, which will continue to be held by the Company until the final date of disbursement of the severance pay to the employee, will continue to be treated as a "defined-benefit plan". Specifically, only the recognition of interest from discounting and the disbursements made will affect this portion.

Accounting treatment of defined-benefit plans

The cost recognised with respect to a defined-benefit plan should be recalculated based on demographic and statistical assumptions and on wage trends. More specifically, the portion of staff severance pay that remains with the Company and which falls under the definition of a defined-benefit plan is calculated based on the present value of accrued and accruing obligations (respectively, the present value of the expected future payments related to benefits accrued during the current financial year and the present value of future payments resulting from amounts accrued in previous financial years). The costs of servicing the plan are recognised under staff costs, while actuarial gains and losses are recognised in the valuation reserves in equity. The actuarial valuation was conducted in accordance with the revised IAS 19, as amended by the IASB on June 16, 2011 and approved with Regulation (EU) 475/2012 of June 5, 2012.

With reference to the above-mentioned accounting standard, the following have been calculated:
- Defined Benefit Obligation (DBO): average present value at December 31, 2018 of defined benefit obligations accrued by employees in service at the valuation date for service in the current and previous years;
- Current Service Cost (CSC): the average present value at December 31, 2018 of obligations in respect of

staff severance pay accrued by employees in service at December 31 for service during the year. In this regard, it should be noted that, in accordance with the regulations in force, the benefits connected with staff severance pay for the employees of the company in question must be considered fully accrued, therefore the CSC has been zero since July 1, 2007;

- Expected Future Working Life of Active Membership: average residual working life of employees in service and an indicator for the period on the basis of which any amortisation charges to be recognised in the Income statement for the year will be determined;
- Net Interest: interest on the net liability (difference between DBO and the Plan Assets at Fair Value) at the beginning of the year, calculated using the assumed rate at the same date, while also taking into account any changes arising from the payment of contributions and benefits (in the specific case of staff severance pay, there are no contributions or assets represented by identifiable securities used solely for the disbursement of the staff severance pay, and therefore the Plan Assets at Fair Value amount to zero).

The following were the main actuarial assumptions made in calculating staff severance pay:

Accounting treatment of defined-contribution plans and defined-benefit plans *(%)*

ECONOMIC AND FINANCIAL PARAMETERS	2018	2017	2016
Nominal annual discount rate	1.40%	1.20%	0.86%
Annual inflation rate	1.50%	1.20%	1.50%

DEMOGRAPHIC PARAMETERS	2018
Removal from service - Death	Equal to that of the Italian population 2017 (Source: ISTAT - Annuario Statistico Italiano 2018)
Removal from service - Other causes	Equal to 3% until age 54 and 5% thereafter
Retirement age	Provisions contained in Law 214/2011

RECONCILIATION OF LIABILITIES 01/01/2018-31/12/2018	*(euro)*
Past service liability 01/01/2018	**2,440,332**
Total pension cost	28,068
Utilisations	(202,727)
Actuarial (gains)/losses	(31,821)
PAST SERVICE LIABILITY 31/12/2018	**2,233,852**

The item “Deferred tax liabilities” refers to the IRES tax payable related to accounting entries that will become taxable in future tax periods.

P.4 TAX LIABILITIES

Tax liabilities: breakdown

ITEMS	31/12/2018	31/12/2017
Tax liabilities for direct taxes		
a) Current tax liabilities	-	577
b) Deferred tax liabilities	104	36
TOTAL	**104**	**613**

The item "Deferred tax liabilities" refers to the IRES tax payable related to accounting entries that will become taxable in future tax periods.

P.5 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges: breakdown

ITEMS	31/12/2018	31/12/2017
1. Company pensions and other post-retirement benefit plans		
2. Other provisions for risks and charges	**2,106**	**1,324**
2.1 Legal disputes	465	-
2.2 Staff costs	1,078	761
2.3 Other	563	563
TOTAL	**2,106**	**1,324**

Provisions for risks and charges: changes for the year

ITEMS	31/12/2018	31/12/2017
A. OPENING BALANCE	**1,324**	**1,715**
B. Increases	**1,543**	**761**
B.1 Accrual for the year	1,543	761
B.2 Changes due to passage of time		
B.3 Changes due to fluctuations in the discount rate		
B.4 Other changes		
C. Decreases	**761**	**1,152**
C.1 Use during the year	761	1,152
C.2 Changes due to fluctuations in the discount rate		
C.3 Other changes		
D. CLOSING BALANCE	**2,106**	**1,324**

SHAREHOLDERS' EQUITY

P.6 SHARE CAPITAL

Share capital: breakdown

ITEMS	31/12/2018	31/12/2017
Share capital subscribed and paid	164,646	164,646
TOTAL	**164,646**	**164,646**

At December 31, 2018, share capital amounted to 164,646 thousand euro, fully subscribed and paid in, represented by 316,627,369 shares with a nominal value of 0.52 euro each.

Share capital - Number of shares of the Parent Company: changes for the year *(units)*

ITEMS	Ordinary shares	Other
A. Shares at start of the year	**316,627,369**	
- fully paid	316,627,369	
A.1 Treasury shares (-)		
A.2 Outstanding shares: opening balance	316,627,369	
B. Increases		
B.1 New issues		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Outstanding shares: closing balance	**316,627,369**	
D.1 Treasury shares (+)		
D.2 Shares at end of the year	**316,627,369**	
- fully paid	316,627,369	

P.7 SHARE PREMIUM RESERVE

Share premium reserve

ITEMS	31/12/2018	31/12/2017
Share premium reserve	1,736	1,736
TOTAL	**1,736**	**1,736**

The share premium refers to a total of 22,403,298 shares.

P.8 RESERVES

Reserves

At December 31, 2018, the Company reported the following "Reserves":

ITEMS	31/12/2018	31/12/2017
Capital reserves:	**5,165**	**5,165**
Reserve pursuant to Art. 88(4) of Pres. Decree 917/86	5,165	5,165
Income reserves:	**154,961**	**145,292**
Legal reserve	22,535	22,354
Other reserves	59,445	59,411
First-Time Adoption reserve	63,527	63,527
IFRS 9 FTA reserve	9,454	-
TOTAL	**160,126**	**150,457**

The reserve pursuant to Article 88(4) of Pres. Decree 917/86 regards the capital grant received from the Ministry of Economic Development to subscribe to the equity investment in FINEST Spa of Pordenone, as established by Law no. 19 of January 9, 1991.

Information on the Income statement

(thousands of euro)

C.1 INCOME FROM EQUITY INVESTMENTS

Income from equity investments: breakdown

ITEMS	31/12/2018	31/12/2017
Income from equity investments	28,814	28,461
TOTAL	**28,814**	**28,461**

The item refers to the fees deriving from equity investments (26,445 thousand euro) and includes interest on deferred payment (351 thousand euro) and default interest (2,018 thousand euro).

C.2 INTEREST EXPENSE AND SIMILAR EXPENSE

Interest expense and similar expense: breakdown

ITEMS	31/12/2018	31/12/2017
Interest expense and similar expense	2,307	1,868
TOTAL	**2,307**	**1,868**

The item refers to the interest expense accrued on the current account overdraft facility provided by the banking system and the credit lines used to support the cash flows of equity investments.

C.3 FEE AND COMMISSION INCOME

Fee and commission income: breakdown

ITEMS	31/12/2018	31/12/2017
Fee and commission income	16,615	16,576
TOTAL	**16,615**	**16,576**

This item refers mainly to fees received for managing the Venture Capital Fund (3,923 thousand euro), the Law 394/81 Fund (5,670 thousand euro), the Sustainable Growth Fund (739 thousand euro) and the Law 295/73 Fund (6,283 thousand euro).

C.4 NET PROFIT (LOSS) ON ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Net profit (loss) on assets mandatorily measured at fair value through profit or loss: breakdown

INCOME COMPONENTS/OPERATIONS	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**1,516**	**7,912**	**(13,475)**	**-**	**(4,047)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units in collective investment undertakings	-	-	-	-	-
1.4 Loans	1,516	7,912	(13,475)	-	(4,047)
2. Financial assets: exchange rate differences					**-**
TOTAL	**1,516**	**7,912**	**(13,475)**	**-**	**(4,047)**

C.5 OTHER FINANCIAL INCOME

Other financial income: breakdown

ITEMS	31/12/2018	31/12/2017
Other financial income	31	36
TOTAL	**31**	**36**

This item mainly refers to interest income deriving from other financial receivables for mortgage loans and personal loans granted to employees.

C.6 NET ADJUSTMENTS/RECOVERIES FOR CREDIT RISK ON ASSETS MEASURED AT AMORTISED COST

Net adjustments/recoveries for credit risk on assets measured at amortised cost

INCOME COMPONENTS/OPERATIONS	Impairment			Recoveries		
	Stage 1 and 2	Write-offs	Stage 3 Other	Stage 1 and 2	Stage 3	Total
A. Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-
of which: purchased or originated credit-impaired	-	-	-	-	-	-
B. Receivables from customers	**(116)**	**-**	**(7,868)**	**901**	**780**	**(6,303)**
- Loans	(116)	-	(7,868)	901	780	(6,303)
- Debt securities	-	-	-	-	-	-
of which: purchased or originated credit-impaired	-	-	-	-	-	-
TOTAL	**(116)**	**-**	**(7,868)**	**901**	**780**	**(6,303)**

C.7 ADMINISTRATIVE EXPENSES

Administrative expenses: breakdown

ITEMS	31/12/2018	31/12/2017
a) Staff costs	(14,329)	(14,487)
b) Other administrative expenses	(8,440)	(7,645)
TOTAL	**(22,770)**	**(22,131)**

Staff costs: breakdown

ITEMS	31/12/2018	31/12/2017
1) Employees	**(12,086)**	**(12,807)**
a) Wages and salaries	(7,096)	(7,773)
b) Social security costs	(21)	(17)
c) Staff severance pay - payments and accruals	(522)	(544)
d) Pension costs	(2,183)	(2,120)
e) Payments to external supplementary pension funds:	(237)	(239)
- defined-contribution plans	*(237)*	*(239)*
i) Other employee benefits	(2,027)	(2,114)
2) Other personnel in service	**(1,953)**	**(1,381)**
3) Board of Directors and Board of Statutory Auditors	**(290)**	**(299)**
TOTAL	**(14,329)**	**(14,487)**

Other employee benefits: breakdown

ITEMS	31/12/2018	31/12/2017
Meal vouchers	(225)	(228)
Insurance policies	(484)	(478)
Leaving incentives	(1,209)	(1,327)
Other benefits	(109)	(81)
TOTAL	**(2,027)**	**(2,114)**

Other administrative expenses: breakdown

ITEMS	31/12/2018	31/12/2017
Professional and financial services	(1,685)	(1,084)
Outsourcing	(1,543)	(1,170)
Information services	(629)	(861)
Advertising and marketing	(352)	(496)
General services	(1,386)	(1,294)
Utilities, duties and other expenses	(2,744)	(2,605)
Other corporate bodies	(102)	(65)
Expenses incurred on behalf of the Ministry of Economic Development (Special programmes)	-	(71)
TOTAL	**(8,440)**	**(7,645)**

Expenses for 2018 relating to services provided by the Independent Auditors PricewaterhouseCoopers Spa are as follows:

