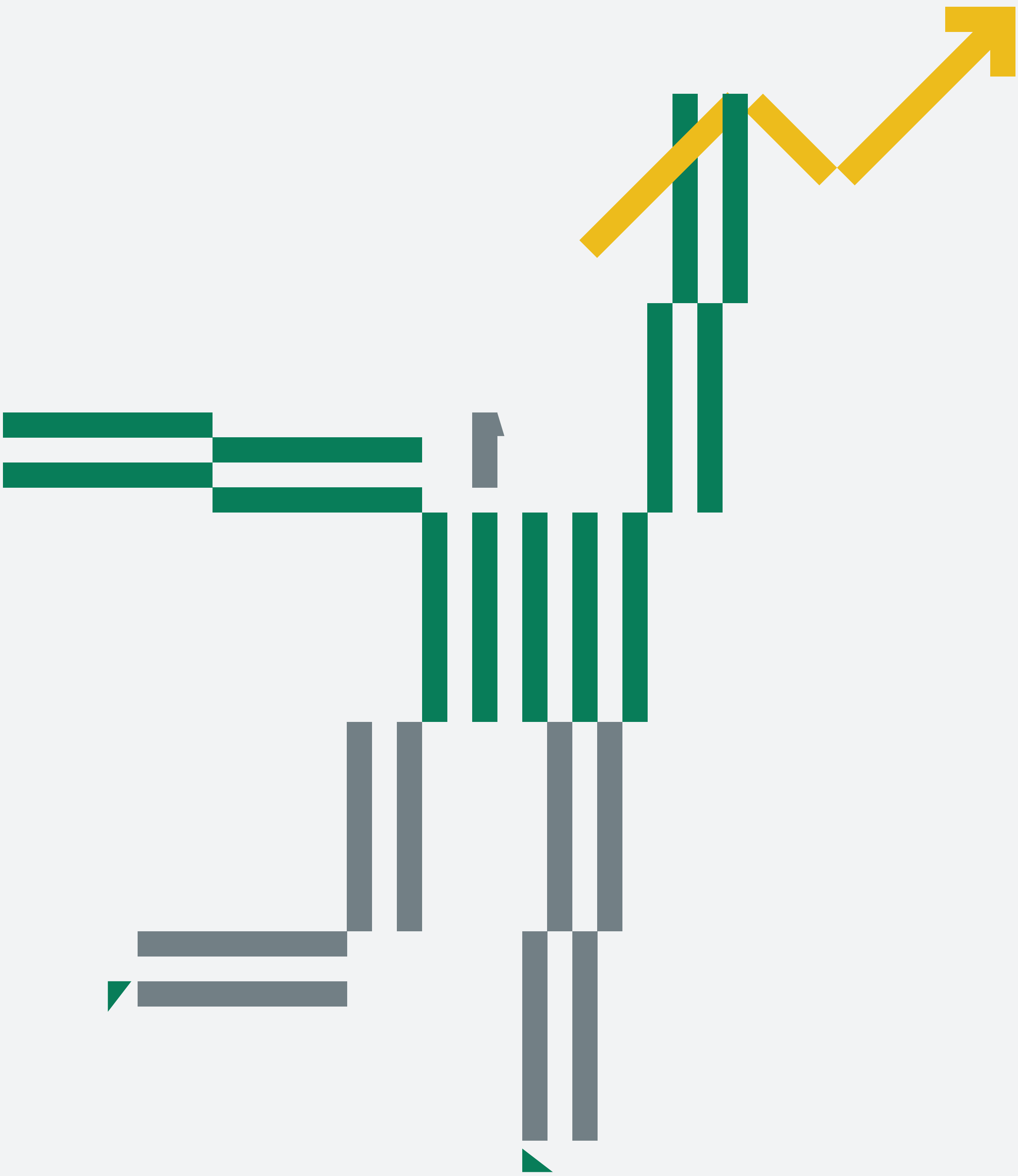
INVITALIA

2018

Consolidated
Financial Statements
at 31.12.2018



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ADMINISTRATIVE AND CONTROL BODIES

BOARD OF DIRECTORS	
Chairman	Claudio TESAURO
Managing Director	Domenico ARCURI
Directors	Angela DONVITO
	Alessandra LANZA
	Mauro ROMANO
BOARD OF STATUTORY AUDITORS	
Chairman	Ivano STRIZZOLO
Standing Members	Paola NOCE
	Sofia PATERNOSTRO
Alternative Members	Cinzia VINCENZI
	Giovanni DESANTIS
FINANCIAL REPORTING MANAGER	Daniele Pasqualini
AUDITING FIRM	PricewaterhouseCoopers SpA

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DIRECTORS' REPORT ON OPERATIONS

INTRODUCTION

Dear Shareholders,

The 2018 consolidated financial statements show a profit of € 7,881 thousand, a significant increase with respect to the previous year.

In general, 2018 strengthened the reversal of trend seen in 2017 with respect to the negative results of 2016, confirming the quality of choices in the business plan.

The Group's result for 2018 was particularly positive—over six times greater than that of the previous year—reflecting extremely significant growth in the main figures in the profit and loss account. More specifically, production value grew by more than 76% with respect to the previous year, and almost tripled with respect to 2016. Added value improved by around 24%, while the operating result essentially doubled with respect to the previous year.

During the year, the parent company confirmed its commitment to its core business, that is supporting the creation of new companies and increasing the probability that existing ones survive, meeting the needs of stakeholders and local areas, and creating new opportunities for growth and development. The scope of operations targeted the entrepreneurial ecosystem, supporting large investments, strengthening the competitive abilities of existing companies and supporting the development of new businesses with solutions optimised and calibrated to the size of the sector and the type of business.

In 2018, the Italian economic cycle was generally weaker. In fact, the first part of the year saw the economy continue to grow, even if very slowly, while the second part saw a negative trend for all ratios, including GDP, which recorded a small drop (0.9% in 2018, compared to 1.6% in 2017). The slowdown in Italian growth should be viewed within the context of the international economic cycle, which involved all the main European economies. As a whole, uncertainties such as those associated with US trade policies, Brexit and the slowdown of the Chinese economy impacted growth rates in the main European countries, although at varying intensities.

The first half of 2018 saw a robust economic recovery in the United States, which led to a new stage of monetary contraction by the Fed, with a consequent increase in interest rates and a decrease in the amount of liquidity circulating in the system. Also in Europe, historically behind by one cycle, the expansive monetary policy of quantitative easing was officially ended, even if the core European economies were still in a tepid expansive phase.

The policy to reduce liquidity announced, together with the anomaly of negative real rates, led to a slowdown in the expansive drive for GDP in the United States but, above all, in China, in part due to trade tensions between the two giants of the world economy. A similar trend was seen in Europe, which was further impacted by uncertainties associated with Brexit and economic instability in the countries of southern Europe.

Internally, weak growth in Italy with respect to the other large economies of the euro zone did not seem to derive from pressures regarding the cost of labour (growth of 2.4% during the third quarter, y/y), or from unfavourable price developments, but rather from very weak internal demand affected by a gradual worsening in confidence, which pushed companies and households towards greater prudence in managing their budgets, with a consequent decrease in consumption and greater unproductive savings.

In fact, the contribution from growth in final domestic consumption was halved, going from 0.9 percentage points in 2017 to 0.4 percentage points in 2018. Increased pessimism with regards to expected demand trends were reflected by stalled production, with consequent weakening of financial conditions for businesses. The growth rate for the gross operating margin fell to 0.3% from 1.6% in 2017.

In this situation, Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA (hereafter also, the "Agency", "Invitalia" and the "parent company"), as the main entity implementing development policies, strengthened its supporting role for the public administration to support competitiveness for local areas, as well as its position providing support for the productive system, favouring the establishment and development of new businesses.

As it did the previous year, the parent company also played an important role in supporting the processes of re-industrialisation and transition, and assisting with overcoming industrial crises, in particular to fight against issues of delocalisation, meaning the transfer of production to other countries. More specifically, the National Agency was involved in two main operations: Sider Alloys Italia (the former Alcoa plant in Portovesme) and Industria Italiana Autobus.

After the actions carried out the previous year, on 20 January 2018, Invitalia sent the Development Contract proposed by Sider Alloys Italia aimed at reopening and relaunching the former Alco industrial complex to produce primary aluminium, located in the Portovesme industrial zone of the Municipality of Portoscuso (province of South Sardinia). Additionally, pursuant to the Italian Ministerial Decree of 23.3.2018, Invitalia acquired 22.33% of the company's shares.

With regards to the second project, facing an industrial and employment crisis which is consistently worsening, based on instructions from the government and pursuant to the Italian Ministerial Decree of 23.3.2018, on 29 January 2019, Invitalia became part of the Industria Italiana Autobus shareholding structure with a 29.95% stake, following a capital increase, which will allow the company to implement the recently developed business plan, shared with the current shareholders.

The year 2018 saw initial implementation of the 2021/2027 cohesion policy, aimed at defining rules and procedures for making use of European Union resources intended for objectives associated with restoring regional balance. Invitalia immediately began analysing regulatory texts to identify new limits and elements that will characterise the new situation in which the Agency will be working.

Starting in March 2019, this commitment was increased, as the parent company participated in the "partnership round table for 2021-2027 scheduling", contributing analysis and thoughts on the progress of projects in progress and on guidelines for the coming years, as part of the issue-based round tables on policy objectives proposed by the general regulations. The objective of this work is to create the partnership agreement and a formal agreement containing guidelines, resources and projects for the new cycle of cohesion policy for Italy.

Finally, the parent company maintained the scope of business, which had been broadened the previous year, after the acquisition of the Banca del Mezzogiorno-Mediocredito Centrale and the establishment of Invitalia Global Investment (which, however, is not consolidated).

NEW MEASURES UNDER MANAGEMENT

Social Economy Italy

Social Economy Italy is a programme of subsidies developed by the Italian Ministry of Economic Development aimed at creating and supporting the growth of enterprises which work to pursue social utility and general interest objectives. The Programme operates throughout Italy.

The incentives are aimed at investment programmes which pursue one of the following objectives:

- increased employment of disadvantage workers;
- social inclusion of vulnerable populations;

- protecting and supporting the environment, local areas and historic/cultural assets;
- the achievement of any other benefit deriving from activities of public interest or social utility which meet specific community or local needs.

Financial resources allocated total € 223 million:

- € 200,000,000 for the Rolling Fund to Support Business and Research Investments with Cassa Depositi e Prestiti;
- € 23,000,000 for the Sustainable Growth Fund.

Investment programmes between € 200,000 and 10 million can be financed. The loan covers up to 80% of allowable expenses.

The subsidies provide for the granting of de minimis aid:

- subsidised loan at an annual rate of 0.5% with a maximum term of 15 years, granted by the Italian Ministry of Economic Development, using resources from Cassa Depositi e Prestiti, which must necessarily be accompanied by a bank loan equal to 30% of the total loan granted by the lending bank;
- a grant of up to 5% of allowable expenses for investment programmes that do not exceed € 3,000,000.

The incentive has been operational since November 2017, but the special structure of the financing process (social enterprises must first obtain a bank loan) meant that it effectively began operating in 2018.

THE NEW ROLE AS A SUPPORT ENTITY FOR DISTRESSED COMPANIES

In recent years, Invitalia has taken on an ever-more central role as a supporter for government projects to resolve industrial crises, both in terms of sectors and employment. Since starting in 2018, it is able to act pursuant to Article 8-*bis* of the Italian Ministerial Decree of 9.12.2014, as amended by the Italian Ministerial Decree of 23.3.2018.

The Decree allows Invitalia to acquire a temporary and minority stake in equity, when a Development Contract has been signed, with the aim of relaunching operations in industrial plants of significant size (located in Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia or Sicily), which are otherwise not functioning or in which production has been or would be interrupted, based on a request by the proposing party. This stake must be acquired, managed and disposed of in compliance with the conditions established in the "market economy operator test", requiring contribution of financial resources by independent investors in an economically significant amount, at least equal to 50% of the operation. In addition to acquiring the stake, Invitalia may also make quasi-equity investments, including bond loans, and may issue guarantees in favour of the investee.

For these transactions, the Manager entity uses financial resources transferred for the purpose by the Ministry up to € 20 million. At present, these funds have been used to acquire the equity investments in Sider Alloys and in Industria Italiana Autobus.

Sider Alloys Italia (former Alcoa plant in Portovesme)

Following the actions carried out in 2017, on 20 January 2018 Invitalia approved the Development Contract proposed by Sider Alloys Italia. This consists of a production investment aimed at reopening and relaunching the former Alcoa industrial complex to produce primary aluminium, located in the Portovesme industrial area of the Municipality of Portoscuso (province of Southern Sardinia). The consequent resolution allocating the funds was issued on 15.5.2018.

It should be remembered that, given the significance of the project (Sider Alloys Italia is the only domestic producer of primary aluminium), the initiative was already involved in a Programme Agreement signed on 04.01.2018, through which the Italian Ministry of Economic Development and the Autonomous Region of

Sardinia made financial resources available to support the investment programme within the allowable limits, amounting to around € 135 million.

On 13.12.2018, pursuant to the Italian Ministerial Decree of 23.3.2018, Invitalia acquired 22.33% of the company's shares. The remaining equity is held by Sider Alloys Italia (78.67%) and by Associazione dei Lavoratori Sider Alloys Italia (1%).

The presence of the workers within the corporate shareholding structure, an important innovation in Italy, was further strengthened by the simultaneous introduction of the Dual Management Model, which reserves a position on the Monitoring Council for a representative of the Associazione dei Lavoratori Sider Alloys Italia.

Industria Italiana Autobus

On 22 December 2014, Industria Italiana Autobus acquired from Irisbus Italia SpA, a member of the CNH Industrial Group, the business unit consisting of the industrial plant located in Flumeri (province of Avellino), in the Valle Ufita township.

On the same day, BredaMenarinibus SpA ("BMB"), 100% controlled by Finmeccanica SpA, sold a business unit to Industria Italiana Autobus, which included the industrial and/or intellectual property rights, as well as all licenses, authorisations, approvals and/or concessions inherent to the business carried out by BMB (up to that moment), as well as the trademarks, projects, patents and copyrights of BMB.

During 2015, I.I.A. signed a Development Contract with Invitalia aimed at reopening the plant in Valle Ufita.

Over the years, the company began a process to delocalise industrial production abroad, neglecting the revamping of production activity and Flumeri (the local labour force receiving unemployment benefits).

In the face of the industrial and employment crisis, which is consistently worsening, following the instructions of the government and pursuant to the cited Italian Ministerial Decree of 23.3.2018, on 29 January 2019, Invitalia acquired a 29.95% stake in the equity of I.I.A.

In fact, on 28 January 2019, the Shareholders' Meeting resolved to settle its losses and approved a capital increase of € 30 million, already subscribed for a total of 21 million by Leonardo SpA, Karzan (a Turkish company specialised in the production of buses) and by Invitalia, the government development agency.

The capital increase was in part reserved for a new industrial shareholder, in the process of being identified, who must subscribe their share within six months.

In conclusion, Industria Italiana Autobus can now implement its business plan, recently prepared and shared with the current shareholders.

Also worthy of note in actions to support companies in crisis, are:

The former Embraco

In 1994, Embraco acquired the Riva di Chieri plant, located around twenty kilometres from Turin, where it concentrated production of equipment for domestic cooling, while commercial equipment was concentrated in Slovakia. The company then decided to locate its Embraco Europe headquarters in Italy, which included the Italian plant and a subsidiary, the Slovak factory founded in 1999 and located in Spisska Nova Vess. Employee numbers in Europe reached over a thousand, with no less than 537 in Italy alone.

In October 2017, the company announced its intention to reduce the production quotas assigned to the Turin plant, relocating production to other group plants in Slovakia. A few months later, the company announced its intention to close the plant.

Invitalia was assigned the task of serving as an institutional entity to find a partner to reindustrialise the Riva di Chieri location and selected Venture SpA (a company with an Italian, Israeli and Chinese shareholding structure) to convert production, with two distinct lines:

- robotics and applied artificial intelligence for cleaning solar panels;
- water purification systems.

The initiative, which does not involve expenses in terms of public funds, will be financed through a contribution from Embraco at start up (around € 15 million), protecting all jobs when fully operational.

KRAFT HEINZ (Plasmon plant in Latina)

In 2017, the company announced its intention to dismiss 95 workers due to reduced sales volumes. Through the support of the Italian Ministry of Economic Development, this employment crisis was transformed into an opportunity for an industrial and research relaunch, with positive effects for the entire supply chain. Thanks also to significant interaction with Invitalia, the company abandoned its intention of dismissing the 95 workers, for which social assistance had been made available. More specifically, an agreement was signed between the company, unions and the Region of Lazio to activate a 24-month solidarity contract for a total of 309 employees, reducing hours up to 60%. This was accompanied by incentives for voluntary redundancies agreed upon with secondary contracts. The company estimates that it will be able to significantly reduce or eliminate redundant workers (in part through voluntary redundancy) within 24 months.

Thanks to Invitalia's support, the company, which had planned an initial investment of 7 million, has now increased it up to 52 million, planning for industrial production in Latina together with a nutraceuticals research and development project in Naples. Kraft Heinz is also considering the possibility of locating this in Bagnoli.

The objective of the investment plan is to bring the production of products currently made by the Heinz Group in other EU countries to Latina and to diversify baby food products (a declining market) with nutraceuticals for seniors, pregnant women and athletes (a growing market) to increase volumes and protect employment.

At present, the company is preparing a request for a Development Contract, which must be preceded by the signing of a Programme Agreement between the Italian Ministry of Economic Development, the Region of Lazio and the Region of Campania, aimed at supporting the investment.

ACTIVITIES CONTINUED FROM THE PREVIOUS YEAR

Bagnoli – Coroglio

The year 2018 was crucial for the Bagnoli Project. Following on from the ratification by the Control Room on 21 December 2017 and the further research by the technical round tables instituted with the Interinstitutional Agreement between Regions, Municipalities and Government of July 2017, all the data collected was processed and the input needed to finalise the updates to the Proposed Environmental Restoration and Urban Regeneration Programme of 2016 (ERURP) was provided, with the new ERURP prepared and presented to the Control Room on 5 April 2018.

The presentation to the Control Room was fundamental in reactivating the Strategic Environmental Assessment (SEA) Procedure for the Restoration Programme. Hence, the Environmental Report for the ERURP was prepared and published on 5 June 2018 and submitted for an SEA assessment.

At 31.12.2018, the assessment was still under way by the relevant entities and was completed on 27.2.2019, with the issuing of Italian Ministerial Decree 49 by the Italian Ministry of the Environment and the Italian Ministry of Cultural Heritage.

During the year, operating offices were opened in Bagnoli at the Porta del Parco structure, needed to coordinate the operating activities planned for the location. The structure was made safe and remodelled for the areas to be used as offices beforehand.

Call for tenders for the sale of Italia Turismo Spa

On 31 January 2018, the parent company Invitalia Spa started the "open preliminary procedure for the disposal of the stake of Italia Turismo SpA" and, in the alternative, of the assets owned by Italia Turismo. The procedure ended on 31 March 2018, the deadline. No offers were received.

The Agency then continued on with disposal, publishing a notice with the goal of receiving indications of interest by 15 May 2018. Numerous indications of interest were received, both with regards to the full stake and to individual assets, demonstrating the market's interest in the transaction. The parent company then began negotiations with regards to the proposals for the entire stake, with due diligence and inspections, following which the final selection stage is under way.

Summary of other measures

Looking more widely at other measures that have contributed to consolidating the role and reputation of Invitalia as an Executive Body capable of efficiently and effectively implementing complex interventions in territorial contexts. The latter are typically characterised by severe critical issues, with Invitalia operating alongside the central administration bodies in the management of their programmes and assigned operational plans, providing support for large investments and the impetus for the launch and consolidation of new innovative technological companies. Among such initiatives, we can list:

The **"Development Contracts"** associated with a new facilitative formula designed to support large investments in large-scale strategic projects.

The **"Central Procurement Authority Services"**, which concerned the execution of tender procedures such as those for the "Great Pompei Project"; the interventions in the Piombino Reclamation Site of National Interest, implementing the programme of environmental rehabilitation and urban redevelopment of the Bagnoli-Coroglio area of important national interest; implementation of the "Urgent interventions in favour of the populations affected by the earthquakes of 2016" (Earthquake Intervention for Schools); the Institutional Development Contract "Matera 2019 European Capital of Culture".

Technical Assistance to the Italian Ministry of Economic Development’s General Directorate for Enterprise Incentives (MED GDEI) for the implementation of the **"2014 - 2020 National Operational Program for Enterprises and Competitiveness"** for the new technical assistance activities according to the request formulated by the administration aimed at ensuring continuity of activities and in relation to community obligations, as indicated in the Action Plan approved by the MED GDEI.

With regard to the functions, activities and operating mechanisms of the individual line areas, while referring to the subsequent detailed analysis chapters of the report, it is worth recalling here the main actions undertaken to implement the more comprehensive Agency strategies:

Incentives and Innovation

The function defines the lines of development and ensures the management and implementation of the available incentives portfolio, facilities and instruments to support Italian and foreign companies, also interpreting new needs to promote competitiveness and support for the development of business systems.

Through this function, the Parent Company promotes and supports productive investment programmes, especially in innovative sectors with high growth potential. On behalf of the Government, it also manages almost all the national subsidy instruments for business development and the launch of start-ups. A broad range of services are provided, including the promotion of opportunities, the assessment of business plans, the provision of benefits, the monitoring of subsidised expenses and the verification of results.

In some cases, it also supports the MED in managing subsidy programmes by handling the assessment and management phase.

Competitiveness, Infrastructure and Territories

The positioning of the Parent Company, as an entity capable of designing, integrating and managing the system of interventions and measures aimed at the growth and development of the country, has imposed the transition of this function from that of a service and support provider to Central Administrations to that of "programme manager". This consists of supervising the entire process, from project conception to control of implementation, including management of the policies for the competitiveness of the territories and the bridging of territorial divisions.

EU Project Assistance

The Parent Company proposes itself as a partner of the central and regional administrations, providing technical assistance and support for participation in EU tenders. In this context, it governs support and capacity building actions and assists development and implementation of EU project schedules.

Invitalia has proceeded to create a special organisational structure dedicated to its implementation. An articulated and complete offer of technical assistance services has been structured, which supplements the experience of resources coming from the former Institute for Industrial Promotion, with the traditional expertise in the development of measures and tools for the provision of incentives.

Attraction of Foreign Investments

In continuation of the Agreement signed on 13 July 2017 between the Agency and ITA (the Italian Trade Agency), this working group continued to deal with the preparation and promotion of structured territorial proposals as well as providing support to ITA/Invitalia for the preparation of agreements and affiliation contracts with other key players involved in the process of attracting investments (central and regional administrations, business associations, private organisations, etc.).

Based on the agreement signed in 2017 which governs relationships with the Italian Ministry of Economic Development, Invitalia continues to be responsible for managing an operating plan to attract investments aimed at the Convergence Goal regions (Basilicata, Calabria, Campania, Apulia and Sicily), for a duration of 30 months and a value of € 2,813 thousand. Activities relative to this Agreement were assigned to the EU Project Assistance Department.

Composition of the Group

At 31.12.2018, the Agency holds control over the following companies:

- **Infratel Italia SpA**, which is engaged in the construction and management of telecommunications infrastructure, shall implement the Broadband and Ultra-Broadband Development Programmes.
- **Invitalia Ventures Sgr SpA** (formerly Strategia Italia SGR), which manages two closed-end mutual investment funds aimed at supporting the implementation of risk capital investments for companies with high development potential (Italia Venture I and II).
- **Invitalia Partecipazioni Spa**, which acts as a "vehicle" company and is therefore responsible for the completion of the residual disposal processes.

- **Mediocredito Centrale SpA**, the mission of this bank is to support SMEs, mainly in the South, through the provision of loans and the management of public guarantee funds. The new 2018-2020 Business Plan ultimately defines the company's mission by envisaging its confluence with that of the Agency, consolidating its institutional role aimed at increasing Italy's competitiveness, particularly in the South, and the support for those sectors which are strategic for economic and social development.

Invitalia also controls **Italia Turismo SpA** and 2 companies arising from the closure of the liquidation of Italia Navigando (**Marina di Portisco SpA and Trieste Navigando Srl**), all destined for disposal.

Invitalia holds 100% of the shares of **Invitalia Global Investment**, a financial institution authorised to provide loans to promote the development of exports and internationalisation in the Italian economy relative to countries classified as high risk by the International Financial Action Group, also known as the Financial Action Task Force.

Due to the special purposes that lawmakers intended to pursue by creating a new instrument for public action, regulated by special administrative provisions, Invitalia's Board of Directors resolved, in line with that indicated by the Italian Ministry of Economy and Finance, note to provide management and coordination for the newly established company.

However, despite possession of all the share capital, all the significant activities carried out by the company are subject to provisions and directives issued by the government. Consistent with the assessments made also by the shareholder, it was held that these significant restrictions could be classified as a situation in which a majority of voting rights were held but without any real management power, with consequent exclusion of the company from the Group's scope of consolidation, as is also illustrated in the reference accounting standards.

A - REFERENCE REGULATORY FRAMEWORK AND CORPORATE TRANSACTIONS

A.1 -Development of the regulatory framework

Below are the main regulatory provisions issued during 2018 which relate to the parent company.

Direct in-house loans

ANAC Resolution No. 484 of 30 May 2018. Registration of public administrations and entities awarded tenders for loans in the list of direct Invitalia loans pursuant to Article 192, paragraph 1 of Italian Legislative Decree No. 50 of 18 April 2016 (Tenders Code).

Authorisation of parent company deeds

Italian Ministry of Economic Development Decree of 4 May 2018. Identification of ordinary and extraordinary management deeds of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA and its direct and indirect subsidiaries, to be submitted for prior ministerial approval. (*IOG* 218 of 19-09-2018)

The provision updates and replaces the Italian Ministry of Economic Development Decree of 18 September 2007, as amended, which, pursuant to Article 1, paragraph 460 of Italian Law 296 of 27 December 2006, identifies the management deeds of the Agency and its subsidiaries to be submitted for prior ministerial authorisation.

The Decree, while protecting exclusive responsibility for managing the business for the Invitalia Board of Directors, introduces certain changes aimed at ensuring the exercise of analogous joint control by state government administration clients, also for the purposes of implementing the regulations with regards to registration in the List of Administrations Awarding Tenders and Entities Awarded Tenders, operating through direct loans with regards to their own in-house "company", pursuant to Italian Legislative Decree

50 of 18 April 2016, the Public Contracts Code. With regards to deeds of the Agency to be submitted for prior approval by the Italian Ministry of Economic Development, an additional requirement was added, namely sending the management outlook document pursuant to Article 1, paragraph 460 of Italian Law 296/2006, and any updates to the same.

Update to the minimum content of agreements with the parent company

Presidency of the Italian Council of Ministers Directive of 10 May 2018. Update to the minimum content of agreements with the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo di impresa SpA, implementing Article 9-bis, paragraph 6, Italian Decree Law 69 of 21 June 2013, converted by Italian Law 98 of 9 August 2013. (*IOG*, General Series, 179 of 03-08-2018)

Taking into account the changed reference situation and regulatory changes having occurred, the directive adjusts the minimum content of the agreements that Invitalia stipulates as the in-house company of state government administrations and as the contracting authority classified as such pursuant to the new Tenders Code.

Reorganisation of responsibilities of the Territorial Cohesion Agency Role with the parent company

The Coordinated Text of 12 July 2018, no. 86, converted with Italian Law 97 of 9 August 2018, "Conversion into law, with amendments, of Italian Decree Law 86 of 12 July 2018, containing urgent provisions to reorganise the responsibilities of the Italian Ministry of Cultural Assets and Tourism, the Italian Ministry of Agricultural, Food, and Forestry Policies, and the Italian Ministry for the Environment, Land and Sea Protection, as well as with regards to families and disabilities" (*IOG* 188 of 14-8-2018)

Among other things, Article 4-*ter* establishes that:

- when the government, in the case of inertia or non-action on the part of public administrations, exercises substitute powers to avoid the release of European funds, the Presidency "makes use of" the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa (Invitalia SpA) to execute the decisions made within the context of the substitute powers;
- if responsibilities are assigned to accelerate these programmes or for substitute powers, the Cohesion Agency makes use of Invitalia;
- the Cohesion Agency supports the execution of the programmes through actions supporting the owner administrations, promoting use of Institutional Development Contracts and activation of Invitalia in its role as the central procurement authority.

For all regulatory references regarding legal provisions managed, please see the "Annexes to the Directors' Report on Operations".

A.2 - Corporate transactions

Invitalia Global Investment SpA

With Italian Law 205 of 27 December 2017 containing the State Budget for the 2018 financial year and the multi-year budget for the 2018-2020 period, the establishment of a new company was envisaged—Invitalia Global Investment—with 100% of its shares held by Invitalia SpA. The new company is authorised to provide loans and issue guarantees, as well as to provide insurance for non-market risks to which national operators are directly or indirectly exposed during activities with countries classified as high risk by the International Financial Action Group. Guarantees and insurance cover may also be issued in favour of banks for loans granted by them to domestic operators or to the foreign counterparty, involved in the financing of the aforementioned activities.

The Company, Invitalia Global Investment SpA, was established on 9 January 2018, with share capital of € 11,000,000, entirely held by the Agency. For more details about aspects associated with management of the company, please see the section "Composition of the Group".

Invitalia Partecipazioni SpA

The extraordinary Shareholders' Meeting of 19 April 2018: (i) eliminated share capital of € 5,000,000 to partially cover the losses accrued as of 31.03.2018; (ii) covered the residual losses and restored share capital to the legal minimum of € 50,000, granting the Board of Invitalia Partecipazioni an express mandate to increase share capital, pursuant to Article 2443, Italian Civil Code, up to a maximum amount of € 20,000,000 through contributions in kind to be made by 31 December 2018.

Executing the decisions of the stated Shareholders' Meeting, the Board of Directors of Invitalia Partecipazioni resolved, pursuant to Article 2443, Italian Civil Code, to increase share capital (from € 50,000 to € 5,000,000, with a share premium of € 10,385,880.59) through the contribution, by the agency parent company, of the business unit consisting of the incubators in Cerignola, Marcianise, Pozzuoli, Salerno and Terni.

Invitalia Ventures SGR SpA

The Shareholders' Meeting of 6 April 2018 approved the administrative body, whose term will expire at the time the financial statements at 31.12.2019 are approved.

Italian Law 145 of 30 December 2018, in order to simplify and strengthen the venture capital sector and the economic/productive structure of the country, granted the Italian Ministry of Economic Development the possibility of authorising the sale by Invitalia, at market conditions, of an equity investment stake, even controlling, held in Invitalia Ventures SGR SpA, as well as an equity investment stake in the funds managed by the same, to support the synergistic management of the resources entrusted to this latter, granting an option right to Cassa Depositi e Prestiti (CDP).

To that end, on 20 February 2019, the MED Directive was issued, authorising Invitalia to sell an equity investment stake equal to 70% of the share capital of Invitalia Ventures SGR, establishing the relative terms and conditions. More specifically, the Directive indicates the conditions necessary for selling the equity investment, as well as the contribution of additional resources by the purchasing entity, through subscription of units of the funds managed, in an amount at least equal to subscriptions made by other public shareholders.

Invitalia and CDP have agreed that an independent entity will be appointed to prepare a sworn appraisal attesting that the criteria and methods used to determine the payment for the sale correspond with market values.

Additionally, shareholders' agreements will be signed with regards to governance of Invitalia Ventures, aiming to include mechanisms to designate members of the Board of Directors and Board of Statutory Auditors to guarantee adequate representation for the minority shareholder.

Consequently, communications began with CDP, with which a Confidentiality Agreement was signed, and a data room was opened with all documents regarding the company. An advisor was also appointed to determine the price.

On 19 April 2019, Cassa Depositi e Prestiti accepted the binding offer and, on 23 April 2019, the sales contract was signed. The transaction will be completed after authorisation is received from the Bank of Italy with regards to the change in control over the SGR.

Italia Turismo SpA

On 7 December 2017, the Board of Directors of Italia Turismo resolved to grant the shareholder Invitalia the mandate to sell the Company or its real estate assets (villages, business units and land), with the assistance of KPMG Advisory. If a purchaser for the entire equity investment was not found, sale of the assets was required on the basis of lots identified as part of the sales procedure.

On 31 January 2018, the open preliminary procedure to sell the Company began, ending on 19 February

2018 without any offers having been received. The Shareholder continued with activities aimed at disposing of the subsidiary, or its real estate assets, through publication of a notice intended to obtain indications of interest from parties wanting to purchase 100% of the assets and/or individual assets. At 31 December 2018, the sale had not yet been completed. Among other things, it requires ministerial authorisation.

Marina di Portisco SpA

The Plenary Shareholders' Meeting of 14 May 2018 acted to replace the Company's Managing Director, as he had passed on. The Board's term expires with the approval of the 2018 financial statements.

Trieste Navigando Srl

Following the Agency's decision to dispose its stake in Company, the preliminary purchase agreement has been signed with the buyers, i.e. the Chamber of Commerce of Trieste and Fondazione CRTRIESTE. The formalisation of the closing is still pending the release of the authorisation measures for the construction of a large public aquarium (known as “Parco del mare”) and the renewal of the State property concession.

Minority corporate transactions

During 2018, the Agency carried out the following corporate transactions:

- **Sider Alloys Italia SpA:**
  On 13 December 2018, Invitalia, implementing the mission assigned to it by the government, aimed at the reopening and industrial requalification of the area in crisis in Portvesme, using the funds dedicated in the Development Contracts acquired a 20.33% stake in Sider Alloys Italia SpA (paying a total of € 6,000,000, of which € 5,660,377 as equity and € 339,623 as share premium).
- **IP Iniziative Portuali Porto Romano Srl:**
  On 17 May 2018, following a divisible share capital increase of up to € 1,000,000 (increasing from € 4,700,787.50 up to € 5,700,787.50), with maturity set for 30 September 2018, the Agency subscribed € 300,300 on a per-unit basis. Upon completion of the transaction, the Agency's stake is now equal to 34.23% of share capital paid in (€ 5,001,137.50).

Disposals

SALVER SpA: On 28 May 2019, the disposal of the equity investment held by the Agency (14.31%) was formalised.

A.3 - Litigation

The parent company's involvement in litigation mainly consists of active civil law cases related to the compulsory collection of loans associated with the subsidy measures managed by the Agency itself.

As occurred the previous year, the Agency worked to recover amounts due, also pursuant to the Italian Ministry of Economy and Finance Decree published in the *IOG* of 7 March 2008, which allows it to comply with obligation to collect receivables due from beneficiaries of the provision under Italian Legislative Decree 185/2000 through the Revenues Agency - Collections, based on criteria of economy.

To date, there is a marginal degree of physiological labour law litigation that is appropriately distributed in the provisions.

The following are the details of the more significant disputes:

AGENZIA DEL DEMANIO (Bagnoli) – The case was submitted by Invitalia, opposing the estimate of Demanio made by the Agency regarding the value of the real estate previously owned by Bagnolifutura SpA in Liquidation (currently classified as bankrupt), with ownership transferred to Invitalia, as the entity implementing the environmental restoration and urban regeneration programme in an area of significant national interest, in the Bagnoli-Coroglia district, pursuant to and in accordance with Article 33, paragraph 12 of Italian Decree Law 133/2014.

The case aims at obtaining a reduction in the estimated value of the real estate transfer carried out by the Agency of Demanio with a note on 8 June 2017, amounting to € 80,570,000.00 and reduced to € 68,484,500.00 after Invitalia applied a 15% risk estimate, as established by the Agency itself.

The following cases are currently pending with the Naples Appeals Court relative to the aforementioned estimate:

- case 6767/2017 R.G.C., submitted by Fallimento Bagnolifutura SpA, in Liquidation, aimed at recognising the greater appraisal value for the real estate transferred, up to € 275,632,557.83 (case combined with that submitted by Invitalia);
- case 6815/2017 R.G.C., submitted by Fintecna SpA in its asserted role as the effective owner of the transferred real estate, aimed at recognising the greater appraisal value of up to € 224,658,751.00 (case combined with that submitted by Invitalia).

The risk of a loss with regards to all the combined cases is deemed possible.

MED – The Agency presented an Extraordinary Appeal to the Head of State against the Department Decrees of 11 November 2016, 17 February 2017 and 31 May 2017, with which the Ministry of Economic Development opposed the distribution of the profits accrued by Infratel for the years 2013, 2014 and 2015 to Invitalia. Said opposition was also motivated by the presumed need to recalculate the sums payable to Infratel to cover operational requirements, based on the periodic reports referenced by the existing agreement for the expansion and distribution of broadband services. The value of the dispute is estimated at approximately € 4.7 million. In consideration of the complexity of the matter, the outcome of the proceedings is uncertain. Regardless, any decisions against the Agency would not have any consequences for the balance sheets of either the Agency or Infratel.

ISA/ISMEA - The company ISA SpA (now ISMEA) has summoned the Agency before the Court of Rome requesting the determination of the plaintiff's right to a credit of approximately € 15.5 million from SECI SpA (now Eridiana Sadam SpA) and Finbieticola SpA, deriving from the sale of the shares of Zuccherificio Castiglionese SpA. The Court of Rome, with sentence No. 3465/15 of 29 January 2015, accepted the claimant's demand on concisely expressed grounds. The Agency - through delegated lawyers - has appealed to the Court of Appeal of Rome. There is a reasonable expectation of a favourable outcome, albeit the unknown nature of some interpretations of the special laws and the non - technical language of the regulations, given both the profiles of constitutional legitimacy and the assessment of the type of credit involved.

In December 2016, while awaiting the conclusion of the appeal, Invitalia agreed with the counterparty to deposit the sum of € 16.7 million in a joint account. The amount was transferred in early 2017.

It should be noted that should the case be lost, the liability, as envisaged by the law, would not have economic repercussions for the Agency, therefore no risk provisions have been set aside for this purpose. The loss of the case is estimated as possible.

FINANZIARIA TURISTICA - In the first quarter of 2013, the company Finanziaria Turistica Sri, as majority shareholder of Valtur SpA under extraordinary administration, sued the Agency, Italia Turismo SpA and Valtur SpA as jointly liable, requesting the ascertainment of pre-contractual, contractual and non-contractual responsibility in relation to the agreements negotiated and alleged non-performance breaches of the assumed obligations related to the acquisition of Valtur SpA assets. The amount of the claim is approximately € 117 million. In a ruling dated 17 April 2018, the Court declared the claims presented by Finanziaria Turistica Sri to be inadmissible and ordered it to pay court costs of € 175,000 in favour of each of the defendants, covering lawyer's compensation plus flat-rate reimbursement for general expenses, VAT and CPA as per terms of the law. The losing party has appealed and the Agency is responding to the case with the assistance of the same professionals involved in the first instance.

PROTOS - the company Protos, previously a service provider for Sviluppo Italia as part of the monitoring of facilitating projects, resumed before the Lazio Regional Administrative Court - prior to the expiration terms - a judgement already pending since 2005 and concerning the assessment of the revision of prices for the contracted services and the greater consideration for the provision of services beyond the natural expiry of the contractual relationship. As anticipated in the Report in the 2017 financial statements, the position was settled on 26 June 2018 in the amount of € 400,000, which had already been provisioned the previous year.

CERAMICA D'AGOSTINO - The dispute originated with the revocation of government subsidies granted to Ceramica D'agostino in 1985 by the Italian Ministry of Economic Development, subsequently revoked in 1997.

The return of the subsidies was guaranteed through surety from Banca Commerciale Italiana, now Banca Intesa, granted in favour of the Italian Ministry of Economic Development and in the interest of Ceramica D'Agostino.

The Invitalia Group became involved following the merger by incorporation of Ceramica D'Agostino in Gamma Geri, and the latter in Invitalia Partecipazioni. The Agency is involved in the case based on a counter-surety of € 12,999,709.54 provided in favour of Banca Intesa. The Italian Ministry of Economic Development has enforced the sureties granted by Banca Intesa. This latter recently saw to the payment (17 May we received confirmation from MED), but has not yet activated the guarantee provided by Invitalia, possible due to the pending judgement pursuant to point 2 below. Additionally, the amount enforced includes interest unduly calculated in an amount much higher than the legal rate (with a difference of around € 4.5 million). This is due to judgement 15964 of 21.7.2010 issued by the Court of Rome made in the case opposing the collection notice, also with regards to the same Ministry. Judgement 16805/2005 of the Court of Rome ruled the exact opposite, stating there was no legal obligation for the greater amount, the undue withholding of which had already been disputed with the Ministry.

The dispute currently pending with regards to Invitalia can be outlined as follows:

1. Appeal case 909/2006 pending with the Rome Court of Appeals, suspended on 16.1.2008 and taken up again by the MED on 24.10.2018. This judgement, introduced by the former Sviluppo Italia MED and Banca Intesa, has the aim of obtaining an order to not apply the decree revoking the subsidies in question and rejecting the repayment claims made by MED. **At the hearing on 2.4.2019, the date of 11.11.2019 was set for the specification of conclusions.**
2. First instance decision pending with the Court of Rome (RGN 41256/2015), introduced by Invitalia against Banca Intesa and relative to MED (third party involved in the case) with the goal of nullifying the surety provided by Invitalia relative to Banca Intesa, with a request to repay the Agency the fees accrued on the surety of € 354,008.40. At the last hearing on 7.2.2019, the case was set for decision, with the deadlines for submitting briefs and responses. **Judgement is pending.**

For both cases , taking into account progress on the case in both substantial and legal terms, and in consideration of the fact that Invitalia Partecipazioni SpA (a party in the same case) has also filed a case to review the Cassation Judgement due to the discovery of new documents that are decisive with regards to the merits of the dispute, it is held that there are not sufficient elements to hold a loss more than merely possible.

TESECO - The most important passive litigation refers to an agreement (with the Region of Sicily), wherein IAP contracted the emergency safety measures for the Thapsos coast of the Magnisi Peninsula to a temporary association established between Teseco SpA and Trevi SpA. In 2015, ATI sued IAP, demanding the ascertainment of: i) IAP responsibility for breach of contract, ii) termination of the contract pursuant to

Article 1453 of the Italian Civil Code, iii) payment by IAP of approximately € 18 million plus revaluation and interest. The case was resolved favourably with judgement 1552/2019 published on 23.1.2019, rejecting TESECO's demands and ordering TESECO to pay € 5,970,742.10 plus interest to satisfaction, as well as court costs in the amount of € 36,207 plus accessory charges.

TESECO 2 - On 23 March 2018, Teseco Srl, in composition with creditors, on its own behalf and as the agent for the temporary consortia with Gesteco SpA, sued the Agency for recognition of the overall credit of € 3,999,000.00 as fees deriving from the public tender already issued by IAP to restore the former Nissometal industrial area located in Contrada Panuzzi in Agro di Nissoria – Enna. The hearing began at the beginning of July 2018. At the hearing on 1 April 2019, the date of 21.12.2020 was set for the specification of conclusions. A precise estimate of the Agency's risk of losing is not possible.

TESECO 3 - on 6.2.2019 Teseco served notice to Invitalia of an injunction of € 606,966.28 plus interest to be paid for delay in the payment of two invoices issued by Teseco for the restoration of the Smeb area in Messina.

Invitalia appealed the case, through the legal firm Briguglio-Vaccarella, with the hearing set for 6.9.2019 with the Court of Pisa.

DANECO - With an action before the Court of Rome, Daneco Impianti SpA, in its capacity as the agent of RTI with Ecosistem Sri, summoned Invitalia Attivita Produttive SpA, today Invitalia, and the company Unipol Sai Assicurazioni SpA. The claimant requested the ascertainment of the correct execution of the contractual obligations with reference to facts and events related to safety measures for the San Foca sports complex as well as the consequent illegitimacy of the lAP's withdrawal from the contract with letter dated 17 September 2015 and the consequent recognition of the illegitimacy of enforcing the surety policy issued to guarantee the tender. At present, the position can be fully assessed only following the outcome of the technical expert opinion requested by Invitalia and UnipolSai, in order to verify the correspondence or discrepancy between the works agreed and executed by RTI, Daneco's agent.

The claimant has also filed a compensation request for damages to reputation and curriculum, in addition to damages for lost profits and emergent damages whose value will be specified during the course of the proceedings. Admission of the investigation methods is in reserve. At the hearing of 7 March 2017 - set for the admission of the request for a court technical expert opinion - the Court took up the case in reserve.

In consideration of the subject of the judgement and of the complaints and arguments proposed both by the counterparty and by the Agency, it is not possible to predict the outcome of the judgement itself with certainty, but a precautionary approach suggests it is appropriate to consider the possibility of losing.

B - GROUP ACTIVITIES DURING 2018

B.1 - Support for business development

During 2018, the parent company, through its Innovation Incentives Business Unit, confirmed its commitment to its core business, that is supporting the creation of new companies and increasing the probability that existing ones survive, meeting the needs of stakeholders and local areas, and creating new opportunities for growth and development.

The scope of operations targeted the entrepreneurial ecosystem, essentially supporting large investments, strengthening the competitive abilities of existing companies and supporting the development of new businesses with solutions optimised to the size of the sector and the type of business.

In combination with the traditional mix of financial aid, granted on the basis of laws and administrative provisions, the Business Unit refined a range of accessory services (accompaniment, training, networking) in order to increase the effectiveness of the incentives and fully develop the potential of Italian businesses.

The Agency, structured into units which answer to the cited Business Unit: Reconstruction, Large Investments and Business Development, Entrepreneurialism, Employment and Market Development and Services, contributing to improving access to financing tools, in particular:

- meeting the changed needs of local areas. By way of example: the Remain in the South tender was issued, an incentive that supports the establishment of new entrepreneurial activities in the regions of southern Italy; new branches for Law 181/89 were opened for areas with complex and non-complex industrial crises, throughout Italy; the "Invitalia Start-up System" was created, a new support network for innovative start-ups, which incubators, accelerators and business angels can also participate; 2 town meetings and 3 Accelerathons were carried out as part of the program to provide entrepreneurial support for tourist business, FactorYmpresa; integration of subsidies was promoted, such as those established by Smart & Start Italia, with other tools managed by Invitalia Ventures SGr and Mediocredito Centrale - Banca del Mezzogiorno; large investment projects, including by foreign businesses, were activated through Development Contracts.
- Simplifying administrative procedures to improve the efficiency of incentive management processes, together with the relevant Ministries.
- Reducing response times to comply with and further improve the time frames established under the law.

Incentives are assigned through selective procedures, based on criteria established beforehand and verifiable after the fact. In 2018, on the basis of in-depth analysis with regards to the performance of measures managed by the Business Unit, a series of activities aimed at proposed revisions were begun, with the aim of meeting the continually evolving needs of businesses and promoting the most significant factors with regards to economic growth in Italy.

With reference to ordinary activities, these involved:

- implementation of incentives, updating operating procedures and preparing technical/management documents for support;
- investigating requests, disbursements and monitoring of activities financed, in compliance with contractual details and technical/administrative procedures;
- promoting incentives to attract companies with the requirements established under the laws for requesting subsidies, also through cooperation with private and institutional entities and organisations;
- business planning accompaniment services, to ensure technical support to find the most adequate structure for the same;
- tutoring services, for example through the publication of specialist webinars.

The use of new technologies was heavily encouraged. In close synergy with the IT Systems team actions were begun to create a single digital platform with the goal of achieving paperless management of activities. At the end of 2018, the areas on the new platform which are operational are: Remain in the South, Smart & Start Italy and Culture Creates. The others will be migrated by the end of 2019.

Additionally, with an eye to digitalising process and improving interaction with stakeholders, applications were developed to communicate with those requesting and already benefiting from subsidies, providing information in real time, guaranteeing simple and fast access to information and reducing investigation and disbursement time.

The network of local relationships was strengthened, creating and confirming partnerships and memorandums of understanding with, by way of example: ABI, Federmanager, Manageritalia, Remain in the South accredited entities and others, and numerous events and meetings were promoted throughout the country, which involved citizens and businesses, to promote incentives and listen to local requests.

More concretely, as detailed more specifically in the annex to the Directors' Report on Operations, the Business Unit strengthened the instruments it offers to support economic growth, thanks to a portfolio of incentives that was even wider with respect to 2017 and by providing additional services that are constantly developing.

During 2018, the Agency strengthened its role as a multiplier of resources that support the productive system, in particular in the regions of southern Italy:

	Initiatives financed	Investments (€/000)	Subsidies (€/000)	Newly employed
Italy	3,372	1,505,504	733,877	31,086
Southern Italy	2,736	806,175	487,826	18,049

Of which:

	Initiatives financed	Investments (€/000)	Subsidies (€/000)	Newly employed
Business Creation Smart & Start Italy, NITO, SELFIE, Remain in the South, Create Culture	2,785	243,367	153,853	10,435
Large Investments and Competitive Strengthening (Earthquake, CDS, Law 181, Patents+)	587	1,262,137	580,024	20,651

Additionally, in 2018 the process to perfect the Strategic Plan for the Innovation Incentives Business Unit was begun, in cooperation with Organisation and Human resources Development, with the aim of becoming a reference point for the entrepreneurial ecosystem.

B2 - Support to the Public Administrations, acceleration of public projects and management of intervention programmes for competitiveness and territories

In recent years, a combination of regulatory changes have had a profound impact on governance of development and cohesion policies.

In this context, the parent company is ever more qualified to implement and accelerate investments of special complexity or strategic importance, in particular those financed with domestic or EU resources for territorial development and cohesion.

In particular, through its Competitiveness, Infrastructure and Territories Business Unit, the Agency is the specialist structure of reference for central administrations, able to handle the various phases of the investment cycle, from scheduling to design, through to carrying out the work.

Starting with the Pompei Large Project, a 2007/2013 Scheduling best practice, it has increasingly strengthened its central procurement authority and manager of complex territorial programs functions, for example those governed under Institutional Development Contracts. This operating model has made Invitalia unique in the panorama of centralised public entities.

Invitalia is the first public entity at the national level to have begun central procurement authority functions to create infrastructure using an e-procurement platform for all stages of the tender.

This operating solution, combined with the signing of specific Legal Protocols with various prefectures and Cooperative Supervisory Protocols with the National Anti-Corruption Authority (ANAC) has made it possible to maintain high levels of transparency and legality in procedures.

In 2018, the continuation of this productive cooperation with ANAC led to the introduction of particularly innovative parameters among the criteria used to assess tenders, focussing on issues such as environmental protection, through the use of recycled materials, and involvement of the local entrepreneurial system, using a zero kilometre approach for sourcing materials.

In 2018, the parent company strengthened its organisational structure and made its professional skills more robust, combining managerial, legal, economic, administrative, and technical-specialist resources, to manage all the implementation stages for strategic projects and for aspects following its entry on the list of contracting authorities and qualified central procurement authorities (article 38, Public Contracts Code, Italian Legislative Decree No. 50/2016).

To manage and develop its activities, Invitalia supports central and regional administrations:

- with all economic, financial and technical activities needed to accelerate the execution of strategic projects for development and territorial cohesion (article 55 bis, Decree Law 1/2012), also as a central procurement authority;
- offering specialised technical support to manage central administration programmes and projects and support implementation of investments;
- as a public entity responsible for implementing Institutional Development Contracts (instrument for the strengthened implementation of investments of special complexity and strategic importance, article 9-bis, Decree Law 69/2013 and article 6, Italian Legislative Decree No. 88/2011);
- through the CIPE System Actions provision, for which it is the implementing entity.

In this context, in 2018 the parent company strengthened its strategic position as a stable liaison for structuring tenders, creating a new model that allows individual tender commissioners to immediately begin operations and have available qualified technical and administrative support to ensure the requirements for completing the initial stages are met.

Hence, in 2018 the Agency strengthened its role as a specialist support structure for central administrations when exercising their substitute powers and for the extraordinary government tender commissioners.

In particular, it supported extraordinary government tender commissioners:

- to restore sites of national interest in Trieste and Piombino, supervising the execution of reclamation projects;
- in post-earthquake reconstruction in central Italy;
- in carrying out actions needed to adjust current regulations relative to abusive garbage tips located in Italy;
- to mitigate hydrogeological risk;
- with water purification, supporting coordination and execution of actions needed to adjust the collection, sewage and purification systems condemned by the European Union Court of Justice with regards to treatment of urban waste water.

During 2018, support activities were also begun for the general tender commissioner for Italy's participation in EXPO 2020 to crate the Italy Pavilion during the Dubai Expo of 2020.

Invitalia is involved in promoting and managing programmes, projects and actions for restoration, environmental reclamation and reindustrialisation of areas in crisis, as well as those to overcome environmental emergencies, improve the efficiency of public services and take full advantage of public assets.

In 2018, the Agency further strengthened its functions and skills, extending and reinforcing the scope of action for its Environment and Sustainability area. In particular, thanks to its registration on the ANAC list (pursuant to article 192, Tenders Code), as an in house subject for all Central Administrations, Invitalia was able to begin a new area of cooperation with the Ministry of Environment, which led to the signing of an important agreement.

The experience it has gained in managing public investment programmes and projects to take advantage of territories and historical/cultural assets has allowed it to activate a new and strategic area of cooperation with the Ministry of Cultural Assets and Tourism, through the preparation of a Programme for "Museum Sites of Excellence".

It is the entity which implements instruments for cohesion policies and Institutional Development Contracts (CIS).

In 2018, the Matera CIS "2019 European Capital of Culture" was subject to additions and revisions, with the number of projects increased from 7 to 21, for a total value of € 30.3 million.

In 2018 cooperation with certain Port Authorities began, in particular in Genoa and Taranto, implementing a specific Framework Agreement with the Ministry of Infrastructure and Transport.

The signing of Framework Agreements with central administrations also represents a new model for cooperation for Invitalia, making it possible to determine conditions and operating methods in advance, also in favour of the various territorial structures of the administrations in question.

The Agency is also an entity which accelerates public investments for research and innovation. Constant support provided to the Ministry of Education, Universities and Research (MIUR) has made it a point of reference for public investments in research, technological development and innovation. In particular, specialist support provided to MIUR to carry out technical/administrative requirements and investigations associated with the granting and disbursement of subsidies for industrial research and experimental development has meant that Invitalia is more and more seen as a specialised structure, also carrying out tasks and activities that previously were the responsibility of banks.

In 2018, an additional area of joint cooperation was opened with the Ministry of Economic Development and the Ministry of Infrastructure and Transport to develop and implement the National Strategic Sustainability Mobility Plan, which will involve an experimental phase for new mobility solutions in partnership with research entities and universities.

In particular, Invitalia is now identified and selected by administrations as a strategic partner for all the various stages involved in processes to plan, activate and carry out public investments.

INCUBATORS

The national network of incubators was established over the years b the former Sviluppo Italia and its investees, with the aim of attracting SMEs, mainly in southern Italy, by making available to businesses industrial areas equipped to serve as vehicles to develop and relaunch local economies. The economic crisis and lack of additional public resources contributed in most cases to the gradual emptying of these areas.

In this context and with an eye to reorganising the real estate assets of the parent company, also to implement the provisions of the reorganisation and disposal plan included in the 2007 financial law, the incubators no longer had a purpose and it was decided to transfer ownership to Invitalia Partecipazioni SpA, a special purpose vehicle identified in the cited Plan for the transfer of all equity investments and assets deemed non-strategic, with the goal of identifying a process for selling them on the market, considering the progressive loss of their initial utility.

Therefore, with a deed on 27 June 2018, the parent company transferred to Invitalia Partecipazioni the business unit consisting of five incubators: Cerignola, Terni, Marcianise, Pozzuoli and Salerno.

The annex "Activities for contracts managed" (Incubators) includes details on 2018 activities relative to incubators still owned by the parent company.

IMPLEMENTATION STATUS OF CONTRACTS PREVIOUSLY MANAGED BY INVITALIA ATTIVITA PRODUTTIVE (IAP)

Relative to contracts independently managed by IAP until it was merged into Invitalia, in 2018 activities continued to progressively resolve administrative problems relative to specific contracts. For details about activities for still active contracts, please see the annex "Activities for contracts managed".

CENTRAL PROCUREMENT AUTHORITY SERVICES

The Current Public Contracts Code, issued with Italian Legislative Decree No. 50 of 18 April 2016 establishes under article 38 INVITALIA's right to be registered on the list created by the National Anti-Corruption Authority (hereafter, "ANAC") of qualified contracting authorities, which also includes central procurement authorities.

Since 2012 the parent company has acted as a central procurement authority, above all for the assignment of technical work and services. Article 55-bis of Decree Law No. 1 of 24 January 2012, containing "*Urgent provisions for competition, development of infrastructure and competitiveness*”, converted with amendments by article 1 of Law 27 of 24 March 2012, recognised central procurement authority functions, in favour of the relative administrations, in order to accelerate the implementation of projects of strategic importance for cohesion and economic growth.

In 2018, the Central Procurement Authority Services issued tenders on the account of an ever wider group of entities awarding tenders.

To that end, recall that with Resolution 484 of 30 May 2018, ANAC registered all central procurement authorities and the Cohesion Agency on the list of central procurement authorities of entities awarding tenders with regards to Invitalia, as its own in house company, pursuant to article 192 of the Public Contracts Code.

It should be noted that all procurement tenders were handled by the parent company using an online-procurement solution (IT Platform accessible at https://gareappalti.invitalia.it/), thus achieving greater efficiency, security and transparency compared to traditional procedures.

Compared to the overall results achieved, the Parent Company, by virtue of its role as Central Procurement and Contracting Authority, contributes to accelerating the implementation of strategic interventions for territorial cohesion and economic growth and improving the quality of the interventions themselves, in particular those financed with national and EU funds.

B.3 - Environmental reclamation and urban regeneration of the Bagnoli-Coroglio district

2018 was a crucial year for the Bagnoli Project. Following on from the ratification by the Control Room on 21 December 2017 and the further research by the technical round tables instituted with the Interinstitutional Agreement between Regions, Municipalities and Government of July 2017, all the data collected was processed and the input needed to finalise the updates to the Proposed Environmental Restoration and Urban Regeneration Programme of 2016 (PRARU) was provided, with the new PRARU prepared and presented to the Control Room on 5 April 2018.

The presentation to the Control Room was fundamental in reactivating the Strategic Environmental Assessment (SEA) Procedure for the Restoration Programme. Hence, the Environmental Report for the ERURP was prepared and published on 5 June 2018 and submitted for an SEA assessment.

At 31.12.2018, the assessment was still under way by the relevant entities and was completed on 27.2.2019 with the issuing of Ministerial Decree 49 by MATTM (Ministry of the Environment) and MIBACT (Ministry of Cultural Heritage).

During the year, operating offices were opened in Bagnoli at the Porta del Parco structure, needed to coordinate the operating activities planned for the location. The structure was made safe and remodelled for the areas to be used as offices beforehand.

Relative to reclamation activities, we note the following in terms of significance:

- completion of site assessment activities and processing of risk analysis for the areas;
- preparation of the Definitive Reclamation Project for the former Eternit area, with the relative decree from the Extraordinary Government Commissioner on 13.02.2019.

Start of the procedure to assign the Definitive and Executive Project, works management and safety coordination for the reclamation of the ground areas, filled in and sandy, for a total base tender amount of around € 19 million. The tender was suspended due to appeals presented by entities participating in the call for tenders. It may be necessary to carry out the call for tenders again.

Note the signing of the Interinstitutional Agreement with the Anton Dohrn Zoological Authority relative to rendering functional the former Turtle Point complex, which will host an applied research centre for marine biology. Subsequently, it was desequestered by the Naples Appeals Court.

With reference to administrative aspects associated with the project, note that:

- on 07.03.2018 accounting documents relative to the periods from 15.10.2015 to 31.12.2017 were sent. The total amount indicated and collected was equal to € 12,065,112.66;
- additionally, on 22.01.2019 accounting documents relative to the periods from 1.1.2018 to 30.6.2018 were sent. The total amount indicated and collected was equal to € 2,896,604.97;
- on 14.11.2018 the relevant entities were sent accounting documents for expenses relative to years 2016 and 2017 with reference to activities carried out as part of the Programme Agreement between MATTM, the Municipality of Naples and Invitalia of 29.01.2016, to implement measures and actions needed for proper exercising of the dynamic Court Custodian functions for the areas of the Bagnoli Coroglio SIN areas under judicial sequester. The total amount indicated was € 282,879.83;
- additionally, on 01.03.2019, the accounting documentation was sent to the relevant entities for expenses relative to activities from 1.1.2018 to 30.9.2018 for activities carried out as part of the Programme Agreement between MATTM, the Municipality of Naples and Invitalia of 29.01.2016, as cited above. The total amount indicated was € 380,486.99.

Finally, due to their significance, we note the following changes with reference to the overall situation, which had repercussions for progress with the Project:

- on 3 October 2018, the Extraordinary Government Commissioner was appointed for a new three year term, in the person of Francesco Floro Flores.
- Invitalia submitted an objection to the assessment of the real estate carried out by the Agency of Demanio, in that it is held that this was not carried out in compliance with that established under article 33 of Law 133/2014.
- An appeal was presented to the Revenues Agency relative to taxability of financial contributions with regards to VAT. The Revenues Agency favourably received Invitalia's request that these not be subject to VAT.
- With reference to appeals made by the Municipality of Naples and Bagnolifutura, initially with the Regional Administrative Court of Campania and subsequently with the Council of State, regarding the constitutional legitimacy of article 33 of Law 133/2014, the Constitutional Court made its judgement on the merits on 15.06.2018:
    1. declaring the question of constitutional legitimacy relative to article 33, paragraph 12 of Decree law 133 of 12 September 2014 to be inadmissible;

2. declaring the issue of constitutional legitimacy for article 33, paragraphs 3, 9, 10 and 13 of Decree Law 133 of 2014 to be unfounded;

3. and ordering return of the deeds to the Council of State, relative to the issue of constitutional legitimacy for article 33, paragraph 12.

B.4 - Support to Public Administrations for EU-related planning

The parent company, through the EU Project Assistance Business Unit, works to support central and regional administrations in implementing programmes cofinanced by the European Union and domestic programmes with the objective of:

- supporting administrations in managing funds to improve spending performance;
- strengthening administrative capacities through simplifying processes and digitalising procedures.

More specifically, the Agency is a partner of the Ministry of Economic Development and other institutions, offering professional skills for all stages of EU project scheduling:

- preparation and refining of Programmes;
- designing and implementing actions;
- monitoring, auditing and certifying spending;
- IT tools to speed up the operations of the administrative machine and combine information in public, domestic and EU databases.

Operating areas in which Invitalia supports public administrations mainly involve:

EU and domestic operating programmes

The parent company guarantees necessary support for proper and effective implementation of programmes cofinanced with EU and domestic structural funds. In particular, it develops and manages technical assistance activities for central and regional administrations, starting from analysis and preparation of programme documents and negotiation of the same, moving on to defining and implementing management tools, prompt execution of actions and proper use of funds, through to administrative and accounting closure of completed projects, ensuring expense auditing and certification is done, monitoring data is collected and sent, and compatibility and consistency with EU regulations and policies is verified.

In particular, it provides technical assistance to administrations managing the resources of the following operating programmes:

- **National Operating Programme (NOP) for Businesses and Competitiveness 2014-2020**
  Technical assistance for the Management Authority (MED General Directorate for Enterprise Incentives) and the Intermediate Entity (MED General Office for the Electricity Market, Renewables and Energy Efficiency) to define, manage, implement and communicate the programme. NOP value: € 2,316.5 million.

- **SME Initiative NOP 2014-2020**
  Technical assistance for the Management Authority (MED General Directorate for Enterprise Incentives) to define strategies, write the programme and monitor the implementation process. NOP value: € 322.5 million.

- **Complementary Operating Programme (POC) for Businesses and Competitiveness**
  Technical assistance for the authority responsible for the programme (MED General Directorate for Enterprise Incentives) for projects under its responsibilities.
  POC value: € 696.25 million.

- **FSC Businesses and Competitiveness Operating Plan 2014-2020**
  Technical assistance for the authority responsible for the plan (MED General Directorate for Enterprise Incentives) for projects under its responsibilities.
  Plan value: € 2,498 million.

- **Regional Operating Programmes**
  Technical assistance for the intermediate entity (MED General Directorate for Enterprise Incentives) to define, manage and implement measures delegated by the Regional Management Authority. Various Regions in central/southern Italy.

- **Metro NOP 2014-2020**
  Technical assistance for the management authority (Territorial Cohesion Agency) for activities needed to begin the programme.

- **Regional development and protection programme for North Africa (RDPP NA)**
  Support for the Management Support Unit (MSU) of the Programme (Department of Civil Liberties and Immigration in the Ministry of the Interior) for project monitoring and control.

Digitalisation of administrative procedures to manage business incentives and system projects

Invitalia supports public administrations in strengthening administrative tools through extensive use of ICT. In particular, it is a partner for the Ministry of Economic Development in managing subsidy measures which involve large number of beneficiaries and the need for massive and automated controls supporting investigatory activities.

Automated management of MED incentives and services

- **Voucher Digitalisation**
  Overall design of the initiative, granting of the contribution, simplification of implementation procedures and digitalised management of the incentives (MED GDEI).
  € 342 million and over 91,000 enterprises.

- **Voucher Internationalisation**
  Overall design of the initiative, granting of the contribution, simplification of implementation procedures and digitalised management of the incentives (MED General Directorate for Internationalisation Policies and Promotion of Exchanges) Internationalisation GD € 57 million and 4,300 enterprises.

- **Urban Export Processing Zones**
  Support for the General Directorate for Enterprise Incentives in managing measures for all 50 Italian Urban Export Processing Zones (UEPZ) with an organisational and operating model with a fully digitalised and automated investigation process (MED GDEI)
  € 1,156 million for over 36,000 beneficiaries.

- **New Sabatini**
  Support for the measure activated by the Ministry of Economic Development, "New Sabatini Capital Goods", with the objective of facilitating access to credit for businesses and transforming the production system towards the "Intelligent Factory", with an eye to Industry 4.0. The measure targets micro, small and mid size enterprises located throughout Italy, operating in all economic sectors, and involves subsidies for access to credit for the purchase of new machinery, systems and equipment (MED GDEI).
  € 1,274 million for 58,000 initiatives (MED GDEI).

- **Consumer Protection**
  Paperless management of the "Balanced Settlements" tender, a dispute resolution instrument for businesses and consumers, and creation of programmes to support consumers by supporting the activities of the National Consumer and User Council - MED Market and Competition Office (NCUCMCO).

System projects

- **National Aid Register (NAR)**
  Design and execution of the Register on the account of the MED General Directorate for Enterprise Incentives (GDEI). This is an important system-wide project, co-financed with over € 17 million from the Governance and Institutional Capacity NOP for 2016-2023, with the objective of avoiding cumulative benefits or, in the case of de minimis aid, exceeding maximum amounts for aid allowed under European Union regulations. The Register is designed to allow owners and managers of aid measures to carry out administrative checks at the time they are granted through the issuing of specific reports. Since it began operating, on 12 August 2017, over 600,000 instances of aid have been registered for a total of € 13 billion in aid granted, by over 1,000 public authorities and managing entities.

- **GDEI incentive archive**
  Digitalisation of historic IT assets relative to measures of the Ministry of Economic Development General Directorate for Enterprise Incentives, the new GDEI digital archive.

- **OpenCUP**
  Technical assistance for the Presidency of the Council of Ministers - Economic Policy Scheduling and Coordination Department (EPSCD) in developing the OpenCUP portal. Refinanced by the European cohesion policy with 2014-2020 Governance and Institutional Capacity NOP resources, Open CUP, online since 2015, aims to provide information about public investments which are being planned in Italy through the use of open format and interconnected data using own open data systems through the CUP Project Single Code.

- **NUE 112 - Single Emergency Number**
  EU programme, member of the working group (within the Ministry of the Interior) planning the operating model to establish the model to receive calls, with the task of strengthening the capacity of regional and central administrations to adhere to the single response exchange envisaged under NUE 112.

B.5 – Financial management

2018 saw significant economic recovery in the United States which led to a new stage of monetary contraction by the Fed, with a consequent increase in interest rates and a decrease in the amount of liquidity circulating in the system. Also in Europe, historically behind by one cycle, the expansive monetary policy of quantitative easing is near its end, even if the core European economies are still in a tepid expansive phase.

The parent company's available cash and cash equivalents amounted to around € 229 million at the beginning of the year. Cash flow generated by core business fully covered the financial needs for the year, making it possible to end the year at 231 million.

The widening of the management mandate approved by the Agency's Board of Directors made it possible to increase the average duration of its bond portfolio to 7 years and to act to diversify financial investments, which led to the adoption of the following strategies:

- Establishment of a long-term securities portfolio (HTC), with the aim of stabilising expected returns from the company's cash and cash equivalents over the long term. The portfolio of long-term securities has the sole objective of achieving certain cash flows associated with coupons and at maturity of the selected securities, increasing the stability of investments made and guaranteeing continuity in terms of expected cash flows. These securities are kept apart in a held to collect portfolio recognised through profit and loss, ascertaining internal returns at maturity recognised using the amortised cost method. Taking the Agency's financial model into account and considering the expected cash flows, the cited investment is consistent with Invitalia's financial capacities. The degree of risk in the portfolio remained well within the limits set in the management mandate, with an average duration of 6 years and an average rating of Baa3. The characteristics of investments made relative to the HTC securities portfolio made it possible to refinance repurchase agreement positions which, given widely negative rates, improved the returns expected from investments by an average of one third of a percentage point.

- The segment of investment in policies, involving highly stable internal management, saw reinvestment with regards to policies reaching maturity. These maintained their importance with regards to asset allocation, accounting for 17% of available cash and cash equivalents, offering around € 730,000 in income for the year, with gross performance exceeding 2%.
- Analysis and selection of external managers. Selection involved consideration of the largest managers in the world for the segment identified, making use of third party databases (Morningstar and Bloomberg), with risk and performance analysis, questionnaires and direct meetings with managers. The decision was made in favour of two investment houses which are among the largest in the world. Investments were made gradually during the second half, reaching around 10% of available liquidity. The funds have a prudential profile, with historic volatility of less than 8%. The observation period is too limited to indicate any significant performance during the year.

With regards to financial management for other Group companies subject to consolidation, we note only two companies which make use of active financial management: MCC, a bank, and Infratel, due to the significant amounts of liquid assets managed, deriving from advances from clients.

For Infratel, as in past years, financial management involved extremely prudential policies for the use of liquidity, as a function of cash flows coming from the Ministry of Economic Development. Cash and cash equivalents, which recorded a decrease of € 15 million, came to € 283 million, while advances received from MED for management of contracts amounted to € 81 million.

Banca del Mezzogiorno-Mediocredito Centrale, regulated by the Bank of Italy, manages its balance sheet assets and liabilities on the basis of the strategies in its business plan and consistent with bank and financial regulations and equity requirements. For more information, please see the Directors' Report on Operations in the Financial Statements approved by the Bank.

Financial management risk

The Agency's financial management risk can be subdivided into liquidity risk, interest rate risk and credit risk.

Liquidity risk is thoroughly limited by cash flows which generate more liquidity than is absorbed by operating expenses. In fact, during the year, a sufficient amount of receivables due from clients was collected for the Agency's core business (€ 135 million collected). Additionally, liquid assets and immediately liquidatable assets associated with investments made mean that cash and cash equivalents are available in an amount which exceeds the parent company's current spending requirements.

With regards to **interest rate and credit risk**, the agency's financial management risk profile remains limited and prudent. Examining asset allocation at year end, the HTC securities segment, as noted previously, has a duration of 6 years which combines well with the Agency's desire and ability to hold these investments for the long-term, while average issuer risk, equal to the level of the Republic of Italy, does not give rise to significant worries.

Similarly, for the trading portfolio, reduced to a slim 12%, around three fourth of positions consist of BOTs with an average maturity for the portfolio of one year. Therefore, no interest rate or credit risks worthy of note exist.

Internal management of investment policies enjoy high stability and protection of invested capital and do not make any significant contributions to increasing riskiness of financial management. Investments managed externally are selected on the basis of prudential and/or moderate balanced segments, characterised by low volatility over the medium term, but still paying attention to short-term opportunities.

Infratel manages liquidity with its usual prudential policy, through the use of time deposits with low profitability and extremely low risk.

Finally, with regards to Banca del Mezzogiorno-Mediocredito Centrale, please see the Directors' Report on Operations in the financial statements approved by the Bank for an extensive description of the methods used to manage risk and monitor it, in line with the regulations to which the Bank is subject.

B.6 - Activities of subsidiaries

The Parent Company controls the following subsidiaries:

Amounts in thousands of euros

Controlling shareholdings	Share capital	Shareholders' equity	Production Value	Net result
Banca del Mezzogiorno SpA	204,509	265,382	88,889	20,201
Invitalia Partecipazioni SpA	5,000	11,470	1,891	(4,443)
Invitalia Global Investment **(*)**	11,000	10,103	485	(897)
Infratel Italia SpA	1,000	6,688	182,688	2,986
Invitalia Venture Sgr SpA	2,596	4,661	3,765	1,625
held for sale:				
Italia Turismo SpA	128,463	85,814	8,750	(7,213)
Marina di Portisco SpA	7,793	6,555	4,078	43
Trieste Navigando SpA	100	46	0	(10)

(*) Invitalia does not provide management and coordination and the company is not included in the scope of consolidation. For more details about aspects associated with management of the company, please see the section "Composition of the Group".

Infratel

The share capital of Infratel Spa is 100% held by Invitalia Spa.

Infratel Italia is a distinctive organisation offering skills in designing, constructing and managing infrastructure to serve telecommunications networks, and has efficiently and effectively served as the implementing entity for government strategies for the sector.

The year in question was characterised by numerous significant events all aimed at carrying out the activities necessary to achieve the goals set in the Government Plans for Ultra-Broadband services.

The "White Areas" Plan is now being implemented and moving forward rapidly. This involved significant commitments associated with the operational start of infrastructure work envisaged in the first two tenders awarded for a total of € 1.6 billion, needed to carry out projects in areas where the market had failed to provide the new ultra-broadband network. In fact, on 3 March 2015, the Italian government approved the "Italian ultra-broadband strategy" in order to meet the 2020 European Digital Agenda goals. The strategy aims at serving 85% of the population with infrastructure capable of traffic capacities of 100 Mbps or higher, while ensuring that 100% of citizens can access the Internet at a minimum of 30Mbps.

The strategy implemented opens the path to reaching the 2025 objectives, expressed with the term "Gigabit Society". The goal is to spread fibre optic capacity throughout the country, brining it closer to residential users while also making FTTH connections to PA locations possible (schools, healthcare facilities, etc.) as well as to production areas, additionally making development of 5G possible.

Implementation of the First Stage of the Strategy, which the government assigned to the Ministry of Economic Development, in turn entrusted to Infratel Italia SpA, was represented by the "White Areas Plan". Planning of the same was completed in the initial months of 2019, with the signing of concession contracts for the three residual lots in the BUL III Tender (Apulia, Calabria and Sardinia).

The First Stage, exclusively intended to strengthen offerings, will logically be followed by the Second Stage. This is currently being defined and will be submitted to the European Commission for approval. It will include projects to support offerings in the Grey Areas of Italy and projects to support demand (vouchers) for both residential and non-residential users.

Parallel to the Plan, activities to design and open new work sites for the "direct" model moved forward, again with reference to White Areas. This was decided upon together with certain regions to more quickly develop work sites with respect to the concession model, thereby facilitating the achievement of intermediate spending objectives set by the European Union for 2018. Execution of this project, approved by the European Commission, involves actions that will affect 646 municipalities.

The company's activities continued, maintaining a close interaction with the Italian Ministry of Economic Development, which is responsible for the direction and monitoring of the Broadband and Ultra-Broadband Development Programmes and with the Regional Authorities. The intent is to identify the best models of cooperation for the implementation of the interventions on the various territories, in compliance with the provisions of the EU Guidelines on State Aid for the rapid development of broadband and ultra-broadband services.

Financial year 2018 closed with a production value of € 183 million and net profit of € 3.0 million.

Invitalia Venture SGR

The share capital of SGR SpA is 100% held by Invitalia SpA.

Invitalia Ventures is the asset management company of the Invitalia Group, which is responsible for the following venture capital funds:

- "*Italia Venture II Fund - Southern Enterprise Fund",* with the aim of supporting SME development in southern Italy. Established in March 2018, following the agreement between Invitalia and the Department for Territorial Cohesion of the Presidency of the Council of Ministers, it has € 150 million available through the Development and Cohesion Fund (FCS) - 2014-2020 Programming to develop highly innovative companies. Following the full subscription of € 150 million by Invitalia, in May 2018 the AMC closed fund subscription in advance, as was allowed by the management regulations for the same. During the second half of 2018, it carried out marketing through various channels (advisors, entrepreneurs, local institutions, other private equity funds, Invitalia, MCC), which led to direct contact with a number of companies, now undergoing preliminary analysis.
- "Italia Ventures I Fund", which has the objective of investing in innovative start-ups and SME. It was subscribed by Invitalia for a total of € 50 million. Funding activities ended in September 2017 for a total value of 86.65 million. Among other Fund subscribers, we note the European Investment Bank (21.65 million), Cisco System International (5 million) and Fondazione di Sardegna (5 million). So far, the Fund has invested in 19 innovative start-ups (3 in 2018), for a total value of € 17.7 million, of which 12 million through participation in risk capital and 5.7 million through convertible loans.
- "Nord-Ovest Fund", intended to develop small and medium enterprises. Reserved for operators who are "qualified" pursuant to article 15 of Italian Ministerial Decree No. 228/99. It was subscribed at 49.83% by the Agency, with envisaged assets of € 30 million. During 2018, the AMC divested itself of two equity investments. At 31.12.2018 the grace period ended, meaning that the management of the AMC must necessarily liquidate the Fund by 30.06.2019, as governed by Italian supervisory entities.

2018 ended with turnover of € 3.7 million and net profit of € 1.6 million.

The 2019 stability law established, in order to simplify and strengthen the venture capital sector and the economic/productive fabric of the country, the Ministry of Economic Development (MED) may authorise the sale by Invitalia of the equity investment, even controlling, held in Invitalia Venture SGR SpA, at market conditions.

With a directive of 20.2.2019, MED authorised the sale of 70% of the equity held in Invitalia Venture SGR by Invitalia to Cassa Depositi e Prestiti SpA.

The salient aspects of the disposal process can be found under point G "Subsequent Events" in this report.

Invitalia Partecipazioni

The share capital of Invitalia Partecipazioni SpA is 100% held by Invitalia SpA.

Invitalia Partecipazioni is a special purpose vehicle in the Group, responsible for managing liquidation processes and equity investments deemed non-strategic.

As part of the Group's reorganisation plan, the former regional companies placed in liquidation were transferred to Invitalia Partecipazioni, as well as a business unit from the former Italia Navigando and Invitalia Attività Produttive.

During 2018, the company continued with its mission, aimed at disposing of the equity investments in its portfolio, by completing liquidation or disposal procedures, as well as managing resolution of still existing creditor positions and settling the relative disputes. Following the share capital increase resolution of 27 June 2018, the company acquired from the parent company ownership of 5 incubators in Cerignola (prov. Foggia), Terni, Marcianise (prov. Cesena), Pozzuoli (province of Naples) and Pontecagnano (prov. Salerno). In relation to these real estate assets, preparatory actions have been begun for the disposal of the same, with technical inspections aimed at determining the status of the sites and identifying their effective market value.

The 2018 financial year closed with a loss of € 4.4 million.

Mediocredito Centrale - Banca del Mezzogiorno

The share capital of Banca del Mezzogiorno SpA is 100% owned by Invitalia SpA.

Banca del Mezzogiorno-Mediocredito Centrale (BDM), established by Law 949/52 as a public law entity to disburse public subsidies and support internationalisation of businesses, was transformed in 1994 to a joint stock company with the aim of operating in the sectors of project & export finance, business finance, industrial credit, leasing and factoring.

In 2009, following its acquisition by Unicredit, BDM took the name UniCredit Mediocredito Centrale and in 2011 was sold to Poste Italiane SpA, as part of a project promoted by the Ministry of Economy and Finance to create a bank to support investments in the south as well as access to credit for SME, and young and female entrepreneurs.

Mediocredito Centrale (MCC), operational since February 2012, has the goal of providing loans to businesses (medium/long-term loans), to households (mortgages, salary or pension-backed loans) and to public administrations (in the context of the Entity Treasury service provided by Poste Italiane). It manages the central Guarantee Fund for SME, which supports credit access for small and medium enterprises, and the Sustainable Growth Fund, which mainly finances investments in research and innovation, issues relative to which Invitalia is also committed, through management of incentives for development and employment and to relaunch areas in crisis (including southern Italy).

The Bank's mission is to support SMEs, mainly in the South, through the provision of loans and the management of public guarantee funds.

The new 2018-2020 plan defines the Bank's mission, mainly focussed on supporting strategic sectors and SME for economic and social development. These activities, carried out in synergy with Invitalia, will strengthen not only the Bank but also the Agency's institutional role, developing growth and competitiveness throughout Italy and, in particular, in the South.

Financial year 2018 ended with net banking income of € 88.8 million and net profit of € 20.2 million.

Invitalia Global Investment (deconsolidated company not subject to management and coordination) - *For more details on aspects associated with management of the company, please see the section "Composition of the Group".*

Following the process begun in October 2017 by the Italian government, on 9 January 2018, pursuant to article 1, paragraphs 260-266 of Law 205/2017, Invitalia established Invitalia Global Investment SpA, a financial institution authorised to provide loans to promote the development of exports and internationalisation in the Italian economy relative to countries classified as high risk by the International Financial Action Group, also known as the Financial Action Task Force (GAFI-FATF).

The Iran nuclear agreement (Joint Comprehensive Plan of Action - JCPOA) of 2015 and the consequent removal in 2016 of economic sanctions previously imposed by the United States, European Union and the UN Security Council, as well as the process activated by the Italian government in 2017, were the foundations for the establishment of the Company and, consequently, for the signing by the same of a financing framework agreement aimed at supporting the national industrial system in export and internationalisation operations for the Iranian market. In fact, this market has excellent potential, as has also been demonstrated by the signing of contracts or memorandums of understanding for a total amount of over € 30 billion and, therefore, expectations for the Company's economic and financial sustainability were, at least in the short-term, based on the ability to generate revenues deriving from implementation of the stated framework agreement.

However, the 8 May 2018 announcement made by the US administration regarding the country's unilateral exit from the Iran nuclear agreement and the reinstatement of sanctions in two phases, the first beginning 7 August 2018 and the second on 4 November 2018, progressively led to a radical change in the international situation in terms of business interests. This led to uncertainties which affected the operations of the Company and, more generally, the Italian industrial system. The outlines of this situation are still uncertain due to the effects of the EU statute which took effect at the same time as the first tranche of restored US sanctions, aimed at neutralising the effects of the US sanctions, as well as due to the announcement of the creation within the EU of the “Special Purpose Vehicle – SPV” intended to allow continuation of trade relationships between the European Union and Iran.

In this context, in order to have additional tools to more fully evaluate the next steps to be taken, the Board of Directors has decided to: (i) suspend significant external activities, involving the relevant Ministries to acquire information about the possibility of recovering corporate business, also in the light of Ministerial conversations with EU institutions to develop protection measures aimed at guaranteeing European trade and financial operations with Iran; (ii) continue to carry out significant internal activities aimed at business structuring under a corporate profile, also in consideration of the fact that full suspension of activities, including internal ones, would have aggravated costs applying to the Company in the case of business reactivation, due to management diseconomies caused by interrupting and subsequently restarting activities.

Subsidiaries held for sale

Italia Turismo

The share capital of Italia Turismo SpA is 100% held by Invitalia SpA.

Italia Turismo possesses a large number of real estate assets, mainly in Southern Italy (Puglia, Basilicata, Calabria, Sicily, Sardinia) consisting of tourist villages leased to leading sector operators.

Activities to dispose of the equity investment in Italia Turismo were begun by the parent company Invitalia SpA in the final months of 2017. Based on a formal request made by the shareholder Invitalia, at its meeting on 7 December 2017 the Board of Directors of Italia Turismo resolved to give Invitalia SpA a mandate to sell the assets Italia Turismo owns.

On 31 January 2018, the parent company Invitalia Spa started the "open preliminary procedure for the disposal of the stake of Italia Turismo SpA" and, in the alternative, of the assets owned by Italia Turismo. The procedure ended on 31 March 2018, the deadline. No offers were received.

The Agency then continued with disposal, publishing a notice intended to obtain indications of interest, by 15 May 2018. Numerous indications of interest were received both for the full stake and for individual assets, demonstrating significant interest on the market relative to the operation. The parent company then began negotiations with regards to the proposals for the entire stake, with due diligence and inspections, following which the final selection stage is under way.

During 2018, while aware of the prospects of disposing part of the company's assets, operational management continued along the path outlined in the business plan, aimed at consolidating and developing individual business units, by carrying out targeted investments to recover and increase margins, in cooperation with those managing the villages. At the same time, activities preparatory to reopening non-income generating assets were carried out or, in the case of rental contracts, activities to place them on the market. Management also worked to limit structural costs, developing all possible synergies to improve the efficiency of services needed to manage the assets.

The results for the year confirm the quality of the actions undertaken, showing significant profits in terms of the gross operating margin (EBITDA), unfortunately penalised by extraordinary events such as extraordinary allocations made to provisions for risks and for impairment, as well as by financial management significantly influenced by debt renegotiation, as better outlined below.

Financial year 2018 ended with turnover of € 8.7 million and a loss of € 4.3 million.

Marina di Portisco

The share capital of Marina di Portisco SpA is 100% held by Invitalia SpA.

Marina di Portico manages the tourist port located in the Gulf of Cugnana, between Porto Cervo and Porto Rotondo, through a thirty-year state maritime concession expiring in September 2029. The port offers 589 boat berths, of which 16 for maxi-yachts for lengths of up to 90 metres and quay depths of up to 10 metres, with parking for 315 vehicles, located next to the quays and in the area behind them.

In 2018, Marina di Portico continued the process to extend the state maritime concession through 31.12.2050, in order to sell the company at its new value based on the extension of the concession. The request was positively assessed by the Services Conference and accepted by the urban development commission of the Municipality of Olbia. Currently, definitive authorisation for the extension from the Municipal Council is pending.

2018 ended with turnover of € 4.1 million and profit of € 43 thousand.

Trieste Navigando

The share capital of Trieste Navigando is 100% held by Invitalia SpA.

The company's mission is to construct the "Porto Lido" project in the city of Trieste, including redeveloping an historic part of the city waterfront by constructing a marina. For this purpose, it obtained a forty-year state maritime concession.

On 28.4.2016, the Municipality of Trieste and the Autonomous Region of Friuli Venezia Giulia notified Invitalia that the Trieste Chamber of Commerce and the Cassa di Risparmio di Trieste Foundation [Italian acronym: FCRT] are actively involved in the preparation of the project entitled the "Parco del Mare" of Trieste. The Trieste Navigando site is considered of strategic interest in this endeavour by the promoters of the "Parco del Mare" project. To this end, a series of meetings were organised to define the price and procedures for the sale of the holding.

In September 2016, a preliminary sale agreement was signed between Invitalia, the Trieste Chamber of Commerce and the FCRT for the sale of the entire share capital of the company, conditioning the effectiveness of the act to the acquisition of certain authorisations from the competent authorities.

During 2018, the Trieste Chamber of Commerce, while awaiting approval of the variation to the Regulation Plan by the municipality of Trieste, asked for and obtained from Invitalia an extension for the preliminary sales contract.

C- ORGANISATION AND HUMAN RESOURCES

During 2018, organisational, management and human resources development policies were aimed at combining skills, processes, company culture and behaviours in processes able to support efficiency, innovation, productivity and organisational well-being, also through progressive and full implementation of tools to manage personnel development and labour costs introduced with the renewal of the collective labour contract in 2017.

C.1 - Organisational projects

The activities connected to the organisation throughout 2018 were aimed at ensuring the maximization of the quality of the results and the productivity of the structures and staff.

To that end, certain organisational changes were carried out with the goal of improving the efficiency of structures and disseminating skills. Additionally, the productivity system was refined to make it even more able to evaluate the performance of working groups.

Changes to the organisational structure

During the year, a job rotation process was begun with the goal of taking advantage of and disseminating internal skills. The following projects were carried out:

- **Incentives and Innovation:** the search for process efficiency and effectiveness for external clients led to progressive actions aimed at automating and streamlining the incentive management process, also through reducing organisational layers and introducing a market monitoring structure intended to identify the needs of businesses and develop appropriate responses for those needs.
- **EU Project Assistance:** operating areas were reorganised with an eye to greater process presence and, among other things, an organisational structure was established to implement the operating plan for foreign investment attraction activities, thereby ensuring synergy between Invitalia and ICE.

- the Agency provided itself with a **Security** structure, to support coordination of activities intended to prevent illegal actions by clients, suppliers and employees.

With regards to the Group, the operating and organisational model of the subsidiary Infratel was partially redesigned to adapt it to the process of strong growth and diversification of the activities which the Company has experienced over the last two years.

Main organisational projects

The year 2018 saw the continuation of projects to strengthen systems for measuring activity progress, encouraging productivity and empowering middle management. More specifically, the "production bonus" was refined, with the introduction of specific industrial benchmarks for working groups.

Quality management

Actions aimed at maintaining the OHSAS 18001 certification for the Occupational Health and Safety Management System and the UNI EN ISO 9001:2015 quality certification continued.

In relation to the latter, the Agency is certified on all its core processes such as, for example, the management of incentive measures and the management of projects for external clients. In 2018, the Parent Company acquired and maintained the certification for the management of the Agency's Contact Centre, according to the UNI EN 15838: 2010 and UNI 11200: 2010 standards as well as the certification concerning planning and execution of the verification service on works design for validation purposes.

C.2 - Management workforce interventions

During the 2018 financial year, **parent company** workforce management actions were oriented, in line with the achievements of previous years, to a better allocation of internal resources on revenue-generating contracts, as well as to the acquisition of skills from the market required for the execution of contracts in the portfolio.

In particular and in line with the planning and management of the Agency's and the Group's contracts, recruitment was mainly aimed at integrating skills not present within the Group, in relation to the acquisition of new contracts with highly technical content.

The policy for the stabilisation of fixed-term employment contracts continued to be pursued, leading to the confirmation of 76 permanent employment contracts for resources throughout the entire Group, of which 52 related to employees of the Parent Company.

During 2018, employee turnover for the **Agency and its subsidiaries** (including companies excluded from the scope of accounting defined in the Non-Financial Statement) is summarised briefly in the table below:

	Managers	Middle Managers	Office and manual workers*	Total employees	Atypical workers**	Total
Staff at 31.12.2017	63	419	1,353	1,835	174	2,009
Joining:	11	13	296	320	104	424
- from Group companies	2	2	3	7		7
- other	9	11	293	313	104	417
Leaving:	6	29	224	259	103	362
- to Group companies	3	1	3	7		7
- other	3	28	221	252	103	355
Staff at 31.12.2018	68	403	1,425	1,896	175	2,071

* Manual workers only apply to the company Marina di Portisco
**Freelance workers, temporary employees, interns.

Agency Turnover:

Regarding employees, incoming turnover is mainly derived from the entry of resources with fixed-term contracts in relation to the increasing commitment of the Agency to temporary contracts with a predefined duration. Positions not filled by transfers from group companies (235) relate to 204 new fixed-term contracts, 10 permanent contracts and 16 interns and 5 promotions (2 managers and 3 middle managers).

New fixed-term contracts mainly applied to the Incentives and Innovation department (110), of which more than half (64) for activities relative to reconstruction of areas of Emilia Romagna affected by the earthquake in 2012, relative to which the Agreement with the Region of Emilia Romagna was renewed through 30.6.2019. Additionally, 43 new fixed-term contracts were signed for the Competitiveness, Infrastructure and Territories department, of which 11 to carry out activities to reconstruct areas of central Italy affected by the earthquake of 2016. The remaining new fixed-term contracts involved projects associated with managing and programming EU Funds (35) and, to a lesser extent, Staff areas (16).

Total new entries include 3 resources acquired from other Group companies.

Outflows of employees for the most part derived from the natural expiration of fixed-term contracts, in particular with reference to the Central Italy Earthquake contract which expired at the end of the year, as well as resignations, which had a significant impact with regards to the Emilia Romagna Earthquake contract, nearing completion.

In order to meet further flexibility requirements, 86 contracts were closed (82 of which were freelance workers and 4 interns) against 94 new contracts opened (86 freelance and 8 interns).

With respect to previous years, note the progressive decrease in the number of technical/scientific experts called on to provide assessments required for managing the Industrial Innovation Projects for the Industria 2015 contract (12 units at 31.12.2018).

Overall, at 31.12.2018, the total number of employees of the Agency saw a net increase of 64 with respect to 2017. The number of atypical contracts was fairly stable with respect to the previous year, with a slight increase of 8.

Turnover in other Subsidiaries:

Changes in the staff of the other companies of the Group was mainly influenced by the increase in the staff of the Banca del Mezzogiorno – Mediocredito Centrale SpA (+38), based on the need to strengthen the structure with higher level skills, and by Infratel Italia SpA (+25 resources, of which 16 interns), following the increase in activities relative to the Broadband programme. This increase was substantially compensated for by the termination of employment relationships for 82 resources, of which 58 employees from Banca del Mezzogiorno – Mediocredito Centrale SpA and 13 from Infratel SpA.

C.3 – Human resources development actions

Development

In 2018, consolidation of the development logics for human resources began, in part through the introduction of a new professional model, based on profiles and growth paths that take into account the special nature of Invitalia and market logics. There were two large projects that involved staff: "Performance Evaluation", a method of evaluating performance was introduced, based on professional profiles, organisational behaviour and standard skills, aimed at defining individual paths to professional development. The model was designed with widespread company participation. In fact, numerous focus groups were made use of, involving employees and creating opportunities for sharing which included management. In December 2018 the first evaluation session began for all parent company office workers and middle managers.

- “Collegames”, a talent management project made it possible to identify 50 individuals who were involved in further assessment activities during the year, and for whom specific professional and career development paths were defined.

Training

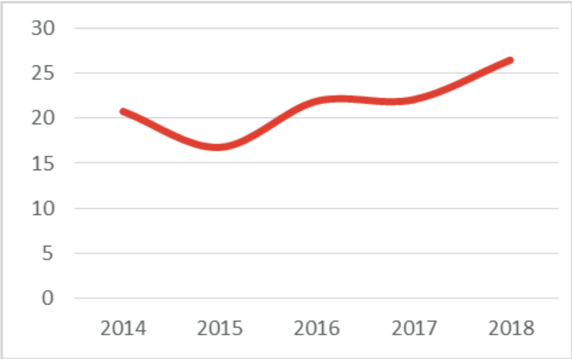
For the parent company, training is seen as one of the factors that makes it possible to ensure company skills and actions are in line with the professionalism and integrity needed to further Invitalia's position in its reference markets.

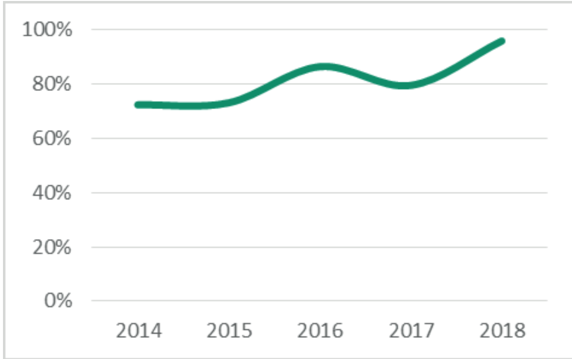
In 2018, training was essentially aimed at:

- focussing projects on "key" skills for professional development, both for individuals and the Company, including assessment of investments, managing public tenders, development policies and project management, while simultaneously increasing both the number of individuals involved and the number of training hours per capita;
- developing middle management managing skills and contributing to the dissemination of relationship management and work group communication skills;
- creating innovative tools and methods through programs intended to identify, take advantage of and spread skills needed to carry out complex multi-disciplinary projects; providing training for distinctive skills such as innovative methods to assess projects, innovation management, cost and benefit analysis for public investments, innovation and digital transformation.

Overall, during 2018, 97% of the company's staff was involved in training activities, with an increase of approximately 21% in training days compared to 2017, with an average of 3.8 days per employee.

5% of training days were carried out through financing from interprofessional funds.





Graph 1 Training hours per person

Graph 2 % of people involved, compared to the corporate average in the reference year

Company welfare

In agreement with the unions, in 2018 the parent company introduced the possibility of converting the production bonus into Employee benefits services, which can also be used through the corporate platform. As a whole, 14.3% of staff made use of the initiative, obtaining full exemption from tax charges and contributions for the portion converted.

Invitalia also invested in welfare activities with the aim of supporting work-life balance and increasing organisational well-being, in part through involving personnel and their families in non-work activities.

In addition to discount initiatives and conventions, allowing employees and their families to save when purchasing services, activities were also carried out with the aim of meeting the most important needs indicated by employees:

- child care - as occurs every year, summer camps open to children aged 6 - 14 were organised, in various Italian companies and, for the first time, "take your child to work day" was offered;
- personal and professional development - cultural and social events for employees and their families, language courses outside of business hours, and the *"U First of all"* project which involves a week of residential training, and voluntary events;
- health and additional insurance - the supplementary healthcare policy, renewed in July 2018, ensures employees have direct access to healthcare services in participating structures or reimbursement for care received through non-participating structures and/or doctors; additionally, for employees with permanent contracts, the company makes an annual contribution to a pension fund;
- mobility – in 2018 a Mobility Manager was appointed who worked to implement actions making it possible to optimise employee commutes; in December 2018 a survey was carried out to better understand the problems and methods associated with employee commutes, with a response rate of 81%. This was a baseline tool to be used to define a sustainable mobility programme.

C.4 Trade union management actions

With regards to the production bonus introduced with the agreement of 25 July 2017, on 5 July 2018 an agreement was signed between the unions and Invitalia which introduced certain changes to the operational model of the benchmarks used to quantify the award. Additionally, the Conventional Organisational Units were redefined for 2018 and intermediate verification planning was done with regards to the performance of the benchmarks.

For the subsidiary Infratel SpA, an agreement was signed on 1 August 2018 which extended to 2018 the production bonus experimentation originally planned for 2017. Additionally, the Conventional Organisational Units were redefined and intermediate verification planning was done with regards to the performance of the benchmarks.

During 2018, the ordinary union relations were also managed, providing the envisaged contractual information, as well as disclosure of information required for specific needs and meetings with the Union Representatives when required.

Teleworking continued during 2018 and was renewed through March 2019, also on the basis of the positive results achieved in terms of increased company productivity.

D - COMMENTS ON THE CONSOLIDATED FINANCIAL AND EQUITY POSITION

D.1 Financial situation

2018 ended with profits of € 7,881 thousand, a notable improvement with respect to the previous year, which included consolidation of BDM's activities for only six months.

The following table reclassifies the consolidated profit and loss statement items from a management perspective, comparing them with those of 2017:

Amounts in thousands of euros

RECLASSIFIED PROFIT AND LOSS ACCOUNT	2018	2017	difference
Income from services and other income	354,628	192,214	162,414
Net financial income	30,482	26,391	4,091
VALUE OF OPERATIONAL PRODUCTION	**385,110**	**218,605**	**166,505**
External costs and operating costs	(200,010)	(69,595)	(130,415)
Added value	**185,100**	**149,010**	**36,090**
Staff costs	(132,854)	(116,777)	(16,077)
GROSS OPERATING MARGIN	**52,246**	**32,233**	**20,013**
Amortisation, depreciation and provisions	(4,821)	(5,673)	852
Result from management of equity investments	(83)	(1,765)	1,682
OPERATING RESULT [EBIT]	**47,342**	**24,795**	**22,547**
Result from assets held for sale and net non-recurring charges	(31,417)	(17,863)	(13,554)
GROSS RESULT	**15,925**	**6,932**	**8,993**
Income taxes	(8,046)	(5,596)	(2,450)
Profit (Loss) for the year attributable to non-controlling interests	(2)	(38)	40
NET RESULT	**7,881**	**1,298**	**6,583**

The increase in the value of production of over € 166 million refers to around 125 million to the increase in Infratel activities, above all in relation to the BUL Large Project, also reflected in the significant growth seen in external and operating costs. Additional increases in revenues can mainly be traced to the Bank's activities, given that the previous year it was included in the scope of consolidation for only six months.

The cost of labour rose, both due to consolidation of the annual costs of BDM and, to a lesser extent, the increases seen for Invitalia and Infratel due to greater activity.

The gross operating margin and operating result were both more than positive. The latter benefited from lower charges deriving from management of non-consolidated equity investments and, to a lesser degree, from a decrease in amortisation/depreciation and provisioning.

The positive net result, over six times greater than that registered the previous year, is nonetheless penalised by non-recurring charges and writedowns deriving, among other things, from provisions relative to equity investments held for sale and receivables due to BDM, as well as increased taxes.

The following is a reconciliation between the results of the statutory and consolidated financial statements:

	2018		2017	
Statutory result		**18,003**		**2,067**
Operating results of subsidiaries for the year	12,048		10,977	
Reversal of separate financial statement valuations	(20,967)		(11,721)	
Net effect of subsidiaries		(8,919)		(744)
IFRS 9 adjustments		(133)		
Valuation of equity investments		(959)		(9)
Adjustment of severance pay to IAS principles		34		21
Elimination of infragroup reports and other accounting		(147)		1
Consolidated group result		**7,879**		**1,336**
Result attributable to non-controlling interests		2		(38)
Result attributable to the Parent Company		**7,881**		**1,298**

The decrease in the consolidated net result with respect to the statutory amount is for the most part due to the reversal of all accounting entries in the separate financial statements deriving from the PPA for BDM. Consequently, the benefit of around € 9.2 million recorded in the Agency's separate profit and loss account due to amortisation (reversal) of the PPA is not recorded in the consolidated result.

Other minor positive differences led to the net effect from subsidiaries shown in the table (€ -8.9 million).

Other differences refer to:

- application of IFRS 9 to consolidated companies;
- the negative results of certain associated companies, essentially Marina d'Arechi, reflected in measurement at equity;
- lower consolidation adjustments.

Non-controlling interests, relative to marginal portions of certain minor companies in liquidation consolidated on a line by line basis, led to a slight increase in the Group's result.

D.2 Equity situation

The following table reclassifies the statement of financial position from a management perspective, comparing it with the figures from 2017:

Amounts in thousands of euros

	2018	2017
Uses:		
Ready cash	213,142	363,586
Net working capital (deferred liquidity - current liabilities)	1,537,467	1,556,281
Assets held for sale	181,686	207,643
Net equity investments	23,980	40,481
Fixed assets	1,035,529	1,029,349
Total	**2,991,804**	**3,197,340**

Funded by:		
Shareholders' equity	752,644	767,067
Non-controlling interest funds under management (net availability)	84,058	98,731
Contributions	443,746	470,604
Employment severance indemnity	11,588	12,057
Provisions for risks	25,587	23,458
Financing	1,674,181	1,825,423
Total	**2,991,804**	**3,197,340**

The statement of financial position shows a reduction in cash and cash equivalents and, to a lesser degree, in assets held for sale and non-consolidated equity investments due to provisions for losses.

The decrease in cash and cash equivalents is due to the reduction in loans payable, mainly due to the repayment of bonds issued by BDM.

Shareholders' equity decreased, essentially due to equity adjustments for receivables following first time application of the accounting standard IFRS 9.

E - NON-CONTROLLING INTEREST HOLDINGS

The Parent Company holds a number of non-controlling interests, the most significant of which are listed as follows:

Marina di Arechi

The company Marina d'Arechi was established in Salerno in 2010, in order to take over the original holder of the maritime concession to build and manage the Marina d'Arechi located in the Gulf of Salerno, through an 80-year government concession, valid through 18 February 2091.

Construction of the port began in 2010 with an executive project that distinguished between work at sea and work on land. The latter was designed by the Catalan architect Calatrava. The work at sea was completed by the end of 2017, a year later with respect to the original plan, with a total of 895 positions for boats constructed.

The company is controlled by the Gallozzi group, with Invitalia Group holding a direct equity share via the Agency (14%) and its subsidiary Invitalia Partecipazioni (26%).

IP Iniziative Portuali Porto Romano Srl

The company holds a 90-year state maritime concession which expires in 2100.

During 2017, the Board of Directors of IP Porto Romano, noting that the company: (i) no longer had financial resources to continue its activities, (ii) was in the process of long and difficult negotiations with Royal Caribbean, one of the main global players in the cruise industry, relative to its becoming part of the shareholding structure of IP Porto Romano and (iii) was nearing the time of the hearing regarding a bankruptcy request made by some suppliers, resolved to present a request for composition with creditors as a going concern, pursuant to article 161, paragraph VI of the bankruptcy law.

On 4 May 2018, the Rome Bankruptcy Court granted IP Porto Romano the possibility to carry out the composition with creditors procedure as a going concern.

On 31 October 2018, Royal Caribbean (RCCL), Marina di Fiumicino and Invitalia signed a "term sheet" to govern the manner in which the cruise operator would enter the shareholding structure of IP Porto Romano, to acquire control, taking over from the majority shareholder Marina di Fiumicino in the limited liability company. At the same time, delegated by IP and RCCL, Invitalia presented a request to the Region of Lazio (RL) to preliminary call the Services Conference to approve the change in the agreement and authorisations, including the government maritime concession for the execution, completion and management of the marina in Fiumicino, in Isola Sacra.

On 14 February 2019, the Region of Lazio called an asynchronous preliminary meeting of the Services Conference, involving all interested entities and requesting an opinion regarding Royal Caribbean's cruise project. At the same time the Rome Bankruptcy Court established Royal Caribbean's interest and desire to carry out the project and rejected the requests for bankruptcy, calling the creditor group for 20 June 2019.

On 3 May 2019, the Region of Lazio informed Invitalia of the completion of the preliminary services conference, expressing its sincere appreciation for the interest demonstrated by those promoting the initiative, which makes it possible to take advantage of the development potential of the area and, specifically, facilitating access to Rome and surrounding areas via the sea route.

Upon conclusion of the preliminary services conference, the requesting entity, on the basis of the decisions made, but prepare the definitive project, inserting the provisions/conditions issued by the entities participating in the conference, with regards to the proposed project put forward by RCCL.

Istituto della Enciclopedia Italiana fondata da Giovanni Treccani

The Agency holds a 7.36% stake in the share capital of the Istituto della Enciclopedia Italiana fondata da Giovanni Treccani SpA. At present, share capital amounts of € 62,724,105.

F- SUBSEQUENT EVENTS

The main events that took place in the first few months of 2019 are reported as follows.

Invitalia Ventures

Article 1, paragraphs 116 and subsequent of Law 145 of 30 December 2018 ("2019 Budget Law") established the possibility for the Ministry of Economic Development to authorise the sale at market conditions by the Agenzia nazionale per l’attrazione degli investimenti e lo sviluppo d’impresa SpA (Invitalia) of an equity stake, including controlling, held in the asset management company Invitalia Ventures SGR SpA – Invitalia SGR. The option right was granted to Cassa Depositi e Prestiti.

The 20 February 2019 Ministry of Economic Development directive, envisaged in the Budget Law, authorised and arranged for the sale, through which lawmakers intended to simplify and strengthen the venture capital sector and economic and productive fabric of Italy.

Invitalia SGR represents around 2% of the Agency's consolidated equity.

On 29 March 2019, the Invitalia Board of Directors resolved to send a binding sales offer for an equity investment stake equal to 70% of the share capital held in the asset management company Invitalia Ventures SGR SpA (“Invitalia SGR”) to Cassa Depositi e Prestiti SpA. The Agency's proposal involves a payment for the disposal of € 6,912,500 determined by taking into account, among other things, the shareholders' equity of Invitalia SGR indicated in the equity situation approved by the company's Board of Directors on 31 December 2018.

On 19 April 2019, Cassa Depositi e Prestiti accepted the binding offer and, on 23 April 2019, the sales contract was signed. The transaction will be completed after authorisation is received from the Bank of Italy with regards to the change in control over the SGR.

Disposals/Acquisitions

- **Industria Italiana Autobus SpA**

On 29 January 2019, following divisible share capital increase of up to € 30,050,000, with transaction expiry set for 29 July 2019, the Agency subscribed, using the funds from the Development Contracts, a stake for a nominal value of € 9,000,000, currently equal to 42.76% of the equity subscribed at present (€ 21,050,000).

Incentives and Innovation

- with the 2019 Budget Law, the **Remain in the South** incentive was also extended to those under 46 and freelance professionals.
- In February 2019, the subsidy branch for business activities was reopened in the **seismic crater in the L'Aquila area**, with the objective of taking advantage of natural, historical and cultural assets and enhancing attractions and tourist offerings. The local area's response was greater than expected, exhausting the financial resources. For this reason, two days after the branch opened a Directorial Decree arranged for partial closure as of 7 February, with the exclusion of the municipality of l'Aquila.
- In March 2019, management of the automatic **Ecobonus** began, as established under the 2019 Budget Law, which offers contributions for purchases of lower emission vehicles. The initial opening phase for the branch was dedicated solely to registering dealerships, which can enrol and insert their identifying information. The subsequent stage will allow for insertion of orders and reservation of the incentive, managed by the business unit.
- In 2018, preparatory activities for implementing the **Argo** project began, specifically the creation of a platform to more efficiently manage the core business of the business unit and the Agency, guaranteeing effective execution of operating processes to manage incentives and supply advanced decision making support, thanks to modern AI and big data analytics techniques. **Argo** will make it possible to extend the range of services offered, both to clients and beneficiaries, ensuring high levels of transparency and both quantitative and qualitative benefits. The platform will be client-centred, guaranteeing both direct benefits (time, transparency and services offered) and indirect benefits (e.g. a greater ability to assess the effectiveness of provisions and carry out corrective measures when required).

Competitiveness, Infrastructure and Territories

Conversations began in 2018 made it possible to begin activating support and technical assistance at the beginning of 2019 for the Extraordinary Government Commissioner for repair, reconstruction, population assistance and economic recovery in the municipalities of Casamicciola Terme, Forio and Lacco Ameno on the island of Ischia, affected by the earthquake of 21 August 2017.

Following the 2018 approval of the "Museum Sites of Excellence" program, an Agreement was signed with the Ministry for Cultural Assets in January.

For actions involving water purification, in the face of delays and problems in carrying out the activities, the Commissioner requested additional support from Invitalia to accelerate completion of the planned work. In that sense, at the beginning of 2019 Invitalia worked to support the Commissioner not only as the central procurement authority, but also by providing technical assistance. Note that the European Union has begun another infraction procedure relative to new and numerous water purification areas and systems.

G - FORESEEABLE BUSINESS OUTLOOK

Within the macroeconomic situation outlined in the introduction, the parent company will continue to work in its area of responsibility, specifically regarding program management, serving as a contracting authority and central procurement authority and as the implementing entity for complex projects, focussing its attention and skills on protecting areas and companies in crisis in order to concretely carry out the programmes approved by CIPE to requalify offerings and fight against industrial delocalisation.

With the approval of the 2018 financial statements by the Shareholders' Meeting, the shareholder will be called upon to renew the entire Board of Directors as its term has expired.

'Resto al sud' - Remain in the South

Article 1, paragraph 334 of Law 145 of 30 December 2018 ("2019 Budget Law") introduced significant changes to the incentive, extending the number of potential beneficiaries, by rising the maximum age from 35 to 45 years and extending subsidies envisaged under the incentive to freelance professionals, by which meaning freelance professionals who in the twelve months prior to presenting the request to access the subsidy did not hold VAT numbers to operate an activity similar to that for which the request is presented. Particularly significant was the extension of the age range for potential recipients, as it makes it possible to include among those receiving the incentive those who have acquired significant professional skills during the course of their work experience, often under conditions of under the table/irregular and/or contract-based work. Additionally, it is now possible to extend the range of target users towards individuals removed from the labour market due to corporate and sector crises which lead to immense difficulties in finding new employment. Hence, for these people, the measure becomes an "important opportunity to make their experience and professional skills an asset, for stable and lasting prospects in a time of entrepreneurialism".

It is estimated that solely by introducing these two changes, which will become fully operational in the second half of 2019, an increase of over 4,000 requests could be seen with respect to these received in 2018, bringing the 2019 target to around 10,000 requests.

Growth Decree

On 30 April 2019, Decree Law 34 of 30 April 2019 was published in the Official Gazette (so-called Growth Decree). This decree is of particular interest in that it makes it possible to revise certain incentives managed by the Agency, in particular New interest-free companies, Smart&Start Italy and Law 181/89.

1. **New interest free companies**: the changes introduced work to extend the capacity for action, making the incentive more attractive for businesses and eliminating certain inflexible aspects that decreased its effectiveness and the ability to reach the pre-established objectives to support the creation of new businesses by young people.
2. **Smart&Start Italy**: the provision asks the Ministry of Economic Development to issue decrees to simplify the procedures and requirements, making the incentive more effective. More specifically, simplification must work to remedy the excessive structuring of criteria used to evaluate requests, with respect to the need to focus on the effective validity of the projects, and will be aimed at limiting administrative charges associated with the measure, originally borrowed from more traditional incentives and not entirely appropriate for providing support for innovative start-ups.
3. **Law 181/89**: The Ministry of Economic Development will also work to simplify this incentive. In this case, by simplifying the subsidy process and revising the mix of subsidies which can be granted, accompanied by more targeted activities to involve territorial entities (regions, provinces, municipalities, local trade associations, etc.) and local credit systems, the goal is to accelerate the time frame for implementing

initiatives and achieving an overall increase in the effectiveness of the measure, which will lead to further sharing of results with reference areas and actors.

Cohesion policy, 2021/2027

The start of the cohesion policy for 2021/2027, with the presentation in May 2018 of regulation proposals with the European Commission (currently being negotiated) involves the structure of objectives, rules and procedures to programme and make use of European Union resources aimed at territorial rebalancing objectives, and has seen Invitalia working since the end of the previous year to analyse regulatory texts to identify new limits and elements which will characterise the scenario in the future.

Starting in March 2019, this commitment was increased, as the National Agency participated in the "partnership round table for 2021-2027 scheduling", contributing analysis and thoughts on the progress of projects in course and on guidelines for the coming years, as part of the issue-based round tables on policy objectives proposed by the general regulations. The objective of this work is to create a partnership agreement, the strategic document which defines guidelines, resources and projects for the new cycle of cohesion policy for Italy.

With regards to the companies of the Group, we note the following in particular:

Infratel

With the awarding and signing of concession contracts for the BUL III Call for Tenders, the design stage of the "White Areas" Plan has been completed. The current stage is that of execution, which involves a commitment for the company for the next 3 years. Approval of the definitive projects, monitoring, approval of the executive projects, execution of the infrastructure by the concessionaire, high level monitoring of work sites and the subsequent commissioning stage for public network work, monitored and coordinated by COBUL and the Steering Committee, will be the Company's main activities in both 2019 and 2020.

During the year in course, Infratel will also continue to maintain, update and make available to telecommunications operators the significant publicly owned backhauling fibre optic capacity which connects over 3,000 localities and exceeds 15,000 km.

The WiFi.Italia.It Project which received another push from the government will also continue in 2019. The main objective of the WiFi.Italia.It project is to allow citizens and tourists, Italians and foreigners, to connect easily and free of charge to a free and widespread WiFi network throughout Italy, making use of existing WiFi networks. The project will be extended through the € 45 million in financing provided through resolution CIPE 61/2018 FSC 2014-2020 of 25 October 2018.

Mediocredito Centrale

Following the approval of the new Business Plan, prepared in 2017 after MCC became part of the Invitalia Group, during the year the Bank dedicated itself to carrying out its new development process, consolidating its role as a second level bank, extending and reorganising its portfolio of offers, aimed exclusively at businesses, mainly in southern Italy, favouring SMEs, development and the execution of the digital platform, a fundamental aspect in the new business model.

As outlined in the cited 2018-2020 Business Plan and further specified in the 2019 budget approved in February, the Bank intends to develop its cored lending business and management of subsidies, always based on the principle that support for the southern economy is the focus of business development, fully taking advantage of the synergies relative to purpose and position it has with the shareholder, while strengthening its role as a second level Bank.

Requirements pursuant to Law 190/2012, also in matters of transparency in Public Administrations

Invitalia's Head of Corruption Prevention and Transparency [Italian acronym: RPCT], appointed by resolution of the Board of Directors on 6 November 2013, prepares and updates the Corruption Prevention and Transparency Plan annually, in line with the provisions of Italian Law 190/2012 and related executive decrees, the National Anti-Corruption Plan, the ANAC rulings and the directives of the Italian Ministry of Economy and Finance.

For more details about these requirements, please see the Non-Financial Statement in chapter 2.3.3.

H - REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

This paragraph presents the ***Report on corporate governance and ownership structure*** which describes the main characteristics of the risk management and internal control systems related to the financial reporting process. (Article 123 -bis, second paragraph, letter b) of the Italian Consolidated Finance Act - TUF).

The *governance model* adopted by the parent company is the "traditional" one, characterised by the classic dichotomy between the Board of Directors and the Board of Statutory Auditors. The statutory auditing of the accounts is entrusted to an independent Auditor Firm.

The scopes of the individual corporate bodies are summarised as follows.

The Shareholders' Meeting

Pursuant to the articles of association and the current provisions of the law, the ordinary Shareholders' Meeting is called at least once a year and decides on the following matters:

- approval of the financial statements;
- appointment and dismissal of the Directors; appointment of the Statutory Auditors and of the Chairman of the Board of Statutory Auditors; determination of the relative fees;
- appointment of the Independent Auditors and determination of the related fee;
- responsibilities of the Directors and the Statutory Auditors;
- any other subject attributed by law to the competence of the Assembly.

The Extraordinary Shareholders' Meeting resolves on amendments to the Articles of Association, on the issuance of convertible bonds and on any other matter assigned by law to its competence.

The Board of Directors

The management of the company rests exclusively with the Board of Directors. The Board of Directors, subject to disclosure to the shareholders, is also responsible for adjusting the company articles of association to comply with mandatory regulatory provisions which do not involve discretionary assessment of the manner of their transposition.

The Board also examines and approves the most significant financial, asset-related and equity-related transactions carried out both with third parties and with related parties.

The Board of Directors is composed of five members, appointed by a meeting of 9 August 2016, as specified below:

- Chair: Claudio Tesauro
- Managing Director: Domenico Arcuri
- Members/Directors: Angela Donvito
  Alessandra Lanza
  Mauro Romano

Chair of the Board of Directors

The Chair, with the exception of matters reserved to law and/or the Articles of Association, officially represents the Company in Italy and abroad in relations with political institutions and authorities, and in particular with Parliaments, Governments, Ministers, Authorities, the Commission and Commissioners of the European Union, Regional Authorities and National and Supranational Economic Institutions. The Chair is also is vested with the responsibility of preparing, jointly with the Managing Director, the reports to the Government and Parliament as envisaged by current legislation, as well as reports to the political and administrative institutions and authorities. The Chair shall verify that the corporate strategies comply with prevailing national and EU legislation, and with the directives governing its purpose.

The Managing Director

The Board of Directors has delegated a number of its powers to the Managing Director who is responsible for the management of the company, having been granted all powers of ordinary and extraordinary administration, without prejudice to the legal and statutory limits and the matters reserved for the Shareholders' Meeting, to the Chair and to the Board of Directors.

The Board of Statutory Auditors

The Board of Statutory Auditors, in accordance with the Articles of Association, consists of three standing members and two alternate members.

Its duty is to verify and control:

- compliance with the law and the Articles Of Association;
- adherence to principles of proper management;
- the adequacy of the organisational structure of the Company with respect to competence, the internal control system and the administrative-accounting system;
- the reliable and factual representation of operations.

It also performs the additional functions assigned to it by law and by the current regulatory and supervisory framework.

Fees for directors with powers

During 2018, no changes of any kind were made with regards to this issue.

In fact, we recall that in February 2017 Invitalia presented its 2017/2019 Business Plan whose objectives - with an eye to focussing on core business - can be summarised as accelerating growth in the productive system, guaranteeing efficacy for European funds, and expanding its portfolio of tools supporting development.

To increase financial instruments available to support growth of the business system and the territory, the plan provided for the acquisition of Banca per il Mezzogiorno. Consequently, on 19 July 2017 a bond loan was issued to be listed on regulated markets, with a total nominal capital amount of € 350 million.

Hence, as all the conditions established under the fifth paragraph of article 26 of Italian Legislative Decree No. 175 of 19 August 2016 had been met, the Board of Directors requested that the processes of assessing the Group's strategic organisational positions begin ("weighting"), both to take into account changes occurring in the scope of the activities managed and to better work together with the operating company to be acquired.

The relevant structures hence requested that five major international companies present their services, with a focus on those with best practices in the sector. Comparison of the offers received led to assignment of the task.

The weighting process assessed the position of the General Manager and other managerial positions, taking into consideration variables regarding technical and managerial know how, accountability and the financial dimensions of that managed.

On 13 November 2017, based on the weighing of the positions carried out by the referenced company, the Board acted to revise remuneration for the General Manager, consistent with that indicated in the Ministry of Economy and Finance Directive of 24 June 2013, which provides for the adoption of "remuneration policies in compliance with international best practices, also taking into account company performance and ensuring compliance with the criteria of full transparency and moderation in fees, i the light of the general economic conditions of the country".

More specifically, also taking into account the recommendations made by the Shareholder at the Shareholders' Meeting held to approve the financial statements for the previous year, to continue with the adoption of best practices for transparency and to ensure national and international compliance, we note that on 13 November 2017 the annual fee for the General Manager was redetermined pursuant to article 2389, paragraph 1 and 3 of the Civil Code, to a fixed amount of € 160,000.00, and a variable amount, of up to 60% of the fixed amount, to be disbursed on the basis of achieving annual objectives set by the Board of Directors, both indicated before tax and social security withholdings. Finally, the annual fee for the Chair pursuant to article 2389, paragraph 1 and 3, Civil Code remained € 107,600.00, as determined by the Shareholders' Meeting on 4 August 2016 and the Board of Directors on 24 October 2016, before tax and social security withholdings.

Yearly statutory audits

The statutory audit of the yearly accounts is assigned to PricewaterhouseCoopers SpA.

The internal control system

On 30 June 2004, the Parent Company adopted an **Organisation, Management and Control Model**, to comply with Italian Legislative Decree No. 231 of 8 June 2001, which attributes direct responsibility to the company in the event of certain crimes committed by directors or employees in the performance of their duties.

The adjustment process took place through the definition of the aforementioned Model, which consists of a series of documents, namely:

Code of Ethics

It highlights the criteria of conduct for all those who work in the Parent Company and in the Group, indicating the behavioural rules underlying the company's mission, so that it is carried out in compliance with the law and is based on clear and transparent rules.

The Organisation, Management and Control Model

It describes the basic principles and goals of the Model, the duties of the Supervisory Body, the procedures for the dissemination and application of content related to the Parent Company and the Companies of the Group, the types of offence as well as the provision of the disciplinary system. The model also includes organisational procedures - drafted on the basis of the mapping of risk areas - aimed at ensuring adequate preventive supervision. The decision to adopt the Organisational, Management and Control Model was taken with the aim of protecting its image, interests and the expectations of employees, shareholders, clients and the public, and to raise awareness among all collaborators and all those who work in the name and on behalf of Invitalia to adopt correct behaviour in order to avoid the commission of crimes. The Organisation, Management and Control Model has been prepared by the Agency according to the dictates of the Italian Legislative Decree and based on the guidelines drawn up by Confindustria [Italian employers' federation].

The Model was subsequently approved and adopted by the Board of Directors in accordance with the provisions of Article 6.1 of Italian Legislative Decree No. 231 of 8 June 2001, which envisions the Model as an expression of the Company's Management Body. Together with the adoption of the Organisation, Management and Control Model and in compliance with Article 6.1 b, the Board of Directors set up a Supervisory Body consisting of a panel composed of an external member with high professional skills, the Head of Internal Auditing and the Head of Corporate Legal Affairs of the Parent Company who is responsible for ensuring the Model's effectiveness, compliance and updating.

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures aimed at ensuring, through an adequate process of identification, management and monitoring of the main risks, an exercise of management that is consistent with the corporate goals defined by the Board of Directors. The Intent is to safeguard the company assets and to ensure the efficiency and effectiveness of corporate processes, the reliability of financial information and compliance with laws and regulations, as well as with the Articles of Association and internal procedures.

The Internal Control and Risk Management System is based on principles that ensure that the company's business is consistent with the applicable internal and external rules, which can be traced and documented, that the assignment and exercise of powers in the context of a decision-making process responds to the basic principles of segregation of functions, which guarantees confidentiality and compliance with privacy protection legislation.

The main players in the Invitalia Internal Control and Risk Management System are the Board of Directors, the Board of Statutory Auditors, the Supervisory Body, the Independent Auditor Firm, the Head of the Internal Audit Function, the Financial Reporting Officer, the Corruption Prevention Officer and the Anti-Recycling Officer, each through the fulfilment of their role and their control duties.

The constituent elements of the Internal Control and Risk Management System of the Company are the organisational structure, the system of powers, the Organisational, Management and Control Model pursuant to Italian Legislative Decree No. 231/01, the Code of Ethics, the Control procedures and protocols, as well as the manuals and Operating Instructions.

Italian Law No. 262 of 28 December 2005 "provisions for the protection of savings and regulation of financial markets" (hereinafter Law 262/05) introduced legislative changes aimed at improving the Corporate Governance of companies listed on Italian regulated markets and ensuring the reliability, completeness, correctness and timeliness of financial information disclosed to the market.

The process of adaptation gave rise to a project in the Invitalia Group known as "Adjustment to the 262/2005 Savings Law", with the goal of ascertaining that the Internal Control Over Financial Reporting (ICFR) adopted by the Parent company was capable of ensuring the provisions of current legislation, identifying and developing any applicable improvement actions. During the project, the Agency defined rules and methods for the establishment and maintenance of the ICFR for the affected Companies for the purposes of adjustment to Italian Law 262/05.

The model adopted by the Agency is the "Internal Control - Integrated Framework" published in May 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), whose components represent the benchmark in relation to which the ICFR was established, assessed and constantly updated.

The Agency has included within the Internal Control System those processes that precede the drafting of the financial statements and, in particular, those processes that are associated with the activities of the Organisation which generate data and/or information used in the preparation of the accounting documents.

The Financial Reporting officer performs the duties prescribed in the Articles of Association, observing the laws, applying the maximum professional diligence and referring to the general principles (so-called frameworks defined by the trade associations) commonly accepted as best practices in the areas related to internal control system.

On the basis of the powers defined by the Articles of Association and in full compliance with the provisions of Article 154-bis of the Italian Consolidated Finance Act, the main functions of the Financial Reporting Manager are the following:

- Preparation of a written declaration certifying that the company's annual or interim acts and disclosures to the market related to accounting matters are compliant with the documentary results, books and accounting records of the company. To this end, reference should be made to a specific procedure regulating the methods and authorisations related to the release to the public and to the financial community of so-called price- sensitive financial information.
- Preparation, in conjunction with the Human Resources Organisation and Development function, of adequate administrative and accounting procedures for the preparation of the financial statements and, where envisaged, of the consolidated financial statements, as well as any other disclosures of an economic-financial nature.
- Preparation of an appropriate statement (to be attached to the financial statements and consolidated financial statements) confirming:
  - the adequacy and effective application of administrative and accounting practices during the period to which the documents refer;
  - compliance of documents with applicable international financial reporting standards;
  - correspondence of documents with entries in accounting books and records;
  - the suitability of documents for providing a true and accurate representation of the equity, financial position and operating results of the issuer and the group of enterprises included in the consolidation;
  - that the Directors' Report on Operations accompanying the financial statements and the consolidated financial statements includes a reliable analysis of the performance and operating result, as well as the situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which the Company is exposed;

The certification is released jointly with the Managing Director in compliance with the outline approved by CONSOB.

The Financial Reporting Officer is the Head of the Corporate Services Department. The appointment was conferred on 08 February 2012 and renewed, pursuant to Article 4 of the Regulations on the activities of the Financial Reporting Officer, by the Board of Directors on 26 June 2018 and expires with the approval of the 2020 financial statements.

Pursuant to Article 154-bis of the Italian Consolidated Finance Act, the certification process is broken down into the into the following phases:

- definition or updating of the scope of application;

- line monitoring on the adequacy of administrative and accounting procedures; these activities are carried out by the "Financial Reporting and Support Services" Function, which is hierarchically under and reports directly to the Financial Reporting Officer;
- independent monitoring of the effective application of administrative accounting procedures (phase 1 and 2), performed by a subject who is not hierarchically in line with the units responsible for implementing the controls themselves and, therefore, by the Internal Auditing function;
- assessment of any problems detected and certification.

The process, broken down according to the phases indicated above, is repeated every year, in order to comply with the obligations to certify the financial statements and the consolidated financial statements required by paragraph 5 of Article 154-bis of the Italian Consolidated Finance Act.

Depending on the timing of the monitoring of the effective procedures application and the need to promptly detect any possible problems and/or anomalies and promptly identify the related corrective actions, two jointly addressed stages are identified wherein the Internal Auditing Function presents the Financial Reporting Officer with the following:

- Interim report on the monitoring activity, which illustrates the progress of the accounting work and a summary of any problems encountered hitherto.
- Final report on the monitoring activity, following the annual closure of operations and intended for the annual certification pursuant to paragraph 5, which includes the summary of any anomalies or problems detected and any other supporting information on the assessment of the adequacy and effective application of the administrative accounting procedures.

Main characteristics of the Internal Control and Risk Management System in relation to the financial reporting process, pursuant to Article 123-bis, paragraph 2, point (b) of the Italian Consolidated Finance Act

The risk management and internal control system governing the financial reporting process has the goal of ensuring the reliability, accuracy, reliability and timeliness of the reporting process itself.

With regards to the Agency Invitalia, the main stages in the System involve:

1. Identification of financial reporting risks: this phase involves the analysis of the most significant corporate processes in terms of potential impact on the financial disclosure performed by the parent company. In this context, we analyse the possible risks of both error and fraud that could potentially affect financial reporting outcome.
2. Identification of controls against identified risks: based on the analysis of the financial reporting process, the controls envisaged by the process are identified to ensure compliance with the related risk mitigation, containment and elimination objectives.
3. Assessment of controls against the risks identified on a regular basis.
4. Verification of the effectiveness of controls against identified risks.

The following are the main risks identified based on the nature of the risk, with a summary description of the most significant elements.

Counterparty Risk:

The main risks concern the evolution of relations with Clients during the operational management of the signed agreements. This risk is distinguished by the component linked mainly to the operational capability of Clients and the strong coordination between the company structures and the Clients themselves.

Operational risk:

These are risks related to the operational processes of the Agency, from the organisation of the project management structures, to the planning of the activities envisaged by the contracts, up to the implementation of these activities as requested. These risks concern both the ability in the contract start-up phase to plan the timely definition of the organisational structure necessary for the purpose.

Compliance risk:

These are the risks connected to regulatory obligations, whether of an external nature, such as legislative, tax or contractual obligations in the broad sense, or internal factors, such as compliance with the Group Code of Ethics and the company's procedural system.

Reporting risk:

The risks associated with reporting activities concern the preparation and monitoring of the economic and financial information required for the official legally mandated disclosures. Certain recent IFRS regulatory developments have led to the assessment, in terms of reporting, of the aspects related to the correct application of accounting standards.

Liquidity risk:

The category includes the risks associated with the ability to generate liquidity from current assets and to access, within the mandate limits, financial markets for the issuance of debt instruments and the management of treasury functions, both central and peripheral. The management of financial risk is managed in accordance with the company requirements with a medium-long term time horizon, in compliance with short-term operational needs. Within the client contract management context, the payment collection times and their monitoring are defined.

Legal risk:

These risks of a legal nature refer to the legal obligations concerning the aspects related to the management of contracts and the internal management of the current trends.

Fraud Risk:

The risk that certain intentional dishonest and deceptive actions could be implemented, internally or externally, directly or indirectly, with the intent of subtracting value and/or causing economic damage, to the advantage of those committing the action.

In order to address all the aforementioned risks, Invitalia adopts a system of procedures and control protocols (Organisation, Management and Control Model and Code of Ethics) which, in a logic of integration, have been strengthened with the adoption of the Prevention of Corruption and Transparency Plan (PPCT), drafted pursuant to Italian Law 190/2012, in order to strengthen the controls aimed at preventing corruption and fraud. In fact, the regulations establish for private law entities under public control implementation of the Prevention of Corruption Plan may be based upon the Organisation, Management and Control Model, adopted pursuant to Italian Legislative Decree No. 231/01, if already created by the entity, extending the scope of application to all crimes considered, both active and passive, by Law 190 of 2012.

The Internal Audit function is responsible for undertaking systematic interventions, including inspections, to verify the correct performance of company processes in compliance with the provisions of the Integrated Organisation, Management and Control Model.

Following risk area mapping, in line with that already established in the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/01, control systems were identified with the aim of preventing crimes of corruption and managing the associated risks.

The main risk prevention intervention tools are the adoption of control procedures and protocols, which consist of the formalisation of a sequence of behaviours aimed at guiding and orienting the development of identified sensitive/instrumental activities. In addition, the management measures identified in the PPCT are further developed by specific procedures and integrated into the internal regulatory corpus of the Company, in cases where greater exposure to crime risk has been judged likely.

In the formalisation of the control procedures and protocols, in fact, there are sections dedicated preventing and fighting corruption. These are notified to all employees via email and are also always accessible via the company Intranet. The Head of Corruption Prevention, appointed by the Board of Directors, is tasked with drafting the yearly PPTC proposal as well as:

- verifying the effective implementation of the PPCT and its suitability, proposing applicable modifications in cases of ascertained significant violations or in the event of changes in the organisation or in the actions performed;
- monitoring the implementation and compliance with the protocols and measures envisaged by the Plan within the areas of competence;
- promoting "anti-corruption" training activities for personnel, verifying their effective implementation;
- verifying the effective segregation of roles, where appropriate and expected, in the offices/functions responsible for carrying out the activities in which corruption crime risk is greatest;
- promoting, in cooperation with the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001, the dissemination and understanding of the Model and Code of Ethics; managing communication channels for reporting illegal and/or suspicious behaviour and/or not in line with the rulings/protocols established by the Code of Ethics and Model 231;
- managing the anomalies and violations found, or the reports received, also through appropriate channels of cooperation/communication with the Supervisory Body, with the activation of specific inspections;
- annually reporting on the activity to the Chair and to the Managing Director, in fulfilment of the informative requirements to the Board of Directors, or in all cases deemed appropriate.

Finally, regarding transparency, it should be noted that during the year, the related Plan was revised, following the issue of a bond listed on a regulated market. Consequently, from 20 July 2017, pursuant to the provisions of Article 2-bis, par.2, letter b) of the decree itself and Article 26 par. 5 of Italian Legislative Decree No. 175/2016, applicability of the provisions pursuant to Italian Legislative Decree No. 33/2013 is excluded for Invitalia and companies in the Group. In any case, data referenced in the following regulations will continue to be published on the company website, organised according to the format indicated in Annex 1 to the ANAC Resolution No. 1134 of 8 November 2017, namely:

- as listed in Italian Law no. 190 of 6 November 2012 - "Provisions for the prevention and repression of corruption and illegality in public administrations";
- as in Italian Legislative Decree No. 39 of 8 April 2013, "Provisions on the subject of non-disclosure and incompatibility of positions with public administrations and with private entities under public control";
- as in Italian Legislative Decree No. 50/2016 with reference to the transparency obligations set out therein.

The risk management and internal control model with regards to the Bank's financial reporting process requires further examination, due to the different nature of the regulated business.

The governance model adopted by the Bank is the "traditional" one, characterised by the classic dichotomy between the Board of Directors and the Board of Statutory Auditors. The statutory auditing of the accounts is entrusted to an independent Auditor Firm.

Shareholders' Meeting meets periodically to resolve on the issues reserved for it by the law and the supervisory provisions.

Given the administration and control system adopted by the Bank, the Board of Directors serves the strategic supervision function.

The Board of Directors, consisting of 5 members (at least one fourth of which holding the independence requirements established in the regulations in effect), holds all powers for ordinary and extraordinary administration to achieve the company purpose, with the exception of actions reserved for the Shareholders' Meeting by the law and/or supervisory regulations. It is also the entity prioritised for ensuring the resolutions made by the Shareholders' Meeting are properly and promptly carried out.

In order to support and improve the functioning of organisational processes intended for delegating and coordinating functions, for integration and cooperation, the following Management Committees also operate within the Bank. The main responsibilities for each one are indicated below:

- **Credit Committee**: supervises the process of granting and managing credit. It exercises the powers granted to it by the Board of Directors with regards to granting credit, non-performing and impaired loans, probable default, overdue and over limit positions, within the limits established by the same Board of Directors. It examines the results of credit analysis and monitoring prepared and presented to the Committee by the relevant Bank departments, for subsequent presentation to the Board of Directors by the General Manager;
- **Commercial Committee**: exercises the powers granted to it by the Board of Directors with regards to granting credit, for business segments and within the limits set by the same Board of Directors; supervises the credit granting process in compliance with the criteria defined by the relevant internal departments, in order to achieve objectives associated with volume, income and risk level containment;
- **Internal Control and Risk Committee:** serves a consulting and propositive role. Assists the General Manager and other corporate bodies in integrated management of the complex of risks to which the Bank is exposed and the overall internal control system.

There are also Subsidies Committees to manage projects and public funds in order to ensure separation between management of public projects and subsidy funds and other banking activities, also on the basis of that established in the agreements signed by the Bank. The members of these committees - which cannot be employees of the Bank - are identified on the basis of the specific content of the individual Agreements and, if not otherwise established in the reference regulations or Agreements, appointed by the General Manager on the basis of a proposal from the relevant structures with regards to management of public funds (when required, as designated by the client administrations).

Subsidies Committees - their functions are established in the reference regulations and associated Agreements; they resolve with regards to proposed admission/rejection of individual operations, revocations, renunciations, settlements and all else necessary to implement or terminate a subsidy relationship, as well as taking legal action; they approve, based on the planned schedule and when required, accounting and accounting reports regarding available funds, commitments, insolvencies and disputes in existence, explanatory schedules and the relative report with regards to the amount of fees and repayments due to the Manager; they define guidelines and operating methods with regards to subsidised projects, also in terms of the relationships between the Bank (as the manager) and intermediaries and beneficiary companies.

The internal control system

"Internal Control System" means all the rules, departments, structures, resources, processes and procedures that aim to ensure, with respect to healthy and prudent management, the achievement of the following goals:

1. verification that company strategies and policies are implemented;
2. containment of risk within limits indicated in the reference framework used to determine the Bank's risk appetite;
3. protection of the value of assets and protection against losses;
4. effective and efficient company processes;
5. reliable and secure company data and IT procedures;
6. prevention of the risk of the company being involved, even involuntarily, in illegal activity;
7. the compliance of operations with the provisions of the law and regulations, including supervisory, as well as internal policies, rules and procedures.

The Board of Directors, in exercising its strategic supervision role, defines the architecture of the Internal Control System in terms of principles and guidelines, organisation safeguards, tasks and responsibilities, resources and powers, information flows and integration of risk management and conflict of interest processes, in compliance with the law, supervisory regulations and the Articles of Association.

Every year, also taking into account the results of the Board of Statutory Auditors' activities and, supported by the internal audit function, the Board of Directors assesses the completeness, adequacy, functioning and reliability of the Internal Control System.

Within the Bank, control activities are carried out all levels of the organisational structure.

Applying the "principle of proportionality", the Bank has structured its Internal Control System on the basis of its size and operational complexity and the nature of its business, as well as the types of risk to which the Bank is exposed. The Bank's Internal Control System is developed around the following levels:

- **First level (line) controls**: these consist all control activities that individual business/operating units carry out relative to their own processes to identify, assess, manage and monitor the risks under their responsibility, in relation to which they identify and implement actions to ensure the operations are properly carried out. These are carried out by the same business/operating units (e.g. hierarchical, systematic and sample based controls), or when possible, are incorporated into IT procedures, and are considered an integral part of every company process.
- **Second level controls**: these are carried out by the risk control department (including both the "risk control" and "validation" areas), the "compliance" and "anti-money laundering" function, and are intended to monitor company risk, ensure business is carried out prudentially, information is reliable and laws, regulations and internal procedures are complied with.
- **Third level controls**: assigned to the internal audit function, which ensures constant, independent and objective assessment of the functioning of the overall Internal Control System.

The Compliance and Anti-Money Laundering Area makes use of the compliance and anti-money laundering departments, whose responsibilities are based on specific provisions contained in the law and in the supervisory regulations and implemented through internal regulatory documents, approved by the Board of Directors.