(euro)

ITEMS	Service provider	Fees for the year
Statutory audit of accounts and financial statements	PwC Spa	79,000
Other audit-related services (audit of the annual and half-yearly Reporting Package for the Parent Company and the Ultimate Parent Company, audit of the accounting separation file)	PwC Spa	40,000
TOTAL		**119,000**

C.8 OTHER OPERATING INCOME (COSTS)

Other operating income (costs): breakdown

ITEMS	31/12/2018	31/12/2017
Other operating income (costs)	38	-
TOTAL	**38**	**-**

C.9 NET ACCRUALS TO THE PROVISIONS FOR RISKS AND CHARGES

Net accruals to the provisions for risks and charges: breakdown

ITEMS	31/12/2018	31/12/2017
Net accruals to provisions for sundry expenses for personnel	(1,079)	(761)
Net accruals to provisions for sundry expenses for legal disputes	(465)	-
TOTAL	**(1,544)**	**(761)**

C.10 NET ADJUSTMENTS/RECOVERIES ON PROPERTY, PLANT AND EQUIPMENT

Net adjustments/recoveries on property, plant and equipment: breakdown

ITEMS	Depreciation (a)	Impairment (b)	Recoveries (c)	Net balance (a + b - c)
A. Property, plant and equipment				
A.1 Owned	(86)			(86)
- For operations	(86)			(86)
- For investment				
A.2 Acquired under finance leases				
- For operations				
- For investment				
TOTAL	**(86)**	**-**	**-**	**(86)**

C.11 NET ADJUSTMENTS/RECOVERIES ON INTANGIBLE ASSETS

Net adjustments/recoveries on intangible assets: breakdown

ITEMS	Ammortamento (a)	Rettifiche di valore per deterioramento (b)	Riprese di valore (c)	Risultato netto (a + b - c)
A. Intangible assets				
A.1 Owned	(585)			(585)
- Other	(585)			(585)
A.2 Acquired under finance leases				
TOTAL	**(585)**	**-**	**-**	**(585)**

C.12 INCOME TAX FOR THE YEAR

Income tax for the year on continuing operations: breakdown

VOCI	31/12/2018	31/12/2017
1. Current taxes (-)	(4,601)	(5,706)
2. Change in current taxes from previous years (+/-)	33	95
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	(2,172)	(153)
5. Change in deferred tax liabilities (+/-)	90	(18)
6. INCOME TAX FOR THE YEAR (-) (-1+/-2+3+/-4+/-5)	**(6,650)**	**(5,782)**

In 2018, provisions were made for current and deferred IRES tax amounting to 5,616 thousand euro and for current and deferred IRAP tax amounting to 1,033 thousand euro. For deferred tax items, a receivable of 421 thousand euro with respect to deferred tax assets and a payable of 104 thousand euro with respect to deferred tax liabilities were recognised on the basis of the calculation of assets and liabilities at December 31, 2018.
It should be noted that Legislative Decree 142/2018 – issued in implementation of Law no. 163 of October 25, 2017 – amended, among other things, the definition of “financial intermediaries”, which is significant for both IRES and IRAP tax purposes. In particular, Article 12 of Legislative Decree 142/2018 introduced Article 162 *bis* of the Consolidated Income Tax Law (TUIR) containing a new definition for “financial intermediaries”, which needs to be referred to not only for the determination of taxable income (IRES and IRAP), but also for determining the subjective scope of application of the applicable surcharges. In the light of the newly introduced Article 162 *bis* of the TUIR and in consideration of the opinion of its tax advisor, it is felt that SIMEST no longer meets the requirements to qualify as a financial intermediary as it does not fall under any of the entities specified in said article. Therefore, it has calculated the provision for taxes in the financial statements as such (that is to say, as a non-financial entity).

The following tables provide a reconciliation of the theoretical tax liability and the actual tax liability.

	31/12/2018
Income (loss) before tax	**7,856**
IRES Theoretical tax liability	**(1,886)**
Increases	
- Temporary increases	(308)
- Permanent increases	(6,593)
Decreases	
- Dividends	628
- Gains on equity investments	687
- Other decreases	1,855
IRES ACTUAL TAX LIABILITY RECOGNISED	**(5,617)**

	31/12/2018
Difference between value and cost of production	**16,916**
IRAP Theoretical tax liability	**(815)**
Increases in taxes	(323)
Decreases in taxes	105
IRAP ACTUAL TAX LIABILITY RECOGNISED	**(1,033)**

Information on risks and hedging policies

In order to identify the risks to be managed, SIMEST, while not subject to prudential regulation, adheres to current banking regulations or the classification scheme adopted by the Basel Committee, which distinguishes between “pillar 1 risks” and “pillar 2 risks”.
This classification is included in the Risk Regulation adopted by SIMEST. The main purpose of this Regulation is to ensure that SIMEST, in coordination with the Parent Company SACE, is able to cover the risks it faces with its own resources. Thus, the Regulation contains the same risk management principles adopted by the Parent Company, while taking into account SIMEST’s specific nature and size. Furthermore, the associated operational policies have been issued.

The most significant risks to which SIMEST is exposed are as follows.

Credit risk: the risk of an unexpected deterioration in the economic-financial condition of a counterparty with whom the Company has a credit exposure. The Risk Regulation and the Investment Regulation have been supplemented by specific guidelines on investments and dedicated credit rating control functions, both *ex ante* and *ex post*, for each counterparty: the regulations govern the operation of the investment and monitoring process and the roles of the organisational units involved. The results of the assessment carried out by the various organisational units are summarised in the equity investment proposal, which is then examined by the Operations Committee. If the proposal is considered sound and attractive – also in view of its financial/credit risk and of the proposed risk management and mitigating methods – the proposal is submitted to the SIMEST Board of Directors for final approval. Next, the agreements with the partner are prepared and signed, in accordance with the guidelines and instructions provided by the

Board. For monitoring purposes, logics, processes and operational tools for analysing and monitoring changes in the risk profile of investments have been implemented. The objective of the monitoring consists in promptly identifying any non-performing credit positions, so as to allow management to implement specific measures to protect its assets and, if necessary, to recover the amount due. In addition, the credit risk associated with the equity investments is first of all mitigated through the direct commitments of the Italian partners to repurchase SIMEST's equity investments, partially secured by corporate sureties, collateral and bank or insurance guarantees.
At December 31, 2018, direct commitments of Italian partners for the repurchase of the equity investments totalled approximately 461 million euro (436 million euro at December 31, 2017). Repurchase commitments secured by bank and/or insurance guarantees amounted to approximately 42 million euro (48 million euro at December 31, 2017), while those secured by collateral amounted to 42 million euro (31 million euro at December 31, 2017).

GUARANTEES

(%; millions of euro)

	2018		2017	
Direct commitments of Italian partners	84%	461	85%	436
Commitments secured by banks and insurance companies	8%	42	9%	48
Commitments secured by collateral	8%	42	6%	31
TOTAL AMOUNT DISBURSED		**545**		**514**

Market risk: the risk arising from market transactions in financial instruments, currency and commodities. Price risk and foreign exchange risk are mitigated by contractual clauses which as a rule guarantee that the investment will be recovered by SIMEST at the historic price paid in euro for acquisition of the equity investment.

Operational risk: the risk of loss resulting from inadequate or malfunctioning internal procedures, people and systems or from external events.

Liquidity risk: the risk that the Company will not be able to liquidate investments and other assets to settle its financial obligations at maturity without incurring losses. Liquidity risk and interest rate risk are monitored constantly through analysis of expected cash flows, especially for equity investments.

Concentration risk: the risk arising from exposures to individual counterparties, groups of connected counterparties, or counterparties belonging to the same economic sector or carrying out the same activity, or belonging to the same geographical area.

Reputational risk: the current or prospective risk of a fall in profits, penalties, loss of economic value or damage to SIMEST's institutional role, resulting from a negative perception of the Company's image by customers, counterparties, shareholders, investors, regulators or other stakeholders. SIMEST gives the highest priority to preventing and monitoring the occurrence of events of a reputational nature in relation to transactions that are part of its corporate purpose. To this end, it has structured internal controls to mitigate this risk and has adopted specific safeguards to prevent reputational events from occurring in its operations.

Compliance risk: the risk of incurring legal or administrative penalties, losses or reputational damage as a result of violations of external provisions (laws or regulations) or self-governance rules (e.g. articles of association, codes of conduct). SIMEST has adopted the CDP Group's "Risk Assessment and Control of Compliance Risk" Policy, while structuring a compliance risk management process aimed at ensuring that internal processes and procedures are consistent with the objective of preventing the violation of self-governance rules or external provisions.

Within the Risk Regulation the Company also implemented the process of assessing the correspondence between the capital resources available (represented by equity) and the economic capital necessary to cover existing risks, which is measured using the Internal Capital Adequacy Assessment Process (ICAAP) employed by the CDP Group. Results of the assessments have confirmed the full adequacy of capital resources both at present and over the period covered by the Business Plan.
Specific controls are also in place for the subsidised funds managed by SIMEST to monitor and mitigate the main risks to which the funds are exposed. More specifically, in 2018, for the Law 295/73 Fund, in order to ensure support for exports through a more efficient allocation of public resources while maintaining adequate control of major risks (foreign exchange and interest rate risk), even in situations of stress, a new methodology was implemented for quantifying the Fund's overall on-balance sheet financial needs with a view to efficiently managing public resources.

Transactions with related parties

Since September 30, 2016, the Company has been 76% owned by SACE Spa, a company that exercises management and coordination over SIMEST.

Transactions with the Parent Company

With regard to relations with the majority shareholder, SACE Spa, and the companies of the CDP Group, and in accordance with Article 2428 of the Italian Civil Code, we hereby report that there is an agreement between SIMEST, CDP, and SACE – known as the "Export Bank Agreement" – which establishes that CDP is to provide financial support and SACE is to provide guarantees in operations to finance the internationalisation and export efforts of Italian businesses.
In relations with SACE Spa, remuneration was paid in 2018 to SIMEST senior managers who sit on the SIMEST Board of Directors (amounting to 54 thousand euro), and payment was made for professional services received within the scope of an agreement relating to the assessment of environmental impact parameters for subsidised export credit transactions (20 thousand euro).
In addition, in April 2017, following the creation of the Italian export and internationalisation hub, and with a view to centralising functions and achieving operational synergies, outsourcing agreements were established with SACE Spa to manage the following Services: Human Resources, ICT, Procurement, Compliance, Internal Audit, and Risk Management.
At the end of 2018, seven SACE Spa employees were seconded to SIMEST, and four SIMEST employees were seconded to SACE Spa.
Also of note is the lease payment made for the use of offices in Mestre and Bologna (10 thousand euro).

Transactions with other related parties

With regard to the other companies in the Group, in 2018 credit lines provided by Cassa depositi e prestiti (CDP), both individually and in a pool with other lenders, were drawn down, which have generated interest and commission expense of 912 thousand euro. Also, always with regard to relations with CDP, it should be noted that in 2018 remuneration was paid for the members of the SIMEST Board of Directors appointed from among CDP's senior managers (amounting to 54 thousand euro), and a lease payment was made for the use of an office in Milan (25 thousand euro). At the end of 2018, seven CDP employees

were seconded to SIMEST, and one SIMEST employee was seconded to CDP. Also, at the end of 2018, one SIMEST employee was seconded to Fintecna.
Finally, it should be noted that there is an agreement in place with SACE SRV (a subsidiary of SACE Spa) for infoprovider and commercial information services (168 thousand euro).
These related-party transactions have all been conducted at arm's length.

Directors' and Statutory Auditors' remuneration

	Directors		Statutory Auditors	
	Amount for the year	**Amount paid**	**Amount for the year**	**Amount paid**
Short-term benefits	212	148	78	23
TOTAL	**212**	**148**	**78**	**23**

Significant events after the reporting date

No significant events occurred after the reporting date.

Proposal for allocation of the net income for the year

We hereby submit for shareholder approval the financial statements for 2018, consisting of the Balance sheet, the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flows, and the Notes to the financial statements. The financial statements are accompanied by the directors' report on operations.
As previously mentioned, SIMEST applied the new IFRS 9 starting on January 1, 2018. This standard lays down new rules for the classification and measurement of financial instruments. Taking into account the effects of the adoption of the new IFRS 9, in accordance with the aforementioned provisions of paragraphs 1, letter a) 6 of Legislative Decree 38/2005, the entire net income for the year 2018, amounting to 1,205,854 euro, cannot be distributed as it is to be allocated to a non-distributable reserve. The net income for the year is in fact lower than the unrealised fair value gains recognised in the Income statement, amounting to 7,051,078 euro. In addition, in compliance with the provisions of the second paragraph of Article 6 of Legislative Decree 38/2005, the available reserves reported in the financial statements must be restricted from being available up to the amount of 5,845,224 euro, which is the difference between the unrealised fair value gains that contributed to the net income for the year and the net income for 2018.

For the Board of Directors
The Chairman
Salvatore Rebecchini

Financial highlights of the company performing management and coordination

In accordance with Article 2497 *bis*, paragraph 4, of the Italian Civil Code, the following statements provide financial highlights from the most recent financial statements of the Parent Company, SACE Spa, with registered office in Piazza Poli 37-42, Rome, Tax Code and VAT no. 05804521002.

(thousands of euro)

BALANCE SHEET	31/12/2017	31/12/2016
Intangible assets	616	565
Investments	2,722,618	4,807,725
Reinsurers' share of technical provisions	717,434	614,878
Receivables	724,912	883,389
Other assets	4,928,392	2,583,593
Accrued income and prepaid expenses	23,411	28,563
BALANCE SHEET - ASSETS	**9,117,383**	**8,918,713**
Equity:		
- Share capital	3,730,324	3,730,324
- Share premium reserve	43,305	43,305
- Legal reserve	250,975	235,799
- Other reserves	283,493	233,907
- Net income for the year	274,866	303,528
- Retained earnings (losses carried forward)	88,766	-
Subordinated liabilities	500,000	500,000
Technical provisions	3,461,915	3,449,615
Provisions for risks and charges	133,296	178,061
Payables and other liabilities	333,227	226,597
Accrued expenses and deferred income	17,217	17,578
BALANCE SHEET - LIABILITIES	**9,117,383**	**8,918,713**

(thousands of euro)

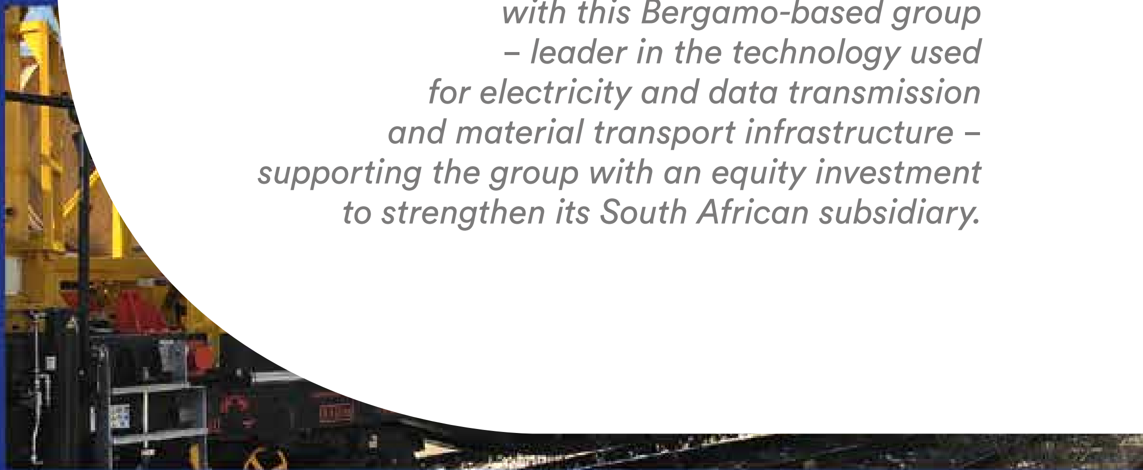
INCOME STATEMENT	31/12/2017	31/12/2016
Non-life insurance technical account	**804,398**	**534,242**
Gross premiums	(258,644)	(397,209)
Change in the provision for unearned premiums and premiums transferred	545,754	137,033
Net premiums for the period		
Changes in other technical provisions, net of cessions in reinsurance	(5,225)	(5,225)
Share of profit transferred from the non-technical account	-	121,523
Change in the reserve for equalisation	(42,655)	(28,699)
Other technical income	2,439	5,761
Expenses for claims, net of recoveries and cessions in reinsurance	86,301	17,320
Refunds and profit sharing	(18,309)	(13,928)
Operating expenses	(61,521)	(52,345)
Other technical expenses, net of reinsurance	(3,131)	(15,710)
BALANCE ON THE NON-LIFE INSURANCE TECHNICAL ACCOUNT	**503,652**	**131,089**
Non-technical account		
Income from investments in non-life insurance	660,682	1,214,220
Capital losses and financial expense for non-life insurance	(677,915)	(875,954)
Share of profit transferred to the non-life insurance technical account	-	(121,523)
Other income	57,441	133,280
Other expenses	(185,162)	(68,885)
Extraordinary income	2,502	2,323
Extraordinary expenses	(1,096)	(1,229)
Income taxes	(85,238)	(109,794)
NET INCOME FOR THE YEAR	**274,866**	**303,528**

For the Board of Directors
The Chairman
Salvatore Rebecchini







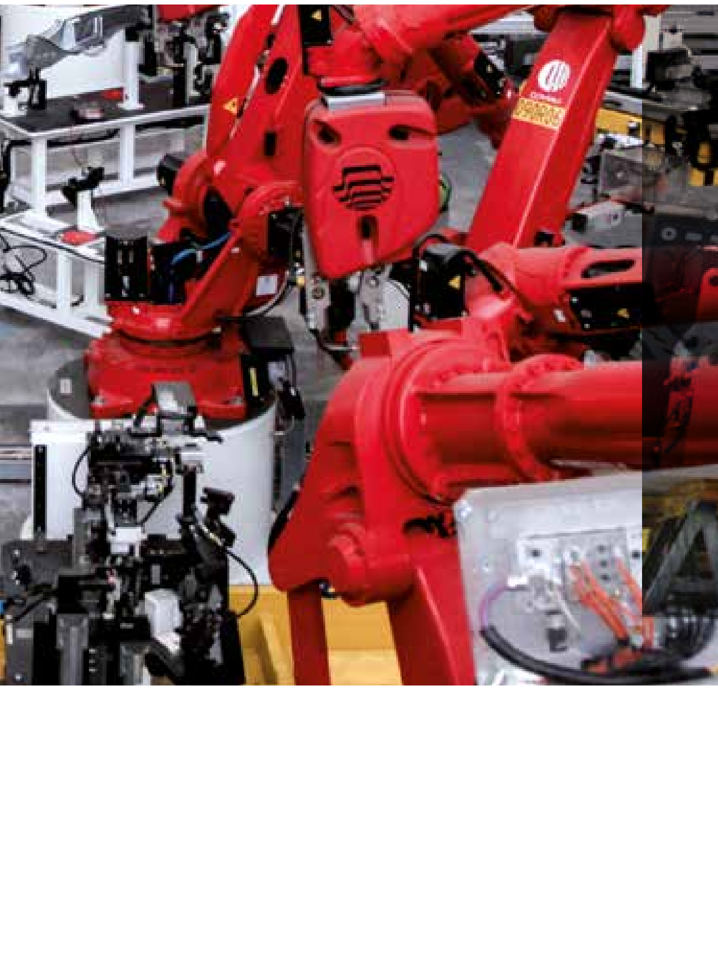
TESMEC GROUP targets **South Africa**

After the USA, Brazil and Europe, we have written another success story with this Bergamo-based group – leader in the technology used for electricity and data transmission and material transport infrastructure – supporting the group with an equity investment to strengthen its South African subsidiary.





Annex: equity investments at December 31, 2018




Annex: equity investments at 31 December 2018 - Net paid amount

EUROPE Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
D PRINT EUROPE SH.P.K.	D'AURIA MEDIA GROUP Srl	Albania	OTHER INDUSTRIES	25.0	389,929
		Total Albania			**389,929**
FERRETTO GROUP CENTRAL EUROPE D.O.O.	FERRETTO GROUP Spa	Bosnia-Herzegovina	OTHER INDUSTRIES	10.0	594,810
		Total Bosnia-Herzegovina			**594,810**
BDF SERVIS D.O.O.	BDF INDUSTRIES Spa	Croatia	MECHANICAL INDUSTRY	20.4	720,960
		Total Croatia			**720,960**
TECNOCAP S.R.O.	TGP TECNOCAP GROUP PARTECIPAZIONI Srl	Czech Republic	METALWORKING INDUSTRY	18.0	2,995,969
		Total Czech Republic			**2,995,969**
GRANAROLO FRANCE S.A.S.	GRANAROLO Spa	France	AGRI-FOOD	30.0	14,342,572
L'IMAGE RETROUVÉE S.A.S.	L'IMMAGINE RITROVATA Srl	France	NON-FINANCIAL SERVICES	49.0	195,701
MARAIS TECHNOLOGIES S.A.S.	TESMEC Spa	France	METALWORKING INDUSTRY	34.0	3,994,313
		Total France			**18,532,586**