The Head of the Area is the Head of Compliance and the Head of Anti-Money Laundering and reports to the General Manager. In any case, they have direct access to the Board of Directors and the Board of Statutory Auditors and can communicate with them without any restrictions or intermediaries.

The Compliance model adopted by the Bank tasks the compliance function with direct supervision of non-compliance risk management with reference to significant regulations governing bank and intermediation activities, management of conflicts of interest, transparency with customers and, more generally, consumer protection regulations, and identifying special safeguards within the Bank to manage non-compliance risk with regards to relevant regulations (e.g. regulations regarding workplace safety or taxes). The Compliance department is in any case responsible, also for these areas, for at least defining methods used to assess non-compliance risk and identifying the relative procedures, as well as verifying the adequacy of these procedures to prevent non-compliance risk and assessing the adequacy of these safeguards in managing non-compliance risks.

The Risk Management Department serves as the risk control department, as defined in the regulatory provisions in effect, and performs the tasks assigned to this function in the policies and guidelines approved by the Board of Directors, in particular with reference to the Regulations for the Risk Control Department.

The Head of the Department is the Head of the Risk Control Department and reports to the General Manager. In any case, they have direct access to the Board of Directors and Board of Statutory Auditors and can communicate with them without any restrictions or intermediaries.

The Internal Audit Department serves as the internal audit department, as defined in the regulatory provisions in effect, and performs the tasks assigned to this function in the policies and guidelines approved by the Board of Directors, in particular with reference to the Regulations for the Internal Audit Process.

The Head of the Department is the Head of the Internal Audit Department.

The Head of the Internal Audit Department reports to the Board of Directors and also has direct access to the Board of Statutory Auditors and can communicate with them without any restrictions or intermediaries. In any case, communication between the Head of the Internal Audit Department and the General Manager is ensured through adequate information flows and participation, as a member, on any management committees regarding internal control and risks.

Heads of control departments hold adequate professional skills, are appointed and revoked by the Board of Directors, after hearing from the Board of Statutory Auditors, and have no direct responsibilities with regards to the operating areas subject to their control.

Additional actors in the Bank's Control System are the Board of Statutory Auditors, Supervisory Body pursuant to Italian Legislative Decree No. 231/2001 (hereafter the "Body" or "SB 231") and the independent auditing firm.

SB 231 has the main objective of preventing the commission of crimes pursuant to Italian Legislative Decree No. 231/2001, by verifying the adequacy and effectiveness of the Organisation and Management Model adopted by the Bank, pursuant to the cited decree.

The Body operates on the basis of regulations approved by the Board of Directors and has a spending budget available as well as wide control and inspection powers at all levels.

The SB 231, a specifically established collegial body, currently consists of the Chair, an independent external professional two other members, the Heads of the Bank's Internal Audit and Risk Management functions (which, within the company, have no operating responsibilities and are ensure full independence).

The auditing firm, in relation to the responsibilities assigned to it by the law, it maintains relationships - also with the aim of exchanging information and/or data - with the Board of Directors, Board of Statutory Auditors, internal audit function and other company control bodies and/or departments.

Finally, with regards to the function responsible for coordinating and operational management of the internal control model required under Law 262/05, with regards to protection of savings (article 154-bis of the Consolidated Finance Act), the Head of the Administration, Control and Finance Department, as the Financial Reporting Officer, is required to establish, and effectively apply, adequate administrative and accounting procedures to prepare the annual financial statements, as well as all other financial communications issued to the market.

The Financial Reporting Officer for the Bank must also certify, together with the General Manager, through a specific report on the individual annual and interim financial reports:

- the adequacy and effective application of the administrative and accounting procedures;
- compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July 2002;
- alignment with the entries in the accounting books and records;
- suitability for providing a true and accurate representation of the Bank's equity, economic and financial situation;
- inclusion of reliable analysis regarding performance and operating results in the report on operations, as well as a description of the main risks and uncertainties to which the Bank is exposed.

In order to comply with that established under the regulations, the Bank has adopted an Internal Control System which involves application of a shared methodological structure, based on:

- the use of a homogeneous model which refers to internationally recognised methodological standards (CoSo and Cobit);
- constant updating of the model, assigning specific responsibilities to the relevant entities;
- dissemination of the model through training programmes.

More specifically, for the model adopted:

- validation of documentation is required, as well as confirmation that controls are carried out by the relevant individuals responsible for them;
- every administrative/accounting procedure and every control must be documented, assessed, tested and validated, and a single manager is assigned to be responsible for execution of the activities involved in the same;
- a flow of internal certifications is established (going to the Bank's Financial Reporting Officer) and of external certifications (going from the Financial Reporting Officer to the parent company and market) with regards to the Internal Control System and specifically financial disclosure.

The Bank ad makes use of Regulations for the activities of the Financial Reporting Officer, in line with the dictates of article 154-bis of the UF and in compliance with article 24 of the Articles of Association, which define:

- the methods for appointing the Financial Reporting Officer and their requirements, tasks, powers and means;
- the relationships with the Bank's corporate bodies and control bodies;
- information flows sent to and from other control structures and the parent company's Financial Reporting Officer, in the context of the information needed to prepare the consolidated financial statements.

Additionally, the Financial Internal Control System (FICS) Guidelines have been approved which govern, in compliance with that established under article 154-bis of the TUF, the criteria and methodologies and identify roles and responsibilities:

- to institute and maintain the Internal Control System for the Bank's Financial Reporting;
- to assess its adequacy and operational effectiveness.

The provisions of the FICS fall within the Bank's overall internal control system and are consistent with the current regulatory requirements. Additionally, Provision 1079 “Procedure for managing 262/05 compliance" governs operating activities and methodological tools to establish and maintain the Bank's Internal Control System for Financial Reporting, as well as assessing its adequacy and operational effectiveness, consistent with the roles and responsibilities defined in the FICS.

Based on internal regulations, during the year the planned update of administrative procedures relative to 262/05 was carried out, identifying the roles involved and the activities and responsibilities with regards to stages in company macro-processes.

During 2018, the Financial Reporting Officer issued the required certifications and declarations, maintaining through their activities contacts and relations with other external and internal control bodies, including the Board of Statutory Auditors, independent auditing firm, the Supervisory Body, Internal Control and Risk Committee, the internal audit, compliance and anti-money laundering departments and the parent company's financial reporting officer.

Non-financial statement, Italian Legislative Decree No. 254/2017 and GRI

1. Methodological note - our path towards sustainability

This document provides a complete statement of the Group's sustainability performance, as defined in section 1.3.4, describing the main areas of operation and how these are pursued with a view to creating value in the long term, with constant attention to the well-being of individuals and communities.

The document was drafted in compliance with Italian Legislative Decree No. 254[1] of 30 December 2016 on matters of non- financial information and in compliance with Article 5 of the same decree. It constitutes a specific section of the management report in compliance with the applicable regulatory restrictions.

1.1. Stakeholders and involvement activities

The relationship with the stakeholders represents one of the key elements of the social reporting process for the Group. Indeed, the system of relationships established and maintained with stakeholders strongly characterises the Group's social responsibility policies and initiatives.

For this reason, starting in 2017, a process of active stakeholder involvement was launched, in a more structured and in-depth manner compared to previous years. The intent is to ensure that all stakeholders may be heard and that their expectations may be adopted as company strategies.

In 2018, based on feedback obtained the previous year, we continued to listen and report to stakeholders, inviting internal representatives to a working table for the new areas to be monitored and areas for improvement to be introduced to the non-financial statement. This interaction increased the number of areas to be further researched, not only in terms of effectiveness, but also with regards to recognition and measurability, to represent a plurality of Invitalia's activities. Therefore, this document is one of the tools for dialogue with stakeholders, because it allows us to communicate what has been achieved during the year, in order to respond to expectations and share targets for improvement aimed at guiding activities towards shared growth objectives which are increasingly both ambitious and shared.

[1] *Published in the Italian Official Gazette, general series, of 10 January 2017, implementing Directive 2014/95/EU of 22 October 2014 of the European Parliament and of the Council, amending Directive 2013/34/EU regarding the disclosure of non-financial and diversity information by certain large undertakings and groups.*

1.1.1. Mapping of stakeholders

Mapping of stakeholders was carried out by an internal work group representative of the Group's workforce. The mapping is a preparatory exercise to materiality analysis. It identified 10 categories, with another 31 sub-categories of stakeholders.

#	CATEGORIES	SUB-CATEGORIES
1	Governance and control system	Control system
		Governance system
		Ratings agencies
2	Human Resources	Employees
		Union representatives
		Other forms of association
3	Environmental stakeholders	Invitalia environmental impact intermediaries
		Subjects involved in environment-related activities
4	Suppliers	General suppliers
		Specialist suppliers
5	Clients	Other institutions and partners
		Central Public Administrations
		Data recipients
6	Beneficiaries	Central Public Administrations
		Local Public Administrations
		Companies and associations
		Individual beneficiaries
		Indirect beneficiaries
7	Associations	Professional associations
		Associations of citizens
		Associations of institutions
8	Media	Journalists
		New Media
		Traditional Media
		Users
9	Local communities	Local public actors
		Municipalities involved in Invitalia projects
		Civil society
		Local economic subjects
10	Competitors	Private competitors
		Public Competitors

After defining the map of the stakeholders, these subjects were subsequently analysed and grouped by degree of relevance in relation to:

a) ability to influence, measured in relation to factors such as: size, representativeness with respect to the issue, current and potential resources (financial and human), specific knowledge and skills, strategic location, etc.;

b) level of interest that can be exercised, assessed both as a function of impact with respect to the Group's sphere of action, and in relation to the initiatives that can be implemented to promote or assert its interests or to encourage participation in the decision-making process.

The intersection of these criteria creates a matrix that enables stakeholders to be classified in four categories of relevance: low, medium, high and very high.

Among the stakeholders with **very high relevance** certain representatives of all the represented categories were selected with whom a **process of communication and dialogue** was initiated, with diverse approaches (bilateral and multilateral).

1.1.2. Dialogue with stakeholders

For the Group, the active involvement of the stakeholders constitutes the basis for:

- establishing action priorities;
- pursuing strategic goals, integrating its resources (understood as knowledge, people, budget and instrumentation);
- improving the environment in which to operate, through a more equitable and sustainable development of the company;
- increasing corporate reputation;
- informing, influencing and involving stakeholders.

Several initiatives involving stakeholder engagement have been launched with the dual goal of learning the issues relevant to our stakeholders and developing the dynamics of listening and interacting with the Group.

During 2018, dialogue with stakeholders continued and, with the assistance of external facilitators, thematic events and opportunities for conversation were organised, in the form of open dialogue, which involved various aspects such as:

- the framework of collaboration with the Group and implementation methods;
- evolution of the Group's presence over time;
- distinctive elements, strengths and critical aspects of collaboration;
- effects of collaboration with beneficiaries and in the territories;
- effects of collaboration on the culture and organisation;
- stakeholder expectations with regards to the Group's actions.

These initiatives made it possible to garner a great deal of information and qualitative feedback. In particular, it was possible to analyse operating flows, identifying the strengths and weaknesses of the current system, as well as the main challenges and opportunities for improvement.

More specifically, a small **group of internal stakeholders** were called upon to take part in the **working panel** to listen to the needs, requirements and proposals, and talk about the impact on Invitalia with regards to social responsibility, as well as new areas to monitor and improvements to be introduced to the NFS.

This document takes into account the proposals and indications gathered during the Panel, which will be fully implemented in subsequent editions.

1.2. Materiality analysis

Materiality analysis arises from the need to **identify and develop issues relevant to management and to stakeholders** with respect to the economic, environmental, social and cultural impact that business activities generate inside and outside the organization. In particular, through the materiality matrix, the Group provides a picture of the company priorities with respect to the expectations expressed by the stakeholders.

Analysis of materiality, within the social reporting process, has been applied for a few years, and has been periodically updated. In 2018, while the scope of Mediocredito Centrale widened, this analysis did not undergo any changes.

1.2.1. The process of identifying relevant issues

As anticipated, starting in 2017, the process of identifying the relevant issues was profoundly redesigned in line with the main national or international reporting standards and in compliance with the provisions of Italian Legislative Decree No. 254/2016.

The procedure for identifying issues, coordinated by the NFS working group, was developed according to methods which included:

- assessment and comparison of various sources of information, both public and non-public, internal and external to the Group;
- benchmark analysis to verify the presence and methods used to formalise respective sustainability or social responsibility policies;
- stakeholder perception analysis, to identify the most relevant issues and take advantage of possible areas for improvement;
- interviews with the various internal functions of the company, to determine the significance of issues with respect to the individual business lines;
- considerations developed within the company's highest administrative body, to verify the consistency of the results with respect to corporate strategies;
- analysis of press coverage and other media, to assess brand recognition and perception (with regards to decision makers, opinion leaders and other members of the community in Italy).

This process has enabled the definition of a list of material themes which are representative of the following macro-areas:

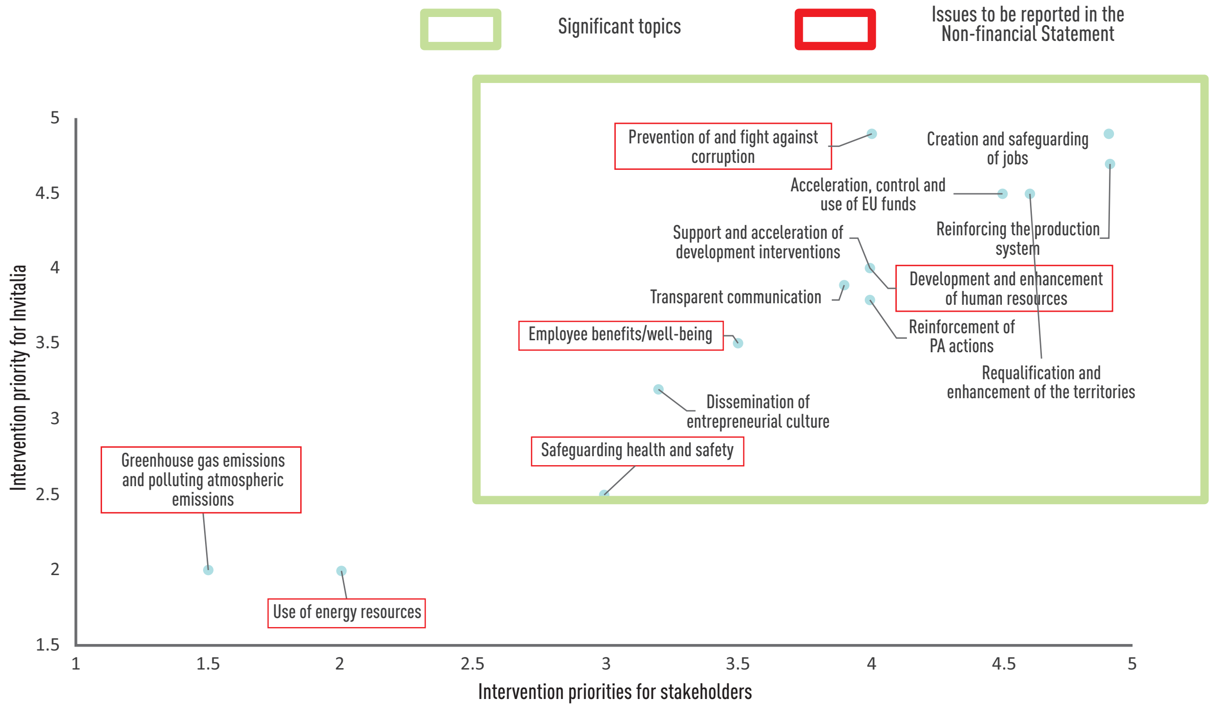
- Acceleration, control and use of EU funds
- Employee benefits/well-being
- Transparent communication
- Dissemination of entrepreneurial culture
- Greenhouse gas emissions and polluting atmospheric emissions
- Creation and safeguarding of jobs
- Prevention of and fight against corruption
- Reinforcing the production system
- Reinforcement of PA actions
- Requalification and enhancement of the territories
- Support and acceleration of development interventions
- Development and enhancement of human resources
- Safeguarding health and safety
- Use of energy resources

1.2.2. Priority definition

Once the relevant topics had been defined, the importance of the issues was assessed, both from an external and internal point of view.

The assessment of **internal relevance** was conducted by the main company departments, thanks to careful verification of the topics under analysis. The assessment of **external relevance**, on the other hand, was carried out by involving and listening to the stakeholders in order to directly grasp the perceptions of representatives of the Group's stakeholders.

The measurement of the degree of priority and the analysis of the results made it possible to identify "Stakeholder relevance", a prerequisite for preparing the **materiality matrix**. The latter identifies the relevant topics understood as those aspects that can generate significant economic, social, environmental and cultural impact to the Group's activities and which, by influencing the expectations, decisions and actions of the stakeholders, are perceived by them as significant.



For more details on the Global Reporting Initiative (GRI) standards associated with each material theme, please refer to the *correlation table contained Italian Legislative Decree No. 254/2016.*

More specifically, in 2018, it was verified whether or not Mediocredito Centrale's (MCC) entry into the scope of accounting could have a significant impact on the materiality matrix.

Given that it was determined it did not, the parent company did not hold it necessary to make changes to the matrix. Consequently, the most recent version is that presented and approved at the Board of Directors meeting of 27 March 2018.

The review phase is intended as a preparatory activity for the next reporting cycle, with the aim also of submitting the results of the analyses undertaken, updated in the following year, as part of specific stakeholder engagement activities.

1.3 Measuring our performance

1.3.1. Performance indicators

In accordance with regulatory requirements for sustainability reporting, the Group makes use of a set of KPIs (Key Performance Indicators) based on the adoption of the Global Reporting Initiative standard -

GRI. The GRI is an international body that defines universally applicable standards for the preparation of sustainability reports. In addition, the Group also takes into account indications received from company management and stakeholders.

Among international standards, those of GRI appear to be the ones most suitable for representing the Group's activities, able to cover all the aspects required under Directive 2014/95/EU and, consequently, those required Italian Legislative Decree No. 254/16 which fall within the area of Corporate Social Responsibility.

The designated KPIs enable the monitoring of company performance and the degree of achievement of previously established goals, as well as identifying initiatives and areas of improvement for the measurement of sustainability performance.

The management of the KPIs takes place on a centralised platform which collates the data related to the individual companies as well as general information that underlies the accounting, financial and control processes. This allows for data to be shared between the various platforms to ensure the maximum integration of sustainability in business processes.

The "data owners", distributed throughout the Group's operational areas provide for the collection of data and the transmission of information to the group that deals with the NFS, which in turn verifies the consistency and sends information to the centralised monitoring system.

For the reporting done for the Non-Financial Statement, the referenced version of the **Global Reporting Initiative** has been adopted, which with respect to the core or comprehensive approaches is more flexible and suitable for the Group's reporting needs.

1.3.2. Reporting principles

The content of this document was inspired by the following principles:

- *Materiality principle*: reporting only applies to the relevant topics required for *"ensuring the understanding of the company's activity, its progress, its results and the impact it produces"*. Materiality corresponds to the threshold beyond which an argument or indicator becomes sufficiently important to be reported;
- *Comparability principle*: data refers to the reference year and, where possible, it is compared with that of the previous year;
- *Accuracy principle*: the data and information shown are qualitative and quantitative. Quantitative information is accompanied by qualitative interpretations/comments that make it possible to properly understand the scope. Most of the data derives from direct and detailed surveys;
- *Impartiality principle*: the document includes both positive and negative impacts in order to enable a balanced assessment of company performance;
- *Consistency principle*: results are reported on, not products. The attention given to various topics is proportional to the relative importance of the same;
- *Timeliness principle*: the dissemination of information takes place at the same time, or at least in the short term, with respect to that of the statutory financial statements and, in any case, in compliance with the restrictions set forth in Italian Legislative Decree No. 254/2016;
- *Reliability principle*: the data and information contained in this document is subjected to verification of conformity by the independent auditing firm selected for this purpose.

1.3.3. The reporting period

This document refers to activities and information relative to the period between 1 January 2018 and 31 December 2018.

1.3.4. The scope of reporting

In compliance with the completeness principle, the information and indicators selected as well as the reporting scope are such as to provide a reasonable and appropriate representation of the company's performance in financial, social and environmental contexts.

The reporting boundary is periodically updated on the basis of the evolution of the structure and in relation to the strategic nature of the company's mission.

This activity is undertaken considering both the control and/or influence relationships between the entities belonging to the Group, and the capacity of the same to generate significant (actual and potential) impact on the performance indicators and sustainability policies.

In particular, in order to report only the productive companies and those whose activities have significant impact, the scope is defined taking into consideration the following aspects:

- Composition of the Group:
  - composition at date of analysis
  - change in composition with respect to last NFS
- Number of employees:
  - number of employees at date of analysis
  - trend with respect to last NFS
- Special characteristics of the companies, including:
  - strategic nature of business and contribution with respect to the Group mission
  - economic contribution and social and environmental impacts generated
  - any other provisions and/or characteristics of the companies which justify their inclusion or exclusion from the scope of reporting

Based on the analysis of the aforementioned aspects, in the context of the present reporting period, it was decided to exclude the following non-strategic subsidiaries and companies from the scope:

- *Italia Turismo*, given its 11 employees, the low strategic nature of the business with respect to the company mission as envisaged in the 2017-2019 business plan and, lastly, given that the procedure to dispose of the company, resolved in December 2017, is still under way;
- *Invitalia Partecipazioni*, given its 5 employees, the low strategic nature of the company consisting of management, disposal or disposal of non-strategic equity investments, implementing the reorganisation plan prepared by Invitalia and approved by the Italian Ministry of Economic Development;
- *Marina di Portisco*, in relation to its 22 employees, and the reduced strategic nature of its business with respect to the corporate mission. The company, which derives from the completion of the liquidation of Italia Navigando, is also held for sale;
- *Trieste Navigando*, as of the reporting date the company had no employees on staff, the reduced strategic nature of the business with respect to the corporate mission. The company was responsible for the liquidation of Italia Navigando and is also held for sale;

Therefore, the scope of reporting (**hereinafter referred to as the *Group***), is exclusively composed of INVITALIA *l'Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa* and the following subsidiaries:

- Mediocredito Centrale SpA
- Infratel Italia SpA
- Invitalia Ventures SGR.

2. The Non-financial Statement

The task of assigning priorities has made it possible to identify the material issues subject to reporting for the purpose of the **non-financial statement** as per Italian Legislative Decree No. 254/2016.

In particular, it emerged that only certain topics are relevant *"to the extent necessary to ensure the understanding of the Company's activity, its progress, its results and the impact it produces" while "taking into account the activities and characteristics of the company"*. The topics in question are listed in Article 3. 2, letter

d) social and personnel-related aspects, including actions taken to ensure gender equality, measures to implement agreements with relevant international and supranational organisations and the manner in which dialogue with the social partners is achieved;

f) the fight against both active and passive corruption, indicating the instruments adopted for this purpose.

In fact, the remaining issues, although mandatory for the purposes of the Non-financial Statement, are not relevant for the purposes of understanding the Group's business.

In relation to the provisions referenced in points *a) use of energy and water resources* and *b) emissions of greenhouse gases and polluting atmospheric emissions*, it is evident that the activities carried out by the Group, as service companies, do not significantly impact the environment. In fact, the organisation does not directly conduct activities capable of causing significant environmental impact. Nevertheless, in order to ensure completeness and continuity with the information made available in previous versions of the NFS, in this document Invitalia reports its energy consumption information.

With regard to the provisions referenced in point *c) impact on the environment, on health and safety or other relevant environmental and health risk factors*, it should be noted that the Group does not generate significant impact outside its organisation in the performance of its functions. On the internal front, on the other hand, in compliance with current legislation and in compliance with the Organisational Model 231/01, the protection of the health and safety of persons is ensured through a set of rules and procedures (discussed in detail in the paragraphs concerning workforce management).

Finally, with reference to point *e) respect for human rights*, it should be noted that the Group (as a governmental body of the Italian Ministry of Economy and Finance, which operates under the coordination and control of the Italian Ministry of Economic Development) operates in compliance with the rules of the Italian and international legal systems. In particular, it acts in compliance with current legislation on the protection and promotion of human rights, in line with the obligations undertaken at international level in terms of support for civil, political, economic, social and cultural rights. By way of example, we highlight the fight against racism, xenophobia and all forms of intolerance, discrimination, including that based on sexual orientation and gender identity, the promotion of the rights of persons with disabilities, education on human rights and the promotion of freedom of opinion and expression. In this regard, we recall the Code of Ethics, adopted by the companies, which formalises the set of corporate values and at the same time gathers together all the rights and duties which must be honoured by both the internal staff and all the subjects that interact with the Agency, such as for example, shareholders, collaborators, consultants, agents, partners and the Public Administration.

2.1. General information

As mentioned in section 1.3.4, the following companies fall within the reporting scope: INVITALIA, Infratel Italia SpA, Invitalia Ventures SGR and Mediocredito Centrale SpA.

- **INVITALIA**
  INVITALIA is the national agency for the attraction of investments and enterprise development and its

sole shareholder is the Ministry for Economy and Finance, which exercises its rights in agreement with the Italian Ministry of Economic Development, which, in turn, directs and controls the Agency itself.

It acts on a mandate from the Government and operates mainly in Italy to boost the country's economic growth and to re-launch crisis areas, to increase territorial competitiveness (especially in the South) and to support fields of strategic development employment.

INVITALIA's registered offices are located in Rome, Via Calabria No. 46 - 00187, with operational offices in Via Pietro Boccanelli No. 30 - 00138 and Viale America No. 201 - 00144 (the latter at the offices of the Ministry of Economic Development).

- **INFRATEL**
  The Company's mission is to establish integrated broadband telecommunications network infrastructure on the national territory and to eliminate the digital divide of the country's underdeveloped areas, to meet the service needs of Public Administrations and to support the development of industrial sites.

  The company, 100% controlled by INVITALIA, has its registered offices in Rome, in Viale America 201 – 00144 (at the offices of the Ministry of Economic Development).

- **INVITALIA VENTURES SGR**
  Invitalia Ventures SGR (formerly Strategia Italia SGR) is the Group's asset management company whose mission is to implement measures for the competitiveness of SMEs, in particular, of early stage networked companies and enterprises in areas of high technological content.

  The company is 100% controlled by INVITALIA, and has its offices in Rome in Via Calabria, 46 - 00187.

- **MEDIOCREDITO CENTRALE**
  Mediocredito Centrale is a development bank which supports the country's entrepreneurial and economic structure, in particular in southern Italy, facilitating access to credit for businesses, especially SME, and supports investments for production and research and development, implementing public policies to support the productive system.

  The company is 100% controlled by INVITALIA, and has its offices in Rome, Viale America 351 - 00144.

Invitalia and its subsidiaries pursue their missions through corporate actions conducted with respect for the rule of law and the fundamental rights of the person, based on clear and transparent rules and in harmony with the external environment and with the goals of the community. The staff of the companies - in the performance of their duties - ensures the quality of services, the prevention of corruption, respect for the constitutional duties of diligence, loyalty, impartiality and service exclusively rendered in the public interest.

To this end, each of the Group companies has its own **Code of Ethics** which, in line with the principles of loyal and honest behaviour, is aimed at regulating corporate activity through behavioural norms. The Code of Ethics is an integral part of the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231 of 8 June 2001 - "Governance of the corporate liability of legal entities, companies and associations also without legal personality, pursuant to Article 11 of Italian Law 300 of 29 September 2000".

The Codes of Ethics prepared for each company all refer to corporate values and highlights the rights and duties of all those who, in any capacity, work with the Group, indicating the rules of conduct to be observed in all dealings with subjects such as shareholders, employees, collaborators, consultants, agents, partners, the Public Administration and, in general, all entities linked by a working relationship. Each Group company provides all employees and collaborators with an adequate training and awareness programme on the content of the Code of Ethics and related issues.

The adoption of the Code of Ethics is the expression of an enterprise context in which the primary goal is to meet the needs and expectations of stakeholders through high standards of professionalism, the values promoted by the Group and the absence of illegal conduct.

In relation to values, it should be noted that in November 2017, the process of defining the **Charter of Values** began. The Group's identity is rooted in this Charter, both in relation to strategic decisions and in daily operations and it inspires the conduct of employees in relations with stakeholders.

The process began in 2017 with the establishment of an *inter-departmental panel*, consisting of a representative group of employees (40% female) from various backgrounds and in positions of varying levels. This panel was tasked with identifying values to be recognised as distinctive for the organisation in terms of identity and reputation; it identified and elaborated the Group's following guiding values: integrity, vision, passion, collaboration, impact. Each of these values underlies a series of behaviours and references, referenced below.

- INTEGRITY: transparency, responsibility, merit, protection, commitment, respect, correctness.
- VISION: strategy, action, development, result, innovation.
- PASSION: pride, belonging, strength, meaning, constancy, tenacity, social identity.
- COLLABORATION: participation, people, cohesion, sharing, partnership, communication, together.
- IMPACT: performance, efficiency, transformation, change, methods, monitoring.

Given that the creation of the Charter of Values is a process that, in order to be effective and credible, must take place with the greatest possible participation and agreement, the management involved the company staff for the purpose of sharing and representing the values.

2.2. Social and personnel management aspects

The increasing complexity in which the Group operates requires constant attention with regard to personnel management and organisation.

In this sense, the work done in 2018 was strongly oriented to the need to combine the management of resources with business strategies, aligning production factors (people, systems, processes, indicators) and corporate culture (professional and value-related) in order to define paths that can promote efficiency, innovation, productivity and well-being in the organisation.

2.2.1. Management of resources

As mentioned in the introduction and in the *Directors' Report on Operations*, the activities related to personnel management in 2018 were mainly oriented towards maximising the quality of the results and the productivity of the structures and individuals.

At 31 December 2018, total Group staff (see the 2018 scope) amounted to **1,858 people**[2]. This increase was due not only to Mediocredito Centrale's entry into the scope of reporting, but also due to a significant growth trend for the group: with the scope of reporting held equal (Invitalia, Infratel and Invitalia Ventures, a net increase of 81 employees can be seen with respect to 31 December 2017 (+5%).

Total new hires during the year amounted to **307**, more specifically 233 in Invitalia SpA, 25 in Infratel SpA, 7 in Invitalia Ventures and 42 in Mediocredito Centrale. In the context of hires,[3] these include 7 resources

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[2] *The numbers include: managers, middle-managers and office workers. 38 employees relative to the companies Italia Turismo, Invitalia Partecipazioni and Marina di Portisco are not included in the figures since, for the purposes of the NFS, they are not included in the scope of reporting.*

[3] *Also included in this parameter are 2 cases of Invitalia personnel with a fixed-term contract who were terminated and subsequently re-employed during the year. Cases of transfers between contract grades are not contemplated since they do not involve new hiring.*

transferred from Group companies, of which 5 from companies within the reporting scope (Invitalia, Infratel, Invitalia Ventures and MCC) and 2 from the subsidiary Invitalia Partecipazioni. The number of **hires from outside the reporting scope** hence totals **300**.

In particular, there was a significant increase in employees for most of the companies within the reporting scope. INVITALIA, with 233 new employees (equal to 16% of its staff at 31.12.2018) and turnover of 169, at 31 December 2018 reported total staff of 1,442 people (+4% with respect to 2017). Infratel SpA, with 25 new employees (20% of its staff) and turnover of 14, at 31 December 2018 reported 124 employees (+10% with respect to 2017). Invitalia Ventures SGR also showed an upward trend, with 7 new hires and 1 resignation, leaving it with total staff of 12 people (+100% with respect to 2017). Mediocredito Centrale, with 42 new hires (15% of total staff) and turnover of 58, reported total staff of 283 people at 31 December[4].

The table below shows hiring details, indicating mobility within both the group and within the reporting scope.

TURNOVER	HIRES AND MOBILITY					
Origin	**Gender**	**INVITALIA**	**INFRATEL**	**INVITALIA VENTURES**	**MCC**	**TOTAL**
INVITALIA	Females			1	1	2
	Males				2	2
	Total			**1**	**3**	**4**
INFRATEL	Females	1				1
	Males					
	Total	**1**				**1**
INVITALIA VENTURES	Females					
	Males					
	Total					
MCC	Females					
	Males					
	Total					
INVITALIA PARTECIPAZIONI	Females	1				1
	Males	1				1
	Total	**2**				**2**
OTHER (market)	Females	108	13	3	24	148
	Males	122	12	3	15	152
	Total	**230**	**25**	**6**	**39**	**300**
TOTAL		**233**	**25**	**7**	**42**	**307**

On the other hand, **turnover** of employees was essentially related to the natural expiration of fixed-term contracts and voluntary resignations and totalled **245**. Hence, the **turnover outside of the reporting scope**, net of the 7 attributable to the aforementioned infra-group mobility transfers, is equal to **238**.

[4] *Of which 3 managers seconded from the parent company.*

TURNOVER							
Origin	Gender	INVITALIA	INFRATEL	INVITALIA VENTURES	MCC	INVITALIA PARTECIPAZIONI	TOTAL
INVITALIA	Females		1			1	2
	Males					1	1
	Total		**1**			**2**	**3**
INFRATEL	Females						
	Males						
	Total						
INVITALIA VENTURES	Females	1					1
	Males						
	Total	**1**					**1**
MCC	Females	1					1
	Males	2					2
	Total	**3**					**3**
OTHER (market)	Females	73	4		27	1	105
	Males	92	9	1	31		133
	Total	**165**	**13**	**1**	**58**	**1**	**238**
TOTAL		**169**	**14**	**1**	**58**	**3**	**245**

Turnover by gender, as shown in the table below, is fairly balanced.

	Scope	TURNOVER BY GENDER	Females	Males	Total
2017	Invitalia, Infratel and Invitalia Ventures	**Hires**	114	152	266
		% hires	43%	57%	100%
		% hires with respect to total employees at 31-12	15%	20%	18%
		Terminations	58	73	131
		% terminations	44%	56%	100%
		% terminations with respect to total employees at 31-12	8%	10%	9%
2018	Invitalia, Infratel, Invitalia Ventures and MCC	**Hires**	**152**	**155**	**307**
		% hires	50%	50%	100%
		% hires with respect to total employees at 31-12	16%	17%	17%
		Terminations	**109**	**136**	**245**
		% terminations	44%	56%	100%
		% turnover with respect to total employees at 31-12	12%	15%	13%

In relation to the **distribution of hires and turnover by geographical area**, please refer to the table below.

	Scope	TURNOVER BY AREA	North	Centre	South	Abroad	Total
2017	Invitalia, Infratel and Invitalia Ventures	**Hires**	21	120	122	3	266
		% hires	8%	45%	46%	1%	100%
		% hires with respect to total employees at 31-12	19%	16%	19%	10%	18%
		Terminations	17	73	41	0	131
		% terminations	13%	56%	31%	0%	100%
		% turnover with respect to total employees at 31-12	15%	10%	7%	0%	9%
2018	Invitalia, Infratel, Invitalia Ventures and MCC	**Hires**	**19**	**109**	**172**	**7**	**307**
		% hires	6%	36%	56%	2%	100%
		% hires with respect to total employees at 31-12	15%	12%	23%	18%	17%
		Terminations	**16**	**113**	**114**	**2**	**245**
		% terminations	7%	46%	47%	1%	100%
		% turnover with respect to total employees at 31-12	13%	12%	15%	5%	13%

In relation to the **distribution of hires and turnover by age range**, please refer to the table below.

	Scope	TURNOVER BY AGE RANGE	< 30	BETWEEN 30 AND 50	> 50	TOTAL
2017	Invitalia, Infratel and Invitalia Ventures	**Hires**	32	196	38	266
		% hires	12%	74%	14%	100%
		% hires with respect to total employees at 31-12	41%	18%	11%	18%
		Terminations	20	89	22	131
		% terminations	15%	68%	17%	100%
		% turnover with respect to total employees at 31-12	26%	8%	7%	9%
2018	Invitalia, Infratel, Invitalia Ventures and MCC	**Hires**	**133**	**160**	**14**	**307**
		% hires	43%	52%	5%	100%
		% hires with respect to total employees at 31-12	111%	13%	3%	17%
		Terminations	**54**	**151**	**40**	**245**
		% terminations	22%	62%	16%	100%
		% turnover with respect to total employees at 31-12	45%	12%	8%	13%

Among the 1,858[5] workers, the professional category with the greatest number of employees is that of office workers (1,399), followed by middle managers (394) and managers (65). This directly reflects the nature of the business model adopted.

Below is a representation by category with respect to **age group** and **gender**.

[5] *38 employees relative to the companies Italia Turismo, Invitalia Partecipazioni and Marina di Portisco are not included in the figures since, for the purposes of the NFS, they are not included in the scope of reporting.*

	Scope	PROFESSIONAL LEVEL BY GENDER	Female	%	Male	%	TOTAL	%
2017	Invitalia, Infratel and Invitalia Ventures	Managers	7	0.5%	42	2.8%	49	3.3%
		Clerical workers	653	43.6%	561	37.5%	1214	81.1%
		Middle management	89	5.9%	145	9.7%	234	15.6%
2018	Invitalia, Infratel, Invitalia Ventures and MCC	Managers	8	0.4%	57	3.1%	65	3.5%
		Clerical workers	762	41.0%	637	34.3%	1,399	75.3%
		Middle management	161	8.7%	233	12.5%	394	21.2%

	Scope	PROFESSIONAL LEVEL BY AGE RANGE	< 30	%	Between 30 and 50	%	> 50	%	TOTAL	%
	Invitalia, Infratel and Invitalia Ventures	Managers	0	0.0%	14	0.9%	35	2.3%	49	3.3%
		Clerical workers	78	5.2%	947	63.3%	189	12.6%	1214	81.1%
		Middle management	0	0.0%	121	8.1%	113	7.5%	234	15.6%
2018	Invitalia, Infratel, Invitalia Ventures and MCC	Managers	0	0.0%	18	1.0%	47	2.5%	65	3.5%
		Clerical workers	120	6.5%	1048	56.4%	231	12.4%	1399	75.3%
		Middle management	0	0.0%	181	9.7%	213	11.5%	394	21.2%

With reference to **educational qualifications**, 78.20% of employees have college degrees. Most employees (1,453) have at least a college degree (and of these over 15% have post graduate or masters degrees), while the remaining 21.8% (405) have either a middle school or high school degree.

The dominant **geographical areas of origin** [6]are Central Italy (51%) and the South (41%), followed by the North (7%) and staff from abroad (2%).

The **average age** among the Group's staff is currently around 44 years of age: 6.5% of employees (120) are under the age of 30; 67.1% (1,247) are aged between 30 and 50 years4, while 26.4% (491) are over the age of 50.

Within the governance bodies (Boards of Directors of the companies within the reporting scope) the average age is 54 years - 30% of the members are aged between 30 and 50, while the remainder are over 50 years of age.

Furthermore, the data recorded in 2018 confirms the active role of the Group in the **promotion of equality between women and men**, a significant contribution to compliance with non-discrimination principles. At 31.12.2018, female staff amounted to 50.1% of the total (931 men and 927 women): a perfect balance confirming an effective commitment to gender equality.

Also in relation to the type of contract, the Group promotes gender equality, as shown in the table below.

[6] *The areas of origin are attributed according to the Country/place of birth. Italian regions have been divided as follows: North (Liguria, Lombardy, Piedmont, Valle d'Aosta, Emilia-Romagna, Friuli-Venezia Giulia, Trentino-Alto Adige and Veneto), Centre (Lazio, Marche, Tuscany and Umbria) and the South (Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia, Sicily).*

	2017			2018			
	Invitalia, Infratel and Invitalia Ventures			Invitalia, Infratel, Invitalia Ventures and MCC			
CONTRACT TYPE	TOTAL	Females	Males	TOTAL	Females	Males	% females
Permanent or fixed-term	406	185	221	388	190	198	49%
Permanent	1091	564	527	1470	741	729	50%
Total	**1497**	**749**	**748**	**1858**	**931**	**927**	**50%**
Full-time	1406	662	744	1734	813	921	47%
Part-time	91	87	4	124	118	6	95%
Total	**1497**	**749**	**748**	**1858**	**931**	**927**	**50%**

Within the governance bodies (Boards of Directors of the companies within the reporting scope) gender equality is confirmed: in fact, women represent 40% of the members.

2.2.2. Dialogue with social partners and trade union relations

All (100%) of the employment relationships of Group employees are governed by collective agreements stipulated at national level. In particular, with regards to Invitalia SpA, Infratel SpA and Invitalia Ventures SGR, regulation of middle management and clerk-level employment contracts is done through the Invitalia National Collective Labour Contract, while managers come under the National Collective Labour Contract for the industry or the National Collective Labour Contract for managers of companies in the tertiary distribution and services sector. The two journalists present in the group are subject to the National Journalists' Contract.

With regards to MedioCredito Centrale, employment relationships for personnel in the category of middle managers and in professional areas and employment relationships with managers are governed respectively by the ABI National Collective Labour Contracts.

Description of remuneration policy

Corporate remuneration policy is a strategic lever for business success. Planning the best remuneration system, in fact, is a fundamental step in the execution of the company strategy and it enables productive endeavour to be aligned with corporate and specific organisational goals.

The remuneration policies adopted are aimed at ensuring the availability of effective remuneration tools in directing the performance towards corporate goals consistent with the constraints and logic of the market in which each Group company operates.

For all Group companies, remuneration has a fixed component and a variable part linked to the achievement of defined, measurable and quantitative goals. In particular:

The **fixed part of remuneration** is defined on the basis of the role and the delegated responsibilities, also taking into account skill level and experience. It is consistent with collective agreements and the reference market;

Short term **variable remuneration** is linked to the achievement of annual performance targets and is linked to predefined, objective and measurable economic and financial[7] indicators. Specifically, two systems are envisaged, both linked to financial indicators and differentiated by targets of responsibility:

[7] *There are no environmental or social performance targets.*

- An *MBO system* [Management By Objectives], applied to managers and middle managers with managerial responsibilities, in relation to goals that are essentially of a financial nature, with targets based on the budget and linked to the position held;
- A *Productivity Bonus*, applied to the remainder of the company workforce.

Additionally, for Invitalia Ventures, a *Long-Term Incentive Plan* is in place, based on the Fund's performance level and linked to indicators typical of the Venture Capital market. Invitalia Ventures also applies clawback clauses to the company's key positions.

Description of the remuneration determination process

Within the defined remuneration policies, remuneration is defined with reference to market logic, role, value of skills and previous experience.

The Group's remuneration policies, in particular, are guided, on the one hand, by the principle of consistency with the medium/long-term goals and strategies and the corporate culture, and on the other, by the need to attract and enhance the value of subjects with professional skills and capacity appropriate to the needs and requirements of the company.

The determination, defined at the time of entry into the company, is periodically updated and, starting from 2018, is monitored on the basis of a performance assessment which is systematic and annual, with dialogue between the Human Resources department and Operational Line managers.

With regards to the *production bonus* introduced with the agreement of 25 July 2017, on 5 July 2018 an agreement was signed between the unions and Invitalia which introduced certain changes to the operational model of the benchmarks used to quantify the award. Additionally, the Conventional Organisational Units were redefined for 2018 and intermediate verification planning was done with regards to the performance of the benchmarks. For the subsidiary Infratel SpA, an agreement was signed on 1 August 2018 which extended to 2018 the production bonus experimentation originally planned for 2017. Additionally, the Conventional Organisational Units were redefined and intermediate verification planning was done with regards to the performance of the benchmarks.

Relationships with Stakeholders

During 2018, the ordinary union relations were also managed, providing the envisaged contractual information, as well as disclosure of information required for specific needs and meetings with the Union Representatives when required.

Teleworking continued during 2018 and was renewed through March 2019, also on the basis of the positive results achieved in terms of increased company productivity.

2.2.3. Development and enhancement of human resources

In 2018, consolidation of the development logics for human resources began, in part through the introduction of a new professional model, based on profiles and growth paths that take into account the special nature of Invitalia and market logics.

Human Resource Development

The Group enhances its resources by investing in the continuous development of skills and professionalism through initiatives of:

Internal development and career opportunities

In 2018, the new professional development and positioning logics continued, introduced in 2017 for the Professional Master and Professional Senior: these are intermediate roles introduced to provide operational support and professional coordination within the company functions, to combine operational and production needs with growth and enhancement of the individuals involved.

Furthermore, with a view to fostering new professional opportunities and enhancing personal experiences and interests, the Group publishes vacant positions through the job posting system in a transparent and open manner. All interested colleagues can participate in internal selections based on their skills, characteristics and motivations. In this way the exchange of internal skills and mobility for employees are both enhanced.

Taking advantage of company talent

The Group's companies make targeted investments in the development of their internal resources, identifying and enhancing those talents capable of contributing to the company's success. Through careful analysis of knowledge and skills, the management team defines professional medium-long term development paths, supported by targeted initiatives.

During the year, development and coaching courses for selected resources identified as being "key" for operational processes. In 2018, an innovative talent scouting project known as Collegames was completed, based around a gaming paradigm. The initiative, which saw the active participation of 41% of the corporate workforce, laid the foundations for an assessment process and development reserved for top performers (4%).

Performance Management

Starting in 2018, parent company employees, regardless of their role or level, were all inserted in a performance evaluation system based on their professional roles, organisational actions and standard skills, with the aim of creating individualised paths for professional development. The model was designed with widespread company participation. In fact, numerous focus groups were made use of, involving employees and creating opportunities for sharing which included management. In December 2018 the first session of evaluations for parent company office workers and middle managers began, involving 1,329 people[8] (705 women and 624 men), of which 201 middle managers and 1,128 office workers. The employees of Mediocredito Centrale, based on the National Collective Contract, annually undergo a performance evaluation process.

Continuous training: managerial, behavioural, technical

The Group invests continuously and significantly on the training of resources, directing training projects based on business needs, company priorities and making targeted investments on the development of key roles. The training plans include initiatives on both technical and managerial skills through internal and external training. For more details on the types of activities, please refer to that indicated in the *Directors' Report on Operations*.

With regards to **Invitalia SpA, Infratel Italia SpA and Invitalia Ventures SGR**, 2018 saw **1,553** people involved in training initiatives (+32% with respect to 2017). Total training hours provided[9] came to around

[8] *Note that this number also includes people present in the company at 31.12.2018, but who subsequently resigned or did not see their contracts renewed. It does not consider certain resources seconded in 2018 at other Group structures, relative to which the assessment was performed at a later time.*

[9] *In this case, training hours are calculated on the basis of the calls to training events.*

42,900 (+28% with respect to 2017) for an average of 27 hours/person (+23% with respect to 2017).

Training is seen as one of the factors that makes it possible to ensure company skills and actions are in line with the professionalism and integrity needed to further Invitalia's position in its reference markets. During 2018, training in Invitalia SpA, Infratel Italia SpA and Invitalia Ventures SGR was essentially aimed at:

- focussing projects on "key" skills for professional development, both for individuals and the Company, including assessment of investments, managing public tenders, development policies and project management, while simultaneously increasing both the number of individuals involved and the number of training hours per capita;
- developing middle management managing skills and contributing to the dissemination of relationship management and work group communication skills;
- creating innovative tools and methods through programs intended to identify, take advantage of and spread skills needed to carry out complex multi-disciplinary projects; providing training for distinctive skills such as innovative methods to assess projects, innovation management, cost and benefit analysis for public investments, innovation and digital transformation.

The Personal Development programme continued through a Corporate Courses Catalogue open to the entire population of the Group. Topics in 2018 included language training at home and outside work hours, an assertiveness course for handling critical situations, and a programme regarding BLS (Basic Life Support) manoeuvres, clearance of airway obstruction in children and safe food preparation for children. Continuation of the intensive residential language programme for two-thirds also continued, financed by the Fondimpresa interprofessional joint fund. It encourages the usage of employee leave and translates into an economic advantage for the Agency and for employees with the possibility of enhancing significant language skills. During the year, as part of the LUISS-Invitalia Partnership to create a high level training and research zone in southern Italy, the second edition of the second level masters in Development Economics and Policies was carried out, with the Agency providing 6 out of 20 available scholarships to its employees.

With regards to **MedioCredito Centrale**, in 2018 **302** people were involved in training courses. Approximately 7,918 training hours were provided for an average of 28 hours/person.

During 2018, the Bank adopted a new training model inspired by the CSR principle of the Triple Bottom Line, based on the following concepts:

- *Learning by exchange*: individuals are seen as agents of their own growth, through a catalogue of freely accessible workshops relative to which managers are asked to illustrate the vision, reason why, tasks and deliverables for their department;
- *Learning by doing*: the performance management system includes sections of knowledge and skills dedicated to outlining the set of required abilities, thereby creating an opportunity for the manager and employee to plan for needs with an intra-annual viewpoint;
- *Learning by training*: training/information projects are planned, dedicated to developing key cross-sectional skills, developing soft skills associated with the Corporate Identity, regulatory updates, determining specific paths with a multi-year viewpoint for role development, as well as the possibility of accessing an array of training opportunities with a contribution from the company, in order to stimulate employees towards excellence.

In order to enhance its training offerings, Mediocredito Centrale made use of incentives made available by the FBA Interprofessional Funds and Fundir, both to develop its corporate training plan and to carry out its individual training plans. Training was provided in various ways (classroom, e-learning) and focussed on technical and specialist aspects, development of soft skills and regulatory updates.

		2017	2018		
		Scope	Invitalia, Infratel and Invitalia Ventures	MCC	Scope
		Invitalia, Infratel and Invitalia Ventures			Invitalia, Infratel, Invitalia Ventures and MCC
Resources involved[10]	pp	1,178	1,553	302	1,855
Total training hours	hh	33,463	42,900	7,918	50,818
Average training hours per person[11]	hh	22	27	28	27

In relation to the distribution by gender, a summary table is shown below.

		2017	2018		
		Scope	Scope		
		Invitalia, Infratel and Invitalia Ventures	Invitalia, Infratel and Invitalia Ventures	MCC	Invitalia, Infratel, Invitalia Ventures and MCC
Managers					
Resources involved	pp	46	47	10	57
% with respect to the total number of people involved	%	4%	3%	3%	3%
% with respect to managers at 31-12	%	94%	87%	91%	88%
Total training hours	hh	1,027	1,041	516	1,557
Average training hours per person	hh	21	19	47	24
% compared to total hours worked	%	3%	2%	7%	3%
Middle Managers					
Resources involved	pp	171	227	165	392
% with respect to the total number of people involved	%	15%	15%	55%	21%
% with respect to middle managers at 31-12	%	73%	98%	101%	99%
Total training hours	hh	5,599	6,941	4,780	11,721
Average training hours per person	hh	24	30	29	30
% compared to total hours worked	%	17%	16%	60%	23%
Clerical staff					
Resources involved	pp	961	1,279	127	1,406
% with respect to the total number of people involved	%	82%	82%	42%	76%
% with respect to office workers at 31-12	%	79%	99%	120%	101%
Total training hours	hh	26,837	34,918	2,622	37,540
Average training hours per person	hh	22	27	25	27
% compared to total hours worked	%	80%	81%	33%	74%

[10] *The number of "resources involved" and "total training hours" also refer to training provided to employees who left during the course of the reporting year.*

[11] *"Average training hours per person" is calculated on the basis of staff in force at 31.12.*

In relation to the distribution by gender, a summary table is shown below.

		2017	2018		
		Scope	Scope		
		Invitalia, Infratel and Invitalia Ventures	Invitalia, Infratel and Invitalia Ventures	MCC	Invitalia, Infratel, Invitalia Ventures and MCC
Females					
Resources involved	pp	600	776	144	920
% with respect to the total number of people involved	%	51%	50%	48%	50%
Total training hours	hh	14,886	21,485	3,268	24,753
Average training hours per person	hh	20	27	24	27
% compared to total hours worked	%	44%	50%	41%	49%
Males					
Resources involved	pp	578	777	158	935
% with respect to the total number of people involved	%	49%	50%	52%	50%
Total training hours	hh	18,577	21,415	4,650	26,065
Average training hours per person	hh	25	27	32	28
% compared to total hours worked	%	56%	50%	59%	51%

Employee benefits for Invitalia SpA, Infratel Italia SpA and Invitalia Ventures SGR

Relative to "corporate welfare", in line with the most virtuous companies, in recent years Invitalia has set upon a path that involves investments in the well-being of its employees, to improve the work climate and the quality of life and satisfaction for its employees and their families, through a package of various benefits.

To meet the demands of work-life balance, in 2018 the platform created in 2017 was renewed (in response to an online survey sent to all employees to identify their welfare needs), with the objective of systematising the various initiatives under way and being developed associated with corporate welfare through a services platform able to assist employees in achieving work-life balance.

Specifically, in 2018 Invitalia enhanced and invested in an ever greater number of services intended for all company staff and their families, with an extremely wide range of needs.

Employee Services

In addition to supplemental employee benefit items such as insurance and supplemental healthcare, pension funds and healthcare funds established under the national labour contracts, in July 2018 Invitalia also renewed the insurance policy to reimburse employee medical expenses, allowing them access to healthcare services provided by affiliated physicians and/or indirect health services by means of recourse to non-affiliated facilities and/or physicians. Over **200 employees** had access to **Supplemental Health Coverage for the National Healthcare Service**. The network of affiliated facilities can be consulted on the dedicated Intranet page and all employees are entitled to it.

In addition to Supplemental Health Coverage for the National Healthcare Service, Invitalia also gives its employees the opportunity to make use of a supplementary pension fund, a type of **complementary social security**, with not just employees but the company contributing. In 2018, **over 20 employees** adhered to the Pension Fund.

Based on the agreement stipulated in 2017 that involves a three year second level contract for the **Production Bonus** for Invitalia employees, in 2018 variable remuneration was introduced which connects employee performance, company production results and worker salaries, giving rise to a "employee benefit credit" that can be spent or reimbursed for specific categories of services.

The **Services Portal** for all employee benefit services was improved and implemented, offering a single space to present all the initiatives available to employees. Careful selection in terms of quality is the criteria followed when choosing suppliers. "Employee benefit credit" can be spent in the portal for those who have chosen to convert all or part of their production bonus for employee benefits.

With an eye to professional development, language courses under the "U First of all" project were proposed, with 1 week residential courses abroad during the summer, with the participation of around **100 employees**.

In terms of organisational flexibility, Invitalia began a teleworking process, which in 2018 involved 20 workers who, through the use of new technology and an ever more "digital" mindset, can work from home or another location that is more comfortable than the office.

After Invitalia acquired Mediocredito Centrale, an agreement took effect between Invitalia and the bank in 2018, allowing employees to make use of favourable conditions with regards to personal loans and mortgages. Over 300 individuals chose to request these conditions for either personal loans or mortgages.

Family services

In addition to the discounts and affiliation agreements, some specific projects have been launched to support employees with children. For example, every year one-week residential summer camps are organised for children aged 6 to 14. Over 80 children (around 50 families) participated in two different language or themed camps, which represent a kind of "mixed employee benefit", that is services in which the company unilaterally commits to contributing 80% of the funds needed to provide them. For younger children between 3-5, summer camps were also offered in Rome, to be selected based on nearness to the workplace.

Over 150 children between 3-14 participated in the Family Day organised by Invitalia near Christmas, with employee's children able to visit the offices and buildings where their parents spend much of their time. Children were involved in laboratories and activities regarding social responsibility touching on issues like the environment and solidarity. It was an opportunity for socialisation and to focus on employees, as well as strengthening company values.

As part of "pure employee benefit" activities, every month cultural events are organised with the aim of creating and improving the work climate. Employees and their families can sign up for these free of charge. In 2018 over 300 people participated in this process of cultural and social training and engagement.

In order to measure satisfaction with regards to the employee benefit activities dedicated to Invitalia employees and their employees, starting in 2018 an online monthly questionnaire is sent out with regards to the activities carried out for employees and their families, aimed at measuring satisfaction and organisational/personal appreciation.

Community services

With the objective of contributing to increasing a first aid culture within the community, again this year employees were offered a adult/paediatric CPR course, with use of defibrillator, teaching techniques to remove airway obstructions from adults/children, using mannequins of various ages, and involving both theoretical and practical learning. Over 70 people enthusiastically participated, obtaining Regional ARES 118 certification from the TwoLife training centre.

Additionally, Invitalia promoted and organised 2 days for blood donations with Ad Spem at the company offices in 2018, with over 50 people donating.

For a number of years, Invitalia has supported and participated in charity initiatives which collect funds through sporting events.

- For the 5th consecutive year we took part in the Dynamo Team Challenge, with a team of 25 athletes who participate in running, biking and tennis events. Around € 5000 was collected in 2018 for the Dynamo Camp, which offers stays free of charge to children and teenagers with chronic and serious illnesses.
- The Race for The Cure, a sporting event to fight against breast cancer was another charity initiative promoted by Invitalia. The aim is to collect funds for prevention programmes supporting women, with around 50 employees participating.
- Invitalia continues to work with the non-profit association Peter Pan, which offers social and healthcare assistance for sick children. The Association has created structures which host families from outside of Rome free of charge when they come to the Italian capital to treat their children at the Bambino Gesù and Policlinico Umberto I hospitals.

Concerning equal opportunities and non-discrimination, the Group provides employee benefit services to all its employees, regardless of the nature of the contract (fixed term/permanent, full time/part time, etc.) or place of work, thereby ensuring equal access to the services offered, with the exception of the pension fund.

Employee benefits for MedioCredito Centrale

Based on the response over the years, Mediocredito Centrale continued certain activities again in 2018, such as adhesion to the national initiative "Children at work with mum and dad", which allows children of employees between 3 and 12 to visit the place where their parents work. During the day games and education laboratories are organised to entertain the little guests. This initiative was also repeated when the schools were closed during the election weekend, and the bank "opened its doors" to employees' children, entertaining them with fun and educational activities.

Other initiatives were also carried out:

- “FUTURA”: the initiative that reserves 2 parking spaces in the internal parking area for pregnant women through maternity leave continued, to make the period before birth easier;
- “A ME MI PIACE”: the Invitalia Group signed an agreement with a nursery and bilingual preschool located near the company headquarters to support parents, allowing families access to the services offered by the structure at special rates.

When they truly meet employee needs, employee benefit initiatives are a win-win proposition: on one hand they support employees with their needs, while on the other they improve their level of engagement and productivity, helping the company to be more competitive on the market. These are the assumptions behind the employee benefit projects that are currently offered by the Invitalia Group.

2.2.4. Health and Safety

The Group oversees the management and control of Workplace Health and Safety (WHS) with the aim of ensuring the protection of its employees and of all external parties that interact with its organisation, in compliance with the provisions of the relevant legislation.

With a view to fostering a systematic approach to the management and control of health and well-being at all levels, **Invitalia** and **Infratel** implement and maintain a Health and Safety Management System (HSMS) in compliance with BS OHSAS 18001:2007, an integral part of the Organisation, Management and Control Model (OMCM) pursuant to Italian Legislative Decree No. 231/01. The achievement of the certification (recognised both to Invitalia and to Infratel, which comprehensively covers 84.3% of the workforce with respect to the reporting scope) demonstrates the Group's commitment to creating a safe and secure working environment, where staff well-being is a priority. The certification has been recognised.

The HSMS is the reference standard for all Group companies, which operate independently in relation to specific needs, but ensure uniformity of approach at a global level. Within the System, also for 2018- 2019, specific goals have been identified regarding the most sensitive aspects of health and safety management (both operational and management-related), in order to ensure continuous improvement of company performance in this area, beyond the obligatory legislative provisions.

For both Invitalia and Infratel, the HSMS is supported by internal regulations which are revised and updated on a regular basis and which regulate company processes in compliance with the requirements set by the Standard and by the OMCM 231/01 by means of:

- The HSMS Manual;
- Procedures that define roles and responsibilities in relation to hazard identification procedures, risk assessment and definition of controls, recording, analysis and management of anomalous situations (accidents, non-compliance), identification of corrective, preventive and improvement actions, management of internal audits, analysis and measurements of system performance;
- Forms for recording data/information demonstrating the implementation of processes or parts thereof.

The HSMS and the management of health and safety are implemented through an organisation that, in addition to the roles required by current legislation (Managers, Supervisors, emergency teams, etc.), is centred on the figure of the Management Representative and Head of the Safety Management System (MR/HSMS). In agreement with the Management Team, this figure presides over the adherence to all obligations, duly assisted by internal contact persons for the main offices who are appropriately trained and involved in this regard.

Through the HSMS, good practices are disseminated among employees and actions are promoted aimed at spreading the culture of safety in the company, with the intent of sensitising all workers to the adoption of responsible behaviour and encouraging direct involvement and active participation, also through the reporting to the designated functions of dangerous situations, accidents or non-compliances.

- To this end, the dedicated section has been reorganised on the company Intranet so that all employees can take note and be aware of the corporate safety-related policies and practices. The following documentation is available on the specific the Intranet page:
- WHS Presentation: which illustrates the logic, the process and the methods of implementation of the System
- Internal regulations: HSMS manual, procedures and forms
- Management Review 2018
- Goals and Programmes 2019
- Appointment of Head of the Management System
- Monitoring Plan 2018

- Safety organisation chart, composition of emergency teams for each company location and WSR
- Risk assessment documents, emergency plans and plans for each company office (updated/reviewed in December 2018)
- Specific disclosures on behavioural measures: Videoterminal use disclosure
- General disclosure on indoor air quality
- General information on the use of multiple sockets and electrical appliances not supplied by the employer, information on Supplementary Prevention and Protection Measures for the management and use of vehicles, Operational safety instructions for toner replacement
- Minutes of meeting to present the results of the environmental survey for the Invitalia Rome headquarters.

With regards to **Invitalia Ventures SGR**, conducting business in Rome at the INVITALIA offices in Rome, in via Calabria 46, the Company has its own company DVR, signed by its General Manager, Sergio Buonanno, together with the RSPP, Riccardo Merluzzi and the company physician, Giovanni Scordo. The relative company physician and RSPP are the same ones who, at present, work together for workplace health and safety for workers of the parent company INVITALIA.

Invitalia Ventures SGR, in contrast to the parent company, does not have a Workplace Health and Safety Management System that complies with all the requirements of OHSAS 18001:2007. However, Invitalia Ventures SGR, in compliance with the current regulations on workplace health and safety (Italian Legislative Decree No. 81/2008 as amended) has developed and constantly updates an efficient Workplace Health and Safety Management System also with regards to healthcare monitoring of its workers (article 41 of Italian Legislative Decree No. 81/2008).

In fact, Invitalia Ventures SGR has its workers undergo preventive and periodic medical visits, in compliance with that established by the company physician in the DVR, aimed at constantly verifying health status and congruence of work tasks with the same.

Given that the work is carried out in the same location, Invitalia Ventures SGR makes use of the same fire prevention and first aid plan, in compliance with the provisions of article 18 of Italian Legislative Decree No. 81/2008, Italian Ministerial Decree of 10 March 1998 and Italian Ministerial Decree No 388/2003, revised as of 31 October 2018.

Annexes with regards to regulations for employees assigned to help those with disabilities, behavioural provisions with regards to armed threats (discovery of a bomb in the structure) and those relative to building collapse, earthquake or flooding constitute an integral part of the plan.

To support knowledge and awareness of workplace health and safety issues and in compliance with the relevant regulatory provisions (Italian Legislative Decree No. 81/08, as amended, Italian Ministerial Decree No. 388/03, Ministerial Decree 10.03.1998, etc.), also for 2018, the training needs for the workers have been charted (basic training for new recruits, updating, integration and training adaptation in case of change of duties, first responder fire and first aid teams etc.) and for all the company roles involved (Managers, Supervisors, Workers safety representatives, Protection and Prevention Service Officers, etc.). The planning and training has which shall proceed over the following months has been initiated.

In compliance with legal provisions, a Risk Assessment Document and an **Emergency Plan** have been drawn up for each of the **Group's offices**, with related prevention and protection measures and improvement plans in place. Regarding the management of emergencies, the components of the emergency team were also identified and designated (workers assigned to fire fighting and the first responders), who have been trained in the role through specific training courses, in accordance with the current legislation. Furthermore, in all company offices, the annual fire-fighting exercise has been planned and conducted (and is in progress), as required by law.

All actions to implement and improve the levels of health and safety are periodically managed and monitored, both in terms of efficiency and effectiveness, through specific tools, monitored by the HSMS (Global Action Plan, Monitoring Plan), also with the support of the company functions in charge. Specifically, in compliance with requirement 4.6 of the Standard, moreover, in December 2018, the Management of the Group, with the support of the MR/HSMS, proceeded with the periodic review of the Health and Safety Management System, to verify and ensure its adequacy, effectiveness and validity. Among other things, the review covered the policy, the objectives and their planning, the results of the audits, any reports of incidents or non-compliance, the evidence of monitoring activities, as well as the training and involvement needs of the personnel, proposals for improvement of the HSMS and relevant processes and implementation of internal and external communication actions.

There are no specific agreements with the trade unions regarding health and safety issues, except as expressly prescribed by the consolidated law on health and safety in the workplace, pursuant to Italian Legislative Decree No. 81 of 2008. Worker participation in the health and safety process is also guaranteed by 8 worker safety representatives (of which 7 for Invitalia and 1 for Infratel) involved through periodic meetings pursuant to article 35 of Italian Legislative Decree No. 81/08, as amended, as well as through invitations to participate in inspections, checks and opportunities to share and communicate with regards to assessment of risks and organisation (appointment of emergency teams, company physician, etc.). The Group provides the Workers' Safety Representatives with all the tools necessary to exercise their roles (including training and the related annual update), within the terms prescribed by the regulations and by the company's union agreements. The percentage of workers represented is 100%. As per the results of the Risk Assessment, there are no processes that expose workers to high risks.

Invitalia approaches safety matters in terms of maximum protection, specifically, providing a basic training of 16 hours in total (12 hours dedicated to specific risks, related prevention and protection measures) to personnel who perform checks/inspections at client locations or specific sites, including contexts that are configured as temporary and mobile construction sites (Title IV of Italian Legislative Decree No. 81/08 as amended). The possible exposure to high risks is monitored through a system of constant interaction between the company function engaged in the construction site sector and the Head of the Prevention and Protection Service, under the supervision and control of the MR/ HSMS, in order to promptly assess exposure to specific non-ordinary risks of the activity and proceed with relative adjustments (health surveillance, PPE, training, etc.).

Additionally, note that in January 2019 the WHS function underwent an audit to maintain certification of the Company Management System under OHSAS:18001. The audit was passed without any provisions. The possibility of migrating the 18001 Management System to ISO 45001 during the year in course is being evaluated.

Mediocredito Centrale also monitors management and control of Workplace Health and Safety (WHS) with the aim of ensuring the protection of its employees and of all external parties that interact with its organisation, in compliance with the provisions of the relevant legislation.

To that end, the use of a *Workplace Health and Safety Management System* (HSMS) has been introduced, with the objective of spreading useful information to those involved in Mediocredito Centrale's Safety System, as well as increasing awareness in all workers about responsible actions and supporting direct and active participation.

Safety organisation has been updated on the company Intranet, allowing workers the possibility of learning about:

- relevant regulations (Italian Legislative Decree No. 81/08);
- emergency teams (fire prevention, BLS and BLSD);
- safety plans;
- the location of first aid kits.

Again in 2018, in compliance with regulatory provisions, training needs were identified for workers and specific training sessions were provided for new hires, new members of the fire prevention team, for first aid, managers, emergency teams and WSRs.

Additionally, periodic checks were carried out with regards to microclimates and workplace lighting. Additionally, the annual fire prevention drill and evacuation were performed.

With the assistance of the company physician, pre-hire and periodic medical check-ups were carried out for all employees classified as working with video terminals.

Accidents and absenteeism

Group personnel mainly work in offices, with low specific risks. Again in 2018, no on the job deaths or serious injuries were registered.

In 2018 the number of injured employees was 24[12], of which 16 men and 8 women. The incidence of injured employees relative to total workforce is 1.29%. In particular, injuries affected 18 Invitalia employees, 3 Infratel employees and 3 Mediocredito Centrale employees.

96% of accidents occurred in Lazio, where most of the Group's business occurs. The remaining accidents occurred in Emilia Romagna (2%) and in Marche (1%) where the regional offices are located.

In 2018 the main cause of injury was travelling to reach the workplace; out of 488 total days lost due to injury, 73% (358 days) can be attributed to "*travelling*" injuries, while the remaining 27% (130 days[13]) relate to injuries associated with*office activities*.

In relation to distribution by gender, this is almost perfectly equal at 51% men and 49% women.

	2017			2018						
	Invitalia, Infratel and Invitalia Ventures		Total scope	Invitalia, Infratel and Invitalia Ventures				MCC		Total scope
	Lazio	*Marche*		*Lazio*	*Emilia Romagna*	Marche	Σ	Lazio	Σ	
Days not worked due to travel injuries	**247**	**5**	**252**	**287**	**0**	**6**	**293**	**65**	**65**	**358**
Male	36	5	41	157	0	6	163	65	65	228
Female	211	0	211	130	0	0	130	0	0	130
Days not worked due to office activity injuries	**16**	**0**	**16**	**84**	**12**	**0**	**96**	**34**	**34**	**130**
Male	0	0	0	9	12	0	21	0	0	21
Female	16	0	16	75	0	0	75	34	34	109
Total	**263**	**5**	**268**	**371**	**12**	**6**	**389**	**99**	**99**	**488**

In relation to the **injury frequency** (IR) rate, **accident seriousness rate** (LDR) and **absenteeism rate** (AR), please refer to the following table.

[12] *Attributable to the parent company Invitalia, Infratel and Mediocredito Centrale.*

[13] *This calculation also includes 75 unworked days associated with a parent company employee who suffered an injury in 2017 and for which days of absence were registered in 2018. Limited to the number of employees injured, this resource is properly classified among cases in the 2017 NFS.*

GRI Definitions	Calculation method	Ref.	2017	2018		
			Total scope	Invitalia, Infratel and Invitalia Ventures	MCC	Total scope
IR - Injury Rate	Number of accidents causing abstention from work of at least one day divided by the hours worked in the year and multiplied by 200,000[14]	Total	1.30	1.82	1.32	1.7
		Male	0.71	2.32	1.61	2.2
		Female	1.95	1.27	0.97	1.2
LDR - Lost Day Rate	Ratio between days not worked due to an accident and the total working hours during the year, multiplied by 200,000	Total	20.25	27.35	35.47	28.7
		Male	6.13	25.47	44.03	28.6
		Female	34.70	29.28	25.80	28.7
AR - Absentee Rate	Number of days of absence[15] divided by the number of workable days[16] in the same period, as a percentage	Total	2.6%	2.5%	2.5%	2.5%
		Male	2.0%	2.4%	2.1%	2.2%
		Female	3.1%	2.7%	3.0%	2.9%

It should be noted that the reporting scope for 2017 (Invitalia, Infratel, Invitalia Ventures) differs from that of 2018 (the previous companies with the addition of MedioCredito Centrale). Therefore, a specific assessment with regards to the trend for the three indexes is postponed to next year.