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
MA AUTOMOTIVE DEUTSCHLAND GmbH	MA Srl	Germany	AUTOMOTIVE	19.5	4,941,291
WAGON AUTOMOTIVE NAGOLD GmbH	METALMECCANICA TIBERINA Srl	Germany	AUTOMOTIVE	21.9	6,950,807
		Total Germany			**11,892,098**
ALESSANDRO ROSSO GROUP Spa	THE RS HOLDING Srl	Italy	NON-FINANCIAL SERVICES	14.6	749,713
BRICOFER ITALIA Spa	GAVAL INTERNATIONAL Srl; MASSIMO PULCINELLI; ROBERTA PULCINELLI	Italy	CONSUMER GOODS	12.6	2,498,909
BUCCI AUTOMATIONS Spa	ROBERTO BUCCI E C. Spa	Italy	MECHANICAL INDUSTRY	13.2	4,967,767
CONSORZIO CASALASCO DEL POMODORO SOCIETÀ AGRICOLA COOPERATIVA	CONSORZIO CASALASCO DEL POMODORO SOCIETÀ AGRICOLA COOPERATIVA	Italy	AGRI-FOOD	25.0	13,197,543
DISTILLERIA CANELLESE C. BOCCHINO & C. Srl	VINCA SOCIETÀ SEMPLICE; VIPI SOCIETÀ SEMPLICE	Italy	AGRI-FOOD	32.1	726,494
DUCATI ENERGIA Spa	G.M.G. GROUP Srl	Italy	ELECTRICAL INDUSTRY	8.4	4,965,200
FINCASTELLO Srl	ARVEDI TUBI ACCIAIO Spa	Italy	METALWORKING INDUSTRY	41.4	14,894,586
GREEN NETWORK HOLDING RINNOVABILI Srl	GREEN NETWORK Spa	Italy	RENEWABLES	45.5	3,545,307
GRUPPO PSC Spa	PSC PARTECIPAZIONI Spa	Italy	INFRASTRUCTURE AND CONSTRUCTION	9.6	10,864,374
INDUSTRIALESUD Spa	H.G. Srl; IMR AUTOMOTIVE Spa	Italy	AUTOMOTIVE	18.8	7,418,897
INGEGNERIA DEI SISTEMI Spa	FINSIS Spa	Italy	ELECTRONICS/IT	10.0	3,737,925
ITM INDIA Srl	ITALTRACTOR ITM Spa	Italy	MECHANICAL INDUSTRY	49.0	314,760
MA Srl	C.L.N. Spa	Italy	AUTOMOTIVE	7.8	7,906,066
MAGLITAL Srl	FINAC Srl	Italy	TEXTILES	26.1	4,200,000
MARNAVI CHEM Srl	MARNAVI Spa	Italy	NON-FINANCIAL SERVICES	44.4	1,117,094
MET DEV 1 Srl	MET DEVELOPMENT Spa	Italy	CHEMICAL/PETROCHEMICAL	49.0	4,347,233
MGM MONDO DEL VINO Srl	MONDODELVINO Spa	Italy	AGRI-FOOD	26.5	4,779,045
O.M.A. OFFICINA METALMECCANICA ANGELUCCI Spa	ANGELUCCI HOLDING Srl	Italy	MECHANICAL INDUSTRY	26.0	9,819,357
OMNITECH FINANZIARIA INTERNAZIONALE Spa	OMNITECH HOLDING Srl; OMNITECH SERVICES Srl	Italy	ELECTRONICS/IT	19.6	490,565
PALOMAR Spa	INASPETTATAMENTE Srl	Italy	NON-FINANCIAL SERVICES	12.7	3,824,677
PASTA ZARA Spa	FFAUF SA (Luxembourg)	Italy	AGRI-FOOD	14.9	4,950,000
PAYPERMOON ITALIA Srl	AISLIN Srl	Italy	OTHER INDUSTRIES	13.8	527,952
PELLICONI ASIA PACIFIC Srl	PELLICONI & C. Spa	Italy	METALWORKING INDUSTRY	49.0	5,042,474
PIETRO CORICELLI Spa	G.A. CORICELLI Spa	Italy	AGRI-FOOD	11.8	4,024,123

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
PMP INDUSTRIES Spa	LUIGINO POZZO	Italy	MECHANICAL INDUSTRY	18.8	4,878,676
PROGER Spa	PROGER INGEGNERIA Srl; PROGER MANAGERS & PARTNERS Srl; RECCHI INGEGNERIA E PARTECIPAZIONI Spa; TIFS PARTECIPAZIONI Srl	Italy	INFRASTRUCTURE AND CONSTRUCTION	27.4	6,082,084
PROMA Spa	FINPO Srl	Italy	AUTOMOTIVE	6.4	10,781,497
RUSTICHELLA D'ABRUZZO Spa	HOPERA Srl; MOLINO MAGRI Srl	Italy	AGRI-FOOD	26.4	570,237
SOLE COMPONENTS Srl	PRIMA SOLE COMPONENTS Spa	Italy	AUTOMOTIVE	16.5	11,261,405
TERMIGAS BERGAMO Spa	MISMA PARTECIPAZIONI Spa	Italy	INFRASTRUCTURE AND CONSTRUCTION	13.4	2,250,000
TERRA MORETTI Spa	HOLDING TERRA MORETTI Srl	Italy	AGRI-FOOD	14.1	12,244,487
VISMARA Spa	FERRARINI Spa; SOCIETÀ AGRICOLA FERRARINI Spa	Italy	AGRI-FOOD	13.5	3,750,000
		Total Italy			**170,728,446**
ARKOS LLC	R.I. Spa	Kosovo	INFRASTRUCTURE AND CONSTRUCTION	21.4	411,345
		Total Kosovo			**411,345**
TRE ZETA MK DOO SKOPJE	TRE ZETA GROUP Srl	Macedonia	TEXTILES	24.9	404,796
		Total Macedonia			**404,796**
FERRARINI SP. Z.O.O.	FERRARINI Spa; SOCIETÀ AGRICOLA FERRARINI Spa	Poland	AGRI-FOOD	30.5	3,750,000
MARCEGAGLIA POLAND SPOLKA Z.O.O.	MARCEGAGLIA CARBON STEEL Spa	Poland	METALWORKING INDUSTRY	7.8	1,989,735
		Total Poland			**5,739,735**
DOROTEX Srl	ANTICA ROCCA FILATI Srl	Romania	TEXTILES	25.3	63,552
GDS MANUFACTURING SERVICES S.A.	GLOBAL DISPLAY SOLUTIONS Spa	Romania	ELECTRONICS/IT	18.1	1,452,867
		Total Romania			**1,516,419**

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
ANAS INTERNATIONAL ENTERPRISE Rus LLC	ANAS INTERNATIONAL ENTERPRISE Spa	Russia	INFRASTRUCTURE AND CONSTRUCTION	49.0	2,395,795
CMK O.O.O.	CELLINO Srl	Russia	METALWORKING INDUSTRY	12.5	188,333
EXTRA M OJSC	F.LLI DE CECCO DI FILIPPO - FARA SAN MARTINO Spa	Russia	AGRI-FOOD	15.1	2,731,758
ISOPAN RUS O.O.O.	ISOPAN Spa	Russia	INFRASTRUCTURE AND CONSTRUCTION	8.6	2,745,831
LLC OLD MILL HOLDING	OLD MILL HOLDING Spa	Russia	CHEMICAL/PETROCHEMICAL	33.0	1,262,210
MACCAFERRI GABIONS CIS O.O.O.	OFFICINE MACCAFERRI Spa	Russia	METALWORKING INDUSTRY	12.7	1,631,768
FONDITAL O.O.O.	FONDITAL Spa	Russia	MECHANICAL INDUSTRY	8.3	1,005,138
SERIOPLAST RUSSIA	SERIOPLAST GLOBAL SERVICES Spa	Russia	CHEMICAL/PETROCHEMICAL	33.9	1,386,596
		Total Russia			**13,347,429**
LAMP EAST D.O.O.	LAMP SAN PROSPERO Spa	Serbia	CHEMICAL/PETROCHEMICAL	20.0	158,278
NOVI TEKSTILI D.O.O.	NORMAN INTERNATIONAL Spa	Serbia	TEXTILES	32.7	297,538
P & T DESIGN D.O.O.	PLADOS Spa; DELTA Srl	Serbia	INFRASTRUCTURE AND CONSTRUCTION	14.0	396,588
		Total Serbia			**852,404**
CECOMP D.O.O.	CECOMP Spa	Slovenia	AUTOMOTIVE	49.0	2,221,041
		Total Slovenia			**2,221,041**
ANSALDO ENERGIA SWITZERLAND AG	ANSALDO ENERGIA Spa	Switzerland	MECHANICAL INDUSTRY	10.5	9,117,821
		Total Switzerland			**9,117,821**
BITRON ELEKTROMEKANIK LTD STI	BITRON INDUSTRIE Spa	Turkey	ELECTRICAL INDUSTRY	9.7	726,749
MARCEGAGLIA TR STAINLESS STEEL INDUSTRY & TRADE INCORPORATED CO.	MARCEGAGLIA SPECIALTIES Spa	Turkey	METALWORKING INDUSTRY	49.0	7,346,987
SAME DEUTZ-FAHR SAHSUVAROGLU TRAKTOR SANAYI VE TICARET A.S.	SAME DEUTZ-FAHR ITALIA Spa	Turkey	AUTOMOTIVE	1.3	1,585,675
SERIOPLAST AMBALAJ SANAYI VE TICARET A.S.	SERIOPLAST GLOBAL SERVICES Spa	Turkey	CHEMICAL/PETROCHEMICAL	28.6	1,995,541
		Total Turkey			**11,654,953**
DELMA ENGINEERING UK LTD	ICM Spa	United Kingdom	INFRASTRUCTURE AND CONSTRUCTION	44.6	8,419,304
		Total United Kingdom			**8,419,304**
TOTAL EUROPE					**259.540.044**

AFRICA

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
ETC SURETY S.A.	ETC INVEST Spa	Benin	NON-BANKING FINANCIAL SERVICES	19.3	62,325
		Total Benin			**62,325**
MEDITERRANEAN WOOL INDUSTRIES COMPANY	SCHNEIDER INDUSTRIE Srl	Egypt	TEXTILES	25.0	1,730,104
		Total Egypt			**1,730,104**
FUDA MARBLE P.L.C.	FUDA ANTONIO Srl	Ethiopia	INFRASTRUCTURE AND CONSTRUCTION	20.5	129,370
		Total Ethiopia			**129,370**
MAHITSY HIDRO	TOZZI GREEN Spa	Madagascar	RENEWABLES	39.7	6,095,826
		Total Madagascar			**6,095,826**
PROMA INDUSTRIE SARL	PROMA Spa; PROMA S.S.A. Srl	Morocco	AUTOMOTIVE	35.5	2,961,458
SIGIT MAROC TFZ SARL AU	SIGIT Spa	Morocco	AUTOMOTIVE	25.0	424,480
		Total Morocco			**3,385,938**
DEDALUS SOUTHERN AFRICA LTDA	DEDALUS Spa	Rep. of South Africa	NON-FINANCIAL SERVICES	20.8	529,030
MA AUTOMOTIVE SOUTH AFRICA PTY LTD	MA Srl	Rep. of South Africa	AUTOMOTIVE	5.5	6,739,846
OMH SOUTH AFRICA PTY LTD	OLD MILL HOLDING Spa	Rep. of South Africa	CHEMICAL/PETROCHEMICAL	32.7	1,985,804
SERIOPLAST SOUTH AFRICA	SERIOPLAST GLOBAL SERVICES Spa	Rep. of South Africa	CHEMICAL/PETROCHEMICAL	25.0	1,014,737
TESMEC SA PTY LTD	TESMEC Spa	Rep. of South Africa	MECHANICAL INDUSTRY	33.3	1,932,797
		Total Rep. of South Africa			**12,202,214**
EUROTRANCIATURA TUNISIA SARL	EURO GROUP Spa	Tunisia	METALWORKING INDUSTRY	36.8	2,964,775
GENERAL BETON TUNISIE SARL	GENERAL BETON TRIVENETA Spa	Tunisia	INFRASTRUCTURE AND CONSTRUCTION	16.2	709,587
GUALINI AFRIQUE SARL	GUALINI Spa	Tunisia	INFRASTRUCTURE AND CONSTRUCTION	23.9	56,733
PLASTIK NORD AFRIQUE SARL	PLASTIK Spa	Tunisia	CHEMICAL/PETROCHEMICAL	4.2	416,389
SIVAM TUNISIE SARL	SIVAM Srl	Tunisia	NON-FINANCIAL SERVICES	24.5	211,561
		Total Tunisia			**4,359,044**
SIPA HOLDING LTD	PAC Spa	Uganda	RENEWABLES	38.8	4,199,466
		Total Uganda			**4,199,466**
TOTAL AFRICA					**32,164,288**

AMERICA

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
C.IMM. SUDAMERICA S.A.	FAMI Srl	Argentina	MECHANICAL INDUSTRY	19.2	497,421
GRUPO ECONOMICO SCL AUSTRAL S.A.	SCL ITALIA Spa	Argentina	CHEMICAL/PETROCHEMICAL	27.9	1,447,446
MA AUTOMOTIVE ARGENTINA S.A.	MA Srl	Argentina	AUTOMOTIVE	39.7	2,206,757
PROMA SSA S.A.	PROMA Spa	Argentina	AUTOMOTIVE	21.4	744,729
AGRO MAX	SIPCAM Spa	Argentina	CHEMICAL/PETROCHEMICAL	9.0	998,442
TIBERINA AUTOMOTIVE ARGENTINA S.A.	TIBERINA HOLDING Srl	Argentina	AUTOMOTIVE	15.0	2,825,306
		Total Argentina			**8,720,102**
ABRAMO DO BRASIL	ABRAMO HOLDING Spa	Brazil	NON-FINANCIAL SERVICES	5.9	178,974
ADVENTUS DO BRASIL	ADVENTUS INTERNATIONAL Srl	Brazil	OTHER INDUSTRIES	26.6	3,995,987
ALMAVIVA DO BRASIL S.A.	ALMAVIVA CONTACT Spa	Brazil	NON-FINANCIAL SERVICES	4.8	9,817,345
ARVEDI METALFER DO BRASIL LTDA	ARVEDI TUBI ACCIAIO Spa; METALFER Spa	Brazil	METALWORKING INDUSTRY	8.4	8,081,769
BONFIGLIOLI REDUCTORES DO BRASIL INDÚSTRIA E COMÉRCIO LTDA	BONFIGLIOLI RIDUTTORI Spa	Brazil	MECHANICAL INDUSTRY	19.6	2,692,805
BRONTE ADMINISTRAÇÃO E PARTICIPAÇÕES LTDA	BOMI ITALIA Spa	Brazil	NON-FINANCIAL SERVICES	36.4	3,834,663
COMUTENSILI DO BRASIL LTDA	COMUTENSILI Spa	Brazil	METALWORKING INDUSTRY	24.7	114,410
EMIL GROUP DO BRASIL LTDA	CERAMICHE SPERANZA Spa	Brazil	INFRASTRUCTURE AND CONSTRUCTION	23.8	89,240
EXPRIVIA DO BRASIL SERVICIOS DE INFORMATICA LTDA	EXPRIVIA Spa	Brazil	NON-FINANCIAL SERVICES	24.3	527,843
GASPARINI MERCOSUL INDÚSTRIA E COMÉRCIO DE MAQUINAS LTDA	GASPARINI Spa	Brazil	MECHANICAL INDUSTRY	23.4	235,416
GSI BRASIL FABRICAÇÃO DE ARTEFACTOS PLÁSTICOS LTDA	GLOBAL SYSTEM INTERNATIONAL Spa	Brazil	AUTOMOTIVE	24.0	85,642
IMI FABI BRASIL PARTICIPAÇÕES LTDA	IMI FABI Spa	Brazil	MINING	23.5	7,783,243
IRRITEC DO BRASIL INDÚSTRIA E COMÉRCIO DE EQUIPAMENTOS PARA IRRIGAÇÃO LTDA	IRRITEC Spa	Brazil	MECHANICAL INDUSTRY	32.4	1,626,635
MA AUTOMOTIVE BRASIL LTDA	MA Srl	Brazil	AUTOMOTIVE	5.5	4,581,303
MACCAFERRI DO BRASIL HOLDING PARTICIPAÇÕES EMPRESARIAIS E IMOBILIARIAS LTDA	OFFICINE MACCAFERRI Spa	Brazil	METALWORKING INDUSTRY	43.9	3,565,566

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
MAGNAGHI AERONAUTICA DO BRASIL INDÚSTRIA E COMÉRCIO LTDA	MAGNAGHI AERONAUTICA Spa	Brazil	AERONAUTICS	25.6	1,522,413
MANGINI SOUTH AMERICA PARTICIPAÇÕES E INVESTIMENTOS LTDA	MANGINI INTERNATIONAL Srl	Brazil	INFRASTRUCTURE AND CONSTRUCTION	27.1	199,828
MARCEGAGLIA DO BRASIL LTDA	MARCEGAGLIA CARBON STEEL Spa	Brazil	METALWORKING INDUSTRY	13.2	14,946,857
PMC AUTOMOTIVA DO BRASIL	PMC AUTOMOTIVE Spa	Brazil	AUTOMOTIVE	19.0	5,103,425
PROMA DO BRASIL PARTICIPAÇÕES LTDA	PROMA Spa	Brazil	AUTOMOTIVE	9.8	3,834,232
SOILMEC DO BRASIL	COLLI DRILL Spa; SOILMEC Spa	Brazil	INFRASTRUCTURE AND CONSTRUCTION	22.8	454,434
SSE SIRIO SISTEMAS ELETRONICOS LTDA	SIRIO SISTEMI ELETTRONICI Spa	Brazil	ELECTRICAL INDUSTRY	19.9	273,814
STOLA DO BRASIL LTDA	METEC INDUSTRIAL MATERIALS Srl	Brazil	METALWORKING INDUSTRY	18.2	1,215,821
TIBERINA AUTOMOTIVE MG - COMPONENTES METÁLICOS PARA INDÚSTRIA AUTOMOTIVA LTDA	TIBERINA HOLDING Srl	Brazil	AUTOMOTIVE	23.2	3,908,185
TIBERINA AUTOMOTIVE PE - METÁLICOS PARA INDÚSTRIA AUTOMOTIVA LTDA	TIBERINA HOLDING Srl	Brazil	AUTOMOTIVE	27.4	4,064,232
VERONAFIERE DO BRASIL ORGANIZAÇÃO DE EVENTOS LTDA	VERONAFIERE Spa	Brazil	NON-FINANCIAL SERVICES	25.0	674,563
		Total Brazil			**83,408,644**
FUGESCO INC.	MECCANOTECNICA UMBRA Spa	Canada	MECHANICAL INDUSTRY	49.0	
IDS NORTH AMERICA LTD	I.D.S. - INGEGNERIA DEI SISTEMI Spa	Canada	NON-FINANCIAL SERVICES	43.0	2,492,544
		Total Canada			**2,492,544**
BOMI DE CHILE	BOMI ITALIA Spa	Chile	NON-FINANCIAL SERVICES	24.5	355,268
PARQUE EÓLICO TALINAY ORIENTE S.A.	ENEL GREEN POWER Spa	Chile	RENEWABLES	4.5	5,507,727
		Total Chile			**5,862,995**
BROVEDANI REME MEXICO, S.A. DE C.V.	BROVEDANI GROUP Spa	Mexico	MECHANICAL INDUSTRY	25.8	2,760,050
EÓLICA ZOPILOAPA, S.A.P.I. DE C.V.	ENEL GREEN POWER PARTECIPAZIONI SPECIALI Srl	Mexico	RENEWABLES	3.5	5,593,983
ETROMEX, S. DE R.L. DE C.V.	CLN Spa; I.S.I.L. Srl	Mexico	MECHANICAL INDUSTRY	25.0	138,206
EURO HIGHT TECH MEXICO S.A. DE C.V.	EUROTRANCIATURA Spa	Mexico	METALWORKING INDUSTRY	23.3	3,523,433
EUROTRANCIATURA MEXICO S.A. DE C.V.	EUROTRANCIATURA Spa	Mexico	METALWORKING INDUSTRY	16.4	2,675,387

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
FLENCO DE MEXICO S.A. DE C.V.	FLENCO FLUID SYSTEM Srl	Mexico	MECHANICAL INDUSTRY	7.4	
HANDLING HEALTHCARE S.A. DE C.V.	BOMI ITALIA Spa	Mexico	NON-FINANCIAL SERVICES	21.8	477,581
IRRITEC MEXICO SISTEMAS DE RIEGO S.A. DE C.V.	IRRITEC Spa	Mexico	MECHANICAL INDUSTRY	9.0	1,489,353
MARCEGAGLIA CENTRAL AMERICA S.A.P.I. DE C.V.	MARCEGAGLIA CARBON STEEL Spa	Mexico	METALWORKING INDUSTRY	40.6	4,964,862
OLSA SISTEMAS DE ILUMINACIÓN AUTOMOTRIZ S. DE R.L. DE C.V.	OLSA Spa	Mexico	AUTOMOTIVE	9.6	991,753
OMP MECHTRON MEXICO S.A. DE C.V.	OMP MECHTRON Spa	Mexico	ELECTRICAL INDUSTRY	22.2	191,182
OMPI NORTH AMERICA S. DE R.L. DE C.V.	STEVANATO GROUP Spa	Mexico	CHEMICAL/PETROCHEMICAL		
OPERADORA EROGI S.A. DE C.V.	SMALL BUILDING Srl	Mexico	NON-FINANCIAL SERVICES	30.4	604,198
STIPA NAYAA S.A. DE C.V.	ENEL GREEN POWER PARTECIPAZIONI SPECIALI Srl	Mexico	RENEWABLES	4.2	5,593,983
		Total Mexico			**29,003,973**
AGRATI USA CORP.	A. AGRATI Spa	USA	MECHANICAL INDUSTRY	13.7	15,708,031
ASTALDI CONSTRUCTION CORP.	ASTALDI Spa	USA	INFRASTRUCTURE AND CONSTRUCTION	34.2	4,100,774
BDF INDUSTRIES NORTH AMERICA	BDF INDUSTRIES Spa	USA	MECHANICAL INDUSTRY	48.4	537,838
BROADCAST GLOBAL INVESTMENT INC.	ELENOS Srl	USA	ELECTRONICS/IT	49.0	1,111,663
CLABO HOLDING USA INC.	CLABO Spa	USA	OTHER INDUSTRIES	46.0	1,733,482
CMS WAYNESBORO LLC	C.M.S. Spa	USA	AUTOMOTIVE	49.0	3,418,828
DOXEE USA INC.	DOXEE Spa	USA	ELECTRONICS/IT	49.0	1,063,294
ENERGIA PACIFICA INC.	E.VA. ENERGIE VALSABBIA Spa	USA	RENEWABLES	48.9	1,850,686
ENERRAY GLOBAL SOLAR OPPORTUNITIES INC.	ENERRAY Spa	USA	RENEWABLES	49.0	8,830,853
EXOR ELECTRONIC RESEARCH AND DEVELOPMENT INC.	EXOR INTERNATIONAL Spa	USA	MECHANICAL INDUSTRY	45.0	440,046
FAGIOLI INC.	FAGIOLI Spa	USA	NON-FINANCIAL SERVICES	8.7	702,626
GEO INVESTMENT HOLDING INC.	EXERGY Spa	USA	RENEWABLES	49.0	6,025,573
GRASTIM US CO.	GRASTIM J.V. Srl	USA	ELECTRICAL INDUSTRY	49.0	1,713,143
INGLASS USA INC.	INGLASS Spa	USA	MECHANICAL INDUSTRY	45.6	6,415,265
LC INTERNATIONAL LLC	COMPAGNIA IMMOBILIARE AZIONARIA Spa	USA	NON-FINANCIAL SERVICES	19.6	6,514
M&G LOGISTICS & ENGINEERING CO.	M & G FINANZIARIA Spa	USA	CHEMICAL/PETROCHEMICAL	37.7	4,168,629
MOLEMAB USA CORP.	MOLEMAB Spa	USA	METALWORKING INDUSTRY	33.8	288,378
PARMACOTTO USA INC.	PARMACOTTO Spa	USA	AGRI-FOOD	49.0	
SERIOPLAST US LLC	SERIOPLAST GLOBAL SERVICES Spa	USA	CHEMICAL/PETROCHEMICAL	47.0	4,964,511
THESAN USA CORP.	THESAN Spa	USA	MECHANICAL INDUSTRY	49.0	1,750,000
		Total USA			**64,830,134**
TOTAL AMERICA					**194,318,391**