As no cases of occupational disease have been recorded, the rate of occupational disease is not reported (Occupational Diseases Rate). Finally, it should be noted that during the reporting period no episodes related to discriminatory practices were recorded.

2.3. The internal control system and the fight against both active and passive corruption

Invitalia adopts a healthy and correct management system, consistent with corporate goals through an Internal Process Control System. The organisational structure is subject to periodic checks and updates, to guarantee its suitability for monitoring the risk areas of our activities, in line with the relevant legislation. The system includes: the Code of Ethics, Organisation, Management and Control Model, Agency Corruption Prevention Plan and Privacy Protection System.

The Code of Ethics and Model 231 are published in specific sub-sections in the Transparent Company sections of the institutional websites of Invitalia, Infratel Italia and Invitalia Ventures SGR, and in the Corporate Information section of the Mediocredito Centrale website.

2.3.1. Code of Ethics

Adding to that indicated in section 2.1, the Codes of Ethics of the consolidated companies adhere to principles that inspire the action and the rules of conduct for those working in the Group: corporate bodies (Boards of Directors, Boards of Statutory Auditors), personnel (Managers, employees and collaborators), consultants and suppliers of goods and services, including professionals, as well as for anyone carrying out activities on behalf of Group companies. In fact, all the contracts and assignments that the companies of the Group put in place with employees, collaborators and third parties are subject to and require acknowledgement of the Code of Ethics adopted pursuant to Italian Legislative Decree No. 231/01 and added to pursuant to anti-corruption regulations.

[14] *Corresponding to 50 working weeks of 40 hours for 100 employees.*

[15] *This calculation includes days of absence due to illness, accidents and unjustified absences.*

[16] *Workdays are calendar days, excluding Saturdays, Sundays and holidays.*

2.3.2. The Organisation, Management and Control Model

The Organisation, Management and Control Model adopted by the companies of the Group responds to the need to perfect the internal control system and to mitigate the risk of commission of offences.

This goal is achieved by identifying, for each of the sensitive activities, the preparation of a detailed and structured system of protocols and procedures, as well as the adoption of an adequate risk control system. The aim is to prevent the commission of the crimes sanctioned by the regulations governing the administrative liability of entities, as well as those addressed by anti-corruption legislation such as Italian Law 190/2012, with which Invitalia, Infratel Italia and Invitalia Ventures SGR comply.

In accordance with the provisions of Italian Law 190/2012 as amended, the Boards of Directors of Invitalia, Infratel Italia and Invitalia Ventures SGR have identified their respective Corruption Prevention and Transparency Managers [Italian acronym: RPCT] who, in accordance with the regulatory provisions, prepare the Plan and the report on the activities of prevention and fight against corruption undertaken, ensuring publication on the respective institutional websites.

In consideration of the close connection between the measures adopted pursuant to Italian Legislative Decree No. 231/01 and the Corruption Prevention and Transparency Plan (hereinafter [Italian acronym] PPCT), the functions of the RPCT are performed in constant coordination with those of the Supervisory Body (hereinafter SB), a collegial body endowed with autonomy and independence tasked with monitoring the functionality and observance of the Organisation, Management and Control Model and ensuring that it is updated.

As a result of the integration of the 231 model and the anti-corruption system implemented by the Group, also pursuant to the "New guidelines on matters of transparency and the prevention of corruption addressed to private companies and entities in which public administrations and public financial entities have an investment or controlling stake" (ANAC ruling 1134/2017), the Supervisory Body:

- participates in the risk management process, considering the risks and actions concerning the prevention of corruption and transparency in the performance of its duties and formulating opinions and proposals;
- certifies that transparency obligations have been met pursuant to Italian Legislative Decree No. 33/2017 (publication, completeness, updating and format openness of each document, detail and information);
- activates the appropriate forms of responsibility in relation to cases of non-fulfilment of publication obligations reported by the PRCT pursuant to article 43, Italian Legislative Decree No. 33/2013 as amended by Italian Legislative Decree No. 97/2016.

The RPCT and SB, in application of this "systemic" approach, also promote the integration of specific anti- corruption protocols within the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/01 and the Code of Ethics, as well as sharing the results of the supervisory activities carried out.

2.3.3. The fight against corruption, both active and passive

Prevention and the fight against corruption is one of the activities that the group and its stakeholders consider to be material. The parent company, Infratel and Invitalia Ventures prepare and update the PPCT, in line with the provisions of Italian Law 190/2012 and related implementing decrees, the National Anti-Corruption Plan and ANAC rulings.

The Plan is updated annually and, in any case, whenever required by significant organisational or process changes. By January 31 of each year, the Corruption Prevention Officers (RPC) of the Group companies prepare their reports on the activities carried out to prevent corruption and foster transparency; they update the Plan and submit it to the approval of the Board of Directors. The Board of Directors is thus informed on all the initiatives taken and the methods adopted to mitigate the risk of corruption crime.

The Recipients of the PPCT are the directors, the top management, the members of the control/supervisory bodies, the employees/collaborators, the auditors and, as applicable, the consultants and the holders of contracts for works, services and supplies.

The goal of the Plan is to mitigate and prevent the risk of corruption crime which may affect Invitalia, through the adoption of an Internal Control System integrated with the Model pursuant to Italian Legislative Decree No. 231/01.

The concept of corruption that is taken as a reference for the definition of the Prevention Plans has a broad meaning, being inclusive of the various situations in which the abuse by a subject of the power/function entrusted to him can be found in order to obtain private benefits.

Indeed, the relevant situations include not only the entire range of crimes against public administrations regulated in Book 2, Title 2, Chapter 1 of the Italian Penal Code, Articles 314-360, but also any situations in which - regardless of the criminal relevance - the administration is caused to malfunction due to the abuse of assigned roles for private interests.

An essential prerequisite for the preparation of the Plans is the analysis of the level of exposure to the risk of corruption of company activities, which is divided into the following phases:

- identification and mapping of areas at risk of crime and "sensitive" activities;
- analysis of the risk profile for each "sensitive" activity, by identifying the potentially feasible crimes and how illicit actions may be conducted;
- definition of prevention and control measures to monitor identified risks.

With regards to the parent company, the Plan prepared in 2018 for the 2019-2021 three-year period incorporates changes with respect to the previous year's version, due to the following main circumstances:

- update of the regulatory context:

  The regulatory structure for preventing corruption was integrated with:

  a. ANAC resolution 657 of 18 July 2018 "Regulations on the exercising of power by the Authority to request reviews of revocation provisions or discriminatory measures adopted with regards to the Head of Corruption and Prevention and Transparency (RPCT) for activities carried out to prevent corruption";
  b. ANAC Ruling No. 1074 of 21 November 2018 - Final approval of the 2018 Update to the National Anti- Corruption Plan;
  c. Law 3 of 9 January 2019 - Measures to fight against crimes against the public administration and provisions for crime and transparency relative to political parties and movements";
  d. the new personal data protection regulations, implying transparency requirements, in effect on the basis of Italian Legislative Decree No. 101/2018.
- the IT Systems department will make use of the IT application made available free of charge by ANAC (as of 15 January 2019), known as Whistleblower and determine whether it is compatible, the application is used to acquire and manage, in compliance with the confidentiality requirements established under the regulations in effect, notifications of illegal actions coming from employees, as recommended under the provisions of article 54 bis, paragraph 5 of Italian Legislative Decree No. 165/2001 and in the Guidelines pursuant to Determination 6 of 2015. The platform makes it possible to fill out, send and receive notifications regarding presumed illegal actions, and also allows the Head of Corruption Prevention to receive these notifications and communicate privately with the whistleblower without learning their identity. In fact, the latter is segregated by the IT system and the whistleblower, thanks to a unique ID code generated by the system, can dialogue with the Corruption Prevention Head in a depersonalised manner through the IT platform. When necessary, the Corruption Prevention Head may request access to the identity of the whistleblower, after authorisation by a third party (the "identity custodian");

- the control protocols inserted in the Organisation, Management and Control Model and the Code of Ethics will be expanded, with the introduction of measures to:
    a. establish the requirement for Invitalia personnel who, on the basis of proxies, have been granted specific authorisation or negotiating powers, to be signed when the service or task ceases, a declaration with which they undertake to comply with the prohibition of "revolving door syndrome", in order to avoid possible disputes with regards to awareness of the regulation; establish, relative to the Corruption Prevention Head, the obligation to inform ANAC of any violation by former employees, as soon as they become aware of it;
    b. formally implement, in line with that stated I the 2017 and 2018 updates to the PNA, regarding "extraordinary" rotation of personnel, to be applied after the occurrence of corruption issues, in the cases in which criminal or disciplinary proceedings are begun for corrupt actions relative to an employee, that evaluation of the conduct by the relevant departments be carried out, for the consequent rotation of the personnel involved;
- during 2018, no training activities were provided with regards to specific issues pursuant Law 190/2012 and Italian Legislative Decree No. 231/2001. These activities are planned for 2019, including in e-learning mode. In any case, over time organisational and process changes within the Plan will be evaluated if they become necessary, as well as further personnel training. Additionally, other specific areas within the company which are more exposed to the risk of crimes of corruption being committed will be identified;
- the process of value change will continue to be promoted, through specific informational initiatives which was begun with the adoption of the PPCT, so that a managerial culture develops with greater awareness of the issues of preventing corruption, also through training and awareness raising activities for personnel with regards to whistleblowing, highlighting the importance of supporting a positive environment of trust, in which notification of violations is an undisputed part of the Invitalia company culture.
- Through the whistleblowing procedure, **6 notifications were received in 2018, 3 from employees and 3 from external entities/anonymous individuals.** All the notifications received, whether by email sent to the dedicated address or in paper form sent by anonymous individuals/third parties, were investigated by the Head of Corruption Prevention and the SB, in compliance with the internal procedure adopted. At present, the investigations carried out did not give rise to any further results. With regards to activities carried out in 2018, we note the adoption of a new continuous monitoring system using **“anomaly indexes”;** during initial application, this monitoring involved the company processes most exposed to risks under Law 190/2012 (granting of subsidies to companies, central procurement authority/contracting authority for public administrations, procurement). The tool is intended to achieve multiple objectives: implementing an innovative approach to carrying out controls, making available analytical tools to access detailed data and information (in line with the digital transformation strategy being implemented within Invitalia), offering the possibility of access to relevant populations and sectors, overcoming limits associated with sample-based controls, obtaining data updated in real time, focussing audits on areas that have "anomaly indexes" requiring attention. This new monitoring system also responds to the need to overcome issues identified in timely sending of information to the Head of Corruption Prevention.

With regards to controls, in 2018 **11 audits** were performed concerning the application of protocols and procedures related to various processes exposed to risks of crimes under Law 190/2012, as well as with regards to complying with safeguards relative to the same law (checks on the declarations of non-transferability and incompatibility and on transparency obligations).

During the year, disciplinary proceedings were carried out relative to 3 employees. In one case, this led to dismissal of the individual.

With regards to organisational aspects, **the establishment of the Security function** is worthy of note. This has the aim of ensuring, through cooperation with the relevant company departments and the Head of Corruption Prevention, management of activities intended to prevent and identify corrupt and illegal conduct, also through dialogue with the judicial authorities, police and other relevant authorities. All of the above testifies to the progressive strengthening of the control culture, combined with improvements in management processes and measures used to prevent corruption.

With regards to Infratel Italia, 2018 saw the start of the second level monitoring system through the request and receipt of informational flows, as envisaged in the three year anti-corruption plan. In particular, two four-month monitoring cycles occurred in 2018 (January-April and June-September) and in January 2019 a third monitoring cycle for October-December 2018. These activities were also an opportunity to establish contacts (also informal) with anti-corruption reference people to obtain indications and clarifications to better handle the informational flows in question.

Operating audit activities are delegated to the parent company's Internal Audit Department which again in 2018 carried out checks that involved not only compliance with organisational procedures by also procedures relative to both Italian Legislative Decree No. 231/2001 and Italian Law 190/2012. More specifically:

- Interim report and final monitoring of administrative/accounting processes pursuant to Law 262/05;
- procedure, "Professional service procurement";
- protocol, "Financing disbursement";
- protocol, “Time reporting”;
- protocol, "Request and use of public financing and subsidies";
- protocol, "Management of commercial relationships with private entities";
- operating instructions, "Network Planning, Design and Execution";
- operating instructions, "Subcontract authorisations";
- Transparency requirements (for Supervisory Body certifications on the fulfilment of disclosure requirements at 31 March 2018 pursuant to Italian Legislative Decree No. 33/2013).

Functional coordination of anti-corruption measures in the Company's Model 231 continued in 2018. At the document level this was begun in December 2016 with the revision of the special section of the model, this year saw the approving of a further update to the code of Ethics and the general section of the organisational, management and control model pursuant to Italian Legislative Decree No. 231/2001; the documents were approved by the Board of Directors on 09.05.2018; the system currently includes:

- a Code of Ethics and Behaviour relative both to provisions pursuant to Italian Legislative Decree No. 231/2001 and anti-corruption ones in a special section structured so as to cover both risks identified in relation to crimes relative to corporate liability and anti-corruption risks;
- an additional document, the PTPCT which, as required by ANAC and deemed useful by the Head of Corruption Prevention, specifies anti-corruption measures at the operating level, in a specific, structured and organic manner, constituting a necessary and substantial part of the Model 231 implemented.

During 2018, all personnel (both those in Infratel and those in the Invitalia Group who work with Infratel, included seconded personnel) received specific training on fighting corruption through a specific e-learning platform. This led to a total of 126 authorised users. The programme was completed in 2018, with 75% of users authorised, including a member of the Board of Directors who is also the Head of Corruption Prevention. The same person also periodically monitors both completion and results achieved within the platform.

Infratel opened a direct channel to communicate with the Head of Corruption Prevention, also available to external stakeholders, adequately publicised in a specific sub-section of the website titled "Notification of inappropriate actions - whistleblowing". The method used is the email address **anticorruzione_infratel@ infratelitalia.it**, which can only be accessed by the Head of Corruption Prevention. No notifications of inappropriate actions were received in 2018.

During the year in question, no disciplinary proceedings were carried out relative to employees, nor for criminal episodes or violations of the code of conduct.

With regards to Invitalia Ventures, during 2018, the second year the Company's PPCT was in effect, activities were in particular focused on the following areas:

- during the initial months of the year, the "Transparent Company" section was further refined; this was in part rendered necessary because Invitalia SpA had issued a bond loan listed on a regulated market; an additional project is currently underway due to the overall restyling done for the Invitalia Ventures institutional website;
- an update was made to the Company's Model 231 (general section, special section and Code of Ethics), also with an eye to adding anti-corruption measures. The documents were discussed and approved by the Board of Directors on 30.05.2018, thereby giving rise to a revision of organisational procedures, which has not yet been completed, in line with the new Model 231 and anti-corruption measures contained in the PPCT;
- the new policy on conflicts of interest was approved by the Board of Directors on 04.12.2018. Activities were managed operationally through direct involvement of department managers (especially those from the Compliance, Risk Management & Internal Audit and Legal departments) as well as the administrative body and Supervisory Body, during analysis of audits and validation of organisational solutions proposed.

The procedure to forward and manage notification of improper actions by employees sent to the administration was activated, establishing a specific email address which can only be accessed by the Head of Corruption Prevention. No notifications were received. No training was done during 2018.

During the year in question, no disciplinary proceedings were carried out relative to employees, nor for criminal episodes or violations of the code of conduct.

The members of the Boards of Directors of the parent company, Infratel and Invitalia Ventures, while not receiving any specific training on the aspects in question, approve the relative policies and procedures and are constantly kept up to date given that it is the Boards which approve the plans. Additionally, note that for both Infratel and Invitalia Ventures, their Heads of Corruption Prevention are also members of the Boards of Directors.

Mediocredito Centrale deals with the issue of fighting corruption in the public administration and between private entities viewing them as "contemplated crimes" pursuant to Italian Legislative Decree No. 231/01.

Therefore, the Model adopted by Mediocredito Centrale identifies activities at risk for crimes and adopts appropriate operating protocols which define the conduct which must be respected in carrying out these activities, in order to guarantee an internal control system suitable to prevent commission of the cited crimes.

These protocols are subject to the internal control and supervisory system of the SB with reference to the totality of the Model 231.

In the most recent update, in August 2018, operating protocols were revised with reference to the introduction of anti-corruption principles, strengthening organisational and control safeguards to mitigate the risks of active and passive corruption.

Mediocredito Centrale has also adopted an internal whistleblowing system since 2017, as a tool to prevent and correct actions or events which could constitute violations of the regulations which govern its business. This internal notification system works to favour and protect positive actions by employees who, after becoming aware of presumed illegal or improper conduct by another entity within the company, decide to report these actions or events to the appropriate bodies. To that end, the whistleblowing system establishes specific managers within the internal reporting system, specifically the Head of Compliance or, alternatively, the Head of Internal Audit as well as decision-making bodies, initially the General Manager and the Board of Directors if escalated. It also includes autonomous and independent channels with respect to the Bank's ordinary reporting lines, intended to guarantee the confidentiality of the whistleblower and the dignity and reputation of the individual reported. The internal whistleblowing system constitutes an integral part of the Organisation, Control and Management Model, adopted pursuant to Italian Legislative Decree No. 231/2001 to prevent and identify improper action attributable to the Bank.

Notifications involve any action or event that could constitute improper conduct, whether a violation of the Organisation, Management and Control Model adopted pursuant to Italian Legislative Decree No. 231/2001 or a violation of the regulations which govern the Bank's activities, both as a credit entity and as a manager of public services. Since implementation and through the end of 2018, no notifications have been received.

With regards to training, all personnel underwent an e-learning course on whistleblowing in 2018, to raise awareness about the issue among Bank employees. The course was offered in May 2018 and used by 240 employees.

Additionally, as of 2019, the course has become part of the required training for all new hires. This required training also includes training on the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/01 – General Section, which includes anti-corruption crimes. During 2018, 18 employees completed this training.

In compliance with the supervisory provisions for banks, Mediocredito Centrale adopted a training programme for Board members with regards to technical/professional issues. This training, carried out in February 2019, included a module on internal control and whistleblowing systems.

Additionally, in July 2018, the Board of Directors approved the update to the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/01 – General Section. As stated, this update strengthened the anti-corruption principles and introduced a new notification method, relative to the Supervisory Body, for 231 violations and in line with that established under Law 179/2017 (Whistleblowing).

Also note that no disciplinary proceedings occurred during the year associated with aspects of active or passive corruption.

Risk assessment

All of the 13 operating areas of the parent company, the 8 in Infratel and the 5 in Invitalia Ventures have all been fully **analysed for risks associated with corruption**. Regarding the detailed information on the processes, on the possible relevant crimes, the offices involved and the description of the elements of risk, please refer to the PPCT present on the institutional sites and adopted by the respective Boards of Directors.

During 2018, Mediocredito Centrale completed the update of its operating protocols with reference to the introduction of anti-corruption principles, strengthening organisational and control safeguards to mitigate the risks of active and passive corruption.

Additionally, mapping which associates each organisational unit with the at risk activities it is responsible for was updated, with the assistance of the managers of said units. All materials are available on the company Intranet and are sent to employees by email every time a new protocol is amended or added.

The update involved all 15 areas of the bank, highlighting 19 processes with activities at risk for and/or instrumental for the commission of crimes of corruption.

In the parent company, risk assessment identified 29 processes with activities at risk for and/or instrumental for the commission of contemplated crimes of corruption, while 14 were identified in Invitalia Ventures and 20 in Infratel.

Following risk area mapping, in line with that already established in the Organisation, Management and Control Models pursuant to Italian Legislative Decree No. 231/01, control systems were identified with the aim of preventing crimes of corruption and managing the associated risks.

The main intervention tools supporting risk prevention are the control protocols/prevention measures, which consist of the formalisation of a sequence of behaviours aimed at standardising and guiding the development of identified sensitive/instrumental activities. In addition, the management measures identified in the PPCT are further developed by specific procedures and integrated into the internal regulatory corpus of the Company, in cases where greater exposure to crime risk has been judged likely.

In fact, in the formalisation of the internal control procedures, there are sections dedicated preventing and fighting corruption. These are sent by the relevant functions to all Group employees via email and are also always accessible via the company Intranet.

- Finally, relative to transparency obligations, and taking into account the exclusion, with effect from 20 July 2017, of the applicability to the Agency and the companies of the Invitalia Group Invitalia of the provisions pursuant to Italian Legislative Decree No. 33/2013, as a result of the issue of a bond issue listed on the regulated market, pursuant to article 2-bis, paragraph 2, letter b) of the Decree itself and article 26, paragraph 5 of Italian Legislative Decree No. 175/2016, it should be noted that data continues to be published, organised in the format indicated in annex 1 to ANAC Resolution No. 1134 of 8 November 2017, referenced in the following regulations: Law 190 of 6 November 2012 "Provisions for the prevention and repression of corruption and illegality in public administration";
- as in Italian Legislative Decree No. 39 of 8 April 2013, "Provisions on the subject of non-disclosure and incompatibility of positions with public administrations and with private entities under public control";
- as in Italian Legislative Decree No. 50/2016 with reference to the transparency obligations set out therein.

The fundamental aim is to continue to promote the process of change in values started with the adoption of the Corruption Prevention and Transparency Plan [Italian acronym: PPCT], in order to imbue a managerial culture aimed at increasing awareness of corruption prevention issues, not only through the adoption of greater controls but also through the implementation of increasingly more numerous training and informative initiatives.

2.3.4. Business partners

Since 2017, Invitalia has its own Register of Suppliers, also used by Infratel and Invitalia Ventures, for the purpose of awarding contracts, pursuant to Article 36, paragraph 2, letters a) and b), Article 157, paragraph 2, and Article 31, paragraph 8, of Italian Legislative Decree No. 50/2016, according to the procedures established by ANAC Resolution no. 1097 of 26 October 2016 guideline no. 4, as well as ANAC Resolution No. 973 of 14 September, broken down into the following sections:

1. Services related to architecture and engineering
2. Works
3. Supply of various goods and services
4. Environmental managers and accredited laboratories
5. Tender competition commissioners for the most economically advantageous offers

Invitalia reserves the right to not make use of the Register in the case it decides to purchase goods and services offered on the public administration digital market managed by CONSIP SpA.

Additionally, consulting appointments (articles 2222 and 2229 of the Civil Code) not falling within the scope of the Code are also excluded from the Register, with the exception of those relative to tender competition commissioners pursuant to Section 5.

To manage the register and select suppliers, INVITALIA has provided itself with an IT system (hereafter the Digital Platform - DP), able to digitally manage:

- tender procedures for the assignment of works, services and supplies;
- ideas and design competitions;
- the Register of Suppliers;
- other initiatives connected to previous activities, according to the current legislation on procurement, IT documents and digital signature.

In order to participate in the procedures, interested parties must register on the Portal (https://gareappalti.invitalia.it) which provides access to the IT platform. For the purposes of registration, economic operators must have read and accepted the Code of Ethics, which makes reference to the company's Corruption Prevention Plan, as well as the Rules for the Use of the Platform.

When Invitalia acts as the Central Purchasing Authority for the sole award of procurement procedures on behalf of other Adjudicating Authorities, it operates by using the IT Platform.

Until 2017, when multiple economic operators participated in a tender procedure as a temporary association, only the head of the association was required to register on the Digital Platform and read and accept the Invitalia Code of Ethics. As of 2018, Invitalia has included a clause in tender regulations which requires every participant to issue the following declaration: "the undersigned declares they have read and accept the Invitalia Code of Ethics, available in the section "Site and References" on the Digital Platform". This declaration is also required from economic operators participating in a temporary association, whether as the head of the association or as a member.

Essentially, this declaration is issued when the operator digitally signs the European Union Tender Document, containing the stated declaration, and sends it to Invitalia through its e-procurement platform.

Mediocentrale Credito has provided itself with its own "Supplier and Partner Code of Conduct" which outlines, with reference to business relationships, the principles already found in the Code of Ethics, specifying that these must serve as the foundation of beneficial relationships with suppliers and contract partners.

In fact, in addition to the general principles which characterise the Bank's ethics, the Supplier and Partner Code of Conduct summarises the guidelines governing relationships with the various representatives of the Bank itself. These include contractual partners, to whom the bank dedicates special attention, holding that in an increasingly global and integrated economy, the creation of a network of reciprocally satisfactory relationships with qualified suppliers/contractors and partners represents a strategic objective and a source of competitive success, given that it makes it possible to keep the quality of the Bank's products and services high.

Development of transparent relationships with suppliers and partners, attention to quality, safety and respect for the environment, compliance with current regulations - including specific labour regulations - represent in an ever more integrated economy, objectives to be pursued both with an eye to improving the services offered to customers and in the interest of the country's overall system.

The Supplier and Partner Code of Conduct is another company tool used to prevent the crimes contemplated under Italian Legislative Decree No. 231/2001 and is an integral part of the Organisation, Control and Management Model adopted.

Acceptance of the Model, including the Code of Ethics and the Supplier and Partner Code of Conduct, is a necessary condition for beginning a business relationship with the Bank and/or for registration on the Register of Suppliers.

2.3.5. Description of the processes implemented to ensure the absence of conflicts of interest

As noted in chapter 2.1 *General Information*, one of the Group's basic principles is complying with the laws and regulations in force in the country in which it operates. Every employee, collaborator and anyone who has relations with the Company must undertake to comply with the law, as well as with the provisions of the Code of Ethics and internal regulations. This commitment also applies to consultants, suppliers, customers and anyone who has relations with the Group.

The Group's general guidance principles include the avoidance of conduct that can generate **conflict of interest**, meaning any situation or relationship that, even if only potentially, involves the personal interests of Group subjects or other persons connected to the same and which may therefore affect the ability of said subjects to operate in the total interest of the Group.

All personnel and collaborators, in the exercise of their duties, are required to refrain from participating in activities in which a conflict of interest may arise. In the exclusive interest of the Group, staff and collaborators must ensure that their decisions are neutral and impartial. Employees and collaborators, in particular, must disclose all conflicts of interest (even potential ones) and discuss them with the relevant company department. In particular, in the event of a conflict of interest, the person in charge of the procedure and the heads of departments qualified to express opinions, perform technical assessments, execute procedural actions and final measures, must retire from the case in question and report any real or potential conflict situation.

The absence of conflicts of interest is also monitored when new employees are selected and hired. During each interview, candidates are asked to compile an "Interview information questionnaire" which includes a specific conflict of interest self-declaration. Candidates are asked to avoid personally performing work and to decline assignment to duties entailing real or possible conflict of interest situation. Family members must also lack any association with real or potential conflict of interest situations.

In particular, with regards to Mediocredito Centrale, the supervisory regulations applying to banks require the adoption of specific safeguards in terms of risk and conflicts of interest with regards to associated subjects, with the objective of guaranteeing that transactions with individuals involved in decision making areas of the banks are not compromised in terms of objectivity and impartiality. In compliance with the cited regulations, the bank has provided itself with specific internal policies and decision-making procedures when evaluating operations with related parties, which also require the involvement of the Independent Directors, as well as limits on at-risk activities. This policy is approved by the Board of Directors, after receiving a binding opinion from the Board of Statutory Auditors and is periodically revised and updated, at least every three years.

Regarding applicable countermeasures in the event of unethical or unlawful conduct, please refer to that stated in section 2.3.3.

2.3.6. The personal data protection system

The INVITALIA Group, with the premise that properly implementing the provisions of the law regarding personal data protection is a fundamental value, both in terms of internal organisation and in serving as a catalyst relative the entrepreneurial and labour markets, has constantly updated its Privacy Code since it originally took effect. The Group holds that data governance is an essential element of the corporate strategy and intends to continue to manage its sizeable **data assets** ensuring the maximum protection based on the range recognised since the right to data protection was recognised, and in line with that established in the Charter of Fundamental Rights of the European Union and the treaty.

Therefore, the Group saw the provisions contained in the General Data Protection Regulation 679/2016, which took effect in May 2018, as an opportunity to strengthen protection of its data assets, which it owns due to its public nature and the numerous responsibilities of public interest assigned to it. Hence, following assessments regarding personal data processing carried out and the associated risk analysis, a Privacy System Adjustment Project was developed with reference to the GDPR and the regulation provisions issued by the relevant authorities established the:

- appointment (article 37, Regulation) of a Data Protection Manager for the companies for which it is required (Invitalia, Infratel and MCC);
- coordination of updates to the document system, part of the **Privacy System** (maintenance and updating of the document system, updates to "privacy roles");
- adoption of the "Processing Registry" pursuant to article 30 of the cited Regulation;
- implementation of the data breach Procedure (articles 33 and 34 of the Regulation) in order to avoid the development or worsening of physical, material or intangible damages to persons, through the loss of control over personal data or limiting of their rights, discrimination, identity theft or usurpation, financial losses, decryption not authorised by pseudoanonymisation, reputation damage, loss of confidentiality for personal data protected by professional secrecy or any other significant economic or social damage to the interested real person.

With regards to Invitalia Ventures, at its meeting on 28 February 2019 the Board of Directors approved the Privacy document and the Internal Procedures Manual which includes a specific section on "Privacy Safeguards". Finally, pursuant to article 28 of GDPR, Invitalia was appointed the processing manager for both Infratel and for Invitalia Venture in the context of the Service Contract existing between the parties.

2.4. Use of energy, water resources and emissions of greenhouse gases or pollutants

To accomplish our mission, the group operates with constant attention to the improvement of environmental impact, understood as a driving factor on which to base well-being, development and sustainability. Given the nature of its work, the Group's activities do not produce significant environmental impact. Nevertheless, the group confirms its commitment to the implementation of strategies and initiatives aimed at promoting the responsible use of energy sources and containing the impact and consumption of its facilities. This entails:

- **Efficient use of resources**
  We believe that practising responsible behaviour can reduce waste and sustain the commitment of individual employees to protecting and respecting the environment and conserving natural resources. In 2018, electricity consumption was mainly associated with office lighting and climate control and totalled 3,145 (MWh)[17]. Natural gas consumption totalled 139,094[18](m3). Light and gas consumption together produced 16,224 Gigajoules[19]. The offices of Mediocredito Centrale do not hold a supply contract for gas. Therefore, with regard to the direct production of greenhouse gases expressed as tonnes of CO_2, gas fuel consumption produced 274.3 tons of CO_2, while the consumption of electricity indirectly generated 1,179 tons of CO_2[20]. With regards to water supplies, consumption totalled 27,375 m3. The increase over 2017 is mainly due to an increase in staff located at the offices in via Boccanelli. The summary table below provides the details for 2017 and 2018, for Invitalia and Mediocredito Centrale. Infratel and Invitalia Ventures do not have individual supply contracts for gas, electricity or water.

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[17] *The data reported in this paragraph refers only to the offices in which Invitalia or a Group company is the owner of a contract for the supply of water, electricity or gas. In particular, they refer to the offices in Rome in Via Calabria and Via Boccanelli, and for Mediocredito Centrale the central offices in Viale America and regional offices of Mediocredito Centrale (Naples, Catania, Bari, Milan and Pescara).*

[18] *At the time of closing of the Non-Financial Statement, no aggregate data had been received for the manager entity for the last 12 months for the Via Calabria, Rome office. In order to make the description of consumption significant, a 10% increase in consumption for 2018 was assumed, due to remodelling work in the offices in question.*

[19] *Sources used to calculate energy consumption bills received from electricity and natural gas suppliers. Consumption was then reported in GJ using the value 0.0036 GJ/KWh for electricity and the coefficient 35.253 (GJ/1000 Stdm3j for gas, the coefficient used for the inventory of CO_2 emissions in the UNFCCC national inventory (source: [Italian acronym: MATTM - The Italian Ministry of the Environment]).*

[20] *The calculation of CO_2 emissions was based on electricity and natural gas consumption data. The emission factors used are:*

- most recent Terna figure for electricity (375 gCO_2/KWh relative to 2015)

- the ratio used for the CO_2 emissions inventory in the national UNFCCC inventory (source MATTM) for natural gas (55.934 tCO_2/TJ)

2018							
	Water	Gas			Electricity		
	Consumption (m^3)	Consumption (m^3)	Gigajoules	CO_2 emissions (tonne/CO_2) Scope I	Consumption (kwh)	Gigajoules	CO_2 emissions (tonne/CO_2) Scope II
Invitalia	15,987	136,000	4,763	266	2,655,793	9,561	995
Total	**15,987**	**136,000**	**4,763**	**266**	**2,655,793**	**9,561**	**995**
2018							
	Water	Gas			Electricity		
	Consumption (m^3)	Consumption (m^3)	Gigajoules	CO_2 emissions (tonne/CO_2) Scope I	Consumption (kwh)	Gigajoules	CO_2 emissions (tonne/CO_2) Scope II
Invitalia	22,759	139,094	4,903	274	2,526,156	9,094	947
MCC	4,616	0	0	0	618,645	2,227	232
Total	**27,375**	**139,094**	**4,903**	**274**	**3,144,801**	**11,321**	**1,179**

With a view to rationalising the relevant impact, we promoted measures aimed at limiting our consumption: for example, heating and/or air-conditioning systems, as well as centralised lighting systems progressively decreasing performance from 5 pm onwards. Outside working hours these systems are generally turned off. As for vehicle fuel consumption, this is considered negligible and not reported. The company has a fleet of only 19 cars intended for service requirements. Invitalia promotes responsible and knowledgeable use of water, which is obtained exclusively through the public mains system.

- **Optimisation of paper consumption and use of eco-friendly paper**
  Thanks to the centralised printing system, adopted as a policy for all the companies of the group, the number of printers has progressively reduced. This change has led to a significant reduction in toner consumption due to changes in user habits that have minimised the amount of documents printed. When printing our proprietary publications (e.g. the Social Responsibility Report) and those of our stakeholders, we promote sustainable initiatives through the use of FSC® certified paper. The certification of printing methods involves chain of custody and the use of quality ecological printing inks and typographic operations in line with ecological standards. Additionally, at MCC the multifunction machines used for internal professional printing services were replaced with next generation models that offer considerable energy savings and reduced ozone emissions. The use of ISO 9001 and 14001 certified recycled paper also increased, used for printing needs.

- **Sustainable mobility: the use of transport solutions with a lower environmental impact and the use of distance communication tools**
  In January 2018, in compliance with the Ronchi decree, a Mobility Manager was appointed for Invitalia, with the aim of optimising systematic employee movements, to support environmental sustainability. Therefore, the creation of a mobility plan began, with the goal of decreasing the environmental impacts of employee movements and supporting greater work/life balance. In 2018, the following activities were carried out:

  - Experiments with a company bus for employees at the Boccanelli offices;
  - Joint dialogue with Rome Mobility Services, ENAV and Poligrafico dello Stato to create a direct access interchange to Via Boccanelli from Via Salaria in the direction of the Great Ring Road;
  - a Mobility Survey involving all company staff with the goal of drafting the Work Home Travel Plan (WHMP) and the proposed Action Plan to support sustainable mobility.

During 2018, Mediocredito Centrale continued its agreement with the largest public transport company in Rome, through which the Bank provides a contribution for the purchasing of public transport passes. This agreement, which encourages employees to make use of public transportation, also helps to decrease CO_2 emissions associated with work/home travel.

- **Redevelopment of work spaces and common areas**
  During 2018, remodelling and requalification work for the offices in via Calabria were completed, entirely renewing the structure.

Correlation table, Italian Legislative Decree No. 254/2016 and GRI

Areas covered by Italian Legislative Decree No. 254/2016			GRI Disclosure	Paragraph in the document
		Name of the organisation	102-1 of GRI standard 102	See also § 2.1 "General information"
		Activities, brands, products and services	102-2 of GRI standard 102	See also § 2.1 "General information" + Directors' Report on Operations, § B
		Location of the central office	102-3 of GRI standard 102	See also § 2.1 "General information"
		Location of operations	102-4 of GRI standard 102	See also § 2.1 "General information"
		Ownership structure and legal form	102-5 of GRI standard 102	See also § 2.1 "General information"
		Information on employees and other workers	102-8 of GRI standard 103	See also § 2.2.1 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		Mission, values, code of conduct, and principles	102-16 of GRI standard 102	See also § 2.1 "General information"
		Support mechanisms in case of unethical or unlawful conduct	102-17 of GRI standard 102	See also § 2.3 "Corruption"
		Description of the processes implemented to ensure the absence of conflicts of interest	102-25 of GRI standard 102	See also § 2.3 "Corruption"
		Description of remuneration policy	102-35 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		Description of the remuneration determination process	102-36 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		Description of how stakeholder opinions are taken into account in the process of determining remuneration	102-37 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		Percentage of employees covered by collective bargaining agreements	102-41 of GRI standard 102	See also § 2.2.2 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C

Issues pursuant to Italian Legislative Decree No. 254/2016	Relevant associated issues	Policies enacted
Environmental	- Use of energy resources - Greenhouse gas emissions and polluting gases	Since the Group's activities do not produce significant external impact, it is not considered necessary to implement a formalised policy for the management of environmental issues. Nevertheless, the group confirms its commitment to the implementation of strategies and initiatives aimed at promoting the responsible use of energy sources and containing the impact and consumption of its facilities.
Impact on the environment and on health and safety	The group, in the exercise of its functions, does not generate significant impact external to its organisation. Internally, however, in compliance with current legislation and the 231/01 organisational model, the Group ensures the protection of health and safety by means of rules and procedures which are discussed in detail in the paragraphs concerning workforce management.	
Social and staff related aspects	- Development and enhancement of human resources - Employee benefits - Health protection and safety	The policies applied to personnel management are described in the following documents: **Development and Enhancement of human resources** - National collective labour contracts and agreement hypothesis - Code of Ethics - Organisation and Management Model - Staff Recruitment, Selection and Hiring **Employee Benefits** - Regulations for the Company Welfare Plan - Employee Benefit Agreement **WHS Management System** - Manual of the Workplace Health and Safety Management System - Management of non-compliances, corrective actions and preventive actions (WHS)
- Hazard identification, risk assessment and determination of applicable controls - Investigation of accidents - Performance measurement and monitoring		
The group acts in accordance with the Country's legal system and in compliance with current legislation on the protection and promotion of human rights in line with the obligations undertaken at international level on the support of civil, political, economic, social and cultural rights.		
The policies practised in the **fight against corruption (active and passive)** are governed by the following documents: - Code of Ethics - Organisation, Management and Control Model - Corruption Prevention and Transparency Prevention Plan (updated annually) - Management of Corruption Reports, Irregularities and Offences		The risks associated with corruption are set out in the Model pursuant to Italian Legislative Decree No. 231 (Crimes against public administration, Corporate offences, Crimes for terrorism, subversion of the democratic order and organised crime) and in Italian Law 190 of 2012.

	Risks generated and incurred	GRI Disclosure	Paragraph in the document
	Given the segment in which the Company operates, (the tertiary sector), environmental risk profiles are not applicable	103: Management Approach	see Methodological note
		302.1 of GRI standard 302	See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants"
		305.1 of GRI standard 305	See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants"
		305.2 of GRI standard 305	See also § 2.4 "Use of energy, water resources and emissions of greenhouse gases or pollutants"
	No particularly significant risk profiles are identified in the areas related to the management of human resources	103: Management Approach	Methodological note
		401-1 of GRI standard 401	See also § 2.2.1 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		401-2 of GRI standard 401	See also § 2.2.3 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		403-1 of GRI standard 403	See also § 2.2.4 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		403-2 of GRI standard 403	See also § 2.2.4 "Health and Safety" + Directors' Report on Operations, § C
		403-4 of GRI standard 403	See also § 2.2.4 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		404-1 of GRI standard 404	See also § 2.2.3 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		404-3 of GRI standard 404	See also § 2.2.3 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		405-1 of GRI standard 405	See also § 2.2.1 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		406-1 of GRI standard 406	See also § 2.2.1 "Social aspects and those related to personnel management" + Directors' Report on Operations, § C
		103: Management Approach	Methodological note
		205-1 of GRI standard 205	See also § 2.3 "Corruption" + see transparent company: http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html http://www.infratelitalia.it/societa-trasparente/altri-contenuti/corruzione-e-trasparenza/ https://www.invitaliaventures.it/societa-trasparente/ https://www.mcc.it/documenti-informativi/
		205-2 of GRI standard 205	See also § 2.3 "Corruption" + see transparent company: http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html http://www.infratelitalia.it/societa-trasparente/altri-contenuti/corruzione-e-trasparenza/ https://www.invitaliaventures.it/societa-trasparente/ https://www.mcc.it/documenti-informativi/
		205-3 of GRI standard 205	See also § 2.3 "Corruption" + see transparent company http://www.invitalia.it/site/new/home/trasparenza/altri-contenuti/corruzione.html http://www.infratelitalia.it/societa-trasparente/altri-contenuti/corruzione-e-trasparenza/ https://www.invitaliaventures.it/societa-trasparente/ https://www.mcc.it/documenti-informativi/

I - INFORMATION PURSUANT TO ARTICLE 2428 OF THE CIVIL CODE, PARAGRAPH 3

Research and development

During the year, the Agency did not make significant investments in research and development activities.

Treasury shares

The Agency does not directly or indirectly own treasury shares.

Secondary Locations

None.

Management and coordination

Pursuant to the provisions of Article 19 paragraph 6 of Italian Law 102/09, it should be noted that the company is not subject to management and coordination by another company or body pursuant to Article 2497 of the Italian Civil Code.

Annexes to the Directors' Report on Operations

1. CHANGES IN THE REGULATORY FRAMEWORK

Below are the main regulatory provisions which involved the legal measures managed by the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA

Development contracts

Ministry of Economic Development Decree of 18 December 2017. Destination of additional financial resources to the Sustainable Growth Fund to finance development contracts pursuant to the Decree of 9 December 2014, subscribed in the form of programme agreements or development agreements.
(IOG 26 of 01.02.2018)

Ministry of Economic Development Decree of 5 March 2018. Amendment to the Decree of 9 May 2017; establishment of a fund for the financing of Development Agreements pursuant to Article 9-bis of the decree of 9 December 2014. (IOG 68 of 22 March 2018)

The Ministerial Decree establishes a reserve, initially consisting of an amount of € 229,125,000, increased and brought to € 340,729,000. The resources must be used in compliance with the territorial constraints indicated in the operating plan "Businesses and competitiveness FSC 2014-2020".

Ministry of Economic Development Decree of 21 May 2018. Assignment of financial resources for the National Operating Programme "Businesses and Competitiveness" 2014-2020 FESR for actions involving industrial areas in crisis, development contracts and the SME Guarantee Fund.
(IOG 163 of 16 July 2018)

Text of Decree Law 87 of 12 July 2018, coordinated with conversion law 96 of 9 August 2018. Urgent provisions for the dignity of workers and businesses. (IOG 186 of 11 August 2018)

Article 5, paragraph 5-bis establishes that sums deriving from sanctions applied to companies which delocalise within 5 years after having receiving government grants be transferred to a fund used to finance development contracts with the aim of reopening production sites in disuse due to delocalisation, possibly also supporting acquisition by the former employees.

Ministry of Economic Development Decree of 12 December 2018. Increase of the reserve established to finance Development Agreements and Programme Agreements. (IOG 300 of 28 December 2018)

The decree increases the reserve established with the Ministry of Economic Development Decree of 9 May 2017 to finance development agreements and programme agreements pursuant to articles 9-bis and 4, paragraph 6 of the Ministerial Decree of 9 December 2014 of € 414,555,000, to be taken from the resources of the 2014-2020 Fund for Development and Cohesion, destined for the subsidy tool for development contracts.

2019 Budget Law. Law 145 of 30 December 2018. Government budget for financial year 2019 and multi-year budget for the three year period 2019-2021.
(IOG 302 of 31 December 2018 - Ordinary Supplement 62)

Article 1, paragraph 202 (Refinancing of development contracts). The expense of € 1.1 million is authorised for 2019, € 41 million for 2020 and € 70.4 million for 2021.

Ministry of Economic Development Decree of 23 March 2018. Additional amendments to the decree of 9 December 2014 regarding development contracts. (IOG 144 of 23 June 2018)

The decree establishes that Invitalia, in addition to granting contributions and financing, may also take on, based on a request by the proposing entity, temporary or minority stakes in the share capital of the company. This possibility is granted only for initiatives located in less developed Regions or those in transition and subject to Programme or Development Agreements aimed at reopening industrial plants of significant size, which are otherwise not operating or in any case in which production activity is or would be interrupted.

Law 181/89. Measures regarding the conversion and requalification of industrial areas in crisis.

Ministry of Economic Development Decree of 1 February 2018. Assignment of resources to the Sustainable Growth Fund for projects to convert and requalify areas affected by situations of industrial crisis. (IOG 76 of 31 March 2018)

Ministry of Economic Development Decree of 4 April 2018. Extension of the deadline for the use of Sustainable Growth Fund resources, reserved for actions to convert and requalify production, pursuant to Law 181 of 15 May 1989, for areas undergoing non-complex industrial crises and governed by programme agreements. IOG 94 of 23 April 2018

Text of Decree Law 44 of 9 May 2018, coordinated with Conversion Law 83 of 6 July 2018. Urgent measures for additional financing of projects pursuant to article 1, paragraph 139 of Law 205 of 27 December 2017, as well as to complete plans for new industrialisation, recovery or maintaining employment relative to company crises.
(IOG 156 of 7 July 2018)

The decree establishes that, in order to finance the continuation of projects already planned for with the 2018 budget law, as well as to complete plans for new industrialisation, recovery or maintaining employment relative to company crises, the Region of Sardinia may destine additional funds, up to a limit of € 9 million for 2018, for specific employment situations existing within its territory.

Ministry of Economic Development Decree of 21 May 2018. Assignment of financial resources for the National Operating Programme "Businesses and Competitiveness" 2014-2020 FESR for actions involving industrial areas in crisis, development contracts and the SME Guarantee Fund.
(IOG 163 of 16 July 2018)

Ministry of Economic Development Decree of 05 September 2018. Assignment of resources to the Sustainable Growth Fund for projects to convert and requalify areas affected by situations of industrial crisis. (IOG 248 of 24 October 2018)

The Decree allocates € 10 million for projects included in programme agreements relative to areas of complex industrial crisis pursuant to article 1, paragraph 1, letter b) of the Ministerial Decree of 31 January 2017.

Decree Law 119 of 23 October 2018, coordinated with conversion law 136 of 17 December 2018. Urgent tax and financial provisions. (IOG 293 of 18 December 2018)

Article 25 bis provides for extensions of mobility aid in derogation, for workers in the Termini Imerese and Gela areas.

Article 25 ter provides for extensions of mobility aid in derogation for workers employed by companies located in areas of complex industrial crises.

2019 Budget Law. Law 145 of 30 December 2018. Government budget for financial year 2019 and multi-year budget for the three year period 2019-2021.
(IOG 302 of 31 December 2018 - Ordinary Supplement 62)

Article 1, paragraph 127 amends article 1, paragraph 266 of Law 311 of 30 December 2004, establishing that, in order to support requalification of industrial areas in disuse, reindustrialisation and industrial promotion projects may involve not only infrastructure but also mobility systems with low environmental impact among the industrial areas in disuse and the existing public transportation network.

Article 1, paragraphs 204-205 increases the Law 181/89 fund by € 100 million for 2019 and by € 50 million for 2020.

Institutional development contracts

CIPE Resolution 93 of 22 December 2017. 2014-2020 Development and Cohesion Fund, institutional development contract for the Taranto area - Assignment of resources for the execution of new priority projects. (IOG 80 of 6 April 2018)

'Resto al sud' - Remain in the South

CIPE Resolution of 22 December 2017. 2014-2020 Development and Cohesion Fund. Assignment of the "measure to support young entrepreneurs in southern Italy (Remain in the South)", Decree Law 91 of 2017, article 1. (IOG 105 of 8 May 2018)

The Resolution assigns € 535 million for the measure, € 180 million in 2018 and € 355 million for 2019.

2019 Budget Law. Law 145 of 30 December 2018. Government budget for financial year 2019 and multi-year budget for the three year period 2019-2021. (IOG 302 of 31-12-2018, Ordinary Supplement 62)

Article 1, paragraph 601 (Amendments to the "Remain in the South" measure). The range of possible beneficiaries is increased, with the maximum age increased to 45 and subsidies extended to freelance professionals.

Smart & Start. Support for the launch and development of innovative start-up companies.

Ministry of Economic Development Circular 102159 of 14 February 2018. Amendments and additions to Circular 68032 of 10 December 2014, containing criteria and methods for granting subsidies intended to support the launch and development of innovative start-ups throughout Italy. (IOG 42 of 20 February 2018)

The Circular increases the range of beneficiaries and simplifies the procedure for accessing the subsidies, establishing among other things more appropriate procedural terms to reduce the time needed to access the subsidies, indications regarding new spending categories relative to marketing and web marketing, and a simplified method for accounting for expenses.

Reconstruction projects following the 2016 earthquake in Central Italy (Invitalia central procurement authority Articles 15 and 18 - Italian Decree Law No. 189 of 17 October 2016, converted by Italian Law No. 229 of 15 December 2016)

Order 45 of 15 December 2017 of the Presidency of the Council of Ministers - Government Commissioner for reconstruction of the area affected by the earthquake of 24 August 2016. *Approval of the* Addendum to the agreement of 6 December 2016 between the Extraordinary Government Commissioner, to reconstruct the areas in the municipalities of the Regions of Abruzzo, Lazio, Marche and Umbria, affected by the earthquake of 24 August 2016 and INVITALIA, to identify personnel to carry out technical/engineering and administrative/accounting support, with the aim of meeting the needs of the populations affected by the earthquakes of 24 August 2016, in the territories of the Regions of Abruzzo, Lazio, Marche and Umbria.

(IOG 14 of 18 January 2018)

Law 145 of 30 December 2018; Government Budget for the 2019 financial year and the multi-year budget for the 2019-2021 three-year period. IOG 302 of 31-12-2018 (Ordinary Supplement 62)

Article 1, paragraph 276 (Fixed term contracts in the territories affected by the 2016 earthquake)

A derogation is established, with respect to the regulations in effect, for renewal of specific fixed term contracts pursuant to agreements with Invitalia and Fintecna SpA, used by the Commissioner's structure in relation to the earthquakes of 2016.

L'Aquila Earthquake Area Incentives

Ministry of Economic Development Decree of 5 April 2018. Terms, methods and procedures for the granting and distribution of subsidies for entrepreneurial activities intended to strengthen the appeal and tourist offers in the L'Aquila earthquake area, as part of the Development Programme approved by CIPE with resolution 49/2016.

(IOG 157 of 9 July 2018)

The Decree identifies Invitalia as the manager entity for the provision pursuant to the Development Programme approved by CIPE with resolution 49/2016 and by the Ministry of Economic Development decree of 14 October 2015.

Systemic actions to accelerate cohesion policy projects.

CIPE Resolution 77/2017. Provisions relative to FSC 2012020 Systemic actions to accelerate cohesion policy projects. (IOG no. 18 of 23 January 2018)

The Resolution allocates € 25 million to finance the "Systemic Actions" measure, managed by Invitalia, intended to accelerate the implementation of projects established as part of cohesion policies, making use of the resources of the Fund for Development and Cohesion (FSC) 2014-2020.

National Energy Efficiency Fund.

Ministry of Economic Development Decree of 22 December 2017. Operating methods for the National Energy Efficiency Fund. (IOG 54 of 6 March 2018)

The decree governs the energy efficiency fund established through the Ministry of Economic Development (article 15, Italian Legislative Decree No. 102 of 4 July 2014). Management of the Fund is assigned to Invitalia, on the basis of a specific agreement with the Ministry.

The Fund operates on a rolling basis and offers guarantees and loans at subsidised rates, promoting the involvement of financial institutions and private investors on the basis of adequately shared risks.

The Fund supports energy efficiency projects carried out by businesses, including ESCO and the Public Administration, for buildings, plants and production processes.

Available resources amount to € 150 million, from the MED, which plans to add additional annual amounts of around € 35 million from 2018 - 2020.

Ministry of Economy and Finance Decree of 6 September 2018. Regulations for government guarantees for projects guaranteed by the National Energy Efficiency Fund pursuant to article 15, paragraph 7 of Italian Legislative Decree No. 102 of 4 July 2014. (IOG 233 of 6 October 2018)

The decree establishes the criteria, conditions and methods for the government guarantee, as the guarantor of last resort, for guarantee projects relative to the Fund pursuant to article 15 of Italian Legislative Decree No. 102 of 4 July 2014, and pursuant to Italian Ministerial Decree of 22 December 2017, managed by Invitalia.

Molise Development Pact

CIPE Resolution 95 of 22 December 2017. 2014-2020 Development and Cohesion Fund. Molise Region - increase in financial provisions for the Development Pact (IOG 98 of 28 April 2018)

€ 30 million is allocated for the "Economic and productive development" area, covering projects included in a Programme Agreement between the Region of Molise, the relevant Ministries and Invitalia, aimed among things at protecting and strengthening businesses in the area of complex industrial crisis located between the two provinces of Isernia and Campobasso.

Environmental reclamation and urban regeneration of the Bagnoli-Coroglio district

Presidential Decree of 7 March 2018. Amendments to Presidential Decree of 15 October 2015, containing "Projects for environmental reclamation and urban regeneration in the Bagnoli-Coroglio area". (IOG 107 of 10 May 2018)

The decree amends the regulations to simplify the procedures for Invitalia actions as the implementing entity for the environmental reclamation and urban regeneration programme for the area of significant national interest of Bagnoli-Coroglio.

Ultra-Broadband Plan

*CIPE Resolution No. 105 of 22 December 2017. 2014-2020 Development and Cohesion Plan: investment plan for the extension of ultra-broadband (resolutions 65 of 2015, 6 of 2016 and 71 of 2017). Identification of measures and implementation methods to support the development of next generation assets and services** (IOG 140 of 19 June 2018)

The Resolution, regarding measures to support the development of next generation assets and services, pursuant to CIPE resolution 71/2017, divides a total amount of € 100 million among the various project lines in the Investment Plan for Extension of Ultra-Broadband.

**Resolution subsequently amended by CIPE Resolution 61 of 25 October 2018, published in IOG 29 of 4 February 2019*

Genoa Decree

Text of Decree Law 109 of 28 September 2018, coordinated with Conversion Law 130 of 16 November 2018. Urgent provisions for the city of Genoa, the safety of the national infrastructure and transport network, earthquakes of 2016 and 2017, work and other emergencies.
(IOG 269 of 19 November 2018 - Ordinary Supplement 55)

Article 18, Functions of the Extraordinary Commissioner for the Ischia earthquake

Paragraph 5 establishes that the extraordinary commissioner for the area affected by the Ischia earthquake makes use of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA, through the establishment of a specific agreement with expenses paid through the special accounting resources assigned to the commissioner.

Article 44 Extraordinary salary assistance for companies in crisis, reindustrialisation projects.

Article 44 establishes the possibility of authorising, effective as of 29 September 2018 and through 31 December 2020, extraordinary cash assistance for salaries (due to company crisis), also in derogation of the general limits on duration in effect, in the cases in which the company ceases or has ceased production and one of the following requirements is met: there are concrete prospects for selling the business, with consequent employment; it is possible to reindustrialise the production location; specific active labour policies are carried out, established by the region in question and relative to the workers of the company in question.

Invitalia Ventures

Ministry of Economic Development Decree of 7 May 2018. Projects to support investments and employment aimed at fighting against the closing of businesses and delocalisation of production. (IOG 227 of 29 September 2018)

The decree, with the aim of fighting against the economic and social effects associated with large companies in Italy closing, also in connection with decisions to delocalise production to other countries and continue the same business, also through production conversion or requalification processes, assigns € 200 million to Invitalia, from the resources of the 2014-2020 FSC Business and Competitiveness Operating Plan, to establish a specific Fund, known as "Italia Venture III", possibly also using some of its own financial resources.

2019 Budget Law. Law 145 of 30 December 2018; Government Budget for the 2019 financial year and the multi-year budget for the 2019-2021 three-year period.
(IOG 32 of 31 December 2018 - Ordinary Supplement 62)

Article 1, paragraphs 116-121 (Possibility of selling an equity investment stake in Invitalia Ventures)

To simplify and strengthen the venture capital sector and the economic/productive structure of the country, it is established that the Ministry of Economic Development may authorise the sale at market conditions by the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA (Invitalia) of an equity stake, including controlling, held in the asset management company Invitalia Ventures SGR SpA – Invitalia SGR, as well as a portion of the equity investment in the funds managed by it. The procedures for said disposal will be governed by Presidency of the Council of Ministers Directive.

It also establishes that € 200 million, pursuant to CIPE resolution 14 of 18 February 2018, assigned by the Ministry of Economic Development decree of 7 May 2018 to Invitalia, coming from the resources of the 2014-2020 FSC Business and Competitiveness Operating Plan to establish a specific reindustrialisation fund, known as Italia Venture II, be assigned to the Ministry of Economic Development for the purposes of the possible disposal transaction cited above.

Self-Employment and Entrepreneurialism (Law 185/2000, titles I and II)

Genoa Decree. Suspension of Invitalia loans. Text of Decree Law 109 of 28 September 2018, coordinated with conversion law 130 of 16 November 2018. Urgent provisions for the city of Genoa, the safety of the national infrastructure and transport network, earthquakes of 2016 and 2017, work and other emergencies.
(IOG 269 of 19 November 2018 - Ordinary Supplement 55)

Article 43 Urgent measures in favour of beneficiaries of subsidised loans establishes the possibility for beneficiaries of subsidies loans relative to self-employment and entrepreneurialism measures (Law 185/2000, titles I and II) to obtain a 12 month suspension from paying the capital portion of repayments, extending the duration of the plan through the entirety of 2026. It also established the possibility to settle total debt for an amount of no less than 25%. The request must be presented by 27 November 2018.

Intelligent factor, agrifood and life science incentives

Italian Ministry of Economic Development Decree of 09 March 2018. Subsidised project to support innovative investment programs in less developed regions in line with the National Business 4.0 Plan, intended to support the transition of small and medium companies towards the "intelligent factory". (IOG 164 of 17 July 2018)

The decree governs the subsidised project to support innovative investment programs in less developed regions in line with the National Business 4.0 Plan, intended to support the transition of small and medium companies towards the "intelligent factory".

The managing entity is Invitalia. Available resources total € 341,494,000.

Italian Ministry of Economic Development Decree of 21 May 2018. Restructuring of financial resources assigned for projects intended to support the transition of small and medium businesses towards the "intelligent factory" pursuant to the Decree of 9 March 2018 and integration of financial resources assigned to highly specialised skill centres, pursuant to Decree 214 of 12 September 2017. (IOG 187 of 13 August 2018)

The decree restructures financial resources assigned for projects intended to support the transition of small and medium businesses towards the "intelligent factory" pursuant to the Ministerial Decree of 9 March 2018 and integration of financial resources assigned to highly specialised skill centres, pursuant to Interministerial Decree 214 of 12 September 2017.

Communication relative to Ministry of Economic Development Directorial Decree of 27 September 2018. Methods and terms for presenting proposed projects to access the subsidies established under the Intelligent Factory, Agrifood and Life Science call for tenders.
(IOG 238 of 12 October 2018)

The decree, implementing the Ministry of Economic Development Decree of 5 March 2018, establishes the terms and methods for presenting proposed projects relative to the procedure, as well as the criteria for determining allowable costs, detailed indications for identifying the technological trajectories for "intelligent factory", "agrifood" and "life science" and all other additional elements useful to defining proper implementation of the subsidy project.

Management of the subsidy tool was entrusted to Banca del Mezzogiorno – MedioCredito Centrale SpA, which will support the MED in investigating requests and administrative checks, disbursing subsidies, collecting and processing data for monitoring and assessing the projects.

Communication relative to Ministry of Economic Development Directorial Decree of 16 November 2018. Methods and terms for presenting requests to access the subsidies established under the tender for innovative machinery. (IOG 277 of 28 November 2018)

The subsidies are established under the Ministry of Economic Development Decree of 9 March 2018 to support the execution of investment programmes by micro, small and medium enterprises in the less developed Regions (Basilicata, Calabria, Apulia and Sicily), intended to help transition the manufacturing sector towards the "intelligent factory".

Management of the subsidy tool was entrusted to Banca del Mezzogiorno – Mediocredito Centrale SpA, which supports the MED in investigating requests and administrative checks, disbursing subsidies, collecting and processing data for monitoring and assessing the projects.

Invitalia, as part of the support provided to the Ministry of Economic Development in managing the Programme, assisted the Ministry of Economic Development in designing the initiative.

The Decree set 29 January 2019 as the initial deadline for presenting requests to access the subsidies.

Ministry of Economic Development Communication relative to the Decree of 20 November 2018. Terms and methods for presenting requests to access the subsidies established under the Intelligent Factory, Agrifood and Life Science call for tenders. (IOG 278 of 29 November 2018)

As of 22 January 2019 companies may present, also jointly, industrial research and experimental development projects for amounts of no less than € 800 thousand and not exceeding € 5 million.

Ministry of Economic Development Decree of 27 November 2018. Suspension, limited to certain sectors of application and territories, of the terms for presentation of project proposals relative to the procedure planned for assistance with research and development projects in application sectors for the National Intelligent Specialisation Strategy relative to "intelligent factories", "agrifood" and "life sciences". (IOG 285 of 7-12-2018)

Digitalisation voucher for micro, small and medium enterprises.

Ministry of Economic Development Communication relative to directorial decrees of 1 June 2018 and 26 July 2018. Lists of companies awarded vouchers for digitalisation of micro, small and medium enterprises.
(IOG 208 of 7 September 2018)

Ministry of Economic Development Communication. Additional extension of the deadline to complete investments by companies awarded vouchers for digitalisation of micro, small and medium enterprises. (IOG 300 of 28 December 2018)

2020 Dubai Expo

Law 145 of 30 December 2018; Government Budget for the 2019 financial year and the multi-year budget for the 2019-2021 three-year period. (IOG 302 of 31 December 2018 - Ordinary Supplement 62)

Article 1, paragraph 587 (Increase in allocations for 2020 Dubai Expo).

The expense of € 11 million is authorised for 2019, € 7.5 million for 2020 and € 2.5 million for 2021.

Invitalia serves as the central procurement authority for the General Section Commissioner for the Italy Pavilion at the 2020 Dubai Expo.

Adjustment of aid regimes to regional purposes for Regulation (EU) 1084/2017. Fighting delocalisation.

Ministry of Economic Development Decree of 7 December 2017. Adjustment of aid regimes for regional purposes for investments, pursuant to the Decrees of 9 December 2014, 9 June 2015 and 13 February 2014, to the new provisions on delocalisation introduced in regulation (EU) 1084/2017. (IOG 31 of 7-2-2018)

The decree adapts the regulations for "development contracts" for "areas of industrial crisis pursuant to law 181/1989" and "areas of crisis in Campania" to the new provisions on delocalisation introduced by regulation (EU) 1084/2017, which amend Regulation (EU) 651/2014. Beneficiaries must not have presented a request for delocalisation in the last two years to a productive unit involving investment, and must commit to not delocalise within the two years following completion of the investment in question.

SME Guarantee Fund (Law 662/96, article 2, paragraph 1001, letter a)

Ministry of Economic Development Communication relative to the Decree of 21 December 2017. Approval of amendments and additions to the eligibility conditions and general provisions for the administration of the Guarantee Fund for small and medium-sized enterprises.
(Italian Official Gazette 9 of 12 January 2018)

The decree approves amendments and additions to conditions for admission and general provisions for administration of the Guarantee Fund for Small and Medium Enterprises, pursuant to article 2, paragraph 100, letter a) of Law 662 of 23 December 1996. The aforementioned amendments and additions are intended to reduce and simplify the information burdens applying to requesting entities and to restructure the regulations with regards to the conditions and causes for ineffectiveness of the Fund guarantee.

Ministry of Economy and Finance Decree of 15 December 2017. Establishment of a specialised section within the central Guarantee Fund for Small and Medium Enterprises (SME), pursuant to article 2, paragraph 100, letter a) of Law 662 of 23 December 1996. (IOG 11 of 15 January 2018)

The decree, implementing that established under decree law 91 of 20 June 2017, converted with amendments by Law 123 of 3 August 2017, which introduced a measure in favour of young entrepreneurs in southern Italy, known as "Remain in the South", establishes a special section of the Fund which guarantees up to 80% of the amount of the bank loan.

Ministry of Economic Development Decree of 14 November 2017. Amendments to the methods used to *grant guarantees from the Fund pursuant to article 2, paragraph 100, letter a) of Law 662 of 23 December 1996, for portfolios of loans granted to small and medium enterprises and increase in the relative financial resources.* (IOG 14 of 18 January 2018)

The decree defines the types of transactions allowed for guarantees by the Fund for portfolios of loans granted to beneficiaries, the methods used to grant the same, criteria used to select transactions and the maximum amount of funds available from the Fund to be used to cover risk deriving from granting of the cited guarantees.

CIPE resolution 94 of 22 December 2017. 2014-2020 Development and Cohesion Fund. Assignment of resources to the Guarantee Fund for small and medium enterprises established under Law 662 of 23 December 1996. (IOG 85 of 12 April 2018)

Ministry of Economic Development Decree of 21 May 2018. Assignment of financial resources for the National Operating Programme "Businesses and Competitiveness" 2014-2020 FESR for actions involving industrial areas in crisis, development contracts and the SME Guarantee Fund.
(IOG 163 of 16 July 2018)

Decree Law 135 of 14 December 2018 (converted with Law 12/2019). Urgent provisions relative to support and simplification for businesses and public administration. Article 1 Support for small and medium enterprises with receivables due from public administrations. (IOG 290 of 14 December 2018)

Article 1 The creation of a special section in the SME Guarantee Fund (MCC) is established, with initial funds of € 50 million to protect small and medium enterprises with receivables due from the public administration. For the Fund's operations, paragraph 7 and 8 provide for the issuing of a implementation decree by the Ministry of Economic Development, in concert with the Ministry of Economy and Finance. With the Decree will also be established, also in derogation of current conditions regarding admission and general provisions for the SME Guarantee Fund, conditions and limits for the granting, enforcement and liquidation of the special section guarantee, as well as cases for revocation of the same. The same decree will establish the provisioning percentages to apply to the resources of the special section and the parameters used to determine the premium, in line with the market value of the guarantee.

Decree Law 119 of 23 October 2018, coordinated with conversion law 136 of 17 December 2018. Urgent tax and financial provisions. (IOG 293 of 18 December 2018)

Article 22 The SME Guarantee Fund is granted € 735 million for the year 2018.

Law 145 of 30 December 2018. Government budget for financial year 2019 and multi-year budget for the three year period 2019-2021. (IOG 302 of 31 December 2018 - Ordinary Supplement 62)

Article 1, paragraph 221 (SME Guarantee Fund. Confidi).

Provides that the Ministry of Economic Development, by 30 June 2019, shall ascertain the presence of any residual resources for the SME Guarantee Fund to be assigned by 31 December 2021, with a Ministry of Economic Development Decree, in concert with the Ministry of Economy and Finance, for collective surety organisations carrying out merger transactions, digitalisation processes or improving management efficiency, to be used to grant guarantees to small and medium enterprises.