ASIA

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
BONFIGLIOLI DRIVERS (SHANGHAI) CO. LTD	BONFIGLIOLI RIDUTTORI Spa	China	MECHANICAL INDUSTRY	14.0	3,150,416
CLABO PACIFIC HOLDING LTD	CLABO Spa	China	MECHANICAL INDUSTRY	25.0	534,151
CMS PRECISION MECHANICAL MANUFACTURING WUJIANG CO. LTD	C.M.S. Spa	China	METALWORKING INDUSTRY	11.3	59,746
COGNE HONG KONG LTD	COGNE ACCIAI SPECIALI Spa	China	METALWORKING INDUSTRY	21.1	5,136,394
DAMIANI HONG KONG LTD	CASA DAMIANI Spa	China	CONSUMER GOODS	27.4	1,975,555
DEUTZ-FAHR MACHINERY CO. LTD	SAME DEUTZ-FAHR ITALIA Spa	China	AUTOMOTIVE	1.9	1,556,180
EURO GROUP ASIA LTD	EURO GROUP Spa	China	METALWORKING INDUSTRY	27.6	2,170,507
FABI ASIA LTD	FABI Spa	China	TEXTILES	25.0	477,890
FERRARINI PACIFIC LTD	FERRARINI Spa; SOCIETÀ AGRICOLA FERRARINI Spa	China	AGRI-FOOD	49.1	3,727,784
FIAMM AUTOTECH CO. LTD	FIAMM COMPONENTI ACCESSORI - F.C.A. Spa	China	ELECTRICAL INDUSTRY	22.9	3,971,890
FINNORD SUZHOU AUTO PARTS CO. LTD	MECCANICA FINNORD Spa	China	MECHANICAL INDUSTRY	11.5	249,235
FLENCO HUASHEN AUTOMOBILE TOOLS CO.	CA Srl	China	MECHANICAL INDUSTRY	25.0	32,941
FLUORSEALS ASIA MANUFACTURING CO. LTD	FLUORSEALS Spa	China	CHEMICAL/PETROCHEMICAL	22.8	629,709
GIGLIO TV HK LIMITED	GIGLIO GROUP Spa	China	NON-FINANCIAL SERVICES	24.5	779,785
IMF FOUNDRY MACHINERY (TIANJIN) CO. LTD	I.M.F. IMPIANTI MACCHINE FONDERIA Srl	China	MECHANICAL INDUSTRY	25.0	28,169
INDEPENDENT (SHENZHEN) CO. LTD	MOTION Spa	China	MECHANICAL INDUSTRY	17.9	171,570

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
JIAXING OLSA MANUFACTURING COMPANY	OLSA Spa	China	AUTOMOTIVE	4.2	538,097
L'IMMAGINE RITROVATA ASIA LTD	L'IMMAGINE RITROVATA Srl	China	NON-FINANCIAL SERVICES	24.5	127,912
MACCAFERRI ASIA LIMITED	OFFICINE MACCAFERRI Spa	China	METALWORKING INDUSTRY	24.8	2,886,447
NINGBO ASK AUTOMOTIVE SOUND AND COMMUNICATION CO. LTD	ASK INDUSTRIES Spa	China	AUTOMOTIVE	14.4	351,319
PEUTEREY HONG KONG CO. LTD	PTH Srl	China	TEXTILES	28.2	1,576,222
SAMP MACHINERY (SHANGHAI) CO. LTD	SAMP Spa	China	MECHANICAL INDUSTRY	31.1	3,199,048
SIRA (TIANJIN) ALUMINIUM PRODUCTS CO. LTD	SIRA INDUSTRIE Spa	China	METALWORKING INDUSTRY	23.5	1,215,160
SITI B&T CERAMIC TECHNOLOGY LTD	SITI - B&T GROUP Spa	China	MECHANICAL INDUSTRY	20.0	1,267,862
SOILMEC (WUJIANG) MACHINERY CO. LTD	SOILMEC Spa	China	INFRASTRUCTURE AND CONSTRUCTION	24.5	1,176,000
TITAN ITM TIANJIN CO. LTD	ITALTRACTOR ITM Spa	China	MECHANICAL INDUSTRY	20.0	634,564
U.B.C. FAR EAST LTD	UNITED BRANDS COMPANY Spa	China	TEXTILES	24.4	181,453
ZHEJIANG ELLECI NEW MATERIAL CO. LTD	ELLECI Spa	China	CHEMICAL/PETROCHEMICAL	20.9	311,031
		Total China			**38,117,039**
VENCHI GREATER CHINA LTD	VENCHI Spa	Hong Kong	AGRI-FOOD	44.4	173,532
		Total Hong Kong			**173,532**

Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
DECAL IN PVT LTD	SERIGRAFIA '76 - Srl	India	OTHER INDUSTRIES	21.0	67,502
DORSOGNA SWEET INGREDIENTS LTD INDIA	D'ORSOGNA DOLCIARIA Srl	India	AGRI-FOOD	20.3	263,054
FAGIOLI PSC INDIA PVT LTD	FAGIOLI Spa	India	NON-FINANCIAL SERVICES	7.7	111,880
MACCAFERRI ENVIRONMENTAL SOLUTIONS PVT LTD	OFFICINE MACCAFERRI - Spa	India	METALWORKING INDUSTRY	8.6	1,729,049
MECCANOTECNICA INDIA PRIVATE LTD	MECCANOTECNICA UMBRA - Spa	India	MECHANICAL INDUSTRY	25.3	562,486
METECNO (INDIA) PVT LTD	METECNO Spa	India	INFRASTRUCTURE AND CONSTRUCTION	17.5	81,742
O.L.C.I. ENGINEERING INDIA PVT LTD	O.L.C.I. ENGINEERING Srl	India	MECHANICAL INDUSTRY	14.6	524,472
PMP DRIVE SYSTEMS INDIA PVT LTD	PMP INDUSTRIES Spa	India	NON-BANKING FINANCIAL SERVICES	18.9	1,012,930
SIDERFORGEROSSI INDIA PVT LTD	SIDERFORGEROSSI GROUP Spa	India	METALWORKING INDUSTRY	3.0	834,936
STRANICH FANS AND DUSCON INDIA PVT LTD	AEROMECCANICA STRANICH Spa	India	MECHANICAL INDUSTRY	24.3	517,734
TECNO SYSTEMS INDIA PVT LTD	TECNO SYSTEM Spa	India	ELECTRICAL INDUSTRY	24.5	529,428
		Total India			**6,235,214**
ARTILE ROOF LTD	CUNIAL ANTONIO I.L.C.A. Srl	Israel	INFRASTRUCTURE AND CONSTRUCTION	10.6	822,972
ATURA LTD	ALBIS INTERNATIONAL Srl	Israel	CONSUMER GOODS	24.5	27,727
		Total Israel			**850,699**
MACCAFERRI PHILIPPINES MANUFACTURING INC.	OFFICINE MACCAFERRI Spa	Philippines	METALWORKING INDUSTRY	46.3	1,370,188
		Total Philippines			**1,370,188**
FAGIOLI ASIA PVT LTD	FAGIOLI Spa	Singapore	NON-FINANCIAL SERVICES	19.0	619,399
		Total Singapore			**619,399**
CHALYBS CYLINDERS LTD	FABER INDUSTRIE Spa	Thailand	METALWORKING INDUSTRY	7.6	1,524,518
		Total Thailand			**1,524,518**
BELLELLI EMIRATES ENGINEERING GENERAL CONTRACTING LLC	BELLELLI ENGINEERING Srl	United Arab Emirates	OIL & GAS	20.0	14,266
BLACK SHARE DMCC	COLEMAN Spa	United Arab Emirates	NON-FINANCIAL SERVICES	49.0	1,266,585
LEGNANO TEKNOELECTRIC COMPANY MIDDLE EAST FZCO	LEGNANO TEKNOELECTRIC COMPANY Spa	United Arab Emirates	ELECTRICAL INDUSTRY	4.5	730,250
MR. ENGINEERING PROJECTS FZE	MONTALBANO Srl - UNIPERSONALE	United Arab Emirates	MECHANICAL INDUSTRY	49.0	383,690
NAPAG MIDDLE EAST FZCO	NAPAG ITALIA Srl	United Arab Emirates	CHEMICAL/PETROCHEMICAL	25.0	513,599
		Total United Arab Emirates			**2,908,390**
TOTAL ASIA					**51,798,978**

OCEANIA Company	Italian Partner	Country of operation	Sector	% held by SIMEST	Amount in euro
F.P AUSTRALIA HOLDINGS PTY LTD	FARESIN FORMWORK Spa	Australia	METALWORKING INDUSTRY	49.0	1,475,130
MORROW SODALI HOLDINGS AUSTRALIA PTY LTD	MORROW SODALI Spa	Australia	NON-FINANCIAL SERVICES	49.0	836,514
		Total Australia			**2,311,644**
TOTAL OCEANIA					**2,311,644**
TOTAL EQUITY INVESTMENTS (NET PAID AMOUNT) IN COMPANIES IN ITALY AND ABROAD AT DECEMBER 31, 2018					**540.133.345**

Note: the figures relating to equity investments do not take into account the application of IFRS 9.

The Italian style of **PARK HOTEL** in Viterbo discovering the **USA**

We financed a feasibility study that will allow Park Hotel in San Martino al Cimino to identify a hotel in the USA to renovate and furnish in Italian style.

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

for the financial statements at December 31, 2018

Shareholders,
This Report was approved by the Board of Statutory Auditors in time for filing at the Company's (hereinafter also "SIMEST") registered office 15 days prior to the date of the first call of the Shareholders' Meeting to approve the financial statements.
The Board of Directors provided us with the following documents, approved on March 15, 2019, for the financial year ended December 31, 2018:

- draft financial statements, including the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flows and the Notes to the financial statements;
- Report on operations.

During the financial year ended December 31, 2018, we carried out our statutory supervisory activity in accordance with the standards recommended by the Italian Council of Chartered Accountants and Accounting Experts.