Financial Statement Schedules

FINANCIAL STATEMENT SCHEDULES

Amounts in thousands of euros

STATEMENT OF FINANCIAL POSITION	31.12.2018	31.12.2017
ASSETS		
10. CASH AND CASH EQUIVALENTS	25,038	89
20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	123,313	79,042
a) Financial assets held for trading	*62,794*	*37,866*
b) Financial assets at fair value	*48,148*	*32,907*
c) Other financial assets obligatorily measured at fair value	*12,371*	*8,269*
30. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	715,751	740,100
40. FINANCIAL ASSETS MEASURED AT AMORTISED COST	2,616,079	2,981,248
a) Receivables from banks	*629,102*	*881,970*
b) Receivables from financial companies	*1,775*	*1,652*
c) Receivables from clients	*1,985,202*	*2,097,626*
50. HEDGING DERIVATIVES	82,650	110,536
70. EQUITY INVESTMENTS	34,980	40,481
80. PROPERTY, PLANT AND EQUIPMENT	221,649	241,459
90. INTANGIBLE ASSETS	37,610	39,521
100. TAX ASSETS	40,578	35,758
a) Current	*20,447*	*18,444*
b) Deferred	*20,131*	*17,313*
110. NON-CURRENT ASSETS AND ASSET GROUPS HELD FOR SALE	259,955	277,707
120. OTHER ASSETS	158,711	117,396
TOTAL ASSETS	**4,316,314**	**4,663,337**
LIABILITIES		
10. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	2,366,646	2,704,187
a) Payables	*1,719,698*	*1,965,019*
b) Securities issued	*646,948*	*739,168*
50. VALUE ADJUSTMENTS OF MACRO HEDGED FINANCIAL LIABILITIES (+/-)	73,789	80,993
60. TAX LIABILITIES	1,909	1,373
a) current	*1,801*	*1,248*
b) deferred	*108*	*125*
70. LIABILITIES ASSOCIATED WITH ASSET GROUPS HELD FOR SALE	78,269	70,064
80. OTHER LIABILITIES	1,005,883	1,004,138
90. EMPLOYEE SEVERANCE LIABILITIES	11,588	12,057
100. PROVISIONS FOR RISKS AND CHARGES	25,586	23,459
110. CAPITAL	836,384	836,384
150. RESERVES	(81,738)	(65,665)
160. VALUATION RESERVES	(9,878)	(4,925)
170. PROFIT (LOSS) FOR THE YEAR	7,881	1,298
180. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(5)	(26)
TOTAL LIABILITIES	**4,316,314**	**4,663,337**

Amounts in thousands of euros

PROFIT AND LOSS ACCOUNT	2018	2017
10. INTEREST INCOME AND SIMILAR	53,803	32,819
20. INTEREST EXPENSE AND SIMILAR	(24,044)	(12,277)
30. NET INTEREST INCOME	**29,759**	**20,542**
40. COMMISSION INCOME	343,355	179,823
50. COMMISSION EXPENSE	(155,490)	(32,975)
60. NET COMMISSIONS	**187,865**	**146,848**
70. DIVIDENDS AND SIMILAR INCOME	-	77
80. NET RESULT FROM TRADING ACTIVITIES	(506)	(408)
90. NET RESULT FROM HEDGING ACTIVITIES	9	6
100. PROFIT (LOSS) FROM SALE OR REPURCHASE OF:	821	5,385
a) Financial assets measured at amortised cost	*821*	*5,385*
110. NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	399	789
a) Financial assets and liabilities designated at fair value	*865*	*789*
b) Other financial assets obligatorily measured at fair value	*(466)*	-
120. NET BANKING INCOME	**218,347**	**173,239**
130. NET VALUE ADJUSTMENTS/REVERSALS FOR CREDIT RISK RELATIVE TO:	(27,565)	(11,606)
a) Financial assets measured at amortised cost	*(27,577)*	*(11,591)*
b) Financial assets measured at fair value through other comprehensive income	*12*	*(15)*
150. NET RESULT OF FINANCIAL MANAGEMENT	**190,782**	**161,633**
160. ADMINISTRATIVE EXPENSES:	(177,374)	(153,397)
A) Personnel costs	*(132,854)*	*(116,777)*
b) Other administrative expenses	*(44,520)*	*(36,620)*
170. NET PROVISIONS FOR RISKS AND CHARGES	(6,480)	(6,190)
a) Commitments for guarantees given	*726*	-
b) Other net provisions	*(7,206)*	*(6,190)*
180. NET ADJUSTMENTS/REVERSALS ON PROPERTY, PLANT AND EQUIPMENT	(15,406)	(15,048)
190. NET ADJUSTMENTS/REVERSALS ON INTANGIBLE ASSETS	(6,859)	(8,117)
200. OTHER OPERATING EXPENSE/INCOME	48,717	29,882
210. OPERATING EXPENSE	**(157,402)**	**(152,870)**
220. PROFIT (LOSS) ON EQUITY INVESTMENTS	(83)	(1,766)
250. PROFIT (LOSS) FROM DISPOSAL OF INVESTMENTS	12	-
260. PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**33,309**	**6,997**
270. INCOME TAXES FOR THE YEAR FROM CONTINUING OPERATIONS	(8,046)	(5,596)
280. PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**25,263**	**1,401**
290. PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX	(17,384)	(65)
300. PROFIT (LOSS) FOR THE YEAR	**7,879**	**1,336**
310. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(2)	38
320. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**7,881**	**1,298**

Consolidated statement of comprehensive income

Amounts in thousands of euros

		2018	2017
10.	**Profit (Loss) for the year**	**7,881**	**1,336**
	Other income, net of taxes not reclassified to profit or loss account		
70.	Defined benefit pension schemes	13	(222)
	Other income components, net of taxes, reclassified to profit or loss account		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(4,879)	(2,639)
170.	**Total of other comprehensive income, net of taxes**	**(4,866)**	**(2,861)**
180.	**Consolidated comprehensive income (Items 10 + 170)**	**3,015**	**(1,525)**
190.	**Consolidated comprehensive income attributed to non-controlling interests**	**5**	**38**
200.	**Comprehensive income attributable to the parent company**	**3,010**	**(1,563)**

RECONCILIATION STATEMENT FOR CHANGES IN SHAREHOLDERS' EQUITY FINANCIAL STATEMENTS AT 31.12.2016 AND 31.12.2017

Amounts in thousands of euros

	Balance as at 31.12.2016	Allocation of previous year's result	Changes during the year	Comprehensive income financial year 2017	Group shareholders' equity as at 31.12.2017	Non-controlling interest equity as at 31.12.2017
		Reserves	Operations on shareholders' equity			
			Other changes			
Capital	836,384				836,384	
Reserves	(71,912)	(42,223)	48,692	(222)	(65,665)	(64)
Valuation reserves	(2,286)			(2,639)	(4,925)	
Profit (Loss) for the year	(42,223)	42,223		1,298	1,298	38
Shareholders' equity	**719,963**		**48,692**	**(1,563)**	**767,092**	
Shareholders' equity attributable to non-controlling interests	**(65)**					**(26)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 31.12.2017 - 31.12.2018

Amounts in thousands of euros

	Balance as at 31.12.2017	change in opening balances	change in scope of consolidation	Allocation of previous year's result	Reserves	Comprehensive income financial year 2018	Group shareholders' equity as at 31.12.2018	Non-controlling interest equity as at 31.12.2018
Capital	836,384						836,384	
Reserves	(65,665)	(17,802)	1,358	1,298	(940)	13	(81,738)	(3)
Valuation reserves	(4,925)	(74)				(4,879)	(9,878)	
Profit (Loss) for the year	1,298			(1,298)		7,881	7,881	(2)
Shareholders' equity	**767,092**	**(17,876)**	**1,358**		**(940)**	**3,015**	**752,649**	
Shareholders' equity attributable to non-controlling interests	**(26)**							**(5)**

Statement of cash flows - indirect method

		Amount	
A.	**OPERATING ACTIVITY**	**31.12.2018**	**31.12.2017**
1.	**Management**	**70,991**	**40,049**
	- result for the year (+/-)	7,881	1,298
	- capital gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit and loss (-/+)	107	(702)
	- capital gains/losses on hedging activities (-/+)	(9)	(10)
	- net value adjustments/reversals for credit risk (+/-)	27,577	5,658
	- net value adjustments/reversals on property, plant and equipment and intangible assets (+/-)	22,265	23,165
	- net provisions for risks and charges and other costs/revenues (+/-)	(12,999)	8,585
	- taxes and tax credits not liquidated (+/-)	8,046	1,248
	- net value adjustments of assets groups held for sale, net of tax effect (+/-)	17,384	823
	- other adjustments (+/-)	739	(16)
2.	**Liquidity generated/absorbed by financial assets**	**294,132**	**18,511**
	- financial assets held for trading	(25,434)	17,911
	- financial assets at fair value	(14,842)	(4,999)
	- other financial assets obligatorily measured at fair value	(4,102)	
	- financial assets measured at fair value through other comprehensive income	24,349	6,037
	- financial assets measured at amortised cost	360,296	24,674
	- other assets	(46,135)	(25,112)
3.	**Liquidity generated/absorbed by financial liabilities**	**(363,928)**	**305,252**
	- payables	(225,321)	(24,200)
	- securities issued	(72,050)	349,281
	- other liabilities	(66,557)	(19,829)
	Net liquidity generated/absorbed by operations	**1,195**	**363,812**
	Net cash generated/absorbed by operations on assets held for sale	**(4,624)**	**(6,638)**
B.	**INVESTMENT ACTIVITIES**		
1.	**Liquidity generated by**	**13,768**	**0**
	- sales of equity investments	13,768	
2.	**Liquidity absorbed by**	**(11,181)**	**(108,334)**
	- purchases of business units		(823)
	- purchases of equity investments		(94,347)
	- purchases of property, plant and equipment	(6,233)	(11,112)
	- purchases of intangible assets	(4,948)	(2,052)
	Net cash generated/absorbed by investing activities	**2,587**	**(108,334)**
	Net cash generated/absorbed by investing activities on Assets held for sale	**9,153**	**(4,067)**
C.	**FUNDING ACTIVITIES**		
	NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**8,311**	**244,773**

RECONCILIATION	**31.12.2018**	**31.12.2017**
Cash and cash equivalents at start of year	337,775	86,925
Total net liquidity generated/absorbed in the year	8,311	244,823
Cash and cash equivalents at the end of year	**346,086**	**331,748**
of which assets held for sale	**7,403**	**6,027**
Reconciliation		
Item 40 - Receivables from Banks-Deposits and current accounts (financial resources available on demand for current operations)	*313,645*	*325,632*
Item 10- Cash and cash equivalents	*25,038*	*89*
Cash and cash equivalents at year-end Assets held for sale	*7,403*	*6,027*
Cash and cash equivalents at the end of year	**346,086**	**331,748**
Financial resources exclusively dedicated to contracts and/or agreements		
ITEM 40- Receivables from Banks-Deposits and current accounts		
Item 40 - Receivables from Banks-Deposits and current accounts (financial resources available on demand for current operations)	*97,293*	*325,632*
constrained financial resources for implementing subsidy measures	*149,378*	*173,892*
financial resources exclusively dedicated to contracts and/or agreements	*354,414*	*377,603*
ITEM 40- Receivables from Banks-Deposits and current accounts	**601,085**	**877,127**

Notes to the Financial Statements

PART A - ACCOUNTING POLICIES

A.1 – General section

Section 1 - Declaration of compliance with international accounting standards

These consolidated financial statements have been prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission until 31 December 2018, as required by European Union Regulation no. 1606/2002 implemented in Italy by Italian Legislative Decree No. 38 of 28 February 2005.

In preparing the consolidated financial statements, we observed the compilation format and rules set forth in the Bank of Italy Governor's decree of 22.12.2017 - "Instructions for the preparation of financial statements and reports of financial intermediaries".

In this regard, please noted that the Agency was exempted by the MEF [Ministry of Economy and Finance] decree dated 10 October 2012 from the application of the regulation pursuant to Title V of the T.U.B., as it is subject to other forms of equivalent supervision (MEF, Court of Auditors). This exemption does not change the company's standing as a "Financial Intermediary" and, consequently, does not affect the governance of the consolidated financial statements as previously indicated and applied continuously over time. The foregoing is stated also on the basis of a *pro veritate* legal opinion issued by a qualified professional.

Accounting standards and interpretations applied as of 1 January 2018

As required under IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors, below are the new international accounting standards or amendments to accounting standards already in effect, application of which became obligatory as of 1 January 2018.

IFRS 15 - Revenue from Contracts with Customers, adopted through Regulation (EU) 1905/2016.

The new standard, which replaces IAS 18 - Revenues, IAS 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programs, introduces a model for recognising revenues which no longer refers to the characteristics of the object exchanged with the customer (goods, services, interest, royalties, etc.) but instead based on the distinction between a contractual obligation fulfilled at a single moment and an obligation fulfilled over time.

In the case of a contractual obligation fulfilled at a single moment, the revenue must be reflected in the financial statements only when full "control" over the asset or service being traded passes to the client. Relevant for this aspect is not only significant exposure to the risks and benefits associated with the good or service but also physical possession, acceptance by the client, existence of correlated legal rights, etc.

In the case of a contractual obligation fulfilled over time, measurement and recognition of revenues virtually reflects progress in terms of satisfying the client. In practice, the entity applies an accounting method based on progress in production or of costs sustained.

The standard provides a specific guide to assist entities in selecting the most appropriate accounting method.

Finally, the new standard requires that every individual obligation undertaken by the seller (“performance obligation”) shall be separately measured, even if it is established in the context of a single contract or sale.

Due to this approach, measurement and the recognition of sales revenues could differ from that identified when following the provisions of IAS 18.

IFRS 9 - Financial instruments, adopted with Regulation (EU) 2067/2016.

The new accounting standard IFRS 9, issued by the IASB in July 2014 and approved by the European

Commission through Regulation 2067/2016, replaced IAS 39 as of 1 January 2018, which as of 31 December 2017 had governed classification and measurement of financial instruments.

IFRS 9 is structured around various areas to classify and measure financial instruments, impairment and hedge accounting. For this latter area, the Group made use of the possibility provided under the standard to continue to apply the previous IAS 39 rules until the IASB clarifies methods used to treat macrohedging.

With reference to classification and measurement of financial instruments, IFRS 9 establishes that classification of financial assets should be guided by the characteristics of contractual cash flows on one hand and, on the other, by the business model, that is the management purpose for which the assets are held.

In place of the previous 4 accounting categories, under IFRS 9 financial assets can be classified, on the basis of the previous 2 elements, into three categories:

- Held to collect (HTC), that is financial assets held in order to receive cash flows, measured at amortised cost;
- Held to collect and sell (HTCS), held both for cash flows and for possible sale, measured at fair value through other comprehensive income;
- Other financial assets measured at fair value through profit and loss, held for trading purposes (HTS held to sell), or not classifiable among the previous categories as they lack the necessary requirements.

Financial assets can be recognised within the first two categories (at amortised cost or at fair value through other comprehensive income) only if it can be demonstrated that they give rise to cash flows solely consisting of payments of principal and interest (known as the “solely payment of principal and interest” – “SPPI test”).

Equity securities are always recognised in the third category and measured at fair value through profit and loss, unless the entity decides (irrevocably at initial recognition) for shares not held for trading purposes, to present changes in value in an equity reserve, which will never be transferred to the profit and loss account, even in the case the financial instrument is sold (financial assets measured at fair value through other comprehensive income without recycling).

With regards to financial liabilities, no substantial changes are introduced with regards to classification and measurement relative to IAS 39. The sole change is represented by the accounting treatment of own credit risk. For financial liabilities designated at fair value (liabilities in fair value option) the standard establishes that fair value changes attributable to changes in own credit risk are recognised in shareholders' equity, unless this creates or increases an accounting asymmetry in profit for the year, while the residual amount of fair value change in liabilities is recognised in the profit and loss account.

With reference to impairment, for instruments measured at amortised cost and at fair value through other comprehensive income, a model is introduced based on the expected loss concept, in place of the incurred loss concept used in IAS 39. IFRS 9 requires businesses to recognise expected losses for the next 12 months as soon as the financial instrument is recognised (stage 1). The time horizon for calculating expected losses becomes the entire residual life of the asset when the credit quality of the financial instrument has suffered "significant" deterioration with respect to the initial measurement (stage 2) or when it is classified as "impaired" (stage 3). More specifically, introduction of the new impairment rules involves:

- classification of performing financial assets to different credit risk categories (staging), which correspond to either value adjustments based on expected losses in the following 12 months (Stage 1) or for lifetime expected losses (Stage 2) in the case of a significant increase in credit risk, determined by comparing the probability of default at initial recognition with that at the reference reporting date;
- classification of impaired financial assets to Stage 3, again using value adjustments based on lifetime expected losses;

- when calculating expected credit losses, the inclusion of forward looking information, including information about changes in the macroeconomic situation.
- Finally with reference to hedge accounting, the hedge model, which however does not refer to macrohedging, which is still awaiting definition by the IASB, aligns accounting recognition with risk management activities and strengthens the disclosure about risk management activities undertaken by the entity preparing the financial statements.

In consideration of the above changes introduced by IFRS 9 and their impacts in terms of organisation, reporting and business, the Company began a specific project aimed at researching the various areas affected by the standard, defining its qualitative and quantitative impacts and identifying and implementing application and organisational projects necessary for consistent, comprehensive and effective adoption of the standard.

The Company decided to make use of the possibility established under standard IFRS 9 to not restate comparative figures in the financial statements in which IFRS 9 is applied for the first time.

Based on that above, the main impacts seen on the Company's shareholders' equity at 1 January 2018 relative to first time application of IFRS 9 derive from the requirement to measure receivables and performing securities based on the expected credit loss (ECL) criteria, using the best available estimates of probability of default (PD) and loss given default (LGD). To that end, while awaiting consolidation of the elements needed to define an internal ratings system (PD) and the maturation of an adequate historic series of losses after default (LGD) observed relative to its portfolio, the Company has made use of reference benchmarks and regulatory values, accompanied by appropriate estimates and calibrations aimed at prudence, in order to estimate risk parameters which represent the riskiness of the portfolio as well as possible.

Amounts associated with calculation of expected losses are updated and refined with the dual objective of:

- better representing of the risk profile of a credit portfolio which is essentially in development and continuously evolving;
- adopting a general criteria of measurement prudence, while awaiting consolidation of a historic series for internal risk data.

IN particular, with regards to performing exposures, the increase in value adjustments can be attributed to:

i. placement of part of the performing portfolio in stage 2, based on the stage allocation criteria as defined, with the consequent need to calculated lifetime expected losses for these financial assets;
ii. the inclusion of forward looking parameters deriving from future macroeconomic scenarios when calculating expected losses;
iii. the need to include off balance sheet commitments within the scope of the calculation, which previously were measured based on the requirements of IAS 37.

Expected Credit Loss (ECL) is an estimate of potential losses for a given credit (that is the current value of cash shortfalls), weighted on the basis of probability of default throughout the expected life of the financial instrument. A cash shortfall is the difference between the contractual cash flows received from the counterparty and the flows the Company expects to receive.

At every annual reporting date the Company must measure writedowns on financial instruments on the basis of:

- 12-month Expected Credit Loss (ECL) for instruments classified in stage 1;
- Lifetime Expected Credit Loss (LECL) for instruments classified in stage 2.

The impaired portfolio is instead classified in stage 3 and continues to be measured using the Impairment Lifetime method.

Hence, the goal of impairment is to recognise the Lifetime Expected Credit Loss for all financial instruments which have seen a significant increase in credit risk with respect to initial recognition.

On the other hand, if at the reporting date credit risk for a financial instrument has not significantly increased with respect to initial recognition, it remains in stage 1 and the Company must writedown the financial instrument using 12-month ECL.

With reference to adjustments of value adjustments, a negative impact on shareholders' equity has been estimated in the amount of € 17.8 million, after tax effects.

New and upcoming accounting standards and interpretations

The following new accounting standards and interpretations already issued and approved by the European Union will take effect in financial years subsequent to 2018 and have not been adopted in advance by the Agency:

- On 13 January 2016, the IASB published the new IFRS standard 16 Leases, which replaces IAS 17. IFRS 16 applies from 1 January 2019. The new standard effectively eliminates the difference in accounting for operating and financial leasing, even in the presence of elements that make it easier to apply and introduce the concept of control within the definition of leasing. In particular, to determine if a contract can be classified as leasing or not, IFRS 16 requires verification of whether the lessee has the right to control the use of a given asset for a certain period of time. Early implementation is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

  The main accounting effects deriving from application of the standard are recognition, as of the contract commencement date, of the right of use (ROU) of the asset in the balance sheet assets and recognition of the debt contracted to use the asset in the liabilities. The ROU recognised corresponds to the current value of payments throughout the duration of the contract, plus any direct costs attributable to the lessee. The rate applied to determine the current value is the implicit interest rate relative to the leasing contract, if this can be readily determined or, alternatively, the incremental borrowing rate. The standard offers the option to not recognise as leases contracts which refer to low value assets or leases with a contract duration of 12 months or less.

At first time application, the following transition options can be selected:

- Full retrospective application at the transition date
- Modified retrospective application at the transition date (applying simplifications and practical expedients)

Invitalia has selected modified retrospective application at the transition date.

Analysis currently nearing completion suggests negative equity effects at FTA of around € 11.6 million (ROU < Liability), which will be recovered over time with lower costs recognised in the profit and loss account with respect to recognition of leasing fees that would be envisaged under IAS 17 (Amortisation of ROU + Interest expense < leasing fee).

- On 7 June 2017, the IASB issued IFRIC 23 - "Uncertainty over Income Tax Treatments". IFRIC 23 specifies how to reflect the effects of uncertainty in the accounting of income taxes, in the event that the tax treatment of a particular transaction or circumstance is not clear. The provisions of IFRS 23 are effective for financial years beginning on or after 1 January 2019.

- On 12 October 2017, the IASB issued the amendments to IFRS - 9 "Prepayments Features with Negative Compensation". These changes allow entities to measure certain anticipated financial assets at the amortised cost with so-called negative compensation. These changes are effective for financial years starting on or after 1 January 2019.

At the date of approval of these financial statements, the IASB, had issued certain accounting standards which have not yet been endorsed by the European Union. They comprise interpretations and amendments, some of which are still in the consultation phase, including:

- On 18 May 2017, the IASB issued IFRS 17 - "Insurance Contracts". On the basis of the new standard, an entity must: (i) identify insurance contracts; (ii) separate the embedded derivative contracts, the various investment components and the separate performance obligations from insurance contracts; (iii) divide the contracts into groups for the purposes of their detection and measurement; (iv) establish the profit deriving from a group of insurance contracts over the period of insurance coverage and when it is released from the risk. If a group of contracts operates or matures to a loss, the entity must immediately report the loss and: (v) separately present insurance revenues, insurance service costs and income or expenses in the insurance sector and (vi) provide information to allow users of financial statements to assess the effect that contracts governed by IFRS 17 have on the financial position, financial performance and cash flows of an entity. The provisions of IFRS 17 are effective for financial years beginning on or after 1 January 2021.
- On 12 October 2017, the IASB issued the amendments to IAS 28 - "Long-term Interests in Associates and Joint Ventures". The amendments clarify that a company should apply IFRS 9 to long-term interests in an associated company or joint venture that forms part of the net investment in an associate or joint venture.
  These changes are effective for financial years starting on or after 1 January 2019.
- Annual improvements 2015-2017. The amendments contained are as follows:
  - IFRS 3: a company remeasures an equity investment previously held in a joint operation when control over the business is acquired.
  - IFRS 11: a company does not remeasure an equity investment previously held in a joint operation when joint control over the business is acquired.
  - IAS 12: similarly, a company takes into account all consequences on income taxes deriving from payment of dividends.
  - IAS 23: a company treats as general loans any loan originally signed to develop an asset when the asset is ready for its planned use or for sale.
- The changes indicated in the above document take effect for years starting on or after 1 January 2019.
- Amendments to IAS 19 “Plan Amendment Curtailment of Settlement”. The amendments specify that when an entity recalculates its net liabilities (assets) for a defined benefit plan after a change, reduction or settlement of the plan, it must use the updated actuarial hypotheses to determine the current cost of the service and the net interest for the remaining portion of the annual reference period. These changes are effective starting from the financial years starting on or after 1 January 2019.
- Amendments to IFRS 3 Business Combination. The objective of this project was to improve application of the definition of business to resolve difficulties arising in practice when an entity must determine whether it has acquired an asset or an asset group. These changes are effective for financial years starting on or after 1 January 2020. Early application is permitted.
- Amendments to IAS 1 and IAS 8: Definition of Material. The objectives of the amendments are to clarify the definition of "material", including a guide which up to the present had been described elsewhere in the IFRS. Other goals are to align the definition used in the conceptual framework with that of the IFRS and improve the explanations accompanying the definition. These changes are effective for financial

years starting on or after 1 January 2020. Early application is permitted.

The possible impacts that these accounting standards, amendments and interpretations nearing application could have on the Company's financial reporting will be researched and assessed.

Section 2 - General principles of preparation

The financial statements are prepared according to the general principles referenced in the "Systematic Framework" for the preparation and presentation of the financial statements. Therefore, the financial statements are prepared according to the accrual basis accounting principle and on the basis of a 'going concern' assumption.

The general principles of information relevance and significance and the prevalence of substance over form were applied in the preparation of the financial instruments. Each relevant class of similar items is shown separately in the financial statements. Entries of a dissimilar nature or purpose are presented separately unless they are irrelevant. Assets and liabilities, income and expenses, shall not be offset unless required or permitted by a standard or an interpretation.

The consolidated financial statements consist of the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders 'equity, the statement of cash flows, the notes and the directors' report on operations.

The schedules included in the notes are prepared in thousands of euros, if not otherwise indicated, in the same way as the financial statement schedules noted above.

In compliance with the provisions of Article 5 of Italian Legislative Decree No. 38/2005, the consolidated financial statements have been prepared using the euro as the accounting currency.

Section 3 - Events after the reporting period

In the period between the reporting date of these consolidated financial statements and the date of their approval, the subsequent events described in the Directors' Report on Operations did not require the application of any amendments to the financial information provided.

Section 4- Other aspects

These consolidated financial statements were approved by the Board of Directors on 20 June 2019.

The company is required to prepare the Group's Consolidated Financial Statements, submitted to the Board of Directors for approval on 20 June 2019. The draft annual financial statements were approved by the Board of Directors on 20 May 2019.

Since 2004, the Parent Company has adopted the "national tax consolidation regimen" regulated by Articles 117 and 129 of the TUIR [Italian Consolidated Income Tax Act], introduced into the tax legislation by Italian Legislative Decree No. 344/2003.

Section 5 - Scope and methods of consolidation

The consolidated financial statements include the financial statements of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA and its directly or indirectly controlled subsidiaries. The scope of consolidation is defined with reference to the provisions of IFRS 10, 11 and IAS 28. In compliance with these principles, subsidiaries are considered companies over which the Parent Company exercises, directly or indirectly, the power to determine financial and management policies. The Subsidiaries are consolidated on a line-by-line basis. Consolidation starts from the date on which the control relationship begins and lasts until the date of its termination.

The values of the financial statements as at 31 December 2018 of the companies of the Group, consolidated on a line-by-line basis, have been appropriately adjusted to bring them into line with the accounting policies of the Parent Company.

In line-by-line consolidation, the assets and liabilities, as well as the income and expenses of the consolidated companies, are included in the consolidated financial statements, after complete Consolidation set-off of receivables, payables, revenues and infragroup costs, with the exception of those considered irrelevant in the context of the consolidated financial statements according to the general criteria of significance and relevance.

The assets and liabilities are those resulting from the financial statements approved by the Boards of Directors and/or by the shareholders' meetings of the Companies. The portion of shareholders' equity and that of the result for the reporting period pertaining to non-controlling interests are accounted for in a separate item in the consolidated statements of financial position and profit or loss and income. In order to represent the Group's accounting information as if it were a single entity, appropriate consolidation adjustments were applied.

The controlling investments held for sale are consolidated on a line-by-line basis and shown separately in the consolidated financial statements as a group held for sale in asset items 110 and asset liability items 80, respectively.

Fully held subsidiaries are as follows:

Company	Site	Type of Relationship	Company Holding Stake	% Held	% Available shares	Type of Control
Equity investments						
INFRATEL ITALIA SpA	Rome	1	INVITALIA SpA	100.00%	100.00%	A
INVITALIA PARTECIPAZIONI SpA	Rome	1	INVITALIA SpA	100.00%	100.00%	A
INVITALIA VENTURES SpA	Rome	1	INVITALIA SpA	100.00%	100.00%	A
BANCA DEL MEZZOGIORNO SpA	Rome	1	INVITALIA SpA	100.00%	100.00%	A
Assets held for sale						
ITALIA TURISMO SpA	Rome	1	INVITALIA SpA	100.00%	100.00%	A
MARINA DI PORTISCO SpA	Portisco	1	INVITALIA SpA	100.00%	100.00%	A
SVILUPPO ITALIA CALABRIA S.c.p.A. in liquidation	Cosenza	1	INVITALIA PARTECIPAZIONI SpA	99.84%	99.84%	B
TRIESTE NAVIGANDO SRL (EX GALLIPOLI NAVIGANDO)	Gallipoli	1	INVITALIA SpA	100.00%	100.00%	A

(1) Majority of voting rights at the ordinary shareholders' meeting
A = direct control
B = indirect control

IGI SpA, even if 100% held, is not consolidated on a line by line basis as it is not subject to actual management power by Invitalia and is consequently excluded from the Group.

Reconciliation of accounting schedules published i the 2017 Financial Statements with IFRS 9 accounting schedules as of 1 January 2018 (reclassification of IAS 39 balances)

Below are reconciliation schedules relative to the accounting schedules as in the 2017 consolidated financial statements as published and the accounting schedules introduced by the new Bank of Italy provision of 22 December 2017, implementing adoption of the presentation criteria established under IFRS 9.

In these schedules, the accounting balances at 31 December 2017 (determined in accordance with IAS 39) are transferred to the new accounting items, based on reclassification rendered necessary in relation to the new classification criteria introduced by IFRS 9, but without applying the new measurement criteria and, therefore, with total assets and total liabilities held equal.

Note that in the new official schedules introduced by Bank of Italy, in addition to changes with regards to representation of reclassifications due to application of IFRS 9, previous items relative to amounts due to banks, due to customers and securities issued are all moved to item 10.

		10	20	30	40	60	
		Cash and cash equivalents	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Loans [Receivables]	
10	Cash and cash equivalents	89					
20 Financial assets measured at fair value through profit and loss	a) financial assets held for trading		37,866				
	b) financial assets at fair value			32,907			
	c) other financial assets obligatorily measured at fair value				748,369		
40	Financial assets measured at amortised cost					2,981,248	
50	Hedging derivatives						
70	Equity investments						
80	Property, plant and equipment						
90	Intangible assets						
100	Tax assets						
110	Non-current assets and asset groups held for sale						
120	Other assets						
	TOTAL	89	37,866	32,907	748,369	2,981,248	

	70	90	100	110	120	130	140	
	Hedging derivatives	Equity investments	Property, plant and equipment	Intangible assets	Tax assets	Non-current assets and asset groups held for sale	Other assets	TOTAL ASSETS
								89
								37,866
								32,907
								748,369
								2,981,248
	110,536							110,536
		40,481						40,481
			241,459					241,459
				39,521				39,521
					35,758			35,758
						277,707		277,707
							117,396	117,396
	110,536	40,481	241,459	39,521	35,758	277,707	117,396	4,663,337

		10	20	60	70	80	90	
		Loans payable	Securities issued	Value adjustment of financial liabilities under macrohedging	Tax liabilities	Liabilities associated with asset groups held for sale	Other liabilities	
10 Financial liabilities measured at amortised cost	Loans payable	1,965,019						
	Securities issued		739,168					
50	Value adjustment of financial liabilities under macrohedging			80,993				
60	Tax liabilities				1,373			
70	Liabilities associated with asset groups held for sale					70,064		
80	Other liabilities						1,004,138	
90	Employee severance liabilities							
100	Provisions for risks and charges							
110	Capital							
150	Reserves							
160	Valuation reserves							
170	Profit (Loss) for the year							
180	Shareholders' equity attributable to non-controlling interests							
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,965,019	739,168	80,993	1,373	70,064	1,004,138	

With regards to the new official schedules introduced by Bank of Italy, in addition to changes with regards to representation of reclassifications due to application of IFRS 9, note that previous items relative to amounts due to banks, due to customers and securities issued were all moved to item 10.

	100	110	120	160	170	180	190	
	Employee severance liabilities	Provisions for risks and charges	Capital	Reserves	Valuation reserves	Profit (Loss) for the year	Shareholders' equity attributable to non-controlling interests	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
								1,965,019
								739,168
								80,993
								1,373
								70,064
								1,004,138
	12,057							12,057
		23,459						23,459
			836,384					836,384
				(65,665)				(65,665)
					(4,925)			(4,925)
						1,298		1,298
							(26)	(26)
	12,057	23,459	836,384	(65,665)	(4,925)	1,298	(26)	4,663,337

				50	60	70	80	90	100	100
		Net interest income	Net commissions	Dividends and similar income	Net result of trading activities	Net result from hedging activities	Net result of financial assets and liabilities at fair value	Profit/loss from sale or repurchase of: a) financial assets	Net value adjustments/ reversals due to impairment of: a) financial assets	Net value adjustments/ reversals due to impairment of: b) other financial transactions
30	Net interest income	**20,542**								
60	Net commissions		**146,848**							
70	Dividends and similar income			77						
80	Net result of trading activities				(408)					
90	Net result of trading activities					6				
100 Profit/loss from sale or repurchase of:	a) financial assets measured at amortised cost							5,385		
110 Net result of other financial assets and liabilities at fair value through profit and loss	a) financial assets and liabilities designated at fair value						789			
120	Net banking income									
130 Net value adjustments/ reversals for credit risk:	a) financial assets measured at amortised cost								(11,591)	
	b) Financial assets measured at fair value through other comprehensive income									(15)
150	Net result of financial management									
160	Administrative expenses:									
170	Net provisions for risks and charges									
180	Net adjustments/ reversals on property, plant and equipment									
190	Net adjustments/ reversals on intangible assets									
200	Other operating income and expenses									
210	Operating expense									
220	Profit (Loss) on equity investments									
260	Profit (loss) before tax from continuing operations									
270	Income taxes for the year from continuing operations									
280	Profit (loss) after tax from continuing operations									
290	Profit (loss) on discontinued operations after tax									
	Profit (Loss) for the year	20,542	146,848	77	(408)	6	789	5,385	(11,591)	(15)
	Profit (Loss) for the year attributable to non-controlling interests									
220	Profit (loss) for the year attributable to the parent company	20,542	146,848	77	(408)	6	789	5,385	(11,591)	(15)

	110	120	130	150	160	170	190	200	210	
	Administrative expenses:	Net adjustments/ reversals on property, plant and equipment	Net adjustments/ reversals on intangible assets	Net provisions for risks and charges	Other operating income and expenses	Profit (Loss) on equity investments	Income taxes for the year from continuing operations	Profit (Loss) from non-current assets and asset groups held for sale, after taxes	Profit (Loss) for the year attributable to non-controlling interests	Total
										20,542
										146,848
										77
										(408)
										6
										5,385
										789
										173,239
										(11,591)
										(15)
										161,633
	(153,397)									(153,397)
				(6,190)						(6,190)
		(15,048)								(15,048)
			(8,117)							(8,117)
					29,882					29,882
										(152,870)
						(1,766)				(1,766)
										6,997
							(5,596)			(5,596)
										1,401
								(65)		(65)
	(153,397)	(15,048)	(8,117)	(6,190)	29,882	(1,766)	(5,596)	(65)		1,336
									38	38
	(153,397)	(15,048)	(8,117)	(6,190)	29,882	(1,766)	(5,596)	(65)	(38)	1,298

				50	60	80	90	100	110	
		Net interest income	Net commissions	Dividends and similar income	Net result from trading activities	Net result of financial assets and liabilities at fair value	Profit/loss from sale or repurchase of: a) financial assets	Net value adjustment/ recoveries for impairment of: a) financial assets	Administrative expenses	
30	net interest income	1,533								
60	Net commissions		115,611							
70	Dividends and similar income			77						
80	Net result from trading activities				(408)					
100 Profit/loss from sale or repurchase of:	a) financial assets measured at amortised cost						189			
110 Net result of other financial assets and liabilities at fair value through profit and loss	a) financial assets and liabilities designated at fair value					789				
120	net banking income									
130 Net value adjustments/ reversals for credit risk:	a) financial assets measured at amortised cost							(5,845)		
150	Net result of financial management									
160	Administrative expenses								(116,697)	
170	Net provisions for risks and charges									
180	Net adjustments/ reversals on property, plant and equipment									
190	Net adjustments/ reversals on intangible assets									
200	Other operating income and expenses									
210	Operating expense									
220	Profit (Loss) on equity investments									
260	Profit (loss) before tax from continuing operations									
270	Income taxes for the year from continuing operations									
280	Profit (loss) after tax from continuing operations									
290	Profit (loss) on discontinued operations after tax									
	Profit (Loss) for the year									

	120	130	150	160	170	190	200	
	Net adjustments/ reversals on: property, plant and equipment	Net adjustments/ reversals on: intangible assets	Net provisions for risks and charges	Other operating income and expenses	Profit (Loss) on equity investments	Income taxes for the year from continuing operations	Profit (Loss) from non-current assets and asset groups held for sale, after taxes	Total
								1,533
								115,611
								77
								(408)
								189
								789
								117,791
								(5,845)
								111,946
								(116,697)
			(594)					(594)
	(2,313)							(2,313)
		(4,387)						(4,387)
				4,693				4,693
								(119,298)
					11,593			11,593
								4,241
						(1,352)		(1,352)
								2,889
							(822)	(822)
								2,067

Reconciliation between Consolidated Financial Statement balances published at 31 December 2017 and balances at 1 January 2018

The table shows equity adjustments to balances at 31 December 2017 (pursuant to IAS 39), caused by the new classification rules established under IFRS 9, recognised with regards to the opening balances at 1 January 2018 in compliance with the same standard.

Amounts in thousands of euros

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS		31.12.2017	Effect of transition to IFRS9	01.01.2018
10	Cash and cash equivalents	89		89
20	Financial assets held for trading	37,866		37,866
30	Financial assets at fair value	32,907		32,907
40	Financial assets available for sale	748,369		748,369
60	Loans [Receivables]	2,981,248	(18,970)	2,962,278
70	Hedging derivatives	110,536		110,536
90	Equity investments	40,481		40,481
100	Property, plant and equipment	241,459		241,459
110	Intangible assets	39,521		39,521
120	Tax assets	35,758	2,409	38,167
130	Non-current assets and asset groups held for sale	277,707	(39)	277,668
140	Other assets	117,396		117,396
TOTAL ASSETS		**4,663,337**	**(16,600)**	**4,646,737**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - LIABILITIES		31.12.2017	Effect of transition to IFRS9	01.01.2018
10	Loans payable	1,965,019		1,965,019
20	Securities issued	739,168		739,168
60	Adjustments to values of generic hedged financial liabilities	80,993		80,993
70	Tax liabilities	1,373		1,373
80	Liabilities associated with assets in disposal	70,064		70,064
90	Other liabilities	1,004,138		1,004,138
100	Employee severance liabilities	12,057		12,057
110	Provisions for risks and charges	23,459	1,276	24,735
120	Capital	836,384		836,384
160	Reserves	(65,665)	(17,802)	(83,467)
170	Valuation reserves	(4,925)	(74)	(4,999)
180	Profit (Loss) for the year	1,298		1,298
190	Shareholders' equity attributable to non-controlling interests	(26)		(26)
Total Liabilities and Shareholders' Equity		**4,663,337**	**(16,600)**	**4,646,737**

A.2 - Section related to the main items of the financial statements

Criteria used

Statement of the accounting standards adopted is done with reference to classification, registration, valuation and cancellation of the various asset and liability items.

Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value and include the values that meet the requirements of high liquidity, short-term or very short-term availability and an insignificant risk of changes in their value.

Financial assets measured at fair value through profit and loss (FVTPL)

Classification criteria

This category includes financial assets other than those classified among financial assets at fair value through other comprehensive income and among financial assets measured at amortised cost. This includes:

i. Financial assets held for trading, essentially represented by debt and equity securities and the positive value of derivatives held for trading purposes;

ii. Financial assets obligatorily measured at fair value, represented by 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 are not represented solely by payments of principal and interest ("SPPI test" not passed) or which are not held within the context of a Hold to Collect business model or Hold to Collect and Sell model;

iii. Financial assets designated at fair value, or financial assets defined as such at initial recognition and when the requirements are met. In relation to financial assets, an entity may irrevocably designate a financial asset as measured at fair value through profit and loss if and only if by doing so it eliminates or significantly reduces a measurement inconsistency.

This item includes debt securities and loans included in an Other-Trading business model or which do not pass the SPPI test, including units of syndicated loans which, at origin, are held for sale and cannot be classified as part of a Hold to Collect and Sell business model.

This item also includes equity instruments which cannot be classified as controlling, association or joint control, held for trading purposes or which were not classified as measured at fair value through other comprehensive income at initial recognition. Units of UCITS are also recognised under this item. For the category of UCITS, given the structure of the instrument and the respective units, the SPPI test will always be failed, meaning they can only be classified under the fair value through profit and loss item.

Capitalisation policies represent another case in which the inherent features of underlying investment instruments require classification herein. Similar to UCITS units, these instruments fail the SPPI test with objective difficulty in preparing a look through approach. For this reason, they must be recognised under the item "financial assets measured at fair value through profit and loss". More specifically, the fair value is the value of the policy periodically communicated in the account statement sent by the insurance company. This value corresponds to the premium plus returns generated by separate accounting, net of the fee component.

Derivatives, recognised among financial assets held for trading, are represented as assets if the fair value is positive and as liabilities if the fair value is negative.

Derivatives also include those incorporated within complex financial instruments, in which the primary contract is not a financial asset falling under the scope of IFRS 9, which were subject to separate recognition in that:

- Their economic characteristics and risks are not closely correlated with the features of the underlying contract;
- The incorporated instruments, even if separate, meet the definition of derivative;
- The hybrid instruments to which they belong are not measured at fair value with relative changes recognised through profit and loss.

Based on the general rules established under IFRS 9 regarding reclassification of financial assets (with the exception of equity securities, for which no reclassification is allowed), reclassification towards other financial asset categories is not allowed unless the entity changes its business model for financial asset management.

Recognition criteria

Initial recognition of financial assets takes place on the settlement date for debt or equity securities and loans and on the subscription date for derivatives.

At initial recognition of financial assets at fair value through profit and loss, the fair value is recognised, without considering transaction costs or proceeds directly attributable to the instrument in question.

Measurement criteria

After initial recognition, financial assets measured at fair value through profit and loss are measured at fair value. The effects of applying this criteria are recognised in the profit and loss account in item 80. The net result of trading activity in the case of instruments held for trading, or in item "110. Net result of other financial assets and liabilities at fair value through profit and loss" in the case of instruments designated at fair value or other financial assets obligatorily measured at fair value.

Financial assets in this category, regardless of their technical form, must be subjected to impairment tests, recognising the relative effects under profit and loss account item 130. Net value adjustments/reversals for credit risk relative to b) financial assets measured at fair value through other comprehensive income.

With regards to interest income accrued during the year, these assets are recognised under item 10. Interest income and similar revenues in the profit and loss account.

Cancellation criteria

Financial assets are cancelled from the financial statements only if the disposal involve substantial transfer of all the risks and benefits associated with the assets in question.

Financial assets measured at fair value through other comprehensive income

Classification criteria

This item includes financial assets which satisfy both of the following conditions:

- the financial asset is held under a Hold to Collect and Sell business model, and
- the contractual terms of the financial asset establish, on set dates, cash flows representing solely payments of principal and interest (SPPI test passed).

This item also includes equity instruments not held for trading purposes for which the option to designate them at fair value through other comprehensive income was exercised at initial recognition.

In particular, this item includes:

- debt securities associated with a Hold to Collect and Sell business model which have passed the SPPI test;
- equity investments which cannot be classified as controlling, association or joint, not held for trading purposes, and for which the option for designation at fair value through other comprehensive income was exercised;
- loans associated with a Hold to Collect and Sell business model and which have passed the SPPI test, including units of syndicated loans which, at origin, are held for sale and can be classified as part of a Hold to Collect and Sell business model.

Based on the general rules established under IFRS 9 regarding reclassification of financial assets (with the exception of equity securities, for which no reclassification is allowed), reclassification towards other financial asset categories is not allowed unless the entity changes its business model for financial asset management.

In these cases, expected to be very infrequent, financial assets can be reclassified from measured at fair value through other comprehensive income to one of the other two categories established under IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through profit and loss). The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification operate prospectively starting from the date of reclassification. In the case of reclassification from the category in question to that of amortised cost, the cumulative profit (loss) recognised in the valuation reserve is used to adjust the fair value of the financial asset on the date of reclassification. In the case of reclassification to the category of fair value through profit and loss, the cumulative profit (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to profit (loss) for the year.

Initial recognition of financial assets takes place on the settlement date for debt or equity securities and on the disbursement date for loans. At the time of initial recognition, the assets are recorded at fair value, including transaction costs or proceeds directly attributable to the instrument itself.

After initial recognition, assets classified at fair value through other comprehensive income, other than equity securities, are measured at fair value, with recognition within the profit and loss account of impacts deriving from application of impairment effects deriving from the amortised cost, while other profits or losses deriving from a fair value change are recognised in a specific shareholders' equity reserve until the financial asset is cancelled. At the time of disposal, whether total or partial, the profit or loss accumulated in the valuation reserve is entirely or partially reversed to the profit and loss account.

Equity instruments for which the choice was made to classify them among the present category are measured at fair value and the amounts recognised in a balancing entry under shareholders' equity (Statement of Comprehensive Income) do not need to be subsequently transferred to the profit and loss account, even in the case of disposal. Dividends are the only component relative to the equity securities in question recognised in the profit and loss account.

Fair value is determined on the basis of the criteria already illustrated for financial assets measured at fair value through profit and loss.

For equity securities in this category not listed on an active market, the cost criteria is used as an estimate of the fair value solely in a residual manner and limited to special circumstances.

Financial assets measured at fair value through other comprehensive income, in the form of debt securities and receivables, are subject to the impairment established under IFRS 9, in the same was as asset at amortised cost, with consequent recognition of a value adjustment in the profit and loss account to cover expected losses. More specifically, for instruments classified in stage 1 (that is financial assets at the time of origination, if not impaired, and instruments for which no significant increase in credit risk has been seen with respect to initial recognition) one year expected losses are recognised at initial recognition and at every subsequent reporting date. On the other hand, for instruments in stage 2 (performing but with a significant increase in credit risk with respect to initial recognition) and in stage 3 (impaired exposures) lifetime expected losses are recognised for the financial instrument.

Financial assets are cancelled from the financial statements only if the disposal involve substantial transfer of all the risks and benefits associated with the assets in question. On the other hand, if a significant portion of the risks and benefits associated with the financial assets disposed of is maintained, these continue to be recognised in the financial statements, even if legal ownership of the assets in question has been effectively transferred.

In the case in which substantial transfer of the risks and benefits cannot be ascertained, the financial assets are cancelled from the financial statements if not type of control has been maintained over them. If not, conservation, even partial, of this control means the assets are kept in the financial statements in an amount equal to the residual involvement, measured by the exposure to changes in value of the transferred assets and to changes in the cash flows from the same.

Finally, financial assets transferred are cancelled from the financial statements in the case in conservation of contractual rights to receive relative cash flows is conserved, with the simultaneous obligation to pay said flows to other third parties, and only said flows, without a significant delay.

Financial assets measured at amortised cost

Classification criteria

This category includes financial assets (in particular loans and debt securities) which meet both of the following conditions:

- The financial asset is held under a Hold to Collect business model, whose objective is achieved by collecting the contractual cash flows.;
- The contractual terms of the financial asset establish, on set dates, cash flows representing solely payments of principal and interest (SPPI test passed).

Based on the general rules established under IFRS 9 regarding reclassification of financial assets, reclassification towards other financial asset categories is not allowed unless the entity changes its business model for financial asset management.

Recognition criteria

Initial recording of financial assets takes place on the settlement date. At initial recognition, financial assets classified in this category are measured at fair value, including any directly attributable costs or proceeds.

In particular, initial recognition of a loan occurs on the date the contract is signed, normally coinciding with the date of disbursement. If these dates do not coincide, when the contract is signed, a commitment to disburse the funds is also recognised, which is cancelled on the date the loan is disbursed.

Recognition of the loan is done on the basis of the fair value of the same, equal to the amount disbursed, or the subscription price, including costs/proceeds directly attributable to the individual loan and able to be determined at origin, even if liquidated at a later time. Even if they have the same characteristics, costs which are repaid by the debtor counterparty or can be classified among normal internal administrative costs are excluded.

Measurement criteria

After initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method and recognising interest income accruing during the period/financial year in item 10. Interest income and similar revenues in the profit and loss account.

The amortised cost method is not used for assets, measured at historic cost, which have a brief duration making the effects of discounting negligible, for those without defined maturity.

Financial assets in this category, regardless of their technical form, must be subjected to impairment tests, recognising the relative effects under profit and loss account item 130. Net value adjustments/reversals for credit risk relative to a) financial assets measured at amortised cost.

Profits or losses achieved through the sale of these assets is recognised within profit and loss account item 100. Profit/loss from sale or repurchase of: a) financial assets measured at amortised cost.

Impairment

With regards to the new *impairment model introduced by IFRS 9*:

- methods were defined to measure credit quality of positions in the portfolio of financial assets measured at amortised cost;
- parameters were determined to assess increased credit risk, for the purposes of proper classification of performing exposures in either stage 1 or 2.
  With respect to the classification logic for exposures in stage 3, "impaired/default" exposures, IFRS 9 does not provide a definition of the term "default", but requires each entity to provide their own definition. Therefore, every entity must provide itself with a definition of default that is consistent with its own situation, both in terms of types of assets and risk management practices. In the light of these regulatory requirements, the parent company considers as in default positions for which legal collection actions have begun;
- models were developed to be used for stage allocation, as well as for calculated one-year expected credit loss (ECL) (applied to exposures in stage 1) and lifetime expected credit loss (applied to exposures in stages 2 and 3).

Given the lack of internal loss rates after default, the assignment of Loss Given Default (LGD) to individual positions is done by making use of regulatory values or those derived from benchmarks, considered on a flat basis for the entire duration of the loan or appropriately updated, evaluating whether or not prudential margins should be used.

For on balance sheet positions, the parent company uses cash flows resulting from the effective amortisation plans of loans to determine exposure at default. More specifically, for the first year (positions in stage 1 and 2), the respective values in the consolidated financial statements are considered, while for subsequent years (stage 2), the residual debt associated with the capital portion of the exposure is considered, as in the IAS plan.

The parameters used for stage allocation are the following:

trade receivables:

- the threshold for impairment for receivables due from public administration has been set at one year;
- infragroup receivables are conventionally classified in stage 1;
- for the remaining cases, the threshold for impairment was left at 2 years.

financial receivables:

- infragroup receivables are conventionally classified in stage 1;
- loans with amortisation plans are measured separately between maturing loans and over due loans (as in the first scenario).

Probability of Default (PD) is determined as follows:

- for over due loans, PD at one year is applied, in the hypothesis that the receivables come due within the next 12 months;
- for invoices to be issued, a risk exposure time frame of 2 years is considered, therefore cumulative PD at 2Y is applied;
- for infragroup relationships, the PD for the parent company's institutional sector is applied (public administrations).

These criteria and the relative thresholds are defined at initial application and are updated at least once a year.

With reference to the securities portfolio, the approach adopted for allocation and transfer between stages is as follows:

- for securities which at the reporting date have an investment-grade rating (see the table below), the LCRE is applied, or they are allocated directly to stage 1 on the basis of the requirements outlined above;
- for securities which at the reporting date have a speculative-grade rating, the credit rating trend of the counterparty between the purchase/subscription date and the reporting date is considered, measured as a change in the rating class.

Significant impairment leading to classification in stage 2 is defined by a decrease of at least 2 notches on the rating scale. On the other hand, if a credit event objectively occurs, the exposure is classified stage 3. If not significant impairment of the position is seen, it is classified in stage 1 in accordance with the Standard.

In any case, classification and transfers comply with a symmetric and relative model. In fact, at every reporting date, reclassification of the positions among the stages is carried out, both upwards and downwards, based on changes in the conditions that led to the prior staging.

If no information is available for determining significant impairment or low credit risk, the position must be classified in stage 2. Ratings, provided by an info provider, are carefully updated at each reporting date.

Assessment of financial assets, whether performing or in stage 3, also reflects the best estimate of the effects of future conditions, above all those associated with the economic situation, on the basis of which forward looking PD and LGD are estimated.

From a methodological point of view, at every consolidated financial statements reporting date, the parent company must measure the impairment of a financial instrument on the basis of:

- 12-month Expected Credit Loss (ECL) for instruments classified in stage 1;
- Lifetime Expected Credit Loss (LECL) for instruments classified in stage 2.

The impaired portfolio[1] is instead classified in stage 3 and continues to be measured using the Impairment Lifetime method.

Offsetting of financial assets and liabilities

IAS 32 regulates offsetting criteria between financial assets and liabilities. Specifically, a company can recognise the net balance in the statement of financial position if the following conditions are all respected:

i. the company has the legal right to offset amounts recognised in the accounts;

ii. the company intends to extinguish the net residual amount or realise the asset and simultaneously extinguish the liability.

Exposure of the net balance is hence possible when the offsetting is able to reflect the future cash flows the company expects to obtain through the settling of two or more distinct financial instruments. When an entity has the right and the desire to receive or pay a single net amount, in effect they possess a single financial asset or liability. In other cases, financial assets and liabilities are presented distinctly, in line with whether they represent a resource or an obligation for the entity.

Offsetting of financial assets and liabilities

Risk hedging transactions are aimed at covering risks associated with changes in market value, or of future cash flows related to a specific element or group of elements, such as those having potential effects on the Group's profit and loss statement. The hedging employed is of the fair value category, its aim is to compensate the risk of variation in fair value (attributable to the various types of risk) of assets and liabilities recorded in the financial statements or portions thereof, of groups of assets/liabilities, irrevocable undertakings and portfolios of financial assets and liabilities, as permitted by IAS 39 and approved by the European Commission.

Financial derivative hedging instruments, like all derivatives, are initially recorded and subsequently valued at fair value. In particular, in the case of risk coverage at fair value, we compensate the variation of fair value of the element being hedged with the change in fair value of the hedging instrument. This offsetting is recognised through the Profit and Loss account entry of changes in value, referred both to the hedged instrument (as regards the changes produced by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes the net financial effect. A derivative instrument is designated as hedging if there is a formal documentation of the relationship between the hedged item and the hedging instrument and if it is effective from the time the hedge begins and, prospectively and retrospectively, throughout the life of the hedge. The effectiveness of the risk coverage depends on the extent to which the variations of the fair value of the hedged item are offset by that of the hedging instrument. Therefore, the effectiveness is appreciated by comparing the aforementioned changes, taking into account the intent pursued by the company at the time the hedge was implemented. We have accounting effectiveness when the variations of fair value of the hedging instrument almost entirely neutralise the changes in the hedged item (i.e. within a 80% - 125% range) for a given risk to the latter (dollar offset method). The assessment of effectiveness is carried out at each financial statement closure or interim period. If the checks do not confirm the effectiveness of the

[1] *IFRS 9 does not provide a definition of "default", but requires every entity to provide its own definition, consistent with that used internally by risk management to determine credit risk for significant financial instruments, and which must also consider qualitative indicators if appropriate. Therefore, every entity must provide itself with a definition of default that is consistent with its own situation, both in terms of types of assets and risk management practices. In the light of these regulatory requirements, Invitalia considers as in default positions for which legal collection actions have begun.*

hedge, from that moment the accounting of hedging transactions is interrupted; the derivative contract is reclassified among the trading instruments and the hedged financial instrument re-acquires the valuation criterion corresponding to its classification in the financial statements. IAS 39 allows for the fair value risk coverage instrument to consist of not only in a single financial asset or liability but also a monetary amount resulting from a multiplicity of financial assets and liabilities (or portion thereof), so that a set of derivative contracts can be used to reduce swings from the fair value of the hedged instruments as market interest rates change (so-called generic hedge or macro-hedging). Net amounts arising from the mismatch of assets and liabilities cannot be the subject of generic hedging.

Similarly to specific hedging of fair value (micro-hedging), generic hedging is considered highly effective if, both at the beginning and during its life, changes in the fair value of the hedged monetary amount are offset by changes in the fair value hedging derivatives, and if the actual results are within the range required by IAS 39.

Equity investments

Equity investments in companies subject to significant influence are valued using the equity method, recording the portion of the gains or losses accrued during the period in the profit and loss account. Where applicable, the valuation performed with the aforementioned method takes into account any way out shareholders' agreements which define the Group's decisions on matters of timing and methods for determining the disposal price of such investments, which can be determined on the basis of agreed methodologies.

Investments in companies subject to significant influence also include those acquired in connection with the implementation of subsidy measures financed by national and/or EU funds for which the risk is totally or partially covered by said funds.

Equity investments in non-significant companies are measured at cost. In the presence of objective evidence of impairment, recoverability is verified by comparing the recognised value of the equity investment with the relative recoverable value, represented by the greater of fair value net of disposal costs and value in use. When the reasons behind impairment no longer exist, equity investments are revalued within the context of the impairment recognised, with the effects recognised in the profit and loss account.

The risk deriving from any losses exceeding the carrying value of the equity investment is recognised in a dedicated provision and weighted according to the parent company's commitment to comply with legal obligations or those that are implicit for the investee in question or, in any case, in a manner sufficient to cover its losses.

Non-significant companies also include companies in which a majority of share capital is held but no real management power exists.

Companies acquired using third party funds under management, relative to subsidy measures for which the Agency is exclusively responsible for implementing the said measures, are not recognised among equity investments but under commitments.

Property, plant and equipment

Classification criteria

The item includes land, buildings, furniture, plant and machinery. Property, plant and equipment are initially recognised at cost, which includes, in addition to the purchase price, any directly attributable accessory costs required to purchase the asset and render it operational. Extraordinary maintenance expenses that involve an increase in future economic benefits are recognised as an increase in the value of the assets, while other maintenance costs are recognised in the profit and loss account.

The item also includes renovation costs for third party real estate, which are capitalised in consideration of the fact that for the duration of the contract granting use of the asset (lease, rental, concession, etc.) the user company has control of the assets and can derive future economic benefits from them.

Measurement criteria

Property, plant and equipment are measured at cost, minus any depreciation or losses of value. The depreciable value is represented by the cost of the assets (or the redetermined net value when the measurement method adopted is that of redetermining the value), net of the residual value at the end of the depreciation process, if significant. Property is amortised at a rate deemed appropriate to represent the depreciation of the assets over time based on their use, taking into account extraordinary maintenance expenses, which increase the value of the assets.

Remodelling costs for non-owned properties are amortised for a period that does not exceed the duration of the usage contract.

If there is evidence that demonstrates an asset may have lost value, a comparison is made between the carrying value of the asset and its recoverable value. Any adjustments are recognised in the profit and loss account.

If the reasons that led to recognising impairment no longer exit, a reversal is recognised, which cannot exceed the value the asset would have had, net of calculated depreciation, if the impairment had not previously been recognised.

Cancellation criteria

Property, plant and equipment are removed from the statement of financial position at the time of disposal or when the asset is withdrawn from use and no future economic benefits are expected from disposal.

The positive or negative balance between adjustments/reversals on property, plant and equipment held for operating purposes or investment, or constituting inventories of assets measured pursuant to IAS 2, including those relative to assets acquired through financial leases, must be recognised in the profit and loss account under item 180. Net adjustments/reversals on tangible assets.

Additionally, for property, plant and equipment measured at fair value for operating or investment purposes and for inventories, the positive or negative balance between writedowns/writebacks must be recognised in the profit and loss account under item 230. Net result of fair value measurement of property, plant and equipment and intangible assets.

Intangible Assets

Classification criteria

Intangible assets are recognised as such if they are identifiable and originate through legal or contractual rights. Goodwill is also recognised among intangible assets, representing the positive difference between the purchase cost and fair value of the assets and liabilities pertaining to an acquired business.

Recognition and measurement criteria

Intangible assets are recorded at cost and adjusted for any related charges only if it is probable that the future financial benefits attributable to the assets will be realised and if the cost of the assets can be reliably determined. Otherwise, the cost of an intangible asset is recognised in the profit and loss account in the financial year in which it was incurred.

Essentially, to recognise an intangible asset, the following conditions must be met:

i. The cost of the asset can be reliably determined.

ii. The asset is able to produce future economic benefits for the company.

Intangible assets must be recognised:

i. At purchase cost, if acquired from third parties or executed on the basis of contracts (contract work in progress). This cost includes any directly attributable accessory charges (e.g. installation and commissioning expenses, notary expenses, registration expenses, any non-deductible VAT) and is decreased by any commercial discounts received. If payment for an intangible asset is deferred beyond the normal terms, the cost must be discounted and determined on the basis of the equivalent cash price; the difference between this amount and the total payment is recognised as a balancing entry to the payable as interest expense throughout the period the debt exists;

ii. At the direct production cost, if constructed in-house: the direct production cost, especially with reference to the group's core business, can include the cost of personnel involved in implementing the intangible asset if this can be easily calculated and adequately demonstrated (e.g. through the preparation of specific reports or time sheets); other attributable costs may include professional fees suffered directly to bring the asset to operational status, as well as costs to determine whether the asset if operating correctly;

iii. With regards to intangible assets acquired so that they can be enjoyed (through a user license), it is possible to capitalise only a one-time fee. Periodic fees (subscription costs, royalties, etc.) are instead considered operating expenses. Under certain circumstances, an intangible asset may be acquired entirely or partially without any expenses, through a government grant. This may occur in the case in which the government transforms or distributes intangible assets such as licenses to activate radio stations, import licenses or units or rights to access other limited resources. The asset received and the contribution are recognised at a symbolic value.

For assets with a defined useful life, the cost is amortised at constant rates or at decreasing rates determined as a function of the flows of economic benefits expected from the asset. Assets with undefined useful life are not subject to systematic amortisation, but instead undergo periodic tests to verify the adequacy of the value recognised in the consolidated financial statements.

If there is evidence that demonstrates an asset may have lost value, its recoverable value is then estimated. The amount of the loss recognised in the profit and loss account is equal to the difference between the book value and recoverable value of the asset.

The positive or negative balance between value adjustments/reversals relative to intangible assets other than goodwill, including those relative to assets acquired through financial leases and assets granted through operating leases, must be recognised in the profit and loss account under item 190. Net adjustments/reversals on intangible assets.

Additionally, for intangible assets measured at fair value, the positive or negative balance between writedowns/writebacks must be recognised in the profit and loss account under item 230. Net result of fair value measurement of property, plant and equipment and intangible assets.

Cancellation criteria

An intangible asset is eliminated from the statement of financial position at the time of disposal or when future financial benefits are no longer expected.

Non-current assets and asset groups held for sale

The separate recognition of "Non-current assets and asset disposal groups held for sale" and the relative liabilities responds to the need to provide more transparent information to readers of the financial statements. Current assets, vice versa, can be classified within the item "Non-current assets held for sale" solely when they are part of a disposal group. An asset disposal group is a collection of directly associated assets and liabilities, such as a cash generating unit, held for disposal through sale or otherwise, in a single transaction. In the case of asset groups, the assets and liabilities must be recognised separately in the consolidated financial statements, without the possibility of offsetting the two positions. The measurement standards outlined below do not apply to deferred tax assets, assets associated with employee benefits and financial assets falling under the scope of IFRS 9, whether they are held for sale as individual assets or included in an asset disposal group. Vice versa, the classification methods apply indistinctly to all non-current and current assets when included in a disposal group "held for sale", as well as the relative liabilities.

Assets held for sale are measured at the lower between the book value and the fair value net of sales costs, and are represented separately and distinctly in the consolidated financial statements.

The following assets can be classified as assets held for sale:

i. Individual non-current assets;

ii. asset disposal groups or asset and liability disposal groups;

iii. discontinued operations.

Discontinued operations means a part of a company (for example a business unit) classified as held for sale and:

i. Representing a significant area of business or geographic area of business;

ii. Part of a coordinated plan to dispose of an area of business or geographic area of business, or

iii. A subsidiary acquired solely for the purposes of being resold.

Classification of assets held for sale

Classification within assets held for sale can be chosen if the following conditions are met:

i. The book value is mainly recovered through sale, rather than through operating use;

ii. The sale is highly probable.

The sale is considered highly probable if:

i. Company management is committed to the sale through a sales plan and a plan to identify the buyer;

ii. The sales price is reasonable with relation to the current fair value;

iii. The sale is to occur within one year of the reclassification date;

iv. Activities to complete the plan suggest it is unlikely that significant changes will be made to the sales plan or that the plan will be withdrawn.

Extension of the cited one-year period to complete the sale does not preclude classification among "assets held for sale" if the delay is caused by events or circumstances outside the control of company management and if sufficient evidence exists that management will remain obligated relative to the sales plan.

If the sales period extends past one year, the classification of assets held for sale must be maintained in the following cases:

i. Company management is committed to the sales plan but expects that others, not the buyer, will impose conditions on the sale which will increase the period necessary for the disposal;

ii. There is a binding commitment to purchase but the buyer or other parties impose new conditions on the sale, unexpectedly;

iii. During the initial one year period circumstances arise which were previously considered improbable and which increase the sales period.

The requirements above must exist as of the consolidated financial statements reporting date. Any assets (of asset groups) which meet these requirements after the consolidated financial statements reporting date but prior to approval of the same lead exclusively to the need for a similar disclosure to that required in the first financial year in which the asset was classified as an "asset held for sale".

Within the company, this item indicates non-strategic investments up for sale or for which the disposal process has begun. These assets, both due to the Group's operating characteristics and the special nature of the assets held for sale (associated with disposal or liquidation times) may, in specific cases, be classified under and kept in this item regardless of liquidation/disposal schedules.

Measurement of assets held for sale

Assets held for sale must be measured at the lower between the book value and the fair value net of sales costs.

If the sale extends for more than one year, sales costs must be measured at the current value. Any increase in the current value of the sales cost deriving from the passage of time must be recognised in the profit and loss account as a financial charge.

The book value of assets held for sale must be determined immediately prior to classification, taking into account the IFRS/IAS applied up to that time. At the consolidated financial statements (or interim) reporting date, the book value determined in this way must be aligned with the fair value net of sales costs for the asset held for sale, if this amount is lower, recognising a writedown. In the case of a cash generating unit, the writedown must be recognised as a decrease in the book value of any goodwill allocated, and subsequently to reduce the other assets in proportion to their respective book value.

Capital gains cannot be recognised in excess of cumulative writedowns.

Assets held for sale must not be amortised after they have been classified as such.

Assets held for sale which are part of a business combination must be valued exclusively at fair value net of sales costs.

Fair value adjustments net of sales costs deriving from classification are recognised in the profit and loss account as impairment, while any writebacks deriving from fair value increases net of sales costs may only be recognised within the limits of the impairment previously recognised.

If the conditions required for classification among assets held for sale no longer exist, the relative assets must be recognised at the lower between:

i. The book value prior to classification as assets held for sale, adjusted for any amortisation, depreciation or remeasurement that would have been recognised if the classification had not been made, and

ii. The value recoverable through use.

Book value adjustments deriving from removal of classification as assets held for sale must be recognised in the profit and loss account among capital gains and losses relative to operating assets.

Representation of assets held for sale in the financial statements

Assets held for sale must be separately recognised in the statement of financial position, without adjusted the comparative information, based on the following criteria:

i. Non-current assets must be represented as current assets in a separate entry;

ii. Assets and liabilities for an asset held for sale must be represented as current assets and liabilities in a single separate entry without the possibility for offsetting;

iii. Cost and revenue components recognised in the schedule of other profit and loss components and relative to a non-current asset or assets or liabilities of an asset held for sale must be recognised separately.

Equity investments in subsidiaries or joint ventures held for sale are not excluded from consolidation, but must be recognised in the statement of financial position schedule in separate entries, indicating the total assets and liabilities of the subsidiary, measured at the lesser between the book value and fair value net of sales costs.

Solely for discontinued operations, a single amount is recognised in the profit and loss account, deriving from:

i. Profit and loss after tax realised in the held for sale period and in all previous periods presented;

ii. Gains and losses after taxes deriving from fair value adjustment and disposal.

Additionally, the following must be indicated in the notes:

i. The amount of revenues, costs, profit or loss before taxes;

ii. The amount of income taxes;

iii. The amount of gains and losses after taxes deriving from fair value adjustment and disposal.

In the statement of cash flows, the amount of cash flows deriving from operating activity and financing of the discontinued operation must be reported separately.

The positive or negative balance of income (interest, dividends, etc.) and charges (interest payable, amortisation, etc.) relative to groups of assets held for sale and the associated liabilities, net of current and deferred taxes, must be recognised in the profit and loss account under item 290. Profit (loss) after tax from discontinued operations.

Financial liabilities measured at amortised cost

Classification criteria

Amounts due to banks, due to customers and securities issued include the various types of funding. They also include payables recognised by the business as the lessee for financial leasing operations.

Recognition criteria

Initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the time the sums are received or the debt securities are issued. Initial recognition is done on the basis of the fair value of the liability, normally equal to the amount received or the issue price, plus an additional costs/proceeds directly attributable to the individual funding operation. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Short-term liabilities are the exception, for which the temporal factor is negligible. These continue to be recognised at the value received.

Cancellation criteria

Financial liabilities are cancelled from the financial statements when they mature or are paid off. Cancellations also occur when previously issued bonds are repurchased. The difference between the book value of the liability and the amount paid to acquire it is recognised in the profit and loss account. When own securities are again placed on the market after repurchase, this is considered a new issue, with recognition at the new placement price.

In the case of a repurchase of own financial liabilities, the positive or negative balance between profits and losses must be recognised under item 100. Profit/loss from sale or repurchase of c) financial liabilities.

Financial liabilities held for trading

These financial instruments are recognised on the subscription or issue date at the fair value of the instrument, without considering any transaction costs or proceeds directly attributable to the instruments in question.

All liabilities held for trading are measured at fair value, with the valuation recognised in the profit and loss account.

Financial liabilities held for trading are cancelled from the financial statements when the contractual rights to the relative cash flows expire or when the financial liability is disposed of, with the substantial transfer of all the risks and benefits deriving from ownership of the same.

Financial liabilities at fair value

This item includes financial liabilities designated at fair value with a balancing entry in the profit and loss account, on the basis of the possibility granted to companies (“fair value option”) under IFRS 9 and for the cases allowed under the reference regulations.

Recognition of these liabilities occurs on the issue date in an amount equal to their fair value, including the value of any embedded derivatives and net of placement fees paid.

These liabilities are measured at fair value, with the result recognised based on the following rules under IFRS 9:

- fair value changes attributable to changes in own credit standing must be recognised in the statement of comprehensive income (shareholders' equity);
- remaining fair value changes must be recognised in the profit and loss account.

Financial liabilities at fair value are cancelled from the financial statements when the contractual rights to the relative cash flows expire or when the financial liability is disposed of, with the substantial transfer of all the risks and benefits deriving from ownership of the same.

Other liabilities

The item other liabilities includes security deposits received in cash from third parties and tax payables due after twelve months.

The item other liabilities also includes: other short-term payables to third parties; other types of payables (for example: payables due to social security entities, amounts due to employees for wages to be paid; payables for amounts received in the name of and on the account of third parties; payables for advances from clients); accrued expenses and deferred income.

Also for short-term financial instruments in liabilities, for the purposes of measurement/valuation at amortised cost no discounting of the financial instrument is done, as the effect is insignificant. With reference to payables due to personnel, these are obligations to pay a determined amount on an established date. Hence, these are certain liabilities with regards to their existence and amount. Those which are probable or based on estimates and actuarial calculations are recognised under the item employee benefits.

In particular, this item includes the following types of payables:

i. Amounts due to insurance and social security institutions;

ii. Accrued expenses and deferred income;

iii. Advances from suppliers.

Payables represent an obligation to pay a determined amount on an established date. Hence, these are certain liabilities with regards to their existence and amount. Those which are probable or based on estimates are recognised among provisions.

The item also includes interest expense deriving from amounts due to others, both when the accrual period is relative to two accounting periods and when the interest is fully accrued at the end of the period.

This item includes payables for third-party funds under management, relative to subsidy measures for which the Agency is responsible for implementation.

For these funds, the accounting treatment above is not done, with the supposition that the economic and equity effects are absorbed by the relative loans.

This item also includes contributions received.

Government grants

IAS 20 establishes that government grants must be recognised in the consolidated financial statements if and only if there is "reasonable certainty" that:

i. The entity will respect the established conditions;

ii. The contributions will be received.

Government grants must be recognised based on the profit system, that is they must be recognised among profit in the profit and loss account, based on a systematic and rational criteria, in financial years necessary to correlate them with the costs to which they refer.

Government grants cannot be recognised directly in shareholders' equity. In other words, recognition based on the "equity system" is not allowed.