We preface our remarks as follows:

A. the Board of Statutory Auditors, whose term of office had been extended to the date of this Report, was appointed by the Ordinary Shareholders' Meeting of August 6, 2015 and expired with the approval of the financial statements at December 31, 2017, on expiry of the three-year term of office. The Board of Statutory Auditors is composed of Daniele Discepolo (Chairman), Laura Guazzoni (Statutory Auditor) and Carlo Hassan (Statutory Auditor);
B. SIMEST is a joint-stock company indirectly controlled by Cassa depositi e prestiti Spa (hereinafter, "CDP");
C. SACE Spa (hereinafter "SACE") has held a 76% equity investment in SIMEST since September 30, 2016, as a result of the transfer by CDP of its controlling interest in SIMEST to SACE;
D. pursuant to the provisions of Article 12 of Law 259/1958, the Company's finance operations are subject to the oversight of the Court of Auditors. To that end, a Magistrate of the Court of Auditors is designated to participate in the meetings of the Board of Directors and the Board of Statutory Auditors;
E. the Company is subject to management and coordination by its Parent Company, SACE Spa, in accordance with the "Regulation on Exercise of Management and Coordination Activities" approved by CDP and adopted by the Board of Directors of SIMEST;
F. the Company, taking account of the recommendations of the Parent Company, SACE, in the exercise of management and coordination activities, has outsourced its Risk Management, Compliance, Internal Audit, Human Resources, IT systems and Procurement functions to SACE starting on April 1, 2017;
G. in the first quarter of 2018, in accordance with the 2016-2020 Business Plan approved on December 21, 2016, which was prepared in accordance with the guidelines provided by SACE and in line with the Group Business Plan approved by CDP and aimed at creating an integrated SACE-SIMEST export and internationalisation model ("one-door" model), the Company approved the budget for 2018 with regard to the Balance sheet and Income statement;
H. on February 25, 2019, the Company was informed of the CDP Group 2019-2021 Business Plan, which was adopted by SACE on December 21, 2018, in terms of guidelines and macro-objectives, and on March 15, 2019 it approved the SIMEST 2019-2021 Business Plan.

The measures provided for in the above-mentioned Business Plan are geared towards supporting SMEs and Mid-Caps in the development processes of the Italian export and internationalisation hub. More specifically, the planned actions are aimed at developing a targeted offer based on customer segments (medium/small and large enterprises), strengthening the digital offering for SMEs, introducing product/process innovations and consolidating Group synergies.
In addition:

- in April 2018, in line with the above-mentioned organisational changes, the Company issued the "Committees" document, in which the corporate committees were established/updated, and the responsibilities, composition and operating procedures for each of them were outlined;
- on December 20, 2018, the Company disclosed the main budget figures for 2019, which were subsequently approved by the Board of Directors on January 31, 2019;

I. during the first half of 2018, the Company conducted a review of its organisational structure for the purpose of further streamlining activities and segregating responsibilities, as well as increasing specialisation in the monitoring of risks. In this regard, reference should be made to the specific section "Human resources and organisation" of the Report on operations for information on the actions taken in relation to the organisational structure;

J. the Company, in implementing the provisions set out in the Regulation on Exercise of Management and Coordination Activities and in the Policy regarding the "management of regulations applicable to SACE and its subsidiaries", approved the Policy on "Reputational risk assessment of investments" aimed at establishing adequate monitoring for assessing the level of reputational risk associated with equity investment transactions, with the identification of specific risk indicators (including the risk of relocating production activities). The Policy on "Rates and conditions" was also approved with the method for pricing risk being updated. The CDP Group and SACE policies were also implemented, among which the "Planning and control" Policy, the "Organisational principles and management of organisational changes" Policy, the "Group corporate governance process" Policy, the "Sanctions and embargoes" Policy, the "Antitrust compliance" Policy, the "Engagement of independent auditors and their networks" Policy, and the "Whistleblowing" Policy;

K. with the entry into force on May 25, 2018 of the new European General Data Protection Regulation (GDPR 2016/679), the Company has carried out most of the project work to bring its organisational structure, process, contractual documentation and information systems into line with the new regulatory provisions. In this regard, a new Privacy Service has been set up at SACE – which will oversee and ensure compliance with the relevant regulations in all the companies within the scope of SACE – and the Data Protection Officer (DPO) has also been appointed;

L. with regard to the process for evaluating data and information to report suspicious transactions to the Financial Intelligence Unit (FIU), the Company has appointed an Officer in charge of evaluating and reporting suspected money laundering and financing of terrorism pursuant to Article 10 of Legislative Decree 231/2007;

M. the Company has joined the single tender procedure for selecting the Group's new Independent Auditors, which is being coordinated by the Ultimate Parent Company, CDP; this following:

- the communication dated June 28, 2018 from CDP's Board of Statutory Auditors, in which, given the expiry of the audit mandate with the approval of the financial statements at December 31, 2019, a single tender procedure was proposed, involving the respective Boards of Statutory Auditors of the subsidiaries and the relevant offices, for the identification of Group Independent Auditors for the nine-year period 2020-2028;
- CDP's request to SACE, following the above communication, to inform the Boards of Statutory Auditors of the subsidiaries and their competent structures, as well as to ask the individual subsidiaries to assess the possibility of participating in the single tender procedure as soon as it is organised.

In this regard, on July 4, 2018, the SIMEST Board of Statutory Auditors stated that it had no objections to a tender procedure for appointing the same Independent Auditors for all Group companies, and pointed out that, since the SIMEST Shareholders' Meeting had appointed its own Independent Auditors until 2020, it would be necessary to involve the latter in order to agree on the early termination of the mandate.

With regard to the tender procedure for selecting the Group's new Independent Auditors, the Board of Statutory Auditors was also informed that, on December 24, 2018, after examining the proposals submitted by three Independent Auditors, CDP initiated the awarding procedures with the following two independent auditors:

1. Deloitte & Touche Spa;
2. Ernst & Young Spa.

The ordinary Shareholders' Meeting of CDP, held on March 19, 2019, awarded the audit engagement for the period 2020-2028 to Deloitte & Touche Spa;

N. the Company, with the support of a well-known consulting firm, approved the update of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 (consisting of the Code of Ethics, the General Section and the Special Section) in light of the changes made to the Company's organisational structure and procedures, as well as the introduction of the criminal offences Incitement to corruption between private individuals, Racism and xenophobia, and Unlawful brokering and exploitation of labour, and the changes introduced with regard to the administrative liability of entities by Law no. 179 of November 30, 2017 ("whistleblowing law") aimed at protecting whistleblowers. In addition, pending the expiry of the three-year term of office of the members of the Supervisory Body (SB) pursuant to Legislative Decree 231/2001, the Company has confirmed the composition of the SB for a period of three years (from 2019 to 2021) with the appointment of Antonio Bertoni as external standing member to act as Chairman, Ugo Lecis as external standing member, and Mara De Paola as internal standing member from CDP;
O. the Company completed the project begun in 2017 to strengthen the internal control framework for administrative and accounting processes, identifying areas for improvement and defining specific guidelines on financial reporting to ensure compliance with the regulatory provisions pursuant to Law 262/2005 and with industry best practices;
P. the internal auditing, compliance and risk management activities carried out during 2018 were implemented in accordance with specific plans approved by the Board of Directors and were the subject of detailed reports. In addition, in order to better coordinate control activities and fully address the observations made by SIMEST's control functions (Risk, Compliance, and Audit), by the control body pursuant to Legislative Decree 231/01, and within the framework of the financial reporting project pursuant to Legislative Decree 262/05, the Company has adopted an innovative method for managing such activities by establishing an integrated tableau de bord, the "Risk Management Master Plan";
Q. starting from 2015, SIMEST has exercised the option to prepare its financial statements in accordance with the international accounting standards (IAS/IFRS) as provided for by Legislative Decree no. 38 of January 28, 2005 (IAS Decree), as amended by Decree Law 91/2014 (Competitiveness Decree), which extended the option to all companies, other than those that must prepare their financial statements in accordance with the IAS/IFRS or are permitted to prepare condensed financial statements pursuant to Article 2435 *bis* of the Italian Civil Code (Article 4, paragraph 6 of Legislative Decree 38/2005). Accordingly, the financial statements were prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) endorsed by the European Commission as established by Regulation (EC) 1606/2002;
R. the Notes to the 2018 financial statements indicate the new accounting standards and interpretations issued and endorsed by the European Union that come into force starting from financial years beginning on or after January 1, 2018, including:
   - IFRS 9, which replaces IAS 39 with the aim of improving financial reporting of financial

instruments by ensuring a transition to a more forward-looking model for the recognition of expected losses on financial assets;
- IFRS 15, which is intended to improve the reporting of revenue and therefore enhance the comparability of revenue in the financial statements;
- the amendments to IFRS 4, which aim to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new standard for insurance contracts, IFRS 17;
- the amendments to IFRS 15, which aim to clarify some requirements of this standard, and provide additional support to transition for companies that are adopting the new standard.

For SIMEST, the adoption of IFRS 9 mainly concerned the management and measurement of receivables deriving from the equity investments held in the Company's portfolio, receivables that qualify as financial assets, given the relationships between SIMEST, its partner companies and its investees ("linked transactions").

In particular, SIMEST, under this accounting standard:
- classified and measured receivables for equity investments at amortised cost when the contractual cash flows of the aforesaid financial instruments have passed the SPPI (Solely Payments of Principal and Interest) Test, as they include additional characteristics having a *de minimis* effect (threshold value determined by the Company based on an in-depth analysis), other than the payment of principal and interest on the notional amount;
- on the other hand, mandatorily measured at fair value through profit or loss the remaining part of the equity investment portfolio that passed the SPPI Test;
- reclassified financial assets and liabilities into the new categories established by the accounting standard in question and determined all the impacts deriving from the adoption of the aforementioned standard on the financial statements at December 31, 2017, recording them in specific reserves in the opening equity at January 1, 2018, net of the related tax effects. In this regard, the aforementioned impacts on equity involve the recognition of a positive IFRS 9 First-Time Adoption reserve of 9,454,490 euro as a result of the fair value measurement of receivables for equity investments, with a consequent increase in equity at December 31, 2017 of the same amount;

S. following the introduction of Article 162 *bis* of the Consolidated Income Tax Law, on the basis of Article 12 of Legislative Decree 142/2018 (containing a new definition of financial intermediaries), with effect from the year ended December 31, 2018, the Company believes it does not meet the requirements to qualify as a financial intermediary and has therefore calculated the provision for taxes in the financial statements in accordance with the provisions applicable to non-financial companies;

T. as indicated in the Notes to the financial statements, with regard to disclosures on the going concern basis and in compliance with the requirements on the same issue contained in IAS 1 Revised, the Company has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous financial years, the Company believes that it is appropriate to prepare its financial statements on a going concern basis;

U. the accurate recognition of operations in the accounts and their representation in the financial statements in accordance with the IAS/IFRS were examined by the Independent Auditors PricewaterhouseCoopers Spa (hereinafter, "PWC"), as the entity responsible for carrying out the statutory audit;

V. the Company approved the Reporting packages at June 30, 2018 and December 31, 2018 for the Ultimate Parent Company CDP and the Parent Company SACE;

Z. the financial statements at December 31, 2018 show a net income of 1,205,854 euro and equity of 327,714,109 euro including the net income for 2018.