Types of government grants:

IAS 20 establishes the following types of government grants:

i. **Capital Grants**: Capital grants mean "government grants for which an essential condition for being a recipient is building or in any case acquiring a fixed asset". The grant is hence linked to the execution or purchase (or other type of acquisition) of property, plant and equipment or intangible assets, whose utility is extended over time, or instrumental goods for the company;
Accounting: The value of this type of grant is suspended within Liabilities and progressively released to the profit and loss account in the item "Other operating income" proportionally to the duration of the useful life of the reference asset, thereby correlating it to amortisation/depreciation of the asset itself.

ii. **Operating grants**: Operating grants refers to a residual category, or all government grants other than capital grants.
This type of grant, associated with cost components, must be recognised with "Other operating income", and systematically distributed in the various financial years in which they accrue so that the revenues are commensurate with the costs they are intended to offset.

In line with the "profit" criteria, if a grant is related to future costs, the contribution is recognised in the profit and loss account in the financial year in which the charge for which the contribution was recognised occurred. In the event that a grant is paid in order to provide financial support to the company, the grant is recognised in the profit and loss account only in the financial year in which it becomes payable.

Given the company's characteristics, with specific reference to capital grants, the relative assets can be recognised based on the activity to which the grant itself refers, for example:

i. 80. Property, plant and equipment;

ii. 110. Non-current assets and asset groups held for sale;

iii. 120. Other assets – [Inventories].

Information pursuant to paragraphs 125 and subsequent of article 35 of Italian Legislative Decree No. 34 of 30 April 2019 are reported in the individual items to which the grants, subsidies, etc. refer.

Employee termination benefits (Employee benefits)

The liability related to benefits guaranteed to employees paid in connection at or after the termination of employment through defined benefit plans, as represented by the Employee Severance Indemnity, is recorded in the vesting period, net of any assets servicing the plan and the advances paid, and is determined on the basis of actuarial assumptions and entered under the accruals principle in accordance with the work performed in order to earn the benefits themselves. For the purposes of discounting, we adopt the Projected Unit Credit Method. The costs of the plan are recorded in the profit and loss account for the period.

Actuarial gains and losses are entirely recognised in the reference period and are recorded under shareholders' equity.

The actuarial analysis is carried out annually by an independent actuary.

Provisions for risks and charges

Provisions are instated exclusively when:

- a current obligation exists (legal or implicit) as a result of a past event;
- there is a probability resources will be required to produce economic benefits to fulfil the obligation and a reliable estimate of the amount of the obligation can be made.

The provisions are recorded at the value representing the best estimate of the amount that the company would pay to extinguish the obligation or to transfer it to third parties at the closing date of the financial year. Risks for which only the emergence of a liability is possible are disclosed in these notes or in the Directors' Report on Operations, without making any applicable provision. If the effect of discounting is significant, the provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market valuation of the cost of money and the specific risks of the liabilities. When discounting is applied, the increase in the provision due to the passage of time is recognised as a financing cost [interest expense].

Provisions for risks and charges relative to commitments and guarantees given include provisions for credit risk recognised against commitments to disburse funds and guarantees given falling under the scope of the impairment rules under IFRS 9. For these cases, as a general principle the same credit risk staging and expected loss calculation methods are used indicated with reference to financial assets measured at amortised cost or at fair value through other comprehensive income.

Current and deferred taxes

The effects related to current and deferred taxes calculated in compliance with national tax legislation on the basis of the accruals method are recorded, in line with the methods for recognising the costs and revenues that generated them, applying current tax rates.

Income taxes are recorded in the profit and loss account with the exception of those related to items debited or credited directly to equity.

The provision for income taxes is determined on the basis of a prudent forecast of the current, anticipated and deferred tax burdens.

Prepaid and deferred taxes are calculated on the basis of temporary differences - without time limits - between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes.

Prepaid and deferred taxes are recorded:

- prepaid taxes only if the probability of their recovery exists, assessed on the basis of the company's ability to continuously generate positive taxable income;
- deferred taxes, if they exist, are recorded in any case.

Assets and liabilities recorded for prepaid and deferred taxes are systematically measured to take account of any changes in the regulations or rates.

If deferred tax assets and liabilities refer to components that have affected the profit and loss account, the contra-entry is represented by income taxes. In the cases in which prepaid and deferred tax relate to transactions that directly affected the shareholders' equity without affecting the profit and loss account (such as the valuation of financial instruments available for sale or financial flow hedging derivatives), these are recorded as contra-entries under shareholders' equity, with an effect on the related specific reserves.

Recognition of revenues

Revenues are recognised once a customer obtains control over the goods. Identification of transfer of control is determined on the basis of a five-stage analysis model which applies to all revenues from contracts with customers:

i. Identification of the contract with the customer;

ii. Identification of performance obligations;

iii. Determination of the transaction price;

iv. Allocation of the transaction price for the performance obligations identified on the basis of the stand alone sales price for each good or service; and

v. Recognition of the revenues for each individual performance obligation one it has been satisfied.

Every time a contract is signed with a client, the Company, in relation to the goods or services promised, identifies as a separate performance obligation each distinct promise to transfer a good, service, series of goods, or series of services, or combination of goods and services. Revenues are measured in correspondence with the fair value of the fee due, including any variable components, when it is held to be highly probable that these will not be reversed in the future.

Revenues can be recognised:

- at a precise moment, when the entity fulfils its performance obligation by transferring the promised good or service to the client, or
- over time, as the entity gradually fulfils its performance obligation by transferring the promised good or service to the client.

Revenues are recognised to the extent that it is possible to reliably determine their value and according to the probability that the related financial benefits will be achieved by the Company. Depending on the type of transaction, revenues are recognised on the basis of the specific criteria set out below:

- Sale of goods - Revenues are recognised when the significant risks and rewards of ownership of the assets are transferred to the purchaser;
- Provision of services - Revenues are recorded with reference to the stage of completion of the activities on the basis of the same criteria as those for contract work in progress. In the event that the value of revenues cannot be reliably determined, the latter are recognised up to the amount of the costs incurred, which, in turn, are deemed to have been recovered;
- Interest - Income is recognised on the basis of interest accrued on the net value of the related financial assets using the effective interest rate (rate that precisely discounts estimated future cash flows at the net carrying amount of the asset);
- Dividends - These are recorded when the shareholders' right to receive payment is established;

- Fees considered within the amortised cost for the purposes of determining the effective interest rate are recognised among interest;
- Revenues or costs deriving from the sale of financial instruments, determined as the difference between the fee paid or received from the transaction and the fair value of the instrument, are recognised in the profit and loss account when the transaction is recognised.

The parent company essentially operates with two different cases:

- **Contracts to sell/provide goods/services:** in which the revenue from the public administration is directly commensurate with the costs sustained, which are reported to and approved by the same.
- **Contracts in which it serves as the "Delegated Contracting Authority":** the public administration contracts Invitalia to carry out the call for tender to execute a work or service by a third supplier.

Pursuant to the new accounting standard IFRS 15, the contractual price component relative to contracts identified as "delegated contracting authority", characterised by the fact that Invitalia acts as an agent, or in which the performance obligation consists in acting so as to ensure a third party supplies the specific good or service, the portion relative to the cost of the third party supplier is no longer recognised among revenues, but serves to reduce the cost sustained to fulfil the performance obligation.

Use of estimates and assumptions in the preparation of financial disclosures

In accordance with IAS/IFRS, the company management formulates assessments, estimates and assumptions to support the application of accounting standards for determining the amounts of assets, liabilities, costs and revenues recorded in the consolidated financial statements. The estimates and related assumptions are based on past experience and other factors considered reasonable in the case in question, and have been adopted to estimate the book value of assets and liabilities which is not easily deducible from other sources.

In particular, estimation processes have been adopted to support the recognition value of the most significant valuation items recorded in the Financial Statements as at 31 December 2018, as required by the accounting standards in force and by the reference standards described above.

These processes are based largely on estimates of future recoverability of the values recorded in the financial statements and were carried out with a view to business continuity, i.e. excluding the possibility of forced liquidation of the items being valued. The estimates and related assumptions are based on past experience and on other factors considered reasonable in relation to the assets and liabilities for which the relative value is not easily deducible from other sources.

The estimates and hypotheses are reviewed regularly, taking into account the best information available at the time of the physiological review of the same, including the historical experience specifically developed by the Group. Any changes resulting from these revisions are recorded in the period in which the revision is carried out if the same affect only that period. On the other hand, where the review involves both current and future periods, the change is recognised in the period in which the review is carried out and in the relative future periods.

The main cases where the use of subjective assessments is required in these Consolidated Financial Statements are listed below:

- Quantification of losses due to impairment of loans and other financial assets (determined for impaired loans on the basis of the estimate of future cash flows net of recovery costs and the presumed value of collateral);
- Quantification of the provisions for risks and charges (determined on the estimate of the disbursements necessary for the fulfilment of the obligations for which it is considered probable that resources will be used);

- Quantification of severance indemnity (determined using the estimate of the current value of obligations related to probable disbursements that are discounted considering financial aspects - interest rates - presumed salary trends, turnover rates and demographic data);
- Tax assets (the entry of items related to tax assets is based on the hypothesis that in the coming years the Agency will generate taxable income for amounts that, with reasonable certainty, will sustain offsets on the future taxes to be paid on said income and thus the full absorption of deferred tax assets).

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

During 2018, the Group reclassified its securities portfolios, transferring them from fair value through profit and loss to amortised cost, due to the change in the business model aimed at constructing a securities portfolio to be held over the long-term.

The effects of this reclassification are presented below in the notes, in correspondence with the item financial assets measured at amortised cost - Item 40.

A.4 – FAIR VALUE DISCLOSURE

Fair Value of Derivatives

Determination of the fair value of derivatives is based on level 2 input, as these instruments are not traded on active markets. In particular, fair value determination is based on spot interest rate curves and forward values, as well as volatility of money market rates. Derivatives in the portfolio, all of which are hedges, can be grouped into two categories based on the complexity of the relative financial structure: interest rate swap plain vanilla and structured basis swaps.

For each of the classes of derivatives indicated above, below we provide the measurement models adopted.

1) Interest rate swap plain vanilla.

This class includes three derivative contracts stipulated as fair value hedges, with the following characteristics:

IRS (received fixed rate, pay Euribor 6 month) covering the liability.

Measurement of these positions is done on the basis of the profit method. In particular, this involves applying the discounted cash-flow method, which involves:

- an estimate of uncertain future interest flows, indexed to the Euribor 6-month, carried out by determining the forward values of the parameter implicit in the specific spot rate curve on the reference date;
- discounting of certain future interest flows and estimated future interest flows based on the previous point, to take into account the temporal value of the money.

2) Structured basis swaps.

This class includes a single derivative contract, stipulated as a fair value hedge:

basis swap (receive EurLibor 3 month, pay EurLibor 6 month) with a floor when buying and a knock-in cap when selling, covering a structured bond loan.

Measurement of this position is done applying the building blocks approach, which breaks up the structured position into its component elements:

- linear component: basis swap plain vanilla;
- optional component: rate option (floor) when buying;

- optional component: rate option (knock-in cap) when selling.

Measurement of the linear basis swap is done on the basis of the profit method. In particular, this involves applying the discounted cash-flow method, which involves:

- an estimate of uncertain future interest flows, indexed to the EurLibor 3 month for the receive portion and the EurLibor 6 month for the pay portion, carried out by determining the forward values of each parameter implicit in the specific spot rate curve on the reference date;
- discounting of estimated future interest flows based on the previous point, to take into account the temporal value of the money.

The optional floor component on the purchase side establishes that the Bank receives any positive difference between a pre-set strike price and the value of the EurLibor 3 month parameter at each operating date and hence can be represented as a portfolio of European put options on the interest rate (floorlets). It is measured using a closed formula approach using the 1976 Black model. The optional knock-in cap component on the sell side establishes that the Bank pays any positive difference between the EurLibor 3 month parameter and a pre-set strike value at each of the operating dates, on the condition that the value of the EurLibor 3 month exceeds an additional pre-set value (barrier). The position can be represented as a portfolio of European call options on the rate with a barrier and measurement is done using a closed formula using a derivation of the 1976 Black model. With respect to the base model, this takes into account the probability that at each operating date the value of the parameter will not exceed the barrier and hence the option will not be activated. The cited 1976 Black model cannot be used when there are negative forward values for the EurLibor 3 month parameter, such as those implicit in the market curves during financial year 2017. On the other hand, it can be seen that, on the basis of market expectations (negative forward rates), the contractual strike (1%) and the residual life (less than one year), the fair value of the optional floor component is similar to that of an interest rate swap in which the Bank receives a fixed rate and pays the EurLibor 3 month. Similarly, with reference to the optional cap component, given that the barrier is set at 7%, under current market conditions the option is deep-out-of-the-money and has a negligible fair value which reflects the mere presence of a "temporal value" for the position, associated with its residual life.

In terms of measuring counterparty risk, the derivatives in question can be classified as:

I. contracts assisted by credit support annexes (CSA), with cash collateral and daily margining: counterparty risk for these positions is negligible and therefore no Credit Value Adjustment / Debt Value Adjustment (CVA/DVA) is applied;

II. contracts assisted by non-standard collateralisation clauses, with cash collateral and half-yearly margining: in this case, considering the scarce materiality of the CVA/DVA, counterparty risk is incorporated in the measurement by adopting an IRS rate curve in place of the risk-free curve when discounting cash flows, which includes a risk premium for a "medium" counterparty from the banking sector.

Following this structure, market factors influencing determination of the fair value of the derivatives refer to risk-free interest rates, EUR IRS interest rates, forward values for the EurLibor 3 month and EurLibor 6 month parameters, and for optional components, to the volatility of the EurLibor 3 month rate.

Input data for measurement models

The discount factor curve used to determine fair value is obtained from a zero-coupon rate cure, using the day count ACT/365 convention and the composed capitalisation regime. In turn, the zero-coupon rate curve is obtained through bootstrapping and linear interpolation of a curve of par rates obtained from the market, which varies as described above based on the measurement in question:

I. cash collateral derivatives with daily margins and remuneration at the EONIA rate;

II. cash collateral derivatives with half-yearly margins and remuneration at the Euribor 6 month rate.

For derivatives under point I, a curve of EUR OIS rates taken from the market is used (source: Reuters). For derivatives under point II, a curve of EUR IRS rates taken from the market is used (source: Reuters). Forward values of the EurLibor 3 month and EurLibor 6 month parameters are calculated on the basis of a zero-coupon rate curve obtained through bootstrapping and linear interpolation starting from futures and forward rate agreement contracts (for maturities up to 12 months) and EUR IRS rates (for subsequent maturity dates). Volatility of the EurLibor 3 month parameter used to determine the fair value of rate options (knock-in cap, floor) derive from an implicit volatility matrix obtained from the market (source: Reuters) for a pre-established number of strike/maturity combinations. Determination of volatility in correspondence with a strike/maturity node not on the matrix is done through bilinear interpolation.

A.4.3 Fair value hierarchy

With regards to classifying portfolios based on fair value hierarchy, we here present the three levels:

- the fair value of a financial instrument is classified as **level 1** when it is an instrument listed on active markets which allow market prices to be used in a reliable manner for the purposes of measurement;
- the fair value of a financial instrument is classified as **level 2** when it is an instrument not listed on an active market, but which in any case allows the respective fair value to be measured using measurement models based on observable market prices;
- the fair value of a financial instrument is classified as **level 3** when it is an instrument not listed on an active market, and its respective fair value cannot be determined using measurement models based on observable market prices.

Fair value measurements are classified on the basis of a hierarchy of levels that reflects the significance of the inputs used in the evaluations themselves.

PART B - INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

Amounts expressed in these notes are in thousands of euros, unless otherwise specified.

Section 1 - Cash and cash equivalents - Item 10	25,038	89

1.1 Cash and cash equivalents: breakdown

	31.12.2018	31.12.2017
a) Cash	21	89
b) Demand deposits with central banks	25,017	-
Total	**25,038**	**89**

Item 10 increased due to a 25 million payable due to Banca del Mezzogiorno as at 31.12.2018, used on 2.1.2019 to settle ECB auctions.

Section 2 - Financial assets measured at fair value through profit and loss - Item 20	123,313	79,042

Financial assets at fair value through profit and loss consist of financial assets held for trading in the amount of 51% of the item, with the remaining 49% consisting of assets designated at fair value.

Description	31.12.2018	31.12.2017
a) financial assets held for trading	62,794	37,866
b) financial assets at fair value	48,148	32,907
c) other financial assets obligatorily measured at fair value	12,371	8,269
Total	**123,313**	**79,042**

2.1 Financial assets held for trading: product composition

Items/Values	31.12.2018	31.12.2017	
	L1	L1	L2
A. Cash assets			
1. Debt securities	33,104	35,671	2,195
1.1 Structured securities	-	-	-
1.2 Other debt securities	33,104	35,671	2,195
2. Equity securities and UCITS shares	29,690	-	-
3. Financing	-	-	-
Total (A)	**62,794**	**35,671**	**2,195**
Total (A+B)	**62,794**	**35,671**	**2,195**

Around 50% of financial assets held for trading, equal to € 33,104 thousand, consist of government securities and domestic bonds with an average rating of investment grade (BBB) and a financial duration of less than one year. This portfolio has an extremely limited interest rate and credit risk profile, and contributes to the profit and loss account with an average return slightly lower than the unit. The remaining 50% of financial assets held for trading, equal to € 29,690 thousand, consists of mutual investment funds with a prudential balanced profile and bonds, acquired in financial 2018 and selected from those offered by the best and largest managers in the segment.

2.3 Financial assets held for trading: breakdown by debtors/issuers/counterparties

Items/Values	31.12.2018	31.12.2017
A. Cash assets		
1. Debt securities	**33,104**	**37,866**
a) Public administrations	24,940	19,458
b) Banks	8,164	15,906
d) Non-financial companies	-	2,502
3. UCITS units	**29,690**	**-**
Total (A)	**62,794**	**37,866**
Total (A+B)	**62,794**	**37,866**

Please see Annex A.1 for details of the change.

2.4 Financial assets measured at fair value: product composition

Items/Values	31.12.2018	31.12.2017
	L3	L3
1.Debt securities	**48,148**	**32,907**
1.2 Other debt securities	48,148	32,907
Total	**48,148**	**32,907**

Assets designated at fair value, totalling € 48,148 thousand, consist of investment policies with internal prudential management, stipulated with major insurance companies with the aim of stabilising revenues from cash and cash equivalents managed.

2.5 Financial assets measured at fair value: breakdown by debtors/issuers

Items/Values	31.12.2018	31.12.2017
1. Debt securities	**48,148**	**32,907**
c) Other financial companies	48,148	32,907
Total	**48,148**	**32,907**

Financial assets measured at fair value: annual changes

	Debt securities
Initial balance	**32,907**
Increases	
Purchases	14,500
Positive changes in Fair Value	865
Decreases	
Other	(124)
Closing balance	**48,148**

Please see Annex A.2 for details of the change.

2.6 Other financial assets obligatorily measured at fair value: product composition

Items/Values	Total 31.12.2018			Total 31.12.2017
	L1	L2	L3	L2
1. Debt securities	**1,560**	**-**	**-**	**-**
1.2 Other debt securities	1,560	-	-	-
2. Equity securities	**-**	**-**	**1**	**-**
3. UCITS units	**-**	**10,810**	**-**	**8,269**
Total	**3,119**	**10,810**	**1**	**8,269**

UCITS units consist for € 1,560 thousand (FV 1) of a capitalisation policy subscribed by Invitalia Ventures SGR in April 2017 with Società Cattolica di Assicurazione and for € 10,810 thousand (FV 2) of medium and long-term investments in long-term closed-end mutual funds made by the parent company.

The method used to determine the fair value of UCITS units is based on the latest NAV (Net Asset Value) available as notified by the fund manager. This NAV is modified on the basis of the calls and reimbursements notified by the managers between the date of the last official NAV valuation the and the valuation date.

Equity securities (FV 3) refer to the portions due to the Banca del Mezzogiorno of securities subscribed by the FITD voluntary scheme following the actions carried out by the same.

2.7 Other financial assets obligatorily measured at fair value: breakdown by debtors/issuers

	Total 31.12.2018	Total 31.12.2017
1. Equity securities	**1**	**-**
of which: other financial companies	1	-
2. Debt securities	**1,560**	**-**
c) Other financial companies	1,560	-
of which: insurance companies	1,560	-
3. UCITS units	**10,810**	**8,269**
Total	**12,371**	**8,269**

Please see Annex A.3 for details of the change.

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30	715,751	740,100

3.1 Financial assets measured at fair value through other comprehensive income: product composition

Items/Values	31.12.2018	31.12.2017
	L1	L1
1. Debt securities	**715,751**	**740,100**
1.2 Other debt securities	715,751	740,100
Total	**715,751**	**740,100**

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtors/ issuers

Items/Values	Total	Total
	31.12.2018	31.12.2017
1. Debt securities	**715,751**	**740,100**
a) Public administrations	715,751	740,100
Total	**715,751**	**740,100**

The item "financial assets measured at fair value" consists solely of Italian government securities (BTP) held by Banca del Mezzogiorno. The item suffered from the negative change caused by the significant increase in returns on government securities, due to trend in the sovereign spread.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value		Total value adjustments
	Stage one	of which: low credit risk instruments	Stage one
Debt securities	716,317	716,317	566
Total 31.12.2018	**716,317**	**716,317**	**566**

Section 4 - Financial assets at amortised cost - Item 40	2,616,079	2,981,248

The item is as follows:

Description	31.12.2018	31.12.2017
a) receivables from banks	629,102	881,970
b) receivables from financial companies	1,775	1,652
c) receivables from clients	1,985,202	2,097,626
Total	**2,616,079**	**2,981,248**

a) Receivables from banks

4.1 Financial assets at amortised cost: product composition of receivables from banks

Type of operation/Amounts	31.12.2018			31.12.2017		
	Book value	Fair Value		Book value	Fair Value	
	Stage one and two	L1	L3	Stage one and two	L1	L3
1. Deposits and savings accounts	**601,085**		**601,085**	**877,126**		**877,126**
2. Financing	**722**		**722**			
2.4 Other	722		722			
3. Debt securities	**27,295**	**26,011**		**3,017**	**3,001**	
3.2 Other debt securities	27,295	26,011		3,017	3,001	
4. Other assets				**1,827**		**1,827**
Total	**629,102**	**26,011**	**601,807**	**880,143**	**3,001**	**877,126**

The sub-item "Deposits and current accounts" includes:

Ordinary deposits		**97,293**
- of which restricted (ISMEA dispute)	*17,006*	
- of which time deposit	*30,009*	
Financial resources dedicated to contracts and/or agreements		**354,414**
Financial resources from domestic and EU funds		**149,378**
Total available		**601,085**

- financial resources available on demand for current operations for € 97,293 thousand (€ 325,632 thousand at 31 December 2017) of which € 17,006 thousand refers to a restricted amount in a joint account with ISEMA based on the settlement agreement signed in December 2016, until the result of the ISA/ISMEA dispute described in the Directors' Report on Operations. Of the above financial resources on demand, € 30,009 thousand was transferred to a short-term time deposit account (24 months) at a more favourable return rate than that granted for ordinary current accounts;
- restricted financial resources for the implementation of subsidy measures financed by domestic and EU funds (further described in item 80 of liabilities) for a total of € 149,378 thousand, with the details provided below:

	31.12.2018	**31.12.2017**
Fund for the construction of Broadband and Ultra-Broadband networks	17,120	42,979
The sustainable growth fund	37,408	39,668
Italian Law 181/89 (Interventions in Crisis Areas)	26,167	29,042
Rolling Fund Italian Presidential Decree 58/87	30,948	29,148
Patent Agreement	16,052	11,608
Italian Law 208/98 Incentive funds	14,753	14,762
Tourism Promotion	1,247	1,247
Re-industrialisation of the Ottana area	788	787
Museum sites of Excellence	201	202
Other Operational Funds	1,153	907
ERDF funds formerly Garanzia Italia	1,820	1,821
National funds formerly Garanzia Italia	1,721	1,721
	149,378	**173,892**

- Financial resources "exclusively and non-exclusively" dedicated to contracts and agreements for € 354,414 thousand, detailed as follows:

	2018	2017
Regional Broadband and Ultra-Broadband contracts	252,972	244,244
Interventions in Bagnoli - Coroglio area	80,396	86,508
CIPE 62-130/02 contracts	1,856	10,719
Tendered contracts for local authorities (1)	14,188	10,910
Reopen local public services	487	-
Emergency support for migrant assistance	337	294
Funds dedicated to non-exclusive Public Contracts	3,889	23,371
Hydrogeological instabilities	4	1,134
Spinner	231	231
ILVA Agreement	10	10
Factoring	44	182
	354,414	**377,603**

(1) Interest not accruing during the year

- Financial resources intended for actions to clean asbestos in the former Eternit area of Bagnoli-Coroglio, pursuant to the 2015 Stability Law, were deposited in a short-term time deposit account in the amount of € 75 million, offering a more favourable return rate than that recognised for ordinary current accounts;
- Amounts dedicated to CIPE 62-130/02 contracts saw a decrease due to the completion of certain Operating Programmes, for which final accounting has been formally concluded with the Client.

Cash related to the restricted resources for implementation of subsidy measures does not generate interest income for the Group and flows directly into the fund under management.

A similar effect occurs for certain resources dedicated exclusively to covering the costs of contracts awarded by local authorities.

Note that residual amounts of resources restricted for the projects planned under various measures will be returned to the client upon completion of the activity in question.

The item **debt securities** refers to the long-term portfolio of securities (held to collect), established in financial year 2018, with the sole objective of achieving certain revenue flows from coupon and capital maturation, taking into consideration expected cash flows in line with the parent company's financial capacity.

Please refer to Annex A.2 for the details of the movement and the breakdown of debtors/issuers.

To that end, € 16,400 thousand of nominal value was transferred to the HTC portfolio, for which the amounts and effects of the reclassification are summarised.

Technical form	Sector of origin	Nominal value at transfer date	Book value at transfer date (01.01.2018)	Fair value at 31.12.2018	Book value at 31.12.2018
Debt securities	Financial assets held for trading	16,400	16,547	15,665	23,084
Total		**16,400**	**16,547**	**15,665**	**23,084**

In summary:

	(Costs)/Revenues
Absence of transfer	
Negotiation	(816)
Total	**(816)**
With transfer	
Negotiation	274
Total	**274**

For the securities deriving from the "financial assets held for trading" portfolio, the profit and loss account would have included net negative components of € 816 thousand, corresponding to the difference between the 2018 and 2017 fair values.

As a result of the reclassification, the adoption of the "amortised cost" method produced positive net components for € 274 thousand.

b) Receivables from financial companies

4.2 Financial assets at amortised cost: product composition of receivables from financial companies

Type of operation/Amounts	Total 31.12.2018		Total 31.12.2017	
	Book value	Fair Value	Book value	Fair Value
	Stage one and two	L3	Stage one and two	L3
1. Financing	**-**	**-**	**1,500**	**1,500**
1.1 Repurchase agreements	-	-	-	-
1.2 Financial leases	-	-	-	-
1.3 Factoring	-	-	-	-
- with recourse	-	-	-	-
- without recourse	-	-	-	-
1.4 Other loans	-	-	1,500	1,500
2. Debt securities	**1,457**	**1,457**	**-**	**-**
2.1 structured securities	-	-	-	-
2.2 other debt securities	1,457	1,457	-	-
3. Other assets	**319**	**319**	**152**	**152**
Total	**1,775**	**1,775**	**1,652**	**1,652**

"Other assets" include receivables due from Group companies or from companies which recently left the Group.

There are no receivables constituted as collateral for own liabilities and commitments.

c) Receivables from clients

4.3 Financial assets at amortised cost: product composition of receivables from customers

Type of operation/Amounts	Total 31.12.2018			Total 31.12.2017		
	Book value		Fair Value	Book value		Fair Value
	Stage one and two	Stage three	L3	Stage one and two	of which: acquired or originated impaired	L3
1. Financing	**1,386,995**	**88,389**	**1,475,384**	**1,571,266**	**136,087**	**1,707,353**
1.1 Current accounts	5,559	-	5,559	-	-	-
1.2 Factoring	7,008	-	7,008	13,745	-	13,745
Bank factoring	141	-	141	-	-	-
- with recourse	5,555	-	5,555	10,777	-	10,777
- without recourse	1,312	-	1,312	2,968	-	2,968
1.4 Credit cards, personal loans and salary-backed loans	2,666	-	2,666	-	-	-
1.7 Other loans	1,371,762	88,389	1,460,151	1,557,521	136,087	1,693,608
of which: from the enforcement of guarantees	-	-	-	1,711	-	1,711
2. Debt securities	**79,216**	**-**	**79,216**	**-**	**-**	**-**
2.2 Other debt securities	79,216	-	79,216	-	-	-
3. Other assets	**371,273**	**59,329**	**430,602**	**379,410**	**10,863**	**390,273**
Total	**1,837,484**	**147,718**	**1,985,202**	**1,950,676**	**146,950**	**2,097,626**

The sub-item “**Loans**”, includes receivables due from customers to Banca del Mezzogiorno – MedioCredito Centrale SpA, which at 31 December 2018 amounted to € 1,336.2 million, consisting of gross receivables of € 1,421.8 million, of which performing and in stage 1 and 2 for € 1,286.5 million, and impairment provisions of 85.6 million, of which 72.1 million relative to impaired loans and 13.5 for performing loans. The related net value of receivables adjusted for impairment according to the consolidated profit and loss account at 31 December 2018 amounted to approximately € 5 million. The sub-item "**Loans**" also includes receivables for € 65,236 thousand (of which € 38,376 thousand impaired positions) charged to the provisions of Italian Law no. 81/89, for which the risk of insolvency is not borne by Invitalia, and those charged to the Presidential Decree 58/87 rolling fund, for which the risk of insolvency is borne by Invitalia only if arrears continue for more than 12 months. For more details on these funds, please refer to item 90 of the liabilities "**Other liabilities - third-party funds under management"**.

The sub-item “**Other assets”** includes receivables for services provided to Ministries and public administrations and amounts due from subjects receiving financing.

The positions are constantly monitored in order to intervene, as far as possible, on the billing authorisation process and minimise the related collection lead times. Almost all past due receivables are owed by the Public Administration, with the consequent difficulty in implementing effective actions for their collection. There are no situations in which the right to collect the receivable appears to be expired and, in cases of evident irrecoverability or bad debt, the Company proceeded to write-down or write-off the related receivable.

4.4 Financial assets at amortised cost: breakdown of receivables due from customers by debtors/issuers

Type of operation/Amounts	Total		Total	
	31.12.2018		31.12.2017	
	Stage one and two	Stage three	Stage one and two	Stage three
1. Debt securities	**79,215**	**-**	**-**	**-**
a) Public administrations	77,123	-	-	-
b) Other financial companies	-	-	-	-
of which: insurance companies	-	-	-	-
c) Non-financial companies	2,092	-	-	-
2. Loans to:	**1,386,995**	**88,389**	**1,571,266**	**136,087**
a) Public administrations	66,562	-	75,405	-
b) Other financial companies	54,004	-	61,179	-
of which: insurance companies	-	-	-	-
c) Non-financial companies	873,030	83,856	989,017	129,107
d) Households	393,400	4,533	445,665	6,980
3. Other assets	**371,273**	**59,329**	**379,410**	**10,863**
Total	**1,837,484**	**147,718**	**1,950,676**	**146,950**

4.5 Financial assets at amortised cost: gross value and total value adjustments

	Gross value			Total value adjustments			Total partial write-offs
	Stage one	Stage two	Stage three	Stage one	Stage two	Stage three	
Debt securities	108,072	-	-	103	-	-	-
Financing	1,849,211	154,662	161,070	7,087	7,984	72,681	-
Other assets	371,541	-	60,356	(50)	-	1,028	-
Total 31.12.2018	**2,328,824**	**154,662**	**221,426**	**7,140**	**7,984**	**73,709**	**-**

4.6 Financial assets at amortised cost: guaranteed assets

Type of operation/Amounts	31.12.2018		31.12.2017	
	Receivables from clients		Receivables from clients	
	BV	GV	BV	GV
1. Non-impaired assets guaranteed by:	**102,873**	**102,873**	**57,233**	**57,233**
- Assets under financial leases	-	-	-	-
- Receivables through factoring	-	-	-	-
- Mortgages	101,810	101,810	56,170	56,170
- Pledges	100	100	100	100
- Personal guarantees	963	963	963	963
- Credit derivatives	-	-	-	-
2. Impaired assets guaranteed by:	**54,120**	**54,120**	**49,794**	**49,794**
- Assets under financial leases	-	-	-	-
- Receivables through factoring	-	-	-	-
- Mortgages	54,120	54,120	49,794	49,794
- Pledges	-	-	-	-
- Personal guarantees	-	-	-	-
- Credit derivatives	-	-	-	-
Total	**156,993**	**156,993**	**107,027**	**107,027**

BV = Book Value
GV = Fair value of guarantees

Section 5 - Hedging derivatives - Item 50	82,650	110,536

5.1 Hedging derivatives: breakdown by hedge type and level

The item hedging derivatives, equal to 82.6 million at 31 December 2018, shows the fair value of derivatives stipulated to hedge against interest rate risk on bond issues.

	Fair Value	NV	Fair Value	NV
	31.12.2018		31.12.2017	
	L2	31.12.2018	L2	31.12.2017
A. Financial Derivatives	**-**	**-**	**-**	**-**
1. Fair Value	82,650	288,583	110,536	360,681
2. Cash flows	-	-	-	-
3. Foreign investments	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**
1. Fair Value	-	-	-	-
2. Cash flows	-	-	-	-
Total	**82,650**	**288,583**	**110,536**	**360,681**

5.2 Hedging derivatives: breakdown by portfolio hedged and type of hedge

Operation/Hedge type	Fair Value							Cash flows		Foreign investments
	Specific						Macro	Specific	Macro	
	debt securities and interest rates	equity securities and stock indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income										
2. Financial assets measured at amortised cost										
3. Portfolio										
4. Other transactions										
Total assets	-	-	-	-	-	-	-	-	-	-
1. Financial liabilities										
2. Portfolio							82,650			
Total liabilities	-	-	-	-	-	-	**82,650**	-	-	

The hedging derivatives are all related to funding obtained through bond issues. The change with respect to 31.12.2017 relates to the natural repayment of 2 loans, maturing respectively on 3 and 24 December 2018.

Section 7 - Equity Investments - Item 70	34,980	40,481

7.1 Equity investments: information on equity investments

Company name	Registered office	Operating offices	Stake held %	Available votes %	Book value 31.12.18	Fair value 31.12.18
C. Companies subject to significant influence						
CONSORZIO EX CNOW	Venice	Venice	52%	52%	1	1
ELETTRA SINCROTONE TRIESTE SpA	Trieste	Trieste	4%	4%	2,050	2,050
LAMEZIA EUROPA SCPA	Lamezia Terme	Lamezia Terme	20%	20%	599	599
SICULIANA NAVIGANDO SRL	Siculiana	Siculiana	95%	95%	55	55
of which companies taken on pursuant to Law 181/89 and subsequent						
GUSTAVO DE NEGRI & ZA. MA. SRL	Caserta	Caserta	20%	20%	202	202
TEKLA SRL	Scafati	Scafati	26%	26%	653	653
Total equity investments in companies subject to significant influence					**3,561**	**3,561**
Non-significant companies						
ALA BIRDI	Arborea	Arborea	30%	30%	2,842	2,842
C.R.A.A. SRL IN LIQUIDATION	Arese	Arese	15%	15%	38	38
CFI - COOPERAZIONE FINANZA	Rome	Rome	1%	1%	643	643
ELA SPA IN BANKRUPTCY PROCEEDINGS	Naples	Naples	6%	6%	-	-
FINMEK SOLUTIONS SPA IN PROC. CONC.	L'Aquila	L'Aquila	30%	30%	0	0
FONDERIT ETRURIA IN BANKRUPTCY PROCEEDINGS	Livorno	Livorno	13%	13%	0	0
IDC - ITALIAN DISTRIBUTION	Rome	Rome	7%	7%	0	0
INVITALIA GLOBAL INVESTMENT SPA	Rome	Rome	100%	100%	11,000	11,000
ISTIT ENCICLOPEDIA TRECCANI	Rome	Rome	7%	7%	4,849	4,849
ITALIA CAMP SRL - UNIPERSONALE	Rome	Rome	5%	5%	1	1
MARINA DI VILLA IGIEA SPA	Palermo	Palermo	8%	8%	438	438
MECCANO SCPA	Fabriano	Fabriano	4%	4%	78	78
SASSI ON LINE SERVICE S.C.P.A. IN LIQUIDATION	Bari	Bari	10%	10%	0	0
SOCIETÀ PER CORNIGLIANO SPA	Genoa	Genoa	10%	10%	1,358	1,358
TINTORIA STAMPERIA DEL MOLISE IN BANKRUPTCY PROCEEDINGS	Boiano	Boiano	30%	30%	0	0
TRADIZIONI DI CALABRIA SPA IN BANKRUPTCY PROCEEDINGS	Cirò	Cirò	49%	49%	0	0
TRADIZIONI ITALIANE SPA IN BANKRUPTCY PROCEEDINGS	Cirò	Cirò	13%	13%	0	0
WAHO0 SPA	Cagliari	Cagliari	18%	18%	0	0
of which companies taken on pursuant to Law 181/89 and subsequent						
CMS SRL IN BANKRUPTCY PROCEEDINGS	Laterza	Laterza	19%	19%	1,370	1,370
ELMIRAD SERVICE SRL IN LIQUIDATION	Taranto	Taranto	12%	12%	120	120
FONDERIE SPA IN BANKRUPTCY PROCEEDINGS	Rome	Rome	2%	2%	-	-
JONICA IMPIANTI SRL	Taranto	Taranto	9%	9%	278	278
MODOMEC BUILDING SRL	Massafra	Massafra	7%	7%	168	168
PERITAS SRL	Brindisi	Brindisi	15%	15%	326	326
PRO.S.IT. SRL IN BANKRUPTCY PROCEEDINGS	Naples	Naples	27%	27%	499	499
SALVER SPA	Rome	Rome	14%	14%	2,524	2,524
SIE-SOC. ITTICA EUROPEA IN AMM. STRAORDINARIA	Rome	Rome	15%	15%	-	-
SICALP SRL IN BANKRUPTCY PROCEEDINGS	Campiglia Marittima	Campiglia Marittima	36%	36%	1,033	1,033
SIMPE SPA	Acerra	Acerra	4%	4%	3,600	3,600
SISTEMA SRL	Cassana	Cassana	45%	45%	0	0
SURAL SPA BANKRUPT	Taranto	Taranto	1%	1%	253	253
Total non-significant equity investments					**31,419**	**31,419**
Total equity investments					**34,980**	**34,980**

"Non-significant companies" includes IGI SpA established in January 2018 pursuant to article 1, paragraphs 260-266 of Law 205/2017, which while held 100% by Invitalia is not subject to any real management power by the same and is consequently not included in the Invitalia Group.

Also note that the stake held in the share capital of Sider Alloys (22.33%) is not recognised since the equity investment was acquired through third party funds under management and is therefore recognised under commitments.

Furthermore, as shown in the table, the item includes investments in associates acquired as part of the implementation of concessional measures financed by national and/or EU funds (mainly Italian Law 181/89 et seq.) for which the risk is borne by these funds. For these companies, consistent with the rules for reporting funds, no loss of value is recorded until the actual realisation of the same, in any case not charged to the Invitalia group.

There are no equity investments held as collateral for liabilities and commitments.

7.2 Annual changes in equity investments

	31.12.2018	31.12.2017
A. Initial balances	**40,481**	**43,825**
B. Increases	**11,076**	**1,551**
B.1 Purchases	11,000	1,409
B.2 Value reversals		39
B.4 Other positive changes	76	103
C. Decreases	**(16,577)**	**(4,896)**
C.1 Sales	(13,600)	(3,904)
C.2 Value adjustments	(1)	(2)
C.3 Other negative changes	(2,976)	(990)
D. Closing balances	**34,980**	**40,481**

Annex A.5 shows analytical changes in equity investments.

7.3 Significant investments: accounting information

Company name	Registered office	Stake held %	Book value 31.12.18	Total assets	Total revenues	Amount of shareholders' equity	Result of last financial year
Companies subject to significant							
CONSORZIO EX CNOW	Venice	52%	1	-	-	3	-
ELETTRA SINCROTONE TRIESTE SpA	Trieste	4%	2,050	146,811	52,176	52,324	1,256
LAMEZIA EUROPA SCPA	Lamezia Terme	20%	599	8,850	874	3,542	40
SICULIANA NAVIGANDO SRL	Siculiana	95%	55	326	42	59	41
of which companies taken on pursuant to Law 181/89 and subsequent							
GUSTAVO DE NEGRI & ZA. MA. SRL	Caserta	20%	202	3,405	1,360	(1,100)	346
TEKLA SRL	Scafati	26%	653	9,522	3,662	1,195	(177)
Total significant equity investments			**3,561**	**168,914**	**58,113**	**56,022**	**1,507**

7.5 Non-significant investments: accounting information

Company name	Registered office	Stake held %	Consolidated book value at 31.12.18	Total assets	Total revenues	Amount of shareholders' equity	Result of last financial year
Non-significant companies							
ALA BIRDI	Arborea	30%	2,842	10,921	254	9,397	2
C.R.A.A. SRL IN LIQUIDATION	Arese	15%	38	252	-	252	(37)
CFI - COOPERAZIONE FINANZA	Rome	1%	643	103,625	2,622	96,024	30
ELA SPA IN BANKRUPTCY PROCEEDINGS	Naples	6%	-	-	-	-	-
FINMEK SOLUTIONS SPA IN PROC. CONC.	L'Aquila	30%	0	-	-	-	-
FONDERIT ETRURIA IN BANKRUPTCY PROCEEDINGS	Livorno	13%	0	-	-	-	-
IDC - ITALIAN DISTRIBUTION	Rome	7%	0	-	-	-	-
INVITALIA GLOBAL INVESTMENT SPA	Rome	100%	11,000	10,485	-	10,103	(897)
ISTIT ENCICLOPEDIA TRECCANI	Rome	7%	4,849	147,592	48,941	66,986	160
ITALIA CAMP SRL - UNIPERSONALE	Rome	5%	1	1,156	848	636	153
MARINA DI VILLA IGIEA SPA	Palermo	8%	438	10,075	1,677	7,488	206
MECCANO SCPA	Fabriano	4%	78	8,570	2,921	1,754	6
SASSI ON LINE SERVICE S.C.P.A. IN LIQUIDATION	Bari	10%	0	253	-	(1,272)	(20)
SOCIETÀ PER CORNIGLIANO SPA	Genoa	10%	1,358	74,749	10,666	13,570	64
TINTORIA STAMPERIA DEL MOLISE IN BANKRUPTCY PROCEEDINGS	Boiano	30%	0	-	-	-	-
TRADIZIONI DI CALABRIA SPA IN BANKRUPTCY PROCEEDINGS	Cirò	49%	0	-	-	-	-
TRADIZIONI ITALIANE SPA IN BANKRUPTCY PROCEEDINGS	Cirò	13%	0	-	-	-	-
WAHO0 SPA	Cagliari	18%	0	-	-	-	-
of which companies taken on pursuant to Law 181/89 and subsequent							
CMS SRL IN BANKRUPTCY PROCEEDINGS	Laterza	19%	1,370	-	-	-	-
ELMIRAD SERVICE SRL IN LIQUIDATION	Taranto	12%	120	-	-	-	-
FONDERIE SPA IN BANKRUPTCY PROCEEDINGS	Rome	2%	-	-	-	-	-
JONICA IMPIANTI SRL	Taranto	9%	278	6,688	896	1,176	(551)
MODOMEC BUILDING SRL	Massafra	7%	168	5,860	1,268	2,976	(20)
PERITAS SRL	Brindisi	15%	326	7,812	1,133	2,120	41
PRO.S.IT. SRL IN BANKRUPTCY PROCEEDINGS	Naples	27%	499	-	-		-
SALVER SPA	Rome	14%	2,524	92,725	28,008	18,946	(2,456)
SIE-SOC. ITTICA EUROPEA IN AMM. STRAORDINARIA	Rome	15%	-	-		-	-
SICALP SRL IN BANKRUPTCY PROCEEDINGS	Campiglia Marittima	36%	1,033	-	-	-	-
SIMPE SPA	Acerra	4%	3,600			-	
SISTEMA SRL	Cassana	45%	0	1,587	(153)	(5,008)	(322)
SURAL SPA BANKRUPT	Taranto	1%	253	-	-	-	-
Total non-significant equity investments			**31,419**	**482,351**	**99,080**	**225,149**	**(3,641)**

Section 8 - Property, plant and equipment - Item 80	221,649	241,459

8.1 Property, plant and equipment for functional use: breakdown of assets measured at cost

Assets/Values	Total	Total
	31.12.2018	31.12.2017
1. Property assets	**221,649**	**241,459**
a) land	6,603	6,730
b) buildings	43,909	63,212
c) furniture	638	467
e) other	170,499	171,050
Total	**221,649**	**241,459**

8.6 Property, plant and equipment for functional use: annual changes

	Land	Buildings	Furniture	Other	Total
A.2 Net initial balances	**6,730**	**63,212**	**467**	**171,050**	**241,459**
B. Increases:	**-**	**5,183**	**324**	**12,847**	**18,355**
B.1 Purchases	-	80	320	5,031	5,432
B.2 Capitalised expenses for improvements	-	605	-	-	605
B.7 Other changes	-	4,498	4	7,816	12,318
C. Decreases:	**(126)**	**(24,487)**	**(153)**	**(13,398)**	**(38,164)**
C.1 Sales	-	-	-	(13)	(13)
C.2 Amortisation	-	(1,532)	(153)	(13,244)	(14,929)
C.3 Value adjustments from impairment attributed to	-	(459)	-	(142)	(601)
b) profit and loss account	-	(459)	-	(142)	(601)
C.7 Other changes	(126)	(22,495)	-	-	(22,622)
D. Net closing balances	**6,604**	**43,909**	**638**	**170,499**	**221,649**

There are no:

- tangible assets pledged as collateral for own debts and commitments
- assets acquired under financial leases
- assets held for investment purposes

Section 9 - Intangible assets - Item 90	37,610	39,521

9.1 Intangible assets: breakdown

Assets/Values	Total 31.12.2018 Assets measured at	Total 31.12.2017 Assets measured at
2 Other intangible assets	**37,610**	**39,521**
2.1 owned	37,610	39,521
- generated internally	2,841	4,049
- other	34,769	35,472
2.2 acquired through operating leases	-	-
Total 2	**37,610**	**39,521**
Total	**37,610**	**39,521**

The Item "**Others**" refers for € 31,434 million to the acquisition of usage rights for third part telecommunications infrastructure, in IRU mode (Indefeasible Right of Use) for a period of 15 years, through Infratel SpA. The relative depreciation was calculated for each section, in line with the contractual duration of the right to use - 15 years - starting from the date on which the individual sections were handed over.

9.2 Intangible assets: annual changes

	Total
A. Initial balances	**39,521**
B. Increases	**4,949**
B.1 Purchases	4,949
C. Decreases	**(6,860)**
C.2 Amortisation	(6,860)
D. Net closing balances	**37,610**

The changes in the year, as well as the amortisation for the period, are essentially due to:

- Completion of the procedure digitalisation process aimed at improving the efficiency of company operations, for € 1,738 thousand, deriving from the parent company;
- Capitalisation of software investments by the subsidiary Banca del Mezzogiorno for € 964 thousand;
- Capitalization by the subsidiary Infratel of investments for the acquisition of rights to use third- party telecommunications infrastructure in IRU (Indefeasible Right of Use) for € 1,395 thousand assets under construction related to software implementation activities for € 1,034 thousand.

Section 10 - Tax assets and liabilities - Item 100 of the assets and Item 60 of the liabilities

Tax assets - Item 100	40,578	35,758

10.1. "Tax assets: current and deferred": breakdown

	Total	Total
	31.12.2018	31.12.2017
Current	20,447	18,444
Deferred	20,131	17,313
Total	**40,578**	**35,758**

Deferred tax assets can be broken down as follows:

	Total	Total
	31.12.2018	31.12.2017
- As balancing entry to profit and loss account	14,721	14,305
- As balancing entry to shareholders' equity	5,410	3,009
Total	**20,131**	**17,313**

Current assets include residual tax credits deriving from companies incorporated when Sviluppo Italia was established, relative to which the relative collection actions are still under way.

Deferred assets represent IRES calculated on previous tax losses which can be used without any limits, expected to be used to cover expected tax results in the near future.

Tax liabilities - Item 60	1,909	1,373

10.2 “Tax liabilities: current and deferred": breakdown

	Total	Total
	31.12.2018	31.12.2017
Current	1,801	1,248
Deferred	108	125
Total	**1,909**	**1,373**

Deferred tax liabilities can be broken down as follows:

	Total	Total
	31.12.2018	31.12.2017
- As balancing entry to profit and loss account	-	-
- As balancing entry to shareholders' equity	108	125
Total	**108**	**125**

10.3 Changes in deferred taxes (as balancing entry to profit and loss account)

	Total	Total
	31.12.2018	31.12.2017
1. Initial amount	**14,305**	**8,971**
2. Increases	**3,082**	**7,307**
2.1 Deferred tax assets recognised during the year	3,082	17
a) relative to previous financial years	11	17
b) due to changes in accounting criteria	2,206	-
c) reversals	-	-
d) other	865	-
2.2 New taxes or increases in tax rates	-	1,969
2.3 Other increases	-	5,322
3. Decreases	**(2,666)**	**(1,973)**
3.1 Deferred tax assets cancelled during the year	(2,666)	(1,973)
a) reclassifications	(2,585)	(1,973)
b) writedowns as no long recoverable	-	-
c) change in accounting criteria	-	-
d) other	(81)	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	-	-
a) transformation to tax credits pursuant to law 214/2011	-	-
b) other		-
4. Final amount	**14,721**	**14,305**

10.3.1. Changes in deferred tax assets pursuant to Law 214/2011

	Total	Total
	31.12.2018	31.12.2017
1. Initial amount	**3,009**	**2,224**
2. Increases	**2,492**	**1,095**
3. Decreases	**91**	**310**
3.1 Reclassifications	91	310
3.2 Transformation to tax credits	-	-
a) deriving from financial year losses	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Final amount	**5,410**	**3,009**

10.5 Changes in deferred tax assets (as balancing entry to shareholders' equity)

	Total	Total
	31.12.2018	**31.12.2017**
1. Initial amount	**3,009**	
2. Increases	**2,492**	**3,319**
2.1 Deferred tax assets recognised during the year	2,492	1,095
a) relative to previous financial years	-	-
b) due to changes in accounting criteria	-	-
c) other	2,492	1,095
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	2,224
3. Decreases	**(91)**	**(310)**
3.1 Deferred tax assets cancelled during the year	(91)	(310)
a) reclassifications	(91)	(310)
b) writedowns as no long recoverable	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**5,410**	**3,009**

Section 11 - Non-current assets and asset groups held for sale - Item 110	**259,955**	**277,707**

11.1 Non-current assets and asset groups held for sale: breakdown

	31.12.2018	31.12.2017
Cash and cash equivalents	42	16
Financial assets measured at amortised cost	12,845	12,606
Equity investments	14,279	18,804
Property, plant and equipment	72,611	221,427
Intangible assets	475	448
Tax assets	2,272	2,534
Non-current assets and asset groups held for	135,774	189
Other assets	21,657	21,683
Total	**259,955**	**277,707**

The item refers to the companies that were put up for sale following the reorganisation and disposal plan approved by the Italian Ministry of Economic Development with the Ministerial Decree of 31 July 31, 2007 or in compliance with the 2017 - 2019 Business Plan approved by the MEF and the MED in December 2016.

For the purpose of determining the fair value net of costs for the sale of the carrying amount of these assets, the Management also availed itself of the support of external consultants who were experts in valuations.

The companies included in this item, which are fully consolidated, are listed below:

- Italia Turismo SpA;
- Sviluppo Italia Calabria SpA in Liquidation;
- Marina di Portisco SpA.

Note that Sviluppo Italia Campania and Aquila Sviluppo are no longer within the scope of consolidation, as liquidation was completed with consequent removal from the Register of Businesses during 2018.

The sub-item "**equity investments**" represents the value of the investee companies valued at equity. Note that during 2018, the company IP Porto Romano was granted access to the composition with creditors procedure and simultaneously the shareholder Invitalia signed a term sheet with one of the leading players in the global cruise sector for possible entry into the shareholding structure. Although the process has begun with this cruise operator, it was decided to prudentially decrease the value of the shareholders' equity at 31 December 2018 to an amount deemed to be representative.

Attachments A.6, A.7, and A.8 respectively show the percentage of ownership and analytical change of the individual investments valued at equity.

Below is the change during the year:

Company name	Initial balance	Positive changes	Negative changes	Revaluations	Depreciation / Impairment	Final balance 31.12.2018
CONSORZIO MARINA DI PORTISCO	10	-	-	-	-	10
I.T.S. INFORMATION TECHNOLOGY	300	-	-	-	-	300
IP PORTO ROMANO SRL	3,603	-	-	-	(3,529)	74
MARINA D'ARECHI	14,718	-	-	-	(949)	13,769
NEW CEFALÙ	-	-	-	-	-	-
SALERNO SVILUPPO	114	-	-	-	(37)	77
TRIESTE NAVIGANDO SRL	59	-	-	-	(10)	50
Total other companies	**18,804**	**-**	**-**	**-**	**(4,525)**	**14,279**

The sub-item "**non-current assets and asset groups held for sale**" refers to Italia Turismo. During 2018, following a public sales proceedings, a private investor was selected whose offer to acquire an Italia Turismo business asset, that is its real estate assets, was positively assessed by the directors. Consequently, the value of these real estate assets held for sale were reclassified to this item, in contrast to their placement under "Property, plant and equipment" in financial year 2017.

Section 12 - Other assets - Item 120	158,711	117,396

12.1 Other assets: breakdown

	Total 31.12.2018	Total 31.12.2017
- Inventories	85,691	41,708
- Indirect tax receivables from tax authorities	24,411	42,964
- Receivables from social security institutions	104	387
- Receivables and advances from suppliers	4,086	1,133
- Security deposits	2,990	2,996
- Prepayments (only those related to other assets)	10,223	8,728
- Receivables and various items	31,207	19,480
Total	**158,711**	**117,396**

The sub-item "**Inventories**" includes:

- € 8.5 million for the Parent Company related to the valuation of the considerations accrued for work completed but still in the reporting phase. The fluctuations in this item are essentially due to the various reporting schedules;
- € 61.8 million related to the installation of Infratel SpA's "broadband" and "ultra-broadband".
- € 15.3 million relative to incubators, transferred by the parent company to the subsidiary Invitalia Partecipazione during 2018.

Receivables and various items essentially include positions associated with 4.5 million in items in transit (bank transfer orders) and charges sustained for third party assets by a subsidiary (Banca del Mezzogiorno), as well as € 26.7 million in advances using FSC funds for the ultra-broadband project for the subsidiary Infratel.

Prepayments represent costs for services ascertained and paid in advance, accruing during the subsequent year or correlated with future revenues.

LIABILITIES

Section 1 - Financial liabilities at amortised cost - Item 10	**2,366,646**	**2,704,187**

Description	31.12.2018	31.12.2017
a) payables	1,719,698	1,965,019
b) securities issued	646,948	739,168
Total	**2,366,646**	**2,704,187**

1.1 Financial liabilities at amortised cost: product composition of payables

The breakdown of the item by type of credit is shown in the following table:

Items	Total			Total		
	31.12.2018			31.12.2017		
	to banks	to financial institutions	to clients	to banks	to financial institutions	to clients
1. Financing	**497,402**	**-**	**59,641**	**1,044,697**	**-**	**532,031**
1.2 Repurchase agreements	292,390	-	-	208,189	-	-
1.2 Other loans	205,012	-	59,641	836,508	-	532,031
2. Other payables	**488,740**	**50,000**	**623,915**	**91,193**	**232,211**	**64,888**
Total	**986,142**	**50,000**	**683,556**	**1,135,890**	**232,211**	**596,919**
Fair value - level 1	-	-	-	-	-	-
Fair value - level 2	-	-	-	-	-	-
Fair value - level 3	986,142	50,000	683,556	1,142,935	232,211	629,833
Total fair value	**986,142**	**50,000**	**683,556**	**1,142,935**	**232,211**	**629,833**

The sub-item "Payables" decreased slightly with respect to the previous year, essentially with reference to amounts due to banks, which went from € 1,135,890 thousand to € 986,142 thousand due to the reduction in financing other than repurchase agreements and the decrease in amounts due to financial companies.

1.2 Financial liabilities at amortised cost: product composition of securities issued

Type of securities/ Amounts	Total				Total			
	31.12.2018				31.12.2017			
	VB	Fair Value			VB	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	646,948	-	347,871	350,249	-	-	-	-
1.1 structured	-	-	-	-	41,007	-	41,742	-
1.2 other	646,948	-	347,871	350,249	698,161	-	419,046	349,728
Total	**646,948**	**-**	**347,871**	**350,249**	**739,168**	**-**	**460,788**	**349,728**

The item includes the bond issued by the Parent Company in July 2017 for a total value of € 350 million, functional both for the acquisition of Banca del Mezzogiorno-Mediocredito Centrale and for the optimisation of working capital, as well as the securities held by the bank itself. The item also includes the securities issued consisting of bond loans listed on the electronic bond market.

1.3 Breakdown of subordinate and non-subordinate debt/securities

	31.12.2018	31.12.2017
A.1 Subordinate debt	-	-
- banks	-	-
- clients	-	-
A.2 Non-subordinate debt	**1,719,698**	**1,965,019**
- banks	986,142	1,135,890
- clients	683,556	596,919
- financial institutions	50,000	232,211
B.1 Subordinate securities	-	-
- banks	-	-
- clients	-	-
B.2 Non-subordinate securities	**646,948**	**739,168**
- banks	646,948	739,168
- clients	-	-
Total	**2,366,646**	**2,704,187**

Section 5 - Adjustment of the value of financial liabilities subject to generic hedging - Item 50	**73,789**	**80,993**

5.1 Value adjustment of hedged financial liabilities

Value adjustment of hedged liabilities/Group components	Total	Total
	31.12.2018	31.12.2017
1. Positive adjustment of financial liabilities	73,789	80,993
Total	**73,789**	**80,993**

The item reflects the effect of changes in discounting rates compared to the previous year.

Section 6 - Tax liabilities - Item 60

Please see the comment on the corresponding item 10 in the assets.

Section 7 - Liabilities associated with assets held for sale - Item 70	**78,269**	**70,064**

7.1 Liabilities associated with assets held for sale: breakdown

	31.12.2018	31.12.2017
Financial liabilities measured at amortised cost	48,465	46,146
Tax liabilities	331	
Other liabilities	17,152	17,283
Employee severance liabilities	544	498
Provisions for risks and charges	11,778	6,137
Total	**78,269**	**70,064**

Please refer to the comment of the corresponding asset item 110 for the list of companies to which the aforementioned amounts refer.

Section 8 - Other liabilities - Item 80	1,005,883	1,004,138

8.1 Other liabilities: breakdown

Type of securities/Amounts	Total	Total
	31.12.2018	31.12.2017
Other liabilities - Other		
- Capital grants	104,002	470,604
- Payables for third-party funds under management	244,497	272,623
- Payables to clients for contracted works in progress	-	101,911
- Suppliers	101,553	66,714
- Accrued expenses and deferred income	357,081	19,251
- Payables to employees	12,964	12,357
- Payables to social security institutions	6,450	6,322
- Payables to tax authorities	3,094	2,897
- Tax consolidation payables	342	311
- Security deposits received	134	131
- Sundry payables	175,766	51,017
Total	**1,005,883**	**1,004,138**

"**Payables for third-party funds under management**" refer to funds for subsidy measures for which the Agency is responsible for implementing the projects envisaged by the measures themselves. For further information on operations and the funding forms, please see the comment under *Part D "other information"*.

Operations with third party funds

Composition:

	31.12.2018	31.12.2017
Italian Law 181/89 (Interventions in Crisis/Distressed Areas)	97,629	116,765
Rolling Fund Italian Presidential Decree 58/87	48,764	48,437
Italian Regional Law23/91 on Tourism Article 8	1,984	1,984
Italian Law 208/98 Incentive Fund	1,265	1,815
Tourism Promotion Fund pursuant to CIPE resolution 25/3/90	1,568	2,216
Museum sites of Excellence	201	202
Patent Agreement	16,032	11,551
Fund for Ottana	805	805
The sustainable growth fund (IV)	45,743	44,814
Fund for Broadband and Ultra-Broadband deployment	17,121	42,449
Virgo project	60	530
Other	13,325	1,055
Total	**244,497**	**272,623**

In more detailed terms:

- The **Fund L.181/89** is aimed at implementing investment and employment programmes in areas affected by the steel sector crisis. The aforementioned provision was allocated as a result of the CIPE resolution of 20 December 1990, the content of which was confirmed by the same CIPE with resolution of 3 August 1993, as well as reaffirmed by the "implementation guidelines" that were formulated by the Ministry of Industry by letter of 9 April 1994 and confirmed by ministerial decree 1123182/75 of 23 December 1996. The above regulate the implementation of Law 513/93 which aggregated the regulations listed in Italian Laws 181/89, 408/89 and 38/90. Losses incurred on the use of funds are accounted for by direct transfer of this item.

The change in the composition of the L.181/89 fund as at 31 December 2018 is shown below:

	31.12.2018	31.12.2017
Funds cashed	645,696	645,696
Capital returns to the MED	(158,709)	(145,175)
Grants issued	(364,968)	(364,246)
Grants pending release	(2,914)	(2,914)
Losses on receivables and equity investments	(21,476)	(16,595)
Total	**97,629**	**116,766**

The item **"Capital returns"** indicates the amount returned to the Italian Ministry of Economic Development, in accordance with Italian Ministerial Decree No. 1184605/75 of 9 march 2005, which established the Single Fund and provides for half-yearly repayment by the Agency of capital amounts received for loans, revoked contributions and disposal of equity investments. This capital is subsequently reallocated to the Agency for the advancement of the Industrial Promotion Plan.

The L.181/89 fund thus recorded the following changes in the 2018 financial year:

Balance as at 31 December 2017	**116,765**
Capital grants paid and other uses	(722)
Funds cashed	-
Capital returns to the MED	(13,534)
Losses on receivables and equity investments	(4,196)
Other uses	(684)
Balance as at 31 December 2018	**97,629**

As at 31 December 2018, the funds collected amounted to € 645,696 thousand, net of the Ministry's refunds of € 158,709 thousand were employed as follows:

	31.12.2018	31.12.2017
Capital grants	364,968	364,247
Receivables from clients for pre-financing, loans and mortgages (net of repayments)	65,236	76,472
Equity Investments (net of unpaid called-up capital)	11,026	13,759
Receivables from banks	26,168	32,904
Other financial receivables (payables) for items to be recorded	(1,887)	(3,456)
Losses on loans, equity investments and other uses	21,477	16,595
Total	**486,988**	**500,521**

- The **DPR 58/87 Rolling Fund** refers to sums disbursed for financial assistance to subsidiaries engaged in the tourism sector. The Fund is provided from allocations made by the former Agensud pursuant to Article 9 of Italian Presidential Decree 58/87. A management fee of 0.75% per semester is recognized for the management of loans granted on said Fund.
- The **Law 23/91 Regional Fund** refers to the remainder of the sums disbursed in their time by the Region of Sicily (pursuant to Law no.23 of 15.05.91) net of the amount referenced in Law 359/92. With a document dated 9 April 2008, the Agency and the Region of Sicily, in implementation of the Agency's reorganisation plan, identified a solution for the transfer of the loans and residual amounts referenced by Law 23/91 to the regional administration.
- The **Law 208/98 Fund** refers to amounts released by the Ministry of Productive Activities to activate the "incentive fund" to stimulate investments for enterprises operating in the incubators of the regional companies and as grants for plant for the construction of the incubators themselves.
- The **Tourism Promotion Fund** refers to sums paid out in implementation of the CIPE resolution of 25 March 1990, aimed at driving promotional efforts for tourism in the South. The purpose of the Program is to increase tourist flows in the Southern areas, providing adequate technical, organisational and coordination assistance to the identified initiatives. The envisaged formula is the co-financing of interventions proposed by Regional Authorities, business associations and relevant tourism sector organisations. A commission of 10% of the funds managed is retained to compensate for the organisation, coordination and quality control of the initiatives, as well as assistance for the relative planning work. The amount consists of sums received and interest accrued for the period of non-use for € 4,276 thousand, and benefits paid for € 2,380 thousand.
- The amount related to the **Museum sites of Excellence** contract includes sums paid for the restoration and renovation of the Abruzzo National Museum.
- The amount related to the **Patents** contract refers to an agreement signed on 17 December 2009 between the Italian Ministry of Economic Development and the parent company, which provides for the provision of financial support for micro, small and medium-sized enterprises and research centres for the implementation and development of innovative projects based on patents.
- The residual amount of the **Fund for Ottana** is aimed at carrying out environmental safety, fire prevention and general infrastructure projects.
- The **Sustainable Growth Fund** is aimed at the underwriting of the Fondo Italia Venture I, which has the goal of supporting investments in the risk capital of companies, start-ups and innovative SMEs with high development potential. The intent is to assist the capitalisation of small and medium- sized companies to allow easier access to credit and to support medium to long-term development projects. The fair value variations in these investments were recorded as a reduction in the related fun under management.
- The item "**others**" is essentially composed of the two following funds:
  - The "Acerra crisis area" item is related to the Campania Regional Authority Capital Grant, as regulated by the programme agreement of 14.07.2005, for the coordinated implementation of the intervention in the Acerra NGP SpA industrial crisis area, in synergy with the Italian Ministry of Economic Development for the financing of the industrial project promoted by Simpe SpA. With the approval of the Campania Regional Authority, part of these funds (€ 1,235 thousand) were used to provide subsidies to PRO.S.IT Sri in early 2010, pending further remittances from the Campania Regional Authority itself. The company is question is carrying out an entrepreneurial project under the aforementioned programme agreement. The amounts collected under this measure plus the interest accrued on the dedicated current account amounted to € 5,413 thousand, while the sums disbursed to beneficiaries amounted to € 5,222 thousand, with a net debt of € 191 thousand.
  - The Venture Capital Rolling Fund relates to ERDF contributions assigned to the Agency and aimed

at establishing 50% of the ten-year Fund for "venture capital" interventions. The final reporting of the fund was made in 2015 and the amount represents the resources that will be transferred to the Ministry upon collection from the recovery procedures underway related to the residual equity investment shares acquired.

- The financing provided, pursuant to article 1, paragraph 260- 266 of Law 205/2017, was used by the parent company to establish Invitalia Global Investment SpA.

The exposure towards "**suppliers**" represents the debt incurred for purchases of goods and services. This item includes both invoices received and not paid and debt outstanding for invoices not yet received.

"**Payables to employees**" consist of provisions for holidays accrued and not taken, '14th month' salaries and variable and MBO bonuses.

The item other **deferred income** relates to deferred revenues related to the sale of rights to use on infrastructure - cable ducts and fibre optic plant - in IRU mode.

Section 9 - Staff severance indemnity - Item 90	11,588	12,057

Section 9.1 Employee severance liabilities: annual changes

	Total 31.12.2018	Total 31.12.2017
A. Initial balances	**12,057**	**12,766**
B. Increases	**6,088**	**6,827**
B.1 Provisions during the year	5,929	6,827
B.2 Other changes	159	
C. Decreases	**(6,556)**	**(7,536)**
C.1 Liquidations completed	229	523
C.2 Other changes	(6,785)	(8,059)
D. Closing balances	**11,588**	**12,057**

The item represents the "benefit subsequent" to the employment relationship and is calculated by projecting the amount already accrued to the presumable date of termination of the employment relationship. The value thus obtained is discounted at the reporting date of the consolidated financial statements using the actuarial method "Projected Unit Credit Method". This method complies with the Defined Benefit Obligation criterion envisaged by IAS no.19.

The provision for the year includes the so-called "Interest cost", i.e. the "figurative" charge that would be incurred by requesting a loan from the market for an amount equal to the liability at the beginning of the year, appropriately discounted at the rate adopted.

The "other increases" include actuarial losses for the period deriving from changes in the technical bases used in the current valuation compared to that at the end of the previous year. This increase is directly recorded in an equity reserve.

The "other decreases" item essentially refers to the portion of termination indemnities transferred to supplementary pension funds and to INPS treasury [the Italian National Social Security Institution].

The main demographic and financial hypotheses adopted in the valuation of the benefits are:

- Inflation rate: equal to 1.3% for 2018, 1.4% for 2019 and 1.5% for subsequent years, as deduced from the average inflation scenario forecast in the "2017 Economics and Finance Update";
- Discounting rate: determined with reference to the market yields of bonds issued by primary companies at the valuation date. In particular, we used the "Composite" interest rate curve for securities issued

by AA-rated corporate issuers in the Eurozone of "Investment Grade" class as at 31 December 2017 (source: Bloomberg);

- Salary increases: as agreed with the Management team, the following increments were used to estimate the future portions of severance pay accrued by employees who retain their employee termination indemnity in the company: 1.1% for 2018 (including inflation), 1.3% for 2019, 1.4% for 2020, while starting from 2021, the rate coincides with the inflation component (1.5%);
- Probability of survival: we apply the ISTAT [Italian National Statistics Office] table, according to age and gender and updated to 2016;
- Retirement criteria: as required by current legislation;
- Probability of termination of employment for reasons other than retirement and the contractual expiry of 1.5% per year;
- Severance indemnity advances: annual frequency equal to 3% from the fifth year of service, percentage of average severance pay as can be requested as an advance payment equal to 70% of accrued employee severance indemnity (the maximum under current legislation).

Section 10 - Provisions for risks and charges - Item 100	25,586	23,459

10.1 Provisions for risks and charges: breakdown

	Total	Total
	31.12.2018	31.12.2017
1. Provisions for credit risk relative to commitments and financial guarantees given	581	-
2. Provisions for other commitments and guarantees given	-	-
3. Provisions for company retirement funds	3,287	-
4. Other provisions for risks and charges	21,718	23,459
4.1 legal and tax disputes	880	-
4.2 personnel expenses	-	-
4.3 other	20,838	23,459
Total	**25,586**	**23,459**

10.2 Provisions for risks and charges: annual changes

	Provisions for other commitments and guarantees given	Provisions for retirement funds	Other provisions for risks and charges	Total
A. Initial balances			**23,459**	**23,459**
B. Increases	**581**	**3,722**	**10,599**	**14,903**
B.1 Provisions during the year	-	36	10,599	10,635
B.4 Other changes	581	3,687	-	4,268
C. Decreases	**-**	**(435)**	**(12,341)**	**(12,776)**
C.1 Use during the year	-	(271)	(7,429)	(7,700)
C.3 Other changes	-	(165)	(4,911)	(5,076)
D. Closing balances	**581**	**3,287**	**21,718**	**25,586**

The financial/equity contra-entries for provision changes are detailed below:

Item/values	Provisions	Uses/Reversals	Other
item 160 - Administrative expenses	-	(7,700)	-
item 170 - Net provisions for risks and charges	10,635	-	-
item 40 - Financial assets at amortised cost/adjustments	-	-	(809)
Total	**10,635**	**(7,700)**	**(809)**

The item "**Provisions for risks and charges**" saw an increase of € 2,127 thousand with respect to the previous year, essentially due to allocations during the period of € 10,635 thousand and to uses/reversals of € 7,700 thousand. Note that allocations referred to legal expenses for employment disputes, risks relative to accounting for work orders and collection risks relative to residual tax positions from previous years.

10.3 Provisions for credit risk relative to commitments and financial guarantees given

	Provisions for credit risk relative to commitments and financial guarantees given			
	Stage one	Stage two	Stage three	Total
Commitments to disburse funds	439	45	39	523
Financial guarantees given	4	54	-	59
Total	**443**	**100**	**39**	**581**

Section 11 - Equity - Items 110, 120, 130, 140, 150, 160 and 170

Section 11 - Capital - Item 110	**836,384**	**836,384**

11.1 Capital: breakdown

	Total	Total
	31.12.2018	31.12.2017
A. Capital	**836,384**	**836,384**
1.1 Ordinary shares	836,384	836,384

The share capital of € 836,384 thousand is represented by 1,257,637,210 ordinary shares without nominal value owned by the Italian Ministry of Economy and Finance.

The Company has not issued "dividend-bearing shares" nor "convertible bonds".

* * * *

Items 150 and 160 of liabilities, respectively "Reserves" and "Valuation reserves" are commented on in Part D Section 4- Information on Equity.

Section 12 - Shareholders' equity attributable to non-controlling interests - Item 180	(5)	(26)

12.1 Shareholders' equity attributable to non-controlling interests: breakdown

	31.12.2018	31.12.2017
Capital	2	(44)
Reserves	(5)	(21)
Profit (Loss) for the year	(2)	38
Total	**(5)**	**(26)**

PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section 1 - Interest - Items 10 and 20

Section 1 - Interest income - Item 10	53,803	32,819

1.1 Interest income and similar revenues: breakdown

Items/Technical forms	Debt securities	Financing	Other transactions	Total 2018	Total 2017
1. Financial assets measured at fair value through profit and loss:	**337**	**-**	**37**	**375**	**1,106**
1.1 Financial assets held for trading	337	-	-	337	1,106
1.3 Other financial assets obligatorily measured at fair value	-	-	37	37	-
2. Financial assets measured at fair value through other comprehensive income	**843**	**-**	**-**	**843**	**438**
3. Financial assets measured at amortised cost:	**1,795**	**34,849**	**-**	**36,644**	**22,384**
3.1 Receivables from banks	2,173	249	-	2,422	1,204
3.2 Receivables from financial companies	(15)	9	-	(6)	7
3.3 Receivables from clients	(363)	34,591	-	34,228	21,173
4. Hedging derivatives	**-**	**-**	**13,276**	**13,276**	**6,400**
5. Other assets	**-**	**-**	**2,665**	**2,665**	**2,491**
Total	**2,975**	**34,849**	**15,979**	**53,802**	**32,819**

The item, which mainly refers to interest accrued by the bank, consists for the most part of interest on the portfolio of loans to customers.

Section 1 - Interest expense - Item 20	(24,044)	(12,277)

1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Loans payable	Securities	Other transactions	Total 2018	Total 2017
1. Financial liabilities measured at amortised cost	**(5,007)**	**(18,639)**	**-**	**(23,646)**	**(12,156)**
1.1 Payables to banks	(3,089)	-	-	(3,089)	(2,061)
1.3 Payables to customers	(1,918)	-	-	(1,918)	(1,182)
1.4 Securities issued	-	(18,639)	-	(18,639)	(8,913)
4. Other liabilities and provisions	**-**	**-**	**(170)**	**(170)**	**(121)**
6. Financial assets	**-**	**-**	**(228)**	**(228)**	**-**
Total	**(5,007)**	**(18,639)**	**(398)**	**(24,044)**	**(12,277)**

The amount includes the change in the amortised cost of the bond loan issued in July 2017 for a total value of € 350 million and recognised under liabilities item 10 - Financial liabilities measured at amortised cost - b) Securities issued.

Section 2 - Commission income - Item 40	343,355	179,823

2.1 Commission income: breakdown

Type of services/Amounts	Total 2018	Total 2017
b) factoring transactions	10	72
d) guarantees given	-	20
e) services	339,613	177,344
- management of third party funds	197,133	90,660
- other	142,480	86,684
f) collection and payment services	-	119
g) servicing for securitisation transactions	-	32
h) other commissions	3,733	2,407
Total	343,355	179,823

The item "**commission income - management of third party funds/other services**" at 31 December 2018 includes € 125 million relative to fees and contributions to repay costs sustained to carry out activities associated with operating programmes assigned by the relevant administrations to the parent company, € 56 million for the subsidiary Banco del Mezzogiorno-MCC for services rendered to manage the SME Guarantee Fund, € 159 million for revenues accrued by Infratel for creation of infrastructure to create ultra-broadband, commissioned by regional administrations. "**Other commissions**" at € 3.7 million refers to management of funds carried out by the SGR.

Below is the breakdown:

	2018	2017
Broadband deployment	159,204	29,842
BdM - MCC - Subsidised SME Financing	56,541	24,655
The Emilia Romagna earthquake	16,737	16,379
2015 Development contracts	9,690	7,343
Tech. Ass. on the 2014-2020 Enterprise and Competitiveness	7,768	7,173
Italian Legislative Decree No. 185-Title 2	3,114	6,280
Bagnoli-Coroglio remediation	5,711	5,550
New interest-free companies	3,275	5,064
Central Italy earthquake	5,560	4,985
'Resto al sud' - Remain in the South	5,278	-
System-level actions	5,758	4,547
Sabatini Capital Goods	3,856	3,942
Support work for the MIUR Research General Directorate	1,826	3,575
Nuovo Regime 181	5,603	3,052
National Aid Register	1,992	2,798
2014 - 2020 Development contracts	2,114	2,731
Internal areas Phase 2	2,001	2,464
Smart&Start Italia	2,571	2,249
Central Italy earthquake - Schools	-	2,231
Support for handling the migrant reception emergency	2,580	2,196
National technical assistance programme FSC	2,579	-
Tourism Entrepreneurship	-	1,826
National Rolling Fund - 'Garanzia Giovani' [Guarantee for Youth]	1,560	1,762
Italian Legislative Decree No. 185-Title 1	2,079	1,732
Technical Assistance on the GDEI Action and Cohesion Plan	-	1,694
Development of creative cultural enterprises	-	1,633
MIUR - Support activities on 1st level controls	2,180	1,470
ReOPEN SPL	2,163	-
EC NOP - Technical assistance to the MED-DGMEREEN	1,196	1,430
Imprenditorialità Turismo 2	1,089	-
Support for the Culture and Development NOP	1,491	1,223
Digit GDEI ZFU	1,993	1,141
reversible remuneration	-	149
IDC for the Taranto area	-	995
ANCI	-	960
SULCIS	-	951
Complex Industrial Crises	1,256	937
Bagnoli - Works	559	822
TA on infrastructure projects	560	805
Development of cooperatives 2017	569	791
MIUR-Servizi Istruttori Progetti Ricerca	2,755	761
System-level actions - hydrogeological instability	-	704
Museum sites of Excellence	-	683
Tech. Ass. MED-GDEI Enterprises and competitiveness COP	1,853	645
Special Supp. for Technical Structural Mission	-	619
Smart & Start	574	589
SELF-employment tutoring	938	568
Nuova Open cup	691	537
APQ Bagnoli	-	522
Support on the 2007-2013 AdA R&M NOP	-	505
Industry 2015 - Phase 2	-	498
Other contractors	12,349	13,164
	339,613	**177,173**

Section 2 - Commission expense - Item 50	(155,490)	(32,975)

2.2 Commission expense: breakdown

Services/Amounts	Total 2018	Total 2017
a) guarantees received	(354)	(283)
b) distribution of third party services	(154,422)	(31,613)
c) collection and payment services	(345)	(104)
d) other commissions	(369)	(975)
Total	**(155,490)**	**(32,975)**

The item "**commission expense - Distribution of third party services**" saw a significant increase compared to the previous year due to increased costs of € 148 million, incurred for the acquisition and construction of infrastructure related to Infratel's ultra-broadband contract.

	2018	2017
Ultra-Broadband	148,239	24,736
System-level actions	564	496
Bagnoli-Coroglio remediation	440	304
MIUR-Servizi Istruttori Progetti Ricerca	430	68
Internal areas Phase 2	425	473
ReOPEN SPL	362	-
MIUR - Support activities on 1st level controls	339	608
Central Italy earthquake	337	215
Central Italy earthquake - Schools	-	390
Tech. Ass. on the 2014-2020 Enterprise and Competitiveness	324	205
The Emilia Romagna earthquake	272	243
Development of cooperatives 2017	268	278
Factoring activities	-	211
Tourism Entrepreneurship	-	186
Support work for the MIUR Research General Directorate	250	426
APQ Bagnoli	219	431
Equity investments in subsidiaries and other companies	215	-
Bagnoli - Works	213	564
Trieste Via Caboto	190	-
2015 Development contracts	155	95
Technical support on Metropolitan cities NOP	-	153
Special Supp. for Technical Structural Mission	-	131
Support on Networks and Mobility NOP Managing Authority	-	110
Nuovo Regime 181	127	-
Sabatini Capital Goods	117	-
Support for handling the migrant reception emergency	100	108
Support for the Culture and Development NOP	99	41
New interest-free companies	95	81
Industry 2015 - Phase 2	63	99
Imprenditorialità Turismo 2	62	-
Smart&Start Tutoring	41	-
Milan Incubator	39	-
PCM Support - 2009 L'Aquila earthquake	37	-
contributions to associated SME	36	-
Smart&Start Italia	36	102
TA on infrastructure projects	33	30
Other contractors	296	827
Total	**154,422**	**31,613**

Section 3 - Dividends and similar income - Item 70		77

3.1 Dividends and similar income: breakdown

Details/Sectors	2018		2017	
	Dividends	Similar income	Dividends	Similar income
D. Equity investments	-	-	77	-
Total			77	

During 2018, no dividends were received.

Section 4 - Net result from trading activities - Item 80	(506)	(408)

4.1 Net result of trading activities: breakdown

Operations/Income components	Capital gains (A)	Trading gains (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) + (C+D)]
1. Financial assets held for trading	**62**	**34**	**(530)**	**(73)**	**(506)**
1.1 Debt securities	62	34	(530)	(73)	(506)
Total	**62**	**34**	**(530)**	**(73)**	**(506)**

The item represents the negative balance of financial transactions related to debt securities in the portfolio, determined for € 467 thousand due to year-end measurement and for € 39 thousand by net realised losses.

Section 5 - Net result of hedging activities - Item 90	9	6

5.1 Net result of hedging activities: breakdown

Income components/Amounts	Total 2018	Total 2017
A. Income from:		
A.1 Fair value hedging derivatives	-	6
A.3 Hedged financial liabilities (fair value)	7,204	-
Total income from hedging activities (A)	**7,204**	**6**
B. Charges related to:		
B.1 Fair value hedging derivatives	(7,195)	-
Total charges for hedging activities (B)	**(7,195)**	**-**
C. Net income from hedging activities (A-B)	**9**	**6**

The item represents the net result of hedging activities carried out using derivatives.

Section 6 - Profit (Loss) from sale or repurchase - Item 100	821	5,385

6.1 Profit/loss from sale or repurchase: breakdown

Income components/Amounts	Total 2018			Total 2017		
	Profit	Loss	Net result	Profit	Loss	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	-	-	-	-	-	-
1.1 Receivables from banks	867	-	867	-	-	-
1.2 Receivables from clients	-	(31)	(31)	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	(16)	(16)	5,385	-	5,385
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**867**	**(46)**	**821**	**5,385**	**-**	**5,385**

The item includes the balance of € 821 thousand net of realised profits and losses from the sale of financial assets classified as "financial assets at amortised cost", with a net positive result of € 836 thousand, and of "financial assets at fair value through other comprehensive income", with a negative net result of € 16 thousand.

Section 7 - Net result of other financial assets and liabilities at fair value through profit and loss - Item 110	399	789

The item can be broken down as follows:

Items/Sectors	2018	2017
Financial assets and liabilities designated at fair value (a)	865	789
Other financial assets obligatorily measured at fair value (b)	(466)	
Total	**399**	**789**

7.1 Net value change in other financial assets and liabilities at fair value through profit and loss: breakdown of financial assets and liabilities at fair value

Operations/Income components	Capital gains (A)	Realised gains (B)	Capital losses (C)	Realised losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**865**	**-**	**-**	**-**	**865**
1.1 Debt securities	865	-	-	-	865
Total	**865**	**-**	**-**	**-**	**865**

The item represents the positive change deriving from the year-end valuation of the capitalisation policies held by the parent company.

7.2 Net value change in other financial assets and liabilities at fair value through profit and loss: breakdown of other financial assets necessarily measured at fair value

Operations/Income components	Capital gains (A)	Realised gains (B)	Capital losses (C)	Realised losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets					
1.2 Equity securities	-	-	(0)	-	(0)
1.3 UCITS units	75	-	(541)	-	(466)
Total	**75**	**-**	**(541)**	**-**	**(466)**

The item represents the negative change deriving from the year-end valuation of the UCITS units held by the parent company.

Section 8 - Net value adjustments/reversals for credit risk - Item 130	(27,565)	(11,606)

The item can be broken down as follows:

Items/Sectors	2018	2017
a) Financial assets measured at amortised cost	(27,577)	(11,591)
b) Financial assets measured at fair value through other comprehensive income	12	(15)
Total	**(27,565)**	**(11,606)**

8.1 Net value adjustments for credit risk relative to financial assets measured at amortised cost: breakdown

Operations/Income components	Value Adjustments (1)			Reversals (2)		Total	Total
	Stage one and two	Stage three		Stage one and two	Stage three		
		Write-offs	Other			2018	2017
A. Receivables from banks	**(76)**	**-**	**-**	**59**	**-**	**(18)**	**-**
Other credits	(76)	-	-	59	-	(18)	-
B. Receivables from financial companies	**(2)**	**-**	**-**	**-**	**-**	**(2)**	**-**
Other credits	(2)	-	-	-	-	(2)	-
C. Receivables from clients	**(3,357)**	**(60)**	**(38,879)**	**10,422**	**4,316**	**(27,558)**	**(11,591)**
Other credits	(3,357)	(60)	(38,879)	10,422	4,316	(27,558)	(11,591)
Total	**(3,435)**	**(60)**	**(38,879)**	**10,481**	**4,316**	**(27,577)**	**(11,591)**

The item includes the negative balance of € 27,577 thousand for value adjustments/reversals associated with changes in the credit risk associated with financial assets measured at amortised cost.

8.2 Net value adjustments/reversals for credit risk relative to financial assets measured at fair value through other comprehensive income: breakdown

Operations/Income components	Reversals	Total	Total
	Stage one and two	2018	2017
A. Debt securities	**12**	**12**	**(15)**
Total	**12**	**12**	**(15)**

The item includes the positive balance of € 12 thousand for value adjustments/reversals associated with changes in the credit risk associated with financial assets measured at fair value through other comprehensive income.

Section 10 - Administrative expenses - Item 160	(177,374)	(153,397)

The item can be broken down as follows:

Items/Sectors	2018	2017
Personnel costs (a)	(132,854)	(116,777)
Other administrative expenses (b)	(44,520)	(36,620)
Total	**(177,374)**	**(153,397)**

10.1 Personnel expenses: breakdown

Type of expense/Amounts	Total	Total
	2018	2017
1) Employees	(123,721)	(111,454)
a) salaries and wages	(88,283)	(78,065)
b) social security charges	(26,496)	(23,188)
c) severance benefits	(975)	(621)
d) insurance expenses	(43)	-
e) provisions for employee severance liabilities	(4,336)	(5,047)
f) allocations to the provision for retirement and similar obligations:	(36)	(30)
- defined contribution	-	-
- defined benefit	(36)	(30)
g) contributions to supplementary external pension funds:	(1,964)	(1,779)
- defined contribution	(1,964)	(1,779)
- defined benefit	-	-
h) other employee benefits	(1,587)	(2,724)
2) Other working staff	-	(3,438)
3) Directors and Statutory Auditors	(8,184)	(1,252)
4) Personnel on leave	(1,450)	-
5) Recovery of expenses for employees seconded to other companies	500	180
6) Reimbursement of expenses for third party employees seconded to the company	-	(813)
Total	**(132,854)**	**(116,777)**

"**Recoveries of expenses for employees seconded to other companies**" refer exclusively to secondments to other companies.

"**Payments to supplementary pension plans with defined contributions**" account for the severance indemnity payments made to INPS.

10.2 Average number of employees broken down by category

Average number of employees	2018	2017
Managers	74	68
Executive staff	404	416
Other staff	1,415	1,347
	1,892	**1,831**

Number of employees by category

Number of employees by category	2018	2017
Managers	73	56
Executive staff	403	241
Other staff	1,385	1,249
	1,861	**1,546**

10.3 Other administrative expenses: breakdown

Type of expense/Amounts	Total	Total
	2018	2017
Other administrative expenses		
- Use of third party assets	(7,711)	(6,582)
- Legal and notary	(8,327)	(7,649)
- Miscellaneous third parties services	(4,223)	(2,753)
- Maintenance, utilities and insurance	(4,501)	(4,086)
- Other personnel expense	(2,493)	-
- IT systems	(9,832)	(7,640)
- Indirect taxes and taxes	(1,259)	(1,070)
- Communication expenses	(646)	(1,063)
- Consumables and other operating expenses	(304)	(532)
- Association contributions	(577)	(528)
- Board of Statutory Auditors expenses	(28)	-
- Other	(4,617)	(4,717)
Total	**(44,520)**	**(36,620)**

Section 11 - Net provisions for risks and charges - Item 170	**(7,206)**	**(6,190)**

The item can be broken down as follows:

Items/Sectors	2018	2017
Commitments for guarantees given (a)	726	-
Other net provisions (b)	(7,206)	(6,190)
Total	**(6,480)**	**(6,190)**

11.3 Net allocations to other provisions for risks and charges: breakdown

Items/Sectors	2018	2017
Commitments for guarantees given (a)	726	-
Other net provisions (b)	(7,206)	(6,190)
Total	**(6,480)**	**(6,190)**

The item includes allocations made for potential expenses associated with non-recognition of costs sustained to execute regional work orders and for legal expenses of € 8,636 thousand, as well as use of the provision in the amount of € 1,431 thousand.

Section 12 - Net value adjustments/reversals on property, plant and equipment - Item 180	(15,406)	(15,048)

12.1 Net adjustments to property, plant and equipment: breakdown

Activity/Income components	Amortisation/ Depreciation	Value adjustments for impairment	Reversals	Net result
	(a)	(b)	(c)	(a + b - c)
A. Property, plant and equipment				
A.1 owned	(14,929)	(477)	-	(15,406)
- for functional use	(14,929)	(477)	-	(15,406)
Total	**(14,929)**	**(477)**	**-**	**(15,406)**

The item includes depreciation for the year on owned assets.

Section 13 - Net value adjustments/reversals on intangible assets - Item 190	(6,859)	(8,117)

15.1 Net adjustments to intangible assets: breakdown

Activity/Income components	Amortisation/ Depreciation	Value adjustments for impairment	Reversals	Net result
	(a)	(b)	(c)	(a + b - c)
A. Intangible assets				
A.1 owned	(6,859)	-	-	(6,859)
- Other	(6,859)	-	-	(6,859)
Total	**(6,859)**	**-**	**-**	**(6,859)**

The item includes amortisation for the year on owned fixed assets.

Section 14 - Other operating income and charges - Item 200	48,717	29,882

The item can be broken down as follows:

Items/Sectors	2018	2017
Other charges (a)	(2,792)	(1,948)
Other income (b)	51,509	31,830
Total	**48,717**	**29,882**

14.1 Other operating expense: breakdown

Services/Amounts	Total	Total
	2018	2017
14.1 Other operating expense		
- Other operating expense	(2,792)	(1,948)
Total	**(2,792)**	**(1,948)**

The item mainly includes other charges recognised by the Bank for amortisation of third party assets, settlements and agreements and charges for securitisation.

14.2 Other operating income: breakdown

Services/Amounts	Total	Total
	2018	2017
14.2 Other operating income		
- Rental income	1,090	1,213
- Revenues from contractual penalties	178	1,184
- Revenues from capital grants	17,443	17,492
- Revenues from operating grants	3,767	8,450
- Reversals	1,310	534
- Other operating income	27,721	2,958
Total	**51,509**	**31,830**

The sub-item "**revenues from capital grants**" essentially includes € 16 million for plant at the company Infratel and € 1.4 million from the parent company, recognised on the basis of accounting for depreciation during the period on assets financed by these grants.

"**Revenues for operating grants**" essentially refer to the subsidiary Infratel and relate to the labour costs, operating expenses and lump sum expenses reported by the MED.

"**Revenues from operating grants**" essentially refer to the subsidiary Infratel and relate to the labour costs, operating expenses and lump sum expenses reported by the MED.

The item "**Rental income**" includes the rent for the hangar leased to Atitech.

The item "**Other operating income**" includes the elimination of the relevant portion of the € 20 million debt relative to acquisition of the Banca del Mezzogiorno, as better described in the Directors' report on operations.

Section 15 - Profits (Losses) on equity investments - Item 220	(83)	(1,766)

15.1 Profit (loss) on equity investments: breakdown

Income components/Sectors	Total	Total
	2018	2017
A. Income	**800**	**441**
1. Revaluations	-	-
2. Profits from disposals	800	441
3. Reversals	-	-
4. Other revenues	-	-
B. Charges	**(883)**	**(2,207)**
1. Impairment	(355)	(1,554)
3. Value adjustments for impairment	-	(653)
2. Losses on disposals	-	-
4. Other expenses	(528)	-
Net result	**(83)**	**(1,766)**

The item includes the negative balance of € 83 thousand relative to income and expenses associated with equity investments in subsidiaries, jointly controlled companies and companies subject to significant influence.

Section 18 - Profit (Loss) from disposal of investments - Item 250	12	-

18.1 Profit (loss) from disposal of investments: breakdown

Income component/Sectors	Total	Total
	2018	2017
B. Other assets	**12**	**-**
- Profits from disposals	12	-
Net result	**12**	**-**

The item includes the positive balance of profits and losses from disposal of investments.

Section 19 - Taxes on income from continuing operations - Item 270	(8,046)	(5,596)

19.1 Income taxes for the year from continuing operations: breakdown

Income components/Sectors	Total	Total
	2018	2017
1. Current taxes (-)	(5,902)	(5,775)
2. Changes in current taxes from previous years (+/-)	(354)	(358)
4. Changes in deferred tax assets (+/-)	(1,790)	537
6. Taxes accruing during the year	**(8,046)**	**(5,596)**

The item essentially refers to estimated IRAP for the current year.

Section 20 - Profit (loss) after tax from discontinued operations - Item 290	(17,384)	(65)

22.1 Profit (loss) after tax from discontinued operations: breakdown

Income components/Sectors	Total	Total
	2018	2017
Net interest income	(1,791)	(1,310)
Net commissions	5,892	10,415
Administrative expenses	(6,632)	(6,002)
Net adjustments to property, plant and equipment and intangible assets	(2,998)	(1,910)
Other value adjustments	(747)	(594)
Net provisions for risks	(6,880)	(126)
Other income and expense	2,058	1,441
Impairment of equity investments	(4,788)	
Profit (Loss) on equity investments	(173)	(1,025)
Taxes	(1,325)	(955)
Total	**(17,384)**	**(65)**

The item includes the negative balance of € 17,384 thousand for income (interest, dividends, etc.) and expense (interest payable, amortisation/depreciation, etc.) relative to asset groups and associated liabilities held for sale, net of relative current and deferred taxes.

Section 22 - Profit (Loss) for the year attributable to non-controlling interests - Item 310	(2)	38

22.1 Profit (Loss) for the year attributable to non-controlling interests: breakdown

Company name	Total	Total
	2018	2017
Result attributable to non-controlling interests	(2)	38
Total	**(2)**	**38**

PART D - OTHER INFORMATION
SECTION 1- SPECIFIC REFERENCES FOR ACTIVITIES CARRIED OUT

B - FACTORING AND ASSIGNMENT OF RECEIVABLES

B.1 - Gross value and book value

B.1.1 Factoring transactions

Gross value and book value	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2017
	Gross value	Value Adjustments	Net value	Gross value	Net value
1. Not impaired	**9,546**	**(315)**	**9,231**	**13,746**	**13,746**
Exposures to assignors (with recourse)	**5,996**	**(300)**	**5,696**	**10,777**	**10,777**
assignment of future receivables	4,463	(283)	4,180	4,835	4,835
other	1,533	(18)	1,375	5,942	5,942
Exposures to assigned debtors (without recourse)	**3,549**	**(15)**	**3,535**	**2,969**	**2,969**
Total	**9,546**	**(315)**	**9,231**	**13,746**	**13,746**

B.2 – Breakdown by residual life

B.2.1 – With recourse factoring: advances and total receivables

Time stages	- advances	- advances	- total receivables	- total receivables
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
at sight			1,516	5,942
over 1 year	4,180	4,835		
Total	**4,180**	**4,835**	**1,516**	**5,942**

B.2.2 – Without recourse factoring transactions: exposures

Without recourse factoring transactions	- exposures	- exposures
	31.12.2018	31.12.2017
- on demand	3,535	2,969
Total	**3,535**	**2,969**

B.3 – Other information

B.3.1 - Turnover of receivables in factoring transactions

Turnover of receivables in factoring transactions	Total	Total
	31.12.2018	31.12.2017
- without recourse transactions	524	1,285
- with recourse transactions	422	3,556
Total	**946**	**4,841**

B.3.3 - Nominal value of contracts for the acquisition of future receivables

Nominal value of contracts for the acquisition of future receivables	Total	Total
	31.12.2018	31.12.2017
Flow from contracts for acquisition of future receivables during the year	-	-
Amount of contracts existing as of the reporting date	4,180	4,835
Total	**4,180**	**4,835**

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 - Value of guarantees (real or personal) issued and commitments

	2018	2017
1) First demand guarantees given of a financial nature		
a) Banks	-	2,613
c) Clients	23,476,435	16,855,741
3) Commercial guarantees given		
c) Clients	18,360,195	18,364,033
4) Irrevocable commitments to disburse funds		
c) Clients		
a) For certain use	1,207,442,345	857,226,329
ii) for uncertain use	349,747	85,700,923
7) Other irrevocable commitments		
a) to give guarantees	452,498	
b) other	2,673,740	19,055,851
Total	**1,252,754,960**	**997,205,490**

The item "Other irrevocable commitments to disburse funds" includes the financial resources dedicated exclusively to the disbursement of subsidies from third-party funds under management accounted for in the memorandum accounts, since the operations of Invitalia are limited to providing services on the behalf of the government.

With regards to disclosure requirements under paragraphs 125 and subsequent of article 35 of Decree Law 34 of 30 April 2019, note that all spending commitments taken on by Invitalia relative to funds under management are published in the National Aid Register, pursuant to article 52 of Law 234 of 24 December 2012, in the transparency section established therein.

Breakdown of "Irrevocable commitments to disburse funds" - Development contracts

	2018	2017
"Research and Competitiveness" NOP ERDF 2007-2013:		
Axis I -"Support for structural changes"		
- Rolling fund for development contracts	27,123	17,135
Axis 2 - "Support for innovation"		
- Rolling fund for development contracts	48,543	38,080
Axis 1 -"Support for structural changes"		
Axis 2 - "Support for innovation"		
- Operating grant	5,026	14,486
SIL NOP		
- Rolling fund for development contracts	7,141	35,398
- Development contracts, operating grants	13,291	61,008
Axis II - Investments in businesses in the tourism, cultural and environmental sectors		
- Rolling fund for development contracts	592	430
- Development contracts, operating grants	6,312	6,312
L'Aquila earthquake area		
- Development contracts, operating grants	6,138	4,782
2013 Stability Law Basilicata		
- Rolling fund for development contracts	797	1,699
- Development contracts, operating grants	321	2,149
Centre-North Initiative		
- Rolling fund for development contracts	32,127	31,649
- Lazio operating grants	2,047	2,047
- Abruzzo operating grants	142	111
- Piedmont operating grants	1,255	1,948
National Acp [Action and Cohesion Plan]		
- Rolling fund for development contracts	2,112	1,551
- Development contracts, operating grants	3,811	12,874
ACP for Campania		
- Rolling fund for development contracts	3,579	603
- Development contracts, operating grants	765	12
- Campania Region, operating grants, development contracts	10,693	124
2014 State budget		
- Rolling fund for development contracts	20,668	36,909
The Termini Imerese Programme Agreement		
- Rolling fund for development contracts	79	57
- Development contracts, operating grants	804	804
Development and Cohesion Fund		
- Rolling fund for development contracts	115,743	49,853
- Development contracts, operating grants	17,788	43,255
E&C NOP Axis I		
- Rolling fund for development contracts	7,181	7,173
- Development contracts, operating grants	912	8,115
E&C NOP Axis III		
- Rolling fund for development contracts	34,096	10,763
- Development contracts, operating grants	3,000	3,000
E&C POC 2014-2020		
- Rolling fund for development contracts	6,764	12,500
- Development contracts, operating grants	8,487	18,000
POC Axis III		
- Rolling fund for development contracts	0	17,647
- Development contracts, operating grants	14,100	14,100
E&C NOP Axis IV		
- Rolling fund for development contracts	10,104	
- Development contracts, operating grants	14,001	
The Sustainable Growth Fund		
- Rolling fund for development contracts	1,410	
- Development contracts, operating grants	5,001	
MD 9 March 2018 E&C NOP Axis III 2014-2020		
- Rolling fund for development contracts	42,299	
MD 9 March 2018 E&C NOP Axis IV 2014-2020		
- Rolling fund for development contracts	7,787	
CDS Partecipazioni	**18,246**	
Total	**500,285**	**454,574**

Breakdown of "Irrevocable commitments to disburse funds" - Other measures

	2018	2017
"Renewable Energies and Energy Saving" IOP ERDF 2007-2013:		
Axis I - "Energy production from renewable sources"		
- Activity line 1.2		
- Rolling fund for subsidised loans	72,526	68,928
- Operating grant	2	4,487
- Activity line 2.1		
- Rolling fund for subsidised loans	45,195	42,976
- Operating grant	180	524
- Return of interest for operating grants, lines 1.2 and 2.1	0	(4,785)
- Activity line 1.1 - Biomass		
- Rolling fund for subsidised loans	10,445	11,948
- Operating grant	43	66
Smart & Start Title-ll and III		
- Contribution to operating expenses, Title II (MD 06.03.2013)	4,348	1,625
- Operating grant, Title III (MD 06.03.2013)	4,689	4,689
- Grant for Smart Start Abruzzo	1,171	1,171
Smart and Start Italy		
- Rolling Fund - Operating grant - Grant for management MD 24.09.14	13,152	16,749
- Rolling Fund - Operating grant - 2017 Stability Law management	39	2,619
- Rolling Fund - Operating grant - 2014/2020 NOP management	7,951	10,221
New interest-free companies		
- Rolling fund for Single Fund	10,277	10,920
- Rolling fund for 2017 Stability Law	45,520	5,652
- Rolling fund for 2018 Stability Law		
- non-interest bearing liquidity, SIL NOP 2000/2006	19,851	20,000
Self-employment		
- Rolling fund	998	7,980
AZ 3.A.1.A New Businesses NOP		
- Rolling fund	6,619	7,909
- Operating grants	1,580	439
AZ 3.B.1.A NOP Cons. SME		
- Rolling fund	4,006	4,382
- Operating grants	632	443
AZ 3.C.1.A NOP Tertiary Sector		
- Operating grants	1,258	663
L'Aquila crisis MD 14.10.2015		
- Measure I, operating grant	334	1,919
- Measure II, operating grant	99	729
Murgia		
- operating grant	5,069	5,069
MD Campania 13.02.2014		
- Rolling fund	6,931	7,724
- operating grant	6,672	7,439
New Law 181		
-Adp Rieti	7,220	7,220
-Adp Piombino	1,171	1,171
-Growth Fund, rolling fund	9,195	9,194
-Growth fund, operating grant	3,940	3,940
-NOP E&C Axis III, Rolling fund	15,735	
-NOP E&C Axis III, operating grant	1,323	
-POR FESR 2014-2020 Campania Rolling Fund	6,750	
-POR FESR 2014-2020 Basilicata Rolling Fund	506	
- former Merloni area	6,468	
'Resto al sud' - Remain in the South		

- operating grant, capital grant	10,557	
Internationalisation voucher		
- operating grant	8,081	
Management of concession laws		
- Single fund Article 27 par. 11 Law 488/1999	88,121	114,113
- EU funds	4,156	4,156
- QCS Fertility Project 89/94	1,996	1,996
- Young ideas change Italy	1,163	1,698
Southern Enterprise Fund	**147,906**	**150,000**
MATERA DL 91-2017 art 7 par. 1-BIS	**12,941**	**5,000**
Guarantee Fund, Law 662, 23.12.96	**5,310,083**	**5,497,802**
Sustainable Growth Fund Decree Law No. 83 of 22.06.12, article 23, par. 2	**170,468**	**18,476**
Fund, Law 106 of 23.12.00	**32,491**	**32,495**
Fund, Law 454 of 23.12.97	**21,449**	**21,299**
2014-2020 Research and Innovation NOP Fund	**15,486**	
Marche Region Fund	**9,172**	**11,186**
Liguria Region Fund	**8,754**	**8,753**
L. 488 RTI MED	**7,442**	**9,328**
Other Funds	**17,706**	**19,087**
Total	**6,189,867**	**6,159,400**
Other commitments of uncertain use	350	350
Total	**6,190,217**	**6,159,750**
Grand total	**6,690,502**	**6,614,324**

COMMITMENTS

Note that in the following schedules, amounts relative to liquidity available for individual lines include annual interest accrued and indicate the effective amount of resources available for disbursing subsidies.

Development Contracts

In implementation of Article 43 of Italian Decree-Law no. 112 of 25 June 2008 converted and amended by Italian Law no. 133 of 6 August 2008, the Interministerial Decree of 24 September 2010, published in the Official Gazette n. 300 of 24 December 2010, establishes the so-called "Development Contracts" identified with a new preferential formula designed to support large investments.

The subsequent Ministerial Decree [MD] of February 2014, published in the Italian Official Gazette on 29 January 2015, reformed the governance of development contracts in accordance with EU legislation for the 2014-2020 period (EU regulation 651/2014 - GBER). Subsequently, the MD was integrated and amended by the Ministerial Decree of 9 June 2015, published in the Italian Official Gazette on 23 July 2015. Finally, on 8 November 2016, a further amendment decree was issued, published in the OG on 5 December 2016, to reduce the time required for granting subsidies and to establish a new procedure for large-scale strategic projects.

The details of the individual financial sources active in the Development Contracts are shown below.

Axis I - support for structural changes (operational goal 4.1.1.2 "Technological-productive areas for system competitiveness")

This measure enables the financing of investment, research and development programmes undertaken in the Industry, Tourism and Trade sectors.

Axis II - Support for innovation (4.2.1.1 Operational objective "Strengthening the production system")

The project includes two programmes focussed on:

- industrialisation of the results of experimental research and development programmes;
- the pursuit of specific innovation, competitive improvement and environmental protection goals.

A Rolling Fund has been the established for a revolving fund for disbursements of facilitated financing under the operational goal 4.2.1.1 with separate capital and accounting. Total financial resources allocated to the above goal are € 430 million of which € 50 million dedicated to Axis II.

	2018	2017
Rolling Fund (MD 24.09.10) Axis I		
Liquidity at 01.01	17,135	24,905
Subsidies provided	(8)	(566)
Repayments from beneficiaries	10,018	10,430
Funds returned to the Ministry	(24)	(17,076)
Amounts	0	(592)
Net annual banking amounts	2	34
Liquidity at 31.12	**27,123**	**17,135**

	2018	2017
Rolling Fund (MD 24.09.10) Axis II		
Rolling Fund (MD 06.08.10)		
Liquidity at 01.01	**38,080**	**118,189**
Subsidies provided		
MD 06.08.10 NOP RC	(47)	(8,055)
CDS Axis II	(6,046)	(13,502)
Repayment of capital portions		
MD 06.08.10 NOP RC	11,903	13,170
CDS Axis II	3,652	1,869
ACP	712	
Repayment of interest portions		
MD 06.08.10 NOP RC	228	277
CDS Axis II	78	67
ACP	15	
Funds returned to the Ministry	0	(72,063)
Amounts		
MD 06.08.10 NOP RC		(1,808)
CDS Axis II		(152)
Cash in transit	(32)	32
Net annual banking amounts	0	56
Liquidity at 31.12	**48,543**	**38,080**

	2018	2017
Operating grants (MD 24.09.10) Axis I		
Operating grants (MD 24.09.10) Axis II		
Operating grants (MD 06.08.10)		
Liquidity at 01.01	**14,486**	**42,300**
Funds cashed		3,400
Subsidies provided		
MD 06.08.10 NOP RC		(5,910)
CDS Axis 1	(135)	(11,657)
CDS Axis 2		(2,894)
ACP	(9,377)	(10,760)
Repayment of capital	52	
Net annual banking amounts		7
Liquidity at 31.12	**5,026**	**14,486**

Relative to these financial sources, during the year subsidies totalling € 15,613 thousand were disbursed.

2000-2006 LED NOP

Resources made available from the 2000-2006 SIL NOP were used to fund development contracts.

	2018	2017
Rolling Fund (MD 24.09.10)		
Liquidity at 01.01	35,398	5,021
Funds cashed		45,000
Cash advances, other measures	(21,482)	
Subsidies provided	(6,802)	(14,635)
Repayments from beneficiaries	26	3
Net annual banking amounts	1	9
Liquidity at 31.12	**7,141**	**35,398**
Grants for plant (MD 24.09.10)		
Liquidity at 01.01	61,008	17,666
Cash advances, other measures	(49,500)	
Cash returns, other measures	5,407	
Funds cashed	0	60,000
Subsidies provided	(3,625)	(16,675)
Net annual banking amounts	1	17
Liquidity at 31.12	**13,291**	**61,008**

Relative to this financial source, during the year subsidies totalling € 10,427 thousand were disbursed.

During the year, sums totalling € 71,000 thousand were transferred to other financial sources.

Axis II - Business competitiveness in the tourism, cultural and environmental sectors, and promotion of Region offerings, convergence objective

The funds allocated to the EU programme are aimed at making investments in the tourism and cultural sectors for qualification and innovation of accommodation facilities.

	2018	2017
Rolling fund for subsidised loans		
Liquidity at 01.01	**430**	**3,277**
Returning funds to the Ministry		(1,658)
Subsidies provided ACP 22		(1,062)
Repayments from beneficiaries	162	143
Amounts		(272)
Net annual banking amounts	0	2
Liquidity at 31.12	**592**	**430**
Grant for plant		
Funds cashed	**6,312**	**8,016**
Subsidies provided ACP 22		(2,132)
Recovering disbursed amounts		424
Net annual banking amounts	0	4
Liquidity at 31.12	**6,312**	**6,312**

Relative to this financial source, in 2018 no subsidies were disbursed.

L'Aquila Earthquake Area - Development and Cohesion Fund

The Agency was specifically appointed for projects aimed at favouring the economic and employment recovery of the Abruzzo area hit by the April 2009 earthquake.

	2018	2017
Development contracts for plant (MD 24.09.10)		
Liquidity at 01.01	**4,782**	**6,162**
Cash returns, other measures	10,000	
Subsidies provided	(8,644)	(1,380)
Net annual banking amounts	0	0
Liquidity at 31.12	**6,138**	**4,782**

Relative to this financial source, during the year subsidies totalling € 8,644 thousand were disbursed.

2013 Basilicata regional budget - Law 228/2012

Financial assistance in support of private investments has been made available in the Basilicata region to facilitate the start-up and continuation of entrepreneurial initiatives aimed at developing tourism. The intent is to strengthen and improve the quality of accommodation services on offer as well as ancillary activities aimed at promoting tourism products and in need of investment.

	2018	2017
Rolling fund for development contracts (Law 228/2012)		
Liquidity at 01.01	**1,699**	**2,596**
Subsidies provided	(911)	(900)
Repayments from beneficiaries	7	
Net annual amounts	2	3
Liquidity at 31.12	**797**	**1,699**
Development contracts for plant (Law 228/2012)		
Liquidity at 01.01	**2,149**	**5,274**
Subsidies provided	(1,830)	(3,130)
Net annual banking amounts	2	5
Liquidity at 31.12	**321**	**2,149**

Relative to this financial source, during the year subsidies totalling € 2,741 thousand were disbursed.

The Centre-North Initiative - D.L. 69/2013

Law 69/2013 is one of the financial sources related to Development Contracts which contains provisions for economic growth.

	2018	2017
Rolling Fund Development Contracts (DM 24.09.10)		
Liquidity at 01.01	**31,649**	**50,677**
Subsidies provided	(9,216)	(25,957)
Repayments from beneficiaries	9,678	6,925
Sums to return, Commissioner Ministerial	14	
Net annual banking amounts	2	4
Liquidity at 31.12	**32,127**	**31,649**
Development contracts for plant in Lazio (MD 24.09.10)		
Liquidity at 01.01	**2,047**	**2,441**
Subsidies provided		(395)
Net annual banking amounts	0	1
Liquidity at 31.12	**2,047**	**2,047**
Development contracts for plant in Abruzzo (MD 24.09.10)		
Liquidity at 01.01	**111**	**462**
Funds cashed	308	
Subsidies provided	(308)	(351)
Sums to return Ministerial Commission	31	
Net annual banking amounts	0	0
Liquidity at 31.12	**142**	**111**
Development contracts, Piedmont operating grants (MD 24.09.10)		
Liquidity at 01.01	**1,948**	
Funds cashed		2,332
Subsidies provided	(560)	(384)
Disbursement in transit 2017	(133)	
Net annual banking amounts	0	0
Liquidity at 31.12	**1,255**	**1,948**

Relative to this financial source, € 10,084 thousand was disbursed during 2018 for subsidies.

ACP - Action and Cohesion Plan

The Action and Cohesion Plan aims to:

- Accelerate the implementation of the 2007-2013 plans;
- Strengthen the effectiveness of interventions by orienting them towards measurable results and focusing resources;
- Start new actions, some of a prototype nature which, according to the results, will be incorporated into the 2014-2020 plans.

	2018	2017
Rolling Fund Development Contracts (DM 24.09.10)		
Liquidity at 01.01	**1,551**	**3,126**
Cash advances, other measures	2,400	
Subsidies provided	(2,267)	(1,582)
Repayments from beneficiaries	428	5
Net annual banking amounts	0	2
Liquidity at 31.12	**2,112**	**1,551**
Development contracts for plant (MD 24.09.10)		
Liquidity at 01.01	**12,874**	**19,706**
Cash advances and other measures	(5,000)	
Subsidies provided	(4,064)	(6,837)
Net annual banking amounts	1	5
Liquidity at 31.12	**3,811**	**12,874**

Relative to this financial source, during the year subsidies totalling € 6,331 thousand were disbursed.

ACP for Campania

The Action and Cohesion Plan of the Campania Region has been set up to provide incentives in support of productive investments oriented towards innovation and competitive improvement in the manufacturing and electricity production sectors as well as other specific services. The goal is the conversion of economically distressed areas through the innovation, integration and management of companies, the enhancement of disused or underused facilities and the creation of new jobs.

	2018	2017
Rolling Fund Development Contracts (DM 24.09.10)		
Liquidity at 01.01	**603**	**1,659**
Funds cashed		3,154
Transfer of funds from other measures	4,423	
Subsidies provided	(1,464)	(4,211)
Repayments from beneficiaries	3	0
2017 returned funds transferred to other measures	0	
Payables due to other measures	14	
Net annual banking amounts	0	1
Liquidity at 31.12	**3,579**	**603**
Development contracts for plant (MD 24.09.10)		
Liquidity at 01.01	**12**	**370**
Transfer of funds from other measures	9,000	
Funds cashed		7,019
Subsidies provided	(8,247)	(7,377)
Net annual banking amounts	0	0
Liquidity at 31.12	**765**	**12**
Region of Campania		
Liquidity at 01.01	**124**	
Funds cashed	10,361	3,000
Transfer of funds from other measures	5,000	
Subsidies provided	(4,792)	(2,876)
Net annual banking amounts	0	0
Liquidity at 31.12	**10,693**	**124**

In 2018, subsidy measures totalling € 14,503 thousand were disbursed under the Campania ACP.

Law 147/2013 - 2014 Stability Law

This subsidy measure aims to finance interventions in areas of territorial safety, national interest sites and environmental policy.

	2018	2017
Rolling fund for development contracts (Law 147/2013)		
Liquidity at 01.01	**36,909**	**94,030**
Transfer of amounts to other measures	(5,900)	(44,600)
Subsidies provided	(18,152)	(12,563)
Reclassification of 2017 disbursement	7,169	
Repayments from beneficiaries	647	10
Reclassification of amounts returned by beneficiaries 2017	(9)	
Net annual banking amounts	3	32
Payables due to other measures	1	
Liquidity at 31.12	**20,668**	**36,909**

Relative to this financial source, during the year subsidies totalling € 18,152 thousand were disbursed.

The financial resources were also transferred to cover subsidised loans relative to another 2 CDS measures.

The Termini Imerese Programme Agreement

This is the Programme agreement regulating the retraining and upgrading of the Termini Imerese industrial site.

	2018	2017
Rolling Fund Development Contracts (DM 19.12.14)		
Liquidity at 01.01	**57**	**33**
Repayments from beneficiaries	22	24
Net annual banking amounts	0	
Liquidity at 31.12	**79**	**57**
Development contracts for plant (MD 24.09.10)		
Liquidity at 01.01	**804**	**803**
Net annual banking amounts	**0**	**1**
Liquidity at 31.12	**804**	**804**

Relative to this financial source, in 2018 no subsidies were disbursed.
During the year, the procedure to revoke subsidies was begun relative to the company Bluetech.

2014-2020 Development and Cohesion Fund (DCF)

The Fund for development and cohesion (DCF) is the main financial tool through which development policies are being implemented in economic, social and territorial cohesion endeavours and the removal of economic and social imbalances, in order to implement the provisions of the Italian Constitution and the European Union Treaty.

The table below lists the liabilities to third parties related to development and cohesion fund contracts for 2014-2020:

	2018	2017
Rolling Fund Development Contracts (DM 24.09.10)		
Liquidity at 01.01	**49,853**	**50**
Funds cashed	80,500	54,500
Transfer of amounts from other measures	20,000	
Subsidies provided	(34,651)	(4,713)
Repayments from beneficiaries	41	2
Net annual banking amounts	0	14
Liquidity at 31.12	**115,743**	**49,853**
Development contracts for plant (MD 24.09.10)		
Liquidity at 01.01	**43,255**	**5,790**
Funds cashed		41,000
Transfer of funds from other measures	24,000	
Transfer of funds to other measures	(5,000)	
Subsidies provided	(39,000)	(3,551)
Reclassification of 2017 disbursement	(5,407)	
Payment in transit 2017	(59)	
Net annual banking amounts	(1)	16
Liquidity at 31.12	**17,788**	**43,255**

BUSINESSES AND COMPETITIVENESS NOP

Axis I Innovation

These development contracts are aimed at sustaining initiatives charged to the E&C NOP for the management and implementation of the following projects:

- "Intelligent energy distribution networks (smart grids) and work on strictly related transmission plant aimed at directly increasing the distribution of energy produced from renewable sources, introduction of equipment incorporating digital communications systems, smart metering, control and monitoring. The above is envisaged in the context of "cities" and "peri-urban" areas;
- "The deployment of intelligent storage systems serving smart grid distribution networks and renewable energy generating stations" linked to Axis-4 "Energy Efficiency".

Commitments towards third parties are presented in the following tables:

	2018	2017
Development Contracts Rolling Fund		
Liquidity at 01.01	**7,173**	
Funds cashed		10,473
Subsidies provided		(3,300)
Repayments from beneficiaries	8	
Net annual banking amounts	0	-
Liquidity at 31.12	**7,181**	**7,173**
Development Contracts for plant		
Liquidity at 01.01	**8,115**	
Funds cashed		13,000
Subsidies provided	(7,203)	(4,885)
Net annual banking amounts	0	-
Liquidity at 31.12	**912**	**8,115**

Relative to this financial source, during the year subsidies totalling € 7,203 thousand were disbursed.

Businesses and Competitiveness NOP

Axis III SME Competitiveness

Through the Development Contract, Invitalia supports industrial, tourism and environmental protection projects, by promoting and supporting SME.

Commitments towards third parties are presented in the following tables:

Relative to this financial source, during the year subsidies totalling € 6,957 thousand were disbursed.

During the year, sums totalling € 17,000 thousand were received from other financial sources.

2014-2020 COP - "Businesses and Competitiveness"

The financial resources of this measure are intended for the financing of two lines of intervention in the most disadvantaged areas of the country: one line relates to the attraction of investments capable of ensuring a regional impact on SMEs (60% of the budget), the other (40% of the financial allocation) covers significant investments linked to the expansion of production capacity in companies of any size.

Commitments towards third parties are presented in the following tables:

	2018	2017
Development Contracts Rolling Fund		
Liquidity at 01.01	**12,500**	
Funds cashed		12,500
Subsidies provided	(5,736)	-
Repayments from beneficiaries	-	
Net annual banking amounts	-	-
Liquidity at 31.12	**6,764**	**12,500**
Development Contracts for plant		
Liquidity at 01.01	**18,000**	
Funds cashed		18,000
Subsidies provided	(9,513)	-
Net annual banking amounts	-	-
Liquidity at 31.12	**8,487**	**18,000**

Relative to this financial source, during the year subsidies totalling € 15,249 thousand were disbursed.

COP - 2014-2020 Action and Cohesion Programme - "Businesses and Competitiveness" Axis III

Funds amounting to € 355 million been allocated to this measure for 2 lines of action: the first concerning the attraction of investments that have an impact on regional SMEs and the second intended for the expansion of production capacity in the various companies.

Commitments towards third parties are presented in the following tables:

	2018	2017
Rolling fund for subsidised loans		
Liquidity at 01.01	**17,647**	
Funds cashed		17,647
Transfer of funds to other measures	(17,647)	
Subsidies provided		-
Net annual banking amounts		-
Liquidity at 31.12	**-**	**17,647**
Development Contracts for plant		
Liquidity at 01.01	**14,100**	
Funds cashed		14,100
Subsidies provided		-
Net annual banking amounts	-	-
Liquidity at 31.12	**14,100**	**14,100**

Relative to this financial source, no disbursements occurred during the year and sums of around € 17,000 thousand were transferred to another financial source.

CDS E&C NOP Axis IV

	2018
Development Contracts Rolling Fund	
Funds cashed	**10,100**
Subsidies provided	
Net annual banking amounts	4
Liquidity at 31.12	**10,104**
Development Contracts for plant	
Funds cashed	14,000
Subsidies provided	
Net annual banking amounts	1
Liquidity at 31.12	**14,001**

CDS Sustainable Growth Fund

	2018
Development Contracts Rolling Fund	
Funds cashed	**10,000**
Subsidies provided	(8,590)
Net annual banking amounts	0
Liquidity at 31.12	**1,410**
Development Contracts for plant	
Funds cashed	5,000
Subsidies provided	
Net annual banking amounts	1
Liquidity at 31.12	**5,001**

Relative to this financial source, during the year subsidies totalling € 8,590 thousand were disbursed.

MD 09 MARCH 2018 - Innovative Investments E&C NOP Axis III 2014-2020

This measure serves to support innovative investment programmes with the aim of improving efficiency and/or flexibility for economic activity.

	2018
Development Contracts E&C NOP Axis III - Rolling Fund	
Funds cashed	42,299
Net annual banking amounts	0
Liquidity at 31.12	**42,299**

Relative to this financial source, no subsidies were disbursed during the year.

MD 09 MARCH 2018 - Innovative Investments E&C NOP Axis IV 2014-2020

	2018
Development Contracts E&C NOP Axis IV - Rolling Fund	
Funds cashed	7,787
Net annual banking amounts	0
Liquidity at 31.12	**7,787**

Relative to this financial source, no subsidies were disbursed during the year.

Other Measures

"Renewable Energies and Energy Saving" IOP ERDF 2007-2013

The Ministry has issued a number of implementing decrees in the context of this operational programme, as highlighted below:

- On 6 August 2010, the MED issued three decrees implementing the provisions of the Ministerial Decree of 23 July 2009 with an original allocation of € 500 million, later reduced to € 495 million.
- The Italian Ministry of Economic Development, with the Decree of 5 December 2013 (Energy Efficiency MD), promoted the implementation of investment programmes aimed at reducing and rationalising the use of primary energy used in the processing and/or supply cycles of services carried out within an already existing production unit, in favour of companies located in the Convergence Goal regions (Calabria, Campania, Apulia and Sicily).

Activity line 1.2/2.1 - Initiatives supporting the development of research-related entrepreneurship and the application of innovative technologies in the field of renewable energy

The goal of the programme is to fund investment projects related to the production of capital goods in turn required for the development of renewable energy sources and energy saving solutions.

In this regard, two Rolling Funds were activated for project lines 1.2 and 2.1, managed with separate capital and accounting.

	2018	2017
Rolling fund for subsidised loans line 1.2		
Liquidity at 01.01	**68,928**	**88,103**
Subsidies provided:		
EE IOP 1.2 MD 06.08.10	0	(688)
IOP 1.2 MD 05.12.13 Energy Efficiency	45	(4,605)
EE IOP 1.2 MD 24.04.2015 New Energy Efficiency	(94)	(6,885)
Repayments from beneficiaries:		
EE IOP 1.2 MD 06.08.10	262	222
IOP 1.2 MD 05.12.13 Energy Efficiency	2,357	2,343
EE IOP 1.2 MD 24.04.2015 New Energy Efficiency	1,021	
Net annual banking amounts	5	28
Other		
Receipts from previous year		(1,597)
Incorrect collection credit		2
EE IOP 1.2 Amounts MD 06.08.10		(854)
IOP 1.2 amounts MD 05.12.13 - Energy Efficiency		(1,292)
Funds returned to the Ministry		(5,849)
Payment to suppliers, energy efficiency	2	0
Liquidity at 31.12	**72,526**	**68,928**
Rolling fund for subsidised loans line 2.1		
Liquidity at 01.01	**42,976**	**56,035**
Subsidies provided:		
IOP 2.1 MD 05.12.13 Energy Efficiency		(796)
EE IOP 2.1 MD 24.04.2015 New Energy Efficiency	(37)	(7,804)
Repayments from beneficiaries:		
EE IOP 2.1 MD 06.08.10	365	452
IOP 2.1 MD 05.12.13 Energy Efficiency	850	826
New Energy Efficiency 2.1	1,039	
Net annual banking amounts	2	17
Other		
2017 Payments currency		(1,561)
2016 Excessive payment receipts		11
Incorrect billing		(2)
EE IOP 2.1 Amounts MD 06.08.10		(585)
IOP 2.1 amounts MD 05.12.13 - Energy Efficiency		(1,131)
Funds returned to the Ministry		(2,486)
Liquidity at 31.12	**45,195**	**42,976**

Relative to this financial source, during the year subsidies totalling € 37 thousand were disbursed.

	2018	2017
Grants for plant (MD 06.08.10) line 1.2		
Liquidity at 01.01	**46**	**4,879**
Funds cashed		
Subsidies provided	(44)	(392)
Net annual banking amounts		0
Liquidity at 31.12	**2**	**4,487**
Grants for plant (MD 06.08.10) line 2.1		
Liquidity at 01.01	**180**	**1,038**
Subsidies provided		(514)
Net annual banking amounts	0	0
Liquidity at 31.12	**180**	**524**
Funds returned to the Ministry		(4,785)
Grants for plant (MD 06.08.10)	**182**	**226**

Relative to this financial source, during the year subsidies totalling € 44 thousand were disbursed.

A budget of € 100 million was allocated to finance measures falling within the scope of the Decree of 5 December 2013 (MD on Energy Efficiency). During 2018, activities were focussed on assisting the MED with suspending or revoking subsidies. The Ministerial Decree of 6 August 2010 initially allocated a budget of € 500 million, later reduced to € 495 million. During the year, disbursements were carried out which concluded the implementation stage and were covered with ACP resources. During 2017, the work done on the MDs in question addressed the completion of disbursements in favour of the initiatives admitted.

Project line 1.1 - initiatives for the activation of biomass production chains driven by goals comprising energy efficiency, environmental compatibility and spatial development (the Biomass Call)

The Agency is the Managing Body of the Biomass Initiative, promoted pursuant to Ministerial Decree of 13 December 2011, whose purpose is to finance investment programmes for activating, strengthening and supporting biomass supply chains in the regions of Campania, Apulia, Calabria and Sicily.

	2018	2017
Rolling fund for subsidised loans (MD 13.12.11)		
Liquidity at 01.01	**11,948**	**13,574**
Subsidies provided	(1,072)	0
Repayments from beneficiaries	641	397
Fund release		(1,062)
Amounts		(970)
Sundry receivables	(1,081)	
Net annual banking amounts	9	9
Liquidity at 31.12	**10,445**	**11,948**
Grant for plant (MD 13.12.11)		
Liquidity at 01.01	**66**	**1,129**
Subsidies provided	(1,084)	0
Fund release		(1,063)
Sundry payables	1,061	
Net annual banking amounts	0	0
Liquidity at 31.12	**43**	**66**

Relative to this financial source, during the year subsidies totalling € 2,156 thousand were disbursed.

Instruments for creation of new enterprises and jobs

Smart&Start (MD 06.03.2013)

The programme includes 2 types of initiatives:

- aid for newly created small businesses (SMART);
- support for investment programmes carried out by new digital and/or technological content companies (START).

	2018	2017
Smart - Contr. Operating Expenses - Title II (MD 06.03.2013)		
Liquidity at 01.01	**1,625**	**3,807**
Transfer of funds	4,881	
Subsidies provided	(2,366)	(2,714)
Net annual banking amounts	(2)	2
Payables to other financial source	210	551
Payables to tax authorities for R.A.	0	(21)
Liquidity at 31.12	**4,348**	**1,625**
Start-Operating grant, Title III (MD 06.03.2013)		
Liquidity at 01.01	**4,689**	**5,077**
Refunded amounts		227
Subsidies provided		(72)
Net annual banking amounts	0	3
Collected interest on arrears		5.00
Receivables from 'Smart'		(551)
Liquidity at 31.12	**4,689**	**4,689**
Smart & Start Abruzzo (MD 06.03.2013)		
Liquidity at 01.01	**1,171**	**1,171**
Net annual banking amounts	0	0
Liquidity at 31.12	**1,171**	**1,171**

Relative to this financial source, during the year subsidies totalling € 2,366 thousand were disbursed.

Smart & Start Italia

Smart&Start Italia benefits are reserved for innovative start-ups located throughout the country, whose business idea must include innovative technological features or envisages the development of products, services or solutions in the realm of the digital economy, or economically enhances the results of the research system.

	2018	2017
Rolling Fund (MD 24/09/2014)		
Grants for plant and operations (MD 24.09.14)		
Liquidity at 01.01	**16,749**	**13,946**
Funds cashed	8,685	15,192
Transfer from other financial source	290	
Disbursements paid out for financing	(11,549)	(11,701)
Transfer from 2017 fund disbursements	(216)	
Subsidy grants paid out	(1,015)	(738)
Contributions to be disbursed, seizure deed		
Transfer to other financial source	(54)	
Net annual banking amounts		5
Repayments from financing beneficiaries	35	38
Repayments from grant beneficiaries		7
Payable to other financial source	227	
Liquidity at 31.12	**13,152**	**16,749**
	2018	2017
2017 State budget		
Liquidity at 01.01	**2,619**	**0**
Funds cashed	0	3,397
Receivable from other financial sources	(500)	0
Subsidies provided:	**0**	**0**
Financing	(1,931)	(622)
Contributions	(148)	(156)
Net annual banking amounts	(1)	0
Liquidity at 31.12	**39**	**2,619**
	2018	**2017**
2014/2020 NOP		
Liquidity at 01.01	**10,221**	**0**
Funds cashed	0	10,548
Net annual banking amounts	0	(1)
Subsidies provided	**0**	**0**
Financing	(1,918)	(261)
Contributions	(480)	(65)
transfer to other financial source	269	0
Repayment of capital portion:	**0**	**0**
Financing	69	0
Contributions	17	0
Receivable from other financial sources	(227)	
Liquidity at 31.12	**7,951**	**10,221**

Relative to these financial sources, during the year subsidies totalling € 17,041 thousand were disbursed.

New interest-free companies

This measure is aimed at supporting entrepreneurship through the creation of micro and small enterprises.

	2018	2017
Rolling Provision for 'Single Fund' subsidised loans		
Liquidity at 01.01	**10,920**	**0**
Funds cashed	500	11,329
Subsidies provided	(1,197)	(415)
Repayments from beneficiaries	53	6
Net annual banking amounts	1	-
Liquidity at 31.12	**10,277**	**10,920**
2017 State budget		
Liquidity at 01.01	**5,652**	**0**
Funds cashed	40,500	5,652
Subsidies provided	(632)	
Net annual banking amounts	0	0
Liquidity at 31.12	**45,520**	**5,652**
Non-remunerated liquidity LED NOP 2000/2006		
Liquidity at 01.01	**20,000**	
Subsidies provided	(149)	
Net annual banking amounts	0	
Liquidity at 31.12	**19,851**	**20,000**

Relative to this financial source, during the year subsidies totalling € 1,978 thousand were disbursed.

Self-employment

Self-Employment funds with interest-free loans small business initiatives, promoted by young NEET. The Fund is managed by Invitalia under the Guarantee for Youth Programme, under the supervision of the Ministry of Labour.

	2018	2017
Rolling fund for subsidised loans		
Liquidity at 01.01	**7,980**	**15,723**
Repayments from beneficiaries	525	51
Subsidies provided	(7,502)	(7,785)
Amounts in transit	10	
Net annual banking amounts	(15)	(9)
Liquidity at 31.12	**998**	**7,980**

Relative to this financial source, during the year subsidies totalling € 7,502 thousand were disbursed.

Interventions to support sectors

'Cultura Crea' [Culture Creates] Programme (MIBACT Decree 11.05.2016)

This programme assists the creation and development of business initiatives in the field of cultural and tourism industries and provides support to non-profit ventures aimed at enhancing cultural heritage resources in the regions of Basilicata, Calabria, Campania, Apulia and Sicily.

AZ 3.A.1.A New Businesses NOP

	2018	2017
Rolling fund		
Liquidity at 01.01	**7,909**	**0**
Funds cashed	0	8,000
Subsidies provided	(1,290)	(91)
Net annual banking amounts	0	0
Liquidity at 31.12	**6,619**	**7,909**
Operating grant		
Liquidity at 01.01	439	0
Funds cashed	2,750	1,000
Subsidies provided	(1,608)	(561)
Net annual banking amounts	(1)	0
Liquidity at 31.12	**1,580**	**439**

AZ 3.B.1.A NOP Cons. SME

	2018	2017
Rolling fund		
Liquidity at 01.01	**4,382**	**0**
Funds cashed	0	4,500
Funds returned	(198)	
Subsidies provided	(178)	(118)
Liquidity at 31.12	**4,006**	**4,382**
Operating grant		
Liquidity at 01.01	443	0
Funds cashed	250	500
Subsidies provided	(60)	(57)
Liquidity at 31.12	**632**	**443**

AZ 3.C.1.A NOP Tertiary Sector

	2018	2017
Operating grant		
Liquidity at 01.01	**663**	**0**
Funds cashed	1,500	1,000
Subsidies provided	(904)	(337)
Liquidity at 31.12	**1,258**	**663**

Relative to these financial sources, during the year subsidies totalling € 4,040 thousand were disbursed.

L'Aquila crisis MD 14.10.2015

This initiative promotes economic recovery and job creation in the Abruzzo area hit by the 2009 earthquake and is broken down into Measure I and Measure II. The former supports the creation of new businesses or the renovation of existing ones; the latter provides funding for the promotion of territorial excellence with initiatives to increase visibility.

Commitments towards third parties are presented in the following tables:

	2018	2017
Measure I, operating grant		
Liquidity at 01.01	**1919**	
Funds cashed		2,500
Subsidies provided	(1,586)	(581)
Capital returned	1	
Net annual banking amounts	0	0
Liquidity at 31.12	**334**	**1,919**
Measure-2 for plant	**729**	
Funds cashed		750
Subsidies provided	(628)	(21)
Receivables from clients	(2)	
Net annual banking amounts	0	0
Liquidity at 31.12	**99**	**729**

Relative to this financial source, during the year subsidies totalling € 2,214 thousand were disbursed.

Murgia MD 18.10.2013

The Agency is the Managing Body for the MD Murgia Call for Proposals, promoted pursuant to Ministerial Decree of 13 October 2013, whose purpose is the reconversion and reindustrialisation of the Murgia territory affected by the crisis in the upholstered furniture sector.

	2018	2017
Operating grant		
Liquidity at 01.01	**5,069**	**5,066**
Net annual banking amounts	0	3
Liquidity at 31.12	**5,069**	**5,069**

Relative to this financial source, no subsidies were disbursed during the year.

MD CAMPANIA 13.02.2014

The Agency is the Managing Body of the MD Campania Call for Proposals, promoted pursuant to Ministerial Decree of 13 February 2014, whose purpose is the industrial relaunch and/or the redevelopment of the production system of the Municipalities in areas affected by industrial crisis in Campania.

	2018	2017
Rolling fund		
Liquidity at 01.01	**7,724**	
Funds cashed		9,500
Subsidies provided	(802)	(1,717)
Capital returned	8	
Payables to tax authorities		(59)
Net annual banking amounts	1	0
Liquidity at 31.12	**6,931**	**7,724**
Grant for plant		
Liquidity at 01.01	**7,439**	
Funds cashed		8,700
Subsidies provided	(768)	(1,320)
Net annual banking amounts	1	0
Payables to tax authorities		59
Cash as at 31/12	**6,672**	**7,439**

Relative to this financial source, during the year subsidies totalling € 1,570 thousand were disbursed.

New Law 181

With the Decree of 9 June 2015, the MED set forth the conditions and arrangements for the actions required to implement a new aid provision system. The contexts to be addressed by the initiative are:

- Industrial complex crisis areas which have not yet benefited from subsidies;
- Industrial non-complex crisis areas which have received subsidies for 16 initiatives, totalling € 115 million of investment;
- Other areas for which 2 applications have been submitted.

Commitments towards third parties are presented in the following tables:

	2018	2017
Rieti PA		
Liquidity at 01.01	**7,220**	
Funds cashed		7,220
Net annual banking amounts	0	0
Liquidity at 31.12	**7,220**	**7,220**
PA Piombino		
Liquidity at 01.01	**1,171**	
Funds cashed		1,171
Net annual banking amounts	0	0
Liquidity at 31.12	**1,171**	**1,171**
Growth Fund, rolling fund		
Liquidity at 01.01	**9,194**	
Funds cashed	2,351	9,194
Subsidies provided	(2,351)	
Capital returned	1	
Net annual banking amounts	0	0
Liquidity at 31.12	**9,195**	**9,194**
NOP E&C Axis III, Rolling fund		
Funds cashed	16,224	
Subsidies provided	(489)	
Net annual banking amounts	0	
Liquidity at 31.12	**15,735**	
POR FESR 2014-2020 Campania Rolling Fund		
Funds cashed	6,750	
Net annual banking amounts	0	
Liquidity at 31.12	**6,750**	
former Merloni area		
Funds cashed	7,310	
Subsidies provided	(842)	
Net annual banking amounts	0	
Liquidity at 31.12	**6,468**	
Growth fund, operating grant		
Liquidity at 01.01	**3,940**	**3,940**
Funds cashed	1,057	
Subsidies provided	(1,057)	
Net annual banking amounts	0	
Liquidity at 31.12	**3,940**	**3,940**
NOP E&C Axis III, operating grant		
Funds cashed	1,543	
Subsidies provided	(220)	
Net annual banking amounts	0	
Liquidity at 31.12	**1,323**	
POR FESR 2014-2020 Basilicata Rolling Fund		
Funds cashed	506	
Net annual banking amounts	0	
Liquidity at 31.12	**506**	

Relative to this financial source, during the year subsidies totalling € 4,959 thousand were disbursed.

'Resto al sud' - Remain in the South

With Decree Law No. 91 of 20 June 2017, the Remain in the South Measure was established, with the goal of creating incentives to develop new businesses in southern Italy, with beneficiaries having no more than 45 years, and necessarily having registered offices in the following regions: Abruzzo, Basilicata, Calabria, Molise, Puglia, Sardinia or Sicily. The Measure finances the acquisition of machinery, plant, equipment and IT systems, as well as remodelling and restructuring of the main offices.

	2018
Funds cashed	11,088
Subsidies provided	(539)
Net annual banking amounts	
Payables to tax authorities	8
Liquidity at 31.12	**10,557**

Relative to this financial source, during the year subsidies totalling € 539 thousand were disbursed.

Internationalisation voucher

On 29 September 2017 an Agreement was signed with the MED with the aim of supporting, through grants in the form of vouchers, SMEs which intend to market their goods outside of Italy, through a specialised figure able to analyse, design and manage these processes.

	2018
Funds cashed	9,424
Subsidies provided	(1,342)
Net annual banking amounts	(1)
Liquidity at 31.12	**8,081**

Relative to this financial source, during the year subsidies totalling € 1,342 thousand were disbursed.