In view of the above, the Board of Statutory Auditors, with regard to the issues within the scope of its responsibilities, declares that:

- it has participated in the Shareholders' Meetings, as well as all meetings of the Board of Directors held to date, and received periodic information from the directors on the activities carried out, the business outlook, and the most significant operations, in terms of size and characteristics, conducted by SIMEST;
- it has encouraged and collected a sufficient amount of information on the general business performance pursuant to Article 2381 of the Italian Civil Code;
- the actions resolved by the Shareholders' Meeting and the Board of Directors comply with the law and the Articles of Association and were not manifestly imprudent or otherwise prejudicial to the integrity of the Company's assets;
- the operations performed also comply with the law and the Articles of Association and are not potentially in conflict with the resolutions of the Shareholders' Meeting or prejudicial to the integrity of the Company's assets;
- it has obtained knowledge of and oversaw the adequacy of the Company's organisational structure and the functioning of the internal control and administrative-accounting systems, as well as the latter's reliability to correctly provide data on operations by collecting information from the heads of the relevant Company functions and from PWC, the Independent Auditors responsible for the statutory audit, in addition to the examination of Company records;
- it monitored the adequacy of the controls against risks of non-compliance with the rules and regulations through periodic meetings with the head of the Compliance function;
- it met with the Independent Auditors, PWC, for the purpose of exchanging relevant data and information;
- it met with the Board of Statutory Auditors of the Parent Company SACE on February 12, 2018 and February 20, 2019, during which they exchanged information;
- no complaints were received pursuant to Article 2408 of the Italian Civil Code and no complaints were made pursuant to Article 2409, paragraph 7, of the Italian Civil Code;
- it did not find any significant facts that would require disclosure in this Report and no action had to be taken in relation to omissions by the Board of Directors pursuant to Article 2406 of the Italian Civil Code;
- during the year, the Board of Statutory Auditors did not have to issue favourable opinions under the law;
- it monitored the work of the Supervisory Body, which was supported by Internal Audit, by virtue of the Company's adoption of the Organisational Model envisaged under Legislative Decree 231/01. No reports were received concerning the Model that would require special mention in this Report. The Supervisory Body provided half-yearly reports of its activities at Board meetings.

Moreover, the Board of Statutory Auditors reports that:

1. it has examined the draft financial statements for the year ended December 31, 2018, provided to the Board of Statutory Auditors by the time limit established in Article 2429 of the Italian Civil Code;
2. as the Board of Statutory Auditors is not responsible for performing the statutory audit of the financial statements, it monitored the general approach to their preparation and their general compliance with the law concerning their layout and structure;
3. based on the information obtained from the Directors and through meetings with the Independent Auditors, it found that no atypical and/or unusual transactions were carried out during 2018. With regard to related-party transactions, the Directors report on the main transactions carried out during the year with the majority shareholder, SACE Spa, and the companies belonging to the CDP Group in the Notes to the financial statements, specifically in the section "Transactions with related parties". These transactions were carried out in the interests of the Company and at arm's length. Please

see this section for information on the types of transactions carried out and their impact on the Company's Income statement and Balance sheet;

4. it has ascertained that the financial statements correspond to the facts and information of which it became aware following the performance of its duties, and it has no comments in this regard;
5. it has examined the format of the draft financial statements, their general compliance with the law concerning their layout and structure, and has no particular observations in this regard that would require special mention in this Report;
6. it has also verified compliance with the provisions of law governing the preparation of the Report on operations and has no comments that would require special mention in this Report;
7. it has acknowledged that the fees due to PWC for its services amounted to 79,000 euro for the statutory audit and 40,000 euro for additional activities associated with audit;
8. the Independent Auditors, PWC, in their report on the financial statements dated April 2, 2019 pursuant to Article 14 of Legislative Decree 39 of January 27, 2010, did not have any particular observations or issue an adverse opinion. The Independent Auditors, PWC, also certified that the Report on operations is consistent with the financial statements at December 31, 2018;
9. to the best of the Board of Statutory Auditors' knowledge, in preparing the financial statements the Board of Directors did not deviate from legal provisions pursuant to Article 2423, paragraph 4, of the Italian Civil Code;
10. in 2018, there were a total of 14 meetings of the Board of Directors and 1 Shareholders' Meeting, all of which were attended by the Board of Statutory Auditors. The Board of Statutory Auditors held 7 meetings, to which the Magistrate delegated by the Court of Auditors to oversee the Company's financial operations pursuant to Law 259/1958 was always invited.

In view of the foregoing and taking account of the findings of the Independent Auditors which are contained in their report accompanying the financial statements and issued on April 2, 2019, the Board of Statutory Auditors recommends that you approve the financial statements for the year ended December 31, 2018. The Board of Statutory Auditors also concurs, as indicated in the Notes to the financial statements that, following the adoption of IFRS 9 starting on January 1, 2018, and the provisions set out in paragraphs 1 a) and 2 of Article 6 of Legislative Decree 38/2005, the entire net income for 2018, amounting to 1,205,854 euro, cannot be distributed as it is to be allocated to a non-distributable reserve, because the aforementioned net income is lower than the unrealised fair value gains recognised in the Income statement under IFRS 9 equal to 7,051,078 euro, as indicated in the Notes to the financial statements.
In addition, the Board of Statutory concurs that, in compliance with the provisions of the second paragraph of Article 6 of Legislative Decree 38/2005, the available reserves reported in the financial statements must be restricted from being available up to the amount of 5,845,224 euro, which is the difference between the unrealised fair value gains that contributed to the net income for the year and the net income for 2018.

Milan, April 2, 2019

THE BOARD OF STATUTORY AUDITORS

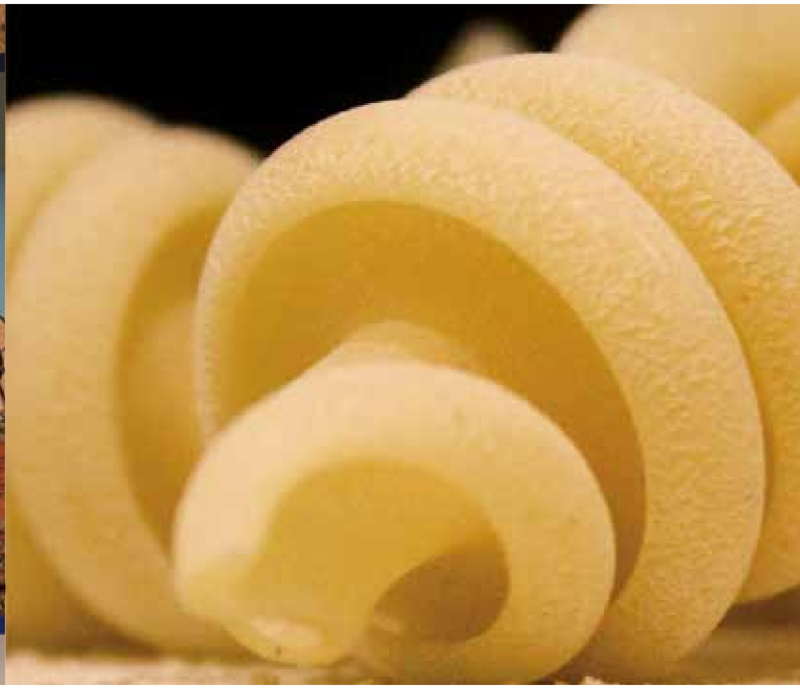
Daniele Discepolo

Laura Guazzoni

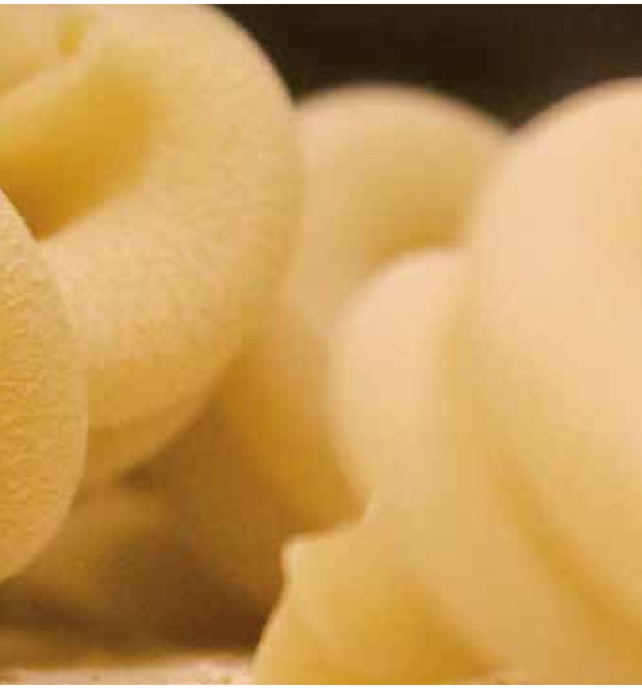
Carlo Hassan

After Brazil and Argentina, **TIBERINA** also strengthens its position in **Germany**

We subscribed to the capital increase of Metalmeccanica Tiberina's German subsidiary in order to increase its production capacity to fulfil the orders of the Daimler-Mercedes Group.



Independent Auditors' Report




Relazione della società di revisione indipendente
ai sensi dell'articolo 14 del DLgs 27 gennaio 2010, n° 39

Società Italiana per le Imprese all'Estero – SIMEST SpA

Bilancio d'esercizio al 31 dicembre 2018

Relazione della società di revisione indipendente

ai sensi dell'articolo 14 del DLgs 27 gennaio 2010, n° 39

Agli Azionisti della
Società Italiana per le Imprese all'Estero – SIMEST SpA

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Società Italiana per le Imprese all'Estero – SIMEST SpA (la Società), costituito dallo stato patrimoniale al 31 dicembre 2018, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2018, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

PricewaterhouseCoopers SpA

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

www.pwc.com/it

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale

circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'articolo 14, comma 2, lettera e), del DLgs 39/10

Gli amministratori della Società Italiana per le Imprese all'Estero – SIMEST SpA sono responsabili per la predisposizione della relazione sulla gestione della Società Italiana per le Imprese all'Estero – SIMEST SpA al 31 dicembre 2018, incluse la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n° 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio della Società Italiana per le Imprese all'Estero – SIMEST SpA al 31 dicembre 2018 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio d'esercizio della Società Italiana per le Imprese all'Estero – SIMEST SpA al 31 dicembre 2018 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'articolo 14, comma 2, lettera e), del DLgs 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Roma, 2 aprile 2019

PricewaterhouseCoopers SpA

Gian Paolo Di Lorenzo
(Revisore legale)

Approval of the financial statements at December 31, 2018

Approval of the financial statements at December 31, 2018

The ordinary Shareholders' Meeting of April 17, 2019 unanimously approved, with the presence of 95.27% of the share capital, the financial statements for the year ended December 31, 2018, allocating the net income for 2018 of 1,205,854 euro to a non-distributable reserve.

Editing:
postScriptum di Paola Urbani – Rome

Layout:
Creactivity – Rome

Printing:
Marchesi Grafiche Editoriali Spa – Rome

SIMEST Spa - Società italiana per le imprese all'estero
Corso Vittorio Emanuele II, 323 | 00186 Rome
Company subject to management and coordination by SACE Spa