Single fund Article 27 par. 11 Law 488/1999

The table below shows the commitments to third parties regarding the management of facilitation measures pursuant to Italian Legislative Decree No. 185/2000. Title I refers to measures in support of entrepreneurship and Title II addresses initiatives supporting self-employment.

	2018	2017
Liquidity at 01.01	244,597	248,804
Subsidies pending release	(88,121)	(114,113)
Mortgages	2,139,468	3,075,110

During the course of 2018, loans were disbursed for € 2,139 thousand, of which € 762 thousand for Title I and € 1,377 thousand for Title II. These receivables will become actual "available resources" only to the extent in which the amounts are repaid.

Fertility project

The programme supports the development of entrepreneurial initiatives promoted by non-profit organisations.

	2018	2017
Liquidity at 01.01	5,733	5,720
Subsidies pending release	(1,996)	(1,996)

For the Fertility Project, the total commitment, net of releases, comes to € 5.7 million at 31 December 2018, and was fully disbursed.

The 'Youth ideas to change Italy' project

The programme aims to enhance the design skills and creativity of young people; it addresses Italian citizens between 18 and 35 years of age. It is intended to finance the creation of the best project ideas in 4 areas: technological innovation, social and civic engagement, sustainable development, management of urban and territorial services for the quality of life of young people.

	2018	2017
Liquidity at 01.01	2,319	2,356
Subsidies pending release	(1,163)	(1,698)

Under this project, the total commitment at 31 December 2018 stands at € 2.3 million.

EU funds

EU funds, the main instrument of the European Union's investment policy, are intended to promote economic growth and the employment policies of the Member States and their regions as well as European territorial cooperation.

	2018	2017
Liquidity at 01.01	425	425
Payables for Funds Received	(4,156)	(4,156)

These funds do not show changes from the 2009 financial year.

Southern Enterprise Fund

The amount of € 150,000 thousand represents the initial amount deposited into a special account held by the Agency, opened with the Treasury of the State, to manage the fund established by Law 205/17. The goal is to support the economic/production structure of the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily, to support growth of small and medium enterprises whose registered headquarters and manufacturing activities are located in the above regions.

To manage this fund, the Agency will sign an ad hoc agreement with the Presidency of the Council of Ministers.

MATERA DL 91-2017 art 7 par. 1-BIS

These involve resources transferred to the special account no. 6065 held by the Agency, opened with the Treasury of the State for the project established under Law 208/2015, article 1, paragraph 435

“Matera, European Capital of Culture 2019”.

Development Contract Equity Investments

With a Decree of 23 March 2018, the Agency was assigned € 20 million to acquire minority shareholdings in companies already financed through Development Contracts, with the aim of reopening industrial plants of significant size.

F. OPERATIONS WITH THIRD PARTY FUNDS

F.1 - Nature of funds and type of use

	2018		2017	
	Public funds		Public funds	
		of which: at own risk		of which: at own risk
1. Non-impaired assets				
. Other financing	440,520	13,551	482,163	15,903
of which: from the enforcement of guarantees and commitments	-			
. Equity investments	4,151	-	5,623	
of which: for merchant banking	*4,151*	-	*5,623*	
2. Impaired assets				
2.1 Impaired items				
. Other financing	97,909	-	100,433	
of which: from the enforcement of guarantees and commitments	-	-		
. Equity investments	6,875	-	8,126	
of which: for merchant banking	*6,875*	-	*8,136*	
2.3 Past due exposures				
. Other financing	4,050	4,050	3,277	3,277
of which: from the enforcement of guarantees and commitments	-	-		
Total	**553,505**	**17,601**	**599,622**	**19,180**

Section 3 - Information on risks and related hedging policies

In relation to the specific operations of Invitalia and reference markets, the following risks emerged during the analysis phase:

- credit risk
- market risk
- operating risk
- concentration risk
- counter-party risk
- interest rate risk
- liquidity risk
- strategic risk
- reputational risk
- real estate risk

Analysed risks were classified into the following categories:

- quantifiable risks (against which prudential capital and/or internal capital provisions can be deployed);
- assessable risks (not subject to quantification).

The above listed risks were then submitted to relevance analysis, excluding liquidity and real estate risks that were deemed not relevant in relation to the current asset allocation and scope of regulatory capital.

Quantifiable risks consist of: credit risk, counterparty risk, market risk, operational risk, concentration risk and portfolio interest rate risk. Assessable risks include reputational risk and strategic risk.

Relevance analysis established the basis for defining Invitalia's level of exposure to the risks themselves.

The conclusions which emerged from this analysis indicate that Invitalia's risk exposure is low with reference to the organisational supervision enacted for its control. In any case, continuous surveillance and, where appropriate, limited remedial actions are warranted.

3.1. CREDIT RISK

TOTAL QUALITATIVE CRITERIA

1. General aspects

Invitalia has defined credit risk as that related to incurring losses due to unexpected deterioration of the creditworthiness of clients that were granted funding, also following breach of contract situations. Credit risk is also connected to possible counterparty breaches and losses incurred in the provision of services and/or consultancy work as well as the acquisition of holdings not classified in the trading book for supervisory purposes.

Lending activity is undertaken as part of merchant banking operations, the processing of statutory subsidies and within the scope of affiliation contracts. The first of these is centred on Equity Investment intervention principles, where the repayment capacity and the size of the loan granted is conditioned by the preliminary examination that precedes the effective intervention implementation.

Operations involving statutory funds or in the management of concession laws do not determine, by their nature, financial and economic effects borne by Company, with the exception of certain lines of activity of minor importance.

2. Credit risk management policies

2.1 Organisational aspects

The structure of the delegated powers is inspired by the containment of risk concentration level, both in quantitative and sectoral economic terms. Lines of credit are granted under the powers delegated by the Board of Directors and attributed to the business units involved in the assessment prior to the credit approval.

2.2 Management, measurement and control systems

For the quantification of capital requirements considered necessary to cover a given risk, i.e. current internal risk capital, Invitalia adopts a standard procedural approach applicable to the determination of prudential capital requirements (see Bank of Italy Circular 216/96, Part One, Chapter V, Section III). Given the extent of its Regulatory Capital, Invitalia believes that it is not required to make estimates in terms of prospective domestic capital nor to undergo related stress testing for that risk.

Operational management and risk control are implemented via systematic monitoring (at least twice per year) of the operating performance of investee companies.

2.3 Credit risk mitigation techniques

When deemed appropriate, adequate collateral is required and shareholder agreements governing the way-out mechanism are stipulated (with the prior determination of times and liquidation values).

2.4 Impaired financial assets

Credit risk management is governed by procedures that establish the applicable rules of conduct. In particular, during the pre-litigation phase, the activity is carried out by the administrative department together with the department responsible for monitoring the position; subsequently, the legal department is delegated to recover the amounts due. The administrative department defines the specific loss estimates based on the information on the recoverability terms provided by the operations function and/or the legal department.

QUANTITATIVE INFORMATION

1. Breakdown of financial assets by associated portfolios and credit quality (book value)

Portfolio/quality	Impaired	Expired past due exposures	Other exposures not impaired	Total
1. Financial assets measured at amortised cost	147,718		2,468,362	2,616,080
3. Financial assets at fair value			48,148	48,148
4. Other financial assets obligatorily measured at fair value			12,371	12,371
Total 2018	**147,718**	**-**	**2,528,881**	**2,676,599**
Total 2017	**149,950**	**386,084**	**2,396,390**	**2,932,424**

2. Breakdown of financial assets by associated portfolios and credit quality (gross and net values)

Portfolio/quality	Impaired			Not impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	182,341	(34,623)	147,718	2,461,315	7,047	2,468,362	2,616,080
3. Financial assets at fair value			-	48,148		48,148	48,148
4. Other financial assets obligatorily measured at fair value			-	12,371		12,371	12,371
Total 2018	**182,341**	**(34,623)**	**147,718**	**2,521,834**	**7,047**	**2,528,881**	**2,676,599**
Total 2017	**492,438**	**(43,242)**	**449,196**	**653,837**	**(9,133)**	**644,704**	**1,093,900**

Portfolio/quality	Assets with clear evidence of low credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading			62,794
2. Hedging derivatives			
Total 2018	**-**	**-**	**62,794**
Total 2017			**37,866**

3. Distribution of financial assets by maturity (book values)

Portfolio/ quality	Stage one and two			Stage three		
	From 1 day to 30 days	Over 30 days to 90 days	Over 90 days	From 1 day to 30 days	Over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	2,303,387	40,449	124,526			147,718
Total 2018	**2,303,387**	**40,449**	**124,526**	**-**	**-**	**147,718**
Total 2017	**470,626**	**23,752**	**150,326**			**449,196**

6. Credit exposures with customers, banks and financial companies

6.1 On and off balance sheet credit exposures with banks and financial companies: gross and net values

Type of exposures/ amounts	Exposure		Value Adjustments	Exposure Net	Total partial write-offs*
	Impaired	Not impaired			
A. Cash credit exposures					
a) Impaired	182,341		(34,623)	147,718	
e) Other non-impaired exposures		2,461,315	7,047	2,468,362	
TOTAL A	**182,341**	**2,461,315**	**(27,577)**	**2,616,080**	
B. Off-balance sheet credit exposures					
a) Impaired					
b) Non-impaired				-	
TOTAL B	**-**	**-**	**-**	**-**	
TOTAL A+B	**182,341**	**2,461,315**	**(27,577)**	**2,616,080**	

6.2 Cash credit exposures with banks and financial companies: trend of gross impaired exposures

There are no impaired exposures with banks or financial companies.

6.3 Impaired cash credit exposures with banks and financial companies: trend of total value adjustments

There are no impaired exposures with banks or financial companies.

6.4 On and off balance sheet credit exposures with customers: gross and net values

Type of exposures/ amounts	Gross exposure		Total value adjustments and total provisioning	Exposure Net	Total partial write-offs*
	Impaired	Not impaired			
A. Cash credit exposures					
a) Impaired	182,341		(34,623)	147,718	
e) Other non-impaired exposures		1,851,263	(13,779)	1,837,484	
TOTAL A	**182,341**	**1,851,263**	**(48,402)**	**1,985,202**	
B. Off-balance sheet credit exposures					
a) Impaired					
b) Non-impaired		1,131		1,131	
TOTAL B	**-**	**1,131**	**-**	**1,131**	
TOTAL A+B	**182,341**	**1,852,394**	**(48,402)**	**1,986,333**	

9. Credit concentration

Concentration risk is the risk that derives from a concentration of exposures in the credit portfolio relative to counterparts, or groups of counterparts in the same economic sector, which carry out the same type of business or are located in the same geographic area.

9.3 Large exposures

As of 31 December 2018, the Group does not hold any positions classifiable as "large risks".

3.2. MARKET RISKS

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument may undergo oscillations due to changes in market prices.

For Invitalia, this risk is represented by the risk of adverse change in the value of a position in securities, included in the trading book for supervisory purposes, due to the adverse trend of interest rates, Exchange rates, inflation, volatility in stock prices, credit spreads, commodity prices (generic risk) and issuer credit ratings (specific risk).

Market risk comprises three types of risk: interest rate risk, price risk and currency risk.

3.2.1 Interest rate risk

1. General aspects

Interest rate risk is the current and prospective risk of volatility in profits or capital arising from adverse interest rate variations.

TOTAL QUALITATIVE CRITERIA

Asset allocation policies and investment risk limits are set by the Board of Directors. Invitalia's financial operations do not indicate the presence of liquidity risk; indeed, as at 31 December 2018, approximately 73% of proprietary cash resided in current accounts. The internal financial management structure is of the money- market type, the only type of risk affecting operations is related to interest rates, there is no exposure to currency risk and leverage is equal to 1. As at 31 December 2018, 73% of proprietary cash is available on current accounts pending use. The considerable liquidity available on the accounts was obtained through the issue of bonds.

Interest rate risk is also limited, since 15% of cash is invested in bonds with an average financial duration of approximately 3 years and an average rating of BBB-; another 12% is invested in bond-profile financial policies with the purpose of improving and stabilising expected returns.

Market risk is constantly monitored and the performance of cash is calculated on a quarterly basis. Stress tests and sensitivity analyses are conducted on the securities portfolio.

QUANTITATIVE INFORMATION

2. Models and other methods for measuring and managing interest rate risk

3.2.2 PRICE RISK

The "**other price risk**", as defined in Appendix A of IFRS 7, is defined as the risk that the fair value or future cash flows of a financial instrument may oscillate due to changes in market prices other than changes determined by interest rate risk or currency risk. For Invitalia, this risk is substantially limited to equity investment operations which following reorganisation are limited to residual costs. Price risk is kept in check by defining shareholders' way-out agreements, possibly accompanied by guarantee mechanisms or disincentives in relation to non-compliance with agreed terms.

3.2.3 EXCHANGE RISK

Assets and liabilities denominated in foreign currencies are not present.

3.3 OPERATIONAL RISK

1. General aspects, management and operational risk measurement methods

Operational risk refers to the risk of suffering losses derived from inadequacy or from the failure of procedures, human resources and internal systems, or from external events. This category includes, among other things, losses deriving from fraud, human error, interruption of operations, unavailability of systems, contractual breaches and natural disasters. Operational risk includes legal risk, whereas strategic and reputational risks are not included.

The main corporate processes are governed by dedicated internal documented procedures. These documents, together with IT-based procedures, enable the monitoring of operational risks related to the occurrence of technical and human errors in all phases of the company's operations, which could result in harmful financial and reputational consequences for the company.

From an organisational point of view, the Internal Auditing function monitors the effectiveness and adequacy of the internal control system, verifying the adherence and coherence of corporate departmental actions and practices with the regulations, directives, conferred powers and procedures enacted, with particular reference to the provisions of Italian Legislative Decree No. 231/2001.

The Organisation, Management and Control Model adopted, and compliant with the requirements of Italian Legislative Decree No. 231/01 is based on:

1. adherence to the code of ethics, with particular regard to relations with the Public Administration bodies;
2. the written and jointly agreed definition of operating procedures;

3. the separation of tasks and responsibilities;
4. the establishment of an autonomous and independent supervisory body;
5. the systematic verification of compliance with the prescribed internal control procedures by the supervisory body and the Internal Auditing function.

3.4 LIQUIDITY RISK

Liquidity risk is not subject to specific analysis, in consideration of current asset allocation.

Section 4. Information on equity

4.1.2 Quantitative information

4.1.2.1 Equity: breakdown

Items/Values	2018	2017
1. Capital	836,384	836,384
3. Reserves	(81,738)	(65,665)
- profit reserves	(124,139)	(108,066)
a) legal	873	873
d) other	(11,553)	5,818
of which Reserve, IAS FTA IFRS 9	(17,802)	-
- other reserves	42,401	42,401
5. Valuation reserves	(9,878)	(4,925)
- financial assets available for sale	(9,878)	(4,925)
7. Profit (Loss) for the year	7,881	1,298
Total	**752,649**	**767,092**

4.1.2.2 Valuation reserves of financial assets available for sale: breakdown

	2018	2017
	Negative reserve	Negative reserve
2. Equity securities	(9,878)	(4,925)
	(9,878)	**(4,925)**

The item includes the cumulative amount of the negative valuation reserve relative to UCITS units.

4.1.2.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual change

	Equity securities
1. Initial balance	**(4,925)**
2. Positive changes	**(47)**
2.1 Fair value increases	27
2.5 Other changes	(74)
3. Negative changes	**(4,906)**
3.1 Fair value decreases	(4,906)
4. Closing balance	**(9,878)**

INFORMATION ON REGULATORY CAPITAL

The disclosure for regulatory capital is not applicable.

Section 5 – Analytical statement of comprehensive income

	STATEMENT OF COMPREHENSIVE INCOME	Gross Amount	Income tax	Net amount
10.	**Profit (Loss) for the year**	**15,927**	**(8,046)**	**7,881**
	Other income, net of taxes not reclassified to profit or loss account			
70.	Defined benefit pension schemes	13		13
	Other income components, net of taxes, reclassified to profit or loss account			
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(4,879)		(4,879)
190.	**Total of other comprehensive income, net of taxes**	(4,866)	0	(4,866)
200.	**Consolidated comprehensive income (Items 10 + 190)**	**11,061**	**(8,046)**	**3,015**
210.	**Consolidated comprehensive income attributed to non-controlling interests**	5		5
220.	**Comprehensive income attributable to the parent company**	**11,056**	**(8,046)**	**3,010**

Section 6 - Related party transactions

The scope of natural and legal persons having the characteristics compliant with the definition of related parties in relation to the consolidated financial statements has been defined on the basis of information provided in IAS 24, appropriately applied with reference to the specific organisational structure and governance of the Agency.

In particular, the following are considered to be related parties:

Entities exercising significant influence on the Company

The company has a sole shareholder, the Ministry of Economy And Finance. In this regard, in accordance with local regulations, shareholder's rights with reference to the Agency shall be exercised by the Minister of Economy And Finance, in agreement with the Minister of Economic Development.

It follows that, for operational purposes, the following are to be considered as related parties: the Ministry of the Economy, the Ministry of Economic Development, all subsidiaries controlled by the Ministry of the Economy, any other in house companies of the Ministry of Economic Development.

Subsidiaries

These are companies over which the Agency directly or indirectly exercises control as defined by IFRS 10.

Associate companies

These are companies over which the Agency directly or indirectly exercises substantial influence as defined by IAS 28.

The Management team vested with strategic responsibilities and supervisory bodies

Key management personnel vested with strategic responsibilities are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In the Agency, in addition to the Board of Directors, "***strategic responsibility***" is attributed to the organisation's top-level managers.

6.1 Information on the remuneration of managers vested with strategic responsibility

The following provides information on the remuneration paid in the year 2018 to managers vested with strategic responsibilities, as required by IAS 24, in line with the provisions of the Bank of Italy Circular no. 262 of 22 December 2005 (2nd update of 21 January 2014) which provides for the inclusion of the remuneration paid to members of the Board of Auditors.

information on the remuneration of managers vested with strategic responsibility (including directors and statutory auditors)	
a) short-term benefits	3,062,836
b) post-employment benefits	
of which related to defined benefit plans	
of which related defined contribution plans	*668,093*
c) other long-term benefits	
d) employment severance indemnity	
e) payments in shares	
Total	**3,730,929**

Intra-group relationships

As discussed elsewhere in these Notes to the Financial Statements and the Directors' Report on Operations, the reorganisation plan is still underway, nevertheless, intra-group transactions continued without interruption for the entire year. In this regard, it should be noted that, within the Group, the relationships between various its financial players are based on criteria of centrality with regard to fundamental tasks of governance and control, supplemented by those of guidance and assistance, in the form of advice on legal, economic, organisational and resource management. On the other hand, individual companies are entrusted with the mission of handling various kinds of products and services.

Transactions with related parties, including infragroup transactions, are not qualified as atypical or as unusual, they are part of the daily ordinary daily business activities of the Group's companies. The financial effects associated with these relations are regulated, as a rule, on the basis of the usual market conditions. In the case of services supplied by the parent company as part of the normal group synergies, the fees are determined with the goal of recovering at least the general and specific costs. Such transactions, when not settled at standard conditions or dictated by specific regulations, were in any case governed by market conditions. Any funding granted by the parent company to subsidiaries and associates on more favourable or interest-free terms were accounted for in accordance with IAS 39, as explained in the section "accounting policies".

6.3 Information on transactions with related parties

Transactions with related parties are duly reported, even if they are concluded under normal market conditions and also in cases where the amounts are not significant, since the relevance of the transactions is linked to the reasons which led to the decision to approve and conclude each related party the transaction.

The following information on related party transactions are broken down by type and counterparty:

Equity-related transactions

Company name	Financing	Receivables from banks	Financial assets	Other active transactions	Financial liabilities	Other passive transactions	Guarantees issued
Sole shareholder							
MEF	47						
Companies subject to significant influence							
GUSTAVO DE NEGRI & ZA.MA. SRL	301	-	-	-	-	-	-
MARINA D'ARECHI SpA	13,776	-	-	88	-	-	-
TEKLA SRL	1,221	-	-	-	-	-	-
Other related parties							
ANAS	-	-	-	-	-	(22)	-
CDP - Cassa Depositi e Prestiti SpA	-	-	1,457	-	(67,862)	-	-
ENEA - National agency for new technology, energy and sustainable economic development	-	-	-	-	-	-	(12)
ENEL SpA - ENEL Distribuzione SpA	-	-	-	-	(100,000)	(532)	-
EQUITALIA	-	-	-	-	(6,448)	-	-
GSE - Gestore dei Servizi Energetici SpA	-	-	-	4,463	-	-	-
Leonardo SpA	-	-	-	-	-	-	-
MED	62,146	-	-	-	-	-	-
Monte dei Paschi di Siena SpA	-	6,260	-	-	-	-	-
OPEN FIBER SPA	-	-	-	-	-	(30,409)	-
Poste Italiane SpA	5,563	-	-	-	-	(51,498)	-
RAM	19	-	-	-	-	-	-
RETE FERROVIARIA ITALIANA	-	-	-	-	-	(222)	-

Financial transactions

	Net interest	Net commissions	Administrative expenses	Other revenues
Companies subject to significant influence				
MARINA D'ARECHI SpA	380	-	(77)	1
TEKLA SRL EX MEXALL SISTEMI	30	-	-	-
Other related parties				
ANAS			(21)	
CDP - Cassa Depositi e Prestiti SpA	(431)	-	0	-
ENAV	14	-	-	-
ENEL DISTRIBUZIONE SPA	(13)	-	(890)	-
EQUITALIA	(8)	-	-	-
OPEN FIBER SPA	-	-	(104,958)	
Poste Italiane SpA	-	(15)	(1,682)	-
RETE FERROVIARIA ITALIANA	-		(127)	
STUDIARE SVILUPPO	27			

SECTION 7 - OTHER INFORMATION DETAILS

AUDITOR FIRM FEES

Below is the schedule of fees pursuant to Article 149-duodecies of the issuers' regulations.

Description of services	Company	The Parent Company	Subsidiaries	Total
Audit services	PricewaterhouseCoopers SpA	129	389	518
	PricewaterhouseCoopers Network	-	-	-
Certification services (*)	PricewaterhouseCoopers SpA	32	47	79
	PricewaterhouseCoopers Network	-	-	-
Other non-audit services	PricewaterhouseCoopers SpA	-	-	-
	PricewaterhouseCoopers Network	-	-	-
	Total	**161**	**436**	**597**

SECTOR DISCLOSURE

The Agency's work is defined on the basis of provisions of law or contracts and agreements when expressly required by Public Administration bodies. Indeed, it is well known that also according to the articles of association and in accordance with in-house regulations, over 80% of the company's turnover must produce in the performance of tasks entrusted to it on the basis of existing legislation, appropriate contracts and agreements referenced in Italian Legislative Decree No. 1 of 9 January 1999 by the MED and other central government departments. Residual activities are permitted, subject to authorisation, only on condition that they achieve economies of scale or other efficiency benefits.

Consequently, the agency adopts a scheme which classifies activities in three categories (Incentives and Innovation, Competitiveness and Territory and EU Planning) that reflect purely organisational distinctions and do not characterise the nature of the operations. The latter are, however, all attributable to "in-house" assignments in the service of specific Public Administration needs, whose remuneration, while subject to conventional mechanisms, is always determined on a mere cost-compensation basis.

These characteristics lead to the conclusion, for the purposes of IFRS 8 disclosure, that the Agency does not operate according to actual operational sectors, i.e. diverse elementary corporate units capable of generating financially distinguishable consolidated budgetary effects and sustaining discretionary operational decisions (so-called management approach) in the allocation of resources related to distinct risks and returns.

Also for other consolidated Group companies, with the exception of the BdM which is organised according to two business lines, there are no significant business characteristics worthy of classification by sector.

The following table presents the Group Companies' contributions to the consolidated gross operating margin [EBITDA] according to the organisational reclassification. The latter is similar to that reported in the Directors' Report on Operations. Each Group Company is regarded as representing a single operating sector, except, as mentioned, the Banca del Mezzogiorno.

Consistent with the reporting structure, companies in disposal groups held for sale are not recorded separately, rather they are accounted for under a separate item.

Financial year 2018 Amounts in thousands of euros	Agency	Infratel	Banca del Mezzogiorno		Invitalia Ventures SGR	Invitalia Partecipazioni	CONSOLIDATED TOTAL
			Lending activities	Interventions for development			
VALUE OF OPERATIONAL PRODUCTION	144,383	166,915	33,220	56,564	3,916	113	405,111
ADDED VALUE	113,894	14,686	27,296	46,475	3,726	(977)	205,100
GROSS OPERATING MARGIN	16,215	6,272	18,401	31,329	2,576	(2,546)	72,246

Financial year 2017 Amounts in thousands of euros	Agency	Infratel	Banca del Mezzogiorno		Invitalia Ventures SGR	Invitalia Partecipazioni	CONSOLIDATED TOTAL
			Lending activities	Interventions for development			
VALUE OF OPERATIONAL PRODUCTION	128,646	38,479	24,135	23,500	2,396	1,448	218,605
ADDED VALUE	97,063	10,756	20,196	18,387	2,177	431	149,010
GROSS OPERATING MARGIN	600	4,016	14,814	12,160	1,732	(1,090)	32,233

Annexes to the Notes to the Financial Statements

ANNEX A.1

Changes in "financial assets held for trading"

Amounts in thousands of euros

Debt securities	Initial inventory	Purchases	Positive changes in Fair Value	Other positive changes	Repayments
Public administrations					
BTP 01.02.21 STRIP (ZC)	1,978	0	0	0	0
BTP 01.08.21 STRIP (ZC)	1,251	0	0	0	0
BTP 15.10.2023 0.65%	2,935	0	0	0	0
BTP 01.08.27 2.05%	4,066	0	0	0	0
BTP 15.11.24 1.45%	4,026	0	0	0	0
BOT 14.11.19 ZC	0	24,861	62	16	0
CCTS EU 15.04.25	4,047	0	0	0	0
UMBRIA REGION 31.12.2018	1,155	0	0	0	(1,143)
	19,458	**24,861**	**62**	**16**	**(1,143)**
Banks					
BANCO POPOLARE 14.03.19	3,710	0	0	0	0
BANCO POPOLARE 22.01.18	3,173	0	0	0	(3,104)
BPM 31.03.18	1,040	0	0	0	(1,009)
DEXIA CREDIOP 15.10.18	0	260	0	0	(256)
DEXIA CREDIOP 27.11.18	0	394	0	0	(387)
DEUTSCHE BANK 16.11.18	0	514	0	0	(514)
ICCREA 20.03.18	2,547	0	0	0	0
ICCREA 25.11.19	2,046	1,017	0	6	0
MPS 15.09.18	0	2,800	0	0	(2,790)
MPS 01.04.19		5,147	0	140	0
UNICREDIT 21.09.18	1,021	0	0	0	0
UNICREDIT 19.06.19	2,369	0	0	0	0
	15,906	**10,132**	**0**	**146**	**(8,060)**
Other financial companies					
CDP RETI 29.05.22	1,472	0	0	0	0
CDP 30.09.20	1,030	0	0	0	0
	2,502	**0**	**0**	**0**	**0**
Total Debt securities	**37,866**	**34,993**	**62**	**162**	**(9,203)**
Equity securities and UCITS units					
LU0756065834	0	15,000	0	0	0
LU1116430247	0	15,000	0	0	0
Total Equity securities and UCITS units	**0**	**30,000**	**0**	**0**	**0**
Grand total	**37,866**	**64,993**	**62**	**162**	**(9,203)**

	Sales	Negative changes in fair value	Other negative changes	Transfers to other portfolios	Closing balance	Issuer risk rating		
						MOODY'S	S&P	FITCH
	(1,978)	0	0	0	0			
	(1,251)	0	0	0	0			
	0	0	(4)	(2,931)	0			
	0	0	(34)	(4,032)	0			
	0	0	(7)	(4,019)	0			
	0	0	0		24,939	Baa3	-	BBB
	0	0	(6)	(4,041)	0			
	0	(12)	0	0	0			
	(3,229)	**(12)**	**(51)**	**(15,023)**	**24,939**			
	(3,612)	0	(98)	0	0			
	0	0	(69)	0	0			
	0	0	(31)	0	0			
	0	(4)	0	0	0			
	0	(7)	0	0	0			
	0	0	0	0	0			
	(2,547)	0	0	0	0			
	0	(55)	(4)	0	3,010	-	BB	BB
	0	(10)	0	0	0			
	0	(132)	0	0	5,155	Caa1	-	B
	(1,020)	0	(1)	0	0			
	(2,351)	0	(18)	0	0			
	(9,530)	**(208)**	**(221)**	**0**	**8,165**			
	0	0	(16)	(1,456)	0			
	(1,026)	0	(4)	0	0			
	(1,026)	**0**	**(20)**	**(1,456)**	**0**			
	(13,785)	**(220)**	**(292)**	**(16,479)**	**33,104**			
	0	(246)	0	0	14,754			
	0	(64)	0	0	14,936			
	0	**(310)**	**0**	**0**	**29,690**			
	(13,785)	**(530)**	**(292)**	**(16,479)**	**62,794**			

ANNEX A.2

Changes in "financial assets at fair value"

Amounts in thousands of euros

Financial Assets At Fair Value	Initial balance	Purchases	Positive changes in Fair Value	Other	Repayments	Closing balance
CATTOLICA ASSICURAZIONI VITA INTERA	1,079	0	25	0	0	1,104
CATTOLICA ASSICURAZIONI VITA INTERA	1,079	0	25	0	0	1,104
CATTOLICA ASSICURAZIONI 14.4.2022	1,016	0	23	(4)	0	1,035
CATTOLICA ASSICURAZIONI 14.4.2022	1,016	0	23	(4)	0	1,035
CATTOLICA ASSICURAZIONI 14.4.2022	1,016	0	23	(4)	0	1,035
CATTOLICA ASSICURAZIONI 14.4.2022	1,016	0	23	(4)	0	1,035
CATTOLICA ASSICURAZIONI 14.4.2022	1,017	0	23	(4)	0	1,036
CATTOLICA ASSICURAZIONI VITA INTERA	0	3,500	13	(6)	0	3,507
CATTOLICA ASSICURAZIONI 30.4.2023	0	1,000	11	(2)	0	1,009
CATTOLICA ASSICURAZIONI VITA INTERA	0	5,000	26	(16)	0	5,010
CATTOLICA ASSICURAZIONI VITA INTERA	0	5,000	26	(16)	0	5,010
PRAMERICA LIFE SPA	8,777	0	253	0	0	9,030
ITAS VITA	6,002	0	117	0	0	6,119
UNIPOL ASSICURAZIONI SPA	5,590	0	118	(52)	0	5,656
UNIPOL ASSICURAZIONI SPA	1,072	0	30	0	0	1,102
UNIPOL ASSICURAZIONI SPA	1,072	0	30	0	0	1,102
UNIPOL ASSICURAZIONI SPA	1,072	0	30	0	0	1,102
UNIPOL ASSICURAZIONI SPA	520	0	11	(3)	0	528
UNIPOL ASSICURAZIONI SPA	521	0	11	(3)	0	529
UNIPOL ASSICURAZIONI SPA	521	0	12	(3)	0	530
UNIPOL ASSICURAZIONI SPA	521	0	12	(3)	0	530
Total Financial Assets At Fair Value	**32,907**	**14,500**	**865**	**(124)**	**0**	**48,148**

ANNEX A.3

Change "Other financial assets obligatorily measured at fair value"

Amounts in thousands of euros

Other financial assets obligatorily measured at fair value	Initial balance	Change in opening balances	Purchases	Reversals	Other positive changes	Positive changes in fair value	Repayments	Other negative changes	Negative changes in fair value	Closing balance
Capitalisation policies										
CATTOLICA ASSICURAZIONE		1,496		-	63	-	-	-	-	1,560
UCITS units										
FONDO NEXT	1,374		-	-	-	75	(114)	-	-	1,336
FONDO NORDOVEST	1,393		-	-	84	-	(625)	-	(541)	310
FONDO ITALIA VENTURE I (*)	5,502		1,983	-	750	929	-	-	-	9,164
Equity securities	-		**1**	-	-	-	-	-	-	**1**
	8,269	**1,496**	**1,984**	**-**	**897**	**1,004**	**(739)**	**-**	**(541)**	**12,371**

The shares in the fund in question are acquired with the financial resources of the Sustainable Growth Fund, consequently changes in fair value decrease the fund itself.

ANNEX A.4

Securities classified as financial assets measured at amortised cost

Amounts in thousands of euros

Debt securities	Initial inventory	Transfers from other portfolios	Purchases	Positive changes	Repayments	Value Adjustments	Negative changes	Closing balance
Public administrations								
BTP 01/02/2028 2.0%	-		4,951	59	-	(2)	-	5,008
BTP 01.08.27 2.05%	-	4,066	2,510	55	-	(3)	(38)	6,590
BTP 01/03/2030 3.5%	-	-	28,922	298	-	(14)	(168)	29,038
BTP 01.09.2028 4.75%	-	-	19,937	254	-	(9)	(228)	19,954
BTP 15.10.2023 0.65%	-	2,935	-	16	-	(1)	(4)	2,946
BTP 15.11.24 1.45%	-	4,026	4,027	15	-	(4)	(13)	8,051
CCTS EU 15.04.25	-	4,048	-	6	-	(2)	(12)	4,040
REP OF ITALY CNP STRIP 20.2.31	-	-	1,472	24	-	(1)	0	1,495
Total	**-**	**15,075**	**61,819**	**727**	**-**	**(36)**	**(463)**	**77,122**
Banks	**-**				**-**			
BANCO BPM 24.04.23 1.75%	-	-	3,986	50	-	(8)	-	4,028
BANCO BPM 27.07.20 2.75%	-	-	7,314	83	-	(15)	(101)	7,281
BPM 29.01.21 TRIM	-	-	3,208	27	-	(6)	-	3,229
ICCREA 01.02.2021	-	-	4,487	9	-	(14)	-	4,482
ICCREA 11.10.22 1.5%	-	-	6,304	21	-	(20)	(18)	6,287
SANPAOLO IMI FRN 20.02.18	3,017	-	-	-	(3,015)	-	(2)	(0)
UBI 17.10.22 0.75%	-	-	1,987	5		(2)	-	1,990
Total	**3,017**	**-**	**27,286**	**195**	**(3,015)**	**(65)**	**(121)**	**27,297**
Other financial companies								**-**
CDP RETI 29.05.22 1.875%	-	1,472	-	15	-	(2)	(28)	1,457
Total	**-**	**1,472**	**-**	**15**	**-**	**(2)**	**(28)**	**1,457**
Non-financial companies								
TERNA 23.07.23 1%	-	-	1,245	6		(1)	-	1,250
Total	**-**	**-**	**1,245**	**6**	**-**	**(1)**	**-**	**1,250**
Total debt securities	**3,017**	**16,547**	**90,350**	**943**	**(3,015)**	**(104)**	**(612)**	**107,126**

ANNEX A.5

Equity investments - Annual changes

Amounts in thousands of euros

Company name	Initial balances Financial Statements	Purchases	Reversals	Other positive changes	Sales	Value Adjustments	Other negative variations	Closing balance
Companies subject to significant								
CONSORZIO EX CNOW	1							**1**
CONSORZIO SPINNER	7						(7)	**-**
ELETTRA SINCROTONE TRIESTE SPA	1,999			51				**2,050**
LAMEZIA EUROPA SCPA	708						(109)	**599**
MARINA ARENELLA SRL	-							**-**
MARINA DI REGGIO CALABRIA SRL	-							**-**
SICULIANA NAVIGANDO SRL	56					(1)		**55**
TRAPANI NAVIGANDO SRL	-							**-**
VIVENDA SPA	13,600				(13,600)			**-**
of which companies taken on pursuant to Law 181/89 and subsequent								
GUSTAVO DE NEGRI & ZA.MA. SRL	202							**202**
TEKLA SRL	653							**653**
	17,226			**51**	**(13,600)**	**(1)**	**(116)**	**3,561**
Non-significant companies								
ALA BIRDI SRL	2,819			23				**2,842**
C.R.A.A. SRL IN LIQUIDATION	38							**38**
CFI - COOPERAZIONE FINANZA	643			0				**643**
ELA SPA IN BANKRUPTCY PROCEEDINGS	-							**-**
FINMEK SOLUTIONS SPA IN PROC. CONC.	-							**-**
FONDERIT ETRURIA IN BANKRUPTCY PROCEEDINGS.	-							**-**
IDC - ITALIAN DISTRIBUTION	-							**-**
INVITALIA GLOBAL INVESTMENT SPA	-	11,000						**11,000**
ISTIT ENCICLOPEDIA TRECCANI	4,849							**4,849**
ITALIACAMP SRL - UNIPERSONALE	1							**1**
MARINA DI VILLA IGIEA SPA	565						(127)	**438**
MECCANO SCPA	78			1				**78**
SOCIETÀ PER CORNIGLIANO SPA	1,357			1				**1,358**
of which companies taken on pursuant to Law 181/89 and subsequent								**-**
CATWOK SPA IN BANKRUPTCY PROCEEDINGS	564						(564)	**-**
CMS SRL IN BANKRUPTCY PROCEEDINGS	1,370							**1,370**
ELMIRAD SERVICE SRL IN LIQUIDATION	120							**120**
FONDERIE SPA IN BANKRUPTCY PROCEEDINGS	-							**-**
JONICA IMPIANTI SRL	278							**278**
METALFER SUD SPA IN BANKRUPTCY PROCEEDINGS	697						(697)	**-**
MODOMEC BUILDING SRL	168							**168**
PERITAS SRL	326							**326**
PRO.S.IT. SRL IN BANKRUPTCY PROCEEDINGS	499							**499**
SALVER SPA	2,524							**2,524**
SICALP SRL IN BANKRUPTCY PROCEEDINGS	1,033							**1,033**
SIMPE SPA	3,600							**3,600**
SURAL SPA BANKRUPT	253							**253**
TIRRENA MACCHINE SRL IN BANKRUPTCY PROCEEDINGS	1,472						(1,472)	**-**
	23,254	**11,000**	**-**	**25**		**-**	**(2,860)**	**31,419**
Total equity investments	**40,481**	**11,000**	**-**	**76**	**(13,600)**	**(1)**	**(2,976)**	**34,980**

ANNEX A.6

Non-current assets and asset groups held for sale: information on equity investments

Amounts in thousands of euros

Company name	Stake held %	Book value
CONSORZIO MARINA DI PORTISCO	50.00%	10
I.T.S. INFORMATION TECHNOLOGY SERVICES SPA	17.33%	300
IP PORTO ROMANO SRL	34.23%	74
MARINA DI ARECHI	40.00%	13,769
SALERNO SVILUPPO	20.00%	77
TRIESTE NAVIGANDO SRL	100%	50
Total other companies		**14,279**

ANNEX A.7

Non-current assets and asset groups held for sale: changes during the year

Amounts in thousands of euros

Company name	Initial balance	Positive changes	Negative changes	Revaluations	Depreciation / Impairment	Final balance
CONSORZIO MARINA DI PORTISCO	10	-	-	-	-	10
I.T.S INFORMATION TECHNOLOGY	300	-	-	-	-	300
IP PORTO ROMANO SRL	3,603	-	-	-	(3,529)	74
MARINA D'ARECHI	14,718	-	-	-	(949)	13,769
NEW CEFALÙ	-	-	-	-	-	-
SALERNO SVILUPPO	114	-	-	-	(37)	77
TRIESTE NAVIGANDO SRL	59	-	-	-	(10)	50
Total other companies	**18,804**	**-**	**-**	**-**	**(4,525)**	**14,279**

ANNEX A.8

Non-current assets and asset groups held for sale

Annual changes in financial assets available for sale

Amounts in thousands of euros

Company name	Initial balance	Increases	Decreases	Final balance
CALPARK	25	-	(13)	12
CALU in bankruptcy proceedings	75	-	(75)	-
CALZATURIFICIO DI LUZI in bankruptcy proceedings	77	-	(75)	2
PATTO TERR. A T.C.	-	-	-	-
POLLINO SVILUPPO	1	-	-	1
PROTEKOS	10	-	(10)	-
Total for item 40	**188**	**0**	**(173)**	**15**

Certification of the annual financial statements pursuant to Article 81-*TER* of CONSOB Regulation 11971 of 14 May 1999, as amended

INVITALIA

Agenzia nazionale per l'attrazione
degli investimenti e lo sviluppo d'impresa SpA

INV-AD - Prot n. 0000549 del 20-06-2019

Certification of the Consolidated Financial Statements pursuant to article 81-ter of CONSOB Regulation 11971 of 14 May 1999, as amended

1. The undersigned Domenico Arcuri as Managing Director and Daniele Pasqualini in his capacity as Financial Reporting Officer for the National Agency for the attraction of investments and enterprise development S.p.A. hereby certify, also taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:
   - suitability in relation to the characteristics of the Group and
   - effective application of the administrative and accounting procedures for the preparation of the annual financial statements as at 31.12.2018.
2. In this regard, during the 2018 financial year, the following significant aspects emerged:

2.1. With reference to the investee Italia Turismo, on 31 March 2018 the public tender to sell 100% of the equity investment was completed without any bids having been received. Subsequently, the Agency, based on a mandate from the Board of Directors, continued with activities aimed at disposing of the subsidiary, or its individual real estate assets, through publication of a notice intended to obtain indications of interest from parties wanting to purchase 100% of the share capital of Italia Turismo S.p.A., or the individual assets held by the company. During 2018, indications of interest were received which at present are still being assessed by the Agency.

2.2. Following the acquisition of 100% of the capital of Banca del Mezzogiorno in 2017 from Poste Italiane, during the subsequent twelve months the net fair value of the Bank was quantified, based on provisions in International Accounting Standard IFRS 3 - Business Combinations - which requires the purchaser, with reference to the date of acquisition, to determine assets and liabilities, including potential assets and liabilities, at fair value (Purchase Price Allocation). This process was completed and the effects were indicated in the Agency's 2018 financial statements and reclassified 2017 financial statements.

2.3. Law 145 of 30 December 2018 gave the Italian Ministry of Economic Development the possibility to authorise the disposal by Invitalia of an equity stake, including control, held in Invitalia Ventures SGR S.p.A., under market conditions, as well as an investment stake in the funds managed by the same. On 20 February 2019 the Italian Ministry of Economic Development issued a directive, authorising Invitalia to sell an equity investment stake equal to 70% of the share capital of Invitalia Ventures SGR S.p.A., establishing the relative terms and conditions. This process is still under way.

2.4. The suitability of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2018 has been verified by assessing the internal control system. This assessment was carried out taking into consideration the criteria established in the "Internal Controls - Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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Tel. +39 04 421 601 Fax +39 06 421 606 16
info@invitalia.it – www.invitalia.it

Sole Shareholder, Ministry of Economy and Finance
Share capital € 836,383,864.02

Rome Register of Businesses
VAT and tax ID no. 05678721001

2.5. In the course of 2018, the Financial Reporting Officer for the National Agency for the attraction of investments and business development SpA verified the suitability and effective application of the existing administrative and accounting procedures, with reference to the internal financial reporting control system.

3. We further certify that:

3.1. The annual financial statements for the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. as at 31 December 2018:

3.1.1. are prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC);

3.1.2. in the preparation of the annual financial statements, we adopted the "compilation format and rules compliant with the Bank of Italy Governor's decree of 22 December 2017" to facilitate a more correct comparison with the data of the previous year, also considering that the company is a financial intermediary pursuant to article 114 of the Consolidated Banking Law (TUB);

3.1.3. are aligned with the findings of the accounting books and records;

3.1.4. are suitable for the provision of a truthful and correct representation of the equity, economic and financial situation of the issuer and of the group of companies included in the consolidation.

3.2. The Report on Operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Managing Director
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Domenico Arcuri

Financial Reporting Officer
Illegible signature
Daniele Pasqualini

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AGENZIA NAZIONALE PER L'ATTRAZIONE DEGLI INVESTIMENTI E LO SVILUPPO D'IMPRESA S.P.A. GROUP AS AT 31 DECEMBER 2018

Dear Shareholder,

We have reviewed the consolidated financial statements of the Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo d'Impresa SpA Group and the Directors' Report as at 31 December 2018 approved by the Board of Directors' on 20 June 2019, following the approval of the Statutory Financial Statements on 30 May 2019,

On June 28, 2019, the complete financial statement was sent by e-mail. As of today, the independent auditors have not yet released the required report, the certificate of conformity pursuant to Italian Legislative Decree 254/2016, or the Supplementary Report pursuant to Article 11 of European Regulation no. 537/UE/2014, in which the fundamental issues raised during the legal audit must be addressed, with particular evidence of any significant deficiencies found in the internal control system in relation to the financial reporting process.

With reference to the above, the Board of Statutory Auditors, despite being aware that its activity is independent and autonomous from that of the statutory auditor, prepares its report with reference to the issues of competence, subject to integration as soon as the documents mentioned above are received.

The Board of Auditors notes that the following statements are made in the Notes to the Financial Statements:

The financial statements have been prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission until December 31, 2018, as required by European Union Regulation no. 1606/2002, implemented in Italy by Italian Legislative Decree no. 38 of 28 February 2005.

In preparing the consolidated financial statements, we observed the compilation format and rules set forth in the Bank of Italy Governor's Decree of 22/12/2017 - "Instructions for the preparation of financial statements and reports of financial

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intermediaries". In this regard, it should be noted that the Agency was exempted by the Italian Ministry of Economy and Finance (MEF) Decree of October 10, 2012 from the application of the regulation referred to in Title V of the Testo Unico Bancario (TUB) [Italian Consolidated Law on Banking], as it is subject to other equivalent forms of supervision (MEF, Court of Auditors). This exemption does not change the nature of the "Financial Intermediary" and, consequently, has no effect on the rules for preparing the Consolidated Financial Statements previously indicated and applied with continuity over time. The foregoing is also stated on the basis of a *pro veritate* (factual) legal opinion issued by a qualified professional. However, with a view to continuity of information, the Company continued to maintain the preparation criteria pursuant to Title V of the TUB, established by an Italian Ministry of Economy and Finance Decree, even though it is not subject to this rule.

The Board of Statutory Auditors acknowledges that the Certification of the financial statements issued pursuant to Article 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 as amended, issued on 20 June 2019 by the Managing Director and the Financial Reporting Office, affirms, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, and of Italian Legislative Decree no. 58 of 24 February 1998,the suitability in relation to the Group's characteristics;

- the effective application of the administrative and accounting procedures for the preparation of the annual financial statements as at 31/12/2018.

Moreover, the annual financial statements for Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. as at 31 December 2018:

- were prepared in accordance with IFRS and LAS issued by the IASB and the related interpretations of the IFRIC;
- in the preparation of the annual financial statements, we adopted the "compilation format and rules compliant with the Bank of Italy Governor's Decree of 22 December 2017" to facilitate a more correct comparison with the data of the previous year, also considering that the company is a financial intermediary pursuant to TUB Article 114;
- are aligned with the findings of the accounting books and records;

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- are suitable for the provision of a truthful and correct representation of the equity, economic and financial situations of the issuer and of the group of companies included in the consolidation.

The following important aspects are also acknowledged in the same certificate:

- the conclusion, on March 31, 2018, of the public tender for the sale of 100% of Italia Turismo shares without any offers being received. Based on a mandate from the Board of Directors, activities continued aimed at disposing of the subsidiary, or its individual real estate assets, through publication of a notice intended to obtain indications of interest from parties wanting to purchase 100% of the share capital of Italia Turismo or the individual assets held by the company. During 2018, indications of interest were received which, at present, are still being assessed by the Agency.

- Following the acquisition of 100% of the capital of Banca del Mezzogiorno in 2017 from Poste Italiane S.p.A., during the subsequent twelve months, the net fair value of the Bank was quantified, based on provisions in International Accounting Standard IFRS 3 - Business Combinations, which requires the purchaser, with reference to the date of acquisition, to determine assets and liabilities, including potential assets and liabilities, at fair value. This process was completed, and the effects were indicated in the Agency's 2018 financial statements and reclassified 2017 financial statements.

- Italian Law 145 of 30 December 2018 gave the Italian Ministry of Economic Development (MED) the ability to authorise the disposal by Invitalia S.p.A. of an equity stake, including control, held in Invitalia Ventures SGR S.p.A., under market conditions, as well as an investment stake in the funds managed by the same.

On 20 February 2019, the MED issued a directive authorising Invitalia to sell an equity investment stake equal to 70% of the share capital of Invitalia Ventures SGR S.p.A., establishing the relative terms and conditions. This process is still under way:

- the adequacy of the administrative and accounting procedures for the preparation of the financial statements at 31/12/2018, verified through the

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assessment of the internal control system, highlighting that this operation was carried out, taking as reference the criteria established in the "Internal Controls-Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission.

- The Financial Reporting Officer for Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA verified the suitability and effective application of the existing administrative and accounting procedures, with reference to the internal financial reporting control system.

In accordance with the applicable rules in such matters, the Board of Statutory Auditors verified the accuracy and suitability of the information contained in the documents making up the consolidated financial statements for the year ended on 31 December 2018, given that a legal audit of the accounts was delegated to the independent external auditing firm PriceWaterhouseCoopers S.p.A., which is responsible for issuing a specific report.

Our examination was carried out according to the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts and the indications provided by the Bank of Italy concerning corporate controls and the activities of the Board of Statutory Auditors of registered companies pursuant to TUB Article 107 in the special register of financial companies.

The Board of Statutory Auditors did not carry out any direct controls with regard to the financial statements of the investee companies, as this falls under the responsibility of the respective control bodies.

As in the previous report, the Board of Statutory Auditors recommends the implementation of structured and formalised intra-group procedures and the preparation of an accounting manual for the group. In this regard, it should be noted that a first version of the Group Accounting Manual has already been prepared and is being shared with the administrative contacts of the subsidiaries in order to reconcile the accounting differences between IFRS and OIC.

The Board of Statutory Auditors acknowledges that the Notes to the Financial Statements illustrate the consolidation principles and the applied assessment criteria.

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The documentation reviewed and the information obtained did not show deviations from the rules that govern the preparation of the consolidated financial statements. It should be noted that the Directors' Report contains adequate information on the activity performed and on the foreseeable evolution of business operations.
The Board of Statutory Auditors recommends that, in future, more information should be included for group companies other than Banca del Mezzogiorno, in the section of the Director's Report prepared pursuant to Article 123-*bis*, paragraph 2, point b) of the Testo unico delle disposizioni in materia di intermediazione finanziaria (TUF) [Italian Consolidated Law on Finance]. The Board of Statutory Auditors further acknowledges that a specific section of the Directors' Report that accompanies the consolidated financial statements contains the Non-Financial Statement pursuant to Italian Legislative Decree no. 254 of 2016, for which and, as of today, the required certificate of conformity has not yet been issued by the independent auditors.

Conclusions

As a result of the above, the Board of Statutory Auditors reserves the right to supplement this report as soon as the audit reports are made available, an additional report pursuant to Article 11 of Regulation 537/14 is given, as well as the certificate of conformity pursuant to Italian Legislative Decree no. 254/2016.
The Board of Statutory Auditors issues this report for the purposes of the law.

Rome, 12 July 2019
BOARD OF AUDITORS

Ivano Strizzolo	Chairman	[illegible signature]
Paola Noce	Statutory Auditor	[illegible signature]
Sofia Paternostro	Statutory Auditor	[illegible signature]

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Agenzia Nazionale per l'Attrazione degli Investimenti e

lo Sviluppo d'Impresa SpA

Registered office Rome, Italy - Share capital € 836,383,864.02 fully paid up - Listed in the Rome Business Register - tax code and VAT number 05678721001 - Economic Activity Register no. 910303 - Single-member company of the Italian Ministry of Economy and Finance.

AMENDMENTS TO THE STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AGENZIA NAZIONALE PER L'ATTRAZIONE DEGLI INVESTIMENTI E LO SVILUPPO D'IMPRESA SPA GROUP AS AT 31/12/2018

Dear Shareholder,

On 18 July 2019, the Board of Statutory Auditors received the Audit Report for the Consolidated Financial Statements as at 31 December 2018 of Invitalia SpA issued, on the same date, by the Independent Auditor PriceWaterHouseCoopers, together with the Consolidated Non-Financial Statement pursuant to Article 3, paragraph 10 of Italian Legislative Decree no. 254 of 2016 and Article 5 of the CONSOB Regulation approved with Resolution no. 20267/2018 and the Report pursuant to Article 11 of EU Regulation No. 537 of 2014.

The audit report acknowledges that:

- An audit of the consolidated financial statements of the Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo d'Impresa Spa Group has been performed, consisting of the balance sheet as at 31 December 2018, the comprehensive profit and loss account, the statement of changes in shareholders' equity, the cash flow statement for the year ended on that date and the notes to the financial statements which also include a summary of the most significant accounting principles applied. The consolidated financial statements provide a truthful and correct representation of the Group’s financial position at 31 December 2018 and of its financial result and cash flows for the year

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ended on that date, in accordance with the IFRS standards adapted by the European Union as well as the provisions issued, pursuant to Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136/2015.

In addition, the independent external auditor stated that:

“the Directors' Report and certain specific information contained in the Report on corporate governance and ownership structure are consistent with the Group’s consolidated financial statements as at 31 December 2018 and are prepared in compliance with the law."

With regard to the checks carried out on the consolidated financial statements, the Independent External Auditors did not report any anomalies to the Board of Statutory Auditors worthy of note.

Instead, in their report, they indicated the key aspects of the audit activity that were most significant in the consolidated financial statements for the year under review, which are reported here:

1) the implementation of the IFRS 9 "Financial instruments", which governs the classification and measurement of financial instruments, as well as the determination of the related impairment by Banca del Mezzogiorno-MedioCredito Centrale SpA;

2) assessment of the loans to customers from Banca del Mezzogiorno-MedioCredito Centrale Spa for loans valued at amortised cost;

3) assessment of non-current assets and groups of assets held for sale.

Conclusions

In the light of the foregoing and the information acquired over time by the Administration and the Independent Auditors, it is the opinion of the Board of Statutory Auditors that the consolidated financial statements, as a whole, correctly express the financial position and the economic result of the Group for the year ended 31 December 2018 in compliance with the rules governing the consolidated financial statements.

The Board of Statutory Auditors issues this report for the purposes of the law.

Rome, 22 July 2019

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BOARD OF AUDITORS

Ivano Strizzolo	Chairman	[illegible signature]
Paola Noce	Statutory Auditor	[illegible signature]
Sofia Paternostro	Statutory Auditor	[illegible signature]

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Independent Auditor's Report

pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27 January 2010 and to Article 10 of Regulation (EU) no. 537/2014

Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA

Consolidated financial statements at 31 December 2018

Independent Auditor's Report
pursuant to Article 14 of Italian Legislative Decree no. 39 dated 27 January 2010 and to Article 10 of Regulation (EU) no. 537/2014

To the Shareholder of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA

Report on the audit of the consolidated financial statements

Opinion

We performed an audit of the consolidated financial statements of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa Group (hereinafter also the Group), consisting of the balance sheet as at 31 December 2018, the comprehensive profit and loss account, the statement of changes in shareholders' equity, the cash flow statement for the year ended on that date and the notes to the financial statements, which also include a summary of the most significant accounting principles applied.

In our opinion, the consolidated financial statements provide a truthful and correct representation of the Group's financial position at 31 December 2018, of the financial result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adapted by the European Union, as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136/15.

Basis for the opinion

The audit was carried out in accordance with the international standards on auditing (ISA Italia). Our responsibilities under these standards are further described in the section "Independent Auditor's responsibility for the audit of the consolidated financial statements" of this report. We are an independent entity with respect to Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa Spa (hereinafter also "the Company" or "Invitalia"), in compliance with the rules and principles on ethics and independence applicable to the auditing of financial statements under the Italian legal system. We believe we have acquired sufficient and appropriate documentary evidence on which to base our opinion.

Key aspects of the audit

The key aspects of the audit are those that, in our professional opinion, were most significant in the audit of the consolidated financial statements for the year under review.

These aspects have been dealt with by us during the audit and in the formation of our opinion on the consolidated financial statements as a whole. Therefore, we do not express a separate opinion on these aspects.

Key aspects	*Auditing procedures in response to key aspects*
First application of IFRS 9 "Financial instruments" with reference to the subsidiary Banca del Mezzogiorno-MedioCredito Centrale SpA	
Notes to the Financial Statements: Part A Accounting policies - A.1 - Section 1 - "Accounting principles and interpretations applied as of 1 January 2018". As of 1 January 2018, Mediocredito Centrale SpA has adopted the accounting standard IFRS 9 "Financial instruments", which governs the classification and measurement of financial instruments, as well as the determination of impairment. IFRS 9 introduced new rules for the classification and measurement of financial assets that are based on the Business model used to manage the assets and on the characteristics of the related contractual cash flows (Solely Payment of Principal and Interest - SPPI) and, at the same time, for financial assets other than those measured at fair value, with a balancing entry in the profit and loss account, and for off-balance sheet exposures (guarantees and commitments), the new standard replaced the impairment model of IAS 39 based on Incurred loss, with an evaluation model based on Expected Credit Loss. It follows that IFRS 9, in addition to introducing significant changes to the classification and measurement criteria, determines significant operational impacts, requiring the use of new models, parameters, information and assumptions, resulting in a higher degree of professional judgement.	In performing the audit, we paid particular attention to understanding and evaluating the activities planned and carried out by the Bank for the implementation of the new accounting standard (including the changes made to the information systems), as well as the related governance and the set of control activities put in place by company management and control departments. In consideration of the fact that IFRS 9 was adopted from 1 January 2018, our audit procedures refer to the opening balances in order to verify the transition to the new principle. These procedures concerned, among other things, the assessment of compliance with IFRS 9 of the accounting decisions made, the verification of the accounting adjustments made and the information provided. With specific reference to the aspects of classification and measurement, our audit procedures, performed also with the support of the experts in our network, included, among other things: • understanding and critical analysis of the policies, procedures and solutions adopted by the Bank with reference to the relevant aspects (definition of the Business Models, analysis of contractual cash flows and valuation methods) in order to assess their compliance with the new accounting standard; • the verification of the completeness and accuracy of the new accounting categories based on the defined Business Models and the results of the analysis of the contractual cash flows (so-called SPPI tests);

For the reasons explained above, as well as in consideration of the significant accounting impacts recognised upon first-time adoption of IFRS 9, we have considered the same a key aspect of the audit of the consolidated financial statements as at December 31, 2018.	• independent verification of the SPPI test on a sample of financial assets. With reference to the new criteria for determining impairment, our audit procedures, performed also with the support of the experts in our network, included, among other things: • understanding and critical analysis of the new policies, methodologies and relevant assumptions underlying the implemented models in order to verify reasonableness, appropriateness and compliance with the accounting principle. This activity, in particular, concerned the methodologies and models adopted to measure the Significant Increase in Credit Risk (SICR) for the allocation of assets at various stages of risk (Staging), as well as those for determining the factors underlying the calculation of the expected credit loss (ECL); • verification of the SICR and ECL models and the methods for determining the main estimation parameters providing the data; • analysis aimed at verifying the correctness of the data provided for the aforementioned models, the calculation formulas and the correct determination of the main estimation parameters (Exposure at Default, Probability of Default and Loss Given Default); • verification of the correct implementation in the information systems of the defined estimation parameters, together with the verification of the completeness and accuracy of the databases used for the calculation of the expected loss; • for impaired loans (Stage 3), the analysis and verification of the reasonableness of the assumptions underlying the recovery assumptions defined; • critical analysis of the results of the verification performed by the competent internal departments and of any remedial actions taken.

We also verified the correct determination of the related deferred taxation together with the reasonableness of the assumptions underlying the relative recoverability.

Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2018.

Assessment of loans to customers for loans valued at amortised cost for the subsidiary Banca del Mezzogiorno- MedioCredito Centrale SpA

Notes to the financial statements: i) Part A Accounting policies
A.2 - Main financial statement items - "Financial assets valued at amortised cost".
ii) Part B - Information on the balance sheet - Section 4 - Financial assets valued at amortised cost - Item 40.
iii) Part C- Information on the profit or loss account
Section 8 - Net value adjustments/reversals for credit risk - Item 130
Part D - Information on risks and related hedging policies

Loans to customers claimed by Banca del Mezzogiorno – MedioCredito Centrale SpA classified under “Financial assets valued at amortised cost” as at 31 December 2018 amounted to € 1,430 million, corresponding to approximately 33% of total assets. The related net value of receivables adjusted for impairment according to the profit and loss account at 31 December 2018 amounted to € 26.8 million.

The value adjustments on loans to customers represent the best estimate, formulated by Bank and Group Management, in order to recognise the expected losses relative to the loan portfolio at the balance sheet date on the basis of the accounting principles applied. These adjustments are calculated on an analytical basis for individually significant impaired credit positions (Stage 3), and on a collective basis for all other positions grouped under homogeneous categories (Stages 1 and 2).

In performing the audit, we took into consideration the relevant internal control for the preparation of the financial statements in order to define the appropriate audit procedures for the circumstances. Specifically, in order to address this key aspect, we conducted an appraisal and assessment of the design of the relevant credit monitoring, classification and assessment controls and the verification of the operating effectiveness of these controls.

Taking into account the verifications conducted with reference to the first application of IFRS 9 and any further changes introduced during the year, careful attention was paid, also with the support of the experts in our network, to understanding and verifying the appropriateness of the policies, procedures and models used for the measurement of the SICR and for the Staging for the determination of the ECL, both on a collective basis and on an analytical basis, as well as the methods for determining and estimating the main parameters used in the models defined.

Specifically, for receivables classified as non-impaired (Stages 1 and Stage 2), in addition to verifying the correct application of the defined evaluation criterion, specific checks were performed in relation to the determination and application of the main estimation parameters in the models used, as well as the completeness and accuracy of the databases used to calculate the ECL.

Particular attention was paid to the valuation of these receivables in the context of our audit, taking into account the relevance of the book value and the changes introduced during the year to the estimation criteria following the application of the IFRS 9 accounting standard - "Financial instruments".
From a different viewpoint, the evaluation processes and methods are inevitably characterised by a high degree of professional judgement and require complex estimation processes of several variables. The use of significant assumptions specifically measures, in addition to verification of the SICR and the Staging, the determination of the hypotheses and the input data for the ECL models and, for the receivables under analytical evaluation (Stage 3), for the determination of expected future cash flows, the related times, and the realisable value of any guarantees.

We also selected a sample of receivables and verified the reasonable classification of non-impaired loans based on available information on the debtor's status and other useful information, including external data.

With reference to impaired loans (Stage 3), specific analyses were conducted on the reasonableness of the assumptions underlying the recovery hypotheses defined.

In particular, in order to assess the reasonableness of the conclusions reached by the directors regarding the assessment of loans, taking into account, moreover, their classification in the financial statements according to the categories provided for by applicable legislation on financial reporting and applicable regulations, we selected a sample of analytically evaluated impaired loans and verified the reasonableness of the assumptions made with reference to the identification and quantification of the future cash flows expected from the recovery activities, to the evaluation of the guarantees that assist these exposures and to the estimate of the recovery times.

Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2018.

Assessment of non-current assets and asset groups held for sale

Notes to the financial statements: i) Part A Accounting policies – A.2 – Part related to the main financial statement items – Non-current assets held for sale ii) Part B Information on the balance sheet – Section 11 – Non-current assets and groups of assets held for sale – Item 110

The item Non-current Assets and groups of assets held for sale as at 31 December 2018 amounted to approximately € 260 million (approximately € 181 million net of the Liabilities associated with assets held for sale), equal to approximately 6% of total assets. This amount includes parts of asset groups subject to disposal under the reorganisation plan drawn up in compliance with the 2007 Government Budget Law and the subsequent Directive of the Italian Ministry of Economic Development dated 27 March 2007 and the Invitalia 2017-2019 Business Plan approved by the Italian Ministry of Economy and Finance and the Ministry of Economic Development in December 2016.

As part of our audit activities, we performed the following main tasks, in order to address this key aspect, also with the support of evaluation experts belonging to the PwC network.

We conducted an appraisal and assessment of the procedures implemented by the Management for the determination of the fair value, net of sales costs, for the sale of the assets in question. For this operation the Management was also supported by external consultants who were experts in such appraisals.

We reviewed the hypotheses and assumptions underlying the appraisal models adopted by Management for the determination of the fair value of these assets net of sales costs.

We performed sensitivity analyses in relation to the significant assumptions adopted by the Management in the recoverability assessments described in the previous point.

These assets must be valued at the lower of their carrying amount and their fair value net of disposal costs. Therefore, in consideration of the significance of the amounts recorded in the financial statements and of the physiologically complex nature of the fair value estimation process, we paid particular attention to the analysis of these valuations.	We analysed the subsequent events and read the corporate books in order to identify any developments in the asset disposal procedures that may have warranted inclusion in the financial statements. Finally, we verified the disclosures included in the consolidated financial statements as at 31 December 2018.

Responsibilities of the directors and the Board of Statutory Auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that provide a truthful and correct representation in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for that part of internal control deemed necessary to allow the preparation of a financial statement that does not contain significant errors due to fraud or unintentional behaviour or events.

The directors are responsible for assessing the company's ability to continue operating as a going concern and, in the preparation of the financial statements, for the suitability of the going concern assumption, as well as providing adequate information on the matter. Directors adopt the going concern presumption in the drafting of the consolidated financial statements, unless they have assessed that the conditions exist for the liquidation of the parent company Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA or for the interruption of the activity or have no realistic alternatives to these choices. The Board of Statutory Auditors is responsible for supervising the process of preparing the Group's financial information, within the terms established by law.

The independent auditor's responsibility for auditing the consolidated financial statements

Our goal is to achieve reasonable assurance that the financial statements as a whole do not contain significant errors due to fraud or unintentional behaviour or events and to issue an audit report that includes our opinion. Reasonable assurance means a high level of assuredness which, however, does not guarantee that an audit carried out in accordance with international auditing standards (ISA Italia) will always identify a significant error, should it exist. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, can influence the economic decisions made by users on the basis of the consolidated financial statements.

During the audit conducted in accordance with international auditing standards (ISA Italia), we have exercised professional judgement and professional scepticism throughout the audit. Moreover:

- we have identified and assessed the risks of significant errors in the consolidated financial statement due to fraud or unintentional behaviour or events; we have defined and carried out audit procedures in response to these risks; we have acquired sufficient and appropriate audit evidence on which to base our opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional behaviour or events, since fraud can imply the existence of collusion, falsification, intentional omission, misleading representation or forced actions in the exercise of internal control;

- we appraised the internal control framework relevant for auditing purposes in order to define suitable audit procedures in the circumstances and not to express an opinion on the effectiveness of the Group's internal control;

- we assessed the appropriateness of the adopted accounting principles and the reasonableness of accounting estimates made by the directors, including the related disclosure;

- we have come to a conclusion on the applicability of the directors' going concern assumption and, based on the audit evidence, on the possible existence of significant uncertainty regarding events or circumstances which may give rise to significant doubts about the Group's ability to continue operating as a going concern. In the presence of significant uncertainty, it is our duty to call attention to the related financial statement disclosures in the audit report or, if such disclosures prove to be inadequate, to reflect this fact in the formulation of our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;

- we have assessed the presentation, the structure and the content of the consolidated financial statements as a whole, including the report, and whether the consolidated financial statements represent the underlying transactions and events in order to provide a correct representation;

- we have obtained sufficient and appropriate audit evidence on the financial information of the companies or of the various economic activities carried out within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and execution of the Group's financial audit. We are exclusively responsible for the audit opinion on the consolidated financial statements.

We have notified the people in charge of corporate governance, identified at an appropriate level as required by ISA Italia standards, concerning, among other aspects, the audit's scope and timing schedules and the significant results which emerged, including any significant internal control defects identified in the course of the audit.

We have also provided the governance supervisors with a statement, confirming that we have complied with the rules and principles on ethics and independence applicable in the Italian legal system and that we have notified them of any situation that may reasonably have an effect on our independence and, where applicable, the relevant safeguard measures adopted.

Among the aspects reported to the governance supervisors, we identified those that were most relevant to the financial audit for the year in question, which therefore constituted the key aspects of the audit itself. We have described these aspects in the audit report.

Other information disclosed pursuant to Article 10 of Regulation (EU) 537/2014

On 13 July 2011, the shareholders' meeting of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA conferred on us the task of auditing the Company's financial statements for the financial years from 2011 to 2019.

We declare that no services other than those pertinent to auditing, which are forbidden pursuant to Article 5. par.1 of Regulation (EU) 537/2014, have been provided and that we have remained independent of the Company in the performance of the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is in line with what is indicated in the supplementary report to the Board of Statutory Auditors in its function as the internal control and auditing committee, prepared pursuant to Article 11 of the aforementioned Regulation.

Report on other legal and regulatory provisions

Opinion pursuant to Article 14, para. 2, point (e) of Italian Legislative Decree 39/2010 and Article 123-bis, para. 4 of Italian Legislative Decree 58/1998

The directors of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA are responsible for the preparation of the directors' report and the report on corporate governance and ownership structure of Invitalia as at 31 December 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures indicated in the SA Italia auditing standard no. 720B in order to express an opinion on the consistency of the management report and some specific information contained in the report on corporate governance and ownership structure indicated in Article 123-*bis*, para. 4 of Italian Legislative Decree 58/1998, with the consolidated financial statements of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa as at 31 December 2018 and their compliance with the law, as well as to issue a declaration on any significant errors.

In our opinion, the directors' report and certain specific information contained in the aforementioned corporate governance and ownership structure report are consistent with the consolidated financial statements of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa as at 31 December 2018 and are drafted in accordance with the law.

With reference to the declaration referenced in Article 14, para. 2, point e of Italian Legislative Decree 39/2010, issued on the basis of the knowledge and understanding of the company and the relative context acquired during the audit, we have nothing to report.

Declaration pursuant to Article 4 of the Consob Regulation implementing Italian Legislative Decree no. 254 of 30 December 2016

The directors of Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa SpA are responsible for the preparation of the non-financial statement pursuant to Italian Legislative Decree no. 254 of 30 December 2016.

We verified the approval of the Non-Financial Statement by the Directors.

Pursuant to Article 3, para.10 of Italian Legislative Decree no. 254 of 30 December 2016, this declaration is the subject of a separate certificate of conformity on our part.

Rome, 18 July 2019

PricewaterhouseCoopers SpA

Luca Bonvino
(Revisore legale)

INVITALIA

**Agenzia Nazionale per l'Attrazione
degli Investimenti
e lo Sviluppo d'Impresa S.p.A.**

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